WORLD-LEADING POSITIONS

MINING AND ROCK EXCAVATION

ROCK PROCESSING

METAL CUTTING AND MACHINING SOLUTIONS

MANUFACTURING SOLUTIONS

ADVANCED MATERIAL
STRATEGY FOR PROFITABLE GROWTH

STRONG FOUNDATION – FROM 2016 STRATEGY

- Focus on core and be No 1 or 2 in chosen markets and segments
- Technology leadership and innovation
- Accountability and decisions close to customers
- Stability and profitability before growth
- Efficiency and continuous improvements
- Culture of doing things right
- Exceptional people
- Sustained business

RESULTED IN

- Portfolio clean-up, ensured market leadership in chosen segments
- Decentralized, faster and better decision-making
- Improved performance, becoming more resilient
- Sustainability, safety and compliance – rooted in business and culture

NOW INCREASED FOCUS ON

- **GROWTH**
  Organic and M&A
- **DIGITALIZATION**
  Business and operations
- **SUSTAINABILITY**
  Internal and supporting customers
- **AGILITY**
  Being agile through the cycle
## FINANCIAL TARGETS FOR THE GROUP

<table>
<thead>
<tr>
<th>GROWTH</th>
<th>ADJUSTED EBIT % TROUGH</th>
<th>NET DEBT / EQUITY RATIO</th>
<th>DIVIDEND PAYOUT RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\geq 5%$</td>
<td>$\geq 16%$</td>
<td>$&lt; 0.5$</td>
<td>50%</td>
</tr>
<tr>
<td>Through an economic cycle organic and M&amp;A</td>
<td>Rolling 12 months excl. metal price effects</td>
<td>Incl. net pension liabilities</td>
<td>Through an economic cycle. Adj. for items affecting comparability</td>
</tr>
</tbody>
</table>

### OUTCOME

<table>
<thead>
<tr>
<th>Q1 2016-Q1 2020</th>
<th>Q3 2020</th>
<th>Q3 2020</th>
<th>2016-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\sim 3%$</td>
<td>16.8%</td>
<td>0.05</td>
<td>44%</td>
</tr>
</tbody>
</table>
PROVEN RESILIENCE

DESPITE SIGNIFICANT DROP ON TOPLINE

EBIT% IS STILL ON TARGET

*Adjusted for Items Affecting Comparability
CONTINUING TO BE AGILE

ANNOUNCED SAVINGS

- **2019**
  - One step ahead
  - SEK 1.7 B

- **2020**
  - Quick action
  - SEK 1.5 B

- **2021**
  - Permanent savings
  - SEK 1.3 B

A business geared for profitable growth

Total execution of SEK 2.2 B Covid-19 cost measures Q2-Q3 2020
SUSTAINABILITY AS A GROWTH OPPORTUNITY

A BUSINESS ADVANTAGE FOR US AND OUR CUSTOMERS

Our offering development aim to reduce global CO₂ emissions for us and our customers. We shift to more circular business models to increase outcome and value.

CLIMATE

- Shifting from gas furnaces to electric furnaces
- CO₂ reductions of, to date, 170,000 tonnes
- Innovation
- Customized solutions

CIRCULARITY

- SRP Svedala, one of the worlds most sustainable manganese foundries
- More than 90% recycled steel
- Life-cycle analysis proving major competitive advantages
Strong culture
Passionate people
Decentralization
Portfolio clean-up
"WE HAVE A SOLID PLATFORM TO START FROM. NOW, WE SHIFT TO GROWTH."
SMT STRONGER AS A SEPARATELY LISTED COMPANY

STARTING POINT
- A leading player in its field
- A strong development
- Establishing a track-record

RATIONALE
- STRATEGIC
  - Realize its full potential
  - Capitalize on its strategies and opportunities to drive profitable growth
  - Greater focus and clarity
- OPERATIONAL
  - Best possible opportunities to grow and develop
  - Inspired workforce
  - Capitalize on the full supply chain
- FINANCIAL
  - Distinguished investment cases and equity stories
  - Facilitates separate funding and capital allocation
  - Fair valuations for both SMT and Sandvik
2019 → 2020 → 2021 → 2022

2019
Announcement to internally separate SMT and look into possibility of listing

2020
Internal separation completed
Board decision to continue the process towards a full separation and listing of SMT

2021
Phase 2 in separation and preparation of SMT for a listing process
Staff and prepare for listing

2022
or when the conditions are deemed right
Board of Directors of SMT to be appointed
Board decision to propose distribution of SMT to shareholders
Publication of Information Brochure
General Meeting of Shareholders to resolve distribution of SMT
Publication of SMT’s listing prospectus
Distribution of SMT’s shares to Sandvik’s shareholders
First day of trading SMT’s shares
POSITIONED FOR GROWTH

SANDVIK MINING & ROCK TECHNOLOGY
In good shape – and more potential in Rock Processing

SANDVIK MACHINING SOLUTIONS
Strong core – but needs to increase growth, and with more focus on manufacturing adjacencies

SANDVIK MATERIALS TECHNOLOGY
World leading materials company – better off on its own
POSITIONED FOR GROWTH

SANDVIK MINING & ROCK SOLUTIONS
SANDVIK ROCK PROCESSING SOLUTIONS
SANDVIK MANUFACTURING & MACHINING SOLUTIONS
SANDVIK MATERIALS TECHNOLOGY

SANDVIK MACHINING SOLUTIONS
SANDVIK MANUFACTURING SOLUTIONS
CREATING TWO WORLD LEADERS

Separation of crushing & screening from SMRT releases potential in both businesses

- Enhanced growth opportunities as separate businesses
- Focused strategy and more independent decision making
- Largely independent – products, customers and competitors are separate
- Increased transparency
EXPANDING OUR OFFER ABOVE AND BEYOND

Separation of Manufacturing Solutions from Machining Solutions releases potential in both businesses

- Enhanced growth opportunities as separate businesses
- Enhanced focus and speed in execution
- Fit-for-purpose governance models and skills-sets
- Execute together with strong independent brands
A BUSINESS GEARED FOR GROWTH

FORECASTED MARKET GROWTH 2019-2025, CAGR

~3%
2.5-3%
~2%
>10%

SANDVIK MINING & ROCK SOLUTIONS
SANDVIK ROCK PROCESSING SOLUTIONS
SANDVIK MANUFACTURING & MACHINING SOLUTIONS
SANDVIK MACHINING SOLUTIONS

≥5%
Through an economic cycle organic and M&A
ACQUISITIVE GROWTH

CLOSED ACQUISITIONS
2016-2020

ANNOUNCED
ACQUISITIONS

~2.5% THROUGH A CYCLE

- Acquisition process to be developed further
- Improve integrations post acquisitions
- Make it a normal part of driving the business in most divisions

ADDING REVENUES OF
~2 BN

~0.6 BN

ACCUITITIE

2016-2020
23 DIVISIONS WILL MAKE IT HAPPEN

SANDVIK MINING & ROCK SOLUTIONS (SMR)
- Underground Drilling
- Mechanical Cutting
- Surface Drilling
- Rotary Drilling
- Rock Drills & Technologies
- Rock Tools
- Parts & services
- Load & Haul

SANDVIK ROCK PROCESSING SOLUTIONS (SRP)
- Stationary Crushing & Screening
- Mobile Crushing & Screening
- Attachment Tools
- Shanbao (JV)

SANDVIK MANUFACTURING & MACHINING SOLUTIONS (SMM)
- SANDVIK MACHINING SOLUTIONS (SMS)
  - Sandvik Coromant
  - Seco
  - Walter
  - Dormer Pramet
  - Wolfram
- SANDVIK MANUFACTURING SOLUTIONS (SMF)
  - Design & Planning
  - Automation
  - Additive Manufacturing
  - Metrology

SANDVIK MATERIALS TECHNOLOGY (SMT)
- Tube
- Kanthal
- Strip
KEY TAKE AWAYS

- Our overall **targets and strategy remain**
- We have **shown resilience**, and we will **continue to be agile**
- We have a good foundation to build on – now we **shift to growth**
- The **structure is evolving** to increase focus and transparency
- Our **23 divisions will make it happen**
FINANCIAL OVERVIEW
2016-2020 AND GOING FORWARD

TOMAS ELIASSON
CFO

November 3, 2020
WEAKENING CYCLE FOLLOWED BY COVID 19

REVENUES

ORGANIC GROWTH
SAVINGS PROGRAMS – ONE STEP AHEAD

ANNOUNCED

2019 - One step ahead
SEK 1.7 B

2020 - Quick action
SEK 1.5 B

2021 - Permanent savings
SEK 1.3 B

<table>
<thead>
<tr>
<th>Split by year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK</td>
<td>0.4 B</td>
<td>1.2 B</td>
<td>0.1 B</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Work-time reductions</th>
<th>Temporary savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEK 1.1 B</td>
<td>SEK 1.1 B</td>
</tr>
</tbody>
</table>

SANDVIK AND NON-SANDVIK PERSONNEL, RESTATED FOR STRUCTURE

Short-term savings to be partially replaced by permanent savings

2019 and 2021 savings programs results in SEK 3 B lower cost base

~5,000 permanent FTE reductions estimated 2019-2021

Costs returns partially as volumes returns

STRUCTURE

50%

VOLUME

50%

FTEs

GROSS CONTRIBUTION SHOWS RESILIENCE

Pricing positive despite top line pressure
Variablized cost structure supports
Footprint consolidation
GROSS MARGIN IMPACTED BY FIXED COSTS

Fixed cost structure

Longer lead time

Footprint consolidation will support
CONTINUED SG&A COST REDUCTION

Ratio to revenues troughed at 26% 2016
Back on 23% at peak 2018
In current downturn – down to 22% with strong support from temporary savings

GOING FORWARD
Partially replace temporary savings with permanent savings to keep SG&A% at healthy levels
Sharp drop in demand

Savings programs: one step ahead

Decentralizing drives agility

More variabilized costs and supply chain consolidation drives efficiency to mitigate downturns

Continuously reviewed contingency plans depending on scenario

---

**RESILIENT EBIT MARGIN**

![Graph showing EBIT margin from 2016 to 2020 with financial target highlighted.](image)

- **EBIT** is measured in SEK m.
- **EBIT% 12M rolling** and **EBIT% 12M rolling ex metals** are also shown.

**Key Points**:

- Sharp drop in demand
- Savings programs: one step ahead
- Decentralizing drives agility
- More variabilized costs and supply chain consolidation drives efficiency to mitigate downturns
- Continuously reviewed contingency plans depending on scenario
INTEREST NET AND TAXES

INTEREST NET

TAX RATE

SEK m

Interest Net  
Interest net 12M rolling

SEK m

%
STONG CASH FLOW AND MANAGING NWC

CASH FLOW

WORKING CAPITAL

SEK m

SEK m

%
STRENGTHENED BALANCE SHEET

HEADROOM FOR M&A

**NET DEBT**

- Financial Debt
- Pensions
- Leases
- Gearing

**NET DEBT / EBITDA (S&P definition)**

- Rating threshold

Financial target
CAPITAL ALLOCATION
BALANCE SHEET READY TO SUPPORT GROWTH

2016-2020: GETTING BALANCE SHEET IN SHAPE

2020+: LEVERAGE GROWTH OPPORTUNITIES

Annual cash flow after dividend
~SEK 5 B equals ~2% acquired growth

Gearing target 0.5 implies headroom of
> SEK 30 B in balance sheet

Gearing target does not include
transformational M&A
BALANCE SHEET AFTER SMT SPIN

SIMULATION BASED ON B/S END OF Q3 2020

<table>
<thead>
<tr>
<th></th>
<th>GROUP</th>
<th>NEW GROUP</th>
<th>NEW SMT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>23.4</td>
<td>22.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Net Debt</td>
<td>3.1</td>
<td>2.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Equity</td>
<td>66.0</td>
<td>54.4</td>
<td>11.6</td>
</tr>
<tr>
<td>Gearing</td>
<td>0.05</td>
<td>0.05</td>
<td>0.04</td>
</tr>
</tbody>
</table>