

## Notice of Annual General Meeting in Atlas Copco AB

The Shareholders of Atlas Copco AB (the “Company”) are invited to attend the Annual General Meeting (the “Meeting”) Tuesday April 26, 2016 at 4.00 p.m. (CEST) at Aula Medica, Nobels väg 6, Solna, Sweden. Registration starts at 2.30 p.m.

### Registration

Shareholders, intending to participate in the Meeting, must

- be recorded in the register of shareholders kept by Euroclear Sweden AB (“Euroclear”) on Wednesday April 20, 2016, and
- notify the Company in writing of their intent to participate in the Meeting no later than Wednesday April 20, 2016, to the registration address Atlas Copco AB, Box 7835, SE-103 98 Stockholm, or by telephone +46 8 402 90 43 work days between 9.00 a.m. to 4.00 p.m. or on the Company’s website [www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm)

Shareholders whose shares are held in trust by a bank or other trustee must temporarily register their shares in their own names in the register of shareholders of Euroclear to be able to participate in the Meeting. Such temporary registration must be recorded by Wednesday April 20, 2016. Shareholders should notify their trustees/banks well in advance of this date.

Shareholders who are represented by a proxy holder shall submit a proxy. A proxy form is available on [www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm). The Company will also send a proxy form to those Shareholders who so request. Representatives of legal entities must be able to present a copy of the registration certificate or other similar authorization document to support the proxy. Please send such proxies and other authorization documents to the Company well in advance to ease the registration process at the Meeting.

Personal data obtained from notifications, proxies and the register of shareholders kept by Euroclear will solely be used for the necessary registration and preparation of the voting list for the Meeting. Entrance cards will be sent to the Shareholders who have notified their intention to participate. The proceedings will be simultaneously translated into English. Electronic devices for voting will be used to some extent.

The President & CEO’s speech will after the Meeting be available on the Company’s website [www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm).

### **Proposed agenda**

1. Opening of the Meeting and election of Chair
2. Preparation and approval of voting list
3. Approval of agenda
4. Election of one or two persons to approve the minutes
5. Determination whether the Meeting has been properly convened
6. Presentation of the Annual Report and the Auditor's Report as well as the Consolidated Annual Report and the Consolidated Auditor's Report
7. The President & CEO's speech and questions from Shareholders to the Board of Directors and the Management
8. Decisions regarding
  - a) approval of the Profit and Loss Account and the Balance Sheet and the Consolidated Profit and Loss Account and the Consolidated Balance Sheet
  - b) discharge from liability of the Board members and the President & CEO
  - c) the allocation of the Company's profit according to the approved Balance Sheet
  - d) record date for dividend
9. Determination of the number of Board members and deputy members and auditors and deputy auditors or registered auditing company
10. Election of Board members and of Chair of the Board and auditors and deputy auditors or registered auditing company
11. Determining the remuneration, in cash or partially in the form of synthetic shares, to the Board of Directors and the remuneration to its committees and remuneration to the auditors or registered auditing company
12. The Board's proposals regarding
  - a) guiding principles for the remuneration of senior executives
  - b) a performance based personnel option plan for 2016
13. The Board's proposal regarding mandates to
  - a) acquire series A shares related to personnel option plan for 2016
  - b) acquire series A shares related to remuneration in the form of synthetic shares
  - c) transfer series A shares related to personnel option plan for 2016
  - d) sell series A shares to cover costs related to synthetic shares to Board members
  - e) sell series A and B shares to cover costs in relation to the performance based personnel option plans for 2011, 2012 and 2013
14. Nomination Committee's proposal regarding establishment of it etc.
15. Closing of the Meeting

### **Item 8 c) and d) - The Board of Directors' proposals regarding dividend and record date**

The Board proposes that the dividend for 2015 is decided to be SEK 6.30 per share to be paid in two equal instalments of SEK 3.15. The record date for the first instalment is proposed to be April 28, 2016 and for the second instalment October 31, 2016. If the Meeting decides as proposed, the first instalment is expected to be distributed by Euroclear on May 3, 2016 and the second instalment on November 3, 2016.

**Item 1, 9 and 10 - Proposals from the Nomination Committee regarding Chair of the Meeting, number of Board members, Chair, and other Board members and registered auditing company**

The Nomination Committee, consisting of Petra Hedengran, the Chair of the Nomination Committee, Investor AB, Jan Andersson, Swedbank Robur Fonder, Ramsay Brufer, Alecta and Hans Ek, SEB fonder, who together represent more than 30% of the total number of votes in the Company, as well as Hans Stråberg, the Chair of the Board, propose as follows:

**Item 1:** That Hans Stråberg is elected Chair of the Meeting.

**Item 9:** That nine Board members be elected. That one registered auditing company be elected.

**Item 10:** That the following Board members are re-elected: Staffan Bohman, Johan Forssell, Ronnie Leten, Hans Stråberg, Anders Ullberg, Peter Wallenberg Jr and Margareth Övrum and new election of Gunilla Berg and Sabine Neuss. That Hans Stråberg is elected Chair of the Board. That Deloitte AB is re-elected as the auditing company.

Information regarding all proposed Board members is available on

[www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm)

**Item 11 – Proposal from the Nomination Committee regarding remuneration to the Board of Directors and for committee work and audit fee**

Remuneration of SEK 1,975,000 (1,900,000) to the chair and SEK 625,000 (600,000) each to the other Board members not employed by the Company. To the chair of the Audit Committee SEK 225,000 (225,000) and SEK 150,000 (150,000) each to the other members. To the Chair of the Remuneration Committee SEK 100,000 (60,000) and SEK 75,000 (60,000) each to the other members, and remuneration of SEK 60,000 (60,000) to each Board member who, in addition to the above, participates in a committee in accordance with a decision of the Board of Directors.

Reflecting the ambition to further enhance the interest for the long term development of the Company, the Nomination Committee proposes that each nominated Board member shall have the possibility to choose between receiving 50% of the remuneration in the form of synthetic shares and the rest in cash and to receive the whole remuneration in cash.

The Board proposes that the obligation of the Company to pay an amount corresponding to the synthetic shares as described above shall be hedged through the purchase of own series A shares. Repurchased shares can be sold on the market in connection with the payment to the Board member in compliance with a request for mandate. The economic difference for the Company if all Board members choose to receive a part of their fee in the form of synthetic shares compared to receive the whole remuneration in cash is assessed to be very limited due to the hedging.

Audit fee is proposed to be as per approved invoice.

**Item 12 – The Board’s proposals regarding:**

- a) guiding principles for the remuneration of senior executives**
- b) a performance based personnel option plan for 2016**

**12 a) guiding principles for the remuneration of senior executives**

The term “senior executives” covers the President & CEO and the other eight members in the Group management team.

The proposal of the Board for 2016, 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 a maximum of 80% of the base salary for the President & CEO, to 60% for the Business Area Executives and to 50% 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.

In case of termination of employment of a senior executive by the Company, the compensation can amount to a maximum of 24 months base salary and a minimum of 12 months base salary depending on age, length of employment and possible income from other economic activity or employment. The Board reserves the right to deviate from these guiding principles if special reasons for such deviation exist in an individual case.

**12 b) a performance based personnel option plan for 2016**

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 335 key personnel in the Group the possibility to acquire a maximum of 7,084,053 series A shares.

### Issuing

The issuing is dependent on the value increase of the Group expressed as Economic Value Added during 2016. In an interval of SEK 2,000,000,000 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 are compatible with the goals in the long term business plan of the Group.

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

category 1 – the President & CEO: 351,707 options

category 2 – Business Area Executives (4): 59,487 options

category 3 – other members of the Group management and division presidents (27): 38,048 options

category 4 – other key personnel (303): 17,977 options

The Board shall decide which persons shall be included in category 4 based on position, qualification and individual performance. The issuing of options will take place not later than March 20, 2017.

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 (SAR) shall, to the extent possible, have terms and conditions corresponding to the ones applicable to the performance stock option plan.

### The term of the performance stock options

The term of the options shall be seven 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 deemed employed.

### Exercise price

The exercise price shall be set to an amount corresponding to 110% of the average of the closing rates at Nasdaq Stockholm of series A shares during a period of ten business days next following the date of the publishing of the full-year summary for 2016.

### Maximized outcome

A single payment/assignment of shares under the stock option plan can never exceed four times the value of the exercise price.

### Recalculation

In case there should be a decision at a general shareholders meeting 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.

### 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, a

share price of SEK 178.34 and an expected volatility of 30% have been used. The theoretical value is calculated to amount to SEK 20.50 per personnel option or in total a maximum of SEK 145,223,087 (141,295,829) for the whole plan.

Requirement for senior executives and division presidents regarding own investment

As prerequisite for the participation of the senior executives and division presidents (33 persons) in the personnel stock option plan 2016 applies that they have invested a maximum of 10% of their respective base salary for 2016, before tax, in series A shares of the Company (20% for expatriates with net salary). The investment may be in cash or by pre-owned shares, however, not by shares that are obtained as part of the participation in the stock option plan for 2014 and 2015. 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 2016 at a price of 75% of the market value upon which the exercise price for the shares in the 2016 plan was based, subject to continued employment and continued ownership of the shares. 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 38.00 per matching share or in total approximately SEK 2,203,886.

Delivery of shares

The personnel options shall give the right to acquire already issued series A shares.

**Item 13 – The Board’s proposal regarding mandates to:**

- a) acquire series A shares related to personnel option plan for 2016**
- b) acquire series A shares related to remuneration in the form of synthetic shares**
- c) transfer series A shares related to personnel option plan for 2016**
- d) sell series A shares to cover costs related to synthetic shares to Board members**
- e) sell series A and B shares to cover costs in relation to the performance based personnel option plans for 2011, 2012 and 2013**

In order for the resolutions by the Meeting in accordance with 13 a), b), d) and e) above to be adopted, the resolutions must be supported by Shareholders holding at least two-thirds of the votes cast as well as of the shares represented at the Meeting. In order for the resolution by the Meeting in accordance with 13 c) above to be adopted, the resolution must be supported by Shareholders holding at least nine tenths of both the votes cast as well as of the shares represented at the Meeting. Should majority votes not be achieved, the intention of the Company is to hedge the financial exposure in connection with the 2016 personnel option plan and secure delivery of shares by entering into an equity swap agreement with a financial institution.

**13 a) acquire series A shares related to personnel option plan for 2016**

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 7,250,000 series A shares
2. The shares may only be acquired on Nasdaq 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, primarily, social charges.

### **13 b) acquire series A shares related to remuneration in the form of synthetic shares**

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 70,000 series A shares
2. The shares may only be acquired on Nasdaq 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 hedge the obligation of the Company to pay remuneration, including social charges, to a Board member who has chosen to receive 50% of the remuneration in synthetic shares.

### **13 c) transfer series A shares related to personnel option plan for 2016**

The Board further proposes that the Meeting decides to transfer shares in the Company in relation to the Company's personnel option plan 2016, including the share saving/matching share part, according to the following:

1. A maximum of 7,000,000 series A shares may be transferred. Right to acquire shares is to be granted the persons participating in the Company's proposed performance stock option plan 2016, 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 2016 being fulfilled. Shares are to be transferred on the terms and conditions stipulated by the plan, meaning inter alia, that what is stated therein 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 2016.
2. With respect to the number of shares that may be transferred under the Company's performance stock option plan, 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 2016.

**13 d) sale of series A shares to cover costs related to synthetic shares to Board members**

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to decide, on one or more occasions, to sell not more than 30,000 series A shares in the Company to cover the costs of giving a counter value of earlier issued synthetic shares and to, primarily, cover social charges.

Shares proposed to be sold were acquired based on mandates given at the Annual General Meeting each respective year to acquire the share for the stated purpose. The sale shall take place on Nasdaq Stockholm at a price within the registered price interval at any given time.

As reason for the deviation from the Shareholders' right of first refusal and as the base for the price in connection with the sale of own shares, the Board states that the sale of own shares is a part of the previously adopted decision regarding synthetic shares to the Board.

**13 e) sale of series A and B shares to cover costs in relation to the performance based personnel option plans for 2011, 2012 and 2013**

The Board proposes that the Board is granted the mandate until the next Annual General Meeting to sell, at one or more occasions, a maximum of 5,500,000 series A and B shares, in connection with the exercise of rights under the above mentioned performance stock option plans and related costs in order to cover costs, primarily cash settlements in Sweden, SAR and social costs.

Shares proposed to be sold were acquired each respective year based on mandate given at that year's Annual General Meeting to acquire the shares for the stated purpose. The sale shall take place on Nasdaq Stockholm at a price within the registered price interval at any given time.

As reason for the deviation from the Shareholders' right of first refusal and as the base for the price in connection with the sale of own shares, the Board states that the sale of own shares is an integrated part of the previously adopted performance stock option plans. Due to current legislation, this has to be re-approved annually.

**Item 14 – Establishment of the Nomination Committee**

The Nomination Committee proposes that the following shall apply until an annual general meeting otherwise decides:

a) That the Company shall have a Nomination Committee consisting of the chairman of the Board and a representative from each of the four largest shareholders in terms of voting rights. Each year the Company shall contact the four largest shareholders, directly registered or ownership grouped with Euroclear as per the last day of August, for the appointment of owner representatives. The names of the four owner representatives and the names of the shareholders they represent shall be made public latest six months prior to the next Annual General Meeting. The term of office of the Nomination Committee



lasts until a new Nomination Committee has been appointed. The chairman of the Nomination Committee shall, unless the members otherwise agree, be the member who represents the shareholder with the largest number of votes.

b) That representatives who have been appointed by such shareholders who, during the term of the Nomination Committee, no longer belong to the group of four largest shareholders in terms of voting rights, shall cease to be members of the committee and the one, or those, shareholder(s) who has been added among the four shareholders with the largest voting rights shall appoint its/their representative(s). Unless there are special circumstances to the contrary, there shall be no change in the composition of the Nomination Committee if there are only marginal changes in the number of votes, or if a change occurs later than three months prior to the Annual General Meeting. A shareholder who has appointed a representative as member of the Nomination Committee can replace such representative with a new representative to be a member of the Nomination Committee. Every change in the Composition of the Nomination Committee shall be made public as soon as it has taken place.

c) That the Nomination Committee shall prepare proposals to the Annual General Meeting regarding the following matters for decision:

- proposal for chairman for the Annual General Meeting
- proposal for number of Board Members, composition of the Board of Directors and chairman (and, if applicable, vice chairman) of the Board of Directors
- proposal for remuneration to the chairman (and, if applicable, vice chairman) and other Board members not employed by the Company, and compensation for committee work
- proposal for external auditor or auditing firm (if applicable) compensation to the external auditor or auditing firm (if applicable)

d) That, in connection with its assignment, the Nomination Committee shall fulfil those tasks that, according to the Swedish Code of Corporate Governance, are allocated to a Nomination Committee and that the Company, upon request from the Nomination Committee, shall provide resources like for example the secretary function in the Nomination Committee in order to facilitate the work of the Committee. Upon request, the Company shall also carry such reasonable costs for external consultants who the Nomination Committee deems necessary to in order for the Nomination Committee to carry out its assignment.

### **Shares and Votes**

The Company has issued in total 1,229,613,104 shares of which 839,394,096 are series A shares and 390,219,008 are series B shares. On March 22, 2016 out of such shares the Company holds 13,805,937 series A shares and 393,879 series B shares. Series A shares have one vote and series B shares have one tenth of a vote whereas the non-represented shares held by the Company corresponds to 13,845,324.9 votes.

**Information at the Annual General Meeting**

If a Shareholder so requires and the Board believes that the information can be given without causing harm to the Company, the Board and the President & CEO shall give information regarding an item on the agenda or circumstances that might affect the evaluation thereof or circumstances that could affect the evaluation of the economic position of the Company or a subsidiary Company or the Company's relation to another Company within the Group.

If a Shareholder wishes to submit questions in advance, such should be sent to: Atlas Copco AB, Attn: General Counsel, SE-105 23 Stockholm or to [board@se.atlascopco.com](mailto:board@se.atlascopco.com).

**Documentation**

The Annual Report and the Auditor's Report as well as the proposals from the Nomination Committee and the Board, information regarding all Board members and the statement by the nomination Committee regarding the Board, statements by the auditor and the Board will be available at the Meeting and is available on [www.atlascopcogroup.com/agm](http://www.atlascopcogroup.com/agm) and with the Company and will be sent free of charge to the Shareholders who so request and state their address from March 22, 2016.

In connection with the Meeting, two awards will be presented; "John Munck Award" for important contributions within the area of product development and "Peter Wallenberg Marketing and Sales Award" for the developing of new marketing and sales methods.

Nacka, March 2016

**Atlas Copco AB (publ)**

The Board of Directors