

Q2

Sandvik

Interim report on second quarter 2013

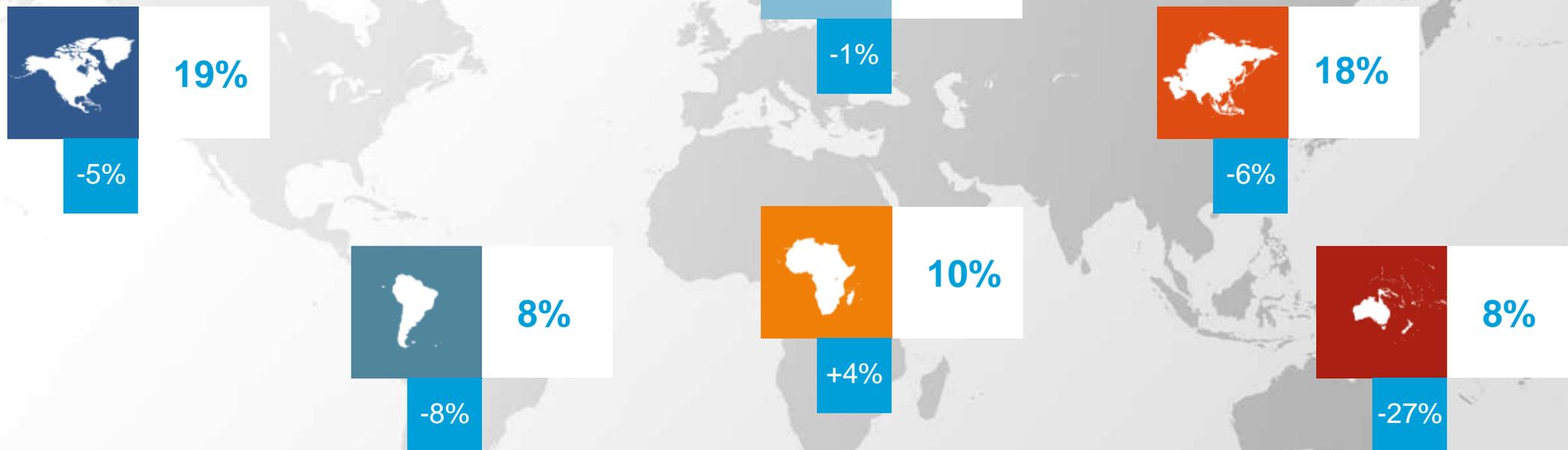
Tentative market



Quarterly highlights

- Stable but tentative market
 - Unchanged market conditions for Sandvik Machining Solutions, Sandvik Materials Technology and Sandvik Venture
 - Weaker demand for Sandvik Mining
 - Tentative market for Sandvik Construction
- Operating cash flow +2,640 MSEK
 - Inventory level unchanged
- EBIT 2,961 MSEK, 12.8%
 - Adjusted EBIT 3,161 MSEK, 13.7%
 - Nonrecurring charges of -200 MSEK
 - Currency effects -300 MSEK
 - ROCE 12 month rolling 16.0%

Invoicing by market



□ Share of Group total

■ Invoicing (p/v) Q2 2013, change compared with Q2 2012

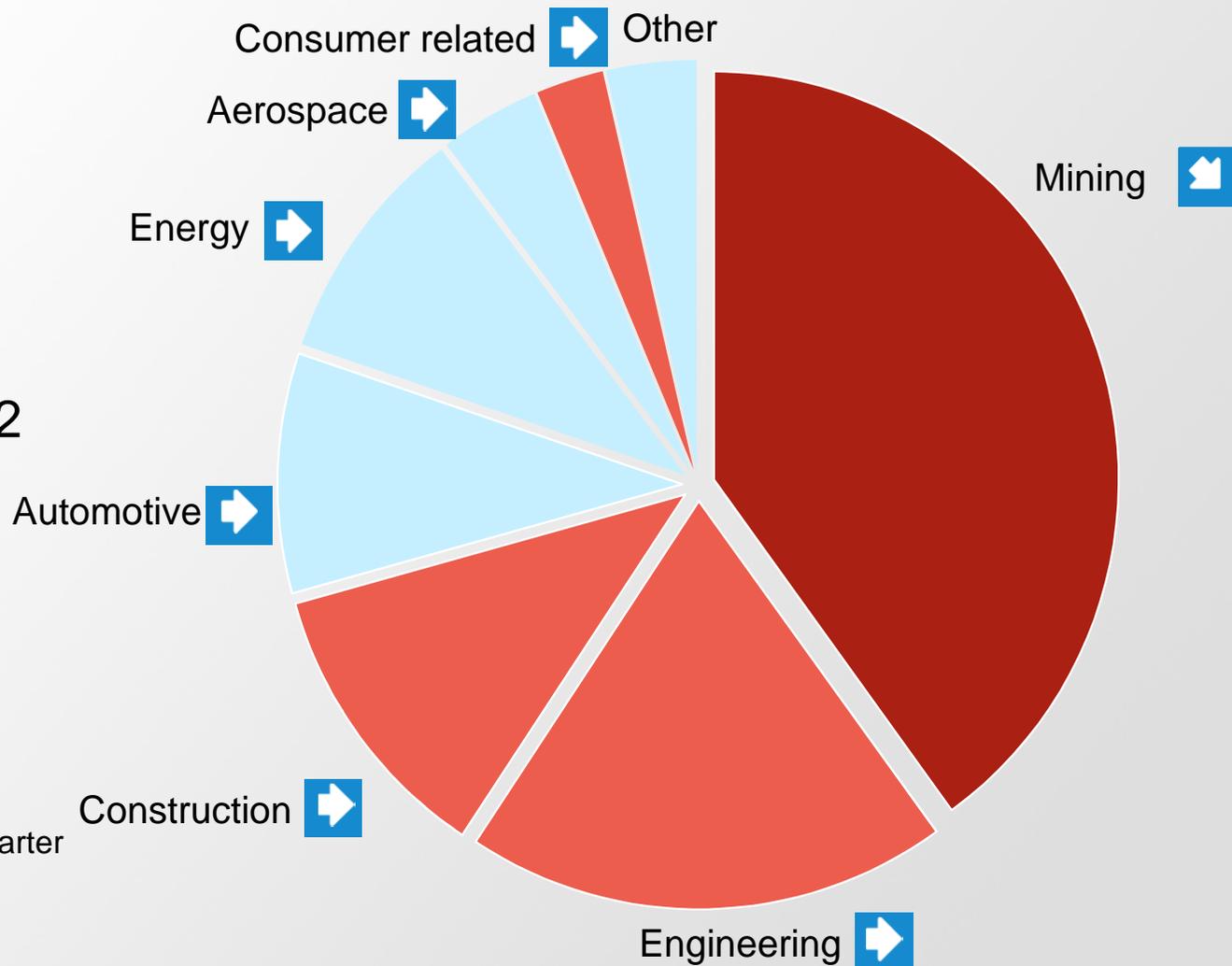
Customer segments

Invoicing growth vs. Q2 2012



 Demand trend compared to preceding quarter

Pie chart representing share of invoicing 2012

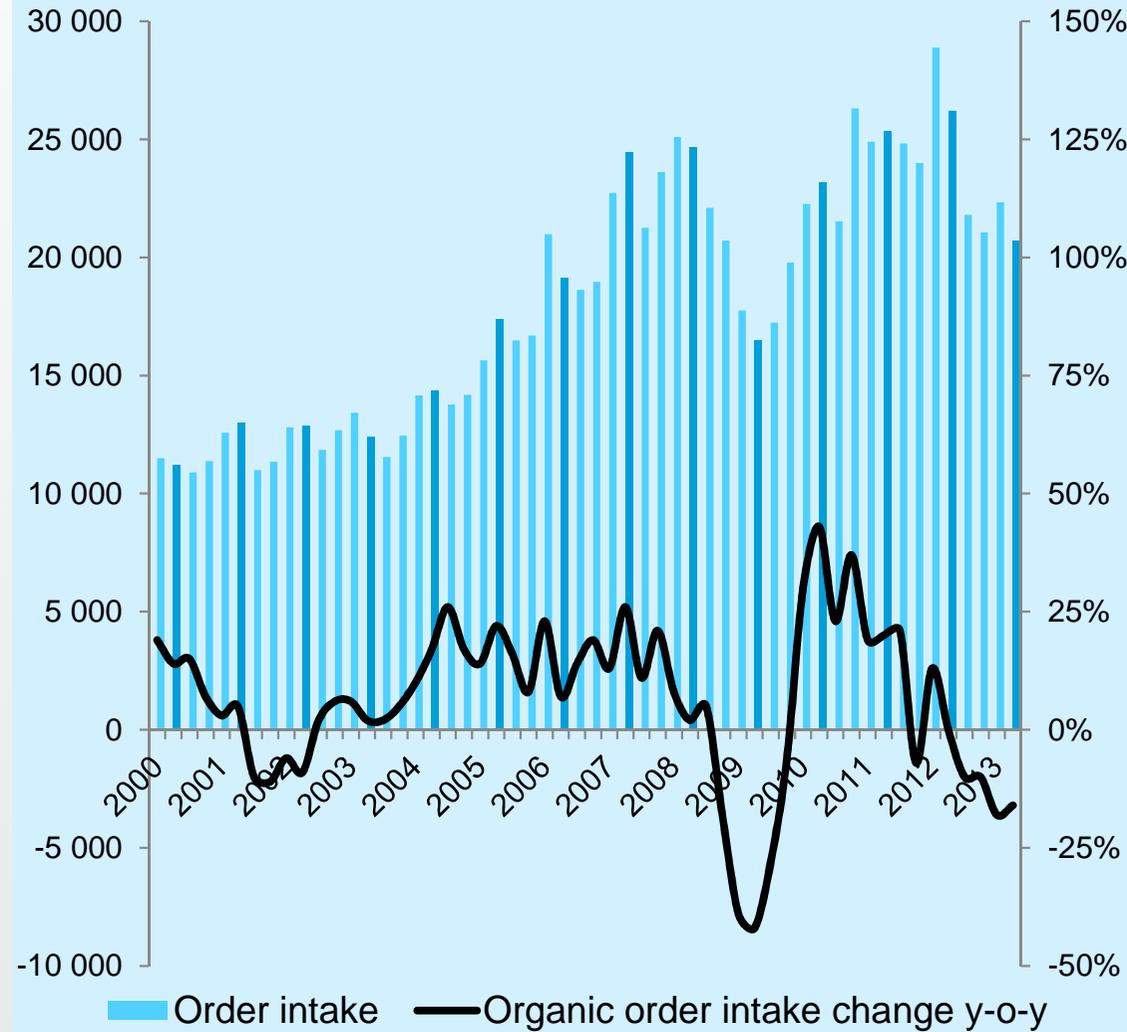


Order intake

Order intake 20,719 MSEK

- Adjustment of nuclear order backlog of 1.1 bn. SEK

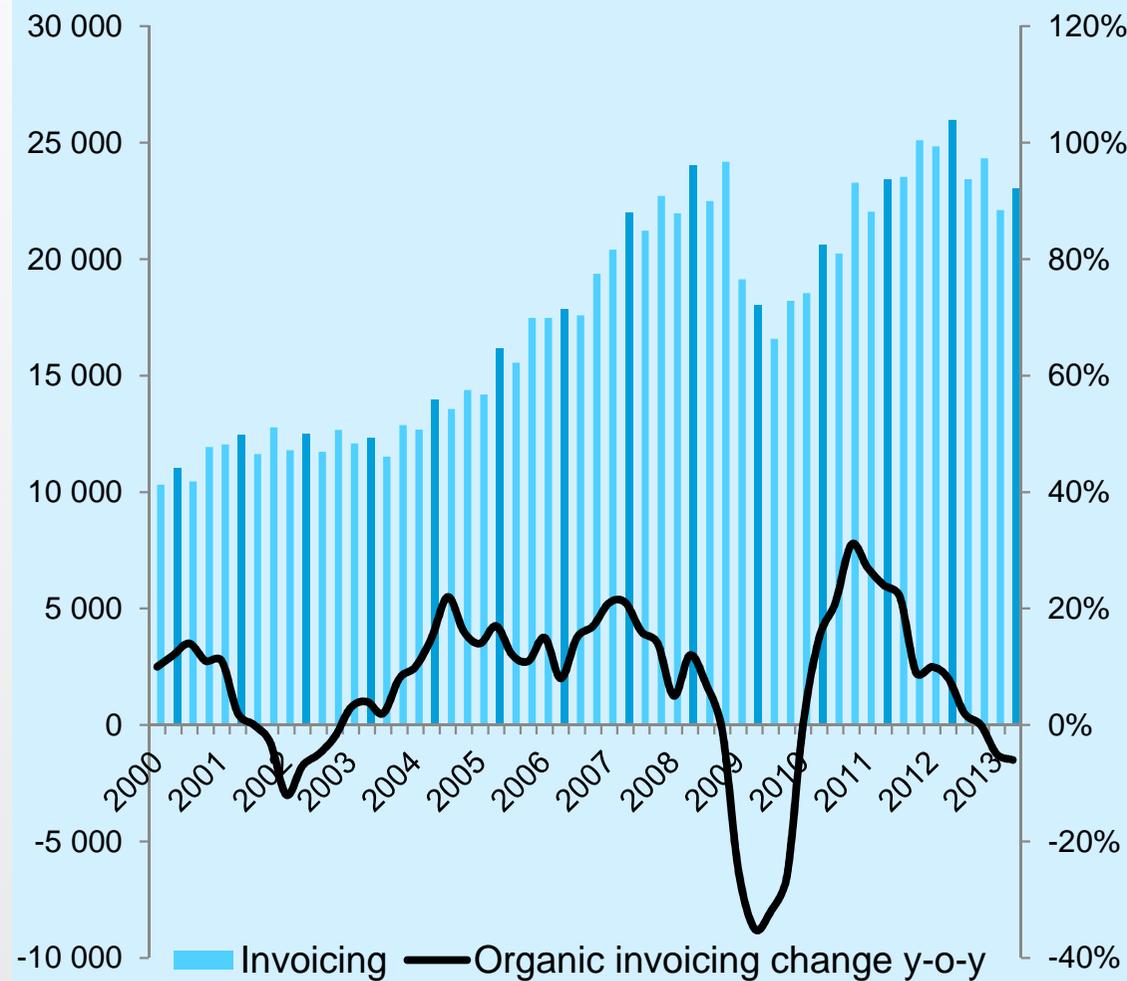
Change p/v -16%



Invoicing

Invoicing 23,043 MSEK

Change p/v -6%



EBIT and ROCE

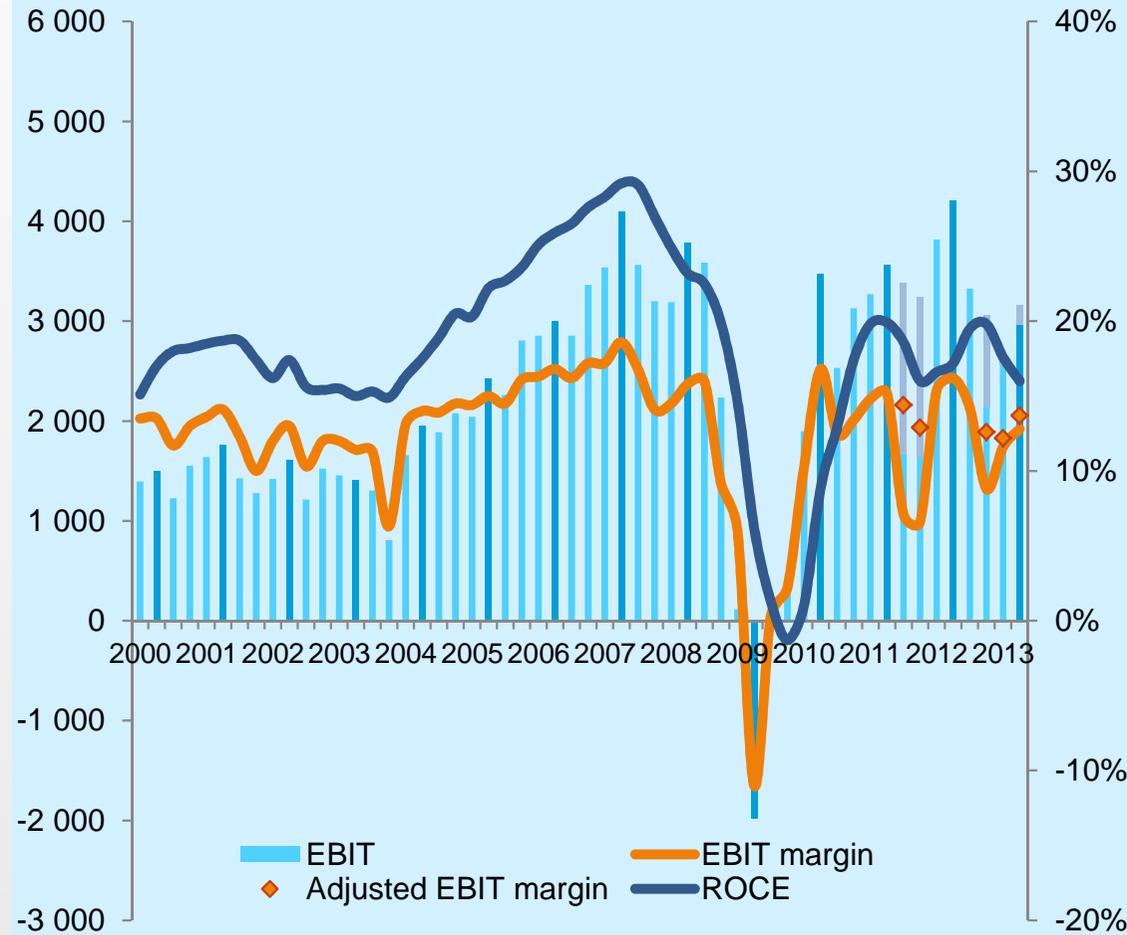
Q2 2013

Reported

- EBIT 2,961 MSEK
- EBIT margin 12.8%
- ROCE reported rolling 12 months 16.0%

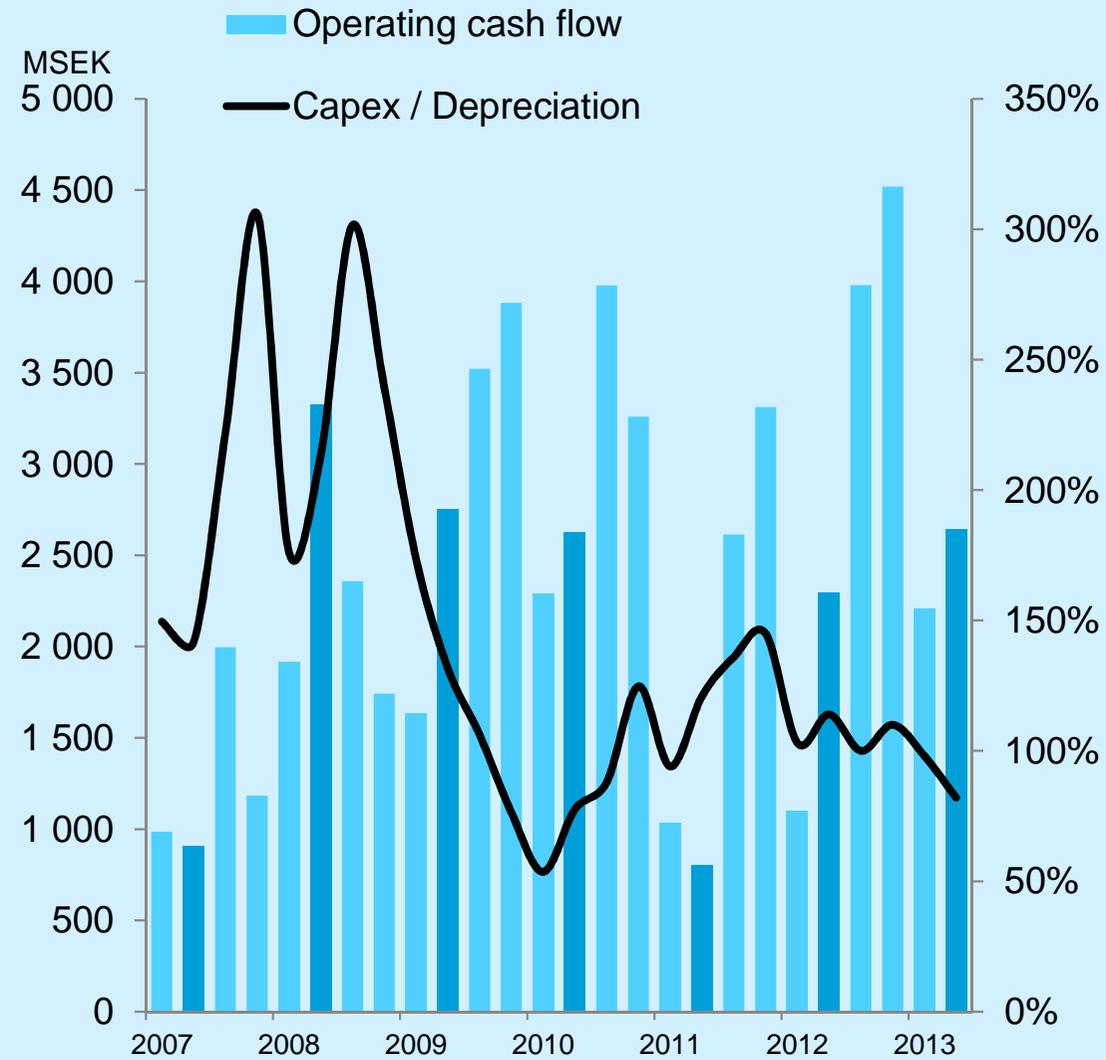
Adjusted for nonrecurring charges

- EBIT 3,161 MSEK
- EBIT margin 13.7%

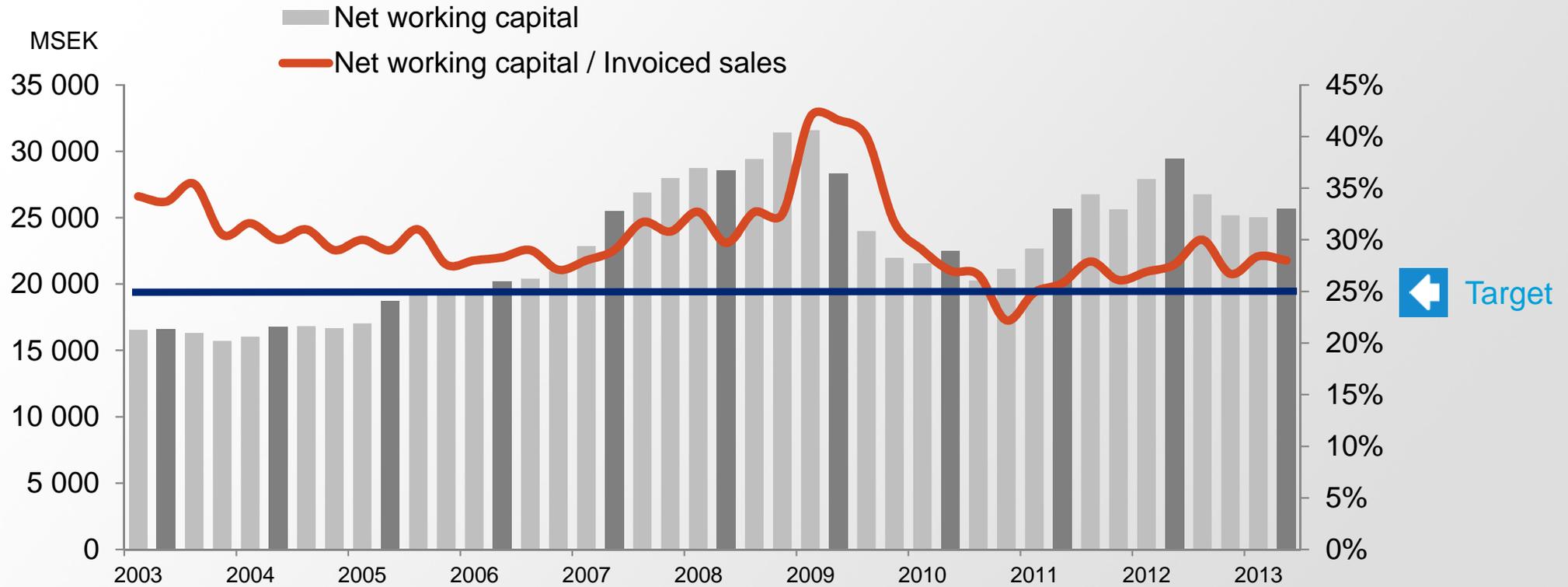


Cash flow

Cash flow from operating activities +2,640 MSEK



Net Working Capital



Bridge analysis

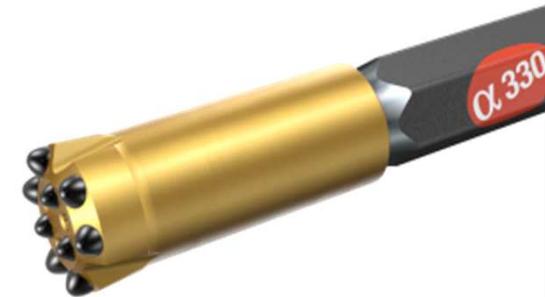
MSEK	Q2 2012	Price/ volume/ Productivity	Currency	Structure, one-offs*	Q2 2013
Sandvik Group					
Invoiced sales	25,939	-1,350	-1,320	-210	23,043
EBIT	4,212	-750	-300	-190	2,961
EBIT margin	16.2%	-56%			12.8%

* Includes metal price effects

Sandvik Mining

- Weaker demand
 - Weaker demand for equipment and systems
 - Stable aftermarket demand
- EBIT 1,153 MSEK (1,800)
 - EBIT margin 14.2% (18.3)
 - Currency effects of -150 MSEK
- ROCE reported rolling 12 months 32.4%
 - Net working capital 29% (27) of invoicing

Challenges
short term



Sandvik Machining Solutions

- Stable market conditions
 - Slightly improved demand in Europe
- EBIT 1,525 MSEK (1,855)
 - EBIT margin 20.9% (23.9)
 - Currency effects -150 MSEK
 - Production rates in line with sales
- ROCE reported rolling 12 months 26.0%
 - Net working capital 26% (27) of invoicing

Stable market conditions



- **Sandvik Materials Technology**
 - Adjusted EBIT excluding metal price effects 496 MSEK, 12.5%
 - Continued profitability improvement
 - Adjustment of nuclear order backlog and capacity
- **Sandvik Construction**
 - EBIT 141 MSEK, 6.1%
 - Tentative business conditions
 - New President, Dinggui Gao
- **Sandvik Venture**
 - Adjusted EBIT 182 MSEK, 13.7%
 - Consolidation of production units within Diamond Innovations
 - Diamond Innovations and Hard Materials to form new Product Area

Improved
profitability
compared to
previous
quarter





Sandvik

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Strategy Execution



Customers in focus

- Customer centric organizational structure
 - Five market oriented Business Areas
 - Full ownership of core business, e.g. Seco Tools
 - Divestment of non-core business, e.g. MedTech
- Mid-market initiatives – enablers for growth
 - Sandvik Machining Solutions - launch of Carboloy brand
 - Sandvik Mining - mid-market offering expanded with short time to market, successful product launches in India
 - Sandvik Construction - acquisition of Chinese crusher manufacturer Shanbao

Sustainable profitability

- Two restructuring programs successfully launched
 - First program implemented 2012
 - Second program to be fully implemented by end of 2013
 - Targeting cost savings of 2 bn. SEK in total
- Turnaround cases showing significant progress
 - Sandvik Materials Technology - focus on core business and significant cost savings
 - Sandvik Construction - improved go to market model and significant cost savings
- Improving cost flexibility in Sandvik Mining
 - Higher flexibility in manufacturing
 - Fewer production sites

Leverage scale and talent base

- Enhanced coordination and utilization of Group resources
 - Implemented R&D Board - Increasingly coordinating Group initiatives in the organization
 - Global indirect purchasing
 - IT infrastructure outsourcing
 - Global Finance Shared Services
- Focus on increased diversity – enabling better business
 - International and more diverse Group Executive Management team
 - Increased number of women in leading positions

Focus going forward



Summary Q2 2013

- Stable demand
- Sequentially improved earnings
- Continued strong operating cash flow



Sandvik

Interim report on second quarter 2013

Q&A





Sandvik

Interim report on second quarter 2013

Back-up slides



Quarterly financials

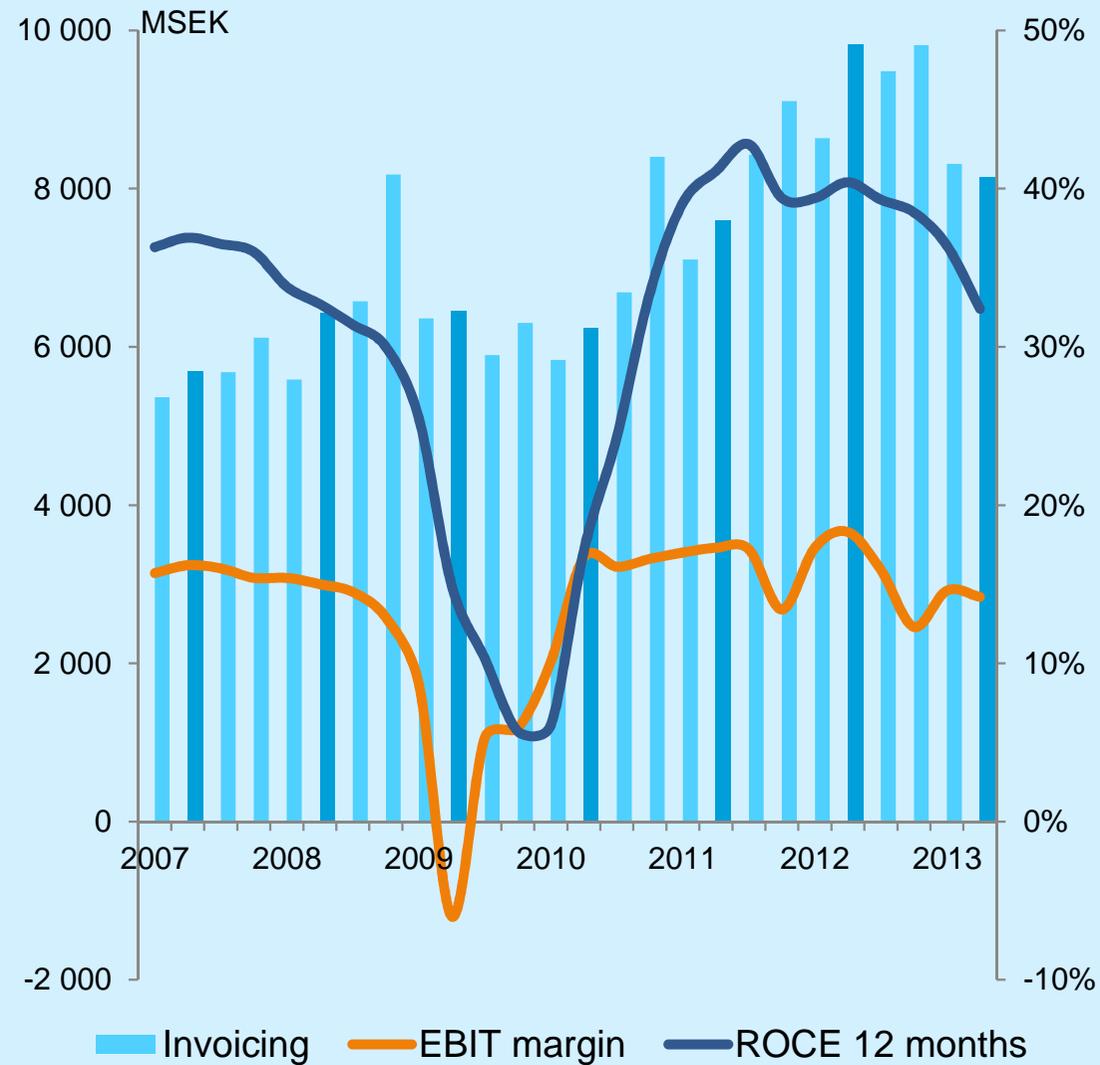
MSEK	Q2 2012	Q2 2013	VS Q2 2012
Order intake	26,190	20,719	-16%*
Invoicing	25,939	23,043	-6%*
EBIT	4,212	2,961	-30%
EBIT margin	16.2%	12.8%	-
Operating cash flow	+2,293	+2,640	+15%
Cash flow after investing activities	+1,100	+1,508	+37%

* Change in price/volume

Sandvik Mining

Q2 2013

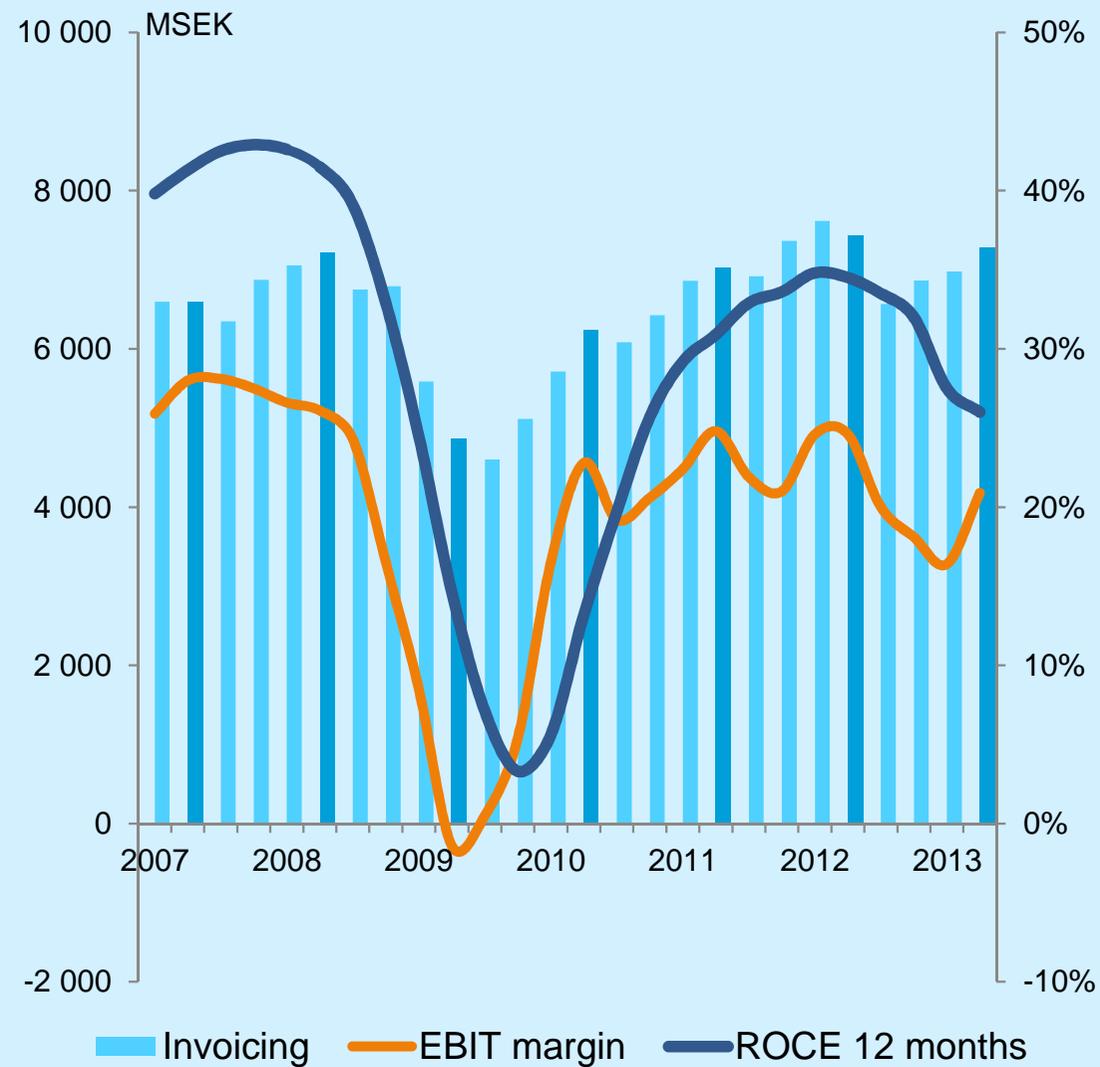
- Order intake 6,652 MSEK
- Invoicing 8,136 MSEK
- EBIT 1,153 MSEK
- ROCE 32.4%



Sandvik Machining Solutions

Q2 2013

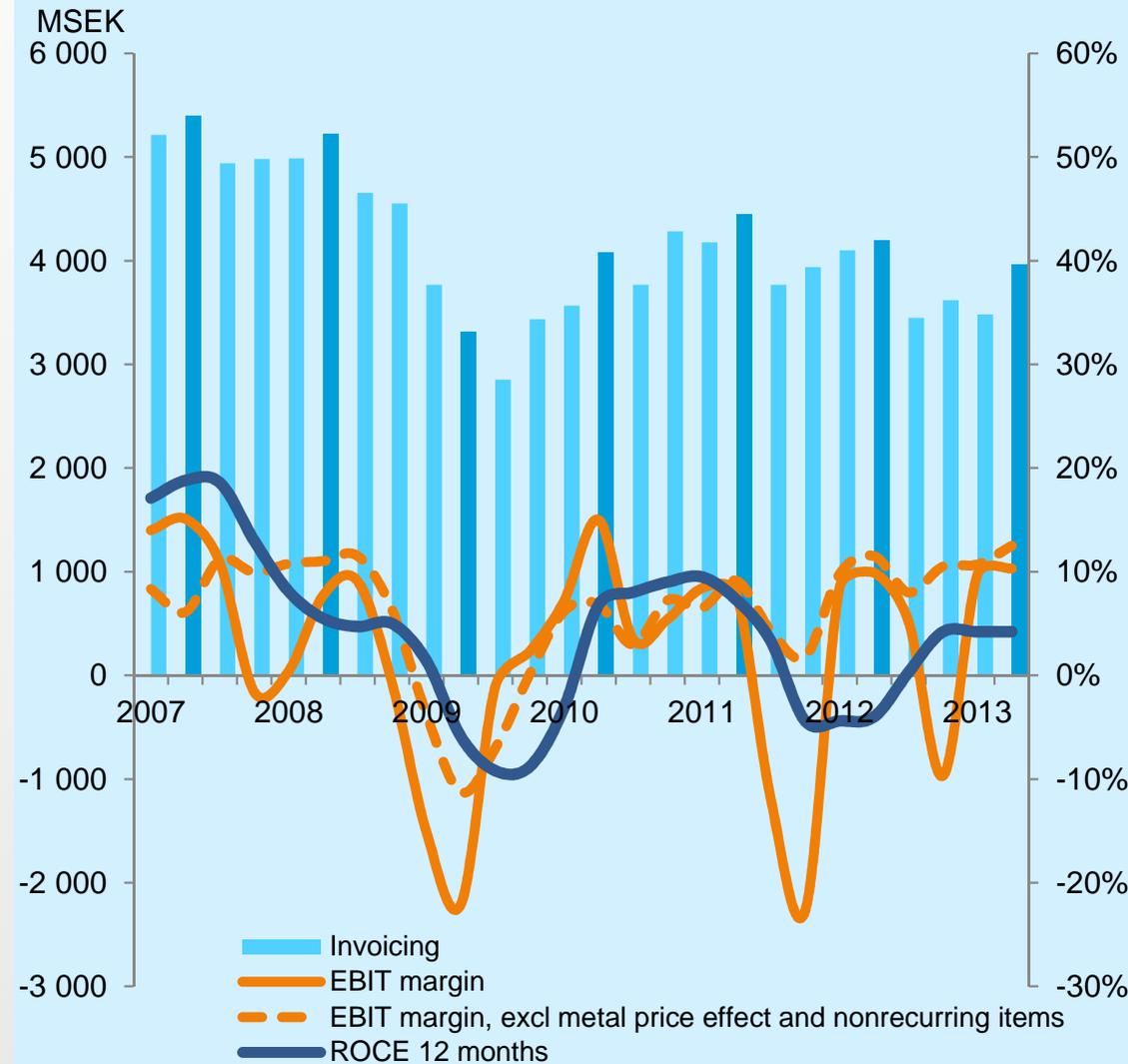
- Order intake 7,332 MSEK
- Invoicing 7,281 MSEK
- EBIT 1,525 MSEK
- ROCE 26.0%



Sandvik Materials Technology

Q2 2013

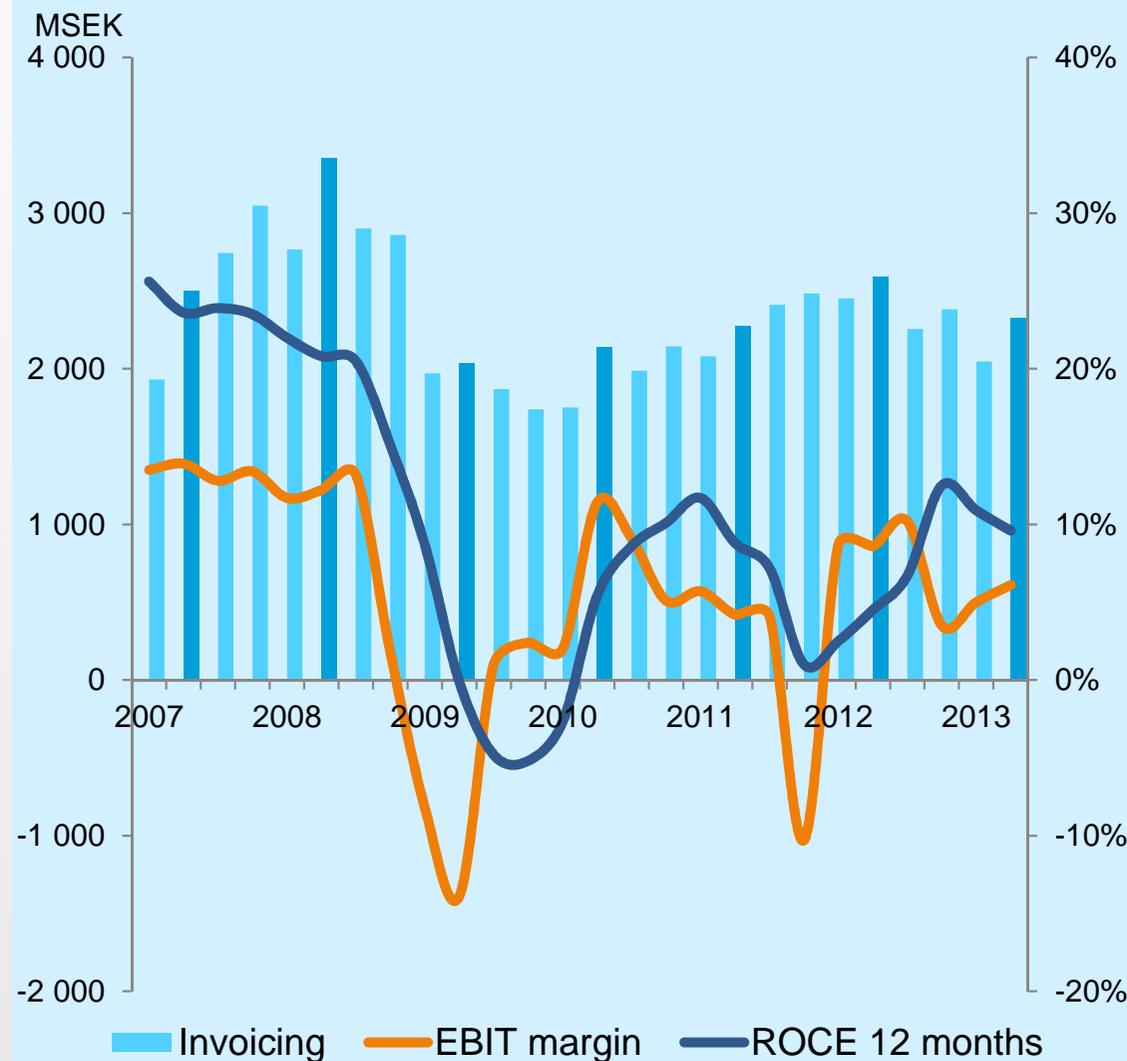
- Order intake 2,820 MSEK
- Invoicing 3,967 MSEK
- EBIT 409 MSEK
 - Adjusted for metal price effects, 496 MSEK, 12.5% of invoicing
- ROCE 4.2%



Sandvik Construction

Q2 2013

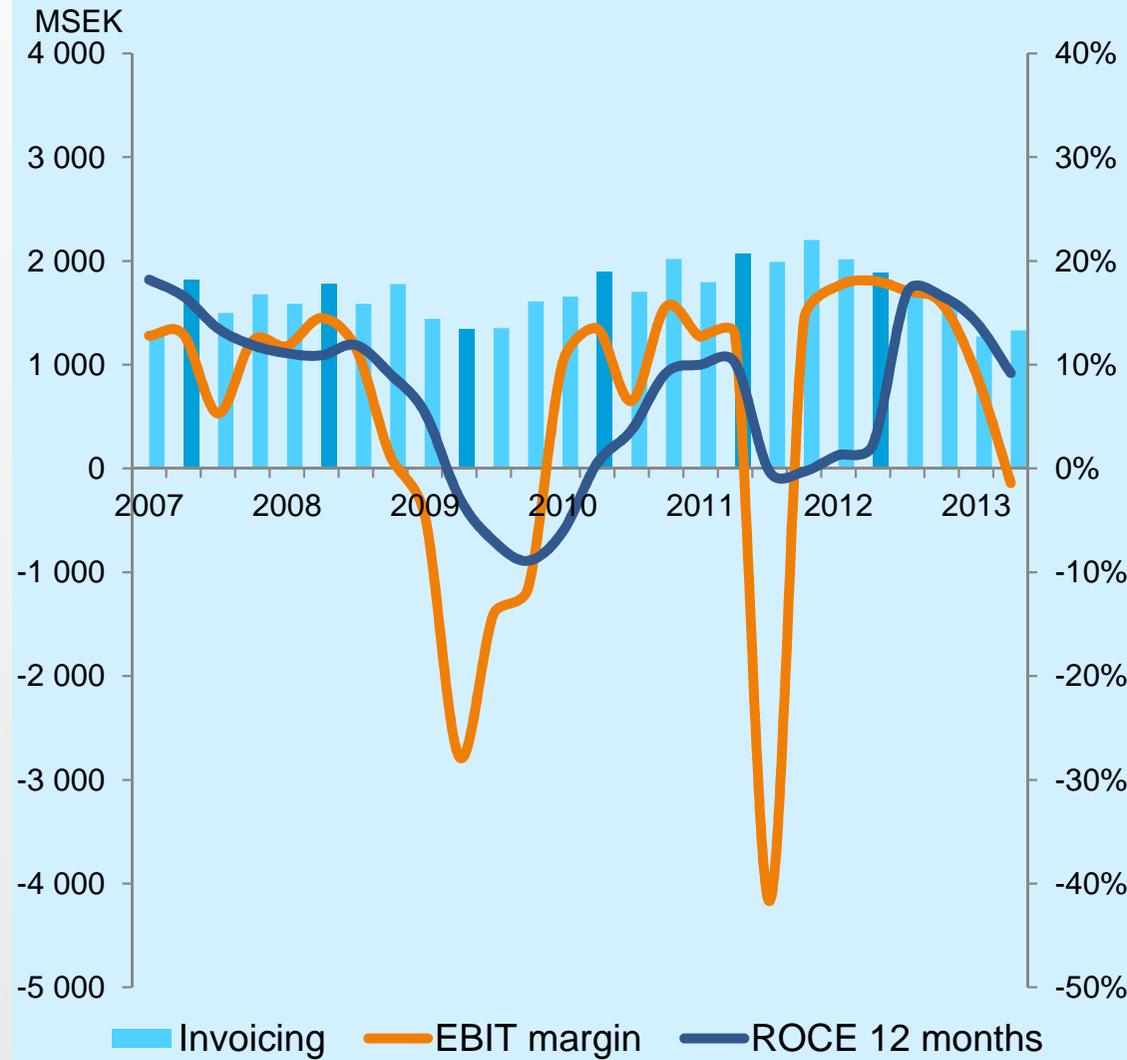
- Order intake 2,384 MSEK
- Invoicing 2,326 MSEK
- EBIT 141 MSEK
- ROCE 9.6%



Sandvik Venture

Q2 2013

- Order intake 1,532 MSEK
- Invoicing 1,332 MSEK
- EBIT -18 MSEK
- ROCE 9.2%



Income statement

MSEK	Q2 2012		Q1 2013		Q2 2013	
Invoiced sales	25,939		22,098		23,043	
Cost of goods sold	-16,466		-14,528		-15,285	
Gross profit	9,473	37%	7,570	34%	7,758	34%
Admin, sales and R&D costs	-5,236		-4,872		-5,183	
Other operating income and expenses	-25		-141		+386	
Operating profit (EBIT)	4,212	16%	2,557	12%	2,961	13%
Net financial items	-545		-479		-495	
Profit after financial items	3,667	14%	2,078	9%	2,466	11%
Profit for the period	2,773	11%	1,477	7%	1,854	8%

Bridge analysis

MSEK	Q2 2012	Price/volume/ productivity	Currency	Structure, one-offs	Q2 2013
Sandvik Mining					
Invoiced sales	9,826	-1,050	-640	0	8,136
EBIT	1,800	-500	-150	0	1,153
EBIT margin	18%	-48%			14%
Sandvik Machining Solutions					
Invoiced sales	7,759	-40	-415	-20	7,281
EBIT	1,855	-180	-150		1,525
EBIT margin	24%	N/A			21%
Sandvik Materials Technology					
Invoiced sales	4,195	100	-150	-180	3,967
EBIT	415	25	-40	10	409
EBIT margin	10%	25%			10%

Bridge analysis

MSEK	Q2 2012	Price/volume/ productivity	Currency	Structure, one-offs	Q2 2013
Sandvik Construction					
Invoiced sales	2,592	-110	-150	0	2,326
EBIT	222	-60	-20	0	141
EBIT margin	9%	-55%			6%
Sandvik Venture					
Invoiced sales	1,556	-150	-70	0	1,332
EBIT	313	-120	-10	-200	-18
EBIT margin	20%	-80%			-1%

Balance sheet

MSEK	Q2 2012	Q1 2013	Q2 2013	vs Q2 2012
Intangible fixed assets	11,750	11,213	11,673	-1%
Tangible fixed assets	25,834	25,174	25,057	-3%
Financial fixed assets	6,436	5,807	7,613	+18%
Inventories	27,869	24,680	25,031	-10%
Receivables	24,429	22,088	22,067	-10%
Cash and cash equivalents	6,411	13,708	6,770	+6%
Total assets	102,729	102,670	98,211	-4%
Total equity	31,382	33,399	31,432	-
Interest-bearing liabilities	39,690	39,330	35,965	-9%
Non-interest-bearing liabilities	31,657	29,941	30,814	-3%
Total equity and liabilities	102,729	102,670	98,211	-4%

Loan and duration profile

Long term

83%

Amount MSEK

Average duration

US Private Placement	5,657	6 years
Fin institutions, EIB, NIB	3,161	7 years
Swedish MTN	6,685	5 years
European MTN	5,607	12 years
Bank loans	2,040	1 years
Share swap	1,778	2 years

Short term

17%

Commercial paper	0	0 months
Swedish MTN	0	0 months
European MTN	4,306	8 months
Bank loans	764	0 months

Total

29,997

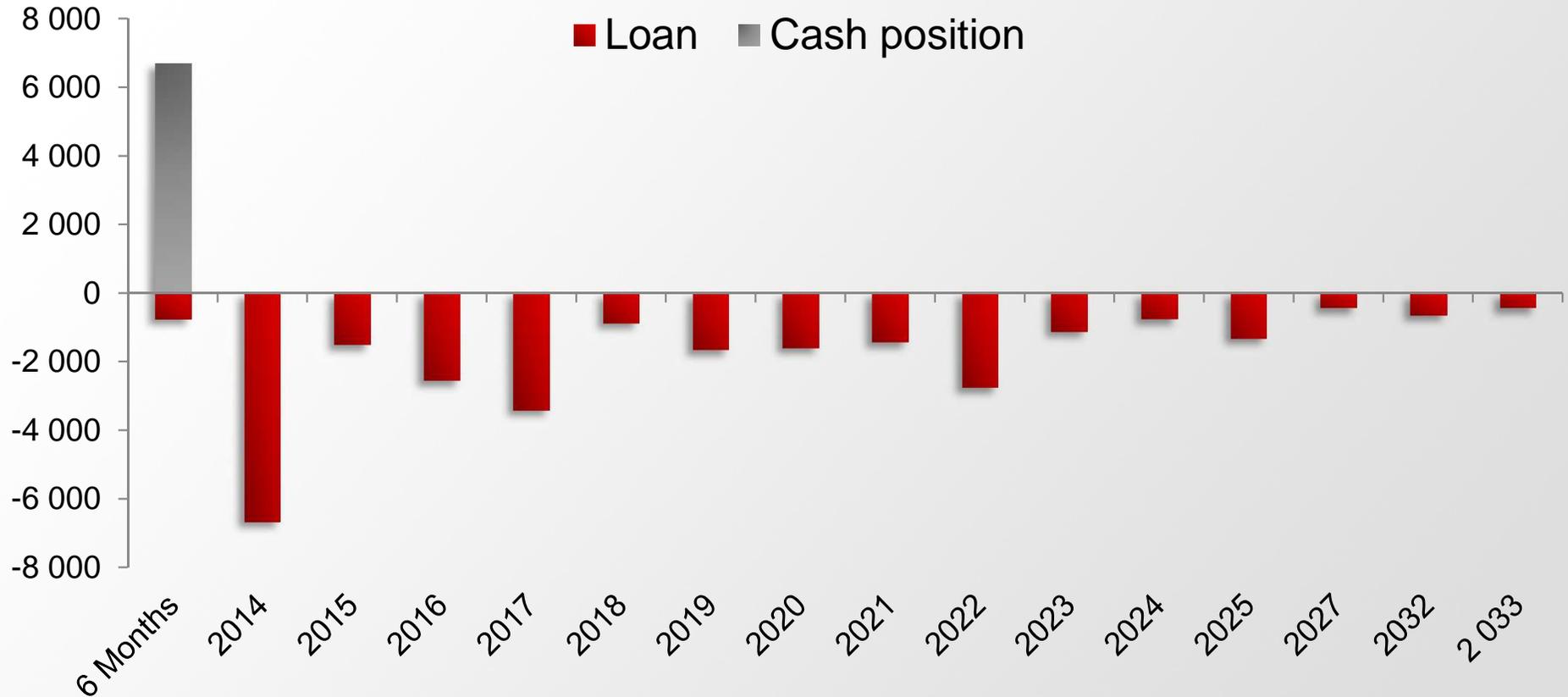
6 years

Cash position

6,770

Unutilized revolving credit facilities, 10,714 MSEK

Loan maturity profile



Financial key figures

MSEK	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Cash flow from operations	2,293	3,979	4,520	2,207	2,640
Capex	1,114	949	1,429	898	942
ROCE, 12 months	17.2%	19.5%	19.8%	17.6%	16.0%
ROE, 12 months	21.5%	25.7%	25.3%	21.8%	19.2%
Net debt/equity ratio	0.8	0.7	0.6	0.5	0.7
EPS, SEK 12 months	5.47	6.60	6.51	5.65	4.91

Guidance

Metal price effects

Given currency rates, stock levels and metal prices at end of June, a negative EBIT effect of about -125 MSEK is expected for Q3 2013.

Net financial items

Net financial items is estimated to be below 2.0 bn. SEK for 2013.

Currency effects

Given currency rates at quarter end the effect on EBIT would be about -150 MSEK for Q3 2013.

Capex

Capex is estimated to be below 5 bn. SEK for 2013.

Tax rate

The tax rate is estimated to about 25-27% for 2013.

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 affected by other factors 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.”