

## **Translation**

Minutes from the Annual General Meeting of the shareholders of Atlas Copco Aktiebolag, Reg. No. 556014-2720, held on April 27, 2006

### **§ 1**

The Annual General Meeting was opened by the Chairman of the Board, Mr Sune Carlsson, who was elected Chairman of the Meeting. The company secretary, General Counsel Hans Sandberg, had been appointed to keep the minutes from the Meeting.

The Meeting approved that invited guests, market representatives, journalists and functionaries were present at the Meeting.

### **§ 2**

A list of the shareholders who had been registered for participation at the Meeting prior to the end of the registration period had been presented to the shareholders at the Meeting. The Secretary informed that the secretariat, at the entrance, had registered all pre-announced shareholder who were absent, either personally or through a representative, and that the list of participating shareholders, following adjustments for those absent, showed that 148,647,426 Series A shares and 69,906,433 Series B shares, representing 155,638,069.3 votes, corresponding to 35.3 percent of the total number of votes in the company, were represented at the Meeting.

The Meeting approved that the names of the absent shareholders and its representatives did not have to be recited at the Meeting.

The adjusted list of shareholders was approved as the voting list for the Meeting, Appendix 1.

### **§ 3**

The agenda that had been presented in the notice to the Meeting and also given to the shareholders at the Meeting was approved.

### **§ 4**

Åsa Nisell, Robur Fonder and Maria De Geer, Aktiespararna (the Swedish Shareholders' Association) were appointed to check and approve the minutes from the Meeting together with the Chairman.

**§ 5**

The Secretary informed the Meeting that, according to the Articles of Association, notice shall be published in Post- och Inrikes Tidningar and Dagens Nyheter or other national newspaper [not earlier than six weeks prior to the Meeting and not later than four weeks before the Meeting]. It was further noted that the notice of this Meeting had been published in Post- och Inrikes Tidningar and Svenska Dagbladet on March 29, 2006 and also announced the following day in Dagens Nyheter. In addition, the notice had been available on the company's website. Copies of Post- och Inrikes Tidningar, Svenska Dagbladet and Dagens Nyheter in which the notice had been published were attached to these minutes, Appendix 2.

The Meeting declared itself to be properly convened.

**§ 6**

The Secretary informed that the annual report of the Board and the President for the company's and the group's operations during 2005 as well as the corresponding audit reports had been printed and sent on March 29, 2006 to the shareholders who had stated that they wanted to receive the annual report. It was noted that the annual report was available at the Meeting.

The annual report for the company and the group were noted to have been presented and were made part of the minutes, Appendix 3.

**§ 7**

The President gave a speech in which he informed the Meeting of his views on the development of the group from a growth perspective. He also commented on the group's operations during 2005 as well as during the first quarter of 2006.

The Group President responded to three questions from Maria De Geer, Aktiespararna, regarding the Rental Service business:

- (i) the divestment's effects on the companies cash position;
- (ii) whether the capital gain will exceed the good-will write off reflecting the impairment test or not;
- (iii) if the alternative to distribute the Rental Service business to the shareholders had been considered.

The President responded to a critical question from Iwan Åkerman regarding the technical development of the business area of compressors.

**§ 8**

The Chairman made a presentation of the Board's work during 2005 and informed the Meeting of the Rules of Procedure and Written Instructions for the Board.

Further, the Chairman presented some of the major issues that had been dealt with during the year and noted that the Board had adopted ethical guidelines for the company. The Chairman also informed the Meeting of the work that is being performed within the fields of environment and product ergonomics.

Ulla Litzén, chairman of the audit committee, presented the organisation of the committee and its tasks. In particular, she informed the Meeting of the major projects and of the contacts with the main responsible auditor.

## § 9

- 9 a)** The main responsible auditor, Stefan Holmström, referred to the audit report in the Annual Account regarding the company and the group and presented the process that is applied during the audit and stressed in particular the importance of the hard close per September. He also commented on the additional services rendered to the group during the year. Stefan Holmström supported that the presented Profit and Loss Statements and the Balance Sheets be adopted, that the Board Members and the Group President be discharged from liability and that the recommended profit distribution be accepted.

The Profit and Loss Statements and the Balance Sheets in respect of the company and the group, being part of the Annual Report, were adopted by the Meeting in accordance with the recommendation of the auditor.

The Audit Report constitutes a part of [Appendix 3](#).

- 9 b)** The Board members and the President were discharged from liability for the administration of the company's operations during the financial year 2005 in accordance with the proposal from the auditor.
- 9 c)** The Board had presented a proposal in accordance to which available unrestricted earnings, amounting to SEK 9,505,035,795, were to be allocated as follows:

To the shareholders,	
a dividend of SEK 4.25 per share	SEK 2,672,427,846
and earnings to be carried forward	SEK 6,832,607,949

The Meeting decided in accordance with the proposal of the Board.

- 9 d)** The Meeting decided further that the record date for determining the right to receive the dividend from Värdepapperscentralen VPC AB should be May 3, 2006. The Chairman informed that the dividend is expected to be distributed on May 8, 2006.

The Meeting declared items 9 c) and 9 d) immediately checked and approved.

**§ 10**

The Meeting decided that the number of Board members appointed by the Annual General Meeting for the period until the next Annual General Meeting should be eight (8) and that no deputies should be appointed.

**§ 11**

The Chairman presented the evaluation and nomination process that had taken place within the framework of the work by the Nomination Committee. The Meeting thereafter elected the following persons to serve on the Board for the period until the end of the next Annual General Meeting:

As board members

Staffan Bohman	(re-election)
Gunnar Brock	(re-election)
Sune Carlsson	(re-election)
Thomas Leysen	(re-election)
Ulla Litzén	(re-election)
Grace Reksten Skaugen	(re-election)
Anders Ullberg	(re-election)
Jacob Wallenberg	(re-election)

The Meeting appointed Sune Carlsson to be the Chairman of the Board and Jacob Wallenberg to be the Deputy Chairman for the same period.

The Secretary informed that the representatives appointed by the unions until the Annual General Meeting 2008 were the following persons: Håkan Hagerius, SIF and Bengt Lindgren, Metall with Mikael Bergstedt, Ledarna as Hagerius' personal deputy and Lars-Erik Soting, Metall as Lindgren's personal deputy.

The Meeting expressed its appreciation to the resigning board member, Kurt Hellström, (not present at the Meeting) for his big contributions to the company during the seven years he has served on the Board.

**§ 12**

The Secretary presented the decision of the Annual General Meeting 2005 regarding the directors' fees and the frame of the compensation for Board Committee work.

The Meeting resolved that the aggregate fixed fee to directors not employed by the group should amount to SEK 3,850,000, to be allocated as follows: 1,350,000 to the Chairman of the Board, SEK 500,000 to the Deputy Chairman of the Board, SEK 400,000 to each director, not employed by the group, and SEK 600,000 as a frame compensation for Board Committee work, to be allocated in accordance

with the decision by the Board when the work performed by committees during the year can be properly assessed.

It was noted that the Chairman of the Nomination Committee, Börje Ekholm, made a recommendation to the Board regarding a policy for shareholding by the Board members.

### **§ 13**

Ulla Litzén reported on the evaluation process that had preceded the Nomination Committee's proposal to the Meeting regarding auditor.

The Meeting appointed the registered audit firm KPMG Bohlins AB as auditor until the end of the Annual General Meeting in 2010. It was noted that KPMG had appointed the authorised auditor Thomas Thiel to be the main responsible auditor.

The Chairman expressed his appreciation to Stefan Holmström for his contributions to the company during a number of years.

### **§ 14**

Ulla Litzén explained the meaning of the expression "on approved accounts".

The Meeting resolved that the auditor, until the Annual General Meeting in 2010, should be remunerated on the basis of approved accounts.

### **§ 15**

The Meeting resolved:

a) That the company shall have a Nomination Committee consisting of the Chairman of the Board and a representative from each of the four largest shareholders in terms of voting rights. During the third quarter of 2006, the Chairman of the Board shall contact the four largest, by VPC directly and as a group, registered shareholders for the appointment of owner representatives. The names of the four owner representatives and the names of the shareholders they represent shall be published at the latest six months prior to the Annual General Meeting in 2007 and be based on the known number of votes immediately prior to the publishing. The term of office of the Nomination Committee lasts until a new Nomination Committee has been appointed. The Chairman of the Nomination Committee shall, unless the members otherwise agree, be the member who represents the shareholder with the largest number of votes.

b) that members, who has been appointed by such shareholders who, during the term of the Nomination Committee, no longer belong to the group of the four largest shareholders in terms of voting rights, shall give up their seats in the Committee and the one, or those, shareholders who has been added among the

four largest shareholders in terms of voting rights shall appoint its/their representatives. Unless there are special circumstances to the contrary, there shall be no change in the composition of the Nomination Committee if there only has been a marginal changes in the number of votes or the change occurs later than two months prior to the Annual General Meeting. A shareholder who has appointed a representative as member of the Nomination Committee can replace such representative with a new representative to be a member of the Nomination Committee. Every change in the composition of the Nomination Committee shall be published as soon as it has taken place.

c) that the Nomination Committee shall prepare proposals to be presented for decision by the Annual General Meeting 2007 in the following matters:

- proposal regarding chairman for the Annual General Meeting
- proposal regarding number of Board members
- proposal regarding composition of the Board of Directors
- proposal regarding Chairman and Deputy Chairman of the Board of Directors
- proposal regarding remuneration to the Chairman, Deputy Chairman and other Board members not employed by the company
- proposal regarding compensation for committee work
- proposal regarding the criteria for the selection of chairman and members of the Nomination Committee.

d) that, in connection with its mission in general, the Nomination Committee shall fulfil those tasks that, according to the Swedish Code of Corporate Governance, are allocated to a Nomination Committee and that the company, upon request from the Nomination Committee, shall provide resources like for example the secretary function in the Nomination Committee in order to facilitate the work of the Committee. Upon request, the company shall also carry such reasonable costs for external consultants who are deemed by the Nomination Committee to be required in order for the Nomination Committee to carry out its mission.

## § 16

The Chairman presented a report on the Remuneration Committee's assignment, composition and work during 2005.

**16 a)** The Meeting approved the following principles regarding remuneration and benefits to the management of the company:

The remuneration to the Group Management, which consists of the President and the other eight members of the Management Committee, shall consist of base salary, variable compensation, possible long term incentive (personnel options), pension premium and other benefits. Base salary is determined by position, qualification and individual performance. The size of the variable compensation is dependent upon how certain quantitative and qualitative goals set in advance are achieved. The variable compensation is maximized to 70% of the base salary for

the Group President, 50% for Business Area Presidents and 40% for other members of the Management Committee. Participation in the performance related personnel option program for 2006 presented below. Pension premiums are paid in accordance with a contribution based plan with premiums ranging between 25-35% of base salary depending on age. In addition, the Group President is entitled to a health pension amounting to 50% of his base salary. A mutual notice of termination of six months shall apply. Compensation for termination is maximised to an amount corresponding to 24 months base salary. Other benefits consist of company car and private health insurance.

The Chairman presented the background and the rationale behind the proposed performance related personnel option program for 2006.

**16 b)** The Meeting decided, with the reservation made by Aktiespararna as set out below, the following scope and main principles for a performance related personnel option program concerning Atlas Copco Series A-shares:

*Granting*

The Board is given the right to decide on the granting of personnel options that can entitle a maximum of 220 key persons in the Group the possibility to acquire a total of 1 600 000 Atlas Copco Series A shares. The granting of options is dependent on the development of the value growth within the group, expressed as Economic Value Added (EVA), during 2006. Within an interval of MSEK 600 the granting varies linearly from 0% to 100% of the maximum grant. The size and span of the interval will be determined by the Board and shall reflect the targets in the Group's long range plan. The Board may decide upon an adaptation of the EVA target during 2006 in order to maintain the ambition level in the performance requirement in case of events that will influence the results significantly.

The granting of personnel options is maximized to the following number per person within the different key groups:

Category 1 - the Group President – 50,000 personnel options

Category 2 – Business Area Presidents (3) – 25,000 personnel options

Category 3 – other members of the Management Committee and Division Presidents (approx 25) – 12,500 personnel options

Category 4 – other key persons (approx 175) – 6,250 personnel options

The Board will decide which persons that shall be included in the above stated categories based upon position, qualification and individual performance. The granting of personnel options will take place not later than during March 2007. The Board has the right to decide to implement an alternative incentive solution for key persons in such countries where the granting of personnel options is not feasible. Such alternative incentive solution shall, to the extent practically possible, be established on terms corresponding to those of the personnel option programme.

*Term of the personnel options*

The term of the personnel options shall be five years from the date of granting. The personnel options will not be transferable and continued employment is a prerequisite for vesting.

*Exercise periods*

The personnel options may be exercised and utilised to acquire shares as follows:

- an aggregate of one third may be exercised one year from granting
- an aggregate of two third may be exercised two years from granting
- the total number may be exercised three years from granting

*Exercise price*

The exercise price shall be an amount corresponding to 110% of the average of the closing prices at the Stockholm stock exchange for series A shares during a period of 10 trading days next following the date of the publishing of the year end communiqué for the business year 2006.

*Re-calculation*

Should an Annual General Meeting during the term of the personnel options decide on an increase or reduction of the outstanding number of shares or a distribution of dividend over and above the company's policy, a re-calculation may be made in order to maintain the value of the personnel options. The decision regarding a re-calculation shall be made by the Board.

The following was noted:

*Theoretical value*

A theoretical value on the personnel option has been calculated based on the Black & Scholes valuation formula. The calculation has been based on a share price of SEK 200 and an expected volatility of 23 percent. The theoretical option value according to the Black & Scholes formula has been estimated to SEK 30 per personnel option, equivalent to an aggregate maximum value of SEK 48,000,000 for the whole personnel option program.

*Delivery of shares and costs*

The personnel options shall carry a right to acquire already issued shares. The personnel option program will thus not result in any dilution of the number of shares or votes in the company. In order to hedge the economic risk in connection with an increase of the share value during the term of the personnel options and in order to secure the delivery of shares in accordance with the personnel option agreements to be entered into, the Company intends to secure this undertaking through one or more financial institutions.

In addition to costs relating to the company's undertaking set out above, the personnel options will trigger effects on the audit according to IFRS 2. Personnel options shall be entered in the books as a personnel cost (excluding social fees) during its term and shall be accounted for in the equity of the company. The accounted amount will continuously be re-assessed during the term of the personnel options.

It was recorded that Aktiespararna (representing 234,450 shares and 164,889 votes) voted against the proposal.



## § 17

The Meeting resolved unanimously to adopt new Articles of Association, Appendix 4.

The Chairman answered a question from Maria De Geer, Aktiespararna, concerning the reasons of maintaining the right in the Articles of Association to be able to appoint 12 board members when it had be presented as desirable earlier during the Meeting to have smaller Boards.

## § 18

The Meeting resolved unanimously, with the reservation made be Aktiespararna as set out below, to authorize the Board, until the next Annual General Meeting, to decide on the purchase of shares in the company at one or more occasions in compliance with the following:

1. Purchases will be restricted to be made of a number of Series A or Series B shares or a combination thereof that will result in a number of shares held by the company after each purchase that in aggregate shall not exceed 10% of the total number of shares in the company
2. The shares can only be purchased on the Stockholm stock exchange
3. The purchase of shares on the Stockholm stock exchange can only be made at a price per share that falls within the registered price range at each given time

The Chairman informed the Meeting that the purpose of the right to re-purchase shares is to continuously be able to adapt the capital structure of the company and thereby contribute to an increased shareholder value. Purchased shares are intended to be declared invalid on the proposal from the Board at a later General Meeting. Currently the company does not own any of its own shares.

The Chairman answered a question from Maria De Geer, Aktiespararna, who asked why the method of share split and reducing the share capital, which according to Aktiespararna is a preferred method, had not been used also this year.

It was recorded that Aktiespararna (representing 234,450 shares and 164,889 votes) voted against the proposal.

## § 19

The Chairman presented his gratitude to management and employees, wished the Company continued success and declared the Annual General Meeting in Atlas Copco Aktiebolag closed.

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It was recorded that, following the end of the Meeting, the Honorary Chairman Peter Wallenberg, presented “The Peter Wallenberg Marketing and Sales Award” and that the Group President Gunnar Brock presented the “John Munch Award”.

In fidem

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Hans Sandberg

Approved

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Sune Carlsson

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Åsa Nisell

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Maria De Geer