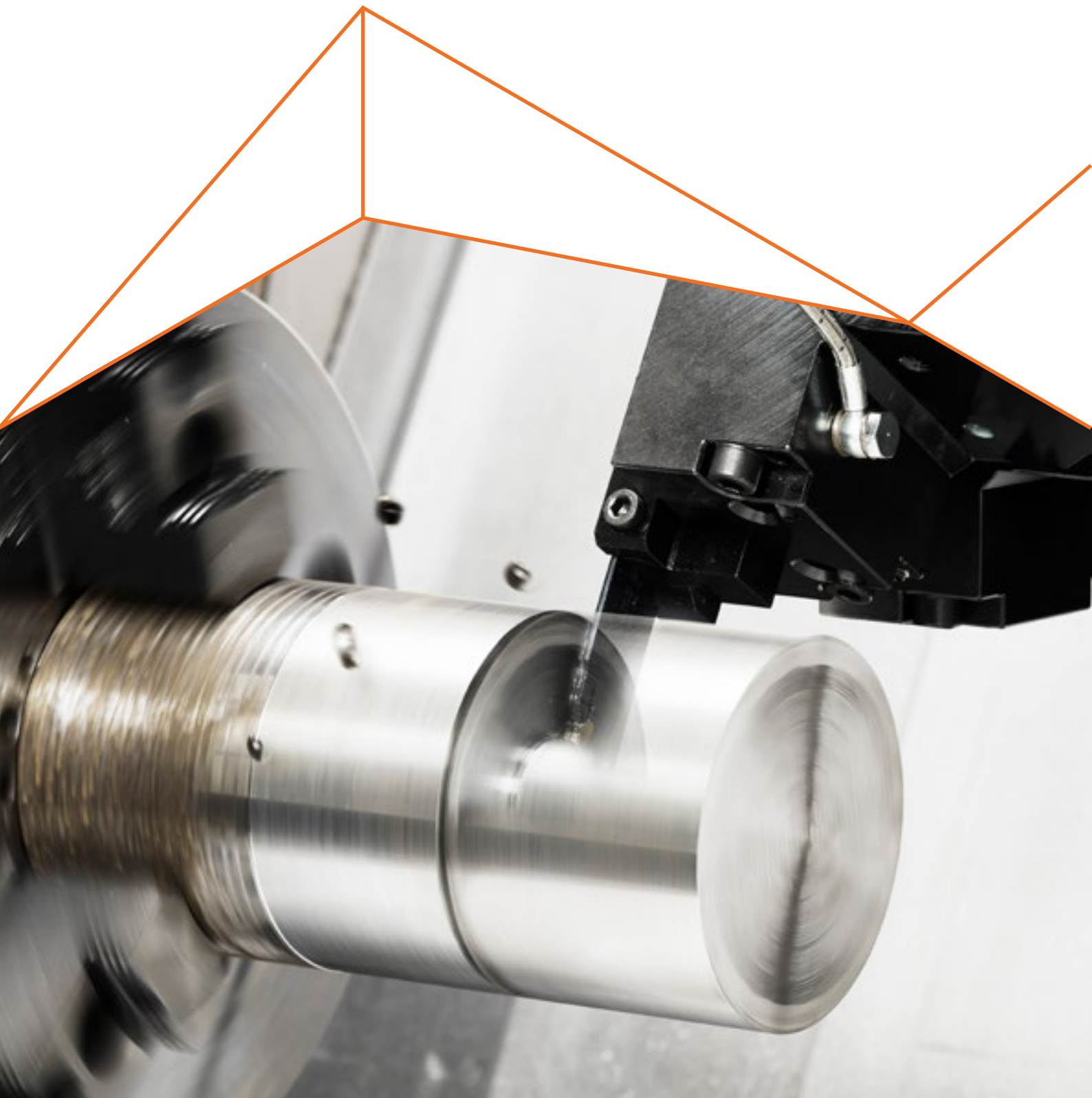


# INTERIM REPORT ON THE THIRD QUARTER 2014



# STRONG CASH FLOW AND STRATEGY EXECUTION

**CEO'S COMMENT:**



Olof Faxander

“Our continued momentum during the quarter confirmed that we are on the right track. The global supply chain optimization program progressed according to plan, with the closure of nine production units underway and two units closed to date. Furthermore, Sandvik Materials Technology announced the divestment of its distribution business in Australia and New Zealand, which has a low degree of integration with the remainder of the business. The

transaction serves as a good illustration of our focus on our core business,” says Sandvik’s President and CEO Olof Faxander.

“The global market situation remained relatively unchanged in the third quarter, albeit with variations

between markets and segments. Business conditions remained favorable in North America, most notably for Sandvik Machining Solutions. Demand in Europe fluctuated as the weaker market conditions in Russia indirectly impacted other parts of the continent. Global demand from the mining industry remained stable and was on a par with levels observed earlier in the year. However, order intake for large mining systems projects declined due to timing of orders placed by customers. Order intake amounted to 21.0 billion SEK and invoiced sales to 22.6 billion SEK. Operating profit totaled 2.5 billion SEK, or 10.9% of invoiced sales. Changed metal prices and currency rates contributed positively to third-quarter earnings. The workforce was reduced by 620 people during the quarter for comparable units.

“Inventory levels were reduced significantly. Cash flow from operations amounted to 3.3 billion SEK, contributing to a reduction in the net debt/equity ratio to 0.87.”

FINANCIAL OVERVIEW, MSEK	Q3 2014	Q3 2013	CHANGE %	Q1-3 2014	Q1-3 2013	CHANGE %
Order intake <sup>1)</sup>	20 981	20 221	-5	64 672	63 279	-1
Invoiced sales <sup>1)</sup>	22 593	20 416	+2	65 427	65 558	-3
Gross profit	7 790	7 097	+10	23 503	22 425	+5
% of invoiced sales	34.5	34.8		35.9	34.2	
Operating profit	2 462	2 531	-3	7 497	8 048	-7
% of invoiced sales	10.9	12.4		11.5	12.3	
Adjusted operating profit <sup>2)</sup>	2 466	2 531	-3	7 576	8 380	-10
% of invoiced sales <sup>2)</sup>	10.9	12.4		11.6	12.8	
Profit after financial items	2 001	2 144	-7	6 143	6 688	-8
% of invoiced sales	8.9	10.5		9.4	10.2	
Profit for the period	1 458	1 631	-11	4 488	4 962	-10
% of invoiced sales	6.5	8.0		6.9	7.6	
of which shareholders' interest	1 467	1 631	-10	4 492	4 965	-10
Earnings per share, SEK <sup>3)</sup>	1.17	1.30	-10	3.58	3.96	-10
Return on capital employed, % <sup>4)</sup>	11.1	14.7		11.1	14.7	
Cash flow from operations	+3 296	-2 571	N/A	+5 410	+2 276	+138
Net working capital, %	30	31		30	31	

1) Change from the preceding year at fixed exchange rates for comparable units.

2) Operating profit adjusted by about 340 million SEK for the first nine months of 2013 and by 79 million SEK for the first nine months of 2014.

3) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact during the period.

4) Rolling 12 months.

Tables and calculations do not always agree exactly with the totals due to rounding.

Comparisons refer to the year-earlier period, unless stated otherwise.

# MARKET DEVELOPMENT AND EARNINGS

Overall business conditions remained relatively unchanged compared with the second quarter. While demand was stable for most customer segments, there were regional variations. Demand remained favorable in North America, improved in Africa, but deteriorated in Europe. Activity levels in the aerospace industry and the oil and gas sector remained high, while the mining and construction industries were stable at a low level. Order intake and invoiced sales amounted to 21.0 billion SEK (20.2) and 22.6 billion SEK (20.4), respectively.

Favorable exchange rates and changed metal prices contributed positively to earnings. Operating profit thus amounted to 2.5 billion SEK, or 10.9% of invoiced sales. Return on capital employed was 11.1% (14.7) for the most recent 12-month period.

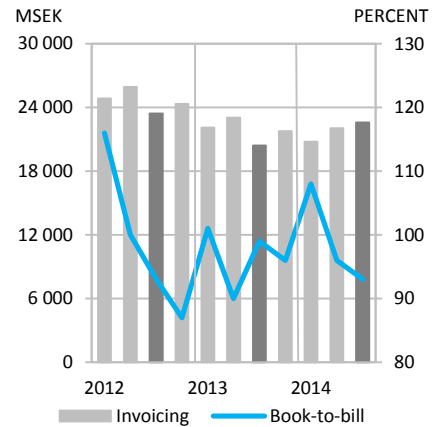
**Market demand** was largely on par with the preceding quarter, taking normal seasonality into consideration. Business conditions deteriorated in parts of Europe. Russia remained impacted by the trade sanctions with the European Union. Uncertainty increased, particularly for the automotive segment and in Germany. Meanwhile, business activity remained high in North America, parts of Asia and in the aerospace industry. The mining industry showed no tangible signs of improvement nor did it weaken further. Order intake for large mining systems projects declined due to timing of orders placed by customers. In total, acquisitions and divestments had a positive effect of 4% on both order intake and invoiced sales, most of which was related to the acquisition of Varel International Energy Services Inc. (Varel). Changes in exchange rates were significant, contributing 5% to both order intake and invoiced sales.

**Earnings** amounted to 2.5 billion SEK for the quarter, or 10.9% of invoiced sales. Changed metal prices made a positive contribution to operating profit of 171 million SEK. The recent fall in price of nickel is expected to adversely affect earnings in the fourth quarter by close to 50 million SEK if the conditions noted in October persist. Changed exchange rates contributed approximately 80 million SEK to earnings as the SEK depreciated against several major trading currencies. Reversed provisions for incentive programs contributed positively to earnings. Administrative and selling expenses increased, partly due to changed exchange rates and acquisitions made. Additionally, Sandvik Machining Solutions increased its sales and marketing efforts.

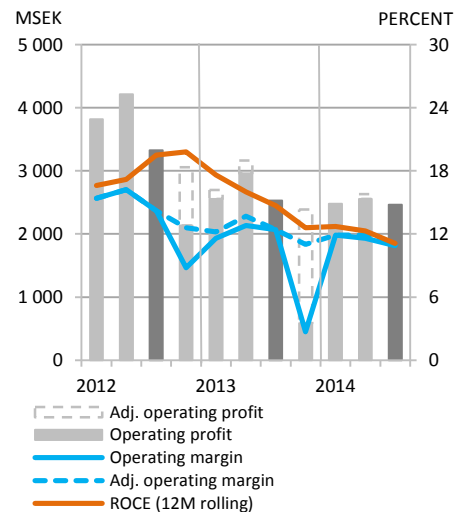
Net financial items amounted to -461 million SEK (-387) and earnings per share totaled 1.17 SEK (1.30) for the quarter. The guidance for net financial items for 2014 remains at between -1.8 and -2.0 billion SEK.

The tax rate for the third quarter was 27.2% (23.9) and the tax guidance for 2014 of 25-27% remains valid.

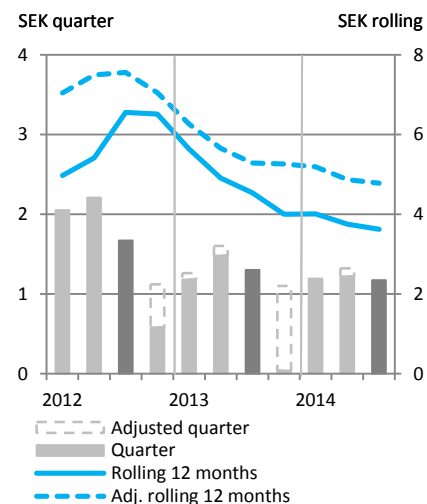
## INVOICED SALES AND BOOK-TO-BILL



## OPERATING PROFIT AND RETURN



## EARNINGS PER SHARE



# CASH FLOW AND BALANCE SHEET

**Reduced working capital, primarily as a result of lower inventory levels, resulted in strong cash flow and a strengthened balance sheet. Consequently, the net debt/equity ratio decreased to 0.87 compared with the preceding quarter.**

Investments (capex) amounted to 1.1 billion SEK and are expected to be less than 5 billion SEK for 2014.

During the quarter, the Group raised a loan in Japan, further diversifying its financing sources.

**Total assets** increased compared with the preceding quarter. The reason for the increase was the weakening of the SEK against several other trading currencies. This was partly offset by reduced inventory levels.

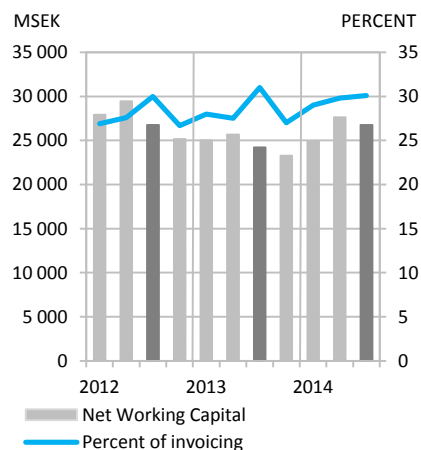
**Working capital** was reduced by 0.9 billion SEK, while the net reduction was 1.1 billion SEK adjusted for changes in metal prices. Although the reduction was partly due to normal seasonality, it was also the result of planned reductions in stock levels of mining equipment, tools and spare parts in particular. All business areas curtailed purchasing activities, thereby resulting in reduced accounts payable. Accounts receivable declined which – combined with increased advance payments from customers – released additional working capital. Net working capital as a percentage of invoiced sales was 30%, unchanged compared with the preceding quarter but lower than in the year-earlier period (31).

**Capital expenditure** (capex) for the third quarter amounted to 1.1 billion SEK and 3.1 billion SEK for the first nine months of 2014. Investments are expected to increase during the remainder of the year due to normal seasonality. Nevertheless, the capex guidance issued for 2014 has been lowered and is now expected to be less than 5 billion SEK.

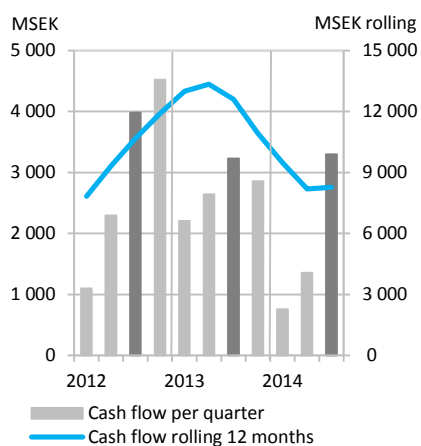
**Net debt** declined to 33 billion SEK compared with 35 billion SEK in the preceding quarter. The decline was attributable to reduced working capital and consistent earnings. Consequently, the net debt/equity ratio decreased to 0.87 compared to 0.96 in the preceding quarter. At the beginning of August, a syndicated loan of 36 billion JPY (equivalent to about 2.4 billion SEK) was raised from 18 investors in Japan. The loan matures in December 2018 and is in line with the strategy to further diversify the Group's funding sources. The new long-term loan largely replaced maturing bank loans. As a result, interest-bearing debt with short-term maturity decreased further to 11% of the total debt, down from 16% in the preceding quarter.

The decrease in working capital combined with earnings contributed significantly to cash flow. Cash flow from operations thus amounted to +3,296 million SEK (-2,571). Cash flow for the year-earlier period was impacted by the tax payment related to intellectual property rights.

## NET WORKING CAPITAL

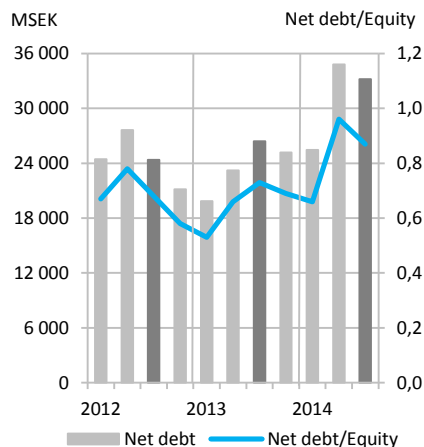


## CASH FLOW FROM OPERATIONS



Cash flow Q3 2013 and Rolling 12 months adjusted for tax payment related to Intellectual Property rights, about -5,800 million SEK.

## NET DEBT



## SANDVIK MINING

STABLE DEMAND FOR EQUIPMENT AND FROM THE AFTERMARKET

CLOSURE OF PRODUCTION UNIT



### GROWTH

Q3	ORDER INTAKE	INVOICED SALES
Price/volume, %	-23	-6
Structure, %	0	0
Currency, %	+3	+4
<b>TOTAL, %</b>	<b>-21</b>	<b>-2</b>

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 third quarter remained largely unchanged for Sandvik Mining. Demand from mining customers for equipment, rock tools, services and spare parts was stable compared with the preceding quarter, while order intake declined for mining systems, due to normal fluctuations in the order pattern. Consequently, order intake at fixed exchange rates declined by 23% compared with the year-earlier period and by 14% compared with the preceding quarter, amounting to 5.6 billion SEK (7.0). Invoiced sales amounted to 6.8 billion SEK (7.0). Operating profit was 614 million SEK (858), or 9.0% (12.3) of invoiced sales.

During the quarter, the rock-tools production unit in Krugersdorp, South Africa was closed as part of the supply chain optimization initiative.

Market demand remained relatively unchanged in the third quarter for much of Sandvik Mining's business. The low investment levels in the global mining industry continued, particularly for coal and iron ore. Nevertheless, demand for mining equipment remained stable during the first three quarters of 2014, albeit about 60-70% below the peak levels of 2012. Demand for rock tools, services and spare parts remained stable compared with the preceding quarter, as mine production rates remained intact. Order intake amounted to 5,566 million SEK (7,033), down 14% compared with the preceding quarter at fixed exchange rates for comparable units. However, the decline was related to normal fluctuations in the order pattern for mining systems, and the postpone-

ment of certain projects by customers. Invoiced sales amounted to 6,806 million SEK (6,961), with mining systems making a strong contribution.

Earnings amounted to 614 million SEK (858), or 9.0% of invoiced sales (12.3). Changed exchange rates made a positive contribution to earnings of about 20 million SEK compared with the year-earlier period and about 50 million SEK compared with the preceding quarter. Low sales and production rates continued to impact operating profit as a result of the underutilization of fixed assets. Inventories were significantly reduced by nearly 600 million SEK, resulting in strong cash flow. Provisions for stock obsolescence were not material and bad debt losses were negligible. Return on capital employed for the most recent 12-month period was 8.8% (29.0).

The workforce was reduced by a further 271 from the preceding quarter as the business area continues its efforts to reduce costs. In addition to the effects on the workforce resulting from the ongoing supply chain optimization program, further personnel reductions must be balanced to efficiently address a weak business climate without negatively affecting the long-term growth ambitions of Sandvik Mining.

During the quarter, the rock-tools production unit in Krugersdorp, South Africa was closed. The closure formed part of the initial phase of the multi-year program announced in December 2013 to optimize the business area's global supply chain. The program is progressing according to plan.

FINANCIAL OVERVIEW, MSEK	Q3 2014	Q3 2013	CHANGE %	Q2 2014	CHANGE %	Q1-3 2014	CHANGE %
Order intake	5 566	7 033	-23 *	6 217	-14 *	17 838	-14 *
Invoiced sales	6 806	6 961	-6 *	6 385	+3 *	19 792	-13 *
Operating profit	614	858	-28	452	+36	1 754	-46
% of invoiced sales	9.0	12.3		7.1		8.9	
Return on capital employed, %**	8.8	29.0		10.5		8.8	
Number of employees	11 907	13 407	-11	12 178	-2	11 907	-11

\* At fixed exchange rates for comparable units  
\*\* Rolling 12 months



# SANDVIK MACHINING SOLUTIONS

STABLE BUSINESS  
CONDITIONS

STRONG CASH FLOW



## GROWTH

Q3	ORDER INTAKE	INVOICED SALES
Price/volume, %	+5	+4
Structure, %	+1	+1
Currency, %	+6	+6
<b>TOTAL, %</b>	<b>+12</b>	<b>+11</b>

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

**Demand for Sandvik Machining Solutions' products improved year-on-year, while remaining largely unchanged compared with the preceding quarter. Order intake amounted to 7.7 billion SEK, up 5% compared with the year-earlier period at fixed exchange rates for comparable units. Demand remained favorable in North America while business conditions in Europe weakened somewhat. Operating profit amounted to 1,496 million SEK (1,454), or 19.5% (21.0) of invoiced sales.**

**Market demand** improved for Sandvik Machining Solutions compared with the third quarter of 2013, and was stable compared with the preceding quarter, adjusted for normal seasonal variations. Business conditions in Europe weakened somewhat, most notably in Germany. The tense situation between Russia and Ukraine affected other parts of the continent. In contrast, demand in the UK remained strong, primarily on account of the continued high level of activity in the aerospace industry. The long-term trend in the aerospace industry is for lighter, more advanced materials in the aircrafts of tomorrow. This development works in favor of Sandvik Machining Solutions. The aerospace industry represents an increasingly important customer segment. The market situation remained robust in North America, with continued strong demand from the automotive, energy and aerospace industries. Business conditions were mixed in Asia as total order levels remained high. As noted earlier

in the year, adverse macroeconomic conditions were evident in South America and Brazil in particular. The number of working days had a negligible effect on order intake and invoiced sales. Order intake amounted to 7,711 million SEK (6,882), and invoiced sales totaled 7,658 million SEK (6,922).

**Earnings** amounted to 1,496 million SEK (1,454), or 19.5% (21.0) of invoiced sales. The slightly lower margin was partly attributable to the earnings contribution from reversed provisions in the year-earlier period. Changed exchange rates made a positive contribution of about 70 million SEK compared with the year-earlier period, and about 100 million SEK compared with the preceding quarter. Production rates decreased somewhat from the preceding quarter, in line with seasonality, and inventory levels remain in line with current demand. Net working capital in relation to invoiced sales was 25% (27) and cash flow was strong. Sales activities and R&D investments were increased to position the business area for future profitable growth. These strategic investments have now reached the targeted level. Return on capital employed for the most recent 12-month period was 27.7% (27.1).

The activities to optimize the global supply chain progressed according to plan.

FINANCIAL OVERVIEW, MSEK	Q3 2014	Q3 2013	CHANGE %	Q2 2014	CHANGE %	Q1-3 2014	CHANGE %
Order intake	7 711	6 882	+5 *	7 768	-4 *	23 199	+5 *
Invoiced sales	7 658	6 922	+4 *	7 676	-3 *	22 734	+4 *
Operating profit	1 496	1 454	+3	1 561	-4	4 537	+10
% of invoiced sales	19.5	21.0		20.3		20.0	
Return on capital employed, %**	27.7	27.1		27.7		27.7	
Number of employees	18 906	18 915	-0	18 949	-0	18 906	-0

\* At fixed exchange rates for comparable units

\*\* Rolling 12 months

# SANDVIK MATERIALS TECHNOLOGY

**DIVESTMENT OF DISTRIBUTION BUSINESS IN AUSTRALIA AND NEW ZEALAND**

**SIGNIFICANT PROFIT CONTRIBUTION FROM CHANGED METAL PRICES**



## GROWTH

Q3	ORDER INTAKE	INVOICED SALES
Price/volume, %	+2	+12
Structure, %	0	0
Currency, %	+4	+3
<b>TOTAL, %</b>	<b>+6</b>	<b>+16</b>

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 Materials Technology were largely on par with the preceding quarter. Demand from the energy segment was stable at a high level, while demand in the general engineering industry remained subdued, particularly in Europe. Order intake amounted to 3.3 billion SEK (3.2), an increase of 2% at fixed exchange rates. Invoiced sales amounted to 3.7 billion SEK (3.2). Changed metal prices made a significant contribution to earnings of +171 million SEK. Adjusted for metal price effects, operating profit amounted to 311 million SEK (265), or 8.3% (8.2) of invoiced sales in the seasonally weakest quarter of the year. The reported operating margin was 12.9%.**

**Market demand** for Sandvik Materials Technology resembled the levels noted in the preceding quarter. Business conditions remained favorable in the energy segment. During the quarter, a major order was secured for steam generator tubes for the nuclear power industry from a customer in China. The value of the order was about 200 million SEK. Demand for the standard product range remained challenging, particularly in Europe. Order intake declined in North America due to the timing of order booking in the US. Demand in Asia improved somewhat, with positive development noted in the automotive industry. Order intake amounted to 3,335 million SEK (3,152) and invoiced sales to 3,735 million SEK (3,224).

**Earnings** continued to be significantly affected by the impact of changed metal prices. The reported operating

margin was 12.9% in the seasonally weakest quarter of the year. The positive contribution from changed metal prices, predominately for nickel, was 171 million SEK. Adjusted for metal price effects, earnings amounted to 311 million SEK (265), or 8.3% (8.2) of invoiced sales. Changed exchange rates had a positive impact on earnings of 70 million SEK compared with the year-earlier period and of 40 million SEK compared with the preceding quarter. Production rates were maintained somewhat below the level of invoiced sales in accordance with the normal seasonal pattern, which had a slightly adverse effect on earnings. Stock levels of finished goods were higher than normal to maintain delivery accuracy and are expected to be reduced in the forthcoming quarters. Return on capital employed for the most recent 12-month period was 14.1% (4.3), or 11.9% adjusted for metal-price effects.

In September, Sandvik Materials Technology announced the divestment of its distribution business in Australia and New Zealand, with annual invoiced sales of about 930 million SEK. The divested operations comprise leading processors and distributors of stainless steel products and had only a limited connection to the remainder of the business area, with a minor portion of total sales derived from Sandvik's own production system. The divestment is fully in line with Sandvik Materials Technology's strategy to focus on attractive segments, such as energy, and exit businesses it considers non-core. The closing date for the transaction was 1 October 2014.

FINANCIAL OVERVIEW, MSEK	Q3 2014	Q3 2013	CHANGE %	Q2 2014	CHANGE %	Q1-3 2014	CHANGE %
Order intake	3 335	3 152	+2 *	3 449	-6 *	11 417	+17 *
Invoiced sales	3 735	3 224	+12 *	3 866	-6 *	11 148	+4 *
Operating profit	482	175	+176	647	-26	1 550	+68
% of invoiced sales	12.9	5.4		16.7		13.9	
Return on capital employed, %**	14.1	4.3		12.0		14.1	
Number of employees	7 132	7 146	-0	7 293	-2	7 132	-0

\* At fixed exchange rates for comparable units  
 \*\* Rolling 12 months

# SANDVIK CONSTRUCTION

CHALLENGING MARKET CONDITIONS

COST SAVINGS IMPLEMENTED



## GROWTH

Q3	ORDER INTAKE	INVOICED SALES
Price/volume, %	+9	+2
Structure, %	0	0
Currency, %	+6	+6
<b>TOTAL, %</b>	<b>+15</b>	<b>+9</b>

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 demand situation varied across Sandvik Construction's product groups, but generally remained challenging. Business conditions showed a slight improvement in parts of Europe, while conditions in Asia deteriorated. Nevertheless, order intake and invoiced sales increased year-on-year and amounted to 2.2 billion SEK (1.9) and 2.2 billion SEK (2.1), respectively. While low production volumes contributed to a strong cash flow, they also had an adverse effect on earnings in the third quarter. Operating profit thus amounted to 1 million SEK (88), or 0.0% (4.3) of invoiced sales.

Measures to align costs with the weak demand and improve the long-term performance of the business area are being implemented.

Market demand remained challenging for Sandvik Construction, albeit with variations across regions and products. Business conditions fluctuated in Europe, with more favorable demand for tunneling equipment, in particular, noted in the northern regions of the continent. Smaller customers in southern Europe continue to face financing difficulties and investment decisions are being postponed. Business conditions improved somewhat in North America. Market activity for crushing equipment in China was stable at a low level, partly due to continued tight government cash control. The weak macroeconomic conditions in South America affected demand for the

business area's products and order intake decreased from high levels, particularly in Brazil. Favorable demand for tunneling and surface drilling equipment was offset by weak demand for crushing and screening equipment as customers postponed investment decisions. Demand for rock tools, consumables and services was largely unchanged as customer production rates remained intact. Order intake amounted to 2,184 million SEK (1,892) and invoiced sales totaled 2,232 million SEK (2,055), representing increases of 9% and 2%, respectively, compared with the year-earlier period at fixed exchange rates.

Earnings amounted to 1 million SEK (88), or 0.0% (4.3) of invoiced sales. Operating profit was adversely affected by the low production rates. Changed exchange rates had a negligible effects on earnings compared with the year-earlier period and the preceding quarter. While low production rates negatively impacted earnings, inventory reductions resulted in a strong cash flow.

Measures to align costs with the weak demand and improve the long-term performance of the business area are being continuously implemented. During the quarter, the workforce was reduced by 192 employees from the preceding quarter, representing about 6% of the total workforce.

FINANCIAL OVERVIEW, MSEK	Q3 2014	Q3 2013	CHANGE %	Q2 2014	CHANGE %	Q1-3 2014	CHANGE %
Order intake	2 184	1 892	+9 *	2 013	+5 *	6 533	-5 *
Invoiced sales	2 232	2 055	+2 *	2 281	-5 *	6 384	-2 *
Operating profit	1	88	-99	51	-99	41	-88
% of invoiced sales	0.0	4.3		2.3		0.6	
Return on capital employed, %**	-3.1	7.3		-1.6		-3.1	
Number of employees	2 967	3 141	-6	3 159	-6	2 967	-6

\* At fixed exchange rates for comparable units

\*\* Rolling 12 months



# SANDVIK VENTURE

INCREASED ORDER INTAKE

STRONG CASH FLOW



## GROWTH

Q3	ORDER INTAKE	INVOICED SALES
Price/volume, %	+11	+7
Structure, %	+55	+58
Currency, %	+6	+6
<b>TOTAL, %</b>	<b>+73</b>	<b>+72</b>

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 market situation improved slightly for most of Sandvik Venture's products and services in the third quarter. Order intake increased year-on-year for all product areas and amounted to 2.2 billion SEK (1.3). The reported financial outcome was significantly affected by the acquisition of Varel International Energy Services Inc. (Varel) in May. Invoiced sales amounted to 2.2 billion SEK (1.3). Operating profit amounted to 133 million SEK (199) or 6.2% (15.9) of invoiced sales, including costs related to the acquisition of Varel.

Market demand improved somewhat for all of Sandvik Venture's product areas. Sandvik Process Systems secured several medium-size orders for industrial processing equipment, while Sandvik Hyperion noted strong demand for its consumer-related products, such as rotary cutters and can tooling. Favorable demand from the oil and gas sector, combined with the introduction of new products, resulted in a strong performance by Varel. This was partly offset by weak demand from the mining industry and from Russia. Demand for products from Wolfram was stable, although some customers delayed orders to reduce inventory levels. Order intake for Sandvik Venture amounted to 2,182 million SEK (1,263), and invoiced sales to 2,155 million SEK (1,252). The significant increases are attributable to the acquisition of Varel. Order intake and invoiced sales increased by 11% and 7%, respectively, at fixed exchange rates for comparable units.

Earnings amounted to 133 million SEK (199) or 6.2% (15.9) of invoiced sales, including acquisition-related costs and amortization on fair-value adjustments from the Varel acquisition. Further details about this acquisition are provided on page 10. Operating profit for Sandvik Process Systems declined somewhat year-on-year partly due to an unfavorable product mix. Sandvik Hyperion and Varel made a significant contribution to earnings, excluding acquisition-related costs. Wolfram maintained production rates below the level of sales to reduce inventory levels. Although this had an adverse effect on earnings, it contributed to a strong cash flow for the business area. Changes in exchange rates had a negligible effect on earnings compared with both the year-earlier period and the preceding quarter. Return on capital employed for the most recent 12-month period was 7.8% (8.5).

During the quarter, a new production line for the leveling of steel belts was inaugurated at Sandvik Process Systems' site in Sandviken, Sweden. The investment provides the product area with leading capabilities to service the high-growth market for steel belts and steel belt-based equipment. In addition, it enables the processing of wider belts – which is a growing market – thereby offering a competitive advantage and further securing the position as a market leader.

FINANCIAL OVERVIEW, MSEK	Q3 2014	Q3 2013	CHANGE %	Q2 2014	CHANGE %	Q1-3 2014	CHANGE %
Order intake	2 182	1 263	+11 *	1 741	0 *	5 672	+9 *
Invoiced sales	2 155	1 252	+7 *	1 841	-7 *	5 357	+7 *
Operating profit	133	199	-33	187	-29	553	+86
% of invoiced sales	6.2	15.9		10.2		10.3	
Adjusted operating profit**	137	199	-31	262	-49	632	+27
% of invoiced sales**	6.4	15.9		14.2		11.8	
Return on capital employed, %***	7.8	8.5		15.8		7.8	
Number of employees	4 149	2 550	+11 *	4 141	+0	4 149	+11 *

\* At fixed exchange rates for comparable units.

\*\* Operating profit adjusted by 75 million SEK for costs related to the Varel acquisition in Q2 2014 and by 4 million SEK in Q3 2014.

\*\*\* Rolling 12 months

## PARENT COMPANY

For the third quarter of 2014, the Parent Company's invoiced sales amounted to 12,264 million SEK (11,866) and the operating result was -723 million SEK (-830).

Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 1,791 million SEK (2,737) for the third quarter.

Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 20,201 million SEK (30,201). Investments in property, plant and machinery amounted to 886 million SEK (904).

## ACQUISITIONS AND DIVESTMENTS

On 21 May 2014, Sandvik acquired 100% of the shares in Varel International Energy Services Inc. (Varel). The final consideration, following adjustments under the agreement, included settlements of loans totaling 2,265 million SEK and a cash payment of 2,834 million SEK.

Varel is a global supplier of drilling solutions focusing on drill bits and downhole products for well construction and well completion. The key customer segment can be found in the unconventional oil and gas sector, with some exposure to the mining and construction industries.

During the period 21 May - 30 September 2014, Varel contributed invoiced sales of 900 million SEK and operating profit of 134 million SEK to Sandvik's results, excluding acquisition-related costs of 79 million SEK and amortization on fair-value adjustments of 180 million SEK. If the acquisition had taken place 1 January 2014, sales are estimated to have amounted to 1,810 million SEK and operating profit to 241 million SEK,

or about 13% of invoiced sales, excluding acquisition-related costs and amortization on fair value adjustments.

The transaction entailed the acquisition of intangible assets totaling 4,344 million SEK, of which 2,416 million SEK was goodwill. The goodwill is based on Varel's growth and profitability prospects. Varel offers Sandvik a strong brand and reputation as well as an extensive presence in the oil and gas sector. Sandvik will be able to increase the competitiveness of Varel by opening up new geographical markets, while also providing financial strength. Additionally, Varel will benefit from Sandvik's extensive R&D capabilities and technical know-how, which will further improve its existing product offering and product development, and introduce new products and service offerings.

The fair value of assets and liabilities has been updated during the quarter, but the valuation assigned is still provisional pending completion of the process.

### ACQUISITIONS DURING THE MOST RECENT 12-MONTH PERIOD

	COMPANY/UNIT	CLOSING DATE	ANNUAL REVENUE MSEK	NO OF EMPLOYEES
SANDVIK VENTURE	TechnoPartner Samtronic	1 Oct 2013	110	35
SANDVIK MACHINING SOLUTIONS	Precorp Inc.	1 Oct 2013	230	200
SANDVIK VENTURE	Varel Intl Energy Services Inc.	21 May 2014	2,300	1,300

### DIVESTMENTS DURING THE MOST RECENT 12-MONTH PERIOD

No significant divestments were made during the period. The divestment of Sandvik Materials Technology's distribution business in Australia and New Zealand was finalized on 1 October 2014 and will be recorded in the fourth quarter.

## SIGNIFICANT EVENTS

- In September, Sandvik Materials Technology announced the divestment of its distribution business in Australia and New Zealand to Vulcan Steel Ltd. The divested operations comprise leading processors and distributors of stainless steel products and other corrosion and wear-resistant products. Annual invoiced sales for the business concerned amount to about 930 million SEK, with an operating margin of about 7%. The total number of employees encompassed is 190, of which 125 in Australia and 65 in New Zealand. The divested operations have only a limited connection to the remainder of the business area, with a minor portion of the

total sales being derived from Sandvik's own production system. The divestment has no impact on the other Sandvik business areas in these countries. As part of the transaction, a distribution agreement has been put in place between Sandvik and the new owner, to enable continued deliveries of Sandvik Materials Technology products to the region. The closing date of the transaction was 1 October 2014. The positive contribution to cash flow from the divestment amounts to about 400 million SEK, most of which will be recognized in the fourth quarter of 2014. The effect on earnings from the transaction is negligible.

## 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 2014.

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.

IASB has published new standards that will be effective as of 2014 or later. The new standards effective as of 2014 are IFRS 10, Consolidated Financial Statements, IFRS 11, Joint arrangements and IFRS 12, Disclosure of Interests in Other Entities. The standards have not had any material impact on the consolidated accounts.

## FIRST NINE MONTHS OF 2014

The global market situation remained largely unchanged during the first nine months of the year compared with the first nine months of 2013. Demand remained relatively stable at a high level in North America and at a low level in Europe. Demand in the southern hemisphere was characterized by subdued investment levels in the mining industry. Sandvik's order intake amounted to 64,672 million SEK (63,279), a decrease of 1% at fixed exchange rates for comparable units. Invoiced sales were 65,427 million SEK (65,558), down 3% at fixed exchange rates for comparable units. The decline is attributable to higher invoicing in the year-earlier period due to a stronger order backlog for mining equipment in particular. Operating profit was

negatively impacted by lower invoiced sales and production rates, and thus amounted to 7,497 million SEK (8,048) for the January-September 2014 period. The operating margin was 11.5% (12.3) of invoiced sales. Changed exchange rates had a negative impact of 320 million SEK on earnings during the first nine months of the year, compared with the year-earlier period, while changed metal prices made a positive contribution of 374 million SEK, mostly resulting from increased nickel prices. Profit after financial items was 6,143 million SEK (6,688) and profit for the period amounted to 4,488 million SEK (4,962). Cash flow from operations was +5,410 million SEK (+2,276).

## GUIDANCE

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

However, guidance relating to certain non-operational key figures considered useful when modeling financial outcomes is provided in the table below:

<b>CAPEX</b>	Estimated at less than 5 billion SEK for 2014.
<b>CURRENCY EFFECTS</b>	In view of currency rates at the end of September, it is estimated that operating profit for the fourth quarter of 2014 will be positively affected by about 200 million SEK compared with the fourth quarter of 2013.
<b>METAL PRICE EFFECTS</b>	In view of currency rates, stock levels and metal prices during October, it is estimated that operating profit for the fourth quarter of 2014 will be adversely affected by close to 50 million SEK.
<b>NET FINANCIAL ITEMS</b>	Estimated at between -1.8 and -2.0 billion SEK in 2014.
<b>TAX RATE</b>	Estimated at about 25-27% for 2014.

## TRANSACTIONS WITH RELATED PARTIES

No transactions between Sandvik and related parties that 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 the business 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 2013.

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q3 2014	Q3 2013	CHANGE %	Q1-3 2014	Q1-3 2013	CHANGE %
Revenue	22 593	20 416	+11	65 427	65 558	-0
Cost of sales and services	-14 803	-13 319	+11	-41 924	-43 133	-3
<b>Gross profit</b>	<b>7 790</b>	<b>7 097</b>	<b>+10</b>	<b>23 503</b>	<b>22 425</b>	<b>+5</b>
% of revenues	34.5	34.8		35.9	34.2	
Selling expenses	-3 067	-2 688	+14	-8 723	-8 260	+6
Administrative expenses	-1 626	-1 336	+22	-5 048	-4 518	+12
Research and development costs	-600	-576	+5	-1 905	-1 879	+3
Other operating income and expenses	-35	34	N/A	-330	280	N/A
<b>Operating profit</b>	<b>2 462</b>	<b>2 531</b>	<b>-3</b>	<b>7 497</b>	<b>8 048</b>	<b>-7</b>
% of revenues	10.9	12.4		11.5	12.3	
Net financial items	-461	-387	+19	-1 354	-1 360	-1
Profit after financial items	2 001	2 144	-7	6 143	6 688	-8
% of revenues	8.9	10.5		9.4	10.2	
Income tax	-543	-513	+6	-1 655	-1 726	-4
<b>Profit for the period</b>	<b>1 458</b>	<b>1 631</b>	<b>-11</b>	<b>4 488</b>	<b>4 962</b>	<b>-10</b>
% of revenues	6.5	8.0		6.9	7.6	
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/(losses) on defined benefit pension plans	-588	409		-1 135	660	
Tax relating to items that will not be reclassified	130	-138		281	-241	
	-458	271		-854	419	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	652	-724		1 717	-618	
Cash flow hedges	-89	101		-286	-135	
Tax relating to items that may be reclassified	12	-20		62	29	
	575	-643		1 493	-724	
<b>Total other comprehensive income</b>	<b>117</b>	<b>-372</b>		<b>639</b>	<b>-305</b>	
<b>Total comprehensive income</b>	<b>1 575</b>	<b>1 259</b>		<b>5 128</b>	<b>4 657</b>	
-----						
Profit for the period attributable to						
Owners of the Parent	1 467	1 631		4 492	4 965	
Non-controlling interests	-9	0		-4	-3	
-----						
Total comprehensive income attributable to						
Owners of the Parent	1 580	1 259		5 127	4 659	
Non-controlling interests	-4	0		1	-2	
<b>Earnings per share, SEK *</b>	<b>1.17</b>	<b>1.30</b>		<b>3.58</b>	<b>3.96</b>	

\* No dilution effects during the period

## THE GROUP BALANCE SHEET

MSEK	30 SEP 2014	31 DEC 2013	CHANGE %	30 SEP 2013
Intangible assets	17 455	11 947	+46	11 484
Property, plant and equipment	26 586	25 255	+5	24 779
Financial assets	8 499	8 150	+4	7 866
Inventories	24 972	23 318	+7	24 036
Current receivables	22 151	20 136	+10	19 925
Cash and cash equivalents	4 988	5 076	-2	3 023
<b>Total assets</b>	<b>104 651</b>	<b>93 882</b>	<b>+11</b>	<b>91 113</b>
Total equity	34 490	33 610	+3	32 617
Non-current interest-bearing liabilities	40 763	28 377	+44	27 664
Non-current non-interest-bearing liabilities	3 846	3 263	+18	3 125
Current interest-bearing liabilities	3 596	7 047	-49	7 093
Current non-interest-bearing liabilities	21 956	21 585	+2	20 614
<b>Total equity and liabilities</b>	<b>104 651</b>	<b>93 882</b>	<b>+11</b>	<b>91 113</b>
Net working capital *	26 762	23 281	+15	24 212
Loans	37 985	30 099	+26	29 297
Net debt **	33 194	25 184	+32	26 410
Net debt to equity ratio***	0.9	0.7	-	0.7
Non-controlling interests in total equity	157	100	+57	105

\* 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.

\*\*\* Equity excluding accumulated actuarial gains/losses on defined benefit pension plans after tax.

## CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2013	32 429	107	32 536
Total comprehensive income for the period	5 671	-3	5 668
Personnel options program	-15	-	-15
Hedge of personnel options program	-185	-	-185
Dividends	-4 390	-4	-4 394
Closing equity, 31 December 2013	33 510	100	33 610
Opening equity, 1 January 2014	33 510	100	33 610
Total comprehensive income for the period	5 127	1	5 128
Non-controlling interest in acquired companies	-	33	33
Non-controlling interest new stock issue	-	23	23
Personnel options program	33	-	33
Hedge of personnel options program	53	-	53
Dividends	-4 390	-	-4 390
Closing equity, 30 September 2014	34 333	157	34 490
Opening equity, 1 January 2013	32 429	107	32 536
Total comprehensive income for the period	4 659	-2	4 657
Personnel options program	-1	-	-1
Hedge of personnel options program	-185	-	-185
Dividends	-4 390	-	-4 390
Closing equity, 30 September 2013	32 512	105	32 617



## THE GROUP CASH FLOW STATEMENT

MSEK	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013
<b>Cash flow from operating activities</b>				
Income after financial income and expenses	2 001	2 144	6 143	6 688
Adjustment for depreciation, amortization and impairment losses	1 123	1 037	3 077	3 263
Adjustment for items that do not require the use of cash etc.	-323	-282	-682	-478
Income tax paid	-342	-6 216	-1 368	-7 348
<b>Cash flow from operations before changes in working capital</b>	<b>2 459</b>	<b>-3 317</b>	<b>7 170</b>	<b>2 125</b>
<b>Changes in working capital</b>				
Change in inventories	992	396	46	845
Change in operating receivables	445	1 457	-815	1 051
Change in operating liabilities	-470	-1 129	-745	-1 605
<b>Cash flow from changes in working capital</b>	<b>967</b>	<b>724</b>	<b>-1 514</b>	<b>291</b>
Investments in rental equipment	-170	-55	-382	-334
Divestments of rental equipment	40	77	136	194
<b>Cash flow from operations</b>	<b>3 296</b>	<b>-2 571</b>	<b>5 410</b>	<b>2 276</b>
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares	-47	0	-2 834	-267
Investments in tangible assets	-901	-906	-2 542	-2 425
Proceeds from sale of tangible assets	95	11	224	48
Investments in intangible assets	-159	-136	-569	-456
Proceeds from sale of intangible assets	0	3	7	9
Other investments, net	-16	-4	-32	169
<b>Cash flow from investing activities</b>	<b>-1 028</b>	<b>-1 032</b>	<b>-5 746</b>	<b>-2 922</b>
Net cash flow after investing activities	2 268	-3 603	-336	-646
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	158	-46	4 507	-5 660
Dividends paid	-	-	-4 390	-4 390
<b>Cash flow from financing activities</b>	<b>158</b>	<b>-46</b>	<b>117</b>	<b>-10 050</b>
Cash flow for the period	2 426	-3 649	-219	-10 696
Cash and cash equivalents at beginning of the period	2 490	6 770	5 076	13 829
Exchange-rate differences in cash and cash equivalents	72	-98	131	-110
Cash and cash equivalents at the end of the period	4 988	3 023	4 988	3 023

FINANCIAL INSTRUMENTS, MSEK	CARRYING AMOUNT		FAIR VALUE	
	30 SEP 2014	31 DEC 2013	30 SEP 2014	31 DEC 2013
Assets measured at fair value*	663	911	663	911
Assets measured at amortized cost	20 789	19 346	20 789	19 346
Liabilities measured at fair value*	1 241	721	1 241	721
Liabilities measured at amortized cost**	44 767	37 012	46 760	38 287

\* 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 the fair value measurement is described in the last published Annual Report.

## THE PARENT COMPANY

### INCOME STATEMENT

MSEK	Q1-3 2014	Q1-3 2013
Revenue	12 264	11 866
Cost of sales and services	-8 794	-9 630
<b>Gross profit</b>	<b>3 470</b>	<b>2 236</b>
Selling expenses	-490	-378
Administrative expenses	-2 662	-2 161
Research and development costs	-967	-968
Other operating income and expenses	-74	441
<b>Operating profit</b>	<b>-723</b>	<b>-830</b>
Income from shares in Group companies	1 791	2 737
Income from shares in associated companies	5	10
Interest income/expenses and similar items	-747	-1 237
<b>Profit after financial items</b>	<b>326</b>	<b>680</b>
Income tax expense	2	-5 358
<b>Profit for the period</b>	<b>328</b>	<b>-4 678</b>

### BALANCE SHEET

MSEK	30 SEP 2014	31 DEC 2013	CHANGE %	30 SEP 2013
Intangible assets	8	4	+100	4
Property, plant and equipment	7 610	7 429	+2	7 293
Financial assets	45 876	40 080	+14	38 493
Inventories	3 980	3 638	+9	3 560
Current receivables	17 001	17 668	-4	17 537
Cash and cash equivalents	5	0	-	23
<b>Total assets</b>	<b>74 480</b>	<b>68 819</b>	<b>+8</b>	<b>66 910</b>
Total equity	22 775	26 761	-15	15 519
Untaxed reserves	4	4	0	3
Provisions	558	533	+5	577
Non-current interest-bearing liabilities	26 690	15 759	+69	16 654
Non-current non-interest-bearing liabilities	69	75	-8	53
Current interest-bearing liabilities	18 895	19 744	-4	28 933
Current non-interest-bearing liabilities	5 489	5 943	-8	5 191
<b>Total equity and liabilities</b>	<b>74 480</b>	<b>68 819</b>	<b>+8</b>	<b>66 910</b>
Pledged assets	-	-	-	-
Contingent liabilities	15 886	13 339	+19	13 594
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	20 201	19 462	+4	30 201
Investments in fixed assets	886	1 257	-30	904

## MARKET OVERVIEW, THE GROUP

### ORDER INTAKE AND INVOICED SALES PER MARKET AREA THIRD QUARTER 2014

MARKET AREA	ORDER INTAKE			SHARE %	INVOICED SALES		
	MSEK	CHANGE * %	CHANGE * % <sup>1)</sup>		MSEK	CHANGE * %	CHANGE * %
<b>THE GROUP</b>							
Europe	7 785	+2	+2	37	8 081	-1	36
North America	4 208	+1	+1	20	4 573	+6	20
South America	1 461	-36	+10	7	1 832	+13	8
Africa/Middle East	2 363	+15	+15	11	1 983	-11	9
Asia	3 913	-8	-4	19	4 478	+11	20
Australia	1 251	-21	-21	6	1 646	-10	7
<b>Total</b>	<b>20 981</b>	<b>-5</b>	<b>+1</b>	<b>100</b>	<b>22 593</b>	<b>+2</b>	<b>100</b>
<b>SANDVIK MINING</b>							
Europe	567	-19	-19	10	615	-30	9
North America	925	-3	-3	17	896	-7	13
South America	854	-46	+22	15	1 196	+20	18
Africa/Middle East	1 555	+5	+5	28	1 452	-13	21
Asia	813	-41	-20	15	1 446	+5	21
Australia	852	-28	-28	15	1 201	-11	18
<b>Total</b>	<b>5 566</b>	<b>-23</b>	<b>-7</b>	<b>100</b>	<b>6 806</b>	<b>-6</b>	<b>100</b>
<b>SANDVIK MACHINING SOLUTIONS</b>							
Europe	4 051	+4	+4	53	4 041	+3	53
North America	1 734	+10	+10	22	1 712	+6	22
South America	251	-6	-6	3	256	-6	3
Africa/Middle East	52	-34	-34	1	54	-31	1
Asia	1 559	+8	+8	20	1 529	+6	20
Australia	64	-1	-1	1	66	+0	1
<b>Total</b>	<b>7 711</b>	<b>+5</b>	<b>+5</b>	<b>100</b>	<b>7 658</b>	<b>+4</b>	<b>100</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>							
Europe	1 489	-4	-4	45	1 611	-1	43
North America	679	-18	-18	20	1 010	+13	27
South America	67	-11	-11	3	68	+3	2
Africa/Middle East	82	+97	+97	2	53	+53	1
Asia	769	+46	+6	23	730	+56	20
Australia	249	+4	+4	7	263	+8	7
<b>Total</b>	<b>3 335</b>	<b>+2</b>	<b>-4</b>	<b>100</b>	<b>3 735</b>	<b>+12</b>	<b>100</b>
<b>SANDVIK CONSTRUCTION</b>							
Europe	820	+25	+25	38	913	+15	40
North America	324	+12	+12	15	370	+7	17
South America	182	-20	-20	8	222	-0	10
Africa/Middle East	453	+67	+67	21	230	+1	10
Asia	378	-29	-29	17	438	-9	20
Australia	27	-21	-21	1	59	-46	3
<b>Total</b>	<b>2 184</b>	<b>+9</b>	<b>+9</b>	<b>100</b>	<b>2 232</b>	<b>+2</b>	<b>100</b>
<b>SANDVIK VENTURE</b>							
Europe	859	+6	+6	39	897	-1	41
North America	541	+16	+16	25	579	+24	27
South America	108	+55	+55	5	90	+77	4
Africa/Middle East	221	+74	+74	10	195	+3	9
Asia	394	+8	+8	18	336	+16	16
Australia	59	+5	+5	3	58	-35	3
<b>Total</b>	<b>2 182</b>	<b>+11</b>	<b>+11</b>	<b>100</b>	<b>2 155</b>	<b>+7</b>	<b>100</b>

\* At fixed exchange rates for comparable units compared with the year-earlier period.

1) Excluding major orders.

## THE GROUP

### ORDER INTAKE BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	CHANGE Q3	
	2013	2013	2013	2014	2014	2014	%	% <sup>1)</sup>
Sandvik Mining	7 033	6 514	27 882	6 055	6 217	5 566	-21	-23
Sandvik Machining Solutions	6 882	7 354	28 715	7 719	7 768	7 711	+12	+5
Sandvik Materials Technology	3 152	3 672	13 415	4 633	3 449	3 335	+6	+2
Sandvik Construction	1 892	1 792	8 521	2 336	2 013	2 184	+15	+9
Sandvik Venture	1 263	1 456	5 535	1 749	1 741	2 182	+73	+11
Group activities	-1	6	4	4	6	3		
<b>Group total</b>	<b>20 221</b>	<b>20 794</b>	<b>84 072</b>	<b>22 496</b>	<b>21 194</b>	<b>20 981</b>	<b>+4</b>	<b>-5</b>

### INVOICED SALES BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	CHANGE Q3	
	2013	2013	2013	2014	2014	2014	%	% <sup>1)</sup>
Sandvik Mining	6 961	7 334	30 744	6 601	6 385	6 806	-2	-6
Sandvik Machining Solutions	6 922	7 363	28 543	7 400	7 676	7 658	+11	+4
Sandvik Materials Technology	3 224	3 360	14 035	3 547	3 866	3 735	+16	+12
Sandvik Construction	2 055	2 174	8 601	1 871	2 281	2 232	+9	+2
Sandvik Venture	1 252	1 538	5 394	1 362	1 841	2 155	+72	+7
Group activities	2	1	11	2	2	7		
<b>Group total</b>	<b>20 416</b>	<b>21 770</b>	<b>87 328</b>	<b>20 783</b>	<b>22 051</b>	<b>22 593</b>	<b>+11</b>	<b>+2</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	CHANGE Q3	
	2013	2013	2013	2014	2014	2014	%	% <sup>1)</sup>
Sandvik Mining	858	-480	2 743	688	452	614	-28	
Sandvik Machining Solutions	1 454	1 084	5 205	1 480	1 561	1 496	+3	
Sandvik Materials Technology	175	350	1 270	421	647	482	+176	
Sandvik Construction	88	-223	110	-11	51	1	-99	
Sandvik Venture	199	309	606	233	187	133	-33	
Group activities	-243	-450	-1 296	-333	-342	-264		
<b>Group total <sup>2)</sup></b>	<b>2 531</b>	<b>590</b>	<b>8 638</b>	<b>2 478</b>	<b>2 556</b>	<b>2 462</b>	<b>-3</b>	

### OPERATING MARGIN BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3
	2013	2013	2013	2014	2014	2014
Sandvik Mining	12.3	-6.5	8.9	10.4	7.1	9.0
Sandvik Machining Solutions	21.0	14.7	18.2	20.0	20.3	19.5
Sandvik Materials Technology	5.4	10.4	9.0	11.9	16.7	12.9
Sandvik Construction	4.3	-10.2	1.3	-0.6	2.3	0.0
Sandvik Venture	15.9	20.1	11.2	17.1	10.2	6.2
<b>Group total</b>	<b>12.4</b>	<b>2.7</b>	<b>9.9</b>	<b>11.9</b>	<b>11.6</b>	<b>10.9</b>

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

	Q3 2014	Q3 2013	Q1-4 2013
No. of shares outstanding at end of period ('000) <sup>1)</sup>	1 254 386	1 254 386	1 254 386
Average no. of shares('000) <sup>1)</sup>	1 254 386	1 254 386	1 254 386
Tax rate, %	27.2	23.9	25.8
Return on capital employed, % <sup>2)</sup>	11.1	14.7	12.6
Return on total equity, % <sup>2)</sup>	13.5	17.6	15.3
Return on total capital, % <sup>2)</sup>	8.5	10.4	9.0
Shareholders' equity per share, SEK	27.4	25.9	26.7
Net debt/equity ratio	0.9	0.7	0.7
Equity/assets ratio, %	33	36	36
Net working capital, %	30	31	27
Earnings per share, SEK	1.17	1.30	4.00
Cash flow from operations, MSEK	+3 296	-2 571	+5 133
Number of employees	47 808	47 537	47 338

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

## 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 inter-

est-rate movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

## ANNUAL GENERAL MEETING

The Board of Directors has decided that the 2015 Annual General Meeting will be held in Sandviken, Sweden, on

7 May 2015. The notice to convene the AGM will be made in the prescribed manner.

*Stockholm, 27 October 2014*  
**Sandvik Aktiebolag (publ)**

**Olof Faxander**  
President and CEO

## AUDITORS' REVIEW REPORT

### Introduction

We have reviewed the interim report of Sandvik AB as of 30 September, 2014 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on review engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted

auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company, in accordance with the Annual Accounts Act.

*Stockholm, 27 October 2014*  
**KPMG AB**

**George Pettersson**  
Authorized public accountant

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 27 October 2014 at 8:00 CET. The report for the fourth-quarter 2014 will be published on 29 January 2015.

Additional information may be obtained from Sandvik Investor Relations at tel +46 8 456 12 40 (Magnus Larsson), +46 8 456 12 30 (Oskar Lindberg), +46 8 456 14 94 (Ann-Sofie Nordh) or by e-mailing [info.ir@sandvik.com](mailto:info.ir@sandvik.com).

A presentation and teleconference will be held on 27 October 2014 at 10:00 CET at the World Trade Center in Stockholm.

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Information is available at [www.sandvik.com/ir](http://www.sandvik.com/ir).

### CALENDAR 2014/2015:

17 November	Capital Markets Day in Fair Lawn, USA
29 January 15	Fourth-quarter report 2014
27 April 15	First-quarter report 2015
7 May 15	Annual General Meeting
17 July 15	Second-quarter report 2015
23 October 15	Third-quarter report 2015