AGENDA

SANDVIK MATERIALS TECHNOLOGY

THIS IS SANDVIK MATERIALS TECHNOLOGY

MANAGING WEAK DEMAND

OPPORTUNITIES
SANDVIK MATERIALS TECHNOLOGY
ADVANCED MATERIALS FOR THE MOST DEMANDING INDUSTRIES

CAPABILITIES

• World-leading developer and manufacturer of high-value added products in advanced stainless steels and special alloys.

• Setting the industry standard in the most demanding industries, such as energy, chemical and aerospace.

CUSTOMERS

KEY FIGURES 2015

• Revenues: 14 BSEK
• EBIT margin*: 8%
• Cash-Flow: 1.9 BSEK
• NWC: 25%
• 6,500 employees

*) Excluding effects from changed metal prices and nonrecurring charges
NICHE PLAYER
CAPACITY LIMITED TO 0.02% OF WORLD STEEL MARKET

STEEL PRODUCTION
1500 Mtons

STAINLESS STEEL
50 Mtons

INSTALLED CAPACITY IN SMT MELTSHOP
0.3 Mtons

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

EXAMPLES OF LEADING AND NEXT GENERATION OF MATERIALS:

**OIL & GAS UMBILICAL TUBING**
- Sandvik SAF 2507™
- Sandvik SAF 3207™ (new)

**OIL & GAS WIRELINES**
- Sandvik SAF 2507™
- Sanicro 56Mo™ (new)

**NUCLEAR WELDING**
- Sandvik 19.9.L™
- Sandvik 24.13.LHF™ (new)

**HEATING SYSTEMS**
- Kanthal APM™ etc.
- Kanthal APMT™ (new)

**AEROSPACE TUBING**
- Ti Grade 9 (Boeing 787 Dreamliner)
- Ti Grade 5 (new)

**FERTILIZER MATERIALS**
- Sandvik Safurex™
- Sandvik Safurex™+ (new)

**ENERGY/FUEL EFFICIENCY**
- Sandvik Hiflex™ flapper valve steel
- Pressurfect™ GDI-tubing
**HIGHLY INTEGRATED PRODUCTION**
**UP TO 30 VALUE ADDING PROCESS STEPS**

<table>
<thead>
<tr>
<th>RAW MATERIALS</th>
<th>MELTING AND HOT ROLLING</th>
<th>COMMON FINISHING</th>
<th>SPECIFIC FINISHING</th>
<th>CUSTOMER SEGMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>TUBE</td>
<td>Steam generator tubes</td>
<td>Finned tubes</td>
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<td>Coiled tubes</td>
<td>Umbilical tubes</td>
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<td>Coated strip steel</td>
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<td>Compressor valve steel</td>
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<td>Razor blade steel</td>
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<td>Heating elements</td>
<td>Aerospace</td>
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<td>and systems</td>
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<td>rock drill steel</td>
<td>Construction</td>
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<td>Medical</td>
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- **Recycled steel**
- **Alloying elements**
ORGANIZATION AND GOVERNANCE

PRESIDENT
Petra Einarsson

TUBE
Revenues 7.1 BSEK

STRIP WIRE & HEATING TECHNOLOGY
Revenues 4.8 BSEK

PRIMARY PRODUCTS
Revenues 2.0 BSEK

Product areas
Operational business units
PORTFOLIO MANAGEMENT MODEL
DIFFERENT BUSINESSES – WITH DIFFERENT CHALLENGES AND AGENDAS

SHARE OF TONS*: SHARE OF REVENUES*: SHARE OF EBIT*:

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EXAMPLE OF PRODUCTS:

Strategic businesses like oil/gas, nuclear products, heating systems, powder and rock drill steel.

More standardized products, e.g. standard tube, bars and billets, strip and wire. IMPORTANT FOR SCALE AT PRIMARY

Specialized product units with limited linkage to the Primary system, e.g. titanium tubing for aerospace, medical wire and fuel cell material.

AGENDA

Safeguard strong position in future growth areas, e.g. energy and energy efficiency.

Lean business model, capacity and supply chain adjustments, operational excellence, selective exits.

Leverage no 1 or no 2 market position.

*) Average 2013-2015
MANAGING VOLATILITY

EBIT MARGIN
(Excluding metal price effects and nonrecurring charges)

OIL PRICE DROP

2011 5.6%

2012 10.0%
2013 11.1%
2014 10.1%
2015
Q1 10.0%
Q2 10.1%
Q3 5.8%
Q4 7.0%
Q1 10.0%

FULL YEAR: 8.3%
OIL & GAS EXPOSURE

ONSHORE
- OPEX: 0%
- CAPEX: 3%

OFFSHORE
- OPEX: 2%
- CAPEX: 17%
SUBSEA PROJECTS OVERVIEW

- Awarded
- Tender: 4-6 months
- Decision: 1-2 months
- Engineering Design: 12 months

= Oil project
= Gas project

JANUARY 2016
OPPORTUNITIES

CHINA
- Power generation capacity to increase by 50% by 2035
- Focus on nuclear and coal
- Sales, production and R&D presence today

INDIA
- Power generation capacity to increase by >30% by 2020
- Nuclear capacity to double by 2020
- Sales, production and R&D presence today

IRAN
- Oil production to almost double by 2021
- Capex requirements offshore
- Potential largely untapped
WE ARE PART OF THE SOLUTION

- SANDVIK SANICRO 25™ reducing CO₂ emissions by 24% in coal-fired power plants.
- KANTHAL APMT™ for increasing safety and efficiency in next generation nuclear power plants.
- SANDVIK SANERGY™ for fuel cell technology, reducing CO₂ emissions.
- SANDVIK HIFLEX™ compressor valve steel for improved energy efficiency in refrigerators and air conditioners.
- SANDVIK SAF 3207HD™ next generation material for ultra-deepwater oil exploration.
- SANDVIK SAFUREX™+ next generation fertilizer material, also for powder-based components.

SUMMARY
SANDVIK MATERIALS TECHNOLOGY

- **WORLD-LEADING** developer and manufacturer in advanced stainless steels and special alloys for selected market niches.

- **CHALLENGING MARKET** expected to continue and contingency plans are in place to manage different scenarios.

- **LONG-TERM MARKET FUNDAMENTALS** remain solid as world faces the energy and climate challenge.
QUESTIONS