We use a two-color headline system to highlight our rational and emotional side alike. The first line appears in blue (the rational side), the second line in orange (the emotional side) and the duality principle is reflected in the wording of the headline.

This system refers to the first page title only, all other headlines are blue.

Learn more about our verbal identity in the Sandvik Brand Identity Directives, which you can download at the Intranet > home.sandvik.com/brand
AGENDA

Sandvik Construction
Market Outlook
Our Way Forward
Summary
SANDVIK CONSTRUCTION
OUR BUSINESS

GLOBAL LEADER in selected niches

Core applications: BREAKING, DRILLING, CRUSHING

GLOBAL FOOTPRINT with LOCAL SERVICES

Over 25,000 CUSTOMERS

DIRECT SALES, DISTRIBUTORS and OEM’s

Sales of 8,5 BSEK and 3,200 EMPLOYEES
VALUE PROPOSITION
• Premium equipment, parts and service
• Sales, rentals, buy-back options and financing
• High performance and low cost per meter

CUSTOMERS
• Drill, blast and tunneling contractors
• Quarries
• Dealers and OEM’s

BREAKING, SURFACE DRILLING & TUNNELING

PRIORITIES
• Leverage premium products for profitability
• Selling solutions
• Product innovation
CRUSHING & SCREENING

CUSTOMERS
• Quarries and cement companies
• Construction contractors
• Demolition recycling contractors

VALUE PROPOSITION
• Rock processing knowledge
• Productivity and cost per ton
• World class services

PRIORITIES
• Mobile business restructuring
• Grow the stationary business
• Develop parts and services
TOOLS, CONSUMABLES & SERVICES

CUSTOMERS
• Installed customer base
• Dealers

VALUE PROPOSITION
• Application knowledge
• Service know-how
• Full life-cycle support

PRIORITIES
• Service agreements
• New technologies
• Bundling of equipment, parts and tools
MID-MARKET

CUSTOMERS
• Quarries
• Cement companies
• General contractors

VALUE PROPOSITION
• Availability, coverage and speed
• Best performance-for-money
• Best quality in mid market

PRIORITIES
• Sales and service coverage
• Distribution management
• Fit-for-purpose products
CAT RETAIL STATISTICS 2014

CONSECUTIVE RETAIL TREND FOR CONSTRUCTION
GLOBAL AGGREGATES DEMAND (MT)

2014-2020 CAGR: 5%

Source: Freedonia Dec 2013
OUR STRATEGIC PRIORITIES REMAIN

M&A AND PARTNERSHIPS
COMMERCIAL EXCELLENCE
SERVICE AS A BUSINESS
COMPETITIVE FOOTPRINT
COST EFFICIENCY
FROM 25 TO 9 SALES AREAS

STREAM LINED MANAGEMENT
STRONGER LOCAL SALES SUPPORT
PRODUCTION UNIT CLOSURES

INITIATED CLOSURES
Since 2013 Q4

2

UNITS CLOSED
Since 2013 Q4

1

INITIAL PHASE
Launched in Q4 2013

Closure of 2 units

Annual savings of 100 MSEK at end 2015

Total restructuring cost 200 MSEK (Q4 2013)

PROGRESSION

2 closures initiated
(of which 1 is closed YTD)

UK (2015)
France (2014)

Personnel reduction 300

UK (2015)
France (2014)
OPTIMIZING SOURCING COSTS

Optimizing sourcing footprint
- Total cost of ownership and cost of quality
- Enabling global contracts with local supply

Optimizing COGP
- Involve suppliers in ‘Design to Value’
- BCC sourcing

Operational efficiency
- Common sourcing organization leveraging buying power
- Category management
NET WORKING CAPITAL

Net Working Capital / Invoiced sales

TARGET

MSEK

2007 2008 2009 2010 2011 2012 2013 2014

25%

50%
ADDRESSING THE NWC GAP

Inventory locations
• Production and assembly site closures
• Streamlining aftermarket sites
• Alignment of footprint to market demand

Accounts receivable
• Focus on reduction of overdue balances
• Improvement of collection process with outsourcing partners
• Develop financing options

Operational efficiency
• Forecasting accuracy through dealer management
• Development of tools for Sales and Operational Planning
• Leverage current installment base of 20,000
• Penetration into competitors’ installment base
• Bundling equipment and aftermarket offerings
• Mid-market solutions
OUR WAY FORWARD

FOCUS ON BASELINE IMPROVEMENT SHORT TERM

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Cost efficiency initiatives

Revenue initiatives
DELIVER ON PROMISES

HOW WE DRIVE EXECUTION

PROCESS AND METHODOLOGY

• Strategic initiatives
• Financial impact
• KPI’s
• Rigor and actions

PEOPLE AND CULTURE

• Commitment & engagement
• Accountability & speed
• Customer focus
• Performance rewards
SANDVIK CONSTRUCTION

WELL POSITIONED IN A SOLID INDUSTRY

FOCUS ON PROFITABILITY IMPROVEMENT

CREATE VALUE BY ADAPTING BUSINESS PORTFOLIO