Q2 Sandvik

Interim report on the second quarter and first six months of 2013

Tentative market

CEO's comment:

Olof Faxander

"While overall demand remained almost on par with the first quarter, business conditions varied significantly between Sandvik's customer segments and regions. Demand from parts of the energy segment improved, while the mining industry weakened. Order intake totaled 20.7 billion SEK including an adjustment of the order backlog in the amount of 1.1 billion SEK relating to Sandvik Materials Technology. Invoiced sales amounted to 23.0 billion SEK. In contrast to the normal seasonal build-up of inventory and in response to the tentative market, production rates were maintained at the level of sales during the second quarter. The focus on inventory reduction has been successful over the past 12 months," says Sandvik's President and CEO Olof Faxander.

"Efforts to increase cost flexibility over the past two years are yielding positive results which is evident in Sandvik's earnings in the second quarter. At the same time, the strong Swedish currency, negative metal price effects and nonrecurring items adversely affected our profit level by almost 600 million SEK. Accordingly, operating profit totaled 3.0 billion SEK, or 12.8% of invoiced sales."

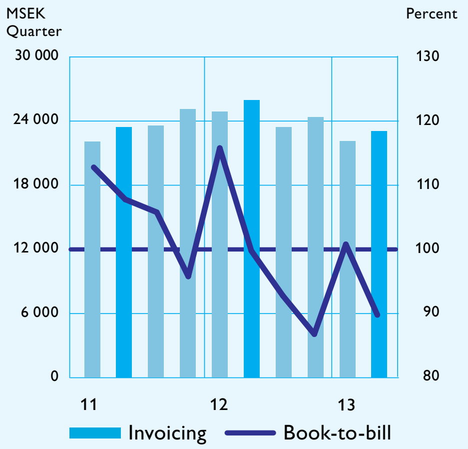
"Most of Sandvik's major market segments remained stable. However, the low investment levels from miners continues to be noticable for this part of our business. This only emphasizes the importance to continue to adjust our costs in accordance with the changing market conditions."

Financial overview, MSEK	Q2 2013	Q2 2012	Change %	Q1-2 2013	Q1-2 2012	Change
Order intake 1)	20 719	26 190	-16	43 058	55 084	-17
Invoiced sales 1)	23 043	25 939	-6	45 142	50 776	-5
Gross profit	7 758	9 473	-18	15 328	18 741	-18
% of invoiced sales	33.7	36.5		34.0	36.9	
Operating profit	2 961	4 212	-30	5 518	8 031	-31
% of invoiced sales	12.8	16.2		12.2	15.8	
Adjusted operating profit 2)	*3 161*	*4 212*	*-25*	*5 858*	*8 031*	*-27*
% of invoiced sales 2)	*13.7*	*16.2*		*13.0*	*15.8*	
Profit after financial items	2 466	3 667	-33	4 544	7 038	-35
% of invoiced sales	10.7	14.1		10.1	13.9	
Profit for the period	1 854	2 773	-33	3 332	5 278	-37
% of invoiced sales	8.0	10.7		7.4	10.4	
of which shareholders' interest	1 858	2 776		3 335	5 276	
Earnings per share, SEK 3)	1.48	2.21	-33	2.66	4.26	-38
Return on capital employed, % 4)	16.0	17.2		16.0	17.2	
Cash flow from operations	+2 640	+2 293	+15	+4 847	+3 392	+43
Net working capital, %	28	28		28	28	

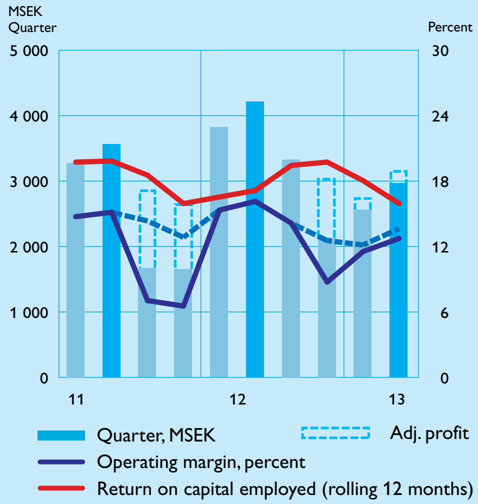
1) Change from the previous year at fixed exchange rates for comparable units.
2) Operating profit adjusted for nonrecurring items by about 200 million SEK for Q2 2013 and 340 million SEK for the first six months 2013.
3) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact during the period.
4) Rolling 12 months.

Q2 Sandvik Market development and earnings

Invoiced sales and book-to-bill



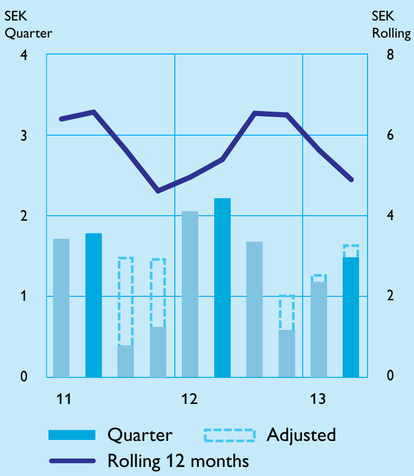
Operating profit and return



With the exception of certain segments, the market situation for Sandvik's offering in the second quarter remained largely on par with the first quarter. Demand in the energy segment continued to improve somewhat, while activity in the mining industry declined. Order intake was adversely affected by the adjustment of 1.1 billion SEK of nuclear-related orders, as previously announced, and amounted to 20.7 billion SEK, a decline of 8% compared with the preceding quarter at fixed exchange rates for comparable units. Invoicing for the quarter totaled 23.0 billion SEK, an increase of 4% compared with the preceding quarter at fixed exchange rates for comparable units.

Earnings were adversely impacted by nonrecurring items, negative metal price trend and changed exchange rates. Operating profit amounted to 3.0 billion SEK or almost 13% of invoiced sales. Return on capital employed was 16.0% (17.6 in the preceding quarter) for the most recent 12-month period.

Earnings per share



The business climate during the second quarter remained largely unchanged for most of Sandvik's customer segments and regions. The demand in Europe improved somewhat compared with the preceding quarter, partly driven by the positive performance in Russia. North America remained stable at a high level. Order intake in Australia and Asia was significantly impacted by the weakness in the mining industry, mainly related to coal and iron ore. However, supported by the order backlog invoicing was stronger. Demand in South America was varied. Market activity for Sandvik Machining Solutions remained largely on par with the preceding quarter, with continued high demand from the aerospace industry. The cautiously optimistic market conditions experienced earlier in the year by Sandvik Materials Technology continued in the second quarter, although the absolute levels remain low. The book-to-bill ratio was negative for Sandvik Mining in the second quarter but positive or neutral for all other business areas (excluding the order backlog adjustment). While acquisitions and divestments had no effect on order intake and invoiced sales, changed exchange rates impacted order intake and invoiced sales by -6%, respectively.

Similar to the preceding quarter, **earnings** were significantly impacted by changed exchange rates. SEK strengthening against the EUR, ZAR and other currencies impacted operating profit by -300 million SEK. The closing of hedges related to nuclear contracts contributed positively to earnings, but was largely offset by charges related to the adjustment of the steam generator tubing capacity. An unfavorable metal price trend and nonrecurring items had an impact of -87 million SEK and -200 million SEK, respectively, on operating profit, which amounted to 2,961 million SEK or 12.8% of invoiced sales.

Net financial items amounted to -495 million SEK (-545) and earnings per share totaled 1.48 SEK (2.21) for the quarter.

SANDVIK

Q2 Sandvik Cash flow and balance sheet

Earnings combined with lower than normal working capital build-up resulted in increased cash flow from operations in the second quarter. Apart from the dividend payout, the Group's strong cash position was again partly used to successfully repurchase outstanding bonds.

The favorable conditions in the credit market continued in the second quarter.

In contrast to normal seasonality, production rates were maintained at about the level of sales during the second quarter. Inventory volumes were consequently largely unchanged, while accounts receivable increased. The weak demand for mining systems resulted in less customer pre-payments thereby contributing to a slightly increased level of working capital. Net working capital as a percentage of sales amounted to 28%, unchanged compared with the preceding quarter and the year-earlier period. Cash flow from operations amounted to +2,640 million SEK (+2,293).

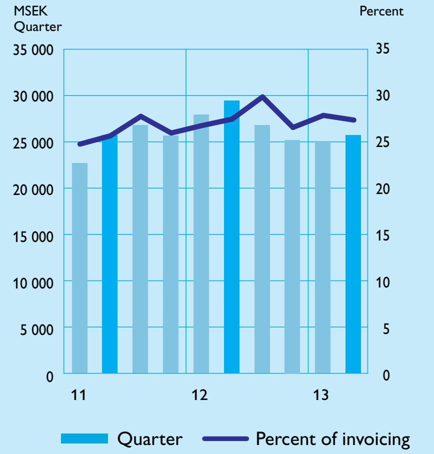
The decrease in **total assets** compared with the preceding quarter was attributable to changed exchange rates and repurchase of bonds by utilizing cash and cash equivalents.

Capital expenditure (capex) amounted to 909 million SEK in the second quarter compared with 758 million SEK in the preceding quarter. This continued low investment level is partly due to timing and seasonality, but also in response to the tentative business situation. Capex guidance for the year has thus been further reduced and is now expected at below 5 billion SEK.

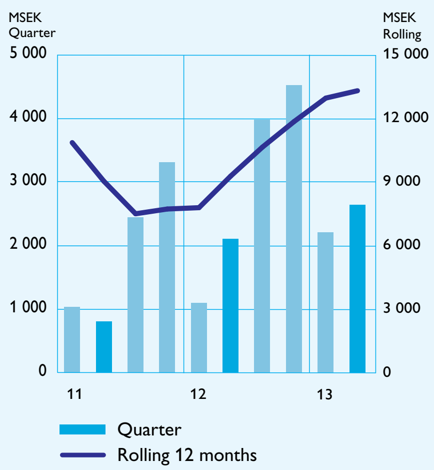
The workforce was reduced by an additional 320 people during the quarter for comparable units bringing the total reduction to more than 1,000 people in the first six months of the year.

Net debt increased as a result of the dividend payout of 4.4 billion SEK, partly offset by the consistent generation of cash flow. Accordingly, the net debt/equity ratio increased to 0.7 compared with 0.5 in the preceding quarter and 0.8 in the year-earlier period. During the quarter, Sandvik again decided to capitalize on its strong cash position by repurchasing two outstanding bonds totaling about 2.6 billion SEK. This action, including loan maturities during the quarter, reduced total interest-bearing debt by 3.6 billion SEK. As a result, the cash position was reduced by almost 7 billion SEK and amounted to 6.8 billion SEK at the end of the quarter. Interest-bearing debt with a long-term maturity increased to 83% as share of the total, up from 78% at the end of the first quarter. Currently, Sandvik has unutilized and committed long-term credit facilities comprising 650 million EUR and 5 billion SEK.

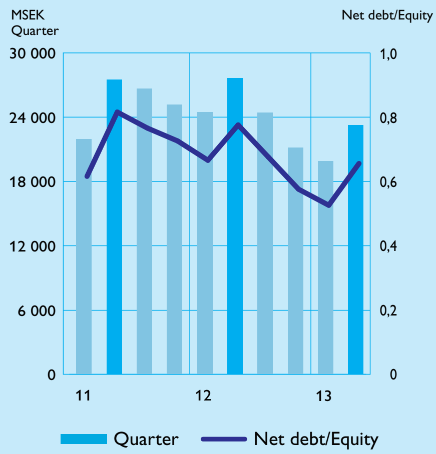
Net working capital



Cash flow from operations



Net debt



New definition of net debt as of 1 Jan 2013, see page 10. Historic values restated accordingly.

Q2 Sandvik Mining

Weak demand for equipment and systems

Stable demand for rock tools

Continued inventory reductions

Growth

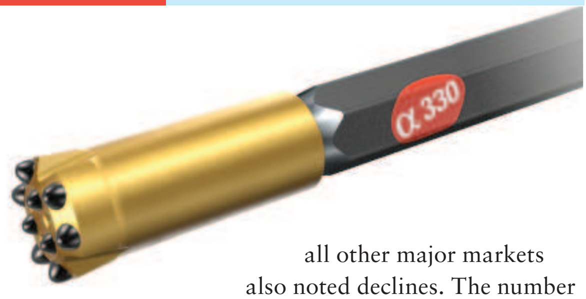
Q2	Order intake	Invoiced sales
Price/volume, %	-30	-11
Structure, %	0	0
Currency, %	-7	-7
Total, %	**-36**	**-17**

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

The second quarter was characterized by continued low investment levels in the global mining industry. Demand remained stable for rock tools while orders for new equipment and systems declined. Order intake decreased by 13% to 6.7 billion SEK at fixed exchange rates compared with the preceding quarter, but remained relatively stable excluding major orders. Invoiced sales decreased by 2% at fixed exchange rates and amounted to 8.1 billion SEK (8.3 in the preceding quarter). Operating profit amounted to 1,153 million SEK (1,800), or 14.2% of invoiced sales (18.3).

The weak demand is evident with a declining order backlog. At the same time, these trends emphasize the importance of the work to continously improve internal efficiency.

Customer hesitation to invest in mining equipment and systems persisted again in the second quarter. The mining industry's focus on cost control and capital efficiency is evident and increasing. Although Sandvik Mining is well placed to offer productivity enhancing products and services that meet those needs, the addressable market has declined in the short-term since many customers are delaying investment decisions. Consequently, demand for equipment weakened somewhat. The lower tendering activity for mining systems present since the third quarter of 2012 led to a declining order intake in the second quarter compared with the previously high levels. Demand for rock tools remained largely unchanged, whereas parts and services showed signs of weakening. Demand in Africa remained strong due to high demand from copper mines. Activity in Australia remained subdued as coal and iron ore mines continue to face challenging business conditions, although



all other major markets also noted declines. The number of order cancellations during the quarter did not deviate from normal levels and bad debt losses remained negligible.

Supported by the backlog, invoicing again exceeded order intake and the book-to-bill ratio was 82%. In line with the downward trend in the rate of deliveries continued, invoiced sales declined 2% at fixed exchange rates compared with the preceding quarter.

Despite significantly lower sales and production volumes compared with the peak levels noted last year, increased cost flexibility supported the operating profit margin, which thus reached 14.2% of invoiced sales (18.3). Changed exchange rates impacted earnings by -150 million SEK compared with the preceding year but had no material impact compared with the preceding quarter.

Of invoiced sales, rock tools and consumables represented 12% (11), customer services and spare parts 36% (33) and equipment and mining systems 32% (40) and 20% (16), respectively. Production rates were lowered, resulting in further inventory reductions. Working capital declined in value, but increased as a percentage of invoiced sales. Return on capital employed for the most recent 12-month period was 32.4% (40.4).

Financial overview, MSEK

	Q2 2013	Q2 2012	Change %	Q1 2013	Change %
Order intake	6 652	10 315	-30 *	7 683	-13 *
Invoiced sales	8 136	9 826	-11 *	8 313	-2 *
Operating profit	1 153	1 800	-36	1 211	-5
% of invoiced sales	14.2	18.3		14.6	
Return on capital employed, %, rolling 12 months	32.4	40.4		36.4	
Number of employees	13 677	13 900	-2	13 797	-1

* At fixed exchange rates for comparable units

Q2 Sandvik Machining Solutions

Stable business conditions

Strong cash flow

Growth

Q2	Order intake	Invoiced sales
Price/volume, %	-1	-1
Structure, %	0	0
Currency, %	-5	-5
Total, %	**-6**	**-6**

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Business conditions improved slightly for Sandvik Machining Solutions compared with the less favorable situation in the second half of 2012. Order intake and invoiced sales thus increased by 2% and 4%, respectively, at fixed exchange rates compared with the preceding quarter and amounted to 7.3 billion SEK for both order intake and invoiced sales. However, compared with the preceding year, order intake, invoiced sales and production rates were lower. Demand improved slightly in Europe and remained relatively unchanged in North America and Asia compared with preceding quarters. Operating profit was significantly impacted by unfavorable exchange rates (about -150 million SEK) and amounted to 1,525 million SEK (1,855).

General business activity remained largely unchanged compared with the preceding quarter. The number of working days contributed positively to order intake and invoicing by about 1%. Demand in North America remained largely on par with the preceding quarter although some customers in the US reduced their inventory levels. In contrast, Europe recorded a slightly higher activity and demand was strong from aerospace in Russia. Most other major European countries remained unchanged compared to the preceding quarter. Business conditions in Asia remained relatively unchanged. Continued strong demand was noted in the oil and gas sector, particularly in North America and Southeast Asia. The automotive industry showed signs of improved demand in Europe, South America and parts of Asia, whereas North America remained stable.

Improved inventory control allowed for production rates to be maintained at the level of sales, thus deviating from the normal seasonal build-up. This adversely affected earnings somewhat, but contributed to the strong trend in cash flow.

In conjunction with the ongoing strategic overview, a new business area organization and governance structure was launched. A new product area will be created comprising brands addressing market segments below premium.

The strong SEK again negatively impacted earnings (-150 million SEK compared with the preceding year but +30 million SEK compared with the preceding quarter), resulting in operating profit of 1,525 million SEK (1,855), or 20.9% (23.9) of invoiced sales. Return on capital employed for the most recent 12-month period was 26.0% (33.6).

Financial overview, MSEK**

	Q2 2013	Q2 2012	Change %	Q1 2013	Change %
Order intake	7 332	7 834	-1 *	7 147	+2 *
Invoiced sales	7 281	7 759	-1 *	6 977	+4 *
Operating profit	1 525	1 855	-18	1 141	+34
% of invoiced sales	20.9	23.9		16.4	
Adjusted operating profit	*1 525*	*1 855*	*-18*	*1 281*	*+19*
% of invoiced sales	*20.9*	*23.9*		*18.4*	
Return on capital employed, %, rolling 12 months	26.0	33.6		27.5	
Number of employees	18 889	19 427	-3	19 031	-1

* At fixed exchange rates for comparable units
** Historic data adjusted for the transfer of the Dormer product area from Sandvik Venture

Q2 Sandvik Materials Technology

Strong demand from the oil and gas sector

Nuclear demand resulted in adjustment of order backlog and capacity

Continued profitability improvement

Growth

Q2	Order intake	Invoiced sales
Price/volume, %	-25	-2
Structure, %	0	0
Currency, %	-6	-4
Total, %	**-30**	**-5**

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Business conditions in the second quarter essentially remained largely on par with the conditions prevailing in the preceding quarter for Sandvik Materials Technology. Internal efficiency continued to improve with the Step Change turnaround program continuing to progress according to plan. Order intake amounted to 3.9 billion SEK, excluding the backlog adjustment, while invoiced sales increased by 13% at fixed exchange rates compared with the preceding quarter and amounted to 4.0 billion SEK. Adjusted for metal price effects the operating profit margin was 12.5% (11.5).

During the quarter a decision was taken to adjust capacity and order backlog for tubes to the nuclear industry.

The business climate for Sandvik Materials Technology was unchanged for most customer segments. Orders booked for umbilical tubing to the oil and gas sector further emphasized the importance of this segment. Conditions for the standard assortment offering remained challenging.

In June, Sandvik decided to adjust capacity and order backlog for nuclear tubing, to reflect the current market conditions in the nuclear power industry. The order backlog was written down by 1.1 billion SEK. While uncertainty in the global nuclear industry remains, the need for further adjustments to the order backlog is estimated to be limited. Earnings were positively affected by net 30 million SEK from closed hedges, impairment charges and restructuring costs.

Production rates increased compared with the preceding quarter as part of normal preparations ahead of summer shut downs in the northern hemisphere.

The strong SEK continued to influence the competitive landscape. Since certain Japanese competitors could benefit from favorable currency rates, market conditions were challenging and price pressure remained intense.

The consistent execution of the Step Change turnaround program continued to provide support for earnings during the second quarter in spite of the challenging business conditions. Operating profit, adjusted for metal price effects (-87 million SEK), amounted to 496 million SEK (482), or 12.5% (11.5) of invoiced sales. Changed exchange rates affected earnings by -40 million SEK compared with the preceding year and +50 million SEK compared with the preceding quarter. Return on capital employed for the most recent 12-month period was 4.2% (n.a.). Adjusted for nonrecurring charges in the fourth quarter 2012, return on capital employed improved to 9.0%.

Financial overview, MSEK

	Q2 2013	Q2 2012	Change %	Q1 2013	Change %
Order intake	2 820	4 006	-25 *	3 771	-26 *
Invoiced sales	3 967	4 195	-2 *	3 484	+13 *
Operating profit	409	415	-1	337	+22
% of invoiced sales	10.3	9.9		9.7	
Return on capital employed, %, rolling 12 months	4.2	N/A		4.2	
Number of employees	7 181	7 538	-5	7 197	-

* At fixed exchange rates for comparable units

Q2 Sandvik Construction

Tentative market

New President: Dinggui Gao

Growth

Q2	Order intake	Invoiced sales
Price/volume, %	+2	-4
Structure, %	0	0
Currency, %	-6	-6
Total, %	**-4**	**-10**

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Business conditions for Sandvik Construction remained largely on par with the preceding quarter. Order intake increased by 2% compared to the year-earlier period at fixed exchange rates for comparable units, but declined by 3% compared with the preceding quarter and amounted to 2.4 billion SEK. Supported by a stronger backlog, invoiced sales increased by 13% at fixed exchange rates compared with the preceding quarter, thus totaling 2.3 billion SEK (2.0 in the preceding quarter).

Operating profit improved compared with the preceding quarter, but was negatively impacted by changed exchange rates and lower sales volumes compared with the preceding year and thus amounted to 141 million SEK (222), or 6.1% (8.6) of invoiced sales.

The market situation for Sandvik Construction was tentative during the second quarter and differed between segments and regions. Business activity in Europe continued to be affected by weak macroeconomic conditions but remained largely unchanged compared to the preceding quarter. Underlying demand in North America was stable, whereas market conditions for premium surface drilling equipment in Africa/Middle East remained favorable. Business activity in Asia varied between countries but the continued weak demand for capital equipment in China was evident. The strong performane of mobile crushing and surface drilling equipment recorded earlier was further emphasized during the second quarter. Customers have a tendency to delay larger investment decisions in times of greater uncertainty, which negatively affected demand for stationary crushing and screening equipment. As a consequence, demand for tools, consumables and services declined slightly.

In May Dinggui Gao was appointed President of Sandvik Construction and member of Group Executive Management. He replaces acting President Andy Taylor who will assume the position as Vice President Finance for Sandvik Mining. Dinggui Gao will take up his new position later in the year.

Dinggui Gao

The increased sales level resulted in net working capital significantly declining in relative terms, and accounted for 26% of invoiced sales, compared with 28% in the preceding quarter and 27% in the year-earlier period.

Net working capital rose in absolute terms from the low levels in the preceding quarter.

Changed exchange rates affected earnings by -20 million SEK compared with the preceding year, but the effect was negligible compared with the preceding quarter. Operating profit amounted to 141 million SEK (222), or 6.1% (8.6) of invoiced sales. Return on capital employed for the most recent 12-month period was 9.6% (4.5).

Financial overview, MSEK

	Q2 2013	Q2 2012	Change %	Q1 2013	Change %
Order intake	2 384	2 488	+2 *	2 454	-3 *
Invoiced sales	2 326	2 592	-4 *	2 046	+13 *
Operating profit	141	222	-36	103	+37
% of invoiced sales	6.1	8.6		5.0	
Return on capital employed, %, rolling 12 months	9.6	4.5		10.9	
Number of employees	3 179	3 289	-3	3 153	+1

* At fixed exchange rates for comparable units

Q2 Sandvik Venture

Unchanged market conditions

Sandvik Hard Materials and Diamond Innovations to form one product area

Earnings impacted by nonrecurring items

Growth

Q2	Order intake	Invoiced sales
Price/volume, %	+4	-10
Structure, %	0	0
Currency, %	-5	-5
Total, %	**-1**	**-14**

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Business conditions remained largely unchanged for Sandvik Venture in the second quarter, except for Wolfram where demand improved somewhat. Order intake increased by 18% and invoiced sales increased by 4% compared with the preceding quarter at fixed exchange rates for comparable units. Total order intake amounted to 1.5 billion SEK and invoiced sales to 1.3 billion SEK (1.3 and 1.3, respectively, in the preceding quarter). Earnings were negatively impacted by nonrecurring charges. Adjusted for these charges, operating profit improved from the levels earlier in the year as profitability increased for Wolfram, but declined from the year-earlier level. Operating profit thus amounted to 182 million SEK (313), or 13.7% of invoiced sales (20.1).

Overall business conditions in the second quarter were largely similar to the levels of the first quarter of 2013 for Sandvik Venture's product areas. The challenging business conditions continued for Diamond Innovations and Sandvik Hard Materials. Demand further improved for Sandvik Process Systems since steel belt orders were secured for wood based panels. Demand improved slightly for Wolfram compared to the weak level in the previous quarters, although customer order patterns tend to change rapidly.

It was decided during the quarter to form a new product area combining Diamond Innovations and Sandvik Hard Materials. The two entities have a long-standing history of providing exceptional value to their customers in demanding industries and environments. The new product area will have approximately 1,800 employees and a strong product offering in super-hard and hard materials based on cemented carbide, cubic boron nitride, and synthetic diamond. Combined resources within R&D, sales and marketing will further strengthen the ability to develop new and innovative customer offerings to drive future growth.

Net working capital as percentage of sales improved.

Earnings for Wolfram improved from the low level in the preceding quarter as sales prices increased during the course of the second quarter. This was the main reason for the improved profitability compared to the preceding quarter. Sandvik Process Systems continued to contribute meaningfully to the business area's earnings, and profit levels at Sandvik Hard Materials improved compared with the preceding quarter despite challenging market conditions. Diamond Innovations improved performance although earnings were negatively affected by the previously announced consolidation of production units which entailed nonrecurring charges of about -200 million SEK. Adjusted for these charges, operating profit for Sandvik Venture amounted to 182 million SEK (313) or 13.7% (20.1) of invoiced sales with no material impact from changed exchange rates compared with the preceding year or the preceding quarter. Return on capital employed for the most recent 12-month period was 9.2% (1.0).

Financial overview, MSEK**

	Q2 2013	Q2 2012	Change %	Q1 2013	Change %
Order intake	1 532	1 547	+4 *	1 284	+18 *
Invoiced sales	1 332	1 556	-10 *	1 271	+4 *
Operating profit	-18	313	N/A	116	N/A
% of invoiced sales	-1.4	20.1		9.1	
Adjusted operating profit	*182*	*313*	*-42*	*116*	*+57*
% of invoiced sales	*13.7*	*20.1*		*9.1*	
Return on capital employed, %, rolling 12 months	9.2	1.0		14.1	
Number of employees	2 601	2 667	-2	2 590	-

* At fixed exchange rates for comparable units, including effects from changed metal prices.
** Historic data adjusted for the transfer of the Dormer product area to Sandvik Machining Solutions.

Parent Company

The Parent Company´s invoiced sales for the second quarter of 2013 amounted to 4,448 million SEK (4,556) and the operating result was -146 million SEK (-207). For the January - June 2013 period, invoiced sales amounted to 8,416 million SEK (9,238) and the operating result was -436 million SEK (-164).

Income from shares in Group companies consists primarily of dividends and Group contributions and amounted after the second quarter to 1,635 million SEK (1,121).

As a consequence of the court case regarding intellectual property rights, the result during the second quarter was negatively impacted by interest costs of 708 million SEK and income tax expenses of 5,058 million SEK. However, these items did not have any impact on the Group's consolidated income statement since they correspond to the tax value of increased amortizations in Sandvik Intellectual Properties AB and reversal of Group reserves.

Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 23,829 million SEK (20,388 at 31 December 2012). Investments in property, plant and machinery amounted to 536 million SEK (545).

Acquisitions and divestments

In March 2013, Sandvik acquired Cubex, an industry-leading drilling solutions provider focused on the design and manufacture of a wide range of underground in-the-hole and geotechnical drilling equipment.

Significant acquisitions during the most recent 18-month period

	Company/unit	Closing date	Annual revenue MSEK	No of employees
Sandvik Mining	Cubex	1 Apr 13	270	110

Significant divestments during the most recent 18-month period

	Company/unit	Closing date	Annual revenue MSEK	No of employees
Sandvik Venture	Sandvik Medical Solutions	30 Mar 12	~600	550

Guidance

Sandvik does not provide a market outlook or business performance forecasts.

However, guidance of certain non-operational key figures considered useful when modeling financial outcome are provided in the table below:

Capex	Estimated at below 5 billion SEK for 2013.
Currency effects	Given currency rates at the end of June, it is estimated that operating profit for the third quarter of 2013 will be affected by about -150 million SEK compared to the third quarter of 2012.
Metal price effects	Given currency rates, stock levels and metal prices at the end of June, it is estimated that operating profit for the third quarter of 2013 will be affected by about -125 million SEK.
Net financial items	Estimated at below 2.0 billion SEK in 2013.
Tax rate	Estimated at about 25-27% for 2013.

Significant events

• In May, Dinggui Gao was appointed President of Business Area Sandvik Construction and member of the company's Group Executive Management. Dinggui Gao will take up his new position later in the year.

• In June, Sandvik decided to adjust capacity and order backlog for nuclear tubing, to reflect the current market conditions in the nuclear power industry. The order backlog has been written down by 1.1 billion SEK, negatively affecting the order intake in the second quarter. The older of the two steam generator tubing mills in Sandviken will be mothballed in 2014, thus minimizing costs while creating the option to restart production if demand recovers.

• In the end of June, the Administrative Court of Appeal's ruled regarding the reorganization of ownership of Intellectual Property rights dating back to 2005. Information relating to the case has been provided on a continuous basis in Sandvik's annual reports since 2007. The impact of the Court of Appeal's ruling is, if it gains legal force, that Sandvik will be taxed for a capital gain in 2005 totaling 18,063 million SEK at the same time as it approves the amortization of the intellectual property rights. This will not affect the Group's earnings, since the additional tax cost of approximately 5 billion SEK would largely correspond to the tax value of the increased amortization for tax purposes in Sandvik Intellectual Properties AB, which, according to IFRS policies, would be recognized as income. However, Sandvik AB will be required to pay approximately 5,800 million SEK in tax and interest relating to 2005. In this case, a significant part of the amount would be recovered through reduced tax payments related to increased amortizations. It primarily implies a reallocation of tax payments over time. Sandvik will likely appeal the ruling.

• On 1 July Jessica Alm, previously Head of Communications at Sandvik Coromant, assumed the role of Executive Vice President and Head of Group Communications as well as member of the Group Executive Management. Jessica Alm succeeds Jan Lissåker who assumed a new position as Group Senior Advisor.

Accounting policies

This interim report was prepared in accordance with IFRS, applying IAS 34, Interim Financial Reporting. The same accounting and valuation policies were applied as in the most recent annual report with the exception of new and revised standards and interpretations effective from 1 January 2013.

The updated standard, IAS 19, Employee Benefits, is applied from 1 January 2013 with full retroactive application. If the standard had been applied as of 31 December 2012, the net pension obligation would have been 5.0 billion SEK higher, including payroll tax of 0.2 billion SEK. After taking deferred tax into account, the effects of the updated standard on retained earnings would have been 3.7 billion SEK lower than the amount reported on 31 December 2012. The effects at the end of each quarter of 2012 are shown separately at *www.sandvik.com/en/investor-relations* including the opening balance for 2012. Sandvik has decided to entirely exclude pension liabilities from its net debt/equity ratio target as of the first quarter of 2013. The target of the net debt/equity ratio remains at <0.8.

As of 2013 the new standard IFRS 13, Fair Value Measurement and the amendments in IFRS 7, Financial instruments: Disclosures, have been applied. Disclosures are presented on page 13.

The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Securities Market Act, which is in line with standard RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board.

First six months of 2013

The global market demand weakened during the first half of the year compared with the strong demand recorded the first six months of 2012. This was particularly evident in the mining industry.

Sandvik's order intake amounted to 43,058 million SEK (55,084) a decline of 17% in fixed exchange rates for comparable units. Invoiced sales were 45,142 million SEK (50,776), down 5% in fixed exchange rates for comparable units. Operating profit was negatively impacted by lower invoiced sales, nonrecurring items and unfavorable exchange rates and thus amounted to 5,518 million SEK (8,031) for the January – June 2013 period. The operating margin was 12.2% (15.8) of invoiced sales.

Changed exchange rates had a negative impact of 650 million SEK on earnings during the first half of the year, compared with the year-earlier period, while changed metal prices had a negative impact of 123 million SEK. Net financial items amounted to -974 million SEK (-993) and the profit after financial items was 4,544 million SEK (7,038). The tax rate was 26.7% (25.0) and profit for the period amounted to 3,332 million SEK (5,278). Earnings per share amounted to 2.66 SEK (4.26). Cash flow from operations was +4,847 million SEK (+3,392). Acquisitions of property, plant and equipment amounted to 1,667 million SEK (2,351) and 267 million SEK in acquisitions of companies (0). Net cash flow after investing activities was +2,957 million SEK (1,752).

Q2

Financial reports summary

The Group

Income statement

MSEK	Q2 2013	Q2 2012	Change %	Q1-2 2013	Q1-2 2012	Change %
Revenue	23 043	25 939	-11	45 142	50 776	-11
Cost of sales and services	-15 285	-16 466	-7	-29 814	-32 035	-7
Gross profit	7 758	9 473	-18	15 328	18 741	-18
% of revenues	33.7	36.5		34.0	36.9	
Selling expenses	-2 849	-2 997	-5	-5 572	-5 970	-7
Administrative expenses	-1 634	-1 563	+5	-3 181	-3 224	-1
Research and development costs	-700	-676	-3	-1 303	-1 283	+2
Other operating income and expenses	386	-25	-	246	-233	-
Operating profit	2 961	4 212	-30	5 518	8 031	-31
% of revenues	12.8	16.2		12.2	15.8	
Financial net	-495	-545	-9	-974	-993	-2
Profit after financial items	2 466	3 667	-33	4 544	7 038	-35
% of revenues	10.7	14.1		10.1	13.9	
Income tax	-612	-894	-32	-1 212	-1 760	-31
Profit for the period	1 854	2 773	-33	3 332	5 278	-37
% of revenues	8.0	10.7		7.4	10.4	
Items that will not be reclassified to profit or loss						
Actuarial gains/(losses) on defined benefit pension plans	18	-1 153		251	-986	
Tax relating to items that will not be reclassified	-24	360		-103	317	
	-6	-793		148	-669	
Items that will be reclassified subsequently to profit or loss						
Foreign currency translation differences	943	340		106	-259	
Cash flow hedges	-270	-127		-236	64	
Tax relating to items that may be reclassified	56	35		49	-15	
	729	248		-81	-210	
Total other comprehensive income	723	-545		67	-879	
Total comprehensive income	2 577	2 228		3 398	4 399	
Profit for the period attributable to						
Owners of the Parent	1 858	2 776		3 335	5 276	
Non-controlling interests	-4	-3		-3	2	
Total comprehensive income attributable to						
Owners of the Parent	2 580	2 238		3 400	4 404	
Non-controlling interests	-3	-10		-2	-5	
Earnings per share, SEK *	1.48	2.21		2.66	4.26	

* No dilution effects during the period.

Q2

The Group

Balance sheet

MSEK	30 Jun 2013	30 Jun 2012	Change %	31 Dec 2012
Intangible assets	11 673	11 750	-1	11 423
Property, plant and equipment	25 057	25 834	-3	25 516
Financial assets	7 613	6 436	+18	6 267
Inventories	25 031	27 869	-10	25 508
Current receivables	22 067	24 429	-10	21 512
Cash and cash equivalents	6 770	6 411	+6	13 829
Total assets	98 211	102 729	-4	104 055
Total equity	31 432	31 382	+0	32 536
Non-current interest-bearing liabilities	30 410	32 960	-8	38 301
Non-current non-interest-bearing liabilities	2 637	6 395	-59	6 419
Current interest-bearing liabilities	5 555	6 730	-17	2 698
Current non-interest-bearing liabilities	28 177	25 262	+12	24 101
Total equity and liabilities	98 211	102 729	-4	104 055
Net working capital *	*25 671*	*29 425*	*-13*	*25 170*
Loans	*29 851*	*33 708*	*-11*	*34 794*
Net debt **	*23 226*	*27 625*	*-16*	*21 132*
Non-controlling interests in total equity	*105*	*146*	*-28*	*107*

* Inventories plus trade receivables excl. prepaid income taxes, reduced by non-interest-bearing liabilities excl. tax liabilities.
** Current and non-current interest-bearing liabilities excluding net provisions for pensions, less cash and cash equivalents.

Change in total equity

MSEK	Equity related to owners of the Parent	Non-controlling interest	Total equity
Opening equity, 1 January 2012	32 490	1 401	33 891
Change in accounting policies	-2 627		-2 627
Total comprehensive income	5 567	-3	5 564
Issue of new equity / Acquisition of non-controlling interests	1 151	-1 286	-135
Personnel options program	86		86
Hedge of personnel options program	-161		-161
Dividends	-4 077	-5	-4 082
Closing equity, 31 December 2012	32 429	107	32 536
Opening equity, 1 January 2013	36 125	107	36 232
Change in accounting policies	-3 696		-3 696
Total comprehensive income	3 400	-2	3 398
Personnel options program	73		73
Hedge of personnel options program	-185		-185
Dividends	-4 390		-4 390
Closing equity, 30 June 2013	31 327	105	31 432
Opening equity, 1 January 2012	32 490	1 401	33 891
Change in accounting policies	-2 627		-2 627
Total comprehensive income	4 404	-5	4 399
Issue of new equity / Acquisition of non-controlling interests	1 168	-1 250	-82
Personnel options program	39		39
Hedge of personnel options program	-161		-161
Dividends	-4 077		-4 077
Closing equity, 30 June 2012	31 236	146	31 382

The Group

Cash flow statement

MSEK	Q2 2013	Q2 2012	Q1-2 2013	Q1-2 2012
Cash flow from operating activities				
Income after financial income and expenses	+2 466	+3 667	+4 544	+7 038
Adjustment for depreciation, amortization and impairment losses	+1 276	+976	+2 226	+2 009
Adjustment for items that do not require the use of cash etc.	-53	-81	-197	+64
Income tax paid	-651	-994	-1 131	-1 675
Cash flow from operations before changes in working capital	+3 038	+3 568	+5 442	+7 436
Changes in working capital				
Change in inventories	+31	-245	+449	-1 913
Change in operating receivables	+166	-94	-407	-2 339
Change in operating liabilities	-511	-797	-475	+388
Cash flow from changes in working capital	-314	-1 136	-433	-3 864
Investments in rental equipment	-160	-169	-278	-262
Divestments of rental equipment	+76	+30	+116	+82
Cash flow from operations	+2 640	+2 293	+4 847	+3 392
Cash flow from investing activities				
Acquisitions of companies and shares, net of cash acquired	-267	0	-267	0
Acquisitions of property, plant and equipment	-909	-1 254	-1 667	-2 351
Proceeds from sale of property, plant and equipment	+44	+61	+44	+711
Cash flow from investing activities	-1 132	-1 193	-1 890	-1 640
Net cash flow after investing activities	+1 508	+1 100	+2 957	+1 752
Cash flow from financing activities				
Change in interest-bearing debt	-4 075	+2 471	-5 615	+3 149
Dividends paid	-4 390	-4 077	-4 390	-4 077
Cash flow from financing activities	-8 465	-1 606	-10 005	-928
Cash flow for the period	-6 957	-506	-7 048	+824
Cash and cash equivalents at beginning of the period	+13 708	+6 854	+13 829	+5 592
Exchange-rate differences in cash and cash equivalents	+19	+63	-11	-5
Cash and cash equivalents at the end of the period	+6 770	+6 411	+6 770	+6 411

Financial instruments, MSEK	Carrying amount		Fair value	
	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Assets measured at fair value*	1 303	1 353	1 303	1 353
Assets measured at amortized cost	22 245	28 395	22 245	28 395
Liabilities measured at fair value*	782	926	782	926
Liabilities measured at amortized cost**	36 864	41 632	38 310	43 328

* Relates to derivatives

** The difference between carrying amount and fair value refers to borrowings.

Sandvik measures financial instruments at fair value or amortized cost in the balance sheet depending on their classification. In addition to net debt, financial instruments include accounts receivable and accounts payable. Financial instruments measured at fair value in the balance sheet are measured using valuation techniques that only use observable market data and thus belong to level 2 in the fair value hierarchy. A description of the applied valuation techniques and the inputs used in fair value measurement are described in the most recent annual report. No financial assets and liabilities are offset in the balance sheet. Derivative contracts are subject to master netting agreements and the carrying amounts of derivative assets that are not offset in the balance amounted to 1,288 million SEK and the carrying amount of the related derivative liabilities totaled -804 million SEK. No collateral was received or provided. In the case of the occurrence of default events with derivative counterparties, 587 million SEK of assets and liabilities would be offset due to master netting agreements.

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The Parent Company

Income statement

MSEK	Q2 2013	Q2 2012	Change %	Q1-2 2013	Q1-2 2012	Change %
Revenue	4 448	4 556	-2	8 416	9 238	-9
Cost of sales and services	-3 770	-3 516	7	-6 884	-7 093	-3
Gross profit	678	1 040	-35	1 532	2 145	-29
Selling expenses	-126	-152	-17	-292	-297	-2
Administrative expenses	-813	-772	5	-1 518	-1 505	1
Research and development costs	-361	-326	11	-690	-634	9
Other operating income and expenses	476	3	-	532	127	-
Operating result	-146	-207	-29	-436	-164	-
Income from shares in Group companies	942	439	115	1 635	1 121	46
Income from shares in associated companies	-	5	-	-	5	-
Interest income and similar items	117	125	-6	315	456	-31
Interest expenses and similar items	-1 289	-630	105	-1 521	-1 107	37
Result after financial items	-376	-268	40	-7	311	-102
Income tax expense	-5 141	41	-	-5 217	-82	-
Result for the period	-5 517	-227	-	-5 224	229	-

Balance sheet

MSEK	30 Jun 2013	30 Jun 2012	Change %	31 Dec 2012
Intangible assets	4	10	-60	9
Property, plant and equipment	7 133	7 265	-2	7 308
Financial assets	38 920	37 058	5	38 139
Inventories	3 739	4 000	-7	3 809
Current receivables	16 599	15 025	10	17 073
Cash and cash equivalents	13	118	-	25
Total assets	66 408	63 476	5	66 363
Total equity	15 050	15 250	-1	24 776
Untaxed reserves	3	10	-70	3
Provisions	535	664	-19	558
Non-current interest-bearing liabilities	16 602	18 772	-12	22 046
Non-current non-interest-bearing liabilities	86	34	-	63
Current interest-bearing liabilities	22 803	23 284	-2	12 858
Current non-interest-bearing liabilities	11 329	5 462	107	6 059
Total equity and liabilities	66 408	63 476	5	66 363
Pledged assets	-	-	-	-
Contingent liabilities	14 073	12 500	13	15 265
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	23 829	28 967	-18	20 388
Investments in fixed assets	536	545	-2	1 338

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Market overview, the Group

Order intake and invoiced sales per market area

Second quarter 2013

Market area	Order intake MSEK	Change * %	Change * %1)	Share %	Invoiced sales MSEK	Change * %	Share %
The Group							
Europe	8 540	+0	+1	41	8 586	-1	37
North America	4 186	-1	-6	20	4 263	-5	19
South America	1 837	+9	-11	9	1 801	-8	8
Africa/Middle East	2 087	+3	+3	10	2 255	+4	10
Asia	2 686	-51	-12	13	4 230	-6	18
Australia	1 383	-44	-44	7	1 908	-27	8
Total	20 719	-16	-9	100	23 043	-6	100
Sandvik Mining							
Europe	750	-10	-10	11	979	-4	12
North America	986	-16	-16	15	1 162	-4	14
South America	1 174	+12	-21	18	1 223	-8	15
Africa/Middle East	1 683	+1	+1	25	1 834	+4	23
Asia	1 068	-64	-35	16	1 448	-17	18
Australia	991	-49	-49	15	1 490	-28	18
Total	6 652	-30	-24	100	8 136	-11	100
Sandvik Machining Solutions							
Europe	4 021	+1	+1	54	3 976	+1	54
North America	1 529	-6	-6	21	1 506	-5	21
South America	288	+9	+9	4	285	+7	4
Africa/Middle East	67	-18	-18	1	74	-9	1
Asia	1 362	-1	-1	19	1 375	+1	19
Australia	65	-21	-21	1	65	-20	1
Total	7 332	-1	-1	100	7 281	-1	100
Sandvik Materials Technology							
Europe	1 929	-6	-1	68	1 976	-1	50
North America	1 038	+30	+4	37	962	-9	24
South America	134	+50	+50	5	71	-20	2
Africa/Middle East	58	-21	-21	2	50	-24	1
Asia2)	-556	-183	-25	-20	698	+28	18
Australia	217	-21	-21	8	210	-26	5
Total2)	2 820	-25	-1	100	3 967	-2	100
Sandvik Construction							
Europe	956	+13	+13	41	904	+0	39
North America	386	+10	+10	16	392	-2	17
South America	199	-17	-17	8	188	-20	8
Africa/Middle East	248	+29	+29	10	269	+32	12
Asia	507	-5	-5	21	447	-14	19
Australia	88	-50	-50	4	126	-26	5
Total	2 384	+2	+2	100	2 326	-4	100
Sandvik Venture							
Europe	885	+7	+7	58	750	-6	56
North America	247	-11	-11	16	240	-2	18
South America	43	+13	+13	3	34	-13	3
Africa/Middle East	30	+16	+16	2	28	-51	2
Asia	305	+11	+11	20	262	-16	20
Australia	22	-4	-4	1	18	-31	1
Total	1 532	+4	+4	100	1 332	-10	100

* At fixed exchange rates for comparable units compared to the year-earlier period.
1) Excluding major orders.
2) Including an order backlog adjustment of 1.1 billion SEK for nuclear tubing.

SANDVIK

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The Group

Order intake by business area

MSEK	Q2 2012	Q3 2012	Q4 2012	Q1-Q4 2012	Q1 2013	Q2 2013	Change Q2 %	Change Q2 % [1)]
Sandvik Mining	10 315	8 499	7 683	38 289	7 683	6 652	-36	-30
Sandvik Machining Solutions	7 834	6 840	7 146	29 914	7 147	7 332	-6	-1
Sandvik Materials Technology	4 006	3 112	3 312	14 708	3 771	2 820	-30	-25
Sandvik Construction	2 488	2 110	1 793	9 013	2 454	2 384	-4	+2
Sandvik Venture	1 547	1 233	1 134	6 021	1 284	1 532	-1	+4
Group activities	0	1	2	3	0	-1		
Group total	26 190	21 795	21 070	97 948	22 339	20 719	-21	-16

Invoiced sales by business area

MSEK	Q2 2012	Q3 2012	Q4 2012	Q1-Q4 2012	Q1 2013	Q2 2013	Change Q2 %	Change Q2 % [1)]
Sandvik Mining	9 826	9 485	9 812	37 762	8 313	8 136	-17	-11
Sandvik Machining Solutions	7 759	6 845	7 152	29 713	6 977	7 281	-6	-1
Sandvik Materials Technology	4 195	3 450	3 620	15 366	3 484	3 967	-5	-2
Sandvik Construction	2 592	2 256	2 382	9 683	2 046	2 326	-10	-4
Sandvik Venture	1 556	1 378	1 352	5 963	1 271	1 332	-14	-10
Group activities	11	10	10	42	7	1		
Group total	25 939	23 424	24 328	98 529	22 098	23 043	-11	-6

Operating profit by business area

MSEK	Q2 2012	Q3 2012	Q4 2012	Q1-Q4 2012	Q1 2013	Q2 2013	Change Q2 %
Sandvik Mining	1 800	1 506	1 203	6 004	1 211	1 153	-36
Sandvik Machining Solutions	1 855	1 343	1 265	6 374	1 141	1 525	-18
Sandvik Materials Technology	415	180	-351	592	337	409	-1
Sandvik Construction	222	230	83	748	103	141	-36
Sandvik Venture	313	253	235	1 120	116	-18	-
Group activities	-393	-187	-301	-1 348	-351	-249	
Group total [2)]	4 212	3 325	2 134	13 490	2 557	2 961	-30

Operating margin by business area

MSEK	Q2 2012	Q3 2012	Q4 2012	Q1-Q4 2012	Q1 2013	Q2 2013
Sandvik Mining	18.3	15.9	12.3	15.9	14.6	14.2
Sandvik Machining Solutions	23.9	19.6	17.7	21.5	16.4	20.9
Sandvik Materials Technology	9.9	5.2	-9.7	3.9	9.7	10.3
Sandvik Construction	8.6	10.2	3.5	7.7	5.0	6.1
Sandvik Venture	20.1	18.4	17.4	18.8	9.1	-1.4
Group total	16.2	14.2	8.8	13.7	11.6	12.8

1) Change compared with preceding year at fixed exchange rates for comparable units.
2) Internal transactions had negligible effect on business area profits.

Key figures

	Q2 2013	Q2 2012	Q1-4 2012
No. of shares outstanding at end of period('000) [1)]	1 254 386	1 254 386	1 254 386
Average no. of shares('000) [1)]	1 254 386	1 254 386	1 245 874
Tax rate, %	24.8	24.4	29.6
Return on capital employed, % [2)]	16.0	17.2	19.8
Return on total equity, % [2)]	19.2	21.5	25.3
Return on total capital, % [2)]	11.1	11.8	13.7
Shareholders' equity per share, SEK	25.00	24.90	25.90
Net debt/equity ratio	0.7	0.8	0.6
Equity/assets ratio, %	32	31	31
Net working capital, %	28	28	27
Earnings per share, SEK	1.48	2.21	6.51
Cash flow from operations, MSEK	+2 640	+2 293	+11 892
Number of employees	47 801	49 034	48 742

1) No dilution effect during the period.
2) Rolling 12 months.

Transactions with related parties

No transactions between Sandvik and related parties that have significantly affected the company's position and results took place.

Risk assessment

Sandvik is a global group represented in 130 countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Sandvik in its work to achieve established targets. Efficient risk management forms part of the ongoing review of operations and forward-looking assessment of operations. Sandvik's long-term risk exposure is assumed not to deviate from the inherent exposure associated with Sandvik's ongoing business operations. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2012.

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, commercialization and technological difficulties, supply disturbances, and the major customer credit losses.

Certification

The Board of Directors and the CEO certify that the six-month report gives a fair overview of the Parent Company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 19 July 2013
Sandvik Aktiebolag (publ)

Anders Nyrén Chairman of the Board	Jürgen M Geissinger Board member	Johan Karlström Board member
Jan Kjellgren Board member	Tomas Kärnström Board member	Fredrik Lundberg Board member
Hanne de Mora Board member	Simon Thompson Board member	Lars Westerberg Board member
	Olof Faxander President, CEO and Board member	

Sandvik AB discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information is submitted for publication on 19 July 2013 at 8:00 CET. The company´s auditors have not conducted a special review of the second-quarter report for 2013. The third-quarter 2013 report will be published on 24 October 2013. Additional information may be obtained from Sandvik Investor Relations, at tel +46 8 456 12 40 (Magnus Larsson) or tel +46 8 456 12 30 (Oskar Lindberg) or by e-mailing info.ir@sandvik.com.

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A teleconference will be held on 19 July 2013 at 10:00 CET. Information is available at www.sandvik.com/ir.

Calendar:

24 Sep	Capital Markets Day in Sandviken, Sweden
24 Oct	Third-quarter report 2013
3 Feb 14	Fourth-quarter report 2013
25 Apr 14	First-quarter report 2014
17 Jul 14	Second-quarter report 2014
24 Sep 14	Capital Markets Day
27 Oct 14	Third-quarter report 2014

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