



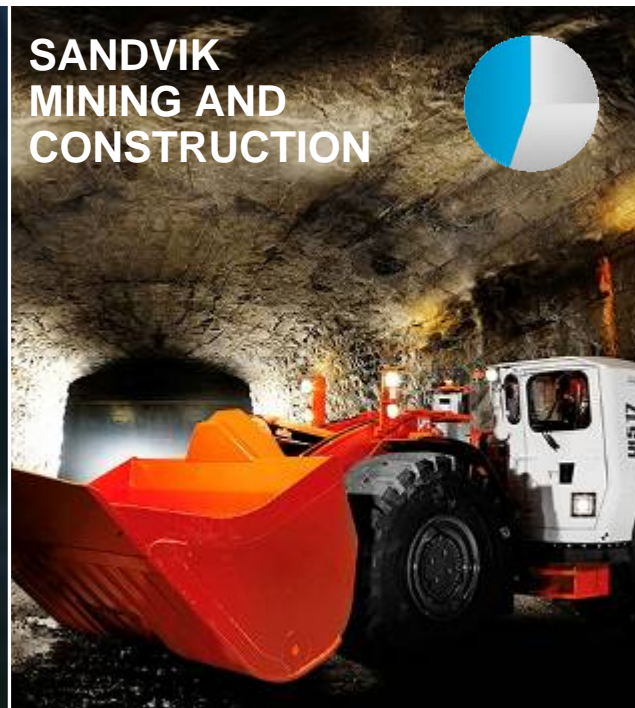
**Sandvik**  
**Capital Markets Day**  
**2010**

**Prepared for the future**

**Ola Salmén**  
Chief Financial Officer



# Sandvik Group – Business model

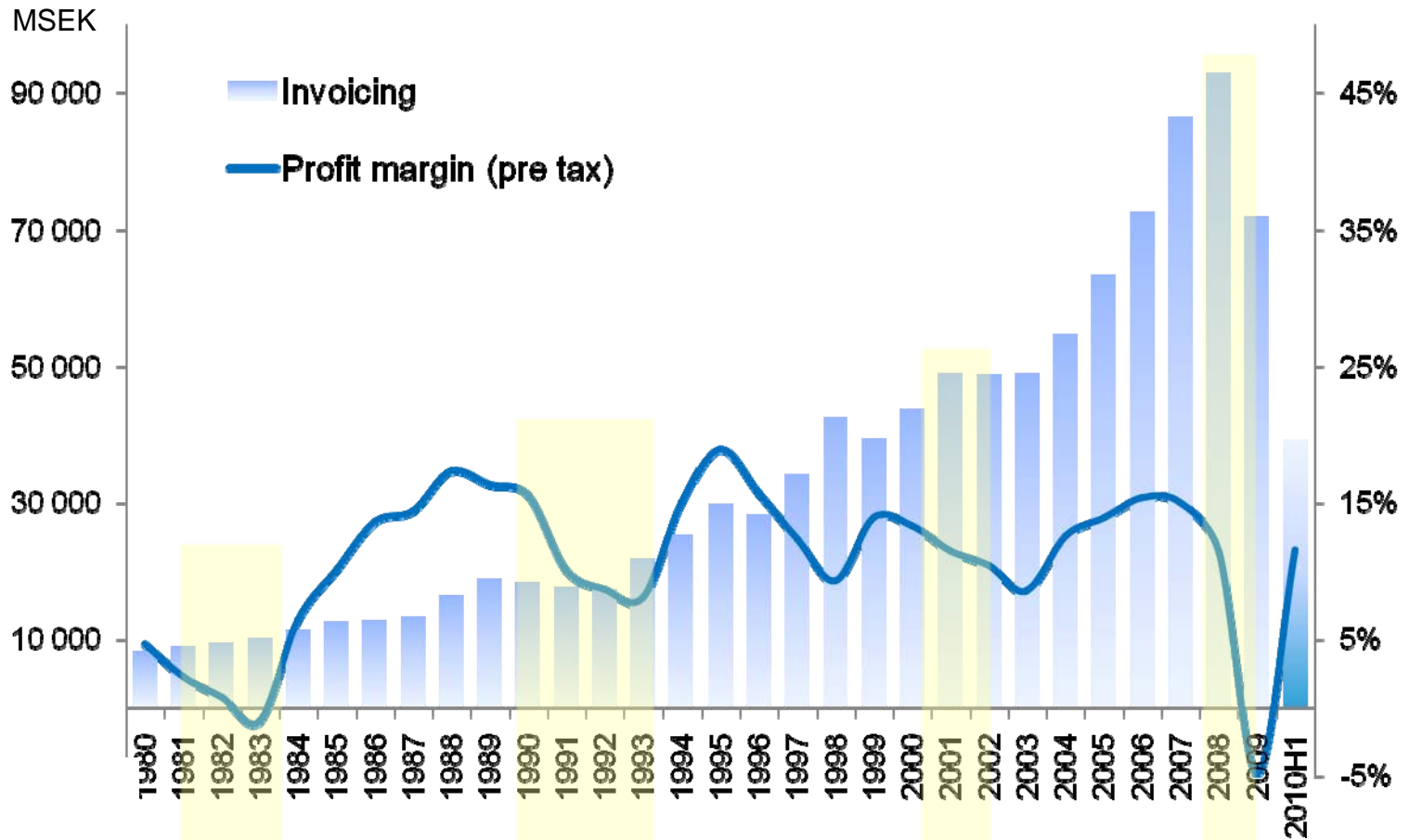


- Vertical integration
- In-house manufacturing
- Direct sales
- Own central warehouses
- Short lead times

- Extensive supplier network
- Strategic manufacturing
- Direct sales
- Own central warehouses
- Long lead times

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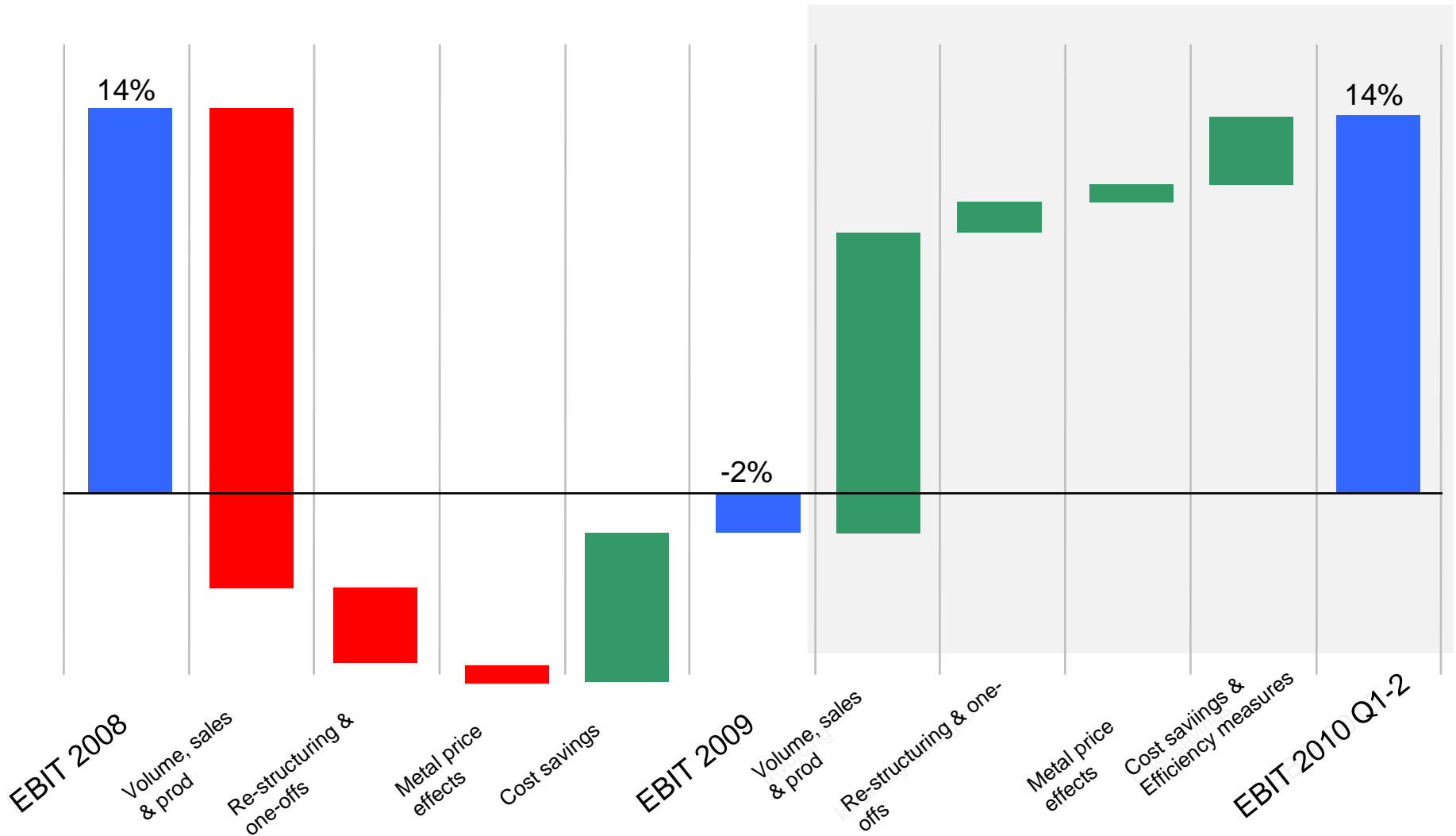
# Sandvik – a cyclical company?



Downturn duration	3 years	4 years	2 years	1 year+
Organic invoicing		-20%	-4%	-30%
Margin drop	-600 bps	-750 bps	-300 bps	-1,600 bps

# Leverage works both ways

EBIT 2008-2010 YTD June



# Success factors in managing cyclicity

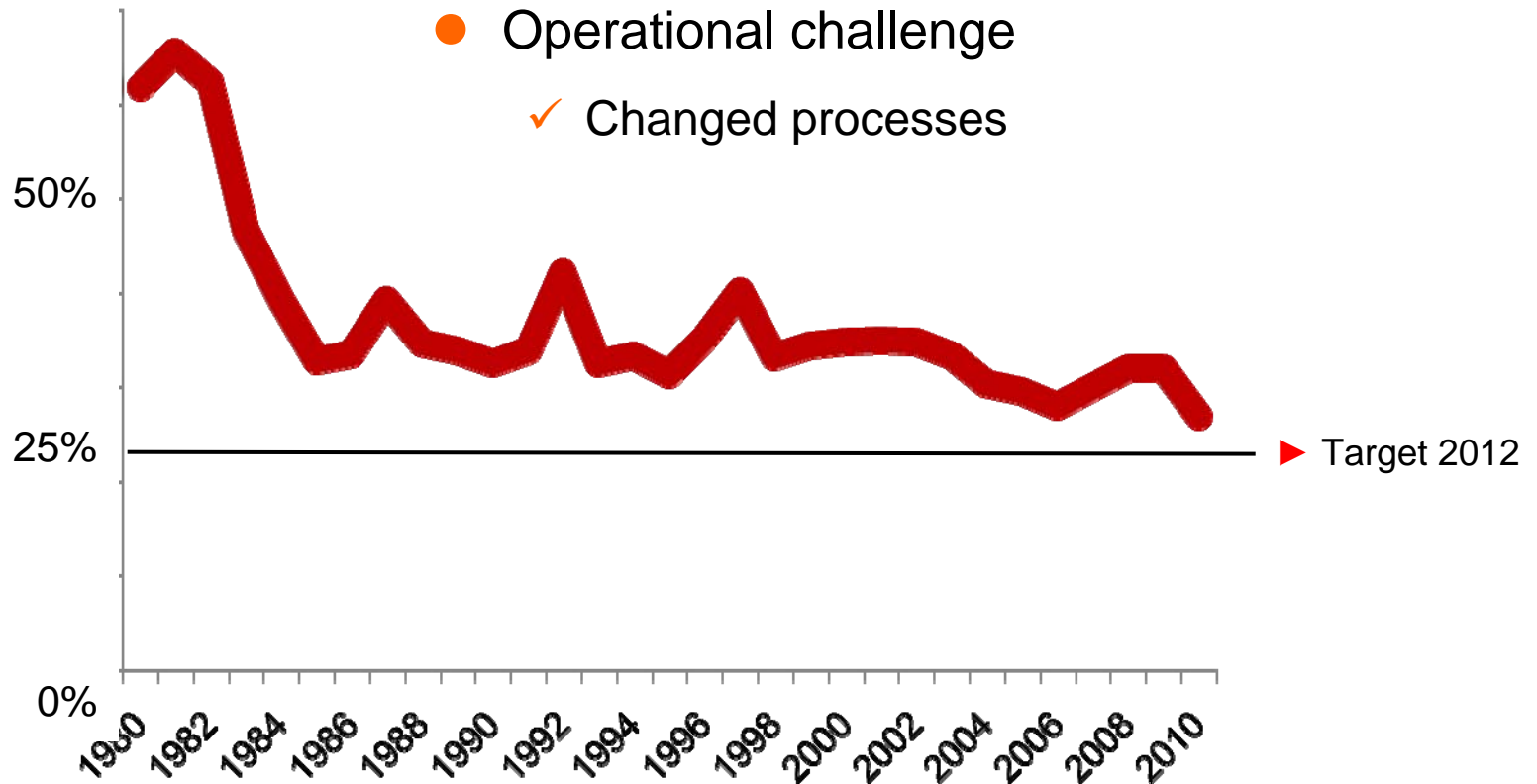
- Cost flexibility
- Process and capital efficiency
- Balance sheet management
- In hard times – focus on cash generation
- Geographic and segment diversity

# Cost flexibility

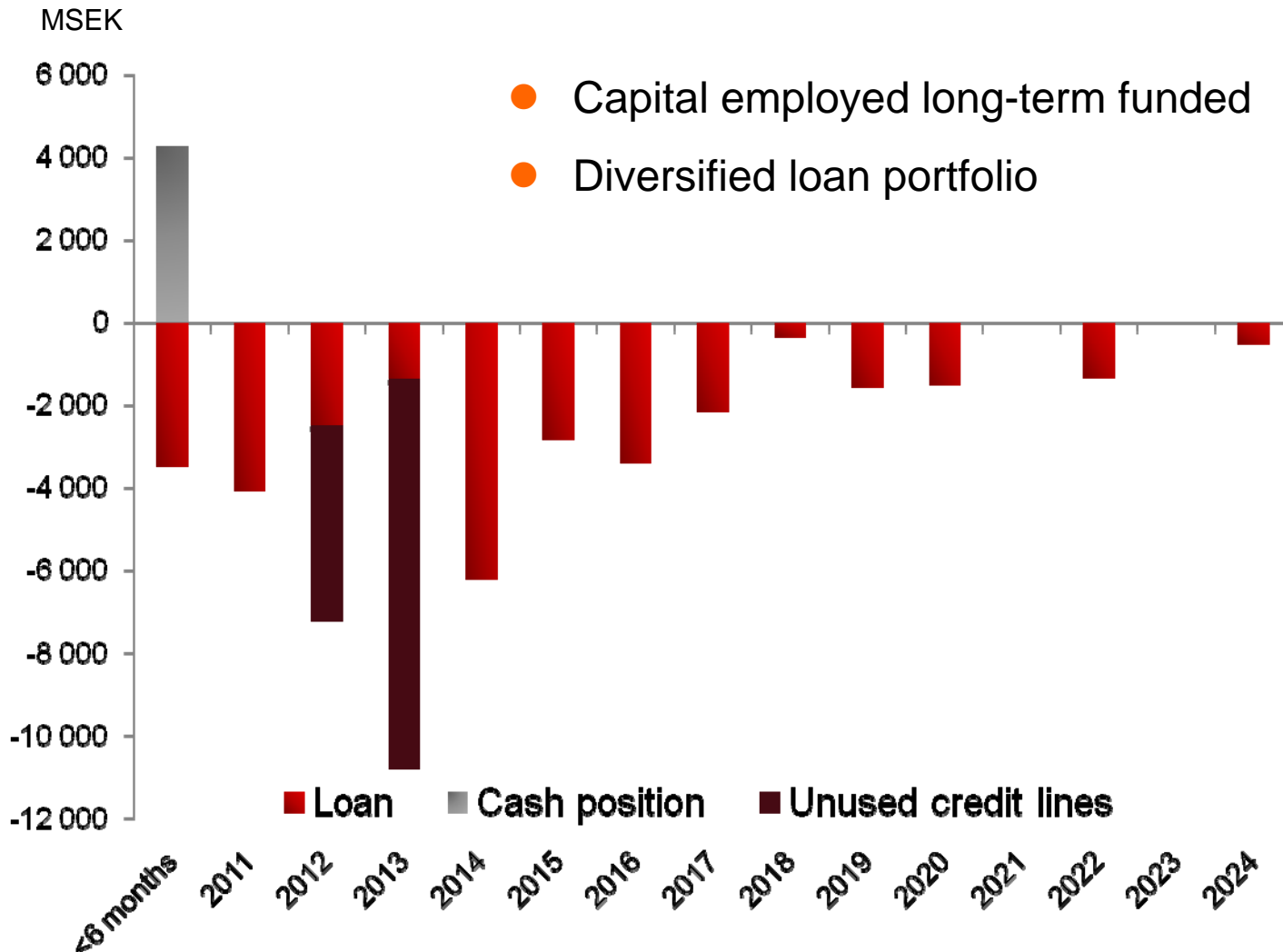
- Find a balance between short term cost flexibility and long term cost efficiency
- Explore synergies for increased cost efficiency
- Use outsourcing where applicable
- Time banks and flexible work schemes
- Third party engagements
- Create routines for rapid adaption to volume changes of the flexible part of the cost base

# Capital efficiency

- 25% NWC/Sales is the target
  - ✓ >25% is inefficient
  - ✓ <20% requires a changed business model
- Operational challenge
  - ✓ Changed processes

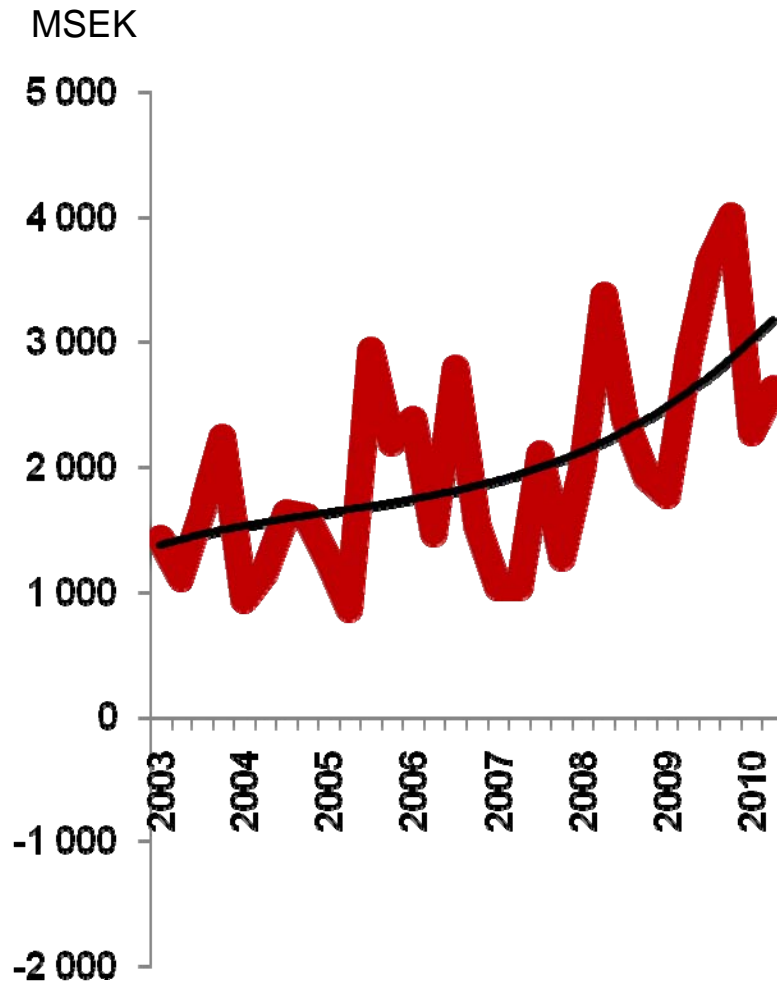


# Balance sheet management





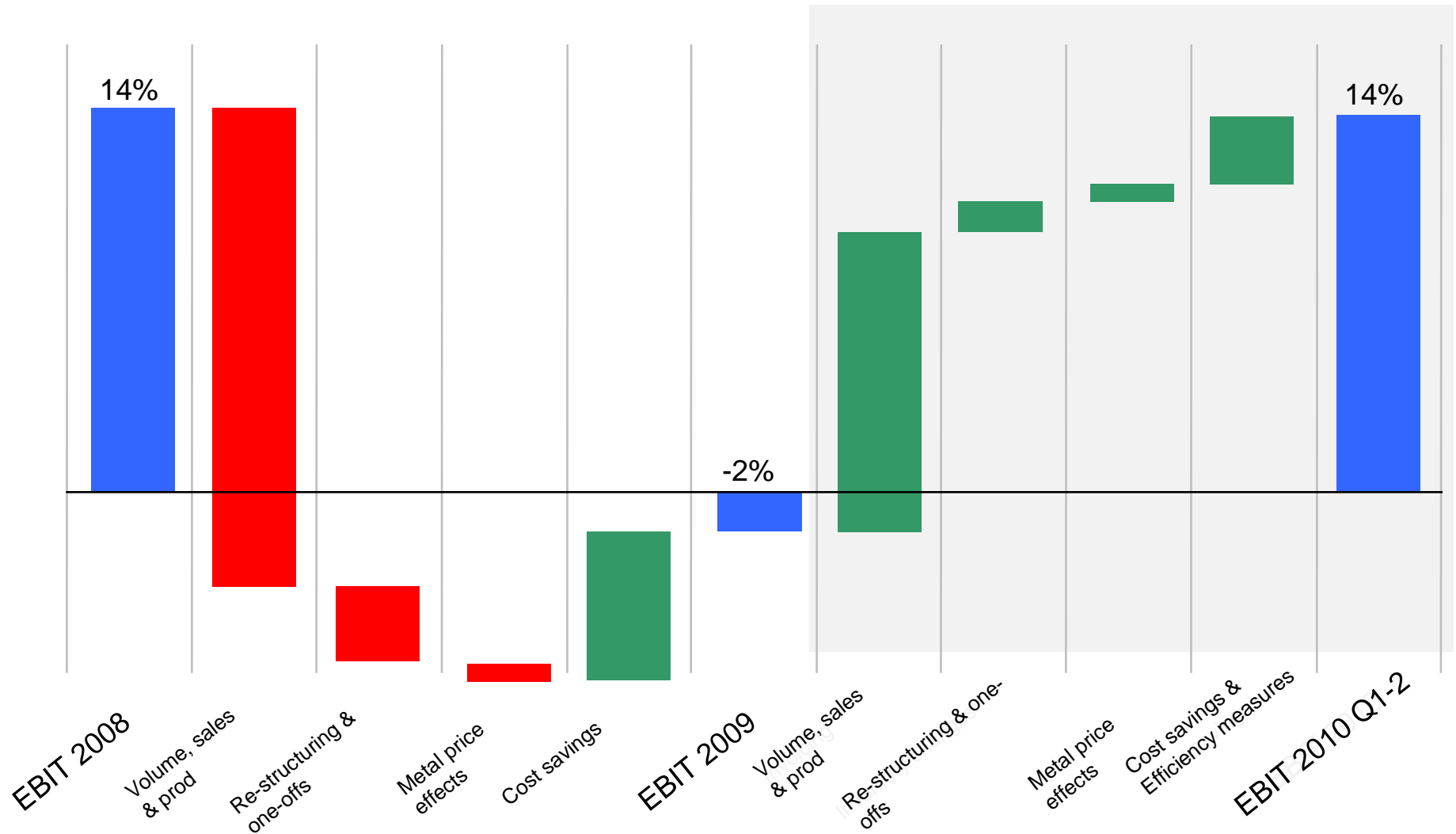
# In hard times – cash rules



- Limits stock obsolescence
- Mitigates risk for lack of funding
- Strengthens the balance sheet
- Enables consistent shareholder returns
- ...but, will hurt margins short term

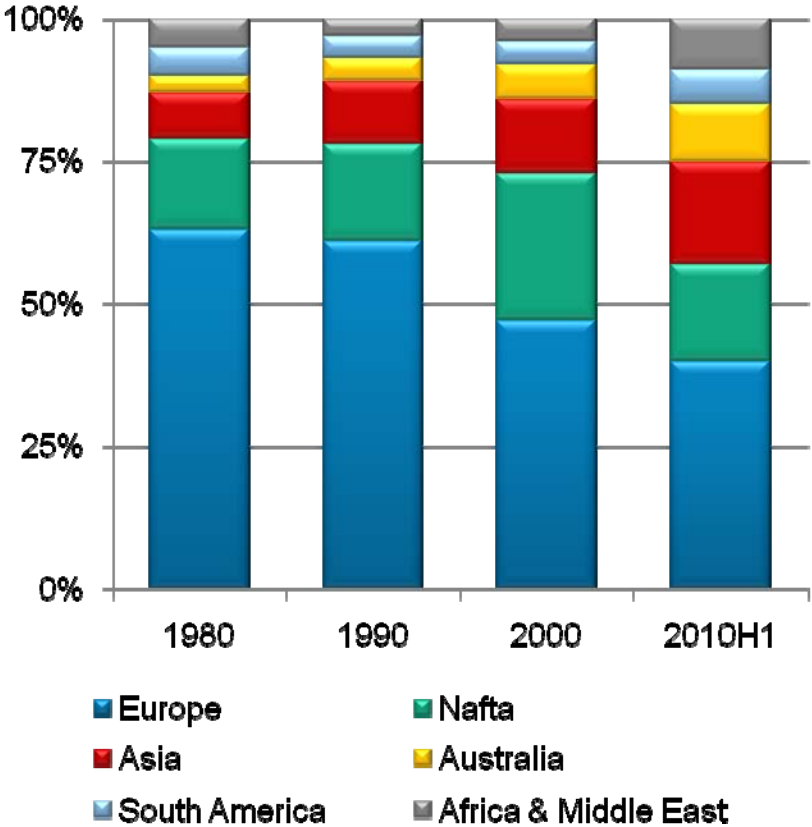
# Leverage works both ways

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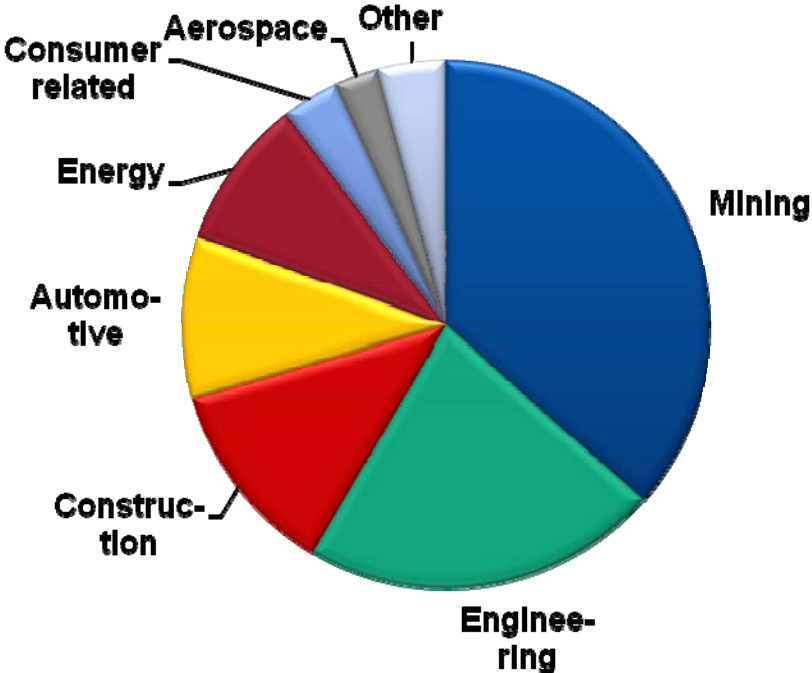


# Regional and customer diversity

Invoicing by Region



Invoicing by Customer segment



# On my agenda

## Short term

- Leverage on the global recovery
- Achieve capital efficiency target
- Keep focus on cost efficiency
- Reduce total debt

## Medium and long term

- Explore synergies
- Maintain capital efficiency
- Explore growth opportunities

# Summary and conclusions

- Sandvik is negatively affected by volume downturns
- The 2009 downturn was extreme but might re-occur
- Reach the best balance between strong business models and adaptability to changes in business environment
  - ✓ Operational excellence
  - ✓ Diversity in geography and customer segments
  - ✓ High margins
  - ✓ Capital efficiency
  - ✓ Balance sheet
- Long-term strengths aimed at outweighing weaknesses resulting in strong business performance

[www.sandvik.com](http://www.sandvik.com)



# 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.”**