Capital Markets Day 2012

Andreas Evertz, President
Mats Backman, VP Finance

Sandvik Machining Solutions
Agenda

Introduction

Financial results

Sandvik Machining Solutions strategy

Questions and Answers

Andreas Evertz, President

Mats Backman, Vice President Finance

Andreas Evertz, President
Sandvik Machining Solutions
is the Business Area focused on products and solutions for the metal cutting industry

2011
Sales: SEK 28.2 B
EBIT: SEK 6.3 B
ROCE: 34%
No of employees: 18,500
Recapitulation
Capital Markets Day 2011

• Continue to develop leading position
• Accelerate growth
• Strengthen footprint in Asia
• Active brand management
• Expand in adjacent areas
Sandvik Machining Solutions
Growth and profitability

• Management team and organizational structure in place
• Business Performance Management in place

• Sandvik Machining Solutions is performing well and continues delivering high profitability
Agenda

Introduction                          Andreas Evertz, President
Financial results                    Mats Backman, Vice President Finance
Sandvik Machining Solutions strategy Andreas Evertz, President
Questions and Answers

Sandvik Machining Solutions
Q1 2012

- Invoicing 7,618 MSEK
- EBIT 1,875 MSEK (24.6%)
- ROCE 35%
- ROCE annualized quarter result 38%
Value creation
Sandvik / Seco Tools

- Additional leverage in operations

Identified savings
- Development and production of cutting tools
- Distribution
- Purchasing
  ~100 MSEK, 2012
  ~200 MSEK, 2013
  ~300 MSEK, 2014

Long term potential savings
Quarterly development
Net Working Capital %
Quarterly development
Net Working Capital %

![Graph showing quarterly development of Net Working Capital % for Machining Solutions and Seco from Q1 2008 to Q1 2012]
Value creation
Sandvik / Seco Tools

Long term potential savings
- Additional leverage in operations

Identified savings
- Development and production of cutting tools
- Distribution
- Purchasing
  ~100 MSEK, 2012
  ~200 MSEK, 2013
  ~300 MSEK, 2014

Long term potential capital
- Lead times
- Assortment
- Accounts receivables

Identified capital
- Safety stock, raw material
- Work in progress
- Stock replenishment, finished goods
- Accounts receivables
  ~250 MSEK, 2012
Agenda

Introduction  Andreas Evertz, President
Financial results  Mats Backman, Vice President Finance
**Sandvik Machining Solutions strategy**  Andreas Evertz, President
Questions and Answers
Secure growth and profitability

- Competitors are trying to move up to the premium segment in different ways leading to 4 distinct battles
- Increase current scope of market presence
Brand Positioning Map

Value selling
Increase market position to more than 30%

Machining Solutions - Increase market position through productivity services
People Management and Culture - our way to success

Transaction
Integration
Product
Partnership
Trends
Brand Positioning Map

- Based on quantitative research and qualitative interviews in main markets
Sandvik Machining Solutions Strategy

Premium segment

• Continue delivering high profitability and growth
• Seco Tools acquisition
• Increase entry barriers
• Work more focused on brand differentiation to ensure optimal coverage of premium segment
Sandvik Machining Solutions Strategy

Mid market

- High potential for additional growth
- Highly competitive environment

[Graph with categories: Partnership, Integration, Product, Transaction, showing data points for Local brands, Global brands, Sandvik Machining Solutions brands, labeled as Mid market battle]
Sandvik Machining Solutions Strategy

Regional/local presence

- Characterized by closeness to customers in “home markets”, flexibility and high adaptation level to local demands
Sandvik Machining Solutions Strategy

Technology niche

- High technology in niche areas
- Application specific know how
- High entry barriers
Sandvik Machining Solutions

Battle plan

a. Premium brands
b. Local brands
c. Mid market
d. Technology brands
Sandvik Machining Solutions

Summary

a. Premium segment - continued high growth and profitability
b. Premium/local - increased focus on regional brands
c. Mid market - launch new player
d. Technology brands - targeted offerings of highly engineered solutions
Q&A