Building an even better Sandvik

Olof Faxander
Chief Executive Officer
Sandvik
Mats Backman
Professional career

<table>
<thead>
<tr>
<th>Year</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-1996</td>
<td>Audit/Consulting</td>
</tr>
<tr>
<td>1996-1999</td>
<td>Business Development</td>
</tr>
<tr>
<td>1999-2001</td>
<td>Business Area Controller (Canada)</td>
</tr>
<tr>
<td>2001-2007</td>
<td>Vice President Finance</td>
</tr>
<tr>
<td>2007 -</td>
<td>Group Business Controller General Manager</td>
</tr>
<tr>
<td>2013-</td>
<td>CFO and Executive Vice President</td>
</tr>
<tr>
<td></td>
<td>Sandvik Group</td>
</tr>
<tr>
<td>2009 - 2013</td>
<td>CFO and Vice President Finance,</td>
</tr>
<tr>
<td></td>
<td>Sandvik Machining Solutions</td>
</tr>
<tr>
<td>2007 - 2009</td>
<td>Business Development</td>
</tr>
</tbody>
</table>
Development per Segment

- Energy
- Automotive
- Construction
- Mining
- General engineering
- Consumer related
  - Aerospace
- Other
## Updated Guidance

### Metal price effects
Given currency rates, stock levels and metal prices at the end of August, a negative EBIT effect of about -125 MSEK is expected for Q3 2013.

### Net financial items
Net financial items is estimated to be below 2.0 bn. SEK for 2013.

### Currency effects
Given currency rates at the end of August the effect on EBIT would be about -300 MSEK for Q3 2013.

### Capex
Capex is estimated at below 5 bn. SEK for 2013.

### Tax rate
The tax rate is estimated at approximately 25-27% for 2013.
"Sandvik is a world leading, high-technology engineering group"
"Sandvik is a world leading, high-technology engineering group"

"But we need to continue to develop more towards fast growing markets, yield higher returns and reduce earnings volatility"
Strategic initiatives
Since launch of new strategy 2011

1. Customer centric organization
   - From three to five Business Areas
   - Full ownership of Seco Tools
   - Divestment of MedTech

2. Restructuring and turnaround
   - Two restructuring programs targeting 2 bn. SEK in total
   - Sandvik Materials Technology showing significant improvements

3. Operational excellence
   - Enhanced coordination and utilization of Group resources (R&D, Finance, IT, HR, Indirect sourcing)
   - Focus on increased diversity
     - enabling better business

4. Growth
   - Mid market initiatives launched:
     - Sandvik Machining Solutions Carboloy brand
     - Mid market offering in Sandvik Mining
     - Shanbao in Sandvik Construction
## Restructuring

### Cost savings

Restructuring programs targeting savings of 2 bn. SEK in total

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Program 1</th>
<th>Program 2</th>
<th>Of which remaining</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>150</td>
<td>&gt;500</td>
<td>-</td>
<td>&gt;650</td>
</tr>
<tr>
<td>Machining Solutions</td>
<td>-</td>
<td>150</td>
<td>100</td>
<td>150</td>
</tr>
<tr>
<td>Materials Technology</td>
<td>&gt;500</td>
<td>&gt;300</td>
<td>&gt;200</td>
<td>&gt;800</td>
</tr>
<tr>
<td>Construction</td>
<td>250</td>
<td>100</td>
<td>-</td>
<td>350</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>~1 000</td>
<td>~1 000</td>
<td>~300</td>
<td>~2 000</td>
</tr>
</tbody>
</table>

### Responding to a weak mining market

- Announced 24 September 2013
- Additional cost savings of 500 to 700 MSEK
- One-off costs of -300 to -400 MSEK
Focus going forward
Growth enabled by operational excellence

3
Operational excellence
- Leading innovation
- Leading through our employees
- Leading sustainable business
- Increased supply chain efficiency
- Improved capital allocation

4
Growth
- Organic growth
- Acquired growth

Leading financial performance
- Higher return on capital
- Stronger growth
- Lower earnings volatility
Leading innovation

150 year history of innovation

• Significant investments in R&D
• Close customer relations
• High IP protection of new products
• 8,000 patents
• Majority of R&D in Business Areas

Further enhanced power to innovate

• Access to core competence across Sandvik
  - Centers of Excellence within Modeling, Material Characterization and Powder Metallurgy
• New R&D centers in emerging markets
  - Planning for expansion in India and China
• Launching new career paths for R&D experts
• Increased investments in Intellectual Property
• Focus on new technology areas to expand core

Step up innovation

Reduce time to market

Increase focus
Leading through our employees

**Sandvik Human Resources enables a high-performing, global organization**

- **Safety First Culture**
  - Clear objectives and targets

- **Talent Management and Succession Planning**
  - Leadership model, expert career and performance management aligned with succession planning
  - Successful development of internal candidates meeting the competence shift
  - Increased mobility and diversity with a talent pool aligned to employee distribution

- **Securing a high-performing organization**
  - Clear performance management
  - Group wide employee survey
Leading Sustainable Business

“Our ambition is to be among the top most sustainable companies within three years with close links between our business strategy, our brand value and our sustainability operations.”

Sustainability is part of our business

- Part of our customer offering
- An important driver for the development of tomorrow’s products
- Strongly linked to our attractiveness as an employer

UN Global Compact

Initiative to reduce CO₂ emissions

Reduced Loss Time Injury Frequency (LTIFR)

Head of CSR
Increased supply chain efficiency

150 sites to be decreased by 25 within the next 3-4 years.

Numbers based on existing structure, as per September 2013.
Improved capital allocation

By Business Area

Allocation of capital based on size, growth and return

Numbers based on existing structure.

2008-2012

In 3-4 years
Improved capital allocation

Regional split

2008-2012

Numbers based on existing structure.

Higher capital allocation to regions where stronger growth is expected

In 3-4 years
Focus on core applications and geographies
Invest in future offerings such as Automation and related services, continuous mining and emerging markets.

Step up innovation
Leading offer and technology, leading cost and productivity, broad entrance into the mid-market.

Demand for advanced materials in energy and chemical
Leading position and unique expertise to capture growth and to drive technology shifts.

Selected core areas
Drilling, Breaking, Crushing and adjacent areas. Large aftermarket potential.

Targeting high growth segments
Oil and gas, machining, consumer niches.
Delivering on the 8% growth target

Acquisitions an integral part of the growth strategy

Acquisitions exceeding 100 MSEK in invoicing.
Leading financial performance
Reaching the 25% ROCE target

Organic growth
Acquired growth
Operational Excellence

19% 2012
25% 3-4 years
In Summary

We are building an even better Sandvik

• A lot has been accomplished and we have built a strong foundation

• We have the products and the people

• Growth, higher returns and reduced earnings volatility is within our reach

“Sandvik is obsessed by promoting productivity - both its own and its customers”
Sandvik presented in a positive light in “The Economist”
Q&A
Capital Markets Day 2013