Q4

Sandvik

Interim report on fourth quarter 2013

Good progress towards a more efficient Sandvik

SANDVIK

Full-year highlights

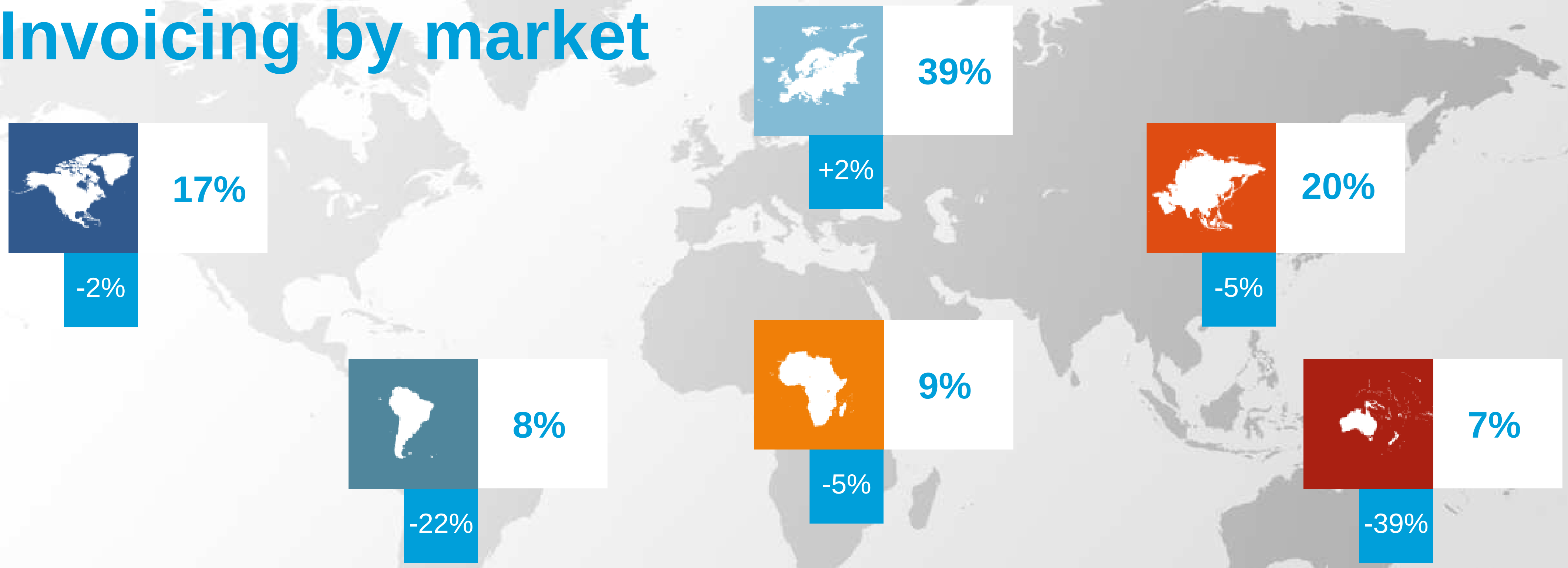
- Strategy execution
  - Supply Chain optimization initiative launched
  - Continued strong progress at Sandvik Materials Technology
  - Significant product introductions
  - Utilization of Group resources
  - Agreement reached to acquire Varel International Energy Inc.
- Stabilized demand as the year progressed
- Financial performance
  - Invoiced sales 87,328 MSEK, -7%
  - Adjusted EBIT 10,778, 12.3%
  - Strong operating cash flow, +10,933 MSEK*
- Proposed dividend
  - 3.50 SEK (3.50) per share

* Cash flow adjusted for tax payment of about 5,800 MSEK related to reorganization of intellectual property rights

Quarterly highlights

- Steps towards a more efficient Sandvik
  - Closure of three units initiated
  - Agreement reached to acquire Varel International Energy Inc.
- Operating cash flow +2,857 MSEK
  - Inventory reduction of about 1,100 MSEK
  - Inventories reduced for the 6th consecutive quarter
- Stable demand
- Adjusted EBIT 2,390 MSEK, 11.0%
  - Nonrecurring charges -1,800 MSEK
  - Currency effects -180 MSEK
  - ROCE 12 month rolling 12.6%

Invoicing by market



Share of Group total

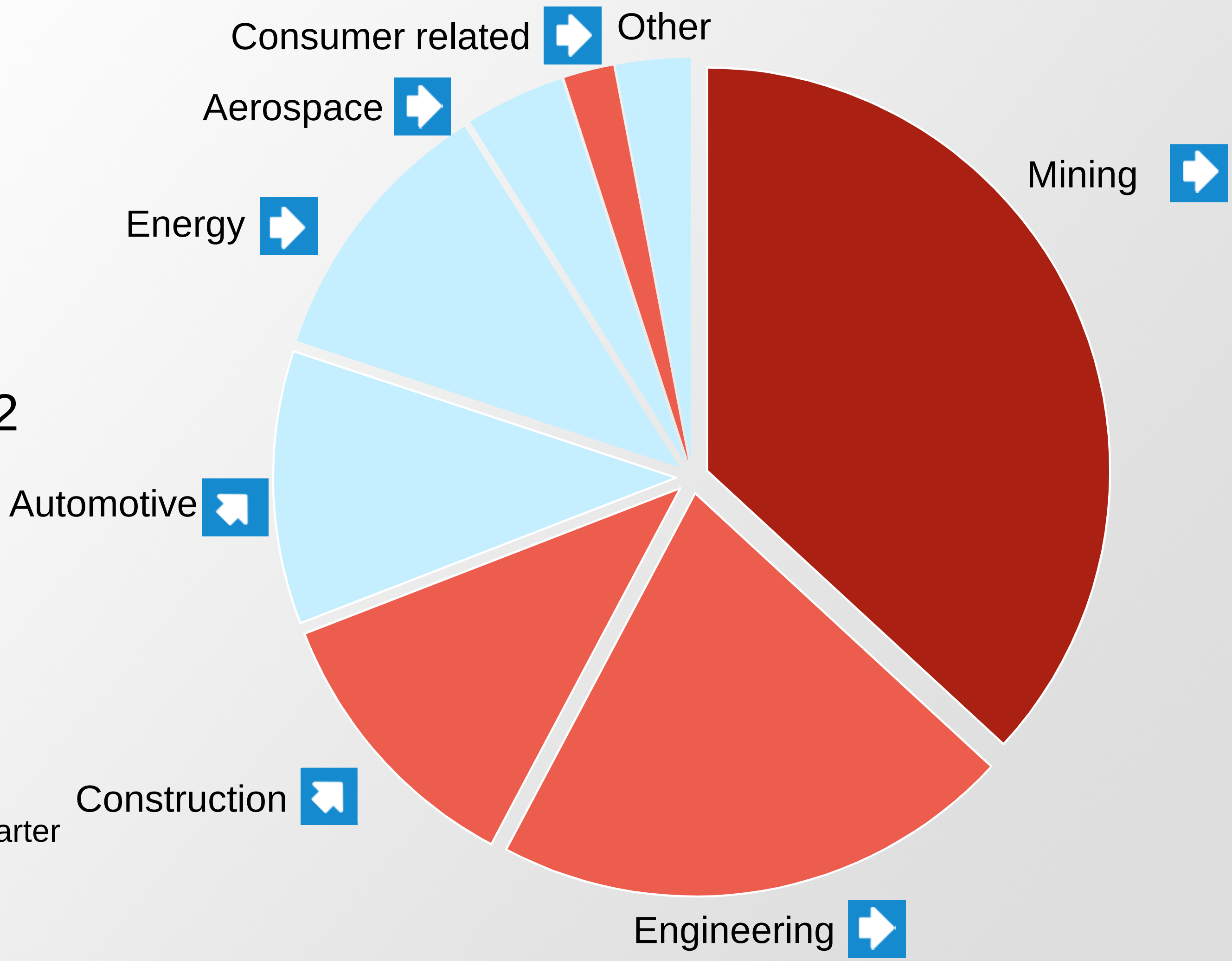
Invoicing (p/v) Q4 2013, change compared with Q4 2012

Customer segments

Invoicing growth vs. Q4 2012

- > 10%
- 0 to 10%
- -10 to 0%
- < -10%

Demand trend compared to preceding quarter



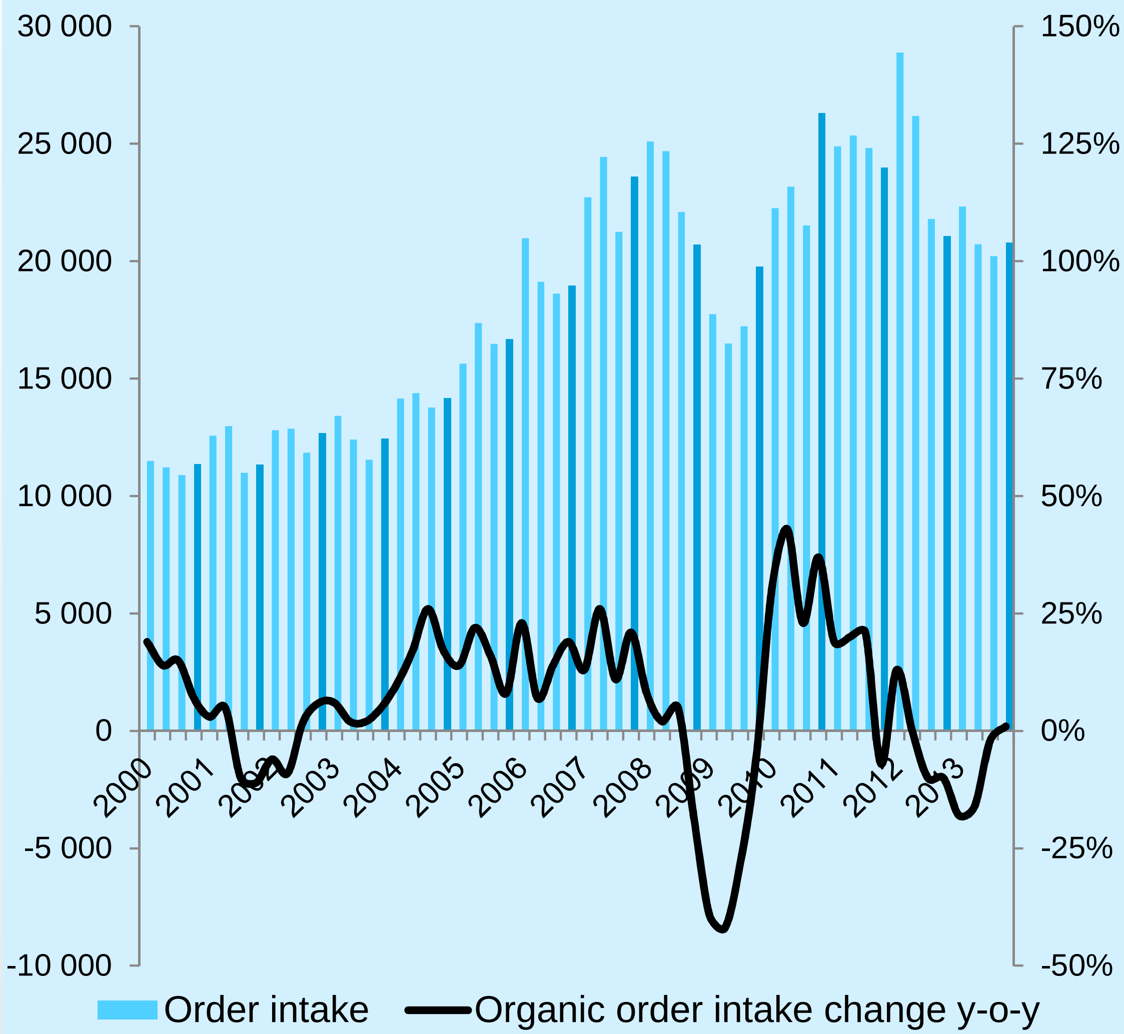
Pie chart representing share of invoicing 2013

Order intake

Order intake 20,794 MSEK

- Major mining systems order in excess of 650 MSEK

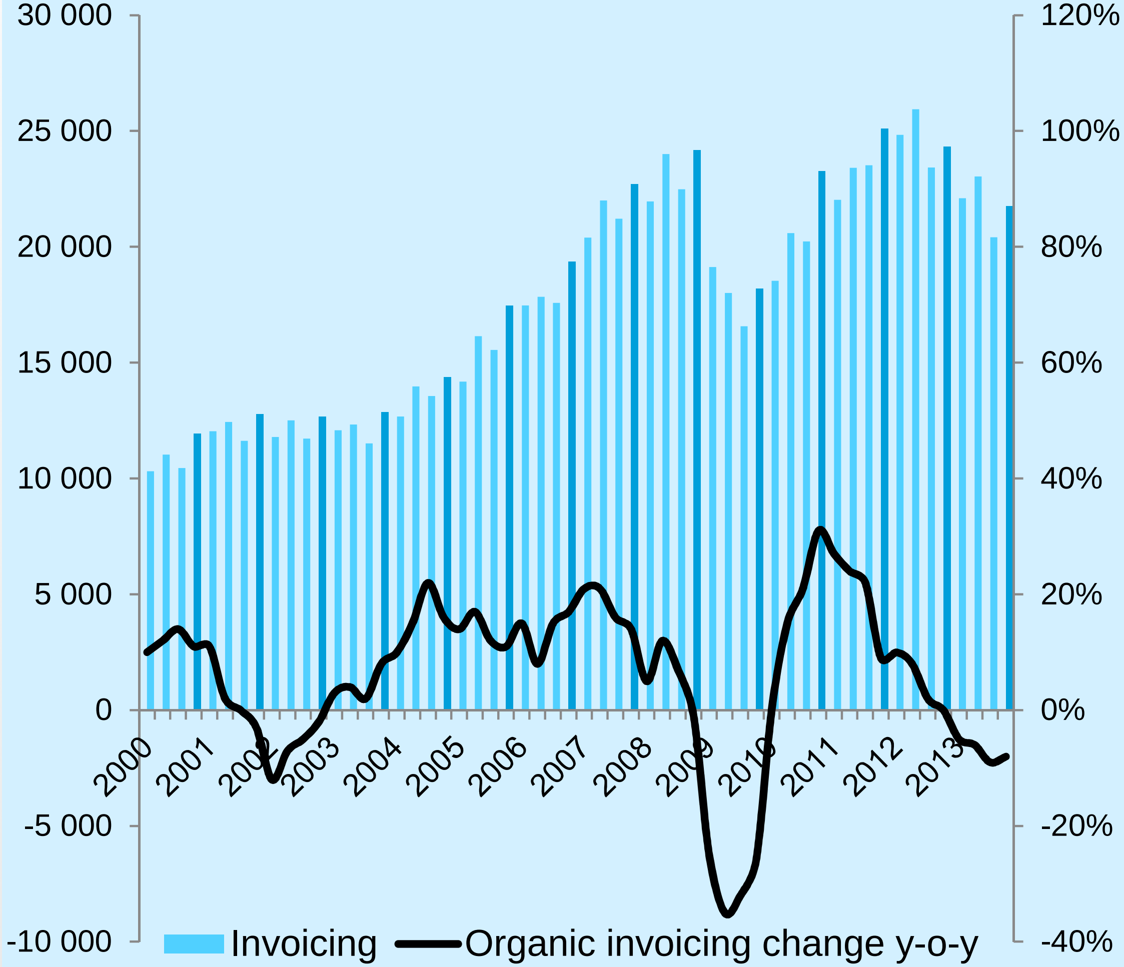
Change p/v +1%



Invoicing

Invoicing 21,770 MSEK

Change p/v -8%



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EBIT and ROCE

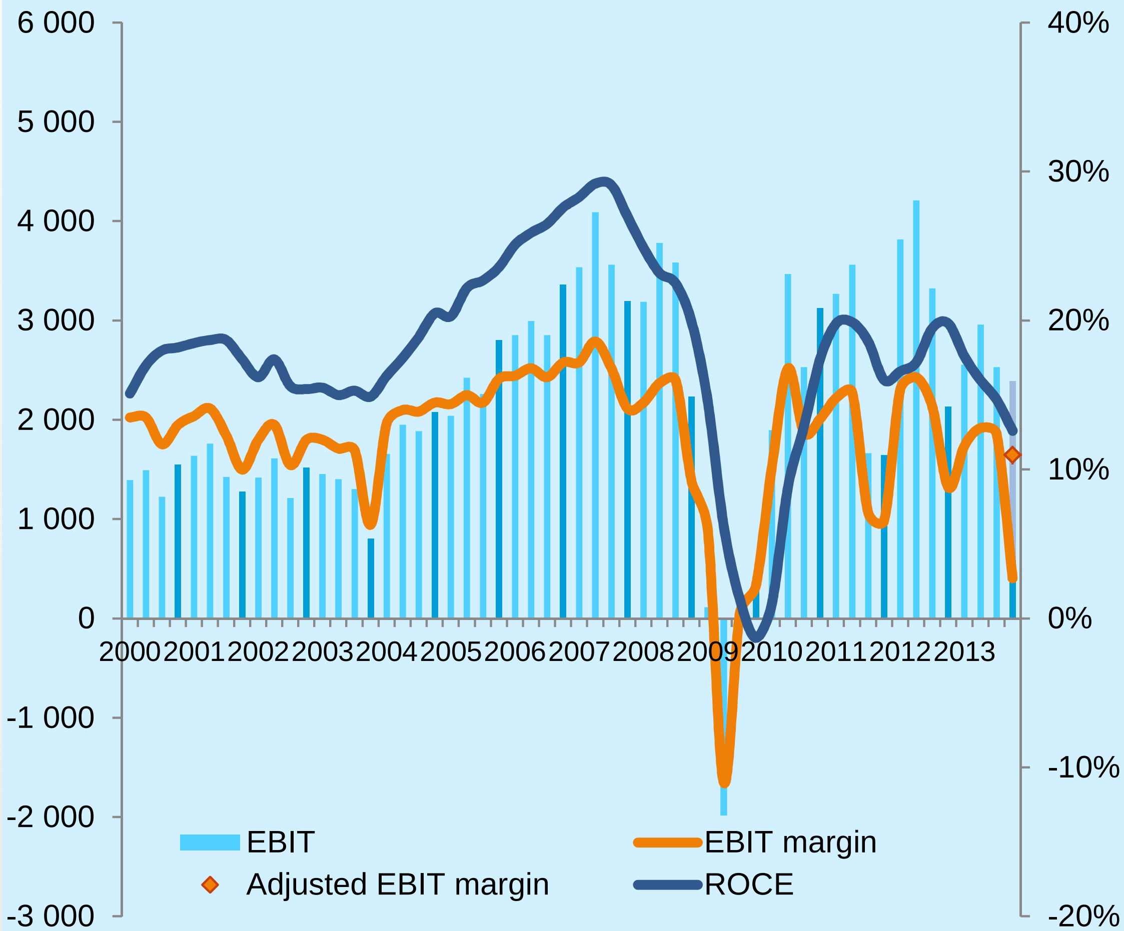
Q4 2013

Reported

- EBIT 590 MSEK
- EBIT margin 2.7%
- ROCE reported rolling 12 months 12.6%

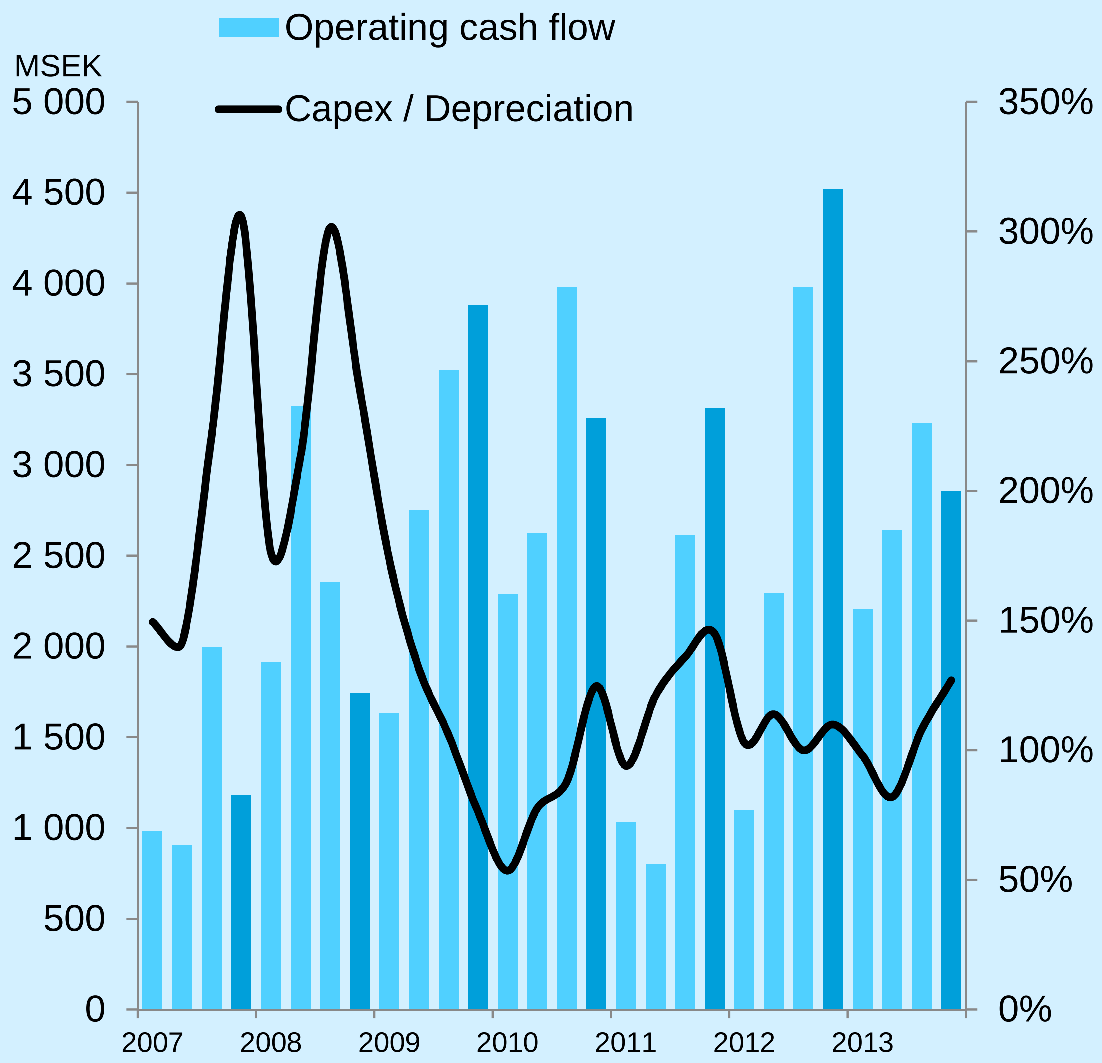
Adjusted for nonrecurring charges

- EBIT 2,390 MSEK
- EBIT margin 11.0%



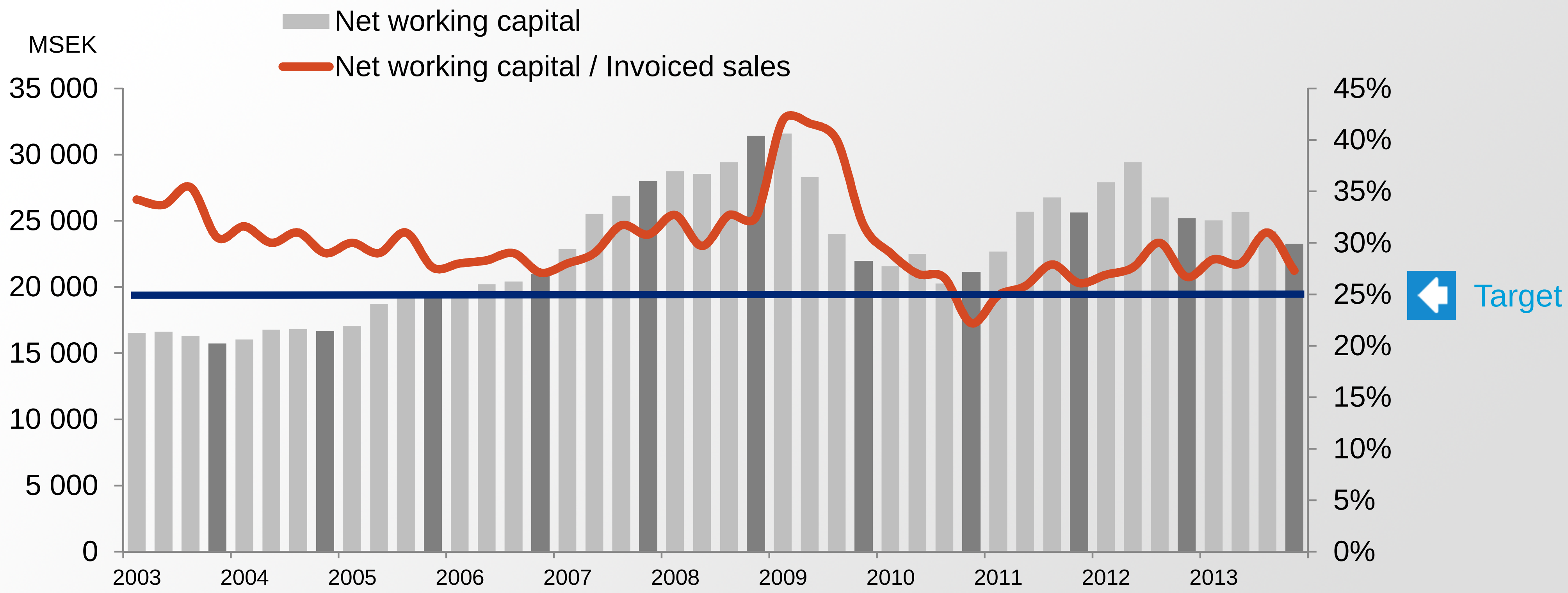
Cash flow

Cash flow from operating activities +2,857 MSEK



**2013 Q3 Adjusted due to tax payment of about 5,800 MSEK related to reorganization of intellectual property rights*

Net Working Capital



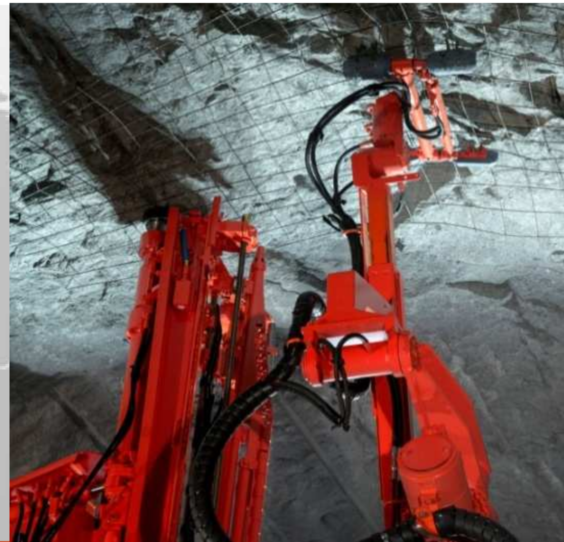
Bridge analysis

MSEK	Q4 2012	Price/ volume/ Productivity	Currency	Structure, one-offs*	Q4 2013
Sandvik Group					
Invoiced sales	24,328	-1,690	-820	-50	21,770
EBIT	2,134	-470	-180	-890	590
EBIT margin	8.8%	-28%			2.7%

* Includes metal price effects

Sandvik Mining

- Order intake stable at low level
  - Investments by mining companies remained low
  - Customer production levels largely maintained
- Adjusted EBIT at 10.5%
  - Nonrecurring charges -1,250 MSEK
  - Currency effects -50 MSEK
- Significant inventory reduction
- Supply chain optimization progressing
- Workforce reduced by 442 employees



Unchanged market conditions

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Sandvik Machining Solutions

- Stable market conditions
  - Signs of improvement in Europe and Asia
  - Stable demand in North America

- Adjusted EBIT at 19.5%
  - Nonrecurring charges -350 MSEK
  - Currency effects -80 MSEK

- Strong cash flow

- Initiative to optimize supply chain
  - Closure of two units in Sweden initiated

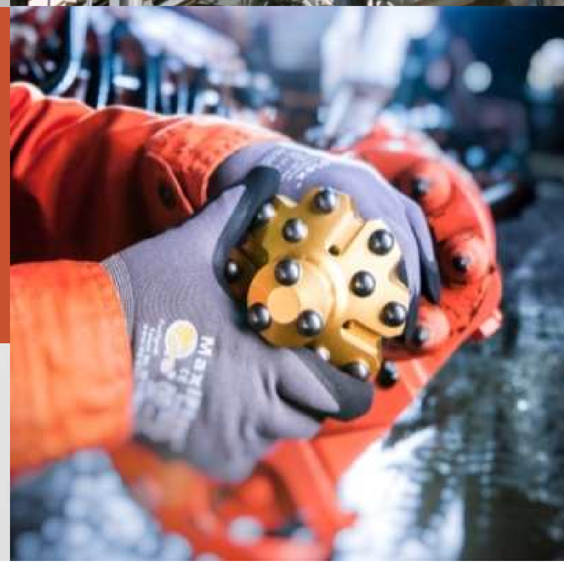
Strong cash flow

- ## Sandvik Materials Technology
  - Signs of improved demand
  - Strong operating margin, 13% excluding metal price effects
  - Strategic investment in Primary finalized

- ## Sandvik Construction
  - Signs of improved demand from a low level
  - Order intake +15% p/v excluding backlog adjustment
  - Earnings affected by underutilization of fixed costs and nonrecurring charges , -1%
  - Closure of production unit in Chauny, France

- ## Sandvik Venture
  - Stable market conditions
  - Improved operating margin, 20%
  - Varel International Energy Services Inc

Improved profitability



Summary

- Good progress towards a more efficient Sandvik
  - Supply chain optimization initiated
  - Reduced cost base
  - Inventory reduction
  - Materials Technology turnaround
  - Acquisition creating a platform for further growth in the oil and gas sector

Tomas Nordahl

President Sandvik Venture


Varel joining forces with Sandvik for accelerated success!

Joining forces

VAREL INTERNATIONAL

- 20 years of strong growth
- Strong customer value proposition
- Strong commercial positions in attractive segments
- International presence

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- Extensive knowledge in materials science and drilling
- Large scale R&D capabilities
- Strong global presence

What Varel offers Sandvik

- Entry into oil & gas drilling
- High growth
- Good profitability
- Strong synergies with Sandvik

What Sandvik offers Varel

- Strong support for continued growth
- Leading knowledge and capabilities in highly relevant materials
- Global infrastructure to support further globalization

Strong complementarity between Varel and Sandvik

Diamond cutters
(Hyperion)

Carbide matrix body
(Hyperion/Wolfram)

Machined steel body
(Machining Solutions)

Carbide cutters
(Hyperion/Wolfram)

Combining the companies respective strengths to grow the business further

- Varel will be;
  - a platform for further expansion in the oil and gas sector
  - a new stand-alone entity within Sandvik Venture

Questions & Answers

Back-up slides

Quarterly financials

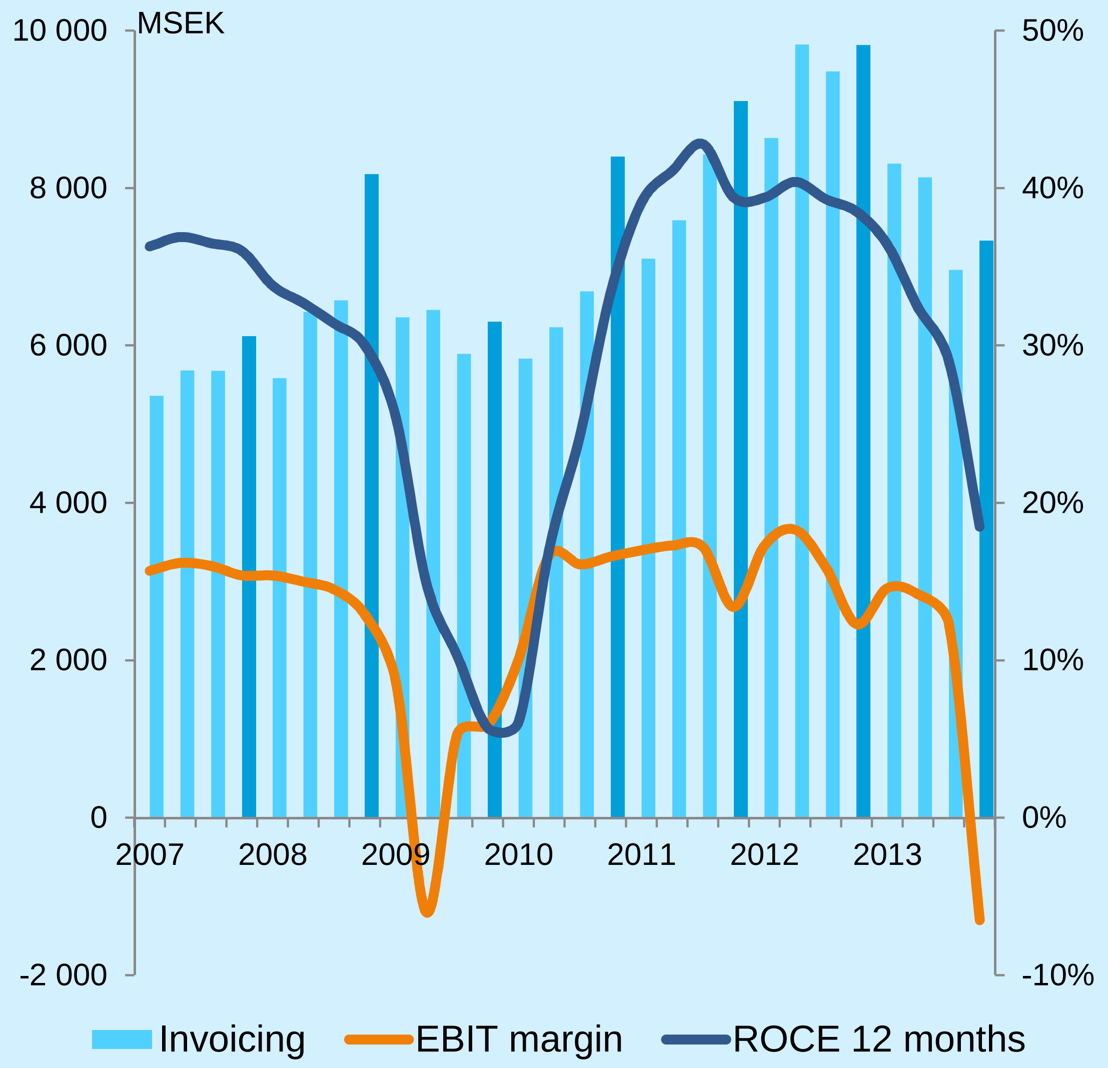
MSEK	Q4 2012	Q4 2013	vs Q4 2012
Order intake	21,070	20,794	+1%*
Invoicing	24,328	21,770	-8%*
EBIT	2,134	590	-72%
EBIT margin	8.8%	2.7%	-
Operating cash flow	+4,520	+2,857	-37%
Cash flow after investing activities	+3,036	+1,255	-59%

* Change in price/volume

Sandvik Mining

Q4 2013

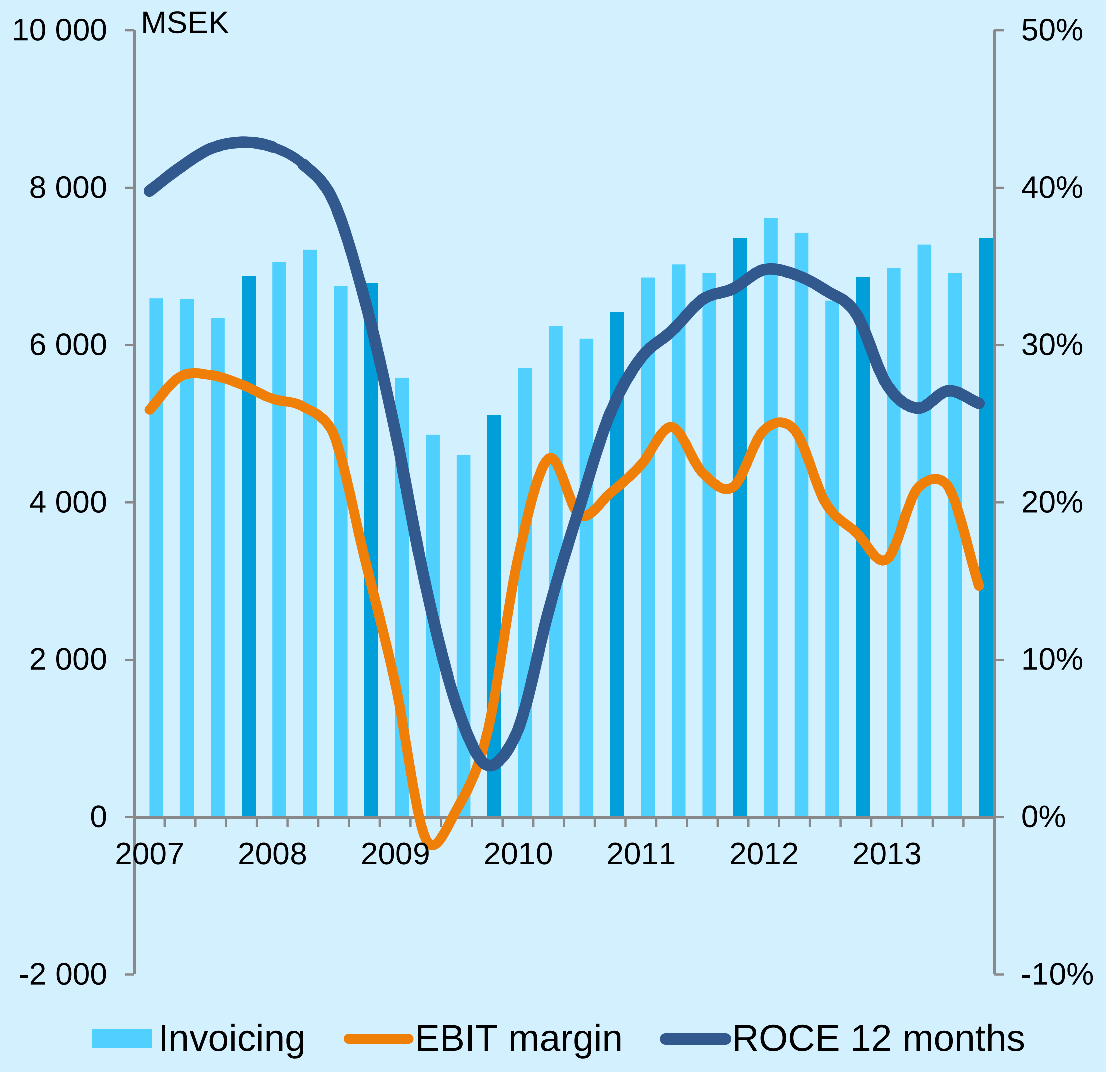
- Order intake 6,514 MSEK
- Invoicing 7,334 MSEK
- EBIT -480 MSEK
- ROCE 18.5%



Sandvik Machining Solutions

Q4 2013

- Order intake 7,354 MSEK
- Invoicing 7,363 MSEK
- EBIT 1,084 MSEK
- ROCE 26.3%



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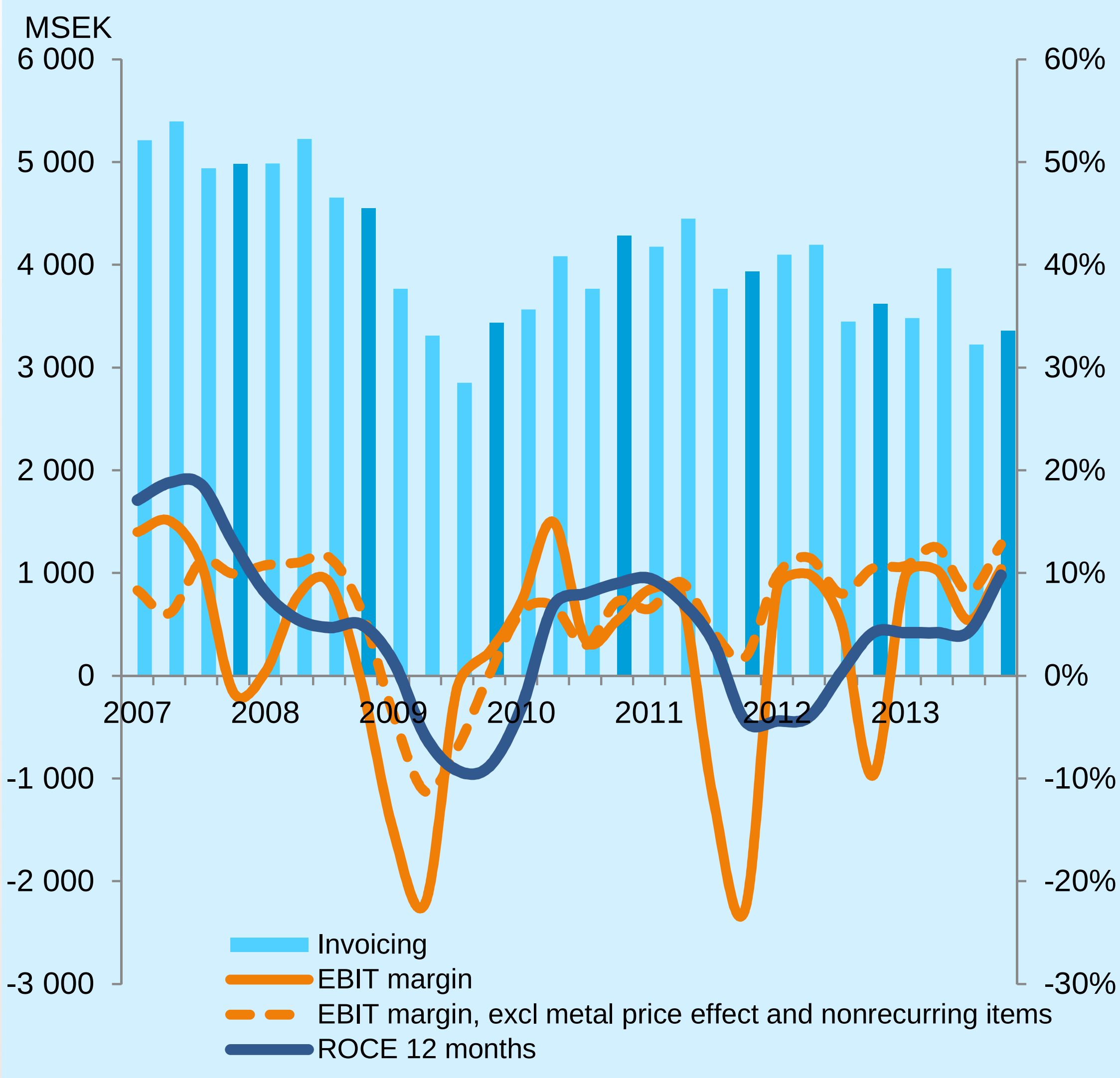
Sandvik Materials Technology

Q4 2013

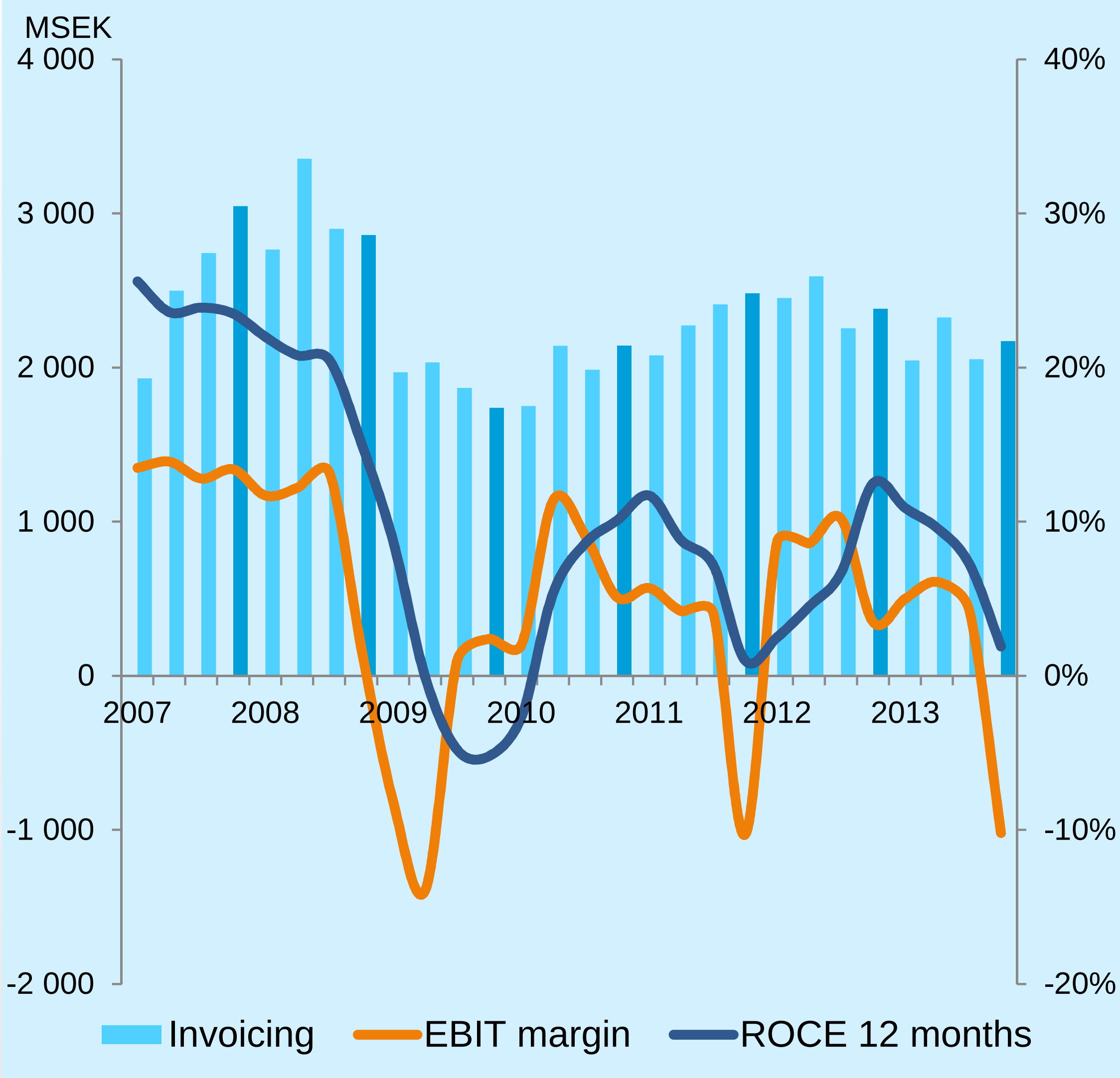
- Order intake 3,672 MSEK
- Invoicing 3,360 MSEK
- EBIT 350 MSEK
  - Adjusted for metal price effects, 430 MSEK, 12.8 % of invoicing
- ROCE 9.8%



Sandvik Construction

Q4 2013

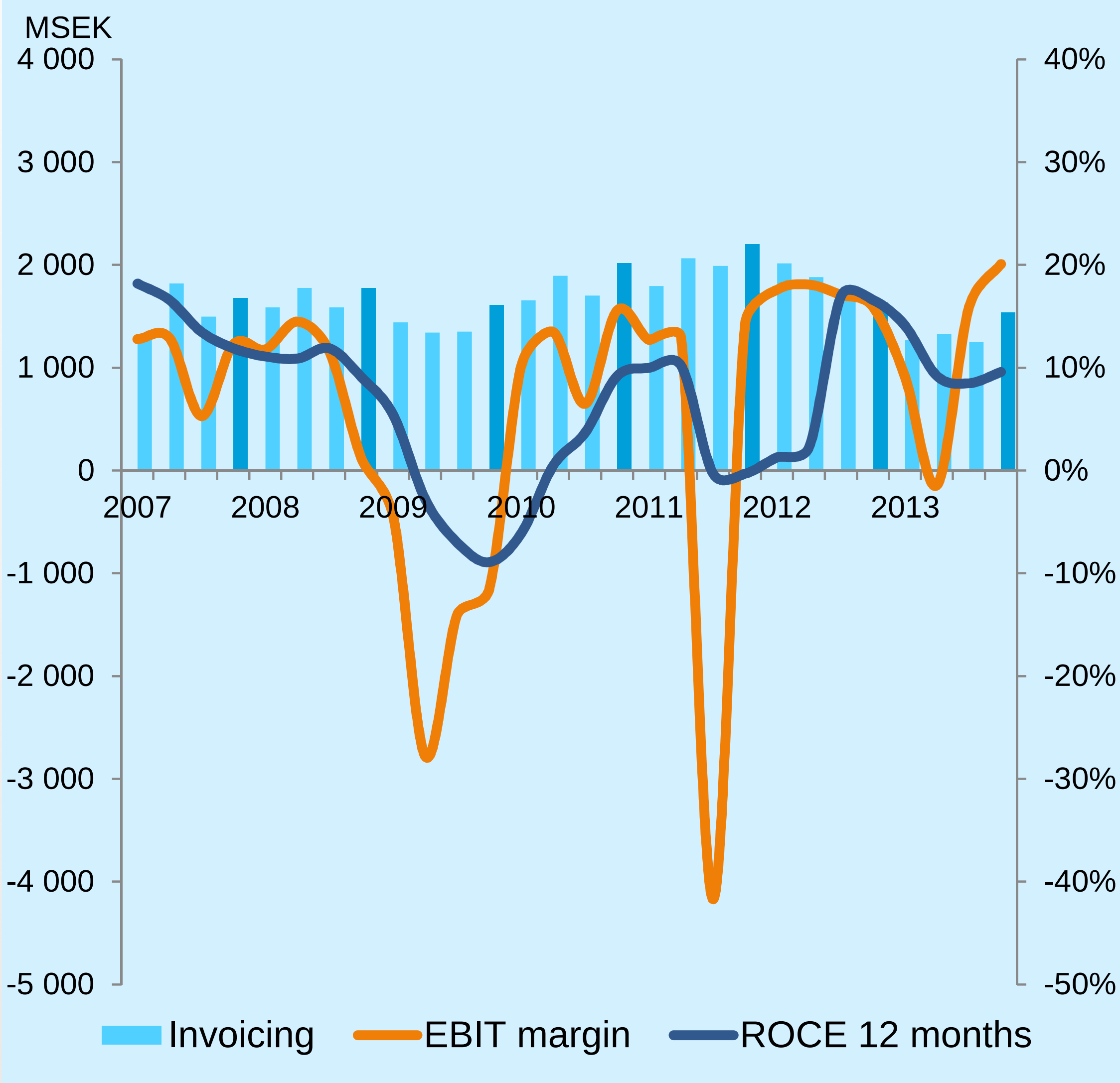
- Order intake 1,792 MSEK
  - +15 p/v excluding backlog adjustment
- Invoicing 2,174 MSEK
- EBIT -223 MSEK
- ROCE 1.9%



Sandvik Venture

Q4 2013

- Order intake 1,456 MSEK
- Invoicing 1,538 MSEK
- EBIT 309 MSEK
- ROCE 9.6%



Income statement

MSEK	Q4 2012		Q3 2013		Q4 2013	
Invoiced sales	24,328		20,416		21,770	
Cost of goods sold	-16,797		-13,319		-15,714	
Gross profit	7,531	31%	7,097	35%	6,056	28%
Admin, sales and R&D costs	-5,472		-4,600		-5,479	
Other operating income and expenses	75		+34		+13	
Operating profit (EBIT)	2,134	9%	2,531	12%	590	3%
Net financial items	-507		-387		-524	
Profit after financial items	1,627	7%	2,144	11%	66	0%
Profit for the period	726	3%	1,631	8%	46	0%

Bridge analysis

MSEK	Q4 2012	Price/volume/ productivity	Currency	Structure, one-offs	Q4 2013
Sandvik Mining					
Invoiced sales	9,812	-1,970	-500	-	7,334
EBIT	1,203	-550	-50	-1,080	-480
EBIT margin	12%	-28%			-7%
Sandvik Machining Solutions					
Invoiced sales	7,152	+310	-140	+40	7,363
EBIT	1,265	+170	-80	-270	1,084
EBIT margin	18%	54%			15%
Sandvik Materials Technology					
Invoiced sales	3,620	-30	-90	-140	3,360
EBIT	-351	+90	-40	+650	350
EBIT margin	-10%	N/A			10%

Bridge analysis

MSEK	Q4 2012	Price/volume/ productivity	Currency	Structure, one-offs	Q4 2013
Sandvik Construction					
Invoiced sales	2,382	-140	-70	-	2,174
EBIT	83	-100	-	-200	-223
EBIT margin	3%	-73%			-10%
Sandvik Venture					
Invoiced sales	1,352	150	-20	+50	1,538
EBIT	235	70	-	10	309
EBIT margin	17%	47%			20%

Balance sheet

MSEK	Q4 2012	Q3 2013	Q4 2013	vs Q4 2012
Intangible fixed assets	11,423	11,484	11,947	+5%
Tangible fixed assets	25,516	24,779	25,255	-1%
Financial fixed assets	6,267	7,866	8,150	+30%
Inventories	25,508	24,036	23,318	-9%
Receivables	21,512	19,925	20,136	-6%
Cash and cash equivalents	13,829	3,023	5,076	-63%
Total assets	**104,055**	**91,113**	**93,882**	**-10%**
Total equity	32,536	32,617	33,610	+3%
Interest-bearing liabilities	40,999	34,757	35,424	-14%
Non-interest-bearing liabilities	30,520	23,739	24,848	-19%
Total equity and liabilities	**104,055**	**91,113**	**93,882**	**-10%**

Loan and duration profile

Long term	77%	Amount MSEK	Average duration
US Private Placement		5,462	6 years
Fin institutions, EIB, NIB		2,708	7 years
Swedish MTN		6,858	5 years
European MTN		6,085	12 years
Bank loans		327	2 years
Share swap		1,778	2 years
Short term	**23%**		
Commercial paper		0	0 months
Fin institutions, EIB, NIB		500	5 months
Swedish MTN		0	0 months
European MTN		4,377	2 months
Bank loans		2,165	6 months
Total		30,259	5 years
Cash position		5,076	

Unutilized revolving credit facilities, 10,836 MSEK

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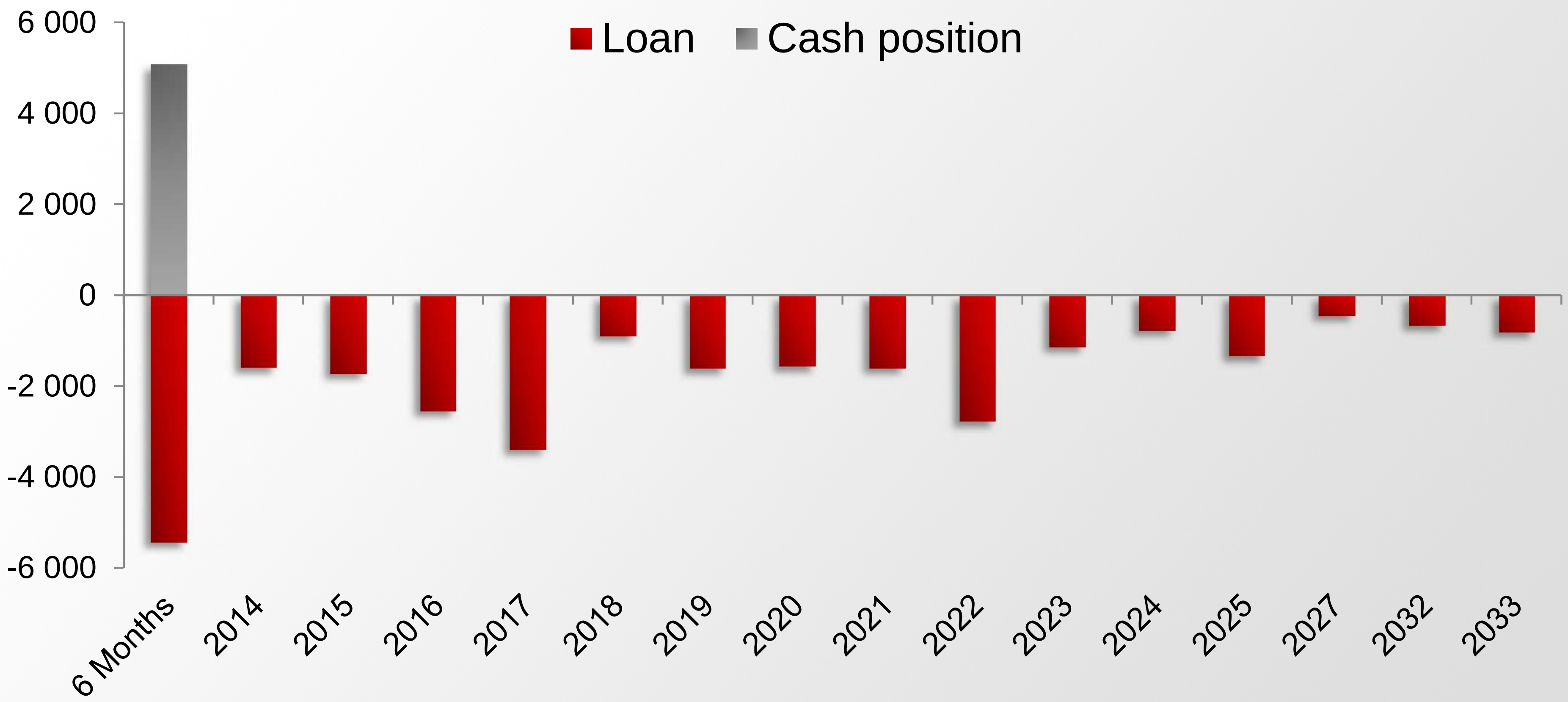
Loan maturity profile



Financial key figures

MSEK	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Cash flow from operations	+4,520	+2,207	+2,640	-2,571	+2,857
Capex	1,429	898	942	1,042	1,541
ROCE, 12 months	19.8%	17.6%	16.0%	14.7%	12.6%
ROE, 12 months	25.3%	21.8%	19.2%	17.6%	15.3%
Net debt/equity ratio	0.6	0.5	0.7	0.7	0.7
EPS, SEK 12 months	6.51	5.65	4.91	4.54	4.00

Guidance

Metal price effects

Given currency rates, stock levels and metal prices at end of December, no material impact to operating profit is estimated for Q1 2014.

Net financial items

Net financial items is estimated to be between 1.8-2.0 bn. SEK for 2014.

Currency effects

Given currency rates at quarter end the effect on EBIT would be about -100 MSEK for Q1 2014.

Capex

Capex is estimated at between 5 and 5.5 bn. SEK for 2014.

Tax rate

The tax rate is estimated to about 25-27% for 2014.

Disclaimer 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.”