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
LEADING POSITIONS

DRIVE PROFITABILITY AND GROWTH

ADVANCED MATERIAL KNOWLEDGE

METAL CUTTING

MINING AND ROCK TECHNOLOGY
SANDVIK MACHINING SOLUTIONS
38% 57%

SANDVIK VENTURE
10% 5%

SANDVIK MINING
26% 28%

SANDVIK MATERIALS TECHNOLOGY
16% 7%

SANDVIK CONSTRUCTION
10% 3%

Share of revenues 2015
Share of adjusted operating profit 2015
…CONSOLIDATING TO THREE BUSINESS AREAS

SANDVIK MACHINING SOLUTIONS
42% 61%

SANDVIK MINING AND ROCK TECHNOLOGY
41% 32%

SANDVIK MATERIALS TECHNOLOGY
17% 7%

Share of revenues 2015*

Share of adjusted operating profit 2015*

*excluding other operations and group common

CAPITAL MARKETS DAY 2016
SANDVIK CORE CAPABILITIES DRIVE VALUE
THE CHAIN IS COMMON, APPLICATION IS DIFFERENT

1. MATERIAL & APPLICATION KNOWLEDGE
2. ENABLING CUSTOMER SOLUTIONS
3. ABILITY TO INDUSTRIALIZE

PRODUCTIVITY DIFFERENTIATOR
VALUE CREATION
based on strong differentiation in total chain

STRONG POSITION AND PRICING POWER
ATTRACTIVE RETURNS
CUSTOMERS CAPITALIZE ON PRODUCTIVITY INCREASE
GROWTH INDUSTRIAL PRODUCTION INDEX VS. SANDVIK, %

SANDVIK GOING FROM IPI+ TO IPI-
GROWTH IN RECENT YEARS

REAL GDP WORLD FORECAST AND ACTUAL, %

DOWNWARD REVISIONS OF GDP BY 1.5 PPT IN THE PAST COUPLE OF YEARS

MINING CAPEX, PRICES & VOLUMES

RECORD VOLUMES BUT COMMODITY PRICES DOWN >40% FROM PEAK IN 2011

OIL PRICES, USD/BARREL

LOWEST LEVEL IN 12 YEARS AND >60% DECREASE FROM PEAK IN 2014

Source: Macrobond, IP seasonality adjusted and excl. construction

Source: IMF, World Economic Outlook

Source: EIA

Source: Macrobond, BMI; Price index and Material moved index weighted according to Sandvik w/o Mining Systems commodity exposure
GROWTH INDUSTRIAL PRODUCTION INDEX VS. SANDVIK, %

TARGETING IMPROVED PERFORMANCE

CREATE VALUE AND IMPROVE PERFORMANCE DESPITE SLOW GROWTH

QUICKER ADJUSTMENT TO CHANGED MARKET CONDITIONS

MINING CAPEX, PRICES & VOLUMES

OIL PRICES, USD/BARREL

RECORD VOLUMES BUT COMMODITY PRICES DOWN >40% FROM PEAK IN 2011

LOWEST LEVEL SEEN IN 12 YEARS

>60% DECREASE FROM PEAK IN 2014

REAL GDP WORLD FORECAST AND ACTUAL, %

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Source: Macrobond, IP seasonality adjusted and excl. construction

Source: EIA

Source: IMF, World Economic Outlook

Source: Macrobond, BMI; Price index and Material moved index weighted according to Sandvik w/o Mining Systems commodity exposure

Industrial production world

Organic growth Sandvik

Industrial production China

CREATE VALUE AND IMPROVE PERFORMANCE DESPITE SLOW GROWTH

QUICKER ADJUSTMENT TO CHANGED MARKET CONDITIONS

TARGETING IMPROVED PERFORMANCE

Source: Factset, indexed to 100 in 2007

Source: Macrobond, BMI; Price index and Material moved index weighted according to Sandvik w/o Mining Systems commodity exposure

Source: EIA
STABILITY
CREATE A STABLE PLATFORM

PROFITABILITY
IMPROVE PERFORMANCE

GROWTH
GENERATE GROWTH
STABILITY & PROFITABILITY

- Business Structure
- Decentralization
- Capital & Cost Efficiency
- Earnings Volatility
- Value Based Pricing
- Sustainability

Stability
Create a stable platform

Profitability
Improve performance

Growth
Generate growth
DIFFERENT CHALLENGES AND OPPORTUNITIES

NO QUANTUM LEAPS…
…but constant improvements

STABILITY

PROFITABILITY

GROWTH

SANDVIK MINING AND ROCK TECHNOLOGY
14 BSEK

SANDVIK MATERIALS TECHNOLOGY
33 BSEK

SANDVIK MACHINING SOLUTIONS
34 BSEK
WE SHALL BE NO.1 OR 2

ON TOP OF CUSTOMERS’ MIND
LONG-TERM RELATIONS

SCALE
EFFICIENCY GAINS

MARKET SHARE
KEY FOR PROFITABILITY

PRICING POWER
VALUE BASED OFFERING

CAPACITY REINVESTMENTS
TO STAY IN THE FOREFRONT
MARKET ATTRACTIVENESS
(GROWTH, RETURNS, COMPETITIVE LANDSCAPE)

- Evaluation based on both external and internal factors
- No. 1 – 2 or possibility to achieve that position
- Focus on core three segments
MARKET ATTRACTIVENESS
(GROWTH, RETURNS, COMPETITIVE LANDSCAPE)

SANDVIK CAPABILITIES
(CORE, OPERATIONAL CAPABILITY)

- Sandvik Machining Solutions
- Equipment Mining
- SMT strategic products
- Aftermarket SMRT
- Sandvik Construction
  - SMT core & standard
  - Mobile crushers
  - Drilling & completions
  - Equipment "old"

Stationary crushers

CAPITAL MARKETS DAY 2016
BACK TO THE FUTURE

BEFORE 2011

CONGLOMERATE WITH AUTONOMOUS BA:S

GROUP

BA1

BA2

BA3

2011–2015

CENTRALIZED

GROUP

BA1

BA2

BA3

BA4

BA5

2016–

DECENTRALIZED WITH FULL OWNERSHIP IN PA:S

GROUP

BA

PA

PA

PA

CAPITAL MARKETS DAY 2016
DECENTRALIZED BUSINESS MODEL

AS-IS

GROUP

BA

COUNTRY

PA

PA

PA

TO-BE

GROUP

BA

PA

PA

PA

CUSTOMER

TOTAL COST
IMPLICATIONS FOR PRODUCT AREAS

PRODUCT AREA – HIGHEST OPERATIONAL LEVEL

- Full responsibility for P&L and balance sheet
- Transparency and accountability in cost and performance
- High speed in decision making
- Strategy owned by Product Area
- Develop strong leaders

GROUP

TO-BE

CUSTOMER
CHALLENGES ARE DIFFERENT

PA BASED EVALUATION

SANDVIK MACHINING SOLUTIONS

SANDVIK MINING AND ROCK TECHNOLOGY

SANDVIK MATERIALS TECHNOLOGY
• Consumables and solutions
• Highly vertically integrated
• Value selling → High A&S
• High leverage
• Good ROCE
• Strong cash flow
• Operational excellence
• Growth in focus
SANDVIK MACHINING SOLUTIONS

- Consumables and solutions
- Highly vertically integrated
- Value selling → High A&S
- High leverage
- Good ROCE
- Strong cash flow
- Operational excellence
- Growth in focus

SANDVIK MINING AND ROCK TECHNOLOGY

- New equipment and parts & service
- Assembly business
- Lower leverage
- Significant aftermarket
- Weak ROCE
- Focus on improving NWC and profitability

SANDVIK MATERIALS TECHNOLOGY

CHALLENGES ARE DIFFERENT

PA BASED EVALUATION

CAPITAL MARKETS DAY 2016
CHALLENGES ARE DIFFERENT

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- New equipment and parts & service
- Assembly business
- Lower leverage
- Significant aftermarket
- Weak ROCE
- Focus on improving NWC and profitability

SANDVIK MATERIALS TECHNOLOGY
- Advanced stainless steels and special alloys
- Highly vertically integrated
- High leverage
- Limited aftermarket
- Focus on improving profitability and ROCE

BU BU BU BU BU BU BU
WE DRIVE PROFITABILITY
BY CONSTANT IMPROVEMENTS WITHIN PA:S

INCREASE CUSTOMER PRODUCTIVITY
NO.1 OR 2

LEANER AND QUICKER ADJUSTMENT
TO DEMAND CHANGES

EARNINGS VOLATILITY
PROFITABILITY

NEW SALES RATIO

ORGANIC REVENUES PER FTE

NWC % OF REVENUES

AFTERMARKET SHARE

ENSURING SUSTAINABILITY IN EVERYTHING WE DO

INNOVATION & PRODUCTIVITY

HEALTH & SAFETY

ENVIRONMENTAL IMPACT

USE, REUSE & RECYCLE
THE SANDVIK WAY

COMMON GROUND

• Core capabilities
• Clear authority and accountability
• Strong performance management
• Common governance and selected common policies and processes
• Common risk management, internal control & compliance systems
• Common Core Values and Code of Conduct

GROUP

BA

PA

PA

PA

CUSTOMER

CUSTOMER

FOCUS

INNOVATION

FAIR

PLAY

PASSION

TO WIN
GROWTH OPPORTUNITIES

- Value Based Pricing
- New Product Launches
- After-Market
- M&A
- Customized Offering
- Emerging Markets
- Stability
  - Create a Stable Platform
- Profitability
  - Improve Performance
- Growth
  - Generate Growth
DIGITALIZATION
- Intelligent tools
- Remote monitoring
- Automine
- Machine performance

11,000 new products from Sandvik Machining Solutions in 2016
FUNDAMENTALS – SETTING THE SCENE

- Mapping and tracking of installed base
- Focused product area for aftermarket
- Increased transparency to grow combined equipment and aftermarket sales
- Incentives

OFFERING

- Improved offering
  - Climb the service ladder
  - Service & repair kits
- Presence through customer service centers
- Advanced data analytics
MULTI-BRAND STRATEGY

PRODUCTIVITY IN FOCUS

LOCALIZED OFFERING

GROWTH STRATEGY FOR EMERGING MARKETS

M&A

EMERGING MARKETS

CUSTOMIZED OFFERING

GROWTH

STABILITY

CREATE A STABLE PLATFORM

PROFITABILITY

IMPROVE PERFORMANCE

NEW PRODUCT LAUNCHES

VALUE BASED PRICING

% of tot revenues China/India
FINANCIALS

- BASED PRICING
- NEW PRODUCT LAUNCHES
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
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- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
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- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
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- INNOVATION
- SUSTAINABILITY
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- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
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- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
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- CUSTOMIZED OFFERING
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- CUSTOMIZED OFFERING
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- BUSINESS STRUCTURE
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- DECENTRALIZATION
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- BUSINESS STRUCTURE
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- CUSTOMIZED OFFERING
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- EMERGING MARKETS
- BUSINESS STRUCTURE
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- SUSTAINABILITY
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- NEW PRODUCT LAUNCHES
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- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
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- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
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- EARNINGS VOLATILITY
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- NEW PRODUCT LAUNCHES
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- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
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- DECENTRALIZATION
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- INNOVATION
- SUSTAINABILITY
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- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
- CAPITAL & COST EFFICIENCY
- EARNINGS VOLATILITY
- INNOVATION
- SUSTAINABILITY
- VALUE BASED PRICING
- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
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- NEW PRODUCT LAUNCHES
- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERING
- EMERGING MARKETS
- BUSINESS STRUCTURE
- DECENTRALIZATION
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- AFTER-MARKET
- M&A
- CUSTOMIZED OFFERIN
TOUGHER MARKET CONDITIONS…

Note: in fixed currency excl. structure
...BUT HIGH GROSS MARGIN MAINTAINED

GROSS PROFIT & GROSS MARGIN

- Supply chain optimization
- Productivity increases

Note: in fixed currency excl. structure
IMPROVEMENT POTENTIAL IN A&S COSTS
IMPROVED PACE IN ADJUSTMENT TO CHANGED DEMAND

A&S AND R&D COSTS

On-going structural programs
- ADDITIONALLY
  - Business area consolidation synergies
  - Decentralization of country & group functions
  - High focus in business areas

Note: in fixed currency excl. structure
BECOMING MORE AGILE AND EFFICIENT
SAVINGS MEASURES STARTING TO BITE

>1,300 MSEK

ACHIEVED TO DATE IN 2,100 MSEK SAVINGS PROGRAMS

STRUCTURAL SAVINGS

No. of sites closed to date
15

SALES&ADMIN SANDVIK MACHINING SOLUTIONS

ALL GROUP FUNCTIONS (15% REDUCTION)

OTHER SAVINGS

No. of temps reduced
>1,300

HEADCOUNT REDUCTION* FROM END 2013 TO Q1 2016

~7% or ~3,500 FTE:s

*C. like-for-like comparison, excl. structure, only Sandvik employees
EBIT MARGIN STABILIZED LAST TWO YEARS

- SIGNIFICANT DECLINE IN TOPLINE
- MAINTAINED GROSS MARGIN
- UNDERABSORPTION IN A&S

Note: in fixed currency excl. structure
ADDRESSING THE CAPITAL

>4,000 MSEK IN RELEASED CAPITAL

NET WORKING CAPITAL

2013 Q1 2014 Q4 2015 Q4

BSEK

% 32

28

24

20

16

24

28

32

NWC NWC % revenues

CAPEX

2013 2014 2015

BSEK

% 5

4

3

0.3

4

5

6

CAPEX capex % revenues

25% TARGET LEVEL

<4.1 BSEK IN 2016

~5% OF REVENUES LONG-TERM

ADDRESSING THE CAPITAL

CAPITAL EFFICIENCY
CREATING BALANCE SHEET FLEXIBILITY
LOWEST NET GEARING LEVEL IN EIGHT QUARTERS

~7,000 MSEK

SINCE Q2 2014 IN REDUCED NET DEBT INCL. PENSION

DEBT REDUCTION
CASH FLOW AND ALLOCATION OF CAPITAL

<table>
<thead>
<tr>
<th>Component</th>
<th>Value (2015)</th>
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<tbody>
<tr>
<td>EBITDA + Non-Cash Items</td>
<td>13.8</td>
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<tr>
<td>NWC Change</td>
<td>+3.1</td>
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<tr>
<td>Net Fin Items</td>
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<td>Taxes</td>
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<td>CAPEX</td>
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<tr>
<td>Dividend</td>
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<tr>
<td>Debt Reduction</td>
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<tr>
<td>M&amp;A</td>
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<td>Residual</td>
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WHAT WE WILL ACHIEVE

STABILITY
CREATE A STABLE PLATFORM

PROFITABILITY
IMPROVE PERFORMANCE

GROWTH
GENERATE GROWTH
CURRENT FINANCIAL TARGETS

OLD

AVERAGE ANNUAL GROWTH: 8%
INCLUDING M&A

RETURN ON CAPITAL EMPLOYED: 25%
OVER A BUSINESS CYCLE

NET DEBT/EQUITY RATIO: <0.8
EXCLUDING MAJOR ACQUISITIONS

DIVIDEND PAYOUT RATIO: 50%
OF EARNINGS PER SHARE
NEW FINANCIAL TARGETS

OLD

AVERAGE ANNUAL GROWTH
8%
INCLUDING M&A

RETURN ON CAPITAL EMPLOYED
25%
OVER A BUSINESS CYCLE

NET DEBT/EQUITY RATIO
<0.8
EXCLUDING MAJOR ACQUISITIONS

DIVIDEND PAYOUT RATIO
50%
OF EARNINGS PER SHARE

FROM BUSINESS CYCLE TO SHORT-TERM

NEW – 3Y

ABSOLUTE EBIT GROWTH
≥7%
2016-18 CAGR BASELINE 2015 TO 2018

ROCE IMPROVEMENT
≥3% PTS
2016 – 2018 IMPROVEMENT COMPARED WITH BASELINE 2015

NET DEBT/EQUITY RATIO
<0.8
EXCLUDING MAJOR ACQUISITIONS, INCLUDING NET PENSION LIABILITIES

DIVIDEND PAYOUT RATIO
50%
OF REPORTED EARNINGS PER SHARE

ANNUAL
SETTING THE BASE LINE FOR IMPROVEMENT

- Baseline 2015: adjusted EBIT excl. metal price effect in SMT, and new BA-structure
- Target 2018: improvement excl. currency, nonrecurring items and metal price effect in SMT

### BSEK

**CAGR ≥7%**

<table>
<thead>
<tr>
<th>2015</th>
<th>2018</th>
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</thead>
<tbody>
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<td>10.4</td>
<td>12.7</td>
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</tbody>
</table>

### ABSOLUTE EBIT GROWTH

≥7% CAGR 2016-2018 BASELINE 2015

### ROCE IMPROVEMENT

≥3%PTS COMPARED WITH BASE YEAR 2015

### ROCE IMPROVEMENT

≥3%PTS COMPARED WITH BASE YEAR 2015

- Baseline 2015: adjusted EBIT and capital employed for new BA-structure
- Target 2018: improvement excl. nonrecurring items.
- Percentage points to 2018

- Baseline 2015: adjusted EBIT excl. metal price effect in SMT, and new BA-structure
- Target 2018: improvement excl. currency, nonrecurring items and metal price effect in SMT

### Net gearing new KPI

- Incl. actuarial losses/gains in equity
- Corresponds 0.5-0.6 if old definition used

### Net gearing old KPI

- Incl. pension liabilities in net debt
- Annual target excl. major acquisitions
- Incl. actuarial losses/gains in equity
- Corresponds 0.5-0.6 if old definition used

### NET DEBT / EQUITY

<0.8 EXCLUDING MAJOR ACQUISITIONS, INCL. PENSION LIABILITIES

### TARGET

- Net gearing old KPI
- Net gearing new KPI

- 2015
  - Net gearing old KPI: 0.96
  - Net gearing new KPI: 0.94

- 2016
  - Net gearing old KPI: 0.91
  - Net gearing new KPI: 0.94

### 2015

- Net gearing old KPI: 0.96
- Net gearing new KPI: 0.94

### 2016

- Net gearing old KPI: 0.91
- Net gearing new KPI: 0.94

### CAGR, 2016-2018

- ≥7%

### ROCE IMPROVEMENT

- ≥3%PTS COMPARED WITH BASE YEAR 2015

### BASELINE 2015

- Annual target excl. major acquisitions
- Incl. actuarial losses/gains in equity
- Corresponds 0.5-0.6 if old definition used

### TARGET

- Incl. pension liabilities in net debt
- Annual target excl. major acquisitions
- Incl. actuarial losses/gains in equity
- Corresponds 0.5-0.6 if old definition used

### CAGR, 2015-2018

- ≥7%
STABILITY, PROFITABILITY, GROWTH

**HOW WE DO IT**
- No. 1 or 2
- Focus on core
- Decentralized business model
- Entrepreneurial drive
- Constant improvements
- Accountability, transparency & speed

**STRATEGIC PRIORITIES**
- Product launches
- Productivity gains
- M&A digitalization bolt-on
- Cost & capital efficiency
- Gain market share in aftermarket

**HOW TO MEASURE**
- Absolute EBIT growth ≥7% CAGR, 2015–18
- Return on capital employed ≥3% PPE
- Net debt / equity ratio <0.8
- Dividend payout ratio of reported earnings per share 50%

**KPI**
- Internal incentives (EBIT, NWC, productivity)

**WE SET THE INDUSTRY STANDARD**
“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”