

ATLAS COPCO AB - ANNUAL GENERAL MEETING 2007

Item 15 The Board of Directors' complete proposal to the Annual General Meeting for a resolution on an automatic redemption procedure, including (A.) amendment of the Articles of Association, (B.) a share split, (C.) reduction of the share capital for repayment to the shareholders by redemption of shares of Series A and Series B and (D.) increase of the share capital by way of a bonus issue, etc.

Background

The financial position of Atlas Copco AB is very strong due to a number of years with improved profitability and the recent disposal of the equipment rental business. In order to adjust the Group's balance sheet into a more efficient structure, while preserving adequate financial flexibility for further growth, the Board of Directors of Atlas Copco AB (the "Company") proposes that the Annual General Meeting resolves on a redemption procedure with a so-called split 3:1. By this procedure each old share will be divided into three new shares. Out of those, one share will automatically be redeemed for SEK 40, to the effect that a total amount of approximately MSEK 24,416 will be distributed to the shareholders in addition to the proposed ordinary dividend distribution of SEK 4.75 per share. To make it possible to distribute funds to the shareholders in an easy and time-efficient way, the Board of Directors further proposes that the share capital of the Company is increased by SEK 262,002,730 by way of a bonus issue. In view hereof, the Board of Directors proposes that the Annual General Meeting resolves in accordance with the following proposal.

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 number of shares that may be issued by the Company is increased from a minimum of 240,000,000 and a maximum of 960,000,000 to a minimum of 500,000,000 and a maximum of 2,000,000,000, and that
- the number of shares that may be issued of Series A be changed from a maximum of 960,000,000 to a maximum of 2,000,000,000 and that the number of shares that may be issued of Series B be changed from a maximum of 960,000,000 to a maximum of 2,000,000,000 (§ 4).

A proposal for a new wording of the Articles of Association is enclosed.

B. Share split

The Board of Directors proposes that the quota value of the share (the share capital divided by the number of shares) is changed by way of a so called share split, so that

each share (irrespective of the Series of shares) is divided into three shares, of which one is to be named redemption share in the VPC system and be redeemed in the manner described under Section C. below. The record day at VPC AB (the Swedish Central Security Depository) for implementation of the share split is to be May 22, 2007. After implementation of the share split, the number of shares in the Company will increase from 628,806,552 to 1,886,419,656, of which 1,259,091,144 are shares of Series A and 627,328,512 are shares of Series B, each share with a quota value of approximately SEK 0.4167.

C. Reduction of the share capital for repayment to the shareholders by redemption of shares of Series A and Series B

The Board of Directors proposes that the Company's share capital be reduced for repayment to the shareholders by SEK 262,002,730 (the reduction amount) by way of redemption of 628,806,552 shares, of which 419,697,048 are shares of Series A and 209,109,504 are shares of Series B. The shares that are to be redeemed are the shares which, after implementation of the share split in accordance with Section B above, are named redemption shares in the VPC system, whereby the record day for the right to receive redemption shares according to Section B. above is to be May 22, 2007.

The purpose of the reduction of the share capital is repayment to the shareholders and, to the extent that the reduction of the share capital is implemented by way of redemption of shares held by the Company, for transfer to a fund to be used in accordance with the General Meeting's decision.

For each redeemed share (irrespective of the series of shares) a redemption amount of SEK 40 will be paid, of which approximately SEK 39.58 exceeds the quota value of the share. However, no payment is to be made in respect of redeemed shares held by the Company. The total redemption amount is calculated to an amount of SEK 24,415,694,080 (the amount is calculated on the number of shares in the Company per February 1, 2007, at which time the Company held 18,414,200 own shares). In addition to the reduction amount, a total amount of SEK 24,161,363,930 will be distributed, by use of the Company's non-restricted equity. The redemption price is to be paid as soon as possible, however not later than ten banking days after the day of registration of all resolutions under Sections A. – D. with the Swedish Companies Registration Office.

Following the reduction of the share capital, the Company's share capital will amount to SEK 524,005,460, divided on, in total 1,257,613,104 shares, of which 839,394,096 are shares of Series A and 418,219,008 are shares of Series B, each share with a quota value of approximately SEK 0.4167. Apart from the reduction of the share capital, the Company's restricted shareholders' equity will not be affected.

In its statement pursuant to Chapter 20, Section 13, fourth paragraph of the Swedish Companies Act, the Board of Directors states the following. The resolution on reduction of the share capital for repayment to the shareholders by redemption of shares according to this Section C. may be implemented without obtaining the Swedish Companies

Registration Office's or a general court's permission, since the Company at the same time implements a bonus issue according to Section D. below, as a measure with the object that neither the Company's restricted shareholders' equity, nor its share capital be reduced. The effect of the reduction of the share capital and the bonus issue on the Company's restricted shareholders' equity and the share capital appears, as concerns the reduction, from what is stated in the preceding paragraph and, as concerns the bonus issue, from what is stated in Section D. below.

The Board of Directors' statement pursuant to Chapter 20, Section 8 of the Swedish Companies Act is enclosed as Enclosure A.

D. Increase of the share capital by way of a bonus issue

The Board of Directors further proposes that the General Meeting resolves that the Company's share capital be increased by way of a bonus issue by SEK 262,002,730 to SEK 786,008,190 by a transfer of SEK 262,002,730 from the non-restricted equity. No new shares are to be issued in connection with the bonus issue.

The number of shares of the Company will, after implementation of the increase of the share capital, be 1,257,613,104, of which 839,394,096 are shares of Series A and 418,219,008 are shares of Series B, each share with a quota value of SEK 0.625.

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

Finally, the Board of Directors proposes that the General Meeting 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 or VPC AB.