

## **ATLAS COPCO AB**

### **Annex to proposal to the Annual General Meeting 2011 regarding remuneration principles to senior executives, performance stock option plan for 2011 and hedging of undertakings under this plan.**

#### **SUMMARY OF OUTSTANDING SHARE VALUE BASED INCENTIVE PROGRAMS IN ATLAS COPCO AB**

##### **Stock options and share appreciation rights**

In 2000 the Board of Directors resolved to implement a worldwide incentive program 2000-2003 for key employees in the Group. The incentive program mainly included stock options, which entitled the holders to acquire Atlas Copco A shares at a pre-determined exercise price. In some countries, for example the United States, Belgium, Brazil, Canada, India, Malaysia and the Philippines, Share Appreciation Rights were granted instead due to legal and tax reasons.

The 2000, 2001, 2002 and 2003 grants have expired. No stock options or share appreciation rights were granted in 2004 and 2005.

The Annual General Meeting resolved in 2006, 2007, 2008, 2009 and 2010 to implement performance related stock option plans for key employees in the Group. The performance stock option plans included that the grant of stock options would take place if set targets for the value increase of the Group expressed as Economic Value Added (EVA) were met. The targets that were set for 2006, 2007 and 2008 were met in full and the target for the 2009 plan was met to the level of 45% of the target. The Board has established that the performance target for issuing of personnel options in the 2010 performance stock option plan has been met. Issuing of stock options in the 2010 performance stock option plan will take place no later than during March 2011. The stock options entitle holders to acquire Atlas Copco A shares at a pre-determined exercise price.

In some countries, for example the United States, China, India, South Africa and the Philippines Share Appreciation Rights were granted due to legal and tax reasons under the 2006-2010 plans.

Share appreciation rights do not entitle the holder to acquire shares, but only to receive the difference between the share price of the A-share at exercise and a fixed price, corresponding to the pre-determined exercise price of a stock option.

The main terms of the 2006, 2007, 2008, 2009 performance stock options/share appreciation rights are the following. They are issued by Atlas Copco AB, have a term of 6 years from grant date and vest at the rate of one third per year as from the date of issue. The 2010 performance stock options/share appreciation rights vest at 100% three years from grant and expire five years from grant.

A prerequisite for 28 Senior Executives to be issued options under the 2010 plan is that they invest 10% of their base salary to purchase Atlas Copco A Shares and hold those shares until the options vest. They will also be entitled to purchase one matching share for each share purchased at a pre-determined price.

The options granted under the 2006, 2007 and 2008 plan remain the property of the employee also if employment is terminated, except when terminated by the company,

when only vested options are exercisable. For the 2009 and 2010 program the options remain the property of the employee only to the extent they are exercisable at the time employment is terminated. They have been granted free of charge as a part of the compensation package and are not transferable.

The exercise price/grant value is equal to 110% of the average share price of the Atlas Copco A share during a limited period before the grant date. In order to secure delivery of shares under the stock options, for cash payment and for social security charges that may occur, the Annual General Meeting have resolved to repurchase and transfer shares. Term, exercise price and number of granted and outstanding stock options/share appreciation rights are presented in the schedule below.

Grant year	Stock options				Share appreciation rights			
	2006	2007	2008	2009	2006	2007	2008	2009
Initial number of employees	183	177	198	219	36	38	41	46
Initial number of options	3,201,795	3,040,239	3,245,857	3,789,276	499,360	528,733	572,794	719,665
Expiration date	2012-03-30	2013-03-30	2014-03-20	2015-03-20	2012-03-30	2013-03-30	2014-03-20	2015-03-20
Exercise price/Grant value (SEK)	111.06	105	71	108	111.06	105	71	105
Type of share	A	A	A	A	A	A	A	A
Outstanding options Dec 31, 2010	1,718,650	2,326,433	2,898,337	1,665,497	166,244	360,865	485,562	310,625