CARTIAL MARKETS DAY
2009

Managing the downturn

Anders Thelin
President Sandvik Tooling
Managing the downturn

• Business update
• Background
• Tactics and way of working
• Structural changes
• Gaining market share
• Conclusions
Sandvik Tooling

Business update
Sandvik Tooling

Tools and tooling systems for metalworking
Wear parts and superabrasive components
Solutions using products in cemented carbide, high-speed steel, synthetic diamond, cubic boron nitride and special ceramics

2008

- Sales SEK 26,000 M
- EBIT SEK 5,461 M, 21.0%
- ROCE 27.0%
- 17,000 employees
### Business update

Multi-brand strategy

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<tbody>
<tr>
<td>Global brands</td>
<td><img src="image" alt="Sandvik Coromant" /></td>
<td><img src="image" alt="Walter" /></td>
<td><img src="image" alt="Valenite Safety" /></td>
<td><img src="image" alt="Dormer" /></td>
<td><img src="image" alt="Sandvik Hard Materials" /></td>
<td><img src="image" alt="Diamond Innovations" /></td>
<td><img src="image" alt="Wolfram" /></td>
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<td>Local and product brands</td>
<td><img src="image" alt="BaiLOni" /></td>
<td><img src="image" alt="Walter" /></td>
<td><img src="image" alt="Valenite Safety" /></td>
<td><img src="image" alt="Valenite" /></td>
<td><img src="image" alt="Valenite Impero" /></td>
<td><img src="image" alt="Triumph" /></td>
<td><img src="image" alt="Union Butterfield" /></td>
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**Customers**
Business update
Financial objectives

<table>
<thead>
<tr>
<th>Sandvik Tooling</th>
<th>Sandvik Mining and Construction</th>
<th>Sandvik Materials Technology</th>
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<tr>
<td>Growth</td>
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<tr>
<td>7%</td>
<td>9%</td>
<td>8%</td>
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<td>30%</td>
<td>25%</td>
<td>20%</td>
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Sandvik Tooling
Sandvik Capital Markets Day September 2009
Business update
Sandvik Tooling Q2 2009

- Order intake -45% (P/V)
  - Sharp decline in all areas
- Invoiced sales -44% (P/V)
- EBIT -10.2% of sales
  - SEK -463 M
  - Excluding nonrecurring costs SEK -163
  - Currency effect SEK +30 M
- ROCE 9.1% (33.0%)
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A 10-year business cycle since the 1970s

2–3 years downturn

Demand returns on a higher level after downturn
Background
Sandvik Coromant order intake vs. same quarter previous year
Background

- Clear correlation between number of salesmen and sales
- New Sales Ratio correlates well with profit and growth respectively
Managing the downturn

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Tactics

2–3 years downturn and -40% order intake

● Reduce
  ✓ Cost
  ✓ Production capacity
  ✓ Net Working Capital

● Safeguard
  ✓ R&D resources and competencies
  ✓ Sales resources and competencies
  ✓ Fast ramp up of delivery capacity

● Gain market share
Way of working
Improving efficiency and finding synergies

Business situation
Scenario
Feedback
Objectives & priorities
Activities
Way of working
Aligning the organization

- Understanding of business situation
- Agreement on scenario and tactics
- Dialogue

- Accountability
- Dedication
- Action
Way of working
Cost savings

SEK M

- Accumulated
- Accumulated target

Jan   Feb   Mar   Apr   May   Jun   Jul

0      500   700   900   1,200  1,400  1,600

Sandvik Tooling
Sandvik Capital Markets Day September 2009
Way of working
Net Working Capital reduction

SEK M

Accumulated
Accumulated target

Jan  Feb  Mar  Apr  May  Jun  Jul

0  100  200  300  400  500  600  700  800  900  1,000  1,100  1,200
Way of working
Personnel reductions 2009

-500
-1,000
-1,500
-2,000
-2,500
-3,000
-3,500
-4,000

Jan
Feb
Mar
Apr
May
Jun
Jul

FTE (YTD)
FTEE (YTD)
Accumulated target
Way of working
Sandvik Tooling cash flow and EBIT
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Structural changes
Number of production units

- Review of Product Area structure

- Consolidation of production units
  - Givoletto, Italy
  - Vienna, Austria
  - Melbourne, Australia
  - Seoul, Korea
  - Como, Italy
Structural changes
Wolfram acquisition

- State of the art Tungsten Carbide
- Recycling of Cemented Carbide
- Raw-material supply
- Reduced inventory
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Gaining market share
Sales

- Global presence
- Customer interaction
- Application know-how
Gaining market share
Acting on trends

- Technical development drivers
  - Short product life cycles
  - Small, strong and light
  - Environmental concern
- Technology upgrades
- BRIC markets
Gaining market share
Segments with growth

Aerospace

Wind power

Deep hole drilling

1 million holes
Segment with growth
Wind power

● Opportunity
  ✓ Market growth 20-25% yearly
  ✓ 50% machining of COGS

● Our offer
  ✓ Productivity solutions
  ✓ Full product range
Gaining market share
Multi brand strategy

- Example wind power
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Opportunities in the recession
Partnering with customers

- Innovation, new technology
- Strong presence in BRIC
- Financial stability
- Fair play and environmental program
Q&A session
Cautionary Statement

“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.”