

Development in China




Atlas Copco Capital Markets Day, December 1, 2010
Björn Rosengren, Business Area President,
Construction and Mining Technique


Sustainable Productivity



Agenda



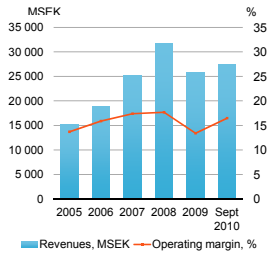
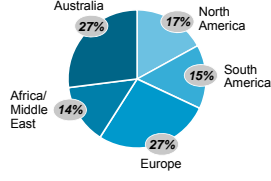
- Development in China
- Innovative technology




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Construction and Mining Technique

Revenues and operating margin



Year	Revenues, MSEK	Operating margin, %
2005	15,000	15%
2006	18,000	18%
2007	25,000	18%
2008	32,000	18%
2009	25,000	15%
Sept 2010	28,000	18%



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Priorities



Profitable growth

- Presence in growth markets
- Developing our service business
- Continued innovation
- Operational excellence



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Asia / China



Year	Index
2000	100
Sep 2010	622

+522%

CMT Asia
Orders received
Index, SEK
2000 - Sep. 2010



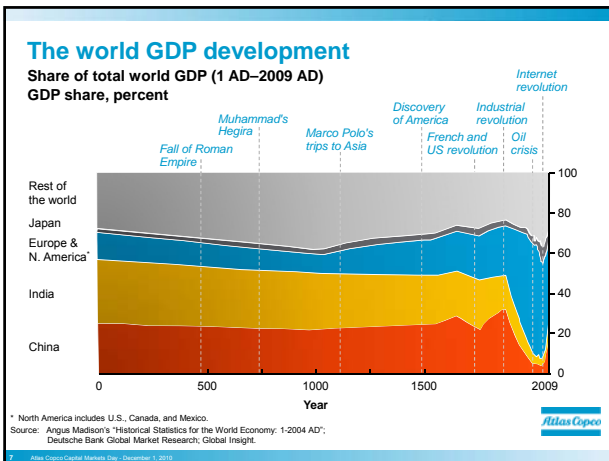
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China

- General development in China
- Market position
- Demand drivers
- Competitive landscape
- Strategy



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Chinese urbanization

Over the next 20 years, Chinese cities will add > 350 million people...	... the population of the entire United States
There will be > 200 Chinese cities with more than a million inhabitants...	... in Europe today there are only 35 cities of that size
There will be up to 50,000 new skyscrapers...	... the equivalent of building ten New York cities
There could be up to 170 new mass transit systems...	... in Europe today there are about 70
By 2025, two-thirds of China's citizens will live in cities...	... that's nearly 1 billion people

Source: Demographia; China-All-City model output, McKinsey Global Institute analysis.

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Growth in China is driven by urban middle class, which is expected to grow further

By 2025, more than 10% of China urban households will be wealthy, while three quarters will be middle class

- Increasing disposable income → growth of the middle class
- The burgeoning of middle class* households is still evident
- The more affluent middle segment will have higher health awareness and require greater convenience

* Definition of middle class is according to World Bank
Source: McKinsey Insights China Jan 10 version.

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Construction and Mining Technique in China

- Strong market position in the high end market
- Well developed sales and distribution setup and manufacturing capability
- Strong demand in both construction and mining
- Increased local competition

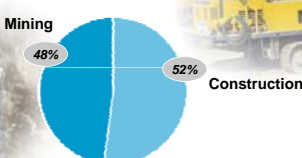


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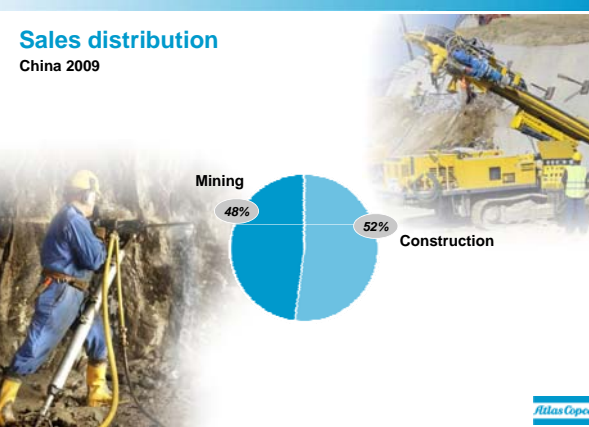
Sales distribution

China 2009



Mining 48%

Construction 52%



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Demand driver – mining investments

- Strategic area for local investments in the 5 year plan
- Some major open pit mines are going underground
- Remote located ore bodies
- Low ore grades
- Need for efficiency improvements in operations
- Safety and environmental requirements



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Demand driver – mining investments

- Cement – Limestone
 - China cement production represents 55% of the world
- Metals mining
 - Iron ore
 - Non-ferrous metals (copper, lead, zinc etc.)
 - Gold (China is the world largest gold producer)
- Chemical mining
- Exploration



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Demand driver – construction investments

- Railway
 - Railways are planned to increase from 86 000 km in 2009 to 110 000 km in 2012.
- Road and highway
 - 111 highway projects started since 2009. Total planned length 12 000 km.
- Hydropower
 - Developing hydropower is a key strategy for renewable energy.
- Civil construction
 - E.g. harbors and airports.

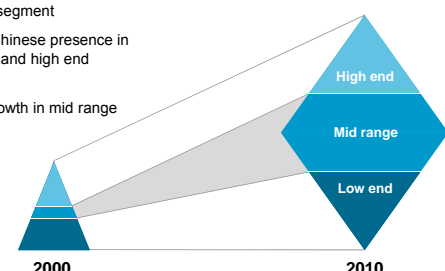


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Competitive landscape in China

Illustrated

- Mostly international competitors in the top segment
- Growing Chinese presence in mid range and high end segments
- Fastest growth in mid range



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Mid-range is the key


Customer segment size	Growth	Market share	Customer requirements	Competitive landscape
High end	→	●	<ul style="list-style-type: none"> Requires superior technological features, reliability, and performance Not price sensitive 	<ul style="list-style-type: none"> Primarily international players Locals have high barrier to entry
Mid range	→	◐	<ul style="list-style-type: none"> Somewhat price sensitive but still requires quality products May require emerging market oriented features 	<ul style="list-style-type: none"> Major battlefield of international players and locals
Low end	→	○	<ul style="list-style-type: none"> Most price sensitive with only basic feature/function and low quality requirements 	<ul style="list-style-type: none"> Locals dominate

○ Low
● High

Source: McKinsey

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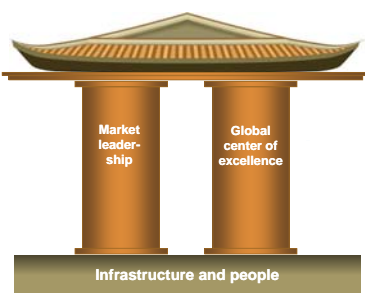
Strategy to reinforce market leadership in China



- Improve position in mid range
- Local design, development and manufacturing
- People management

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Making China our home market



Market leadership

Global center of excellence

Infrastructure and people

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Sales and distribution set-up

- Well developed sales, service and distribution setup for all our three brands




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Customer oriented aftermarket

Underground Rock Excavation	Surface Drilling Equipment	Drilling Solutions	Secoroc	Construction Tools	Geotechnical Drilling and Exploration	Road Construction Equipment	Rocktec
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Customer oriented aftermarket



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Aftermarket in China

- Characteristics**
 - Service technician cost are low
 - Pirates supplying parts
 - Chinese customers needs good service
- Strategy**
 - Differentiated offer



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New distribution center

For China and South East Asia

Nanjing, 4000 m²

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Manufacturing in China

沈阳 Shenyang
张家口 Zhangjia Kou
天津 Tianjin
南京 Nanjing
无锡 Wuxi

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Sourcing in China


- Develop supplier network to support design, development and manufacturing
- Co-ordination between the divisions to reach scale advantages

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New R&D center in Nanjing

Cooperation with engineering center in Bangalore



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Product development in China

- Sophistication/technology level must be adjusted to the local need
 - Local design, development and manufacturing
 - Strong local organization
 - Leverage and build competence
 - Focused R&D for the east
 - High speed
- Differentiated offer

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Product development in China



- Power Rock D55
- AirRock D45 Semi Hydraulic

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Product development in China

- CDM 75E
- CDM 75D
- CDM 30





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Competence development in China

Atlas Copco's Internal Job Market (China National)
60 % (535) of all advertised positions (892) internally appointed since 2002

China AAcademy ("Open" and "Division" courses)
Initiated in 1999 with 6 "Open" courses...
Open: Management, Leadership, Skills, The Way, English...(everyone can apply)
Division: Products, Service, Systems, Health/Safety, Circles...(specific audience only)
Curriculum 2010: 475 "Division" courses + 26 "Open" courses; 11 locations in China

CEIBS DIMP (China Europe International Business School)
18 Months part-time; 50 Managers have graduated since 2002 + 10 enrolled in 2010

LTS: (ACCIC Internal Leadership Training Seminars: People Management)
6 Modules; Full/half day; 20 Managers have completed since 2009; 20 "WIP" 2010

Master in Mining Engineering (University of Science and Technology, Beijing)
3 year Program; 30 CMT Engineers selected for the 1st program, launched Oct 2010



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Summary

- The recovery from the financial crisis has been remarkably fast, driven by the emerging markets with China taking the lead
- The dramatic Chinese urbanization drives demand for minerals and local infrastructure works
- Chinese competitors are growing fast in the mid range market
- Strategy to make China our "home market" and challenge local competitors with a strong offering in the mid range



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