

Sandvik Q3

**Interim results
30 October 2009**



SANDVIK

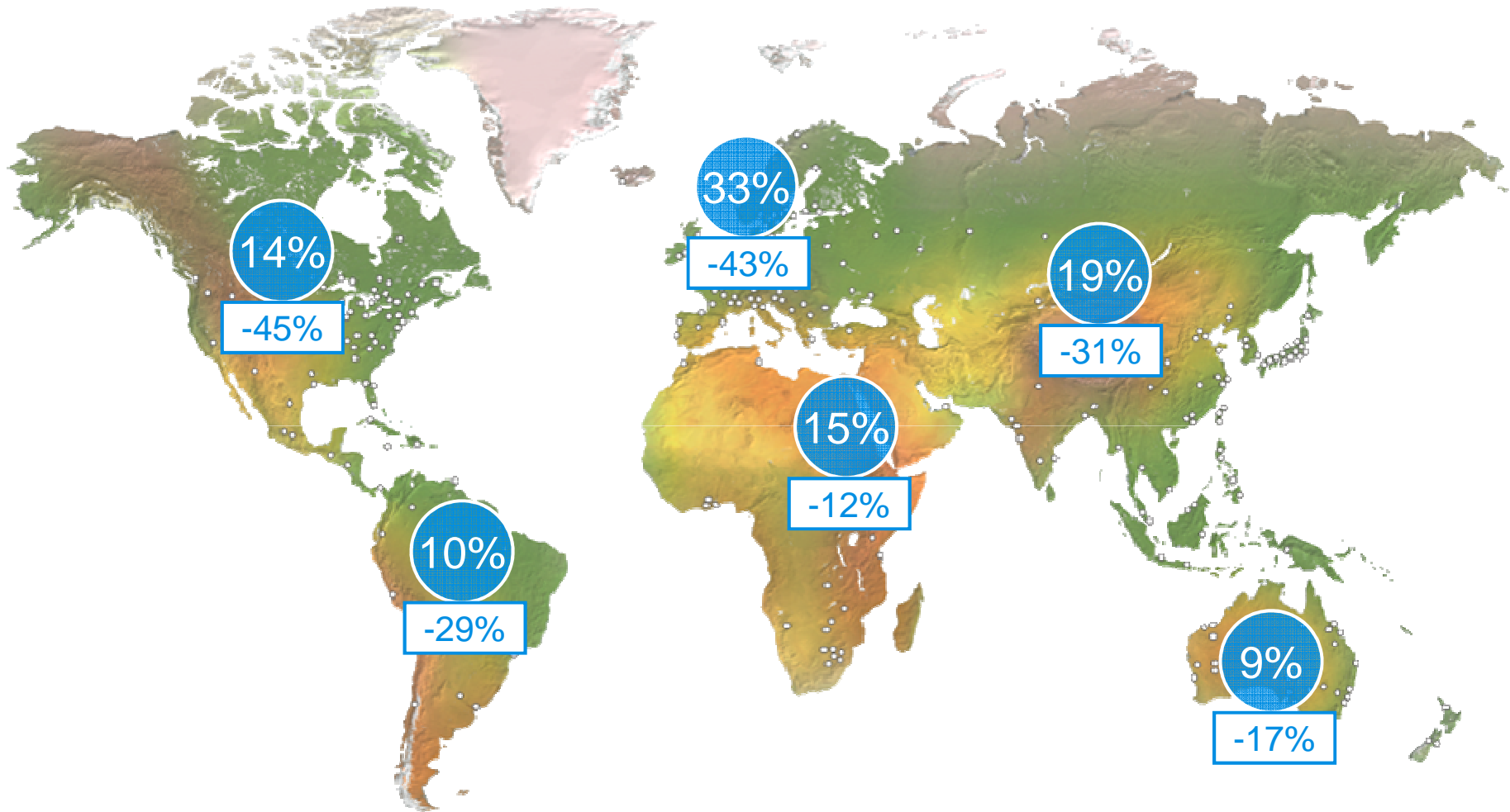
Highlights


- **Continued weak demand**
- **Strong cash flow and improved capital efficiency**
- **Significant reduction of cost base**
- **Positive EBIT in spite of lower sales and production rates**

Agenda

- **Market and business development**
- **Business areas**
- **Financial review**

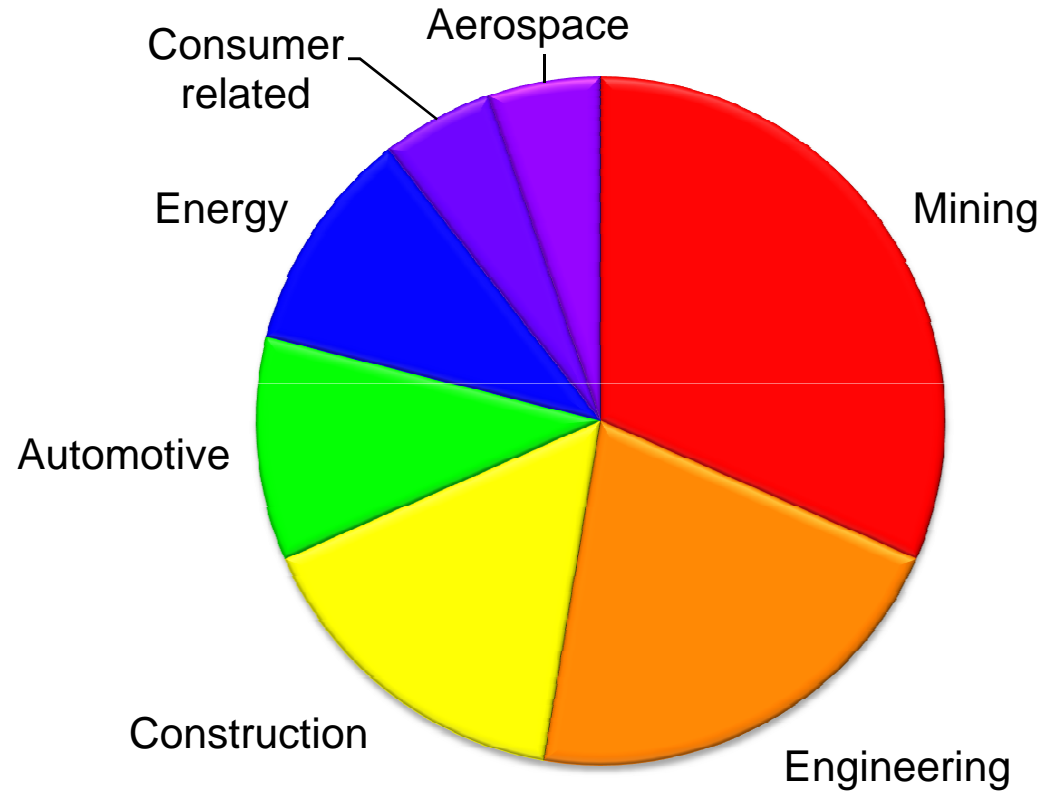
Markets



 Order intake Q3 2009, share of Group total

 Change compared with Q3 2008

Customer segments



Agenda

- **Market and business development**
- **Business areas**
- **Financial review**

Sandvik Tooling

- Weak market demand
 - ✓ Customer inventory reductions
- One-off costs 300 MSEK
- Positive price effect
- Low sales and production rates
 - ✓ EBIT effect estimated to -2,200 MSEK
- Cost savings
 - ✓ Personnel reduction 450 employees
 - ✓ Consolidation of production units
- Strong cash-flow
 - ✓ Inventory reduction of 900 MSEK in volume



Sandvik Mining and Construction

- Weak market demand
 - ✓ Coal and gold more positive
 - ✓ Increased aftermarket share
- Low level of investment at customers
- Low sales and production rates
 - ✓ EBIT effect estimated to -1,500 MSEK
- Consolidation of production units
- Strong cash flow
 - ✓ Inventory reduction of 1,100 MSEK in volume



Sandvik Materials Technology

- Weak market demand
 - ✓ Continued positive product mix development
- Energy sector continued strong
 - ✓ Capacity expansion for nuclear steam generator tubing ongoing
 - ✓ Nuclear very strong, oil/gas strong
- Low sales and production rates
 - ✓ EBIT effect estimated to -1,000 MSEK
- Cost savings
 - ✓ Personnel reduction 380 employees
- Strong cash flow
 - ✓ Inventory reduction of 300 MSEK in volume



Agenda

- **Market and business development**
- **Business areas**
- **Financial review**

Income statement

MSEK	Q3 2008		Q2 2009		Q3 2009	
Invoiced sales	22,478		18,011		16,578	
Cost of goods sold	-14,634		-14,857		-12,473	
Gross profit	7,844	35%	3,154	18%	4,105	25%
Admin, sales and R&D costs	-4,568		-4,897		-3,951	
Other operating income and expenses	+310		-242		-103	
Operating profit	3,586	16%	-1,985	-11%	51	0%
Net financial items	-551		-458		-574	
Profit after financial items	3,035	14%	-2,443	-14%	-523	-3%
Profit for the period	2,272	10%	-2,015	-11%	-180	-1%

Bridge analysis

MSEK	Q3 2008	Price/ volume	Currency	Structure, one-offs*	Q3 2009
Sandvik Group					
Invoiced sales	22,478	-7,200	+1,600	-300	16,578
Operating profit	3,586	-3,200	-270	-50	51
Profit margin	16%	-44%	-	-	0%

* Includes metal price effects

Cash flow

MSEK	Q3 2008	Q2 2009	Q3 2009
Profit after financial items	+3,035	-2,443	-523
Depreciations, tax etc	+90	+1,301	+828
Cash flow from operations before NWC	+3,125	-1,142	+305
Change in inventories	-824	+3,454	+2,254
Change in receivables and liabilities	+85	+578	+1,071
Cash flow from operating activities	+2,386	+2,890	+3,630
Acquisitions	-12	-987	-491
Capex	-2,007	-1,298	-969
Other investments, net	+179	+167	+113
Cash flow after investing activities	+546	+772	+2,283
Net cash used in financing activities	-2,388	-3,853	-66
Cash flow for the period	-1,842	-3,081	+2,217
Net debt/Equity	1.0	1.2	1.1

Summary

- **Continued weak demand**
- **Positive EBIT in spite of lower sales and production rates**
- **Significant reduction of cost base**
- **Favourable product mix**
- **Strong cash flow and improved capital efficiency**
- **Manufacturing rates gradually approaching sales rates**
- **Focus on becoming profitable at current demand levels**

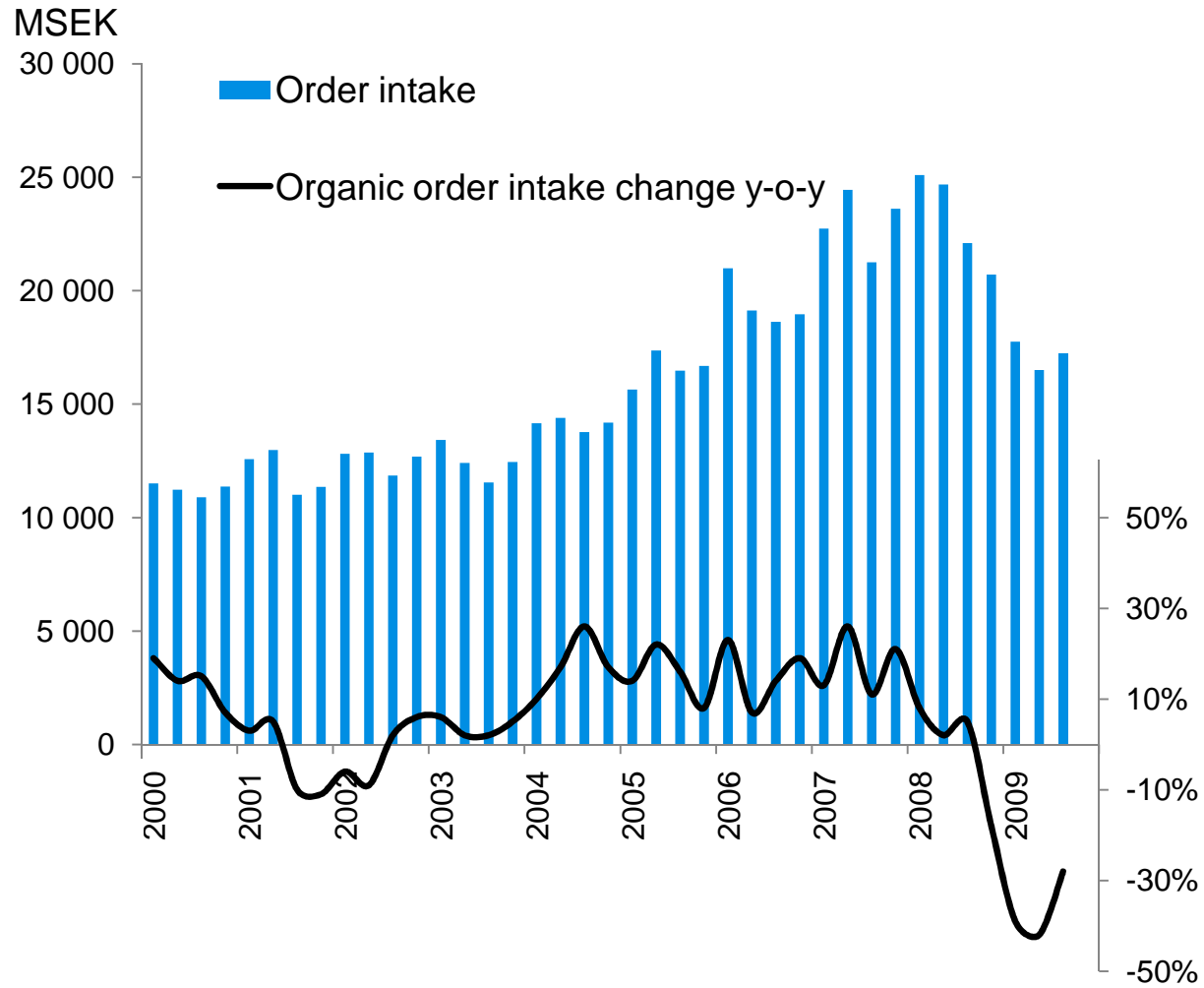
Sandvik Q3

Q&A session

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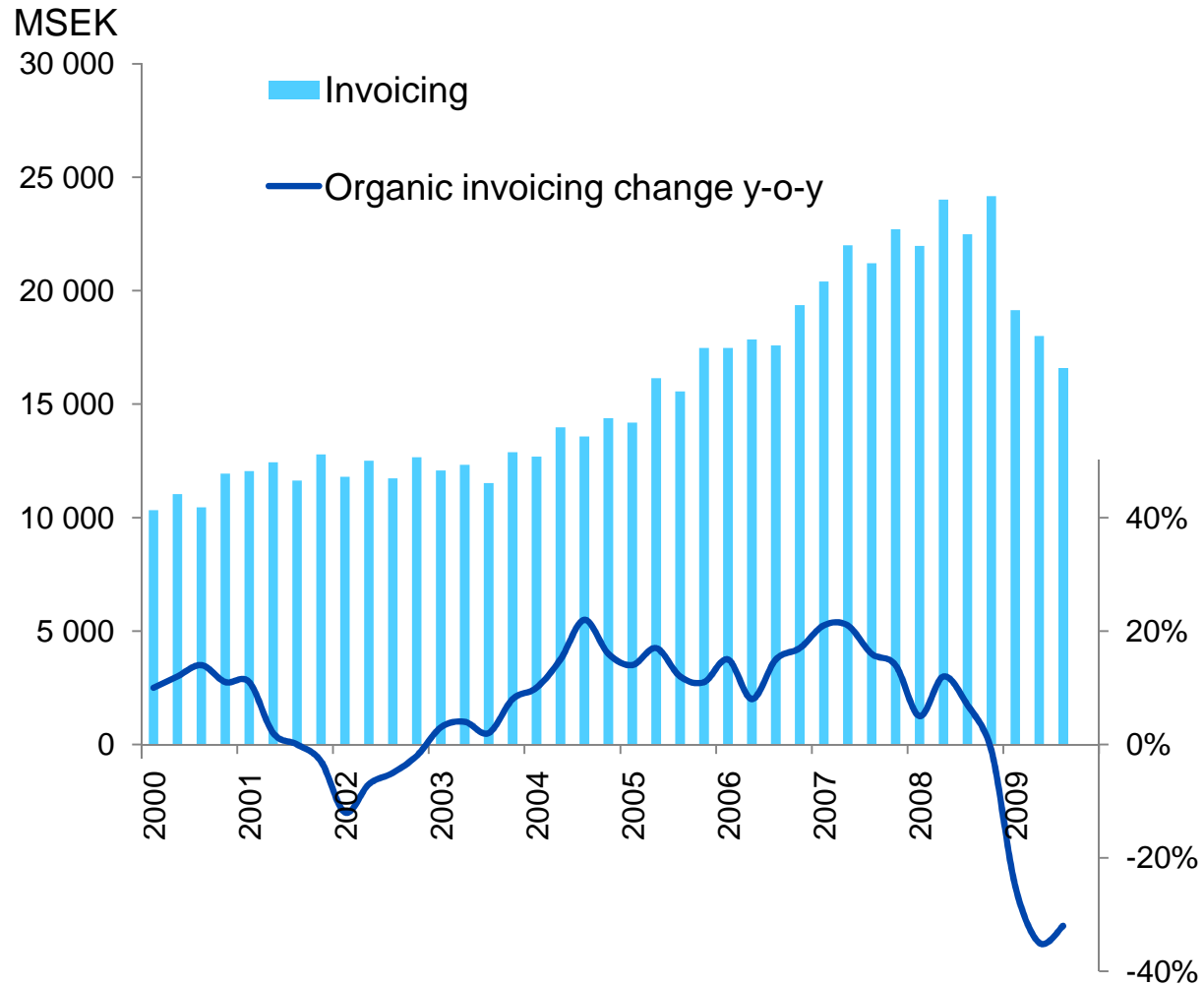
Back-up slides

Order intake



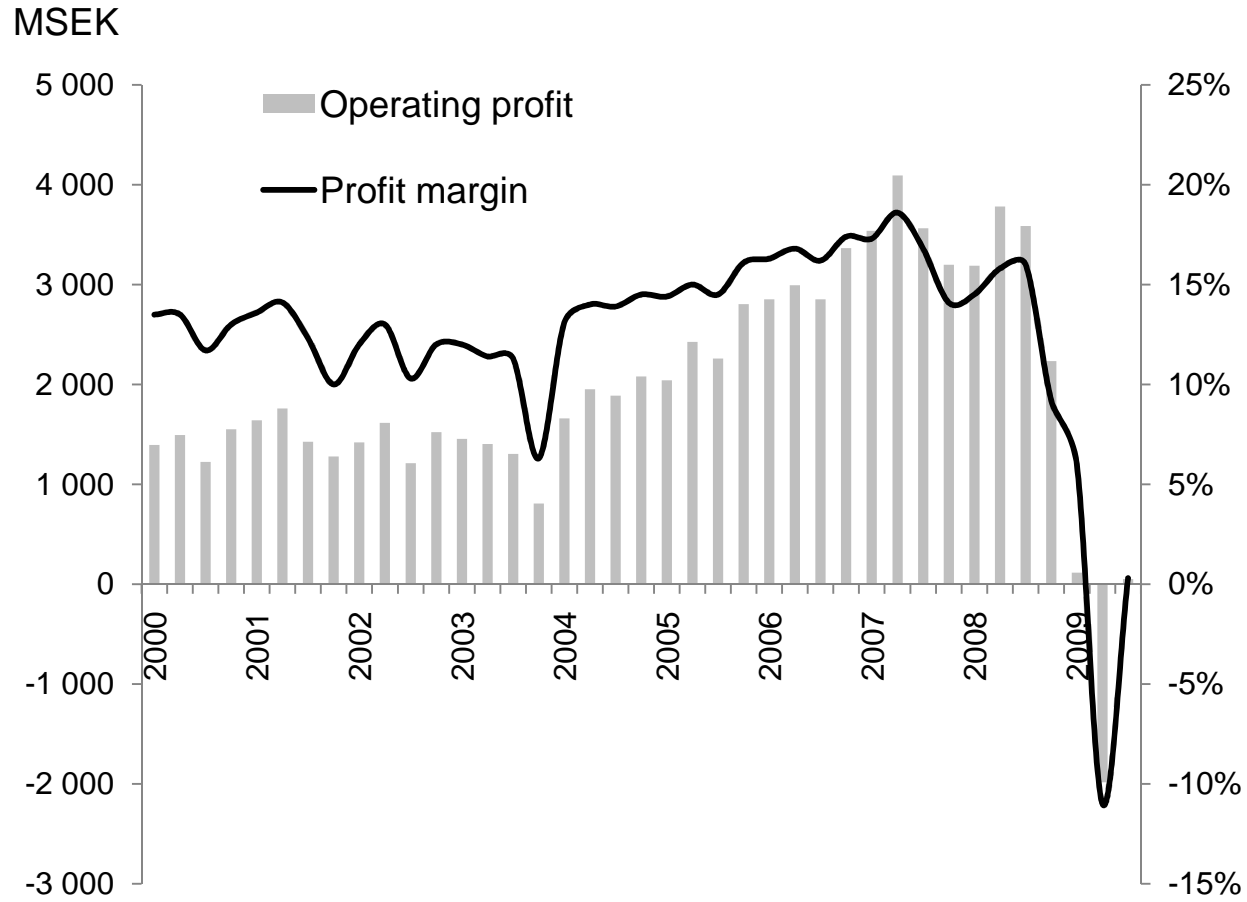
● Order intake 17,241 MSEK ● Organic order intake change year-on-year -28%

Invoicing



● Invoicing 16,578 MSEK ● Organic invoicing change year-on-year -32%

Operating profit



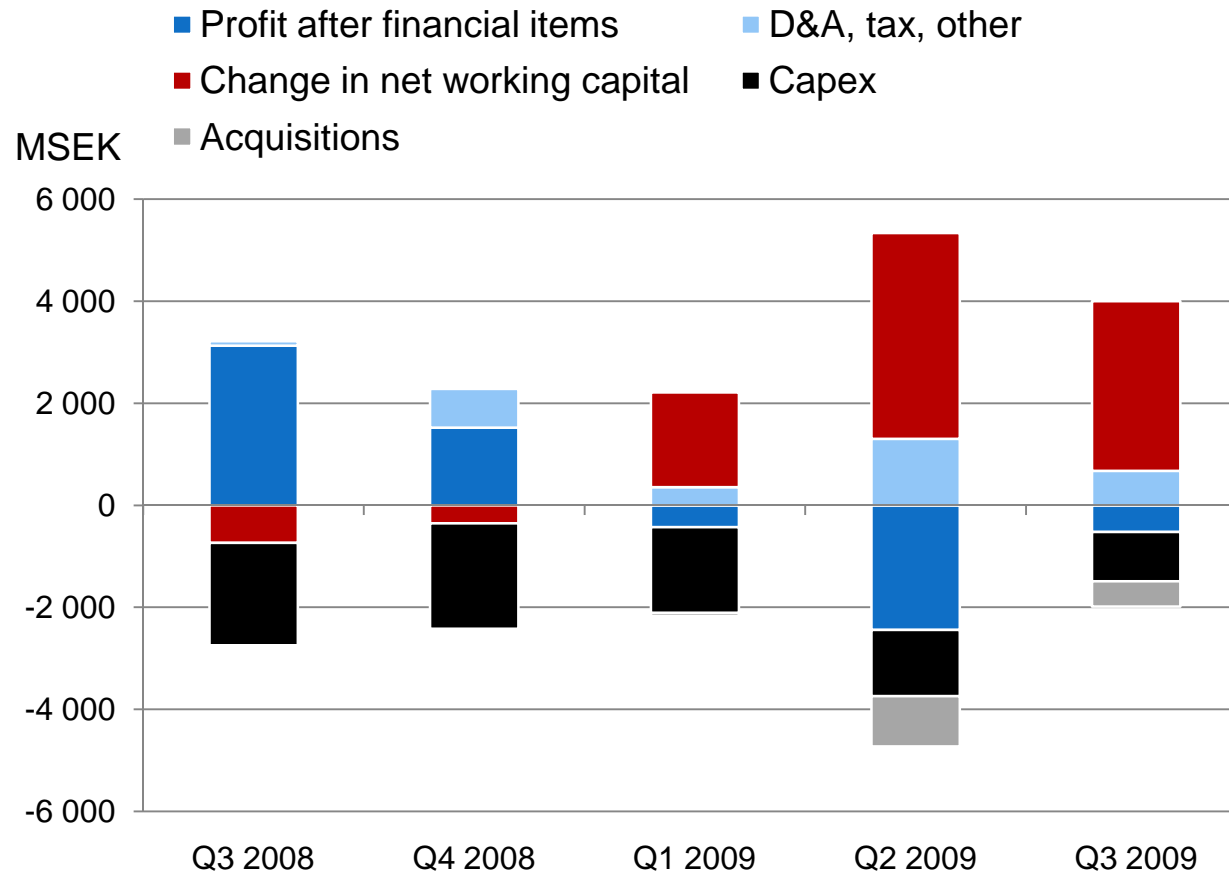
● Operating profit 51 MSEK

● Profit margin 0.3%

Bridge analysis

MSEK	Q3 2008	Price/ volume	Currency	Structure, one-offs	Q3 2009
Sandvik Tooling					
Invoiced sales	6,295	-2,550	+500	+150	4,384
Operating profit	1,422	-1,300	-90	-300	-247
Profit margin	23%	-51%	-	-	-6%
Sandvik Mining and Construction					
Invoiced sales	9,475	-2,450	+750	0	7,762
Operating profit	1,337	-1,000	+80	-80	332
Profit margin	14%	-41%	-	-	4%
Sandvik Materials Technology					
Invoiced sales	5,122	-1,650	+300	-450	3,299
Operating profit	505	-750	-80	+300	-2
Profit margin	10%	-45%	-	-	0%

Cash flow



● Cash flow from operating activities 3,630 MSEK

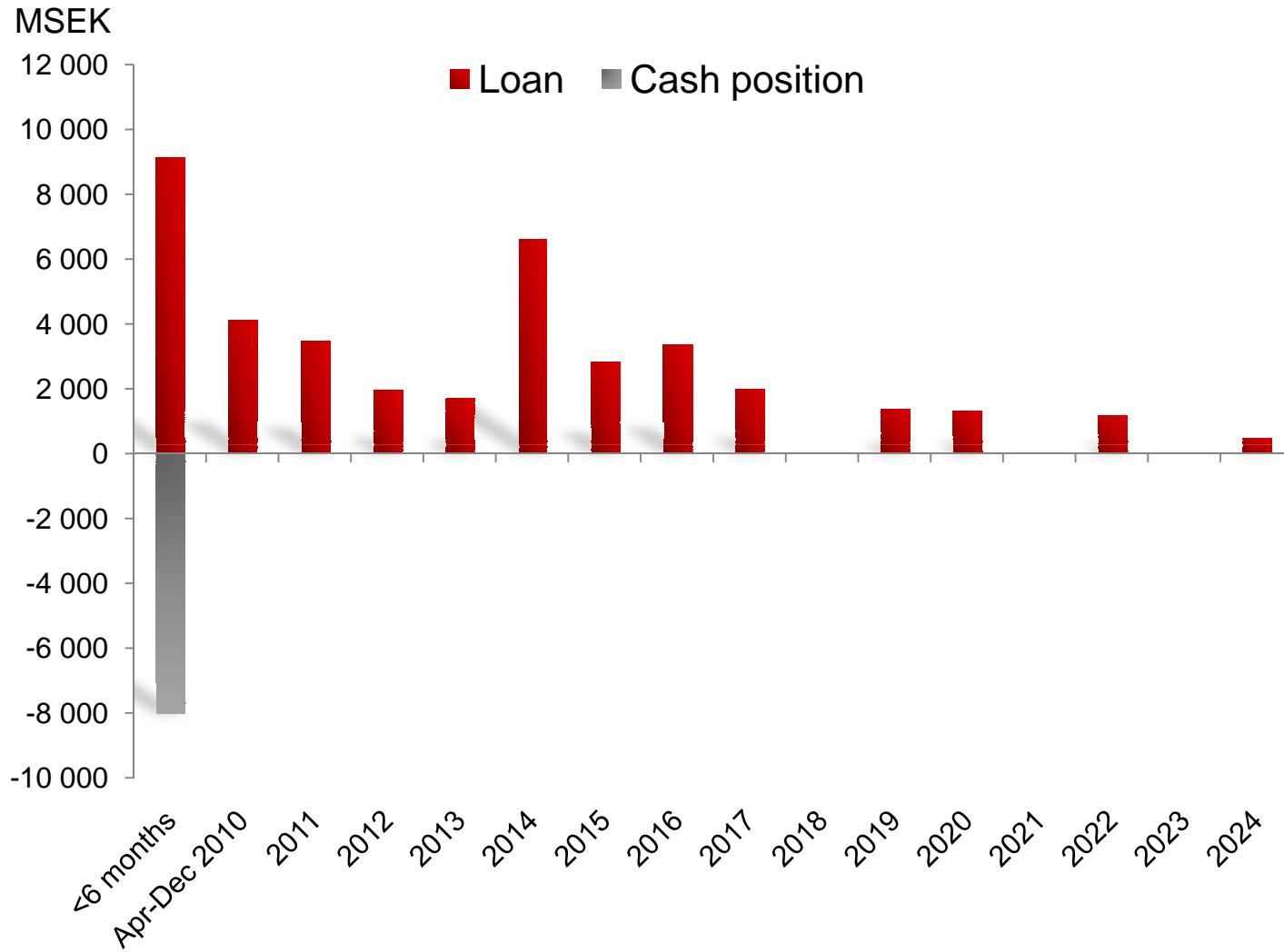
Balance sheet

MSEK	Q3 2008	Q2 2009	Q3 2009	vs Q3 2008
Intangible fixed assets	11,937	15,093	13,882	+16%
Tangible fixed assets	23,794	27,620	26,713	+12%
Financial fixed assets	4,088	5,504	5,592	+37%
Inventories	27,497	24,995	21,539	-22%
Receivables	24,462	20,813	18,882	-23%
Cash and cash equivalents	1,560	6,023	8,040	+416%
Total assets	93,338	100,048	94,648	+1%
Total equity	32,123	31,705	29,472	-8%
Interest-bearing liabilities	34,528	45,191	42,750	+24%
Non-interest-bearing liabilities	26,687	23,152	22,426	-16%
Total equity and liabilities	93,338	100,048	94,648	+1%

Loan and duration profile

	Amount MSEK	Average duration
Long term 73%		
US Private Placement	6,200	10 years
Fin institutions, EIB, NIB	3,200	5 years
Swedish MTN	10,700	5 years
European MTN	6,100	4 years
Bank loans	2,800	2 years
Short term 27%		
Commercial paper	4,400	3 months
Swedish MTN	3,300	6 months
Bank loans	3,400	5 months
Total	40,100	4 years
Revolving Credit Facility	15,300	4 years

Loan maturity profile



Sandvik Materials Technology

- Nickel inventory level 8,000 ton (8,000 in Q2)
- Nickel inventory average price 14,500 USD per ton (11,500 in Q2)
- Metal price effects:
 - ✓ Q1 2009 -426 MSEK
 - ✓ Q2 2009 -360 MSEK
 - ✓ Q3 2009 +170 MSEK
 - ✓ Q4 2009 Less than +100 MSEK with prices at quarter end

Personnel reduction Since September 2008

- **Reduction permanent employees 6,244**

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Other	Total
Q4 2008	295	424	161	22	902
Q1 2009	714	953	288	313	2,268
Q2 2009	604*	544	217	217	1,582*
Q3 2009	448	612	380	52	1,492
Total	2,061*	2,533	1,046	604	6,244*

* Reported headcount 274 employees higher due to Wolfram Bergbau acquisition

- **Reduction temporary employees >2,000**
- **Reduced work time for ~15,000 employees by 15-20%**

Financial key figures

	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Cash flow from operations, MSEK	2,386	1,925	1,784	2,890	3,630
Capex, MSEK	2,007	2,070	1,682	1,298	969
ROCE, 12 months	22.5%	19.9%	14.6%	6.2%	1.3%
ROE, 12 months	29.6%	24.8%	16.7%	3.3%	-4.0%
Net debt/equity ratio	1.0	0.9	0.9	1.2	1.1
EPS, SEK 12 months	7.04	6.30	4.44	0.79	-1.20

Guidance 2009

Metal price effects

Given currency rates, stock levels and metal prices at quarter end, the estimated effect on EBIT is less than 100 MSEK for Q4.

Net financial items

The estimate is -500 MSEK for Q4 and -2,100 MSEK for 2009.

Currency effects

Given currency rates at quarter end, the effect is estimated to about -200 MSEK for Q4.

Capex

Capex is estimated to 4,000 to 4,500 MSEK for 2009 excluding rental fleet

Tax rate

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

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.”