

Atlas Copco AB Annual General Meeting 28 April 2010

Agenda point 14

The proposal of the Board of Directors to the Annual General Meeting April 28, 2010 regarding:

- a) guiding principles for salary and other remuneration to senior executives**
- b) a performance stock option plan for 2010 that includes a requirement for the senior executives and division presidents to invest in shares as a prerequisite for participation in the plan; and**
- c) acquisition and transfer of shares**

14 a) guiding principles for salary and other remuneration to senior executives

The term "senior executives" covers the President and the other seven members in the Group management team.

The proposal of the Board for 2010, which is in compliance with the principles of previous years and are based on agreements already entered into between Atlas Copco and respective employee, is as follows.

The remuneration to the senior executives shall consist of a base salary, variable compensation, long term incentive programs, pension premium and additional benefits. For expatriates certain other benefits apply in compliance with the Company's Conditions for Expatriate Employees

The base salary reflects the position, qualification and individual performance.

The size of the variable compensation depends on the extent to which predetermined quantitative and qualitative goals are met. The variable compensation is limited to maximum 70% of the base salary for the President, to 50% for the Business Area Executives and to 40% for the other senior executives.

Pension premiums are paid in accordance with a premium based plan within a range of 25-35% of the base salary, depending on age.

Additional benefits consist of Company car and private health insurance.

A mutual notice term of six months applies. The maximum compensation in case of termination of employment is 24 months base salary.

The Board reserves the right to deviate from these guiding principles if special reasons for such a deviation exist in an individual case.

14 b) a performance stock option plan for 2010

In the opinion of the Board it is important, and it is also in the best interest of the shareholders, that key personnel in Atlas Copco have a long term interest in a good value development of the shares of the Company and align their performance in a manner that enhances such a development. In particular this applies to the group of key personnel that consists of the senior executives and the division presidents.

It is also the assessment of the Board that a share related option program increases the attractiveness of Atlas Copco on the global market and enhances the possibility to recruit and keep key personnel in the Group.

Scope and main principles

Granting

The Board asks for the right to decide on the issuing of performance stock options that can give a maximum of 280 key personnel in the Group the possibility to acquire a maximum of

4,699,874 Atlas Copco series A shares.

Issuing

The issuing is dependent on the value increase of the Group expressed as Economic Value Added (EVA) during 2010. In an interval of SEK 900,000,000 the issue varies linear from zero to 100% of the maximum number. The size of the plan and the limits of the interval have been established by the Board and is compatible with the long term business plan of the Company.

The issue of performance stock options is maximized to the following number per person within the respective key group (unchanged):

category 1 – the President: 117,500 options

category 2 – Business Area Executives (3): 58,750 options

category 3 – other members of the Group management and division Presidents (24): 29,375 options

category 4 – other key personnel (approx. 252): 14,687 options

The Board shall decide which persons shall be included in the categories above based on position, qualification and individual performance. The issuing of options will take place not later than March 20, 2011.

The Board shall have the right to introduce an alternative incentive plan for key personnel in such countries where the granting of options is not feasible. Such alternative incentive solutions shall, to the extent possible, have terms and conditions corresponding to the ones applicable to the performance stock option plan 2010.

The term of the performance stock options/exercise

The term of the options shall be five years from the date of granting. The options are not transferable.

Exercise

The options are exercisable earliest three years from granting. The right to exercise only applies during the period a person is employed.

Exercise price

The exercise price shall be set to an amount corresponding to 110% of the average of the closing rates at NASDAQ OMX Stockholm of series A shares during a period of ten

business days next following the date of the publishing of the annual accounts (fourth quarter press release) for the year 2010 operations.

Recalculation

In case there should be a decision at an AGM regarding, for example, a reduction or increase of outstanding shares or a dividend beyond the dividend policy of the Company a recalculation can take place to preserve the value of the options.

A decision regarding such recalculation shall be taken by the Board of Directors.

Theoretical Value for the Recipient

A theoretical value on a personnel option has been established based on the Black & Scholes model for valuating options. As a base for the calculation, among other factors, has a market value of SEK 105 per share and an expected volatility of 35% been used. The theoretical value is calculated to amount to SEK 23.20 per personnel option or altogether maximum SEK 109,000,000 for the whole plan.

Requirement on senior executives and division presidents regarding own investment

As prerequisite for the participation of the senior executives and division presidents (28 persons) in the personnel stock option plan 2010 applies that they have invested maximum 10% of their respective base salary before tax in series A shares of the Company. The participation in the plan corresponds proportionally to the investment made. Those who have chosen to invest in series A shares will get, in addition to the proportional participation in the plan, the right to acquire, three years after the investment year, the number of shares (matching shares) that corresponds to the number of shares acquired under 2010 at a price of 75% of the market value upon which the exercise price for the shares in the 2010 plan was based, subject to continued employment and continued ownership of the shares acquired in 2010. If the number of the acquired shares has been reduced, the right to matching shares is reduced on a share by share basis. The theoretical value for this is calculated to be SEK 35.50 per matching share or together approximately SEK 2,000,000.

Delivery of shares and cost

The personnel options shall give the right to acquire already issued series A shares. In order to reduce the economic risk in case of an increase of the share value during the term of the personnel options and in order to secure the ability to deliver shares in compliance with concluded personnel option agreements, the Company intends to acquire and transfer own share in accordance with the proposal below.

Assuming maximum allocation under the performance stock option plan 2010 and a share price of SEK 100, the cost, including social security cost, is estimated at approximately SEK 126,000,000. In addition, the administrative costs are estimated at approximately SEK 2,500,000.

14 c) acquisition and transfer of series A shares of the Company in connection with the performance stock option plan 2010, including the share saving/matching share part

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to decide, on one or more occasions, on the acquisition of shares in the Company as follows:

1. Acquisition of not more than 5,730,000 series A shares
2. The shares may only be acquired on NASDAQ OMX Stockholm
3. The shares may only be acquired at a price per share within the registered trading interval
at any given point in time

The acquisition is made with the intention to limit the economic risk caused by an increase of the share value during the period the performance stock options remain outstanding, to be able to fulfil future delivery obligations under personnel option and matching share agreements, to cover alternative solutions and cash settlements as well as to cover social charges.

The Board further proposes that the Meeting resolves to transfer shares in the Company in relation to the Company's personnel option program 2010, including the share saving/matching share part, according to the following.

A maximum of 4,765,874 series A shares may be transferred. Right to acquire shares is to be granted to the persons participating in the Company's proposed performance stock option plan 2010, with a right for each participant to acquire the maximum number of shares stipulated in the terms and conditions of this plan. The participant's right to acquire shares is conditional upon all terms and conditions of the Company's performance stock option plan 2010 being fulfilled. Shares are to be transferred on the terms and conditions stipulated by the plan, meaning inter alia, that what is there stated regarding price and time during which the participants are to be entitled to use their right to acquire shares is also applicable to the transfer. Participants are to pay for the shares within the time and on the terms stipulated in the performance stock option plan 2010. With respect to the number of shares that may be transferred under the Company's performance stock option plan 2010, customary terms for recalculation as a result of bonus issue, share split, rights issues and similar measures apply in accordance with the terms and conditions of the plan.

As reason for the deviation from the shareholders right of first refusal and as the base for the transfer price in connection with the transfer of own shares, the Board states that the transfer of own shares is a part of the proposed performance stock option plan for 2010.

In order for the resolutions by the Meeting in accordance with the Board's proposal under 14 a) and 14 b) above to be adopted, the resolutions must be supported by shareholders holding at least fifty percent of the votes cast. For decisions in accordance with the proposals from the Board under 14 c) it is required that at least two thirds of both the votes cast and of the shares represented at the Meeting support the proposal regarding acquisition of shares and in order for a resolution by the Meeting regarding the transfer of shares to be adopted it must be supported by shareholders holding at least nine tenths of the votes cast as well as of the shares represented at the Meeting. Should this majority vote not be achieved, the intention of the Company is to hedge the financial exposure and secure delivery of shares by entering into an equity swap agreement with a financial institution.