THE STEP CHANGE
OF SANDVIK MATERIALS TECHNOLOGY

Capital Markets Day
14 September, 2011

JONAS GUSTAVSSON
President
Safety first!
Jonas Gustavsson
President of Sandvik Materials Technology

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice President Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Manager, Tube in Sandviken</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>President – Wire and Heating Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>President of Sandvik Materials Technology</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Agenda

The Step Change of Sandvik Materials Technology

- Background and current situation
- New direction and ambition
- The "VITAL 3" – Mid-term direction
- Summary
Sandvik Q2
SECOND QUARTER 2011

Mixed demand
- Energy and Automotive strong
- Weaker in consumer related and electronics
- Improved demand in North America, but softer in Europe and Asia
- Major umbilical-order received (325 MSEK)
- Increased market uncertainty

Q2 2011
- Order intake 4,790 MSEK
- EBIT 402 MSEK, 8.1%
- Invoicing 4,935 MSEK
- ROCE 7.6%

Sandvik Capital Markets Day September 2011
Sandvik Materials Technology

Background and current situation

**Strong competitive position to build on**
- Unique product portfolio (~50% of sales in niches where Sandvik is No 1 or 2)
- World leading metallurgy and R&D
- Competitive production assets in our niches
- Attractive market presence in fast growing segments (e.g. energy)

**However...**
- Current financial performance is not acceptable
- History of not meeting financial objectives
- Substantial potential and upside, primarily through:
  - Pricing and mix improvements, as well as sales uplift
  - Extensive cost reductions
  - Operational improvements
“New” Sandvik Materials Technology

- High value-added products in advanced metallic materials for selected niches in the most demanding industries
- World-leading metallurgy and R&D
- Key customer segment: Energy (e.g. oil&gas, nuclear), Consumer, Electronics, Chemical and Mining
- Sales 2010: SEK 15,700 M ~ 8 000 employees
- EBIT: 8% ROCE: 9%
  (excluding Process Systems and parts of MedTech)
Agenda
The Step Change of Sandvik Materials Technology

- Background and current situation
- New direction and ambition
  - The "VITAL 3" – Mid-term direction
- Summary
New direction and ambition

Direction
Improve **profitability** and **focus** on **selective growth** in attractive and profitable niches – and **take position** in strategic segments and markets (i.e. **energy** and **Asia**).

Ambition
To improve **ROCE** by **>10 percentage points** within 2-3 years, given a normal market development.
## What success will look like…

### In 2-3 years

<table>
<thead>
<tr>
<th><strong>Step-change achieved in Safety</strong></th>
<th><strong>Effective and scalable upstream system</strong></th>
</tr>
</thead>
</table>
| ▪ A true “Safety culture” established  
▪ Significantly reduced accident frequency rate | ▪ Successfully “de-bottlenecking” of upstream system (+external sourcing)  
▪ Hard prioritization to core products with high profitability |

<table>
<thead>
<tr>
<th><strong>Stable and strong performance</strong></th>
<th><strong>Optimized product portfolio/mix</strong></th>
</tr>
</thead>
</table>
| ▪ Clearly higher and stable profitability  
▪ “Performance culture” established | ▪ Increased share of premium products  
▪ # 1 or 2 in profitable and growing segments (e.g. energy)  
▪ World-class pricing and sales |

<table>
<thead>
<tr>
<th><strong>Step-change in operations</strong></th>
<th><strong>Strengthened position in Asia</strong></th>
</tr>
</thead>
</table>
| ▪ Production cost leadership and lean overhead  
▪ Best in class technology innovation – and time to market/cash | ▪ Sales approach geared to growth markets  
▪ Supply chain gradually increased in Asia |
Agenda
The Step Change of Sandvik Materials Technology

• Background and current situation
• New direction and ambition
• The "VITAL 3" – Mid-term direction
• Summary
How to reach a clearly higher profitability in 2-3 years

ROCE (%)

2010  Exit non core and consolidate  Cost  Operational excellence  Improved product mix and pricing  Execution of growth investments  Target

Starting point

*) Excluding structure and metal price effects

= Additional effect, compensating yearly cost increase (e.g. salary increases)
<table>
<thead>
<tr>
<th></th>
<th>Safe environment – and healthy employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Exit unprofitable and non-core business – and simplify structure</td>
</tr>
<tr>
<td>3</td>
<td>Significant cost reductions</td>
</tr>
<tr>
<td>4</td>
<td>Operational excellence</td>
</tr>
<tr>
<td>5</td>
<td>Improve price management and product mix</td>
</tr>
<tr>
<td>6</td>
<td>Execution of growth investments</td>
</tr>
</tbody>
</table>
• EHS will be lifted as a function, reporting directly to the President
  ✓ But still with local responsibility

• Review of the current EHS-function started, including external experts and benchmarks
  ✓ New EHS-organization and Safety improvement-program to be implemented from end October
Exit unprofitable and non-core business – and simplify structure

- Accelerate exits of products and product lines with:
  - non-acceptable profitability
  - limited linkage to Sandvik core capabilities
  - limited growth upside

- Consolidation of manufacturing footprint

- Simplified organizational structure, with focus on core business
  – lighter, more efficient with fewer layers
New organization and new management in place
Valid from September 12, 2011

- President: Jonas Gustavsson
- Finance and Business Development: Andreas Burman
- Communication: Lena Berg
- Human Resources: Vacant
- Environment, Health and Safety: Vacant
- R&D, Technology, IT and Quality: Olle Wijk
- Sourcing and Logistics: Johan Wiklund
- SMT Business System: Peter Morris
- Primary Products: Ulf Öhnfeldt
- Tube: Petra Einarsson
- Strip: Mats Gunnarsson
- Wire and Heating: Vacant

- = New or new in position
- = Part of the Business Area Management Team

*) Process Systems and MedTech included as product areas until December 31, 2011
### Significant cost reductions

| Central- and administration cost | - Simplify organizational structure and streamline central functions  
| A&S-cost | - Reduce central development initiatives/programs  
| Indirect purchasing | - Optimization of sales structure and -models – and improve overall efficiency  
| | - Simplify administration and utilize synergies from back-office solutions  
| | - Start structured purchasing program across all Product Areas – and utilize synergies within the Group  

Operational excellence

- Achieve **stable operations**
- **Yield** improvements
- **Productivity** improvements
- **Labour flexibility**
**Price management**
- Aggressive key account price improvements
- Tail pricing of small customers/products

**Product mix development**
- Strategic shift to strictly prioritize profitable specialty products in capacity allocation in Primary
- Accelerate exits of unprofitable and non-core products
Finalization and ramp-up of existing investments:

- Nuclear investments (steam generator- and cladding tubing)
- Instrumentation- and Hydraulic tubing mill in China
- Instrumentation- and Hydraulic tubing mill in Sandviken
- Umbilical tubing-capacity in the Czech Republic
THE STEP CHANGE PROGRAM

1 Safe environment
- Review of current EHS-function and -process started
- Launch of strong safety program

2 Consolidation/Exits
- Simplify and “de-layer” organizational structure
- Exits of non-core and unprofitable products
- Consolidation of production footprint

3 Significant cost reductions
- A&S-cost
- Central costs and initiatives
- Purchasing

4 Operational excellence
- Productivity and yield improvements
- Labour flexibility

5 Improve pricing and mix
- Key account price improvements and tail pricing
- Strategic shift to further special and niche products

6 Execution of growth investments
- Nuclear investments (steam generator+cladding tubing)
- Instrumentation- and Hydraulic tubing (China and Sandviken)
Roll-out plan and impact

- Analysis phase
- Ramp-up phase
- Full year effect

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>1</td>
<td>Safe environment – and healthy employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Exit unprofitable and non-core business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Significant cost reductions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Operational excellence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Improve price management and product mix</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Execution of growth investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Risks and opportunities

**RISKS**

- **Weakened market** condition
- **Time to impact** of initiatives
- **Time to ”re-calibrate” organization** to new direction and ambitions
- **Increased competition** in key segments

**OPPORTUNITIES**

- **Strong operational management-team** in place
- **Competence and energy** in the organization
- **Strong position** in key segments
Agenda
The Step Change of Sandvik Materials Technology

• Background and current situation

• New direction and ambition

• The "VITAL 3" – Mid-term direction

• Summary
Build effective and scalable upstream system

Selective growth to strengthen position in profitable segments

Take position in Asia
Agenda
The Step Change of Sandvik Materials Technology

- Background and current situation
- New direction and ambition
- The "VITAL 3" – Mid-term direction
- Summary
Key success factors
Sandvik Materials Technology

- **New operational management team** in place, strongly determined to make a true Step Change
- **FOCUS!**
- **Accountability**
- **Strong mandate** – and a common view of the starting point and the journey ahead
Summary of plan
2011 - 2015

2011

2013

Selective growth in profitable segments

2015

Growth and global leadership

1. Safe environment – and healthy employees
2. Exit unprofitable and non-core business
3. Significant cost reductions
4. Operational excellence
5. Improve price management and product mix
6. Execution of growth investments

Build effective and scalable upstream system
Selective growth to strengthen position in profitable segments (e.g. energy)
Take position in Asia

Sandvik Capital Markets Day September 2011