Introduction

Recap – execution of strategy

SMS consolidated strategy
  - Business Model
  - Growth initiatives
  - Efficiency program

Summary
MARKET LEADER IN METAL CUTTING
LEADING BRAND PORTFOLIO

SANDVIK
Coromant

SECO

WALTER

DORMER • PRAMET
WELL POSITIONED IN ATTRACTIVE MARKET

**MARKET WORTH**
~150 BILLION SEK

**High barriers to entry in most profitable segments**

**Average cross-cycle industry profitability of**
~15%

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**WORLD AVERAGE CAGR 2015-2020**

<table>
<thead>
<tr>
<th>Industry</th>
<th>CAGR</th>
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<tbody>
<tr>
<td>AEROSPACE</td>
<td>7-8%</td>
</tr>
<tr>
<td>AUTOMOTIVE</td>
<td>2-3%</td>
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<tr>
<td>OIL &amp; GAS</td>
<td>5-6%</td>
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<tr>
<td>GENERAL ENGINEERING</td>
<td>3-4%</td>
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Source: Multiple sources by McKinsey September 2014
Increased pace of LAUNCHING KEY CORE products

Execution of MANUFACTURING FOOTPRINT according to plan – closure of 4 production units ongoing

Distinct direction and structure to attack MID-MARKET using Dormer-Pramet

IMPROVED OPERATIONAL PLANNING for improving stock availability and NWC-development
SMS CONSOLIDATED STRATEGY

EFFICIENCY
- Continued execution of FOOTPRINT RESTRUCTURING and operational excellence
- Further optimization of SUPPLY CHAIN AND NWC
- Increased efficiency in SALES AND R&D

GROWTH
- Increased pace of CORE PRODUCT LAUNCH
- Investments in GROWTH POCKETS (Regions, Segments, Material)
- DIGITAL OFFER AND SERVICE
- Bolt on M&A:s
- MID-MARKET

BUSINESS MODEL
- Leverage from MULTIBRAND STRATEGY
- Back-end SYNERGIES AND SCALE

OUTPERFORM MARKET GROWTH and IMPROVED PROFITABILITY with STRONG CASH GENERATION

SUSTAINED HIGH RETURNS based on efficiency- and growth initiatives
SMS CONSOLIDATED STRATEGY

**EFFICIENCY**
- Continued execution of FOOTPRINT RESTRUCTURING and operational excellence
- Further optimization of SUPPLY CHAIN AND NWC
- Increased efficiency in SALES AND R&D

**GROWTH**
- Increased pace of CORE PRODUCT LAUNCH
- Investments in GROWTH POCKETS
- DIGITAL OFFER AND SERVICE
- Back-end SYNERGIES AND SCALE

**BUSINESS MODEL**
- Leverage from MULTIBRAND STRATEGY
- Bolt on M&A
- DIGITALIZED HIGH-QUALITY INNOVATIONS
MULTIBRAND
MULTIBRAND

PASSION FOR EXCELLENCE

PRODUCTS & OFFER
TARGET MARKETS
CUSTOMER SEGMENTS
SALES CHANNELS
HERITAGE

MAKING IT EASIER

SIMPLY RELIABLE

ENGINEERING KOMPETENZ
SYNERGIES AND SCALE

Synergies between brands are developed parallel to creation of customer value.
SMS CONSOLIDATED STRATEGY

EFFICIENCY

Continued execution of FOOTPRINT
RESTRUCTURING and operational excellence

Further optimization of SUPPLY CHAIN AND NWC

Increased efficiency in SALES AND MFG

GROWTH

Increased pace of CORE PRODUCT LAUNCH

Investments in GROWTH POCKETS

DIGITAL OFFER AND SERVICE

Bolt on M&A:s

MID-MARKET

BUSINESS MODEL

Leverage from MULTIBRAND STRATEGY

Back-end SYNERGIES AND SCALE - Regions - Segments - Material

Continued execution of FOOTPRINT RESTRUCTURING and operational excellence

Further optimization of SUPPLY CHAIN AND NWC

Increased efficiency in SALES AND MFG
GROWTH

CORE PRODUCT LAUNCH
GROWTH POCKETS

REGIONS

SEGMENTS

MATERIAL

TITANIUM

STAINLESS STEEL

COMPOSITE
GROWTH

INTELLIGENT TOOLS

DIGITAL OFFER AND SERVICE

INDUSTRY 4.0

MY PAGES

TDM TOOL DATA MANAGEMENT

ADVEON TOOL LIBRARY
GROWTH
BOLT ON M&A
GROWTH

MID-MARKET

• Global presence
  ✓ China, India
  ✓ UK, Benelux
  • NAFTA: Q1, 2015

• Common logistic platform

• Complete product range – insert and round tools
## EFFICENCY
Continued execution of **FOOTPRINT RESTRUCTURING** and operational excellence

Further optimization of **SUPPLY CHAIN AND NWC**

Increased efficiency in **SALES AND R&D**

## GROWTH
- Increased pace of **CORE PRODUCT LAUNCH**
- Investments in **GROWTH POCKETS**
- Digital Office and **SERVICE BOLT ON**

## BUSINESS MODEL
- Leverage from **MULTIBRAND STRATEGY**
- Back-end **SYNERGIES AND SCALE**

**BUSINESS MODEL**

- OUTPERFORM MARKET GROWTH and IMPROVED PROFITABILITY with STRONG CASH GENERATION

**BUSINESS MODEL**

- MID-MARKET
- DIGITAL OFFER AND SERVICE
- BOLT ON M&A
- MID-MARKET
SITE
RESTRUCTURING

• Global, consolidated footprint – supporting growth
• Dual sourcing strategy with increased flexibility
• Increased Asia volume

SITE TRANSFORMATION PROGRAM

• Waste elimination
• Continuous improvements
• Flow optimization

LEAN
SMS PRODUCTION SYSTEM
RESTRICTURING OUR FOOTPRINT
SUPPLY CHAIN OPTIMIZATION PROGRAM

INITIAL PHASE LAUNCHED IN Q4 2013

- Annual savings of 200 MSEK at end 2015, where 80 MSEK by end of 2014
- Total restructuring cost 350 MSEK (Q4 2013)

PROGRESSION
- Sweden (2)
- UK (1)
- Italy (1)

INITIATED CLOSURES
- Since 2013 Q4
SUPPLY CHAIN AND NWC

S&OP
SALES & OPERATION PLANNING

DISTRIBUTION CENTERS

CAPITAL EFFICIENCY
NWC

EFFICIENCY

25%
EFFICIENCY

SALES AND R&D

- Sales efficiency and channel optimization
- Efficient CRM-process

Efficient and lean R&D
- Shorten time to market
- Scale in research

Full leverage from more than 30 productivity- and customer centers world wide
STRATEGY

2015 AND BEYOND
OUTPERFORM MARKET GROWTH WITH IMPROVED PROFITABILITY AND STRONG CASH FLOW
SUSTAINED HIGH RETURNS

STRONG BUSINESS MODEL