

CAPITAL MARKETS DAY 2009

Managing the downturn

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The Sandvik Group

Sandvik Tooling



Sandvik Mining and Construction



Sandvik Materials Technology

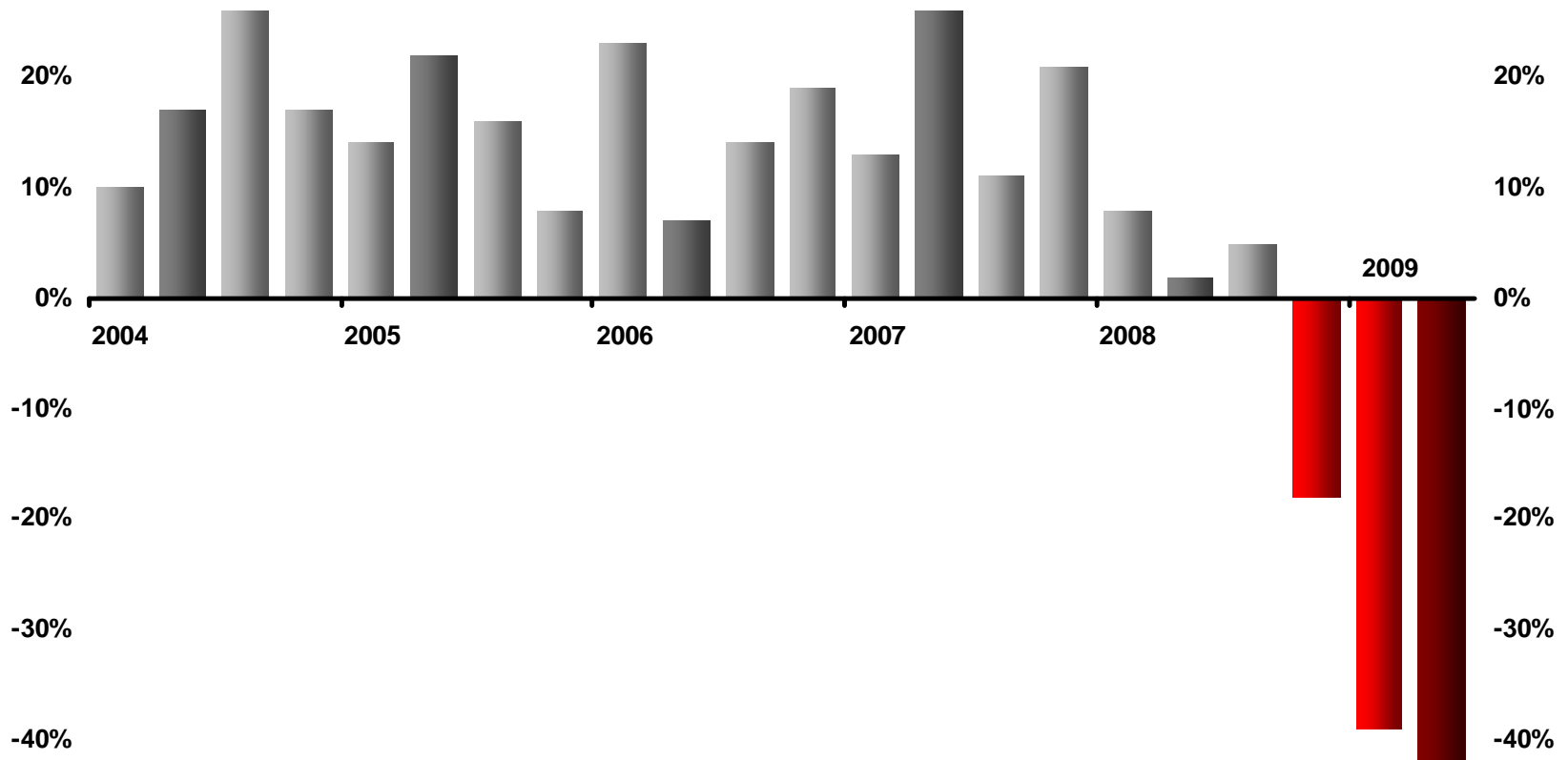


2008:

Sales, SEK M	25,975	38,651	21,480
Margin, %	21.0	12.9	5.5
ROCE, %	27.0	24.2	6.3

The downturn

Order intake



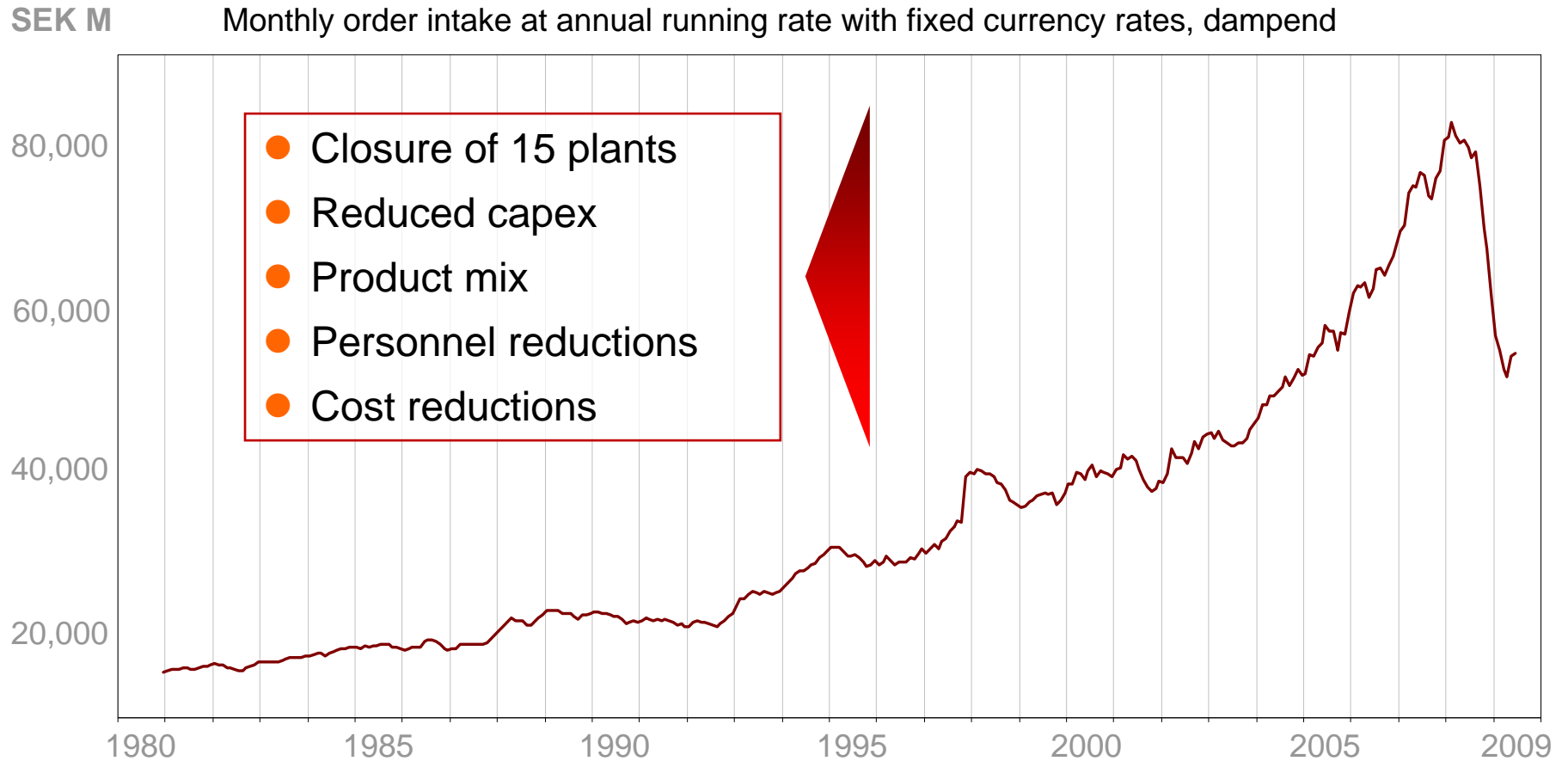
Summary Q2 2009

- **Strong cash flow due to reduced working capital**
- **Globally weak demand, except for energy**
- **Negative result due to**
 - ✓ **Sharp decline in sales**
 - ✓ **Very low production rates**
 - ✓ **Substantial one-off costs**
- **Significant cost saving measures gradually increasing**

The downturn summary

- **Customers and end users under financial constraints**
- **Unprecedented decline in demand**
- **Customers cut investments**
- **Customers destocking**
- **Sharp drop in raw material prices**
- **Sandvik affected early**

Measures taken



Cost reductions

- **Generated H1** **SEK ~2,300 M**
- **Q2 09 running rate** **SEK ~5,500 M**
- **Estimated FY2009** **SEK ~6,000 M**
- **Q4 09 running rate** **SEK ~8,000 M**

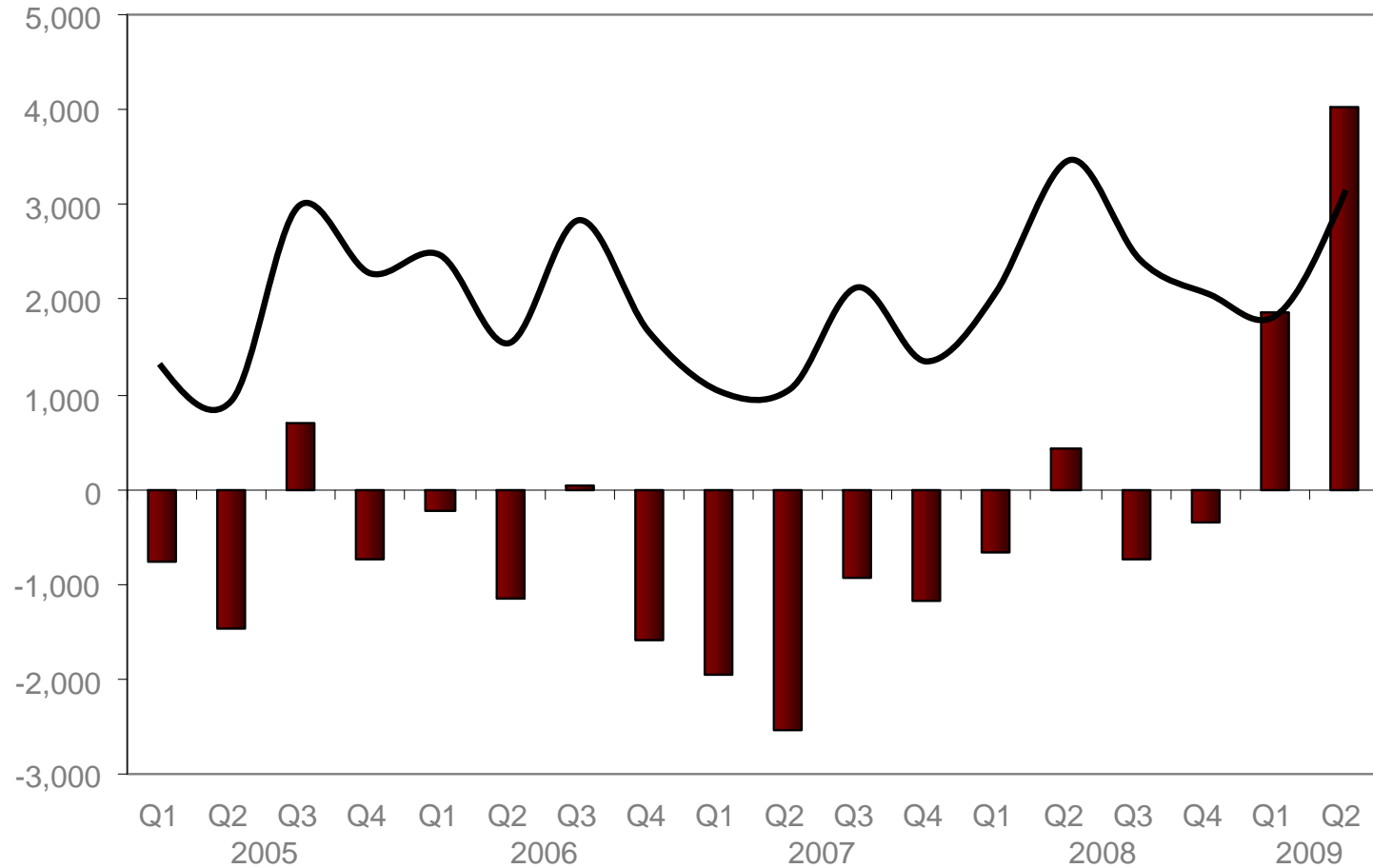
Personnel reduction



Since September 2008

● Reduction of permanent employees	4,800
● Reduction of temporary employees	>2,000
● Further permanent employee reductions announced	1,350
● Reduced work time for employees by 15-20%	>14,000
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Total estimated effect	~11,000 (~ -20%)

Cash flow

SEK M

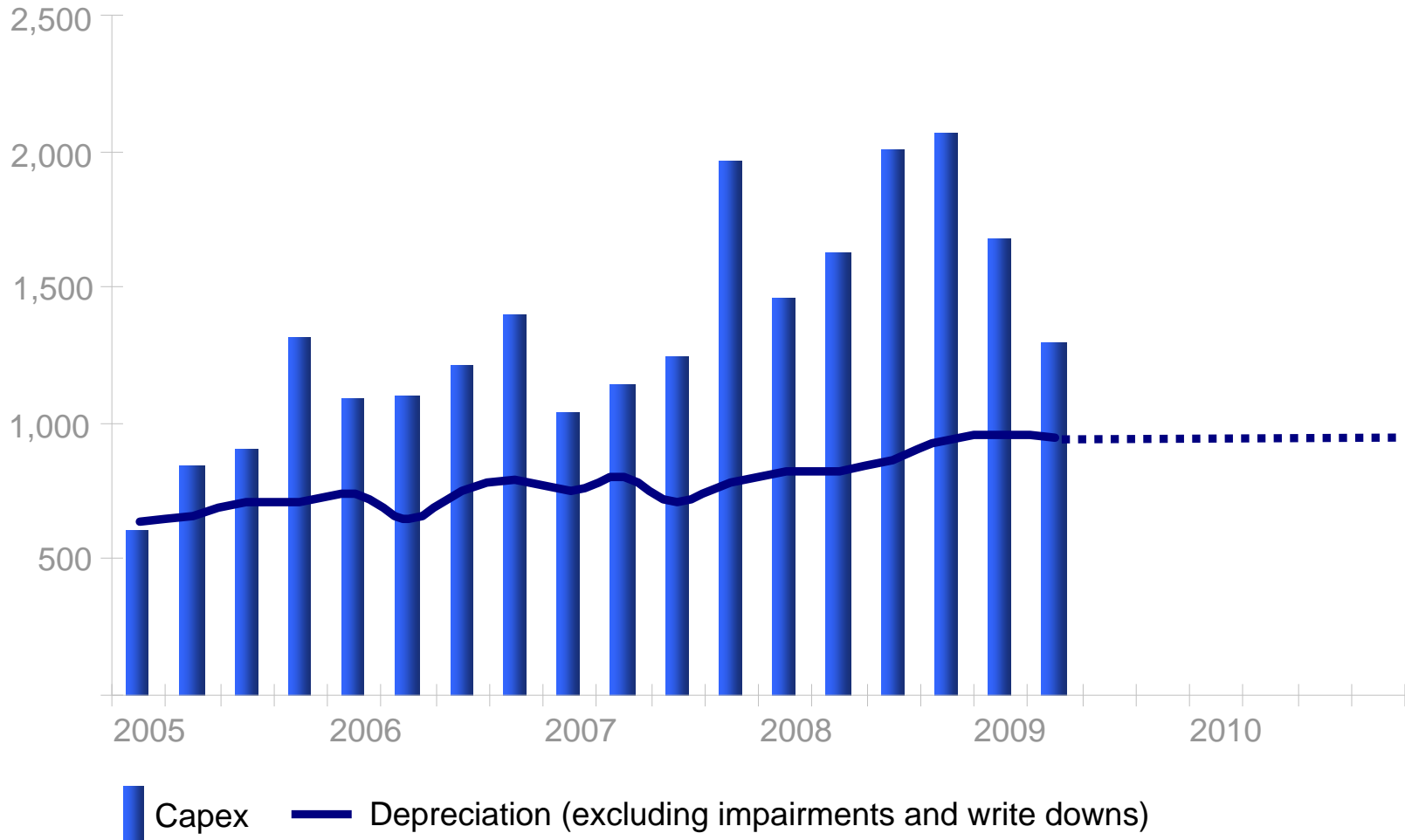


 Change in NWC  Cash flow from operating activities



Capex

SEK M



Sandvik strength factors

- **Advanced R&D**
- **High value-added products**
- **In-house manufacturing**
- **Direct customer sales**
- **Own market channels**

Downturn opportunities

strengthening the company

- **Accelerate mix changes**
- **Net working capital reduction**
- **Accelerate organizational changes**
- **Acquisitions and divestments**
- **Cost efficiency**

Downturn opportunities

strengthening the market position

- **Increased market share**
- **BRIC expansion**
- **Meet the demand for new technologies**
- **Persistent close customer contacts**

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.”