

Interim report

Q4 2008



Lars Pettersson, CEO

Per Nordberg, CFO

4 February, 2009

Market highlights Q4

- **Business environment**

- ✓ Sharp slowdown in demand
- ✓ Customer production shut-downs
- ✓ Contractions of investments

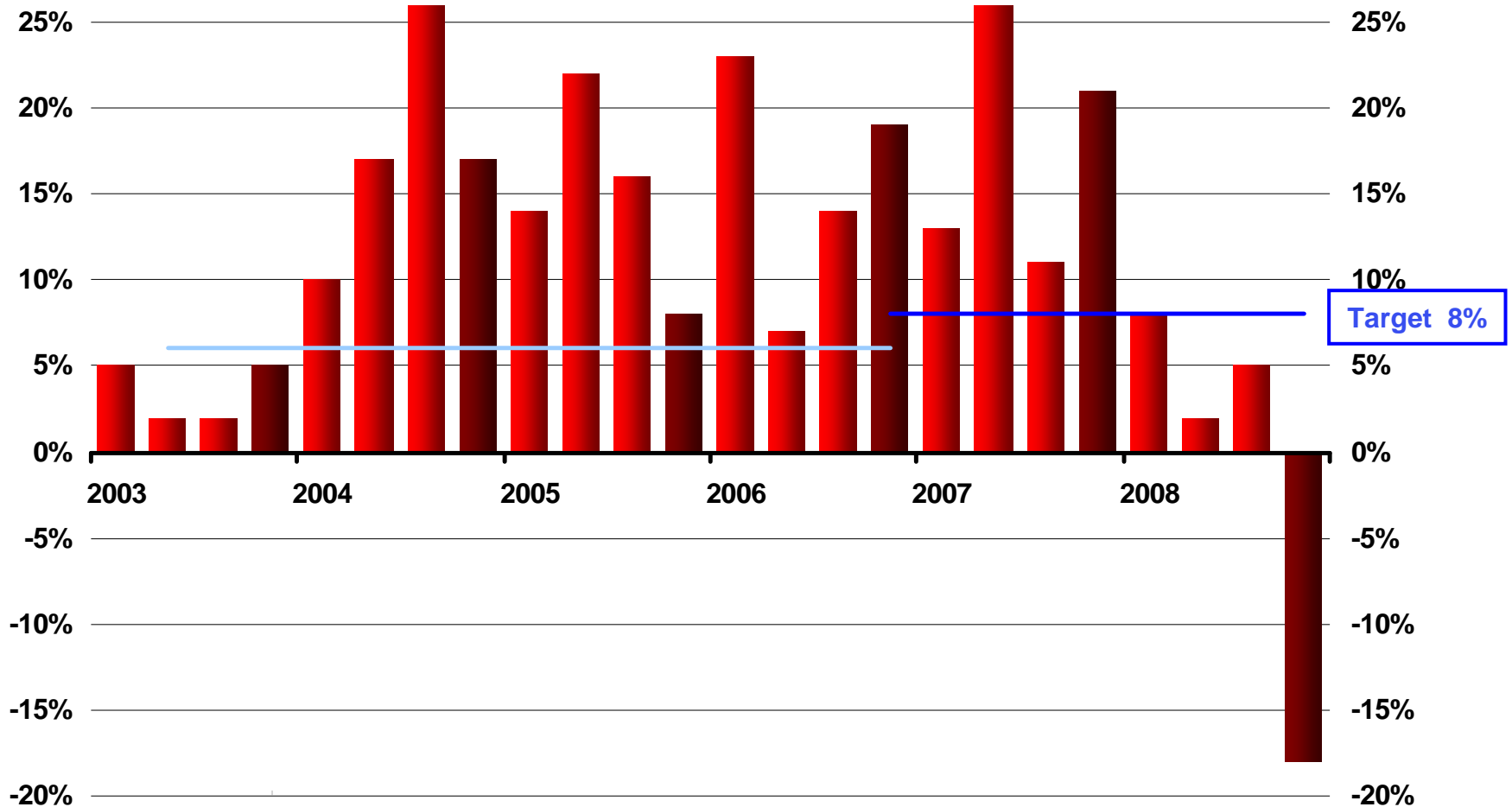
- **Business segments**

- ✓ Growth in energy
- ✓ Stable demand in aerospace, medical, underground mining
- ✓ Weak in consumer related, parts of general engineering
- ✓ Very weak in automotive, construction and exploration

Operational highlights Q4

- Improved cash flow SEK 1,925 M, +50%
- Under-absorption of fixed costs, SEK ~-1,500 M
- Measures to limit effects of lower demand, reduction of:
 - ✓ Cost base
 - ✓ Inventories
 - ✓ Number of employees
- Metal price effects SEK -320 M
- Currency effect on EBIT of SEK +700 M
- Restructuring cost, one-offs SEK -300 M

Organic order intake: - 18%



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



Organic order growth by Region

Quarter, % change ¹⁾	2007		2008	
	Q4	Ex proj.	Q4	Ex proj.
Europe	+ 12	+ 15	- 16	- 25
Nafta	+ 15	+ 9	-18	- 13
South America	+ 24	- 11	- 34	+16
Asia	+ 25	+ 25	- 13	- 18
Australia	+ 47	+ 19	- 46	- 33
Africa/Middle East	+ 59	+ 59	+ 9	- 8
GROUP TOTAL	+ 21	+ 17	- 18	- 19

¹⁾ Order intake at fixed exchange rates for comparable units

Order intake by Business area

Quarter, % change	2007		2008	
	Q4	Ex proj.	Q4	Ex proj.
Sandvik Tooling ¹⁾	+ 9	+ 9	- 18	-18
Sandvik Mining and Construction ¹⁾	+ 40	+35	- 20	- 17
Sandvik Materials Technology ^{1) 2)}	+ 11	+ 4	- 17	- 27
GROUP ORGANIC GROWTH ¹⁾	+ 21	+ 17	- 18	- 19
Currency	-	-	+ 6	+ 6
Structure	+ 3	+ 3	-	-
GROUP TOTAL	+ 25	+ 20	- 12	- 13

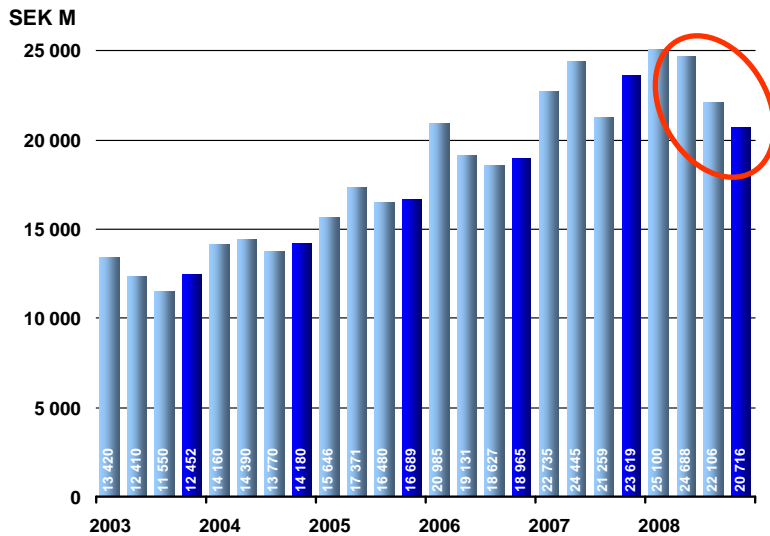
¹⁾ Fixed exchange rates for comparable units

²⁾ Approximately +3% in Q4 2007 and -3% in Q4 2008 respectively after changes in metal prices

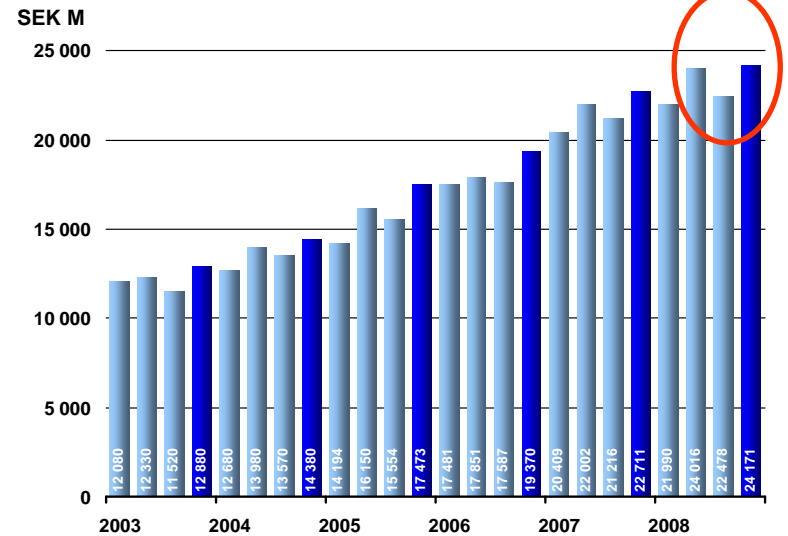
Book-to-bill

- Organic order intake -18%
- Organic invoicing -1%
- Book-to-bill 86%

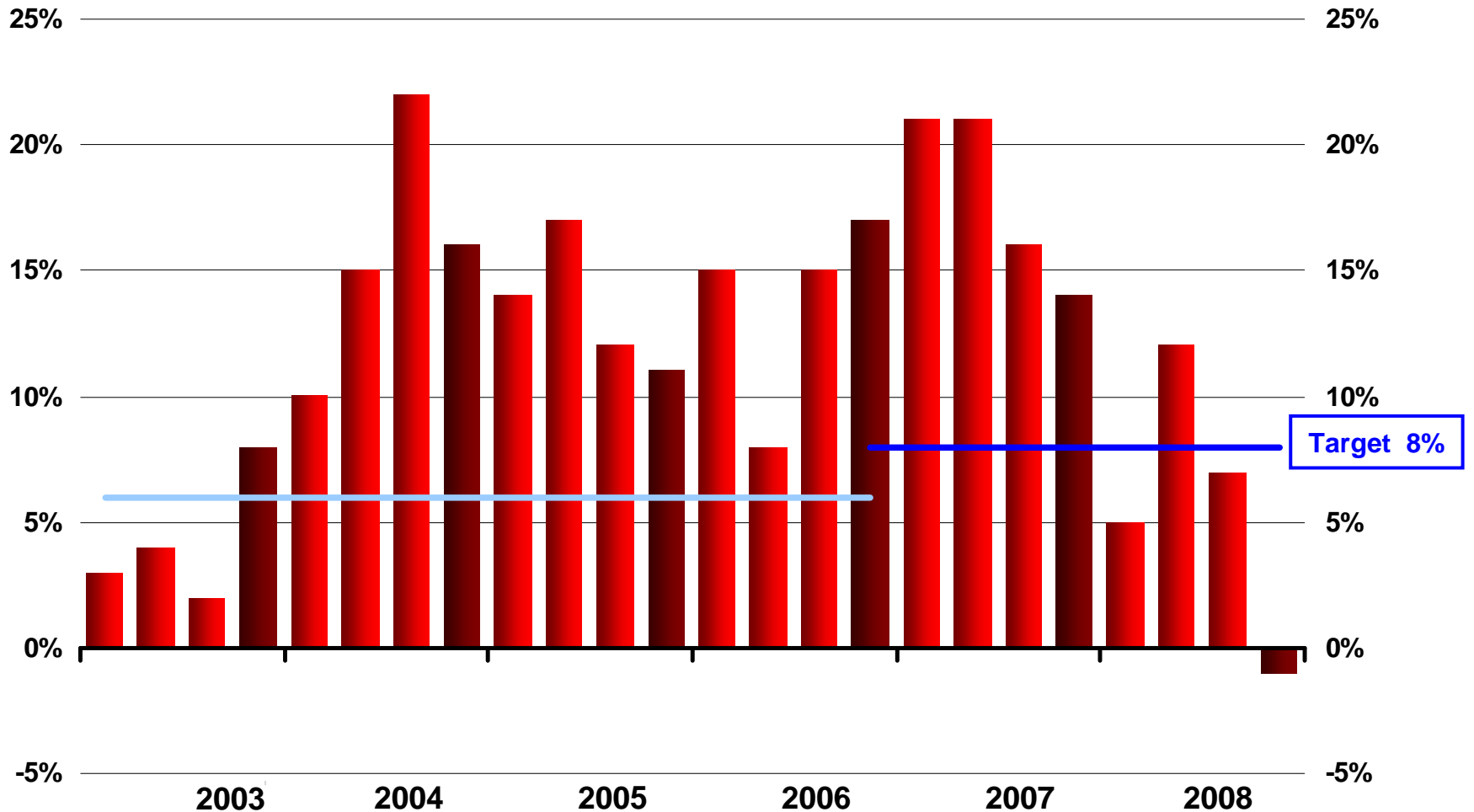
Order intake



Invoicing

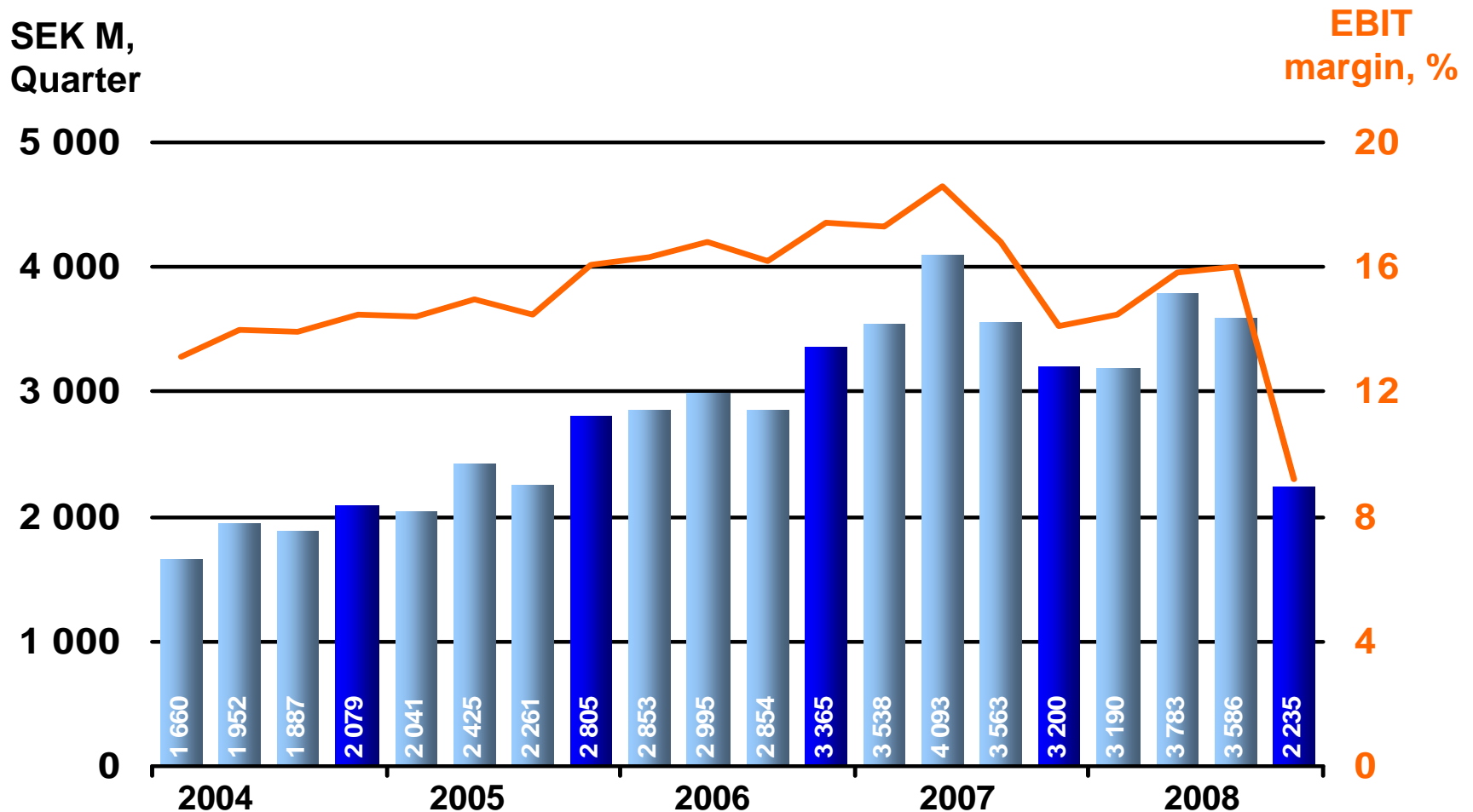


Organic invoicing: -1%



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

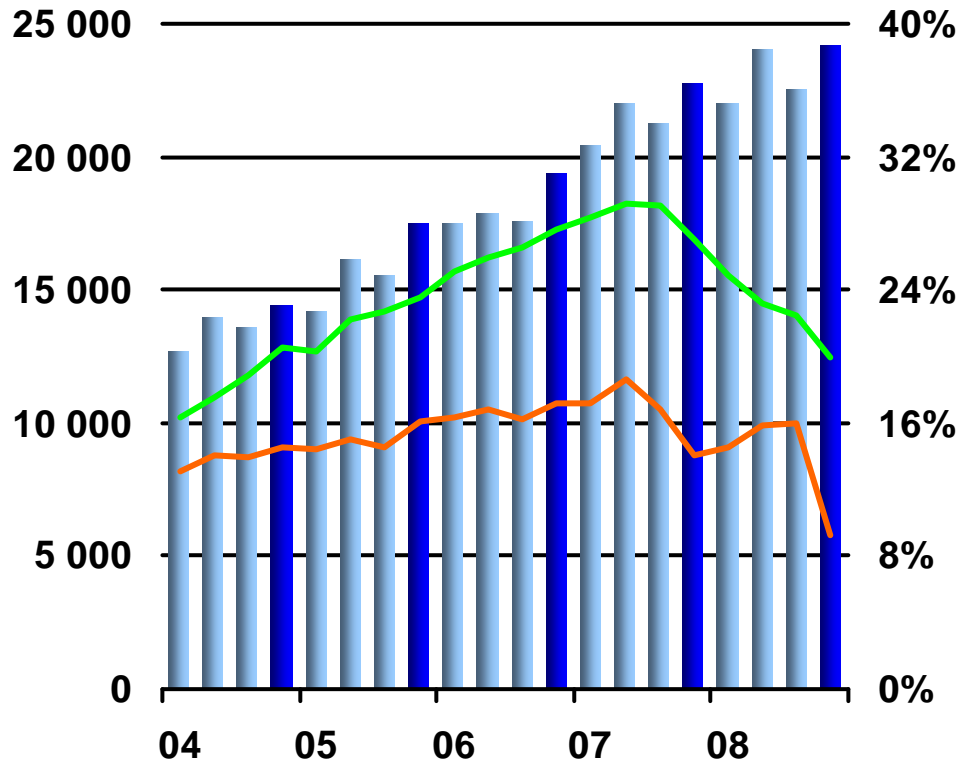
EBIT: SEK 2,235 M, -30%



Sandvik Group

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

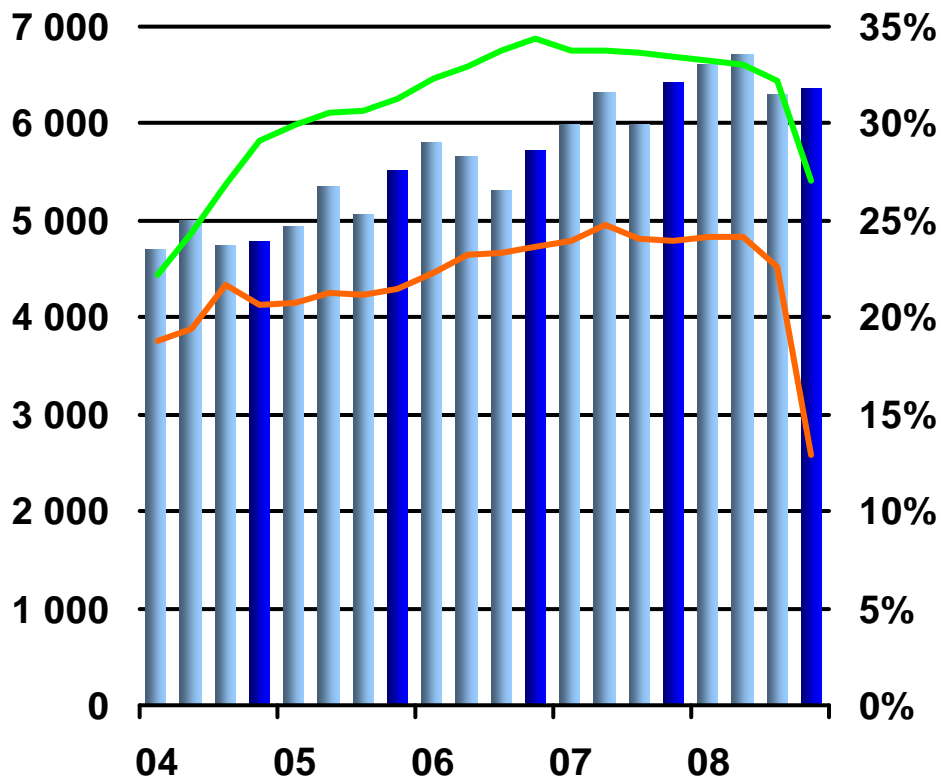


- Order intake -18% (P/V)
- Invoiced sales -1% (P/V)
- EBIT 9.2% of sales
 - ✓ SEK 2,235 M, -30%
 - ✓ Currency effect SEK +700 M
 - ✓ Metal price effects SEK -320 M
 - ✓ Restructuring cost, one-offs SEK -300 M
- ROCE 19.9% (27.0)
- EPS SEK 0.92 (1.65)

Sandvik Tooling

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

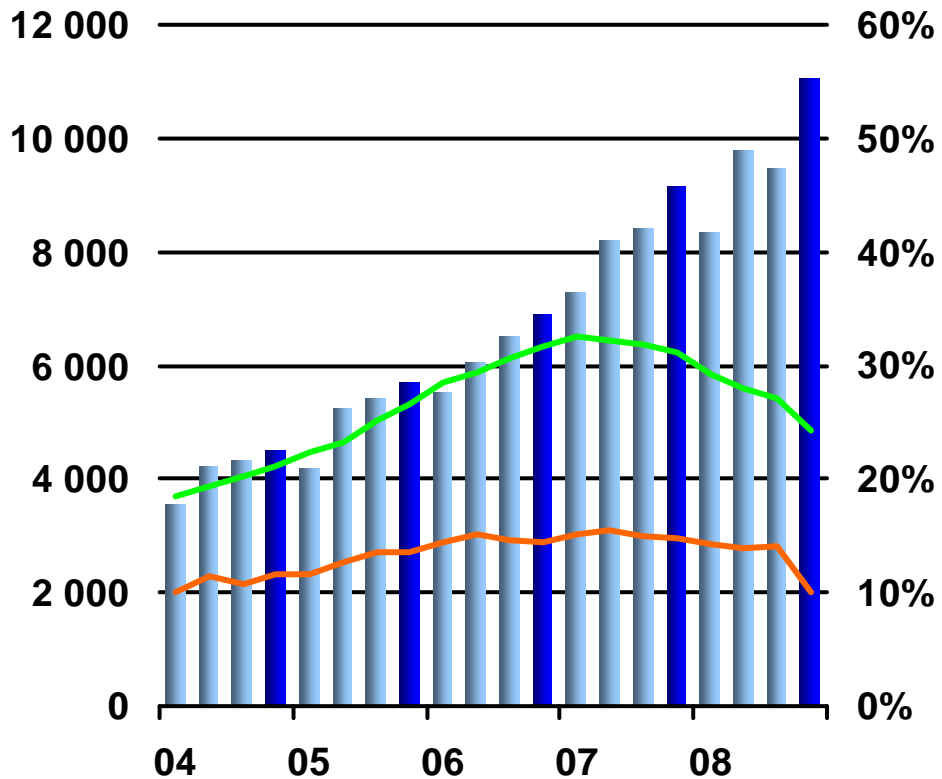


- Order intake -18% (P/V)
 - ✓ Sharp decline in most areas
- Invoiced sales -12% (P/V)
- EBIT 12.9% of sales
 - ✓ SEK 817 M, -47%
 - ✓ Under-absorption of fixed cost
 - ✓ Restructuring cost, one-offs SEK -200 M
 - ✓ Currency effect SEK +260 M
- ROCE 27.0% (33.5)

Sandvik Mining and Construction

Invoiced sales
SEK M, Quarter

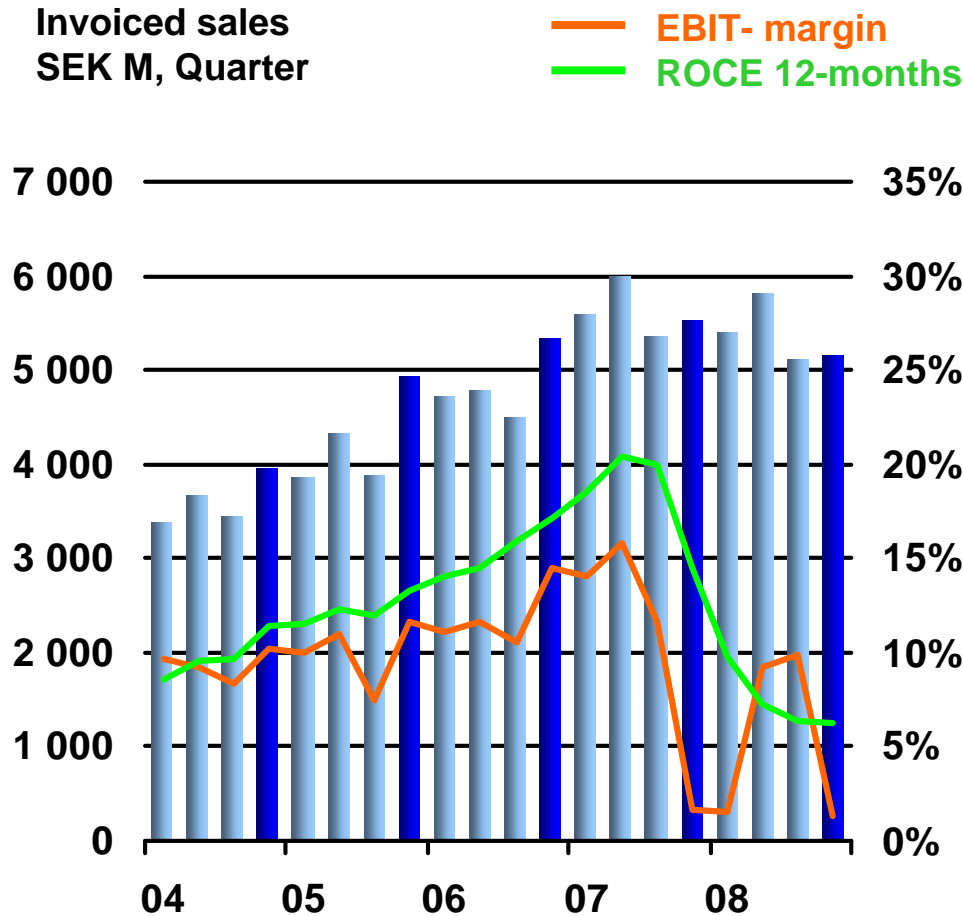
— EBIT- margin
— ROCE 12-months



- Order intake -20% (P/V)
 - ✓ Sharp decline in most areas
- Invoiced sales +17% (P/V)
 - ✓ High project sales
- EBIT 10.0% of sales
 - ✓ SEK 1,105 M, -18%
 - ✓ High share project sales
 - ✓ Restructuring costs SEK -80 M
 - ✓ Currency effect SEK +110 M
- ROCE 24.2% (31.2)



Sandvik Materials Technology



- Order intake -17% (P/V)
 - ✓ Excl metal price effects -3%
 - ✓ Sharp decline except for Energy
- Invoiced sales -15% (P/V)
 - ✓ Excl metal price effects -1%
- EBIT 1.3% of sales
 - ✓ SEK 65 M, -24%
 - ✓ Metal price effect SEK -320 M
 - ✓ Excl metal price effects 7.5%
 - ✓ Under-absorption of fixed cost
 - ✓ Currency effect SEK +110 M
- ROCE 6.3% (14.5)
 - ✓ Excl metal price effects 12%



Structural measures

- **Reducing production rates**
- **Closure of plants in Australia, Northern Ireland and Canada**
- **Utilizing time banks and temporary lay-offs**
- **Personnel reductions**
 - ✓ **More than 1,000 temporary employees**
 - ✓ **~900 permanent employees**

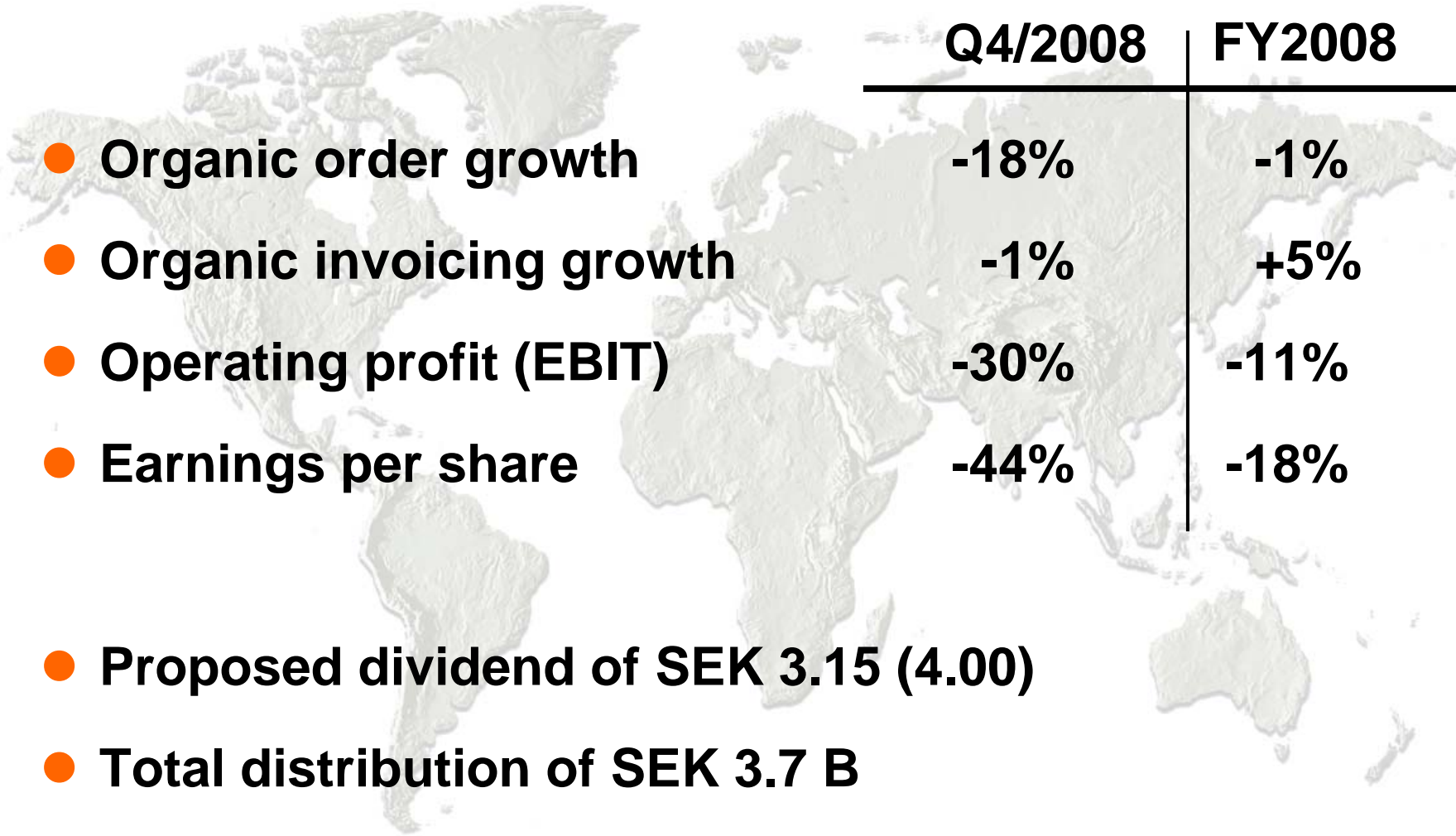
CEO summary Q4 2008

- 
- **Global slowdown of demand**
 - **Improved cash flow**
 - **Drop in result**
 - ✓ **Under-absorption of fixed cost**
 - ✓ **Restructuring charges**
 - **Continuous monitoring of the business environment**

Focus 2009

- 
- **Continuous monitoring of the business environment**
 - **Focus on cash flow**
 - **Capitalizing on market opportunities**
 - **Significantly reduced capex**
 - **Adjustment of manufacturing capacity**

Financial Highlights



	Q4/2008	FY2008
● Organic order growth	-18%	-1%
● Organic invoicing growth	-1%	+5%
● Operating profit (EBIT)	-30%	-11%
● Earnings per share	-44%	-18%
● Proposed dividend of SEK 3.15 (4.00)		
● Total distribution of SEK 3.7 B		

P&L summary

MSEK	Q4/2008		Q4/2007		Change %
	Actual	%	Actual	%	
Invoiced sales	24,171		22,711		+6
Cost of goods sold	-17,129	70.9	-15,094	66.5	+13
Gross profit	7,042	29.1	7,617	33.5	-8
Admin, Sales and R&D costs	-5,007	-20.7	-4,387	-19.3	+14
Other op income and exp.	+200	0.8	-30	-0.1	N/A
Operating profit	2,235	9.2	3,200	14.1	-30
Net financial items	-711	-2.9	-467	-2.1	+52
Profit after Financial items	1,524	6.3	2,733	12.0	-44
Profit for the period	1,154	4.8	2,083	9.2	-45

P&L – Gap analysis

Key drivers

SEK M	Q4/2008	Price/ Volume	Curr.	Struct. & One-offs*	Q4/2007
Sandvik Group					
Invoicing	24,171	+476	+1,665	-681	22,711
EBIT	2,235	-1,281	+700	-384	3,200
EBIT %	9.2	N/A	-	-	14.1

*Includes metal price effects

P&L – Gap analysis

by Business Area

SEK M	Q4/2008	Price/ Volume	Curr.	Struct. & One-offs*	Q4/2007
Sandvik Tooling					
Invoicing	6,359	-859	+805	-16	6,429
EBIT	817	-747	+260	-238	1,542
%	12.9	-87.0	-	-	24.0
Sandvik Mining and Construction					
Invoicing	11,038	+1,579	+258	+35	9,166
EBIT	1,105	-214	+110	-139	1,348
%	10.0	-	-	-	14.7
Sandvik Materials Technology					
Invoicing	5,146	-110	+445	-727	5,538
EBIT	65	-227	+110	+96	86
%	1.3	-206.4	-	-	1.6

*Includes metal price effects



Balance sheet summary

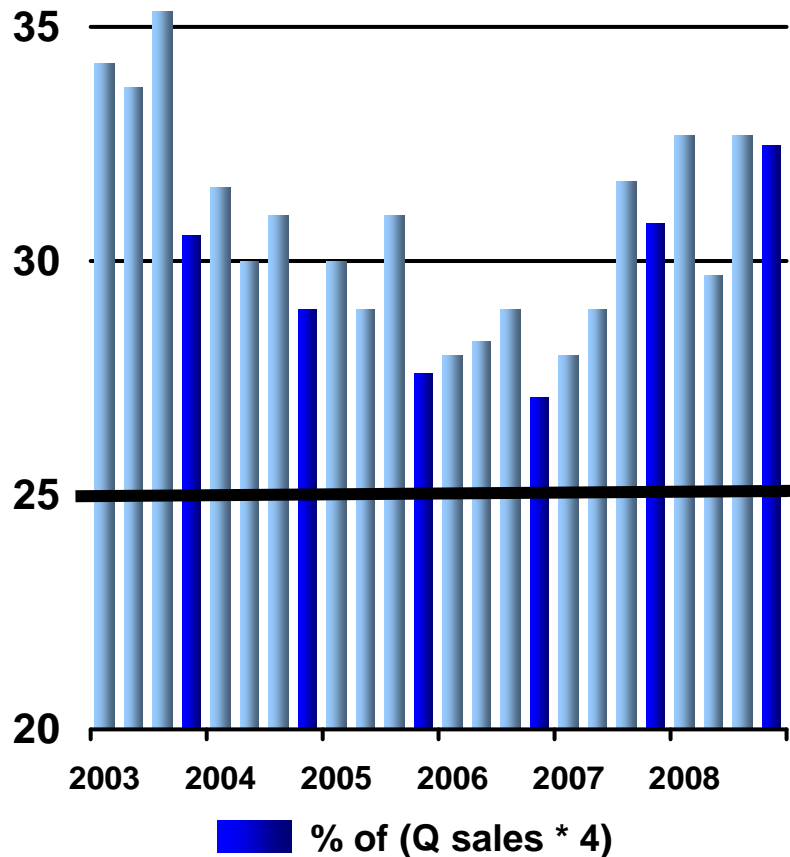
SEK M	Q4/2008	Q4/2007	Change %
Intangible fixed assets	12,472	11,425	+9
Tangible fixed assets	26,123	20,895	+25
Financial fixed assets	4,352	3,779	+15
Inventories	28,614	25,301	+13
Receivables	26,668	22,029	+21
Cash and cash equivalents	4,998	2,006	+149
Total assets	103,227	85,435	+ 21
Total equity	36,725	29,823	+23
Interest-bearing liabilities	39,863	31,946	+25
Non-interest-bearing liabilities	26,639	23,666	+13
Total equity and liabilities	103,227	85,435	+ 21

Cash flow summary

SEK M	Q4/2008	FY2008
● Cash flow from operations before NWC	+2,278	+11,019
● Change in inventories	+715	-1,001
● Change in current receivables	+436	-640
● Change in current operating liabilities	-1,504	+293
● Net cash flow from operations	+1,925	+9,671
● Net cash used in investing activities	-2,022	-7,631
● Net cash flow after investing activities	-97	+2,040
● Net cash used in financing activities	+3,388	+5,835
● Dividends paid/Share buy backs	-	-5,111
● Cash flow for the period	+3,291	+2,764

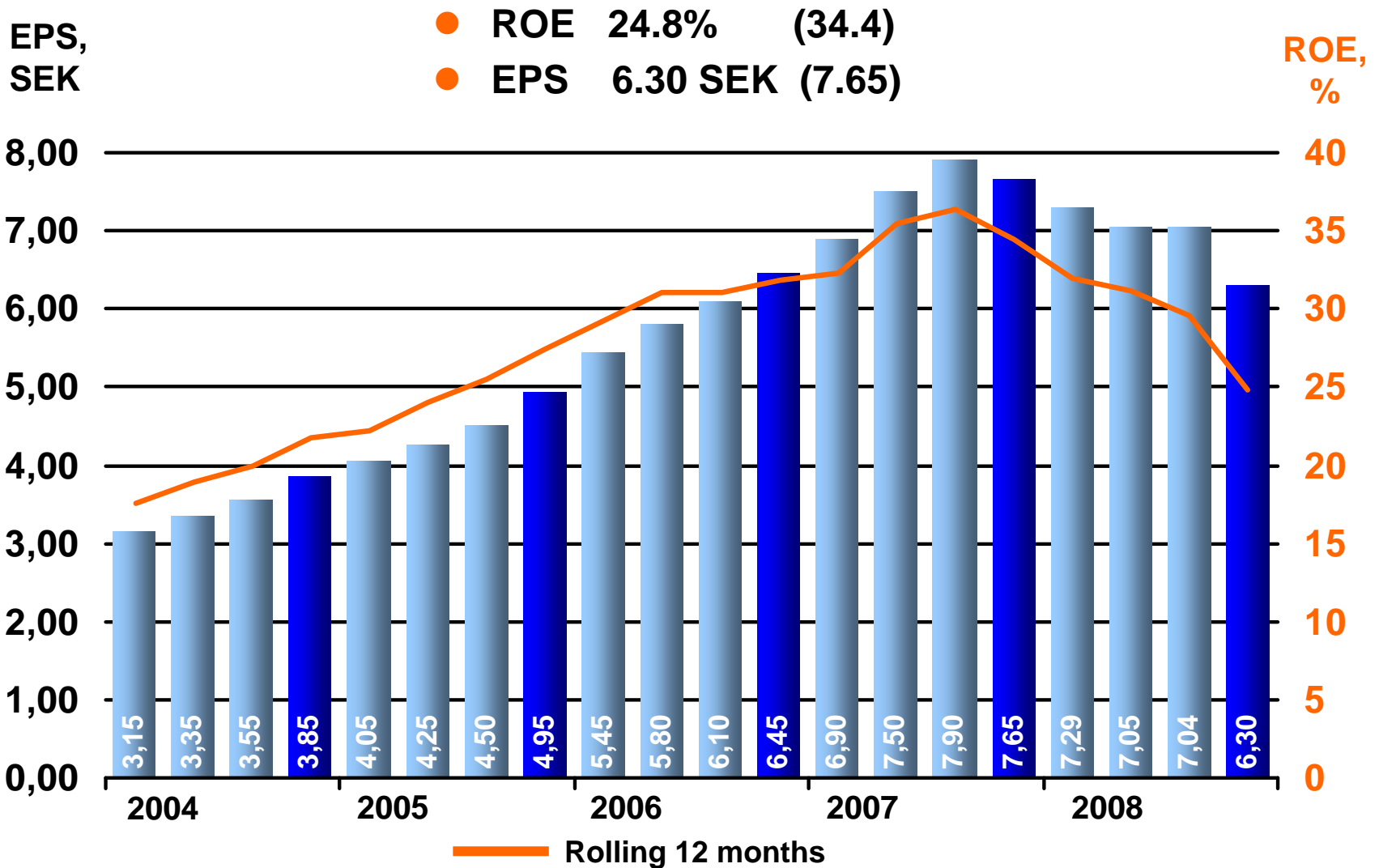
Capital efficiency

Net Working Capital as % of sales



- Reduction of
 - ✓ Inventory (+)
 - ✓ Accounts receivable (+)
 - ✓ Accounts payable (-)
- Significantly less pre-payments
...due to lower order intake (-)
- Target 25 %

Shareholder value



CFO full year summary 2008

- **Stable growth up until the third quarter**
- **Strong cash flow**
- **Stable financing capacity**
- **Strong financial position**

Sale of interest swap

- **USPP loans taken in 2005 and 2007 of USD 740 M**
- **Maturity 2015 - 2020**
- **Swap contracts in 2007 – move from fixed to floating rates**

- **Significant interest cuts since 2007**
- **Swap contracts closed in Jan 2009**
 - ✓ **one time cash flow impact of SEK 1,2 B in Q1 2009**
 - ✓ **profit distributed over 11 years**

Proposal to the AGM

28 April, Sandviken

- **Proposed dividend of SEK 3.15 (4.00) -21%**
- **Total distribution of SEK 3.7 M (4.7)**



Q&A session



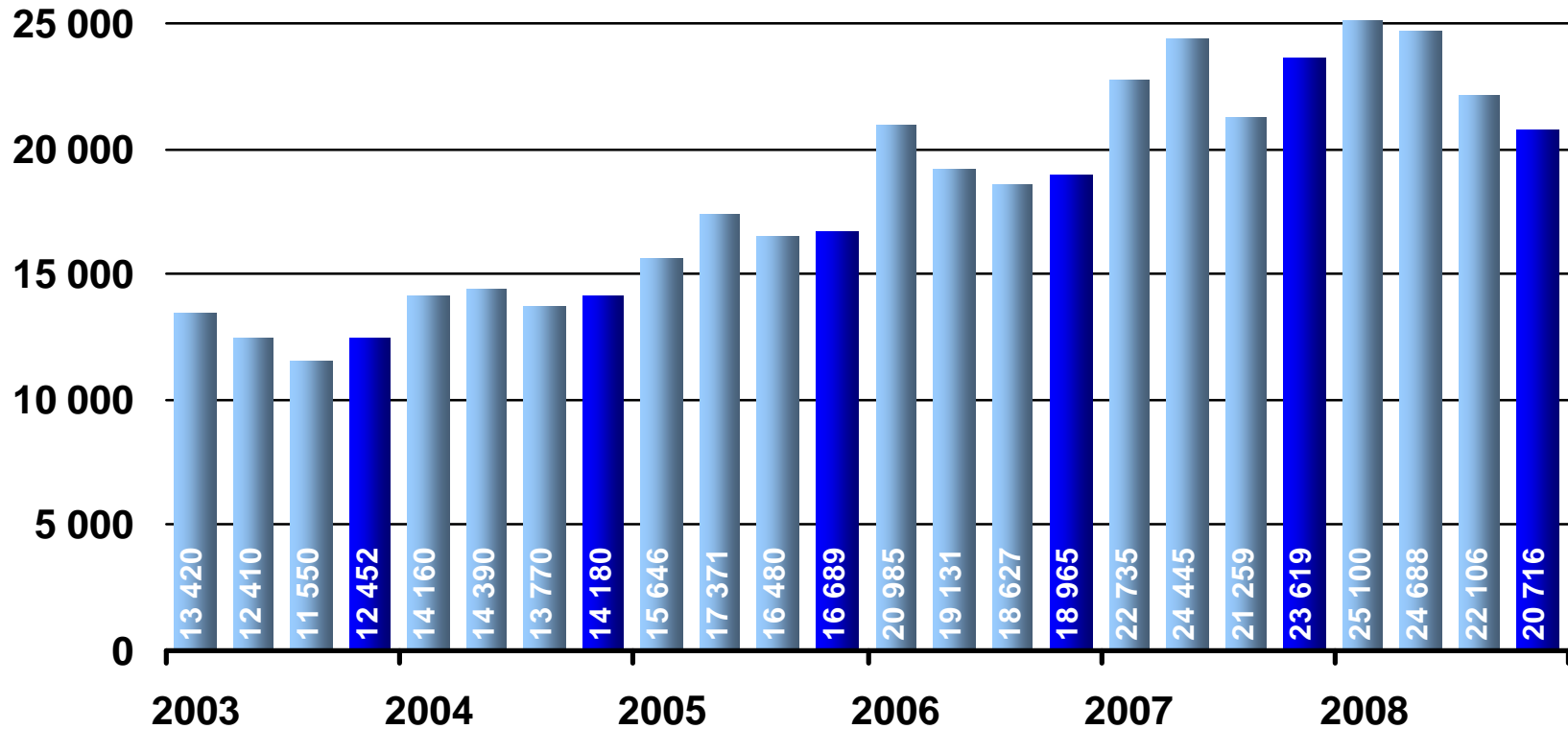
Back up slides

Growth bridge analysis

	Order Intake	Invoicing
Reported growth	- 12%	+ 6%
Currency	- 6%	- 7%
Structure	-	-
Reported organic growth	- 18%	- 1%
Working days	-	-
Metal price effects	+ 3%	+ 3%
Project orders	- 1%	-
Underlying growth	~ -16%	~ +2%

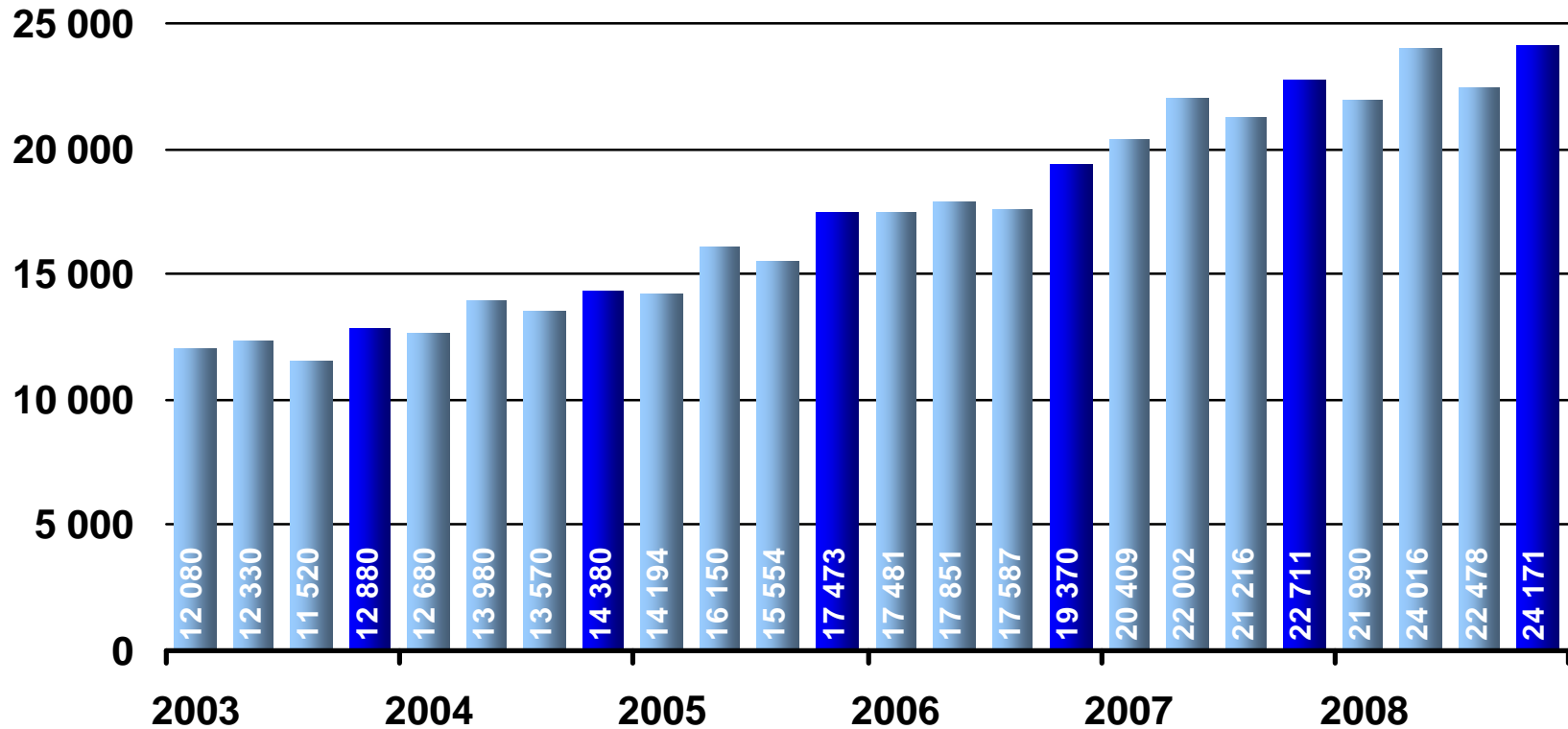
Order intake: SEK 20,716 M, -12%

SEK M



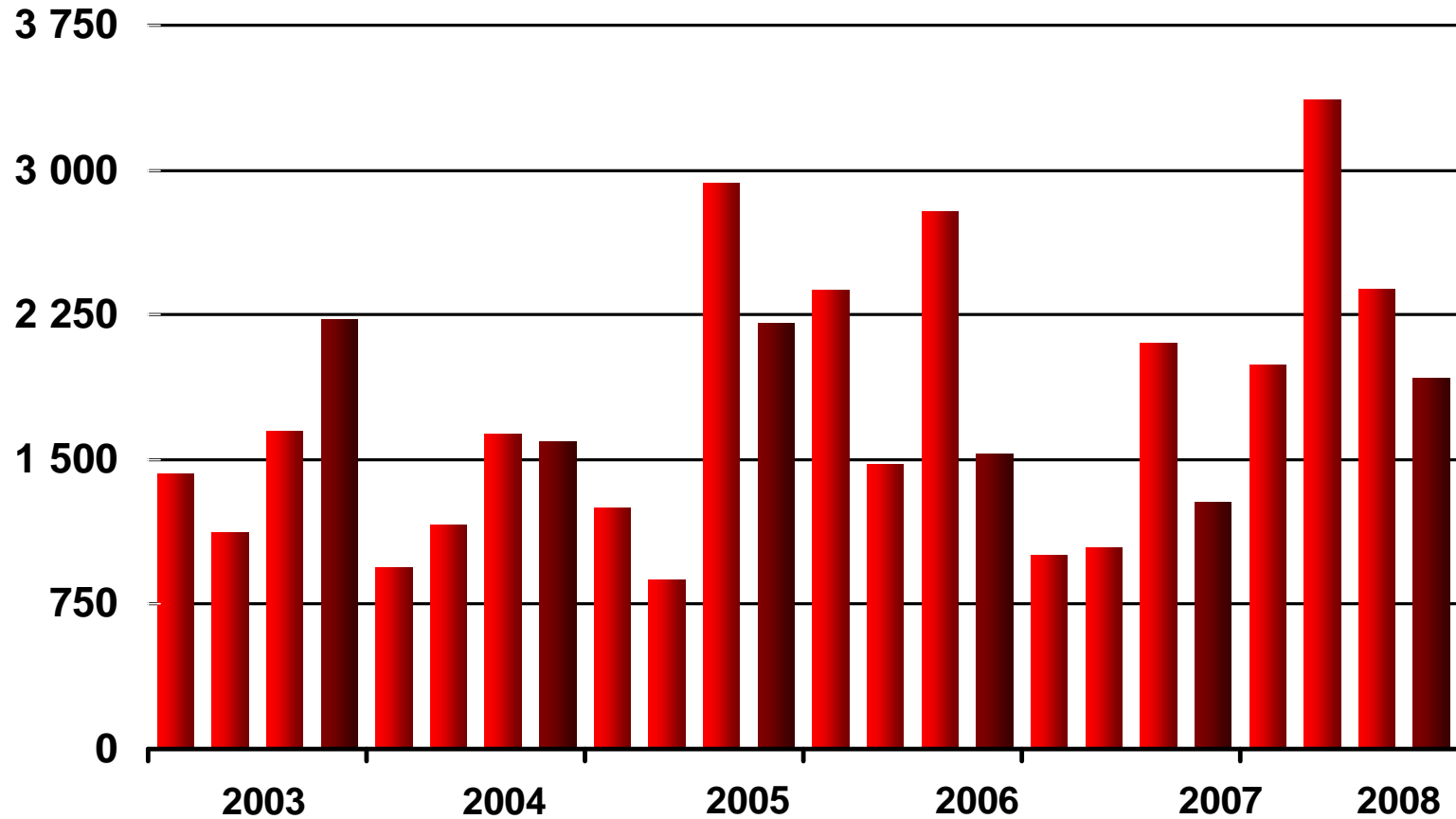
Invoicing: SEK 24,171 M, +6%

SEK M



Cash flow from operations

Quarter
SEK M



Loan and duration profile

	Amount SEK M	Average duration
Long term		
US Private Placement	5,700	11 years
Fin institutions, EIB, NIB	3,200	6 years
Swedish MTN	13,200	3 years
Bank loans	2,100	3 years
Short term		
Bank loans	5,300	6 months
Commercial paper	7,700	3 months
Total	37,200	4 years
Revolving Credit Facility	16,400	4.2 years

Sandvik Materials Technology

Metal price impact

- Nickel inventory level 10,000 ton (10,000 in Q3)
- Nickel inventory average price 17,000 USD per ton (23,500 in Q3)
- Inventory revaluation effects:
 - ✓ Q4 SEK -320 M
 - ✓ FY 2008 SEK -1,127 M
 - ✓ Q1 2009 SEK -550 M estimated at prices at quarter end

Emphasis on

- safeguarding margin and cash flow
- inventory reduction

Financial key figures

	Q4/07	Q1/08	Q2/08	Q3/08	Q4/08
● Cash Flow from op., SEK M	1,282	1,996	3,364	2,386	1,925
● CAPEX, SEK M	1,962	1,462	1,630	2,007	2,070
● ROCE, % 12 months	27.0%	24.9%	23.2%	22.5%	19.9%
● ROE, % 12 months	34.4%	31.9%	31.2%	29.6%	24.8%
● Net debt/equity ratio	1.0	0.9	1.1	1.0	0.9
● EPS, SEK 12 months	7.65	7.31	7.05	7.04	6.30

Guidance 2009

Metal price effects (on inventory revaluation)

Given currency rates, stock levels and metal prices at quarter end, the estimated effect on EBIT is SEK -550 M for Q1.

Net financial items

The estimate is SEK -500 M for Q1 and SEK -2,000 M for 2009.

Currency effects

Given currency rates at year end, the effect is estimated to SEK +600 to +700 M for Q1.

Capex

Capex is estimated to about SEK 4,000 to 5,000 M for 2009

Tax rate

The tax rate is estimated to 25-27% for 2009.



www.sandvik.com

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.”