Construction and Mining Technique

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Construction and Mining Technique

"Atlas Copco Capital Markets Day, December 2, 2008"

Construction and Mining Technique

- **North America**: 22%
- **Europe**: 32%
- **Africa/Middle East**: 15%
- **South America**: 18%
- **Asia/Australia**: 8%

**Revenues, MSEK**

- 1998: 15,9%
- 1999: 13,7%
- 2000: 10,7%
- 2001: 8,6%
- 2002: 10,1%
- 2003: 17,4%
- 2004: 17,4%
- 2005: 19,4%
- 2006: 21,0%
- 2007: 23,0%
- Q1–Q3 2008: 23,0%

**Operating margin, %**

- 1998: 13%
- 1999: 14%
- 2000: 16%
- 2001: 16%
- 2002: 18%
- 2003: 20%
- 2004: 21%
- 2005: 22%
- 2006: 23%
- 2007: 23%
- Q1–Q3 2008: 23%

**Change in revenue volume and price, %**

- 1998: 0%
- 1999: 10%
- 2000: 20%
- 2001: 30%
- 2002: 40%
- 2003: 50%
- 2004: 60%
- 2005: 70%
- 2006: 80%
- 2007: 90%
- Q1–Q3 2008: 90%

**Structural changes, %**

- 1998: 5%
- 1999: 10%
- 2000: 15%
- 2001: 20%
- 2002: 25%
- 2003: 30%
- 2004: 35%
- 2005: 40%
- 2006: 45%
- 2007: 50%
- Q1–Q3 2008: 50%

**CAGR, 1998-2007**

- 1998-2007: 29%
- 2003-2007: 15%

"12 month figures. Restated for IFRS from 2004."
### Construction and Mining Technique

**Q3 2008**

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<thead>
<tr>
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<tbody>
<tr>
<td>Orders received</td>
<td>7 884</td>
<td>6 814</td>
<td>+ 16%</td>
</tr>
<tr>
<td>Revenues</td>
<td>7 742</td>
<td>6 634</td>
<td>+ 17%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1 455</td>
<td>1 119</td>
<td>+ 30%</td>
</tr>
<tr>
<td>– as a percentage of revenues</td>
<td>18.8</td>
<td>16.9</td>
<td></td>
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<tr>
<td>Return on capital employed, %</td>
<td>31</td>
<td>33</td>
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### Orders per Customer Segment

**Construction and Mining Technique**

- Building and Construction: ~40%
- Mining: ~60%

Figures are estimated 2008

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### Global Mining – 2006

- Open pit: 19% (11% in 2007, 20% in 2008)
- Underground: 30% (8% in 2007, 12% in 2008)

Total 5 900 Mt

Source: Raw Materials Group, 2008

Ore Production and Overburden 2007

- **Open pit**
  - Crude Ore: 5337
  - Overburden: 11741
  - Strip ratio: 2.2

- **Underground**
  - Overburden: 70
  - Crude Ore: 558
  - Strip ratio: 0.1

Strip ratio = waste rock
Source: Raw Materials Group, 2008

Open Pit / Underground Ore Production 2007

- **Open pit**
  - Crude ore
  - Iron ore
  - Ni
  - Pb/Zn
  - Au
  - Cu

- **Underground**
  - Crude ore
  - Iron ore
  - Ni
  - Pb/Zn
  - Au
  - Cu

Source: Raw Materials Group, 2008

CMT – Mining Exposure to Different Minerals and Metals

- **Base metal**
  - 35-40%
- **Precious metals**
  - 10-15%
- **Coal**
  - 5-10%
- **Other**
  - 5-10%
- **Iron**
  - 5-10%

Source: Raw Materials Group, 2008
Copper – an Example
Copper production vs ore grade

- Increased demand for copper
- Lower grade
- More excavated copper ore per ton crude copper

Source: Raw Materials Group, Stockholm

Copper Use vs GDP

USD per capita PPP adjusted 2005

Source: Häggström, Handelsbanken, 2006

Corporate Concentration

% of total value of non-fuel mineral production at the mine stage

Source: Raw Materials Group, 2006
### Mining Companies and Control of Mining

- **4,100 companies**
  - **146 major companies**: 332 billion USD
  - **2,067 medium and small companies**
  - **2,957 junior companies** (mainly exploration)

**Source:** Raw Materials Group, 2007

### Top Ranked Mining Companies

#### Metals

1. **BHP** Australia
2. **Vale** Brazil
3. **Rio Tinto** Australia
4. **Anglo American** UK
5. **Freeport** USA
6. **Codelco** Chile
7. **Xstrata** Switzerland
8. **Norilsk Nickel** Russia
9. **Barrick** Canada
10. **Grupo Mexico** Mexico
11. **Newmont** USA

**Source:** Raw Materials Group, 2007

### CMT – Mining Orders Split by Customer Size

- **The 11 biggest mining companies**: 35%
- **Others**: 65%
Mining CAPEX – Opportunities

- BRIC countries will continue to grow volume
- Some major open pit mines are going underground
- Remote located ore-bodies
- Declining ore-grades
- Efficiency improvements in operations
- Safety and environmental requirements

Economic downturn is normally mitigated by investments in infrastructure

Infrastructure Projects
Roads and railways

The total network of roads/railways and metros in the world will be tripled of today.

Estimation until 2012
- New roads: >30% whereas 60% in Asia and 25% in EU
- Maintenance: EU and North America 65% Maintenance after 2012 (est.)
- New EU countries and Asia due to quality will be next issue for maintenance and extension

Atlas Copco’s equipment represents 10% in the projects
Infrastructure Projects
Hydro power plants and dams

- We count on 5-10% annual growth dominated by Asia followed by Latin America while Africa has the need and potential
- Atlas Copco’s equipment represents 10% in the projects

Strategy

Organic Growth and Acquisitions

- Strong presence in both mining and construction
- New product development
- Aftermarket
- Key customer management
- Focused growth markets
- Acquisitions

Strategic Areas for Growth
Strong Presence in both Mining and Construction

Mining
- Underground mining
- Surface mining

Construction
- Quarries
- Geotechnical work
- Tunneling
- Water well
- Road development
- Shallow oil and gas
- Hydropower plants

CMT in Mining
- Underground mining
- Surface mining

CMT in Construction
- Demolition
- Quarrying
- Surface civil engineering
- Underground civil engineering
- Global leadership in defined niches
- Road construction and maintenance
Product Development

- New products and solutions, a driving force in the organic growth
- Trends
  - Safety
  - Enhanced productivity
  - Design and ergonomics
  - Intelligent product concept

T15

XLP for “Low Seam Mining”
Aftermarket

- Global service competence
- Fleet management system
- Extend product offer on aftermarket products
- Separate organization

Growing the Aftermarket Business

Growth in Aftermarket comes from:

- Increased fleet of equipment
- Growing our Customer Share
- Offer new products

Key Customer Strategy

- Organization to support key customers
- Take more responsibility through aftermarket contracts
- Offer global contracts and support
- Build partnership relations
China
- Strong market growth
- Market leading position
- Expected increase in infrastructure investments
- New factory in Nanjing for ADS products

Brazil
- Strong market growth
- Market leading position
- Large mining and construction market
- Large international contractors

Russia
- >40% average annual growth since the millennium
- Market leading position
- Very dependent on oil and minerals
USA

- World’s largest construction market
- Market leading position
- Strong distribution network
- Present in several customer segments

Acquisitions / Divestments

Construction and Mining Technique

2008: Focus, Prisma
2007: Fluidcon
2006: CRM
2005: Theissen
2004: Lilian
2003: Contex
2002: Rotex Oy
2001: Ingersoll-Rand Drilling Solutions
2000: Hobic (Div: JKS Lignite)
1999: Professional Diamond Drilling Equipment and Mining Drilling Services
1998: Chianqwan Products (Chin. JKS Lignite)

Conclusion and Outlook

- The global financial crisis has clearly affected the market demand and we see a clear slowdown in mining investments.
- The slow construction market is expected to start growing, driven by infrastructure investments, especially in emerging markets and by projects initiated to stimulate the economy.
- Atlas Copco CMT is well prepared to adapt to the changes in demand.
We are committed to your superior productivity through interaction and innovation.