

ATLAS COPCO AB

(incorporated with limited liability in the Kingdom of Sweden)

U.S.\$3,000,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority (the “FCA”), in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC, (as amended, including by Directive 2010/73/EU) and as implemented by any relevant implementing measures in the United Kingdom (the “Prospectus Directive”), as a base prospectus in compliance with the Prospectus Directive for the purpose of giving information with regard to the issue of notes (“Notes”) under the Euro Medium Term Note Programme (the “Programme”) described in this Base Prospectus during the period of twelve months after the date hereof. Applications have been made for such Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the “London Stock Exchange”). The London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, “MiFID II”).

Notes may only be issued under the Programme that have a denomination of at least EUR 100,000 (or its equivalent in any other currency).

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of Atlas Copco AB (the “Issuer” or “Atlas Copco”) to fulfil its obligations under the Notes are discussed under “Risk Factors” beginning on page 5.

Standard and Poor’s Credit Market Services Europe Limited (“S&P”) and Fitch Ratings Ltd. (“Fitch”) have each issued credit ratings of the Issuer and the Programme. S&P and Fitch are established in the European Union (“EU”) and registered under the CRA Regulation (as defined below). Tranches (each, a “Tranche”) of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme and the applicable rating(s) will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under regulation (EU) no 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on Credit Rating Agencies (the “CRA Regulation”) unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused. A rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Amounts payable on Floating Rate Notes will be calculated by reference to LIBOR, EURIBOR or STIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrator of LIBOR is included in ESMA’s register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the “Benchmarks Regulation”); the administrators of EURIBOR and STIBOR are not included in ESMA’s register of administrators. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that European Money Markets Institute (as administrator of EURIBOR) and the Swedish Banker’s Association (as administrator of STIBOR) are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

Arranger

Citigroup

Dealers

Bank of China

Citigroup

Deutsche Bank

Nordea

BNP PARIBAS

Danske Bank

**Handelsbanken Capital
Markets**

SEB

The date of this Base Prospectus is 18 September 2018.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Conditions**”) as supplemented by a document specific to such Tranche called final terms (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”) as described under “*Final Terms and Drawdown Prospectuses*” below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under “*Subscription and Sale*” below that this Base Prospectus contains all information which is (in the context of the Programme, the issue and offering of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and offering of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Arranger nor the Dealers nor any of their respective affiliates have independently verified the information contained herein or authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or to the fullest extent permitted by law accepts any responsibility as to the content, accuracy or completeness of the information contained in this Base Prospectus or any other statement, made or purported to be made by the Arranger or the Dealers or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) or with any securities regulatory authority of any State or other jurisdiction of the United States. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S. Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons (as defined in the U.S. Internal Revenue code of 1986, as amended (the “**Code**”) and the U.S. Treasury regulations thereunder.

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION. ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of

this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be converted into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “*Subscription and Sale*”.

In this Base Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area (“**EEA**”), references to a “**Relevant Member State**” are references to a Member State which has implemented the Prospectus Directive, references to “**U.S.\$**”, “**U.S. dollars**” or “**dollars**” are to United States dollars, references to “**EUR**” or “**euro**” or “**€**” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to “**SEK**” or “**Kronor**” are to Swedish Kronor.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain Financial Information: To supplement its financial statements presented in accordance with International Financial Reporting Standards (“**IFRS**”), the Issuer uses certain ratios and measures included in this Base Prospectus that would be considered Alternative Performance Measures (“**APMs**”). These APMs are not based on financial statements standards and should not be considered as a substitute for financial information presented in compliance with IFRS. The Issuer believes that these APMs provide meaningful supplemental information by excluding items that may not be indicative of the operating result, financial position or cash flows of the Issuer. APMs enhance comparability from period to period and are frequently used by analysts, investors and other parties. However, undue reliance should not be placed on the APMs presented in this Base Prospectus. The Issuer has chosen to present APMs in accordance with the guidance by ESMA in separate appendices. See “*Documents incorporated by reference*”.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its own particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal

or interest payments is different from the currency in which such investor's financial activities are principally denominated;

- (iv) thoroughly understand the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield by an understood, measured, appropriate addition of risk to the investors' overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effect on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II Product Governance / Target Market – The Final Terms in respect of any Notes will include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements. The words “anticipate”, “believe”, “expect”, “plan”, “intend”, “aims”, “estimate”, “will”, “would”, “may”, “could” and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which it expects to operate in the future. Any forward-looking statements made by or on behalf of the Issuer speak only as at the date they are made. The Issuer does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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OVERVIEW

This overview must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference.

Words and expressions defined in the “Conditions” below or elsewhere in this Base Prospectus have the same meanings in this overview.

Issuer:	Atlas Copco AB.
Issuer Legal Entity Identifier:	213800T8PC8Q4FYJZR07
Arranger:	Citigroup Global Markets Limited.
Dealers:	Bank of China Limited, London Branch, BNP Paribas, Citigroup Global Markets Limited, Danske Bank A/S, Deutsche Bank AG, London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	Deutsche Bank AG, London Branch.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes will be the Conditions as supplemented by the relevant Final Terms or, as the case may be, set out in the relevant Drawdown Prospectus.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the London Stock Exchange.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
Forms of Notes:	Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Bearer Note which is not intended to be issued in a new global note form (a “CGN”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Bearer Note which is intended to be issued in new global note form (a “New Global Note” or “NGN”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies:	Notes may be denominated in U.S. dollars, euro or Kronor or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Status of the Notes:	Notes will be issued on an unsubordinated basis.
Substitution:	The terms of the Notes permit the substitution of the Issuer, without the consent of Noteholders, for a subsidiary of the Issuer as principal debtor in respect of any Series of Notes issued under the Programme, subject to satisfaction of the conditions as described in “ <i>Terms and Conditions of the Notes—Substitution</i> ”.
Issue Price:	Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Maturities:	Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of GBP 100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“ <i>FSMA</i> ”) by the Issuer.
Redemption:	Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
Tax Redemption:	Except as described in “— <i>Optional Redemption</i> ” above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (<i>Redemption and Purchase—Redemption for tax reasons</i>).
Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	No Notes may be issued under the Programme which (a) have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes may be issued under the Programme in minimum Specified Denominations and one or more higher integral multiples of another smaller amount.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 5(a) (<i>Certain Covenants—Negative Pledge</i>).
Cross Default:	The Notes will have the benefit of a cross default as described in Condition 12 (<i>Events of Default</i>).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of the Kingdom of Sweden unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 11 (<i>Taxation</i>)) pay such additional

amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

Governing Law: English law.

Ratings:..... S&P has assigned the Issuer a long-term rating of “A+” and a short-term rating of “A”. Fitch has assigned the Issuer a long-term issuer default rating of “A+” and a short-term rating of “F1”.

S&P has assigned a long-term issue credit rating of “A+” to the Programme. Fitch has assigned a rating of “A+” to the Programme.

S&P and Fitch are established in the EU and registered under the CRA Regulation. Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme and, the applicable rating(s) will be specified in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the EU before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused.

A rating is not a recommendation to buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Enforcement of Notes in

Global Form: In the case of Global Notes, individual investors’ rights against the Issuer will be governed by a Deed of Covenant dated 19 August 2016 a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Selling Restrictions: For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Kingdom of Sweden and Belgium, see “*Subscription and Sale*”.

RISK FACTORS

The management of the Issuer believes that the following factors may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies, which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. The management of the Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

By investing in any Notes issued under the Programme, investors risk losing part or all of their investment.

Factors that May Affect the Issuer's Ability to Fulfil its Obligations under Notes Issued under the Programme

The Group's products are used in industries, which are either cyclical or affected by general economic conditions.

The demand for the Group's products and services is affected by changes in customers' investment plans and production levels. Customers' investment plans could change materially in the case of a widespread financial crisis and economic downturn, such as the one experienced in 2008–2009, or in the case of an economic downturn in a particular industry, country or region. Financial crises or economic downturns may also have an impact on customers' ability to finance their investments. In addition, changes in the political situation in a region or country or political decisions affecting an industry or country could also materially impact investments in equipment. Reduced replacement needs of existing production capacity, new competing technologies, competitive pressures and other economic factors in its customer industries could also have a material adverse effect on the Group's business, results of operations and financial condition. Although the Issuer believes that the Group's sales are well diversified adverse developments involving global or regional political, economic and financial factors discussed herein could have a material adverse effect on the Group's business, results of operations and financial condition.

If the Group fails to develop, launch and market new products, respond to technological development or compete effectively, its business and revenues may suffer.

The Group's long-term growth and profitability are dependent on its ability to develop and successfully launch and market new products. The Group's revenues and market share may suffer if it is unable to successfully introduce new products in a timely fashion or if new or enhanced products or services are introduced by its competitors that its customers find more advanced and/or better suited to their needs. While the Group continuously invests in research and development to develop products in line with customer demand and expectations, if it is not able to keep pace with product development and technological advances, including shifts in technology in the markets in which it operates, or to meet customer demands, this could have a material adverse effect on the Group's business, results of operations and financial condition.

The markets for the Group's products are competitive in terms of pricing, product design and service quality, the timing of development and introduction of new products, customer service and financing terms. The Group faces competition from significant competitors and to a lesser extent from small regional companies. If the Group does not compete successfully in all of its business areas and does not anticipate and respond to changes in market demands, including for new products, it will not be able to compete successfully in its markets, which could have a material adverse effect on its business, results of operations and financial condition. One of the challenges in this respect will be to continuously develop innovative, sustainable products that consume less resources, such as energy, water, steel and human effort, over the entire life cycle of the product. Product development efforts also reflect national and regional legislation, including in the United States and the EU, on issues such as emissions, noise, vibrations and recycling.

The planning and implementation of the Group's business operations seeks to take into account market opportunities and opportunities to acquire new businesses. The Group's long-term development is affected by business development risks that are related to unanticipated changes in market situations and the introduction of new products. Any failure in the Group's business development could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to fluctuations in prices of certain raw materials and components in its production and it relies on third party suppliers.

The Group is exposed to component and raw material prices, some of which are volatile and subject to fluctuations arising from changes in supply and demand, economic conditions, labour costs, competition, market speculation, government regulation and trade policies. The Group is, for example, dependent on steel, copper, electronic components, machining and drivetrain for its manufacturing and the Group's financial performance is therefore influenced by fluctuations in prices

of said components and materials. The Group may have a limited ability to control the timing and amount of changes to prices that it pays for components and raw materials and the Group may be unable to increase its prices in sufficient time to absorb increasing prices. A delay or failure in the Group's ability to pass on price increases to its customers could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's products consist of components and raw materials from several different suppliers. To be able to manufacture, sell and deliver its products, the Group is dependent on deliveries from its suppliers in accordance with agreed requirements, such as quantity, quality and time of delivery. Suppliers' incorrect deliveries or failure to fulfil agreed deliveries could cause delays or failures in the Group's deliveries, which in turn may cause reduced sales and a decline in customer confidence. Further, the Group has several long-lasting relationships with suppliers. If a supplier is unable or unwilling to continue to make deliveries to the Group, its products do not meet the Group's requirements with respect to quality, price or other standards, or should a supplier terminate its operations, the Group may not be able to identify and develop a suitable relationship with a new supplier who can satisfy the Group's standards in terms of quality and price and the Group's need to access products and supplies in a timely and efficient manner. In addition, supply interruptions could arise from shortages of raw materials, labour disputes (involving the Group's employees or consultants as well as the employees or consultants of the Group's partners), weather conditions affecting products or shipments, transportation disruptions or other factors beyond the Group's control. In addition, a steep ramp up of customer demand may impact the Group's suppliers' ability to meet the increased demand, in particular if the Group fails to provide its suppliers with sufficient information and the right conditions in order to manage swift changes in volumes. The loss of, or a substantial decrease in the availability of, products from the Group's suppliers, the loss of key suppliers, or a failure by suppliers to continue to supply the Group with components and raw materials, in sufficient quantities, in a timely manner or on commercially reasonable terms could put pressure on the Group's operating margins and could have a material adverse effect on the Group's business, results of operations and financial condition.

If the Group's manufacturing and production facilities are damaged, destroyed or closed for any reason, its ability to distribute its products will be significantly affected.

The Group has a global manufacturing strategy based on manufacturing core components complemented with sourcing of other components from suppliers. The core component manufacturing is concentrated into few locations and if these facilities are destroyed or closed for any reason, or the equipment in the facilities is significantly damaged, or there are severe interruptions in its productions, the Group is likely to face setbacks in its ability to manufacture and distribute its products. Such circumstances, to the extent it is unable to find an alternative manufacturing and production facility or repair the damaged facilities or damaged equipment in a timely and cost-efficient manner, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on the efficiency of its distribution centres and its customer centres' sales and service organisation.

The Group distributes its products and services directly to the end customers, but also through distributors and rental companies. The bulk of the physical distribution of products passes through distribution centres owned by Atlas Copco. Should the distribution centres not be efficient or be subject to disruptions, it could have a material adverse effect on the Group's revenues and results of operations.

The customer centres in each market are typically responsible for contacts with the end customers as well as the delivery of service to them. Should the customer centres' sales and service organisation not be able to successfully sell products and perform service, or be subject to disruptions, it could have an adverse effect on the Group's revenues and results of operations. Furthermore, some sales are made indirectly through distributors and rental companies, and disruptions or failures by distributors or rental companies to successfully sell products and perform service could have an adverse effect on the Group's revenues and results of operations.

Any difficulties the Group encounters relating to the integration of recent or future acquisitions could have a material adverse effect on the Group's business, results of operations and financial condition.

The Issuer expects the Group's growth to be primarily organic. From time to time, the Group evaluates acquisitions in the core areas of its business to complement its existing technology and product portfolio, to gain access to new markets, for strategic reasons, and to create synergies. Consequently, it has acquired several new businesses every year and it intends to continue to acquire businesses that it believes fit its long-term strategy. The process of coordinating and integrating acquired businesses with the Group's own business, and making them operate as one business within the Group, has required and will continue to require managerial and financial resources. In addition, the integration process could also cause the interruption to, or a loss of momentum in, the activities of its business, which could have a material adverse effect on the Group's operations.

The management of integration of the businesses, systems and culture of any acquired business requires, among other things, the continued development of its financial and management controls, including the integration of information systems and structure, the integration of product offerings and customer base and the training of new personnel, any of

which could disrupt and place a strain on the Group's management resources as well as require significant expenditure. Any significant diversion of the Issuer's executive management's attention and other resources or any major difficulties encountered in the integration of an acquired business could have a material adverse effect on the Group's business, results of operations and financial condition.

In agreeing to acquire new businesses, the Issuer makes certain assumptions and determinations on, among other things, future sales and need for capital expenditures, based on its investigation of the respective businesses and other information then available. While the Issuer believes it is well positioned to assess the opportunities and risks associated with these acquisitions, the Issuer cannot provide assurance that its assumptions and determinations will prove to be correct and liabilities, contingencies or losses, if realised, could have a material adverse effect on the Group's business, results of operations and financial condition.

Should the current credit market conditions deteriorate, the Group could encounter difficulty in repaying its debts and financing its operations.

The Group's ability to finance its operations depends on a number of factors, such as the availability of cash flows from operations and access to additional debt and equity financing, and there can be no assurance that such funds will be available. In addition, adverse developments in the credit markets, as well as other future adverse developments, such as a deterioration of the overall financial markets and a worsening of general economic conditions, may negatively impact the Group's ability to borrow additional funds as well as the cost and other terms of funding. Increases in market interest rates would increase the Group's net interest cost. The failure to obtain sufficient funding for operations or the increased costs or unfavourable terms of financing could have a material adverse effect on the Group's business, results of operations and financial condition. Further, difficulties the Group may encounter in financing its capital investments may prevent the realisation of its strategic plans and could result in the Group having to forego opportunities that may arise in the future. This could, in turn, have a negative impact on the Group's competitive position.

The Group is exposed to risk of currency fluctuation.

The Group sells its products in over 180 countries, and, consequently, it records both cost and revenues in a variety of foreign currencies. The Group incurs foreign currency transaction risk because its operating costs are primarily in euro, while a significant portion of its sales are denominated in currencies other than the euro, principally the U.S. dollar. The value of the U.S. dollar weakened against the euro in 2017, but has strengthened during the first six months of 2018. The Group's business areas seek to respond to exchange rate movements that affect their operating environments. The Group decides from time to time if parts of any transaction exposure should be hedged. However, there has historically been limited hedging and there can be no assurance that any hedging measures will shield the Group from significant foreign risk exposure and consequent risks. Accordingly, there is a risk that significant movements in currency exchange rates will have a material adverse effect on the Group's business, results of operations and financial condition.

The Issuer also incurs foreign currency translation risk to the extent that its subsidiaries' assets, liabilities, revenues and expenses are recorded in currencies other than the Swedish krona. The main currency, besides the Swedish krona, in which the Group has assets is the euro. The Group's practice is to reduce foreign currency translation risks through loans in currencies where it has assets. In order to prepare its consolidated financial statements, the Issuer must translate those assets, liabilities, revenues and expenses into Swedish krona at then-applicable exchange rates. Consequently, increases and decreases in the value of the Swedish krona versus other currencies will affect the amount of these items in its consolidated financial statements, even if their value has not changed in their original currency. These translations could significantly impact the Group's Other Comprehensive Income and book value of Equity.

Uncertain economic conditions may increase payment problems for the Group's customers to whom sales are made on credit.

During periods of economic uncertainty, the Group's customers may experience financial difficulties and have difficulty in making payments to the Group. Although stringent credit policies are applied, the Group is exposed to the risk that its customers may not be able to fulfil their payment obligations and payment of trade receivables may be delayed or may never occur.

The Group's operating results depend on its good reputation.

The Group's reputation is a valuable asset which can be affected in part through the operation or actions of the Group and in part through the actions of external stakeholders. Although the Group seeks to avoid actions that could pose a risk to the Group's good reputation, and takes numerous measures to ensure its reputation is maintained, the Group's reputation may be affected by a number of factors outside the Group's control, such as changes in customer preferences and customer perception.

In addition, the Group's customers may be involved in questionable practices or exposed to problems concerning environmental and human rights issues, which may taint the good reputation of the Group. Risks to the Group's reputation

may also arise from the relationship with suppliers not complying with internationally accepted ethical, social, and environmental standards. Although supplier evaluations are regularly conducted in accordance with a checklist based on the United Nations Global Compact, there is no guarantee that the Group's customers will abide by internationally accepted standards and practices in all cases.

The Group's governance, internal controls and compliance processes could fail to prevent regulatory penalties, reputational harm and fraud, both at operating subsidiaries and joint ventures.

The Group operates in a global environment, and its activities straddle multiple jurisdictions and complex regulatory frameworks at a time of increased enforcement activity and enforcement initiatives worldwide in areas such as competition law and anti-corruption. The Group's governance and compliance processes attempt to but may not prevent breaches of law or governance standards at the Issuer or its subsidiaries. The Group also faces the risk of fraud or other illegal acts by its employees as well as violations at subsidiaries and other companies in which the Group has an interest, particularly if the Group has only a minority stake and does not control accounting and conduct or other rules and protocols for the conduct of business. The Group's failure to comply with applicable laws and other standards could subject it to fines, loss of operating licenses and reputational harm. Effective internal controls are necessary for the Group to provide reliable financial reports and effectively prevent and detect fraud. If the Group cannot provide reliable financial reports or prevent fraud, it could have a material adverse effect on the Issuer's and the Group's financial results. Additionally, at the operational level, individual employees may not comply with the Group's policies and guidelines and as a result may cause the Group to incur compliance costs and incur reputational damage. Inadequate internal controls could also cause investors and other third parties to lose confidence in the Group's reported financial information, which could have a material adverse effect on the Group's business, results of operations and financial condition. Furthermore, estimations often form a large portion of the Group's reported sustainability data, and thus by its nature, the reported information may not be precise representations of the Group's impact. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

Environmental compliance.

Like most industrial companies, the Group affects the environment in its production processes, through the use of natural resources, and the generation of emissions and wastes, in the distribution of, as well as in the use and final disposal of its products. Compliance with environmental requirements is a significant factor in its operations, and substantial resources are required to maintain compliance with applicable environmental laws and regulations and to manage environmental risks. The Group is subject to a variety of environmental laws and regulations, in particular in relation to air emissions, waste management and the protection of natural resources. These laws and regulations, the violations of which can lead to substantial fines, injunctions or criminal penalties, have generally become stricter in recent years and may in the future become more stringent and the cost of complying with future changes may be substantial. In addition, the Group could also become subject to liabilities and claims relating to personal injury (including exposure to substances used in its production), property damage or damage to natural resources.

Although the Issuer believes that the Group is in material compliance with applicable environmental laws, substantial environmental costs and liabilities are inherent in industrial operations and there can be no assurances that substantial costs and liabilities will not be incurred in the future or that the adoption of increasingly strict environmental laws, regulations and enforcement policies will not result in increased costs and liabilities in the future. Any such costs and/or liabilities could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to health and safety laws and regulations.

The Group is subject to a broad range of health and safety laws and regulations in the jurisdictions in which it operates. Health and safety laws and regulations are becoming increasingly stringent and the protection standards to which the Group must adhere are becoming more rigorous. The cost of complying with, and the liabilities and the potential sanctions imposed pursuant to breaches of, applicable health and safety laws and regulations could be significant on a Group level. Non-compliance could result in civil and criminal sanctions, loss or suspension of permits, temporary or permanent closure of operations, lawsuits and other claims by third parties (including liability for personal injury and property damage). Increased compliance costs, or a failure to adhere to increasingly demanding safety and health standards, could have a material adverse effect on the Group's business, financial condition and results of operations.

If the Group is unable to protect its intellectual property, the value of its technology and products could be adversely affected.

The Group's intellectual property is important to its business. In particular, the Group's portfolio of brand names, which are an integral part of its strategy. While the Group has sought to protect its trademarks by registration in each of the countries in which it has deemed it to be commercially reasonable, there can be no assurances that the Group's actions are or will be sufficient to protect its intellectual property. The Issuer cannot give any assurance that its competitors do not seek to utilise its trademarks and logos when they market their products thereby infringing or challenging its intellectual

property rights. In addition, existing laws of some countries in which it conducts business may offer only limited protection of its intellectual property rights, if at all. If the Group's intellectual property and in particular its registered trademarks cannot be protected, for whatever reason, the Group's business could be materially and adversely affected.

Impairment of goodwill or other intangible assets impairments could adversely affect the Group.

The valuation of goodwill and other intangible assets on the Group's consolidated balance sheet is, to a significant degree, based on the Group's management's projections of future cash flows using internal business plans and forecasts. The Group tests for impairment of goodwill as of 30 September each year and whenever there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount (*i.e.*, the greater of the fair value less costs to sell and the value in use). Impairments of goodwill or other intangible assets, including as a result of changes in assumptions used to test impairment, could have a material adverse effect on the Group's results of operations and financial condition.

The Group may be exposed to product liability and warranty claims.

The manufacture and sale of products to be used in the various industries in which the Group operates poses the potential for warranty claims and product liability. While the Group tests its products and raw materials to ensure that they meet the relevant specifications and regulations, it may be subject to product and warranty liability claims. While the Issuer believes that testing of the Group's products is adequate and that the Group's products comply with all relevant safety regulations, the Issuer cannot provide assurance that product liability or warranty liability will not arise despite the measures the Group takes to ensure that its products are safe and meet applicable safety specifications and regulations.

In addition, the Group also relies on its customers and other third parties to use its products according to the products' design. Although it is unlikely that the Group would be held liable for damages resulting from improper use by a third party, its brand name and image could be harmed from such occurrence.

The Group's insurance policies may provide insufficient protection.

The Group's insurance programmes cover, *inter alia*, property and business interruptions insurance, product liability insurance, cargo insurance, financial lines insurance, business travel insurance and specialty risk insurance, to the extent and for amounts considered to be in line with industry practice. However, the Group is not fully insured against all possible risks and insurance coverage for all types of risks may not be available, at a reasonable cost or at all. Hence, if an accident were to occur causing damage in excess of the applicable insurance limits or not covered by insurance, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to attract and retain key personnel or skilled employees.

The success of the Group's business and its growth strategy depend in large part on the ability to attract and retain key management and operating personnel. The Group's future growth and ultimately its success depends on its ability to hire and retain qualified personnel with the level of expertise, knowledge of its products or industry necessary to conduct its operations. Given that the Group constantly needs to introduce new or enhanced products, it is important that it is able to attract people with sufficient expertise in its product areas, particularly its research and development organisations. The Group continuously monitors its need to employ people or outsource certain parts of its non-core manufacturing in order to make sure it can fulfil its customers' orders. If the Group fails to monitor its need for additional employees or if it fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms it may not be able to sustain or further develop parts of its business. In addition, accidents or incidents at the workplace due to the lack of the application of proper safety measures, or other events that cause dissatisfaction among employees, could negatively affect productivity and the Group's reputation as an employer.

Work stoppages or strikes could adversely affect the Group's business.

Many of the Group's employees are covered by collective bargaining agreements. The Issuer cannot provide any assurance that it will not encounter strikes or other disturbances occasioned by its unionised labour force, or that, upon the expiration of existing agreements, it will be able to reach new collective bargaining agreements on satisfactory terms or without work stoppages, strikes or similar industrial actions. Unsatisfactory terms of any bargaining agreements could cause the Group's labour costs to increase, which would affect its profit margins negatively. In addition, it is required to consult and seek the advice of its employee works' council in respect of a broad range of matters, which could delay or prevent the completion of certain corporate transactions. The Issuer cannot provide any assurance that it will not experience lengthier consultations or even strikes, work stoppages or other industrial actions in the future. Any industrial action could disrupt its operations, possibly for a significant period of time, and result in increased wages and benefits or otherwise have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be required to pay additional taxes as a result of tax audits and potential reassessments.

Due to the international nature of its business, the Group is subject to the tax laws and regulations in the jurisdictions where the Group operates. One example is transfer pricing rules. Pursuant to such rules, related enterprises must conduct any inter-company transactions on an arm's length basis and must provide sufficient documentation thereof, subject to the applicable rules of the relevant jurisdiction. Tax authorities may challenge the Group's compliance with applicable transfer pricing rules. In addition, the Group faces the risk of increased taxes due to the implementation of new tax rules or regulations. The Group is also regularly subject to local tax investigations initiated by local tax authorities and faces the risk that tax authorities or other regulators have different interpretations of tax legislation than the Group.

In the separation of Epiroc AB's ("Epiroc") business from the Group, the Group and its tax advisers have made certain assessments in regard to tax effects pertaining to the carve-out. There is a risk that national tax authorities or regulators in the jurisdictions in which the Group operates challenge the Group's and its tax advisers' interpretation of the relevant tax laws and regulations. Should such risks materialise, this could result in supplementary taxation and fines for the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to competition and antitrust laws and inspections.

The Group is active in a large number of jurisdictions and its operations are subject to a wide range of competition and antitrust laws, rules and regulations. In general, these laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. There is a risk that the Group's employees, in violation of the Group's policies and instructions, engage in discussions, transactions or in any other way interact with competitors or customers in breach of applicable competition and antitrust laws, any of which actions could cause the Group to incur civil or criminal liability, reputational damage and could result in loss of customer confidence. The Group may become subject to inspections, investigations and/or proceedings by national and supranational competition and antitrust authorities for alleged infringements of competition or antitrust laws. Fines and damages claims for competition and antitrust infringements can be significant and, if successfully levied or successfully claimed, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to regulatory and additional risks associated with international operations.

The Group sells its products in over 180 countries, with the majority of its products originating from countries in Western Europe. Changes in regulatory requirements, tariffs and other trade barriers, price or exchange controls or other governmental policies in the countries in which it conducts business may result in risks, such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain, (ii) a higher degree of discretion on the part of governmental authorities, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations and decrees, or (v) relative inexperience of the judiciary and courts in such matters. Also, the protection of intellectual property rights may be less developed and less strictly enforced in these countries. There can be no assurance that the Group's licenses, license applications or other legal arrangements or the effectiveness of the enforcement thereof will not be adversely affected by the actions of government authorities or others. In addition, the uncertainty of the legal environment in certain regions could limit the Group's ability to enforce its rights under contracts or otherwise.

The Group also has extensive operations in emerging markets, including China, India, South America, the Middle East, Africa, Russia and other former CIS countries. Its business operations in these countries may be subject to various political, economic and social conditions and risks which include nationalisation of assets, social, political or economic instability, volatility in currency exchange rates and in gross domestic product or restrictions on repatriation of profits and transfers of cash any of which could have a material adverse effect on the Group's business, results of operations and financial condition. Operations in emerging markets may present risks that are not encountered in countries with well-established economic and political systems, including economic instability, which could make it difficult for the Group to anticipate future business conditions in these markets. In addition, new competitors continuously appear in developing markets, which may negatively affect the Group.

The Group's IT systems may experience disruptions or faults and the Group may encounter problems relating to storage and processing of personal data.

The Group relies on IT systems in its day-to-day operations. The Group's IT systems may be damaged or interrupted by increases in usage, human error, natural hazards or disasters or similarly disruptive events. Any disruptions to the Group's IT systems could directly affect production and lead to significant costs and disruptions that could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, cyber threats and other security threats could exploit possible weaknesses in the Group's IT systems and security controls, which could result in leakage of sensitive information, theft of intellectual property, production outage or damage to the Group's reputation.

The Group is also exposed to the risk that the customer data, including personal data, which it processes could be wrongfully accessed, distributed or used, whether by employees or third parties, or otherwise lost, disclosed or processed in breach of data protection laws and regulations. If the Group or any of the third-party service providers on which it relies fails to process, store or protect such customer data in a secure and lawful manner, or if any such theft or loss of personal data were otherwise to occur, the Group could face liability under data protection laws and regulations. This could also result in damage to the Group's brands and reputation as well as the loss of existing or new business, any of which could have a material adverse effect on the Group's business, results of operations and financial condition. Additionally, the rules and regulations regarding processing of personal data are becoming increasingly rigid. In a large number of European jurisdictions, the Group is affected by changes to the regulatory environment resulting from the new General Data Protection Regulation 2016/679 ("GDPR"), which entered into force on 25 May 2018 as the Group processes different types of personal data, such as for instance information regarding contact persons at customers and suppliers as well as information regarding employees. Non-compliance with applicable data protection legislation could, for example, result in sanctions from the relevant authorities and damages having to be paid to affected registered persons. As the GDPR has entered into force, the level of fines for breach of data protection rules includes fines of up to four per cent. of a groups' annual turnover, or EUR 20,000,000, whichever is higher. Further, ensuring compliance with the GDPR may result in costs for amending processes and IT systems. In addition to increased compliance costs and the threat of more severe sanctions in the event of non-compliance, the regulatory changes may prevent the Group from analysing customer needs and behaviours, which could affect the Group's ability to develop new products in line with customer demands and maintaining a well-functioning service organisation. Such a development could have a material adverse effect on the Group's business, results of operations and financial condition.

Climate change and other environmental risks could adversely affect the Group.

The primary drivers for external environmental risk are from physical changes in climate and natural resources, changes in regulations, taxes and resource prices. Physical risks from climate change include changes in weather conditions, such as an increase in changes in precipitation and extreme weather events, any of which could disrupt the Group's operations. Climate change and other environmental risks could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may become subject to legislation and regulation regarding climate change, and compliance with any new rules could be difficult or costly to comply with. Concerned parties, such as legislators and regulators, shareholders and non-governmental organisations, as well as companies in many business sectors, are considering ways to reduce greenhouse gas emissions, including increasing energy and fuel taxes. Various governmental and local regulatory and legislative bodies have proposed legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies. If such legislation is enacted, the Group could incur increased energy, environmental and other costs and capital expenditures to comply with the limitations imposed by any enacted legislation and/or regulatory measures. Furthermore, the Group could face increased costs related to defending and resolving legal claims and other litigation related to climate change and the alleged impact of its operations on climate change.

Indemnities under the master transfer agreement may result in unforeseen costs for the Group.

In connection with the split from the Group of Epiroc, a master transfer agreement with several sub-agreements (the "Separation Agreements") were entered into between Atlas Copco and Epiroc. The Separation Agreements stipulate that Epiroc, as a main rule, will indemnify the Group for liabilities relating to Epiroc's operations and that the Group, as a main rule, will indemnify Epiroc for liabilities relating to the Group's remaining operations. Further, the Separation Agreements stipulate that liabilities that cannot be allocated to either of the parties (including tax not directly attributable to any of the parties) shall, as a main rule, be allocated by 75 per cent. to the Group and by 25 per cent. to Epiroc. If unforeseen liabilities pertaining to the Group's operations were to be incurred that trigger the Group's indemnification liability under the Separation Agreements, or if the Group becomes subject to claims and liabilities relating to Epiroc's remaining operations which would only be recoverable from Epiroc or otherwise from the Group's insurance programme at a later stage, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Issuer will partially depend on payments from its subsidiaries to make payments under the Notes.

The Issuer's cash flow and its ability to service debt depends not only on its own business operations, but also on cash flow from its operating Group members and receipt of funds from its Group by way of dividends, payments or otherwise. Applicable laws and regulations and the terms of other agreements to which the Issuer or its operating Group members may be or may become subject to, could restrict the ability of the Group to provide the Issuer with adequate funds.

Credit rating.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating

agencies, unless the relevant credit ratings are endorsed by an EU registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

A credit rating is not a recommendation to buy, sell or hold securities. Credit ratings are subject to revision or withdrawal at any time by the assigning rating agency. The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The Issuer has no obligation to inform Noteholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the Issuer may adversely affect the Issuer's ability to finance its liquidity needs at competitive market rates, which could adversely affect the Issuer's operations and, in turn, the trading prices of the Notes.

Factors which are Material for the Purpose of Assessing the Market Risks Associated with Notes Issued under the Programme

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of those features:

Notes subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis may affect the secondary market and the market value of such Notes as the change of interest basis may result in a lower interest rate for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes.

Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities.

Zero Coupon Notes.

Zero Coupon Notes do not pay current interest but are issued at a discount from their nominal value. Instead of periodic interest payments, the difference between the redemption price and the issue price constitutes interest income until maturity and reflects the market interest rate. A holder of zero coupon notes is exposed to the risk that the price of such notes falls as a result of changes in the market interest rate. Prices of zero coupon notes are more volatile than prices of Fixed Rate Notes and are likely to respond to a greater degree to market interest rate changes than interest bearing notes with a similar maturity.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be "benchmarks", (including LIBOR, EURIBOR and STIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Benchmarks Regulation was

published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a “benchmark”, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the “benchmark”.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a “benchmark”.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a “benchmark”.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR.

On 27 July 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

Risks Related to Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally.

Modification, waivers and substitution.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions stipulate defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Notes and the Conditions may be amended without the consent of Noteholders in order to correct a manifest error and that the parties to the Agency Agreement may agree to modify any provision thereof, provided that the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

Change of law.

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or Swedish law or administrative practice, as the case may be, after the date of issue of the relevant Notes.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfers, payments and communications with the Issuer.

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depository or, as the case may be, common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depository or common safekeeper, if applicable, for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interest in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Notes where denominations involve integral multiples.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's

Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation. See “—*Factors that May Affect the Issuer’s Ability to Fulfil its Obligations under Notes Issued under the Programme—Credit Rating*” above. The ratings may not reflect the potential impact of all risks related to the structure, the market, other additional risk factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) Notes are legal investments for it; (2) Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements of the Issuer, which have been prepared in accordance with IFRS (including the auditors' reports thereon) in respect of:
 - (a) the year ended 31 December 2016 set out on pages 14 to 48 and 56 to 127 of the 2016 annual report of the Issuer; and
 - (b) the year ended 31 December 2017 set out on pages 14 to 46, 52 to 55 and 58 to 132 of the 2017 annual report of the Issuer;
2. the interim report of the Issuer in respect of the six months ended 30 June 2018 (which contains the reviewed consolidated financial statements of the Issuer in respect of the six months ended 30 June 2018);
3. the terms and conditions set out on pages 25 to 53 of the Base Prospectus of the Issuer relating to the Programme dated 7 May 2012 (the "**2012 Conditions**");
4. the terms and conditions set out on pages 18 to 39 of the Base Prospectus of the Issuer relating to the Programme dated 19 August 2016 (the "**2016 Conditions**"); and
5. the two appendices "Q2 2018 Key Figures" and "Atlas Copco Key figures structure – up to Q4 2017" available at <http://www.atlascopcogroup.com/en/investor-relations/key-figures/key-financials>.

Should any of the documents incorporated by reference in this Base Prospectus themselves incorporate by reference further information, such information does not form a part of this Base Prospectus.

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus have been filed with the FCA and are available on the National Storage Mechanism (<http://www.hemscott.com/nsm.do>) and may be inspected, free of charge, at the registered office of the Issuer. Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

USE OF PROCEEDS

The net proceeds of each issue of Notes will be used by the Issuer for general corporate purposes, including repayment of debt. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression “necessary information” means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme, the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented by the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted by either (1) a single document containing the necessary information relating to the Issuer and the relevant Notes; or (2) by a registration document (the “**Registration Document**”) containing the necessary information relating to the Issuer, a securities note (the “**Securities Note**”) containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Any reference in this section “*Forms of the Notes*” to Clearstream, Luxembourg and/or Euroclear shall, whenever the context permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Fiscal Agent.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for the use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “Eurosysteem”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosysteem operations if the NGN form is used.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163 5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163 5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days (including unilateral rights to rollover or extend), that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note Exchangeable for Permanent Global Note

If the relevant Final Terms specifies that TEFRA D rules are applicable and the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non U.S. beneficial ownership. Notes will only be delivered outside the United States. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non U.S.-beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note Exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note Exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs, or (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions Applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” and the provisions of the relevant Final Terms which supplement those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*”.

Legend Concerning United States Persons

In the case of any Tranche of Notes having a maturity of more than 364 days (including unilateral rights to rollover or extend), the Global Notes, the Definitive Notes and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Notes while in Global Form” below.

1. Introduction

- (a) *Programme:* Atlas Copco AB (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to U.S.\$3,000,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a final terms (the “**Final Terms**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 18 September 2018 (the “**Agency Agreement**”) between the Issuer, Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *The Notes:* All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at www.londonstockexchange.com and copies may be obtained from Atlas Copco AB, Sickla Industriväg 3, SE 105 23 Stockholm, Sweden.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:
 - “**Accrual Yield**” has the meaning given in the relevant Final Terms;
 - “**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Final Terms;
 - “**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Final Terms;
 - “**Applicable Maturity**” means (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and, (b) in relation to ISDA Determination, the Designated Maturity;
 - “**Attributable Debt**” means, with respect to any Sale/Leaseback Transaction, the lesser of (a) the fair market value of the property or other assets subject to such transaction and (b) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with IFRS) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rent(s) during the term of the lease;
 - “**Business Day**” means:
 - (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
 - (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

“**Calculation Amount**” has the meaning given in the relevant Final Terms;

“**Commodity Agreement**” means any commodity future, commodity option or other similar agreement or arrangement designed to protect the Issuer or any of its Subsidiaries against fluctuations in the price of commodities;

“**Consolidated Net Tangible Assets**” shall mean the aggregate amount of the Issuer’s consolidated total assets, after deducting therefrom: (a) all liabilities due within one year and (b) all formation expenses, intangible rights, goodwill on consolidation, trade names, trademarks, patents, and other like intangible assets, as shown on the Issuer’s audited consolidated balance sheet contained in its latest annual report to its shareholders;

“**Coupon Sheet**” means, in respect of a Note, a coupon sheet relating to the Note;

“**Currency Agreement**” means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect the Issuer or any of its Subsidiaries against fluctuations in currency values;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the

product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (b) where the Calculation Period is longer than one Regular Period, the sum of:
- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “**Actual/365**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

Where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

(vii) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{306}$$

Where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Debt**” means any indebtedness of any Person for money borrowed, whether incurred, assumed or guaranteed, other than trade credit in the ordinary course of business;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

“**EURIBOR**” means, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation;

“**Exempted Debt**” means the sums, without duplication, of the following items to the extent such items are outstanding as of the date Exempted Debt is being determined; (i) Debt of the Issuer and its Subsidiaries incurred after the date of initial issuance of the Notes and secured by Liens created, incurred, assumed or suffered to exist (other than any Permitted Security Interests) and (ii) Attributable Debt of the Issuer and its Subsidiaries in respect of Sale/Leaseback Transactions entered into after the initial issuance of the Notes (other than permitted Sale/Leaseback Transactions);

“**Extraordinary Resolution**” has the meaning given in the Agency Agreement;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**First Interest Payment Date**” has the meaning given in the relevant Final Terms;

“**Fixed Coupon Amount**” has the meaning given in the relevant Final Terms;

“Guarantee” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

“Indebtedness” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“Interest Amount” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“Interest Commencement Date” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

“Interest Determination Date” has the meaning given in the relevant Final Terms;

“Interest Payment Date” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future, interest rate option, interest rate swap, interest rate cap or other interest rate hedge arrangement, to or under which the Issuer or any of its Subsidiaries is a party or a beneficiary on date of the Notes or becomes a party or a beneficiary thereafter;

“ISDA Definitions” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

“Issue Date” has the meaning given in the relevant Final Terms;

“Joint Venture” means a business venture jointly conducted by more than one party, whether in the form of partnership, corporation, joint venture or unincorporated organisation;

“**LIBOR**” means the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the ICE Benchmark Administration;

“**Lien**” means, with respect to any Property, any mortgage, lien, pledge, charge, assignment by way of security or subject to a proviso for redemption, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security in respect of such Property. For the purposes of the Notes, the Issuer and its Subsidiaries shall be deemed to own, subject to a lien, any Property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such Property;

“**Make Whole Redemption Margin**” has the meaning given in the relevant Final Terms;

“**Margin**” has the meaning given in the relevant Final Terms;

“**Material Subsidiary**” means at any relevant time a Subsidiary of the Issuer:

- (A) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Issuer and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited consolidated financial statements of the Issuer; or
- (B) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary; and

“**Maturity Date**” has the meaning given in the relevant Final Terms;

“**Maximum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Minimum Redemption Amount**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Final Terms;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Final Terms;

“**Participating Member State**” means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

“**Payment Business Day**” means:

- (i) if the currency of payment is euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
 - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“Permitted Security Interests” means:

- (i) Liens on the Property of an entity existing at the time such Property was acquired by the Issuer or a Subsidiary (whether by merger, consolidation, purchase of assets or otherwise) or existing at the time the entity became a Subsidiary; provided, however; that that such Liens (i) are not created, incurred or assumed in connection with, or contemplation of, such Property being acquired by the Issuer or such Subsidiary and (ii) do not extend to any other Property of the Issuer or any Subsidiary;
- (ii) Liens arising in relation to any Project Finance Debt;
- (iii) Liens to secure the purchase of, or created in connection with the financing of, all or any part of the purchase price or cost of the acquisition, purchase, construction, development, extension or improvement by the Issuer or any of its Subsidiaries (in each case, whether alone or in association with others) of, or of any right or interest in or in respect of, any Property, or to secure any Debt incurred prior to, at the time of or within 12 months after the completion of such acquisition, purchase, construction, development, extension or improvement for the purpose of financing or refinancing all or any part of such purchase price or cost; provided that (i) the Lien relates only to (a) that Property (including without limitation any Property forming part of or connected with the same project or development), or products from that Property, or revenue or profit from that Property or such products or (b) any right or interest in or in respect of that Property, or products from that Property, or revenue or profit from that Property or such products and (ii) the Lien secures no more than the purchase price or other consideration (including, without limitation, royalties) paid for, or cost of acquisition, purchase, construction, development, extension or improvement, of that Property or any right or interest in or in respect of that Property, including any financing or refinancing costs associated with such purchase price or cost;
- (iv) Liens imposed or required by statute or operation of law (but not through any act or omission to act on the part of the Issuer or any of its Subsidiaries); and
- (v) any extension, renewal, refunding or replacement (or successive extensions, renewals, refundings or replacements), as a whole or in part, of any Lien referred to in clauses (i) to (iv), inclusive, for amounts not exceeding the principal amount of indebtedness secured by such Lien so extended, renewed or replaced (plus improvements thereon or additions or accessions thereto as permitted in the foregoing clauses (i) through (iv));

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

“Project Finance Debt” means any indebtedness incurred in relation to any asset solely for purposes of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to which such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or to such asset (or any derivative asset thereof) or any other similar non-recourse indebtedness which is properly regarded as project finance debt;

“Property” of any Person means all types of real, personal, tangible, intangible or mixed property (including any related contractual rights) owned by such Person whether or not included in the most recent consolidated balance sheet of such Person under IFRS;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

“Reference Banks” has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” means LIBOR, EURIBOR or STIBOR as specified in the relevant Final Terms;

“Regular Period” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” means (i) London, where the Reference Rate is LIBOR, (ii) Brussels, where the Reference Rate is EURIBOR or (iii) Stockholm, where the Reference Rate is STIBOR;

“Relevant Indebtedness” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over the counter market);

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“Relevant Time” has the meaning given in the relevant Final Terms;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Sale/Leaseback Transaction**” means any arrangement with any Person that provides for the leasing by the Issuer or a Subsidiary, for an initial term of three years or more, of any Property or other asset, whether now owned or hereafter acquired, which is to be sold or transferred by the Issuer after the date of the initial issuance of the Notes to such Person for a sale price of U.S.\$40,000,000 (or the equivalent thereof or more);

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Specified Currency**” has the meaning given in the relevant Final Terms;

“**Specified Denomination(s)**” has the meaning given in the relevant Final Terms;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Final Terms;

“**STIBOR**” means the interest rate benchmark known as the Stockholm interbank offered rate which is calculated in accordance with the framework of the Stibor Committee appointed by the Swedish Bankers Association (or any other person or persons which take over the administration of that rate) based on interbank borrowing rates provided by contributor banks;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Talon**” means a talon for further Coupons;

“**TARGET 2**” means the Trans European Automated Real Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET 2 is open for the settlement of payments in euro;

“**Treaty**” means the Treaty on the Functioning of the European Union, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;

- (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in those conditions are not applicable. Title to the Notes and the Coupons and Talons will pass by delivery. The “**holder**” means the holder of such Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

Status of the Notes: The Notes and the Coupons constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. **Certain Covenants**

- (a) *Negative Pledge:* So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its respective Subsidiaries will, create or permit to subsist any Security Interest, except for any Permitted Security Interests, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.
- (b) *Limitation Upon Sale/Leaseback Transactions:* So long as any of the Notes are outstanding, neither the Issuer nor any of its Subsidiaries may enter into any Sale/Leaseback Transaction without equally and rateably securing the Notes, unless either (a) the Exempted Debt of the Issuer and its Subsidiaries, after giving effect to such transaction, would not exceed 15 per cent. of the Consolidated Net Tangible Assets, or (b) the Issuer, within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Debt of the Issuer or its Subsidiaries which is not subordinate to the Notes, an amount equal to the greater of (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction and (ii) the fair market value of the property or other assets so leased (in each case as determined by the Issuer). The foregoing restriction shall not apply to any transaction between the Issuer and a Subsidiary of the Issuer pursuant to which such Subsidiary sells or transfer assets to the Issuer.

6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days

after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. Floating Rate Note Provisions

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (*Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Reference Banks Agent shall:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Reference Banks Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Reference Banks Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Reference Banks Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Reference Banks Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

For the purposes of this Condition 7(c) (*Screen Rate Determination*):

“**Reference Banks Agent**” means an independent investment bank, commercial bank or stockbroker appointed by the Issuer.

- (d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Linear Interpolation*: If Linear Interpolation is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable) and determined as follows:
- (i) one rate as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (ii) the other rate as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period;
- provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- (f) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (if Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and

- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (d) *Make-Whole call at the option of the Issuer:* If the Make Whole Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole, or if so specified in the relevant Final Terms, in part at any time or from time to time, prior to their Maturity Date (the "**Make Whole Redemption Date**") at a redemption price equal to the greater of (i) 100 per cent. of their principal amount of the Notes so redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date at the Benchmark Rate, as defined herein, plus a Make Whole Redemption Margin (the "**Make Whole Redemption Amount**") on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Make Whole Redemption Date at the Make Whole Redemption Amount plus accrued interest (if any) to such date).

For the purposes of this Condition 9(d) (*Make-Whole call at the option of the Issuer*):

"**Benchmark Rate**" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such date of redemption.

"**Comparable Bond**" means a government security or securities selected by the Determination Agent as having an actual or interpolated maturity comparable to the remaining term of the Notes and which is denominated in the same currency as the Notes.

"**Determination Agent**" means a financial adviser selected by the Issuer.

"**Reference Bond**" shall be as set out in the applicable Final Terms or the Comparable Bond.

"**Reference Bond Price**" means, with respect to any date of redemption, (A) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption or (B) if the Determination Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"**Reference Date**" will be set out in the relevant notice of redemption.

“**Reference Government Bond Dealer**” means each of at least two banks selected by the Determination Agent, or their affiliates, which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues.

“**Reference Government Bond Dealer Quotations**” mean, with respect to each Reference Government Bond Dealer and any date for redemption, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Determination Agent by such Reference Government Bond Dealer.

- (e) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (g) above.
- (i) *Purchase:* The Issuer or any of its respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith.
- (j) *Cancellation:* All Notes redeemed pursuant to paragraph (a) to (g) of this Condition 9 (*Redemption and Purchase*) will forthwith be cancelled (together with all unmatured Coupons (if any) attached thereto or surrendered therewith) and may not be reissued or resold. Notes purchased pursuant to paragraph (i) of

this Condition 9 (*Redemption and Purchase*) may be held or resold or surrendered for cancellation (and those cancelled may not be reissued or resold).

10. Payments

- (a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, which, except as provided below under (c) must be outside the United States (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided, however, that* where this sub paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption at the option of the Issuer*), Condition 9(f) (*Redemption at the option of Noteholders*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Sweden or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
 - (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Sweden, references in these Conditions to the Kingdom of Sweden shall be construed as references to the Kingdom of Sweden and/or such other jurisdiction.

12. **Events of Default**

If any of the following events occurs:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 15 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof by any Noteholder, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or

(c) *Cross default of Issuer or Material Subsidiary:*

- (i) any Indebtedness of the Issuer or any of its respective Material Subsidiaries in the aggregate outstanding principal amount of, U.S.\$40,000,000 or more or its equivalent in any other currency is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Indebtedness in the aggregate outstanding principal amount of, U.S.\$40,000,000 or more or its equivalent in any other currency becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of acceleration thereof following default by the Issuer or any Material Subsidiary; or
- (iii) the Issuer or any of its respective Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness in the aggregate outstanding principal amount of, U.S.\$40,000,000 or more or its equivalent in any other currency;

provided that, in the case of (i), (ii) and (iii) above, it shall not be an Event of Default if such Indebtedness has not been paid as a result of a bona fide dispute that is being contested in good faith and by appropriate proceedings and in respect of which sufficient and proper reserves in cash or other rapidly realisable liquid assets have been made in accordance with IFRS; or

- (d) *Insolvency etc.:* (i) the Issuer or any of its respective Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its respective Material Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or any of its respective Material Subsidiaries is appointed (or application for any such appointment is made), (iii) the Issuer or any of its respective Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or substantially all of its business; or
- (e) *Winding up etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its respective Material Subsidiaries, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer, or another of its Material Subsidiaries; or
- (f) *Analogous event:* any event occurs which under the laws of the Kingdom of Sweden has an analogous effect to any of the events referred to in paragraphs (d) to (f) above; or
- (g) *Failure to take action etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its respective rights and perform and comply with its respective obligations under and in respect of the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Kingdom of Sweden is not taken, fulfilled or done; or
- (h) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes,

then any Note may, by written notice addressed by the holders thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

13. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

14. **Replacement of Notes, Coupons and Talons**

If any Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any

particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

15. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons and Talons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any appointment of, or change in, any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

16. **Meetings of Noteholders; Modification and Waiver**

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

17. **Substitution**

The Issuer, or any previously substituted company, may at any time, without the consent of the Noteholders or the Couponholders through novation substitute for itself as principal debtor under the Notes and the Coupons a Subsidiary of the Issuer (the “**Substitute**”) in the manner specified in the Agency Agreement, provided that no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by

a deed poll (the “**Deed Poll**”), to be substantially in the form exhibited to the Agency Agreement, and may take place only if:

- (i) the Substitute shall have become party to the Agency Agreement, and Deed Poll, *mutatis mutandis*, as if it had been an original party thereto and the Substitute shall enter into a deed of covenant on the same terms as the Deed of Covenant dated 19 August 2016, *mutatis mutandis*;
- (ii) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder, and Couponholder against any withholding, tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute’s residence for tax purposes and/or, if different, of its incorporation with respect to any Note, Coupon or deed of covenant and which would not have been so imposed had the substitution not been made, as well as against any withholding, tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution;
- (iii) the obligations of the Substitute under the Deed Poll, the Agency Agreement, the deed of covenant, the Notes, and the Coupons shall be unconditionally and irrevocably guaranteed by Atlas Copco AB (the “**Guarantor**”) by means of the Deed Poll;
- (iv) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Agency Agreement, the deed of covenant, the Notes, and Coupons, *mutatis mutandis* represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Guarantor have been taken, fulfilled and done and are in full force and effect;
- (v) the Substitute, if incorporated in a jurisdiction other than England, shall have appointed an agent to receive, for and on its behalf, service of process in any Proceedings (as defined in Condition 22(d) (*Rights of the Noteholders to take proceedings outside England*)) in England;
- (vi) each listing authority and stock exchange (if any) on which the Notes are then admitted to listing or trading shall have confirmed that, following the proposed substitution, the Notes will be admitted to listing or trading by such listing authority or stock exchange;
- (vii) legal opinions, subject to customary assumptions and qualifications, addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (ii) above and in England as to the fulfilment of the preceding conditions of this Condition 17 (*Substitution*) and the other matters specified in the Deed Poll; and
- (viii) the Issuer shall have given at least 28 days’ prior notice in accordance with Condition 19 (*Notices*) of such substitution to the Noteholders stating that copies, or, pending execution, the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents.

References in Condition 12 (*Events of Default*) to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and the events of default listed in Condition 12 (*Events of Default*), shall be deemed to include the guarantee under the Deed Poll not being or being claimed by the Guarantor not to be in full force and effect and the provisions of Conditions 12(c)–12(f) (inclusive) and Condition 12(h) shall also be deemed to apply to the Guarantor.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes; provided that in the case of Notes to which the TEFRA D rules apply that are initially represented by interests in a Temporary Global Note exchangeable for an interest in a Permanent Global Note or Definitive Notes, such consolidation can only occur following the exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or Definitive Notes upon certification of non U.S. beneficial ownership.

19. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times), if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date

on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law*: The Notes and all non-contractual obligations arising out of or in connection with the Notes are governed by, and shall be construed in accordance with, English law.
- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes, Coupons or Talons (including a dispute relating to the existence, validity or cancellation of the Notes or any non-contractual obligation arising out of or in connection with the Notes, Coupons or Talons) or the consequences of their nullity.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 22(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 22 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Atlas Copco AB at Atlas Copco UK Holdings Limited, Swallowdale Lane, PO Box 79, Hemel Hempstead, Herts HP2 7HA or at any address of the Issuer in Great Britain at which service of process may be served on it in accordance with the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]¹

MiFID II Product Governance / Professional Investors and ECPs only Target Market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturer[s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s/s'] target market assessment) and determining appropriate distribution channels.

Final Terms dated [●]

Atlas Copco AB
Legal entity identifier (LEI): 213800T8PC8Q4FYJZR07
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$3,000,000,000
Euro Medium Term Note Programme

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC, as amended) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive (as defined below) or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto) and includes any relevant implementing measure in the Relevant Member State.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except in certain transactions exempt from the registration requirements of the Securities Act.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 September 2018 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Prospectus Directive. This document constitutes the Final Terms relating

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing at www.atlascopcogroup.com [and] during normal business hours at Sickla Industriväg 19, SE-105 23 Stockholm, Sweden [and copies may be obtained from Sickla Industriväg 19, SE-105 23 Stockholm, Sweden].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.

Terms used herein shall be deemed to be defined as such for the purposes of the [2012 Conditions] [2016 Conditions] (the “**Conditions**”) incorporated by reference in the base prospectus dated 18 September 2018. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 18 September 2018 [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes the Prospectus Directive. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 18 September 2018 [and the supplemental Base Prospectus(es) dated [●] and [●]]. The Base Prospectus [and the supplemental Base Prospectus(es)] are available for viewing www.atlascopcogroup.com [and] during normal business hours at Sickla Industriväg 19, SE-105 23 Stockholm, Sweden [and copies may be obtained from Sickla Industriväg 19, SE-105 23 Stockholm, Sweden].

1	Issuer:	Atlas Copco AB
2	(i) Series Number:	[●]
	[(ii)] [Tranche Number:	[●][The Notes issued under these Final Terms are to be consolidated and form a single series with the [●] issued on [●] [and [●]] [(ISIN): [●]]]
	[(iii)] Date on which the Notes become fungible:	[●][Not Applicable]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	[●]
	[(i)] Series:	[●]
	[(ii)] [Tranche:	[●]]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]]
6	(i) Specified Denominations:	[●] [[and integral multiples of [●] in excess thereof up to and including [●]]. No Notes in definitive form will be issued with a denomination above [●].]
	(ii) Calculation Amount:	[●]
7	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8	Maturity Date:	[[●] [Interest Payment Date falling in or nearest to [●]]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[● month][currency]][LIBOR/ERIBOR/STIBOR] +/- [●] per cent. Floating Rate] [Zero Coupon]

(See paragraph [14/15/16] below)

- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[●]/[100]] per cent. of their nominal amount.
- 11 Change of Interest or Redemption/Payment Basis: [*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14, 15 and/or 16 below if details are included there/Not applicable*]
- 12 Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below – see paragraph[s] [17][,] [18] [and] [19] below)]
- 13 [Date(s) [Board] approval for issuance of Notes obtained: [●][and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [●] in each year
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [●] per Calculation Amount, payable on Interest Payment Date falling [in/on] [●]
- (v) Day Count Fraction: [30/360 /Actual/Actual (ICMA)/ Actual/Actual (ISDA)]
- (vi) Determination Date(s): [[●] in each year] [Not Applicable]]
- 15 Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) Interest Period(s): [●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
- (ii) Specified Period/ Specified Interest Payment Dates: [●] [in each year] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
- (iii) [First Interest Payment Date: [●]
- (iv) Business Day Convention: [Following Business Day Convention/ Modified Following Business Day Convention Modified Business Day Convention/ Preceding Business Day Convention/ FRN Convention/ Floating Rate Convention/ Eurodollar Convention/ No Adjustment][Not Applicable]
- (v) Additional Business Centre(s): [●] [Not Applicable]

- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Fiscal Agent]): [[Name] shall be the Calculation Agent]
- (viii) Screen Rate Determination:
- Reference Rate: [[●] month][currency][LIBOR] [EURIBOR] [STIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
 - Relevant Time: [[●] in the Relevant Financial Centre]
- (ix) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]

(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)

(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotation for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)

- (x) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xi) Margin(s): [+/-][●] per cent. per annum
- (xii) Minimum Rate of Interest: [[●] per cent. per annum][Not Applicable]
- (xiii) Maximum Rate of Interest: [[●] per cent. per annum][Not Applicable]
- (xiv) Day Count Fraction: [Actual/Actual (ICMA)/ Actual/365/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]

16 Zero Coupon Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Accrual Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Day Count Fraction in relation to early redemption: [Actual/Actual (ICMA)/ Actual/365/ Actual/Actual (ISDA)/ Actual/365 (Fixed)/ Actual/360/ 30/360/ 30E/360/ Eurobond Basis/ 30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

17 Call Option [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) [●] per Calculation Amount of each Note and method, if any, of calculation of such amount(s):
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●]
 - (b) Maximum Redemption Amount: [●]
 - (iv) Notice period: [●]
- 18 Make Whole Call Option [Applicable [from (and including) [●] to (but excluding) [●]]/Not Applicable]
- (If not applicable, delete the remaining sub paragraph of this paragraph)*
- (i) Make Whole Redemption Margin [+ /] [●] per cent. per annum
 - (ii) Reference Bond [●]/[●]/Comparable Bond/Not Applicable]
 - (iii) Quotation Time [●]
 - (iv) If redeemable in part:
 - (a) Minimum Redemption Amount: [●]
 - (b) Maximum Redemption Amount: [●]
- 19 Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) [●] per Calculation Amount and method, if any, of calculation of such amount(s):
 - (iii) Notice period: [●]
- 20 Final Redemption Amount of each Note [●] per Calculation Amount
- 21 Early Redemption Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [[●] per Calculation Amount] [Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 Form of Notes: **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note].

[Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note].

- 23 New Global Note Form: [Yes] [No]
- 24 Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/[●]]
- 25 Talons for future Coupons to be attached to Definitive Notes: [No][Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made./No.]]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [admission to trading on the Regulated Market of the London Stock Exchange plc] of the Notes described herein pursuant to the U.S.\$3,000,000,000 Euro Medium Term Note Programme of Atlas Copco AB.

THIRD PARTY INFORMATION

[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.].

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1 LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc with effect from [●].]
- (ii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

- Ratings: [The Notes to be issued will not be rated.]
- [[The Programme has been/The Notes to be issued [have been]/[are expected to be]] rated:]
- [S&P: [●]]
- [Fitch: [●]]
- [[Other rating agency]: [●]]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for any fees payable to the Dealers, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

4 REASONS FOR THE OFFER

- Reasons for the offer: [●]

5 [Fixed Rate Notes Only] – YIELD

- Indication of yield: [●]
- [Calculated as [include details of method of calculation in summary form] on the Issue Date.
- As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 OPERATIONAL INFORMATION

- ISIN: [●]
- Common Code: [●]
- CFI: [[●]/Not Applicable]
- FISIN: [[●]/Not Applicable]

(If the CFI and/or FISIN is not required, requested or available, it/they should be specified to be “Not Applicable”)

- New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “Yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][include this text for registered notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue

or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[No. Whilst the designation is specified as “No” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

7 DISTRIBUTION

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated:

(a) Names of Managers: [Not applicable/give names]

(b) Stabilisation Manager(s) (if any): [Not applicable/give names]

(iii) If non-syndicated, name of Dealer: [Not applicable/give name]

(iv) U.S. Selling Restrictions: [Reg. S Compliance category 2];
TEFRA C/ TEFRA D/ TEFRA not applicable]

(v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)

(vi) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Conditions to “Noteholder” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an “**Accountholder**”) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of EUR 100,000 (or its equivalent in any other currency) and one or more higher integral multiples of another smaller amount notwithstanding that no definitive Notes will be issued with a denomination above EUR 199,000.

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within seven days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Conditions or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others

may have under a deed of covenant dated 19 August 2016 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Conditions as they apply to the Global Note. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Exercise of put option: In order to exercise the option contained in Condition 9(f) (*Redemption and Purchase—Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 9(c) (*Redemption and Purchase—Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Payment Business Day: In the case of a Global Note, the term “Payment Business Day” shall mean that, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) additional Financial Centre.

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

DESCRIPTION OF THE ISSUER

The Issuer is a public limited liability company incorporated under the laws of the Kingdom of Sweden with the corporate registration number 556014-2720. Its registered office is Sickla Industriväg 19, SE-105 23 Stockholm, Sweden (telephone number: +46 8 743 8000). The Issuer was founded in Sweden in 1873 under the name AB Atlas as a manufacturer and a seller of railway equipment. At the time, it was the largest manufacturing company in Sweden. The Issuer's name was changed to Atlas Copco AB in 1956, Copco being an abbreviation of Compagnie Pneumatique Commerciale. The Issuer is the ultimate parent company of numerous subsidiaries which are situated in Sweden as well as outside of Sweden. References in this business description to the “**Group**” are to the Issuer and its subsidiaries together.

S&P has assigned the Issuer a long-term rating of “A+” and a short-term rating of “A”. Fitch has assigned the Issuer a long-term issuer default rating of “A+” and a senior unsecured rating of “F1”.

The Group provides sustainable productivity solutions. Its products and services range from innovative compressors, air treatment systems, vacuum solutions, industrial power tools and assembly systems, and power and flow solutions. The Group develops products and services focused on productivity, energy efficiency, safety and ergonomics. The Issuer's share capital is divided among A shares and B shares. Its shares have been listed on the Nasdaq Stockholm stock exchange (“**Nasdaq Stockholm**”) since 1920. As of 30 June 2018, the Group had 35,995 employees worldwide. In 2017, the Group generated revenues of SEK 85,653 million and an operating profit of SEK 18,748 million from continuing operations, with a corresponding operating margin of 21.9 per cent. In the six months ended 30 June 2018, the Group generated revenues of SEK 46,367 million and an operating profit of SEK 10,263 million from continuing operations, with a corresponding operating margin of 22.1 per cent.

The Group's operations are organised into four business areas:

- (i) the compressor technique business area, which provides compressed air solutions, industrial compressors, gas and process compressors and expanders, air and gas treatment equipment and air management systems (the “**Compressor Technique**” business area). The Compressor Technique business area has a global service network and innovates to provide sustainable productivity in the manufacturing, oil and gas, and process industries;
- (ii) the vacuum technique business area, which provides vacuum products, exhaust management systems, valves and related products (the “**Vacuum Technique**” business area). The main markets served are semiconductor and scientific as well as a wide range of industrial segments including chemical process industries, food packaging and paper handling. The Vacuum Technique business area has a global service network and innovates to provide sustainable productivity in order to further improve its customers' performance.
- (iii) the industrial technique business area, which provides, through a global network, industrial power tools and assembly solutions, including tightening, bolting, riveting, adhesive dispensing, quality assurance products, material removal, software and service (the “**Industrial Technique**” business area). The Industrial Technique business area innovates for sustainable productivity for customers in the automotive and general industries, maintenance and vehicle service;
- (iv) the power technique business area, which provides air, power and flow solutions through products such as mobile compressors, pumps, light towers and generators, along with a number of complementary products (the “**Power Technique**” business area). The Power Technique business area offers specialty rental, provides services through a dedicated, global network and innovates to provide sustainable productivity across multiple industries, including construction, manufacturing, oil and gas and exploration drilling.

The following table sets forth revenue for each of the Group's business areas for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December
	2017	2018	2017
	(SEK in millions)		
Compressor Technique.....	18,935	21,001	38,924
Vacuum Technique.....	9,520	10,995	19,503
Industrial Technique.....	8,118	8,697	16,431
Power Technique.....	5,593	5,985	11,217
Eliminations.....	(191)	(311)	(422)
Atlas Copco Group.....	<u>41,975</u>	<u>46,367</u>	<u>85,653</u>

The Group is continuously seeking to further improve its service offering to meet the outsourcing demands of its customers. In recent years, demand for these additional services has been relatively stable compared to the demand for equipment. In 2017, revenues from services generated 34 per cent. of the Group's revenues from continuing operations.

With sales in more than 180 countries and customers in industries such as construction, manufacturing, process and service, the Issuer believes that the Group has a diverse customer and geographic base. Key customer categories for the Group's products include general manufacturing, electrical and technology, motor vehicle, process industry, construction, service and other. In order to improve its market presence and penetration in both existing and new markets, the Group continuously invests in its sales and service organisation.

The Issuer aims to reach its vision, First in Mind—First in Choice[®], *i.e.*, to be the preferred supplier of its customers and prospective customers, through innovation and close interaction with customers. The Issuer aims for its growth to be primarily organic. From time to time, selected acquisitions are expected to play a vital role in, for example, adding products to its portfolio, customers, distribution channels and technology.

Financial Goals

Atlas Copco's key performance indicators and Group goals were published during the autumn 2016. These financial goals target annual revenue growth of 8 per cent. over a business cycle, sustained high return on capital employed and distribution of approximately 50 per cent. of earnings as dividends to shareholders.

Epiroc Share Distribution

In January 2017, Atlas Copco initiated work to propose to the Annual General Meeting 2018 to decide on a split of the Group into two listed companies: Atlas Copco AB, with focus on industrial customers, and Epiroc, with focus on customers in the mining, infrastructure and natural resources segments. At the Annual General Meeting of Atlas Copco on 24 April 2018, the decision was taken to distribute shares in Epiroc to the shareholders of Atlas Copco and list Epiroc on Nasdaq Stockholm. The shares in Epiroc started trading on Nasdaq Stockholm on 18 June 2018.

The financial information in this document has been presented for the continuing operations of Atlas Copco, except where otherwise expressly provided. In particular:

- Income statement information for the six months ended 30 June 2018 for continuing operations excludes Epiroc as discontinuing operations. Epiroc's results have been included in discontinued operations until 18 June 2018.
- Income statement information for the comparative six-month period ended 30 June 2017 for continuing operations excludes Epiroc and the Road Construction Equipment division within the Power Technique business area, which was divested on 5 October 2017, as discontinuing operations.
- Income statement information for the years ended 31 December 2017 and 2016 for continuing operations excludes Epiroc as discontinued operations, unless otherwise stated. This information has been derived from Atlas Copco's interim financial statements as of and for the six months ended 30 June 2018 and 2017 incorporated by reference into this Base Prospectus. However, the financial information provided for 2016 differs from the later periods presented herein as the 2016 financial information has not been restated to take into account the impact of implementation of IFRS 15 as of 1 January 2018. The 2017 information presented herein has been restated to take into account the impact of IFRS 15.
- Balance sheet information as at 30 June 2018 takes into account the Epiroc share distribution (*i.e.*, excludes Epiroc)
- Balance sheet information as at 31 December 2017, 30 June 2017 and 31 December 2016 includes discontinued operations.

The following table sets forth certain key financial data for the periods indicated (for continued operations, except where otherwise provided):

	For the six months ended 30 June		For the year ended 31 December	
	2017	2018	2016	2017
	(SEK in millions, except where otherwise provided)			
Revenues	41,975	46,367	101,356 ⁽¹⁾	85,653
Operating profit	8,887	10,263	19,798 ⁽¹⁾	18,748
Operating margin (%).....	21	22	20 ⁽¹⁾	22
EBITDA ⁽²⁾	13,995 ⁽³⁾	11,895	24,039 ⁽¹⁾	29,263 ⁽¹⁾
EBITDA margin ⁽⁴⁾ (%).....	25 ⁽³⁾	26	24 ⁽¹⁾	25 ⁽¹⁾
Return on capital employed (ROCE) ⁽⁵⁾ (%).....	29 ⁽¹⁾	31	27 ⁽¹⁾	29
Profit before tax.....	8,260	9,742	18,805 ⁽¹⁾	17,591
Profit for the period	5,934	7,234	13,785 ⁽¹⁾	12,661
Net indebtedness ⁽⁶⁾	12,305 ⁽¹⁾	14,383	14,829 ⁽¹⁾	2,466 ⁽¹⁾
Net indebtedness to EBITDA ratio ⁽⁷⁾	0.5 ⁽¹⁾ (3)	0.6	0.6 ⁽¹⁾	0.1 ⁽¹⁾

(1) Including discontinued operations of Epiroc.

(2) Operating profit plus depreciation, impairment and amortisation. For the six months ended 30 June 2017, EBITDA has been calculated by adding the operating profit of SEK 11,699 (including discontinued operations of Epiroc and the divested Road Construction Equipment division) and depreciation, impairment and amortisation of SEK 2,296 million.

(3) Including discontinued operations of Epiroc and the divested Road Construction Equipment division.

(4) EBITDA as a percentage of revenues.

(5) Profit before tax plus interest paid and foreign exchange differences as a percentage of average capital employed.

(6) Net indebtedness consists of the Group's interest-bearing liabilities and post-employment benefits, adjusted for the fair value of interest rate swaps, less cash and cash equivalents and other financial assets.

(7) Net indebtedness in relation to EBITDA.

The table above includes APMs. See the paragraph entitled “*Certain Financial Information*” on page (iv) of this Base Prospectus and the section entitled “*Information Incorporated by Reference*” for more information.

Organisation and Operations

As of 30 June 2018, the Group has four business areas with 21 divisions. While the business areas are separate, with their own strategies, they also share certain functions, such as the facilities for their customer centres, reporting and administrative processes, treasury services, IT support, HR services and non-core purchasing where it is feasible to do so.

Each of the Group's business areas are responsible for the world-wide marketing and selling of its products, systems and service offerings. Each business area operates through several divisions, all of which are separate operational units, each responsible for delivering results in line with the strategies and objectives set by such business area. The divisions generally conduct business through customer and distribution centres.

The Compressor Technique business area

The following table sets forth certain financial data regarding the Compressor Technique business area for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December	
	2017	2018	2016	2017
	(SEK in millions)			
Revenues	18,935	21,001	36,356	38,924
Operating profit.....	4,367	4,887	8,115	8,962

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 Compressor Technique business area has a global service network and innovates to provide sustainable productivity in the manufacturing, oil and gas, and process industries. Through this business area, the Group is a leader in compressed-air products and solutions. The key customer categories are manufacturing and process industry, which represented 36 per cent. and 28 per cent., respectively, of the Compressor Technique business area's orders received in 2017. The service business represented 44 per cent. of the Compressor Technique business area's revenues in 2017.

The Compressor Technique business area has its principal product development and manufacturing units located in Belgium, the United States, China, India, Germany and Italy.

Organisation

The Compressor Technique business area is comprised of seven divisions, including: (i) the Compressor Technique Service division, which is dedicated to aftermarket service; (ii) the Industrial Air division, which is dedicated to oil-injected and oil-free air compressors, on-site nitrogen and oxygen generators, air treatment solutions and compressor controls and monitoring; (iii) the Oil-free Air division, which is dedicated to oil-free and oil-injected air and gas compressors combined with air and gas treatment systems; (iv) the Professional Air division, which is dedicated to low-power piston compressors; (v) the Medical Gas Solutions division, which is dedicated to medical gas equipment, including medical air and vacuum plants, manifolds and pipeline components with related services and filters; (vi) the Gas and Process division, which is dedicated to turbo compressors, positive displacement compressors, and expansion turbines; and (vii) the Airtec division, which is dedicated to compressor elements and core parts exclusively for use in the Group's oil-free and oil-injected screw compressors, tooth and turbo compressors.

Markets and Competition

The following table sets forth the revenues generated by the Compressor Technique business area by geography, on a percentage basis, for the periods indicated:

	For the six months ended 30 June 2018	For the year ended 31 December	
		2016	2017
		(% of revenues)	
Europe	35	35	35
North America.....	22	22	22
South America.....	5	5	6
Africa / Middle East	8	8	7
Asia / Australia.....	<u>30</u>	<u>30</u>	<u>30</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

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

Compressors are used in a wide spectrum of applications. In industrial processes, clean, dry and oil-free air is needed in, for example, food, pharmaceutical, electronics, and textile industries. Compressed air is also used to power industrial tools and in applications as diversified as snow making, fish farming, on high-speed trains, and in hospitals. Blowers are used in applications with a demand for a consistent flow of low-pressure air, for example wastewater treatment and conveying. Gas and process compressors and expanders are supplied to various process industries, such as air separation plants, power utilities, chemical and petrochemical plants, and liquefied natural gas applications. Stationary industrial air compressors and associated air-treatment products, spare parts and service represent about 90 per cent. of sales. Large gas and process compressors, including related service represent about 10 per cent.

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

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

The Group's management believes that the Compressor Technique business area has a leading market position globally in most of its operations. Its principal competitors in the market for industrial compressors and air treatment equipment are Ingersoll-Rand, Kaeser, Hitachi, Gardner Denver, Cameron, Sullair and Parker Hannifin. There are also numerous regional and local competitors, including many in China. In the market for gas and process compressors and expanders, the main competitors are Siemens and MAN Turbo.

The Vacuum Technique Business Area

The Vacuum Technique business area was established as a new stand-alone business area from 1 January 2017. The following table sets forth certain financial data regarding the Vacuum Technique business area for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December	
	2017	2018	2016	2017
	(SEK in millions)			
Revenues	9,520	10,995	13,635	19,503
Operating profit	2,369	2,771	3,060	4,924

The Vacuum Technique business area provides vacuum products, exhaust management systems, valves and related products. The main markets served are semiconductor and scientific as well as a wide range of industrial segments including chemical process industries, food packaging and paper handling. The Vacuum Technique business area has a global service network and innovates to provide sustainable productivity in order to further improve its customers' performance. Through this business area, the Group is a leader in vacuum and abatement solutions. The Vacuum Technique business area's key customer category is manufacturing, which represented 82 per cent. of the Vacuum Technique business area's orders received in 2017. The services business represented 20 per cent. of the Vacuum Technique business area's total revenues in 2017.

The Vacuum Technique business area has its principal product development and manufacturing units located in the United Kingdom, the Czech Republic, Germany, South Korea, China and Japan.

Organisation

The Vacuum Technique business area is comprised of five divisions, including: (i) the Vacuum Technique Service division, which is dedicated to related value-added services for customers in a range of industrial processes including power, glass and other coating applications, steel and other metallurgy, pharmaceutical and chemical; and for both scientific instruments and a wide range of R&D applications; (ii) the Semiconductor Service division, which is dedicated to related value-added services for customers in the semiconductor, solar, display and LED sectors; (iii) the Semiconductor division, which is dedicated to sophisticated vacuum products, exhaust management systems and integrated solutions for customers and original equipment manufacturers in the semiconductor, solar, display and LED sectors; (iv) High Vacuum division, which is dedicated to sophisticated vacuum products for a wide range of customers in the analytical instruments, R&D and high energy physics application sectors; and (v) Industrial Vacuum division, which is dedicated to sophisticated vacuum products for customers in the industrial process and rough vacuum sectors, for example, chemical process industries, metallurgy, petrochemical, food packaging and paper handling.

Markets and Competition

The following table sets forth the revenues generated by the Vacuum Technique business area by geography, on a percentage basis, for the periods indicated:

	For the six months ended 30 June 2018	For the year ended 31 December	
		2016	2017
	(% of revenues)		
Europe	16	14	15
North America	20	22	19
South America	0	1	1
Africa / Middle East	2	5	4
Asia / Australia	<u>62</u>	<u>58</u>	<u>61</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

Vacuum and abatement solutions are required in a number of industrial applications where the pressure is required to be below atmospheric pressure and/or the environment needs to be clean. The Vacuum Technique business area sells products, systems and services across several targeted market sectors.

The market can be categorised in semiconductor, industrial vacuum and high vacuum. However, each of these sectors contains several sub-sectors and specific applications. Sales to the semiconductor sector represent about 60 per cent. of the revenues, while industrial and high vacuum accounts for about 40 per cent.

Vacuum products include a broad range of dry pumps, turbomolecular pumps and other vacuum pumps. These are used to create highly-controlled, low pressure, particle-free environments for a diverse set of manufacturing processes such as

semiconductor, flat panel display, LED and solar, glass and optical coating, scientific instruments used in life sciences, research institutes focused on renewable energy, high-energy lasers and nanotechnology, pharmaceuticals, heat treatment, lithium-ion batteries, and food processing and packaging.

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

Vacuum Technique's vision is to be First in Mind—First in Choice® for vacuum and abatement solutions. The strategy is focused on the following areas; technology leadership, market leadership and agility to support growth drivers. This will be done by focusing on product research and development programs together with deployment of highly innovative products and services. Continued execution of market leadership will be done by an organisation focused on agility, growing market share in our traditional heartlands and further expansion of geographical footprint. As customers' applications become more complex so do their vacuum requirements, as such, the business area will continue to form strong relationships with customers to ensure the best technical solutions and increased customer loyalty. Additionally, the business area has a strong focus on developing the service business and an efficient and flexible global operations footprint. Market leadership will be further developed by utilising different brands in the market. The business area is actively looking at acquiring complementary businesses. Growth shall be achieved in a way that is economically, environmentally and socially responsible.

The Group's management believes that the Vacuum Technique business area has a leading market position globally in vacuum and abatement solutions. Its principal competitors in the semiconductor sector are DAS Environmental Expert, Ebara, Kashiyama, Pfeiffer Vacuum, Shimadzu Corporation and ULVAC Technologies. In the market for industrial and high vacuum, the main competitors are Gardner Denver, Pfeiffer Vacuum, ULVAC Technologies, and Busch.

The Industrial Technique Business Area

The following table sets forth certain financial data regarding the Industrial Technique business area for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December	
	2017	2018	2016	2017
	(SEK in millions)			
Revenues	8,118	8,697	15,017	16,431
Operating profit	1,859	2,030	3,430	4,194

The Industrial Technique business area provides, through a global network, industrial power tools and assembly solutions, including tightening, bolting, riveting, adhesive dispensing, quality assurance products, material removal, software and service. The Industrial Technique business area innovates for sustainable productivity for customers in the automotive and general industries, maintenance and vehicle service. The Industrial Technique business area's key customer category is manufacturing, which represented 83 per cent. of the Industrial Technique business area's orders received in 2017. The services business represented 27 per cent. of the Industrial Technique business area's total revenues in 2017.

The Industrial Technique business area is headquartered in Stockholm, Sweden, with principal product development and manufacturing units located in Sweden, Germany, the United States, the United Kingdom, France, Japan and Hungary.

Organisation

The Industrial Technique business area is comprised of five divisions, including: (i) the Industrial Technique Service division, which is dedicated to global tool maintenance, calibration, outsourcing solutions and production optimisation; (ii) the Industrial Assembly Solutions, which is dedicated to adhesive solutions and self-pierce riveting for the automotive and general industries; (iii) the MVI Tools and Assembly Systems division, which is dedicated to hand-held electric and pneumatic tools, assembly systems, software solutions and services to the automotive industry; (iv) the General Industry Tools and Assembly Systems division, which is dedicated to hand-held electric and pneumatic tools, assembly systems, software and services within general engineering, aerospace, appliance and consumer electronics, transport, power and energy equipment; and (v) the Chicago Pneumatic Tools division, which is dedicated to assembly and removal tools, together with solutions across manufacturing, air, space and land transportation, light assembly, energy production, vehicle maintenance and general industries.

Markets and Competition

The following table sets forth the Industrial Technique business area's revenues by geography, on a percentage basis, for the periods indicated:

	For the six months ended 30 June 2018	For the year ended 31 December	
		2016	2017
		(% of revenues)	
Europe	37	40	39
North America.....	32	32	33
South America.....	3	3	3
Africa / Middle East	1	2	1
Asia / Australia.....	<u>26</u>	<u>23</u>	<u>24</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

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

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

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

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

Industrial Technique's vision is to be First in Mind—First in Choice® as a supplier of industrial power tools, assembly systems, quality assurance products, software, and services to customers in the motor vehicle industry, in targeted areas in the general manufacturing industry and in vehicle service. The strategy is to continue to grow the business profitably by building on the technological leadership and continuously offering products and services that improve customers' productivity. Important activities are to extend the product offering, particularly with the motor vehicle industry and to provide additional services, know-how and training. The business area is also increasing its presence in general industrial manufacturing, vehicle service and geographically in targeted markets. The presence is enhanced by utilising a brand portfolio strategy. The business area is actively looking at acquiring complementary businesses. Growth should be achieved in a way that is economically, environmentally and socially responsible.

The Group's management believes that the Industrial Technique business area has a leading market position globally in most of its operations. Its competitors in the industrial tools business include Apex Tool Group, Ingersoll-Rand, Stanley Black & Decker, Uryu, Bosch and several local and regional competitors. In the area of adhesive and sealant equipment, the primary competitors are Nordson, Graco and Dürr. For self-pierce riveting, the main competitors are Stanley Black & Decker and Böllhoff.

The Power Technique Business Area

The following table sets forth certain financial data regarding the Power Technique business area for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December	
	2017	2018	2016	2017
	(SEK in millions)			
Revenues	5,593	5,985	11,794 ⁽¹⁾	11,217 ⁽²⁾
Operating profit	879	1,011	1,769 ⁽¹⁾	1,705 ⁽²⁾

(1) The figures for 2016 include the divested Hydraulic Attachment Tools division and is not fully comparable to previous periods.

(2) The 2017 figures have been restated for the divestment of Hydraulic Attachment Tools division.

The Power Technique business area provides air, power and flow solutions through products such as mobile compressors, pumps, light towers and generators, along with a number of complementary products. It offers specialty rental and provides services through a dedicated, global network. The Power Technique business area innovates to provide sustainable productivity across multiple industries, including construction, manufacturing, oil and gas and exploration drilling. The Power Technique business area's main customer category is construction.

The Power Technique business area is headquartered in Antwerp, Belgium, and has principal product development and manufacturing units located in Europe, Asia, South America and North America.

Organisation

The Power Technique business area consists of four divisions, including: (i) the Power Technique Service division, which is dedicated to aftermarket service; (ii) the Specialty Rental division, which is dedicated to temporary air, power, flow, steam and nitrogen rental solutions; (iii) the Portable Air division, which is dedicated to mobile and energy-efficient compressors, handheld light-demolition tools and industry-focused solutions, such as high-pressure boosters and quality air equipment; and (iv) the Power and Flow division, which is dedicated to mobile and energy-efficient generators, light towers and pumps, along with associated accessories and connectivity solutions.

Markets and Competition

The following table sets forth the Power Technique business area's revenues by geography, on a percentage basis, for the periods indicated:

	For the six months ended 30 June 2018	For the year ended 31 December	
		2016 ⁽¹⁾	2017 ⁽¹⁾
	(% of revenues)		
Europe	37	39	39
North America	26	23	23
South America	5	6	6
Africa / Middle East	12	12	11
Asia / Australia	<u>20</u>	<u>20</u>	<u>21</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>

(1) Including the divested Hydraulic Attachment Tools division.

The market for air, power and flow solutions has a large number of participants offering a wide range of products for different applications. The Power Technique business area focuses on a select number of applications.

Multiple segments are served by the business area's offering. General and civil engineering contractors, often involved in infrastructure projects, demand light construction tools, such as breakers as well as light compaction and concrete products. Mobile air compressors, generators, light towers and pumps provide reliable power sources for tools and applications in the construction sector as well as for mining and numerous industrial applications. Contractors as well as rental companies are important customers for service, including spare parts, maintenance contracts, and repairs.

Power Technique's vision is to be First in Mind—First in Choice[®] provider of on-site air, power and flow solutions for sustainable productivity

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

The Group's management believes that the Power Technique business area has a leading or strong market position globally in most of its operations. Its principal competitors are Doosan, Generac, Kaeser, Sullair, Xylem, Selwood and Wacker Neuson. In addition, there are a large number of competitors operating locally and regionally.

Sales and Marketing

The Group has its own customer centres in approximately 70 countries to ensure closer relationships with end-users as well as markets and it sells its products through customer centres and distributors in over 180 countries. Its sales and service organisations are organised under customer centres, each of which are responsible for marketing, sales and service in its designated geographical area. The customer centres are organised to reflect the organisation within the four business areas. In addition, the majority of the Group's sales force are either qualified engineers or are otherwise well trained in the design, configuration, delivery, installation and service of its products.

The Group's customer centres are the primary vehicle for delivering parts and services to its customers. The Group uses distributors and agents in circumstances where these additional sales channels provide access to customers who would not, due to geographical or political constraints, be reached by the Group's customer centre personnel, or where it would not be cost effective for the customers to be served by one of the Group's customer centres.

While the Atlas Copco brand is the most important brand for the Group's revenue, the Group markets its products worldwide through various other brands. In order to satisfy its customers' specific needs, the Group has a brand portfolio strategy in which its products are differentiated through various brands, with each brand focusing on a well-defined market segment and marketed through different distribution channels.

Safety, Health and Environmental Management

The Group's operations are subject to various local laws in the countries in which it operates. The Group conducts operations requiring permits under Swedish environmental regulations in two of its Swedish companies. These operations mostly involve machining and assembly of components, and the permits relate to areas such as emissions of water and air as well as noise pollution. The Group has been granted two permits needed to conduct its business. No penalties relating to environmental permits were imposed in 2017.

In order to manage and reduce product companies' environmental impact, the Group aims that all product companies should be certified according to ISO 14001 and all major operating units to be triple-certified for ISO 9001, ISO 14001 and OHSAS 18001. Acquired product companies are normally certified within a two-year period. All production units with more than ten employees and all other entities above 70 employees are to be triple certified. As at 31 December 2017, (i) 8 per cent. of the total number of the Group's operational units had not been triple certified, (ii) 5 per cent. had not been certified for ISO 9001, (iii) 7 per cent. had not been certified for ISO 14001 and (iv) 8 per cent. had not been certified for OHSAS 18001. These operational units still requiring certification are mainly units acquired within the recommended two-year compliance timeframe or units that are newly restructured. Some units not yet triple-certified are in the process of doing so, and a smaller portion has lacked the resources so far to commit to a triple certification.

The Group focuses on developing products and solutions to reduce energy consumption. Safety, health and environmental as well as ergonomic aspects have been integrated into the Group's product development process for many years. All of the Group's products are designed and manufactured to be increasingly more energy efficient, safe and ergonomic.

Product Safety and Quality

As the Group's products are used in various industries that are subject to a number of regulations and industry standards, the Group seeks to take such regulations and standards into account at both the design and manufacturing stages of its products in order to ensure compliance with the applicable regulations and standards. The Group's engineers and technicians are trained to follow the design specifications and best practices in the markets in which they operate. As part of the quality management system, the Group also monitors its engineering processes through internal audits. For its product quality assessments, the Group conducts regular periodic tests to confirm the quality of its products, in particular it monitors products which will be subject to significant usage and stress.

Suppliers

The Group outsources the production of many of the non-core components included in its products. The principal components purchased from outside suppliers, such as engines and electrical systems, are available from a number of suppliers and the Group management of the Issuer (the "**Group Management**") believe that available sources of supply will generally be sufficient for the Group's needs for the foreseeable future. In addition to purchasing components, the Group also purchases certain raw materials for their products from various suppliers. The Group Management also believes that it could replace any of the Group's existing suppliers if it were to lose its ability to purchase components or raw material products from such suppliers.

Employees

As of 30 June 2018, the Group had 35,995 employees worldwide, as compared to 33,552 as of 30 June 2017. The Group Management considers the Group's relationships with its employees and their labour unions to be good and it has not experienced or been subject to any material work stoppage, slowdown or collective employee action.

Regulation

The Group operates in an industry, which is subject to comprehensive regulation and governmental supervision. Consequently, the Group must obtain licenses, permits and other approvals to operate its manufacturing facilities in the countries in which they are located. Furthermore, the manufacturing of the Group's products is subject to various environmental, health, safety and legal requirements. Violations of these laws or regulations, or failure to comply with licenses, permits or other approvals, could result in fines, injunctions, including orders to cease the violating operations, or other penalties. The Group Management believes that the Group is currently in compliance in all material respects with the laws and regulations governing the Group's operations.

Legal Proceedings

The Group is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of the Group's products. The Group is also involved in litigation and administrative proceedings relating to other matters, such as tax claims by governmental agencies in various countries. The Group actively participates in the defence of all of the lawsuits in which it is a defendant and calculates its exposure to litigation on an ongoing basis. The Group maintains Group-wide liability insurance policies which cover, subject to certain deductibles, both product liability and general commercial liability, in amounts that the Group Management believes are adequate to cover its potential liability relating to its present risk exposure from legal proceedings. It also has the benefit of a number of indemnification agreements regarding certain losses, including product liability claims, arising from suits brought against companies acquired by the Group.

On 11 January 2016, the European Commission announced its decision that Belgian tax rulings granted to companies with regard to "Excess Profit" shall be considered as illegal state aid and that unpaid taxes shall be reclaimed by the Belgian state. The Group had such tax ruling since 2010. Following the European Commission decision, the Group has paid, in total EUR 313 million (SEK 2,952 million). During 2015, the Group made a provision of EUR 300 million (SEK 2,802 million) and paid EUR 239 million (SEK 2,250 million) in 2016. The Group has paid the remaining amount of which EUR 68 million (SEK 655 million) in the second quarter 2017. EUR 13 million (SEK 125 million) is expensed as an interest cost during 2017. The Belgian government, as well as the Group, has appealed the decision to the General Court of the European Union (the "EGC") in Luxembourg. There are several other companies that have been affected by the decision of 11 January 2016 in the same way as the Group. Most of those companies have also appealed to EGC. Given that the decision by the EGC can be appealed to the European Court of Justice, it will likely take several years until final judgement is rendered. If the judgement is positive for the Group, the additional taxes paid will be returned to the Group.

Intellectual Property

The Group's intellectual property rights include its trademarks for the various brand names it uses, in particular its Atlas Copco name and logo. The Group uses each of these trademarks to promote, identify and position its products and services and, accordingly, it has registered most of them in countries in which it currently operates. While the Group Management considers that in aggregate the Group's patents and licenses are valuable and important for its business operations, it does not believe that the Group is materially dependent on its patents or licenses in any of its business areas.

Material Agreements

Except for the agreements referred to below and that are described in other sections of this Base Prospectus, Atlas Copco does not regard any specific agreement to be material to the Issuer's business as a whole.

The Separation Agreements

At the Annual General Meeting of Atlas Copco on 24 April 2018, the decision was taken to distribute shares in Epiroc to the shareholders of Atlas Copco and list Epiroc on Nasdaq Stockholm. The shares in Epiroc started trading on Nasdaq Stockholm on 18 June 2018.

Prior to the distribution of Epiroc's shares, Epiroc's operations were separated from Atlas Copco's other operations. To effect the separation, Atlas Copco and Epiroc entered into the Separation Agreements. The Separation Agreements generally regulate (i) transfers to Epiroc of assets and liabilities belonging to the Epiroc operations, (ii) transfers to Epiroc of companies belonging to the Epiroc operations, (iii) transition of employees, (iv) transfer and licensing of intellectual property rights and (v) provision of certain interim services from the Group to Epiroc. According to the Separation Agreements, Epiroc, as a main rule, will indemnify the Group for liabilities relating to Epiroc's operations and that the Group, as a main rule, will indemnify Epiroc for liabilities relating to the Group's remaining operations. Further, the

Separation Agreements stipulate that liabilities that cannot be allocated to either of the parties (including tax not directly attributable to any of the parties) shall, as a main rule, be allocated by 75 per cent. to the Group and by 25 per cent. to Epiroc.

Recent Developments

Acquisition of the Cryogenic Business of Brooks Automation Inc

Atlas Copco announced on 27 August 2018 that it has agreed to acquire the cryogenic business of Brooks Automation, Inc., (“**Brooks Automation**”) for a total value of U.S.\$675,000,000. Brooks Automation is a company listed on the Nasdaq Stock Exchange and is a market leader in advanced cryo pumps and associated products for the semiconductor industry through its CTI-Cryogenics and Polycold brands.

The acquisition includes cryo pump operations located in Chelmsford, USA and Monterrey, Mexico, a worldwide network of sales and service centres, and Brooks Automation’s 50 per cent. share of Ulvac Cryogenics, Inc. Ulvac Cryogenics, Inc is a joint venture with Ulvac, Inc., a company listed on the Tokyo stock exchange.

The acquired business will significantly expand Atlas Copco’s technology offering to customers in the semiconductor and general vacuum industries through the Edwards business, a brand in the Atlas Copco Group.

The acquisition complements the Atlas Copco’s existing technology portfolio with a new range of high vacuum pumps that optimize the removal of water vapour and hydrogen, which is critical to many semiconductor and industrial processes.

The acquisition is an all-cash transaction utilising the Atlas Copco’s existing funds and is subject to regulatory approvals. The acquisition is expected to be completed during the first quarter of 2019. The acquired business will become part of the semiconductor and semiconductor service divisions within Atlas Copco’s Vacuum Technique business area.

The Board of Directors

The Issuer’s board of directors consists of nine elected members, including the president and chief executive officer. The board of directors also has two additional members appointed by the labour unions. In addition to the president and chief executive officer and the union representatives, three of the members on the board of directors are not independent; one of them is a member of the board of directors of, one is employed by and one has a relationship with Investor AB, Sweden, which controls the greatest number of votes among the Issuer’s owners.

Under the Swedish Companies Act, the board of directors has ultimate responsibility for the organisation and the executive management of the Issuer. All directors, other than the union appointees, are elected by resolution of a general meeting of shareholders.

The current board members’ names, their age, the year of their respective initial election, their position and their independence is set out in the table below. In addition, the table below sets out their respective holdings of shares in the Issuer as at 31 December 2017:

	Born	Member since	Position / title	Independence to the Group and its management	Independence to major shareholders	Class A shares held as at 31 December 2017	Class B shares held as at 31 December 2017
Hans Stråberg.....	1957	2013	Chairman of the Board	Yes	No	–	21,500
Mats Rahmström.....	1965	2017	President and CEO	No	Yes	6,786	–
Anders Ullberg.....	1946	2003	Board member	Yes	Yes	14,000	10,000
Staffan Bohman.....	1949	2003	Board member	Yes	Yes	10,000	30,000
Johan Forssell.....	1971	2008	Board member	Yes	No	–	5,000
Peter Wallenberg Jr.....	1959	2012	Board member	Yes	No	166,667	–
Sabine Neuß.....	1968	2016	Board member	Yes	Yes	–	–
Gunilla Berg.....	1960	2016	Board member	Yes	Yes	–	500
Tina Donikowski.....	1959	2017	Board member	Yes	Yes	–	–
Mikael Bergstedt.....	1960	2004	Board member	N/A	N/A	N/A	N/A
Benny Larsson.....	1972	2018	Board member	N/A	N/A	N/A	N/A

The business address of each of the directors is Atlas Copco AB, SE-105 23 Stockholm, Sweden.

Hans Stråberg holds an M.Sc. in Mechanical Engineering from the Chalmers University of Technology in Gothenburg, Sweden. He is the Chairman of the Boards of Directors of Roxtec AB, CTEK AB and Nikkarit Holding AB, and the Vice Chairman of the Boards of Directors of Orchid Orthopedics Inc and Stora Enso Oyj in Finland. In addition, he is a member of the Boards of Directors of Investor AB, N Holding AB, Mellby Gård AB and Hedson Technologies AB. He was previously the President and CEO of Electrolux AB, and held various leading positions within the Electrolux Group, in Sweden and in the United States. He was also previously EU Co-Chair at TABD, Trans-Atlantic Business Dialogue. He has held his current position as Chairman since 2014 and was elected in 2013.

Mats Rahmström holds an MBA from the Henley Management College in the United Kingdom. He is the President and the CEO of the Issuer and a member of the Board of Directors of Permobil Holding AB, the Association of Swedish Engineering Industries and Piab AB. He was previously the President of the Atlas Copco Tools and Assembly Systems General Industry division within the Industrial Technology business area and the Business Area President for the Industrial Technique business area. He was elected in 2017.

Anders Ullberg holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics in Sweden. He is the Chairman of the Boards of Directors of Boliden AB and Studsvik AB. He is also a member of the Boards of Directors of Beijer Alma AB, Valedo Partners and Epiroc AB. He was previously the Vice President Corporate Control Swedyards of the Celsius Group, the Executive Vice President and CFO of SSAB Swedish Steel and the President and the CEO of SSAB Swedish Steel. He was elected in 2003.

Staffan Bohman holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics in Sweden and has completed the Stanford Executive Programme in the United States. He is the Chairman of the Boards of Directors of AB Electrolux, Höganäs AB, IPCO AB, Upplands Motor Holdings AB, Swedish Tax Delegation for Industry and Commerce and the German-Swedish Chamber of Commerce. He was previously the CEO of Sapa AB, Gränges AB and DeLaval AB. He was elected in 2003.

Johan Forssell holds an M.Sc. in Economics and Business Administration from Stockholm School of Economics in Sweden. He is a member of the boards of Patricia Industries AB, EQT AB, Wärtsilä Oyj and Epiroc AB. He is President and CEO of Investor AB, where he previously has held the position of Managing Director and Head of Core Investments. He was also a member of the management group of Investor AB. He was elected in 2008.

Peter Wallenberg Jr holds a BSBA in Hotel Administration from the University of Denver in the United States. He is the Chairman of the Boards of Directors of Knut and Alice Wallenberg Foundation, Wallenberg Foundations AB and The Grand Group AB. He is also a member of the Boards of Directors of Scania AB, Aleris Holdings AB and EQT Holdings AB. Previously, he was the President and the CEO of The Grand Hotel Holdings, General Manager of The Grand Hotel and President Hotel Division Stockholm-Saltsjön. He was elected in 2012.

Sabine Neuß holds an M.Sc. in Engineering from Coburg University in Germany. She is a member of the Supervisory Board of Continental AG in Germany. Previously, she was the Managing Director at TRW Automotive Safety Systems GmbH, in Germany, held management positions at Behr GmbH & Co. KG, in Germany and the United States, and several management positions at Brose Fahrzeugteile GmbH & Co. KG, in Germany. She was elected in 2016.

Gunilla Berg holds a B.Sc. in Finance from the Stockholm School of Economics in Sweden. She is a member of the Board of Directors of ÅF AB. Previously, she was the Chief Financial Officer of Teracom Group AB, SAS AB and KF Group. She was elected in 2016.

Tina Donikowski holds a B.Sc. in Industrial Management from Gannon University in the United States. She is a member of the Boards of Directors of CIRCOR International, Inc and Eriez Manufacturing Co. Previously, she held various positions with GE Transportation, such as the Vice President for the Global Locomotive Business, the Propulsion Business, the Six Sigma Quality Leader and the General Manager of the Aftermarket Sales and Service. She was elected in 2017.

Mikael Bergstedt is the chair of union PTK at Atlas Copco, Tierp Works, Sweden. He was elected in 2004.

Benny Larsson is the cashier at the workshop club, Atlas Copco Tierp, IF Metall. He was elected in 2018.

There are no potential conflicts of interest between any duties of each of the members of the board of directors to the Issuer and their private interests and/or other duties.

Group Management

The current members of the Group Management, their age, the year of their hire date and their position is set out in the table below. In addition, the table below sets out their respective holdings of shares in the Issuer as at 31 December 2017.

	Born	Employee since	Position / title	Class A shares held as at 31 December 2017	Class B shares held as at 31 December 2017
Mats Rahmström.....	1965	1988	President and CEO	6,786	–
Vagner Rego	1972	1996	Senior Executive Vice President and Business Area President Compressor Technique	2,992	–
Henrik Elmin	1970	2007	Senior Executive Vice President and Business Area President Industrial Technique	2,602	–
Andrew Walker.....	1961	1986	Senior Executive Vice President and Business Area President Power Technique	3,998	–
Geert Follens.....	1959	1995	Senior Executive Vice President and Business Area President Vacuum Technique	5,097	–
Gisela Lindstrand ⁽¹⁾	1962	2018	Senior Vice President Corporate Communications and Governmental Affairs	–	–
Cecilia Sandberg.....	1968	2017	Senior Vice President Human Resources	–	720
Hans Ola Meyer.....	1955	1991	Senior Vice President Controlling and Finance	7,286	25,021
Håkan Osvald.....	1954	1985	Senior Vice President General Counsel	5,610	2,600

(1) Joined Atlas Copco in May 2018.

The business address of each of the members of the Group Management is Atlas Copco AB, SE-105 23 Stockholm, Sweden.

Mats Rahmström, the President and the CEO of the Issuer, holds an MBA from the Henley Management College in the United Kingdom. He joined Atlas Copco in 1988 and has held positions in sales, service, marketing and general management within the Industrial Technique business area. Between 2006 and 2008, he was the President of the Atlas Copco Tools and Assembly Systems General Industry division within the Industrial Technique business area, and before he was appointed the President and CEO of Atlas Copco, he was the Business Area President for the Industrial Technique business area. He is also a member of the Board of Directors of Permobil Holding AB, the Association of Swedish Engineering Industries and Piab AB. He has held his current position since 2017.

Vagner Rego, the Senior Executive Vice President and the Business Area President for the Compressor Technique business area, holds a Mechanical Engineering from Mackenzie University and an MBA from the Ibmec Business School, both located in Brazil. He joined Atlas Copco in 1996. He has held positions in service, marketing and sales at Atlas Copco. In 2010, he became the Vice President Marketing and Sales for the Compressor Technique Service division based in Belgium. Before his position as the President for the Compressor Technique Service division between 2014 and 2016, he was the General Manager for the Construction Technique's customer centre in Brazil. He has held his current position since 2017.

Henrik Elmin, the Senior Executive Vice President and the Business Area President for Industrial Technique, holds an M.Sc. in Mechanical Engineering from the Lund Institute of Technology in Sweden and an MBA from INSEAD in France. He joined Atlas Copco in 2007 as a General Manager for the Atlas Copco Tools Customer Center Nordic in the Industrial Technique business area. In 2012, he was appointed the President of the General Industry Tools and Assembly Systems division. Before his current position, he was the President of the Industrial Technique Sales division. He has held his current position since 2017.

Andrew Walker, the Senior Executive Vice President and the Business Area President for Power Technique, holds an M.Sc. in Industrial Engineering and an MBA from University College Dublin in Ireland. He joined Atlas Copco in Ireland in 1986 and has since held various management positions in markets in which the Group operates, including the United Kingdom, Ireland, Belgium and the United States. Before his current position, Mr. Walker was the President of the Service division within the Compressor Technique business area. He has been in his current position since 2014.

Geert Follens, the Senior Executive Vice President and the Business Area President for Vacuum Technique, holds an M.Sc. in Electromechanical Engineering and a post-graduate degree in Business Economics from the University of Leuven, in Belgium. He joined Atlas Copco in 1995. He has held several positions in purchasing, supply chain and general management at Atlas Copco. He served as the General Manager of the Atlas Copco Compressor Technique customer centre in the United Kingdom. Prior to starting at his current position in 2017, Mr. Follens was first the President of the Portable Energy division and then the President of the Industrial Air division.

Gisela Lindstrand, the Senior Vice President Corporate Communications and Governmental Affairs, holds a BA in Political Science, Macroeconomics and Cultural Geography from Uppsala University, Sweden. She joined Atlas Copco in 2018. She started her career in 1983 as a journalist. Between 1989 and 1996, she was a political adviser and press secretary to the Prime Minister of Sweden. In 1996, she took on a position as Information Director for SABO, a Swedish Association of Public Housing Companies. In 2001, she was appointed Press Relations Manager at NCC AB. Between 2004 and 2007, she was Government Affairs Director for Pfizer Inc. In 2007, she started her position as Senior Vice President Corporate Communications and Public Affairs at Securitas AB.

Cecilia Sandberg, Senior Vice President Human Resources, holds a B.Sc. in Human Resources and an M.Sc. in Sociology, both from Stockholm University in Sweden. She has held several positions in HR in the airline, pharmaceutical and medtech industries. Between 2007 and 2015, Cecilia Sandberg was the Vice President Human Resources for Atlas Copco's Industrial Technique business area. Before she started her current position in 2017, she was the Senior Vice President Human Resources at Permobil.

Hans Ola Meyer, Senior Vice President Controlling and Finance, holds a B.Sc. in Economics and Business Administration from the Stockholm School of Economics, Sweden. He joined Atlas Copco in 1978 to work with Group accounting and controlling. Later he moved to Ecuador as Financial Manager. Between 1984 and 1991, he held various positions at the broker Penningmarknadsmäklarna in Sweden. He returned to Atlas Copco in 1991 as a Financial Manager in Spain and, in 1993, he became the Senior Vice President, Finance, for Atlas Copco AB and a member of Group Management. He is also a member of The Swedish Financial Reporting Board and member of the Boards of Directors of Upplands Motor Holding AB and PRI Pensionsgaranti (Mutual).

Håkan Osvald, Senior Vice President General Counsel, holds a Master of Law degree from Uppsala University in Sweden. He joined Atlas Copco in 1985. He has been General Counsel for Atlas Copco North America Inc. and Chicago Pneumatic Tool Company in the United States. After that, he was appointed the Vice President Deputy General Counsel for the Atlas Copco Group, with a special responsibility for acquisitions. Prior his current position, General Counsel Operations and as of 2012 has been Secretary of the Board of Directors for Atlas Copco AB. He is also the Chairman of ICC Sweden, reference group Competition and member of the Board of Directors of Sweden-China Trade Council.

There are no potential conflicts of interest between any duties of each of the members of the Group Management to the Issuer and their private interests and/or other duties.

Committees of the Board of Directors

Audit Committee

The work of the audit committee is directed by the audit committee charter, which is reviewed and approved annually by the board of directors. The committee's primary task is to support the board of directors in fulfilling its responsibilities in the areas of audit and internal control, accounting, financial reporting and risk management as well as to supervise the financial structure and operations of the Group and approve financial guarantees, delegated by the board of directors. The audit committee work further includes reviewing internal audit procedures.

The current members of the audit committee are Staffan Bohman (chair), Gunilla Berg, Johan Forssell and Hans Stråberg.

Remuneration Committee

The board of directors established a remuneration committee in 1999. The committee's primary task is to propose to the board of directors the remuneration to the President and CEO and a long-term incentive plan for key employees. The goal with a long-term incentive plan is to align the interests of key personnel with those of the shareholders. The remuneration policy is reviewed annually and the annual general meeting held on 24 April 2018 approved the guidelines for remuneration.

The current members of the remuneration committee are Hans Stråberg (chair), Anders Ullberg and Peter Wallenberg Jr.

Nomination Committee

The nomination committee is a shareholders' committee responsible for nominating persons to be appointed to the board of directors at the annual general meeting. The nomination committee annually evaluates the work of the board of directors. Further to that, the nomination committee proposes the chair for the annual general meeting, prepares a proposal regarding number and names of members of the board of directors, including chair of the board of directors and a proposal for remuneration to the chair and other members of the board of directors not employed by the Issuer, as well as a proposal for remuneration for board committee work. Finally the nomination committee proposes an audit company including remuneration for the audit.

In compliance with the Swedish Corporate Governance Code and the procedures adopted by the annual general meeting, the representatives of the four largest shareholders listed in the shareholders' register as per the last day of August each year, together with the chair of the board of directors shall form the nomination committee. The members of the nomination committee for the annual general meeting held on 24 April 2018 were Petra Hedengran (chair), Investor AB, Jan Andersson, Swedbank Robur Fonder, Ramsay Brufer, Alecta Pensionsförsäkring, mutual, Hans Ek, SEB Fonder and Hans Stråberg, Atlas Copco AB.

Principal Shareholders

The Issuer's authorised and issued share capital is SEK 786,008,190, which consists of 1,229,613,104 shares of which 839,394,096 are A shares and 390,219,008 are B shares. Each A share carries one vote and each B share carries one-tenth of a vote. The Issuer's largest shareholder is Investor AB, which holds 22.3 per cent. of the voting rights. To avoid any abuse of such control and to protect the minority shareholders, there are five independent members on the board of directors. In addition, under the Swedish Companies Act there are several provisions which protect minority shareholders such as the possibility to block resolutions (made in relation to the amendment of the articles of association, a decrease of the registered share capital, mergers and the issue of new shares) and a general provision which entitles shareholders to challenge the resolutions adopted by the board of directors if the resolution does not support the main principle that all shareholders should be treated equally. The A shares rank pari passu with the B shares with regard to rights of participation in the Issuer's assets and profits.

The following table sets forth, as at 31 December 2017, the 10 largest shareholders (by voting rights) of the Issuer that are registered directly or as a group with Euroclear Sweden, the Swedish central securities depository, the number of shares held by each such shareholder and the percentage of votes and percentage of capital represented by each shareholder.

Identity of person or group	Number of shares owned	Percentage of votes	Percentage of capital (per cent.)
Investor AB.....	207,645,611	22.3	16.9
Swedbank Robur fonder.....	56,046,863	3.3	4.6
Alecta Pensionsförsäkring.....	50,481,000	3.1	4.1
SEB Investment Management.....	15,942,020	1.7	1.3
Folksam.....	10,382,000	0.8	0.8
Fjärde AP-fonden.....	12,935,897	0.6	1.1
SPP Fonder AB.....	7,786,421	0.6	0.6
Avanza Fonder.....	5,513,631	0.4	0.4
Tredje AP-fonden.....	8,608,108	0.4	0.7
Länsförsäkringar fondförvaltning AB.....	4,831,027	0.4	0.4
Others.....	<u>849,440,526</u>	<u>66.3</u>	<u>69.1</u>
Total.....	<u>1,229,613,104</u>	<u>100.0</u>	<u>100.0</u>
of which held by the Issuer.....	<u>15,887,755</u>	1.8	1.3
Total, net of shares held by the Issuer.....	<u>1,213,725,349</u>		

Related Party Transactions

The Group has related party relationships with the Issuer's largest shareholder, its associates, joint ventures and with its members of the board of directors and the Group Management. The Issuer's largest shareholder, Investor AB, controls approximately 22 per cent. of the voting rights in the Issuer.

The Group has not had any transactions with Investor AB during the year other than dividends declared and redemption of shares and has no outstanding balances with Investor AB. Investor AB has controlling or significant influence in companies with which the Issuer may have transactions within the normal course of business. Any such transactions are made on commercial terms.

The Group sold various products and purchased goods through certain associated companies and joint ventures on terms generally similar to those prevailing with unrelated parties.

Additional details regarding the Group's transactions with related parties is set out in note 28 (*Related Parties*) of the Group's financial statements as of and for the year ended 31 December 2017.

TAXATION

The following is a general description of certain EU and Swedish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The Proposed Financial Transaction Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the Code, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is not a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under “*Terms and Conditions—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

Swedish Taxation

The following summary outlines certain Swedish tax consequences relating to Noteholders that, unless otherwise stated, are not considered to be tax resident for Swedish tax purposes. The summary is based on the laws of the Kingdom of Sweden as currently in effect and is intended to provide general information only. The summary does not address the rules regarding obligations for, among others, payers of interest. Investors should consult their professional tax advisors regarding the Swedish tax and other tax consequences (including the applicability and effect of double taxation treaties) of acquiring, owning and disposing of Notes in their particular circumstances.

Holders Not Resident in Sweden

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Notes should not be subject to Swedish income or other tax, provided that such holder is not resident in Sweden for

Swedish tax purposes and provided that such holder does not have a permanent establishment in Sweden to which any Notes are effectively connected.

For Noteholders that are private individuals or corporations that are not resident in Sweden, the Issuer will not have an obligation to withhold any interest payable under any Notes. This is because Swedish withholding tax, or Swedish tax deduction is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to a holder, except for payments of interest to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes. No deduction or withholding of tax is required under the laws of Sweden from any payment (except for payments to Swedish tax resident individuals or Swedish estates of deceased Swedish tax resident individuals) that the Issuer may be required to make under the terms of the Agreements.

Capital gains on disposal of Notes will not be subject to Swedish income or other tax provided that the holder is not tax resident in Sweden and provided that the holder does not have a permanent establishment in Sweden to which any Notes are effectively connected.

For private individuals (and estates of deceased individuals), the Issuer is obliged to file an Annual Statement of Income and Tax Deductions (Sw: *kontrolluppgift*) to the Swedish tax agency. Additionally, if the Issuer makes a total payment exceeding SEK 150,000 to the holder of any Notes, the Swedish bank or financial institution transferring the amount will have an obligation to notify the Swedish tax agency about the amount transferred.

Holders Resident in Sweden

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations, such as investment companies and life insurance companies.

For resident private individuals (and estates of deceased individuals), the Issuer will have an obligation to withhold tax on the interest paid to the holder of any Notes. The Issuer is obliged to file an Annual Statement of Income and Tax Deductions to the Swedish tax agency.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Bank of China Limited, London Branch, BNP Paribas, Citigroup Global Markets Limited, Danske Bank A/S, Deutsche Bank AG, London Branch, Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Svenska Handelsbanken AB (publ) (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 18 September 2018 (the “**Dealer Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and the Notes may not be offered or sold within the United States or, if Category 2 is specified in the Final Terms to, or for the account or benefit of, U.S. persons except in certain transactions in reliance on Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

If Category 2 is specified in the Final Terms each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S, and that such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Relevant Member State, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus

Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- 1. the expression “**an offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and
- 2. the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit taking:** in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Kingdom of Sweden

Each Dealer has represented, warranted and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw: *lag (1991:980) om Handel med finansiella instrument*).

Belgium

Other than in respect of Notes for which “Prohibition of Sales to Belgian Consumers” is specified as “Not Applicable” in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in

Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “**Belgian Consumer**”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

Each Dealer has represented, warranted and agreed that so far as it is aware, it has complied and will comply to the best of its knowledge with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 26 April 2007. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Legal and Arbitration Proceedings

2. Except as disclosed on page 63 of this Base Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries.

Significant/Material Change

3. Since 31 December 2017, there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries and, since 30 June 2018, there has been no significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries.

Auditors

4. The consolidated final statements of the Issuer have been audited without qualification for the years ended 31 December 2016 and 2017, respectively, by Deloitte AB Rehnsgalan 11, SE 113 70 Stockholm, Sweden, Swedish authorised public accountants.

Documents on Display

5. Copies of the following documents may be inspected during normal business hours at the offices of the Issuer in Stockholm for twelve months from the date of this Base Prospectus:
 - (a) the certificate of registration and articles of association of the Issuer (together with English translations thereof);
 - (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2016 and 2017, respectively and unaudited interim report for the six months ended 30 June 2018;
 - (c) the Agency Agreement;
 - (d) the Deed of Covenant;
 - (e) the Dealer Agreement;
 - (f) the Programme Manual (which contains the forms of the Global Notes and the Definitive Notes); and
 - (g) the Issuer – ICSDs. Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

The translation of the certificate of registration and articles of association of the Issuer are direct translations of the original documents and are true and accurate translations, however, in the event of any discrepancy, the original foreign language version of the document will govern.

Material Contracts

6. Neither the Issuer or a member of the Group are party to any material contracts outside the ordinary course of their business which could result in them being under an obligation or entitlement that is material to their ability to make payments under any Notes.

Clearing of the Notes

7. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Passporting

8. The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the United Kingdom to be issued by the FCA to the competent authority in any Member State.
9. The Issuer does not intend to provide post issuance information.

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Deutsche Bank AG, London Branch

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