CAPITAL MARKETS DAY
2010

Prepared for the future

Anders Thelin
President Sandvik Tooling
Prepared for the future

- Business update
- Effects of 2009 tactics
- Our way of working
- Presence in BRIC markets
- Conclusions
## Business update

**Sandvik Tooling**

*Tools and tooling systems for metalworking*

*Wear parts and superabrasive components*

### 2009

- Sales 19,078 MSEK
- EBIT -527 MSEK, -2.8%
- ROCE -2.2%
- 15,296 employees

### Targets

- Growth > 7%
- ROCE > 30%
Background

Sandvik Coromant order intake in fixed rate vs. previous year

% Quarterly


-50 -40 -30 -20 -10 0 10 20 30 40 50
Sandvik Tooling
Order intake at fixed rates, excl Wolfram

Reference year Q4 2007 – Q3 2008

MSEK

Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2

2005 | 5000 | 6000 | 7000 | 8000 | 9000 | 10000 | 11000 | 12000 | 13000 | 14000 | 15000 | 16000 | 17000 | 18000 | 19000 | 20000

2006 | 5000 | 6000 | 7000 | 8000 | 9000 | 10000 | 11000 | 12000 | 13000 | 14000 | 15000 | 16000 | 17000 | 18000 | 19000 | 20000

2007 | 5000 | 6000 | 7000 | 8000 | 9000 | 10000 | 11000 | 12000 | 13000 | 14000 | 15000 | 16000 | 17000 | 18000 | 19000 | 20000

2008 | 5000 | 6000 | 7000 | 8000 | 9000 | 10000 | 11000 | 12000 | 13000 | 14000 | 15000 | 16000 | 17000 | 18000 | 19000 | 20000

2009 | 5000 | 6000 | 7000 | 8000 | 9000 | 10000 | 11000 | 12000 | 13000 | 14000 | 15000 | 16000 | 17000 | 18000 | 19000 | 20000

2010 | 5000 | 6000 | 7000 | 8000 | 9000 | 10000 | 11000 | 12000 | 13000 | 14000 | 15000 | 16000 | 17000 | 18000 | 19000 | 20000

-43% | -42% | -34% | -23% | -19% | -43% | -42% | -34% | -23% | -19%

Sandvik Tooling
Sandvik Capital Markets Day September 2010 page 5
Business update
Sandvik Tooling Q2

- Order intake +45% (P/V)
  - 6 295 MSEK
- Invoiced sales +38% (P/V)
  - 6 122 MSEK
- EBIT 21.0% of sales
  - 1 283 MSEK
- ROCE 7.7%
Mergers and organizational changes

Cutting tool customers

Indexable tools

Round tools

Material platform

Customers within adjacent applications

Sandvik Tooling
Sandvik Capital Markets Day September 2010
Mergers and organizational changes

● Merger of Walter & Valenite
  ✓ 130 sales engineers transferred to Walter
  ✓ Headcount reduction ≈ 200 persons

● Merger of Dormer & Precision Twist Drill
  ✓ Product assortment harmonization
  ✓ Triumph brand divested

● Continued consolidation of production units
  ✓ Crystal Lake, Illinois
  ✓ Madison Heights, Michigan
Successful integration of Wolfram

- Securing supply of raw material
- Recycling
- World class tungsten carbide
- Improves profit margin of Sandvik Tooling
Prepared for the future

- Business update
- Effects of 2009 tactics
- Our way of working
- Presence in BRIC markets
- Conclusions
2009 tactics

2–3 years downturn and -40% order intake

- **Reduce**
  - ✓ Cost
  - ✓ Production capacity
  - ✓ Net Working Capital

- **Safeguard**
  - ✓ R&D resources and competencies
  - ✓ Sales resources and competencies
  - ✓ Fast ramp up of delivery capacity

- **Gain market share**
Full speed within R&D
Effects of 2009 tactics

- Cost reductions 6%
- Increased personnel 2%
- Patents on a high level
Full speed within R&D
Effects of 2009 tactics

- Intensified cooperation with customers and universities
  - AMRC in Sheffield
  - CEROC in Fondettes
  - Aerospace center in Fair Lawn
Over 8,000 new products
10,000 fewer stock keeping units net

Sandvik Tooling
Sandvik Capital Markets Day September 2010
Personnel cost reductions
Effects of 2009 tactics

Number of Employees

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Feb</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Mar</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Apr</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>May</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>June</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>July</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Aug</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Sept</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Oct</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Nov</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Dec</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Jan</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Feb</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Mar</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>Apr</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>May</td>
<td>5000</td>
<td>5000</td>
</tr>
<tr>
<td>June</td>
<td>5000</td>
<td>5000</td>
</tr>
</tbody>
</table>

- **Full Time Employees**
- **Employees in time reduction programs converted to full time employee equivalence**
NWC sustainable improvements
Effects of 2009 tactics

- Stock parameter fine tuning
- Assortment rationalization
- Reduced DSO
Cash flow and EBIT, Q1 + Q2
Effects of 2009 Tactics

MSEK

<table>
<thead>
<tr>
<th></th>
<th>Q1 + Q2</th>
<th>Q1 + Q2</th>
<th>Q1 + Q2</th>
<th>Q1 + Q2</th>
<th>Q1 + Q2</th>
<th>Q1 + Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EBIT 2008-2010 YTD June
Effects of 2009 tactics

EBIT 2008

- Invoicing: 24%
- Inventory changes: -2%
- Others: -
- Cost savings: -

EBIT 2009

- Invoicing: -
- Inventory changes: -
- Others: -
- Cost savings: 18%

EBIT 2010

- Invoicing: -
- Inventory changes: -
- Others: -
- Cost savings: -
Insights

● Preparedness and flexibility
  ✓ War room
  ✓ Keep sales resources and R&D
  ✓ Fast ramp up

● Larger amplitudes in the future
Prepared for the future

- Business update
- Effects of 2009 tactics
- Our way of working
- Presence in BRIC markets
- Conclusions
From ore to finished product
Consequence

- **Advantages**
  - Reduced risk
  - Optimized processes and properties
  - Full benefit from all added value

- **Disadvantages**
  - More capital
  - Volume sensitive

- **Consequence**
  - Improved profitability over a business cycle
Consistent track record
Operating margin*

*Excluding goodwill write off for PTD
Addressing premium, high growth applications

- Die & mould
- Gear milling
- Heavy machining
- Concept holders and cutters
- Concept inserts

- Standard holders and cutters
- Standard inserts

- Deep hole machining
- PCD/CBN

Premium, high growth applications
Prepared for the future

- Business update
- Effects of 2009 tactics
- Our way of working
- Presence in BRIC markets
- Conclusions
Growing importance of BRIC

Order intake (p/v) June YTD 2010 compared with 2009

BRIC

+63%

19%

+25%

18%

+42%

5%

+26%

53%

+33%

2%

+59%

21%

+10%

1%

Share of Tooling total
Market leader in BRIC

- Strong local presence
- Local manufacturing
- Global strength

1949 Brazil
1962 India
1983 China
1994 Russia
Our presence in China

- Over 440 sales and application engineers
- 4 Production units
- 3 Application and Productivity Centers
Sandvik ranks top 10 of Green companies in China

- ABB
- Dell
- Ford
- Motorola
- Eaton
- LANXESS
- Hitachi
- Dow
- EHi Car Service
- Sandvik
Prepared for the future

- Business update
- Effects of 2009 tactics
- Our way of working
- Presence in BRIC markets
- Conclusions
Conclusions
Re-established profitability
Operating margin*

*Excluding goodwill write off for PTD
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.”