

Interim report

Q4 2008



Lars Pettersson, CEO

Per Nordberg, CFO

4 February, 2009

Market highlights Q4

- **Business environment**

- ✓ Sharp slowdown in demand
- ✓ Customer production shut-downs
- ✓ Contractions of investments

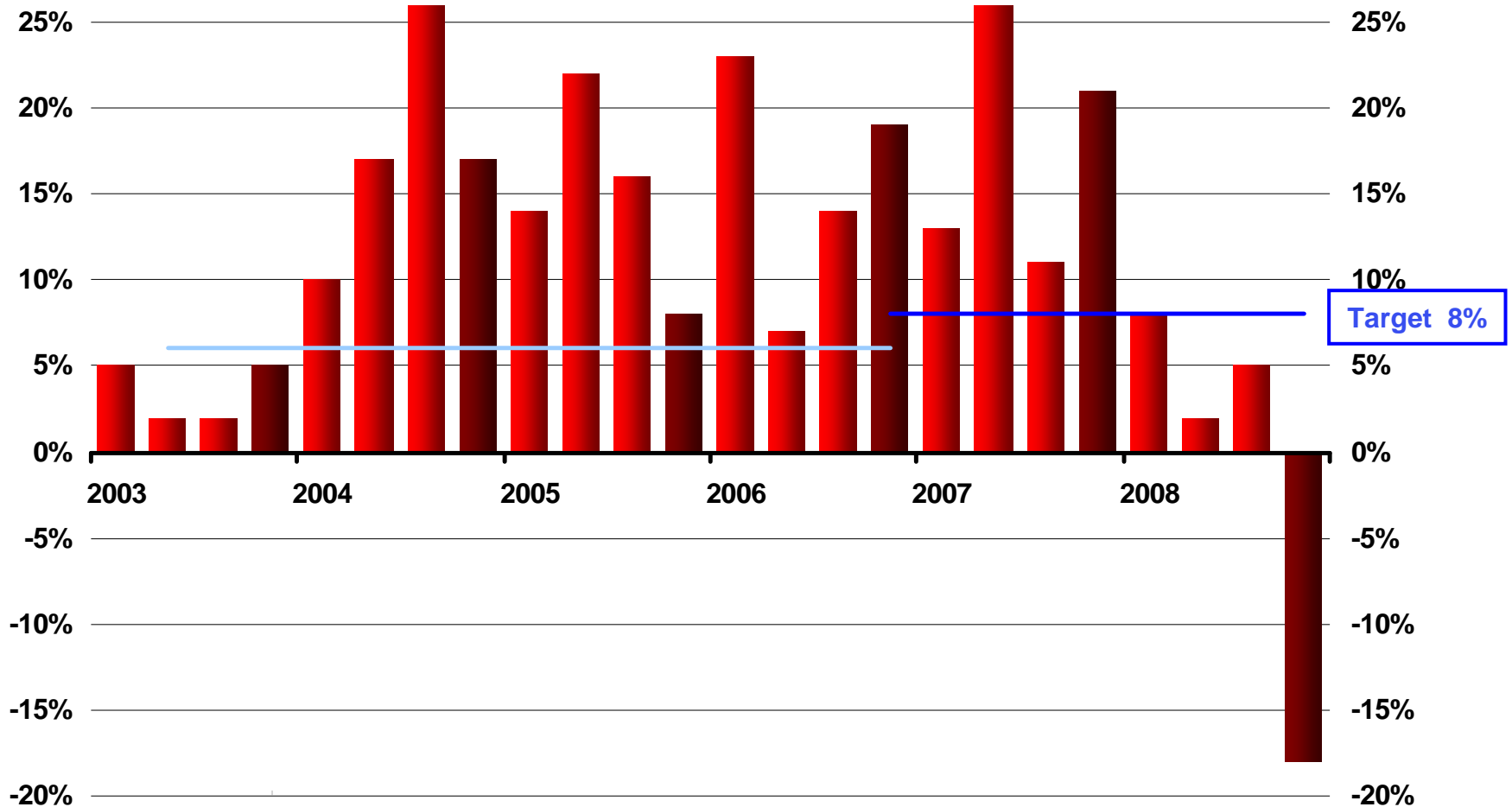
- **Business segments**

- ✓ Growth in energy
- ✓ Stable demand in aerospace, medical, underground mining
- ✓ Weak in consumer related, parts of general engineering
- ✓ Very weak in automotive, construction and exploration

Operational highlights Q4

- Improved cash flow SEK 1,925 M, +50%
- Under-absorption of fixed costs, SEK ~-1,500 M
- Measures to limit effects of lower demand, reduction of:
 - ✓ Cost base
 - ✓ Inventories
 - ✓ Number of employees
- Metal price effects SEK -320 M
- Currency effect on EBIT of SEK +700 M
- Restructuring cost, one-offs SEK -300 M

Organic order intake: - 18%



Order intake change y-o-y, at fixed exchange rates for comparable units

Organic order growth by Region

| Quarter, % change ¹⁾ | 2007 | | 2008 | |
|---------------------------------|-------------|-------------|-------------|-------------|
| | Q4 | Ex proj. | Q4 | Ex proj. |
| Europe | + 12 | + 15 | - 16 | - 25 |
| Nafta | + 15 | + 9 | -18 | - 13 |
| South America | + 24 | - 11 | - 34 | +16 |
| Asia | + 25 | + 25 | - 13 | - 18 |
| Australia | + 47 | + 19 | - 46 | - 33 |
| Africa/Middle East | + 59 | + 59 | + 9 | - 8 |
| GROUP TOTAL | + 21 | + 17 | - 18 | - 19 |

¹⁾ Order intake at fixed exchange rates for comparable units

Order intake by Business area

| Quarter, % change | 2007 | | 2008 | |
|---|-------------|-------------|-------------|-------------|
| | Q4 | Ex proj. | Q4 | Ex proj. |
| Sandvik Tooling ¹⁾ | + 9 | + 9 | - 18 | -18 |
| Sandvik Mining and Construction ¹⁾ | + 40 | +35 | - 20 | - 17 |
| Sandvik Materials Technology ^{1) 2)} | + 11 | + 4 | - 17 | - 27 |
| GROUP ORGANIC GROWTH ¹⁾ | + 21 | + 17 | - 18 | - 19 |
| Currency | - | - | + 6 | + 6 |
| Structure | + 3 | + 3 | - | - |
| GROUP TOTAL | + 25 | + 20 | - 12 | - 13 |

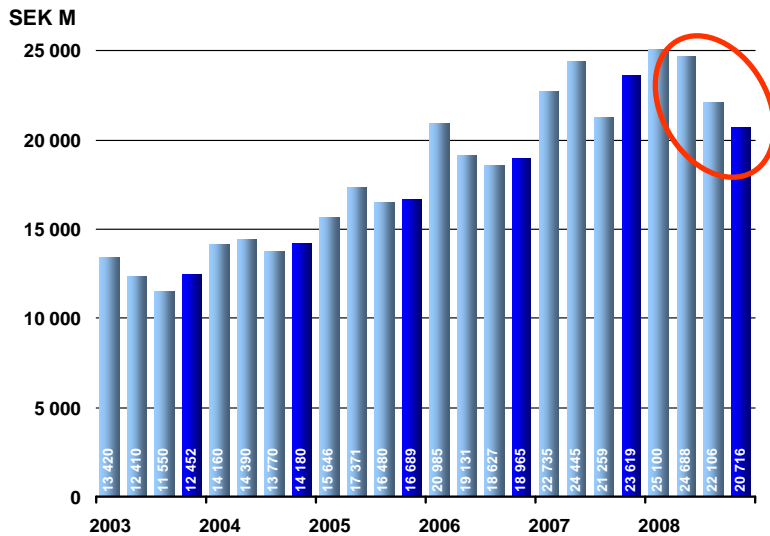
¹⁾ Fixed exchange rates for comparable units

²⁾ Approximately +3% in Q4 2007 and -3% in Q4 2008 respectively after changes in metal prices

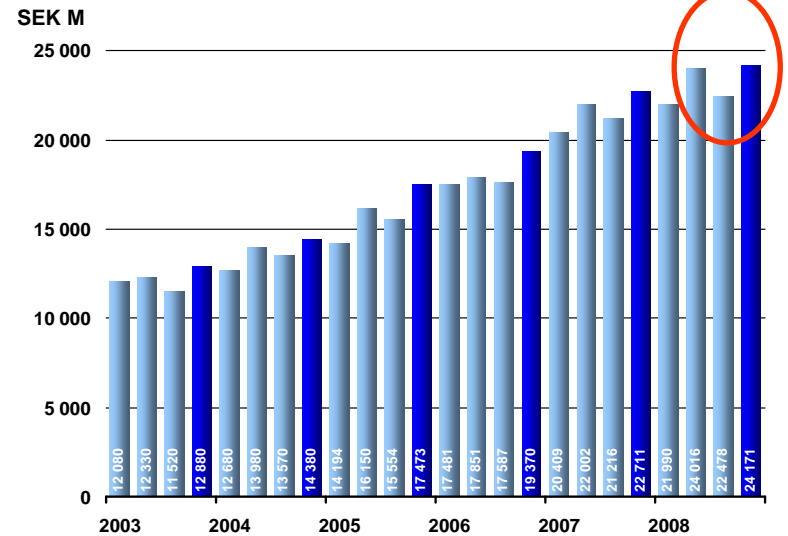
Book-to-bill

- Organic order intake -18%
- Organic invoicing -1%
- Book-to-bill 86%

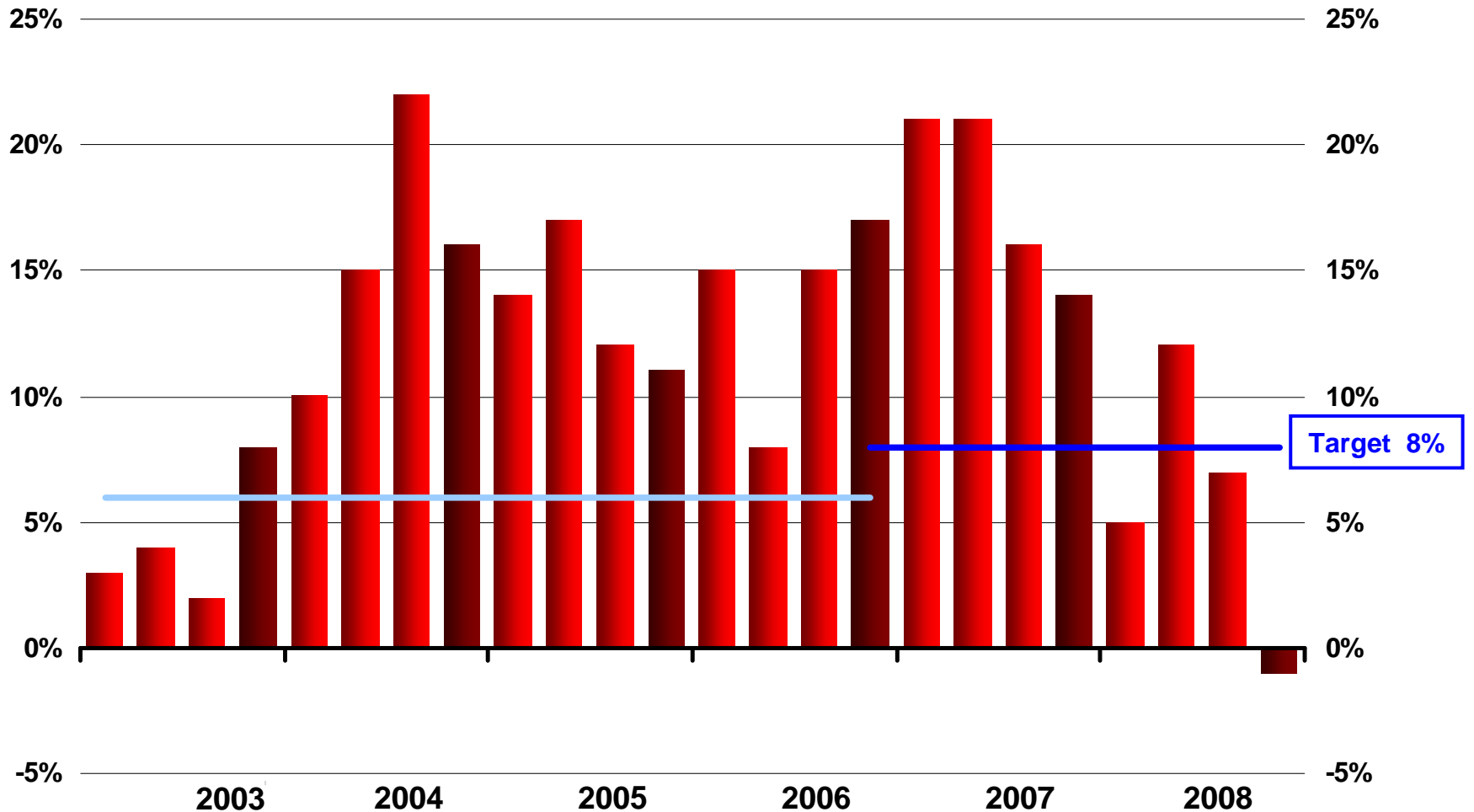
Order intake



Invoicing

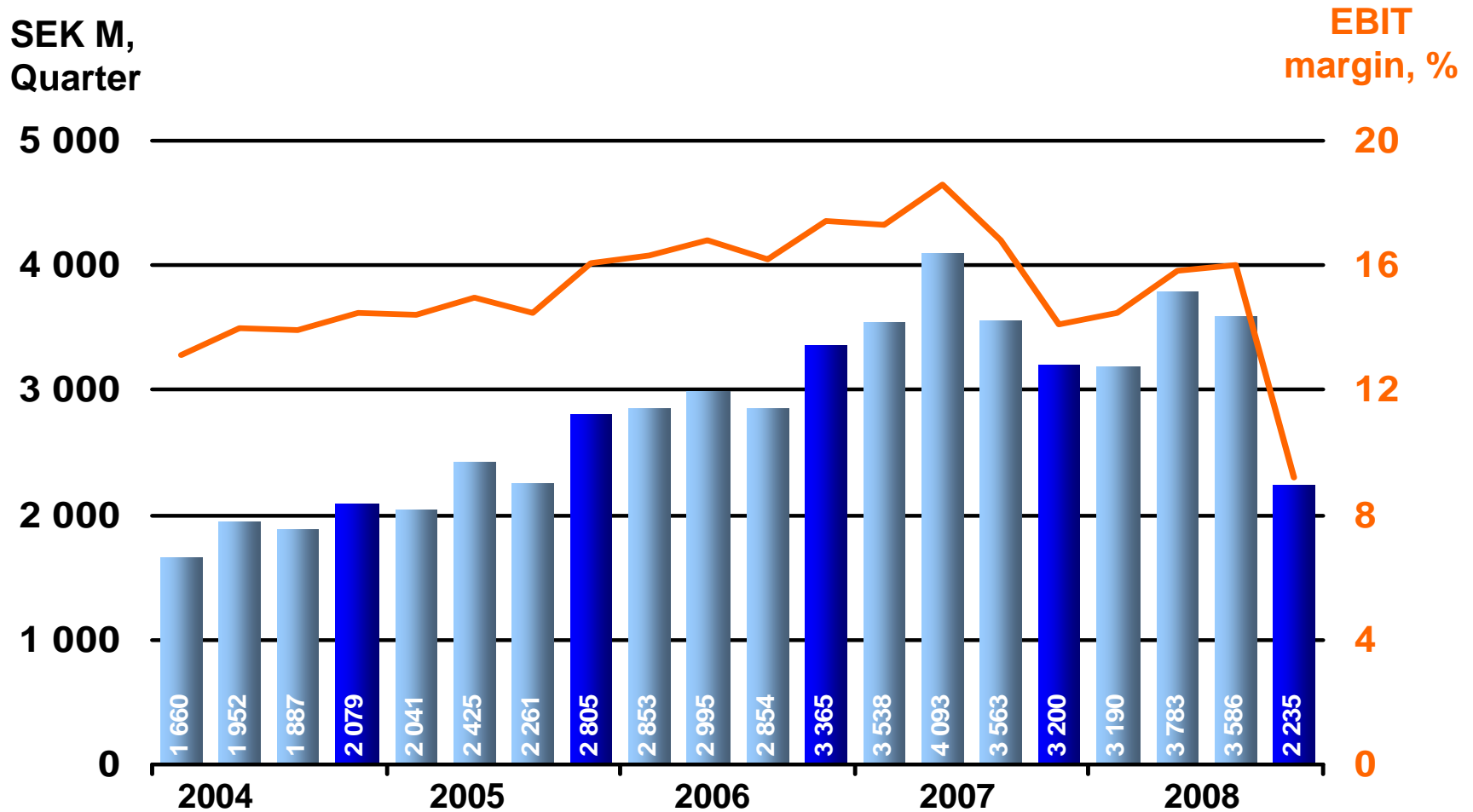


Organic invoicing: -1%

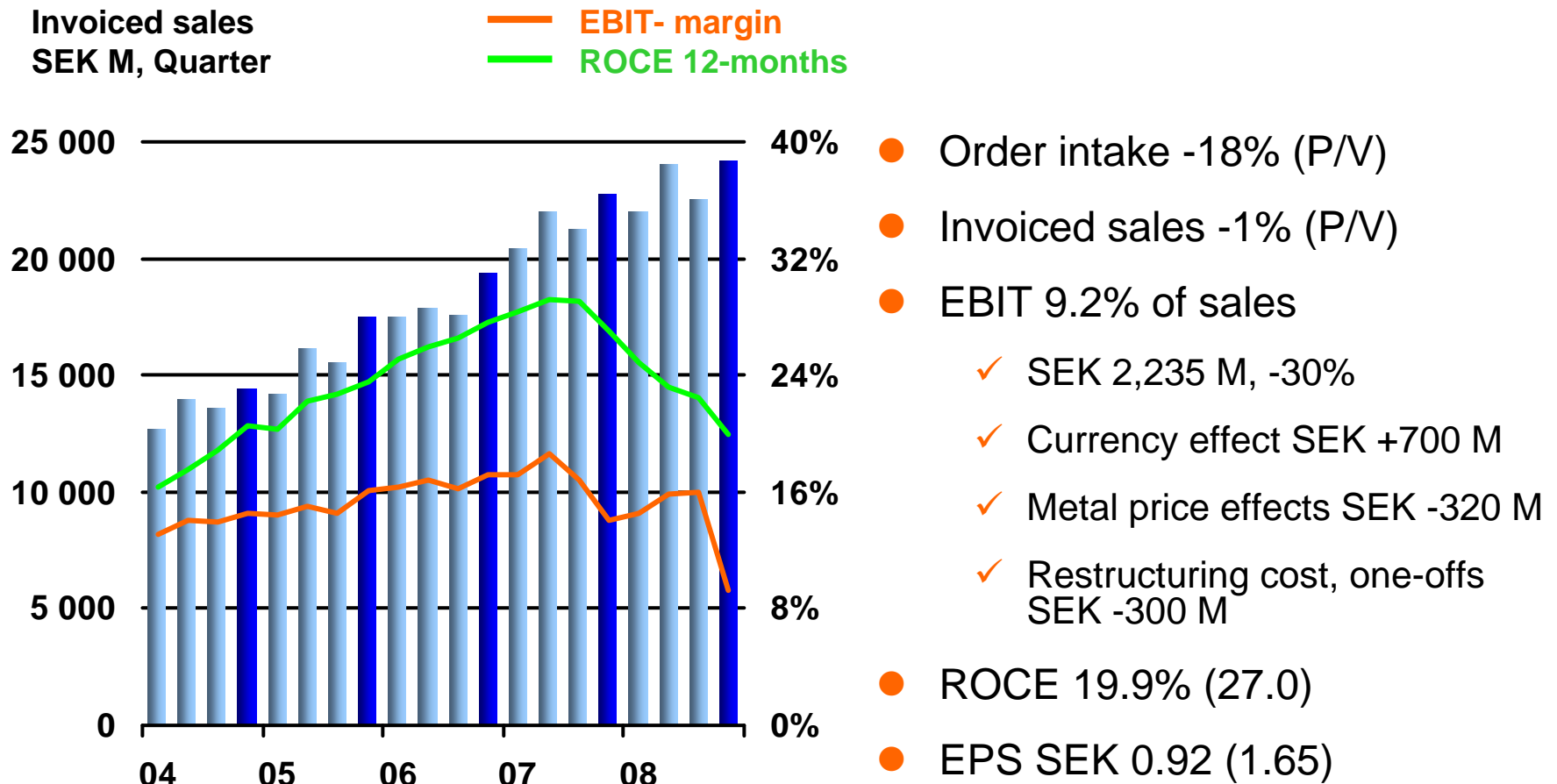


Change in invoicing y-o-y, at fixed exchange rates for comparable units

EBIT: SEK 2,235 M, -30%



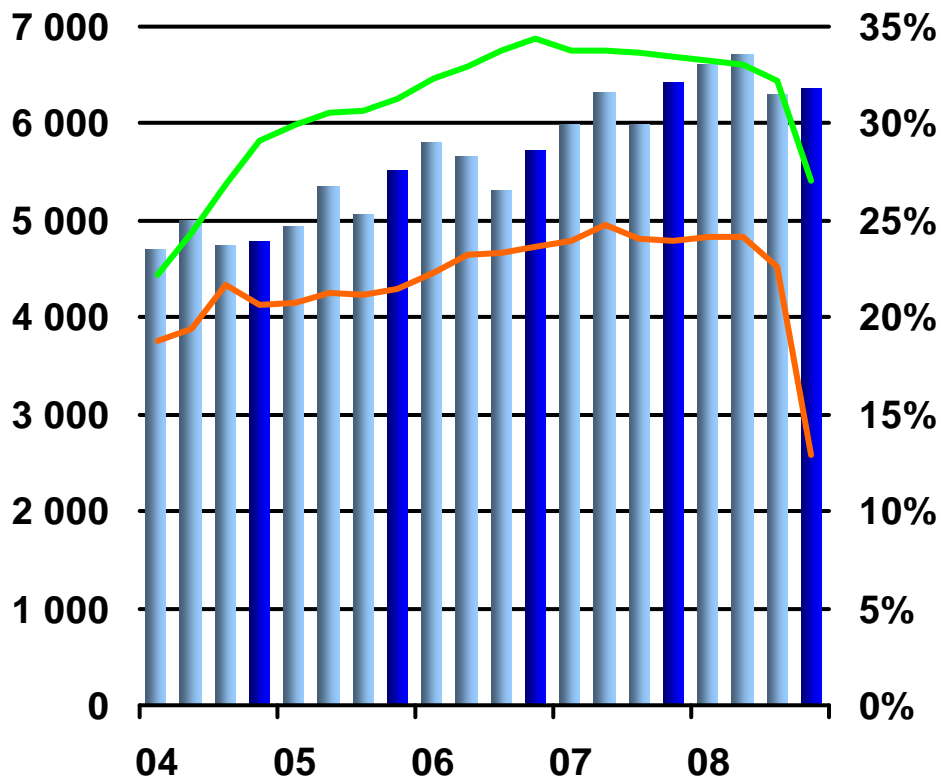
Sandvik Group



Sandvik Tooling

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

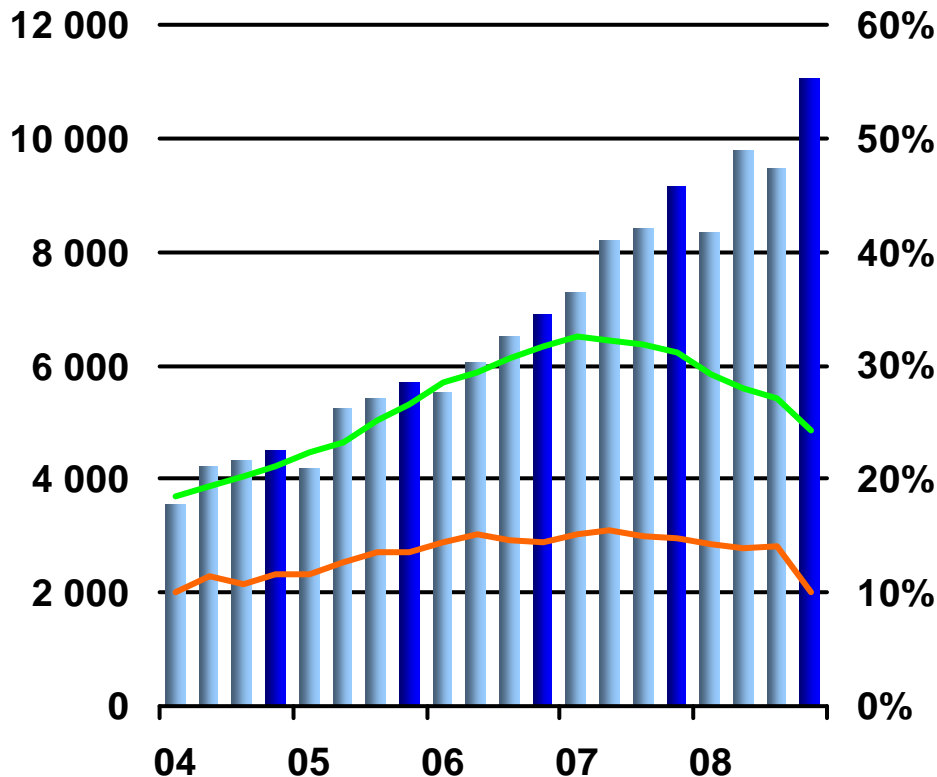


- Order intake -18% (P/V)
 - ✓ Sharp decline in most areas
- Invoiced sales -12% (P/V)
- EBIT 12.9% of sales
 - ✓ SEK 817 M, -47%
 - ✓ Under-absorption of fixed cost
 - ✓ Restructuring cost, one-offs SEK -200 M
 - ✓ Currency effect SEK +260 M
- ROCE 27.0% (33.5)

Sandvik Mining and Construction

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



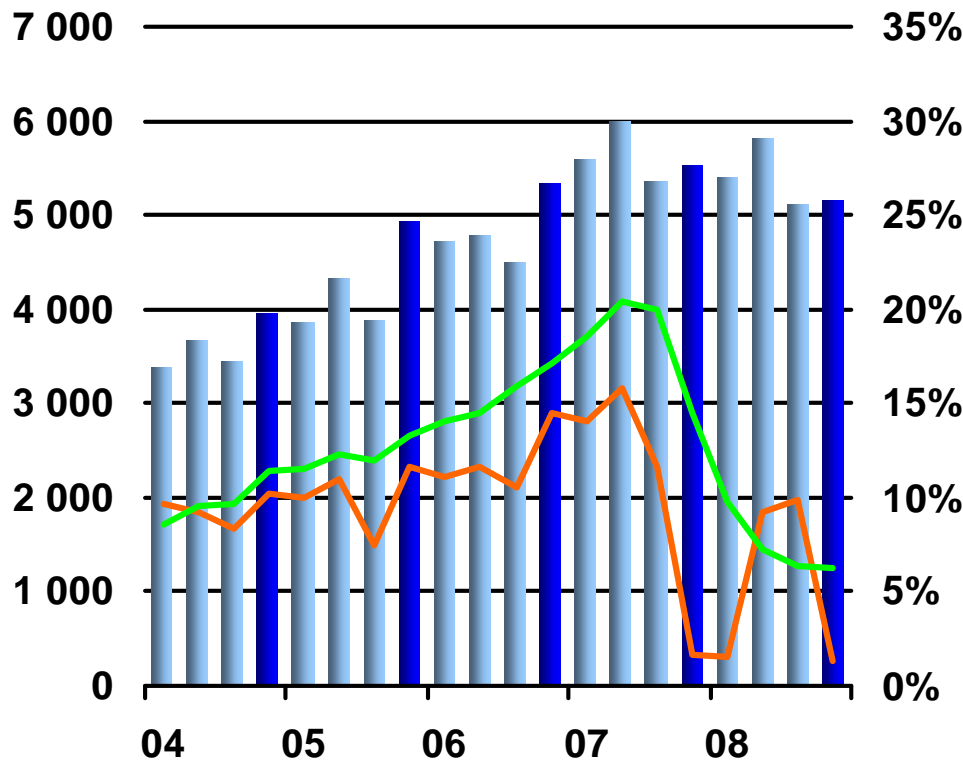
- Order intake -20% (P/V)
 - ✓ Sharp decline in most areas
- Invoiced sales +17% (P/V)
 - ✓ High project sales
- EBIT 10.0% of sales
 - ✓ SEK 1,105 M, -18%
 - ✓ High share project sales
 - ✓ Restructuring costs SEK -80 M
 - ✓ Currency effect SEK +110 M
- ROCE 24.2% (31.2)



Sandvik Materials Technology

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



- Order intake -17% (P/V)
 - ✓ Excl metal price effects -3%
 - ✓ Sharp decline except for Energy
- Invoiced sales -15% (P/V)
 - ✓ Excl metal price effects -1%
- EBIT 1.3% of sales
 - ✓ SEK 65 M, -24%
 - ✓ Metal price effect SEK -320 M
 - ✓ Excl metal price effects 7.5%
 - ✓ Under-absorption of fixed cost
 - ✓ Currency effect SEK +110 M
- ROCE 6.3% (14.5)
 - ✓ Excl metal price effects 12%

Structural measures

- **Reducing production rates**
- **Closure of plants in Australia, Northern Ireland and Canada**
- **Utilizing time banks and temporary lay-offs**
- **Personnel reductions**
 - ✓ **More than 1,000 temporary employees**
 - ✓ **~900 permanent employees**

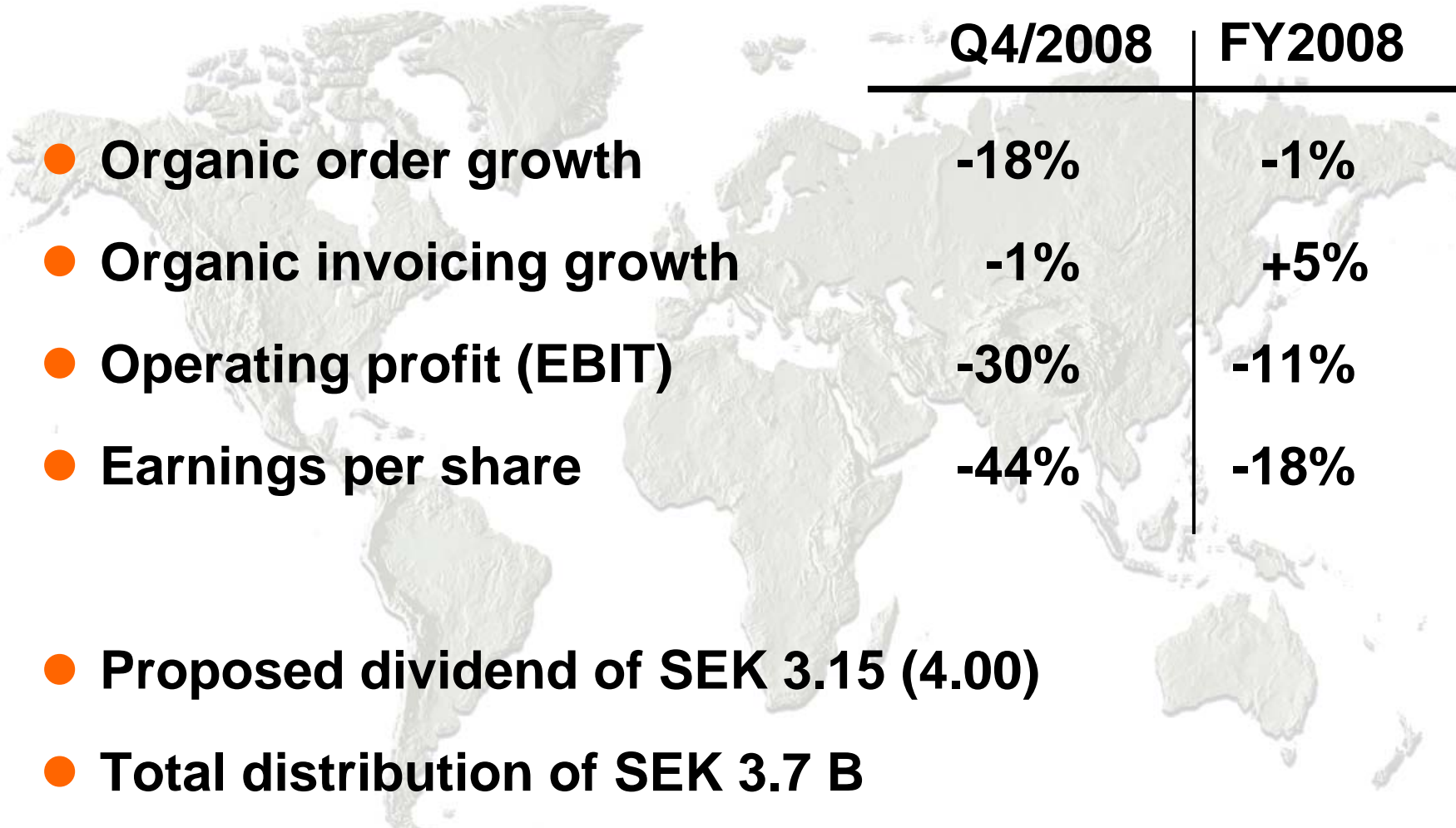
CEO summary Q4 2008

- 
- **Global slowdown of demand**
 - **Improved cash flow**
 - **Drop in result**
 - ✓ **Under-absorption of fixed cost**
 - ✓ **Restructuring charges**
 - **Continuous monitoring of the business environment**

Focus 2009

- 
- **Continuous monitoring of the business environment**
 - **Focus on cash flow**
 - **Capitalizing on market opportunities**
 - **Significantly reduced capex**
 - **Adjustment of manufacturing capacity**

Financial Highlights



| | Q4/2008 | FY2008 |
|--|---------|--------|
| ● Organic order growth | -18% | -1% |
| ● Organic invoicing growth | -1% | +5% |
| ● Operating profit (EBIT) | -30% | -11% |
| ● Earnings per share | -44% | -18% |
| ● Proposed dividend of SEK 3.15 (4.00) | | |
| ● Total distribution of SEK 3.7 B | | |

P&L summary

| MSEK | Q4/2008 | | Q4/2007 | | Change % |
|-------------------------------------|--------------|-------------|--------------|-------------|------------|
| | Actual | % | Actual | % | |
| Invoiced sales | 24,171 | | 22,711 | | +6 |
| Cost of goods sold | -17,129 | 70.9 | -15,094 | 66.5 | +13 |
| Gross profit | 7,042 | 29.1 | 7,617 | 33.5 | -8 |
| Admin, Sales and R&D costs | -5,007 | -20.7 | -4,387 | -19.3 | +14 |
| Other op income and exp. | +200 | 0.8 | -30 | -0.1 | N/A |
| Operating profit | 2,235 | 9.2 | 3,200 | 14.1 | -30 |
| Net financial items | -711 | -2.9 | -467 | -2.1 | +52 |
| Profit after Financial items | 1,524 | 6.3 | 2,733 | 12.0 | -44 |
| Profit for the period | 1,154 | 4.8 | 2,083 | 9.2 | -45 |

P&L – Gap analysis

Key drivers

| SEK M | Q4/2008 | Price/ Volume | Curr. | Struct. & One-offs* | Q4/2007 |
|----------------------|---------|------------------|--------|------------------------|---------|
| Sandvik Group | | | | | |
| Invoicing | 24,171 | +476 | +1,665 | -681 | 22,711 |
| EBIT | 2,235 | -1,281 | +700 | -384 | 3,200 |
| EBIT % | 9.2 | N/A | - | - | 14.1 |

*Includes metal price effects

P&L – Gap analysis

by Business Area

| SEK M | Q4/2008 | Price/ Volume | Curr. | Struct. & One-offs* | Q4/2007 |
|--|---------|------------------|-------|------------------------|---------|
| Sandvik Tooling | | | | | |
| Invoicing | 6,359 | -859 | +805 | -16 | 6,429 |
| EBIT | 817 | -747 | +260 | -238 | 1,542 |
| % | 12.9 | -87.0 | - | - | 24.0 |
| Sandvik Mining and Construction | | | | | |
| Invoicing | 11,038 | +1,579 | +258 | +35 | 9,166 |
| EBIT | 1,105 | -214 | +110 | -139 | 1,348 |
| % | 10.0 | - | - | - | 14.7 |
| Sandvik Materials Technology | | | | | |
| Invoicing | 5,146 | -110 | +445 | -727 | 5,538 |
| EBIT | 65 | -227 | +110 | +96 | 86 |
| % | 1.3 | -206.4 | - | - | 1.6 |

*Includes metal price effects



Balance sheet summary

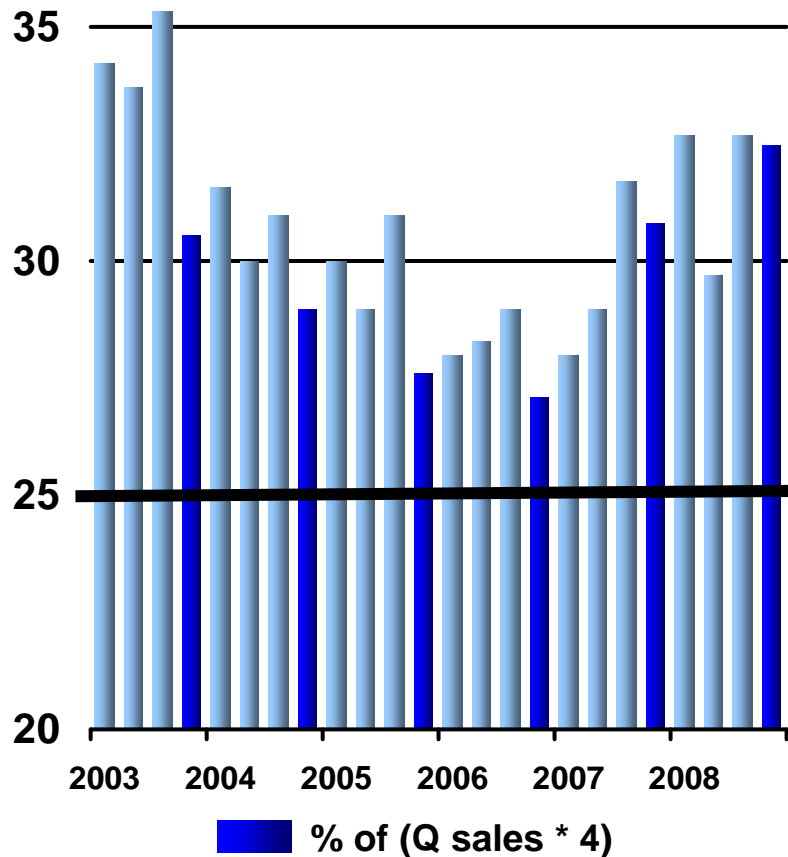
| SEK M | Q4/2008 | Q4/2007 | Change % |
|-------------------------------------|----------------|---------------|-------------|
| Intangible fixed assets | 12,472 | 11,425 | +9 |
| Tangible fixed assets | 26,123 | 20,895 | +25 |
| Financial fixed assets | 4,352 | 3,779 | +15 |
| Inventories | 28,614 | 25,301 | +13 |
| Receivables | 26,668 | 22,029 | +21 |
| Cash and cash equivalents | 4,998 | 2,006 | +149 |
| Total assets | 103,227 | 85,435 | + 21 |
| Total equity | 36,725 | 29,823 | +23 |
| Interest-bearing liabilities | 39,863 | 31,946 | +25 |
| Non-interest-bearing liabilities | 26,639 | 23,666 | +13 |
| Total equity and liabilities | 103,227 | 85,435 | + 21 |

Cash flow summary

| SEK M | Q4/2008 | FY2008 |
|--|---------|---------|
| ● Cash flow from operations before NWC | +2,278 | +11,019 |
| ● Change in inventories | +715 | -1,001 |
| ● Change in current receivables | +436 | -640 |
| ● Change in current operating liabilities | -1,504 | +293 |
| ● Net cash flow from operations | +1,925 | +9,671 |
| ● Net cash used in investing activities | -2,022 | -7,631 |
| ● Net cash flow after investing activities | -97 | +2,040 |
| ● Net cash used in financing activities | +3,388 | +5,835 |
| ● Dividends paid/Share buy backs | - | -5,111 |
| ● Cash flow for the period | +3,291 | +2,764 |

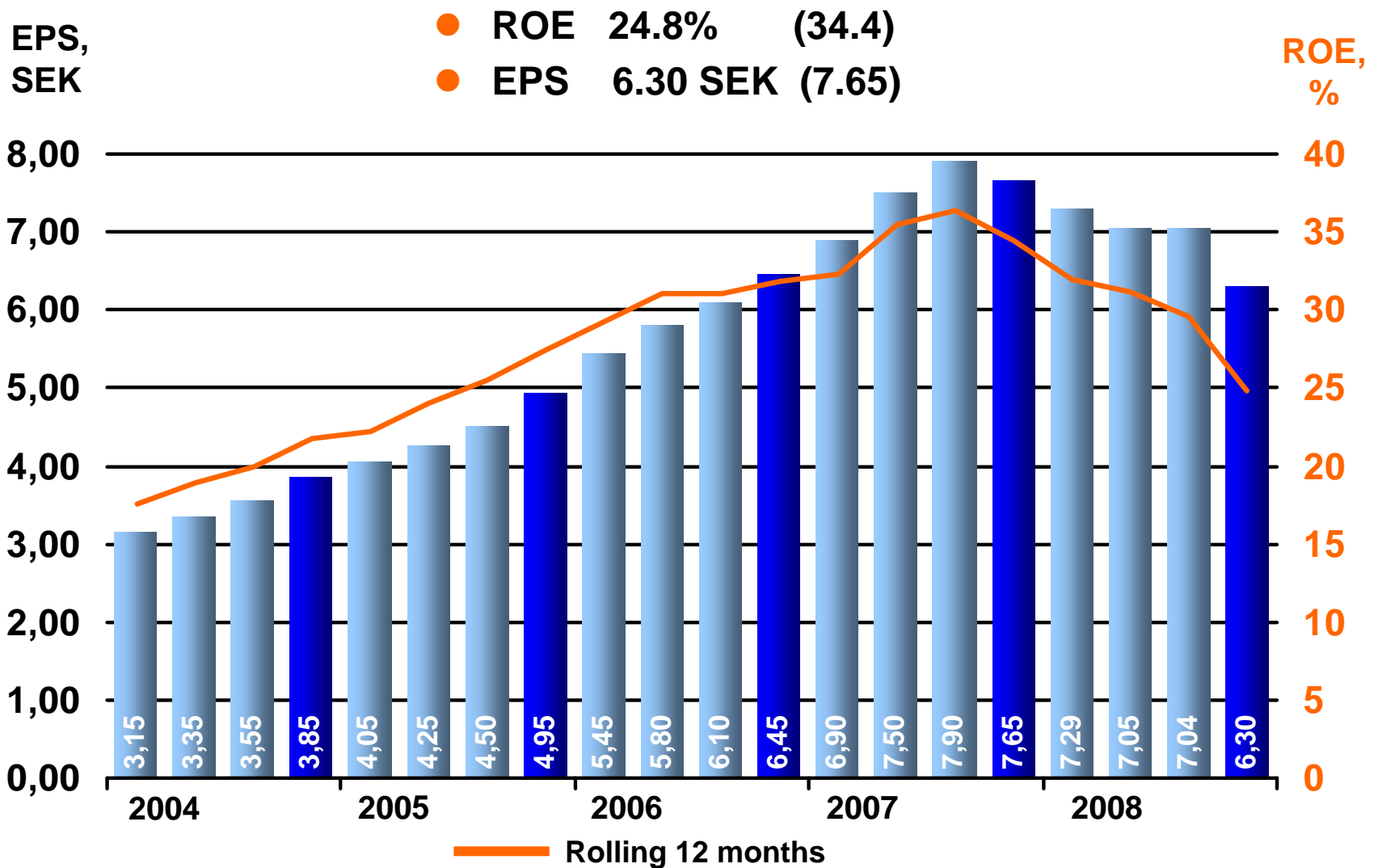
Capital efficiency

Net Working Capital as % of sales



- Reduction of
 - ✓ Inventory (+)
 - ✓ Accounts receivable (+)
 - ✓ Accounts payable (-)
- Significantly less pre-payments
...due to lower order intake (-)
- Target 25 %

Shareholder value



CFO full year summary 2008

- **Stable growth up until the third quarter**
- **Strong cash flow**
- **Stable financing capacity**
- **Strong financial position**

Sale of interest swap

- **USPP loans taken in 2005 and 2007 of USD 740 M**
- **Maturity 2015 - 2020**
- **Swap contracts in 2007 – move from fixed to floating rates**

- **Significant interest cuts since 2007**
- **Swap contracts closed in Jan 2009**
 - ✓ **one time cash flow impact of SEK 1,2 B in Q1 2009**
 - ✓ **profit distributed over 11 years**

Proposal to the AGM

28 April, Sandviken

- **Proposed dividend of SEK 3.15 (4.00) -21%**
- **Total distribution of SEK 3.7 M (4.7)**



Q&A session



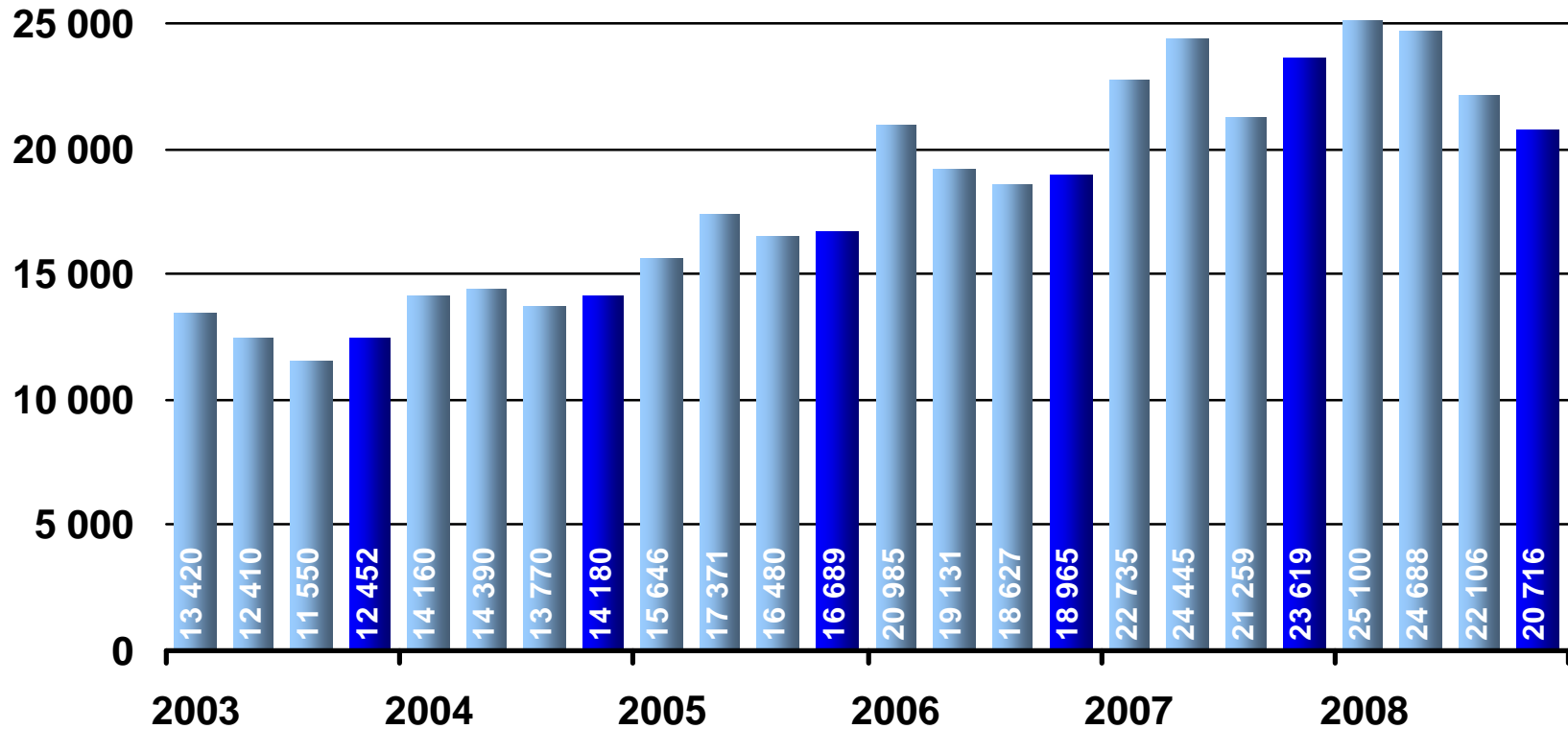
Back up slides

Growth bridge analysis

| | Order Intake | Invoicing |
|--------------------------------|---------------|--------------|
| Reported growth | - 12% | + 6% |
| Currency | - 6% | - 7% |
| Structure | - | - |
| Reported organic growth | - 18% | - 1% |
| Working days | - | - |
| Metal price effects | + 3% | + 3% |
| Project orders | - 1% | - |
| Underlying growth | ~ -16% | ~ +2% |

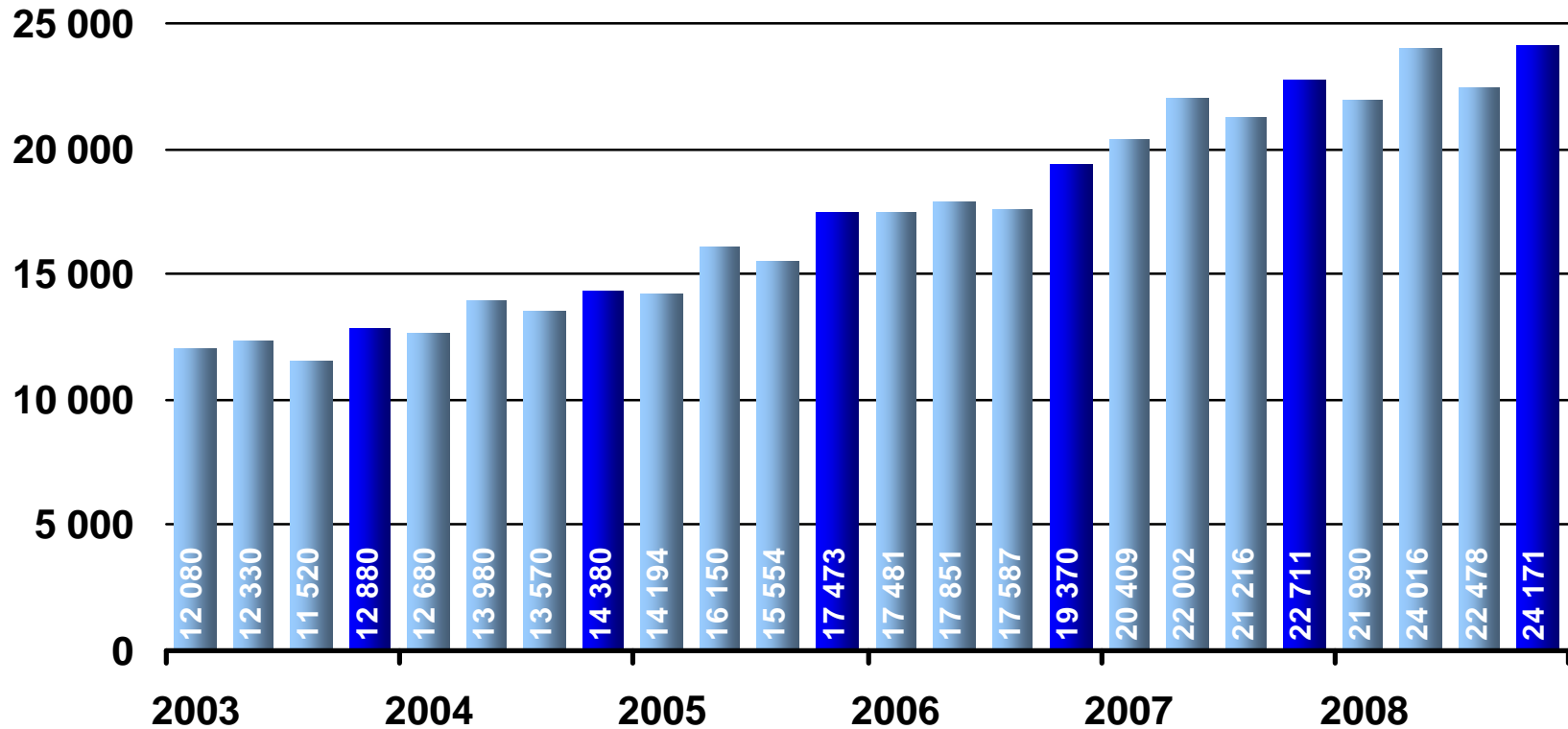
Order intake: SEK 20,716 M, -12%

SEK M



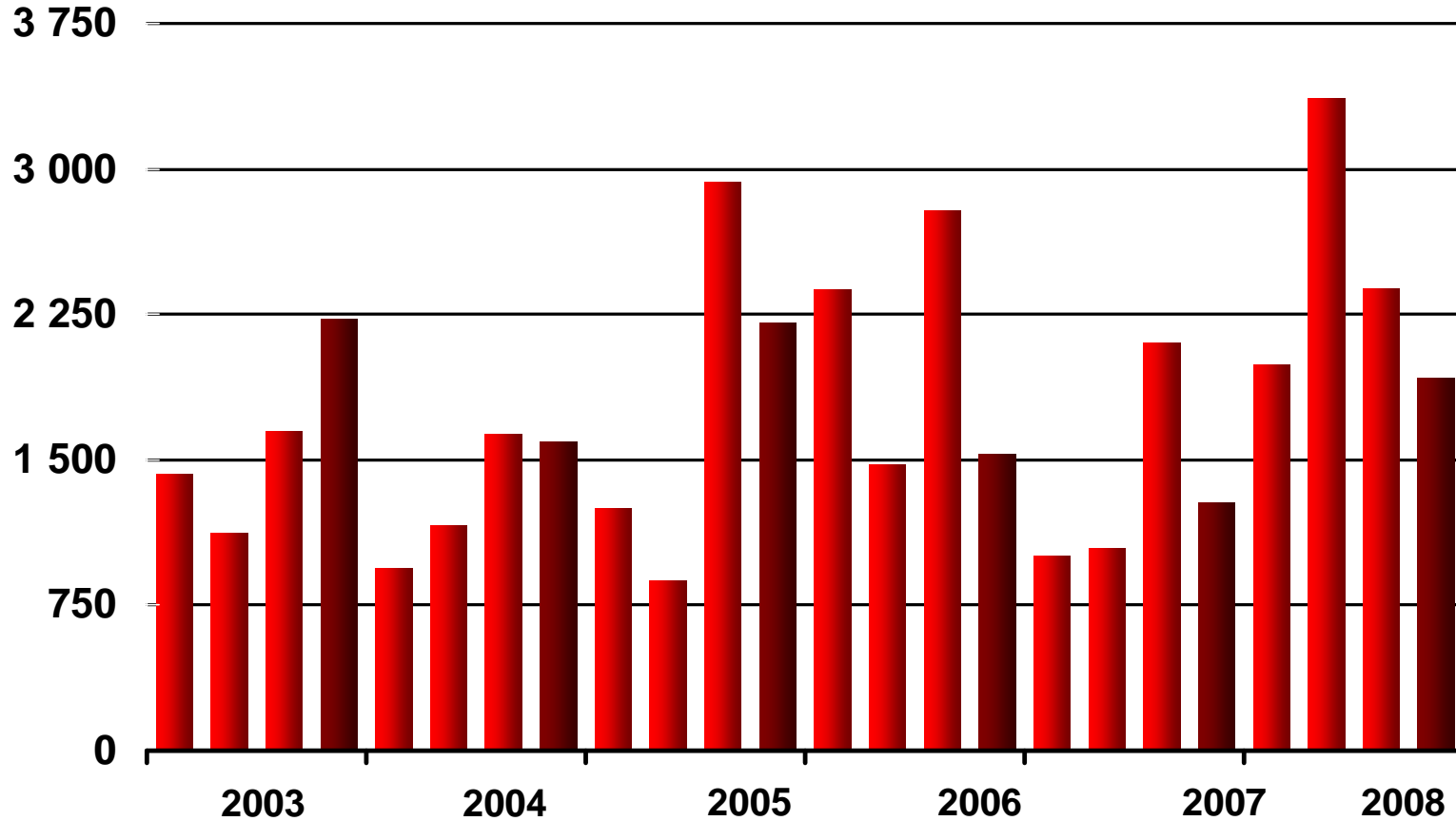
Invoicing: SEK 24,171 M, +6%

SEK M



Cash flow from operations

Quarter
SEK M



Loan and duration profile

| | Amount SEK M | Average duration |
|----------------------------|-----------------|---------------------|
| Long term | | |
| US Private Placement | 5,700 | 11 years |
| Fin institutions, EIB, NIB | 3,200 | 6 years |
| Swedish MTN | 13,200 | 3 years |
| Bank loans | 2,100 | 3 years |
| Short term | | |
| Bank loans | 5,300 | 6 months |
| Commercial paper | 7,700 | 3 months |
| Total | 37,200 | 4 years |
| Revolving Credit Facility | 16,400 | 4.2 years |

Sandvik Materials Technology

Metal price impact

- Nickel inventory level 10,000 ton (10,000 in Q3)
- Nickel inventory average price 17,000 USD per ton (23,500 in Q3)
- Inventory revaluation effects:
 - ✓ Q4 SEK -320 M
 - ✓ FY 2008 SEK -1,127 M
 - ✓ Q1 2009 SEK -550 M estimated at prices at quarter end

Emphasis on

- safeguarding margin and cash flow
- inventory reduction

Financial key figures

| | Q4/07 | Q1/08 | Q2/08 | Q3/08 | Q4/08 |
|-----------------------------|-------|-------|-------|-------|-------|
| ● Cash Flow from op., SEK M | 1,282 | 1,996 | 3,364 | 2,386 | 1,925 |
| ● CAPEX, SEK M | 1,962 | 1,462 | 1,630 | 2,007 | 2,070 |
| ● ROCE, % 12 months | 27.0% | 24.9% | 23.2% | 22.5% | 19.9% |
| ● ROE, % 12 months | 34.4% | 31.9% | 31.2% | 29.6% | 24.8% |
| ● Net debt/equity ratio | 1.0 | 0.9 | 1.1 | 1.0 | 0.9 |
| ● EPS, SEK 12 months | 7.65 | 7.31 | 7.05 | 7.04 | 6.30 |

Guidance 2009

Metal price effects (on inventory revaluation)

Given currency rates, stock levels and metal prices at quarter end, the estimated effect on EBIT is SEK -550 M for Q1.

Net financial items

The estimate is SEK -500 M for Q1 and SEK -2,000 M for 2009.

Currency effects

Given currency rates at year end, the effect is estimated to SEK +600 to +700 M for Q1.

Capex

Capex is estimated to about SEK 4,000 to 5,000 M for 2009

Tax rate

The tax rate is estimated to 25-27% for 2009.



www.sandvik.com

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 effected by other factors like 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.”