REITERATED MARKET CONDITIONS FROM Q3

- **SANDVIK MINING**
  - Stable market conditions for Aftermarket and Equipment
  - Low order intake for mining systems

- **SANDVIK MACHINING SOLUTIONS**
  - Aerospace and North America continued strong development
  - Europe and Asia remains on par with Q3

- **SANDVIK MATERIALS TECHNOLOGY**
  - Energy segment demand remains stable

- **SANDVIK CONSTRUCTION**
  - Continued challenging market conditions

- **SANDVIK VENTURE**
  - Continued favorable market development for Varel
## UPDATED GUIDANCE: CURRENCY

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>Estimated at below 5bn SEK for 2014.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENCY EFFECTS</strong></td>
<td>Given currency rates the end of October the effect on EBIT would be +300 MSEK for Q4 2014.</td>
</tr>
<tr>
<td><strong>METAL PRICE EFFECTS</strong></td>
<td>Given currency rates, stock levels and metal prices during October, it is estimated that operating profit for Q4 2014 will be adversely affected by close to -50 MSEK.</td>
</tr>
<tr>
<td><strong>NET FINANCIAL ITEMS</strong></td>
<td>Net financial items is estimated to be between 1.8-2.0 bn. SEK for 2014.</td>
</tr>
<tr>
<td><strong>TAX RATE</strong></td>
<td>The tax rate is estimated to about 25-27% for 2014.</td>
</tr>
</tbody>
</table>
DELIVERING ON OUR PROMISES

ALLOCATION OF CAPITAL BASED ON SIZE GROWTH AND PROFITABILITY

SUPPLY CHAIN OPTIMIZATION PROGRAM

ACTIVE PORTFOLIO MANAGEMENT

2015 < 5% of Sales

Initiated closures

2013 Q4 Phase 1 Target
WE SET THE
INDUSTRY STANDARD
STRATEGIC AGENDA

- Yield Higher Returns
- Reduce Earnings Volatility
- Develop More Towards Fast Growing Markets
SAFETY FIRST

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

Sandvik Group LTIFR 2014 improved 25% since end of 2013

12 months rolling
LTIFR = 2.4 (3.2 Dec. 2013.)
<table>
<thead>
<tr>
<th>Segment</th>
<th>Market momentum*)</th>
<th>CAGR 2014-20</th>
<th>Key sub segments</th>
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<tbody>
<tr>
<td>Mining New Equipment</td>
<td>↑ 5–6%</td>
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<td>↑ 7–8%</td>
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</tr>
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<tr>
<td>Construction</td>
<td>↑ 5–6%</td>
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<td>Tunneling, Breaking, Crushing</td>
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</table>

*) Source: Multiple sources through McKinsey September 2014
OUR WAY FORWARD

ATTRACTION SEGMENTS

CUSTOMER FOCUSED INNOVATION

STRONG CUSTOMER RELATIONS

EMERGING MARKETS

SUSTAINABILITY DRIVES GROWTH

SUPPLY CHAIN OPTIMIZATION, CAPITAL ALLOCATION, COST CONTROL, ACTIVE PORTFOLIO MANAGEMENT
CUSTOMER FOCUSED INNOVATION

Energy
EXPAND-O-LIZER

Energy efficiency
PRESSURFECT

Aerospace
SECO MS2050

Underground Hard-rock Mining
TH663
INDUSTRY 4.0

FROM PRODUCTION TO CUSTOMER

• Through Adveon and our development of innovative tooling we will support our customers to plan, simulate, control, monitor and optimize their manufacturing systems.

• Sandvik is developing smart tools that enables continuous measurement of the machining process.

• Measurement Technology - spacial aware underground drill.

• Element condition monitors ECM measure the resistivity of a heating element in order to predict its lifetime.
• Sandvik Mining – grow the share of sales from parts on our installed base

• Sandvik Construction – grow the share of sales from parts on our installed base

• Develop service offering within Sandvik Materials Technology
IMPORTANCE OF EMERGING MARKETS

Nominal GDP 2013-2020, IHS Global Insight

China 31%, India: 8%
SUSTAINABILITY DRIVES GROWTH

RECYCLING OF CEMENTED CARBIDE
- Solving the customer’s problem
- Raw materials are scarce and finite
- Reduced need for raw material purchases from mines
- Secure source of a conflict mineral
- Energy efficient process

LEVERAGING DIVERSITY AND INCLUSION
- Understanding the customer needs
- Competence is a scarce resource
- Growth changes recruitment needs
- Global talent development
- Attraction and retention of talent
PORTFOLIO AND M&A STRATEGY

ACTIVE PORTFOLIO MANAGEMENT

Divestments of non-core assets
- MedTech
- Distribution business in Australia/NZ
- Power spring business US/Mexico

Acquisitions based on growth and profitability
- SECO tools (SMS Premium cutting tools)
- Precorp (SMS Aerospace)
- TPS (Venture Process Systems)
- Varel (Venture On-shore Oil & Gas)
ACTIVE PORTFOLIO MANAGEMENT

SANDVIK MATERIALS TECHNOLOGY
- Significant improvement in performance, despite market headwind
- Delivering top tier financial performance vs. peers
- Attractive growth in the energy segment to drive further performance improvement
- Additional internal efficiency activities

SANDVIK CONSTRUCTION
- Extremely challenging market conditions
- Executing plans for performance recovery
- Focus on efficiency improvements
- Strong links with Mining

PORTFOLIO REVIEW BY PRODUCT AREA
OUR WAY FORWARD
KEY PRIORITIES BY BUSINESS AREA

SANDVIK MINING
- Consolidate footprint: Manufacturing
- Cost efficiency: Sourcing and A&S
- Grow share of aftermarket
- New offering including mid-market
- Sales excellence

SANDVIK MACHINING SOLUTIONS
- Leverage from Multi-brand model, with backend synergies
- Increase pace of core product launch and digital offer
- Invest in growth pockets and mid-market
- Conduct bolt-on M&A:s
- Continue site-restructuring and productivity improvements
- Further develop Supply Chain to optimize NWC

SANDVIK MATERIALS TECHNOLOGY
- Accelerate growth of strategic products, mainly in energy and energy efficiency
- Safeguard position in core and standard products through lean business model
- Secure utilization and cost position in the Primary-system
- Improve capital efficiency
- Exit non-core businesses

SANDVIK CONSTRUCTION
- Sales efficiency and commercial excellence
- Supply chain and footprint optimization
- After Market development
- Focused growth areas
- Mid-market strategy
- Structured transformation program

SANDVIK VENTURE
- Accelerate growth of business, new products, continued globalization and complimentary acquisitions
- Continued focus on operational excellence
- Focus on execution
- Value creation

YIELD HIGHER RETURNS
REDUCE EARNINGS VOLATILITY
DEVELOP MORE TOWARDS FAST GROWING MARKETS
## HIGHER GROWTH THAN THE MARKET

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<th>Segment</th>
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*) Source: Multiple sources through McKinsey September 2014

[Image of Sandvik logos: Mining, Machining Solutions, Materials Technology, Construction, Venture]
MATS BACKMAN
CFO & EXECUTIVE VICE PRESIDENT
INITIAL PHASE
Launched in Q4 2013

- Closure of ≈10 units
  (of which 2 in Closed YTD)

- Annual savings of 800 MSEK at end 2015

- Total restructuring cost 900 MSEK (Q4 2013)

PROGRESSION

- 11 closures initiated
  - Australia (3), Sweden (2), UK (2), Italy, France, South Africa, Germany

INITIATED CLOSURES
Since 2013 Q4

- 11

UNITS CLOSED
Since 2013 Q4

- 2

PRODUCTION UNITS
## Restructuring Our Footprint

### First Phase – Savings Profile

<table>
<thead>
<tr>
<th></th>
<th>Sandvik Mining</th>
<th>Sandvik Machining Solutions</th>
<th>Sandvik Construction</th>
<th>Group Total</th>
<th>Savings Profile Annual Run-Rate</th>
</tr>
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<tbody>
<tr>
<td><strong>2014</strong></td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>230 MSEK</td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>570 MSEK</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>11</td>
<td>800 MSEK</td>
</tr>
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</table>
INVESTMENTS

ALLOCATION OF CAPITAL BASED ON SIZE, GROWTH AND RETURN

2004–2013
5.7% of Sales

YTD 2014
4.8% of Sales

INVESTMENT PRINCIPLES

- Sandvik Machining Solutions
- Sandvik Materials Technology
- Sandvik Mining
- Sandvik Venture
- Sandvik Construction

Sandvik Machining Solutions
Sandvik Materials Technology
Sandvik Mining
Sandvik Venture
Sandvik Construction
INVESTMENT PRINCIPLES

- EHS and Maintenance
- Strategic Investments (based on market growth and profitability)
- Adjustment for capacity utilization
- NWC adjustment

NET BA INVESTMENT

<5% of sales
NWC SUSTAINABLY BELOW 25% FROM 2016

SPECIFIC PLANS BY BUSINESS AREA

- Target: Net working capital stabilising below 25% from 2016
  - 5% lower NWC ≈ 4.5 BSEK

Bar chart showing net working capital from 2007 to 2014.
GROUP COMMON SHARED SERVICES
Common shared services and infrastructure will provide

- Scale and skill synergies
- Process improvements
- High service levels
- Total cost efficiency/productivity

Decided shared services within Finance, IT, and HR

COST SAVINGS

- 200 MSEK in 2015
- From IT, HR & Finance
- Benefiting all BA’s
OUR WAY FORWARD

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EMERGING MARKETS

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