Mining and Rock Excavation Technique

Bob Fassl, Business Area President

Sustainable Productivity

Mining and Rock Excavation Technique

Today

- Strong global market position
- Large aftermarket business
- A significant local presence in high growth emerging markets
- Customers rate Atlas Copco very high on product performance and reliability
- Stable and flexible organization and a strong management pool
Mining and Rock Excavation Technique

Orders received by customer category

- Construction: 31%
- Mining: 66%
- Others: 2%
- Services: 7%

Revenues by business type

- Consumables: 23%
- Equipment: 48%
- Aftermarket, incl. rental: 22%

Revenues by geographic area

- North America: 21%
- South America: 21%
- Europe: 28%
- Africa/Middle East: 17%
- Asia/Australia: 13%

Flexible organization – stable foundation

- Efficient processes
- Functional costs
- Inventory

YTD September 2011
## Mining

<table>
<thead>
<tr>
<th>Underground mining</th>
<th>Surface mining</th>
<th>Exploration</th>
</tr>
</thead>
</table>

## Civil engineering / construction

<table>
<thead>
<tr>
<th>Underground civil engineering</th>
<th>Quarrying</th>
<th>Surface civil engineering</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Crushing and screening</th>
<th>Ground engineering</th>
<th>Waterwell Oil &amp; Gas</th>
</tr>
</thead>
</table>
Competition

- Sandvik
- Furukawa
- Boart Longyear
- Joy Global
- Caterpillar
- Several competitors operating locally, regionally and in certain niche areas

Mining and Rock Excavation Technique
2000 – 2010

- Strengthened product portfolio
  – Consolidation of manufacturing and R&D
  – Significant focus on product development
- Improved key customer management
- Extensive focus on emerging markets
- Dedication to the service and parts business
Organic and acquisition growth
Mining and Rock Excavation Technique

- 2001: Christensen
- 2004: Ingersoll-Rand Drilling Solutions, Baker Hughes Mining Tools, Rotex
- 2006: Thiessen, CRM
- 2008: Focus + Prisma, Fluidcon
- 2010: Hartl, H&F
- Sept. 2011: 12 months, revenues BSEK 27.7

Survivability:
- 2001: Revenues BSEK ~6.2
- 2006: Revenues BSEK ~16.5
- 2010: Revenues BSEK 22.5

Profitable growth:
- High activity in the mining industry
- Increased order intake for underground mining equipment, but lower for surface drilling equipment
- High sales growth for service, parts and consumables
- Record operating profit and record operating margin
  - Operating margin at 25.6% (23.0).

Mining and Rock Excavation Technique
Q3 2011

- 16% organic order growth
  - Continued high activity in the mining industry
  - Increased order intake for underground mining equipment, but lower for surface drilling equipment
  - High sales growth for service, parts and consumables
- Record operating profit and record operating margin
  - Operating margin at 25.6% (23.0).
Orders received - local currency

Mining and Rock Excavation Technique +32% YTD, +17% last 3 months
Structural change +1% YTD, +1% last 3 months

<table>
<thead>
<tr>
<th>September 2011</th>
<th>A = Share of orders received, year-to-date, %</th>
<th>B = Year-to-date vs. previous year, %</th>
<th>C = Last 3 months vs. previous year, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>+57</td>
<td>+34</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>+31</td>
<td>+37</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>+57</td>
<td>+55</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>+13</td>
<td>+11</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>+14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Outlook / trends

Mining

- Total cost of ownership and optimization of full value chain
- Equipment availability
- Reliability and aftermarket
- More underground and remote locations
- Consolidation

Estimated application distribution of capital expenditure for global mining (drill to mill)

Source: McKinsey Basic Materials Institute – March 2011; expert interviews
**Outlook / trends**

**Capital expenditure in mining**

- **Growth drivers**
  - Continued demand for minerals
  - Increased mechanization and more automation
  - Lower ore grades

**Outlook / trends**

**Civil engineering / Infrastructure**

- **Investments in infrastructure**
  - Tunneling
  - Hydropower plants
  - Road development
  - Geotechnical work

- **Demand for water**
  - Water well drilling

- **Investments in shallow oil and gas**
Outlook / trends

Technology

- Increased demand for automated equipment solutions
- Increased use of mechanical rock excavation
- Energy and safety increasing in importance
- Higher requirements on user friendly equipment and systems

Priorities

<table>
<thead>
<tr>
<th>Product development</th>
<th>Aftermarket</th>
<th>Presence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational excellence</td>
<td>Acquisitions</td>
<td>People management</td>
</tr>
</tbody>
</table>

Product development

- Safety and productivity
- Increased and differentiated offer
- Energy efficiency

- Do the same with less
- Do more with the same

Increasing productivity through service

Mining and Rock Excavation Technique
Service

- Contracts
- CARE products
- Parts

Customer share / relationship

Value

Low

High

Presence

- Investments in strategic growth markets
- Organization to support key customers
- Further investment in local support
Operational excellence

- Improve inventory management
- Reduce lead time in manufacturing
- Increase equipment availability through excellent service

Acquisitions

- Extending the offer
- Increase presence and penetration in the market
People management

- Investing in engineering
- Increased sales training
- Competence development for service technicians
- Using the Atlas Copco leadership model

Summary

Today
- Strong global market position
- Large aftermarket business
- A significant local presence in high growth emerging markets
- Customers rate Atlas Copco very high on product performance and reliability
- Stable organization and a strong management pool
- Fit for more!

Tomorrow
- Continued demand for minerals
- Investments in infrastructure
- Increase presence and penetration
- Climb the service ladder
- Increase operational excellence
- Profitable growth
Committed to sustainable productivity.
Cautionary statement

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially and adversely affected by other factors such as the effect of economic conditions, exchange-rate and interest-rate movements, political risks, the impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.”