

CAPITAL MARKETS DAY

2009

Managing the downturn

Sandvik Materials Technology

Peter Gossas
President

Jan Öhman
CFO

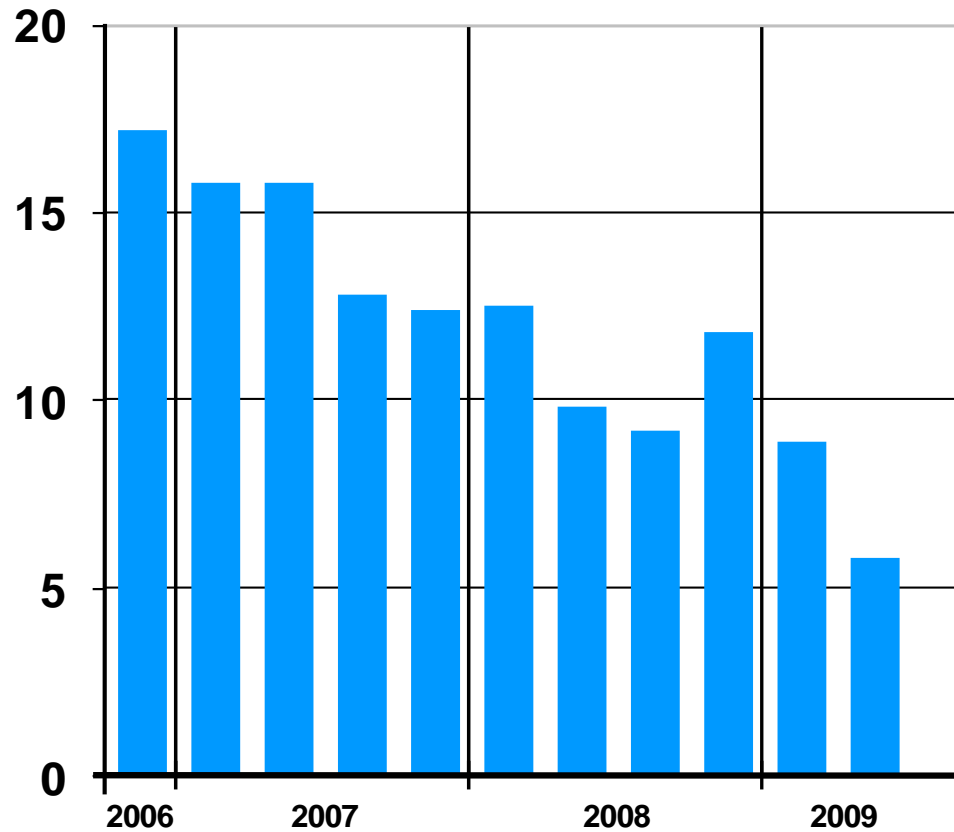




Safety first!

Lost time injury frequency

Number of accidents per one million working hours



Agenda



Cash
is king



● Financial development and market situation

● CONTINGENCY ACTIVITIES

- ✓ Cash flow
- ✓ Net Working Capital
- ✓ Investments

● DEVELOPMENT AREAS

- ✓ Structural development
- ✓ Energy
- ✓ Medical
- ✓ Emerging markets

Financial objectives

Sandvik Tooling



Sandvik Mining and Construction



Sandvik Materials Technology



Growth
ROCE

7%
30%

9%
25%

8%
20%

Sandvik Materials Technology

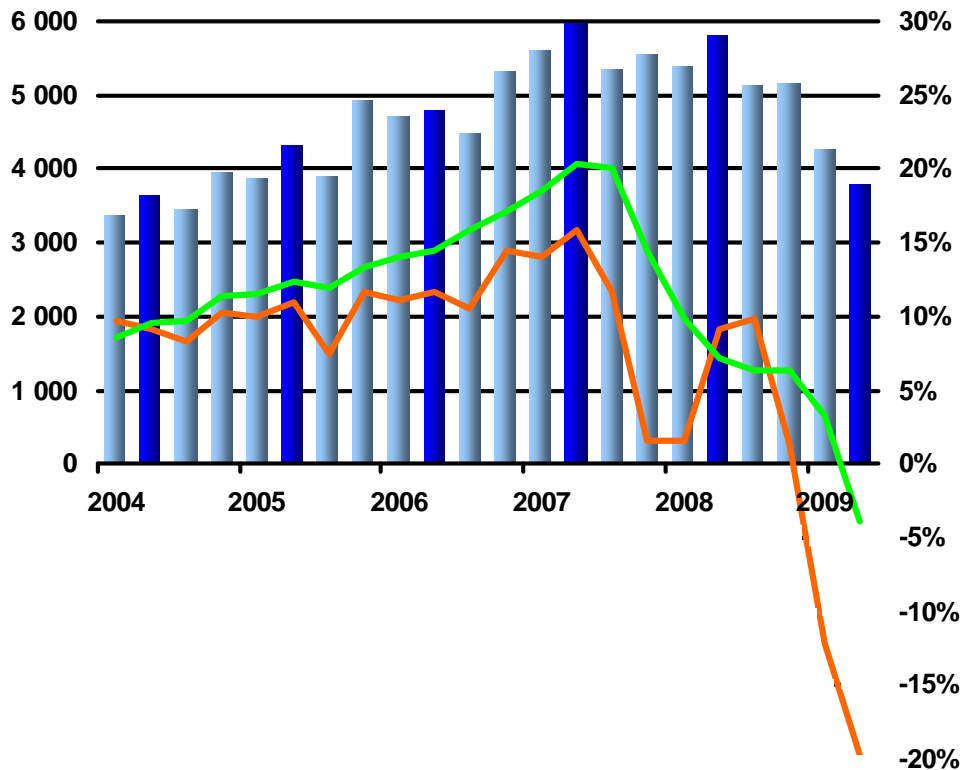


- High value-added products in advanced stainless materials, special alloys, metallic and ceramic resistance materials, as well as process systems
- Five product areas: Tube, Strip, Kanthal, Process Systems and MedTech
- Sales 2008 SEK 21,480 M
- EBIT SEK 1,187 M (5.5%)
- ROCE 6.3%
- 9,281 employees

Sandvik Materials Technology

Invoiced sales
SEK M, Quarter

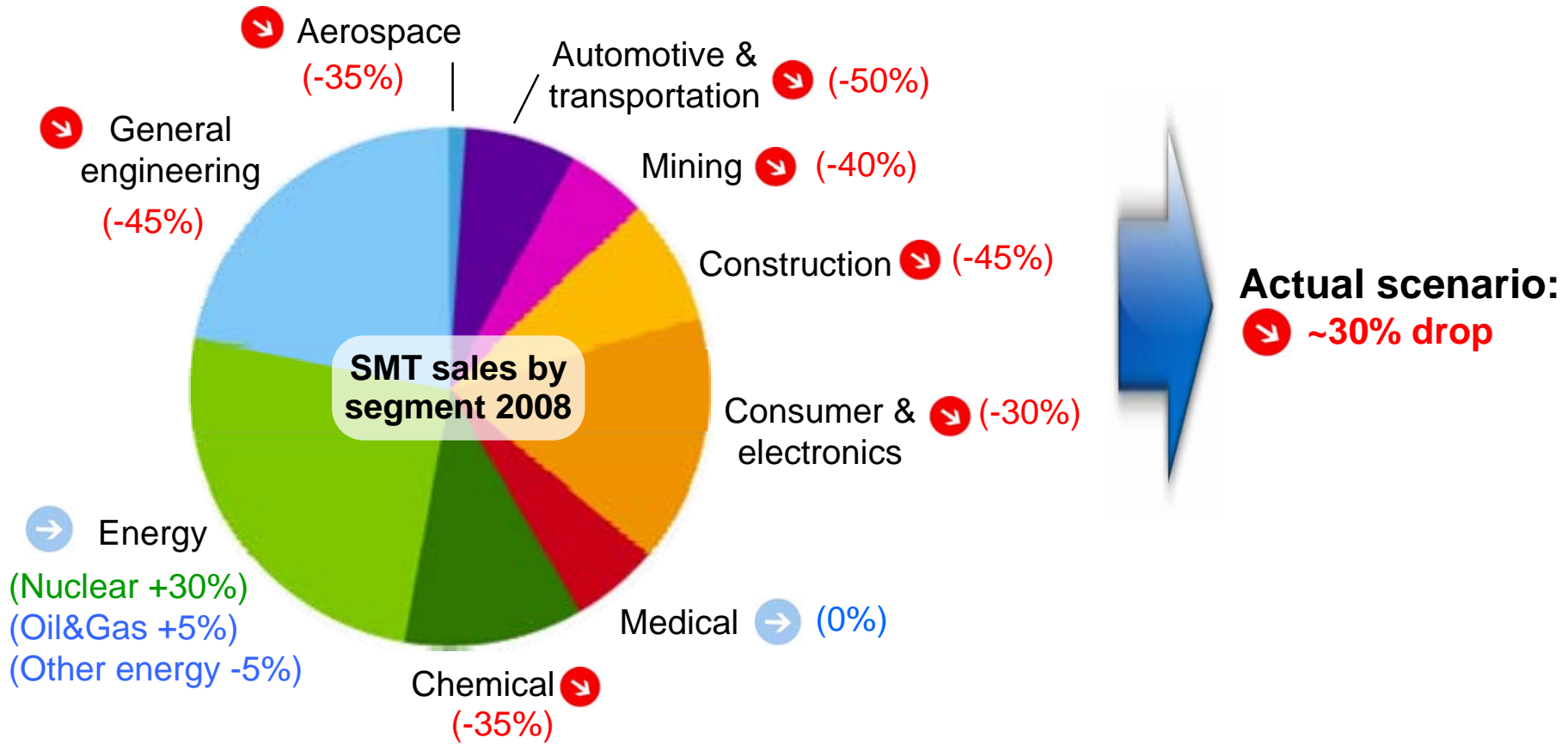
— EBIT- margin
— ROCE 12-months



- Order intake -34% (P/V)
 - ✓ Sharp decline except for energy
- Invoiced sales -43% (P/V)
- EBIT -19.7% of sales
 - ✓ SEK -750 M
 - ✓ One off items SEK -300 M
 - ✓ Metal price effects SEK -360 M
 - ✓ Currency effect SEK +90 M
- ROCE -3.9% (7.2)

Market situation Q2 2009

Volume change in order intake (within brackets)
Q2, 2009 compared to Q2, 2008



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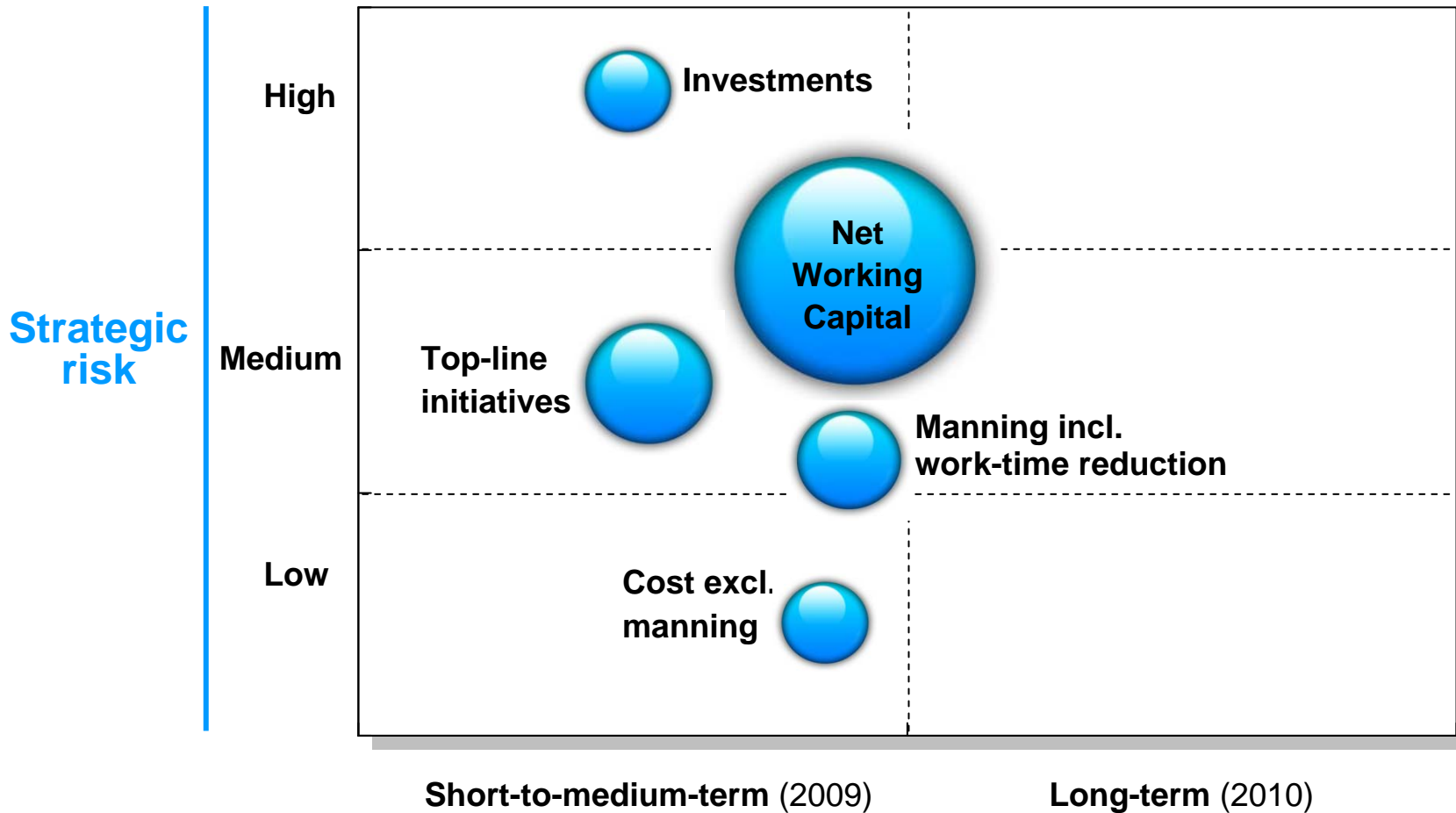


- **DEVELOPMENT AREAS**

- ✓ Structural development
- ✓ Energy
- ✓ Medical
- ✓ Emerging markets

Overview of cash flow-initiatives

● Size indicates estimated cash impact



Time to release/Ease of implementation



Top-line initiatives



- **Price management**
- **Limited reduction in the sales organization**
- **Navigator resources dedicated to contingency initiatives, e.g. hunting teams**
- **Increased speed in emerging markets**
 - ✓ Strengthening of management resources and the sales organization

Price models and metal price impact

Two types of contracts:

● Fixed price

- ✓ Price of the product is fixed at the date of signing the contract

● Alloy surcharge

- ✓ Price of one or more metals included in the product is set based on the prevailing market price at the date of delivery (or a month prior)


Impact by changes in metal prices:

- Time difference between pricing of the product and purchase of the raw material
- Inventory valuation, including work in progress


Metal price exposure

Margin- and cash flow protection

	Alternative 1	Alternative 2	Alternative 3
	No margin and no inventory valuation protection	Margin but no inventory valuation protection	Margin and inventory valuation protection
EBIT margin in sales agreements	No protection	Protection	Protection
Cash flow in sales agreements	No protection	Protection	Protection
EBIT impact from inventory valuation	No protection	No Protection	Protection
Cash flow impact from inventory valuation	Protection	Protection	No Protection



The situation until year 2004/2005



Gradually developed to current status

Protection from changes in metal prices

SMT has been exposed to fluctuations in metal prices, affecting both cash flow and margins.

- **Tools implemented to ensure that margins in sales agreements are not affected by changes in metal prices**
 - Metal price changes affecting inventory valuation is not influencing cash flow (at no changes in stock volume)
 - To safeguard cash flow, metals in inventories are not hedged

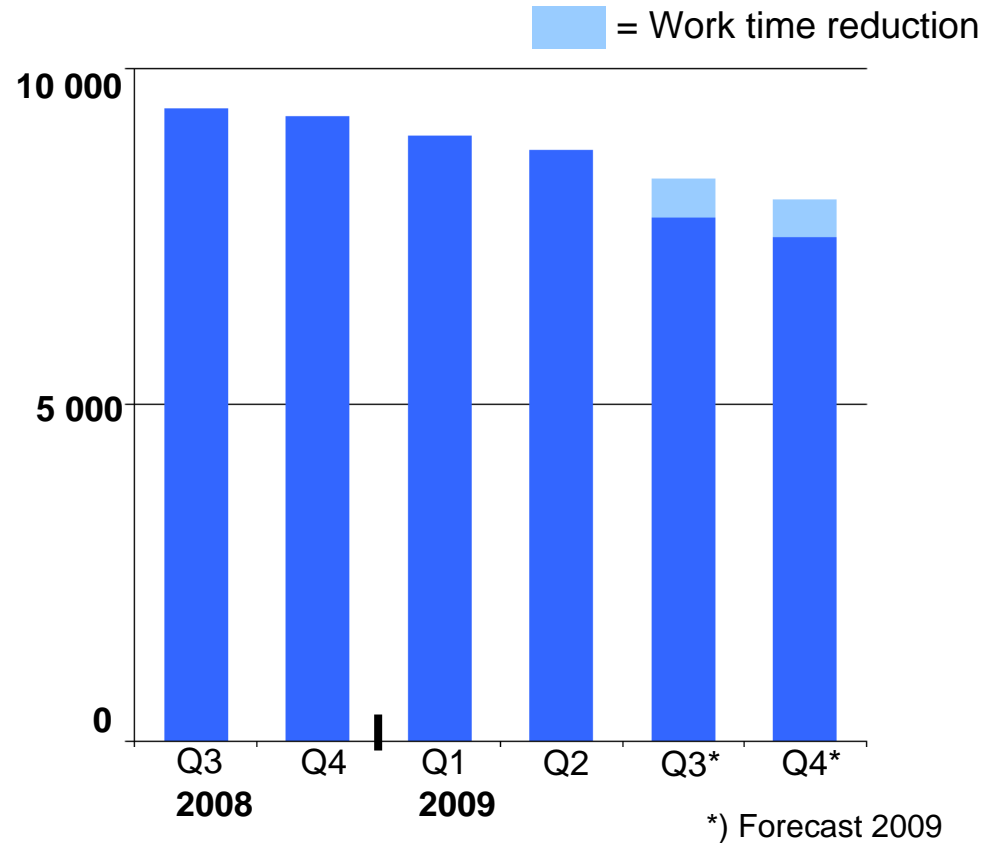
Manning related cost savings

- **Manning reduction:**
> 1,300 employees*
 - ✓ 960 in Sweden
 - ✓ 400 in Rest of the World
- **80% work time for ~35% of the workforce in Q3-Q4 2009**
- **Value stream mapping**

* Baseline: Q3 – 2008

* Excluding temporary employees

Number of employees



Cost reduction

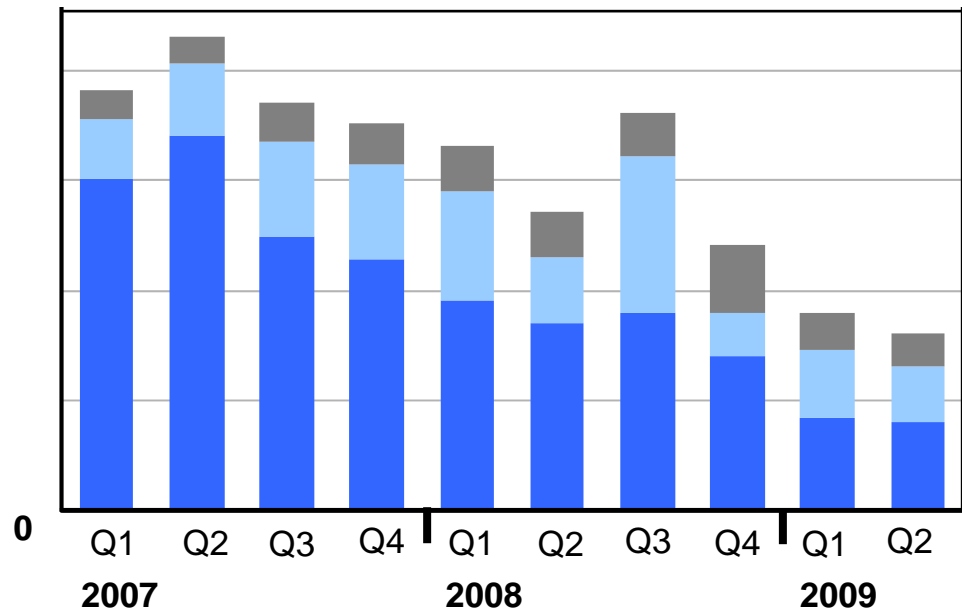
(SEK M)

Example of cost reduction categories

	Q1+Q2, 2009	Annual rate Q1, 2010
■ Manning	110	> 1 000
■ Purchasing	100	300
■ Maintenance	70	150
■ IT and Other	70	> 200

Purchase spend

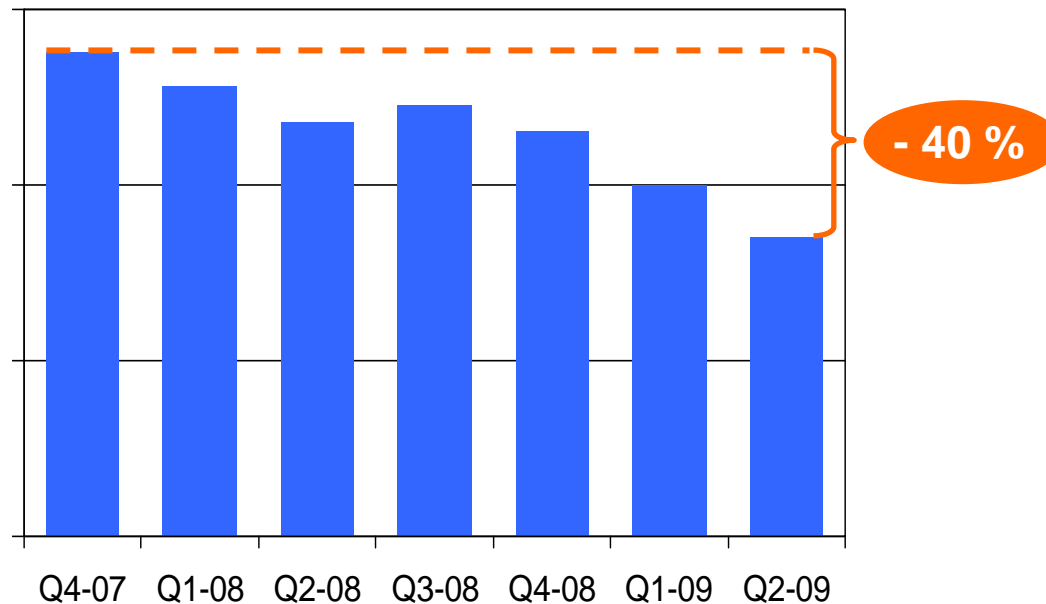
- = Investments
- = Indirect material
- = Direct material



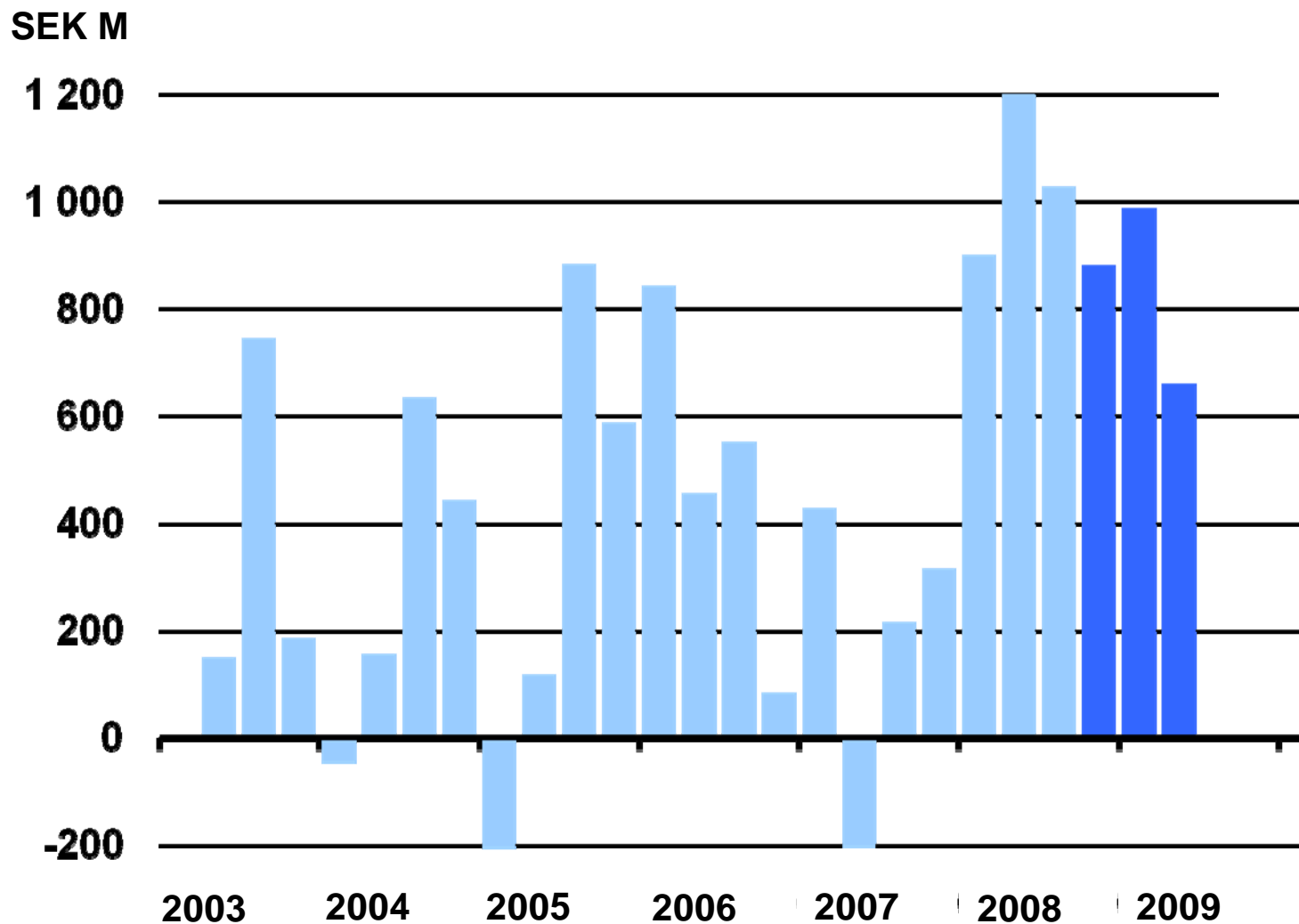
Inventory reduction

- Centralized sales and capacity planning process
- Further tuning of supply lines
- Net Working Capital task force

Inventory development (SEK)



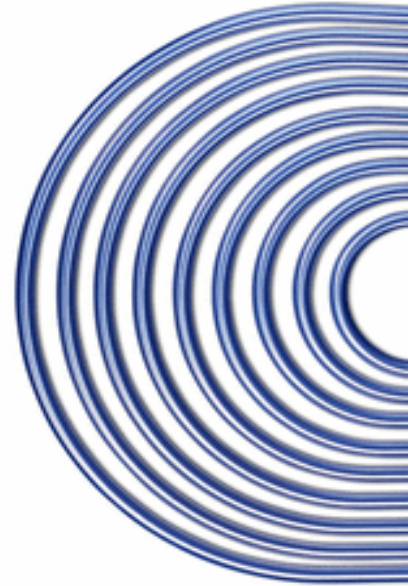
Cash flow from operating activities



Investments

● **Prioritization of investments**

- ✓ Environment-, Health- and Safety-related investments
- ✓ Strong growth areas with a positive cash flow short-term



Summary

Contingency activities



Cash
is king

- **Cash flow**
- **Net Working Capital**
- **Investments**
- **Preparation for volume increase according to different scenarios**
- **Ensure long term profitability**

Agenda



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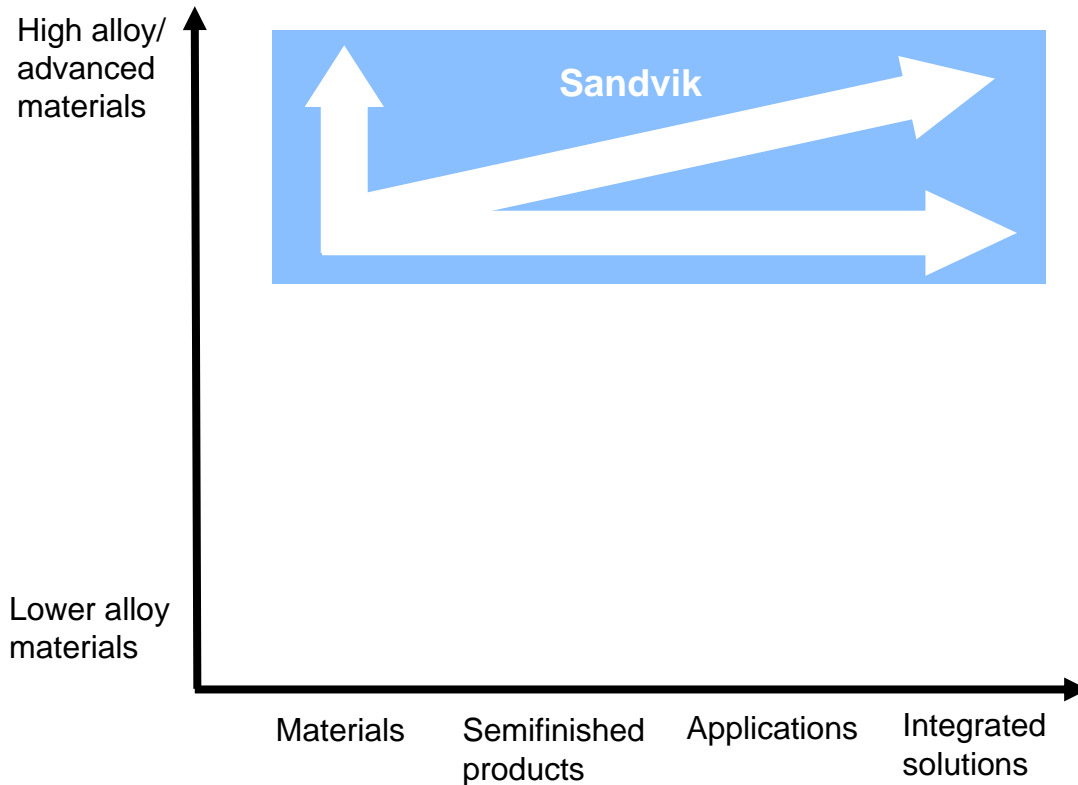
- ✓ Cash flow
- ✓ Net Working Capital
- ✓ Investments



- **DEVELOPMENT AREAS**

- Structural development
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Core business definition



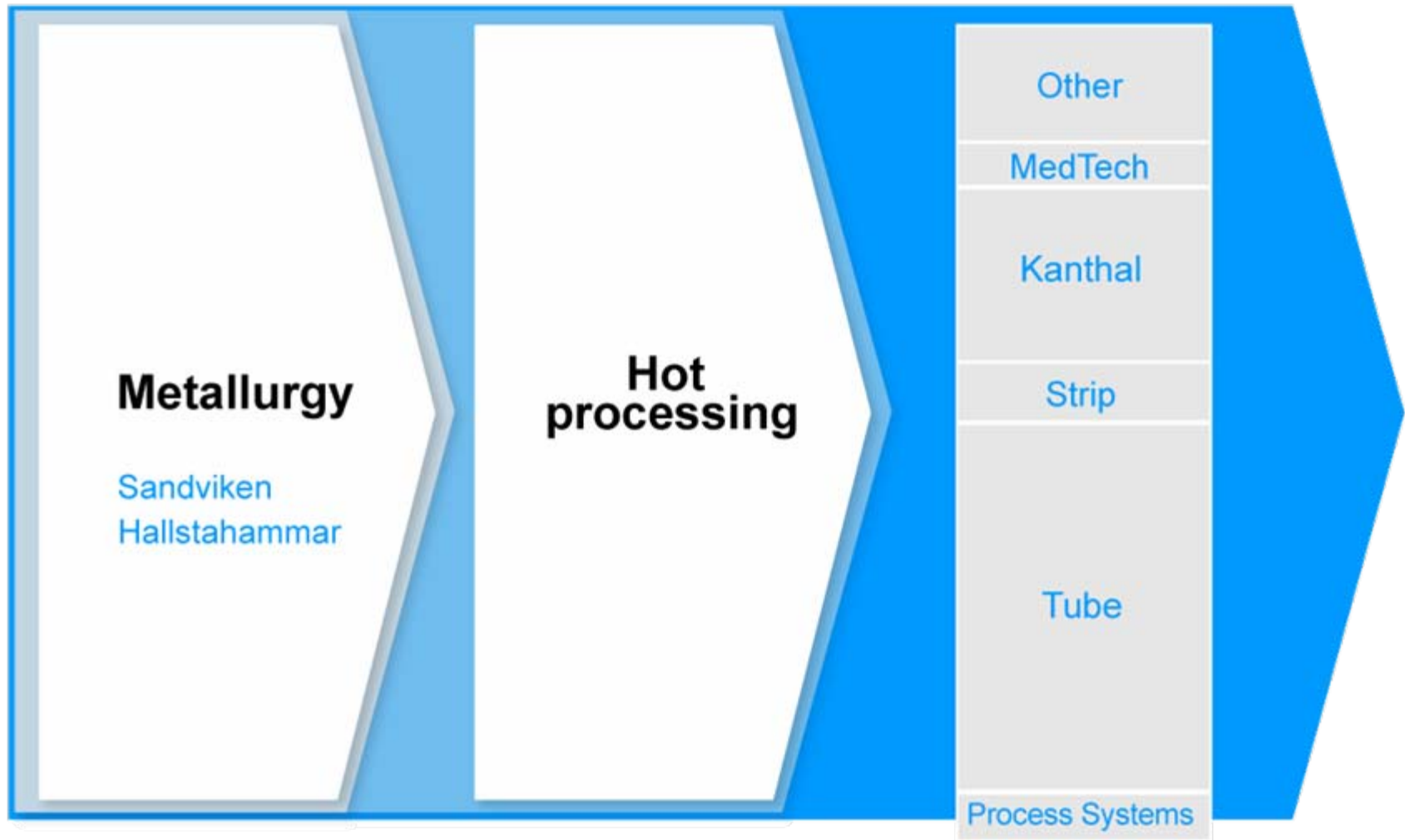
● Delivering superior value to customers through

- ✓ own development and manufacturing of advanced metallic and ceramic materials
- ✓ innovative solutions and long term customer relationships

● Global leadership in selected niches

- ✓ innovation leader
- ✓ number one in market position
- ✓ cost leadership

Capacity utilization in the value chain



Structural development



- **Consolidation and restructuring of product areas
Wire and Kanthal**
- **Consolidation of production units within MedTech**
- **Consolidation of back-offices**
- **Exit non-core business**
- **Introduce new products in strategic growth areas**

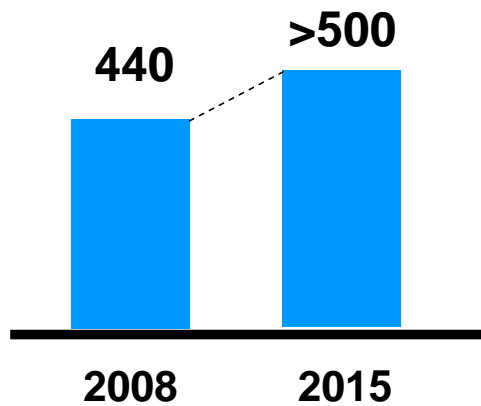
Trends

Nuclear power

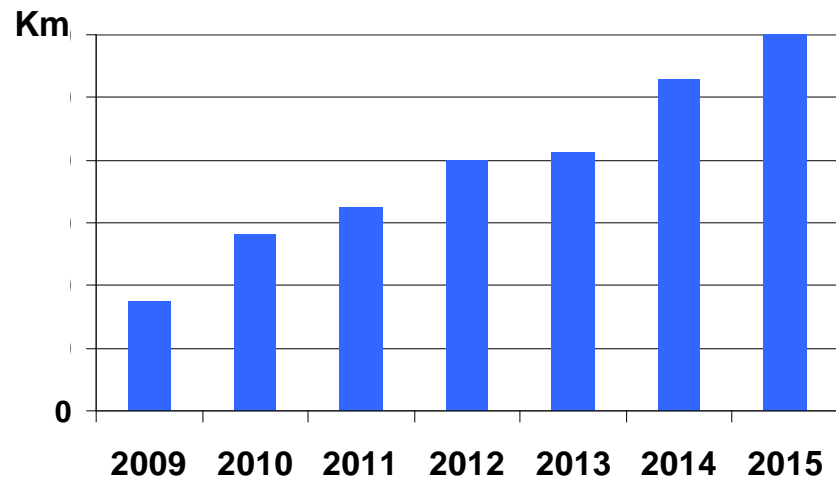


- Rapid growth in the nuclear segment
- Capacity restrictions as a result of the rapid growth
- Steam generator tubing is one of the major bottlenecks

Number of nuclear power plants globally



Global market outlook for steam generator tubing 2009 - 2015

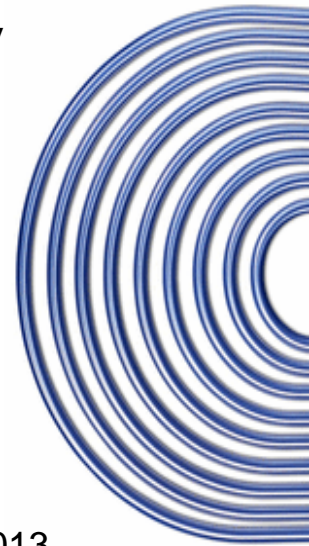


Nuclear power initiatives



- Extensive investments to increase capacity for steam generator tubing
- Long-term agreements have been signed:
 - SENPEC: > SEK 1 Billion*
 - AREVA: > SEK 2 Billions*
 - Others: > SEK 2 Billions

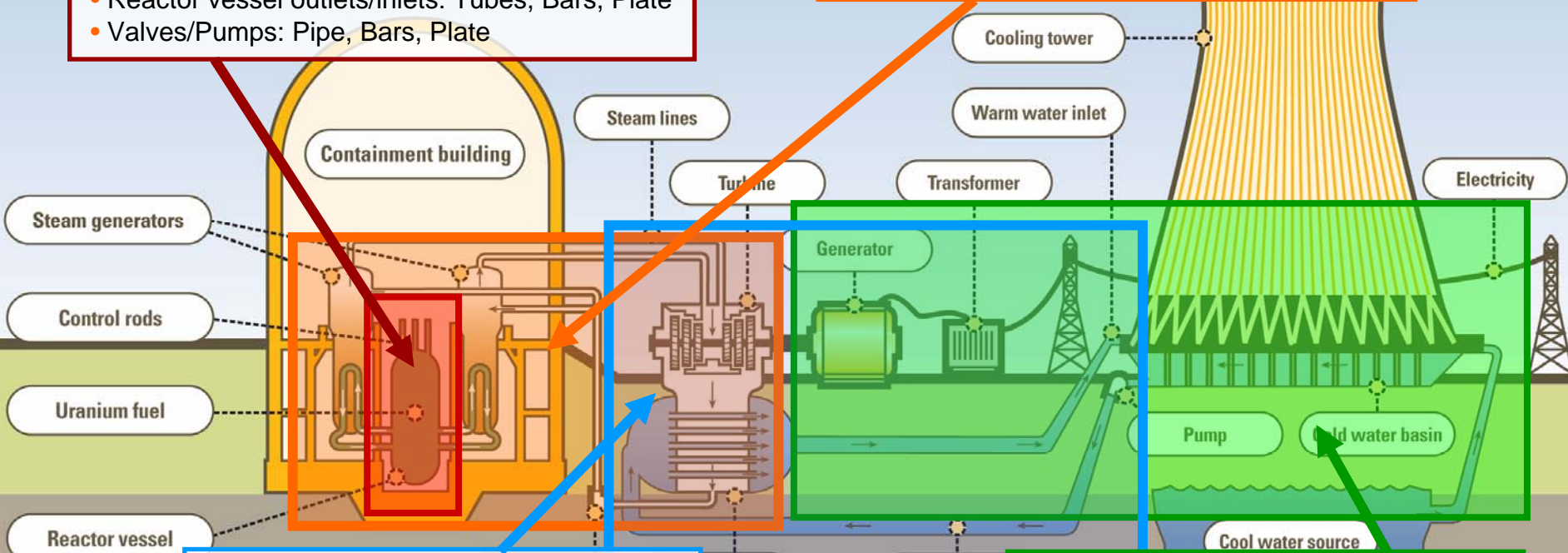
* Deliveries will start during 2013



Sandvik product program to the nuclear industry

- Zircalloy fuel cladding: Zircalloy tubes
- Fuel components: Tube, Wire, Strip, Bars
- Instrumentation: Tubes
- Control systems: Tubes, Wire, Strip
- Overlay welding and normal welding: Strip, Wire
- Reactor vessel internals: Tubes, Bars, Plate
- Reactor vessel outlets/inlets: Tubes, Bars, Plate
- Valves/Pumps: Pipe, Bars, Plate

- Steamgenerators: Tubes, Plates, Bars
- Heat exchangers: Tubes, Plates, Bars
- Condensers and coolers: Tubes, Plates, Bars
- Instrumentation: Tubes
- Tube and Pipelines
- Welding products



- Heat exchanger tubing
- Tubing and Piping systems
- Welding products
- Solid- and hollow bars for components
- Instrumentation tubing

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- Tubing and Piping systems
- Welding products
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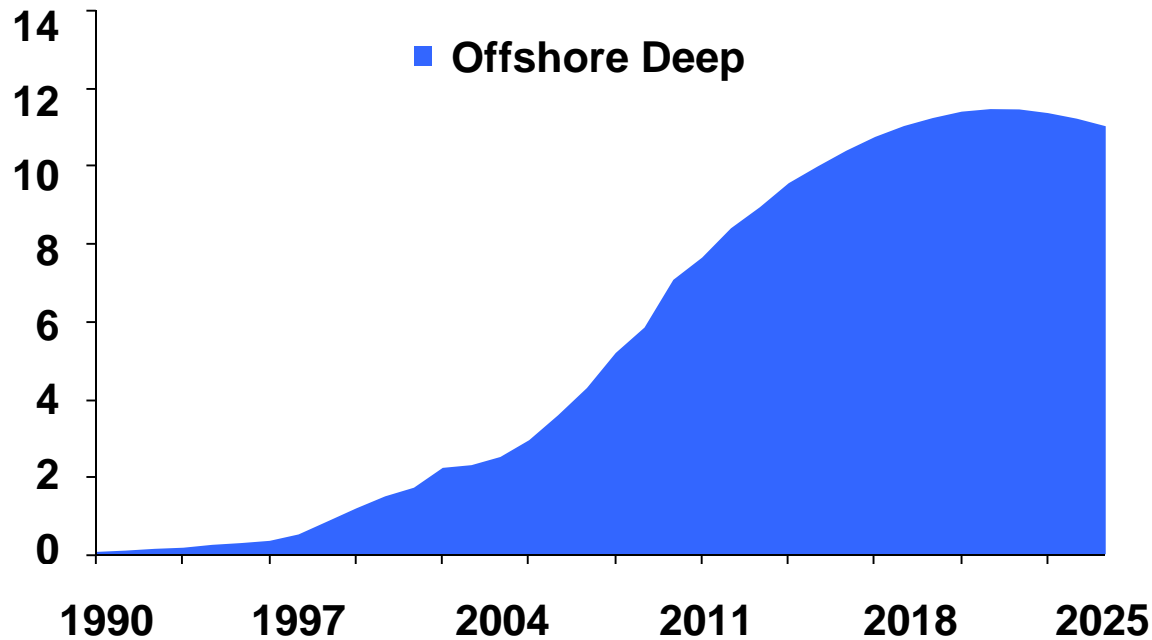
Trends

Oil and gas



- Oil/gas remains the most important energy source
- More demanding environments require more advanced materials and new technologies

Million barrels
of oil per day



Source:
DWL Production
forecast, June 2009

Oil and gas initiatives



- Market introduction of new materials for umbilical tubing and wirelines
- Near-net-shape products/solutions based on powder technology
- Increased R&D-resources for powder technology
- Brazil

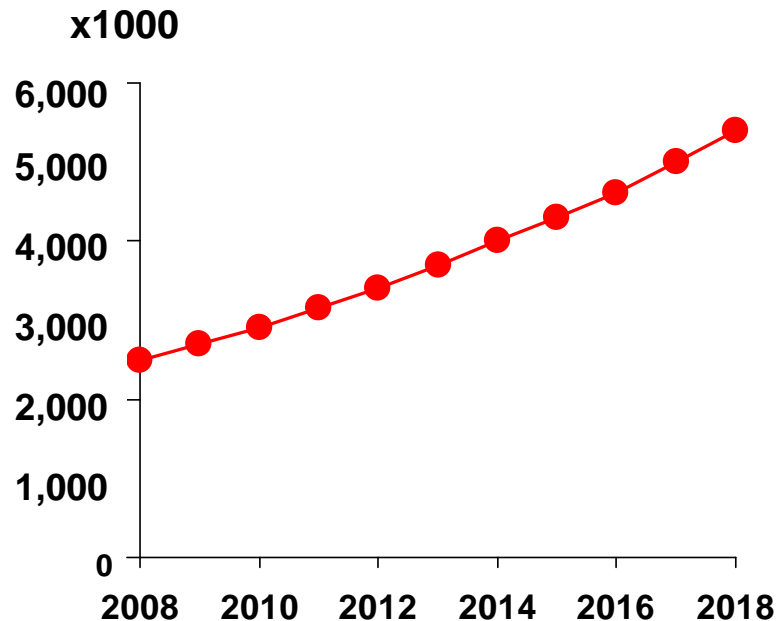


Trends Medical



- Growing population and improved welfare in developing countries
- Higher demands on materials and technology to increase implant lifetime, reduce procedure costs and decrease recovery time

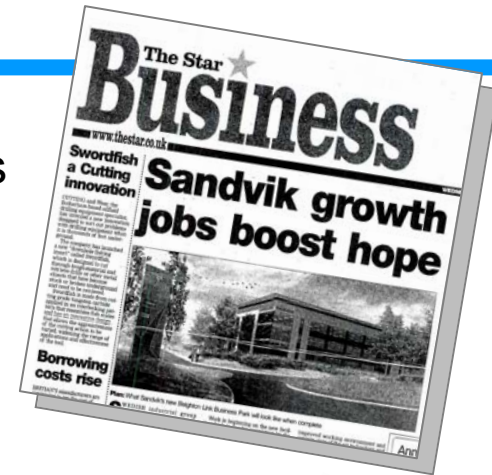
Number of procedures
joint replacement surgeries



Medical initiatives

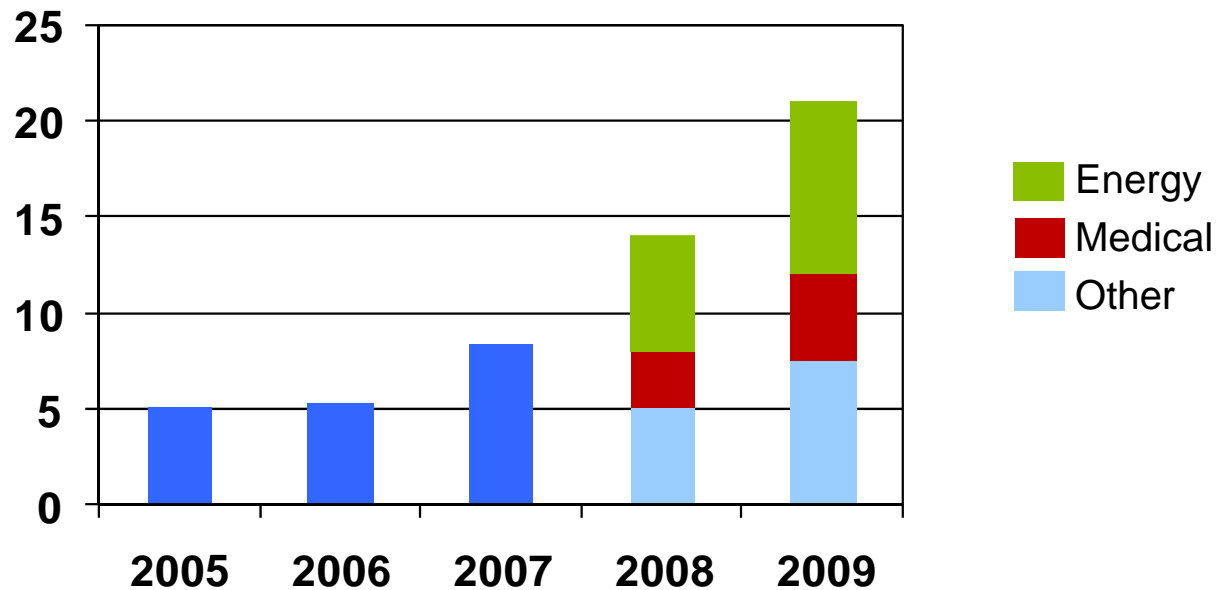


- Consolidation of production units
- Establishment of "Sandvik Center of Excellence"
- Investments in R&D
- Development of near-net-shape capabilities
- Increased production capacity for titanium and high purity stainless steels



New Sales Ratio development

% of sales



*) Annual rate after Q2

Trends

Emerging markets



- The ongoing development is driving a demand for more advanced materials

GDP 2007 and expected GDP in 2050

GDP 2007

Rank	Country	GDP (millions of USD)
1	United States	13,807,550
2	Japan	4,381,576
3	Germany	3,320,913
4	China	3,280,224
5	United Kingdom	2,804,437
6	France	2,593,779
7	Italy	2,104,666
8	Spain	1,439,983
9	Canada	1,436,086
10	Brazil	1,313,590
11	Russia	1,289,535
12	India	1,100,695

Expected GDP 2050

Rank	Country	GDP (millions of US\$)
1	China	70,710,000
2	United States	38,514,000
3	India	37,668,000
4	Brazil	11,366,000
5	Mexico	9,340,000
6	Russia	8,580,000
7	Indonesia	7,010,000
8	Japan	6,677,000
9	United Kingdom	5,133,000
10	Germany	5,024,000
11	Nigeria	4,640,000
12	France	4,592,000

Source: CIA

China and India initiatives



- Strengthening of management resources and local sales organizations
- New R&D Centre established in Pune, India
- Investment in a new production unit for seamless stainless tubes in China



Summary



Cash
is king



! In the current market situation priority one is to secure cash flow and profitability – and to prepare for a volume increase

- Sandvik Materials Technology is uniquely positioned within advanced materials, surface and powder technology, and can therefore:
 - ✓ Continue to take position in the **energy- and medical segments**
 - ✓ Play an important role in the development in **emerging markets**