Sandvik Mining
Capital Markets Day 2013

Gary Hughes
President
Our EHS vision is to achieve Zero Harm to our people, to the environment we work in, to our customers and our suppliers.
Sandvik Mining

- Weaker demand
  - Weaker demand for equipment and systems
  - Stable aftermarket demand

- EBIT 1,153 MSEK (1,800)
  - EBIT margin 14.2% (18.3)
  - Currency effects of -150 MSEK

- ROCE reported rolling 12 months 32.4%
  - Net working capital 29% (27) of invoicing
January 2012 - What we set out to do

- Drive clear targets for sales and product lines
- Implement a leaner organization
- Clear accountabilities
- Well defined and known Core areas
- Reduce time to market and drive modularity
- Improve downturn management
Achievements

• Operational and financial improvements
• 40% reduction in LTIFR
• 25% improvement in sales efficiency
• 45% reduction in Time To Market
• Improved transparency and accountability
• Increased number of new product launches
Market growth

Note: CAPEX 95-'02 based on Deutsche Bank, '03-'12E based on Sandvik internal CAPEX estimates, 2013-2020 based on mining equipment model
Source: IMF, BMI, USGS, EIA, Deutsche bank, Sandvik strategy material, Expert interviews
### Improved downturn management

<table>
<thead>
<tr>
<th>% points</th>
<th>EBIT drop “2008 – 2009”</th>
<th>EBIT drop Q2 2012 – Q2 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandvik Mining</td>
<td>-14</td>
<td>-4</td>
</tr>
<tr>
<td>Best in class</td>
<td>-4</td>
<td>-3</td>
</tr>
<tr>
<td>Peer group average</td>
<td>-4</td>
<td>-6 / -7</td>
</tr>
</tbody>
</table>
### Short term actions

<table>
<thead>
<tr>
<th>Target</th>
<th>Target</th>
<th>Accomplished</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Δ Cost base</td>
<td>~ -2 BSEK</td>
<td>0 %</td>
</tr>
<tr>
<td>• Δ Headcount</td>
<td>&gt; -1,000</td>
<td>0 %</td>
</tr>
<tr>
<td>• One-offs</td>
<td>~ 700 MSEK</td>
<td>0 %</td>
</tr>
</tbody>
</table>
Market trends

Demand slowdown
- Slower growth in ore output
- Excess capacity
- Pressure on commodity prices
- Declining mining CAPEX

Shifting customer preferences
- From focus on volume to focus on cost
- Total Cost of Ownership
- Emerging markets customers trading up

Technological evolution
- Automation in underground mines
- Hard rock continuous mining

Intensified competition
- CAT and Joy pursuing underground hardrock market
- Chinese suppliers going global
- Downstream suppliers offering integrated solutions
A mix of strong and weak positions
Sandvik Mining
Building the future industry leader

Strategic direction
2020
Where we will be leading!

Focus on defined core applications

• Core geographies
• Emerging Markets
• Mid-Market
Maximizing customer value

- Most competitive offering
- Most competitive supply chain
- Speed to market
- Leader in Automation and Smart Service
- A true Winning culture
Strategy 2020

What?

- Build a world class supply chain
- Transform the aftermarket business
- Drive cost efficiency
- Develop the offering of the future
- Excel in sales

Vision

- Constantly improve our customers’ safety and productivity and help them exceed their targets.

LTIFR

- Clear Value proposition
- Drive Customer advocacy
- Set up for faster Innovation
- Cost efficient and flexible supply chain
- Sales effectiveness and efficiency

Growth

- Global leader in UG HR
- # 1 or 2 in select niches
- Grow in tools, service and parts
- Develop strong mid market
- Core Products and Geographies

EBIT margin

ROCE

-\[ \text{LTIFR} \times \text{Growth} \times \text{EBIT margin} \times \text{ROCE} \]

How to win

-\[ \text{Growth} \times \text{EBIT margin} \times \text{ROCE} \]

Constantly improve our customers’ safety and productivity and help them exceed their targets.
The Excelerate Program

How?

- Build a World Class Supply Chain
- Transform the Aftermarket Business
- Drive Cost Efficiency
- Develop the Offering of the Future
- Excel in Sales
The Excelerate Program

How?

Build a world class supply chain
- Footprint
- S&OP
- Modularization

Transform the aftermarket business
- Pricing
- Service efficiency
- Fleet management

Drive cost efficiency
- Rightsizing
- Systems & Processes
- Sourcing

Develop the offering of the future
- Automation
- Emerging markets
- xxxxx

Excel in sales
- Solution sales
- Go2market model
- Sales efficiency
The new organization

Who?

- Mining President
  - Finance and IT
  - Human Resources
  - Global Sourcing
  - Business Development
  - Sales and Marketing
  - Global Tools and Services
  - Global Equipment
  - Mining Automation
  - Emerging Markets
  - Mining systems
A new way of working
Aftermarket transformation

Execution

• Service offering and execution
• Parts and Tools supply chain
• Installed base
• Account management
• Bundling with equipment
World Class Supply Chain

Execution

• Challenging footprint

• Improvement focus

• Transformation
Value creation per pillar

EBIT development

2013 2020

Market growth  World class supply chain  Transform the aftermarket  Offering of the future  Excel in sales  Cost efficiency
Risks and mitigation

Execution risks

- HR capabilities
- Slow transition
- Product quality
- Key leadership capabilities
- Organization commitment

Mitigation

- HR structure in place
- Well planned transitions
- Recruit and appoint key competence
- Follow-up and Communication
- Leadership and behavior
Building the future industry leader

Actions

Increase organizational efficiency

Consolidate supply chain

Shift strategic focus

Strengthen aftermarket

Develop offering of the future
Q&A
Capital Markets Day 2013