## CURRENT FOCUS

**AND THE JOURNEY AHEAD**

### 2014-15

**Increase pace**
- Performance mgmt basics
- Operational performance teams

### 2015-16

**Deliver fundamentals**
- Lean productivity in core units
- Sales effectiveness
- Core system infrastructure

### 2017-18

**Capture leadership**
- Lean productivity in all units
- Offering innovation
- Portfolio shaping

### OVERALL

- **COST EFFICIENCY**
  - Sourcing/headcount: Design-to-value

- **SUPPLY CHAIN**
  - Pace of transformation: Product transfers and cost

- **AFTERMARKET**
  - Basic infrastructure, streamlined service offering: Penetrate installed base
  - Advanced services

- **OFFERING**
  - Launch and sell new, enter/ grow mid-market: Key product portfolio gaps, automated equipment
  - New segments, eco efficiency

- **SALES**
  - Target gaps (mrkt, customer): Sales performance and value pricing
MINING STRATEGY AND EXECUTION

EXCELERATE EBIT IMPACT BY PILLAR

Implementation on track but in lower sales volume environment

<table>
<thead>
<tr>
<th>2013</th>
<th>World class supply chain</th>
<th>Transform the aftermarket</th>
<th>Offering of the future</th>
<th>Excel in sales</th>
<th>Cost efficiency</th>
<th>Market growth</th>
</tr>
</thead>
</table>

2020
IMPROVING OUR COST POSITION
SUPPLY CHAIN, HEADCOUNT AND SOURCING

Expected savings run rate end 2015
500 MSEK

SUPPLY CHAIN
# OF PRODUCTION UNITS

Q4 2013 | Q3 2014 | Target
16,500  | 13,200  | -20%

HEADCOUNT
# of EMPLOYEES and contractors

2012 | 2014
16,500 | 13,200

Headcount reductions to date
20%
### REDUCE EARNINGS VOLATILITY

**NET WORKING CAPITAL**

<table>
<thead>
<tr>
<th>Indexed</th>
<th>Net Working Capital Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100</td>
</tr>
<tr>
<td>Inventory</td>
<td>100</td>
</tr>
<tr>
<td>Receivables</td>
<td>100</td>
</tr>
<tr>
<td>Payables</td>
<td>100</td>
</tr>
<tr>
<td>Advances</td>
<td>100</td>
</tr>
</tbody>
</table>

- Stock room consolidation and improved replenishment logic
- Renegotiations of payments terms done – results in 2015
- Key focus going forward
  - Supply chain consolidation
  - Equipment sales push
  - Stock room consolidation
- Mining Systems sales focus

* Sales: Q1-3 2013 vs 2014, Inventory, Receivables, Payables, Advances closing numbers for Q3 2013 vs Q3 2014
DRIVING OPERATIONAL PERFORMANCE
CROSS MINING WORKING GROUPS

- LEAN Production System
- Supply chain productivity
- Process and information
- System and process standardization
- Research and development
- Right R&D portfolio and time-to-market
GROWTH
FOCUS AREAS

MINING INDUSTRY CAPEX, USD BILLION

Growth/Replacement

Repairs

MINING ACTIONS TO OUTPERFORM

1. Grow aftermarket sales to installed base
2. New offering development including mid-market
3. Drive sales and pricing excellence, selling the full portfolio

Source: McKinsey; Deutsche bank; Bank of America; Analysis
TRANSFORMING THE AFTERMARKET

- Detailed mapping of installed base feeding aftermarket sales tools
- Remote equipment monitoring and proactive service and parts offering
- Detailed sales performance management for tools
OFFERING OF THE FUTURE

Automated equipment

Productivity by data

Technology enabled safety
# FOCUSING R&D INVESTMENTS

OFFERING OF THE FUTURE

<table>
<thead>
<tr>
<th>FROM...</th>
<th>...TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>91 active projects*</td>
<td>Same level R&amp;D</td>
</tr>
<tr>
<td>111 UG drills**</td>
<td>More focused on biggest opportunities</td>
</tr>
<tr>
<td>Independent R&amp;D</td>
<td>Faster</td>
</tr>
<tr>
<td>Component based</td>
<td>Design for value</td>
</tr>
<tr>
<td>Premium only</td>
<td>By customer segment</td>
</tr>
</tbody>
</table>

* Full product development projects
** From 2013 to 2016
In the evaluation we found that the Sandvik trucks would be more cost effective now and long-term, and so far it has been proving true. We had 7 CAT AD55s being replaced by 5 Sandvik TH663s.

Victor Rajasooriar, Barminco COO. September 2014, Mining Magazine.
PATENTED SANDVIK TECHNOLOGY

- Reduces fuel consumption up to 35%
- Cuts hundreds of tonnes in carbon emissions
- Extends component life

The Sandvik Compressor Management System (CMS) will save us thousands of gallons of fuel every year, helping to reduce our environmental impact.

Mark Gilbertson, director of asset management, Cloud Peak Energy, USA
SUMMARY

- A three step performance journey for Mining, starting with increasing the pace of improvement
- Excellerate program on track but in lower volume environment
- Supply chain optimization and cost efficiency program starting to deliver
- Aftermarket, new offering, selling the full portfolio to out-perform
- Offering of the future through focused and effective R&D
- Sustainability through eco efficient mining technology