Sandvik Machining Solutions
Capital Markets Day 2013

Jonas Gustavsson
President
Mats Backman
Vice President Finance
Safety first

Sandvik’s objective is zero harm to our people, the environment we work in, our customers and our suppliers
On the agenda today

Introduction and Business update

Context and starting point

Strategy
- Offer and technology
- Cost and productivity
- Mid-Market
- Portfolio and M&A

Execution and summary
# Jonas Gustavsson

## Professional career

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<tbody>
<tr>
<td>Production Development (Switzerland)</td>
<td>Production manager</td>
<td>Vice President Operations (Austria)</td>
<td>Feb 2013 – President, Sandvik Machining Solutions</td>
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<tr>
<td>Production manager</td>
<td>Manager Operations</td>
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<td>May 2011 – Jan 2013 President, Sandvik Materials Technology</td>
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<td></td>
<td>Jan 2008 – May 2011 PA Manager, Wire and Heating Technology</td>
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<td>General Manager Tube, Sweden</td>
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Sandvik Machining Solutions

Sandvik Machining Solutions consists of four product areas with leading positions on the global market for metal cutting tools.

<table>
<thead>
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<th>2012</th>
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<tr>
<td>Sales:</td>
</tr>
<tr>
<td>EBIT:</td>
</tr>
<tr>
<td>ROCE:</td>
</tr>
<tr>
<td>No of employees:</td>
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<td>Head office location:</td>
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Sandvik Machining Solutions
Q2 2013

- Invoicing 7,281 MSEK
- EBIT 1,525 MSEK (20.9%)
- ROCE 26%
  ROCE annualized quarter result 31%
Context and starting point
FOCUS ON CORE

leading

to the next level
Attractive core market

- Market worth ~145 billion SEK
- Average, cross-cycle industry profitability of ~15%
- High barriers to entry in most profitable segments
## Market trends

<table>
<thead>
<tr>
<th>Mature markets</th>
<th>Developing markets</th>
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<tr>
<td>• Premium segment still majority of total market</td>
<td>• Strong market growth</td>
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<td>• Competitors increasingly copying Sandvik Machining Solutions business model</td>
<td>• Japanese/Korean players follow domestic customers</td>
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<td>• Low cost players entering the market</td>
<td>• Low cost players moving up in price position</td>
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<td>• New technology entering, but no revolution</td>
<td>• Market unique sales channels</td>
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Sandvik Capital Markets Day 2013, Business Area Sandvik Machining Solutions
Customer behaviors

- Using several different brands in parallel
- Buying on productivity AND total cost
- Shorter product life cycles
- Decreasing machining competence
Competitive landscape
Strategy
7 strategic objectives

1. Strong focus on safety with ambitious plan to reduce number of accidents
2. Volume growth in addition to value growth
3. Prioritize growth in attractive segments and regions
4. Strengthen R&D portfolio and sales productivity
5. Optimizing manufacturing footprint and operational excellence
6. Portfolio and M&A based growth
7. Broad entrance in mid market with multi brand strategy
Leading growth

Leading offer and technology
Leading cost and productivity
Mid-market
Portfolio and M&A

Leading execution
Simplified positioning across brands

### BRAND POSITIONING 2012

<table>
<thead>
<tr>
<th></th>
<th>LOCAL</th>
<th>GLOBAL</th>
<th>NICHE</th>
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<tbody>
<tr>
<td>PREMIUM</td>
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<td>LOW</td>
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### BRAND POSITIONING GOING FORWARD

- **PREMIUM**
  - Pramet
  - Sandvik
  - Sandvik

- **MID/H**
  - Dormer
  - Sandvik

- **MID/L**
  - Dormer
  - Sandvik

- **LOW**
  - Dormer
  - Sandvik
Offer and technology
Leading offer

PRODUCT LEADERSHIP

ADVANCE IN CUSTOMER INTERFACES

TAKE THE NEXT STEP ON INNOVATION

Marie Malm
R&D Manager
Face Milling
Developing the customer interface

**KEY AREAS IN MID-MARKET**

- Efficient Sales Channels
- Leverage eCommerce and Web

**KEY AREAS IN THE PREMIUM SEGMENT**

- Application Expertise
- Robust and accessible Product Data
Take the next step on innovation

Major breakthroughs

Secodex-S
Gamma Coated
CoroMill 390
Crown Loc
Tiger-tec Silver
Duratomic
GearMilling
Blaxx
4325
Walter Multiply
Adveon

Distribution centers
Secolor
Productivity Improvement Program
Cost and productivity
Leading in cost
Ambitious improvement targets across R&D, operations and sales
Operations
Road map

2013 - 2014
SETTING THE FOUNDATION

2015 - 2016
SCALE UP FULL PROGRAM

2017 - 2018
REALIZE FULL SAVINGS

2020
Mid-market
Organic growth of non-premium

- Key-player in mid-market
- Reposition and develop our brands to cover the entire mid-market, e.g. region and price
- Leverage current resources and structure
Portfolio and M&A
Acquiring remaining shares in Precorp Inc.

• Minority owned by Sandvik since 2008
• Offers a full line of Polycrystalline Diamond (PCD) and carbide tools
• Serves customers globally mainly within the aerospace industry
Adjacent growth opportunities
Further develop offer in adjacent areas to support core

- **WORKSHOP AND TOOL DESIGN**
- **MACHINE OPERATIONS**
- **LOGISTICS AND INVENTORY**

Software and services for optimization of entire cutting tools value chain

Component manufacturing of inserts and tools

Solutions for vendor inventory mgmt provided by all premium PAs
Execution
New organization
Machining Solutions

Sandvik Machining Solutions
Jonas Gustavsson

Assistant
Ewa Söderberg

Strategic Marketing
TBD

R&D and Strategic Product mgmt.
TBD

HR
Carolina Granath

Communications
Jenny Fredriksson

Finance, IT and Business Dev.
Mats Backman

Mid market
TBD

Sandvik Coromant
Klas Forsström

Seco Tools
Lars Bergström

Walter
Mirko Merlo

Supply Chain Management
Annika Roos

Production
Göran Björkman

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Summary

• Leverage the attractive core business
• Ambitious growth plan with strong EBIT and cash flow-development
• Key components of the strategy:
  • Offer and technology
  • Cost and productivity
  • Mid-market
  • Portfolio and M&A
  • Execution
FOCUS ON CORE

leading to the next level
Q&A

Capital Markets Day 2013