Sandvik Materials Technology
Capital Markets Day 2013

Petra Einarsson
President

Andreas Burman
Vice President Finance
Safety first!

“We strongly believe that all accidents can be prevented. We continuously strive for zero accidents – and take personal responsibility for safety, because we care.”

Petra Einarsson
President
Sandvik Materials Technology
Agenda
SANDVIK MATERIALS TECHNOLOGY

Safety first!

• Financial development and update
• Core capabilities, mission and strategic direction
• Long-term Sandvik Materials Technology
• Summary

Sandvik Capital Markets Day 2013, Business Area Sandvik Materials Technology
How to reach LTIFR <1 – and when?

>50% of all LTIs occurred in two units 2012
- EHS-positions significantly increased in those units
- Increased safety-related investments to be able to deal with top-5-risks

Hand-injuries are the most frequent injury-type (~40% of all LTIs)
- Focus on "hands-off"-campaign

~80% of the LTIs are related to behavior
- Behavior Based Safety-concept

How to reach LTIFR <1 – and when?

Sandvik Capital Markets Day 2013, Business Area Sandvik Materials Technology
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SANDVIK MATERIALS TECHNOLOGY

• Safety first!

Financial development and STEP CHANGE update

• Core capabilities, mission and strategic direction

• Long-term VALUE CREATING Sandvik Materials Technology

• Summary
Financial development
Q2-2013

• Order intake 2,820 MSEK
  • Adjusted for nuclear-order cancellation: 3,880 MSEK
• Invoicing 3,967 MSEK
• EBIT 496 MSEK, **12.5% of invoicing**
  • Adjusted for metal price effects
• ROCE 11% for the past 12 months
  • Excluding metal price effects and nonrecurring costs
  • ROCE in the second quarter: 15%
Step Change delivering according to plan

- Step Change has delivered according to plan and has also proven to be a strong execution engine and performance management system.
- So far, Step Change has contributed with an EBIT-effect of 1.3 BSEK in total (baseline 2011).
  - Cost savings of >0.7 BSEK
    - Structural reduction of >1 000 FTEs
    - Simplified organizational structure
    - New sales model and organization
  - Price and mix improvements 0.3 BSEK
  - Ramp up of growth investments 0.3 BSEK
  - Net Working Capital reduced by 1.1 BSEK
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Our core capabilities
Leading in materials technology

- Unique expertise in advanced stainless steels and special alloys for the most demanding industries.

- World-leading R&D and metallurgical know-how, combined with unique customer application knowledge.

- Integrated production, ensuring consistent and superior quality.

- Driving the materials evolution to meet the demands of customers’ critical applications.
Our mission
How we make a difference

"We apply our unique expertise in materials technology to make industrial processes safer and more efficient, yielding greater output while consuming less resources."

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Strategic compass
Our direction

Make a true Step Change within safety, with the ambition to achieve a lost time injury frequency rate below 1.

Continue the materials evolution to be able to meet the demands of our customer’s critical applications in the most demanding industries.

Capitalize on our unique expertise in materials technology to grow in the energy segment (primarily oil/gas), to achieve >50% of sales to the energy segment.
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Well positioned for profitable growth

- Demand for advanced materials is constantly increasing in attractive and fast growing segments such as energy (primarily oil/gas) and chemical.

- Sandvik is well-positioned to take part of this growth.

- With our unique expertise in materials technology there is also an opportunity to contribute to important technology shifts in these segments.

Market exposure: 44% of sales in segments that grow 2-4 times more than GDP
Energy trends
2012 - 2020

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>CAPEX/year BSEK</th>
<th>CAGR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>5,600</td>
<td>8%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>630</td>
<td>30%</td>
</tr>
<tr>
<td>Coal</td>
<td>800</td>
<td>8%</td>
</tr>
<tr>
<td>Renewables</td>
<td>1,370</td>
<td>6%</td>
</tr>
</tbody>
</table>

*CAGR 2013 - 2020

Business opportunities

- Increased safety and life time (20-40 years) combined with tougher extraction conditions make SMT well positioned for growth.

- Major part of steam generator- and cladding tubing contracted to 2020. Growth opportunities mainly related to nuclear tube and pipe and welding products.

- Improved emission control and plant efficiency offer growth opportunity in superheating and composite tubing, as well as emission and power wires.

- Selective niche opportunities in the standard and core business, and also for heating cassettes for the solar industry and waste incineration tubes.
Oil and gas trends
2012 - 2020

Business opportunities

- As more devices move sub-sea, and both depth and life length increase with higher safety standards – the growth and the technical demands on the materials solution increase drastically.

- Cheap shale gas will double urea-output in USA. Oil-sand requires wear-resistant near-net-shape products for increased productivity.

- New technologies, such as steam assisted gravity drainage combined with high sulphur content in oil, requires corrosion resistant materials for steam lines, desulphurization and oil refining.

- More sour wells demand higher alloyed materials. Enhanced oil recovery requires steam or water injection tubing.

CAPEX/year
BSEK

<table>
<thead>
<tr>
<th></th>
<th>CAPEX/year</th>
<th>CAGR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off-shore</td>
<td>2 250</td>
<td>11%</td>
</tr>
<tr>
<td>Unconventional</td>
<td>1 250</td>
<td>16%</td>
</tr>
<tr>
<td>Heavy oil</td>
<td>500</td>
<td>10%</td>
</tr>
<tr>
<td>On-shore</td>
<td>1 600</td>
<td>1%</td>
</tr>
</tbody>
</table>

*CAGR 2013 - 2020
5 600
Attractive growth opportunities for more advanced materials in the off-shore sector

1. Top-side
   - Sandvik ClikLoc™ connector
   - Riser tubes
   - Pipe
   - Welding products
   - CAPEX/year: 100 BSEK
   - CAGR*: 5-10%

2. Subsea
   - Manifold
   - Injection lines
   - Welding products
   - CAPEX/year: 230 BSEK
   - CAGR*: 20%

3. Control tubing
   - Umbilical tubing
   - Control lines
   - Chem-injection lines
   - Welding products
   - CAPEX/year: 180 BSEK
   - CAGR*: 15%

4. Down-hole
   - Riser tubes
   - Coiled tubes
   - Wirelines
   - Sandvik ClikLoc™ connector
   - Welding products
   - CAPEX/year: 140 BSEK
   - CAGR*: 10%

5. Well intervention
   - CAPEX/year: 50 BSEK
   - CAGR*: 30%
   - Total materials: 700 BSEK
   - CAGR* >15%

Material trend:
- Carbon
- CRA
- Duplex
- Nickel alloys
- Powder
- Near-Net-Shape

Sandvik product offering:
1. Top-side
2. Subsea
3. Control tubing
4. Downhole
5. Well intervention

Sandvik product offering:
- ClikLoc™ connector
- Riser tubes
- Pipe
- Welding products
- OCTG
- Sea water injection tubes
- Casings
- Wirelines
- Pumps

*CAGR 2013 - 2020
Sandvik Materials Technology

Strategic direction

1. Safe-guard position and establish lean business model.
   - Minimize investments and portfolio pruning.

2. Capitalize on strong position, especially in energy.
   - Re-allocate R&D/investments.

3. Grow in energy and areas with strong position (heating systems, powder) and exit non-core business.

4. Balance 1-3 above to secure scale in Primary and optimal capacity utilization in the upstream system.
SMT strategic direction: Strategic growth products

- Exploit recent and ongoing strategic investments
- Strengthen Key Account Management
- Increase R&D, investments and sales resources through re-allocation
- Future strategic investments in primarily oil and gas to meet the increased demand
SMT strategic direction: Core and standard

- Growth in line with GDP
- Well invested footprint with a challenging competitive position
  - Wire footprint project in execution
  - Increase cost efficiency
- Secure lean business model
- Further cost reductions
- Allocate resources to strategic growth products

"Safeguard position and establish lean business model."
SMT strategic direction: Low-integrated products

• Portfolio-alignment to drive growth and margins

• Three different alternatives:
  • Invest in growth in strategic areas (energy and areas with strong position)
  • Manage mid-potential business for cash
  • Exit non-core business

“Grow in energy and areas with strong position and exit non-core business.”
SMT strategic direction: Scale in Primary-system

- Leading cost position in Primary-system
- To optimize profitability, Primary-utilization and cost position must be secured
- The Primary-system is currently not fully utilized and has therefore the possibility to support the growth ambitions

“Secure utilization and cost position in Primary-system.”

Share of sales:

R&D:
SMT strategic direction:

Strategy enablers

- Execution engine for strategy implementation
- Performance management system

**SMT Business System** – Operational excellence

- Focus areas in implementation: Safety, 5S, Standard Operating Procedures, Step Change Scorecard, Manning flexibility, Productivity and Maintenance

**Leadership, diversity and inclusion**
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Summary
Sandvik Materials Technology

• **STEP CHANGE** is delivering **according to plan.**

• To continue to improve profitability **growth** is crucial, in combination with additional measures to **develop a lean business-model** for the more standardized assortment.

• A strategic plan is in place which will establish Materials Technology as a long-term value-creating business area, with a more **stable profitability over a business cycle.**

The strategic ambition is to:

• Achieve a **lost time injury frequency rate below 1.**

• Continue the **materials evolution** to be able to meet the demands of our customer’s critical applications in the most demanding industries.

• Grow in the energy segment (primarily oil/gas), to achieve **>50% of sales to the energy segment.**
Q&A
Capital Markets Day 2013