

# Sandvik Q2

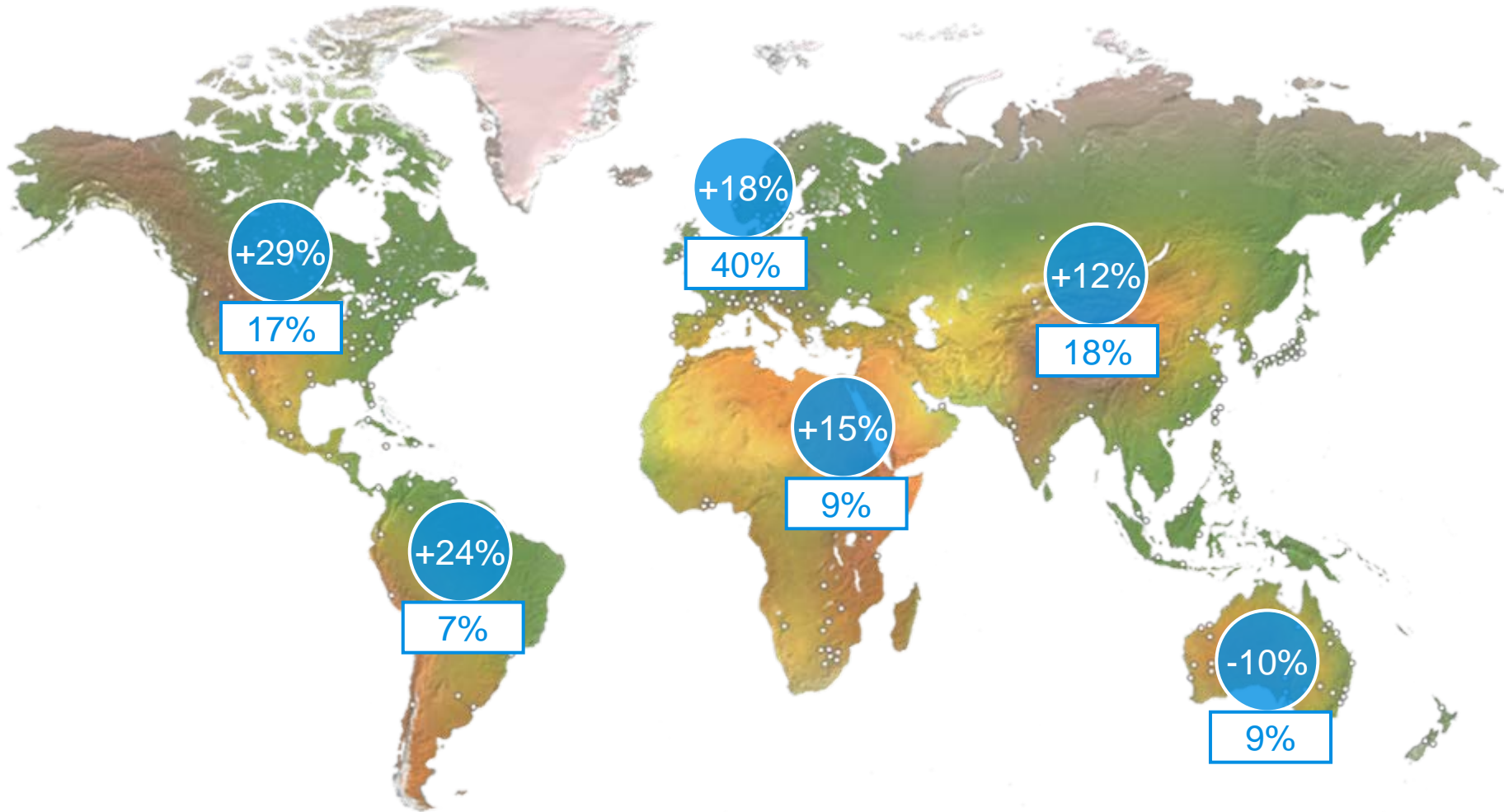
Interim results  
20 July 2010



# Quarterly highlights

- Continued market recovery
  - ✓ Increased order intake in all markets
  - ✓ Energy, automotive and mining strong drivers
- Operating profit 3,471 MSEK, 16.8%
  - ✓ Lower cost level
  - ✓ Increased invoicing and production volumes
  - ✓ Favorable product mix
  - ✓ Positive metal price and currency effects
- Operating cash flow 2,626 MSEK
  - ✓ Cash flow after investments and acquisitions, 1,770 MSEK
- Net Working Capital reduced to 27% of invoicing

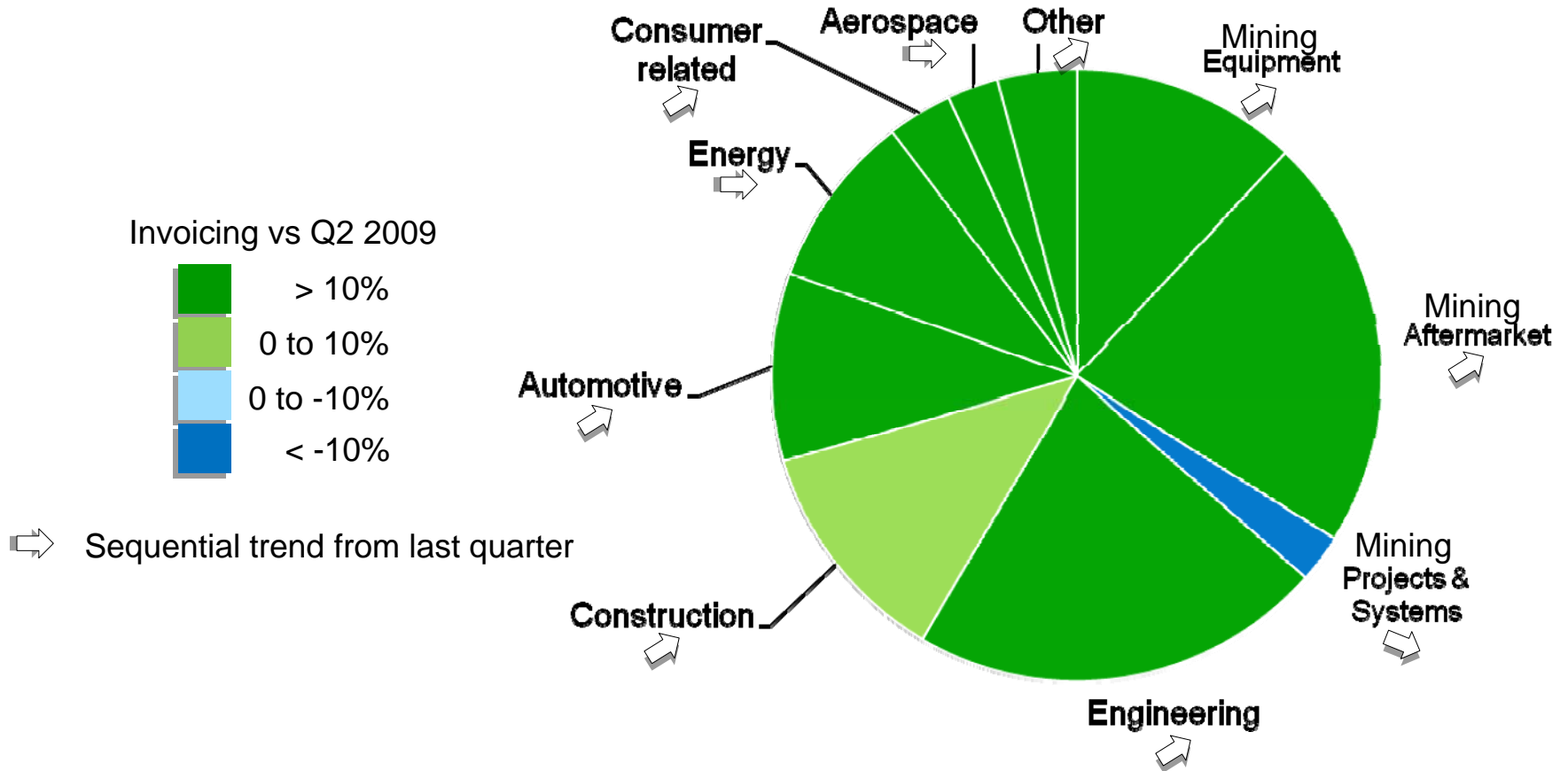
# Markets



% Invoicing (p/v) Q2 2010, change compared with Q2 2009

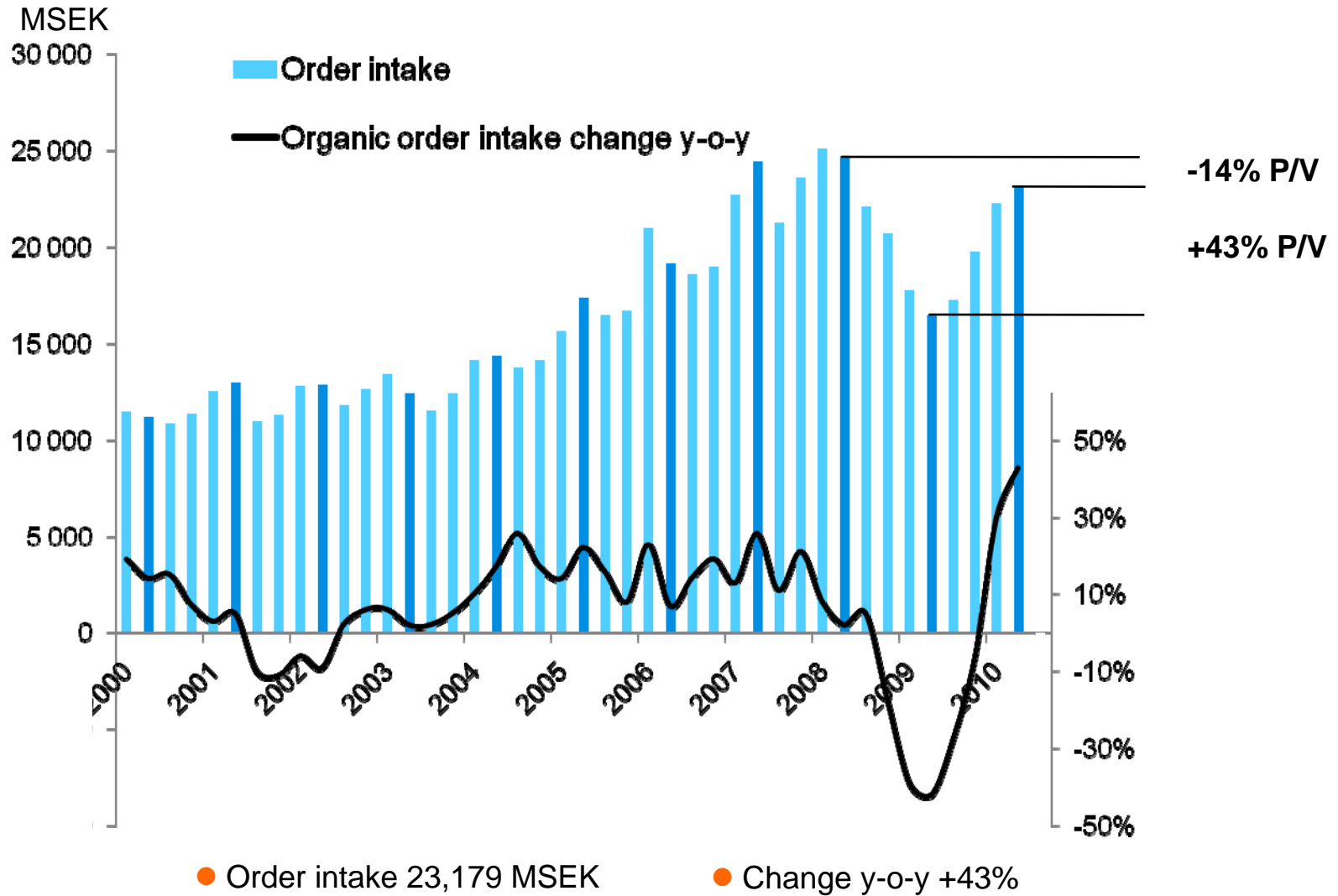
% Share of Group total

# Customer segments

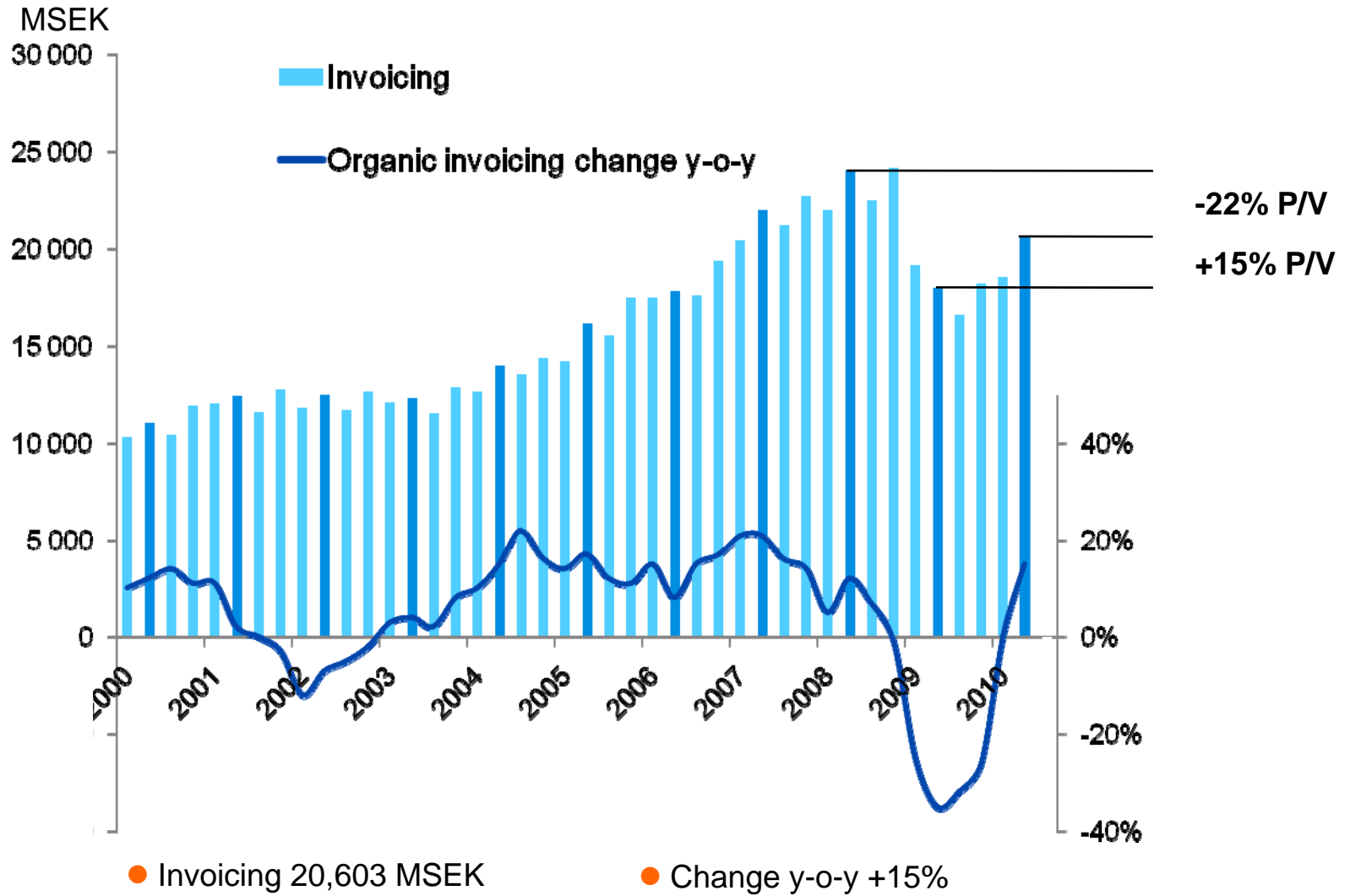


Pie chart representing share of invoicing 2009

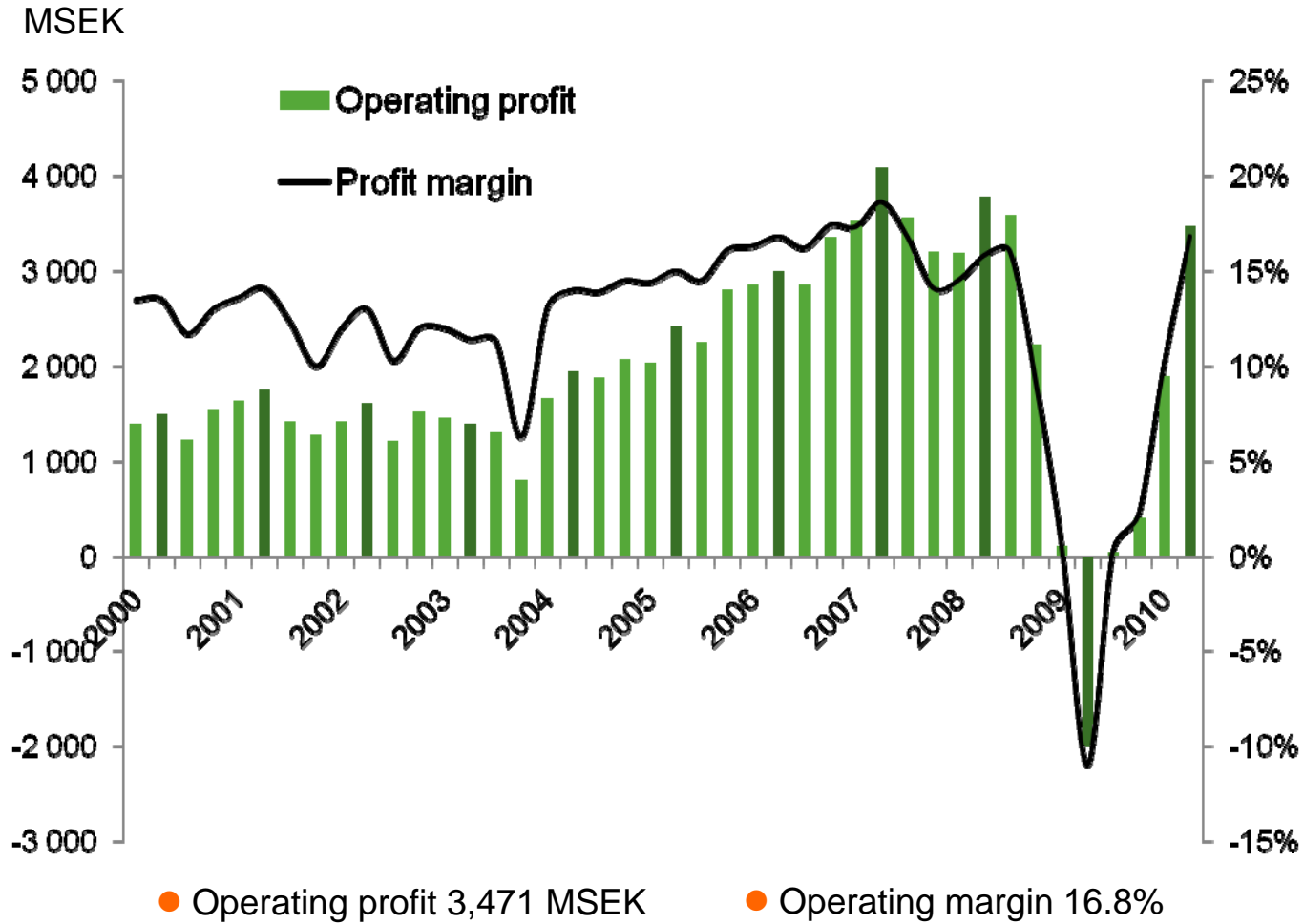
# Order intake



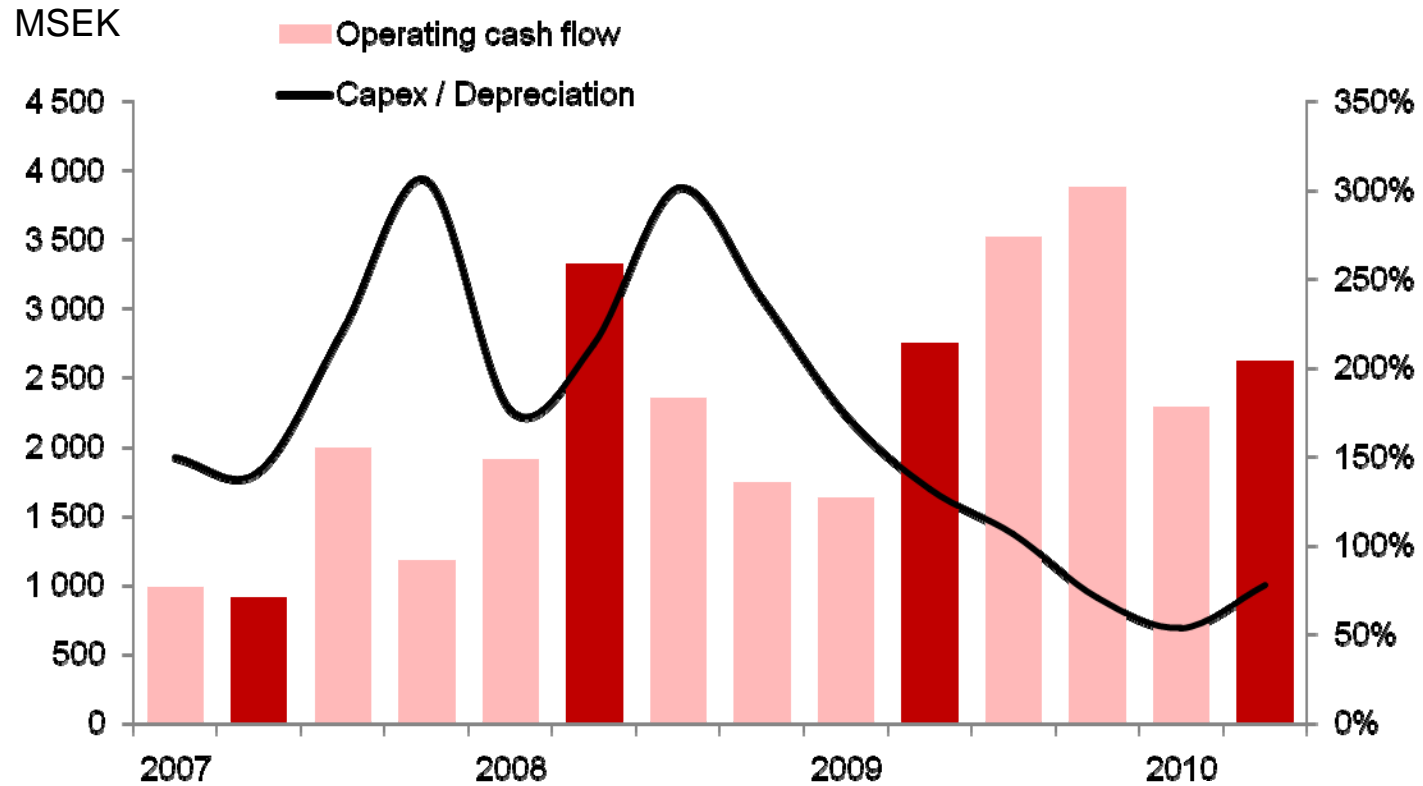
# Invoicing



# Operating profit



# Cash flow



● Cash flow from operating activities 2,626 MSEK



# Sandvik Tooling

- Continued improved demand
  - ✓ Increase in all markets
  - ✓ Global automotive production a strong driver
- Positive price effect
- Operating profit, 1,283 MSEK, 21.0%
  - ✓ Lower cost level
  - ✓ Increased sales and production volumes
  - ✓ Positive product mix
  - ✓ Negative currency effect
- Net Working Capital reduced to 26% of invoicing
- Good cash flow



# Sandvik Mining and Construction

- Improved demand
  - ✓ Improvement in all markets
  - ✓ Strong order intake from aftermarket
  - ✓ Equipment improved from a low level
- Invoicing flat but increased from Q1
- Operating profit, 1,283 MSEK, 15.3%
  - ✓ Lower cost level
  - ✓ Increased invoicing and production volumes
  - ✓ Favorable product mix, 58% AMS
  - ✓ Positive currency effect
- Net Working Capital reduced to 28% of invoicing
- Good cash flow



# Sandvik Materials Technology

- Continued improved demand
  - ✓ Favorable development in energy, automotive and mining
  - ✓ Two new orders to nuclear industry
  - ✓ Alloy surcharges contributing 11% to order growth
- Invoicing increased 23%
  - ✓ Alloy surcharges contributed 9%
- Operating profit, 699 MSEK, 15.1%
  - ✓ Lower cost level
  - ✓ Increased invoicing and production volumes
  - ✓ Metal price effect in the quarter +340 MSEK
    - ✓ Underlying margin 8%
- Net Working Capital reduced to 28% of invoicing



# Quarterly financials

MSEK	Q2 2009	Q2 2010	VS Q2 2009
Order intake	16,503	23,179	+43%*
Invoicing	18,011	20,603	+15%*
EBIT	-1,985	3,471	-
EBIT margin	-11.0%	16.8%	-
Operating cash flow	2,753	2,626	-5%
Cash flow after investing activities	772	1,770	+129%

\* Change in price/volume

# Bridge analysis

MSEK	Q2 2009	Price/ volume/ productivity	Currency	Structure, one-offs*	Q2 2010
<b>Sandvik Group</b>					
Invoiced sales	18,011	+2,390	-320	+520	20,603
Operating profit	-1,985	+2,660	+160	+2,630	3,471
Profit margin	-11.0%	+111%	-	-	16.8%

\* Includes metal price effects

# Summary Q2

- Improved demand in all markets
  - ✓ Sequential improvement from Q1
  
- Improved operating profit
  - ✓ Lower cost level
  - ✓ Increased invoicing
  - ✓ Increased production rates
  - ✓ Favorable product mix
  - ✓ Favorable metal price and currency effects
  
- Reduced Net Working Capital
  
- Good cash flow

# Sandvik Q2

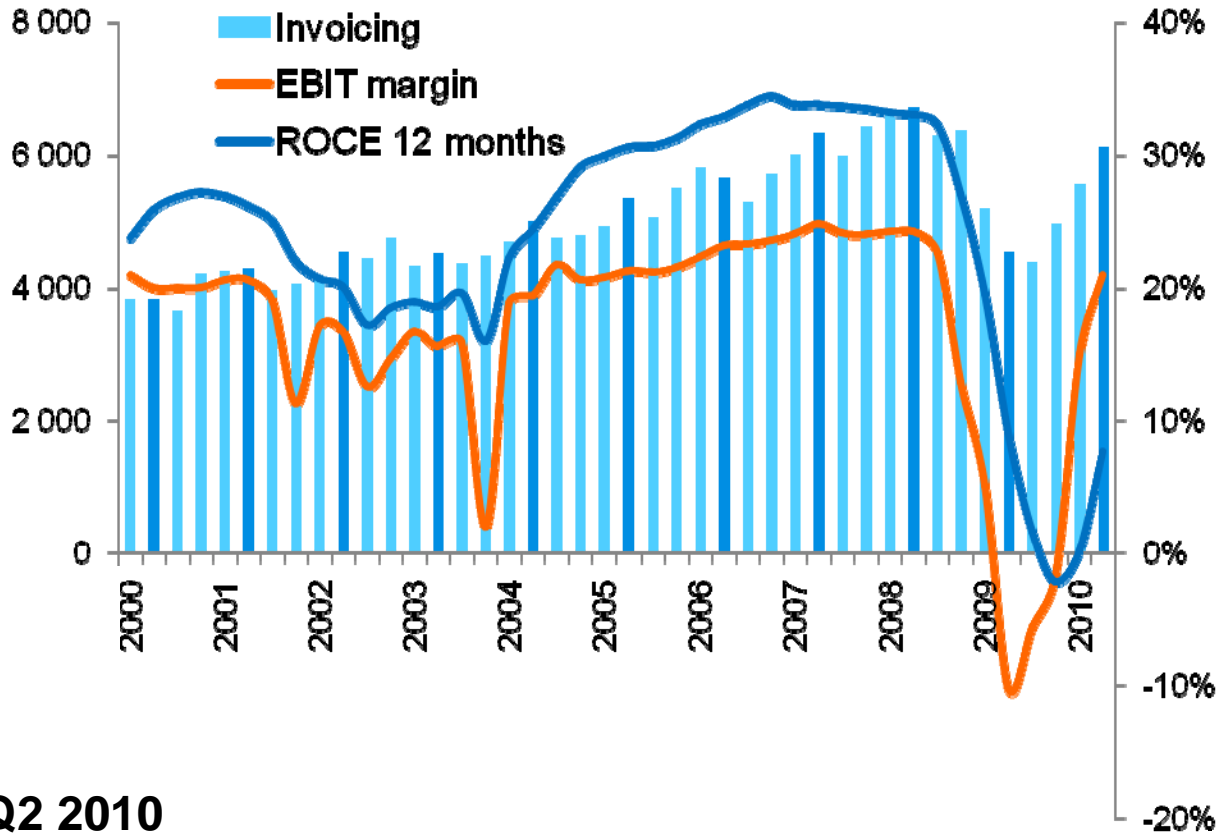
**Q&A session**

# Sandvik Q2

**Back-up slides**



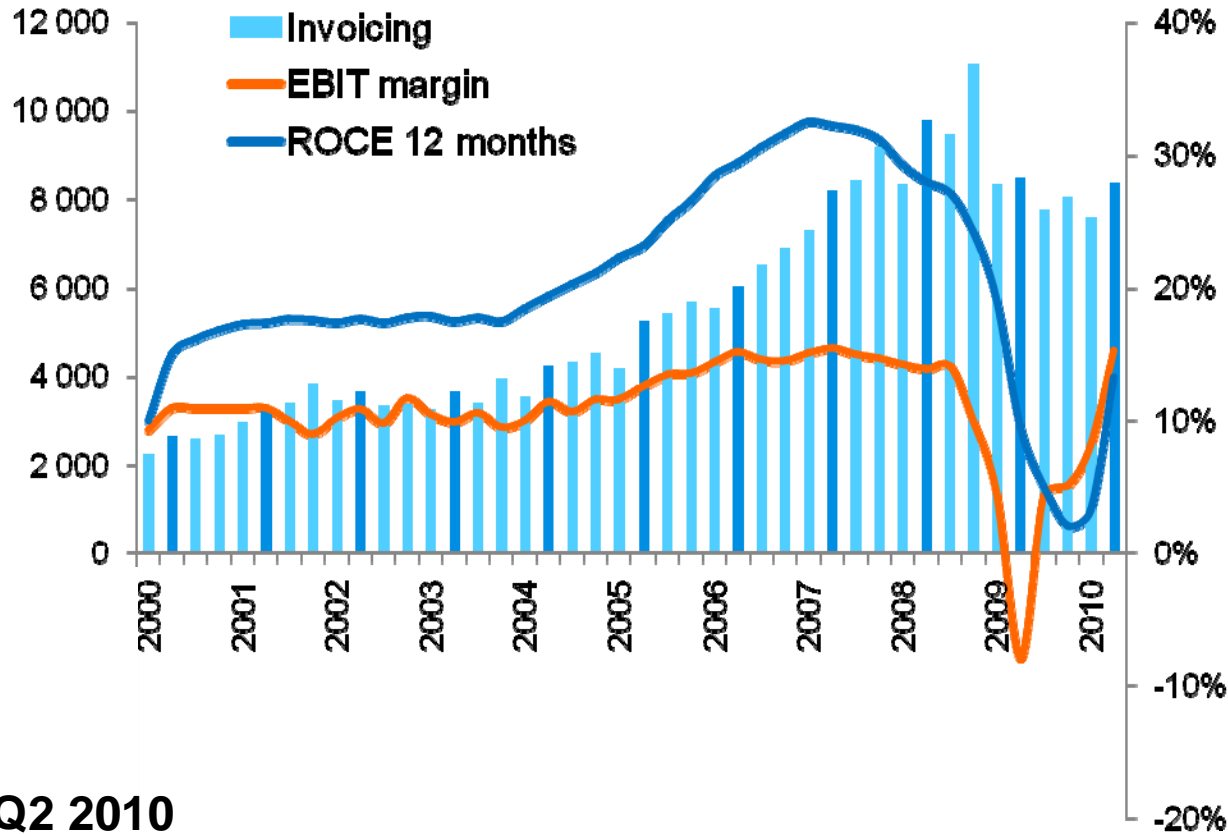
# Sandvik Tooling



## Q2 2010

- Order intake 6,295 MSEK
- Invoicing 6,122 MSEK
- EBIT 1,283 MSEK, 21.0%

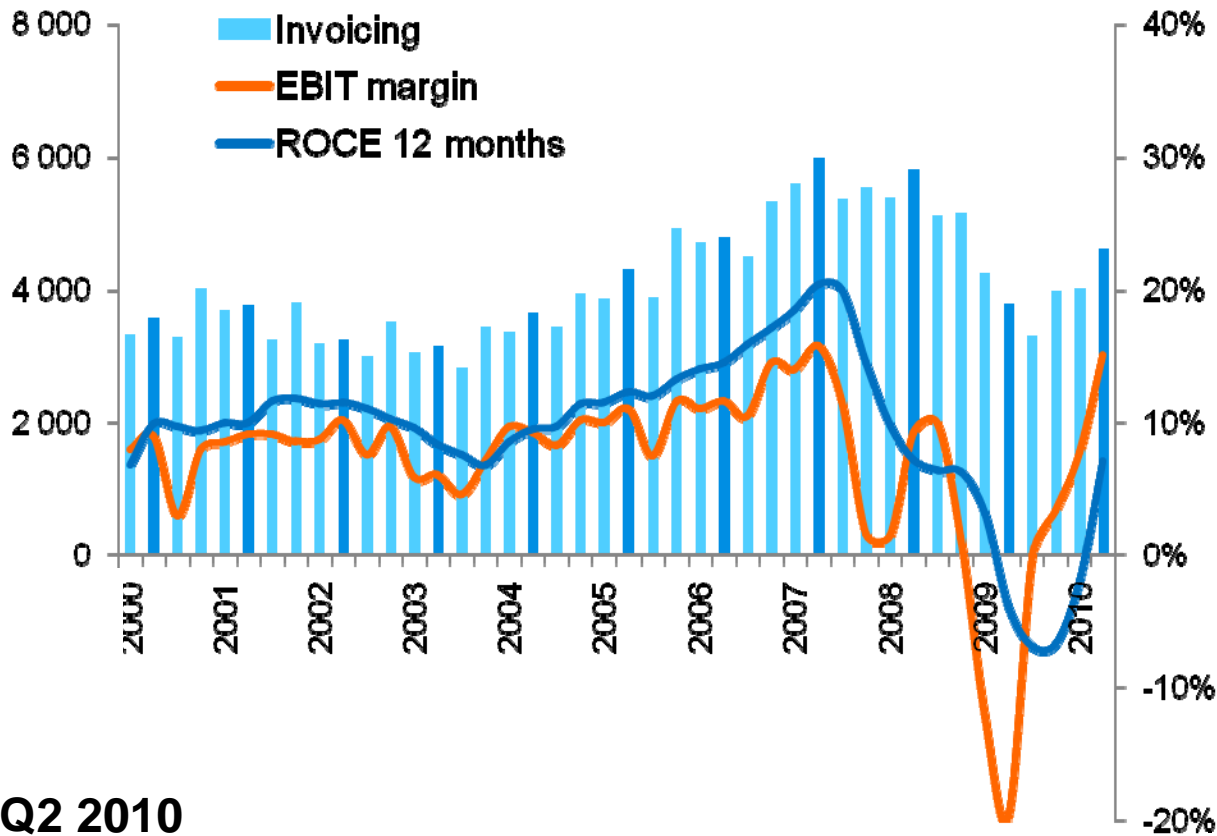
# Sandvik Mining and Construction



## Q2 2010

- Order intake 9,629 MSEK
- Invoicing 8,375 MSEK
- EBIT 1,283 MSEK, 15.3%

# Sandvik Materials Technology



## Q2 2010

- Order intake 5,752 MSEK ● Invoicing 4,618 MSEK
- EBIT 699 MSEK, 15.1%



# Income statement

MSEK	Q2 2009		Q1 2010		Q2 2010	
Invoiced sales	18,011		18,534		20,603	
Cost of goods sold	-14,857		-12,270		-12,683	
Gross profit	3,154	18%	6,264	34%	7,920	38%
Admin, sales and R&D costs	-4,897	-27%	-4,340	-23%	-4,597	-22%
Other operating income and expenses	-242		-27		+148	
Operating profit	-1,985	-11%	1,897	10%	3,471	17%
Net financial items	-458		-395		-434	
Profit after financial items	-2,443	-14%	1,502	8%	3,037	15%
Profit for the period	-2,015	-11%	1,122	6%	2,075	10%

# Bridge analysis

MSEK	Q2 2009	Price/ volume/ productivity	Currency	Structure, one-offs	Q2 2010
<b>Sandvik Tooling</b>					
Invoiced sales	4,541	+1,630	-230	+180	6,122
Operating profit	-463	+1,200	-100	+640	1,283
Profit margin	-10.2%	74%	-	-	21.0%
<b>Sandvik Mining and Construction</b>					
Invoiced sales	8,487	-150	+40	0	8,375
Operating profit	-670	+720	+180	+1,050	1,283
Profit margin	-7.9%	N/A	-	-	15.3%
<b>Sandvik Materials Technology</b>					
Invoiced sales	3,798	+540	-60	+340	4,618
Operating profit	-750	+390	0	+1,050	699
Profit margin	-19.7%	+72%	-	-	15.1%

# Cash flow

MSEK	Q2 2009	Q1 2010	Q2 2010
Profit after financial items	-2,443	1,502	3,037
Depreciations, tax etc	+1,301	+630	+501
Cash flow from operations before NWC	-1,142	+2,132	+3,538
Change in inventories	+3,454	+218	-1,301
Change in receivables and liabilities	+578	-67	+395
Change in rental fleet*	-137	4	-6
Cash flow from operating activities	+2,753	+2,287	+2,626
Acquisitions	-987	-237	-230
Capex	-1,087	-515	-691
Other investments, net	+93	+59	+65
Cash flow after investing activities	+772	+1,594	+1,770
Net cash used in financing activities	-3,853	-4,367	-2,253
Cash flow for the period	-3,081	-2,773	-483
Net debt/Equity	1.2	1.0	0.9

\* Rental fleet included in operating activities as from 2010, historic data adjusted

# Balance sheet

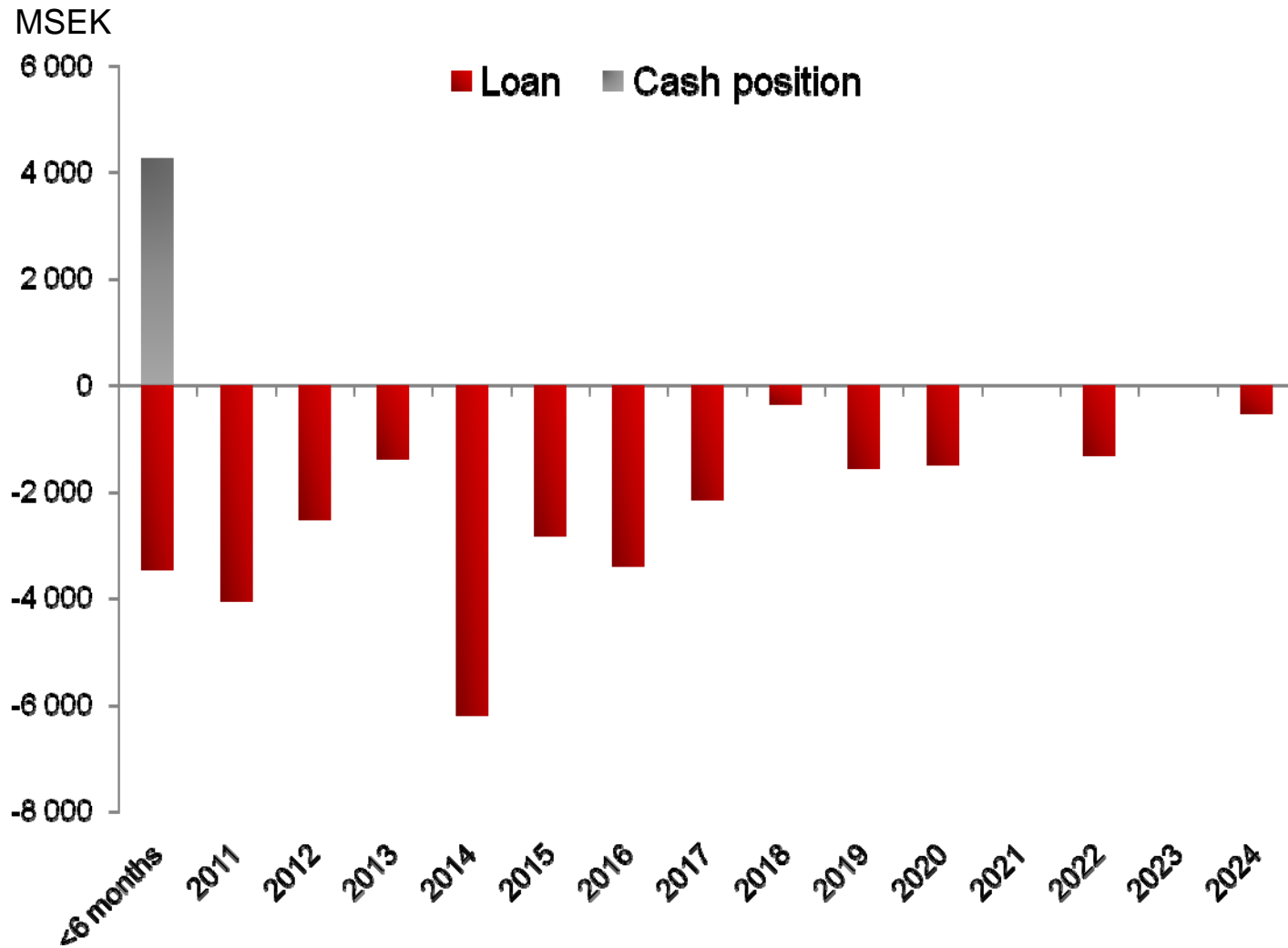
MSEK	Q2 2009	Q1 2010	Q2 2010	vs Q2 2009
Intangible fixed assets	15,093	13,721	14,062	-7%
Tangible fixed assets	27,620	25,713	26,017	-6%
Financial fixed assets	5,504	6,044	6,240	+13%
Inventories	24,995	19,401	21,234	-15%
Receivables	20,813	18,975	19,993	-4%
Cash and cash equivalents	6,023	4,718	4,330	-28%
<b>Total assets</b>	<b>100,048</b>	<b>88,572</b>	<b>91,876</b>	<b>-8%</b>
Total equity	31,705	30,374	31,544	-1%
Interest-bearing liabilities	45,191	35,303	34,771	-23%
Non-interest-bearing liabilities	23,152	22,895	25,561	+10%
<b>Total equity and liabilities</b>	<b>100,048</b>	<b>88,572</b>	<b>91,876</b>	<b>-8%</b>

# Loan and duration profile

		Amount MSEK	Average duration
<b>Long term</b>	<b>85%</b>		
US Private Placement		6,700	9 years
Fin institutions, EIB, NIB		3,200	4 years
Swedish MTN		9,600	5 years
European MTN		5,700	4 years
Bank loans		2,200	1 year
<b>Short term</b>	<b>15%</b>		
Commercial paper		300	1 months
Swedish MTN		2,400	6 months
Bank loans		2,000	9 months
<b>Total</b>		<b>32,100</b>	<b>5 years</b>
Cash position		4,300	-
Revolving Credit Facility		14,200	3 years



# Loan maturity profile



# Financial key figures

	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Cash flow from operations, MSEK	2,753	3,521	3,883	2,287	2,626
Capex, MSEK	1,120	804	630	515	691
ROCE, 12 months	6.2%	1.3%	-1.3%	1.0%	8.8%
ROE, 12 months	3.3%	-4.0%	-7.9%	-3.7%	9.5%
Net debt/equity ratio	1.2	1.1	1.0	1.0	0.9
EPS, SEK 12 months	0.79	-1.20	-2.24	-1.07	2.24

# Guidance 2010

## Metal price effects

Given currency rates, stock levels and metal prices at quarter end, no material effect on EBIT is expected for Q3 2010.

### Net financial items

The estimate is -450 MSEK for Q3 and -1.7 BSEK for 2010.

### Currency effects

Given currency rates at quarter end, the effect is estimated to be positive 150-200 MSEK for Q3.

### Capex

Capex is estimated to be less than depreciation.

### Tax rate

The tax rate is estimated to 25-27% for 2010.

# 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.”