Capital Markets Day 2012

Gary Hughes
President of Sandvik Mining
Environment, Health and Safety First

Our EHS vision is to achieve Zero Harm to our people, to the environment we work in, to our customers and our suppliers.
Full year 2011

- Sales MSEK 32,232
- Operating result 5 411 MSEK

- Employees 13,300
Business drivers
Positive long term trend

*Base metals: iron ore, copper, zinc, lead, nickel
** All operations (primary mines and co-by product)
***Sandvik Mining and Construction until 2006, Sandvik Mining from 2007 onward

Source: Mc Kinsey, RMI, BMI, Freedonia
Business drivers
Positive long term trend

Source: Mc Kinsey, RMG, BMI, Freedonia
Key trends
Supplier industry

**Competition**
- Consolidation
- Asian expansion
- Investments to capture growth

**Footprint**
- Shift to Asia
- Remote locations
- Flexibility and cost competitiveness

**Technology**
- Automation and safety
- Advanced services
- Productivity and energy efficiency
Immediate challenges
What I faced in September 2011

- Complex organization
- Internal focus
- More focus needed in some areas, less in others
- Gap between Sandvik Mining and our Peers

...Strong case for change
Actions taken
Great spirit and energy

• Separation from Construction
• New organization for 14,000 people in 105 days
• Successful Top 150 meeting
• Strategy roll-out
• Transparency and Performance management
• Great energy unleashed in the organization
Our Mining organization
A winning team

- Increased span of control and fewer layers
- Clear accountabilities
- Faster decision making
- Focus on core business
Sandvik Mining
Q1 2012

- Record-high order intake, +40% p/v
- Major mining systems orders 1.6 bn SEK
- Increased profitability
  - EBIT 1,494 MSEK (1,208)
  - EBIT margin 17.3% (17.0)
- ROCE annualized quarter result 39.5%
  - ROCE reported rolling 12 months 39.4%
  - Net working capital 28% (25) of invoicing
Strategic direction

• Focus on our core business

• Improve our cost effectiveness

• Excel in Asia

• Strengthen our position in Underground Coal
Key priorities

- Aggressive, profitable growth
- Net working capital management
- Speed in product development
- Best country sourcing
- Expanding customer services
Mining Systems
Re-focus on the Core

- Mining content from 50% to 90%
- Integrating Equipment to complete Systems
- Combining equipment and Project expertise
- Developing our expertise in Mine Planning
Excel in Asia
Focus China

• China largest market in Q1 in terms of order intake
• China Product Development Center
• China sourcing team
• New Customer service center in Luoyang
• ZhongRui Mining Equipment Manufacturing Co. Ltd
Product development

Premium
• Sandvik DS421 cable bolter
  • Improved productivity, safety and reliability with one operator
• Sandvik TH550 and TH540 underground trucks
  • Higher payload ratio, cleaner air and enhanced productivity

Mid-market
• UDR Exploration drill rig
AutoMine®

- AutoMine® Loading
- AutoMine® Hauling
- AutoMine® Drilling
- AutoMine® Crushing
- AutoMine® Lite
- AutoMine® Process Management
Expanding our Customer Services

- Elko, 2011
- Guadalajara, 2012
- Bogota, 2011
- Saskatchewan, 2011
- Luoyang, 2012
- ZhongRui JV, 2012

New customer service centers
In Summary

Sandvik Mining

- Clear targets
- Clear accountabilities
- Well defined core
- Clear direction

Sandvik

- Ambition
- Speed
- Focus
- Globalize

Open Mind  Fair Play  Team Spirit

Sandvik Capital Markets Day 29 May 2012, Business Area Mining
Q&A