

## ATLAS COPCO AB - ANNUAL GENERAL MEETING 2007

### **Item 16 The Board of Directors' complete proposal to the Annual General Meeting for a resolution on (A.) reduction of the share capital by redemption of the Company's own shares of Series B and (B.) increase of the share capital by way of a bonus issue etc.**

(The numbers of shares and the amounts below take the Board's proposal of an automatic redemption procedure into account.)

#### **Background**

The Board of Directors of Atlas Copco AB (the "Company") proposes that the Company's share capital is reduced by SEK 17,500,000 by way of redemption of 28,000,000 of the Company's own shares of Series B. To implement these measures in an easy and time-efficient way, the Board of Directors further proposes that the Company's share capital is increased by SEK 17,500,000 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. Reduction of the share capital by redemption of the Company's own shares of Series B**

The Board of Directors proposes that the Company's share capital be reduced by SEK 17,500,000 (the reduction amount) by way of redemption of 28,000,000 shares of Series B. The shares that are to be redeemed are the shares that are held by the Company after repurchase in accordance with authorisation from the General Meeting.

The purpose of the reduction of the share capital is transfer to a fund to be in accordance with the General Meeting's decision.

Following the implemented reduction of the share capital, the Company's share capital amounts to SEK 768,508,190, divided on, in total 1,229,613,104 shares, of which 839,394,096 are shares of Series A and 390,219,008 are shares of Series B, each share with a quota value of SEK 0.625. 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 by redemption of the Company's own shares of Series B according to this Section A. 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 B. 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 B. below.

**B. 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 of SEK 17,500,000 to SEK 786,008,190, by a transfer of SEK 17,500,000 from the Company's 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 1,229,613,104, of which 839,394,096 are shares of Series A and 390,219,008 are shares of Series B, each share with a quota value of approx. SEK 0.631. The resolutions by the General Meeting in accordance with Sections A. – B. 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 agenda items 14, 15 and 16, which may be required in connection with registration of the resolutions with the Swedish Companies Registration Office or VPC AB.