



## Sandvik implements initial phase of supply chain optimization

As communicated at the Capital Markets Day in September, the Group's supply chain is to be optimized, reducing the number of production units from the current 150 to 125 over the next three to four years. The initial phase aimed at optimizing the supply chain affects about ten production units, predominantly in Europe. Information concerning individual units will be announced on a case-by-case basis. The move targets annual structural savings of approximately 800 million SEK by the end of 2015 at a cost of 900 million SEK to be charged to the fourth quarter. The next phase is expected to be announced and a provision posted in the accounts at the beginning of 2015.

Additionally, Sandvik Mining is implementing actions to further adjust costs to current demand, as communicated earlier. These actions are expected to yield an annual saving of 500 million SEK and will entail nonrecurring charges of about 400 million SEK in the fourth quarter. A total of 500 million SEK will also be charged to the fourth quarter pertaining to costs resulting from reviews of mining systems projects, impairment losses arising from the very low demand for exploration equipment and other non-cash items.

Consequently, the fourth quarter of 2013 will be impacted by nonrecurring charges totaling about 1.8 billion SEK, half of which will impact cash flow.

**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 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 1.2 billion SEK will be booked in the fourth quarter, including charges for adjusting the cost base to current demand, reviews of mining systems projects and impairments. These activities are expected to generate savings of approximately 1 billion SEK, taking full effect by year-end 2015. Half of this figure relates to the adjustment of costs to prevailing demand.

For **Sandvik Machining Solutions**, the closure and downsizing of production units represent key steps in addressing current overcapacity and reducing production costs. The closures also aim to better align the business area's production footprint to global demand. The fourth quarter will include 350 million SEK in nonrecurring charges, resulting in annualized savings of about 200 million SEK. It is estimated that the full effect will be realized by the end of 2015.

**Sandvik Construction** aims to increase the share of products sourced from best-cost countries. Consequently, the business area's production footprint will be realigned. Nonrecurring charges of 200 million SEK will be booked in the fourth quarter. These initiatives are expected to yield annual savings of 100 million SEK, with full effect by the end of 2015.

Million SEK	Sandvik Mining	Sandvik Machining Solutions	Sandvik Materials Technology	Sandvik Construction	Sandvik Venture	Sandvik Group
Nonrecurring charges Q4, 2013 Supply chain optimization first phase	350	350	-	200	-	900
Nonrecurring charges Q4, 2013 Other	900	-	-	-	-	900
<b>Total nonrecurring charges</b>	<b>1,250</b>	<b>350</b>	<b>-</b>	<b>200</b>	<b>-</b>	<b>1,800</b>
<i>of which, impacting cash flow</i>						900
Estimated cost savings Supply chain optimization first phase	500	200	-	100	-	800
Estimated cost savings Other	500	-	-	-	-	500
<b>Total estimated savings</b>	<b>1,000</b>	<b>200</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>1,300</b>
<b>Investments related to supply chain optimization</b>	<b>650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>650</b>

“Optimizing our supply chain brings several significant 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, by better aligning our production footprint to the many fast-growing markets worldwide, we strengthen our ability to service our customers in these developing markets and increase our capital efficiency. It is essential that we adapt to a rapidly 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.

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Sandvik Aktiebolag

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### ***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 2012, the Group had about 49,000 employees and representation in 130 countries, with annual sales of about 99,000 million SEK.*