CAPITAL MARKETS DAY 2008

Per Nordberg
Executive Vice President and CFO
Sandvik – A success story
The Bessemer method 150 years

- High value added niche products
- Direct sales
- Customer oriented R&D

- Sales SEK 86 billion (2007)
- 50,000 employees in 130 countries
- Headquarter in Sandviken, Sweden
**Sandvik – Global leader**

<table>
<thead>
<tr>
<th>Sandvik Tooling</th>
<th>Sandvik Mining and Construction</th>
<th>Sandvik Materials Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
<td><img src="image3.png" alt="Image" /></td>
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**2007:**

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<tbody>
<tr>
<td>Sales, MSEK.</td>
<td>24,700</td>
<td>33,100</td>
<td>22,500</td>
</tr>
<tr>
<td>Margin, %</td>
<td>24.2</td>
<td>15.1</td>
<td>10.8</td>
</tr>
<tr>
<td>ROCE, %</td>
<td>33.5</td>
<td>31.2</td>
<td>14.5</td>
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</table>
## Financial targets

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>2008H1</th>
<th>Ave. 5-yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic growth</td>
<td>+8 %</td>
<td>+ 8 %</td>
<td>+13 %</td>
</tr>
<tr>
<td>ROCE</td>
<td>25 % (^1))</td>
<td>23 %</td>
<td>22 %</td>
</tr>
<tr>
<td>Dividend, % of EPS</td>
<td>≥ 50 %</td>
<td>60 % (^2))</td>
<td>67 %</td>
</tr>
<tr>
<td>Net debt / equity</td>
<td>0.7 - 1.0</td>
<td>1.1</td>
<td>0.7</td>
</tr>
</tbody>
</table>

\(^1\)) ROCE based on current operations

\(^2\)) Dividend 2008 in % of EPS H1 * 2
Long term growth

- 10% annual growth the last 20 years
- 50/50 organic and acquired
- Market leadership in all business areas
Market Highlights Q2

- **Business environment**
  - Continued stable demand in NAFTA and Europe
  - Strong demand in Asia, Australia and Africa

- **Business segments**
  - Stable growth in core businesses
  - Strong growth in mining and energy
  - Weak in US automotive
Operational Highlights Q2

- Stable growth for all Business Areas
- Good underlying profitability
- Currency effect SEK -340 M
- Metal price effects SEK -176 M in Sandvik Materials Technology
- Strategic expansion in sales, production and R&D
- Improved capital efficiency
- Strong cash flow SEK 3,364 M
Sandvik Group

- Order intake +2% (p/v)
  - Underlying +9%
- Invoiced sales +12% (p/v)
  - Underlying +13%
- EBIT 15.8% of sales
  - SEK 3,783 M, -8%
  - Currency effect SEK -340 M
  - Metal price effects SEK -176 M
- ROCE 23.2% (29.2)
- EPS SEK 1.94 (2.20)
Summary Q2 2008

- Stable global demand
- Good underlying profitability
- Negative currency effects
- Strong cash flow
- Complicated communication
Market concerns on Q2 2008

Questions

- Weaker order intake?
- Cost control SMC?
- Component shortage?
- Metal price impact?
- Currency headwind?

Updated guidance

- Stable good demand
- Stabilizing cost level
- Improved situation
- Price volatility, stronger USD
- Stronger USD
CFO Strategic agenda

- Focus on shareholder value
- First Class Finance organization
- Support
  - Business development
  - Strategic development
Focus on shareholder value

- Sandvik Value Added (SVA)
- SVA = EBIT – (WACC * CE)
- Includes growth, profitability and capital efficiency
- Throughout the organisation
- Included in incentive schemes
- Correlates with shareholder value

Sandvik Value Added (SVA) includes growth, profitability and capital efficiency throughout the organisation. It is included in incentive schemes and correlates with shareholder value.
Focus on shareholder value

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SEK M

Share price SEK

0 2000 4000 6000 8000 10000

2001 2002 2003 2004 2005 2006 2007 2008H1

SVA Share price
First Class Finance Organization
Cornerstones

- Business performance
- Processes and systems
- Compliance with internal and external rules and regulations
- Governance structure
- People management
First Class Finance Organization

Audit process

Business Performance

Processes and systems

People management

Compliance with internal and external rules and regulations

Governance structure

Example not based on real data!
Supporting business development

- Clear targets
- Follow up
- Transparency
- Simplicity
- Flexibility

Driving operational excellence
Supporting strategic development

- Profitable growth
  - Growth
  - ROCE
- Capital structure
  - Net debt to equity
  - Dividend
- M & A

Creating shareholder value
CFO Strategic summary

- Shareholder value
  - First class finance organization
  - Organizational structures
  - Supporting the business
  - Challenging the organization
  - Driving strategic development
Q&A session
CAPITAL MARKETS DAY 2008

Lars Pettersson
President and CEO
Sandvik – Global leader

Sandvik Tooling

Sandvik Mining and Construction

Sandvik Materials Technology

Sandvik in continuous development
Sales development

Organic sales H1 2008, part of Group total

Organic sales growth 2005 to 2007
Business area diversification

1990
- Sandvik Materials Technology
- Sandvik Tooling + Seco Tools
- Sandvik Mining and Construction

2007
- Sandvik Materials Technology
- Sandvik Tooling + Seco Tools
- Sandvik Mining and Construction
Global customer segments

- Mining
- Automotive
- Consumer related
- Engineering
- Oil/gas processing
- Aerospace
- Other
- Materials Handling

Annual growth rate 2005-2008:
- >15%
- 6 to 15%
- -5 to 5%
- -5 to 5%
Structural driving forces

- Emerging markets a stronger global force
- Increased wealth
- Increased energy consumption
- Industrial innovation

Demand for raw materials
Demand for skilled people
Demand for energy supply
Demand for new materials and technologies
Emerging markets
a stronger global force

- BRIC a strong global driver
- Increased consumption
- Fast developing industry
- Energy demand
Increased demand for

- Metals and minerals
- Automated excavation processes
- Cost efficient excavation
- Increased safety, health and environment focus
Increased wealth

- Demographic shift
- Growing income
- Demanding population
- Variety and quality requested
Increased need for medical implants and tools

Increased demand for
- Goods
- New habits
Industrial innovation

- Shorter product life cycles
- Product performance
- New materials
- Productivity and automation
Aquisitions to explore new opportunities and application areas

New tooling solutions for advanced metal cutting in new complex materials
Energy supply

- Power generation
  - Solar, wind, oil&gas, nuclear
- Industrial processes
  - CO₂ efficient equipment and processes
- Transportation
  - New tooling solutions
- Farm equipment and agriculture
  - Fertilizers, mechanization
Order intake from a different angle

Monthly order intake at annual running rate with fixed currency rates, dampend

Contingency plans for various scenarios
Current top priorities

- Profitable growth
- Cash flow and capital efficiency
- Strategic global presence
  - Sales
  - Logistics and services
  - Production
- Capitalize on opportunities
- Ensure competence sourcing
- Raw material supply and hedging
Q&A session
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 effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”