



Press Release

Sandvik implements second phase of supply chain optimization program, as well as further adjustments to cost base

As initially communicated in 2013, Sandvik's supply chain is to be optimized, reducing the number of production units from 150 to about 125 over three to four years.

The first phase has progressed according to plan and was initiated in the fourth quarter of 2013, involving 11 unit closures (of which five closures had been implemented at year-end 2014). Sandvik is now launching the second phase comprising a total of ten unit closures, predominantly in Europe. In addition, Sandvik implements further measures to adjust the cost base to current demand as well as making a project write-down related to Mining Systems.

The total group savings are estimated of approximately 1.1 billion SEK, yearly run-rate by the end of 2016. Nonrecurring charges associated with the initiatives, totaling about 1.9 billion SEK, will impact the first quarter of 2015.

	SUPPLY CHAIN OPTIMIZATION PHASE II	ADJUSTMENT TO COST BASE	GROUP TOTAL
ESTIMATED SAVINGS RUN-RATE YEAR-END 2016	600	480	1,080
NON-RECURRING CHARGES Q1 2015	1,220	650	1,870
OUT OF WHICH CASH FLOW	960	550	1,510

"We are now continuing the optimization of our supply chain, which brings several benefits. Notably, by reducing the number of production units, we will achieve significant productivity enhancements as a result of a reduction in the cost base over time. However, just as importantly, we will increase flexibility, move closer to our customers and raise our capital efficiency. It is essential that we adapt to a changing global market, where the ability to act and react quickly is crucial for long-term success," says Olof Faxander, Sandvik's President and CEO.

Supply chain optimization program phase II

The second phase in the supply chain optimization program targets a run-rate of annual savings of approximately 600 million SEK by year-end 2016 at a cost of 1,220 million SEK, which will be charged to the first quarter of 2015. Information concerning individual units will be announced locally on a case-by-case basis, pending union consultations. A certain degree of investment is required to facilitate the move of production between units.

For **Sandvik Machining Solutions**, the closure and downsizing of production units represent key steps in addressing current overcapacity and reducing production costs. The first quarter of 2015 will include 450 million SEK in nonrecurring charges, with estimated run-rate of annual savings of about 130 million SEK by year-end 2016.

Sandvik Mining will realign its supply chain footprint to improve the business area's cost structure and gain a competitive advantage by improving its ability to offer better service to its customers. The scope of the plan involves the closure and downsizing of units, including the discontinuation and transfer of operations to other sites. It also implies investments in new sites located in fast-growing markets and the expansion of existing facilities. Nonrecurring charges of 630 million SEK related to the second phase of the supply chain optimization program will be booked in the first quarter of 2015. These

Postal address

SANDVIK AB
Investor Relations
SE-101 30 STOCKHOLM
SWEDEN

Public Company (publ)

Reg.No 556000-3468
VAT No. SE663000060901
www.sandvik.com

Telephone

+46 8 456 11 00

actions are expected to generate a run-rate of annual savings of approximately 400 million SEK by year-end 2016.

For **Sandvik Materials Technology**, the downsizing and optimization of production flows will address current overcapacity and reduce production costs. The first quarter will include 140 million SEK in nonrecurring charges, resulting in a run-rate of annual savings of about 70 million SEK by year-end 2016.

	SANDVIK MACHINING SOLUTIONS	SANDVIK MINING	SANDVIK MATERIALS TECHNOLOGY	GROUP TOTAL PHASE II launched Q1 2015	GROUP TOTAL PHASE I launched Q4 2013	GROUP TOTAL PHASE I & II
ESTIMATED SAVINGS RUN-RATE YEAR-END 2016	130	400	70	600	800	1,400
NON-RECURRING CHARGES	450	630	140	1,220	900	2,120
OUT OF WHICH CASHFLOW	400	500	60	960	450	1,410
CAPEX INVESTMENT	-	350	-	350	650	1,000

Adjustment to cost base

Planned actions to adjust the cost base to the current demand are expected to generate a run-rate of annual savings of approximately 480 million SEK by year-end 2016. Nonrecurring charges of 650 million SEK related to the adjustment will be booked in the first quarter of 2015. This includes Sandvik Mining making a project write-down related to Mining Systems.

	SANDVIK MACHINING SOLUTIONS	SANDVIK MINING	SANDVIK MATERIALS TECHNOLOGY	SANDVIK CONSTRUCTION	SANDVIK VENTURE	GROUP ACTIVITIES	GROUP TOTAL
ESTIMATED SAVINGS RUN-RATE YEAR-END 2016	150	-	95	160	25	50	480
NON-RECURRING CHARGES Q1 2015	200	100	130	160	10	50	650
OUT OF WHICH CASHFLOW	200	-	130	160	10	50	550

Telephone conference

A telephone conference for investors, analysts and financial media with Olof Faxander, President and CEO of Sandvik, is scheduled for 5 March 2015, 09:30 – 10:00 CET.

Dial in details for the conference call:

SE: +46 8 505 201 14

UK: +44 207 1620 177

US: +1 334 323 6203

Password: Sandvik, at least 10 minutes before the conference starts

Stockholm, 5 March 2015

Sandvik Aktiebolag

For further information, please contact Ann-Sofie Nordh, Vice President Investor Relations, Sandvik AB, tel: +46 8 456 14 94, Oskar Lindberg, Investor Relations Officer, Sandvik AB, tel +46 8 456 12 30 or Pär Altan, Vice President External Communications, Sandvik AB, tel: +46 8 456 12 37.

The Sandvik Group

Sandvik is a global industrial group with advanced products and world-leading positions in selected areas – tools for metal cutting, equipment and tools for the mining and construction industries, stainless materials, special alloys, metallic and ceramic resistance materials as well as process systems. In 2014, the Group had about 47,000 employees and representation in 130 countries, with annual sales of about 89,000 million SEK.