

Interim report

Q2 2008



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18 July, 2008

Market Highlights Q2

- **Business environment**

- ✓ Continued stable demand in NAFTA and Europe
- ✓ Strong demand in Asia, Australia and Africa

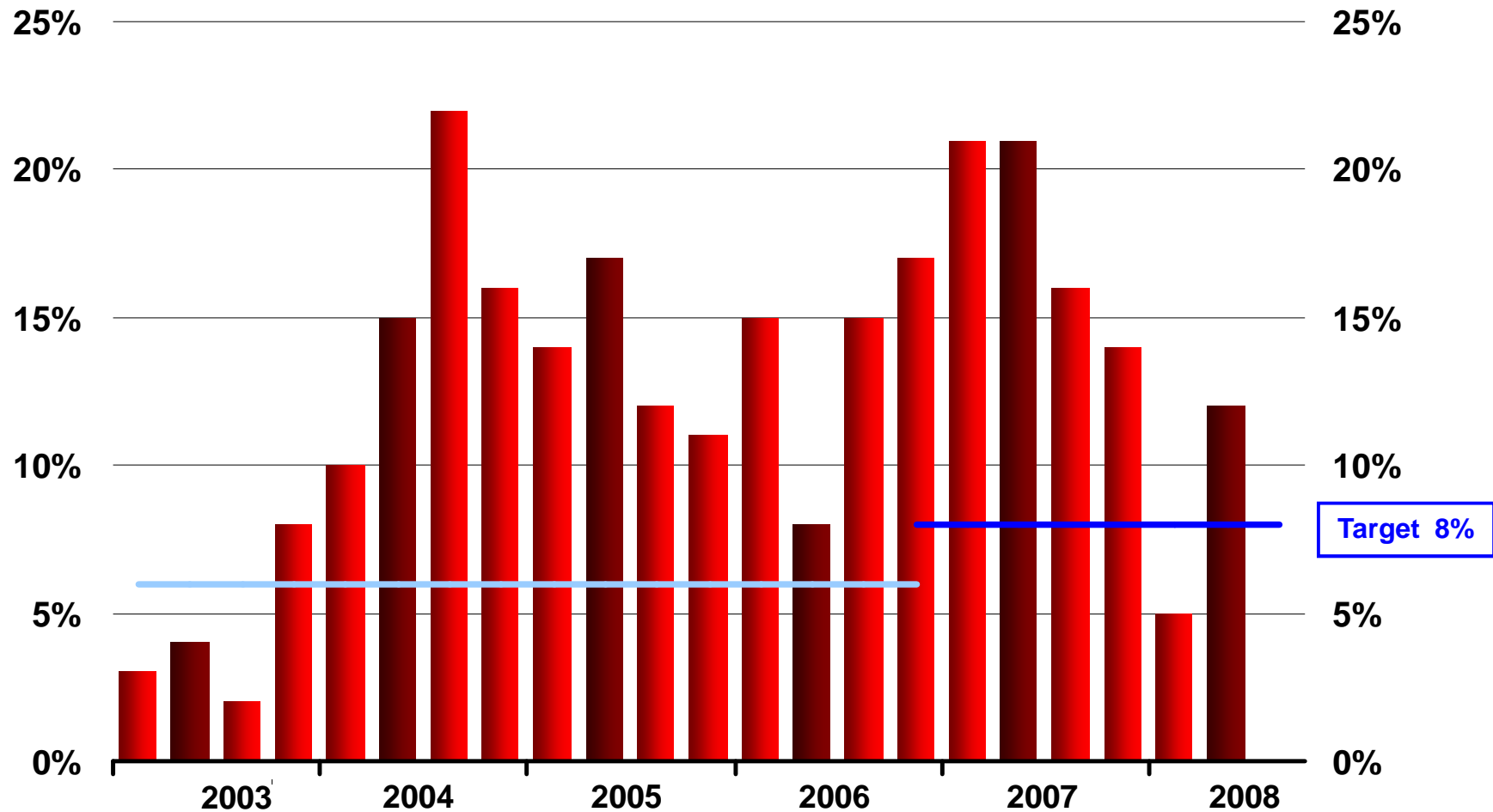
- **Business segments**

- ✓ Stable growth in core businesses
- ✓ Strong growth in mining and energy
- ✓ Weak in US automotive

Operational Highlights Q2

- **Stable growth for all Business Areas**
- **Good underlying profitability**
- **Currency effect SEK -340 M**
- **Metal price effects SEK -176 M in Sandvik Materials Technology**
- **Strategic expansion in sales, production and R&D**
- **Improved capital efficiency**
- **Strong cash flow SEK 3,364 M**

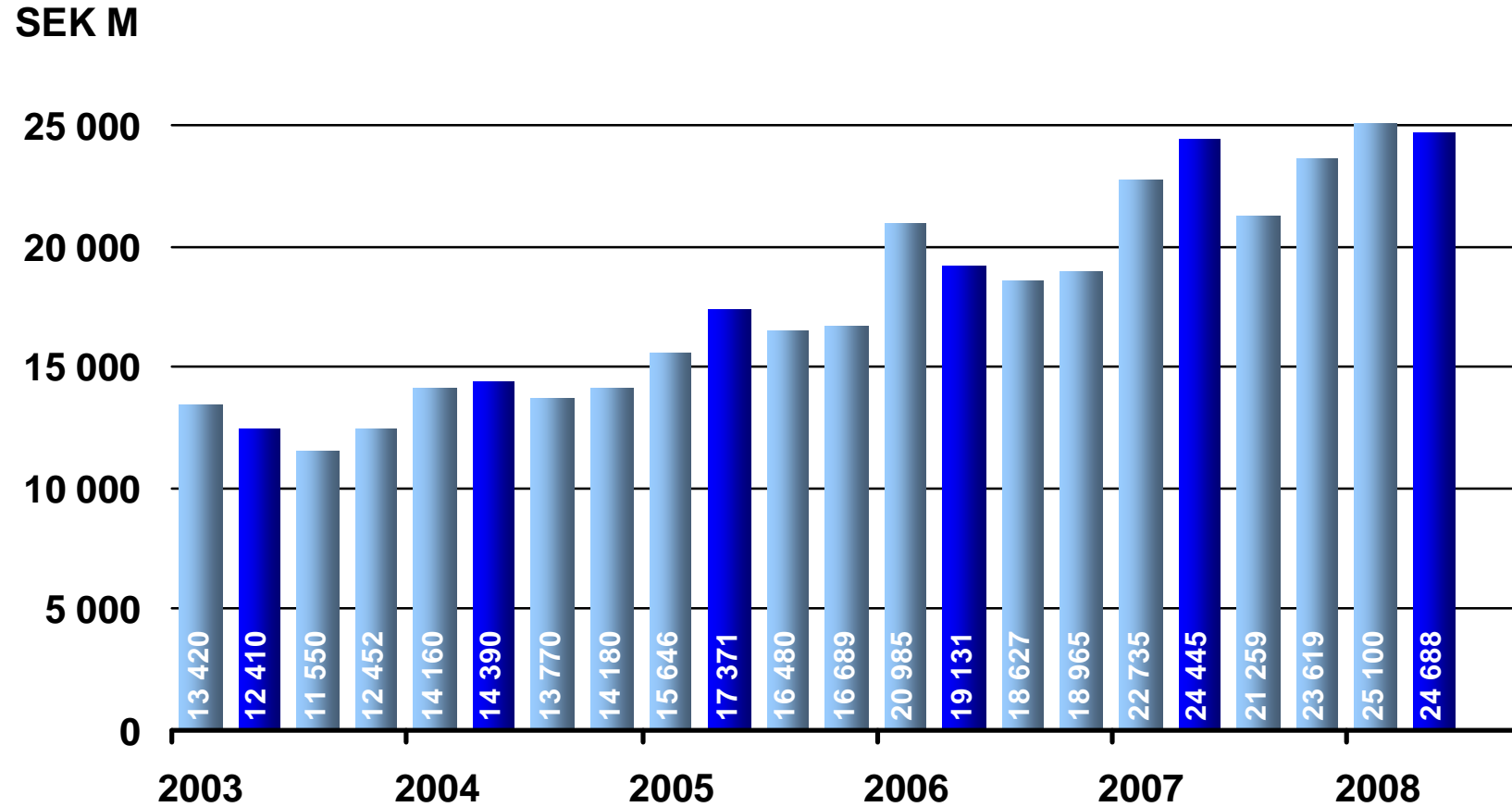
Organic invoicing: + 12%



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



Order intake: SEK 24,688 M, +1%



~ +9% underlying growth

Growth bridge analysis

	Order Intake	Invoicing
Reported growth	+ 1%	+ 9%
Currency	+ 4%	+ 4%
Structure	- 3%	- 2%
Reported organic growth	+ 2%	+ 12%
Working days	- 1%	- 2%
Metal price effects	+ 4%	+ 4%
Project orders	+ 6%	-
Underlying growth	~ +9%	~ +13%

Organic Order Growth by Region

Quarter, % change ¹⁾	2007		2008	
	Q2	Ex proj.	Q2	Ex proj.
Europe	+32	+20	- 10	+ 1
Nafta	+5	+ 5	+ 7	+ 7
South America	-12	-12	+ 7	+ 7
Asia	+32	+16	+ 6	+ 14
Australia	+43	+24	+ 25	+ 13
Africa/Middle East	+41	+50	+ 37	+ 37
GROUP TOTAL	+26	+17	+ 2	+ 7

¹⁾ Order intake at fixed exchange rates for comparable units

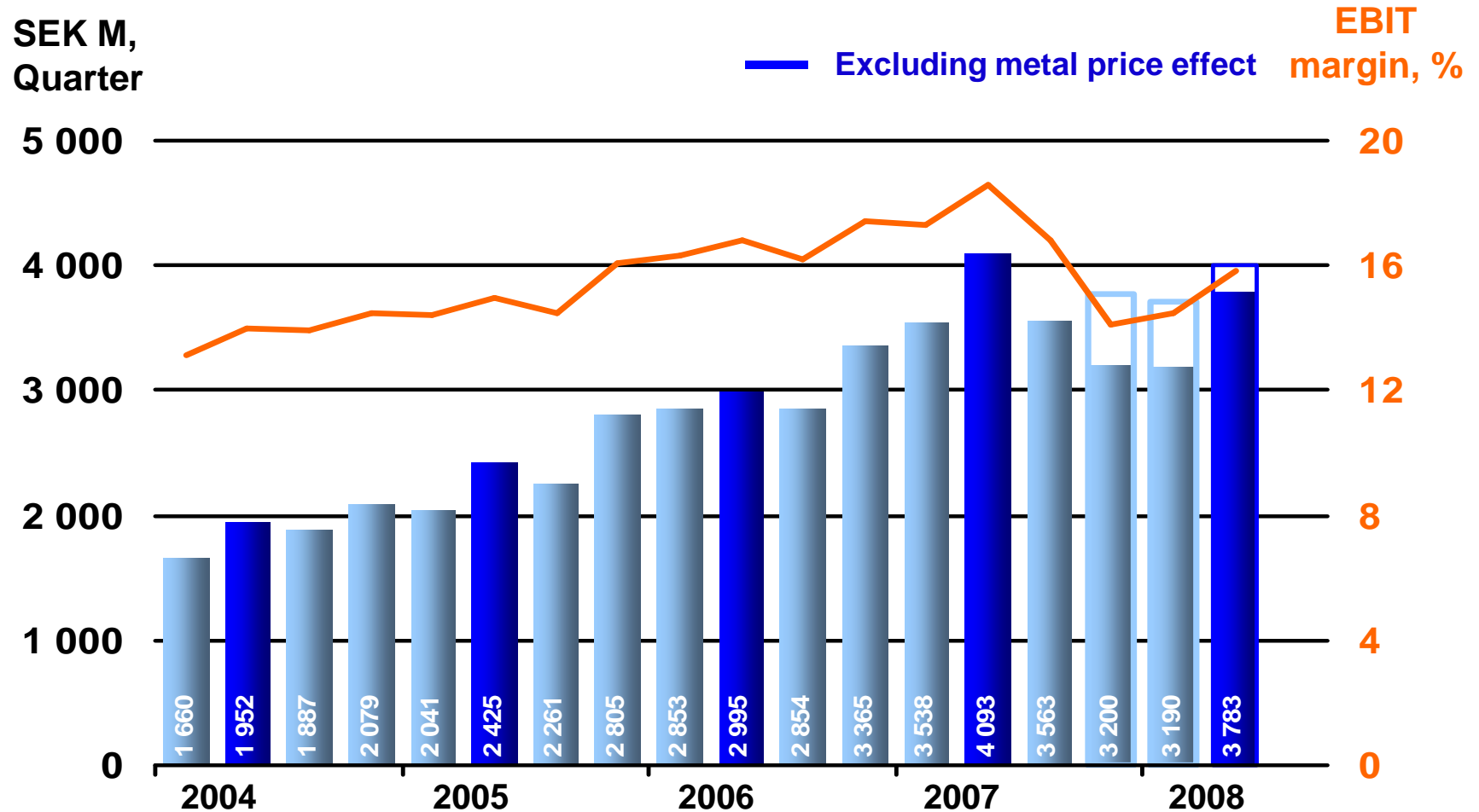
Order Intake by Business Area

Quarter, % change	2007		2008	
	Q2	Ex proj.	Q2	Ex proj.
Sandvik Tooling ¹⁾	+10	+10	+ 10	+ 10
Sandvik Mining and Construction ¹⁾	+ 46	+19	+/- 0	+16
Sandvik Materials Technology ^{1) 2)}	+ 19	+22	- 5	- 5
GROUP ORGANIC GROWTH ¹⁾	+26	+17	+ 2	+ 7
Currency	- 2	- 2	- 4	- 4
Structure	+ 4	+ 4	+ 3	+ 3
GROUP TOTAL	+28	+19	+1	+ 6

¹⁾ Fixed exchange rates for comparable units

²⁾ Approximately +10% in Q2 2007 and -14% in Q2 2008 respectively from changed metal prices

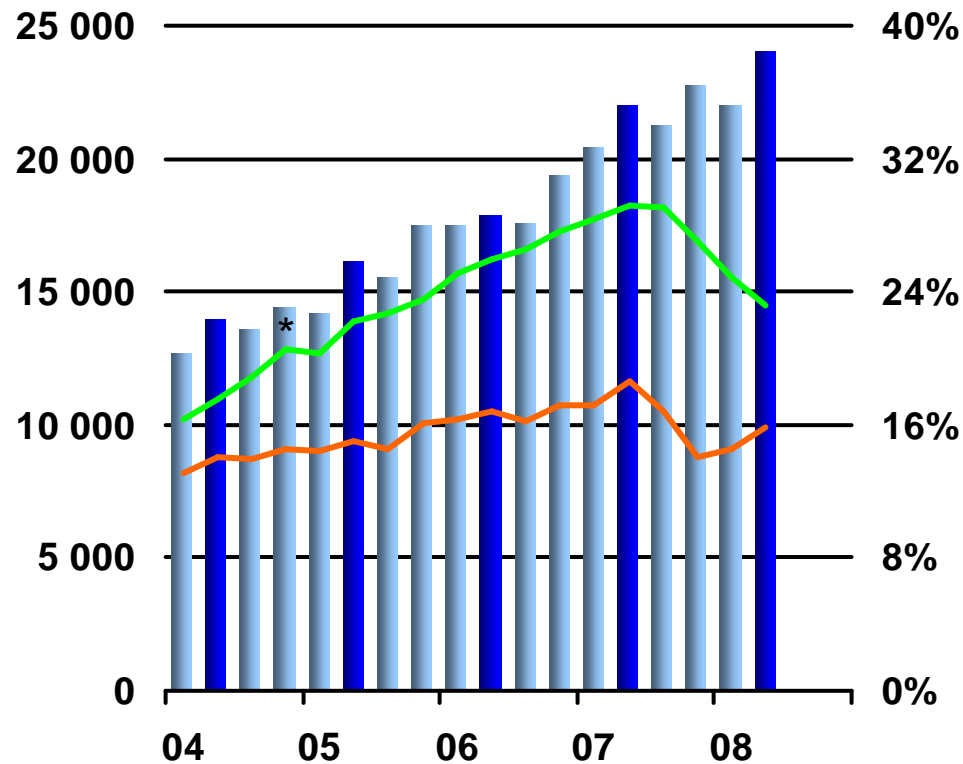
EBIT: SEK 3,783 M, - 8%



Sandvik Group

Invoiced sales
SEK M, Quarter

— EBIT- margin*
— ROCE 12-months*

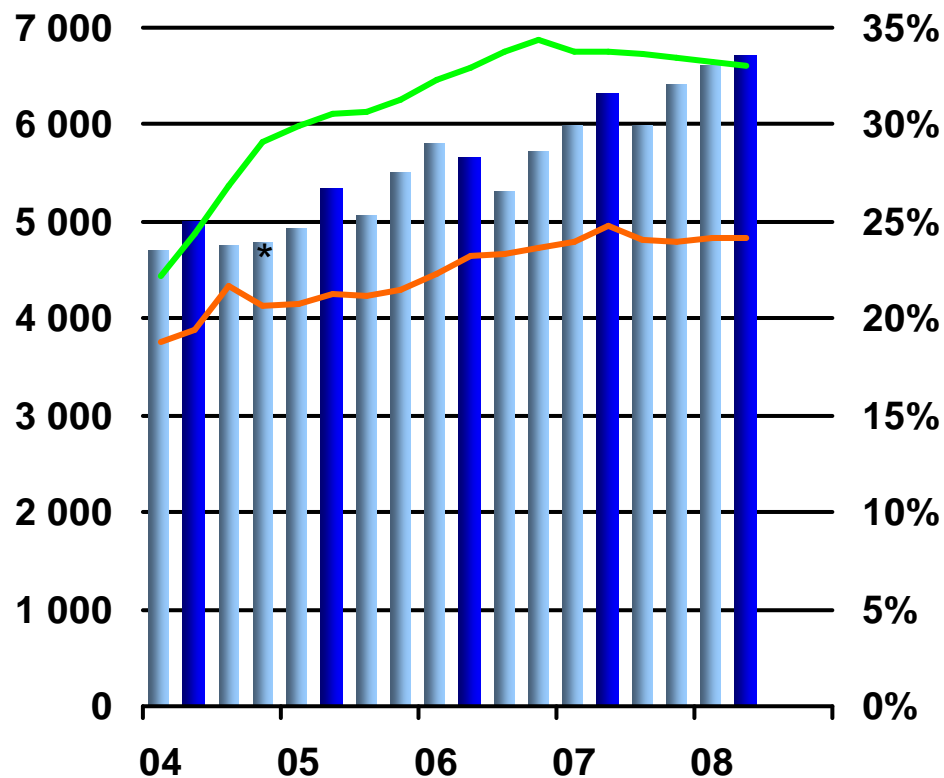


- Order intake +2% (p/v)
- Invoiced sales +12% (p/v)
- EBIT 15.8% of sales
 - ✓ SEK 3,783 M, -8%
 - ✓ Currency effect SEK -340 M
 - ✓ Metal price effects SEK -176 M
- ROCE 23.2% (29.2)
- EPS SEK 1.94 (2.20)

Sandvik Tooling

Invoiced sales
SEK M, Quarter

— EBIT- margin*
— ROCE 12-months*



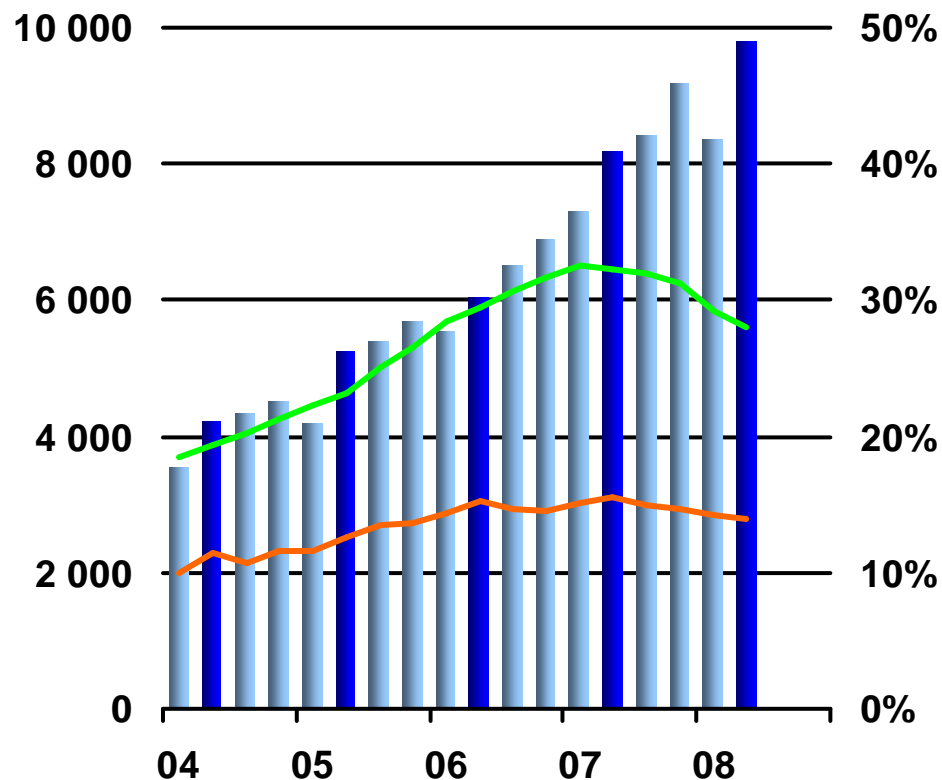
- Order intake +10% (p/v)
 - ✓ Continued strong demand
 - ✓ More working days +2-3%
- Invoiced sales +12% (p/v)
- EBIT 24.2% of sales
 - ✓ SEK 1,626 M, +4%
 - ✓ More working days +1%
 - ✓ Currency effect SEK -130 M
- ROCE 33.0% (33.8)



Sandvik Mining and Construction

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

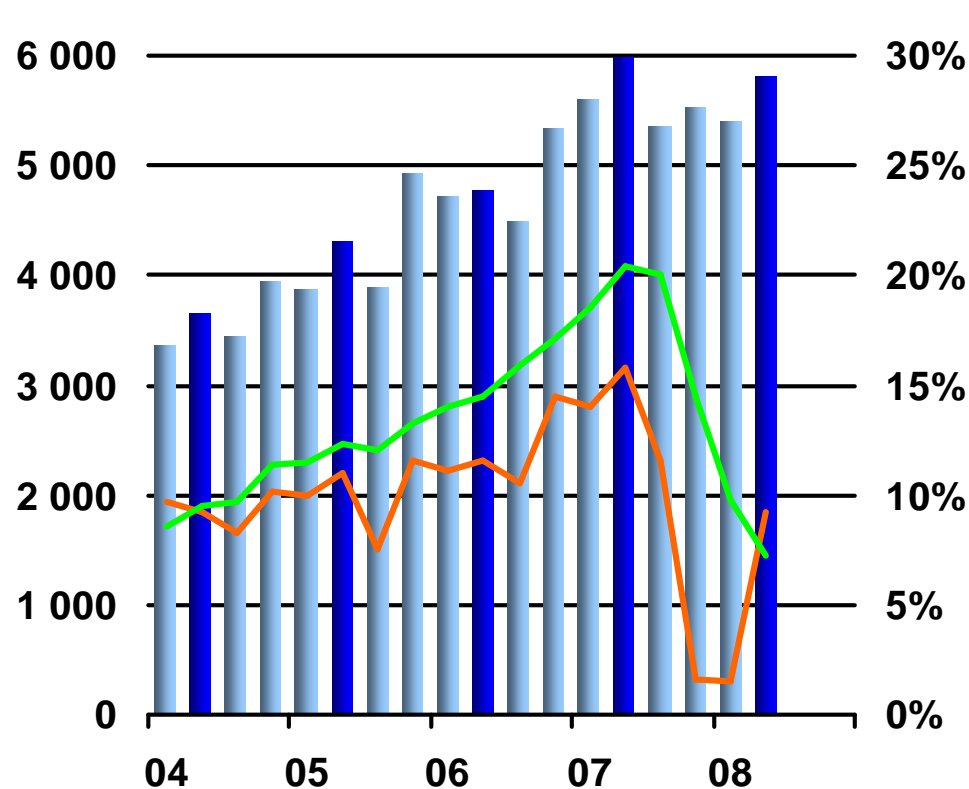


- Order intake +/- 0% (p/v)
 - ✓ Excl project business, + 16%
- Invoiced sales + 19% (p/v)
- EBIT 14.0% of sales
 - ✓ SEK 1,370 M, + 8%
 - ✓ Strategic expansion
 - ✓ Currency effect SEK -180 M
- ROCE 27.9% (32.2)

Sandvik Materials Technology

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



- Order intake -5% (p/v)
 - ✓ Excl metal price effects + 9%
- Invoiced sales +1% (p/v)
 - ✓ Excl metal price effects + 14%
- EBIT 9.2% of sales
 - ✓ SEK 534 M, -43%
 - ✓ Excl metal price effects 12%
- Planned headcount reduction 10%
- ROCE 7.2% (20.4)

Sandvik Materials Technology

Metal price impact

- Nickel inventory level 10,000 tonnes (11,000 in Q1)
- Nickel inventory average price 27,000 USD per ton (29,000 in Q1)
- Inventory revaluation effects:
 - ✓ Q1 SEK -517 M
 - ✓ Q2 SEK -176 M
 - ✓ Q3 + Q4 SEK -250 to -300 M expected

Emphasis on safeguarding margin and cash flow in the business transaction

Summary Q2 2008

- **Stable global growth**
- **Good underlying profitability**
- **Negative currency effects**
- **Improved capital efficiency**
- **Strong cash flow**

Financial Highlights Q2

- 
- Organic growth *
 - ✓ Order intake + 2%
 - ✓ Invoicing + 12%
 - Operating profit (EBIT) - 8%
 - Earnings per share - 12%
 - Operating cash flow + 222%

* Change in fixed currencies for comparable units

P&L summary

MSEK	Q2/2008		Q2/2007		Change %
	Actual	%	Actual	%	
Invoiced sales	24,016		22,002		+ 9
Cost of goods sold	-15,496		-14,071		+10
Gross profit	8,520	35.5	7,931	36.0	+7
Admin, Sales and R&D costs	-4,732	-19,7	-4,093	-18.6	+16
Other op income and exp.	-5	0	+255	1.1	neg.
Operating profit	3,783	15.8	4,093	18.6	-8
Net financial items	-481	-2,0	-298	-1.3	+61
Profit after Financial items	3,302	13.7	3,795	17.2	-13
Profit for the period	2,410	10.0	2,761	12.6	-13

P&L – Gap analysis

Key drivers

SEK M	Q2/2008	Price/ Volume	Curr.	Acq. & One-offs	Q2/2007
Sandvik Group					
Invoicing	24,016	+3,226	-890	-321	22,002
EBIT	3,783	+755	-340	-725	4,093
%	15.8	23.4	-	-	18.6

P&L – Gap analysis

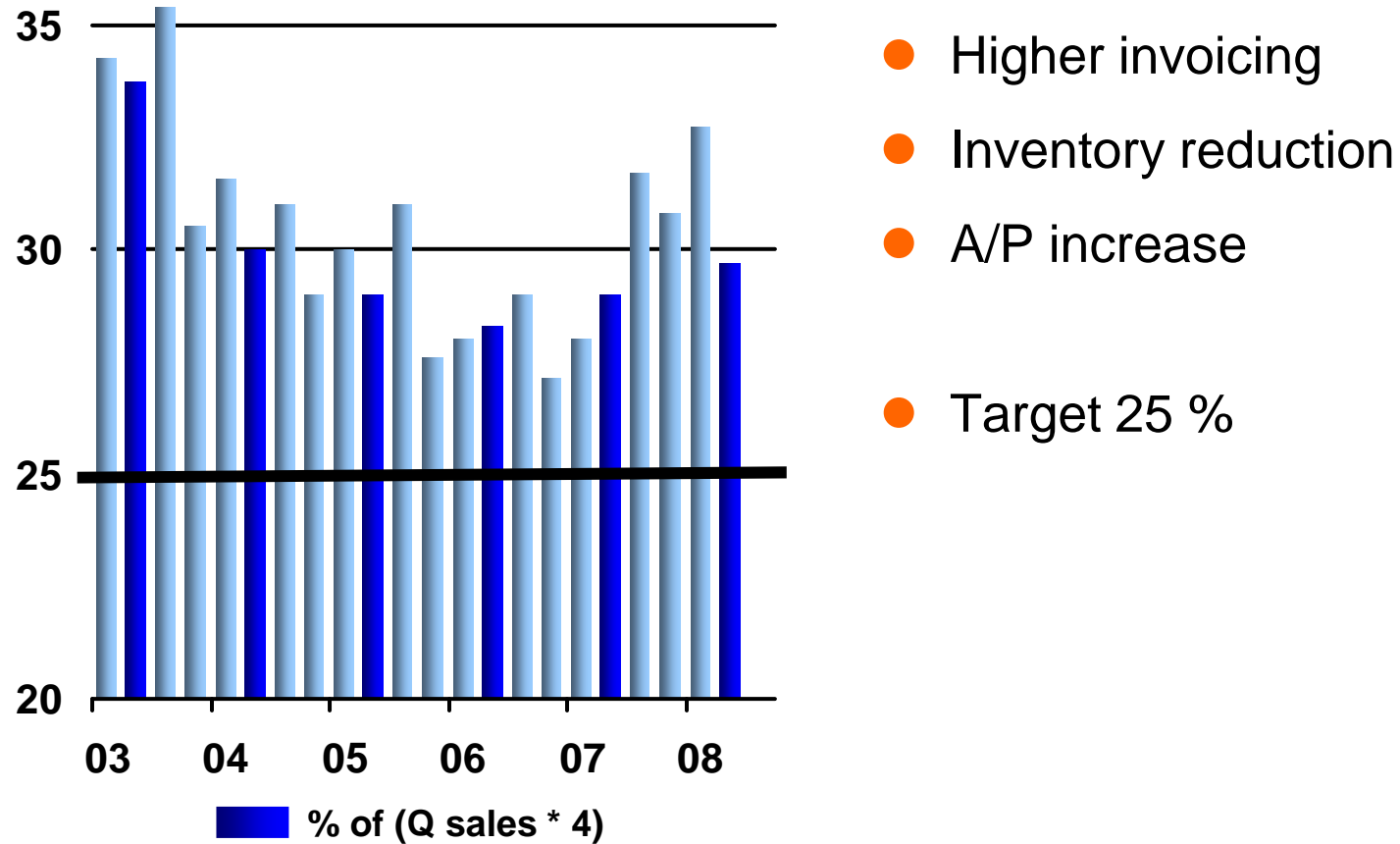
by Business Area

SEK M	Q2/2008	Price/ Volume	Curr.	Acq. & One-offs	Q2/2007
Sandvik Tooling					
Invoicing	6,721	707	-233	-77	6,324
EBIT	1,626	321	-130	-133	1,568
%	24.2	45.4	-	-	24.8
Sandvik Mining and Construction					
Invoicing	9,786	1,448	-398	550	8,186
EBIT	1,370	380	-180	-99	1,269
%	14.0	26.2	-	-	15.5
Sandvik Materials Technology					
Invoicing	5,810	876	-230	-818	5,982
EBIT	534	40	17	-466	943
%	9.2	4.6	-	-	15.8



Capital Efficiency

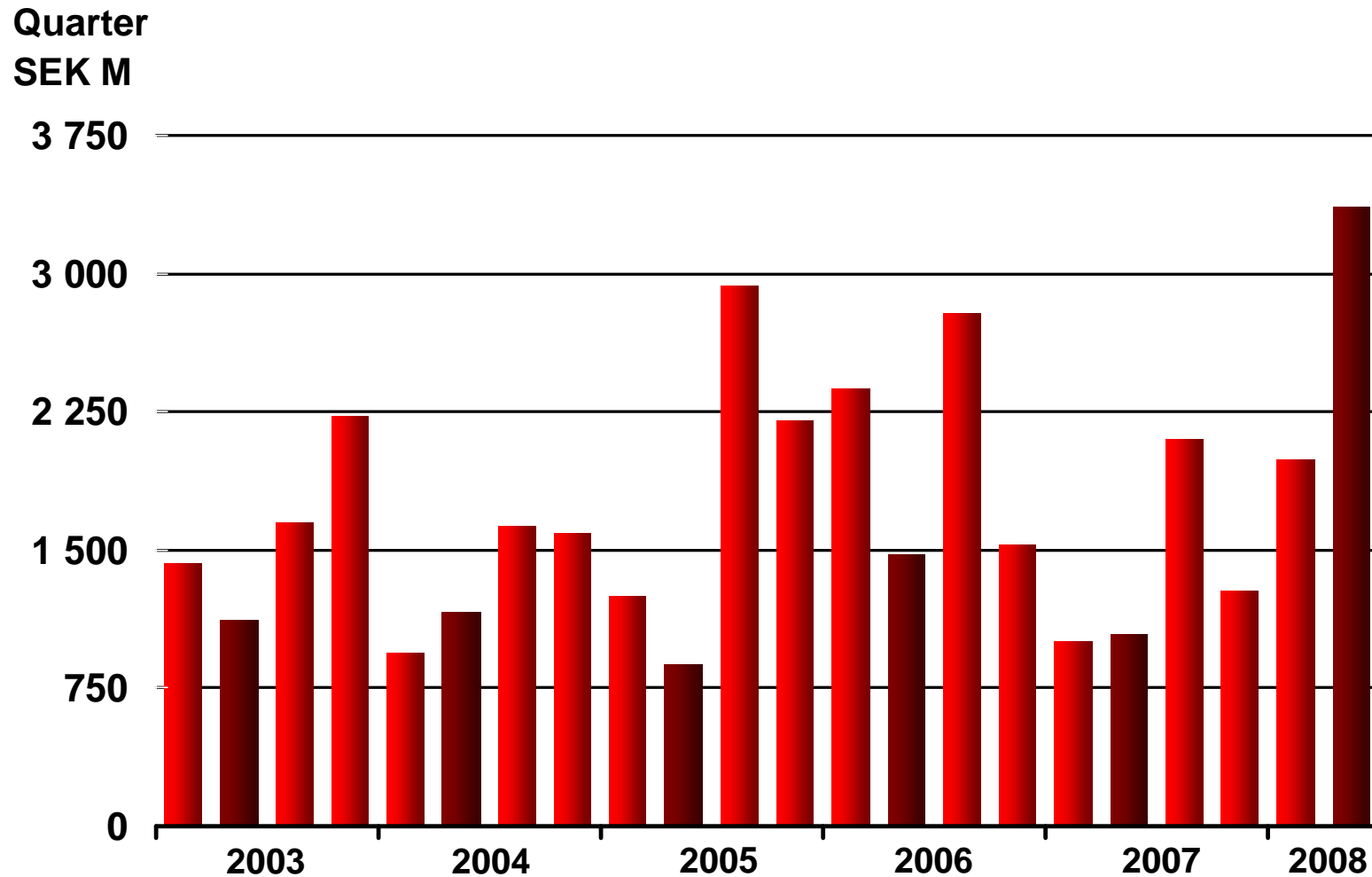
Net Working Capital as % of sales



Balance Sheet Summary

SEK M	Q2/2008	Q2/2007	Change %
Intangible fixed assets	11,256	9,589	+17
Tangible fixed assets	22,142	19,233	+15
Financial fixed assets	3,995	3,885	+3
Inventories	25,657	23,532	+9
Receivables	24,135	20,823	+16
Cash and cash equivalents	3,293	2,135	+54
Total assets	90,478	79,197	+ 14
Total equity	28,304	25,106	+13
Interest-bearing provisions and liabilities	35,901	30,774	+17
Non-interest-bearing prov. and liabilities	26,273	23,317	+13
Total equity and liabilities	90,478	79,197	+ 14

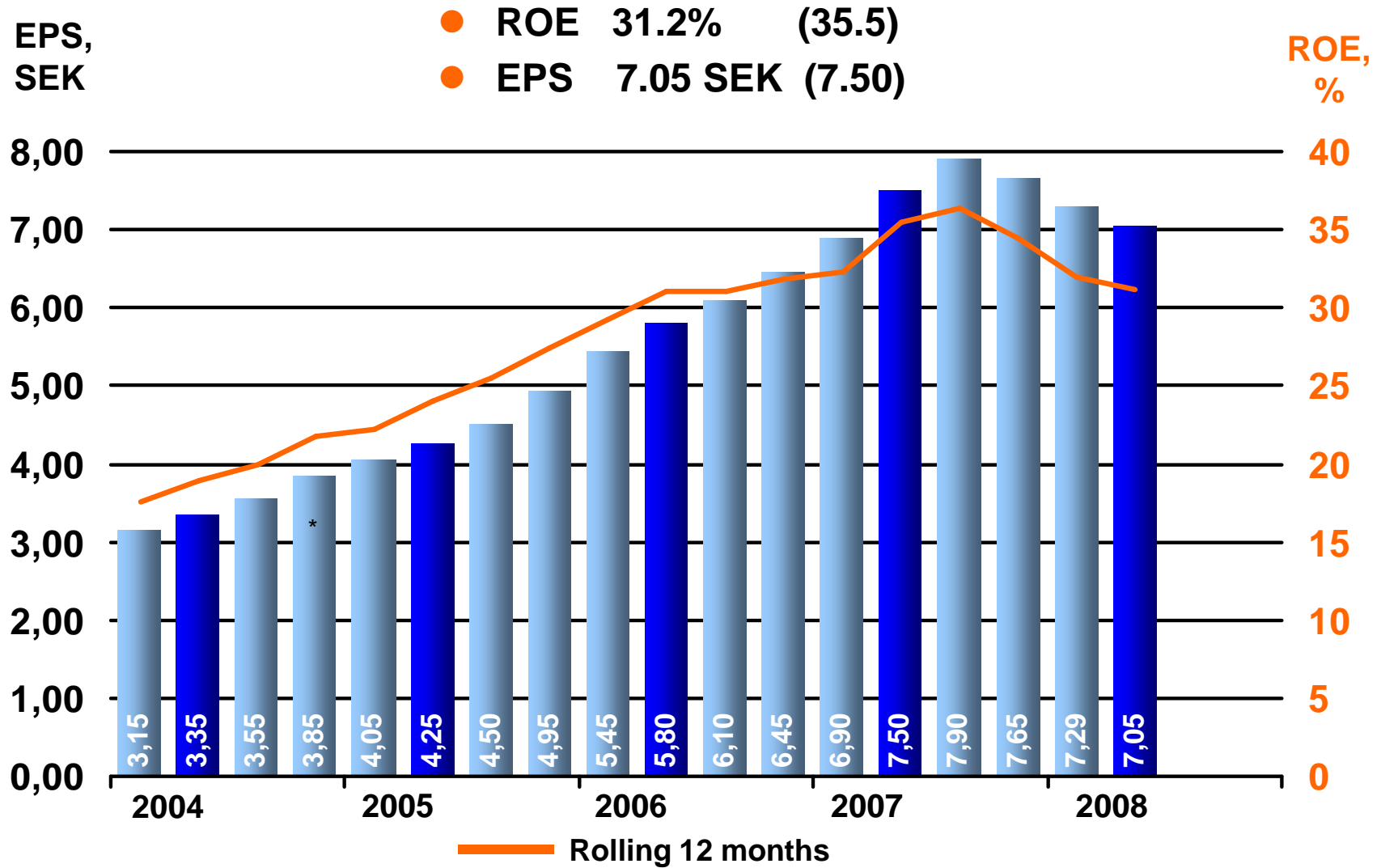
Cash Flow from Operations



Cash Flow Summary

SEK M	Q2/2008	Q2/2007
● Cash flow from operations before NWC	+2,946	+3,574
● Change in inventories	-21	-2,212
● Change in current receivables	-981	-1,207
● Change in current operating liabilities	+1,420	+891
● Net cash flow from operations	+3,364	+1,046
● Net cash used in investing activities	-2,220	-1,588
● Net cash flow after investing activities	+1,144	-542
● Net cash used in financing activities	+5,464	+8,270
● Dividends paid/Share buy backs	-5,111	-7,766
● Cash flow for the quarter	+1,497	-38

Shareholder Value



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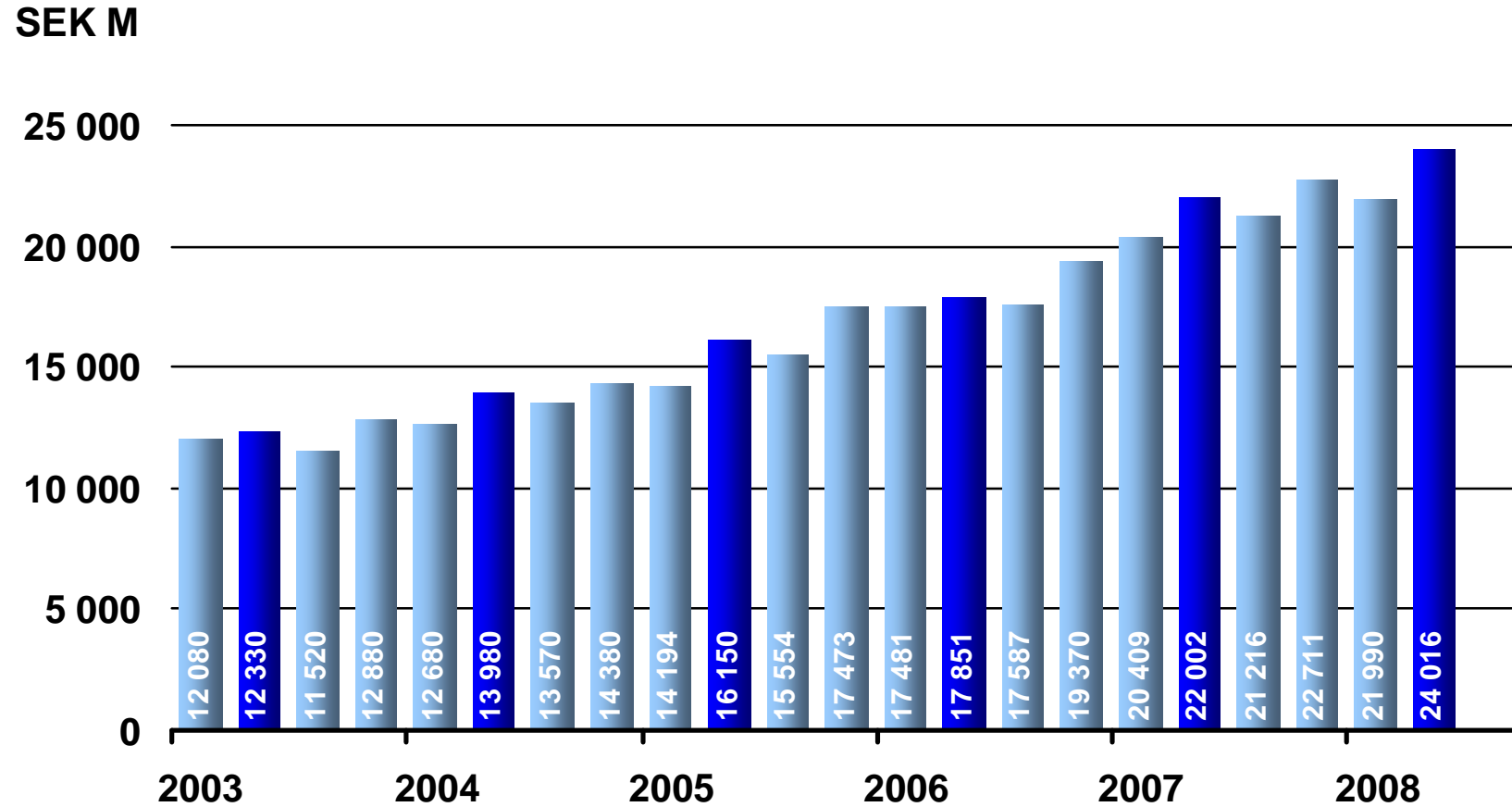


Q&A session



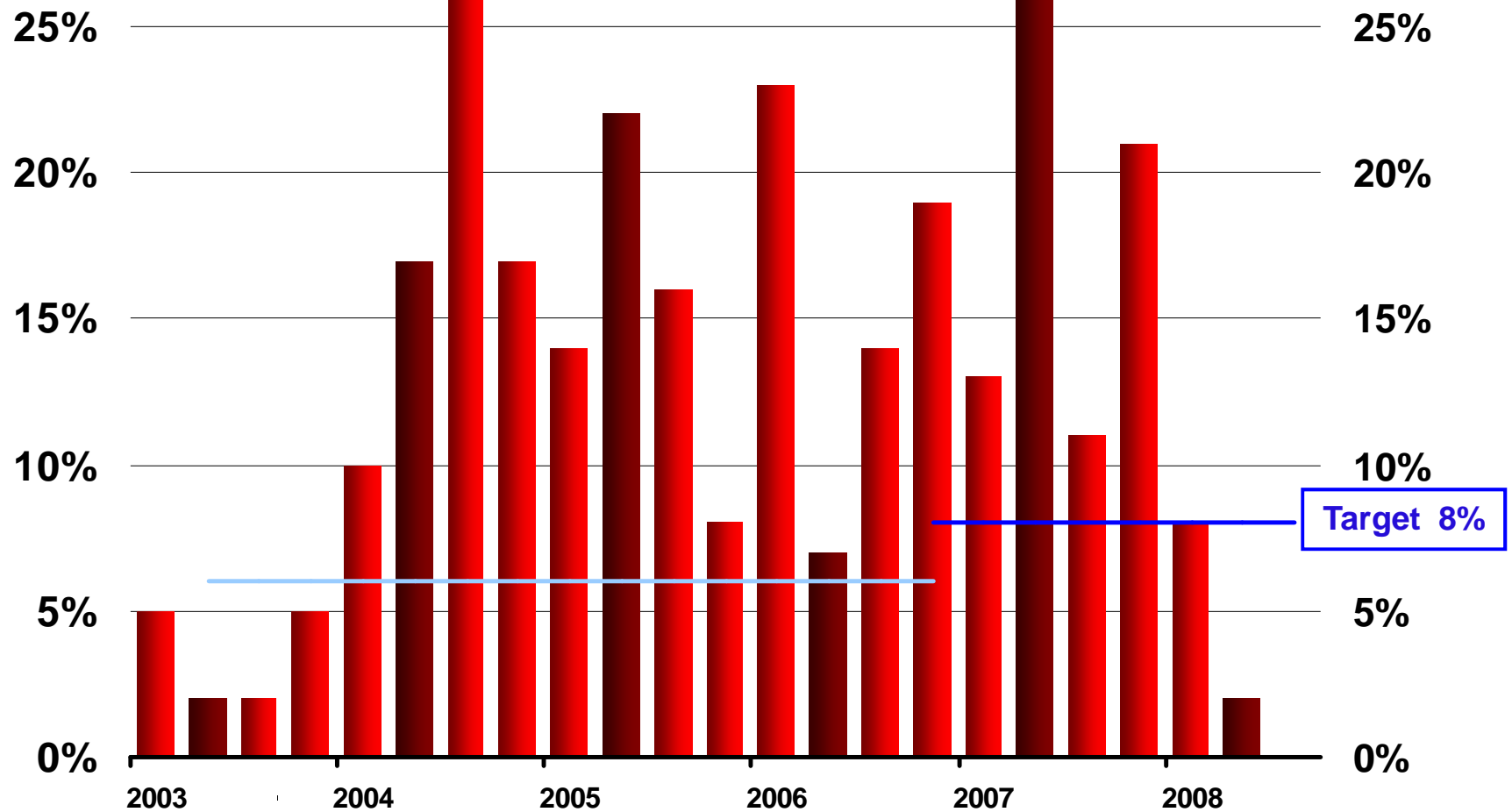
Back up slides

Invoicing: SEK 24,016 M, +9%



~ +13% underlying growth

Organic order intake: + 2%



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



Financial Key Figures

	Q2/07	Q3/07	Q4/07	Q1/08	Q2/08
● Cash Flow from op., SEK M	1,046	2,103	1,282	1,996	3,364
● CAPEX, SEK M	1,146	1,250	1,962	1,462	1,630
● ROCE, % 12 months	29.2%	29.1%	27.0%	24.9%	23.2%
● ROE, % 12 months	35.5%	36.4%	34.4%	31.9%	31.2%
● Net debt/equity ratio	1.1	1.1	1.0	0.9	1.1
● EPS, SEK 12 months	7.50	7.90	7.65	7.31	7.05



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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.”