

Q3

Sandvik

Interim report on third quarter 2013

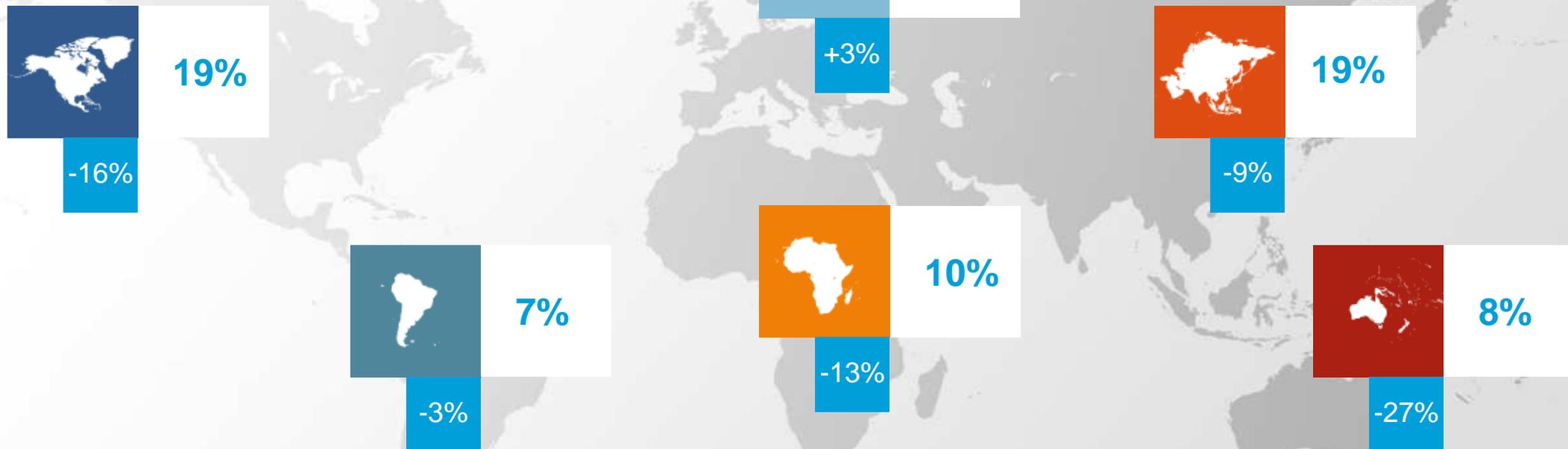
Stabilized
demand



Quarterly highlights

- Stabilized demand
 - Signs of improvement for Sandvik Machining Solutions
 - Stable demand for Sandvik Mining, Sandvik Materials Technology and Sandvik Venture
 - Weakening demand for Sandvik Construction
- Operating cash flow +3,229* MSEK
 - *Adjusted due to tax payment of about 5,800 MSEK related to reorganization of intellectual property rights
- EBIT 2,531 MSEK, 12.4%
 - Currency effects -250 MSEK
 - ROCE 12 month rolling 14.7%
- Important product introductions
 - Pantera, new line of drill rigs
 - GC4325, new grade for steel turning

Invoicing by market



□ Share of Group total

■ Invoicing (p/v) Q3 2013, change compared with Q3 2012

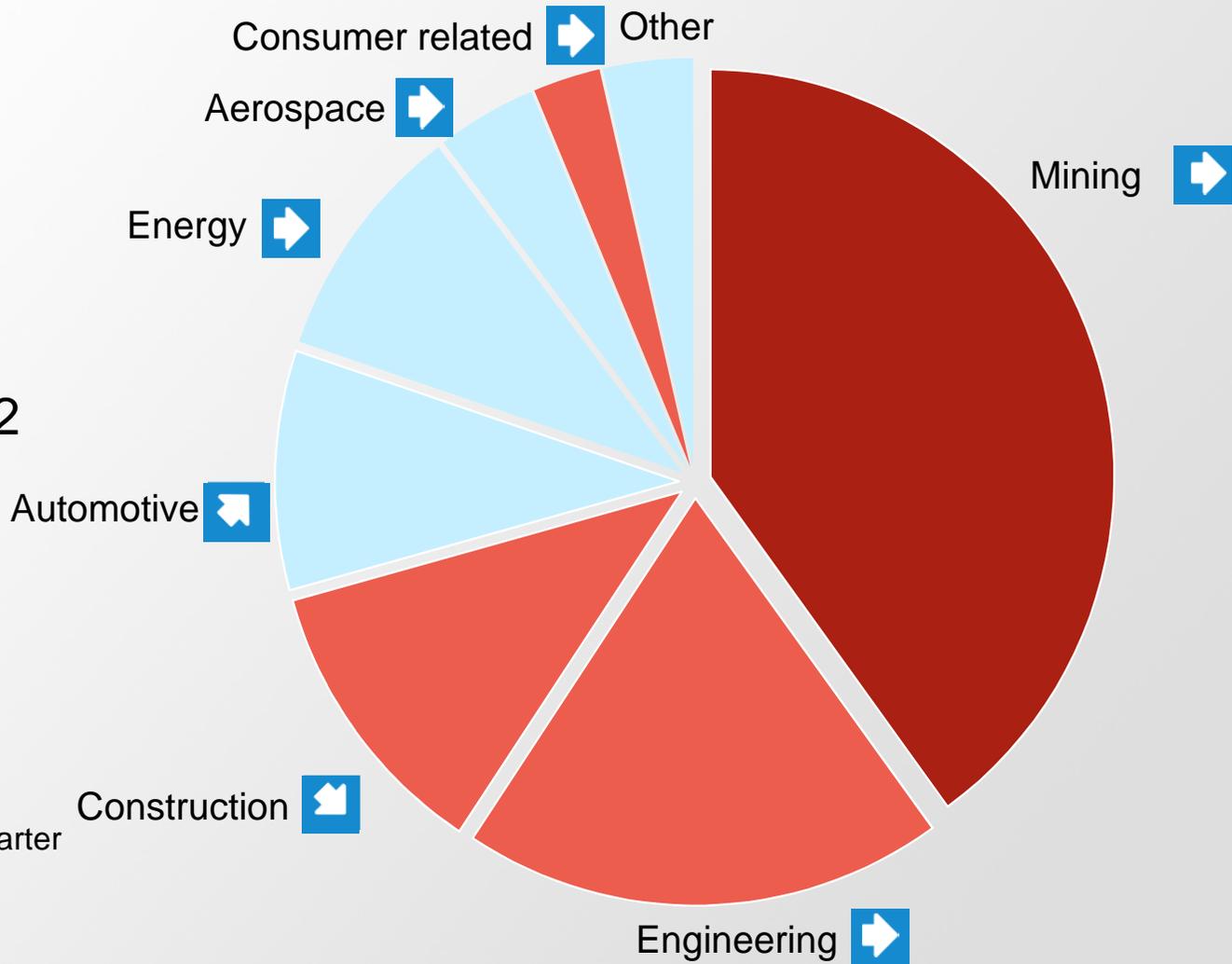
Customer segments

Invoicing growth vs. Q3 2012



➔ Demand trend compared to preceding quarter

Pie chart representing share of invoicing 2012

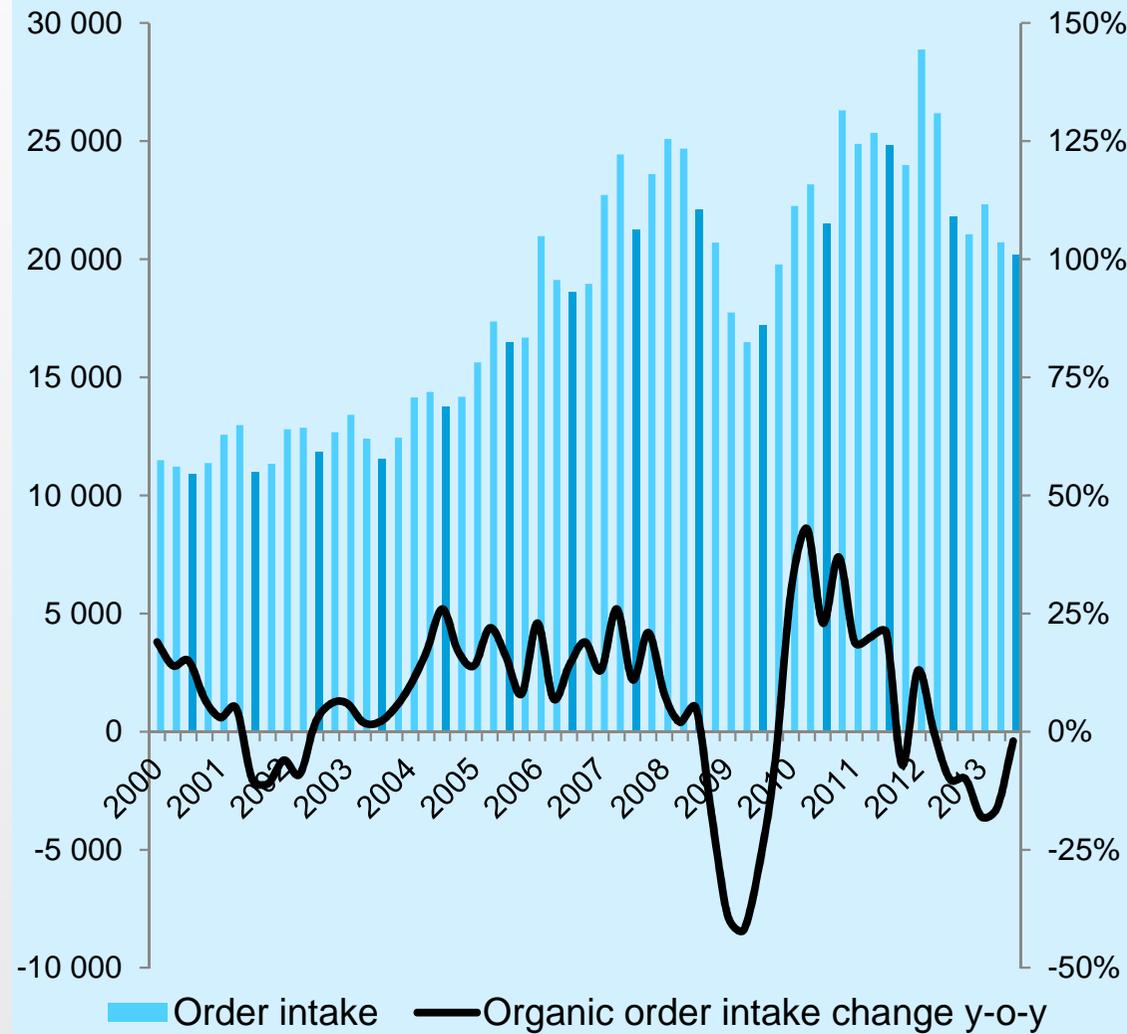


Order intake

Order intake 20,221 MSEK

- Major mining systems orders 1.2 bn SEK

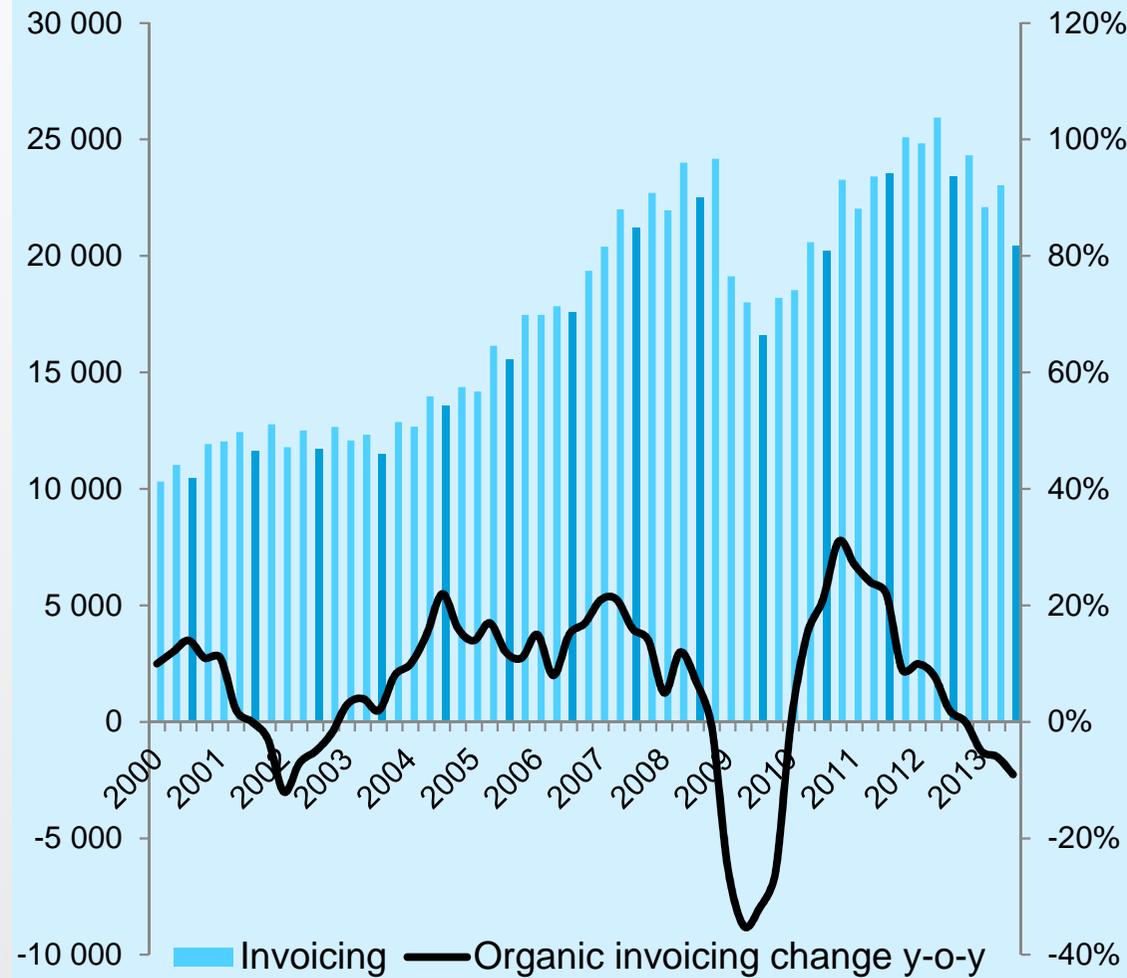
Change p/v -2%



Invoicing

Invoicing 20,416 MSEK

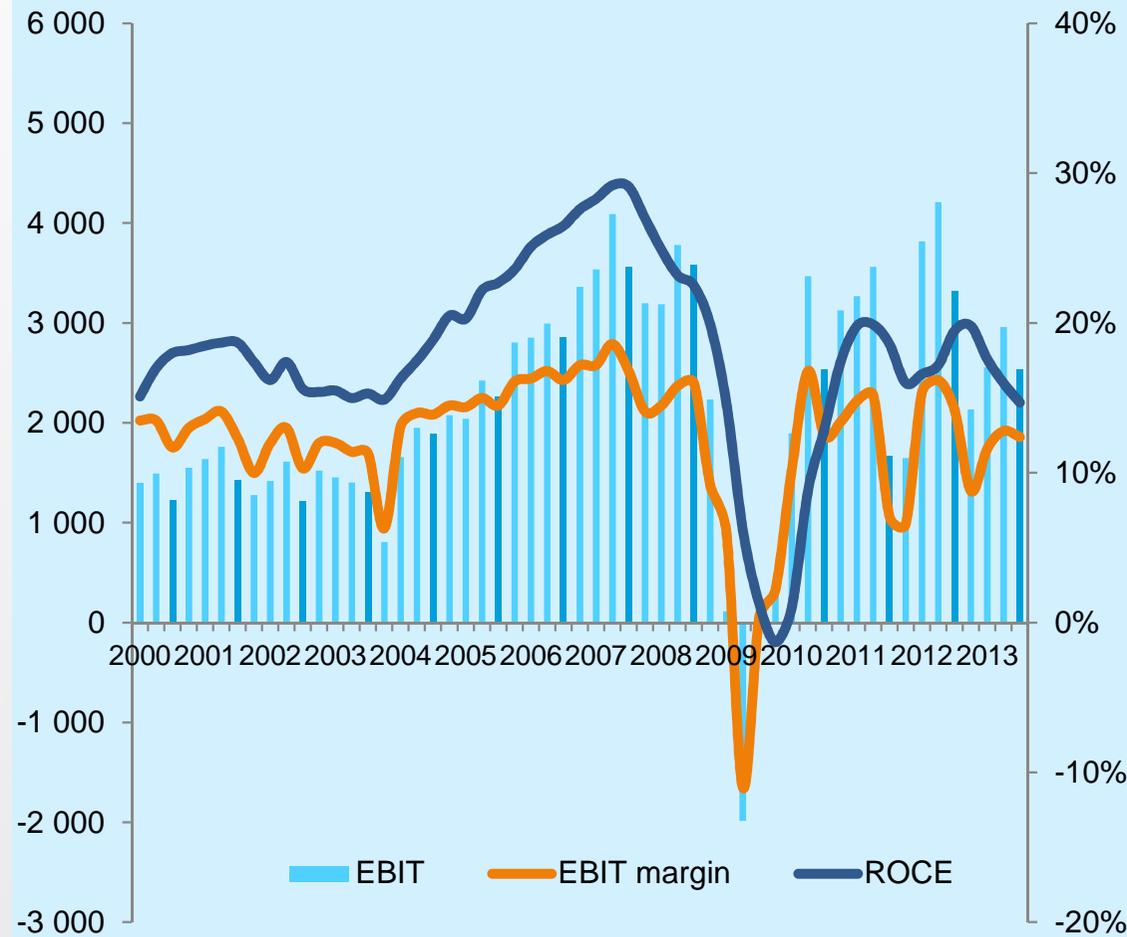
Change p/v -9%



EBIT and ROCE

Q3 2013

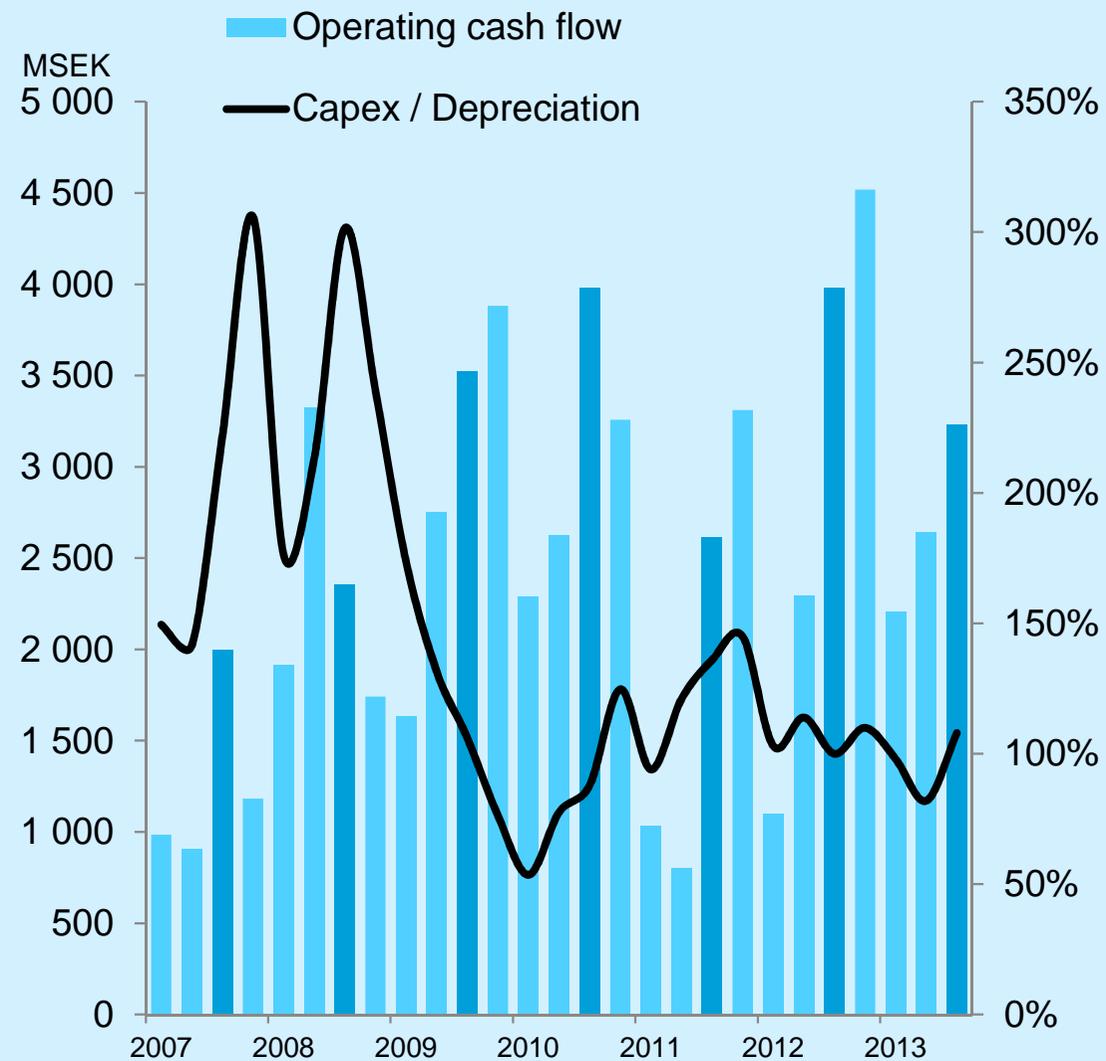
- EBIT 2,531 MSEK
- EBIT margin 12.4%
- ROCE reported rolling 12 months 14.7%



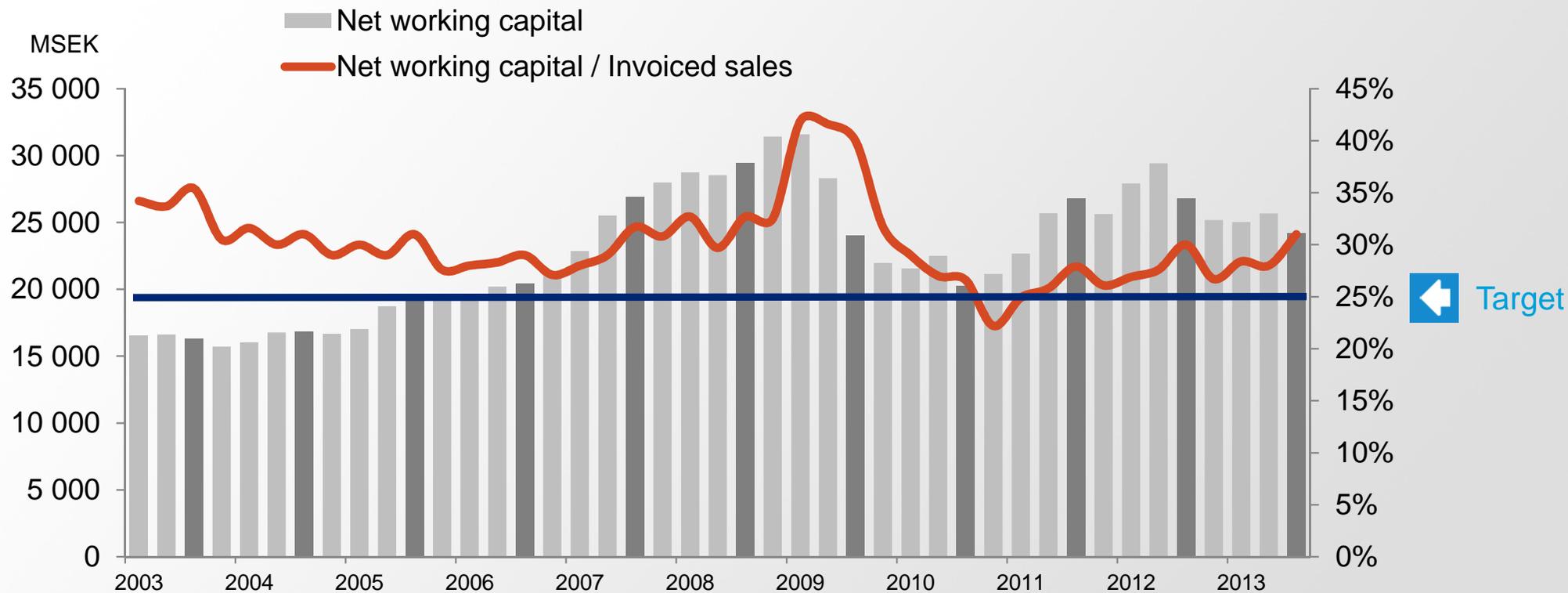
Cash flow

Cash flow from operating activities +3,229* MSEK

**Adjusted due to tax payment of about 5,800 MSEK related to reorganization of intellectual property rights*



Net Working Capital



Bridge analysis

MSEK	Q3 2012	Price/ volume/ Productivity	Currency	Structure, one-offs*	Q3 2013
Sandvik Group					
Invoiced sales	23,424	-2,020	-990	-	20,416
EBIT	3,325	-550	-250	+10	2,531
EBIT margin	14.2%	-27%			12.4%

* Includes metal price effects

Sandvik Mining

- Order intake stable at low level
 - Investments by mining companies remained low
 - Customer production levels largely maintained
- EBIT 858 MSEK (1,506), 12.3%
 - Low sales volumes and production levels
 - Currency effects of -140 MSEK
- ROCE reported rolling 12 months 29.0%
 - Net working capital 33% (28) of invoicing
- Adjusting capacity and costs
- Pantera line of drill rigs introduced

Stabilized demand



Sandvik Machining Solutions

- Signs of improved demand
- EBIT 1,454 MSEK (1,343)
 - EBIT margin 21.0% (19.6)
 - Currency effects -80 MSEK
- ROCE reported rolling 12 months 27.1%
 - Net working capital 27% (29) of invoicing
- GC4325 new grade for steel turning introduced
- Acquisition of remaining shares in Precorp Inc.

Slightly improved demand



- **Sandvik Materials Technology**

- Adjusted EBIT excluding metal price effects 265 MSEK, 8.2%
- Continued high activity in oil and gas
- Inventory reduction

- **Sandvik Construction**

- EBIT 88 MSEK, 4.3%
- Weaker demand

- **Sandvik Venture**

- EBIT 199 MSEK, 15.9%
- Acquisition of TechnoPartner Samtronic

Mixed demand



Summary Q3 2013

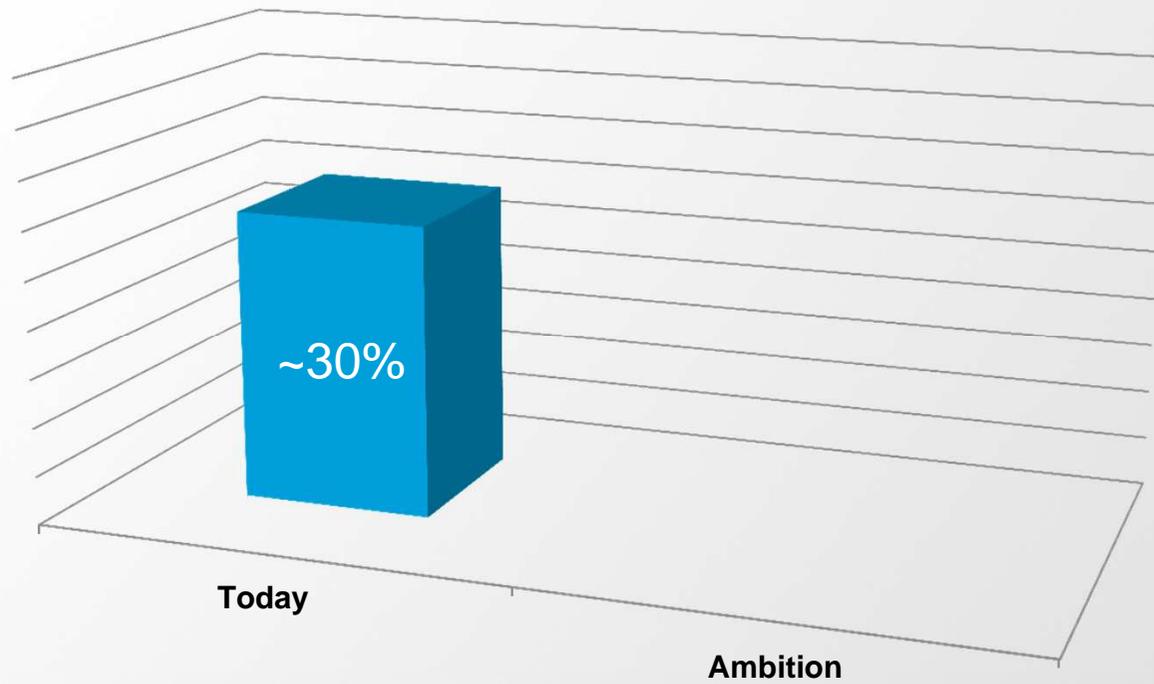
- Stabilized demand
- Maintained profitability level
- Significant product introductions

Prof. Olle Wijk

Head of Sandvik Group R&D

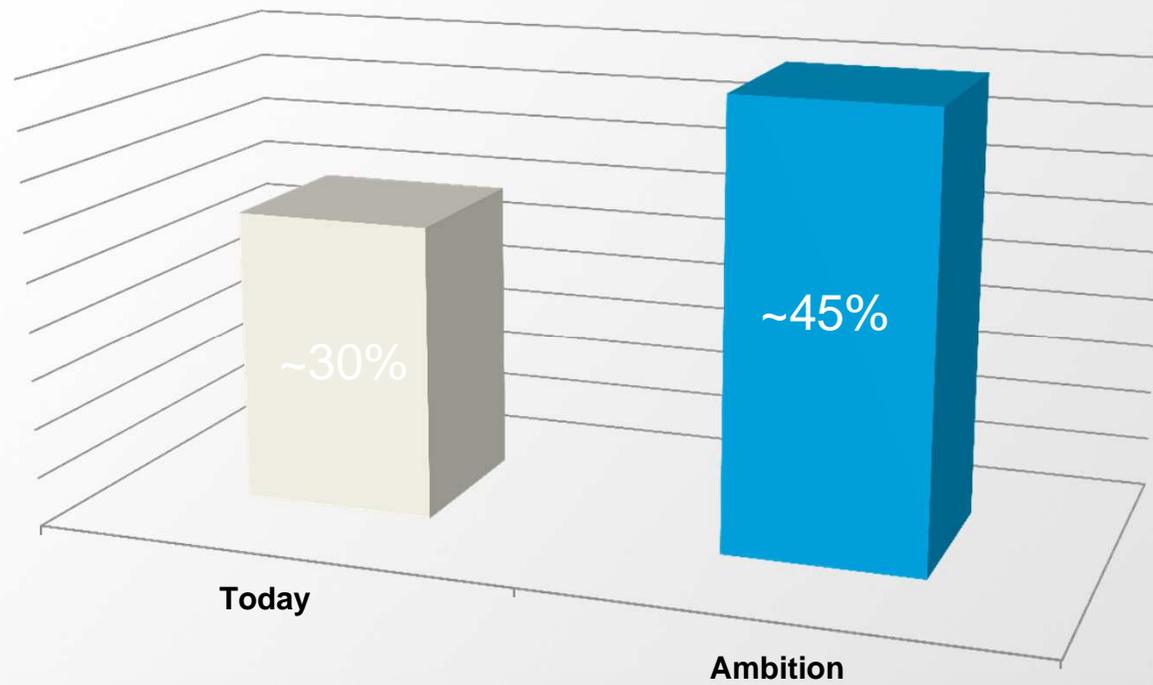
Innovation is the base for success

New Sales Ratio



Innovation is the base for success

New Sales Ratio



R&D initiatives to support growth

Drivers

1. Demand for expert knowledge
2. Enhance customer cooperation
3. Career paths within R&D
4. Expertise in new technology areas
5. Safeguard innovations

Actions

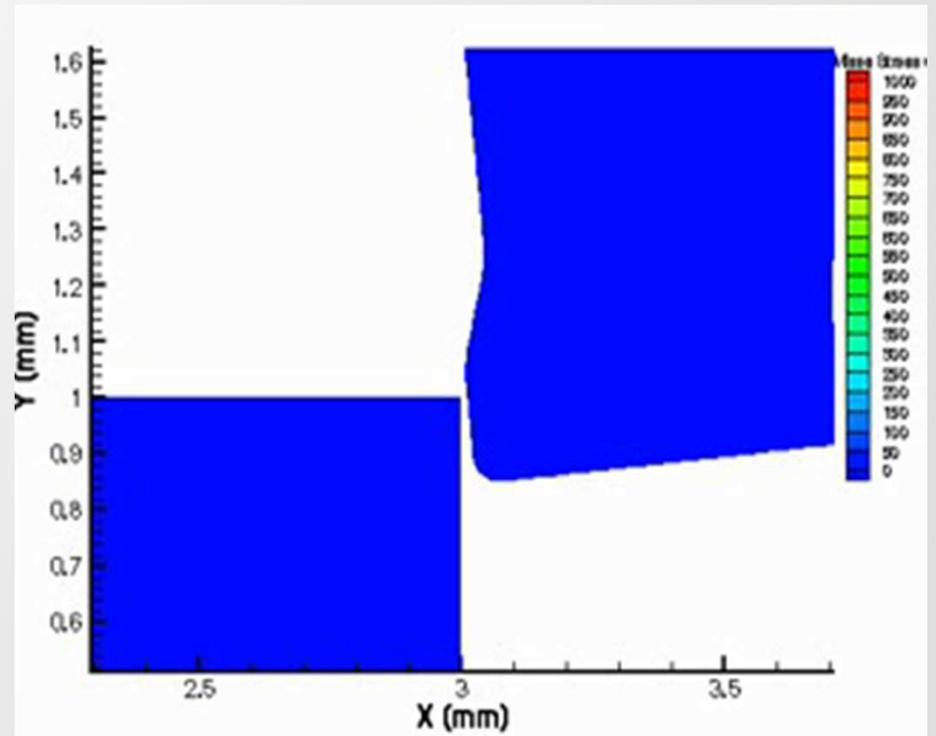
1. Formation of Group Centers of Excellence
2. R&D centers in emerging markets
3. Career paths for R&D experts
4. Initiatives to expand core
5. Increased investments in Intellectual Property

Pantera – latest line of drill rigs

Breakthrough among mining products

- One platform - multiple rigs
 - Established on SICA platform, enabling lower costs and shorter time-to-market
- New ways of working built on
 - In parallel rather than sequential
 - Simulation rather than trial-and-error
 - Predefined scope rather than tentative process
 - Empowered and self-governed team

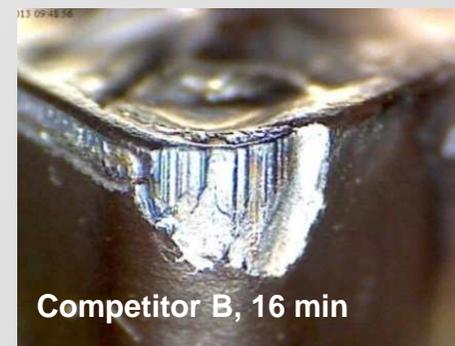
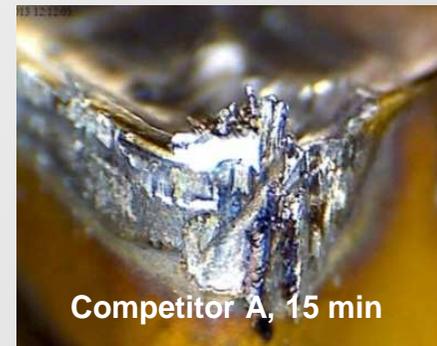
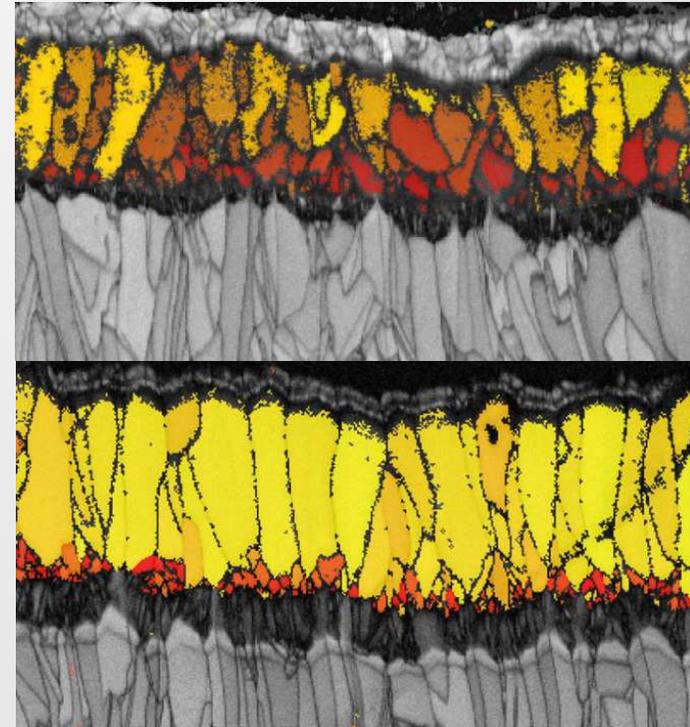
High forces and temperatures



Steel turning

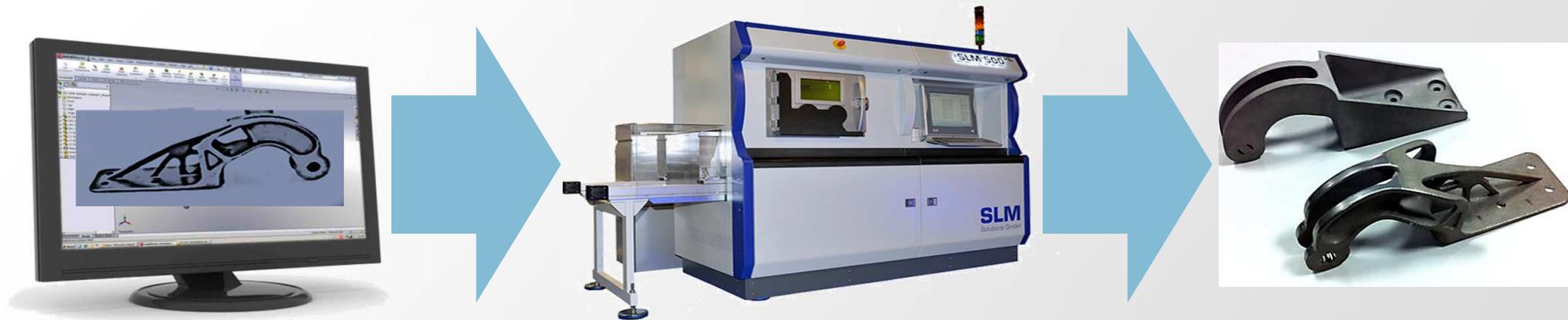
Technology shift

- New coating enables new technology shift in metal cutting
- Forms a new base for future development and products to be released coming years



Additive manufacturing at a glance

Manufacturing by design



*“Sandvik has earned the distinct honor of being one of the world's most innovative companies, a **Thomson Reuters 2013 Top 100 Global Innovator**”*



Q&A

Back-up slides

Quarterly financials

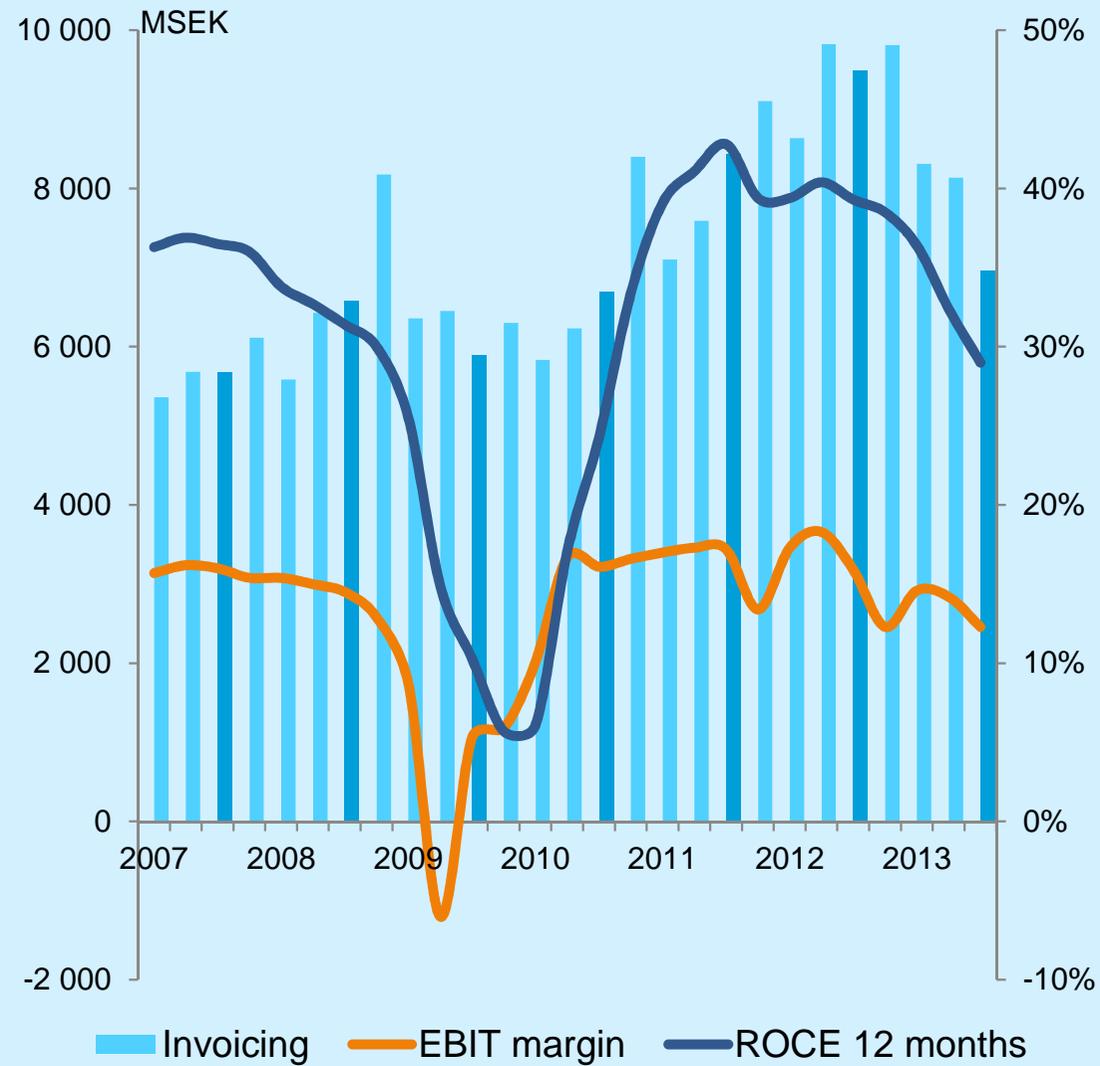
MSEK	Q3 2012	Q3 2013	VS Q3 2012
Order intake	21,795	20,221	-2%*
Invoicing	23,424	20,416	-9%*
EBIT	3,325	2,531	-24%
EBIT margin	14.2%	12.4%	-
Operating cash flow	+3,979	-2 571	Neg.
Cash flow after investing activities	+3,173	-3 603	100%

* Change in price/volume

Sandvik Mining

Q3 2013

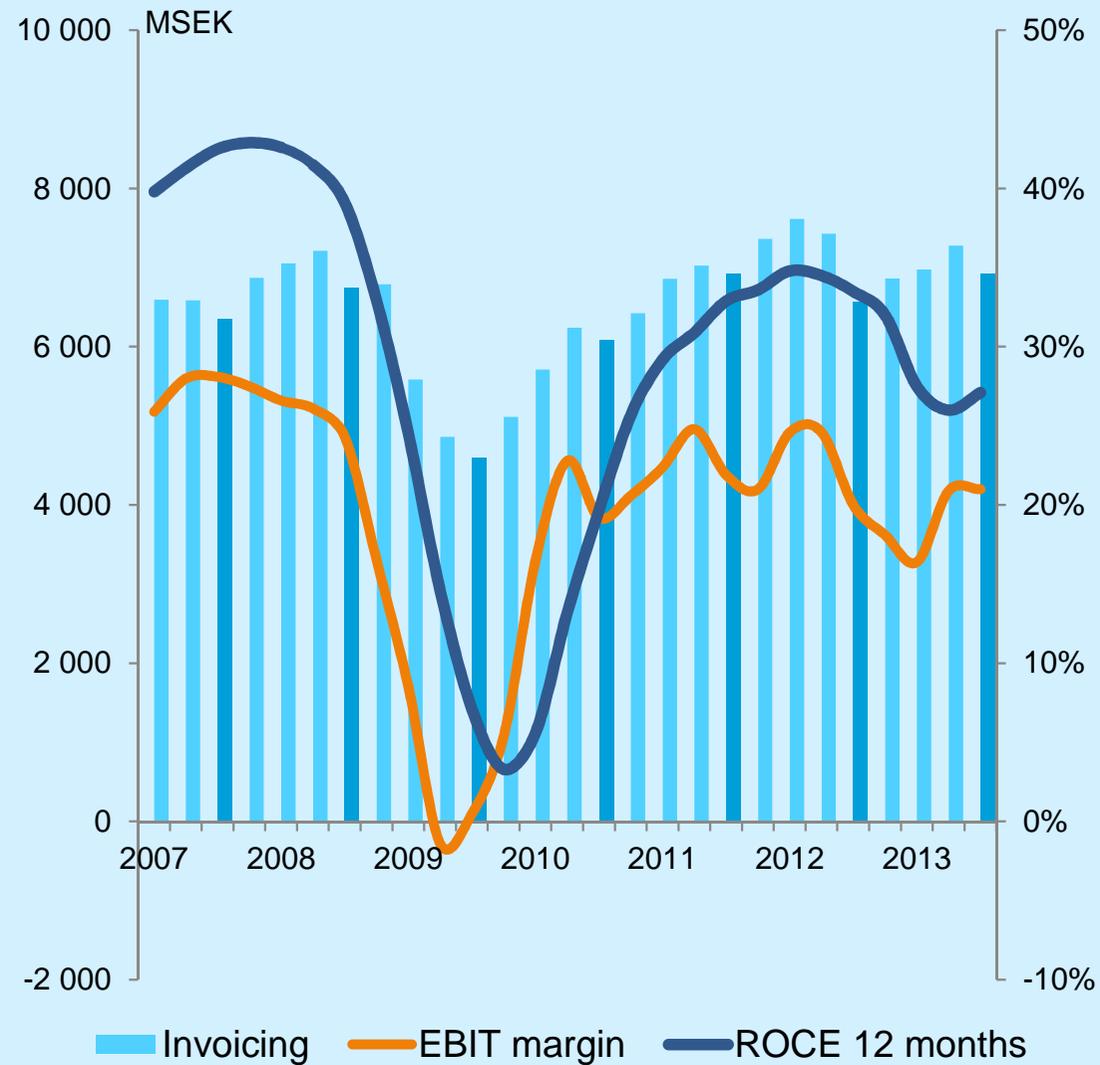
- Order intake 7,033 MSEK
- Invoicing 6,961 MSEK
- EBIT 858 MSEK
- ROCE 29.0%



Sandvik Machining Solutions

Q3 2013

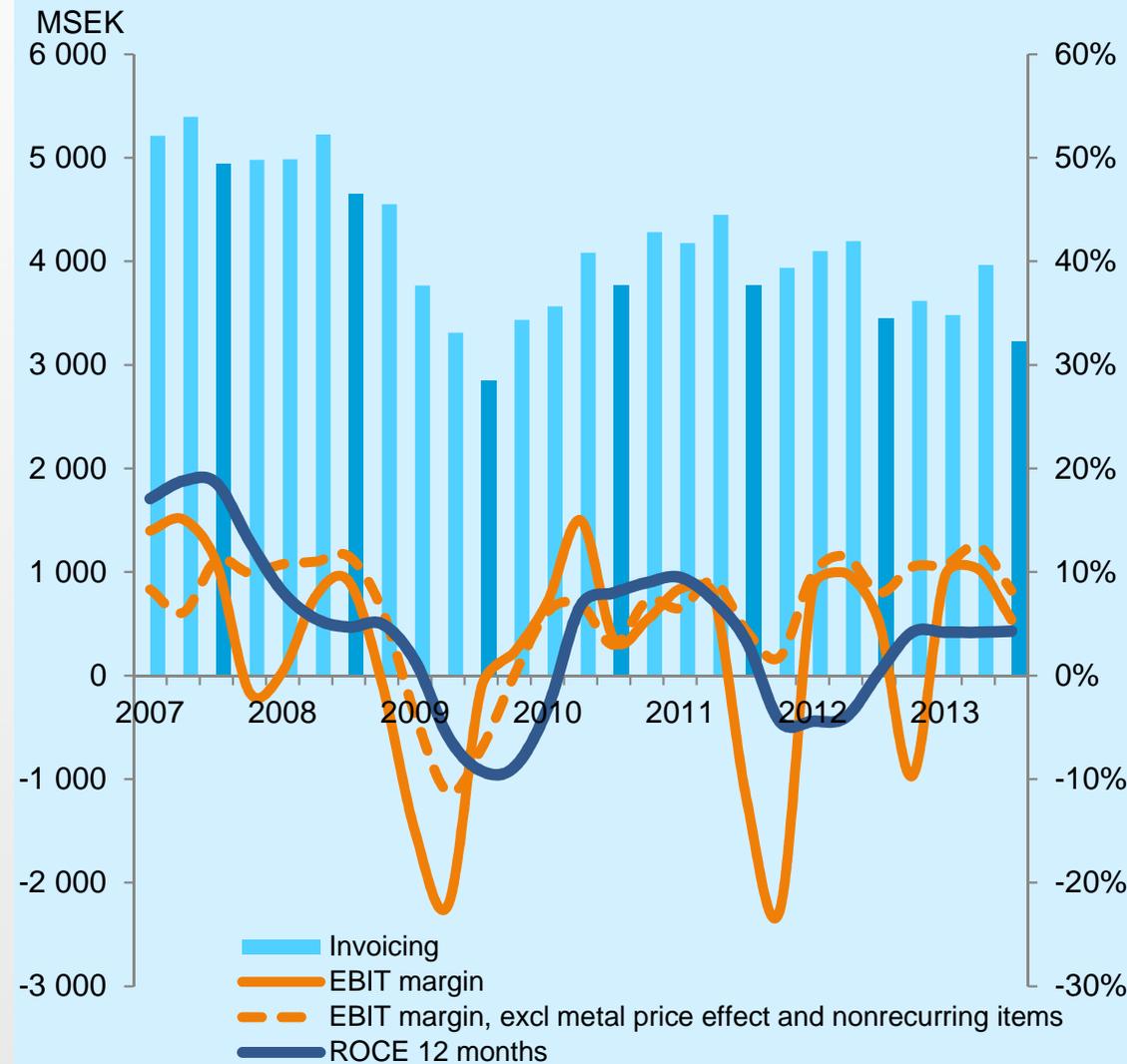
- Order intake 6,882 MSEK
- Invoicing 6,922 MSEK
- EBIT 1,454 MSEK
- ROCE 27.1%



Sandvik Materials Technology

Q3 2013

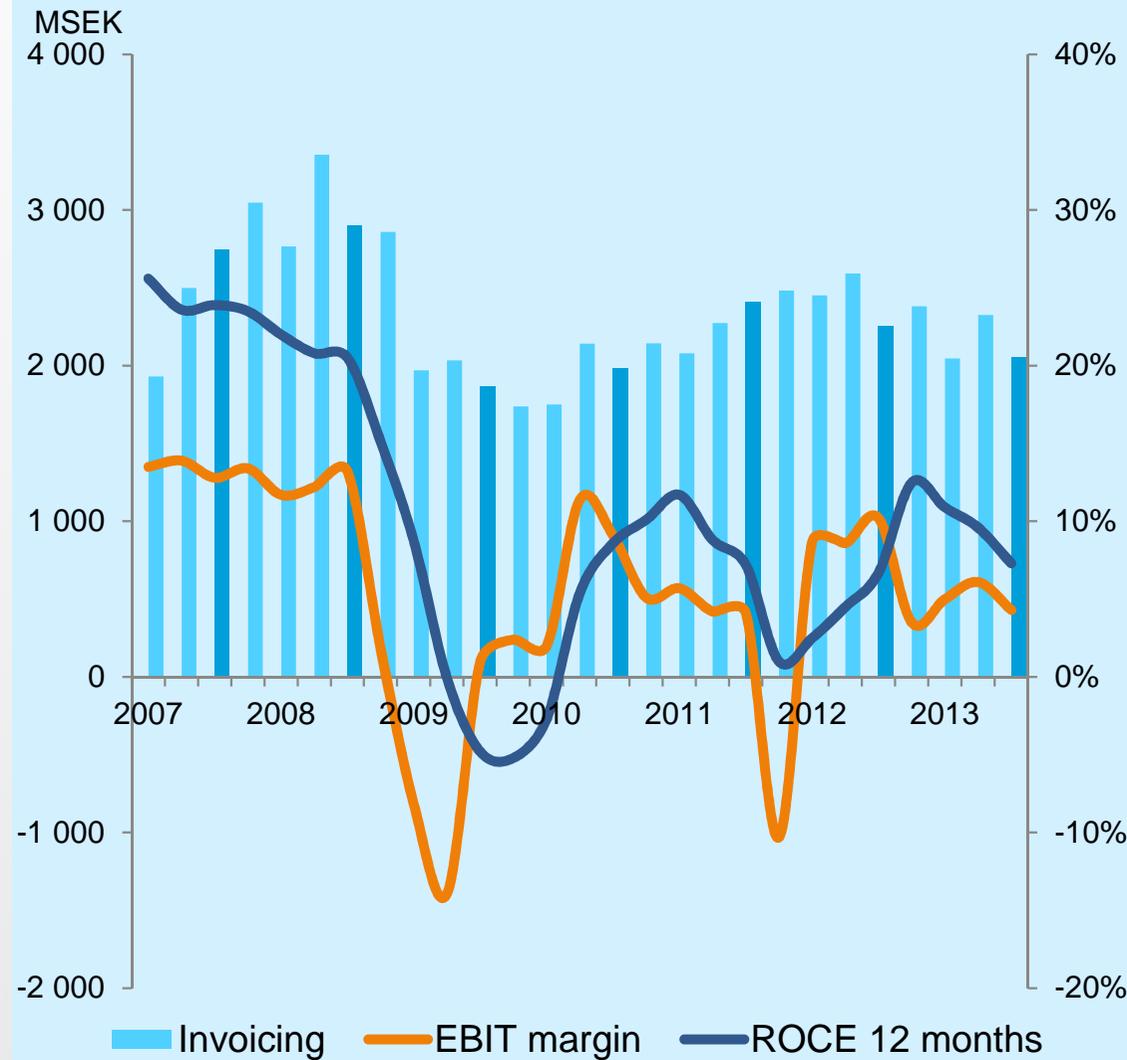
- Order intake 3,152 MSEK
- Invoicing 3,224 MSEK
- EBIT 175 MSEK
 - Adjusted for metal price effects, 265 MSEK, 8.2% of invoicing
- ROCE 4.3%



Sandvik Construction

Q3 2013

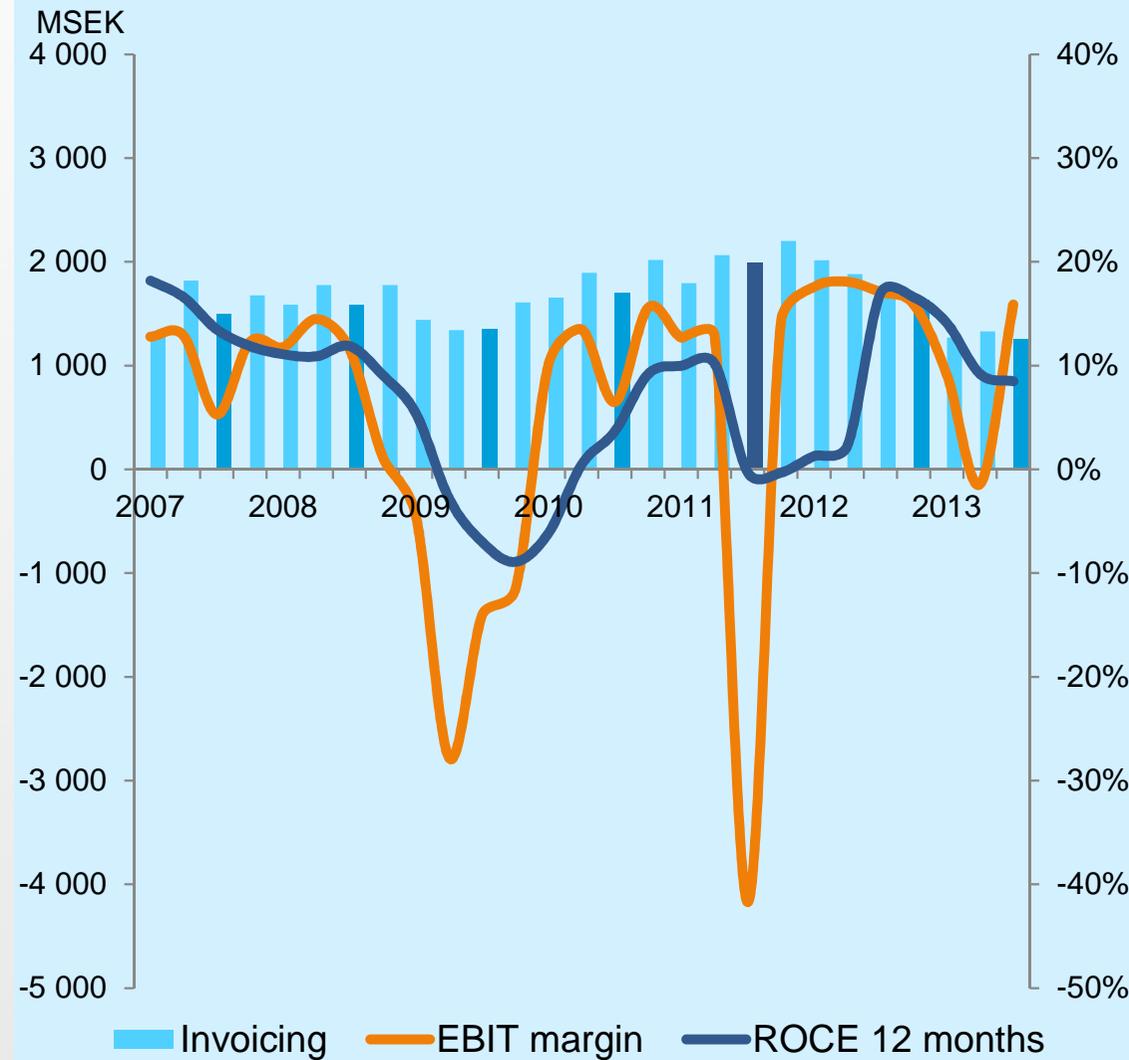
- Order intake 1,892 MSEK
- Invoicing 2,055 MSEK
- EBIT 88 MSEK
- ROCE 7.3%



Sandvik Venture

Q3 2013

- Order intake 1,263 MSEK
- Invoicing 1,252 MSEK
- EBIT 199 MSEK
- ROCE 8.5%



Income statement

MSEK	Q3 2012		Q2 2013		Q3 2013	
Invoiced sales	23,424		23,043		20,416	
Cost of goods sold	-14,993		-15,285		-13,319	
Gross profit	8,431	36%	7,758	34%	7,097	35%
Admin, sales and R&D costs	-4,920		-5,183		-4,600	
Other operating income and expenses	-186		+386		+34	
Operating profit (EBIT)	3,325	14%	2,961	13%	2,531	12%
Net financial items	-473		-495		-387	
Profit after financial items	2,852	12%	2,466	11%	2,144	11%
Profit for the period	2,103	9%	1,854	8%	1,631	8%

Bridge analysis

MSEK	Q3 2012	Price/volume/ productivity	Currency	Structure, one-offs	Q3 2013
Sandvik Mining					
Invoiced sales	9,485	-1,920	-600	-	6,961
EBIT	1,506	-500	-140	-	858
EBIT margin	16%	-26%			12%
Sandvik Machining Solutions					
Invoiced sales	6,845	+250	-180	-	6,922
EBIT	1,343	+190	-80	-	1,454
EBIT margin	20%	76%			21%
Sandvik Materials Technology					
Invoiced sales	3,450	-130	-100	-	3,224
EBIT	180	+25	-40	+10	175
EBIT margin	5%	N/A			5%

Bridge analysis

MSEK	Q3 2012	Price/volume/ productivity	Currency	Structure, one-offs	Q3 2013
Sandvik Construction					
Invoiced sales	2,256	-110	-90	-	2,055
EBIT	230	-100	-40	-	88
EBIT margin	10%	-97%			4%
Sandvik Venture					
Invoiced sales	1,378	-110	-10	-	1,252
EBIT	253	-60	+10	-	199
EBIT margin	18%	-55%			16%

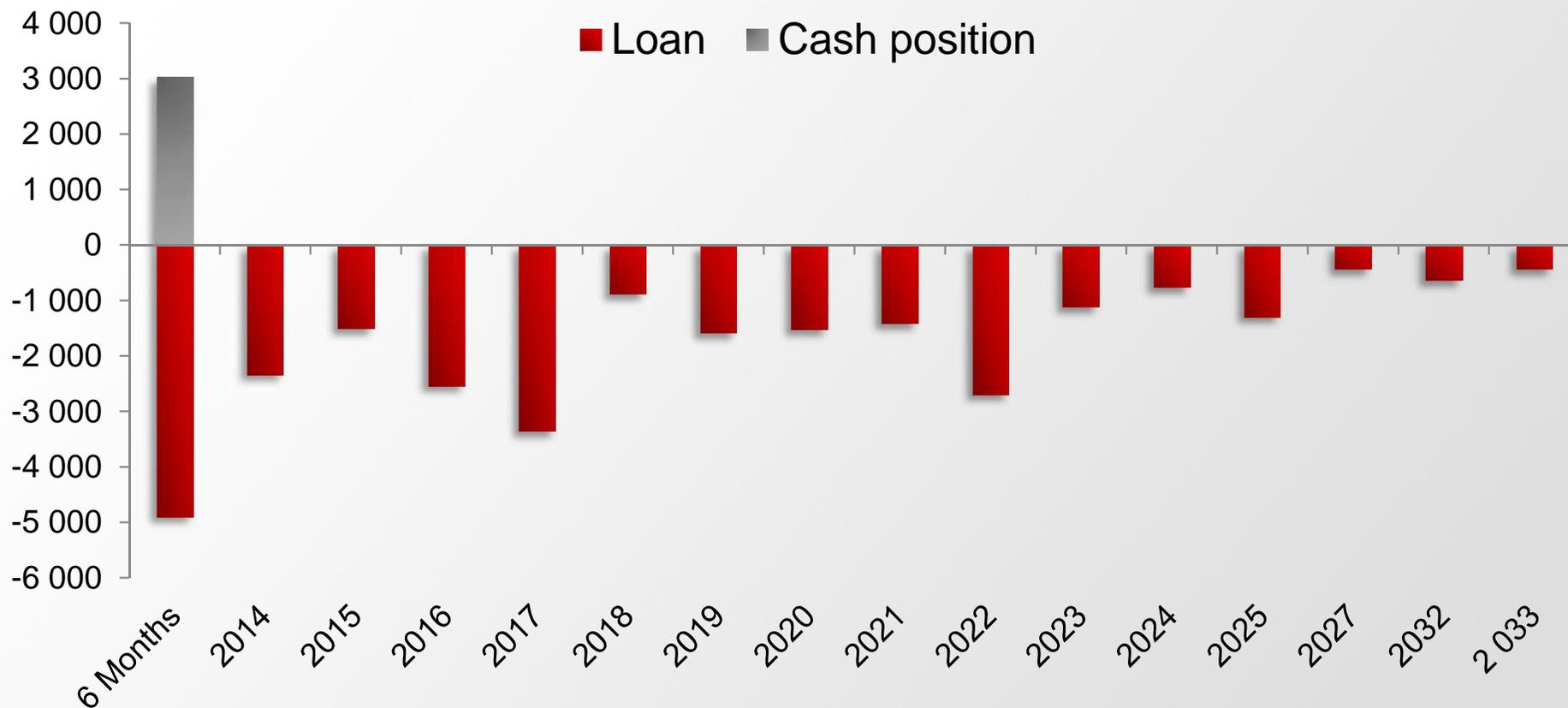
Balance sheet

MSEK	Q3 2012	Q2 2013	Q3 2013	vs Q3 2012
Intangible fixed assets	11 340	11,673	11,484	+1%
Tangible fixed assets	25 398	25,057	24,779	-2%
Financial fixed assets	6 598	7,613	7,866	+19%
Inventories	26 723	25,031	24,036	-10%
Receivables	22 977	22,067	19,925	-13%
Cash and cash equivalents	9 247	6,770	3,023	-67%
Total assets	102,283	98,211	91,113	-11%
Total equity	31,888	31,432	32,617	+2%
Interest-bearing liabilities	39,215	35,965	34,757	-11%
Non-interest-bearing liabilities	31,180	30,814	23,739	-24%
Total equity and liabilities	102,283	98,211	91,113	-11%

Loan and duration profile

Long term	76%	Amount MSEK	Average duration
US Private Placement		5,411	6 years
Fin institutions, EIB, NIB		2,633	8 years
Swedish MTN		6,685	5 years
European MTN		5,537	12 years
Bank loans		282	2 years
Share swap		1,778	2 years
Short term	24%		
Commercial paper		0	0 months
Fin institutions, EIB, NIB		500	8 months
Swedish MTN		0	0 months
European MTN		4,266	5 months
Bank loans		2,342	8 months
Total		29,434	5 years
Cash position		3,023	
Unutilized revolving credit facilities, 10,643 MSEK			

Loan maturity profile



Financial key figures

MSEK	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Cash flow from operations	+3,979	+4,520	+2,207	+2,640	-2,571
Capex	949	1,429	898	942	1042
ROCE, 12 months	19.5%	19.8%	17.6%	16.0%	14.7%
ROE, 12 months	25.7%	25.3%	21.8%	19.2%	17.6%
Net debt/equity ratio	0.7	0.6	0.5	0.7	0.7
EPS, SEK 12 months	6.60	6.51	5.65	4.91	4.54

Guidance

Metal price effects

Given currency rates, stock levels and metal prices at end of September, a negative EBIT effect of about -75 MSEK is expected for Q4 2013.

Net financial items

Net financial items is estimated to be between 1.8-1.9 bn. SEK for 2013.

Currency effects

Given currency rates at quarter end the effect on EBIT would be about -350 MSEK for Q4 2013.

Capex

Capex is estimated to about 4 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.”