

CAPITAL MARKETS DAY 2010

Sandvik Materials Technology

Prepared for the future

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President



Agenda

Sandvik Materials Technology

- **Safety first!**
- **Business update and downturn management**
- **Business concept**
- **Prepared for the future**



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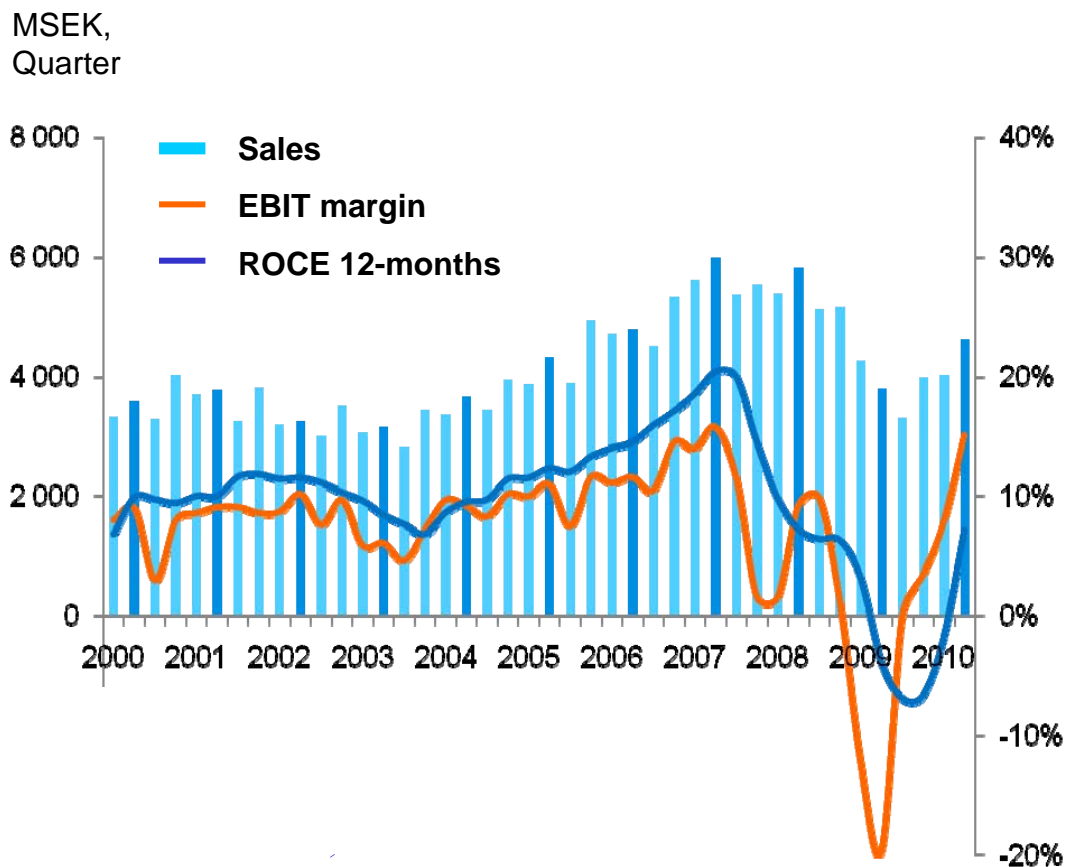
Sandvik Materials Technology



- A leading developer of advanced metallic and ceramic materials, serving the most demanding industries with products and system solutions
- Highly integrated production platform and extensive R&D
- Five product areas:
Tube, Strip, Wire and Heating Technology, Process Systems and MedTech
- 2010 Q1-2:
Sales 8,638 MSEK 8,600 employees

Business update

Sandvik Materials Technology, Q2-2010



- Continued improved demand
- Favorable development in energy
- Invoicing increased 23%
 - ✓ Alloy surcharges contributed 9%
- Operating profit, 699 MSEK, 15.1%
 - ✓ Metal price effect +340 MSEK
 - ✓ Underlying margin 8%
- Net Working Capital reduced to 28% of invoicing



Downturn management

Cash flow focus and margin recovery

Baseline Q3-2008



Value chain efficiency

- Net Working Capital reduced from 40% to 28% of sales
 - ✓ Inventory reduction: 25%, Invoicing drop: 14%
- Production lead-times reduced by 30%



Margin recovery

- Product mix optimization and price management
- Sustainable cost reductions of 800 MSEK of which ~50% comes from reduced manning



Structural changes

- Consolidation of Wire and Kanthal into “Wire and Heating Technology”
- Consolidation of production units within MedTech and back-offices in the sales organization
- Exit of non-core business



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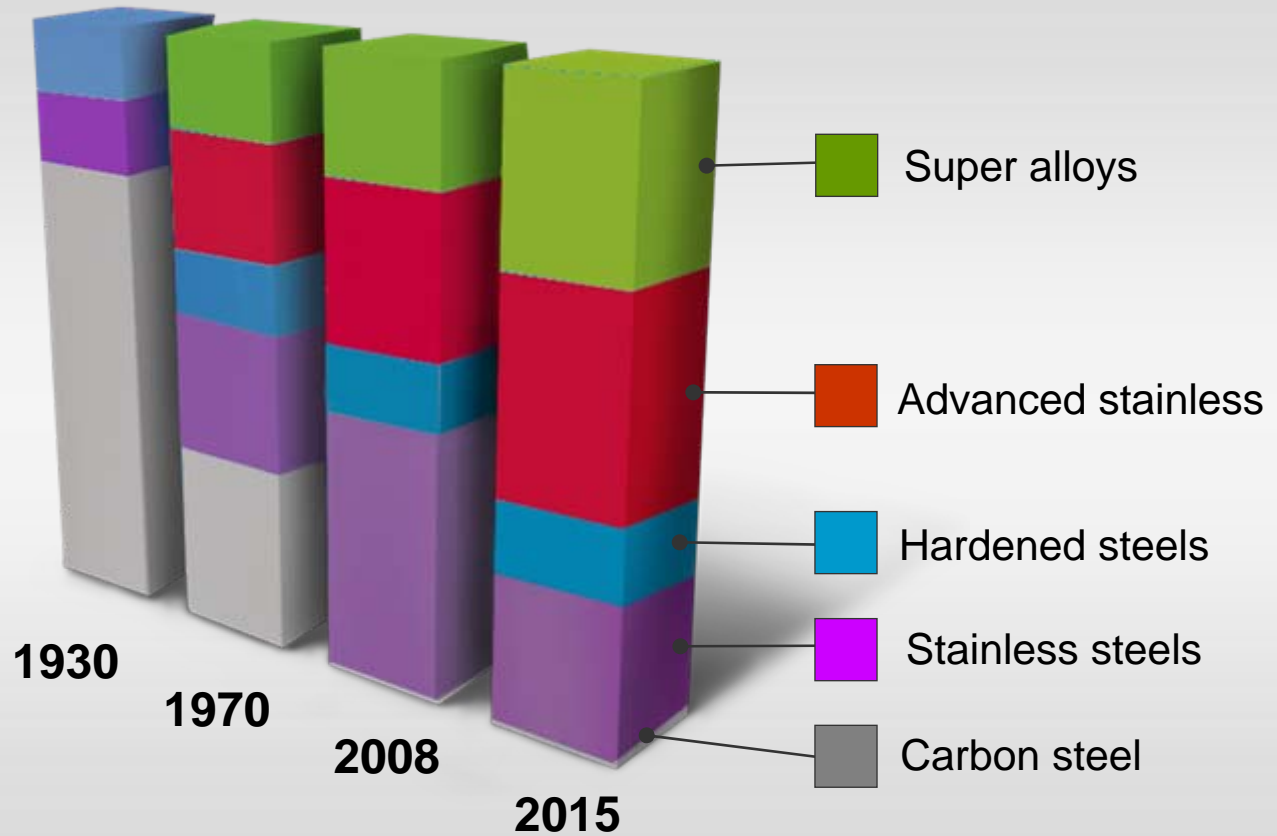
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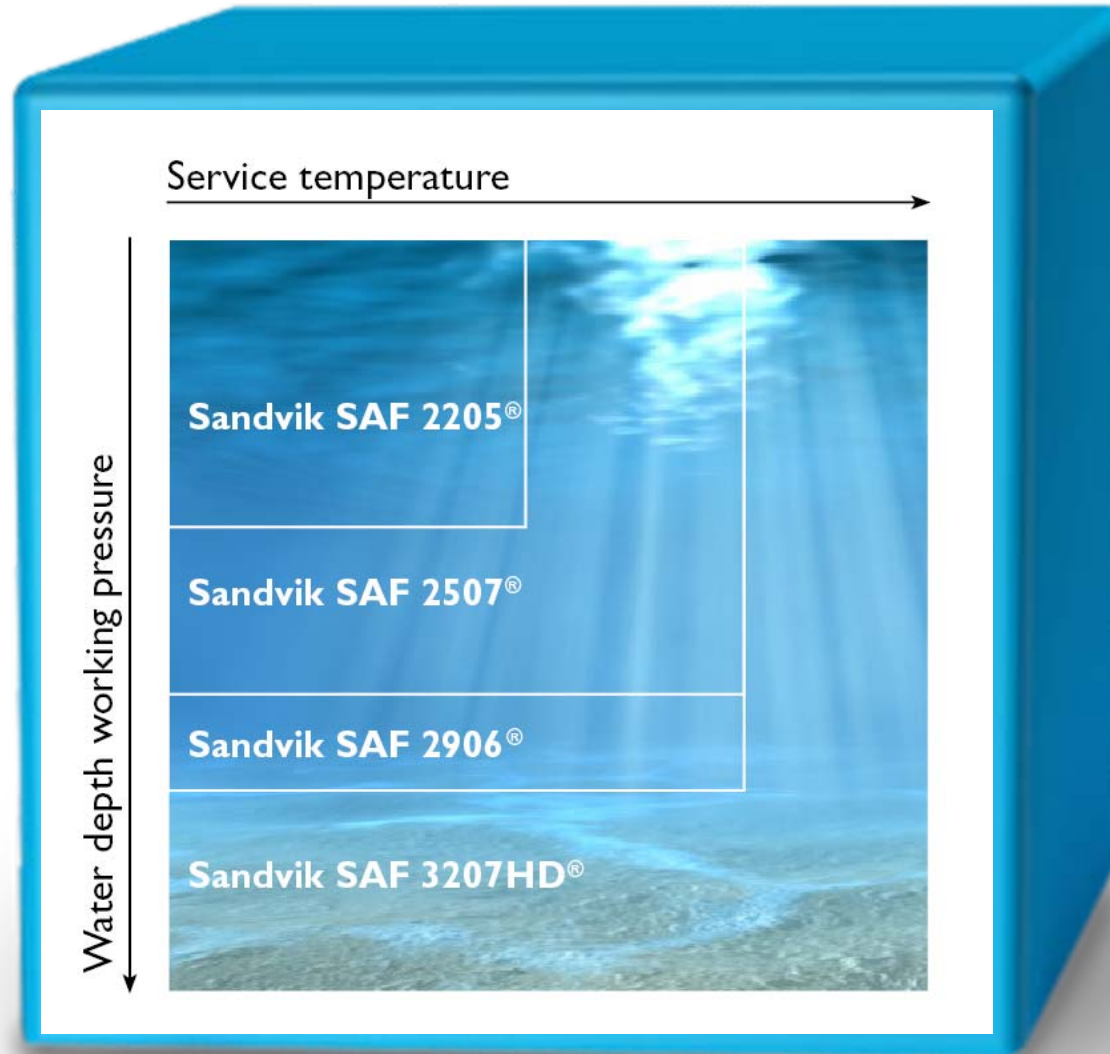
Sandvik materials evolution

1930 - 2015



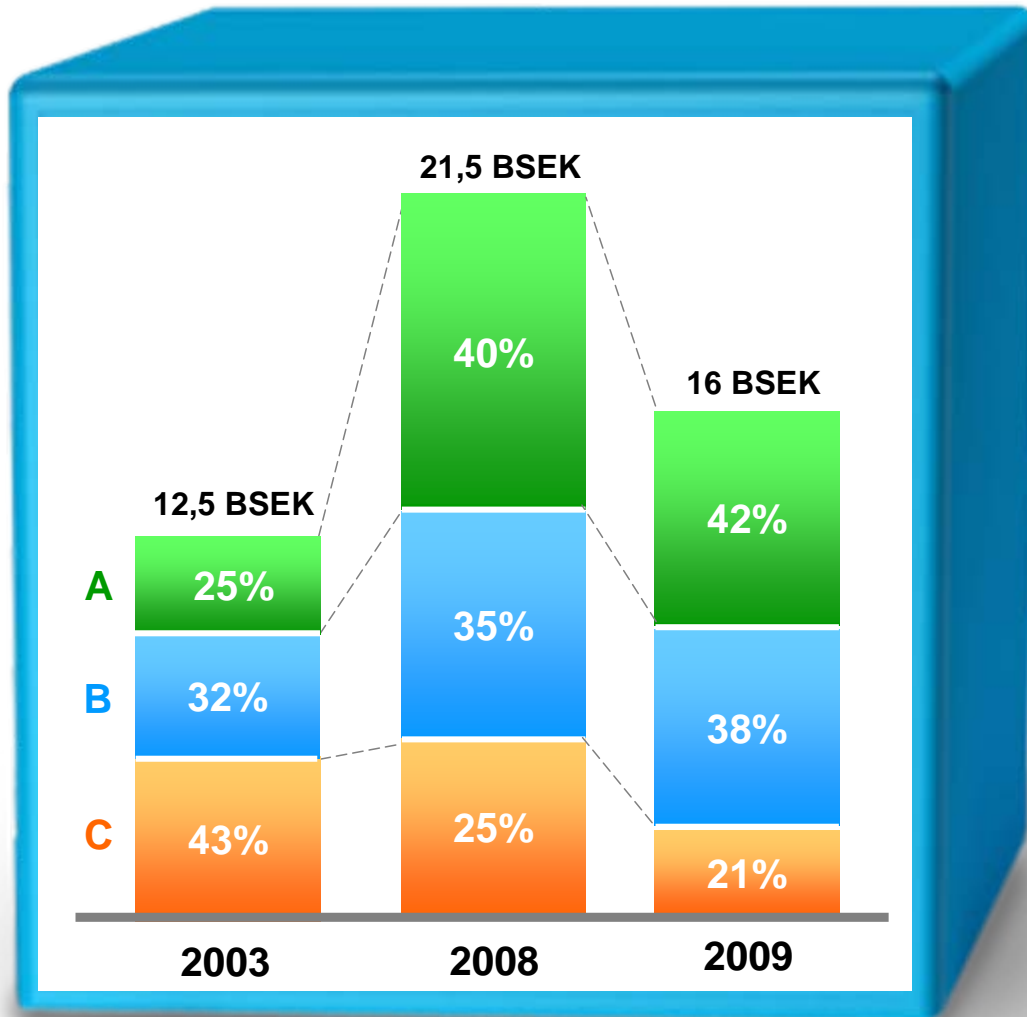
Sandvik materials evolution

Example: Oil and gas industry



Product mix development

2003 - 2009



A-products = Extreme niche with unique position

B-products = Niche products

C-products = Filler products

High degree of unique and specialized materials

Competitor comparison:

Example grades

Sales 2009



A

B

C

D

E

Local Chinese/Indian

Unique SMT-grades

Safurex[®]
SAF 2707 Hd[®]
SAF 2906[®]
Sanicro 68[®]
...

32%



70%

Specialty grades

SAF 2507[®]
SAF 2205[®]
...

43%



Standard grades

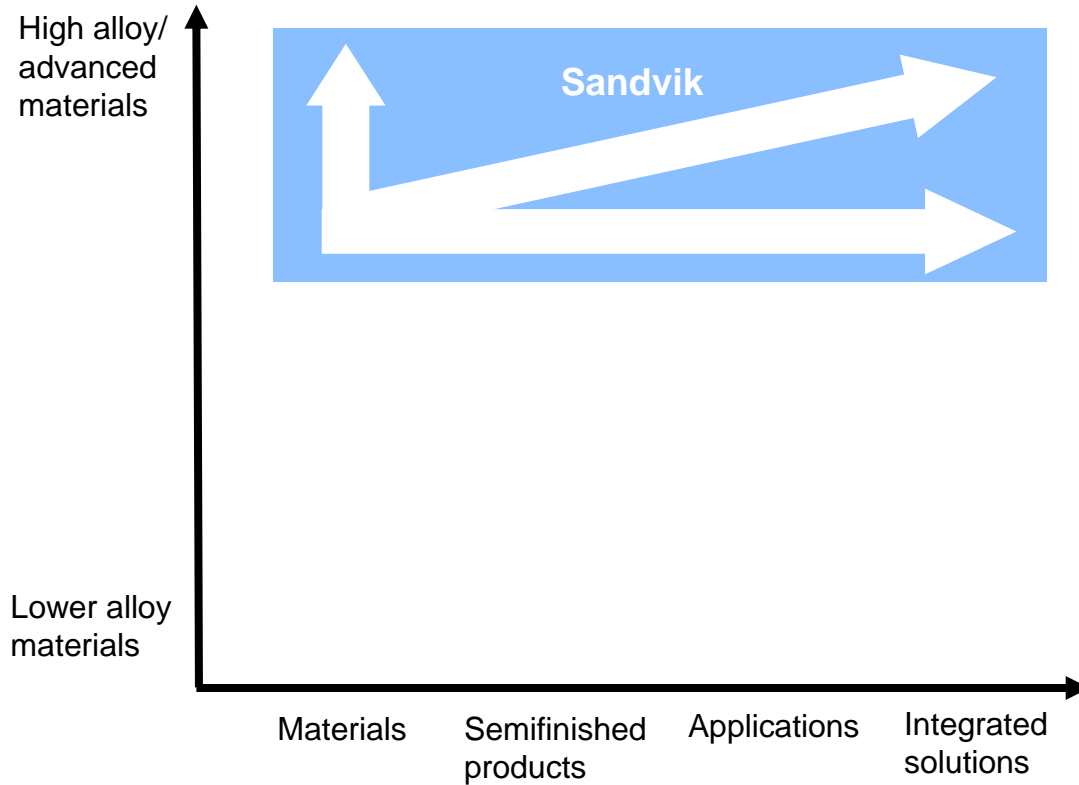
316 L
304
...

25%



Core business definition

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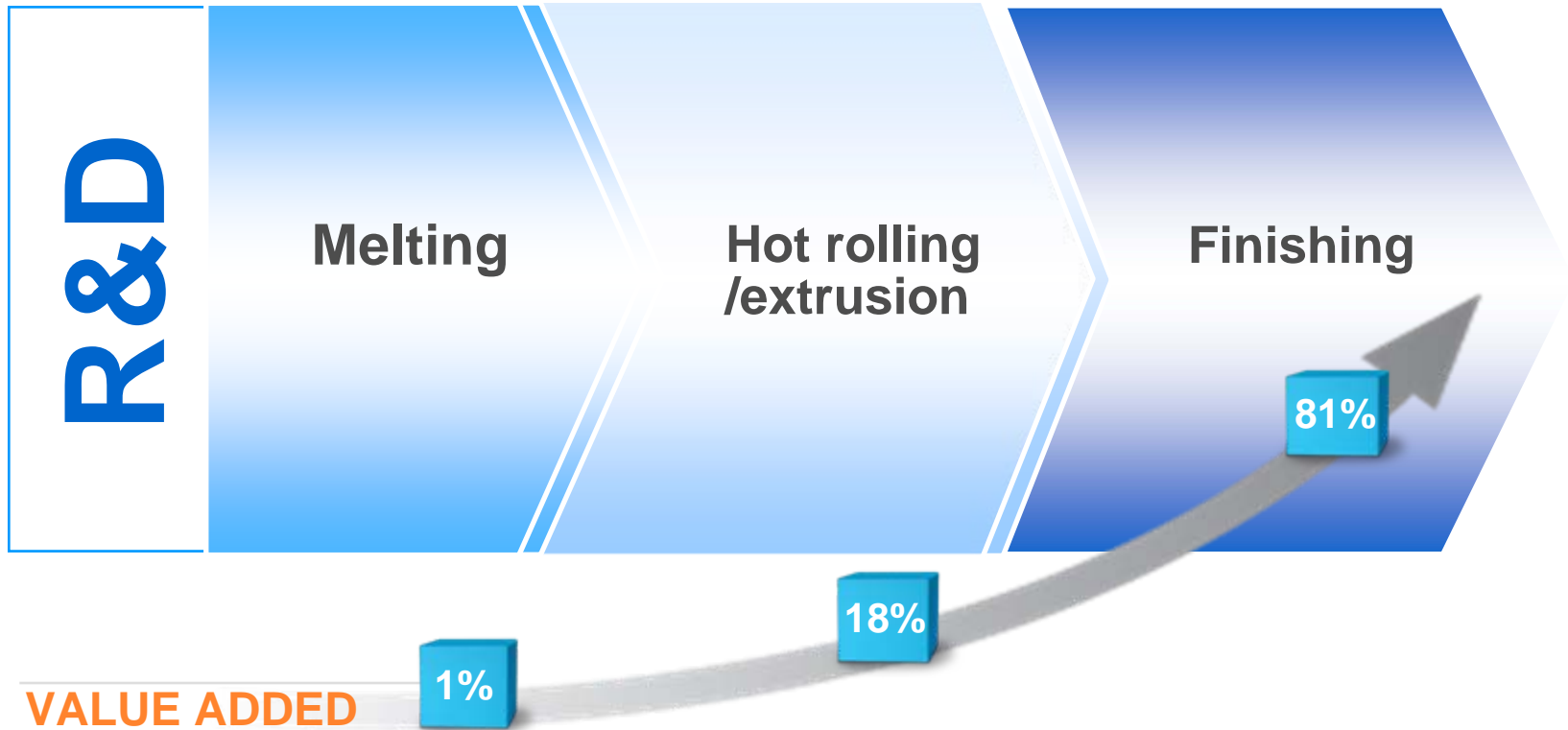


- **Delivering superior value to customers through**
 - ✓ own development and manufacturing of the market's most advanced metallic and ceramic materials
 - ✓ long-term customer relationships
- **Global leadership in selected niches**
 - ✓ innovation leader
 - ✓ number one in market position
 - ✓ cost leadership

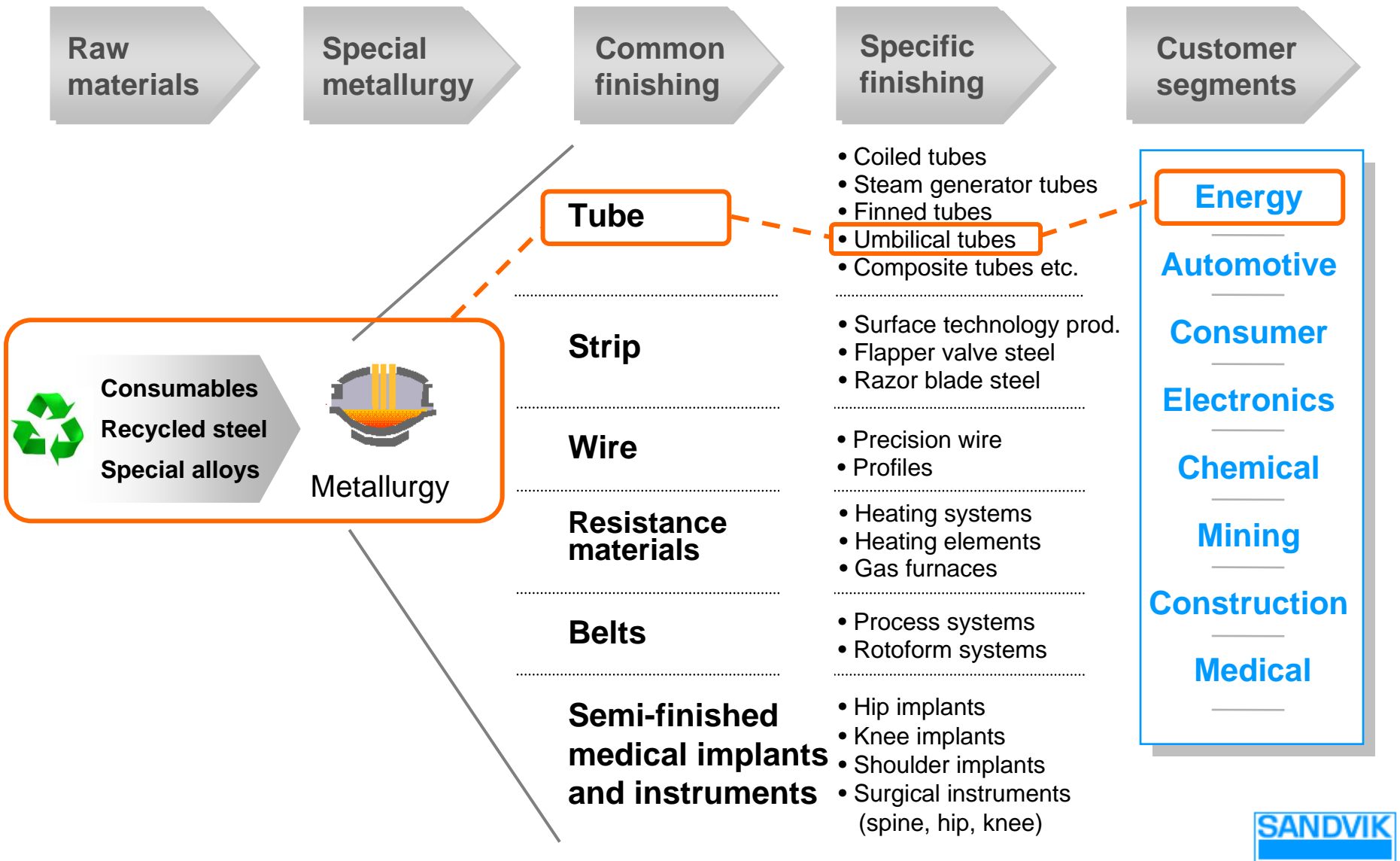


Highly integrated production

building on world leading metallurgy

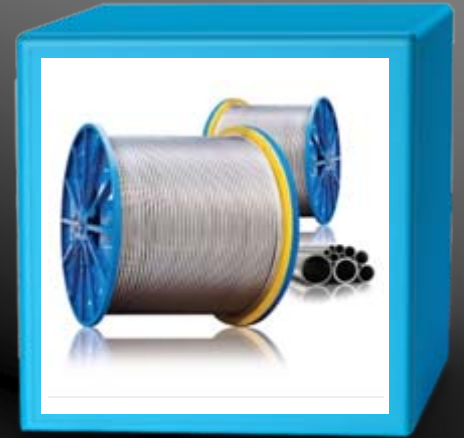
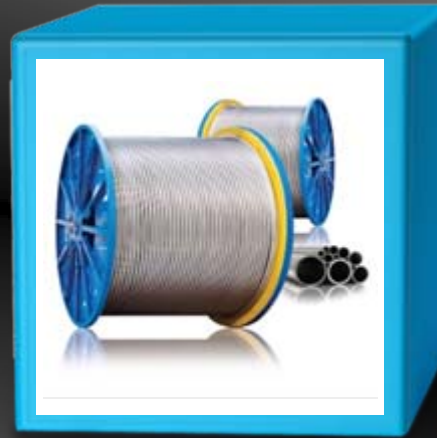


Highly integrated production

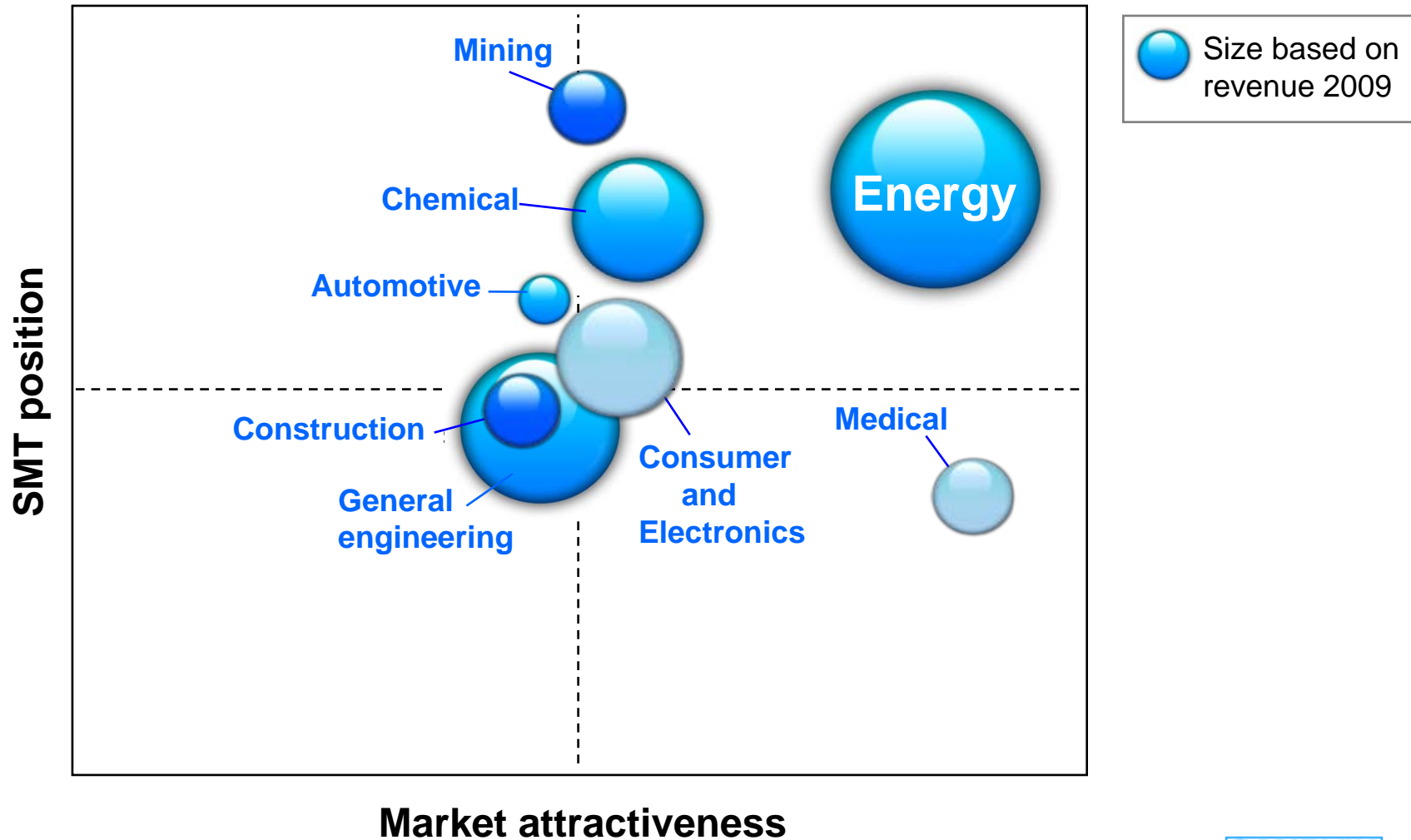


From steel melt to finished product

Case: Umbilical tubing for
the oil/gas-industry
>35 process steps



Strong niche position in attractive segments



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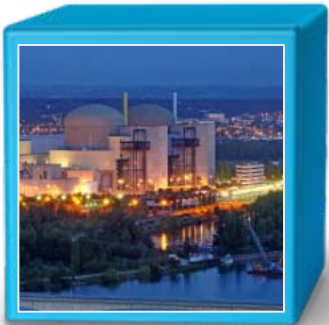


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Continued materials evolution

- Next generation of materials ready to be launched in key areas
- New Sales Ratio has developed from 5% (2006) to 20% (Q1+Q2, 2010)



Growth in energy

- Extensive investments in capacity for nuclear products
- Long-term nuclear delivery agreements signed worth >10 BSEK
- Next generation of materials launched within oil/gas
- Extensive R&D-investments in technology for new energy sources



Growth in emerging markets

- Development in emerging markets drives growth in key segments
- Further investments in production platform and sales organization

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Medical technology partnerships

- Leverage Sandvik capabilities to strengthen strategic partnerships with OEM's
- Consolidation and specialization



Continued structural changes

- Further consolidation and specializations of operations
- Continued exit of non-core business



Continued performance improvements

- Continue to leverage SMT Business System (including navigators) to improve performance further
- Continue the work to improve capital efficiency and reduce lead-times
- Product mix optimization and price management

Summary

Sandvik Materials Technology

- **Still recovering from the downturn when it comes to volumes and margin**
- **Uniquely positioned within advanced metallic and ceramic materials, with a highly integrated value chain**
- **Focus areas includes:**
 - Energy
 - Emerging markets
 - Medical
 - Continued performance improvements
- **Continued contingency planning to protect obtained improvements – and to be able to handle future downturns**



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.”