Construction and Mining Technique

Björn Rosengren
Atlas Copco Rock Excavation Center

- Surface Drilling Equipment division at Eyra Works.
- Avos works, including Rocktec and Underground Rock Excavation divisions

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![Graph showing revenues and operating profit from 1999 to -06 June.]

- North America: 41%
- South America: 9.8%
- Asia/Australia: 16%
- Europe: 20%
- Africa/Middle East: 9%

*Excluding restructuring costs

![Graph showing revenues and operating profit from 1999 to -06 June.]

MSEK

- 10 000

June 2004
12 months figures
Construction and Mining Technique

Markets / Customers

Construction
- > 50% of Business Area
  - Tunneling and road construction
  - Dam construction
  - Quarrying
  - Water well
  - Breaking and demolition
  - Ground engineering
- Demand keys
  - Infrastructure- and public investments
  - Non-building construction activity

Mining
- < 50% of Business Area
  - Production and development work
  - Underground and surface mining
  - Loading and haulage
  - Exploration drilling
- Demand keys
  - Mining machine investments
  - Ore production

The Atlas Copco Organization

Board of Directors
President and CEO
Executive Global Management and Corporate Functions

Compressor Technique
- Atlas Air
- Industrial Air
- Gas and Process
- Portable Air

Industrial Technique
- Airtec
- Oil-free Air
- Portable Air

Construction and Mining Technique
- Secoroc
- Atlas Copco Tools
- Industrial Tools
- Chicago Pneumatic
- Milwaukee
- Electric Tools
- Atlas Copco Tools
- Electric Tools

Rental Service
- Rental Service Corporation
- Rental Stores

Product Companies and Customer Centers Rental Stores

Underground Rock Excavation

Underground Rock Drilling and Reinforcement
Front End Loaders and Mine Trucks
Secoroc

Rock Drilling Tools

Craelius

Geotechnical Drilling Equipment
Prospecting and Ground Engineering

Geotechnical Drilling Equipment in 12 years

All acquisitions are operating under the Atlas Copco brand

<table>
<thead>
<tr>
<th>Products Territory</th>
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</table>
Modular design concept
Example surface drill rigs ROC D, F and L

Research and Development
Average product age - drill rigs

Flow Manufacturing
Example surface drill rigs
Fundamental believes

Growth
Profitability
Stability

Vision

- Atlas Copco Construction and Mining Technique shall be considered first in mind and first in choice as supplier of equipment and aftermarket services, for rock excavation and demolition applications, to the Mining and Construction industry.
- Growth shall come from a strong underlying organic growth, as well as from acquisitions.
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Financial Targets

Growth: >8% pa
Operating margin (EBIT): >10%
ROCE: >20%

Strategy

Organic Growth and Acquisitions

Research and Development

New product development

- New products and solutions, the driving force in organic growth
- Extend the product offer based on modular design concept
- Design and ergonomics
- Develop intelligent product concept
Aftermarket concept

Aggressive growth of aftermarket business
- Develop global service concept/competence
- Introduce fleet management system
- Introduce more aftermarket products
- Focus through a separate organisation

Key account strategy

- A closer partnership relationship between customers and suppliers, when possible based on performance contracts.

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquisition</th>
<th>Divestment</th>
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<tbody>
<tr>
<td>1998</td>
<td>JKS Bryles</td>
<td>Robbins TBM</td>
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<tr>
<td>2000</td>
<td>Hobic</td>
<td>JKS Lamage</td>
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<tr>
<td>2001</td>
<td>Christensen Products</td>
<td></td>
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<tr>
<td>2002</td>
<td>Ankertechnik (MAI)</td>
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<tr>
<td>2003</td>
<td>Professional Diamond Drilling</td>
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<td></td>
<td>Equipment and Mining Drilling</td>
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<td></td>
<td>Services</td>
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<tr>
<td>2004</td>
<td>Ingersoll-Rand Drilling</td>
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<td></td>
<td>Solutions</td>
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<td></td>
<td>Baker Hughes Mining Tools</td>
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<td></td>
<td>Rotex Oy</td>
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</table>
**Ingersoll-Rand Drilling Solutions**

**Acquisition**

- A perfect strategic fit
  - Scope of supply – surface mining
  - Geographical coverage
- Synergies in manufacturing, product development, sales, distribution and aftermarket.
- Revenues approximately MUSD 300
- Purchase price MUSD 225
- Closed June 30, 2004
Baker Hughes Mining Tools

**Acquisition**

- A perfect complement of consumables
  - Tricone bits for large diameter rotary drilling
  - Raise boring and shaft equipment
- Atlas Copco will be able to offer complete product assortment to surface mines
- Synergies in manufacturing, product development, sales, distribution and aftermarket
- Revenues approximately MUSD 40

Rotex Oy

**Acquisition**

- Gives a leading position in consumables for overburden drilling
- Strong patented product portfolio complement existing product range
- Expanded geographical coverage
  - e.g. North America and Greater China
- A strong center for manufacturing, product development, sales and distribution of consumables for overburden drilling
- Fast growing and profitable business
- Revenues approximately M€ 8

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**People**

- Competent and committed people
- Management resources
- Internal job market
Construction & Mining Technique

Q2 Summary

- Order volume growth 14%
  - Strong demand from mining industry. Volume growth in all product areas.
  - Improved demand for construction equipment continued with growth in all important markets.
- Profit margin improved
  - Higher revenue volume, price increases and efficiency improvements.
- Acquisition of Ingersoll-Rand Drilling Solutions finalized

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Summary

- Leading market position globally following acquisitions with perfect fit
- Pro forma growth >40%
  - Volume, price ~12%
  - Acquisitions >30%
- Strong foundation for organic growth
- Integration of acquisitions and efficiency improvements