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.
DELIVERING ON OUR PROMISES

AHEAD OF PLAN
REACHED PROFITABILITY TARGET

DELEVERAGED
FREEDOM OF CHOICE

INVESTING AND WELL POSITIONED FOR GROWTH
DELIVERING ON OUR PROMISES

AHEAD OF PLAN
REACHED PROFITABILITY TARGET

- New decentralized structure
- Improved performance review culture through scorecard system
- Portfolio consolidation
- Footprint consolidation

DELEVERAGED
- FREEDOM OF CHOICE

INVESTING AND WELL-POSITIONED FOR GROWTH

CAPITAL MARKETS DAY NOVEMBER 2017
DELIVERING ON OUR PROMISES

AHEAD OF PLAN
REACHED
PROFITABILITY TARGET

DELEVERAGED
FREEDOM OF CHOICE

INVESTING AND
WELL-POSITIONED FOR
GROWTH

CAPITAL MARKETS DAY
NOVEMBER 2017
DELIVERING ON OUR PROMISES

AHEAD OF PLAN
REACHED PROFITABILITY TARGET

DELEVERAGED
- FREEDOM OF CHOICE

INVESTING AND WELL POSITIONED FOR GROWTH

50 FTE hired in SMS adjacent offering

~300 MSEK
Invested in 2017-18 in SMS adjacent

POWDER
Grow 3D powder portfolio
DELIVERING ON OUR PROMISES

AHEAD OF PLAN
REACHED PROFITABILITY TARGET

DELEVERAGED
FREEDOM OF CHOICE

INVESTING AND WELL POSITIONED FOR GROWTH

INCREASED SHAREHOLDER VALUE

CAPITAL MARKETS DAY NOVEMBER 2017
≥15% EBIT MARGIN FOR FOUR CONSECUTIVE QUARTERS

FROM
7 TO 0 LOSS-MAKING PA

IMPROVING VAREL AND MOBILE CRUSHING

Note: Excluding BA-common costs and PPA:s for Varel (Drilling & Completions) and Mobile Crushing & Screening. All data is based on YTD Q3 2017 annualized. Visualizing major PA:s and BU:s
SUSTAINABILITY RECOGNITIONS

OUR OFFERINGS
Making our customers more sustainable

OUR OPERATIONS
Making ourselves more sustainable

AT THE CORE OF OUR BUSINESS

INNOVATION & PRODUCTIVITY | HEALTH & SAFETY | ENVIRONMENTAL IMPACT | USE, REUSE & RECYCLE | GOVERNANCE | PARTNERS | ENVIRONMENTAL FOOTPRINT | PEOPLE

FTSE4Good | Dow Jones

CAPITAL MARKETS DAY
NOVEMBER 2017
ON OUR AGENDA

- **STABILITY**: Create a stable platform
- **PROFITABILITY**: Improve performance
- **GROWTH**: Generate growth
EVOLUTION IN OUR WORLD

MATERIALS EVOLUTION
- Carbon fiber
- Titanium
- Nickel-based alloys
- Cobalt-chrome
- Powder-based materials

ELECTRIFICATION & BATTERY EVOLUTION
- Electrical vehicles
- Battery driven equipment

CONNECTIVITY & AUTOMATION
- Semi-/fully automated equipment
- Measuring while machining
- Predictive maintenance
- Software solutions

EVOLUTION OF MANUFACTURING TECHNIQUES
- Near-net-shape
- Multi-axis machining
- Additive manufacturing

DECLINING ORE GRADES & LONGER HAULING DISTANCES
- Increased volume output
- Increased efficiency in equipment
- Increased utilization rates

ADDRESSING OF UN GLOBAL GOALS
- Common global sustainability agenda
- Measurable impact of sustainable business

CAPITAL MARKETS DAY
NOVEMBER 2017
INDUSTRY AUTHORITY BASED ON MATERIAL KNOW-HOW
Three out of five leading brands in metal cutting industry
Leading position in high alloy specialized steel industry

LEADING MINING EQUIPMENT SUPPLIER
Leading position in underground mining – equipment, aftermarket and automation

STRIKING POWER
Financial strength for M&A in core and adjacent areas

R&D-SPEND ABOVE PEER AVERAGE
Maintain leading positions and grow in adjacent areas

SUSTAINABILITY
Incorporated in our products and our operations
NEW TECHNOLOGIES
SUPPORT PRODUCTIVITY AND SUSTAINABILITY ARGUMENTS

AUTOMINE®

SAFETY

ELECTRICAL AND BATTERY DRIVEN MINING EQUIPMENT

ZERO EMISSIONS

ADDITIVE MANUFACTURING INCL. POWDERS

REDUCED RAW MATERIAL USAGE

TOOLS FOR NEW MATERIALS AND TECHNIQUES

LIGHT-WEIGHT PRODUCTS FOR LOWER FUEL CONSUMPTION

CUSTOMER PRODUCTIVITY

SANDVIK PREMIUM PRICING

TIME

$
UNSATISFACTORY PERFORMANCE IN SANDVIK MATERIALS TECHNOLOGY

CAPABILITY & PROFITABILITY

MARKET POSITION

Kanthal
Tube special
Powder
Core & standard
Strip
Wire

High
Lagging
Leading
Low

Organic revenues, 12M rolling MSEK
Organic order intake, 12M rolling MSEK
Adj. EBIT %, excl. metals
SANDVIK MATERIALS TECHNOLOGY

WAY FORWARD

01. SHORT TERM

- New decentralized structure resulting in FTE reductions
- New management
- General cost containment

02. MID- TO LONG TERM

- Portfolio trimming
- Opportunities within new products and segments
- Operational excellence and optimization of mix
- Grow Kanthal and Powder

03. CONTINUOUS REVIEW OF OPERATIONS AND STRUCTURE

IMPLEMENTATION TIME

Reduction ~210 FTE:s
Reach ~10% EBIT

CAPITAL MARKETS DAY
NOVEMBER 2017
ACTIVE PORTFOLIO MANAGEMENT

ASSUMED CASH INJECTION ~10 BSEK

~10% OF GROUP REVENUES

~4% OF GROUP EBIT

Including Mining Systems reported in discontinued operations
M&A CONSIDERATIONS

STRATEGIC IMPORTANCE
- Add value through sustainable productivity
- Mission critical
- Long-term customer relationships

MARKET POSITION
- Ability to achieve or maintain No. 1 or 2 position in its industry, together with core offering

VALUATION
- Near-term acquisitions most likely in Sandvik Machining Solutions
- Small- to mid-size targets most likely
- Valuation multiples higher in adjacent areas vs core

IMPACT GROUP
- Safeguard long-term credit rating
FROM HOUSEKEEPING…

- **Y1**: Setting the structure
  - Portfolio review and decentralization

- **Y2**: Reinforcing performance culture
  - Performance management and improved profitability

- **Y3**: Focus on long-term success
  - Next step for profitability and growth

…TO LEVERAGE ON LEADING POSITIONS
PREREQUISITES FOR GROWTH

WE CONTROL THREE OUT OF FOUR

INNOVATION
Maintain leading and improve non-leading market positions

OPERATIONALLY DRIVEN M&A
Mandate and entrepreneurship

CAPTURE AND CAPITALIZE ON NEW TECHNOLOGIES
adjacent to core

MARKET DEVELOPMENT
CAPTURE AND CAPITALIZE ON NEW TECHNOLOGIES adjacent to core

OPERATIONALLY DRIVEN M&A
Mandate and entrepreneurship

INNOVATION
Maintain leading and improve non-leading market positions

CONTINUE WITH PRODUCT LAUNCHES E.G. COROMANT INTELLIGENT TOOLS

PORTFOLIO ADJUSTMENTS SURFACE DRILLING
INNOVATION
Maintain leading and improve non-leading market positions

OPERATIONALLY DRIVEN M&A
Mandate and entrepreneurship

CAPTURE AND CAPITALIZE ON NEW TECHNOLOGIES
adjacent to core

E.G.
SMS: METROLOGY, SOFTWARE, "DIGITAL MANUFACTURING", ADDITIVE MANUFACTURING
SMRT: AUTOMINE®, OPTIMINE®
REAP DECENTRALIZATION
BENEFITS E.G.
MORE OPERATIONALLY
DRIVEN M&A WITH
GOOD STRATEGIC FIT

INNOVATION
Maintain leading and
improve non-leading
market positions

OPERATIONALLY
DRIVEN M&A
Mandate and
entrepreneurship

CAPTURE AND
CAPITALIZE ON NEW
TECHNOLOGIES
adjacent to core

21
CAPITAL MARKETS DAY
NOVEMBER 2017
KEY PRIORITIES

SANDVIK MACHINING SOLUTIONS
Add growth potential through digital solutions in addition to core offering

SANDVIK MINING AND ROCK TECHNOLOGY
Improve profitability by growing aftermarket and automation business thus reducing earnings volatility

SANDVIK MATERIALS TECHNOLOGY
Restore profitability short-term through cost actions, and long term by growing sales of high value products

SANDVIK GROUP
Strong focus on capital and cost efficiency
TOMAS ELIASSON, CFO

STABILITY
CREATE A STABLE PLATFORM

PROFITABILITY
IMPROVE PERFORMANCE

GROWTH
GENERATE GROWTH
INCREASED GROSS MARGIN
BUT STILL MORE TO DO

ORGANIC GROSS PROFIT

ORGANIC GROSS MARGIN

2014 2015 2016 2017

30 000 31 000 32 000 33 000 34 000 35 000

36% 37% 38% 39% 40% 41%

Gross profit, 12M rolling MSEK  Gross margin, 12M rolling

ADDITIONAL SUPPLY CHAIN CONSOLIDATION

PRICE MANAGEMENT

PRODUCTIVITY
LIMITED IMPACT FROM RAW MATERIALS

Tungsten, carbide & intermediaries
Nickel
Steel
Key raw materials in value (not tonnage)

POWDER & BLANKS
EXTERNAL SALES
~50%
No exposure
~50%
Exposure to price changes

CUTTING TOOLS
INTERNAL SALES

SEVERAL SOURCING OPTIONS
01
Own mine, virgin tungsten
02
Recycling
03
External sourcing (spot price)

SMS
SMT
SMRT

~35%
Hedged fixed price projects
~40%
Alloy surcharges − price changed transfer to customer
~25%
Exposure to price changes

INDIRECT EXPOSURE VIA COMPONENTS/SYSTEMS FROM SUPPLIERS
01
Fixed pricing (12-36 months)
02
Pricing with risk sharing

Raw material share of revenues

Value
Volume
Nickel
Chrome
Molybdenum
Iron

~35%

Other*

*In other: indirect steel exposure

CAPITAL MARKETS DAY
NOVEMBER 2017
Minimal hedging applied
Manufacturing predominantly in EUR & SEK
96% of revenues outside Sweden

NET CURRENCY FLOWS, 12M ROLLING MSEK
ANNUAL PRODUCTIVITY TARGET ~3%
CONTINUOUS REVIEW OF SG&A COSTS

By optimizing administration, sales and corporate functions
Continued decentralization
EBIT MARGIN RECOVERY
STRONG MARKET AND EFFICIENCIES

ORGANIC EBIT MARGIN, 12M ROLLING

CONTINUOUS IMPROVEMENTS

STRUCTURAL EFFICIENCY ACTIVITIES PART OF DAILY BUSINESS
NET FINANCE
TREND SHIFT

INTEREST NET, MSEK

EQUITY INJECTIONS INTO SUBSIDIARIES
DEBT AMORTIZATIONS
LESS FX-VOLATILITY FROM INTERNAL TRANSACTIONS
SHARP EPS RECOVERY

EPS, SEK

REPORTED

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CAPITAL MARKETS DAY
NOVEMBER 2017
STRONG CASH FLOW
REDUCED NET WORKING CAPITAL

FREE OPERATING CASH FLOW
12M ROLLING

NET WORKING CAPITAL
% OF REVENUES

Free operating cash flow, MSEK
Free operating cash flow 12M rolling, MSEK
Adjusted EBITA 12M rolling, MSEK

NWC, MSEK
NWC % of revenues
STRENGTHENING OF BALANCE SHEET

**STRENGTHENING OF BALANCE SHEET**

**NET DEBT**

**NET GEARING**

**NET DEBT / EBITDA**

- Net debt excl. net pension liability MSEK
- Net pension liability MSEK
- Net gearing incl. net pension liabilities

*Standard & Poor’s definition*
IMPROVED CAPITAL EFFICIENCY
INCREASED PACE

EBIT%

Average 1.1x

ROCE %

Average 13.2%

CAPITAL TURNOVER

CAPITAL MARKETS DAY
NOVEMBER 2017
SHORT TERM IMPACT ON CASH FLOW

- NWC
- NET FIN ITEMS
- TAX
- CAPEX
STRONGER MARKET THAN EXPECTED
SELF-HELP ACTIONS PARTIALLY OFF-SET BY IMPORTANT INVESTMENTS

55% MARKET-DRIVEN IMPROVEMENT

45% NON-MARKET Driven IMPROVEMENT

ESTIMATED UNTIL 2017
1 500 MSEK

ESTIMATED UNTIL 2017
1 200 MSEK

ORIGINAL PLAN UP UNTIL 2018

~100% SELFHELP DRIVEN IMPROVEMENT

ESTIMATED UNTIL 2018
2 300 MSEK

CAPITAL MARKETS DAY
NOVEMBER 2017
KEY PRIORITIES

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