

Information to the shareholders in Atlas Copco AB

concerning proposal of share split and mandatory redemption of shares



This document does not constitute an offer but is information on the Board of Directors' of Atlas Copco AB ("Atlas Copco" or the "Company") proposal of share split and capital distribution to the shareholders in Atlas Copco through a mandatory redemption of shares. The purpose of this document is to provide the shareholders in Atlas Copco with information for the Annual General Meeting on April 20, 2011, which is proposed to resolve on a share split and the mandatory redemption of shares. The Board of Directors' complete proposal, which includes decisions on changes to the Company's Articles of Association, share split, a reduction of the share capital and the restoring of the share capital through a bonus issue, is available at the Company and at the Company's website, www.atlascopco.com, from March 15, 2011 and will be sent to shareholders upon request.

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

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

Brief description of the redemption procedure

The Annual General Meeting in Atlas Copco AB on April 20, 2011 is proposed to resolve on a share split and redemption of shares in accordance with the Board of Directors' proposal.

The proposal principally implies that:

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

The redemption shares will be traded on NASDAQ OMX Stockholm from and including May 16, 2011 up to and including June 8, 2011. All redemption shares will then automatically be redeemed for SEK 5 per share, which amount will be distributed on or about June 16, 2011. Payment will be made via Euroclear Sweden AB (Euroclear) into the yield account linked to the directly registered shareholders' securities accounts. Nominee-registered shareholdings will be processed in accordance with each nominee's routines.

The Annual General Meeting is proposed to resolve on share split and redemption of shares	April 20, 2011
Last day of trading in the share before share split and with right to receive redemption share	May 10, 2011
Record day for share split and receipt of redemption shares	May 13, 2011
Trading in redemption shares	May 16–June 8, 2011
Payment of redemption amount	on or about June 16, 2011

The redemption procedure is conditional upon that the Annual General Meeting 2011 resolves on the following:

- Amendment of the Articles of Association, so that the permitted range of number of shares is increased from a minimum of 500 million and a maximum of 2.0 billion to a minimum of 1.0 billion and a maximum of 4.0 billion. At the same time, the maximum number of series A shares, as well as of series B shares, is increased from 2.0 billion of each to 4.0 billion of each.
- Split of each series A share and series B share (so-called share split) into two shares, one of which will be a redemption share.
- Reduction of the share capital for repayment to the shareholders by way of redemption of 1 229 613 104 redemption shares, whereby shares of series A and series B will be redeemed in proportion to the number of shares of the respective series issued.
- Increase of the share capital by SEK 393 004 095 by way of a bonus issue, whereby the Company's non-restricted equity is to be used.

Background and reasons

Atlas Copco has generated significant cash flows both during the financial crisis and during the fast growth of 2010. Consequently the financial position of the Group is strong.

In order to adjust the Group's balance sheet to a more efficient structure without jeopardizing the capacity to finance further growth, the Board of Directors proposes to the Annual General Meeting a share redemption procedure, whereby every share is split into one ordinary share and

one redemption share. The redemption share is then automatically redeemed at SEK 5 per share. This corresponds to a total of approximately MSEK 6 092, if shares held by the Company on December 31, 2010 are excluded. Combined with the proposed ordinary dividend of SEK 4 per share, shareholders will receive MSEK approximately 10 965, equivalent to SEK 9 for each original share.

Stockholm, March 15, 2011
Atlas Copco AB

Financial effects of the redemption procedure

Should the Annual General Meeting resolve on the proposal of redemption, approximately MSEK 6 092 will be distributed to the shareholders in Atlas Copco, if shares held by the Company on December 31, 2010 are excluded. The redemption procedure will have the following financial effects on Atlas Copco:

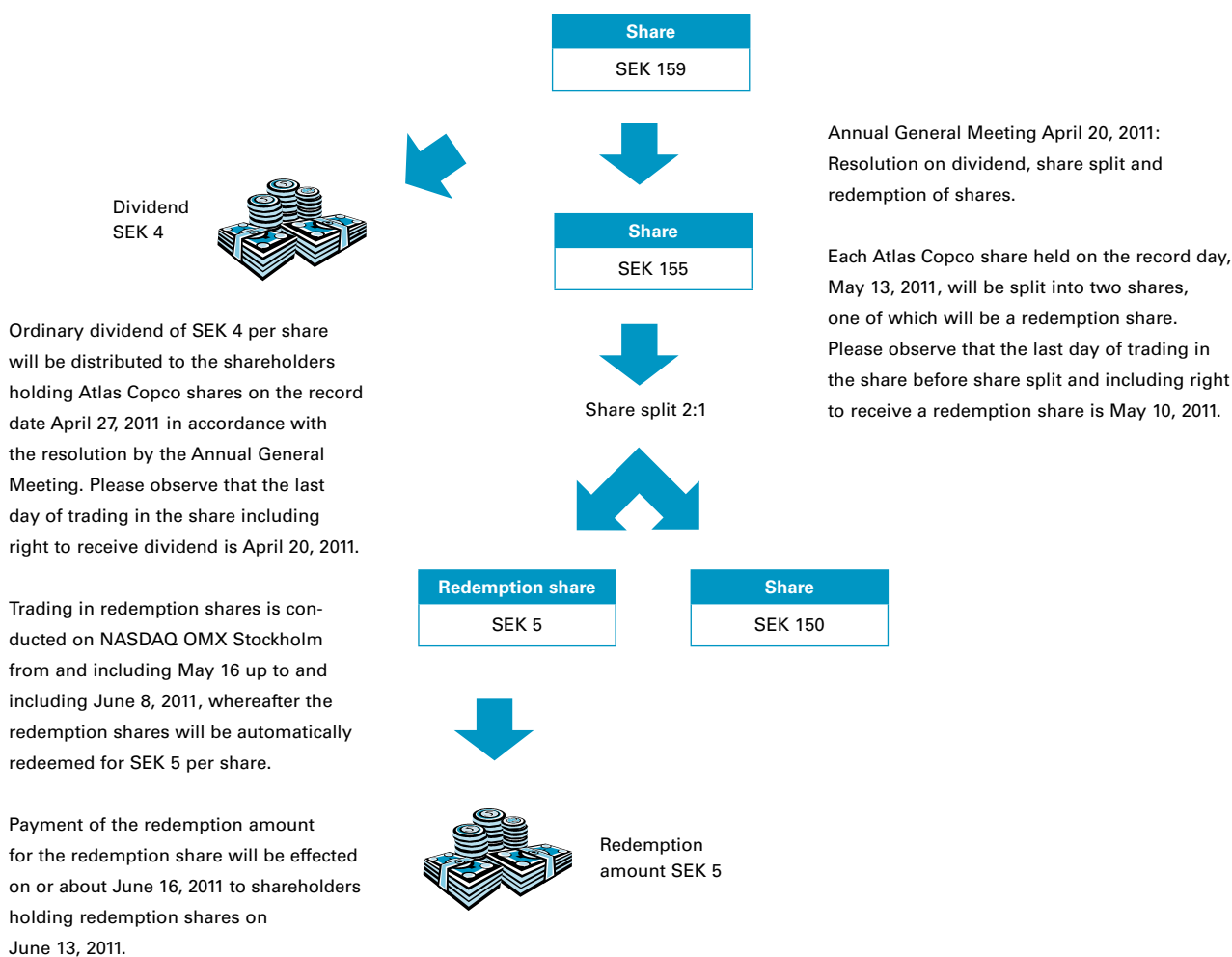
- Shareholders' equity will be reduced by approximately MSEK 6 092.
- Net debt, that is the difference between interest-bearing debt/provisions and liquid assets, will increase by approximately MSEK 6 092.

Changes in shareholders' equity and number of shares in the Atlas Copco Group, proforma as at 31 December 2010

	Before the transaction	Share split 2:1	Redemption of shares	Bonus issue	Proforma after the transaction
Shareholders' equity, MSEK	29 321	29 321	-6 092		23 229
Share capital, MSEK	786	786	-393	393	786
Shares outstanding – total	1 229 613 104	2 459 226 208	-1 229 613 104		1 229 613 104
of which series A	839 394 096	1 678 788 192	-839 394 096		839 394 096
of which series B	390 219 008	780 438 016	-390 219 008		390 219 008
of which series A held by Atlas Copco	9 524 840	19 049 680	-9 524 840		9 524 840
of which series B held by Atlas Copco	1 712 033	3 424 066	-1 712 033		1 712 033
Shares outstanding – total, net of shares held by Atlas Copco	1 218 376 231	2 436 752 462	-1 218 376 231		1 218 376 231

Outline of share split and redemption of shares

The outline is based on an assumed share price of SEK 159. The effects on the share price following dividend, share split and redemption are only theoretical. The stock market's actual pricing (the share price) of the Atlas Copco share may very well deviate.



Timetable for share split and redemption of shares

Activity	Date 2011	Please note that
Annual General Meeting in Atlas Copco. Resolution on share split and redemption of shares.	April 20	Shareholders must notify the Company of their intent to participate in the Meeting no later than April 14, 2011. Please see the notice for further information.
Last day of trading in the Atlas Copco share before share split and including right to receive redemption share.	May 10	Last day with the possibility of acquiring shares in Atlas Copco with the objective of obtaining redemption shares.
First day of trading in the Atlas Copco share following share split.	May 11	As from this day the Atlas Copco share will be traded with a new share price (following share split).
Record day for share split and for receipt of redemption shares ¹⁾ .	May 13	All Atlas Copco shares held by the shareholders this day ¹⁾ will be split into two shares, one of which will be a redemption share.
First day of trading in redemption shares.	May 16	The redemption share is booked into the shareholders' securities account.
Last day of trading in redemption shares.	June 8	Last day for sale or acquisition of redemption shares on NASDAQ OMX Stockholm.
Determination in the Euroclear system of the shareholders entitled to redemption amount ²⁾ .	June 13	Shareholders holding redemption shares this day ²⁾ will be entitled to redemption amount.
Payment of redemption amount.	On or about June 16	The redemption amount will be distributed via Euroclear into the yield account linked to the securities account of shareholders directly registered with Euroclear. Nominee registered shareholdings will be processed in accordance with each nominee's routines.

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

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

Tax considerations in Sweden

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

Tax considerations for shareholders in Sweden

Receipt of redemption shares

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

Example

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

Assume in this example, that a shareholder has 100 series A shares in Atlas Copco with an average acquisition cost of SEK 100 immediately before the share split, that the trading price at the time of the share split is SEK 155 and that the price of the redemption share is SEK 5. Furthermore, assume in this example, that the Swedish Tax Agency in its forthcoming general advice determines that 3% (approx. SEK 5/155) of the acquisition cost for one original series A share will be allocated to the series A redemption share and 97% to the ordinary series A share. The acquisition cost of the redemption share will consequently be SEK 3 (3% of SEK 100). **Thus, when the redemption shares are redeemed or sold a capital gain of $(5 \times 100) - (3 \times 100) = \text{SEK } 200$ will arise.** The average acquisition cost of the remaining ordinary series A shares will then be SEK 97 per share (97% of SEK 100).

Redemption and disposal of redemption shares

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

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

For **individuals**, the **capital gain** is taxed in the capital income category. The tax rate is 30%. A **capital loss** on quoted shares is fully deductible against taxable capital gains in the same year on shares and other quoted securities that are taxed as shares except for units in Swedish investment funds that only contain Swedish receivables (Sw: räntefonder). Any excess losses are 70% deductible against other income from capital. If an overall capital deficit arises, a reduction from tax on income from employment and business operations as well as real estate tax and municipal property charges is granted. A tax reduction of 30% is provided for deficits that do not exceed SEK 100 000 and 21% of any remaining deficit. Deficits cannot be carried forward to later fiscal years.

¹⁾ Information on the Swedish Tax Agency's general advice will be published on Atlas Copco's website (www.atlascopco.com) and the Swedish Tax Agency's website (www.skatteverket.se).

For **limited liability companies**, **capital gains** on shares that are not deemed to be held for business purposes are taxed as income from business operations at a tax rate of 26.3%.

Deductible **capital losses** on shares and other securities that are taxed as shares may normally be offset only against taxable capital gains on shares and other securities that are taxed as shares. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that cannot be utilized during a certain year may be carried forward and be utilized against eligible capital gains in subsequent fiscal years.

Certain tax considerations for shareholders with limited tax liability in Sweden

For shareholders with limited tax liability in Sweden, the redemption of shares is deemed to be a dividend, which means that Swedish withholding tax is levied on the received payment. The withholding tax rate is 30% but is generally reduced under tax treaties that Sweden has concluded with other countries. The withholding tax is normally deducted by Euroclear or, in the case of nominee-registered shares, by the nominee. Swedish withholding tax is levied regardless of the redemption shares being received through the share split or acquired in the market. However, a refund for the

withholding tax that is attributable to the acquisition cost of the shares or, provided that the shares are quoted, 20% of the redemption amount, may be admitted if a claim for a refund is filed with the Swedish Tax Agency. The acquisition cost is usually allocated between the redemption shares and ordinary shares as mentioned in the example under the heading “Receipt of redemption shares”. A claim for refund is to be filed with the Swedish Tax Agency at the latest at the end of the fifth calendar year after payment.

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

It should be noted that no Swedish withholding tax is payable if the redemption shares are sold in the market.

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

Questions and answers concerning share split and the mandatory redemption procedure

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

Conditional upon that the Annual General Meeting on April 20, 2011 resolves on a share split and redemption of shares in accordance with the Board of Directors' proposal, each share will be split into two shares, one of which will be a redemption share that automatically will be redeemed for SEK 5. On the shareholders' securities accounts the series A redemption share will be referred to as AK IL A and the series B redemption share will be referred to as AK IL B.

When will the payment occur under the redemption procedure?

All redemption shares (regardless of series) will automatically be redeemed for SEK 5 per share, which amount will be distributed on or about June 16, 2011. Shareholders that want to receive payment earlier, may choose to sell their redemption shares on NASDAQ OMX Stockholm during the period from and including May 16 up to and including June 8, 2011, at the prevailing market price.

Why does Atlas Copco propose a share redemption procedure?

Atlas Copco has generated significant cash flows both during the financial crisis and during the fast growth of 2010. Consequently the financial position of the Group is strong.

In order to adjust the Group's balance sheet to a more efficient structure without jeopardizing the capacity to finance further growth, the Board of Directors proposes to the Annual General Meeting a share redemption procedure.

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

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

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

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

What are my options in connection with the redemption procedure?

You can choose either to:

1. do nothing. You will automatically receive payment for your redemption shares following the redemption of these shares, or to
2. sell all or some of your redemption shares on NASDAQ OMX Stockholm during the period from and including May 16 up to and including June 8, 2011.

What are the tax consequences for me as a shareholder at redemption of shares compared to a dividend?

Shareholders must report the sale and/or redemption of redemption shares in their tax returns, see "Tax considerations in Sweden" on pages 6 and 7. For a large group of shareholders, for example individuals in Sweden, redemption of shares is more tax efficient than a dividend since, to put it simply, the shareholder may deduct a portion of the acquisition cost of the original share held before the split. This is also the case should the shareholder choose to sell the redemption share, see example on page 6.

What are the tax consequences for me as a foreign shareholder?

Shareholders who are not tax resident in Sweden and participate in the redemption procedure are obliged to pay Swedish withholding tax if their shares are redeemed, see "Tax considerations in Sweden" on pages 6 and 7. Withholding tax will thus be withheld for foreign shareholders in connection with the payment of the redemption amount. However, no Swedish withholding tax is payable if the redemption shares are sold in the market.