

Interim report

Q2 2009



Lars Pettersson, CEO

Per Nordberg, CFO

17 July, 2009

Market highlights Q2

- **Business environment**

- ✓ Continued very weak global demand
- ✓ Customer production shut-downs and de-stocking
- ✓ Reduced order cancellations

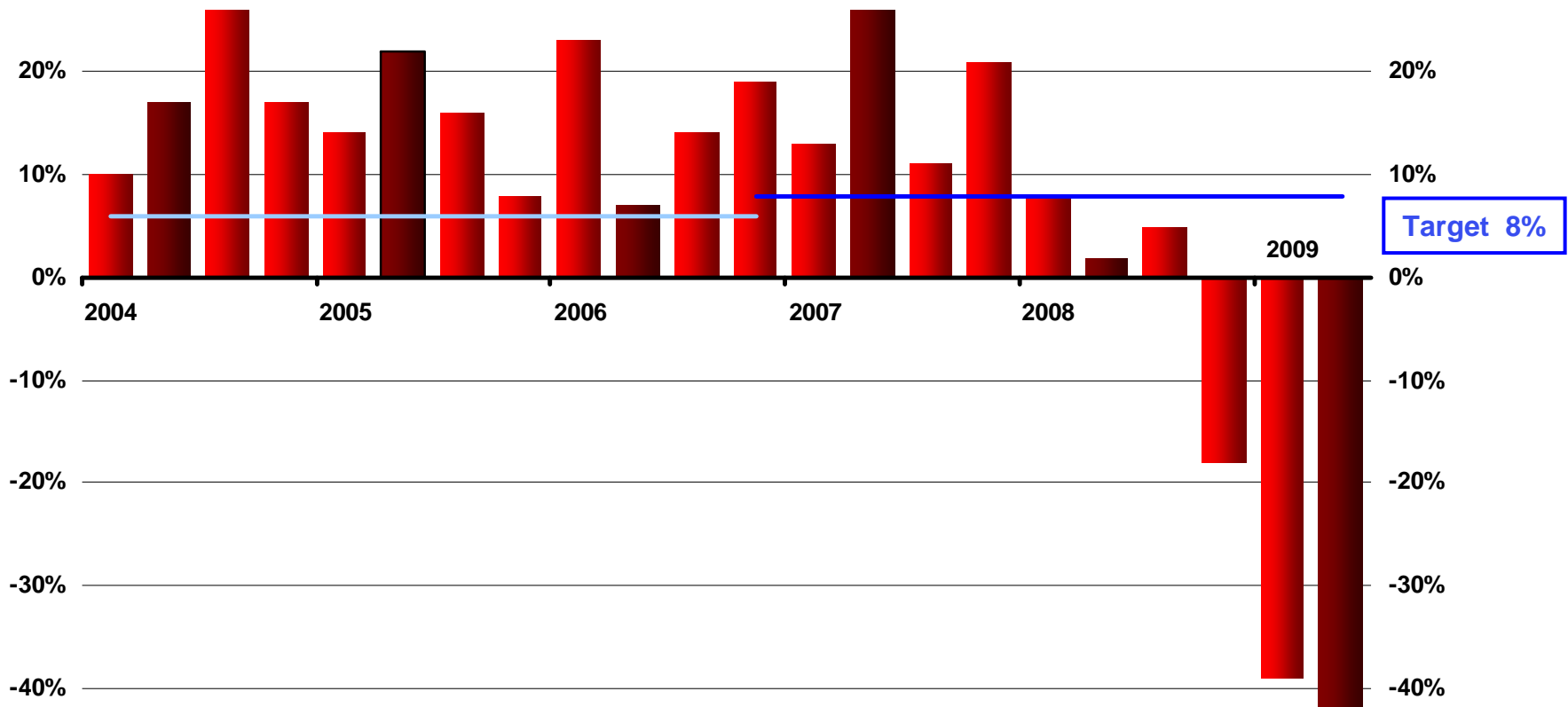
- **Business segments**

- ✓ Good demand in energy
- ✓ Continued weakness in automotive, mining, construction, aerospace, consumer related and general engineering

Operational highlights Q2

- **Good cash flow SEK 2,890 M**
- **Result impacted by low sales and production volumes**
- **Reduction of:**
 - ✓ **Costs, SEK ~-1,300 M** (>-2,000 M H1)
 - ✓ **Inventories in volumes, SEK -3,400 M** (~-5,000 M H1)
 - ✓ **Personnel, -1,600** (~-5,000 H1)
- **Metal price effects SEK -360 M**
- **Currency effect on EBIT of SEK +30 M**
- **Restructuring cost, one-offs SEK -1,400 M**

Organic order intake: - 42%



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



Organic order growth by Region

Quarter, % change ¹⁾	2008		2009	
	Q2	Ex proj.	Q2	Ex proj.
Europe	- 10	+ 1	- 46	- 48
Nafta	+ 7	+ 7	-37	- 37
South America	+ 7	+ 7	- 31	- 31
Asia	+ 6	+ 14	- 38	- 38
Australia	+ 25	+ 13	- 56	- 41
Africa/Middle East	+ 37	+ 37	- 34	- 43
GROUP TOTAL	+ 2	+ 7	- 39	- 36

¹⁾ Order intake at fixed exchange rates for comparable units

Order intake by Business area

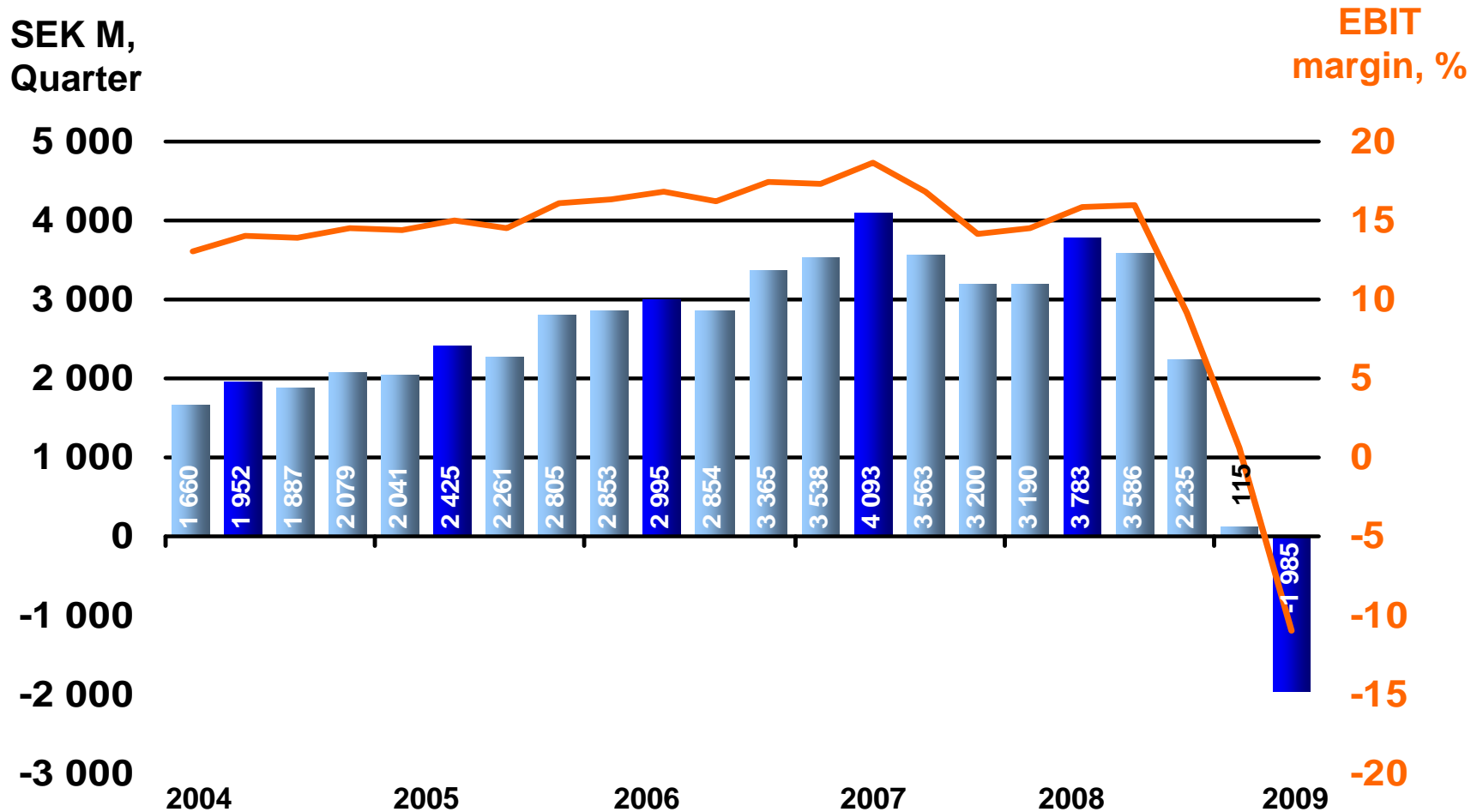
Quarter, % change	2008		2009	
	Q2	Ex proj.	Q2	Ex proj.
Sandvik Tooling ¹⁾	+ 10	+ 10	- 45	- 45
Sandvik Mining and Construction ¹⁾	+/- 0	+ 16	- 46	- 42
Sandvik Materials Technology ^{1) 2)}	- 5	- 5	- 34	- 44
GROUP ORGANIC GROWTH ¹⁾	+ 2	+ 7	- 42	- 43
Currency	- 4	- 4	+ 15	+ 15
Structure	+ 3	+ 3	-	-
GROUP TOTAL	+ 1	+ 6	- 33	- 34

¹⁾ Fixed exchange rates for comparable units

²⁾ Approximately -14% in Q2 2008 and -18% in Q2 2009 respectively impact from changes in metal prices

EBIT: SEK -1,985 M

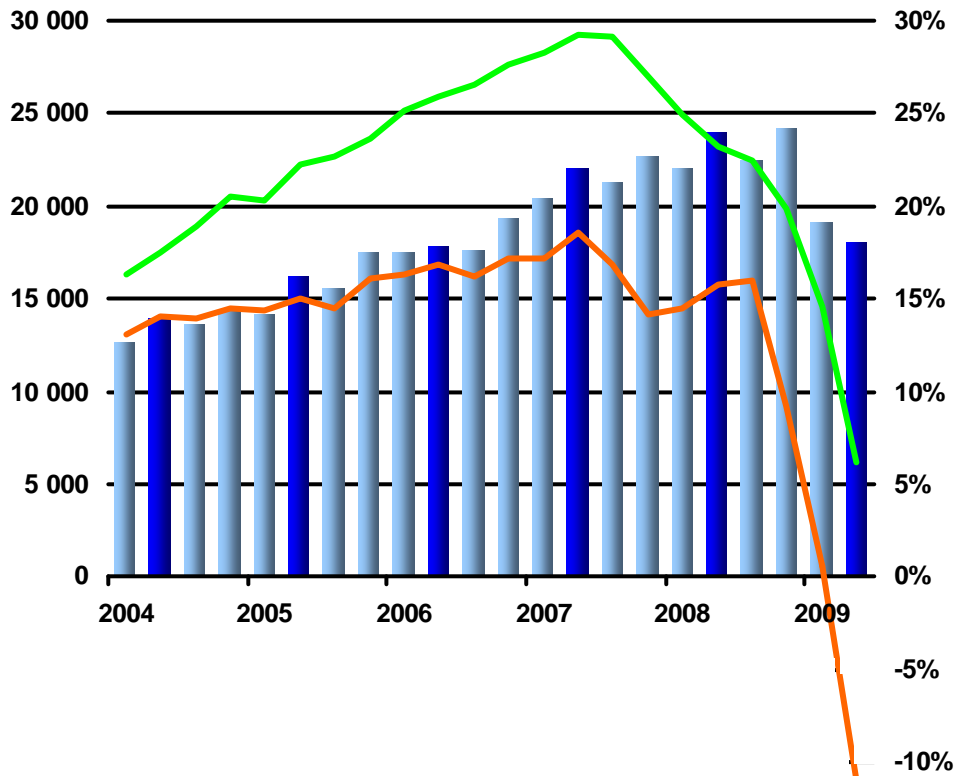
Excluding nonrecurring costs SEK -585 M



Sandvik Group

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

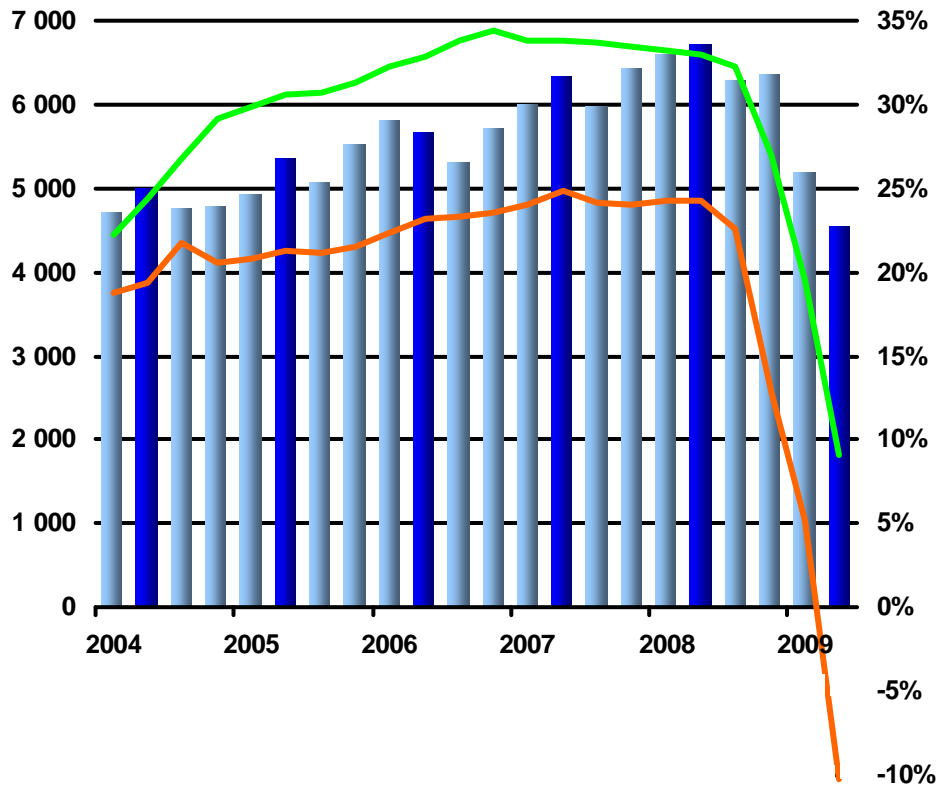


- Order intake -42% (P/V)
- Invoiced sales -35% (P/V)
- EBIT -11.0% of sales
 - ✓ SEK -1,985 M
 - ✓ Excluding nonrecurring costs SEK -585 M
 - ✓ Low sales and production
 - ✓ Currency effect SEK +30 M
 - ✓ Metal price effects SEK -360 M
- ROCE 6.2% (23.2)
- EPS SEK -1.70 (1.94)

Sandvik Tooling

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months



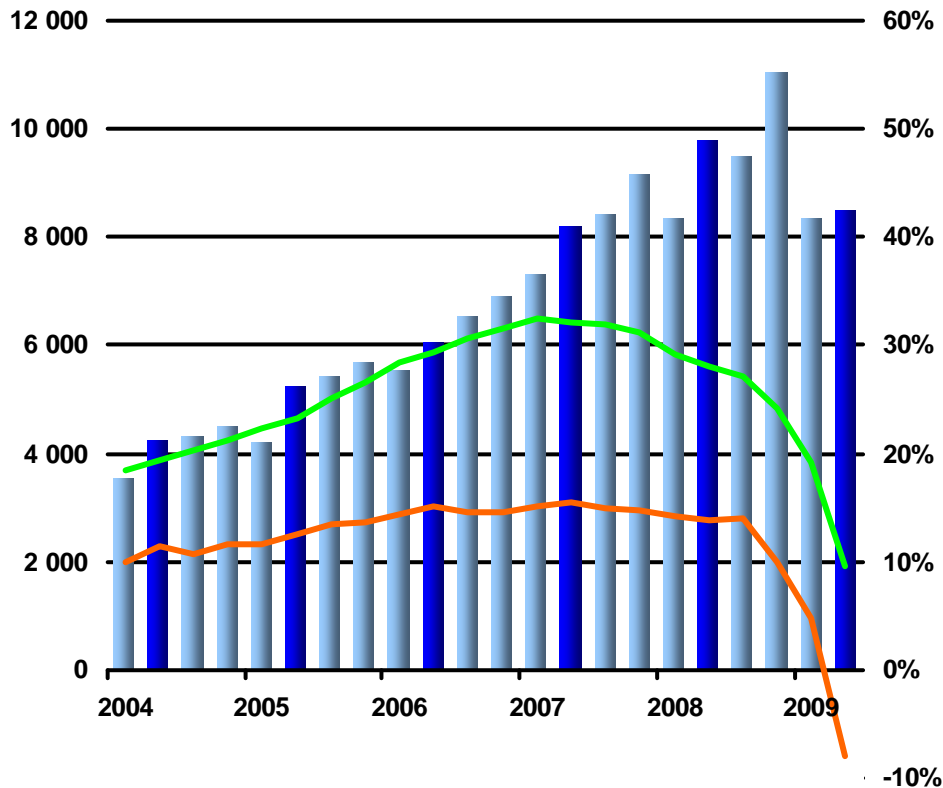
- Order intake -45% (P/V)
 - ✓ Sharp decline in all areas
- Invoiced sales -44% (P/V)
- EBIT -10.2% of sales
 - ✓ SEK -463 M
 - ✓ Excluding nonrecurring costs SEK -163
 - ✓ Currency effect SEK +30 M
- ROCE 9.1% (33.0)



Sandvik Mining and Construction

Invoiced sales
SEK M, Quarter

EBIT- margin
ROCE 12-months

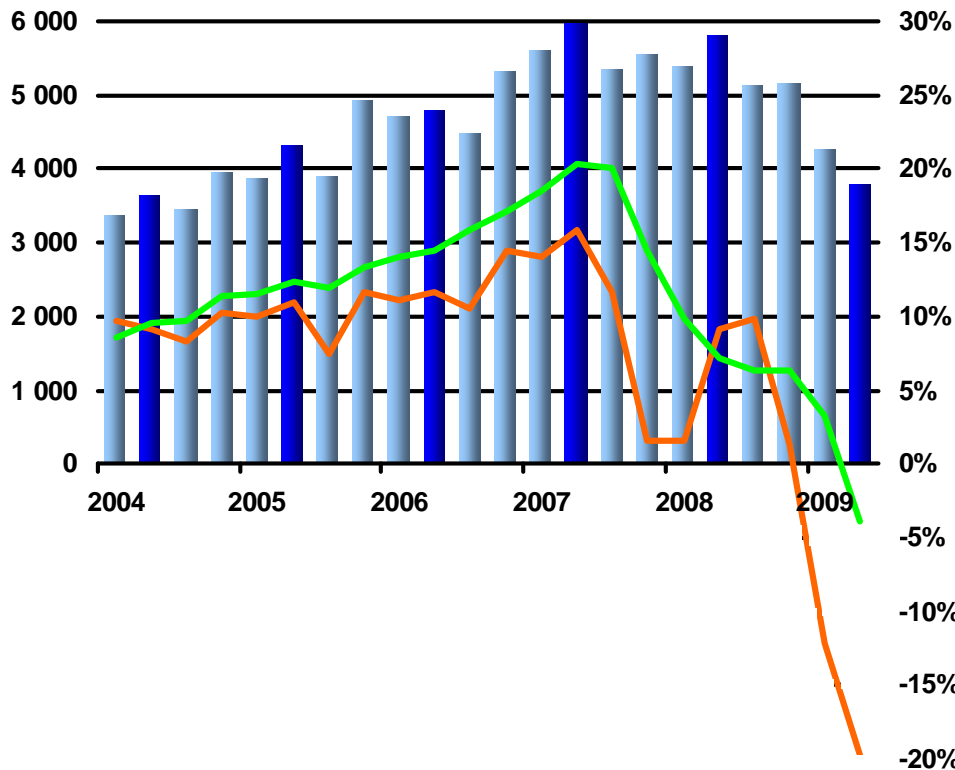


- Order intake -46% (P/V)
 - ✓ Sharp decline all areas
 - ✓ Cancellations of SEK 130 M
- Invoiced sales -25% (P/V)
- EBIT -7.9% of sales
 - ✓ SEK -670 M
 - ✓ Excluding nonrecurring costs SEK 130 M
 - ✓ Currency effect SEK -70 M
- ROCE 9.5% (27.9)

Sandvik Materials Technology

Invoiced sales
SEK M, Quarter

— EBIT- margin
— ROCE 12-months

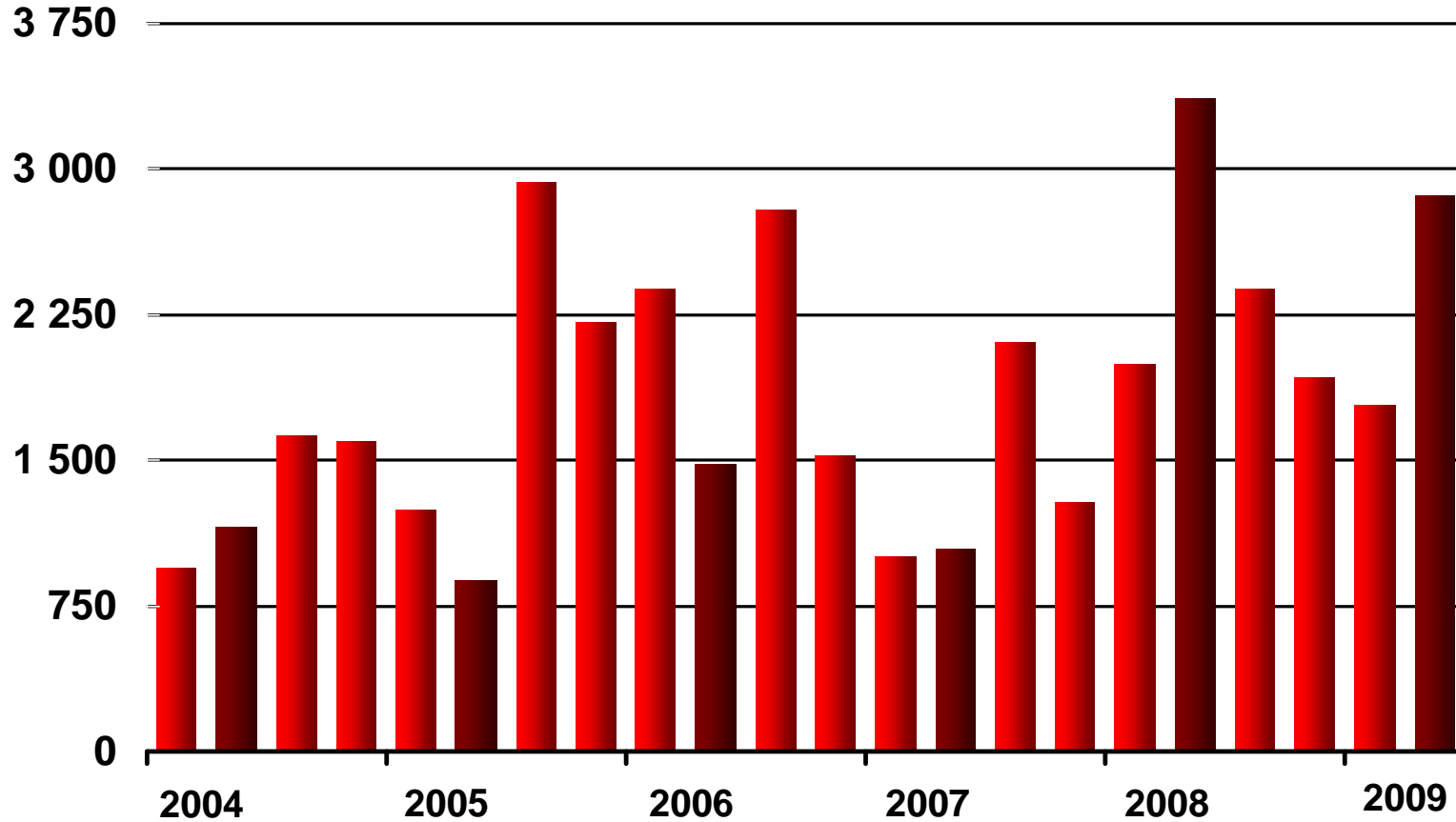


- Order intake -34% (P/V)
 - ✓ Sharp decline except for energy
- Invoiced sales -43% (P/V)
- EBIT -19.7% of sales
 - ✓ SEK -750 M
 - ✓ Excluding nonrecurring costs SEK -450 M
 - ✓ Metal price effects SEK -360 M
 - ✓ Currency effect SEK +90 M
- ROCE -3.9% (7.2)



Cash flow from operations

Quarter
SEK M



Structural measures

- **Product mix**
- **Closure of 15 plants**
- **Reduced work time for 12 – 14,000 employees**
- **Personnel reductions**
 - ✓ **Q4 2008 total ~2,000**
 - ✓ **Q1 2009 total ~3,400**
 - ✓ **Q2 2009 total ~1,600***
 - ✓ **Another 1,350 announced**

* Reported headcount 274 employees higher due to Wolfram Bergbau acquisition

Summary Q2 2009

- **Strong cash flow due to reduced working capital**
- **Globally weak demand, except for energy**
- **Negative result due to**
 - ✓ **Sharp decline in sales**
 - ✓ **Very low production rates**
 - ✓ **Substantial one-off costs**
- **Significant cost saving measures gradually increasing**

Financial Highlights Q2

- 
- **Organic growth ***
 - ✓ **Order intake** - 42%
 - ✓ **Invoicing** - 35%
 - **Operating profit (EBIT)** neg
 - **Earnings per share** neg
 - **Operating cash flow** - 14%

* Change in fixed currencies for comparable units

Income statement

MSEK	Q2/2009		Q2/2008		Change %
	Actual	%	Actual	%	
Invoiced sales	18,011		24,016		- 25
Cost of goods sold	-14,857	82.5	-15,496	65.0	- 4
Gross profit	3,154	17.5	8,520	35.5	- 63
Admin, Sales and R&D costs	-4,897	-27.2	-4,732	-19.7	+ 3
Other op income and exp.	-242	-1.3	-5	0	N/A
Operating profit	-1,985	-11.0	3,783	15.8	neg.
Net financial items	-458	-2.5	-481	-2.0	- 5
Profit after Financial items	-2,443	-13.6	3,302	13.7	neg.
Profit for the period	-2,015	-11.2	2,410	10.0	neg.

Bridge analysis

SEK M	Q2/2009	Price/ Volume	Curr.	Struct. & One-offs*	Q2/2008
Sandvik Group					
Invoicing	18,011	-8,800	+3,800	-1,000	24,016
EBIT	-1,985	-4,300	+30	-1,500	3,783
EBIT margin	-11.0%	-49%	-	-	15.8%

*Includes metal price effects

Bridge analysis

by Business Area

SEK M	Q2/2009	Price/ Volume	Curr.	Struct. & One-offs*	Q2/2008
Sandvik Tooling					
Invoicing	4,541	-3,500	+1,300	+50	6,721
EBIT	-463	-1,850	+30	-250	1,626
EBIT margin	-10.2%	-53%	-	-	24.2%
Sandvik Mining and Construction					
Invoicing	8,487	-2,800	+1,500	-20	9,786
EBIT	-670	-1,200	-70	-800	1,370
EBIT margin	-7.9%	-43%	-	-	14.0%
Sandvik Materials Technology					
Invoicing	3,798	-1,750	+800	-1,050	5,810
EBIT	-750	-900	+90	-500	534
EBIT margin	-19.7%	-51%	-	-	9.2%

*Includes metal price effects



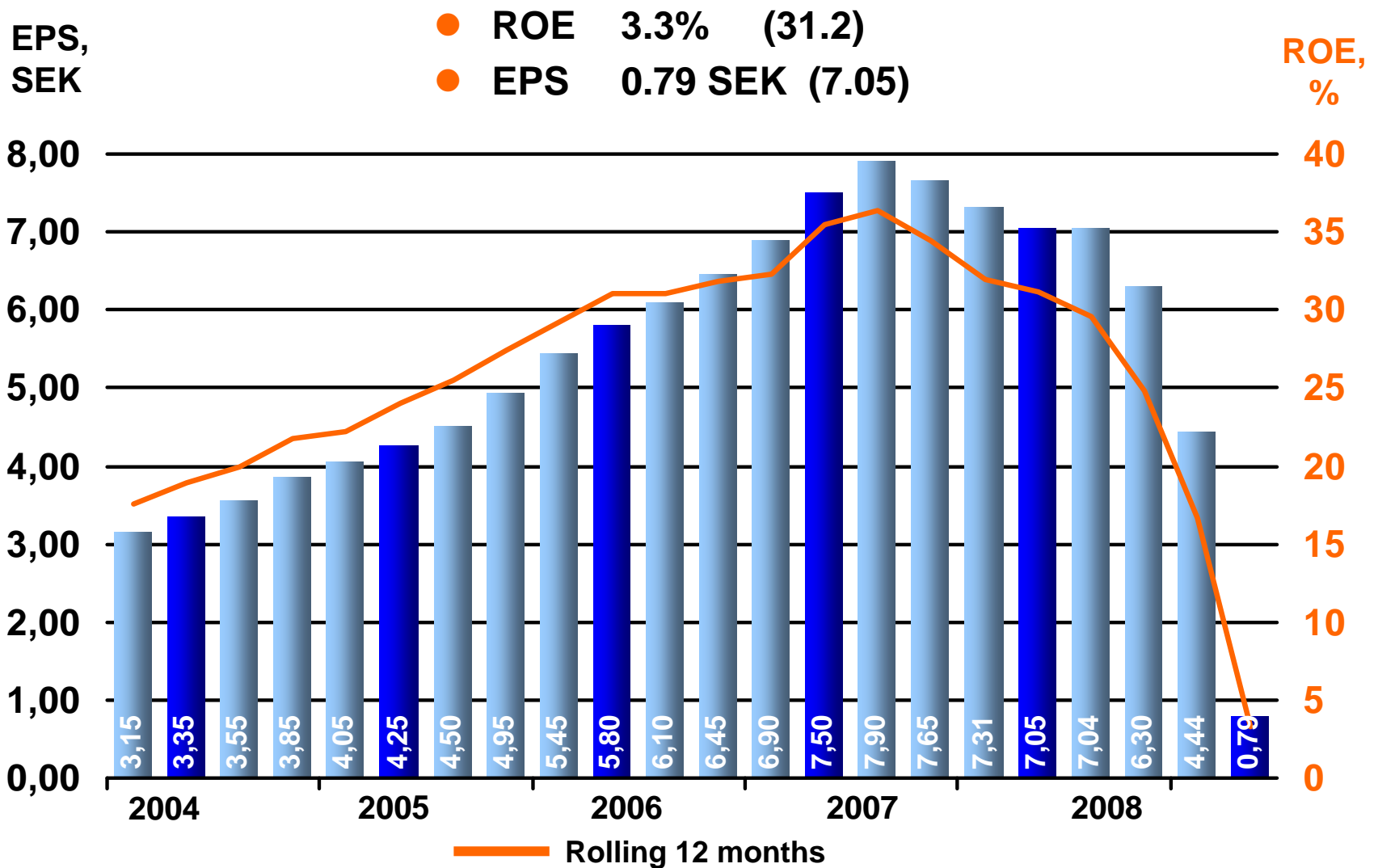
Balance sheet

SEK M	Q2/2009	Q2/2008	Change %
Intangible fixed assets	15,093	11,256	+34
Tangible fixed assets	27,620	22,142	+25
Financial fixed assets	5,504	3,995	+38
Inventories	24,995	25,657	-3
Receivables	20,813	24,135	-14
Cash and cash equivalents	6,023	3,293	+83
Total assets	100,048	90,478	+ 11
Total equity	31,705	28,304	+12
Interest-bearing liabilities	45,191	35,901	+26
Non-interest-bearing liabilities	23,152	26,273	-12
Total equity and liabilities	100,048	90,478	+ 11

Cash flow

SEK M	Q2/2009	Q2/2008
● Profit after financial items	-2,443	+3,302
● Non-cash items	+1,301	-356
● Cash flow from operations before NWC	-1,142	+2,946
● Change in inventories	+3,454	-21
● Change in receivables and liabilities	+578	+439
● Net cash flow from operations	+2,890	+3,364
● Acquisitions	-987	-673
● Capex	-1,331	-1,660
● Other investments, net	+200	+113
● Net cash flow after investing activities	+772	+1,144
● Net cash used in financing activities	+67	+5,464
● Dividends paid	-3,920	-5,111
● Cash flow for the period	-3,081	+1,497

Shareholder value



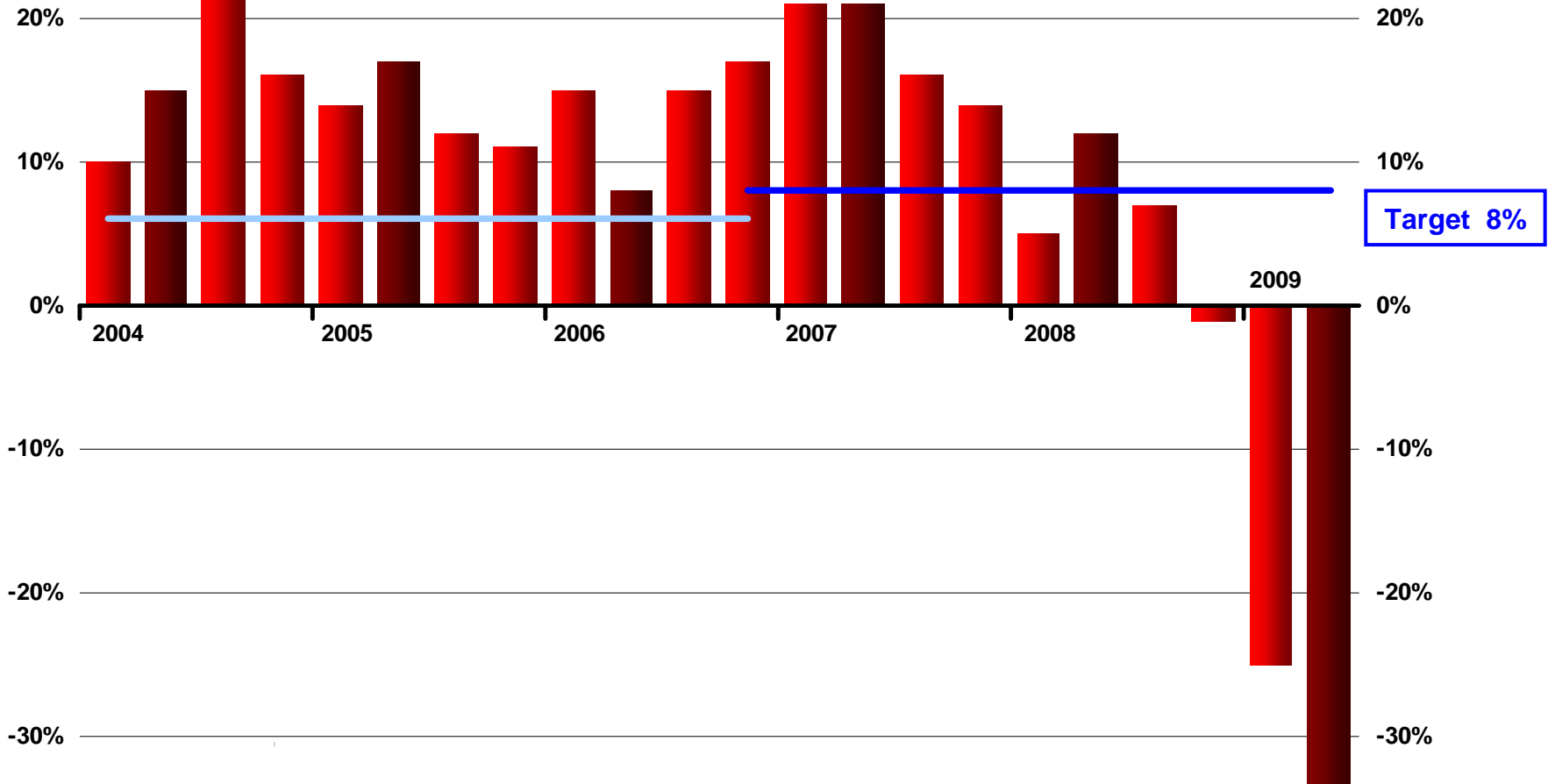


Q&A session



Back up slides

Organic invoicing: -35%

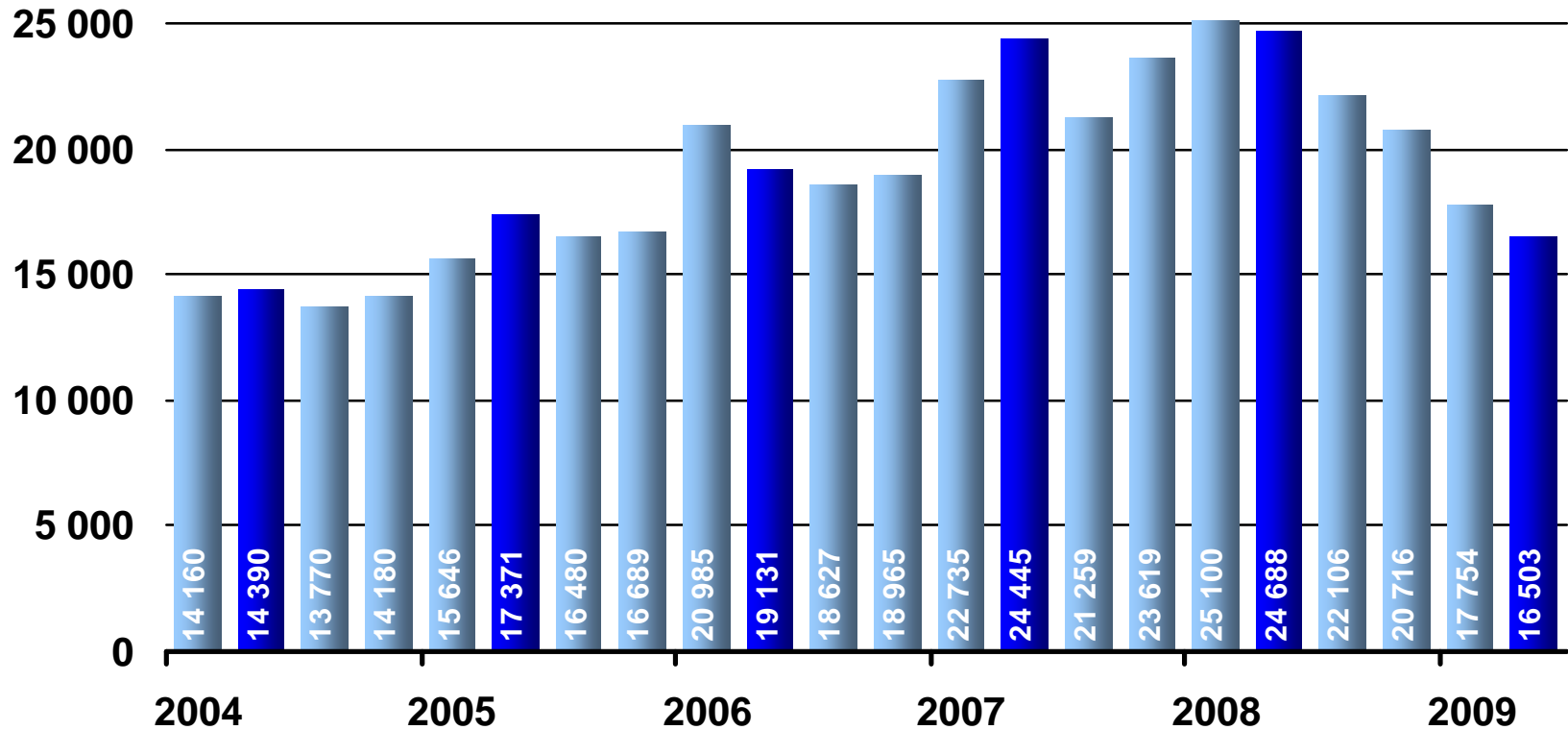


Order intake change y-o-y, at fixed exchange rates for comparable units



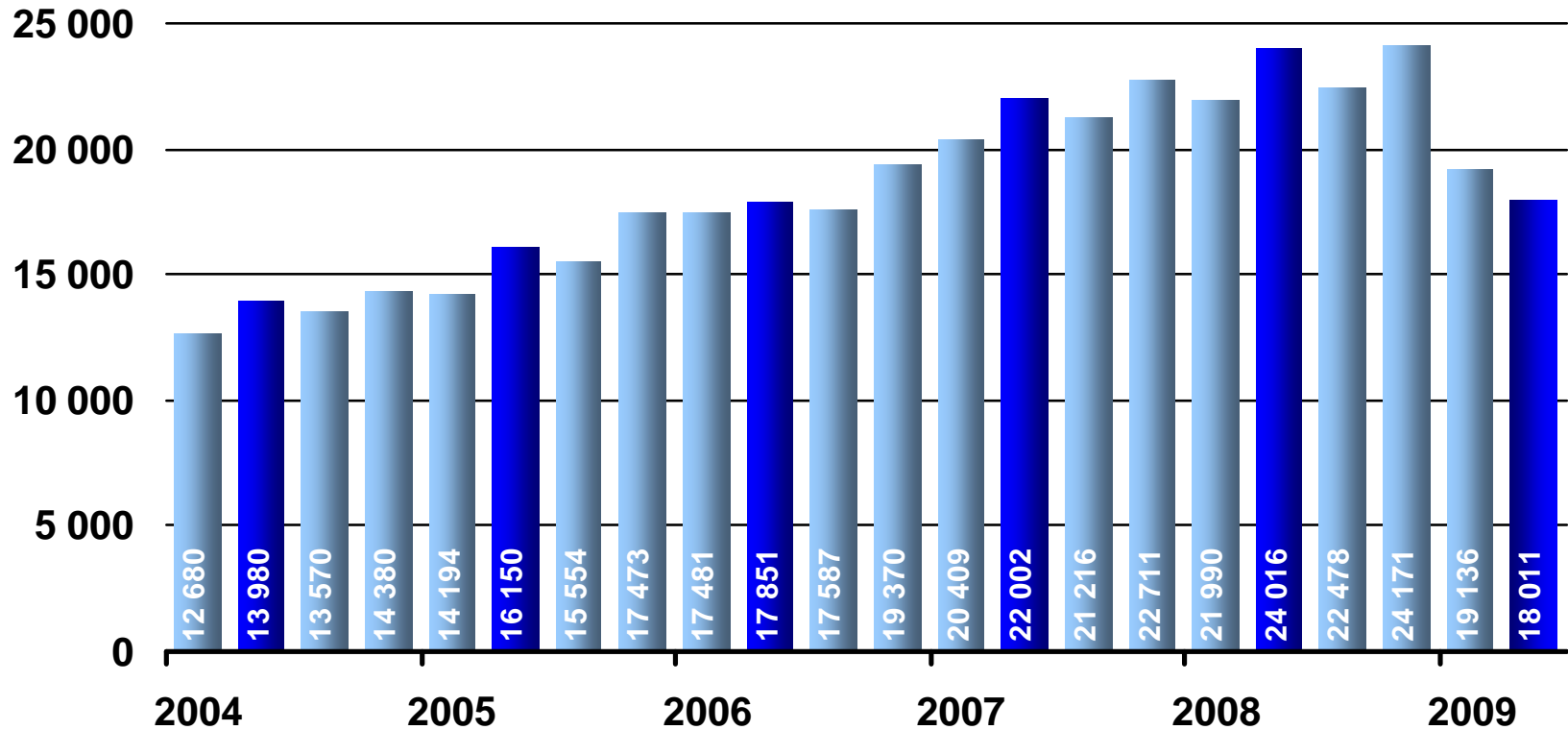
Order intake: SEK 16,503 M, -42%

SEK M



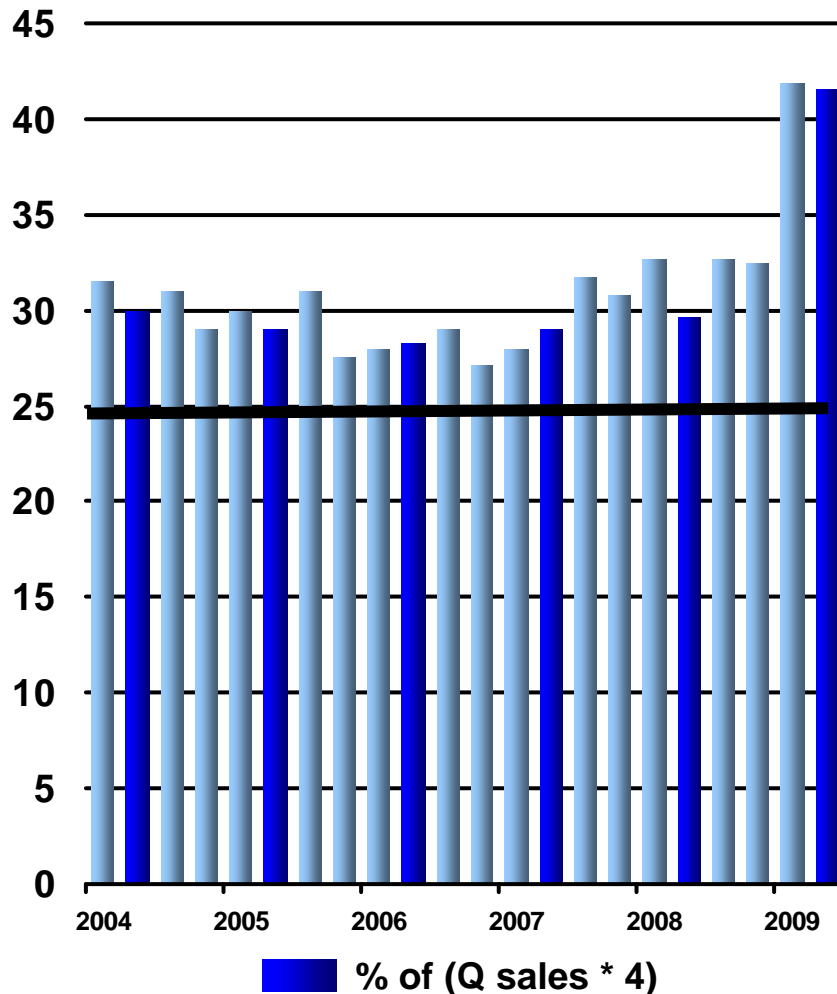
Invoicing: SEK 18,011 M, -35%

SEK M



Capital efficiency

Net Working Capital as % of sales



- Continued volume reduction of
 - ✓ Inventories
 - ✓ Accounts receivable
 - ✓ Accounts payable
- Significant decline in sales
- Currency impact

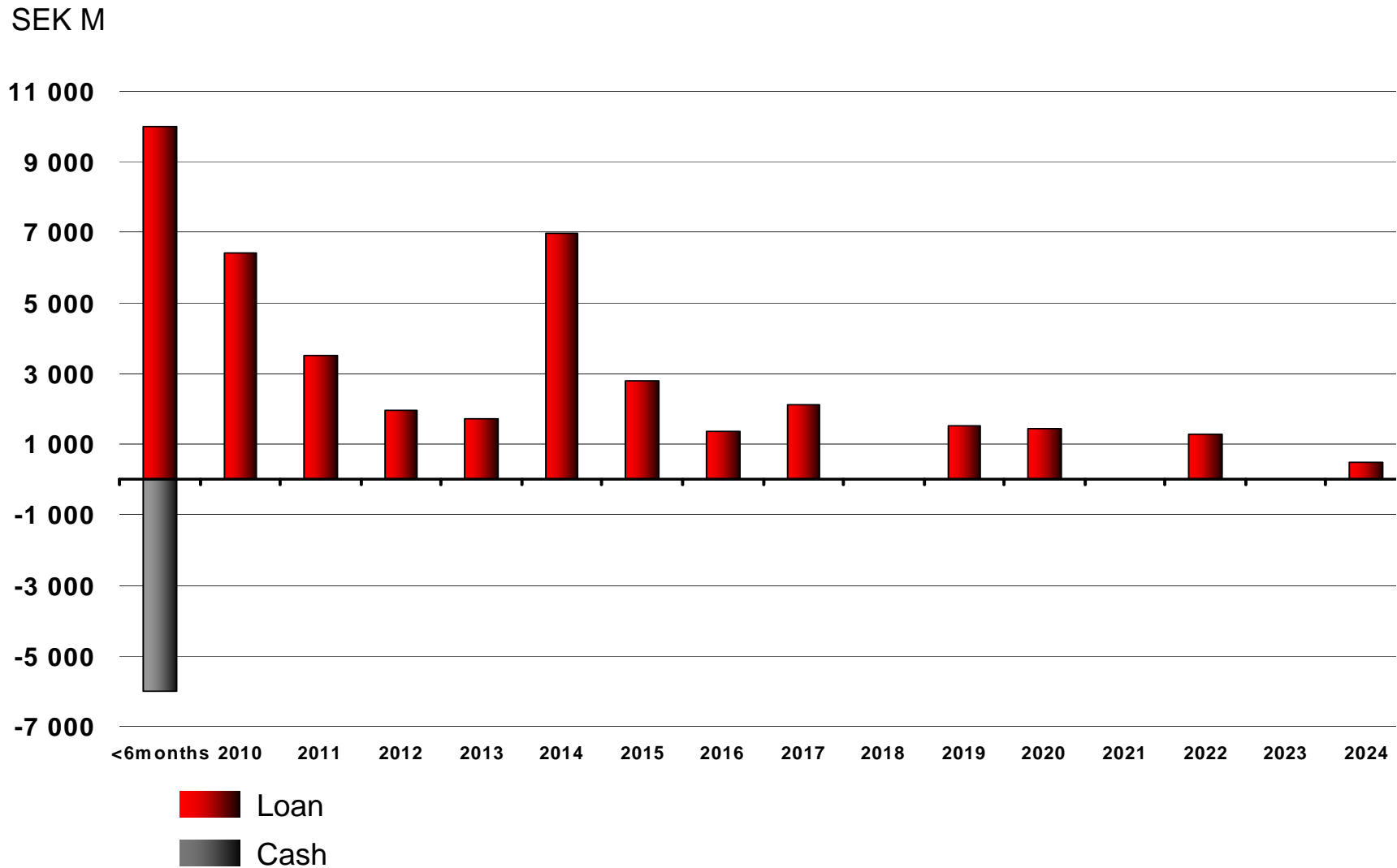
Loan and duration profile

	Amount SEK M	Average duration
Long term 70%		
US Private Placement	6,700	10 years
Fin institutions, EIB, NIB	3,200	5 years
Swedish MTN	9,800	4 years
European MTN	6,500	5 years
Bank loans	2,800	2 years
Short term 30%		
Commercial paper	5,300	4 months
Swedish MTN maturity 2009	3,900	5 months
Bank loans	4,000	6 months
Total	42,200	4 years
Cash position	6,000	
Revolving Credit Facility	16,300	4 years

Funding situation

		Amount SEK M	Credit facility
Long term	70%		
US Private Placement		6,700	6,700
Fin institutions, EIB, NIB		3,200	3,200
Swedish MTN		9,800	15,000
European MTN		6,500	33,000
Bank loans		2,800	
Short term	30%		
Commercial paper		5,300	18,100
Swedish MTN maturity 2009		3,900	
Bank loans		4,000	
Total		42,200	

Loan maturity profile



Sandvik Materials Technology

Metal price impact

- Nickel inventory level 8,000 ton (9,000 in Q1)
- Nickel inventory average price 11,500 USD per ton (12,500 in Q1)
- Inventory revaluation effects:
 - ✓ Q1 2009 SEK -426 M
 - ✓ Q2 2009 SEK -360 M
 - ✓ Q3 2009 estimated negligible with prices at quarter end
 - ✓ Q4 2009 estimated positive with prices at quarter end

Emphasis on

- safeguarding margin and cash flow
- inventory reduction

Personnel reduction

Since September 2008

- **Reduction permanent employees 4,752**

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Other	Total
Q4 2008	295	424	161	22	902
Q1 2009	714	953	288	313	2,268
Q2 2009	604*	544	217	217	1,582*
Total	1,613*	1,921	666	551	4,751*

* Reported headcount 274 employees higher due to Wolfram Bergbau acquisition

- **Reduction temporary employees >2,000**
- **Reduced work time for 12 – 14,000 employees by 15-20%**
- **Further 1,350 permanent employees reduction announced**

Financial key figures

	Q2/08	Q3/08	Q4/08	Q1/09	Q2/09
● Cash Flow from op., SEK M	3,364	2,386	1,925	1,784	2,890
● CAPEX, SEK M	1,630	2,007	2,070	1,682	1,298
● ROCE, % 12 months	23.2%	22.5%	19.9%	14.6%	6.2%
● ROE, % 12 months	31.2%	29.6%	24.8%	16.7%	3.3%
● Net debt/equity ratio	1.1	1.0	0.9	0.9	1.2
● EPS, SEK 12 months	7.05	7.04	6.30	4.44	0.80

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 negligible Q3.

Net financial items

The estimate is SEK -550 M for Q3 and SEK -2,200 M for 2009.

Currency effects

Given currency rates at quarter end, the effect is estimated to be slightly positive in Q3.

Capex

The estimate is SEK 4,000 to 4,500 M for 2009 (excluding an anticipated cash neutral increase of rental equipment of 500 M)

Tax rate

Given current circumstances, the tax rate is very difficult estimate.



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.”