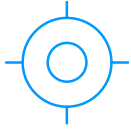


SANDVIK

CAPITAL MARKETS DAY 2017

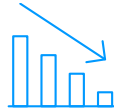


DELIVERING ON OUR PROMISES



AHEAD OF PLAN

**REACHED
PROFITABILITY TARGET**



DELEVERAGED

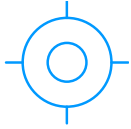
FREEDOM OF CHOICE



INVESTING AND
WELL POSITIONED FOR

GROWTH

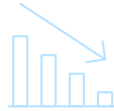
DELIVERING ON OUR PROMISES



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

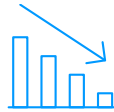
GROWTH

DELIVERING ON OUR PROMISES



AHEAD OF PLAN

REACHED
PROFITABILITY TARGET



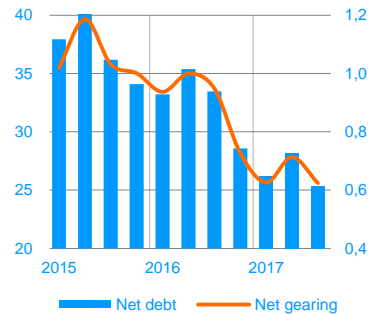
DELEVERAGED

FREEDOM OF CHOICE



INVESTING AND
WELL-POSITIONED FOR

GROWTH



CAPITAL MARKETS DAY
NOVEMBER 2017

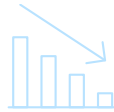


DELIVERING ON OUR PROMISES



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



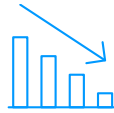
POWDER
Grow 3D powder portfolio

DELIVERING ON OUR PROMISES



AHEAD OF PLAN

REACHED
PROFITABILITY TARGET



DELEVERAGED

FREEDOM OF CHOICE



INVESTING AND
WELL POSITIONED FOR

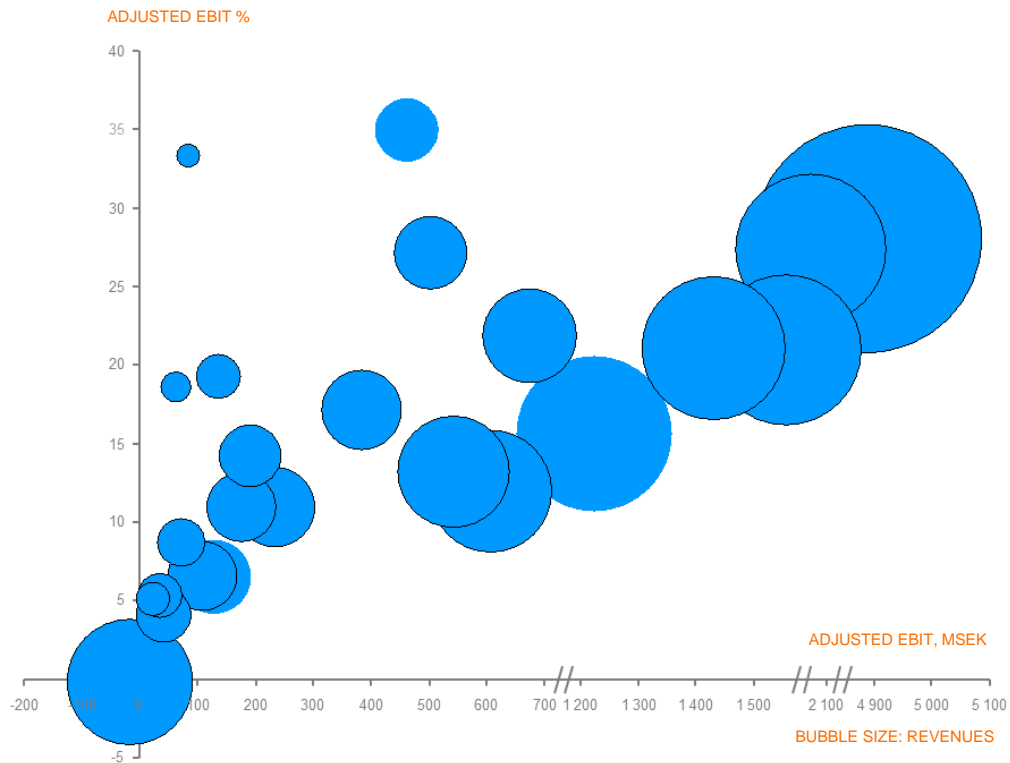
GROWTH

INCREASED
SHAREHOLDER VALUE



CAPITAL MARKETS DAY
NOVEMBER 2017





≥15%
EBIT MARGIN FOR FOUR
CONSECUTIVE QUARTERS



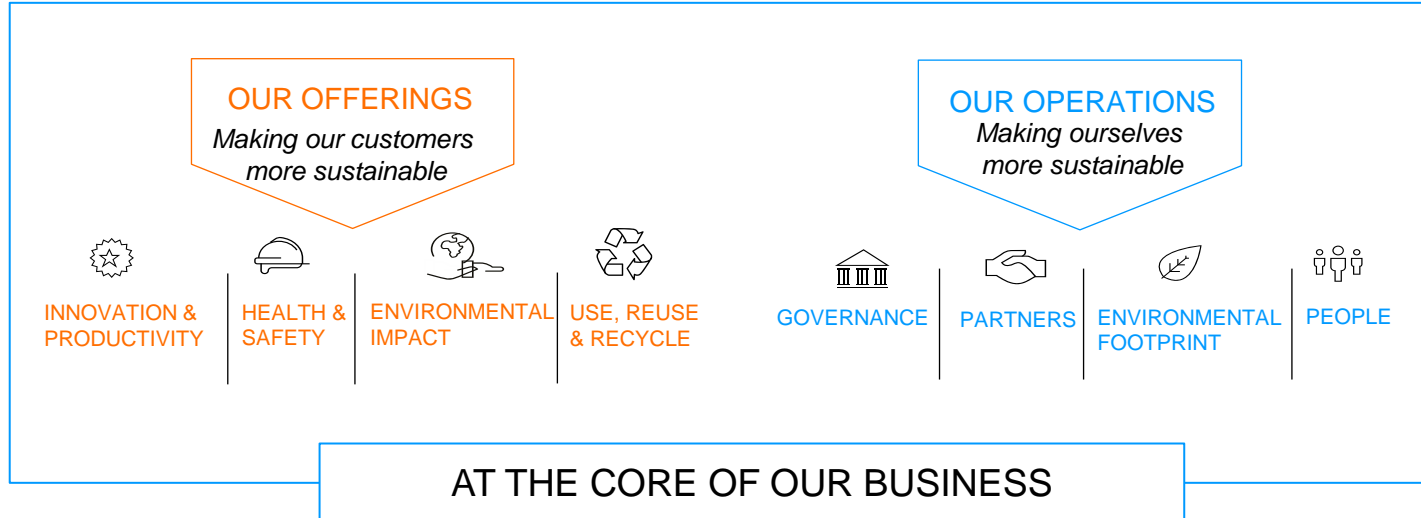
FROM
7 TO 0
LOSS-MAKING PA



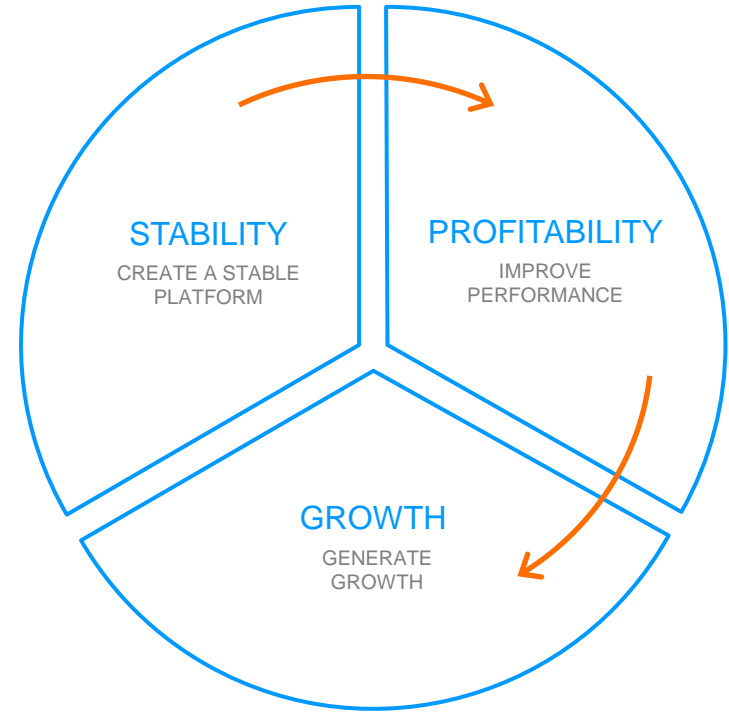
IMPROVING
VAREL AND MOBILE CRUSHING



SUSTAINABILITY RECOGNITIONS



ON OUR AGENDA



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

SANDVIK

STANDS

STRONG

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



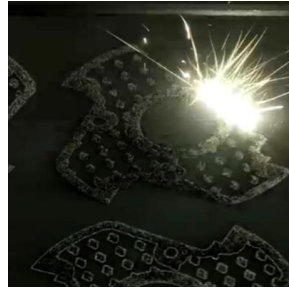
AUTOMINE®

SAFETY



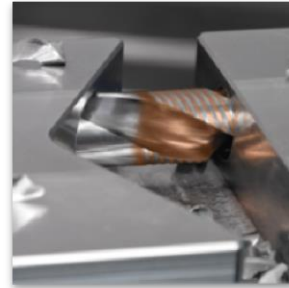
ELECTRICAL AND BATTERY DRIVEN MINING EQUIPMENT

ZERO EMISSIONS



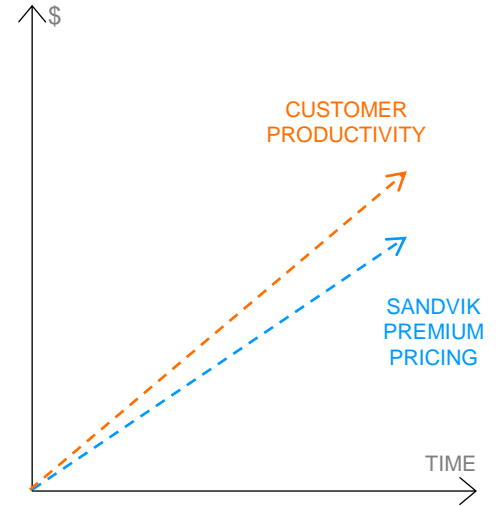
ADDITIVE MANUFACTURING INCL. POWDERS

REDUCED RAW MATERIAL USAGE

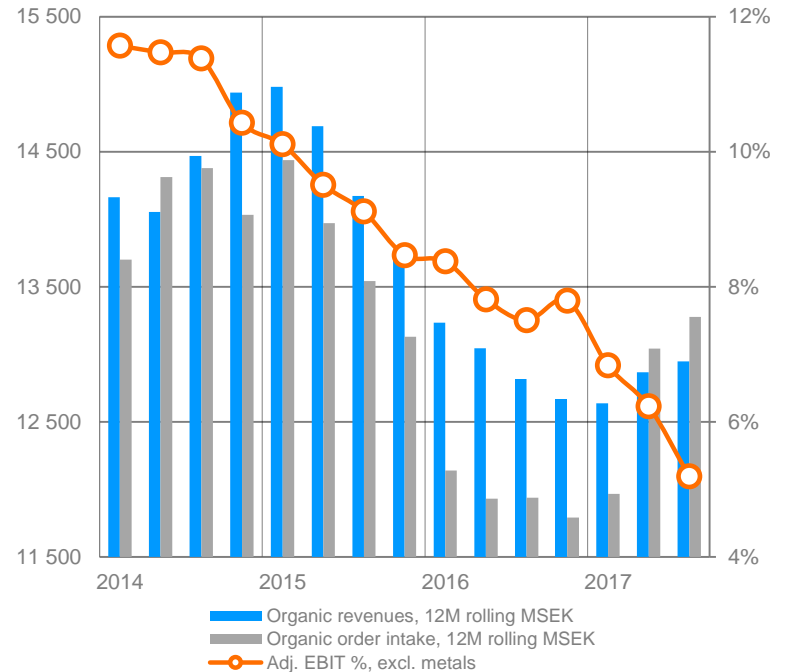
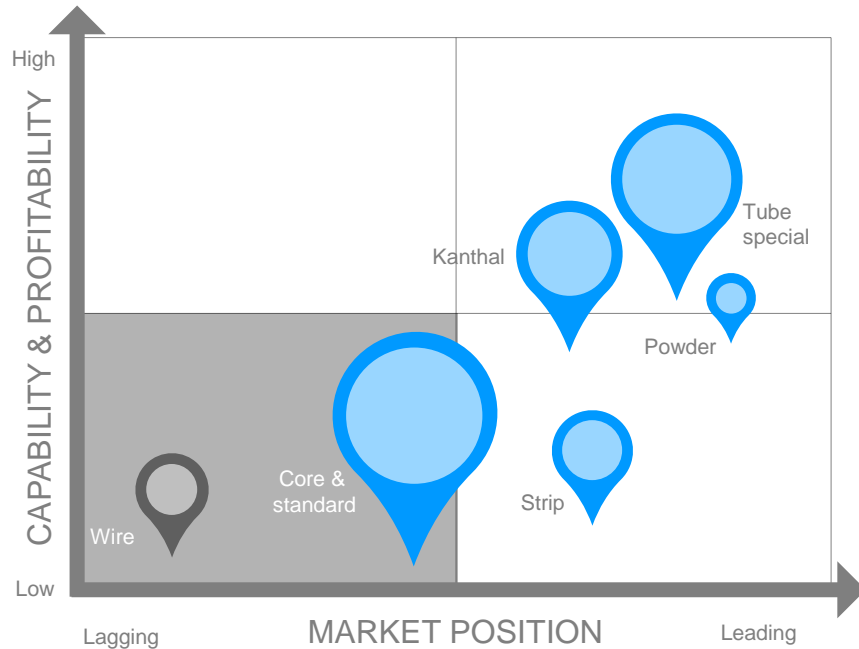


TOOLS FOR NEW MATERIALS AND TECHNIQUES

LIGHT-WEIGHT PRODUCTS FOR LOWER FUEL CONSUMPTION



UNSATISFACTORY PERFORMANCE IN SANDVIK MATERIALS TECHNOLOGY



SANDVIK MATERIALS TECHNOLOGY

WAY FORWARD

01. SHORT TERM

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

Reduction
~210
FTE:s

02. MID- TO LONG TERM

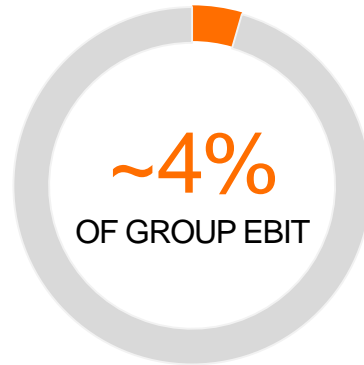
- Portfolio trimming
- Opportunities within new products and segments
- Operational excellence and optimization of mix
- Grow Kanthal and Powder

Reach
~10%
EBIT

03. CONTINUOUS REVIEW OF OPERATIONS AND STRUCTURE

IMPLEMENTATION TIME

ACTIVE PORTFOLIO MANAGEMENT



ASSUMED CASH INJECTION ~10 BSEK



MINING SYSTEMS



HYPERION

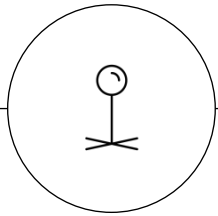


PROCESS SYSTEMS



WIRE

M&A CONSIDERATIONS

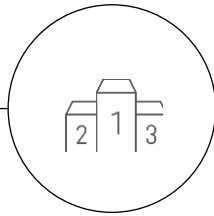


STRATEGIC IMPORTANCE

Add value through sustainable productivity

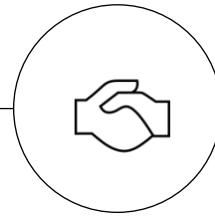
Mission critical

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

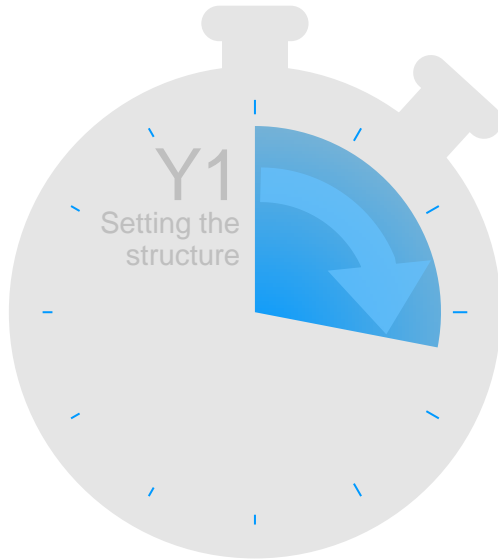
Valuation multiples higher in adjacent areas vs core



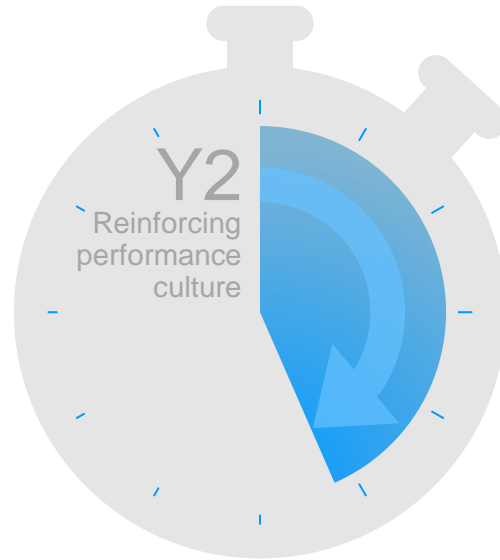
IMPACT GROUP

Safeguard long-term credit rating

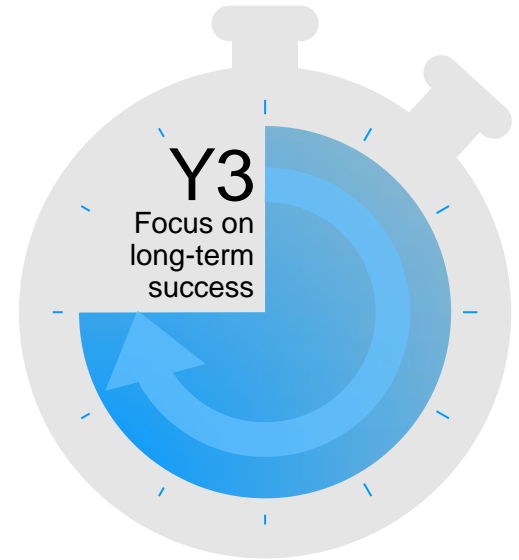
FROM HOUSEKEEPING...



Portfolio review and
decentralization



Performance management and
improved profitability



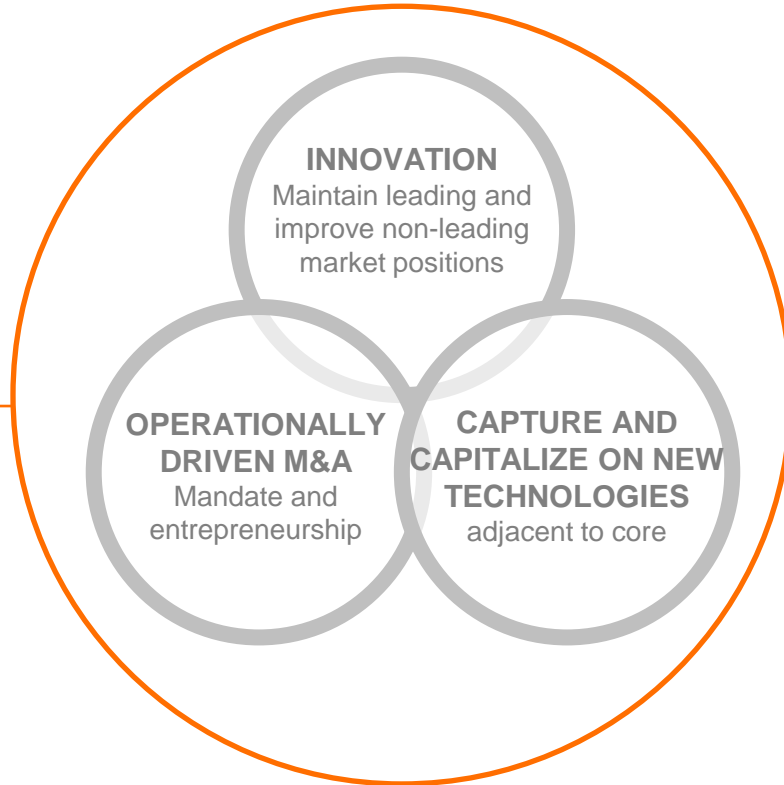
Next step for
profitability and growth

...TO LEVERAGE ON LEADING POSITIONS

PREREQUISITES FOR GROWTH

WE CONTROL THREE OUT OF FOUR

MARKET
DEVELOPMENT



INNOVATION

Maintain leading and improve non-leading market positions

OPERATIONALLY DRIVEN M&A

Mandate and entrepreneurship

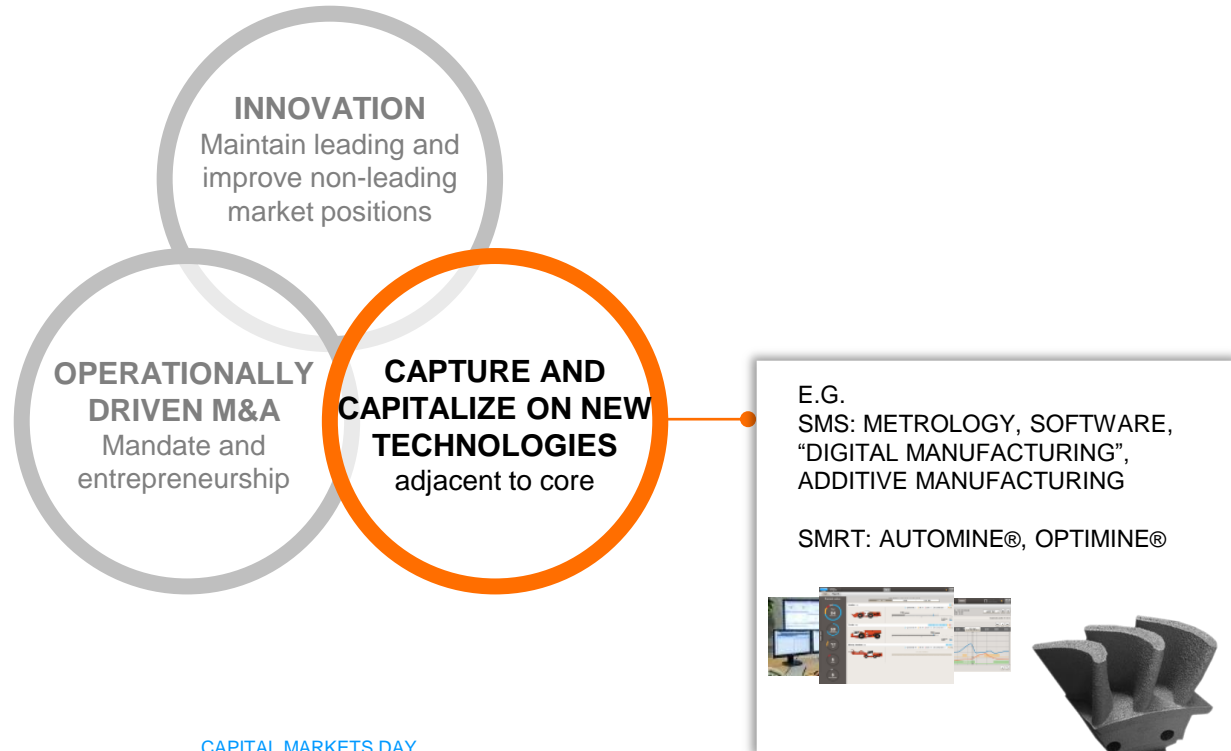
CAPTURE AND CAPITALIZE ON NEW TECHNOLOGIES

adjacent to core

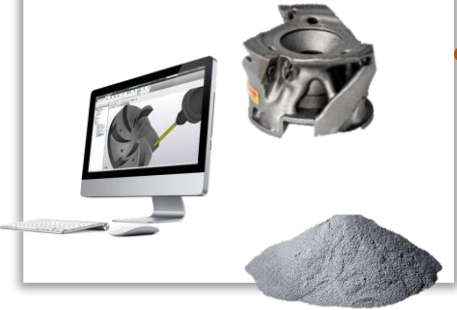
CONTINUE WITH PRODUCT LAUNCHES E.G. COROMANT INTELLIGENT TOOLS

PORTFOLIO ADJUSTMENTS SURFACE DRILLING





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

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

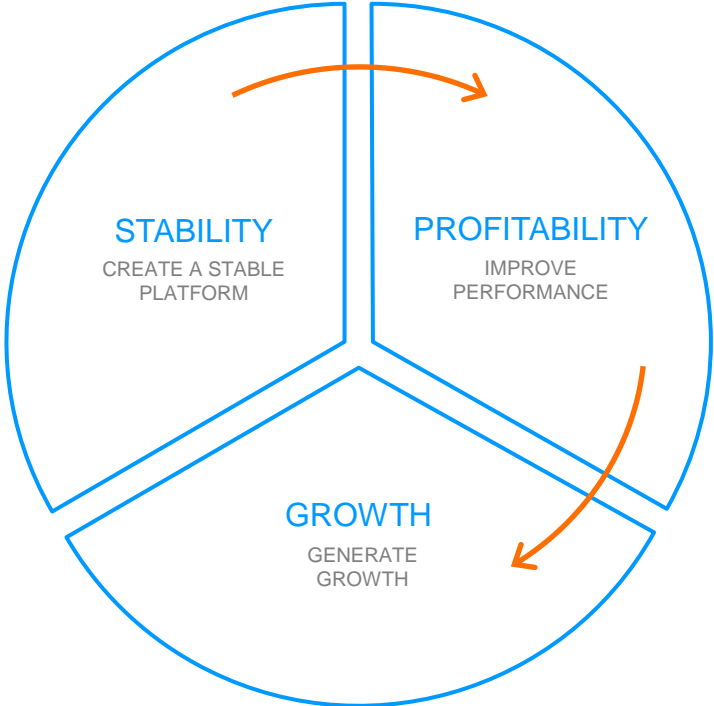
SANDVIK MATERIALS TECHNOLOGY

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

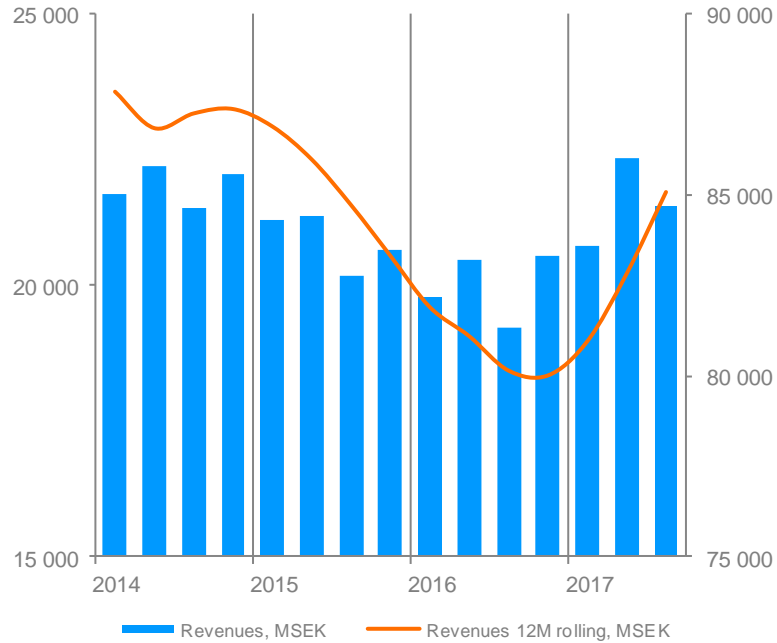
TOMAS ELIASSON, CFO



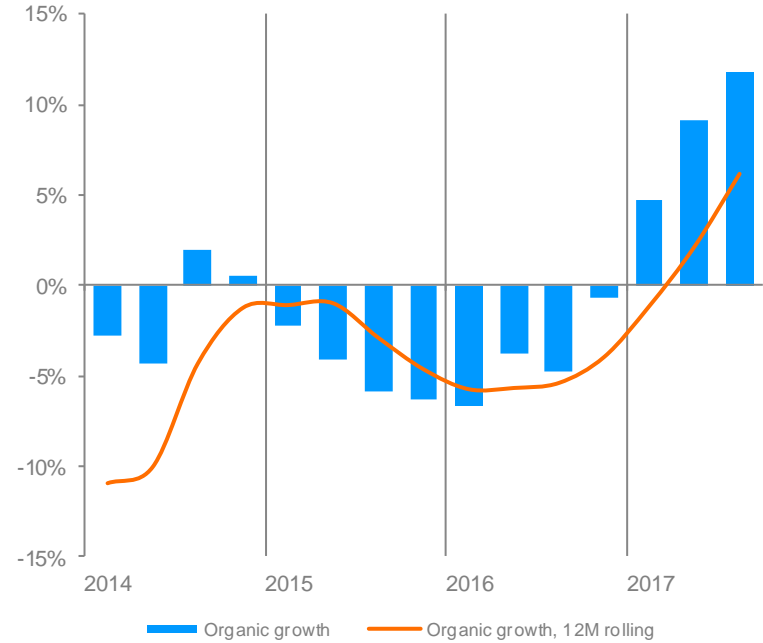
MARKET RECOVERY

ORGANIC REVENUES

12M ROLLING



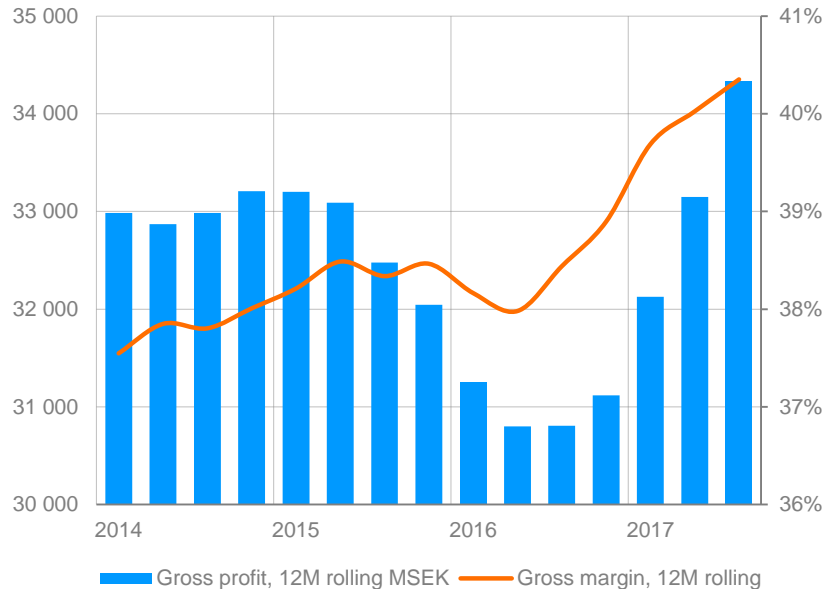
ORGANIC GROWTH %



INCREASED GROSS MARGIN BUT STILL MORE TO DO

ORGANIC GROSS PROFIT

ORGANIC GROSS MARGIN



ADDITIONAL SUPPLY CHAIN
CONSOLIDATION



PRICE MANAGEMENT

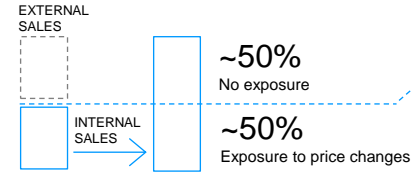


PRODUCTIVITY

LIMITED IMPACT FROM RAW MATERIALS

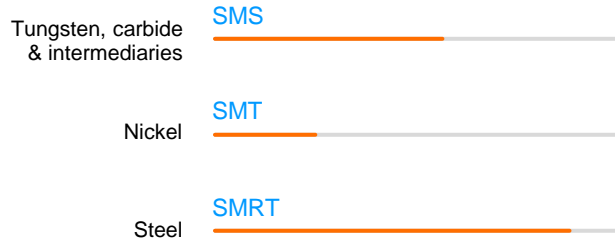


POWDER & BLANKS CUTTING TOOLS

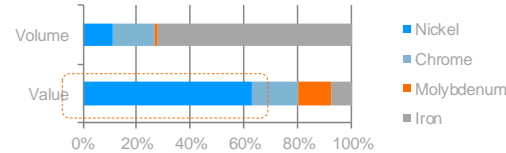


SEVERAL SOURCING OPTIONS

- 01 Own mine, virgin tungsten
- 02 Recycling
- 03 External sourcing (spot price)



Key raw materials in value (not tonnage)



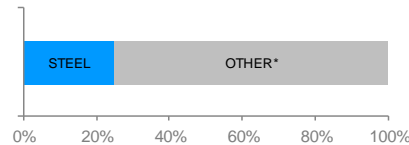
~35% Hedged fixed price projects

~40% Alloy surcharges – price changes transfer to customer

~25% Exposure to price changes



INDIRECT EXPOSURE VIA COMPONENTS/SYSTEMS FROM SUPPLIERS



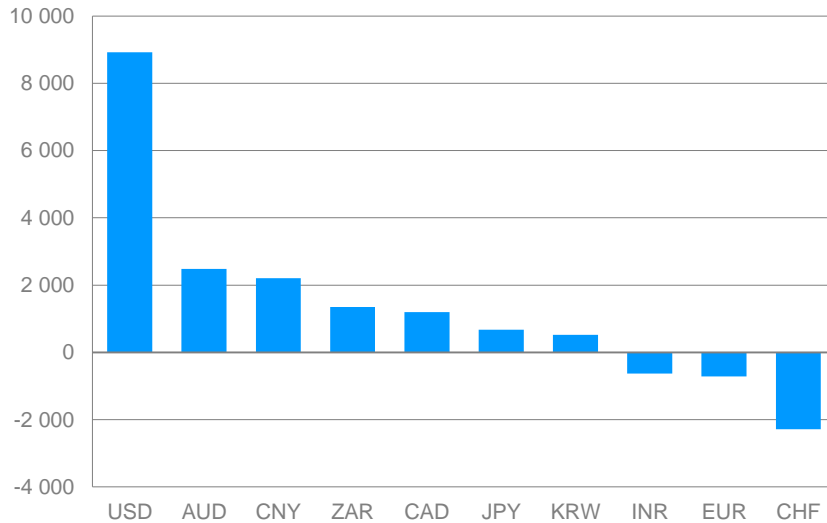
*In other: indirect steel exposure

- 01 Fixed pricing (12-36 months)
- 02 Pricing with risk sharing

CURRENCY EXPOSURE

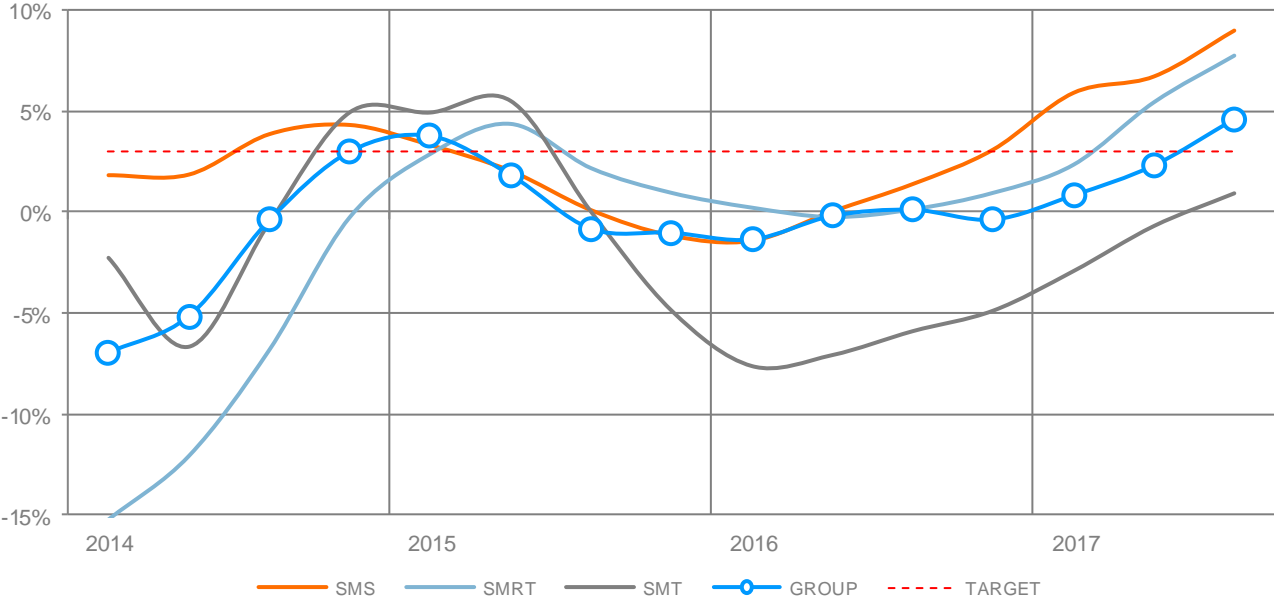
LIMITED HEDGING

NET CURRENCY FLOWS, 12M ROLLING MSEK



-
- Minimal hedging applied
 - Manufacturing predominantly in EUR & SEK
 - 96% of revenues outside Sweden
-

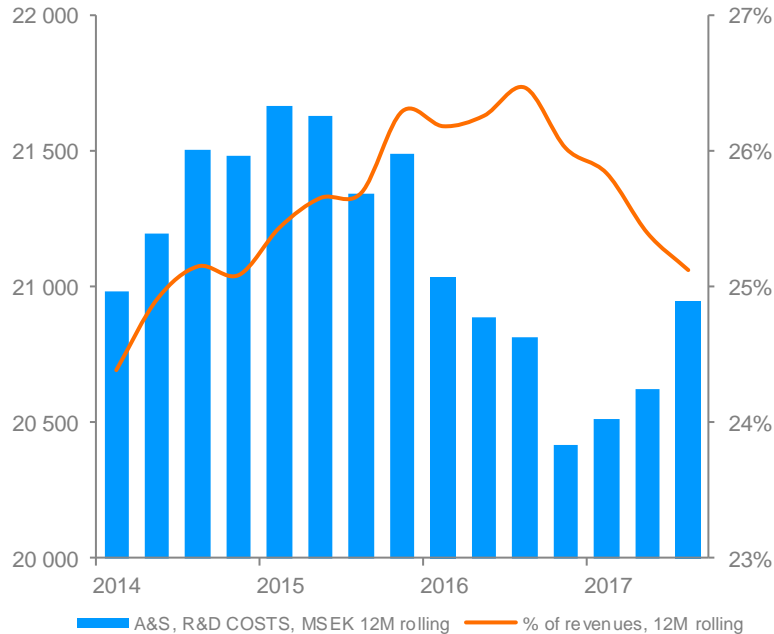
ANNUAL PRODUCTIVITY TARGET ~3%



CONTINUOUS REVIEW OF SG&A COSTS

ORGANIC A&S, R&D COSTS MSEK

% OF REVENUES



ADDITIONAL FTE REDUCTIONS

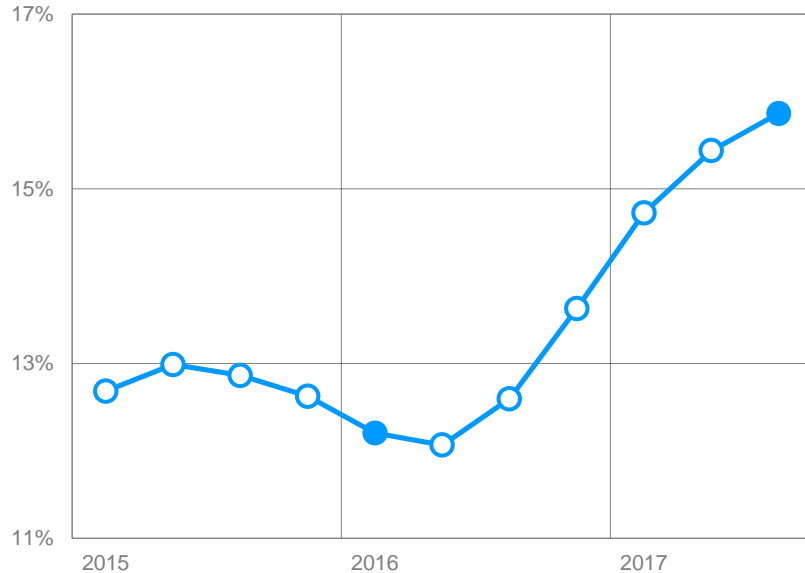
By optimizing administration, sales and corporate functions

Continued decentralization

EBIT MARGIN RECOVERY

STRONG MARKET AND EFFICIENCIES

ORGANIC EBIT MARGIN, 12M ROLLING



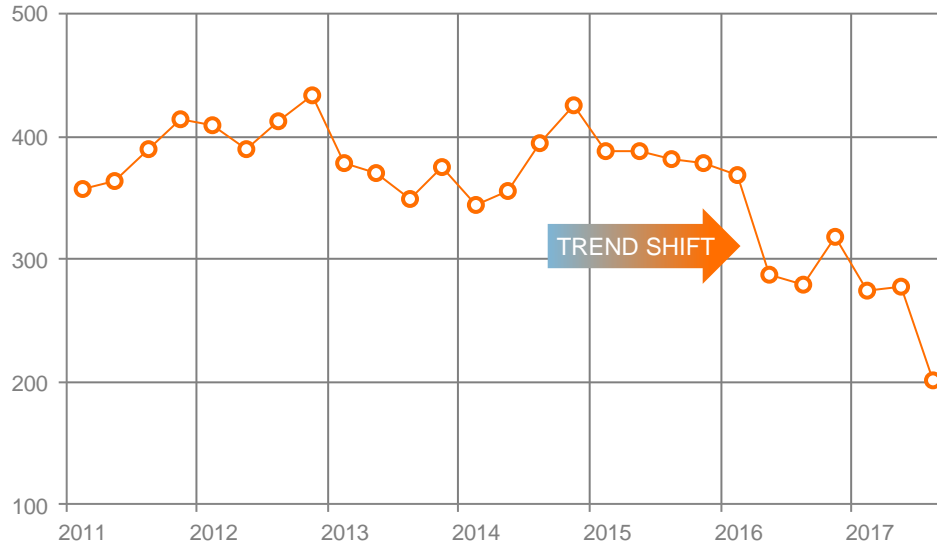
CONTINUOUS
IMPROVEMENTS



STRUCTURAL EFFICIENCY
ACTIVITIES PART OF DAILY
BUSINESS

NET FINANCE TREND SHIFT

INTEREST NET, MSEK



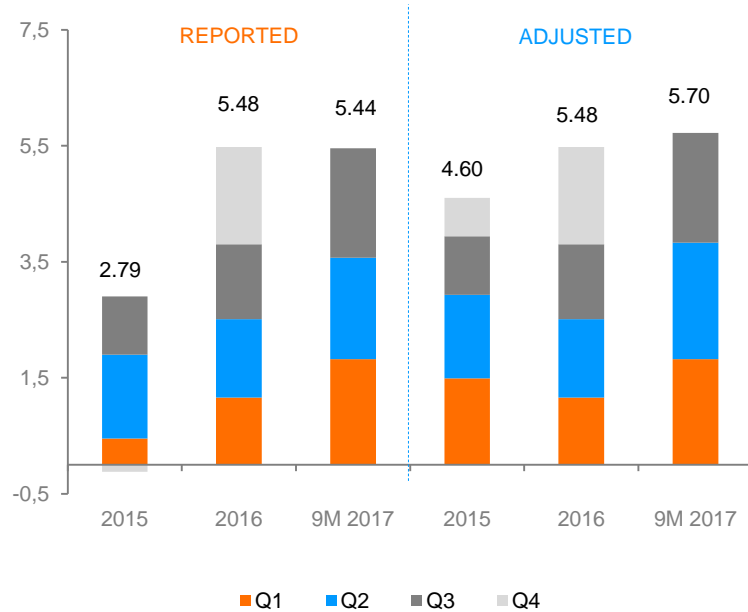
EQUITY INJECTIONS INTO SUBSIDIARIES

DEBT AMORTIZATIONS

LESS FX-VOLATILITY FROM INTERNAL TRANSACTIONS

SHARP EPS RECOVERY

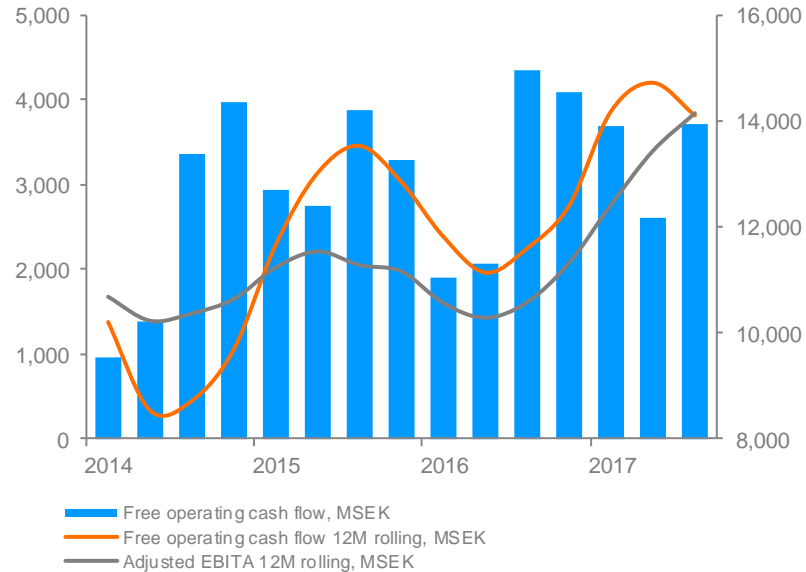
EPS, SEK



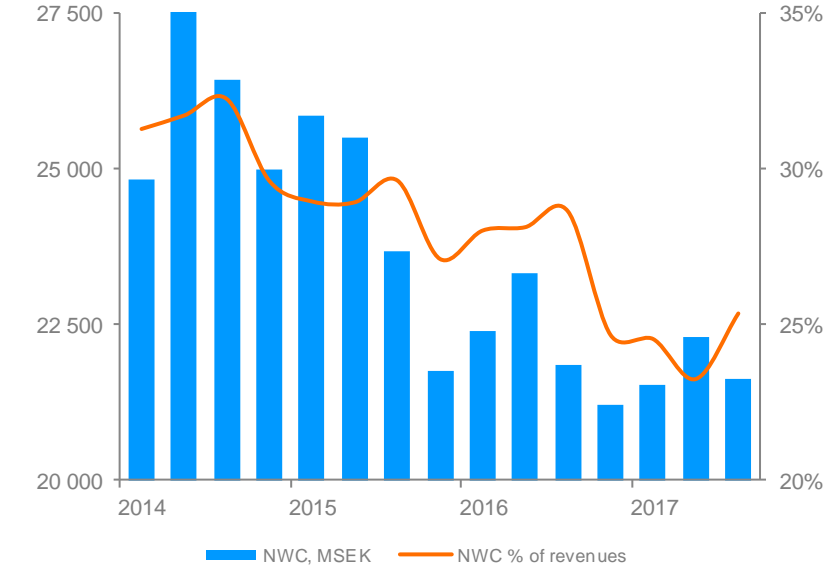
STRONG CASH FLOW

REDUCED NET WORKING CAPITAL

FREE OPERATING CASH FLOW 12M ROLLING

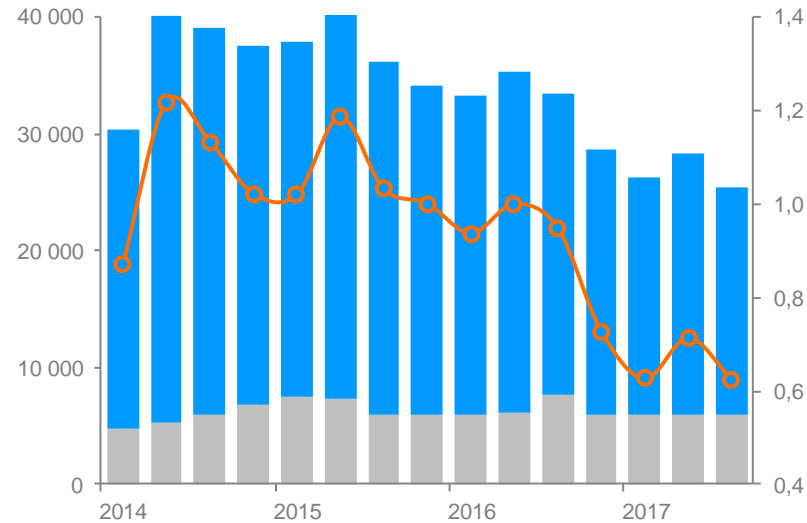


NET WORKING CAPITAL % OF REVENUES



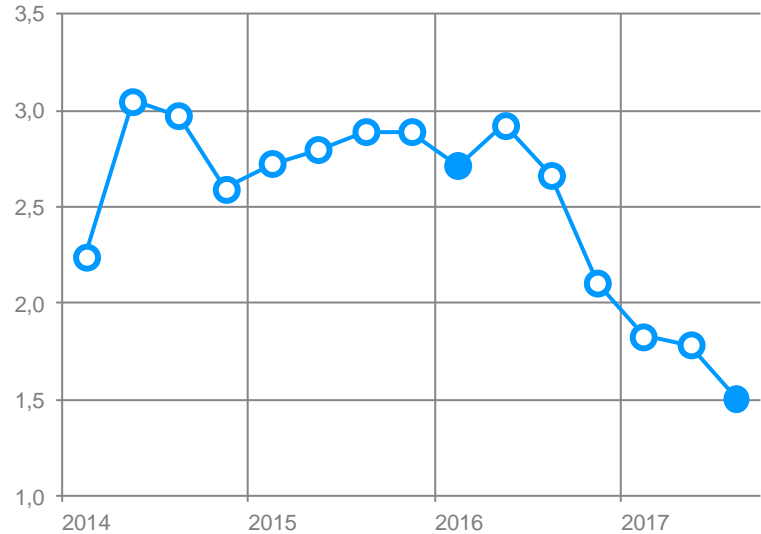
STRENGTHENING OF BALANCE SHEET

NET DEBT



NET GEARING

NET DEBT / EBITDA

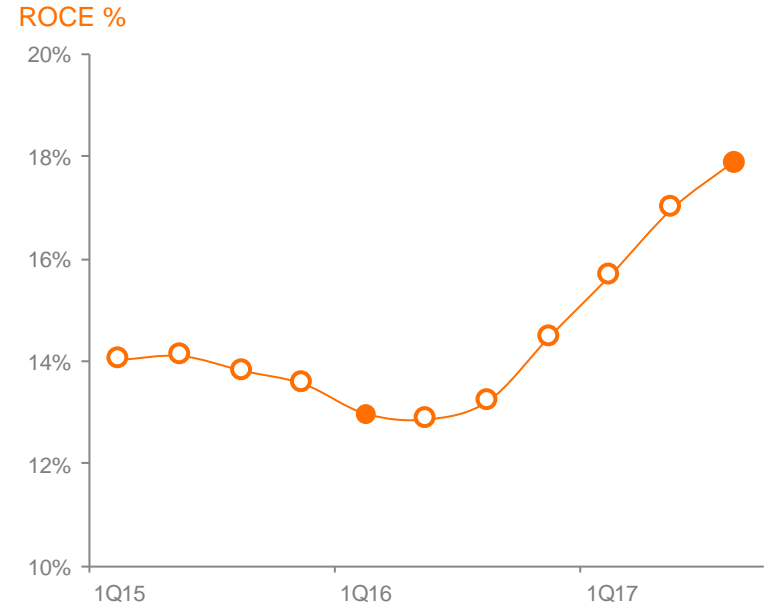
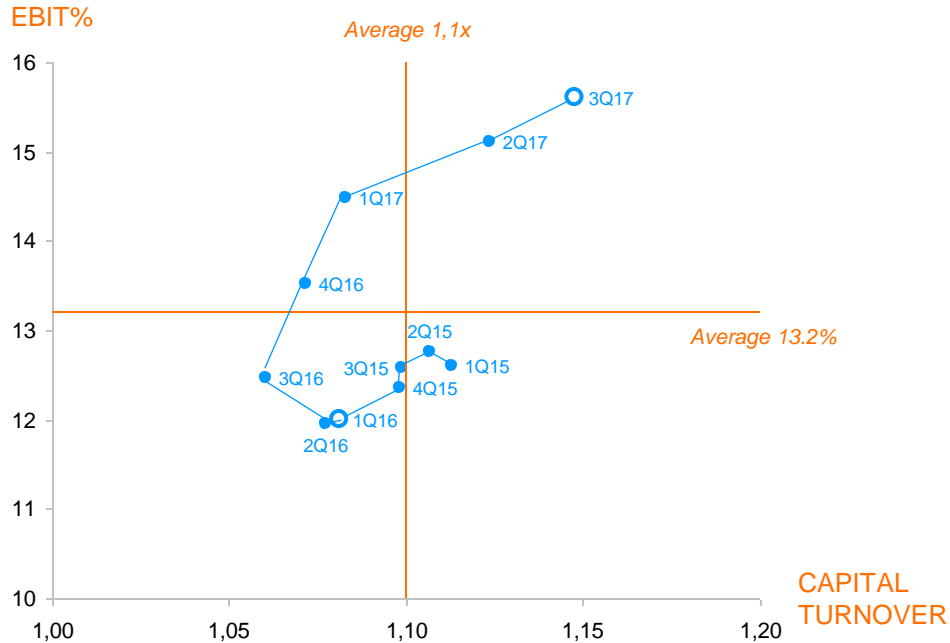


Standard & Poor's definition

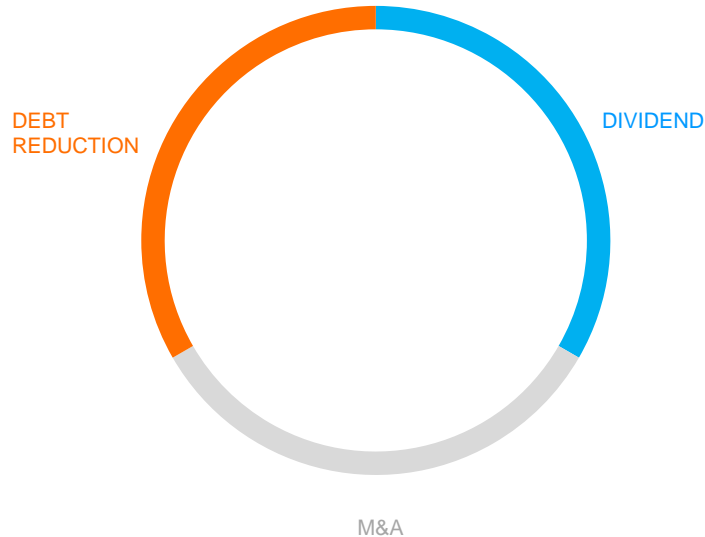
- Net debt excl. net pension liability MSEK
- Net pension liability, MSEK
- Net gearing incl. net pension liabilities

IMPROVED CAPITAL EFFICIENCY

INCREASED PACE



CAPITAL ALLOCATION PERSPECTIVE

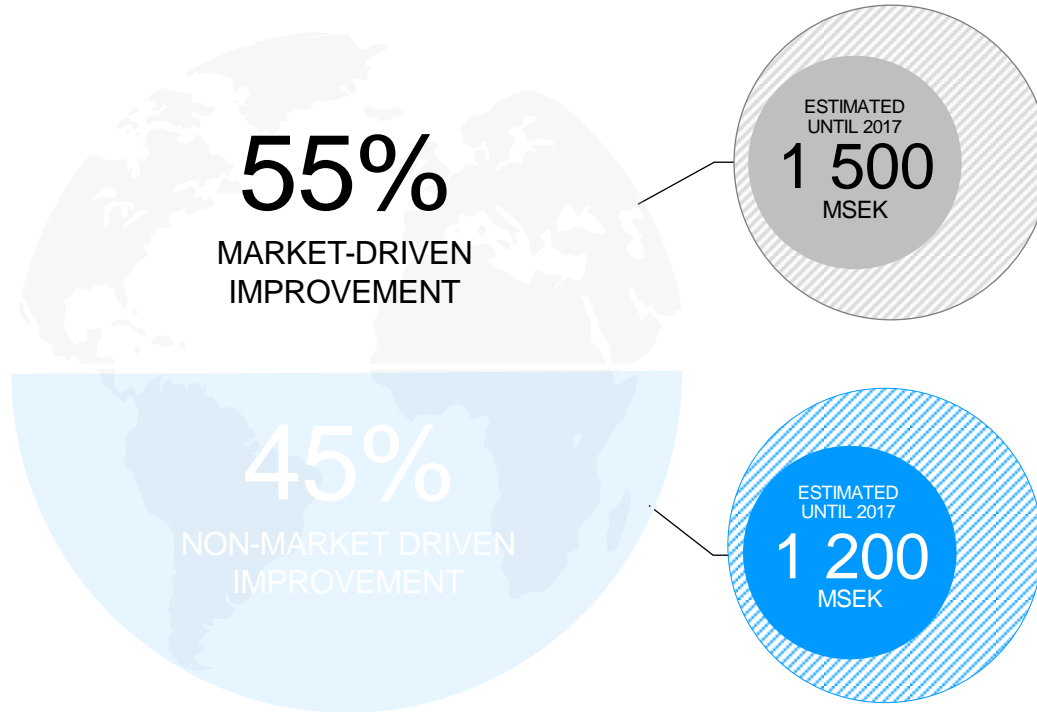


SHORT TERM IMPACT ON CASH FLOW

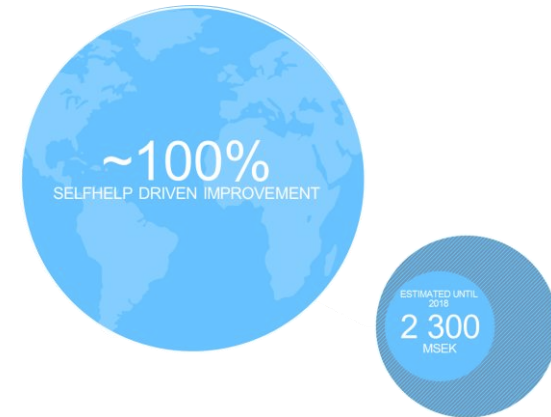
NWC	→
NET FIN ITEMS	→
TAX	→
CAPEX	→

STRONGER MARKET THAN EXPECTED

SELF-HELP ACTIONS PARTIALLY OFF-SET BY IMPORTANT INVESTMENTS



ORIGINAL PLAN UP UNTIL 2018



Q&A

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 business and automation thus reducing earnings volatility

SANDVIK MATERIALS TECHNOLOGY

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