SANDVIK MATERIALS TECHNOLOGY
INTERNAL SEPARATION INITIATED
OUR INNOVATIVE HERITAGE

1862 Foundation in Sandviken, by Göran Fredrik Göransson and his associates
1868 The company name Sandvikens Jernverks AB is registered
1869 Manufacture of seamless tube begins
1889 Manufacture of seamless tube begins
1890 Introduction on the Stockholm Stock Exchange
1891 Production of stainless steel starts
1892 Coromant brand established. Development of cemented-carbide applications and products
1901 First sales subsidiary outside Sweden in the UK
1914 First sales subsidiary outside Sweden in the UK
1918 Manufacture of seamless tube begins
1921 Production of stainless steel starts
1922 Coromant brand established. Development of cemented-carbide applications and products
1931 Sandvik first in the world with surface-coated cemented-carbide inserts
1938 Sandvik first in the world with surface-coated cemented-carbide inserts
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1948 Sandvik first in the world with surface-coated cemented-carbide inserts
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1998 A new organization with three major business areas are formed; Sandvik Tooling, Sandvik Mining and Construction, and Sandvik Specialty Steels
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WORLD-LEADING POSITIONS

- DECENTRALIZED WITH 20 DIVISIONS
- FOCUS ON CORE BUSINESS
- ENSURE RIGHT LONG-TERM OWNERSHIP
ENSURING LONG-TERM MARKET LEADERSHIP

OUR RESPONSIBILITY TO OPTIMIZE VALUE

STABILITY
SECURE A STABLE PLATFORM

PROFITABILITY
IMPROVE PROFITABILITY

GROWTH
GENERATE PROFITABLE GROWTH

SHAREHOLDER VALUE

CUSTOMER VALUE

EMPLOYEE VALUE
SANDVIK MATERIALS TECHNOLOGY

A LEADER IN ITS FIELD

• Leading offering
• Strong performance
• Future potential to grow and develop
FUTURE GROWTH POSSIBILITIES FOR SMT
CONSTRAINED BY SANDVIK GROUP

SANDVIK MACHINING SOLUTIONS
ROCE: >35%

SANDVIK MINING AND ROCK TECHNOLOGY
ROCE (excl. Varel): >30%

SANDVIK MATERIALS TECHNOLOGY
ROCE: ~10%
# Right Time for Next Step

<table>
<thead>
<tr>
<th>FUNDAMENTALS IN PLACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong performer in its industry</td>
</tr>
<tr>
<td>• Successful turnaround &gt;10% margin and ~10% ROCE</td>
</tr>
<tr>
<td>• Organizational restructuring done</td>
</tr>
<tr>
<td>• Strong cash generation and well-invested</td>
</tr>
<tr>
<td>• Decentralization has enabled stand-alone businesses</td>
</tr>
<tr>
<td>• Strong financial position for Sandvik</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STAND-ALONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengthened opportunity for strategic priorities and long-term profitable growth</td>
</tr>
<tr>
<td>• Evaluated on own merits</td>
</tr>
<tr>
<td>• Full focus on developing the business</td>
</tr>
</tbody>
</table>
BECOMING INDEPENDENT

WHAT HAPPENS NOW?

• Prepare to become a stand-alone business
• Establish strong own identity
• Business as usual
• Separate project team to focus on internal separation
• Separation and preparation for a possible listing will take at least a year
• There are no guarantees that a final decision to list will be taken
ENSURING PROFITABLE GROWTH AND LONG-TERM VALUE CREATION

• Solid platform to build from
• SMT well positioned in its industry
• Right time to separate to get better focus and flexibility
• Ambition to explore the possibilities to distribute to existing shareholders (Lex Asea)
• No guarantees of listing
SMT PERFORMANCE

FINANCIAL DEVELOPMENT

SEK billions

REVENUES

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>13.8</td>
<td>14.7</td>
<td>13.6</td>
<td>12.6</td>
<td>13.3</td>
<td>14.7</td>
</tr>
</tbody>
</table>

EBIT *

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>1.5</td>
<td>1.5</td>
<td>1.1</td>
<td>1.0</td>
<td>0.6</td>
<td>1.1</td>
</tr>
</tbody>
</table>

MARKET DEVELOPMENT
- World seamless tubular market recovery
- Oil and Gas recovery
- Gas to electric trend increasing within heating systems

EXECUTION CULTURE
- Decentralized organization and governance
- Strong commitment to execute on plans
- Performance management
- Separate key initiatives reviews
- Contingency plan continuously updated

INITIATIVES AND IMPROVEMENTS
- Portfolio optimization
- Cost adjustment program
- Footprint decisions
- More flexible manning
- Capex more adapted to SMT own financial performance

* EBIT excluding effects from changed metal prices, nonrecurring charges and Powder Division
A LEADING ADVANCED MATERIALS COMPANY

- World-leading manufacturer of advanced stainless steels and special alloys for the most demanding industries
- A true innovation leader in materials technology with world class capabilities
- Strong industry position across its end-markets
- Long-term customer relationships with leading actors in the industry
- Well-positioned to capitalize on the global trends of energy efficiency and sustainability
STRONG OFFERING ACROSS SMT DIVISIONS

**TUBE**
Seamless tubes and other long products in advanced stainless steels.
Used in O&G, nuclear & other energy-related end-markets as well as chemicals, automotive and aerospace

<table>
<thead>
<tr>
<th>POSITIONING</th>
<th>PRODUCTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Oil &amp; Gas</td>
<td>Umbilical Tubes</td>
</tr>
<tr>
<td>#1 Aerospace</td>
<td>High Pressure Tubes</td>
</tr>
<tr>
<td>tubes</td>
<td>Fittings, coupling and</td>
</tr>
<tr>
<td>#1 Rock Drill</td>
<td>Rock Drill Steel</td>
</tr>
<tr>
<td>Steel</td>
<td></td>
</tr>
</tbody>
</table>

**KANTHAL**
Heating elements and resistance wire for heating solutions (consumer and industrial heating) as well as wire for medical devices

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<tbody>
<tr>
<td>#1 Industrial Heating Solutions (Electric - 0 to 1950 C)</td>
<td>Flow Heaters</td>
</tr>
<tr>
<td></td>
<td>Furnace Rollers</td>
</tr>
<tr>
<td>#1 Medical Wire</td>
<td>Heating Elements</td>
</tr>
<tr>
<td>#1</td>
<td>Diffusion Cassettes</td>
</tr>
<tr>
<td>#1</td>
<td>Resistance Heating Wire</td>
</tr>
</tbody>
</table>

**STRIP**
Wide range of strip steel and a variety of strip-based products.
Mainly supplying consumer driven products within white goods, automotive, shaving and the printing industry

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<tr>
<td>#1 Flapper Valve Steel</td>
<td>Razor Blade</td>
</tr>
<tr>
<td>#1 Knife Steels</td>
<td>Coated Strip Steel</td>
</tr>
<tr>
<td>#2 Razor Blade Steel</td>
<td>Creeping Blade</td>
</tr>
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SANDVIK
WORLD CLASS CAPABILITIES

CONTROL OF THE SUPPLY CHAIN FROM MELT TO FINAL PRODUCT

MELT SHOP  HOT WORKING  COLD WORKING  FINISHING
WORLD CLASS CAPABILITIES

STRONG GLOBAL PRODUCTION FOOTPRINT

SANDVIKEN, SWEDEN

MAIN SITE
- Melt shop and hot rolling
- Hot extrusion (three extrusion presses)
- Tube mills
- Rock drill steels
- Precision strip
- R&D

GLOBAL FOOTPRINT

# Employees:
- <100
- 100-500
- >500
WORLD CLASS CAPABILITIES

LEADING R&D CAPABILITIES IN ADVANCED MATERIALS

MATERIALS EVOLUTION FOCUSING ON DEMANDING INDUSTRIES:

- Unique expertise in advanced stainless steels and special alloys for selected niches in the most demanding industries
- Extensive knowledge about customer applications – next generation of material developed in close cooperation with customers
- Driving the materials evolution, contributing to making industrial activity safer, more efficient and sustainable

NICKEL AND SUPER ALLOYS
To accelerate growth in high corrosion applications

POWDER BASED ALLOY PRODUCTS
Offer complex shapes and unique material properties

ADVANCED STAINLESS AND DUPLEX
Next generation materials setting the industry standard

THE BEST PEOPLE AND PARTNERS
- 270 employees in R&D
- 40 PhDs, 5 senior experts
- Four Research Centers
- Close cooperation with leading technical universities
INNOVATIONS SUPPORTING GLOBAL MEGATRENDS

POPULATION
Growing middle class and aging population is increasing the need for energy and medical treatment.

GLOBALISATION
More efficient solutions as regards to communication and travel is required.

SUSTAINABILITY
Climate change means increased demand for renewable energy as well as more energy efficient technical solutions.

DIGITALIZATION
Industry 4.0 technologies, robotization and 3D printing let manufacturers digitize and optimize production processes.

- Lighter and stronger materials
- Fine wire medical applications
- Industrial shift from gas to electrical heating solutions to reduce CO2 footprint
- Future solar energy materials for handling energy storage in high temperature
- Tube mobile production on customer site
- Next generation material for increased energy efficiency in compressors
- Sensor-based tube system for in process monitoring
- High temperature material for radically decrease of CO2 emissions from coal power
STRATEGY FOR GROWTH AND PROFITABILITY

NUMBER ONE MATERIALS TECHNOLOGY INNOVATOR

LEADING FINANCIAL PERFORMANCE

REDUCED VOLATILITY

CUSTOMER FOCUS
Exceed our customers’ expectations and enable them to excel in their business

MATERIAL SCIENCE AND INNOVATION
Strengthen our position being a materials innovator and technology leader

ABILITY TO INDUSTRIALIZE
Leading operational and commercial excellence

EXPAND SEGMENT PORTFOLIO
Maximize opportunities in growth segments

GEOGRAPHICAL POSITION
Grow geographical market position
SUMMARY

• Strong development over the last years, creating a solid platform to build from
• World leading capabilities and market position
• Well positioned for profitable growth