AGENDA
SANDVIK MATERIALS TECHNOLOGY

Achievements so far
• The ongoing transformation of Sandvik Materials Technology
• The energy challenge
• Strategic direction
• Summary
• Questions
ACHIEVEMENTS SO FAR
SUSTAINABLE IMPROVEMENTS

2012 - 2013
- Step Change has contributed with an EBIT-effect of 1.4 BSEK in total (baseline 2011).
  - Cost savings of >0.9 BSEK
  - Structural reduction of >1 000 FTEs
  - Simplified organizational structure
  - Profitable growth, including price and mix: 0.5 BSEK

2014
- Divestment of non core-businesses (plate and power springs)
  - Total value of ~1 BSEK in turnover
BEFORE STEP CHANGE
2011

EBIT %

Growth %

0%

Negative

Specialized steel and alloy actors with strong energy focus

Standard steel actors

Sandvik Materials Technology
AFTER STEP CHANGE

2013

EBIT %

Growth %

0%

Negative

Specialized steel and alloy actors with strong energy focus

Standard steel actors

Sandvik Materials Technology
OUR NEXT PHASE: VALUE CREATION
TO BECOME AN ENERGY FOCUSED NICHE ACTOR

EBIT %

Growth %

Value Creation
2014-2017

Step Change
2012-2013

Specialized steel and alloy actors with strong energy focus

Standard steel actors

Sandvik Materials Technology
THE TRANSFORMATION JOURNEY
SANDVIK MATERIALS TECHNOLOGY

2011 - 2013
~16 BSEK
6% EBIT

2014 - 2017
~14 BSEK
11% EBIT

2018 - 2020

THE TRANSFORMATION JOURNEY

PROFITABLE ENERGY GROWTH
Reallocate resources, improve capital efficiency – and exit non-core business.

EXIT NON-CORE
- Plate business
- Power springs
- ...
- ...

ENERGY FOCUSED NICHE ACTOR

- Take out ~1 BSEK in cost.
- Direct the business to high growth and high margin areas.
THE TRANSFORMATION JOURNEY
SANDVIK MATERIALS TECHNOLOGY

2011 - 2013
~14 BSEK 11% EBIT

2011 ~16 BSEK 6% EBIT

2014 - 2017

2018 - 2020
ENERGY FOCUSED NICHE ACTOR

THE STEP CHANGE
• Take out ~1 BSEK in cost.
• Direct the business to high growth and high margin areas.

VALUE CREATION

EXIT NON-CORE
- Plate business
- Power springs
- ...
**STRATEGY EXECUTION**

**FOCUS ON OUR FOUR VALUE CREATORS**

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“The biggest challenge of the 21st century: provide sufficient food, water and energy to allow everyone on the planet to live decent lives, in the face of rising population*, the threat of climate change, and declining fossil fuels.

**ENERGY** is a necessary means to meet this challenge.”

* Chris Llewellyn Smith  
  Director of Energy Research  
  Oxford University

* Today nearly 7 billion, over 50% living in big cities. Later in the century 9 to 10 billion, 80% in big cities.
THE ENERGY CHALLENGE
NEEDS TO BE ADDRESSED AT BOTH ENDS

ENERGY DEMAND
Consumption by fuel 2000-2035

ENERGY EFFICIENCY OPPORTUNITIES
Proportion of energy efficiency potential achieved in the New Policies Scenario 2012-2035.

60% of SMT sales is directly related to Energy or Energy Efficiency.

**ENERGY**
- Oil and gas
  - Topside
  - Control lines
  - Subsea
  - Downhole
- Nuclear
  - Steam generator tubes
  - Reactor tubes
- Coal
  - Coal fired power plants
  - Coal gasification
- Renewables
  - Solar power
- Services
  - Materials technology
  - Testing

**ENERGY EFFICIENCY**
- Industry
  - Furnace systems
  - Electrical heating
- Automotive
  - Compressor valves
  - Diesel engines
- Aerospace
  - Hydraulic tubing
  - CE alloys (powder)
- New technologies
  - Fuel cell material
  - Powder products
  - 3D-printing
- Services
  - Kanthal services

Reliable and safe energy production, with reduced environmental impact.

Decrease environmental impact, fuel consumption and CO₂ emission.
OIL PRICE VOLATILITY
SANDVIK MATERIALS TECHNOLOGY

- Following a peak during summer (>110 USD/bbl), oil prices have declined to <85 USD/bbl.
- SMT oil and gas-business remains viable.
- Increased uncertainty may cause some near-term delays on certain projects.
- Trend towards higher alloyed materials to continue.

BRENT CRUDE OIL USD/bbl

- 2004
- 2009
- 2014
Make a true Step Change within safety, with the mindset that all accidents can be prevented. ("Never walk by").

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

Profitable growth in attractive segments such as energy – as well as materials and applications which contribute to increased energy efficiency.
SAFETY DEVELOPMENT
OUR MINDSET: "NEVER WALK BY"

LOST TIME INJURIES AND FREQUENCY RATE

There are many good reasons to work safely. What are yours?

- Number of LTI periodic (left axis)
- LTIFR
- LTIFR yearly targets (right axis)

*12 months rolling, after October
CONTINUE MATERIALS EVOLUTION
SETTING THE INDUSTRY STANDARD IN ENERGY AND CHEMICAL

NICKEL ALLOYS to accelerate growth in high corrosion applications in oil and gas and chemical.

POWDER METALLURGY offers complex shapes and unique material properties to segments like energy, aerospace, as well as 3D-printing.

ADVANCED STAINLESS AND DUPLEX – next generation of duplex materials setting the industry standard in segments like oil and gas – and chemical.
WELL POSITIONED FOR PROFITABLE GROWTH...

MARKET EXPOSURE: >50% of sales in segments that is expected to grow 2-4 times more than GDP (Energy, chemical, aerospace and medical)

Sales development in high growth segments:
- 2011: 47%
- 2012: 50%
- 2013: 53%
- 2014: 56% (YTD)

SETTING THE INDUSTRY STANDARD IN >50% OF THE SMT BUSINESS
SETTING THE INDUSTRY STANDARD

ENERGY/ENERGY EFFICIENCY-INNOVATIONS FOR FUTURE GROWTH

CLEAN ENERGY: FUEL CELLS
Sandvik Sanergy™, bipolar plates for fuel cells.

SAVE THE PLANET. USE MORE FUEL (CELLS).

OIL AND GAS: POWDER BASED CONNECTOR
Sandvik ClikLoc™, designed to save rig up and rig down time and increase operating safety.

ENERGY EFFICIENCY: HIP AND 3D-PRINTING
Valves for marine diesel engines, for improved fuel efficiency and reduced emissions.

3D-printed inserts integrated in HIP capsule.
SUSTAINABLE BUSINESS

OUR MISSION

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

Production based on recycled stainless steels

GDI-tubing (Gasoline Direct Injection) reduces CO₂ emissions up to 15%

Sandvik Hiflex™ flapper valve steel for refrigerators reduces energy consumption by up to 40%

Fibrothal™ heating systems reduce energy consumption by up to 35%
The global energy challenge is a fact!

With SMT’s unique expertise in materials technology, we can be part of the solution.

The transformation of SMT into an energy focused niche actor is ongoing.
QUESTIONS