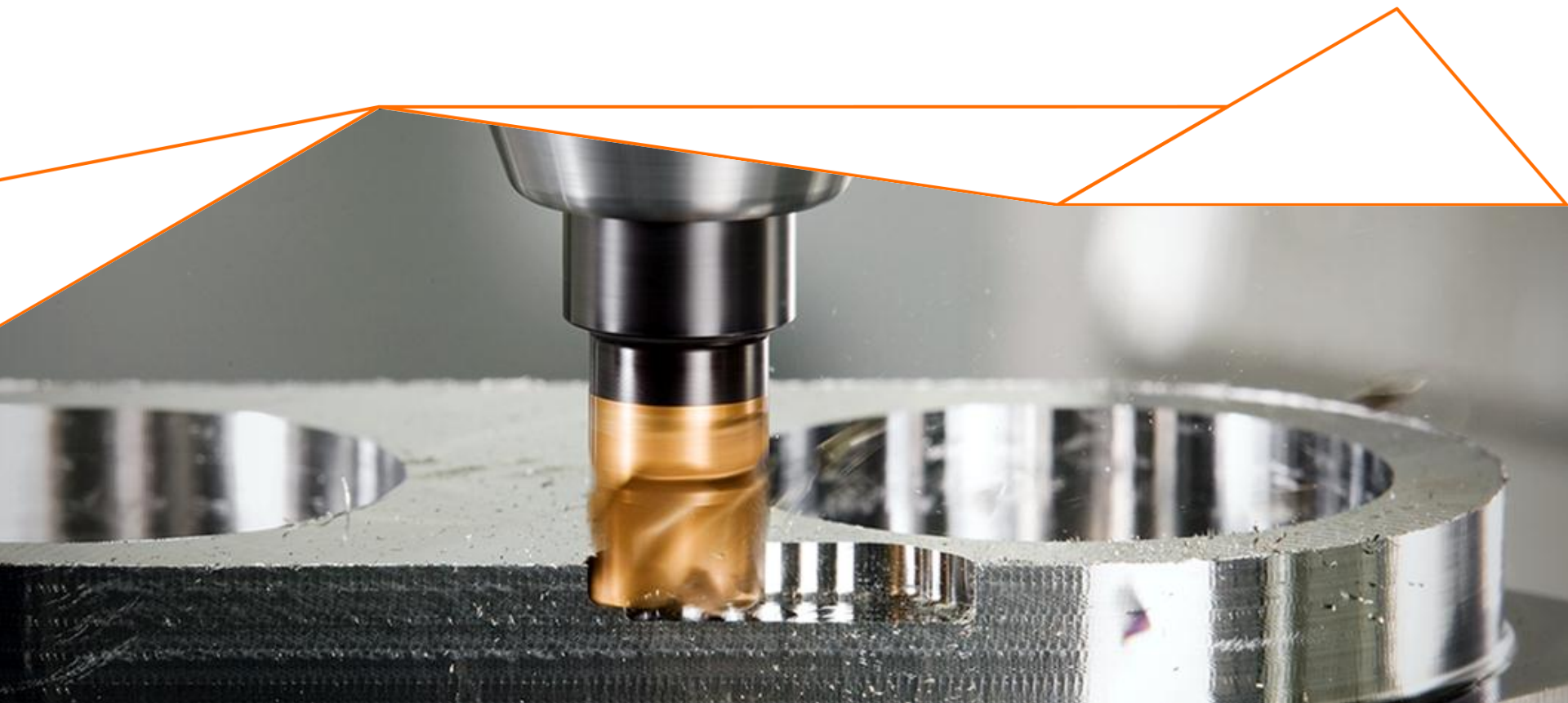


# INTERIM REPORT APRIL 25

## FIRST QUARTER 2014



# SUMMARY Q1 2014

## IMPROVED DEMAND IN MANY AREAS

- Positive book-to-bill
- Major orders from the energy segment, 1,300 MSEK
- Major orders from the mining industry, 1,000 MSEK

## COST REDUCTION AT SANDVIK MINING

- Annual run-rate by end Q1, 500 MSEK

## CLOSURE OF PRODUCTION UNITS INITIATED

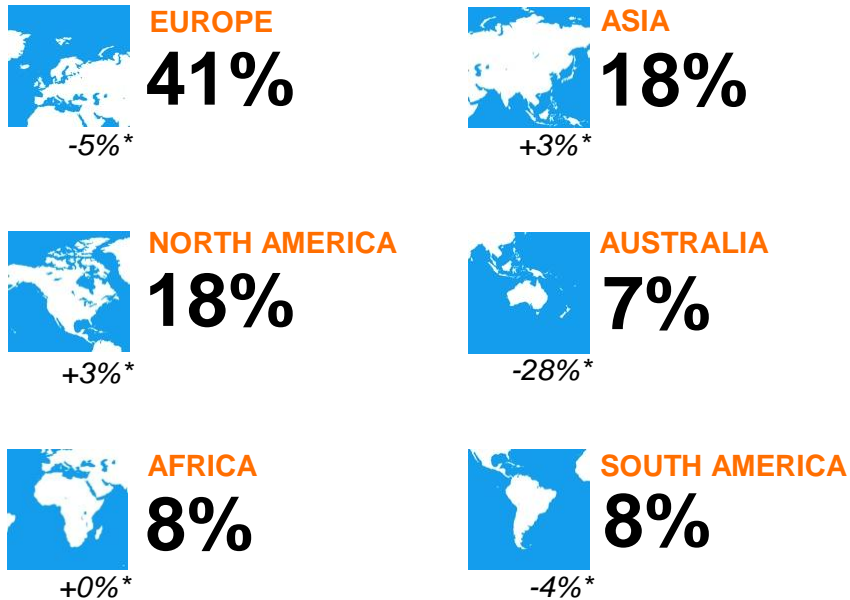
## EBIT 2,478 MSEK, 11.9%

- Currency effects -200 MSEK
- ROCE 12.7%



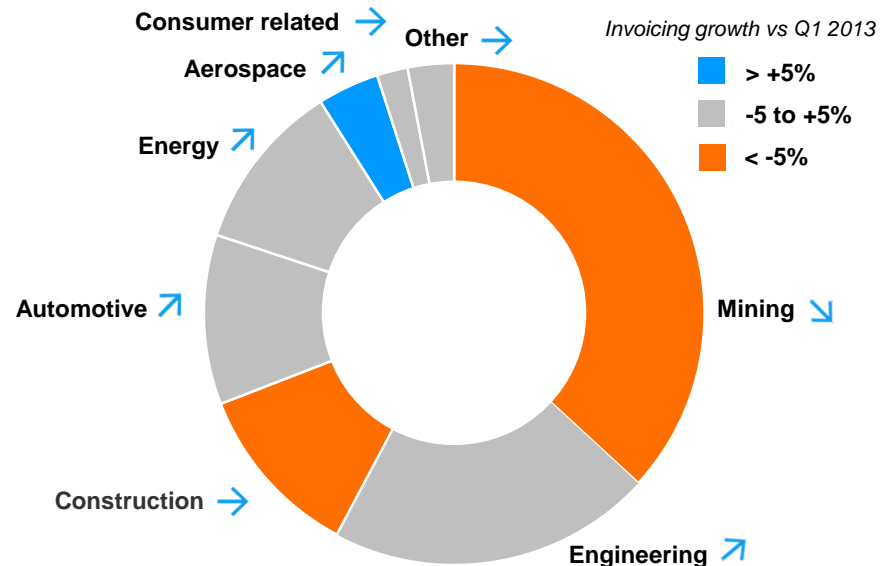
# INVOICING BY MARKETS AND SEGMENTS

## MARKETS, SHARE OF GROUP TOTAL



\* Change compared with preceding year, p/v

## CUSTOMER SEGMENTS

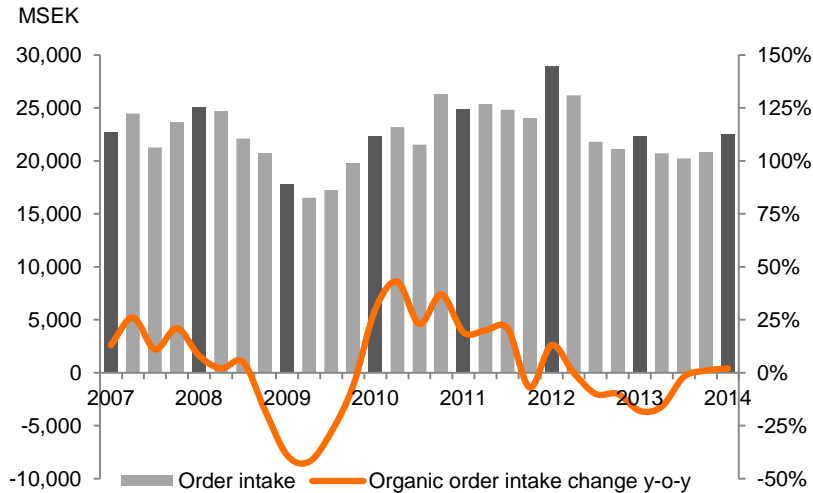


↗ Demand trend compared with preceding quarter  
Pie chart representing share of invoicing 2013



# ORDER INTAKE 22,496 MSEK

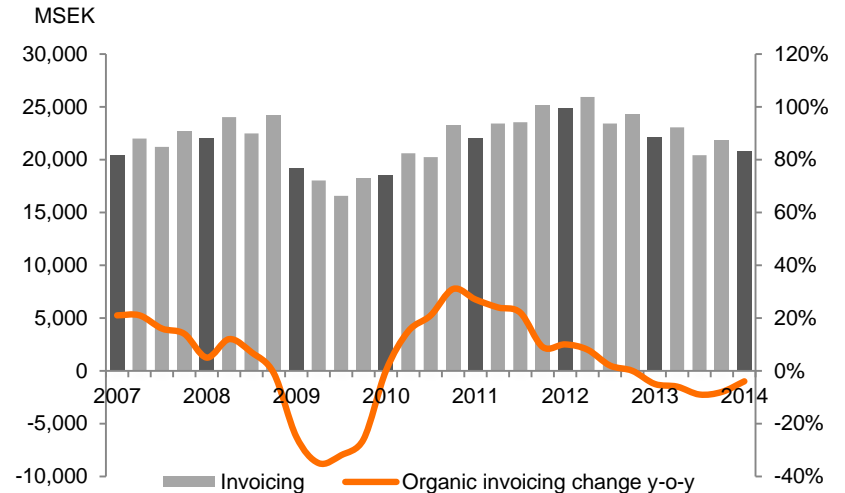
CHANGE P/V +2%



- Change compared with preceding quarter, +10%, p/v
- Major oil & gas orders, 1.3 BSEK
- Order delays affected Sandvik Mining

# INVOICING 20,783 MSEK

CHANGE P/V -4%

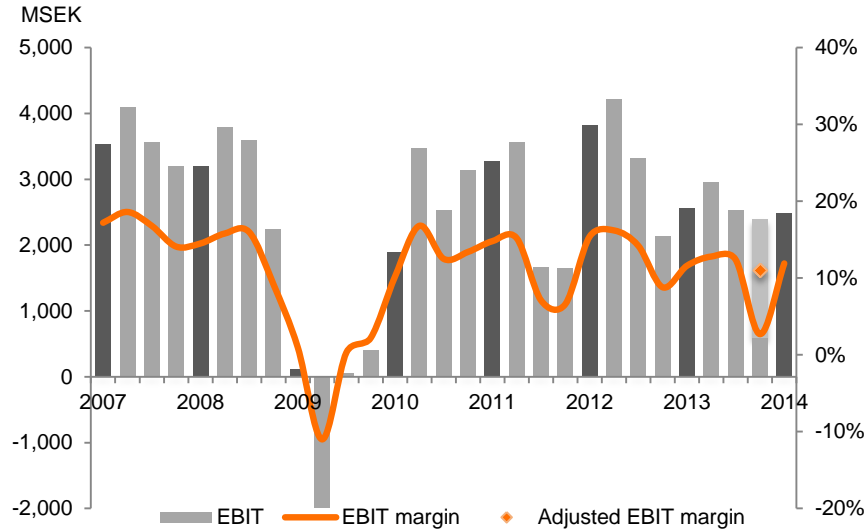


- Change compared with preceding quarter, -3%, p/v
- Normal seasonality in Q1
- Declining order backlog for Sandvik Mining



# EBIT 2,478 MSEK

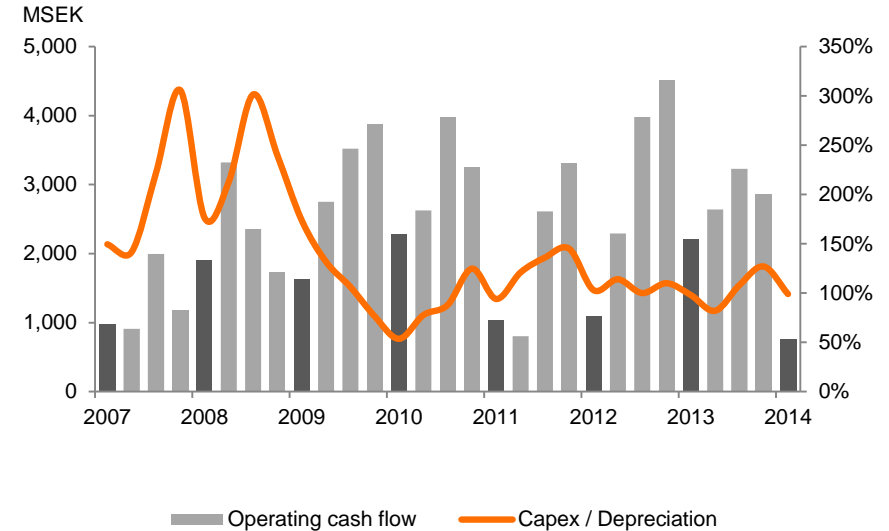
**MARGIN 11.9%**



- **Currency effect, -200 MSEK (Sandvik Mining, -130 MSEK)**
- **Metal price effect, +26 MSEK**
- **Weak demand and currency (-50 MSEK) impact Sandvik Construction earnings**

# CASH FLOW

**CASH FLOW FROM OPERATING ACTIVITIES 759 MSEK**



- **Higher receivables due to increased sales at end of quarter**
- **Inventory build-up, mainly in Sandvik Materials Technology and Sandvik Construction**
- **Investments 0.9 BSEK**



# STRENGTHENING GROUP EXECUTIVE MANAGEMENT

**SCOT SMITH**

**NEW PRESIDENT OF SANDVIK MINING**



- 30 years of industrial experience, out of which 11 years within the mining industry
- Most recently from Sulzer, and prior to that Weir.
- Starting date to be decided

**ÅSA THUNMAN**

**NEW EVP AND GENERAL COUNSEL**



- Long experience from both law firm and the corporate business
- Most recently at Securitas, and prior to that Electa
- Board member Scania
- Starting date 1 October

# OUR WAY FORWARD

## SANDVIK MINING

Shifting geographic footprint closer to customers (reducing production units by 8-12 in 3-4 years)

R&D investments to grow invoicing and improve earnings

Adjusting capacity to current demand (run-rate savings of 500 MSEK mostly by reducing FTEs)

Grow share of aftermarket sales

## SANDVIK MACHINING SOLUTIONS

Adjusting overcapacity (reducing production units by 10-12 in 3-4 years)

R&D investments to grow invoicing and improve earnings

Key player in mid-market by leveraging current resources and structure

Bolt-on M&A

## SANDVIK MATERIALS TECHNOLOGY

Accelerate growth of strategic products, mainly energy (through reallocation of R&D and investments)

Safeguard position in Core & Standard products through lean business model

Secure utilization and cost position in the Primary-system

Exit non-core businesses

## SANDVIK CONSTRUCTION

Realign production footprint towards best-cost countries

Increase share of products sourced from best-cost countries

Grow share of aftermarket sales

## SANDVIK VENTURE

Develop existing portfolio

Extend Sandvik's capability into high growth segments

Commercialize technology offers

Develop more towards fast growing markets. Yield higher returns. Reduce earnings volatility.

# FINANCIAL TARGETS

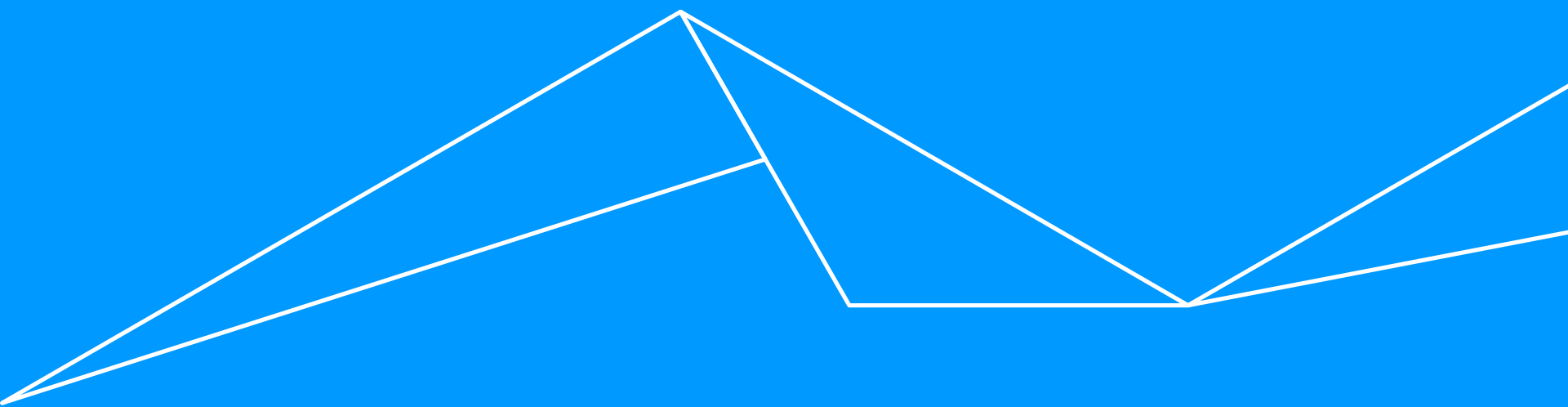
	CURRENT	TARGET	MANAGEMENT FOCUS
GROWTH	-4%	8%	<ul style="list-style-type: none"><li>• Product launches through focused R&amp;D</li><li>• Increase exposure towards high growth markets and segments</li><li>• Adjust geographic footprint</li></ul>
ROCE	13%*	25%	<ul style="list-style-type: none"><li>• Reduce Net Working Capital</li><li>• Selective capital allocation (investments)</li><li>• Restore earnings in Sandvik Mining and Sandvik Construction</li></ul>
NET DEBT/ EQUITY RATIO	0.7	< 0.8	<ul style="list-style-type: none"><li>• Elevated level in Q2 2014 after tax case, dividend and anticipated acquisition of VareL.</li><li>• Consistent cash flow generation.</li></ul>
DIVIDEND	88%** for 2013	50% of EPS	<ul style="list-style-type: none"><li>• Uninterrupted dividend since 1870.</li></ul>

\* Annualized quarterly 15%

\*\* Proposed dividend





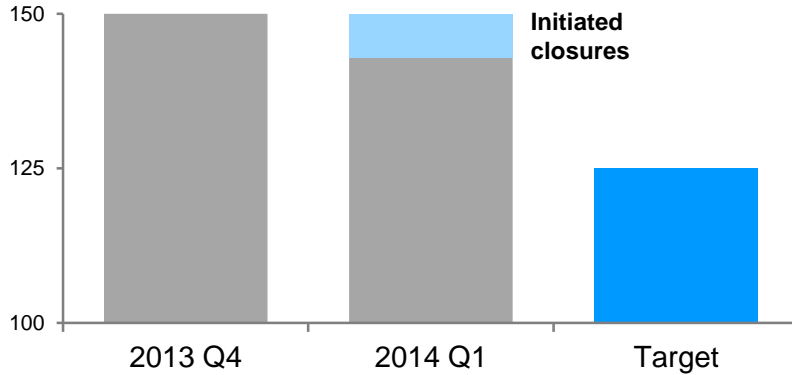


MATS BACKMAN  
CFO



# RESTRUCTURING OUR FOOTPRINT

## PRODUCTION UNITS



**INITIATED  
CLOSURES**  
Since 2013 Q4

7

**UNITS  
CLOSED**  
Since 2013 Q4

0

**Reduce number of production units from 150 to 125 over next three to four years**

### Initial phase launched in Q4 2013

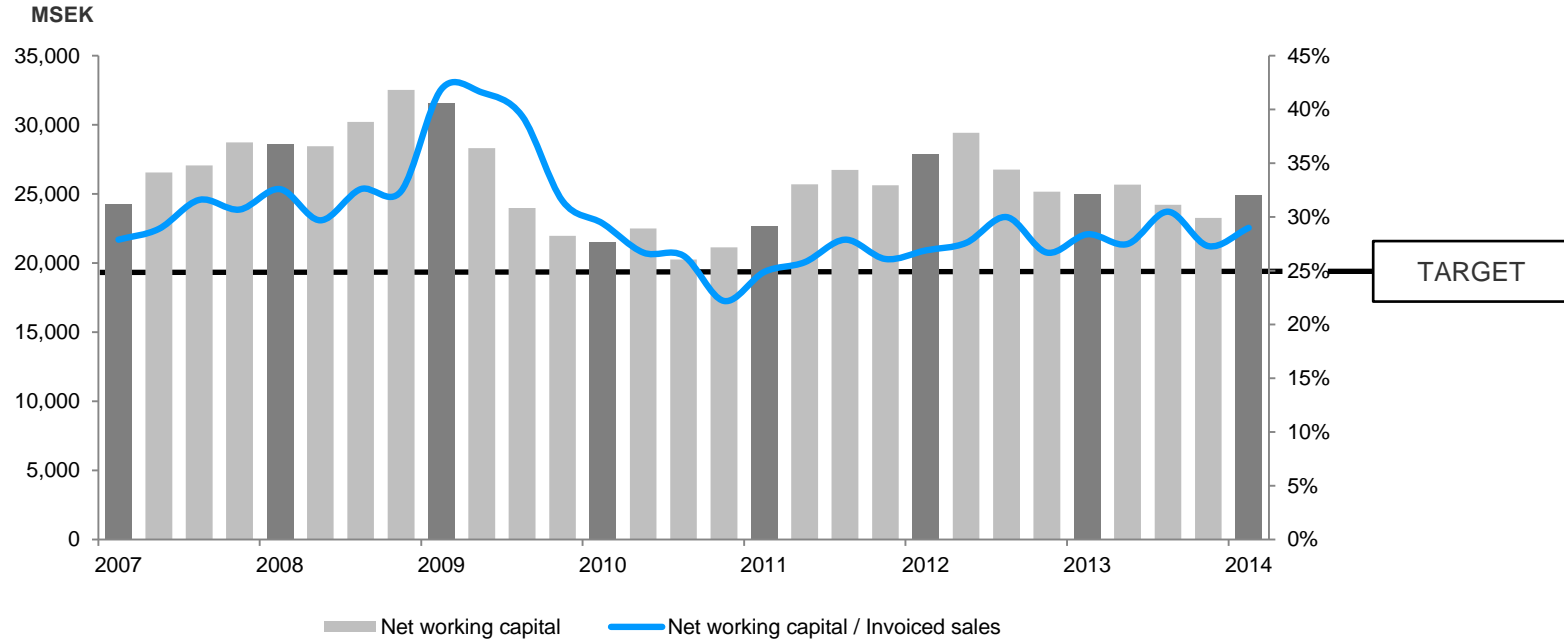
- Closure of ~10 units
- Annual savings of 800 MSEK at end 2015
- Total restructuring cost 900 MSEK (Q4 2013)

### Progression

- 7 closures initiated
- Sweden (2), UK (2), Italy, France, South Africa
- Personnel net, about -550

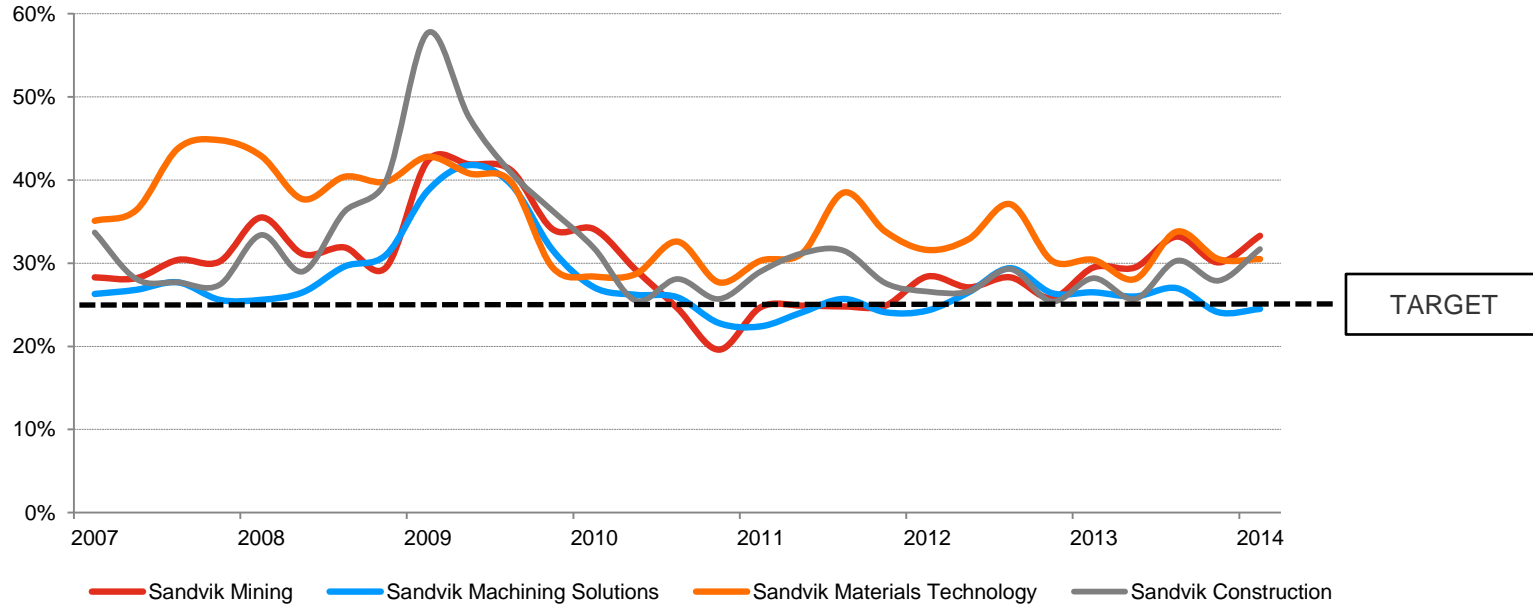


# NET WORKING CAPITAL



# NET WORKING CAPITAL

## % OF INVOICING BY BUSINESS AREA



# ADDRESSING THE NWC GAP

## SANDVIK MINING

- Supply chain optimization program
- Review accounts receivable process including increased focus on pre-payments
- Stock replenishment

## SANDVIK MACHINING SOLUTIONS

- Supply chain optimization program
- Increased focus on Sales & Operational Planning processes

## SANDVIK MATERIALS TECHNOLOGY

- Optimize material flow Primary to Tube
- Stock replenishment

## SANDVIK CONSTRUCTION

- Supply chain optimization program
- Review accounts receivable process
- Stock replenishment

## SANDVIK VENTURE

- Product area specific initiatives, potential to reduce overall levels



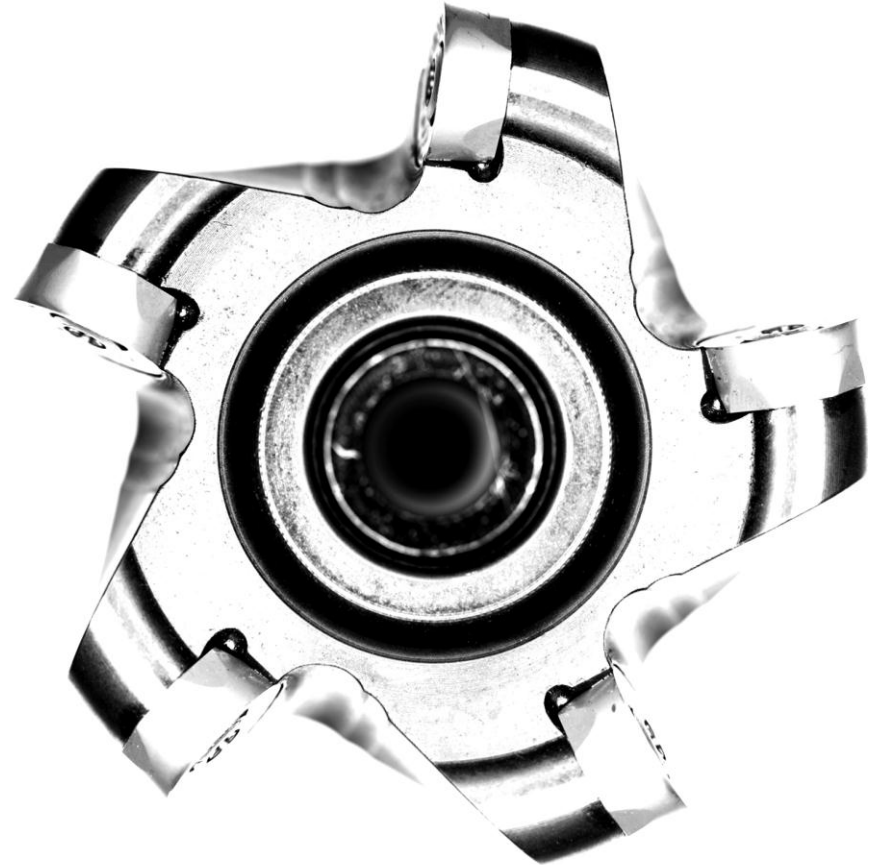
# SUMMARY

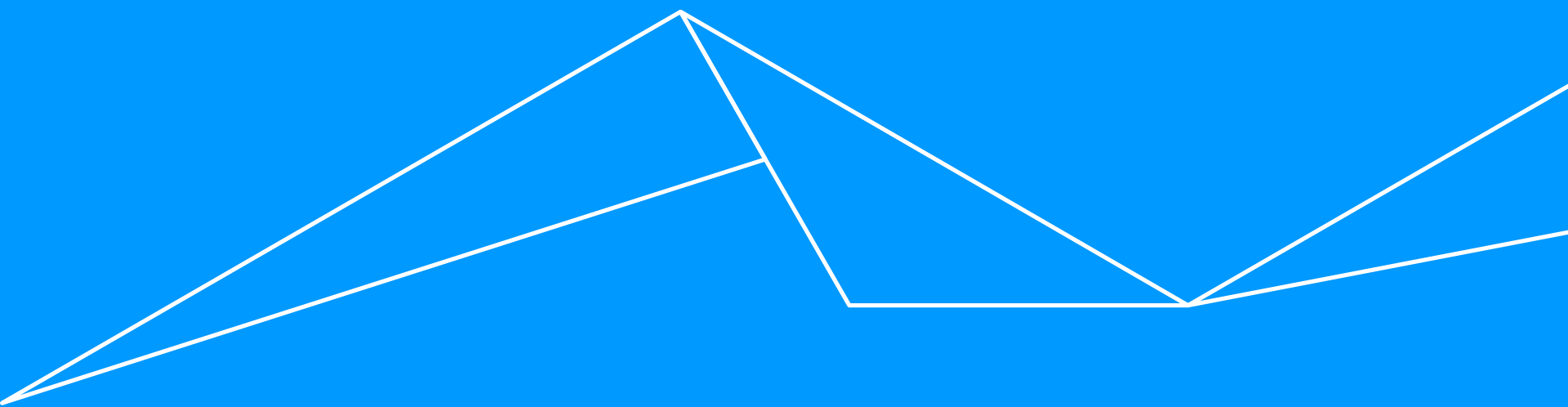
**IMPROVED DEMAND IN MANY AREAS**

**PROGRESS ON SUPPLY CHAIN OPTIMIZATION**

**FOCUS ON NET WORKING CAPITAL**

**STRENGTHENING GROUP EXECUTIVE  
MANAGEMENT**





# BACK-UP SLIDES

# SANDVIK MINING

## Q1 2014

### WEAKER DEMAND

### COST REDUCTIONS

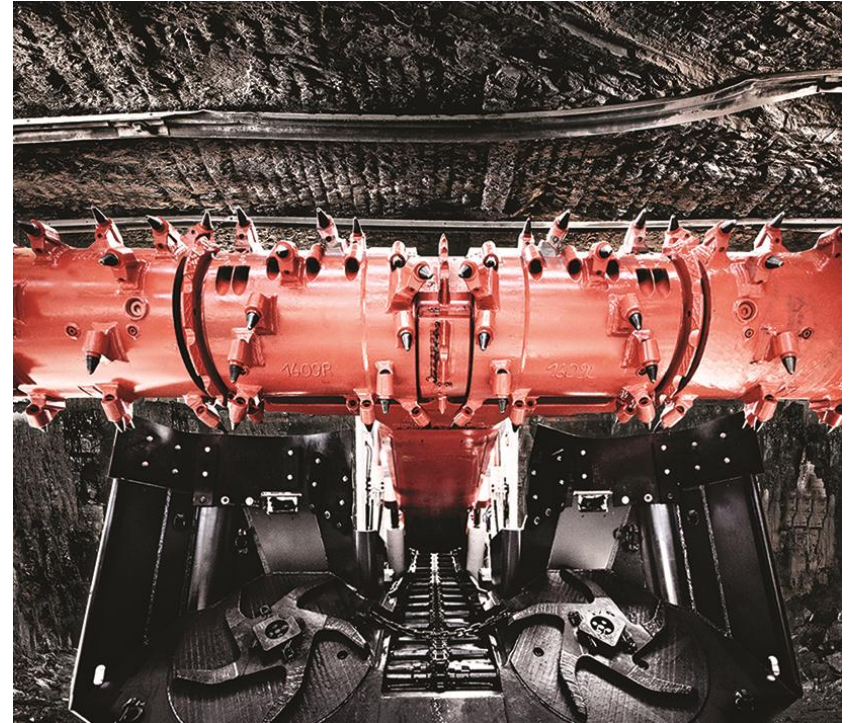
- Quarterly run-rate end Q1, 125 MSEK

### EBIT 688 MSEK, 10.4%

- Currency effects -130 MSEK

### INITIATIVE TO OPTIMIZE SUPPLY CHAIN

- Closure of unit in South Africa initiated

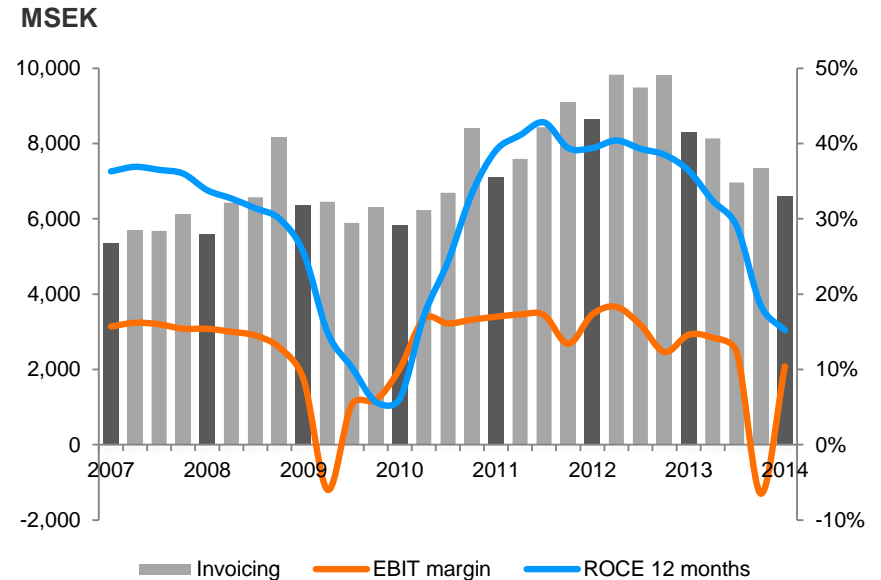




# SANDVIK MINING

## Q1 2014

Order intake	6,055 MSEK
Invoicing	6,601 MSEK
EBIT	688 MSEK
ROCE	15.2%



# SANDVIK MACHINING SOLUTIONS

## Q1 2014

### INCREASED MARKET ACTIVITY

- Increased activity in automotive and aerospace
- Europe developed favorably from a low level

### EBIT 1,480 MSEK, 20.0%

- Currency effects -25 MSEK

### INITIATIVE TO OPTIMIZE SUPPLY CHAIN

- Closure of units in UK and Italy initiated



# SANDVIK MACHINING SOLUTIONS

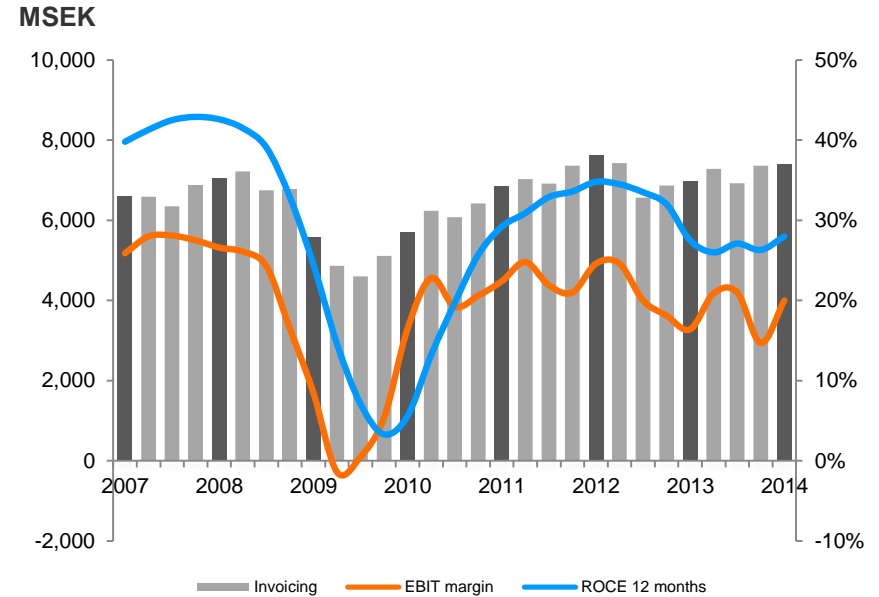
## Q1 2014

Order intake 7,719 MSEK

Invoicing 7,400 MSEK

EBIT 1,480 MSEK

ROCE 28.0%



# SANDVIK MATERIALS TECHNOLOGY

## Q1 2014

### IMPROVED BUSINESS CONDITIONS

### SEVERAL MAJOR ENERGY ORDERS SECURED

- About 1,300 MSEK

### IMPROVED PROFITABILITY

- Operating margin, 11.1% adjusted for metal price effect

### INVENTORY BUILD-UP

- Increased stock availability for oil & gas and core and standard



# SANDVIK MATERIALS TECHNOLOGY

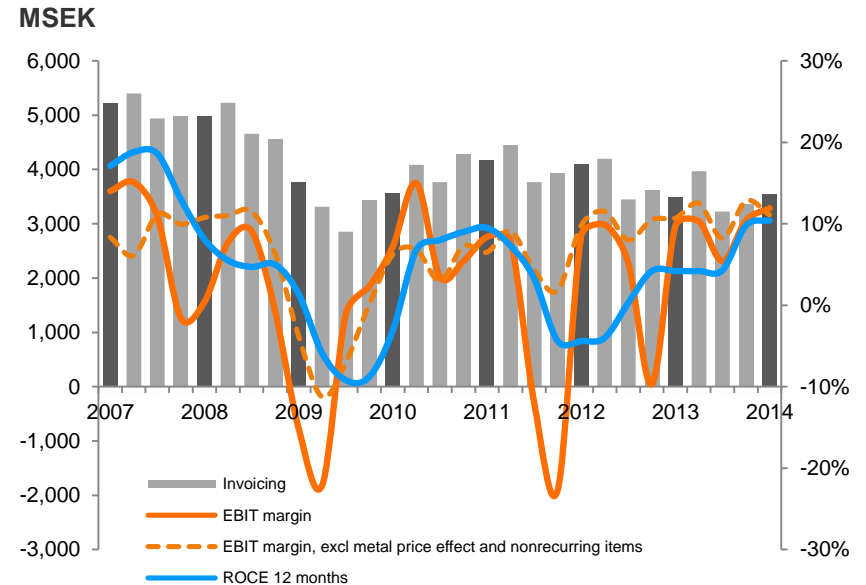
## Q1 2014

Order intake 4,633 MSEK

Invoicing 3,547 MSEK

EBIT 421 MSEK  
Adjusted for metal price effects,  
395 MSEK, 11.1 % of invoicing

ROCE 10.4%



# SANDVIK CONSTRUCTION

## Q1 2014

### CONTINUED MARKET UNCERTAINTY

- Europe increased from low level

### EARNINGS IMPACTED BY LOW SALES AND CURRENCY EFFECTS

- Currency effect -50 MSEK and -15 MSEK to preceding quarter

### INITIATIVE TO OPTIMIZE SUPPLY CHAIN

- Closure of unit in UK initiated



# SANDVIK CONSTRUCTION

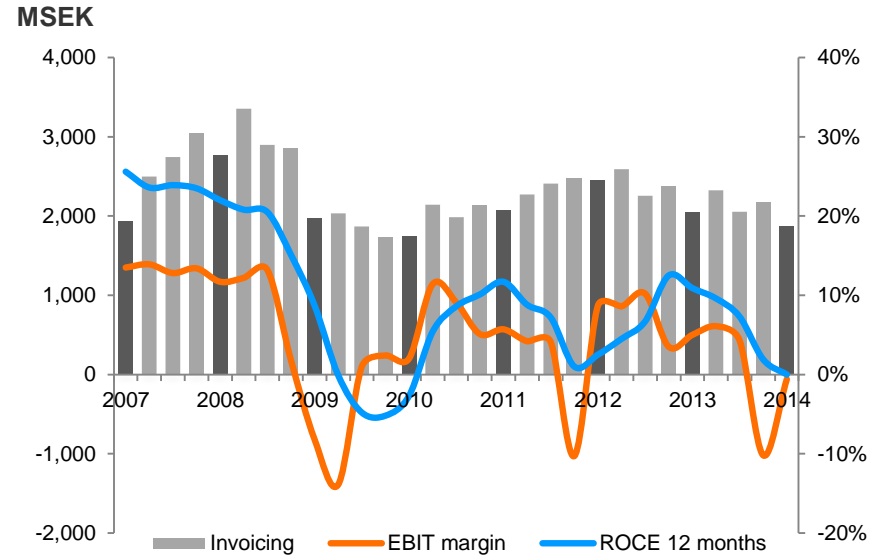
## Q1 2014

Order intake 2,336 MSEK

Invoicing 1,871 MSEK

EBIT -11 MSEK

ROCE -0.1%



# SANDVIK VENTURE

## Q1 2014

### IMPROVED MARKET CONDITIONS

- Positive development in all product areas and major regions

### STRONGER EARNINGS

- EBIT 233 MSEK, 17.1%
- Favorable product mix

### VAREL ACQUISITION PROCESS CONTINUES ACCORDING TO PLAN

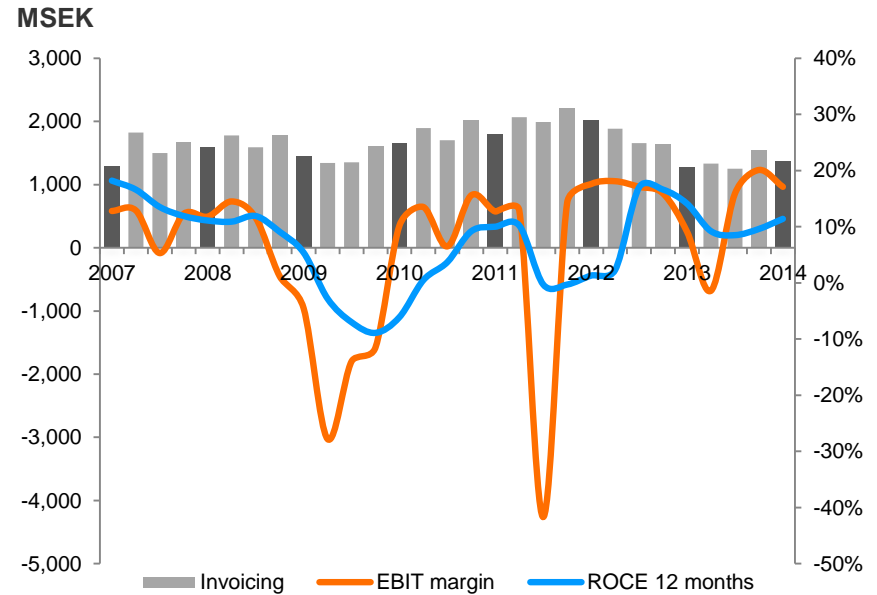




# SANDVIK VENTURE

## Q1 2014

Order intake	1,749 MSEK
Invoicing	1,362 MSEK
EBIT	233 MSEK
ROCE	11.4%



# BRIDGE ANALYSIS SANDVIK GROUP

<b>MSEK</b>	<b>Q1 2013</b>	<b>PRICE/ VOLUME/ PRODUCTIVITY</b>	<b>CURRENCY</b>	<b>STRUCTURE ONE-OFFS*</b>	<b>Q1 2014</b>
Invoicing	22,098	-800	-500	-15	20,783
EBIT	2,557	-80	-200	200	2,478
EBIT margin	11.6%	-10%	-	-	11.9%

\* Includes metal price effects

# BRIDGE ANALYSIS

<b>MSEK</b>	<b>Q1 2013</b>	<b>PRICE/ VOLUME/ PRODUCTIVITY</b>	<b>CURRENCY</b>	<b>STRUCTURE ONE-OFFS*</b>	<b>Q1 2014</b>
<b>SANDVIK MINING</b>					
Invoicing	8,313	-1,200	-500	-	6,601
EBIT	1,211	-400	-130	-	688
EBIT margin	15%	-33%	-	-	10%
<b>SANDVIK MACHINING SOLUTIONS</b>					
Invoicing	6,977	350	25	40	7,400
EBIT	1,141	225	-25	140	1,480
EBIT margin	16%	64%	-	-	20%
<b>SANDVIK MATERIALS TECHNOLOGY</b>					
Invoicing	3,484	190	-40	-90	3,547
EBIT	337	25	-	60	421
EBIT margin	10%	13%	-	-	12%

\* Includes metal price effects



# BRIDGE ANALYSIS

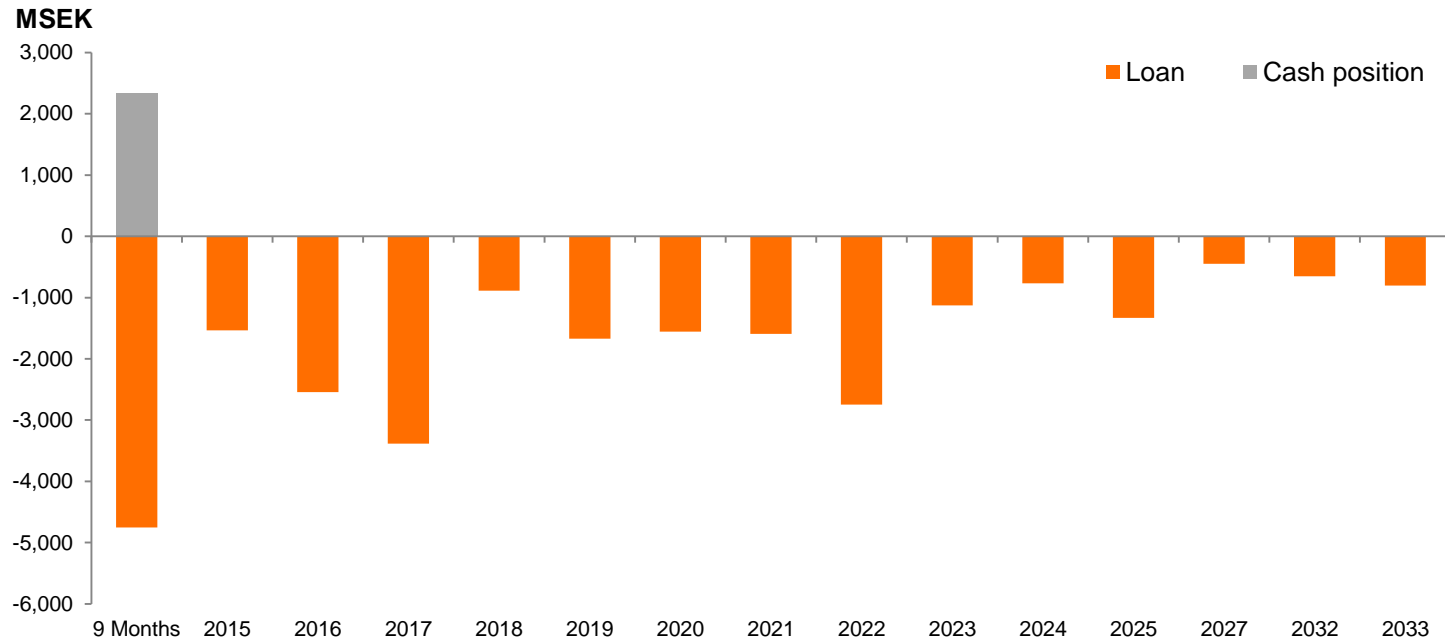
<b>MSEK</b>	<b>Q1 2013</b>	<b>PRICE/ VOLUME/ PRODUCTIVITY</b>	<b>CURRENCY</b>	<b>STRUCTURE ONE-OFFS</b>	<b>Q1 2014</b>
<b>SANDVIK CONSTRUCTION</b>					
Invoicing	2,046	-150	-25	-	1,871
EBIT	103	-60	-50	-	-11
EBIT margin	5%	-40%	-	-	-1%
<b>SANDVIK VENTURE</b>					
Invoicing	1,271	40	15	35	1,362
EBIT	116	120	-	-	233
EBIT margin	9%	300%	-	-	17%

# LOAN AND DURATION PROFILE

<b>LONG TERM</b>	<b>83%</b>	<b>AMOUNT MSEK</b>	<b>AVERAGE DURATION</b>
US Private Placement		5,414	6 years
Fin institutions, EIB, NIB		2,698	7 years
Swedish MTN		6,861	4 years
European MTN		6,061	12 years
Bank loans		314	3 years
Share swap		1,657	1 years
<b>SHORT TERM</b>	<b>17%</b>		
Commercial paper		1,595	2 months
Fin institutions, EIB, NIB		500	2 months
Swedish MTN		0	0 months
European MTN		0	0 months
Bank loans		2,673	3 months
<b>TOTAL</b>		<b>27,775</b>	<b>6 years</b>
Cash position		<b>2,328</b>	
Revolving Credit facilities, 10,812 MSEK			



# LOAN MATURITY PROFILE



An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, set against a black background. The lines are thin and create a sense of depth and movement.

# DISCLAIMER 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.”

