

Interim report

Q1 2009



Anders Thelin

President Sandvik Tooling

Member of Group Exec. Management

Jan Lissåker

Vice President Investor Relations

28 April, 2009

Market highlights Q1

● Business environment

- ✓ Continued weak global demand
- ✓ Extended customer production shut-downs and de-stocking
- ✓ Significant Capex contractions

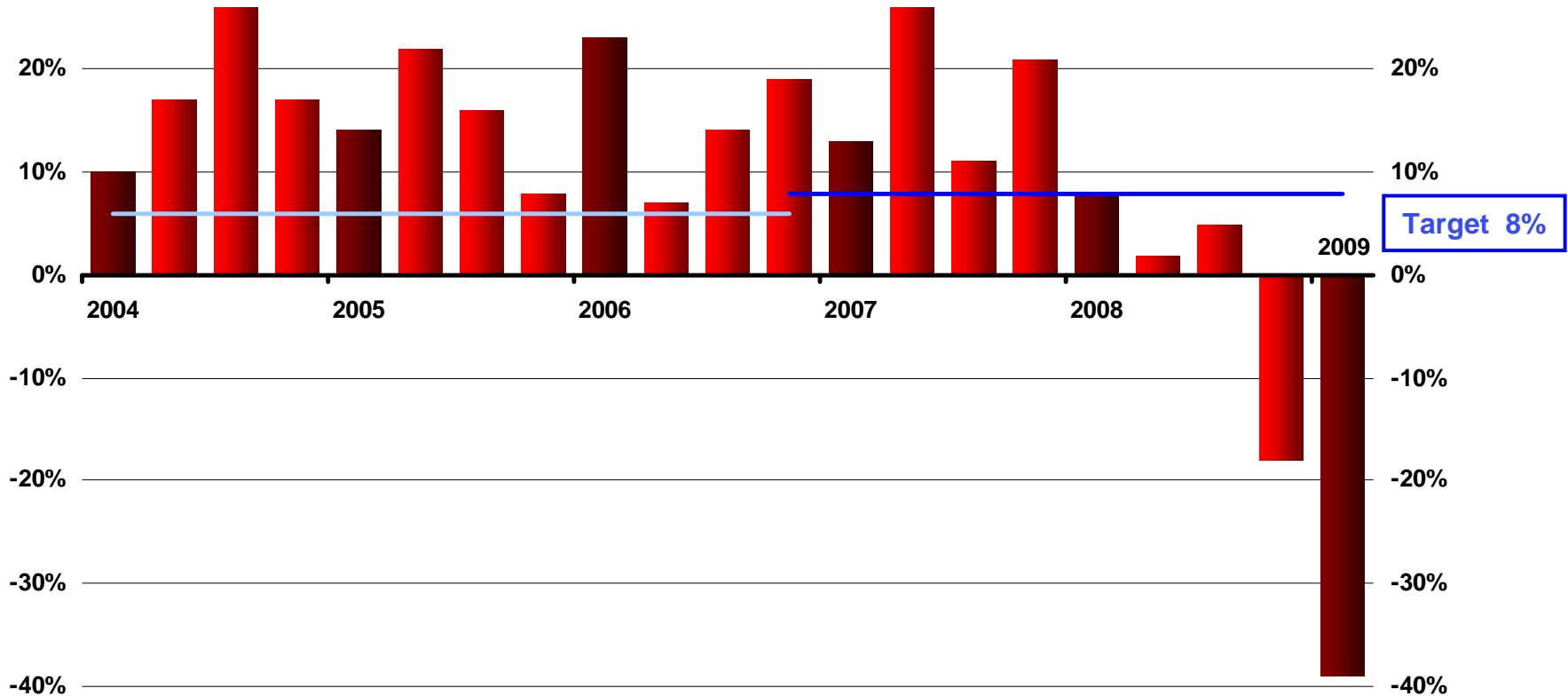
● Business segments

- ✓ Stable demand in energy
- ✓ Weak or very weak in automotive, mining and construction, aerospace, consumer related and general engineering

Operational highlights Q1

- **Good cash flow SEK 1,784 M**
- **Low sales and production volumes impacted result by SEK ~-3,000 M**
- **Measures to limit effects of lower demand, reduction of:**
 - ✓ **Cost base, SEK <1,000 M**
 - ✓ **Inventory volumes, SEK 1,200 M**
 - ✓ **Number of FTE's, SEK >3,000 M**
- **Metal price effects SEK -426 M**
- **Currency effect on EBIT of SEK +350 M**
- **Restructuring cost, one-offs SEK -160 M**

Organic order intake: - 39%



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



Organic order growth by Region

Quarter, % change ¹⁾	2008		2009	
	Q1	Ex proj.	Q1	Ex proj.
Europe	- 2	+/- 0	- 38	- 38
Nafta	+ 1	+ 1	-46	- 42
South America	+ 71	+ 9	- 42	- 10
Asia	+ 40	+ 40	- 32	- 37
Australia	- 12	+ 13	- 43	- 43
Africa/Middle East	+ 14	+ 2	- 28	- 17
GROUP TOTAL	+ 8	+ 7	- 39	- 36

¹⁾ Order intake at fixed exchange rates for comparable units

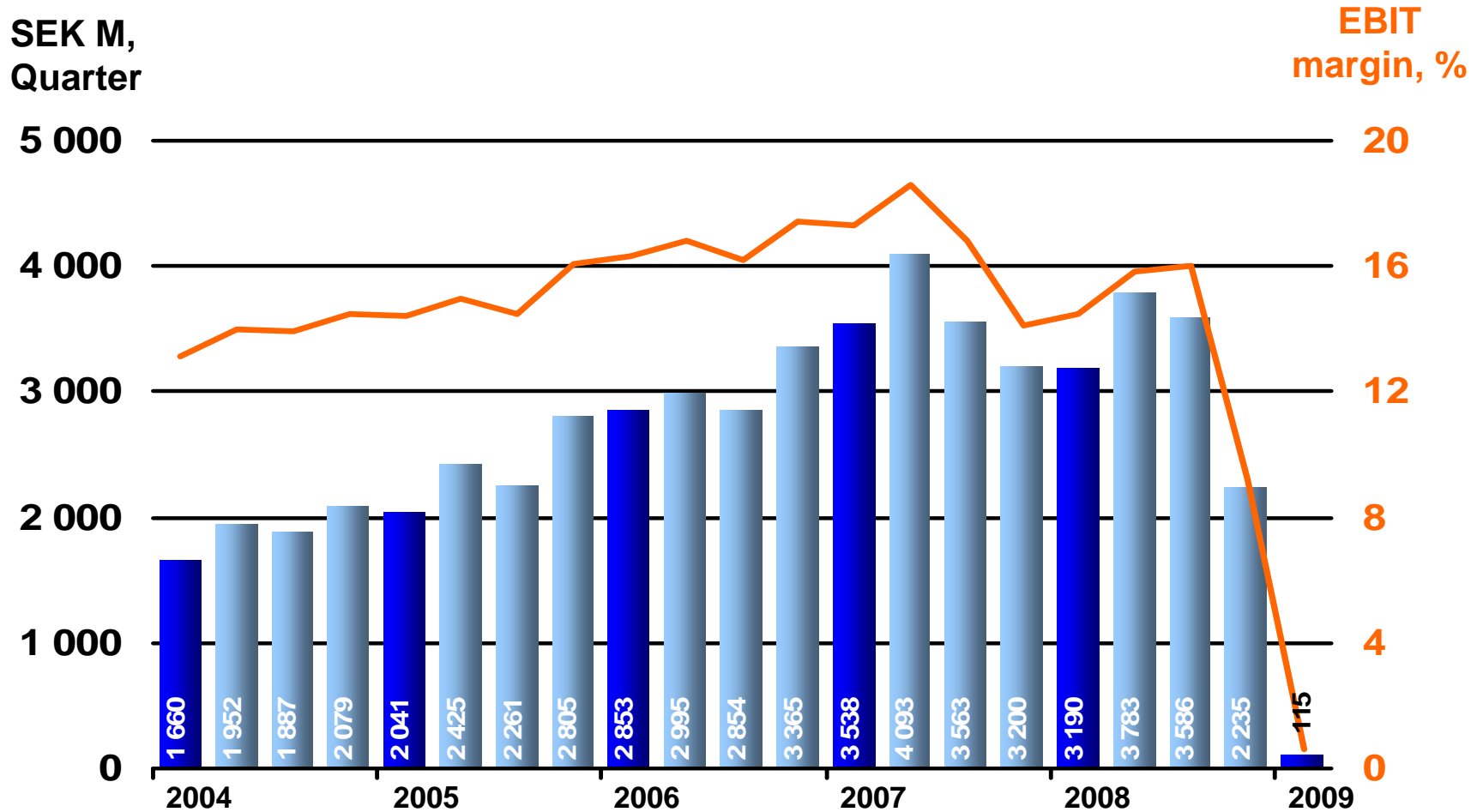
Order intake by Business area

Quarter, % change	2008		2009	
	Q1	Ex proj.	Q1	Ex proj.
Sandvik Tooling ¹⁾	+ 7	+ 7	- 40	- 40
Sandvik Mining and Construction ¹⁾	+ 16	+ 10	- 39	- 30
Sandvik Materials Technology ^{1) 2)}	- 2	+ 2	- 40	- 43
GROUP ORGANIC GROWTH ¹⁾	+ 8	+ 7	- 39	- 36
Currency	- 1	- 1	+ 16	+ 16
Structure	+ 4	+ 4	-	-
GROUP TOTAL	+ 10	+ 9	- 29	- 26

¹⁾ Fixed exchange rates for comparable units

²⁾ Approximately -10% in Q1 2008 and -12% in Q1 2009 respectively impact from changes in metal prices

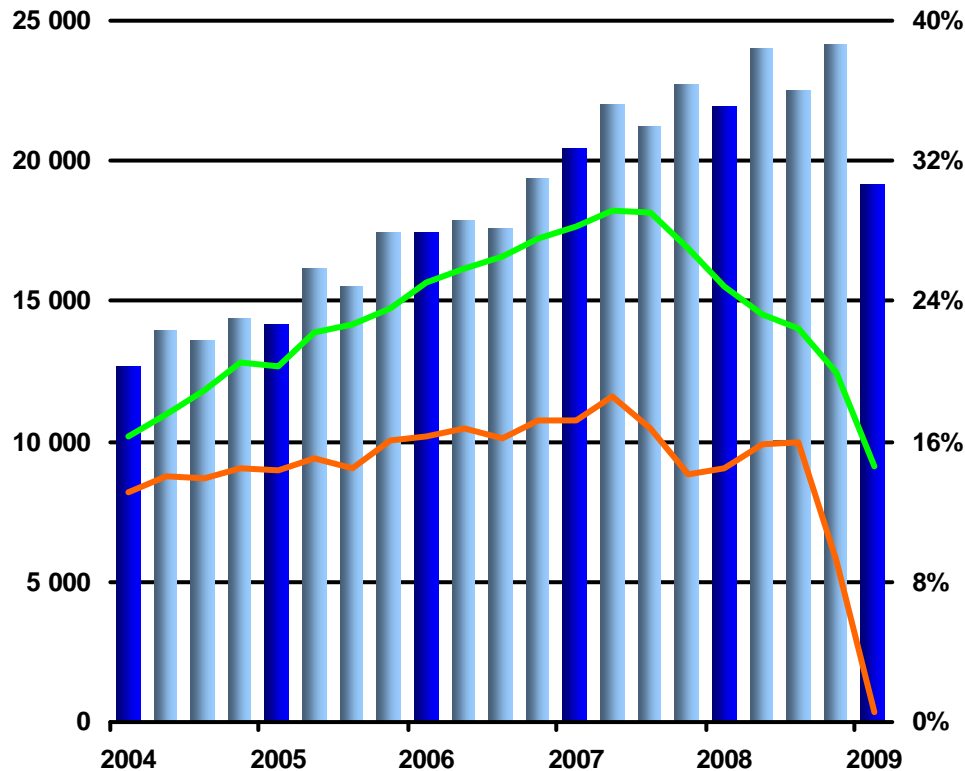
EBIT: SEK 115 M, -96%



Sandvik Group

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

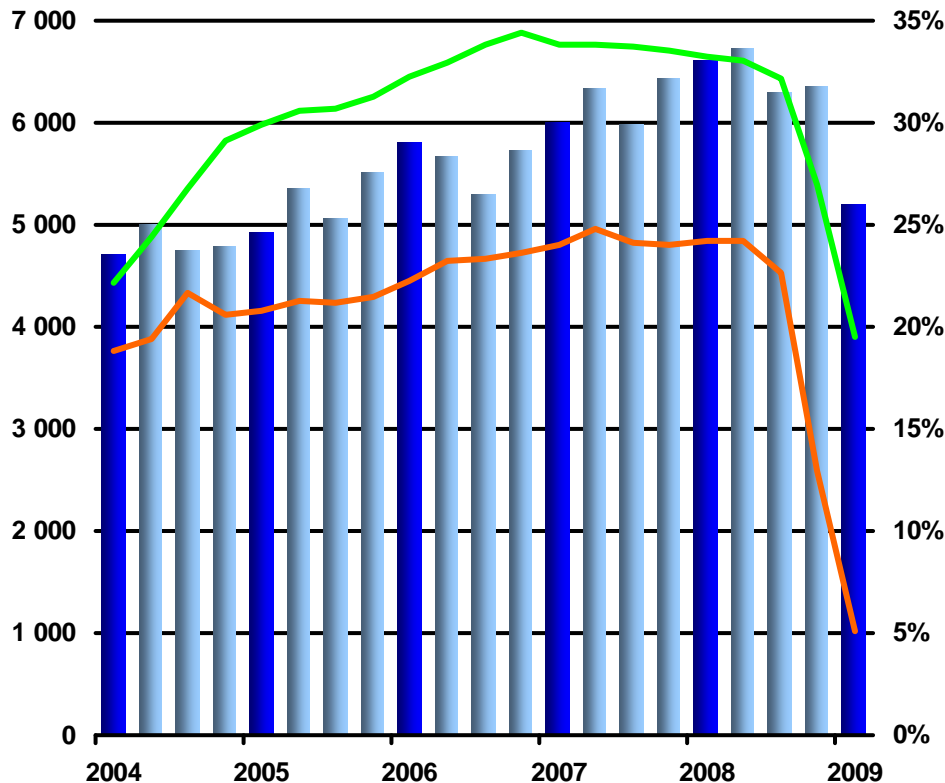


- Order intake -39% (P/V)
- Invoiced sales -25% (P/V)
- EBIT 0.6% of sales
 - ✓ SEK 115 M, -96%
 - ✓ Low sales and production impacted SEK -3,000 M
 - ✓ Currency effect SEK +350 M
 - ✓ Metal price effects SEK -426 M
 - ✓ Restructuring cost SEK -160 M
- ROCE 14.6% (24.9)
- EPS SEK -0.27 (1.59)

Sandvik Tooling

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

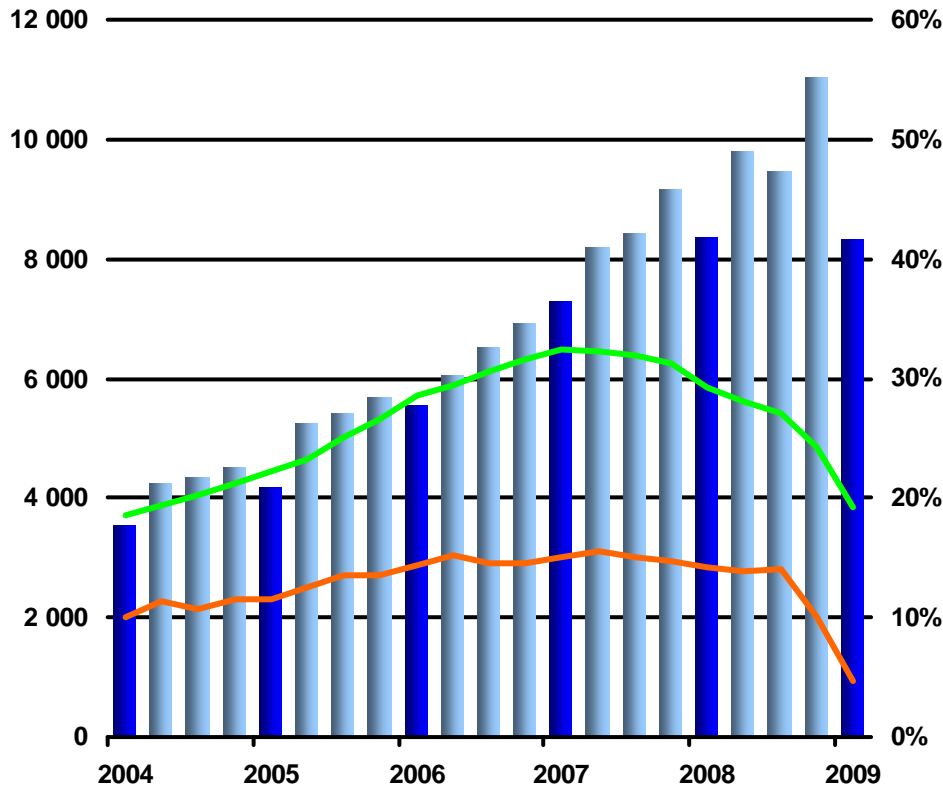


- Order intake -40% (P/V)
 - ✓ Sharp decline in all areas
- Invoiced sales -35% (P/V)
- EBIT 5.1% of sales
 - ✓ SEK 267 M, -83%
 - ✓ Low sales and production impacted SEK -1,300 M
 - ✓ Restructuring cost SEK -60 M
 - ✓ Currency effect SEK +50 M
- ROCE 19.5% (33.2)

Sandvik Mining and Construction

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



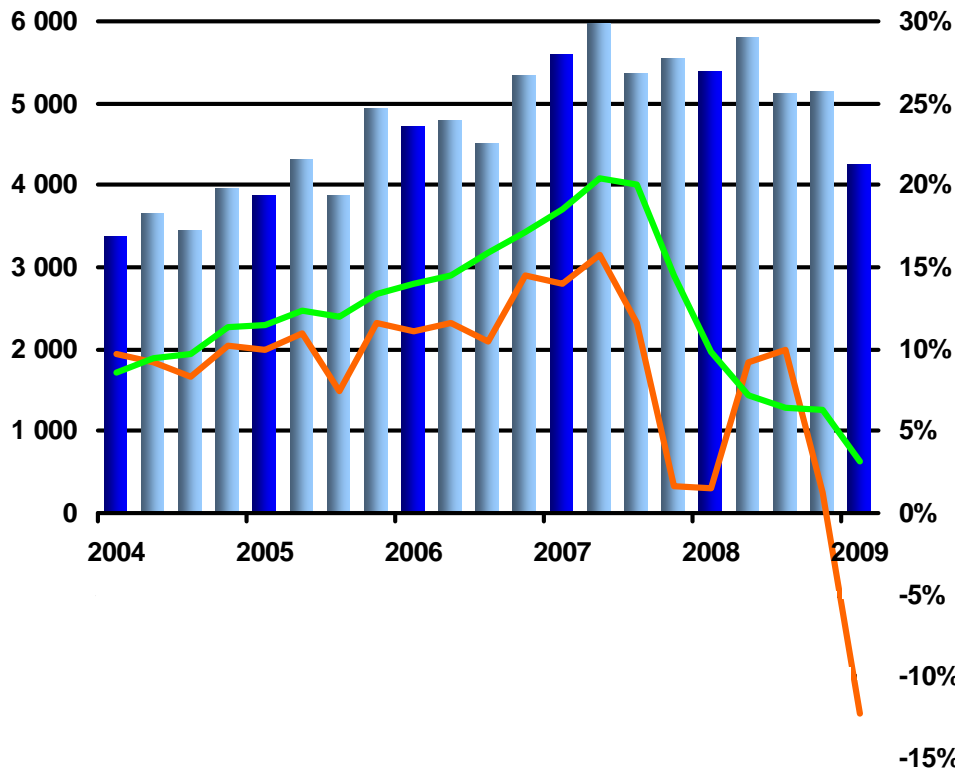
- Order intake -39% (P/V)
 - ✓ Sharp decline all areas
 - ✓ Cancellations of SEK 900 M
- Invoiced sales -12% (P/V)
- EBIT 4.7% of sales
 - ✓ SEK 392 M, -67%
 - ✓ Low sales and production impacted SEK -750 M
 - ✓ Restructuring costs SEK -70 M
 - ✓ Currency effect SEK +30 M
- ROCE 19.2% (29.2)



Sandvik Materials Technology

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



- Order intake -40% (P/V)
 - ✓ Sharp decline except for energy
- Invoiced sales -31% (P/V)
- EBIT -12.2% of sales
 - ✓ SEK -521 M, neg
 - ✓ Metal price effects SEK -426 M
 - ✓ Excl metal price effects -1.7%
 - ✓ Low sales and production impacted SEK -750 M
 - ✓ Currency effect SEK +200 M
- ROCE 3.2% (9.8)



Summary Q1 2009

- **Globally weak demand**
- **Significant drop in result**
 - ✓ **Sharp decline in sales and production volumes**
 - ✓ **Restructuring charges, metal price impact, currency effects**
- **Cost cutting measures start to pay off**
- **Good cash flow**
- **Measures to adopt to the business environment**

Financial Highlights Q1

- Organic order growth - 39%
- Organic invoicing growth - 25%
- Operating profit - 96%
- Earnings per share neg
- Cash flow -11%

- Proposed dividend of SEK 3.15 (4.00)
- Total distribution of SEK 3.7 B

Income statement

MSEK	Q1/2009		Q1/2008		Change %
	Actual	%	Actual	%	
Invoiced sales	19,136		21,990		- 13
Cost of goods sold	-14,166	74.0	-14,303	65.0	- 1
Gross profit	4,970	26.0	7,687	35.0	- 35
Admin, Sales and R&D costs	-4,712	-24.6	-4,517	-20.5	+ 4
Other op income and exp.	-143	-0.1	+20	+0.1	neg.
Operating profit	115	0.6	3,190	14.5	- 96
Net financial items	-544	-2,8	-475	-2.2	+ 15
Profit after Financial items	-429	-2.2	2,715	12.3	neg.
Profit for the period	-299	-1.6	2,000	9.1	neg.

Bridge analysis

SEK M	Q1/2009	Price/ Volume	Curr.	Struct. & One-offs*	Q1/2008
Sandvik Group					
Invoicing	19,136	-5,400	+3,450	-900	21,990
EBIT	115	-3,225	+350	-200	3,190
EBIT margin	0.6%	-60%	-	-	14.5%

*Includes metal price effects

Bridge analysis

by Business Area

SEK M	Q1/2009	Price/ Volume	Curr.	Struct. & One-offs*	Q1/2008
Sandvik Tooling					
Invoicing	5,193	-2,800	+1,400	-	6,600
EBIT	267	-1,325	+50	-50	1,595
EBIT margin	5.1%	-47%	-	-	24.2%
Sandvik Mining and Construction					
Invoicing	8,330	-1,150	+1,150	-25	8,352
EBIT	392	-750	+30	-75	1,184
EBIT margin	4.7%	-65%	-	-	14.2%
Sandvik Materials Technology					
Invoicing	4,255	-1,000	+750	-900	5,402
EBIT	-521	-750	+200	-50	82
EBIT margin	-12.2%	-75%	-	-	1.5%

*Includes metal price effects

Balance sheet

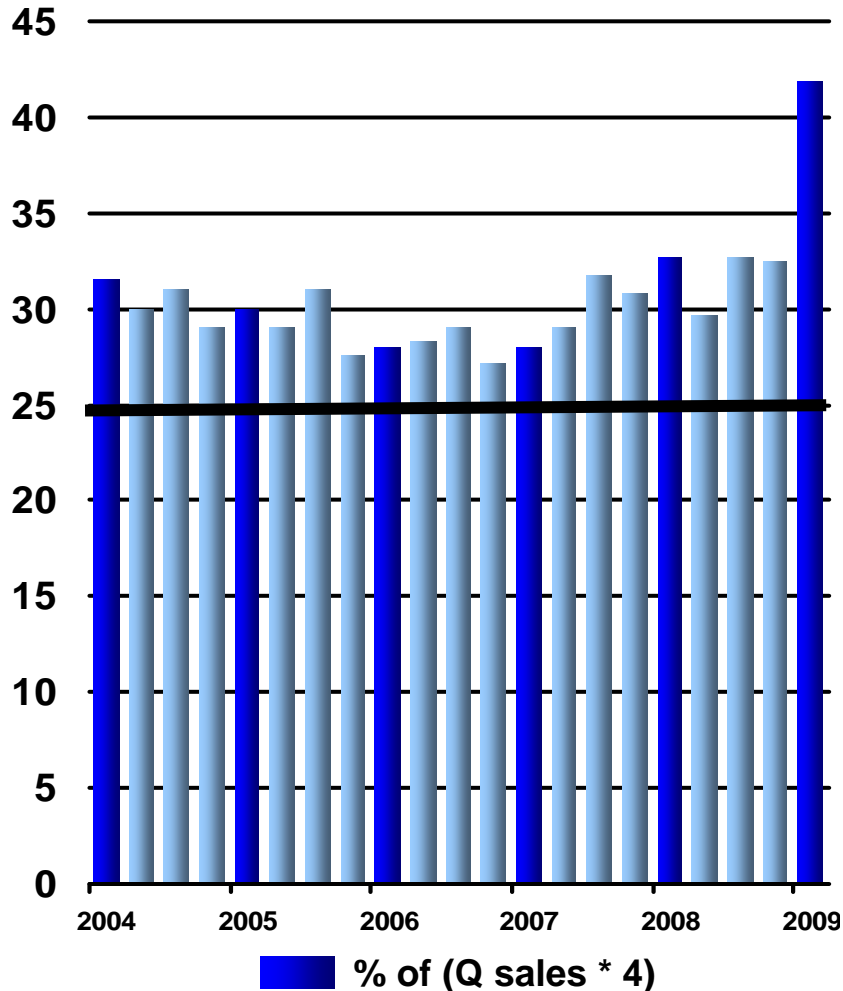
SEK M	Q1/2009	Q1/2008	Change %
Intangible fixed assets	12,952	11,011	+18
Tangible fixed assets	27,215	21,057	+29
Financial fixed assets	4,989	3,650	+37
Inventories	27,783	25,371	+10
Receivables	23,377	22,974	+2
Cash and cash equivalents	9,083	1,745	+421
Total assets	105,399	85,808	+ 23
Total equity	37,317	30,950	+21
Interest-bearing liabilities	42,772	30,281	+41
Non-interest-bearing liabilities	25,310	24,577	+3
Total equity and liabilities	105,399	85,808	+ 23

Cash flow

SEK M	Q1/2009	Q1/2008
● Cash flow from operations before NWC	-75	+2,670
● Change in inventories	+1,639	-871
● Change in current receivables	+2,298	-815
● Change in current operating liabilities	-2,078	+1,012
● Net cash flow from operations	+1,784	+1,996
● Net cash used in investing activities	-1,722	-1,549
● Net cash flow after investing activities	+62	+447
● Net cash used in financing activities	+3,890	-629
● Dividends paid/Share buy backs	-	-
● Cash flow for the period	+3,952	-182

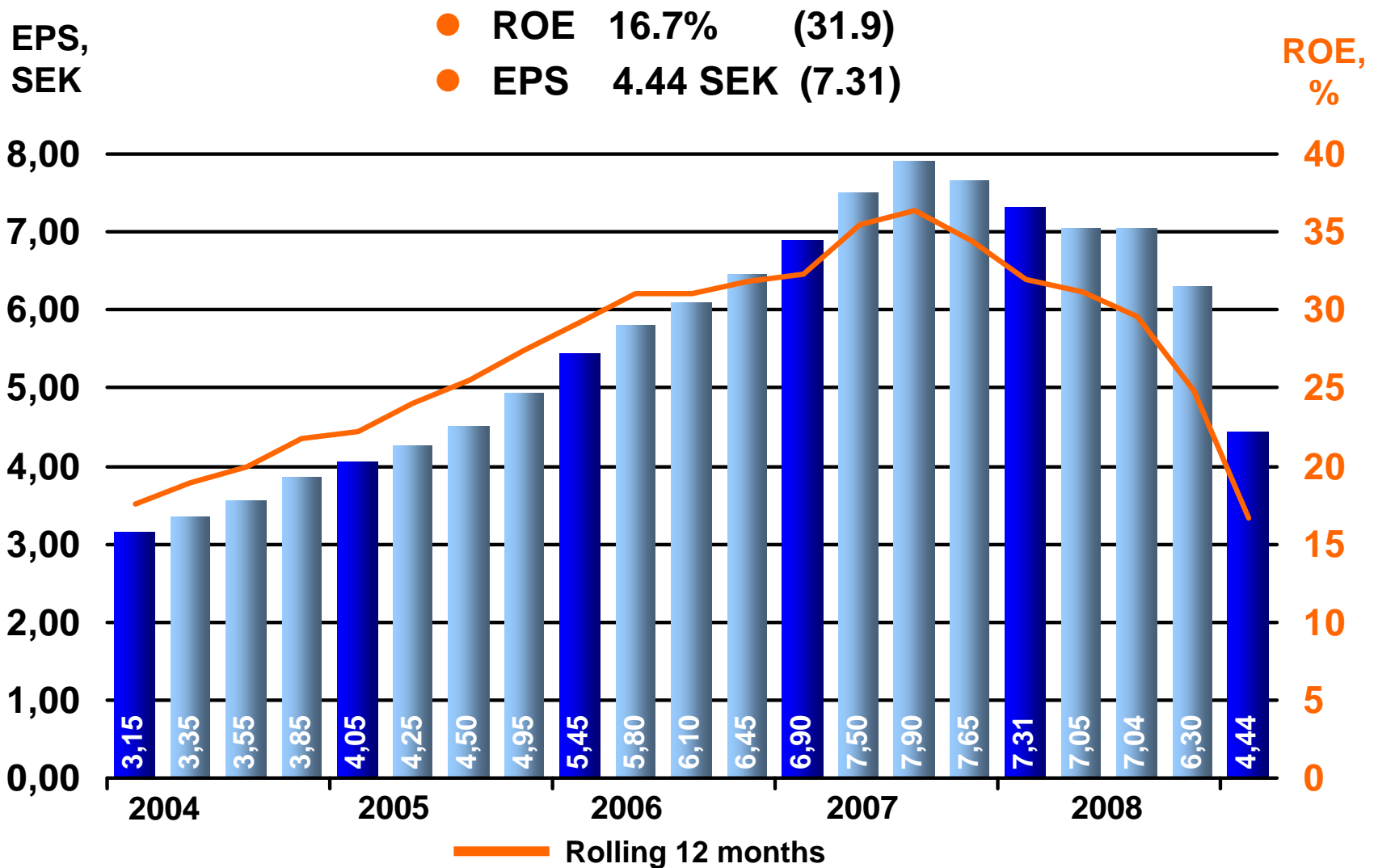
Capital efficiency

Net Working Capital as % of sales



- Continued volume reduction of
 - ✓ Inventories -6%
 - ✓ Accounts receivable -14%
 - ✓ Accounts payable -22%
- Significant decline in sales
- Currency impact

Shareholder value



Proposal to the AGM

28 April, Sandviken

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



Q&A session

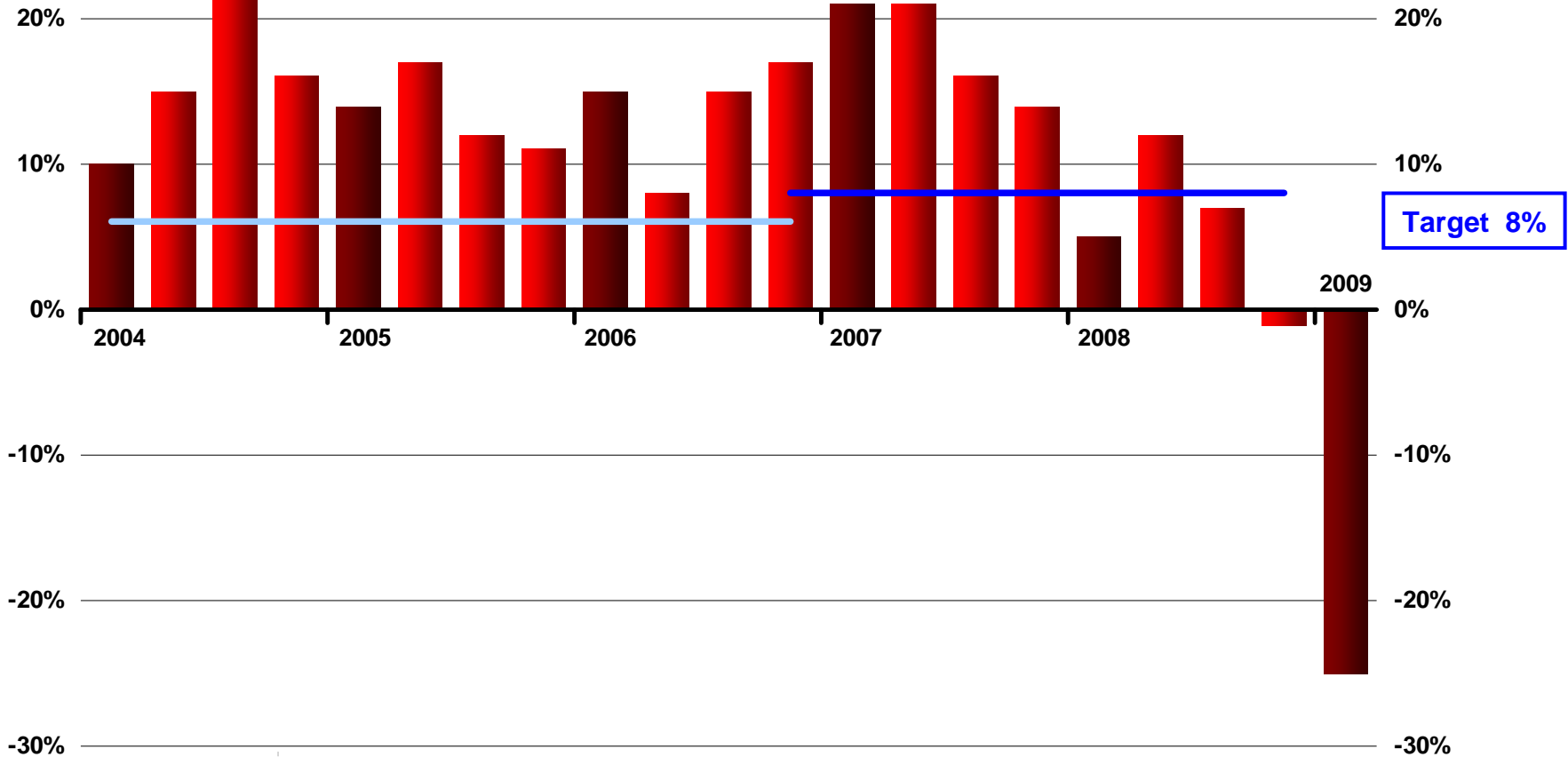


Back up slides

Growth bridge analysis

	Order Intake	Invoicing
Reported growth	- 29%	- 13%
Currency	- 16%	- 16%
Structure	-	-
Reported organic growth	- 39%	- 25%
Working days	-	-
Metal price effects	+ 3%	+ 4%
Project orders and cancellations	+ 6%	-
Underlying growth	~ -30%	~ -21%

Organic invoicing: -25%

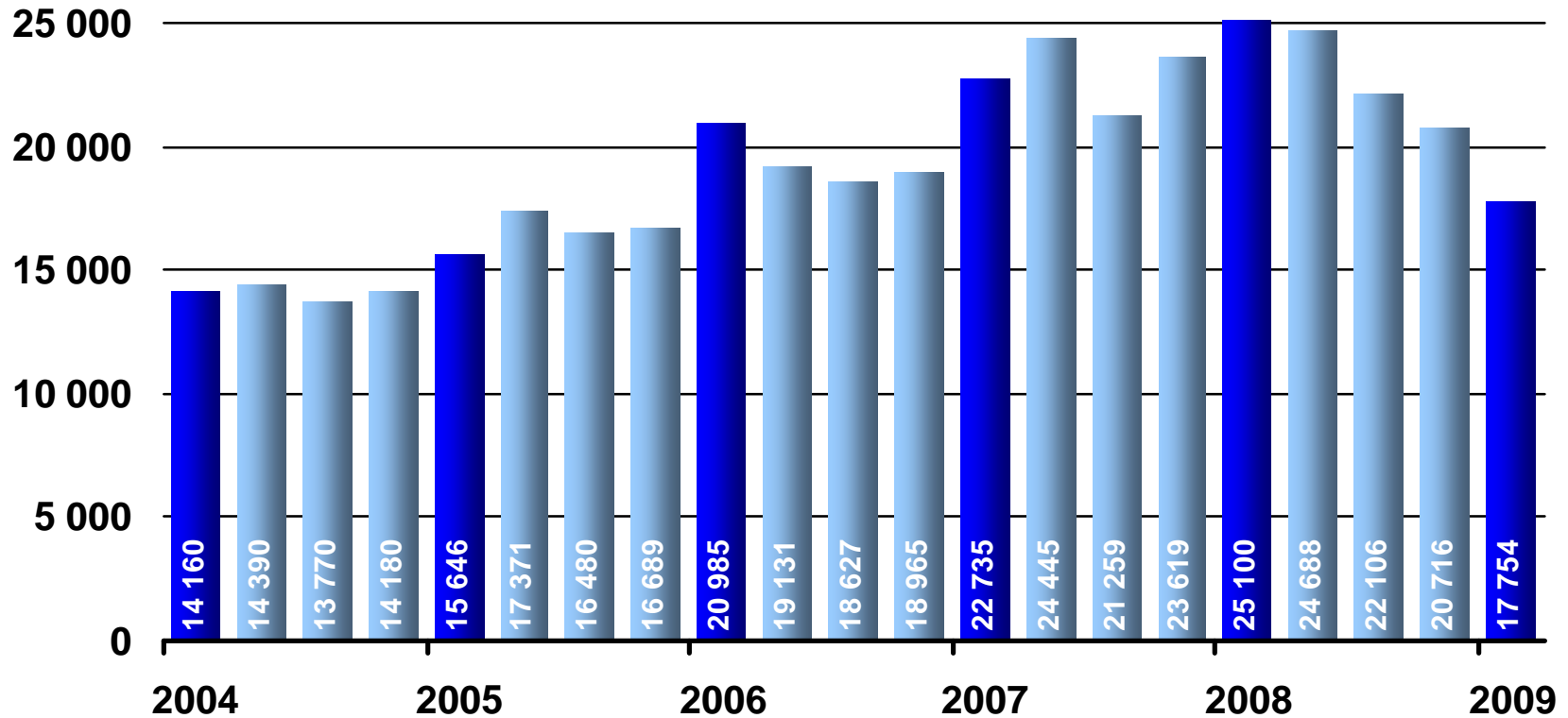


Change in invoicing y-o-y, at fixed exchange rates for comparable units



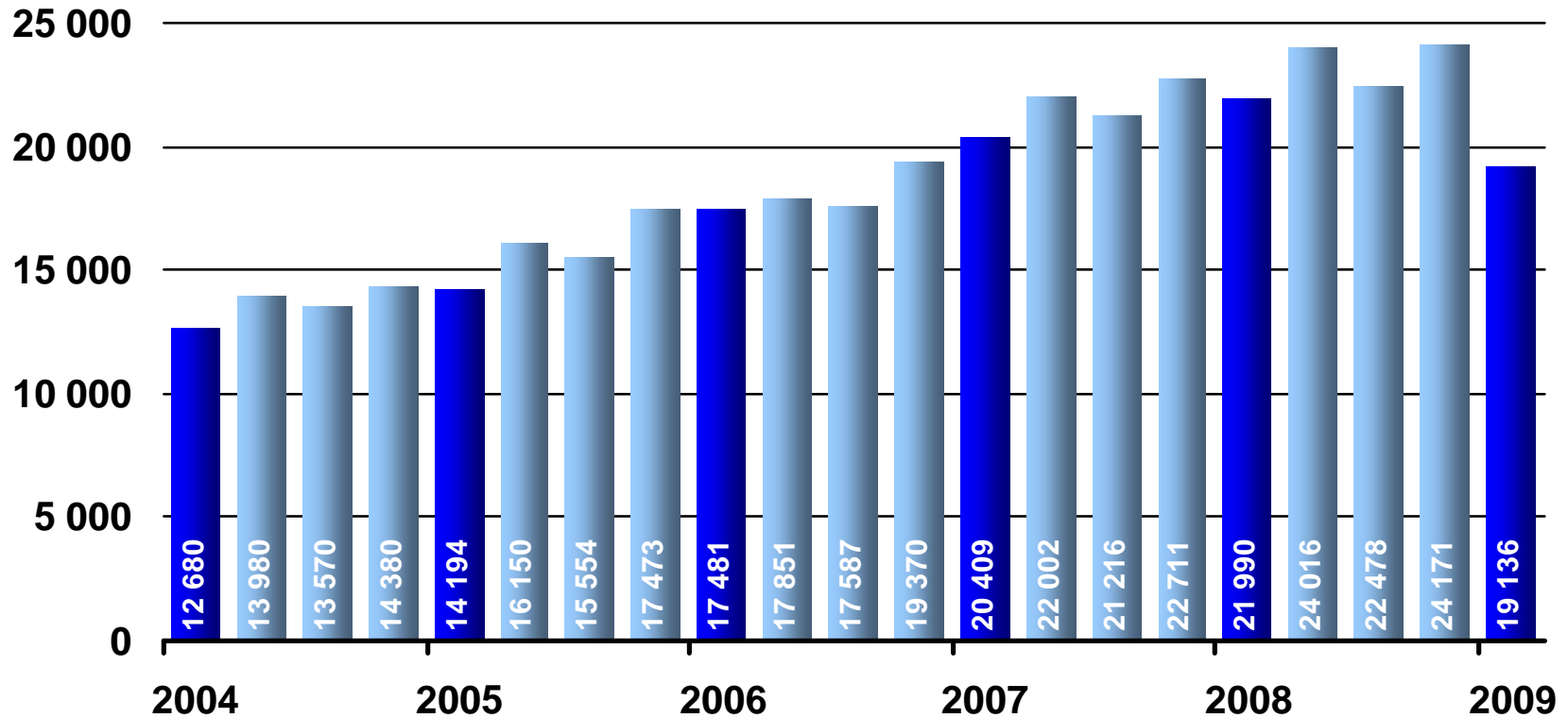
Order intake: SEK 17,754 M, -39%

SEK M



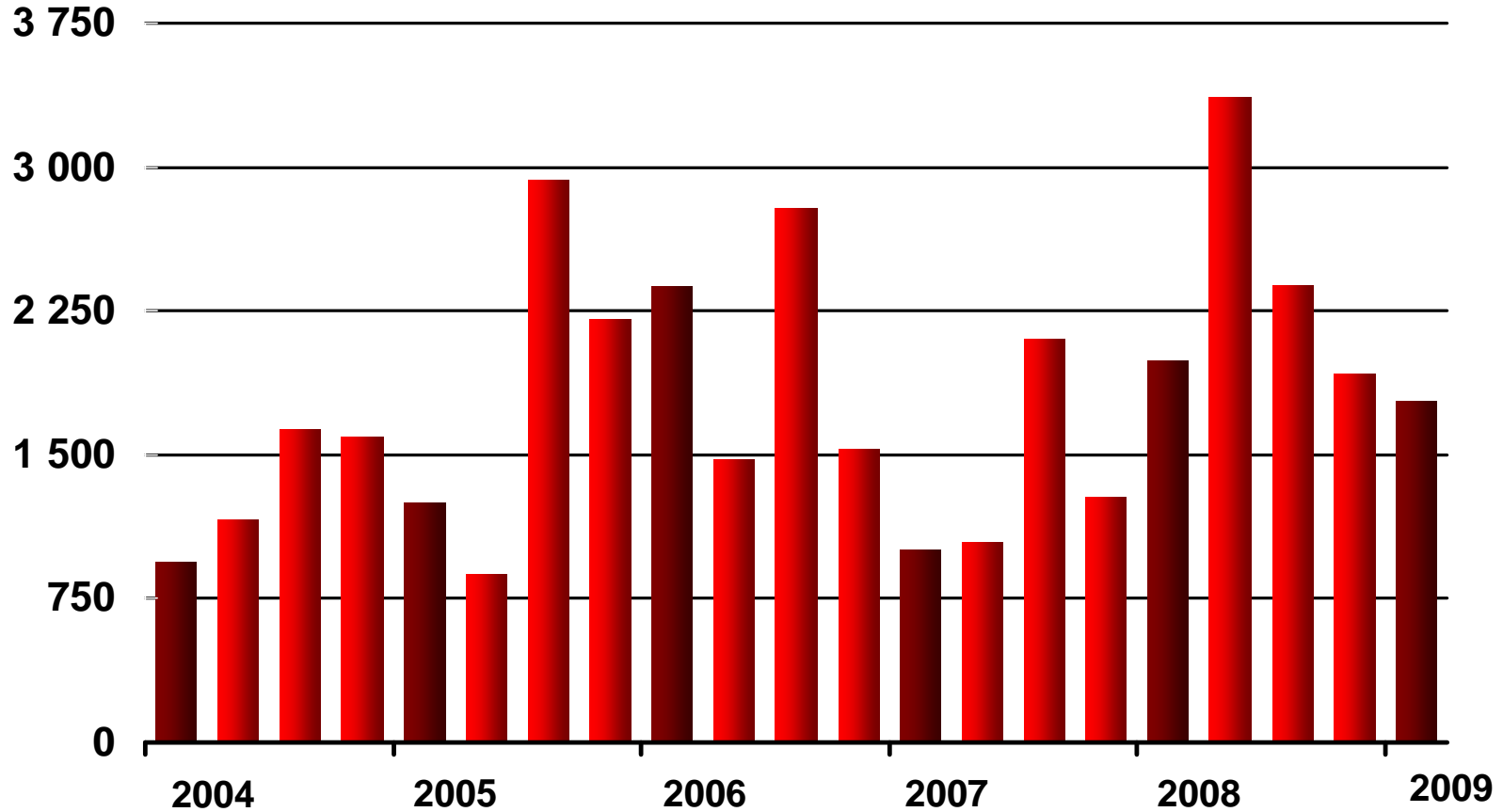
Invoicing: SEK 19,136 M, -25%

SEK M



Cash flow from operations

Quarter
SEK M



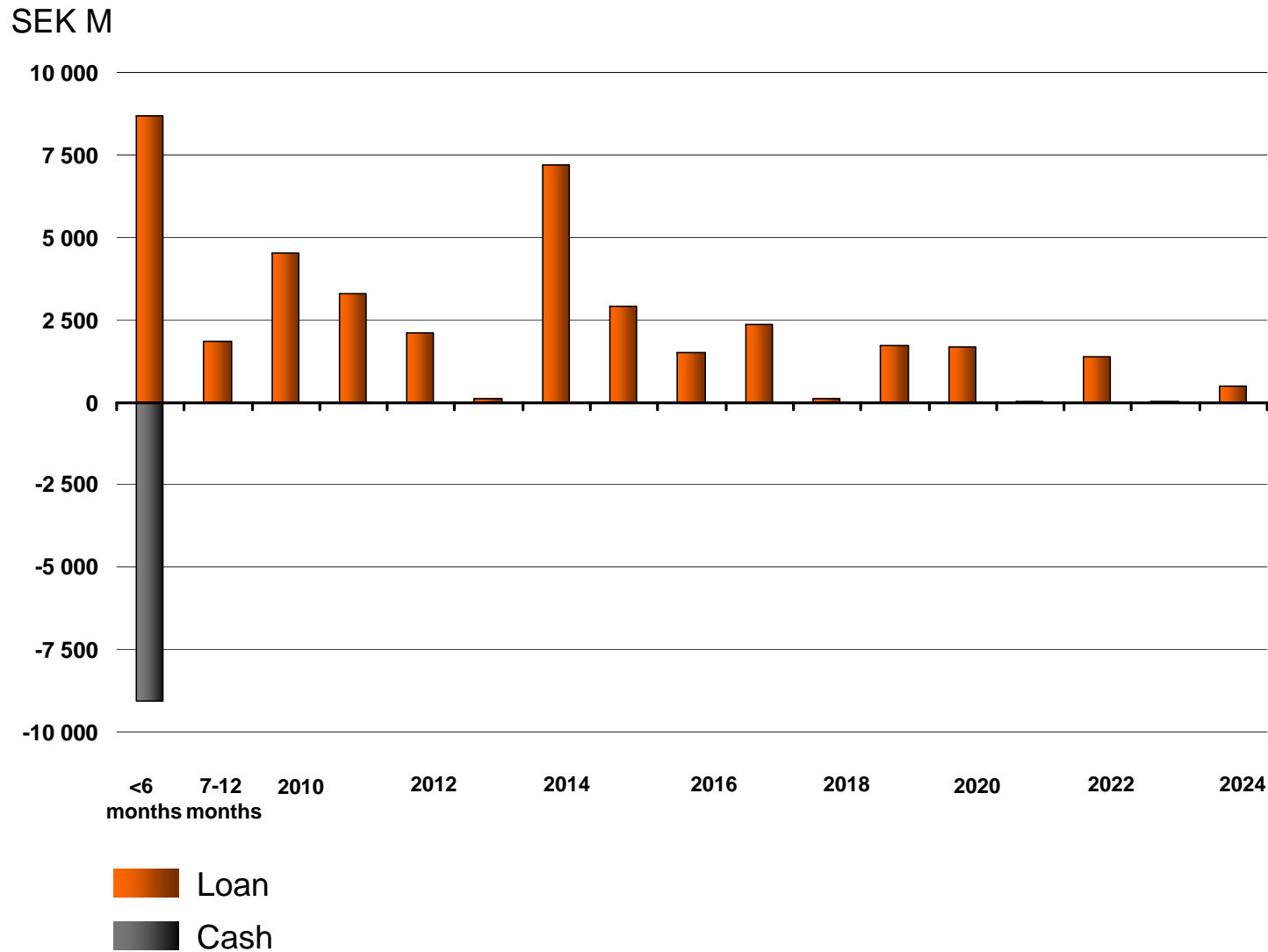
Loan and duration profile

	Amount SEK M	Average duration
Long term 70%		
US Private Placement	7,200	11 years
Fin institutions, EIB, NIB	3,200	6 years
Swedish MTN	8,500	5 years
European MTN	6,600	5 years
Bank loans	2,000	2 years
Short term 30%		
Commercial paper	4,500	4 months
Swedish MTN maturity 2009	5,300	2 months
Bank loans	2,600	
Total	39,900	4 years
Cash position	9,300	
Revolving Credit Facility	16,500	4 years

Funding situation

	Amount SEK M	Credit facility
Long term	70%	
US Private Placement	7,200	7,200
Fin institutions, EIB, NIB	3,200	3,200
Swedish MTN	8,500	15,000
European MTN	6,600	33,000
Bank loans	2,000	
Short term	30%	
Commercial paper	4,500	18,300
Swedish MTN maturity 2009	5,300	
Bank loans	2,600	
Total	39,900	

Loan maturity profile



Sandvik Materials Technology

Metal price impact

- Nickel inventory level 9,000 ton (10,000 in Q4)
- Nickel inventory average price 12,500 USD per ton (17,000 in Q4)
- Inventory revaluation effects:
 - ✓ Q1 2009 SEK -426 M
 - ✓ Q2 2009 SEK -350 M estimated at prices at quarter end

Emphasis on

- safeguarding margin and cash flow
- inventory reduction

Structural measures

- Reducing production rates
- Closure of plants in Australia and Sweden
- Utilizing time banks and temporary lay-offs
- Personnel reductions
 - ✓ Q4 2008 total ~2,000
 - ✓ Q1 2009 total ~3,400
 - ✓ Another 2,000 announced

Manning reduction

Since September 2008

- **Reduction permanent employees 3,169**

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Other	Total
Q4 2008	295	423	161	22	901
Q1 2009	714	953	288	313	2,268
Total	1,009	1,376	449	335	3,169

- **Reduction temporary employees ~2,000**

- **Further 2,000 permanent employees reduction announced**

Financial key figures

	Q1/08	Q2/08	Q3/08	Q4/08	Q1/09
● Cash Flow from op., SEK M	1,996	3,364	2,386	1,925	1,784
● CAPEX, SEK M	1,462	1,630	2,007	2,070	1,682
● ROCE, % 12 months	24.9%	23.2%	22.5%	19.9%	14.6%
● ROE, % 12 months	31.9%	31.2%	29.6%	24.8%	16.7%
● Net debt/equity ratio	0.9	1.1	1.0	0.9	0.9
● EPS, SEK 12 months	7.31	7.05	7.04	6.30	4.44

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 -350 M for Q2.

Net financial items

The estimate is SEK -550 M for Q2 and SEK -2,200 M for 2009.

Currency effects

Given currency rates at quarter end, the effect is estimated to SEK +400 to +500 M for Q2.

Capex

Capex is estimated to about SEK 4,000 to 4,500 M for 2009

Tax rate

The tax rate is estimated to 25-27% for 2009, but with increased uncertainty.

Focus 2009

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



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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.”