CAPITAL MARKETS DAY
2009

Managing the downturn

Lars Josefsson
President
Sandvik Mining and Construction
Environment, Health & Safety first

- Safety first everywhere our equipment is in use and in our own organization
- Our aim is to achieve zero work related injuries and illness

LTIFR

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIFR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>20</td>
</tr>
<tr>
<td>2006</td>
<td>16</td>
</tr>
<tr>
<td>2007</td>
<td>10</td>
</tr>
<tr>
<td>2008</td>
<td>7</td>
</tr>
<tr>
<td>2009</td>
<td>3</td>
</tr>
</tbody>
</table>

EHS leadership from all employees
Risk based EHS management systems
Certification to OHSAS 18001 & ISO 14001
Sustainable and continual improvement
Financial objectives

Sandvik Tooling

Growth: 7%
ROCE: 30%

Sandvik Mining and Construction

Growth: 9%
ROCE: 25%

Sandvik Materials Technology

Growth: 8%
ROCE: 20%
The Sandvik Mining and Construction

numbers for 2008

- Sales MSEK 38,651
- Operating profit MSEK 4,996
- Operating margin 12.9%
- ROCE 24.2%
- 16,796 employees
Sandvik Mining and Construction

Q2 2009

- Order intake -46% (P/V)
  - Sharp decline all areas
  - Cancellations of SEK 130 M

- Invoiced sales -25% (P/V)

- EBIT -7.9% of sales
  - SEK -670 M
  - Excluding non-recurring costs SEK 130 M
  - Currency effect SEK -70 M

- ROCE 9.5% (27.9)
Worldwide sales

50 % of sales in the northern hemisphere

50 % of sales in the southern hemisphere
New facilities in Brazil and China

- Inbound yards
- Region warehouse
- Outbound yard & Shipping
- Production units
- Training academy
- Office & canteen

New assembly center in China
Market update
Organic sales growth since 2002
six years of growth > 10%, but now...
Metal prices and mine closures

Base Metal Prices & Mine Closures / Production Disruptions
Source: Ecowin + MineSearch

Metal Price Ratio (May 08 = 100)
- Copper
- Zinc
- Nickel
- Copper, Spot
- Nickel, Spot
- Zinc, Spot
Capital expenditure for the global mining industry

(US$bn)

Source: McKinsey Mining Database, RMG
Visibility is low
and the tough times continue

- The recession
  - Mineral prices
  - Mines go into care & maintenance
  - No funding for exploration & new projects
  - Shortage of financing for customers
  - Housing bust in US & Europe
  - Overstocking

- The recovery??
  - China growth
  - Infrastructure packages
  - Urbanization
  - Gold, Iron ore & Coal
  - Climate change/Energy efficiency
  - Input cost deflation
Managing the downturn
“The World fell over a cliff”
backlog for one product line

1999 - 2009

October 2008
Resizing way of working

- Define the Size of the problem
  - October

- Understand where and how to address the problem
  - October / November

- Take action
  - November and ongoing
Market situation

60% of sales considered "Hurt" (-30%) or "Badly hurt" (-50%)
The manufacturing flexibility concept

- External assembly / Outsourcing
- Temp employees and labor hires in own factories
- Own employees in own factories

Resizing starting point
Adaption of manufacturing and service structure
Cost savings

Cost savings annualized

- Accumulated
- Target

Accumulated costs and target values for the months from November 2008 to June 2009 are shown in the graph. The costs increase over time, with May and June showing the highest values.

MSEK

Nov 08  Dec 08  Jan 09  Feb 09  Mar 09  Apr 09  May 09  Jun 09
Net Working Capital

NWC reduction realized

- Accumulated
- Target

MSEK

Jan | Feb | Mar | Apr | May | Jun

-2000 | -1800 | -1600 | -1400 | -1200 | -1000 | -800 | -600 | -400 | -200 | 0
The adjusted organization will create:
- An organization with fewer and clearer handovers
- Larger global organizations with better synergies
- A more efficient supply chain organization

The fundamentals for the SMC organization remain:
- A Customer Focused organization with a strong aftermarket
- Regional sales and service organizations
- Common Functions to capture synergies
Sandvik Mining and Construction’s three customer segments

**Sales by customer industries**
- Underground mining
- Surface mining
- Construction

**Sales by product type**
- Aftermarket parts, tools, consumables and services
- Equipment
- Project sales
Summary of actions
Sandvik Mining and Construction

Immediate actions taken

- Closure of ten manufacturing facilities initiated
- Manpower reduced with 3,800 people globally
- Focus on Net Working Capital

Long term strategic actions

- Restructuring
  - From five to three Customer Segments
  - One Supply Chain organization
  - From nine to eight Sales Regions
  - Reduction of top management with 1/3
Aftermarket
We are open to meet customer needs

- Excavated tonne/per meter
- Performance per unit
- Parts and service
- Product supplier
- Customer performance
Aftermarket / Equipment
ratios 2006 - 2010

AM% of invoicing 2006

Eq+Proj 55%
AM 45%

AM% of invoicing 2010

Eq+Proj 45%
AM 55%
Right part at the right place
at the right time everywhere
Developing solutions for future needs

Energy and CO₂ footprint
**The choice of the planet**

- Mining and construction are sensitive working areas.
- We develop new solutions that will minimize the environmental impact of the operational processes.
- In the end we help our customers to operate in a more sustainable way.

All major sites certified according to ISO 14001

- Clear goals for R&D
- Environmental risk assessment
- Education and training programs
Where is the mining industry going regarding ENERGY consumption?

- Increasingly difficult conditions drive towards increased energy consumption.
- Indexed cost per tonne concentrate; Percent.
- Energy costs as a % of operating cost - Surface mining example.

Potential Carbon Tax Cost

Source: Infomine; The Economist Intelligence Unit; International Energy Agency.
In-Pit Crushing and Conveying (IPCC)
is one way of reducing emissions
“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 effected by other factors like 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.”