

Interim report

Q1 2008



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29 April, 2008

Financial Highlights Q1

- **Organic growth ***
 - ✓ **Order intake** + 8%
 - ✓ **Invoicing** + 5%
- **Operating profit (EBIT)** -10%
 - ✓ **Excluding nickel price effect in Sandvik Materials Technology** + 5%
- **Earnings per share** -18%
 - ✓ **Excluding nickel price effect in Sandvik Materials Technology** - 3%
- **Operating cash flow** +91%

* Change in fixed currencies for comparable units

Market Highlights Q1

- **Business environment**

- ✓ Continued strong global demand
- ✓ Strong business climate creating bottlenecks

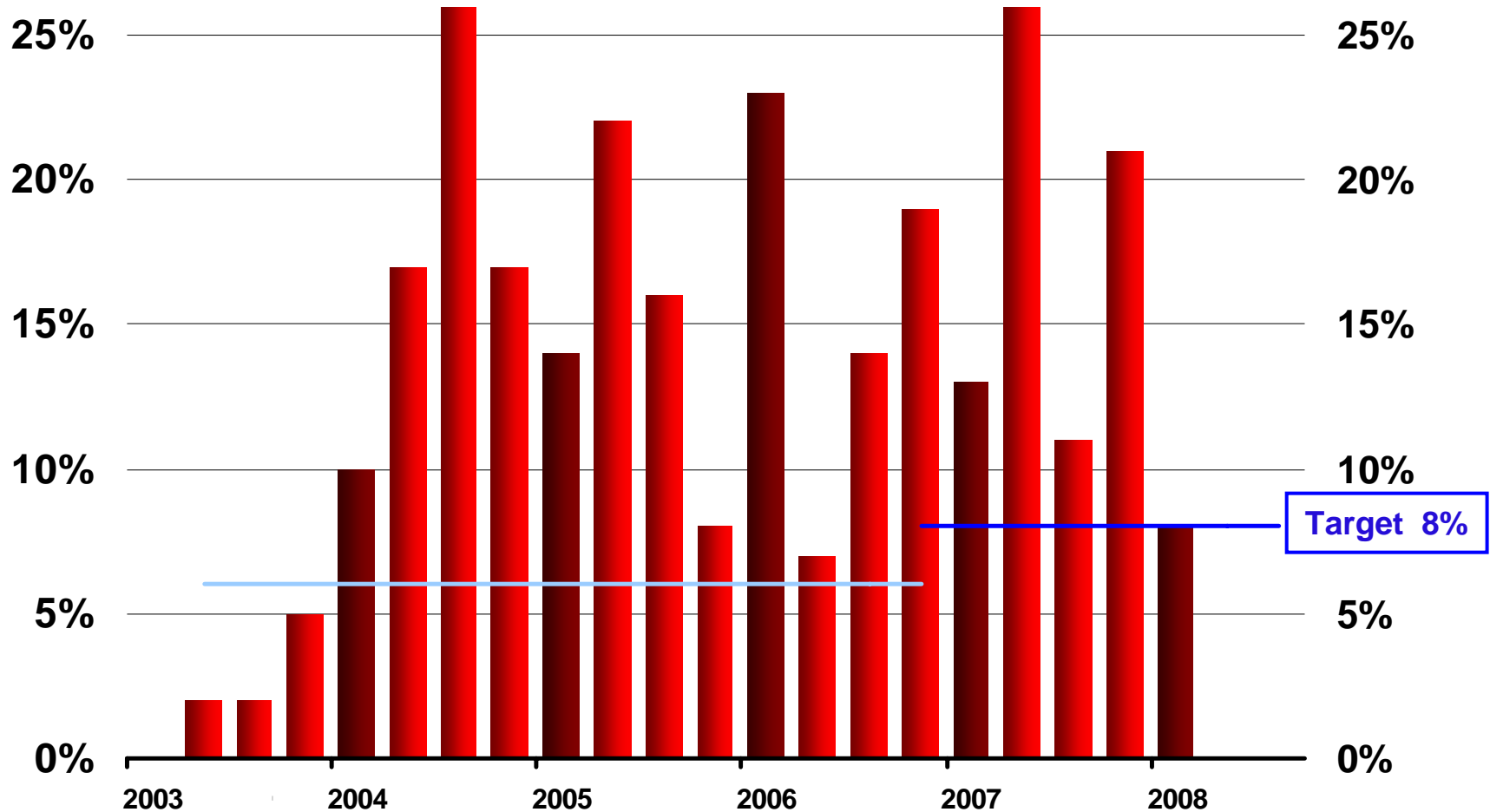
- **Business segments**

- ✓ Stable growth in core businesses
- ✓ Strong growth in mining, energy and aerospace
- ✓ Weaker in US automotive

Operational Highlights Q1

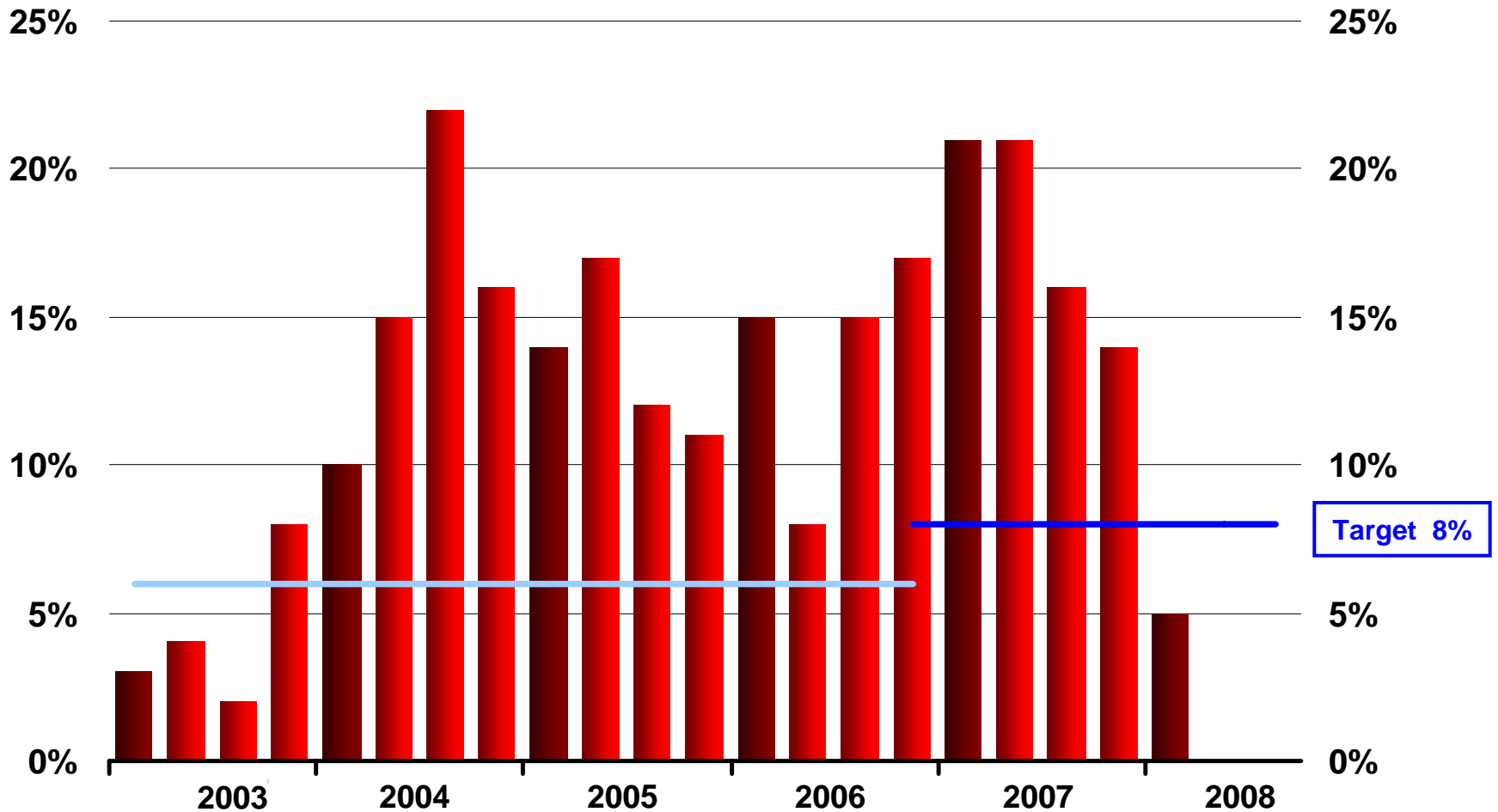
- **Solid global growth**
- **Strong order intake and increased order backlog**
- **Positive price effects**
- **Bottlenecks in supply of components**
- **Strong underlying profitability**
- **Increased cash flow**
- **Nickel price effect SEK -517 M**

Organic order intake: + 8%



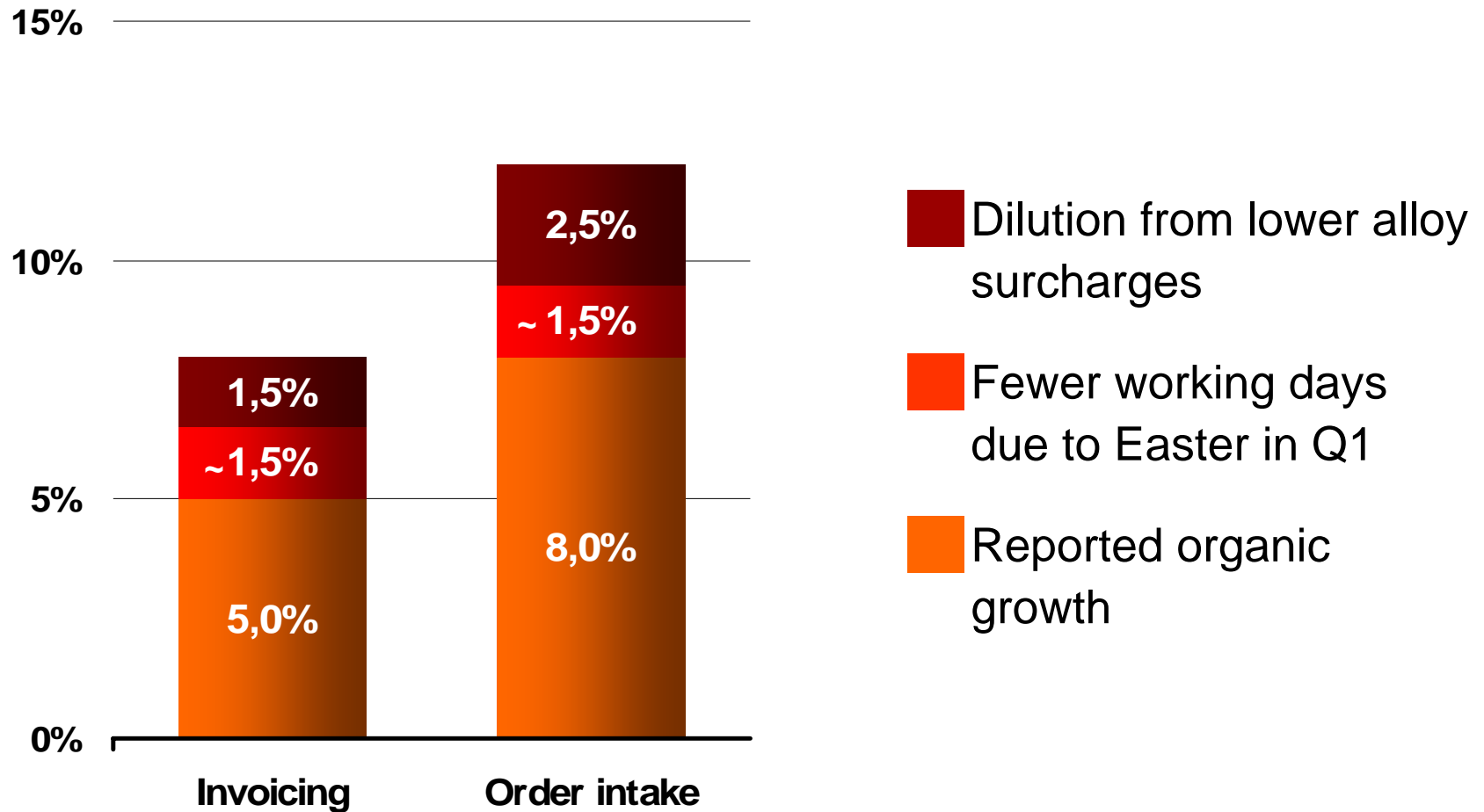
Order intake change y-o-y, at fixed exchange rates for comparable units

Organic invoicing: + 5%



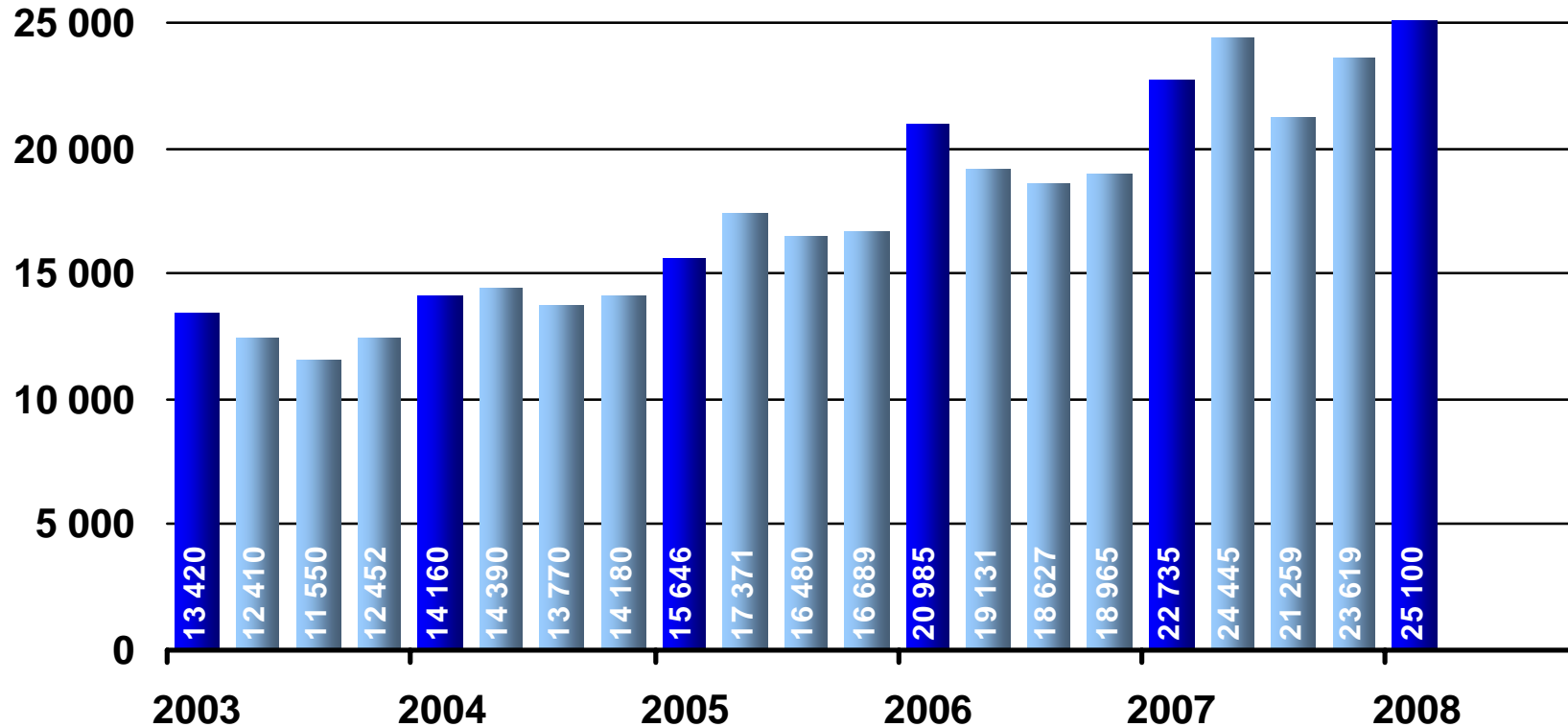
Change in invoicing y-o-y, at fixed exchange rates for comparable units

Strong underlying growth



Order intake: SEK 25,100 M, +10%

SEK M



+ 8% organic growth

Organic Growth by Region

Quarter, % change ¹⁾	2007		2008	
	Q1	Ex proj.	Q1	Ex proj.
Europe	+10	+21	- 2	+/-0
Nafta	+16	+ 9	+ 1	+ 1
South America	-29	+33	+71	+ 9
Asia	+10	+10	+40	+40
Australia	+59	+22	-12	+13
Africa/Middle East	+22	+35	+14	- 2
GROUP TOTAL	+13	+19	+ 8	+ 7

¹⁾ Order intake at fixed exchange rates for comparable units

Order Intake by Business Area

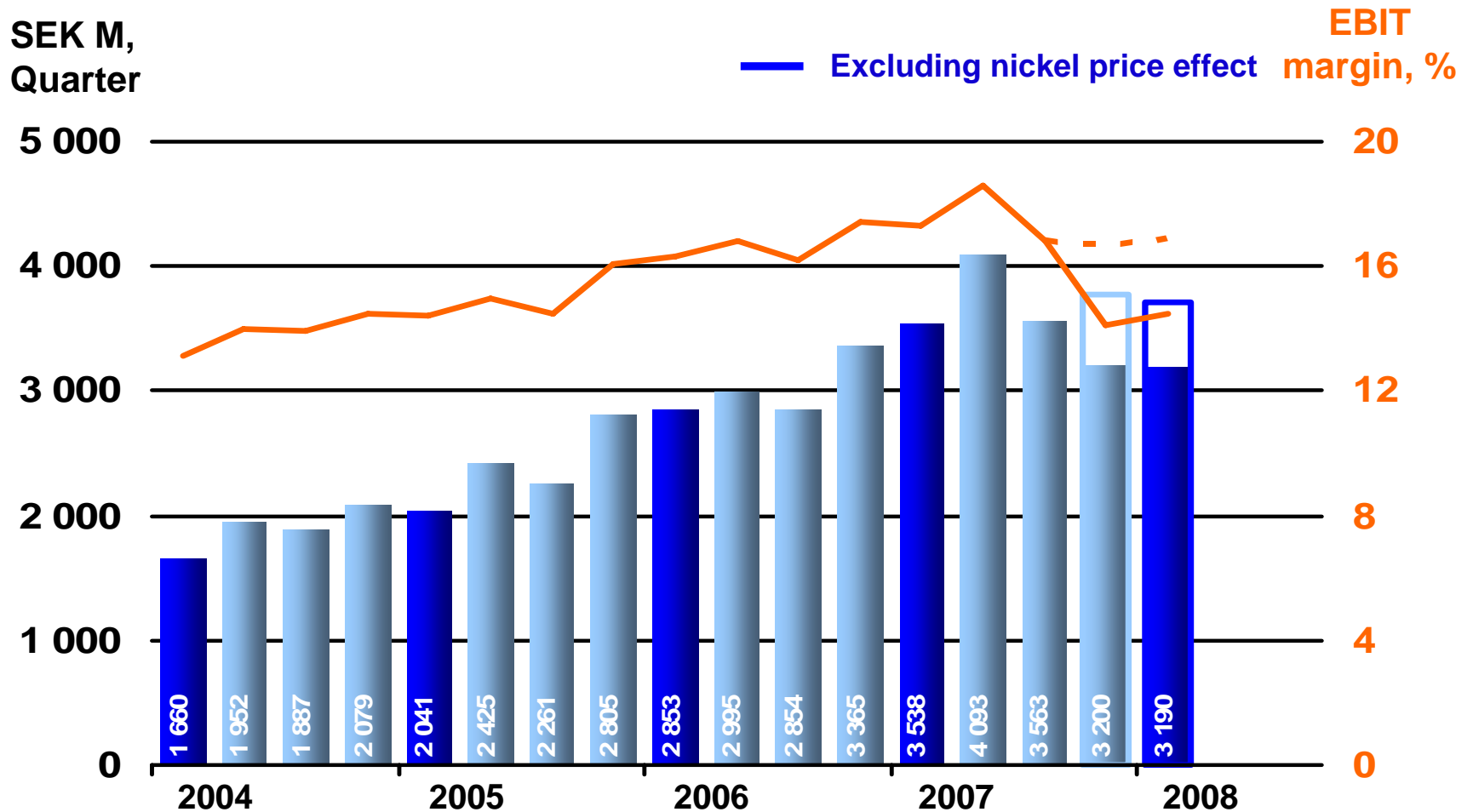
Quarter, % change	2007		2008	
	Q1	Ex proj.	Q1	Ex proj.
Sandvik Tooling ¹⁾	+10	+10	+ 7	+ 7
Sandvik Mining and Construction ¹⁾	+ 8	+26	+16	+10
Sandvik Materials Technology ^{1) 2)}	+26	+24	- 2	+ 2
GROUP ORGANIC GROWTH ¹⁾	+13	+19	+ 8	+ 7
Currency	-6	-6	- 1	- 1
Structure	+2	+2	+ 4	+ 4
GROUP TOTAL	+8	+14	+10	+ 9

¹⁾ Fixed exchange rates for comparable units

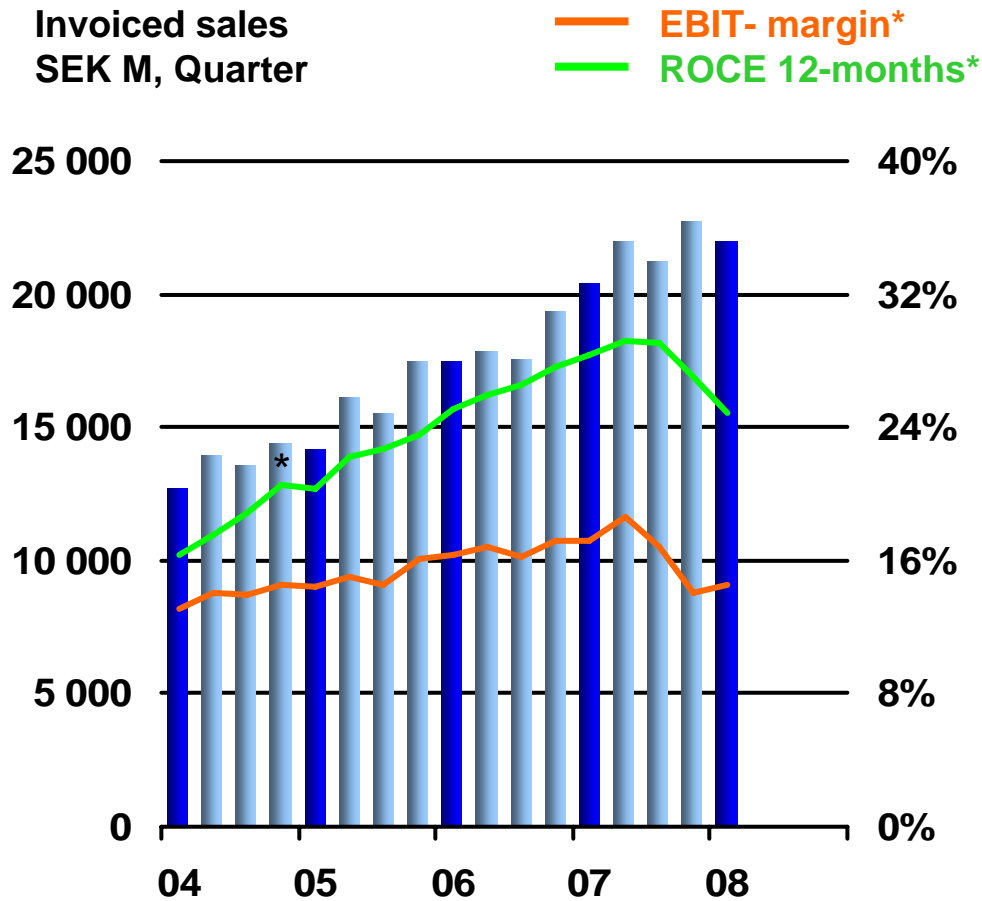
²⁾ Approximately +14% in Q1 2007 and -10% in Q1 2008 respectively from changed alloy surcharges

EBIT: SEK 3,190 M, -10%

Excluding nickel price effect + 5%



Sandvik Group

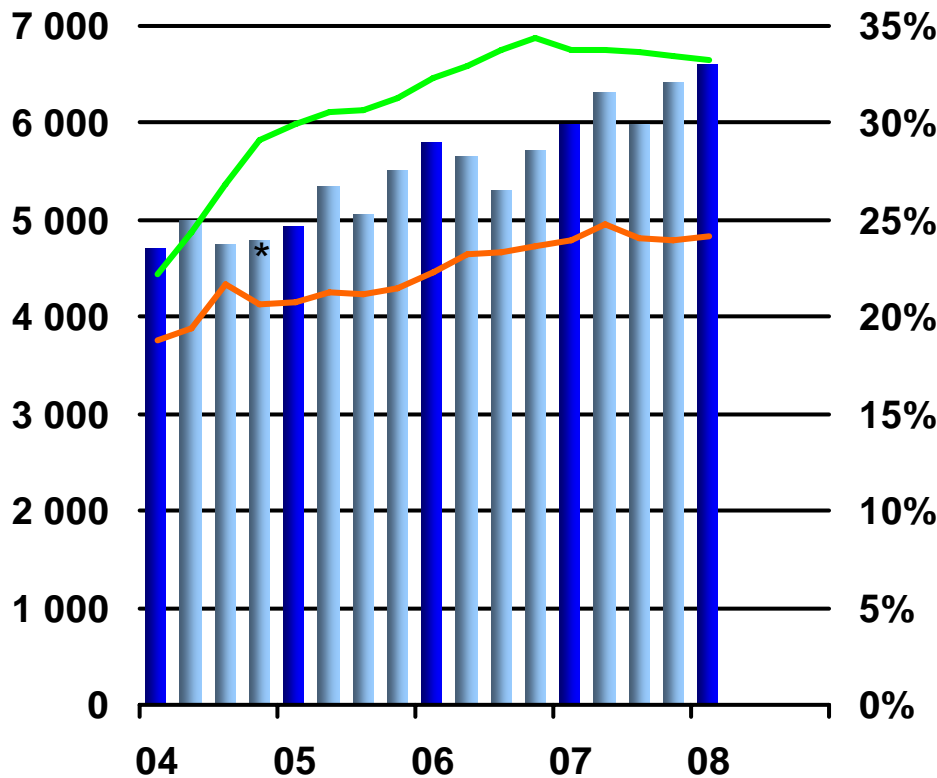


- Order intake +8% (p/v)
 - ✓ Ex surcharges +11%
- Invoiced sales +5% (p/v)
 - ✓ Ex surcharges +7%
- EBIT 14.5% of sales
 - ✓ SEK 3,190 M, -10%
 - ✓ Excl nickel price effect 16.9%
- ROCE 24.9% (28.3)
 - ✓ Excl nickel price effect 26.7%
- EPS SEK 1.59 (1.95)
 - ✓ Excl nickel price effect SEK 1.91

Sandvik Tooling

Invoiced sales
SEK M, Quarter

— EBIT- margin*
— ROCE 12-months*

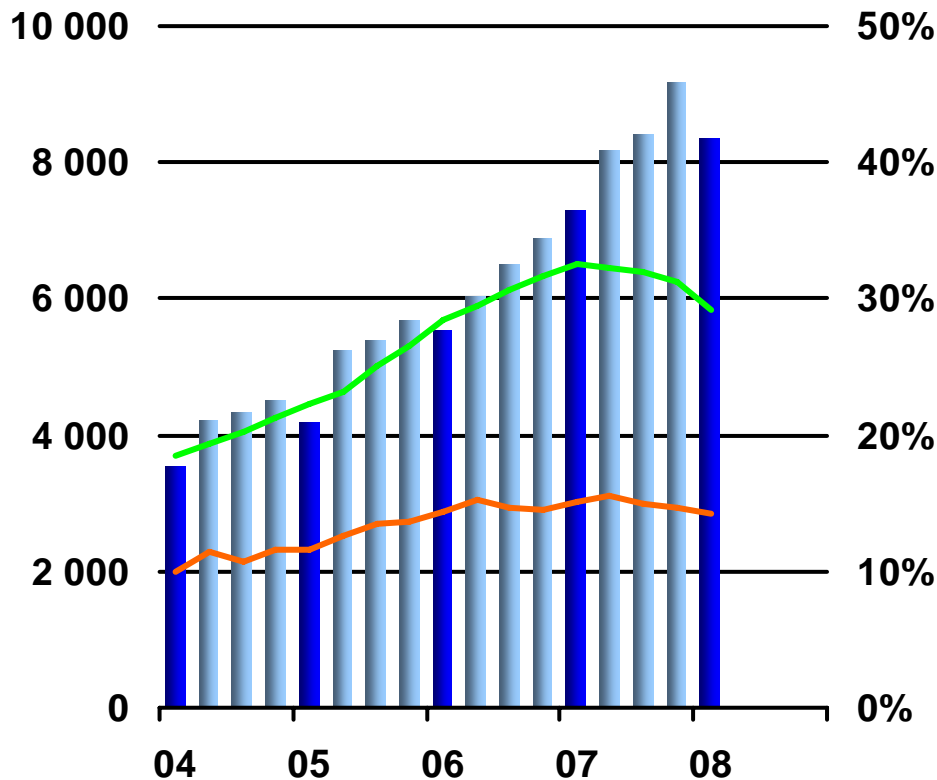


- Order intake +7% (p/v)
 - ✓ Continued strong demand
 - ✓ Fewer working days -2%
- Invoiced sales +8% (p/v)
- EBIT 24.2% of sales
 - ✓ SEK 1,595 M, +11%
 - ✓ Fewer working days -1%
- ROCE 33.2% (33.8)
 - ✓ Excl Diamond Innovations 36.2%

Sandvik Mining and Construction

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

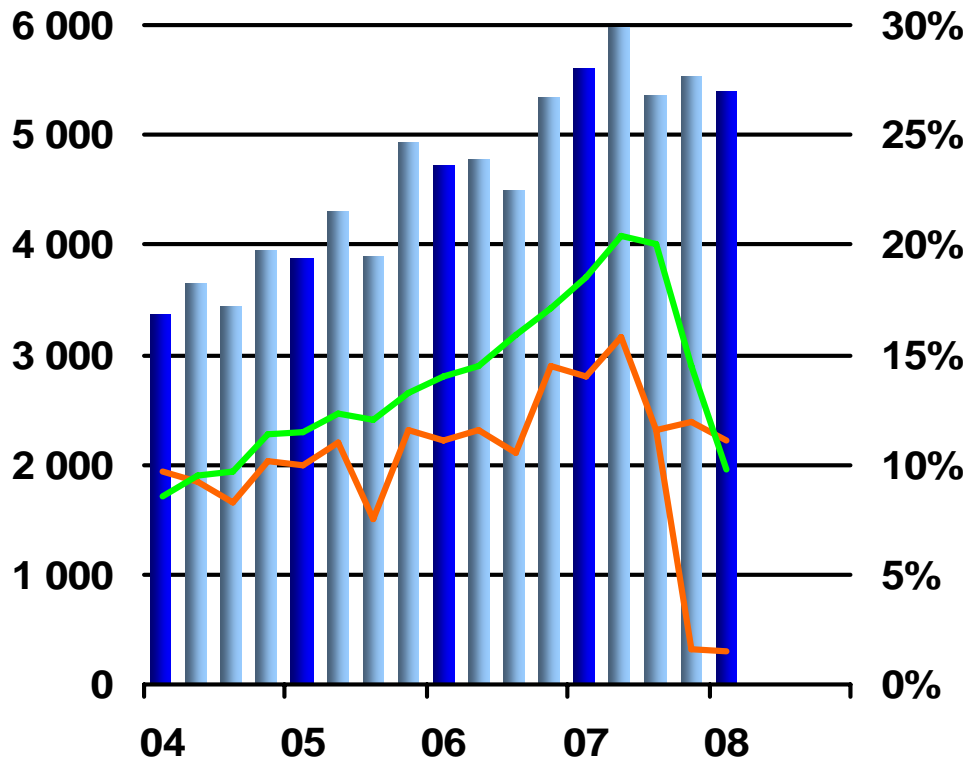


- Order intake +16% (p/v)
 - ✓ Strong global demand
- Invoiced sales +8% (p/v)
 - ✓ Supply constraints
- EBIT 14.2% of sales
 - ✓ SEK 1,184 M, + 7%
 - ✓ Increased sales and service force
- ROCE 29.2% (32.6)
 - ✓ Excl acquisitions 2007 31.4%
 - ✓ Increase in NWC

Sandvik Materials Technology

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



- Order intake -2% (p/v)
 - ✓ Ex alloy surcharges + 8%
- Invoiced sales -2% (p/v)
 - ✓ Ex alloy surcharges + 5%
 - ✓ Delayed orders
- EBIT 1.5% of sales
 - ✓ SEK 82 M, -90%
 - ✓ Underlying margin ~13%
- ROCE 9.8% (18.5)
 - ✓ Excl nickel price effect 15.8%

Sandvik Materials Technology

Raw material price impact

- **Nickel related inventories**
 - ✓ Volumes: 11,000 tonnes (12,000)
- **Q1 EBIT effect based on nickel price 29,000 USD**
 - ✓ SEK -517 M
 - ✓ Q2: around SEK -100 M impact expected
- **Impact depending on price – currency - volumes**

Summary Q1 2008

- **Continued strong market demand**
- **Strengthened order book**
- **Positive price effects**
- **Sourcing and capacity constraints**
- **Good underlying profitability**

Financial Highlights Q1

- Organic order growth + 8%
- Organic invoicing growth + 5%
- Operating profit * + 5%
- Earnings per share * - 3%
- Cash flow +91%
- Proposed dividend of SEK 4.00 (3.25)
- Total distribution of SEK 4,7 B

* Excluding nickel price effect

P&L summary

MSEK	Q1/2008		Q1/2007		Change %
	Actual	%	Actual	%	
Invoiced sales	21,990		20,409		+ 8
Cost of goods sold	-14,303		-12,951		+10
Gross profit	7,687	35.0	7,458	36.5	+3
Admin, Sales and R&D costs	-4,517	-20.5	-3,899	-19.1	+16
Other op income and exp.	+20	+0.1	-21	-0.1	neg.
Operating profit	3,190	14.5	3,538	17.3	-10
Net financial items	-475	-2,2	-173	-0.8	+175
Profit after Financial items	2,715	12.3	3,365	16.5	-19
Profit for the period	2,000	9.1	2,450	12.0	-18

P&L – Gap analysis

Key drivers

SEK M	Q1/2008	Price/ Volume	Curr.	Acq. & One-offs	Q1/2007
Invoicing	21,990	+1,338	-319	+562	20,409
Operating profit	3,190	+24	+90	-462	3,538
%	14.5	1.8	-	n/a	17.3
Profit after financials	2,715	-	-	-	3,365
Profit for the period	2,000	-	-	-	2,450
EPS	1.59	0.00	-	-0.36	1.95

P&L – Gap analysis

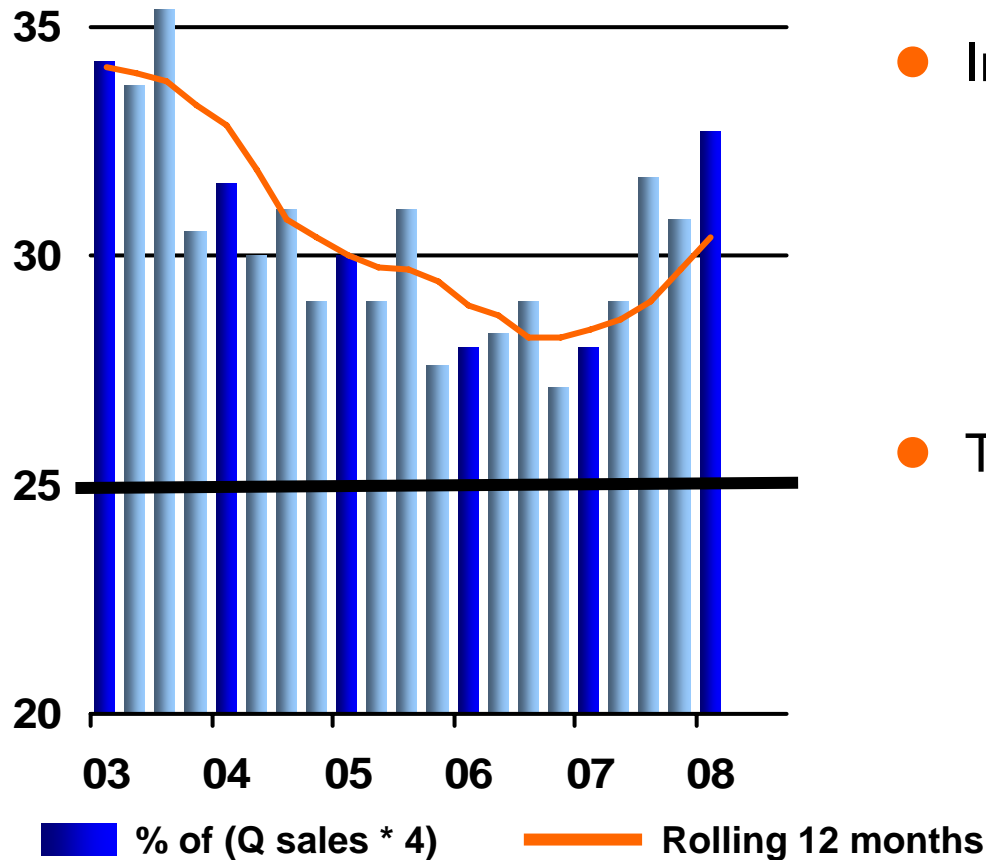
by Business Area

SEK M	Q1/2008	Price/ Volume	Curr.	Acq. & One-offs	Alloy surch.	Q1/2007
Sandvik Tooling						
Invoicing	6,600	460	-104	247	-	5,997
EBIT	1,595	121	10	28	-	1,437
%	24.2	26.4	-	11.3	-	24.0
Sandvik Mining and Construction						
Invoicing	8,352	544	-127	637	-	7,298
EBIT	1,184	55	-20	47	-	1,102
%	14.2	10.1	-	7.4	-	15.1
Sandvik Materials Technology						
Invoicing	5,402	209	-89	7	-329	5,604
EBIT	82	-217	50	-18	-517	784
%	1.5	neg.	-	-	-	14.0



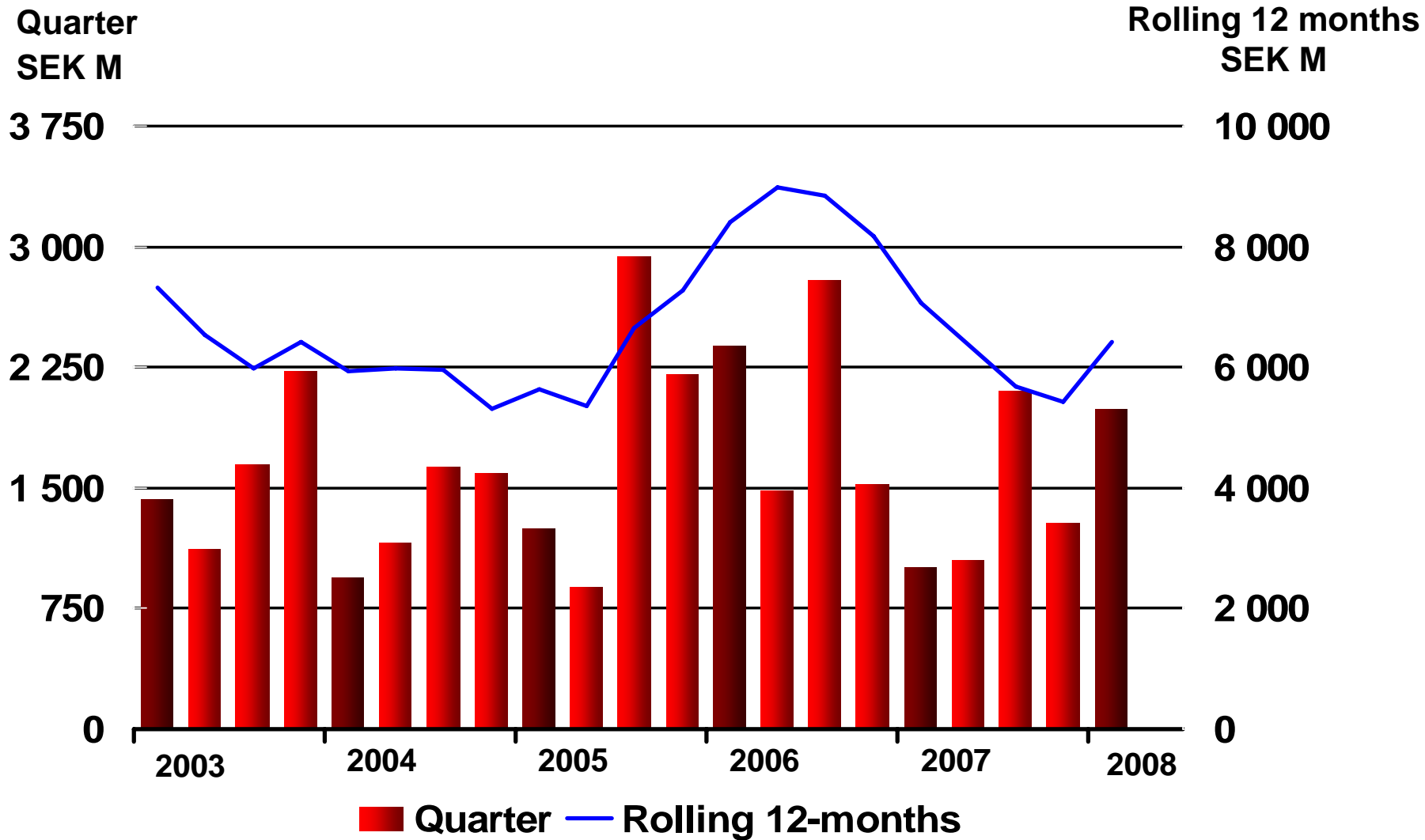
Capital Efficiency

Net Working Capital as % of sales



- Inventory build-up
 - ✓ Safety stock
 - ✓ Sourcing constraints in Sandvik Mining and Construction
 - ✓ Delayed projects
- Target 25 %

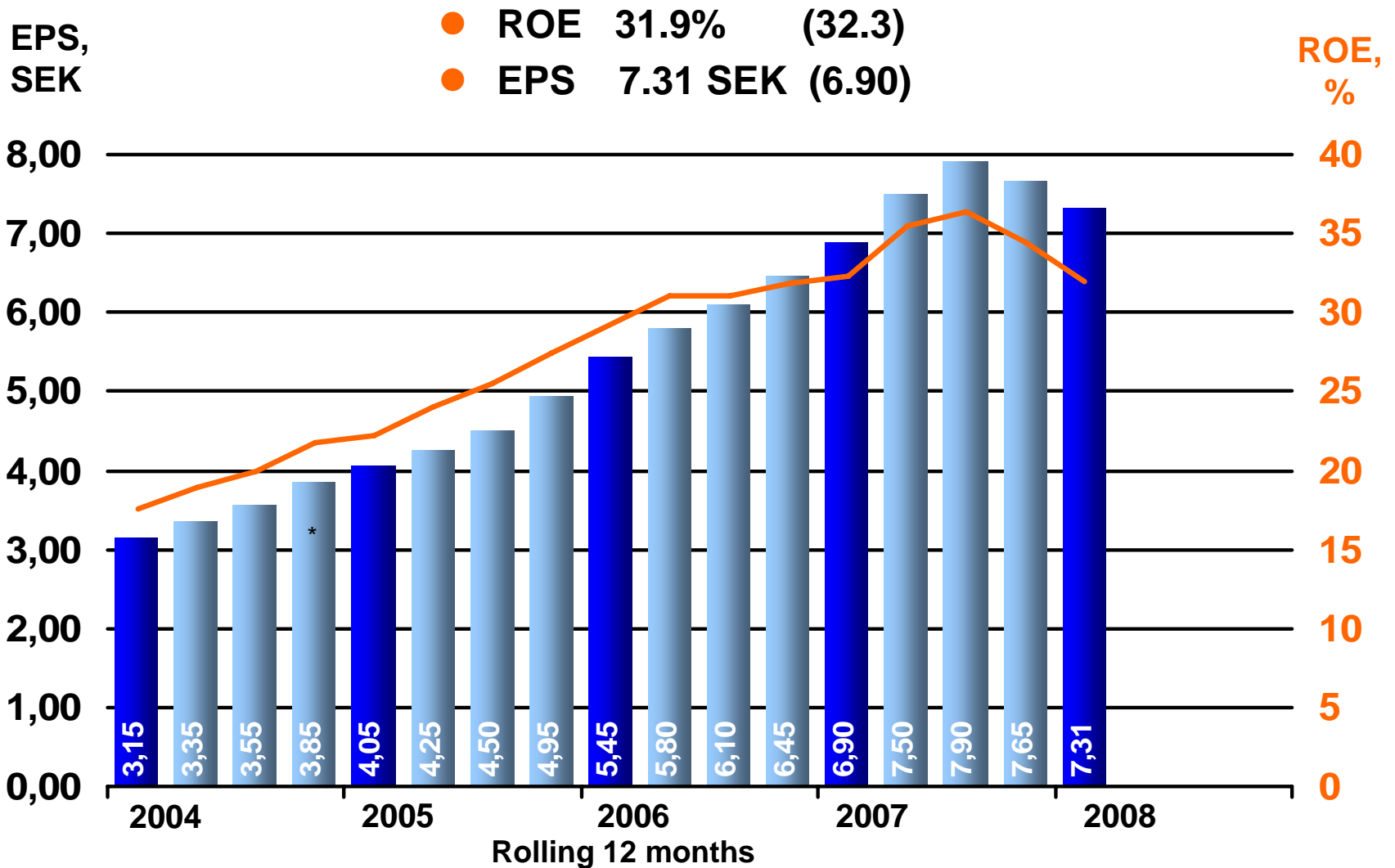
Cash Flow from Operations



Cash Flow Summary

SEK M	Q1/2008	Q1/2007
● Cash flow from operations before NWC	+2,670	+2,995
● Change in inventories	-871	-1,372
● Change in current receivables	-815	-1,302
● Change in current operating liabilities	+1,012	+724
● Net cash flow from operations	+1,996	+1,045
● Net cash used in investing activities	-1,549	-2,979
● Net cash flow after investing activities	+447	-1,934
● Net cash used in financing activities	-629	+2,292
● Dividends paid/Share buy backs	0	0
● Cash flow for the quarter	-182	+358

Shareholder Value



Proposal to the AGM

29 April, Sandviken

Strong financial position and focus on shareholder value

- ✓ Increased dividend to SEK 4.00 (3.25) +23 %
- ✓ Total distribution of SEK 4,7 B
- ✓ Total return 2007 +18%



Q&A session



Back up slides

Financial Key Figures

	Q1/07	Q2/07	Q3/07	Q4/07	Q1/08
● Cash Flow from op., SEK M	1,045	1,046	2,103	1,282	1,996
● CAPEX, SEK M	1,042	1,146	1,250	1,962	1,462
● ROCE, % 12 months	28.3%	29.2%	29.1%	27.0%	24,9%
● ROE, % 12 months	32.3%	35.5%	36.4%	34.4%	31,9%
● Net debt/equity ratio	0.6	1.1	1.1	1.0	0.9
● EPS, SEK 12 months	6.90	7.50	7.90	7.65	7.31

Balance Sheet Summary

SEK M	Q1/2008	Q1/2007	Change %
Intangible fixed assets	11,011	7,507	+47
Tangible fixed assets	21,057	18,711	+13
Financial fixed assets	3,650	3,938	-7
Inventories	25,371	20,942	+21
Receivables	22,974	19,825	+16
Cash and cash equivalents	1,745	2,148	-19
Total assets	85,808	73,071	+ 17
Total equity	30,950	30,355	+2
Interest-bearing provisions and liabilities	30,281	21,184	+43
Non-interest-bearing prov. and liabilities	24,577	21,532	+14
Total equity and liabilities	85,808	73,071	+ 17

Nickel related effects on key figures

SEK M	Reported Q1/2008	Ex metal price effects Q1/2008
Operating profit, SEK M	3,190	3,707
Operating margin, %	14.5	16.9
EPS, SEK	1.59	1.91
ROCE, %	24.9	26.7
ROE, %	31.9	34.5



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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.”