

Q4

Sandvik

Interim report on fourth quarter 2012

Strong year for Sandvik



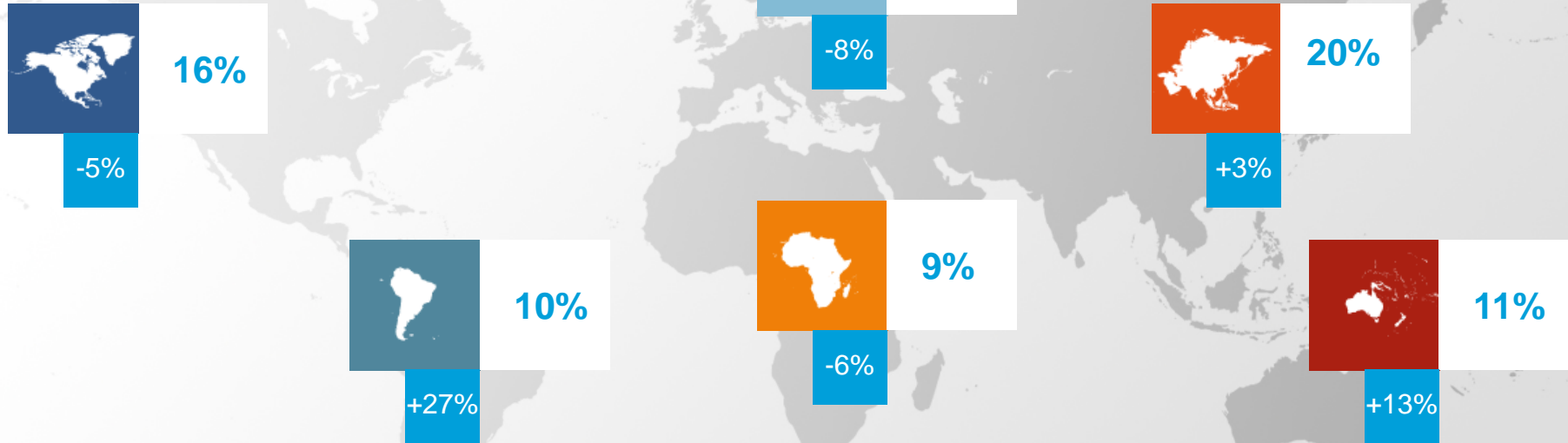
Annual highlights 2012

- Strong year for Sandvik
 - Highest invoicing in company history, 98,529 MSEK
 - Strong operating cash flow, +11,892 MSEK
 - Adjusted EBIT margin 15.0%
- Sandvik 150-year anniversary
- Successful implementation of new strategy
 - Record invoicing for Mining and Machining Solutions
 - Good progress for turnaround programs in Materials Technology and Construction
 - Workforce reduced with almost 1,300 employees

Quarterly highlights

- **Structural improvements**
 - Nonrecurring charges of about 920 MSEK
 - Adjusted EBIT 3,058 MSEK, 12.6%
 - ROCE 12 month rolling 19.8%
- **Record strong cash flow +4,520 MSEK**
 - Decreased inventories and strong A/R collection
- **Proposed dividend**
 - 3.50 SEK (3.25) per share
- **Unchanged market conditions**
 - Challenging market conditions for Mining, Machining Solutions, Materials Technology, parts of Venture
 - Weaker market for Construction and parts of Venture
- **Changes to Group Executive Management**

Invoicing by market

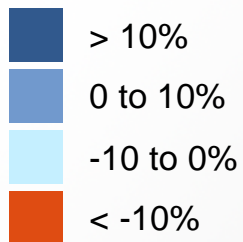


□ Share of Group total

■ Invoicing (p/v) Q4 2012, change compared with Q4 2011

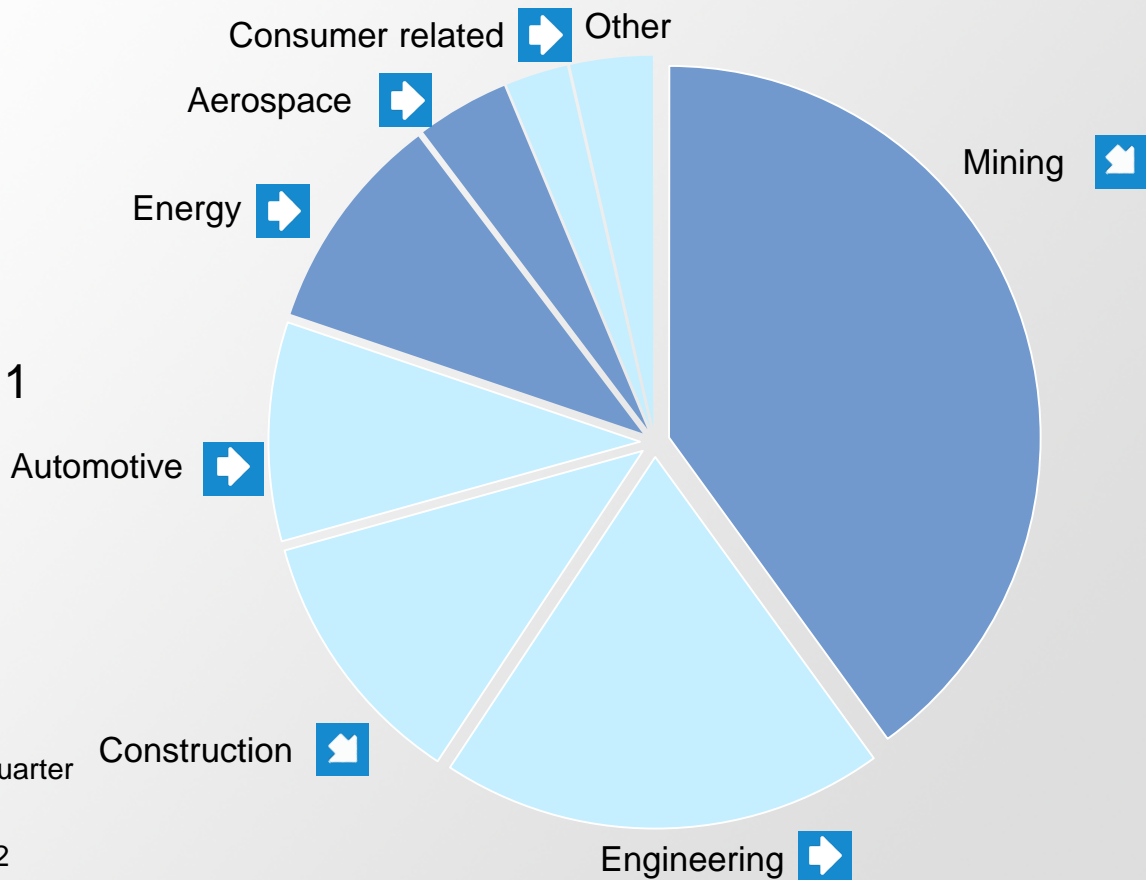
Customer segments

Invoicing growth vs. Q4 2011



➡ Demand trend compared to preceding quarter

Pie chart representing share of invoicing 2012

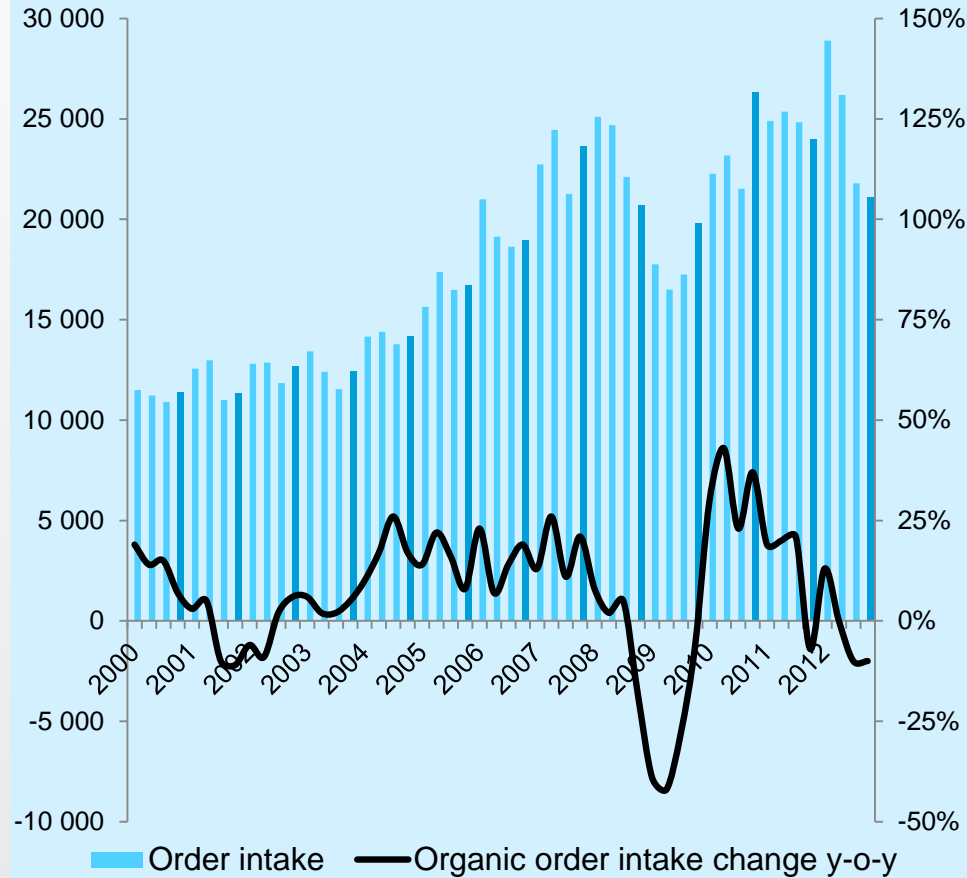


Order intake

Order intake 21,070 MSEK

- Major mining systems orders 900 MSEK

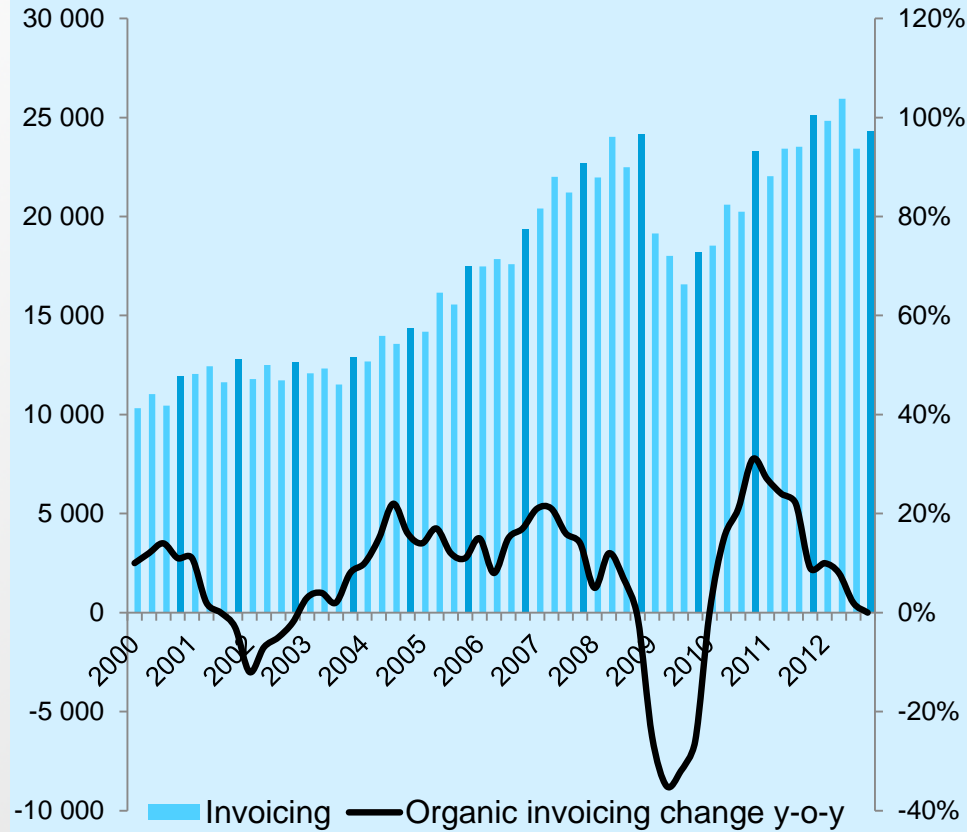
Change p/v -10%



Invoicing

Invoicing 24,328 MSEK

Change p/v +0%



EBIT and ROCE

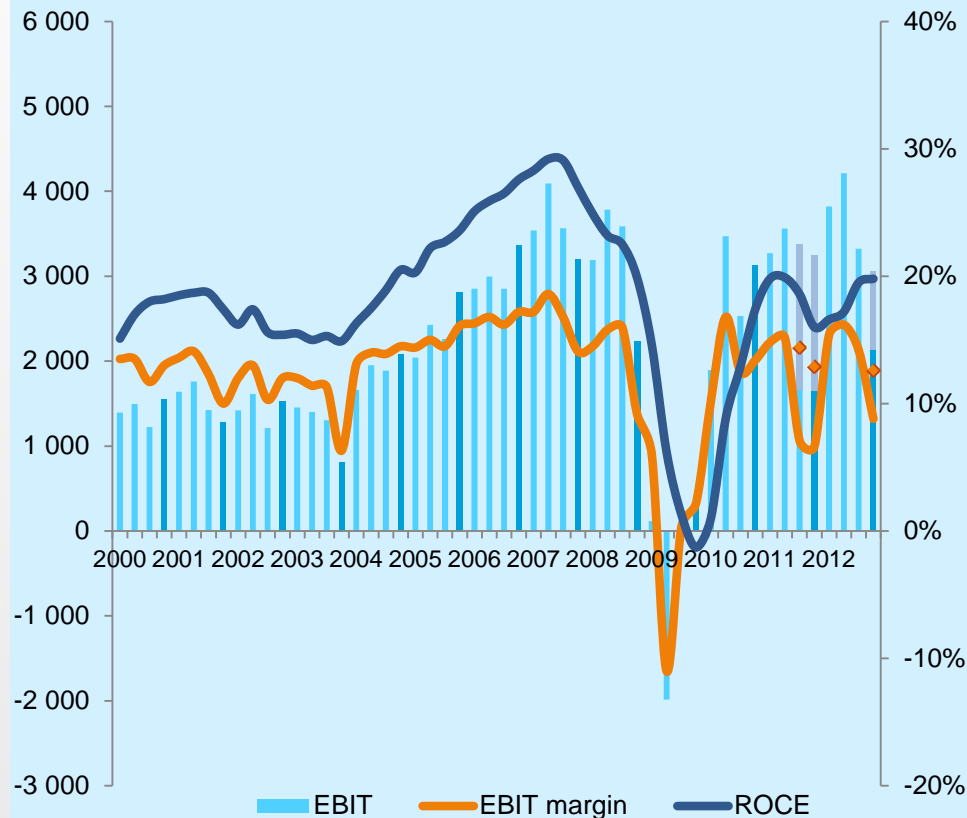
Q4 2012

Reported

- EBIT 2,134 MSEK
- EBIT margin 8.8%
- ROCE reported rolling 12 months 19.8%
- Underabsorption of fixed costs

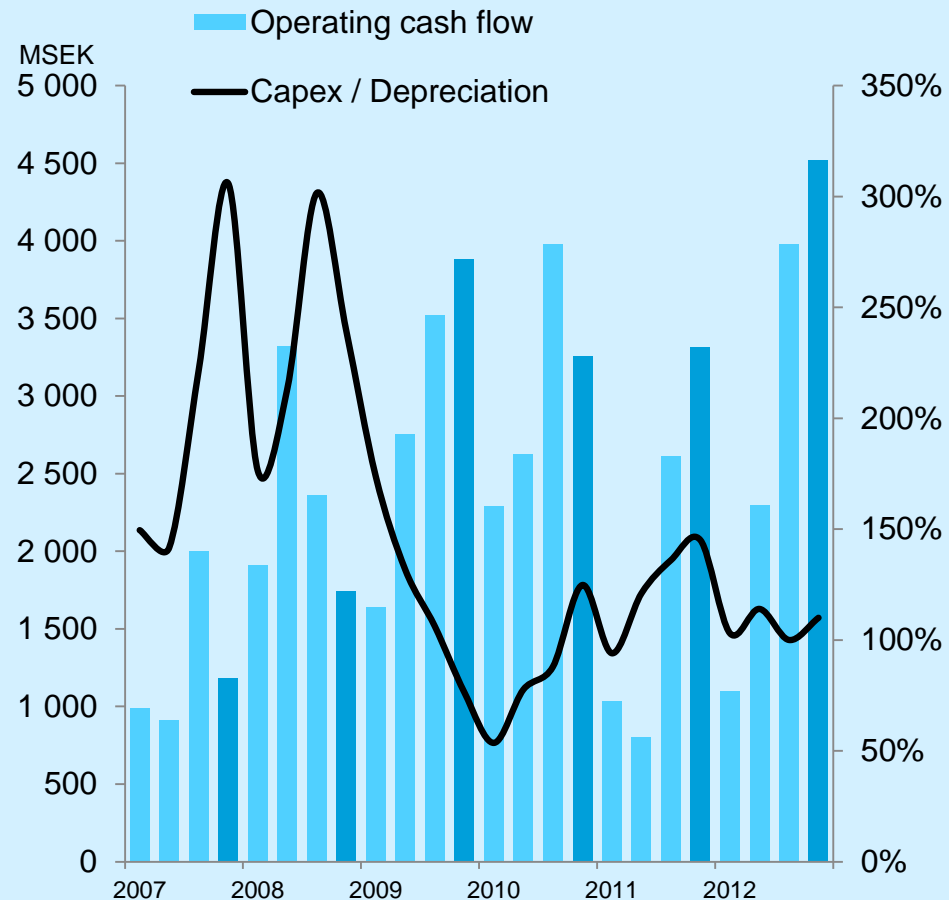
Adjusted for nonrecurring charges

- EBIT 3,058 MSEK
- EBIT margin 12.6%

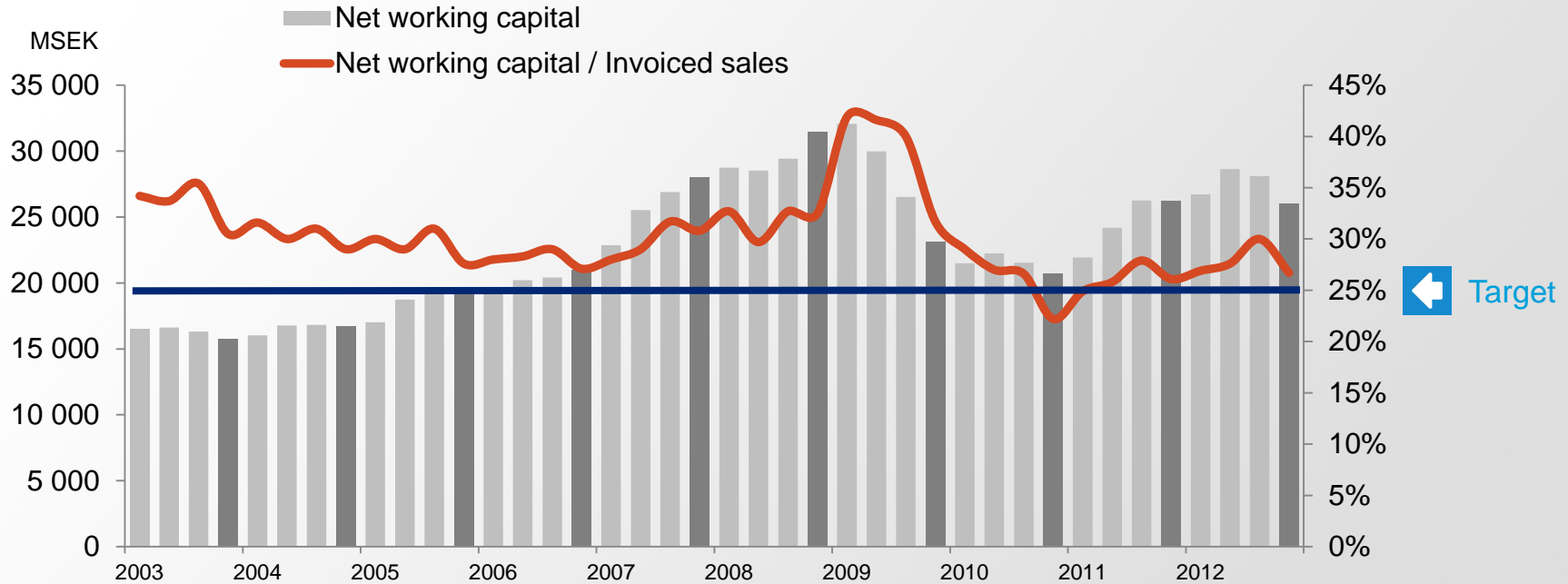


Cash flow

Cash flow from operating activities +4,520 MSEK



Net Working Capital



Bridge analysis

MSEK	Q4 2011	Price/ volume/ Productivity	Currency	Structure, one-offs*	Q4 2012
Sandvik Group					
Invoiced sales	25,104	+80	-600	-250	24,328
EBIT	1,649	-270	-	+850	2,134
EBIT margin	6.6%	n/a			8.8%

* Includes metal price effects

Sandvik Mining

- Strong invoicing but declining orders
 - High activity in Africa as gold prices remained high
 - Declining demand in Asia and Australia, primarily due to iron ore and coal
 - Measures to adjust cost level
- Adjusted EBIT 1,373 MSEK (1,389)
 - Adjusted EBIT margin 14.0% (15.3)
 - Nonrecurring charges -170 MSEK
 - Inventory reduction led to underutilization
- ROCE reported rolling 12 months 38.5%
 - Net working capital 26% (25) of invoicing

Strong invoicing



Sandvik Machining Solutions

- Stable market conditions on a lower level
 - Good demand in North America, particularly aerospace
 - Declining demand in other market areas
- Adjusted EBIT 1,323 MSEK (1,695)
 - Adjusted EBIT margin 19.3% (23.0)
 - Nonrecurring charges -80 MSEK
 - Inventory reduction led to underutilization
- ROCE reported rolling 12 months 32.0%
 - Net working capital 26% (24) of invoicing

Stable demand



- **Sandvik Materials Technology**
 - Stable demand in oil/gas
 - Adjusted EBIT excluding metal price effects and nonrecurring charges 381 MSEK, 10.5%
 - Nonrecurring charges -670 MSEK
- **Sandvik Construction**
 - Weakening demand in Europe and China
 - EBIT 83 MSEK, 3.5%
 - Inventory reduction led to underabsorption
- **Sandvik Venture**
 - High activity for Process Systems
 - EBIT margin 15.9%
 - Inventory reduction led to underabsorption

Improved
profitability



Changes to Group Executive Management

- Jonas Gustavsson
New President Sandvik Machining Solutions as of 1 February
- Petra Einarsson
New President Sandvik Materials Technology as of 1 February



Summary Q4 2012

- Unchanged market conditions
- Further structural measures implemented
 - Adjusted capacity and cost levels
- Record strong cash flow
- Working capital reductions in the quarter
- Changes to Group Executive Management

Summary 2012

- Highest invoicing in company history
- Strong cash flow
- Successful implementation of the new strategy
- Market conditions from strong to challenging
- Proposed dividend of 3.50 SEK per share (3.25) for 2012

Capital Markets Day 2013

New date, 24 September in Sandviken, Sweden



Q&A

Back-up slides

Quarterly financials

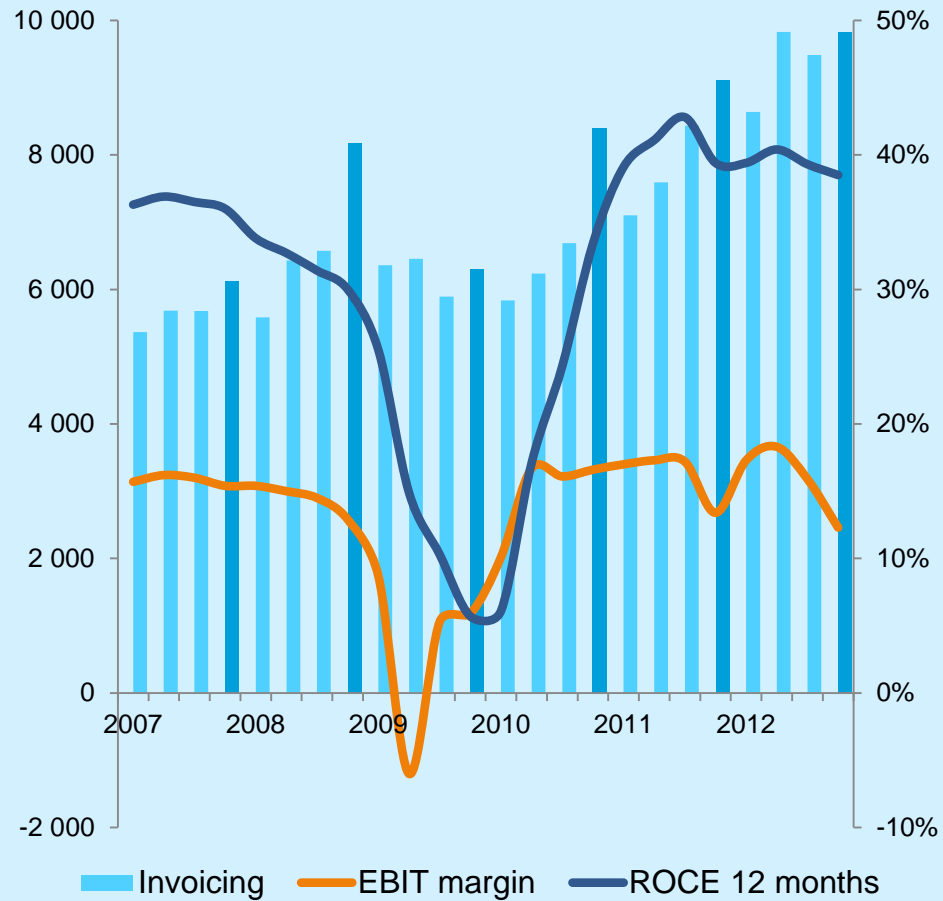
MSEK	Q4 2011	Q4 2012	VS Q4 2011
Order intake	23,990	21,070	-10%*
Invoicing	25,104	24,328	0%*
EBIT	1,649	2,134	+29%
EBIT margin	6.6%	8.8%	-
Operating cash flow	+3,312	+4,520	+36%
Cash flow after investing activities	+1,604	+3,036	+89%

* Change in price/volume

Sandvik Mining

Q4 2012

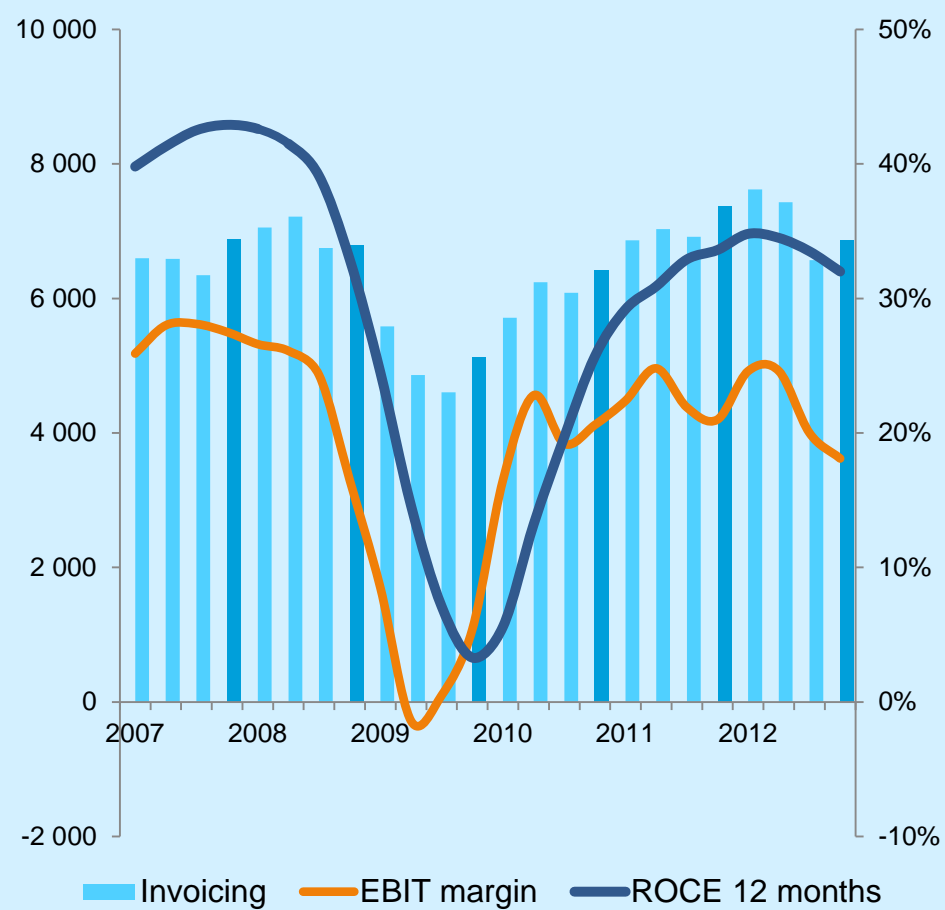
- Order intake 7,683 MSEK
- Invoicing 9,812 MSEK
- EBIT 1,203 MSEK
- ROCE 38.5%



Sandvik Machining Solutions

Q4 2012

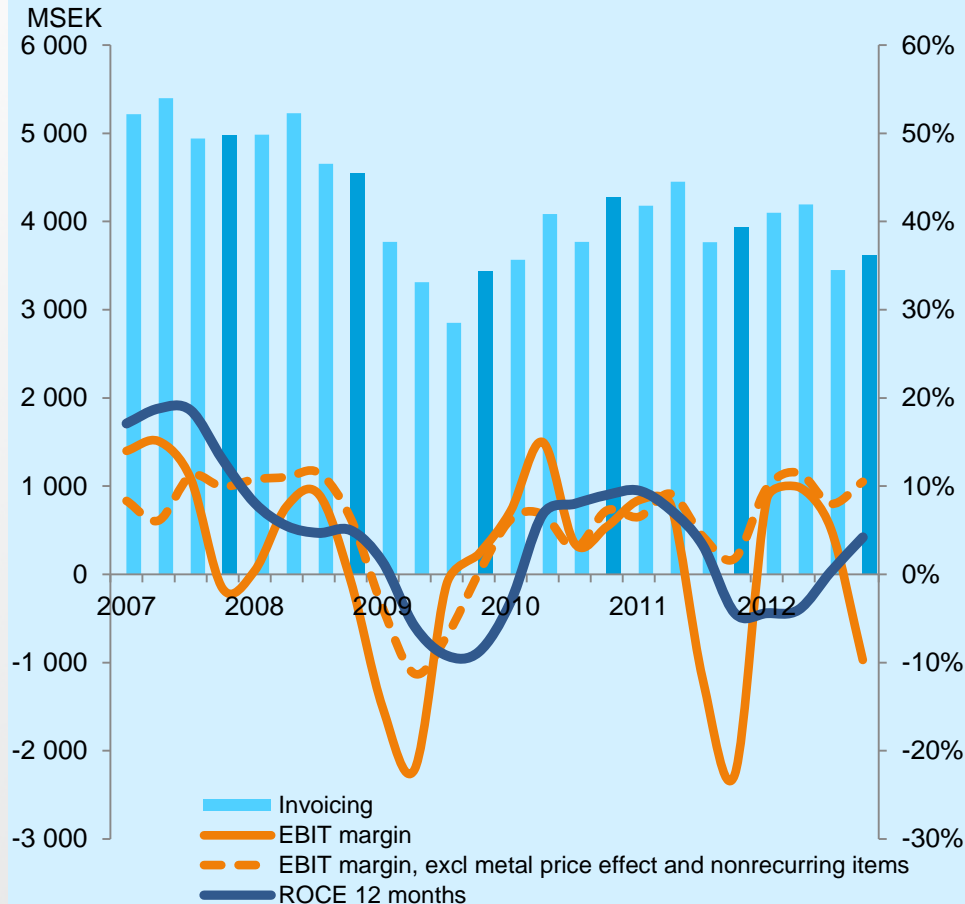
- Order intake 6,849 MSEK
- Invoicing 6,865 MSEK
- EBIT 1,240 MSEK
- ROCE 32.0%



Sandvik Materials Technology

Q4 2012

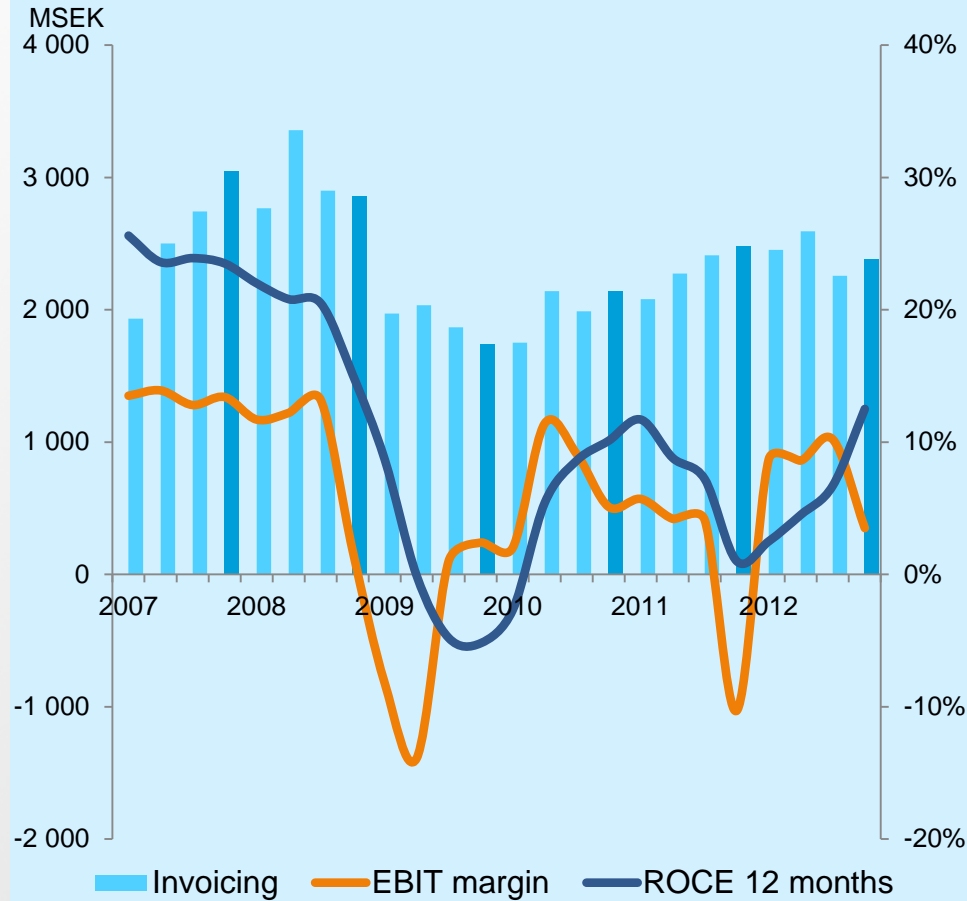
- Order intake 3,312 MSEK
- Invoicing 3,620 MSEK
- EBIT -351 MSEK
 - Adjusted for metal price effects and nonrecurring items, 381 MSEK, 10.5% of invoicing
- ROCE 4.2%



Sandvik Construction

Q4 2012

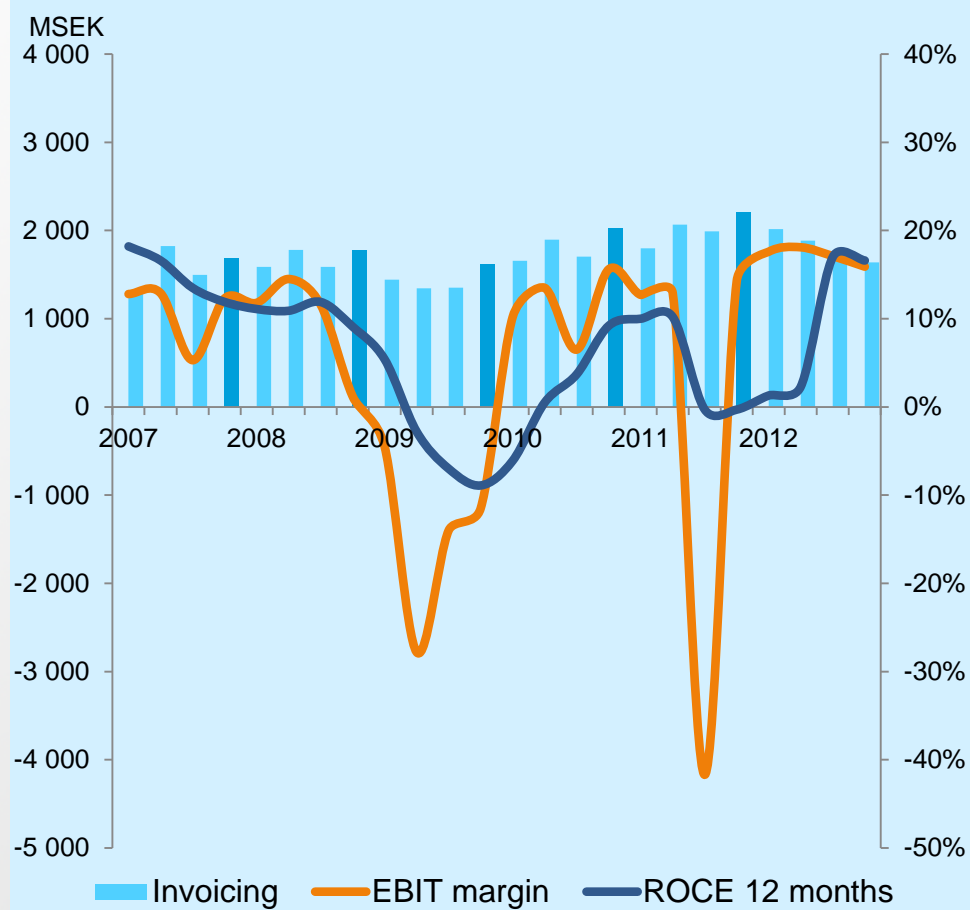
- Order intake 1,793 MSEK
- Invoicing 2,382 MSEK
- EBIT 83 MSEK
- ROCE 12.5%



Sandvik Venture

Q4 2012

- Order intake 1,431 MSEK
- Invoicing 1,639 MSEK
- EBIT 260 MSEK
- ROCE 16.6%



Income statement

MSEK	Q4 2011		Q3 2012		Q4 2012	
Invoiced sales	25,104		23,424		24,328	
Cost of goods sold	-17,060		-14,993		-16,797	
Gross profit	8,044	32%	8,431	36%	7,531	31%
Admin, sales and R&D costs	-6,077		-4,920		-5,472	
Other operating income and expenses	-318		-186		+75	
Operating profit (EBIT)	1,649	7%	3,325	14%	2,134	9%
Net financial items	-509		-473		-507	
Profit after financial items	1,140	5%	2,852	12%	1,627	7%
Profit for the period	803	3%	2,103	9%	726	3%

Bridge analysis

MSEK	Q4 2011	Price/volume/ productivity	Currency	Structure, one-offs	Q4 2012
Sandvik Mining					
Invoiced sales	9,105	+920	-220	-	9,812
EBIT	1,220	-50	-20	50	1,203
EBIT margin	13%	n/a			12%
Sandvik Machining Solutions					
Invoiced sales	7,364	-280	-200	-20	6,865
EBIT	1,549	-350	-30	70	1,240
EBIT margin	21%	-127%			18%
Sandvik Materials Technology					
Invoiced sales	3,940	-140	-50	-130	3,620
EBIT	-896	+350	-	+200	-351
EBIT margin	-23%	n/a			-10%

Bridge analysis

MSEK	Q4 2011	Price/volume/ productivity	Currency	Structure, one-offs	Q4 2012
Sandvik Construction					
Invoiced sales	2,484	-50	-80	+30	2,382
EBIT	-255	+70	-40	+300	83
EBIT margin	-10%	n/a			3%
Sandvik Venture					
Invoiced sales	2,202	-380	-50	-130	1,639
EBIT	316	-300	-	+240	260
EBIT margin	14%	-78%			16%

Balance sheet

MSEK	Q4 2011	Q3 2012	Q4 2012	vs Q4 2011
Intangible fixed assets	11,807	11,340	11,423	-3%
Tangible fixed assets	25,702	25,398	25,516	-1%
Financial fixed assets	6,835	6,693	6,265	-8%
Inventories	26,077	26,723	25,508	-2%
Receivables	21,979	22,976	21,511	-2%
Cash and cash equivalents	5,592	9,247	13,829	+147%
Assets held for sale	747	-	-	-
Total assets	98,739	102,377	104,052	+5%
Total equity	33,891	35,306	36,232	+7%
Interest-bearing liabilities	33,073	35,838	37,203	+12%
Non-interest-bearing liabilities	31,667	31,233	30,617	-3%
Liabilities held for sale	108	-	-	-
Total equity and liabilities	98,739	102,377	104,052	+5%

Loan and duration profile

Long term

92%

Amount MSEK

Average duration

US Private Placement

5,547

7 years

Fin institutions, EIB, NIB

5,117

5 years

Swedish MTN

8,096

5 years

European MTN

9,707

5 years

Bank loans

2 214

2 years

Share swap

1,552

4 years

Short term

8%

Commercial paper

0

0 months

Swedish MTN

1,745

5 months

Bank loans

983

0 months

Total

34,961

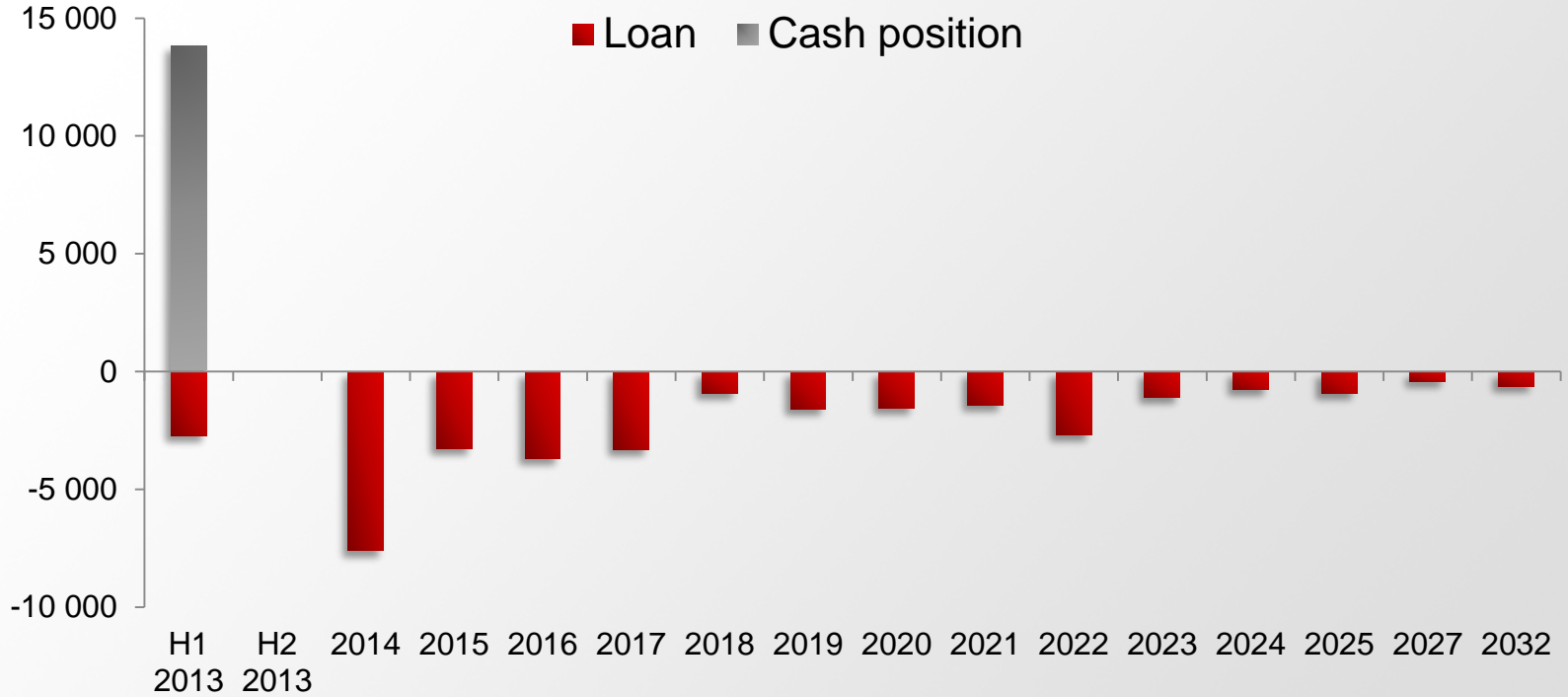
5 years

Cash position

13,829

Unutilized revolving credit facilities, 10,600 MSEK

Loan maturity profile



Financial key figures

MSEK	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Cash flow from operations	3,312	1,099	2,293	3,979	4,520
Capex	1,585	1,056	1,114	949	1,429
ROCE, 12 months	16.0%	16.6%	17.2%	19.5%	19.8%
ROE, 12 months	17.3%	18.2%	19.8%	23.6%	23.0%
Net debt/equity ratio	0.8	0.7	0.8	0.7	0.6
EPS, SEK 12 months	4.63	5.00	5.47	6.60	6.51

Implications of IAS 19

- As of 1 January 2013, revised IAS 19 rules come into effect
- Effects 1 January 2013:
 - Sandvik's net pension liability will increase by about 4.8 Bn SEK
 - Sandvik's equity will decrease by about 3.4 Bn SEK
 - Increased volatility in net debt and equity
- As of 1 January, Sandvik will exclude Pension liabilities from the Net Debt to Equity measurement and keep the <0.8 level unchanged

} Equivalent to a 0.21 increase in net debt to equity ratio

Decreased Swedish tax rate

Implications

- Tax rate decreased from 26.3% to 22.0% as from 2013
- Reported income tax negatively impacted in Q4 2012 by about 500 MSEK
 - Reduced value of tax losses carry forwards in Swedish legal entities
 - Decreased tax value of taxable amortization on intellectual property rights
- Cash flow in Q4 2012 unaffected

Guidance

Metal price effects

Given currency rates, stock levels and metal prices at end of December, a negative EBIT effect of about 0 to -50 MSEK is expected for Q1 2013.

Net financial items

Net financial items is estimated to be about 2.2 bn SEK for 2013.

Currency effects

Given currency rates at quarter end the effect on EBIT would be about -300 MSEK for Q1 2013.

Capex

Capex is estimated to be about 5-6 bn SEK for 2013.

Tax rate

The tax rate is estimated to about 25-27% for 2013.

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 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.”