

## **Atlas Copco AB**

### **Board Meeting February 2, 2005**

**The Board of Directors' of Atlas Copco Aktiebolag complete proposal to the annual general meeting April 27, 2005 for a resolution on a redemption procedure including (A) amendment of the articles of association, (B) reduction of the share capital through redemption of shares of Series A and Series B and reduction of the share premium reserve, (C) new issue of shares of Series C, and (D) reduction of the share capital through redemption of shares of Series C, etc.**

#### **Background**

The Board of Directors of Atlas Copco Aktiebolag (the "Company") has evaluated the Company's financial position and reached the conclusion that the balance sheet of the company should be adjusted to a more efficient structure. For this reason, the Board of Directors proposes a redemption procedure with a so-called split 4:1. By this each old share, that has a nominal value of SEK 5, will be replaced with four new shares, each of which will get a nominal value of SEK 1.25. Out of those, one share will automatically be redeemed for SEK 20, to the effect that a total of SEK 4,192,043,680 will be distributed to the shareholders. In view hereof, the Board of Directors proposes that the General Meeting of Shareholders resolves in accordance with the following proposals.

#### **A. Amendment of the articles of association**

The Board of Directors proposes that the wording of the articles of association be amended, to the principal effect that

- The nominal value of the share be changed from SEK 5 to SEK 1.25 (§ 5)
- the number of shares that may be issued of Series A be changed to maximum 960,000,000 and Series B be changed to maximum 720,000,000 (§ 4)
- a new series of shares, Series C, be introduced whereby a maximum of 209,602,184 shares of Series C may be issued. Shares of Series C shall entitle to one-tenth of a vote per share, carry no rights to dividends and are subject to

redemption at the request of holders of shares of Series C, the Company's Board of Directors or a General Meeting of Shareholders. At redemption, the redemption price shall be equal to the subscription price paid adjusted as per the day of redemption with an interest rate corresponding to STIBOR 30 days plus 0.05 percentage units (§ 4).

A proposal for a new wording of the articles of association is enclosed as Exhibit A.

**B. Reduction of the share capital by redemption of shares of Series A and Series B, respectively and reduction of the share premium reserve**

The Board of Directors proposes that the General Meeting of Shareholders resolves (i) that the Company's share capital shall be reduced by SEK 262,002,730 (the reduction amount) through redemption of 209,602,184 shares, of which 139,899,016 of Series A and 69,703,168 of Series B, and (ii) that the share premium reserve shall be reduced with SEK 733,607,644. The purpose of the reduction is repayment to the shareholders. For each redeemed share SEK 20 will be paid, of which SEK 1.25 constitutes the nominal value of the share and SEK 3.50 the reduction of the share premium reserve. The remaining amount, SEK 15.25 per share, is paid from unrestricted reserves. Payment will be made of in total SEK 4,192,043,680. Following the reduction, the share capital will amount to SEK 786,008,190 and the share premium reserve to SEK 3,262,040,677.58. The redemption price shall be paid as soon as possible after registration of all resolutions under Sections A – C with the Swedish Companies Registration Office.

**C. New issue of shares of Series C**

The Board of Directors also proposes that the General Meeting of Shareholders resolves to increase the Company's share capital by SEK 262,002,730 through an issue of 209,602,184 new shares of Series C, each share with a nominal value of SEK 1.25, and on the following terms and conditions.

1. Svenska Handelsbanken AB (the "Bank") shall subscribe for the new shares with deviation from the shareholders' preferential rights.

2. Subscription for the new shares shall be made on a subscription list not later than on 30 June 2005.
3. Payment of SEK 4.75 per share shall be made in cash for the subscribed shares not later than on 30 June 2005.
4. Over-subscription may not take place.

It is noted, that the new shares are subject to the articles of association's reservation on reduction in accordance with Chapter 6, Section 8 of the Swedish Companies Act. It is also noted that, according to the articles of association, the new shares do not carry any rights to dividends.

As concerns the reason for deviation from the shareholders' preferential rights and the basis for calculation of the subscription price, the following is stated. The resolution on redemption of shares of Series A and Series B may be carried into effect without the delay of obtaining a court approval, if, at the same time, an amount equal to the reduction amount is contributed to the Company by way of an issue of new shares and an amount equivalent to the reduction of the share premium reserve is contributed to the Company. The Bank has undertaken to subscribe for and redeem the shares in accordance with Section D below. The subscription price has been determined in agreement with the Bank.

#### **D. Reduction of the share capital by redemption of shares of Series C**

The Board of Directors proposes that the General Meeting of Shareholders resolves that the Company's share capital shall be reduced by SEK 262,002,730 (the reduction amount) by way of redemption of all 209,602,184 shares of Series C and that the share premium reserve shall be reduced by SEK 733,607,644. The purpose of the reduction is repayment to the shareholders. The Board of Directors' proposal pursuant to Section D may not be executed without the consent of the court.

A redemption price shall be paid for each redeemed share in the amount of SEK 4.75 adjusted as per the day of redemption by an interest rate of STIBOR 30 days plus 0.05 percentage units, calculated from the day of payment of the subscription price for the shares of Series C.

The redemption price shall be paid as soon as possible following registration of the resolution under this Section D with the Swedish Companies Registration Office.

The resolutions by the General Meeting of Shareholders in accordance with Sections A – D above shall be made jointly, as one resolution. In order for a resolution by the General Meeting of Shareholders to be valid, the resolution must be supported by shareholders holding at least two-thirds of the votes cast as well as the shares represented at the General Meeting of Shareholders.

Finally, the Board of Directors proposes that the General Meeting of Shareholders resolves to authorise the Company's managing director to make the minor adjustments in the resolutions under Sections A – D above, which may be required in connection with registration of the resolutions with the Swedish Companies Registration Office.

Nacka, February 2, 2005

**THE BOARD OF DIRECTORS**