

# INTERIM REPORT ON THE SECOND QUARTER AND FIRST SIX MONTHS OF 2014



## STABLE MARKET CONDITIONS AND DELIVERY ON OUR STRATEGIC AGENDA

### CEO'S COMMENT:



Olof Faxander

“Overall, Sandvik’s business was relatively stable in the second quarter. Demand remained at a high level in North America and improved in Asia, especially for Sandvik Machining Solutions. Activity in Europe was fragmented as the favorable development in the western parts of the continent was offset by significantly weaker market conditions in Russia. The southern hemisphere has been particularly impacted by the low level of demand in the mining

industry. Order intake amounted to 21.2 billion SEK and invoiced sales totaled 22.1 billion SEK. Operating profit totaled 2.6 billion SEK, or 11.6% of invoiced sales. Changed metal prices contributed positively to second-quarter earnings, but were more than offset by negative currency

effects and acquisition-related costs,” says Sandvik’s President and CEO Olof Faxander.

“We continue to make progress on positioning our company for future profitable growth. The acquisition of Varel International Energy Services Inc. was completed, creating a platform for future growth in the oil and gas sector. Our efforts to leverage economies of scale in our support functions continue. While resulting in temporarily elevated costs during the execution phase, the efforts will generate savings in the long-term. Our program to optimize our global supply chain is well on track and we have initiated the closure of 11 units to date.”

“Working capital built up during the quarter. One main reason was reduced payables, which enables significant improvements in capital efficiency in the quarters to come. During the quarter we refinanced more than 8 billion SEK. The attractive rates achieved are further evidence of Sandvik’s reputation and the trust placed in our long-term performance.”

FINANCIAL OVERVIEW, MSEK	Q2 2014	Q2 2013	CHANGE %	Q1-2 2014	Q1-2 2013	CHANGE %
Order intake <sup>1)</sup>	21 194	20 719	+0	43 690	43 058	+1
Invoiced sales <sup>1)</sup>	22 051	23 043	-6	42 835	45 142	-5
Gross profit	8 093	7 758	+4	15 712	15 328	+3
% of invoiced sales	36.7	33.7		36.7	34.0	
Operating profit	2 556	2 961	-14	5 035	5 518	-9
% of invoiced sales	11.6	12.8		11.8	12.2	
Adjusted operating profit <sup>2)</sup>	2 631	3 161	-17	5 110	5 858	-13
% of invoiced sales <sup>2)</sup>	11.9	13.7		11.9	13.0	
Profit after financial items	2 099	2 466	-15	4 142	4 544	-9
% of invoiced sales	9.5	10.7		9.7	10.1	
Profit for the period	1 537	1 854	-17	3 030	3 332	-9
% of invoiced sales	7.0	8.0		7.1	7.4	
of which shareholders' interest	1 531	1 858	-18	3 026	3 335	-9
Earnings per share, SEK <sup>3)</sup>	1.22	1.48	-17	2.41	2.66	-9
Return on capital employed, % <sup>4)</sup>	12.3	16.0		12.3	16.0	
Cash flow from operations	1 355	2 640	-49	2 114	4 847	-56
Net working capital, %	30	28		30	28	

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

2) Operating profit adjusted by about 200 million SEK for nonrecurring charges for the second quarter 2013, about 340 million SEK for the first six months 2013 and by 75 million SEK for the second quarter 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 demand for Sandvik's products during the second quarter remained largely on par with the first quarter. Activity in the aerospace industry and the oil/gas sector remained at high levels, while the mining and construction industries were weak. Order intake and invoiced sales amounted to 21.2 (20.7) and 22.1 (23.0) billion SEK, respectively. Book-to-bill was negative for four business areas, partly due to seasonality.

Changed metal prices made a positive contribution to earnings, but this was offset by the change in exchange rates. Operating profit amounted to 2.6 billion SEK, or 11.6% of invoiced sales. Return on capital employed was 12.3% (12.7 in the preceding quarter) for the most recent 12-month period.

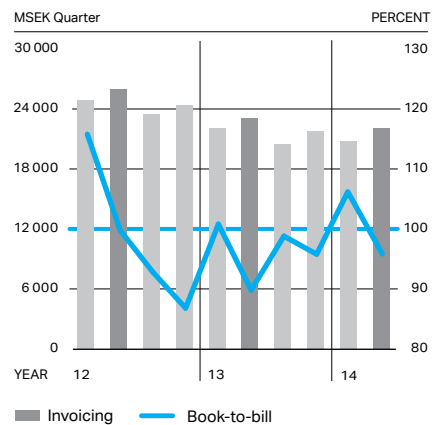
**Market demand** remained relatively unchanged in Europe compared with the preceding quarter. Strong growth in Italy and France was offset by significantly weaker demand in Russia. Business conditions remained strong in North America. Order intake increased in Canada from a low level, while demand in the US declined somewhat from a high level mostly due to continued low demand from the mining industry. The positive demand trend in Japan continued. Demand in the Southern hemisphere remained weak largely due to challenging conditions in the mining industry. While mining customer production levels remain high, the sluggish development for equipment is attributable to postponed investment decisions. Business conditions were relatively stable for all business areas compared with the preceding quarter, with reported variances attributable to timing of the booking of large orders and normal seasonal fluctuations. Varel International Energy Services Inc. (Varel) was consolidated into the Group as of 21 May. In total, acquisitions and divestments had a positive effect on order intake and invoiced sales by 2%, respectively. Changes in exchange rates had a negligible effect on both order intake and invoiced sales.

**Earnings** amounted to 2.6 billion SEK for the quarter, or 11.6% of invoiced sales. Changed metal prices contributed positively to operating profit by 177 million SEK, as nickel prices have increased significantly since the beginning of the year. Changed exchange rates impacted earnings by about -200 million SEK. The low level of demand in the mining and construction industries impacted earnings adversely, but was partly offset by stronger development in other customer segments such as energy. Costs related to the Varel acquisition adversely affected operating profit by 75 million SEK. The change in other operating income and expenses was primarily related to the closing of hedges due to the write-down of the order backlog for nuclear tubing in the year-earlier period.

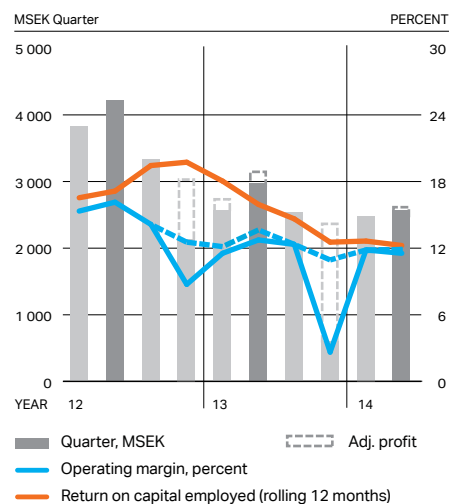
Net financial items amounted to -457 million SEK (-495) and earnings per share totaled 1.22 SEK (1.48) for the quarter.

The tax rate for the second quarter was 26.8% (24.8) and the tax guidance for 2014 of 25-27% remains valid.

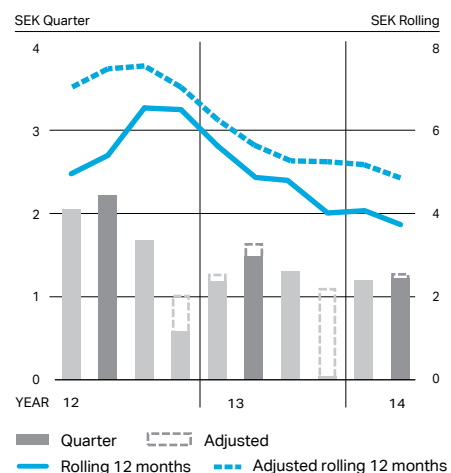
## INVOICED SALES AND BOOK-TO-BILL



## OPERATING PROFIT AND RETURN



## EARNINGS PER SHARE



# CASH FLOW AND BALANCE SHEET

The dividend pay-out and the payment for the acquisition of Varel resulted in significant cash outflow during the second quarter. The financing was largely done through long-term bonds at very attractive rates in the Swedish and European markets, thereby further balancing the Group's maturity profile.

Working capital increased, partly due to normal seasonality, but mostly due to lower accounts payable and reduced advance payments from customers.

Varel has been fully consolidated in the Group since 21 May.

Compared with the preceding quarter, total assets increased, largely due to the consolidation of Varel. Details are to be found on page 10. Total assets increased marginally due to changes in currency rates.

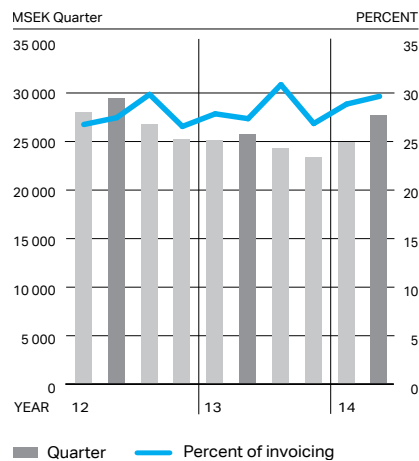
Working capital rose by 2.7 billion SEK, but adjusted for the consolidation of Varel, changes in exchange rates and metal prices, the net increase was 0.8 billion SEK. This increase was due to normal seasonal build-up of inventory, but also lower accounts payable in preparation for planned inventory reductions in the second half of 2014. Additionally, advance payments from customers decreased. Net working capital as a percentage of invoiced sales increased to 30% (28).

Capital expenditure (capex) amounted to 1.1 billion SEK in the second quarter and 2.1 billion SEK for the first six months of 2014. Investments are expected to increase during the second half of 2014 due to normal seasonality, still the capex guidance issued for 2014 has been reduced and is now expected at about 5 billion SEK.

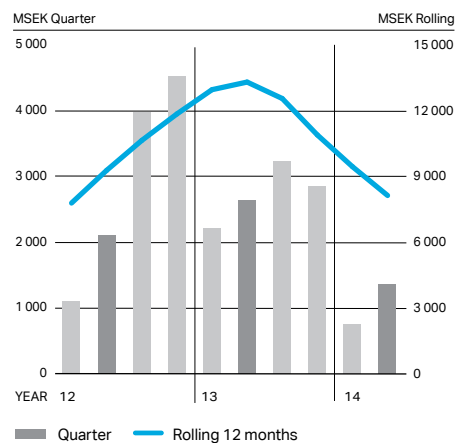
Net debt increased to 35 billion SEK (23). This was largely due to the dividend pay-out of 4.4 billion SEK and the payment for the acquisition of Varel of 5.1 billion SEK, including settlements of loans. Consequently, the net debt/equity ratio increased to 1.0 (0.7). This elevated net debt/equity ratio is expected to gradually decrease in coming quarters. During the quarter, Sandvik made successful bond issues at very attractive interest rates. Bonds were issued totaling 4 billion SEK under the Swedish Medium Term Note Program evenly split into two tenors maturing in 2020 and 2021. Thereafter, bonds amounting to 350 million EUR were issued under the Euro Medium Term Note Program maturing 2026. The coupon of 3% on the latter bond issue is the lowest ever, achieved by a BBB Industrial borrower for a 12-year maturity. As a result of the bond issues, interest-bearing debt with short-term maturity decreased further to 16% of total debt, down from 17% in the preceding quarter. The guidance for net financial items for 2014 remains at between 1.8 and 2.0 billion SEK.

Cash flow from operations amounted to +1,355 million SEK (+2,640). Cash flow from earnings was partly offset by increased working capital.

## NET WORKING CAPITAL

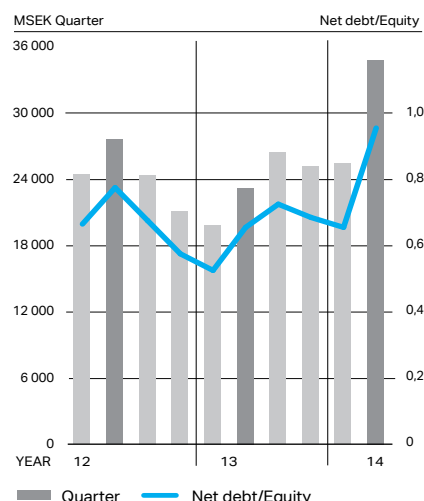


## CASH FLOW FROM OPERATIONS



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

## STABILIZED DEMAND

## CLOSURE OF PRODUCTION UNITS INITIATED



## GROWTH

Q2	ORDER INTAKE	INVOICED SALES
Price/volume, %	-3	-19
Structure, %	-	-
Currency, %	-3	-4
<b>TOTAL, %</b>	<b>-7</b>	<b>-22</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.

Activity in the global mining industry remained low during the second quarter without tangible signs of a recovery or further deterioration. Consequently, order intake at fixed exchange rates declined modestly by 3% compared with the year-earlier period and by 1% compared with the preceding quarter, amounting to 6.2 billion SEK. Low sales and reduced production rates, and stock obsolescence had an adverse effect on earnings and operating profit amounted to 452 million SEK (1,153), or 7.1% (14.2) of invoiced sales.

During the quarter, the process to close an additional four production units commenced under the initiative to optimize the supply chain.

Market demand in the second quarter remained characterized by the low investment levels in the global mining industry. Cancellations of previously booked orders did not deviate from normal levels and demand for mining equipment was stable, albeit at very low levels. During the quarter, Sandvik Mining secured large orders totaling about 350 million SEK. Market conditions for mining systems were unchanged and have remained about the same for the past year. Demand for rock tools, services and spare parts remained relatively unchanged compared with the preceding quarter, as mine production rates were maintained at reasonably high levels. Order intake amounted to 6,217 million SEK (6,652), representing a decline of 3% compared with the year-earlier

period and 1% compared with the preceding quarter at fixed exchange rates for comparable units. Invoiced sales amounted to 6,385 million SEK (8,136). This represented a decline of 19% due to the decline in the order backlog.

Earnings amounted to 452 million SEK, or 7.1% of invoiced sales. Changed exchange rates impacted earnings by about -115 million SEK compared with the year-earlier period, but +30 million SEK compared with the preceding quarter. Operating profit was adversely affected by declining sales and reduced production rates resulting in underutilization of fixed assets. Although inventories were reduced by more than 200 million SEK, reserves for stock obsolescence were increased. The workforce was reduced by about 390 compared with the preceding quarter. Bad debt losses remained negligible. Return on capital employed for the most recent 12-month period was 10.5% (32.4).

During the quarter, the closure of an additional four production units was initiated. The units concerned are the two production units of underground flameproof equipment and rock tools in Hunter Valley, Australia, the rock tools production in Perth Canning Vale, Australia, and crushing production in Bergneustadt, Germany. The closures represent the final part of the initial phase of the multi-year program announced in December 2013 to optimize the business area's global supply chain.

FINANCIAL OVERVIEW, MSEK	Q2 2014	Q2 2013	CHANGE %	Q1 2014	CHANGE %	Q1-2 2014	CHANGE %
Order intake	6 217	6 652	-3 *	6 055	-1 *	12 272	-9 *
Invoiced sales	6 385	8 136	-19 *	6 601	-6 *	12 986	-17 *
Operating profit	452	1 153	-61	688	-34	1 140	-52
% of invoiced sales	7.1	14.2		10.4		8.8	
Return on capital employed, %**	10.5	32.4		15.2		10.5	
Number of employees	12 178	13 677	-11	12 568	-3	12 178	-11

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

# SANDVIK MACHINING SOLUTIONS

**STABLE BUSINESS  
CONDITIONS**

**INVESTMENTS IN SALES  
AND R&D**



## GROWTH

Q2	ORDER INTAKE	INVOICED SALES
Price/volume, %	+3	+3
Structure, %	+1	+1
Currency, %	+2	+2
<b>TOTAL, %</b>	<b>+6</b>	<b>+5</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 trend for cutting tools and products from Sandvik Machining Solutions was stable in the second quarter. Accordingly, order intake amounted to 7.8 billion SEK, representing an increase of 3% compared with the year-earlier period at fixed exchange rates for comparable units. This was flat compared with the preceding quarter when the number of working days is adjusted. Operating profit amounted to 1,561 million SEK (1,525), or 20.3% (20.9), of invoiced sales.

During the quarter a letter of intent was signed with Zhuzhou Cemented Carbide Group Co., Ltd. ("Zhuzhou Group") to form a joint venture in China.

Market demand remained unchanged compared with the preceding quarter for Sandvik Machining Solutions, but with geographical and segmental differences. Overall, business activity in Europe was on par with the preceding quarter with strong development in the aerospace segment and in Italy and the UK, in particular. On the other hand, demand in Russia declined sharply from the record high levels recorded in the preceding six months. Market conditions improved slightly from a high level in North America with continued strong demand from the automotive, energy and aerospace industries, but remained weak in the mining and construction industries. The positive market development in Asia continued with strong demand noted from customers in the automotive and aerospace industries and in China and Japan in particular. Order intake levels in Asia were close to the record high levels recorded in 2011 and 2012. Demand in South America

remained weak as Brazilian customers continue to be affected by adverse macro-economic conditions. The number of working days had a negative impact on order intake and invoiced sales by 1% each. Order intake amounted to 7,768 million SEK (7,332), and invoiced sales totaled 7,676 million SEK (7,281).

Earnings were affected by about -30 million SEK due to changes in exchange rates compared with the year-earlier period, and by about +50 million SEK compared with the preceding quarter. Production rates increased somewhat compared with the preceding quarter in line with the normal seasonal build-up ahead of the summer in the Northern hemisphere. Inventory levels remain well in line with current demand and net working capital in relation to invoiced sales was 25% (26%). Improved stock control has been particularly evident for Seco Tools over the past two-year period. In keeping with the strategy, sales activities and R&D investments are being ramped up. As the business area is being positioned for maintained and expanded market leadership, the efforts have an adverse effect on earnings in the short-term. Operating profit thus amounted to 1,561 million SEK (1,525), or 20.3% (20.9) of invoiced sales. Return on capital employed for the most recent 12-month period was 27.7% (26.0).

In June, a letter of intent was signed with Zhuzhou Group to form a joint venture for strategic cooperation. The intention is to strengthen the business area's position in China and also to become a key player in the mid-market segment, in line with the strategy. Further details are presented on page 11.

FINANCIAL OVERVIEW, MSEK	Q2 2014	Q2 2013	CHANGE %	Q1 2014	CHANGE %	Q1-2 2014	CHANGE %
Order intake	7 768	7 332	+3 *	7 719	-2 *	15 487	+5 *
Invoiced sales	7 676	7 281	+3 *	7 400	+1 *	15 076	+4 *
Operating profit	1 561	1 525	+2	1 480	+5	3 042	+14
% of invoiced sales	20.3	20.9		20.0		20.2	
Return on capital employed, %**	27.7	26.0		28.0		27.7	
Number of employees	18 949	18 889	+0	19 026	-0	18 949	+0

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

# SANDVIK MATERIALS TECHNOLOGY

STABLE DEMAND AND PROFITABILITY

SIGNIFICANT PROFIT CONTRIBUTION FROM CHANGED METAL PRICES



## GROWTH

Q2	ORDER INTAKE	INVOICED SALES
Price/volume, %	+22	-3
Structure, %	-	-
Currency, %	+0	+0
<b>TOTAL, %</b>	<b>+22</b>	<b>-3</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.

Underlying demand for products from Sandvik Materials Technology was on par with the preceding quarter. Order intake amounted to 3.4 billion SEK (2.8), representing an increase of 22% at fixed exchange rates, but a decline of 7% after adjustment for major orders and the order intake adjustment conducted in the year-earlier period. Invoiced sales amounted to 3.9 billion SEK (4.0). Changed metal prices contributed significantly to earnings (+177 million SEK). Adjusted for metal price effects, operating profit amounted to 470 million SEK (496), or 12.2% (12.5) of invoiced sales.

Market demand was stable for Sandvik Materials Technology during the second quarter. Demand from the oil and gas sector remained strong and consistent, but positive development was also noted in other parts of the energy segment. Market conditions for the standard product range remained challenging in certain areas. Demand in Europe was fragmented while the US declined somewhat and Asia had a positive development. Order intake amounted to 3,449 million SEK (2,820) and invoiced sales to 3,866 million SEK (3,967). In June, the business area signed a new five-year strategic alliance agreement with Tenaris, a manufacturer and supplier of steel pipe products and related services for the world's energy industry, on

the exclusive joint supply of corrosion-resistant alloy production tubing to the oil and gas sector. The prospect of bringing together the companies' high-end technologies – with Sandvik's corrosion resistant alloy tubes and Tenaris' premium connections for the oil and gas industry – will bring many benefits, including a complete material offering for the market.

Earnings adjusted for metal price effects amounted to 470 million SEK (496), or 12.2% (12.5) of invoiced sales. The nickel price has increased sharply since the beginning of 2014. While having had a limited effect on the customer order pattern, it has had a significant effect on earnings. The positive contribution from changed metal prices, predominately for nickel, was 177 million SEK, resulting in a reported operating margin of 16.7% in the second quarter. Changed exchange rates positively impacted earnings by 50 million SEK both compared with the year-earlier period and the preceding quarter. Somewhat higher production rates, due to normal preparation before the summer maintenance shutdown in the northern hemisphere, made a slightly positive contribution to earnings. Return on capital employed for the most recent 12-month period was 12.0% (4.2), or 11.7% adjusted for metal price effects.

FINANCIAL OVERVIEW, MSEK	Q2 2014	Q2 2013	CHANGE %	Q1 2014	CHANGE %	Q1-2 2014	CHANGE %
Order intake	3 449	2 820	+22 *	4 633	-27 *	8 082	+24 *
Invoiced sales	3 866	3 967	-3 *	3 547	+7 *	7 413	-0 *
Operating profit	647	409	+58	421	+54	1 068	+43
% of invoiced sales	16.7	10.3		11.9		14.4	
Return on capital employed, %**	12.0	4.2		10.4		12.0	
Number of employees	7 293	7 181	+2	7 086	+3	7 293	+2

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

# SANDVIK CONSTRUCTION

CONTINUED  
CHALLENGING MARKET  
CONDITIONS

CLOSURE OF  
PRODUCTION UNIT  
COMPLETED



## GROWTH

Q2	ORDER INTAKE	INVOICED SALES
Price/volume, %	-16	-3
Structure, %	-	-
Currency, %	+1	+1
<b>TOTAL, %</b>	<b>-16</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.

Market conditions for Sandvik Construction were largely on par with the preceding quarter when adjusting for normal seasonal variances, but weakened compared with the year-earlier period. Order intake and invoiced sales amounted to 2.0 billion SEK (2.4) and 2.3 billion SEK (2.3), respectively. However, low sales and production volumes, as well as changes in exchange rates, adversely affected earnings in the second quarter. Operating profit thus amounted to 51 million SEK (141), or 2.3% (6.1) of invoiced sales.

The program to optimize the supply chain progressed according to plan and the closure of the production unit in Chauny, France was completed by the end of the quarter.

Market demand remained challenging but relatively unchanged compared with the preceding quarter, when normal seasonality is taken into account. However, demand was at a lower level compared with the year-earlier period partly due to smaller customers facing difficulties financing investments. While being less evident in much of Asia, this trend was particularly noticeable in China. Stable demand from civil engineering and rock drilling customers in Europe was offset by weaker demand for mobile crushing and screening equipment. Market activity improved somewhat in South America as the high level of activity in Brazil persisted. Business conditions were unfavorable in North

America. The weak market for equipment persisted as customers hesitate to make investment decisions. At the same time, demand for consumables, services and rock tools was relatively unchanged, indicating consistent production rates at customer sites. Order intake amounted to 2,013 million SEK, -16% compared with the preceding quarter which is representative of normal seasonality and variances. Invoiced sales amounted to 2,281 million SEK, up 18% compared with the preceding quarter as deliveries increased ahead of the summer in the Northern hemisphere.

Earnings continued to be significantly impacted by the low sales and production rates, which resulted in underutilization of fixed assets. In addition, changed exchange rates adversely affected earnings by about 40 million SEK compared with the year-earlier period but were negligible compared with the preceding quarter. Operating profit thus amounted to 51 million SEK (141), or 2.3% (6.1) of invoiced sales. Return on capital employed for the most recent 12-month period was -1.6% (9.6).

The closure of the production unit for screens and feeders in Chauny, France that was initiated in the fourth quarter of 2013, was finalized by the end of the second quarter. The closure of the production unit for mobile crushers and screens in Swadlincote, UK, continued according to plan.

FINANCIAL OVERVIEW, MSEK	Q2 2014	Q2 2013	CHANGE %	Q1 2014	CHANGE %	Q1-2 2014	CHANGE %
Order intake	2 013	2 384	-16 *	2 336	-16 *	4 349	-10 *
Invoiced sales	2 281	2 326	-3 *	1 871	+18 *	4 152	-5 *
Operating profit	51	141	-64	-11	N/A	40	-84
% of invoiced sales	2.3	6.1		-0.6		1.0	
Return on capital employed, %**	-1.6	9.6		-0.1		-1.6	
Number of employees	3 159	3 179	-1	3 204	-1	3 159	-1

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



# SANDVIK VENTURE

UNCHANGED MARKET  
CONDITIONS

VAREL CONSOLIDATED  
AS OF 21 MAY



## GROWTH

Q2	ORDER INTAKE	INVOICED SALES
Price/volume, %	-12	+11
Structure, %	+23	+24
Currency, %	+3	+3
<b>TOTAL, %</b>	<b>+14</b>	<b>+38</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 Venture's products varied among the different product areas, but underlying business conditions remained relatively unchanged. Reported financial outcome was significantly affected by the consolidation of Varel International Energy Services Inc. (Varel). The acquisition was completed on 21 May and Varel formed an independent product area in Sandvik Venture at the same date. Excluding Varel, order intake amounted to 1.5 billion SEK (1.5), invoiced sales to 1.6 billion SEK (1.3) and operating profit amounted to 282 million SEK (-18), or 17.7% (-1.4) of invoiced sales.

Reported earnings including Varel amounted to 187 million SEK, or 10.2%, including acquisition related costs and amortization on fair value adjustments.

Market demand varied among the different product areas and major regions. However, the project business of Sandvik Process Systems and the customer order pattern for Wolfram results in certain natural fluctuation in order intake for individual quarters. Underlying demand, however, remained largely on par with the preceding quarter and the year-earlier period. Sandvik Hyperion noted stronger demand in North America, in particular in the US, but this was offset by weaker demand in Asia. Business conditions were generally favorable for Wolfram and stable for Sandvik Process Systems. Order intake amounted to 1,741 million SEK (1,532), and invoiced sales to 1,841 million SEK (1,332). The significant increases relate to the consolidation of

Varel. Order intake decreased by 12% and invoiced sales increased by 11% at fixed exchange rates for comparable units.

Earnings were affected by costs related to the acquisition of Varel. Operating profit amounted to 262 million SEK (182) or 14.2% (13.7) of invoiced sales, excluding transaction related costs of 75 million SEK. A favorable product mix contributed positively to earnings for Sandvik Hyperion. Operating profit for Sandvik Process Systems declined somewhat from high levels partly due to an unfavorable product mix. A planned maintenance stop at Wolfram adversely affected earnings. Changes in exchange rates had a negligible effect on earnings compared with both the year-earlier period and the preceding quarter. Inventory levels were unchanged for comparable units during the second quarter. Return on capital employed for the most recent 12-month period was 15.8% (9.2).

The acquisition process of Varel was finalized on 21 May and the company is consolidated as of the same date. Varel's order intake and invoiced sales each amounted to 248 million SEK. Earnings amounted to 33 million SEK, or 13.2% of invoiced sales, excluding acquisition-related costs and amortization on fair value adjustments. Further effects on Sandvik's statements as a result of the acquisition of Varel are detailed on page 10.

FINANCIAL OVERVIEW, MSEK	Q2 2014	Q2 2013	CHANGE %	Q1 2014	CHANGE %	Q1-2 2014	CHANGE %
Order intake	1 741	1 532	-12 *	1 749	-3 *	3 490	+8 *
Invoiced sales	1 841	1 332	+11 *	1 362	+32 *	3 202	+7 *
Operating profit	187	-18	N/A	233	-20	420	N/A
% of invoiced sales	10.2	-1.4		17.1		13.1	
Adjusted operating profit**	262	182	+44	233	+12	495	+66
% of invoiced sales**	14.2	13.7		17.1		15.5	
Return on capital employed, %***	15.8	9.2		11.4		15.8	
Number of employees	4 141	2 601	+59	2 745	+51	4 141	+59

\* At fixed exchange rates for comparable units.

\*\* Operating profit adjusted for nonrecurring charges by about 200 million SEK for Q2 2013 and by 75 million SEK for costs related to the Varel acquisition in Q2 2014.

\*\*\* Rolling 12 months

## PARENT COMPANY

The parent company's invoiced sales after the second quarter of 2014 amounted to 8,618 million SEK (8,416) and the operating result was -544 million SEK (-436).

Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 1,260 million SEK (1,635).

Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 21,925 million SEK (23,829). Investments in property, plant and machinery amounted to 574 million SEK (536).

## ACQUISITIONS AND DIVESTMENTS

On 21 May 2014, Sandvik acquired 100% of the shares in Varel International Energy Services Inc. (Varel). The consideration for the shares was fixed and paid in cash. The transaction included the settlement of loans of 2,265 million SEK and a cash payment of 2,787 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 is in the oil and gas sector, with some exposure to the mining and construction industries.

In the period 21 May to 30 June 2014, Varel contributed invoiced sales of 248 million SEK and operating profit of 33 million SEK to the Sandvik results, excluding acquisition-related costs of 75 million SEK and amortization on fair value adjustments of 53 million SEK. If the acquisition had occurred on 1 January 2014, then sales are estimated at 1,159 million SEK and operating profit to 144 million SEK, or 12.4% of invoiced sales, excluding acquisition-related costs and amortization on fair value adjustments.

The transaction entailed the acquisition of intangible assets of 4,447 million SEK, of which 2,521 million SEK was goodwill. The goodwill is supported by Varel's growth and profitability prospects. Varel offers Sandvik a strong brand, reputation and extensive presence in the oil and gas sector. Sandvik will be able to increase the competitiveness of Varel through the introduction to new geographical markets, while providing financial strength. Additionally, Varel will benefit from Sandvik's extensive R&D capabilities and technical know-how, which will further develop the existing product offering as well as product development and the introduction of new products and service offering.

Fair value of assets and liabilities have been determined provisionally pending completion of the valuation.

### 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.

## 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 about 5 billion SEK for 2014.
<b>CURRENCY EFFECTS</b>	In view of currency rates at the end of June, it is estimated that operating profit for the third quarter of 2014 will be marginally affected compared with the third quarter of 2013.
<b>METAL PRICE EFFECTS</b>	In view of currency rates, stock levels and metal prices at the end of June, it is estimated that operating profit for the third quarter of 2014 will be positively affected by about 150 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.

## SIGNIFICANT EVENTS

- In April, Scot Smith was appointed President of Business Area Sandvik Mining and member of the Group Executive management. Smith joined Sandvik on 19 May from Sulzer where he held a position as President of the Pumps Division. His previous experience includes heading the Weir Group's mining division, a post he held for 11 years. Smith succeeded Gary Hughes, who assumed the position as Head of Sales and Marketing for the same business area.
- In April, Åsa Thunman was appointed Executive Vice President and General Counsel of Sandvik and member of the Group Executive management team. Åsa will take up the new position not later than 1 October 2014 and succeed Bo Severin who will assume a role as Group Senior Advisor at Sandvik.
- In May, Sandvik conducted a successful bond issue in the Swedish capital market of 4 billion SEK. The bonds are issued under the Swedish Medium Term Note Program and evenly split into two tenors maturing January 14, 2020 and January 14, 2021. The issues are at both fixed and floating rates. The bonds are listed on NASDAQ OMX Stockholm.
- On 21 May, the acquisition process of Varel International Energy Services Inc. was finalized and the company is consolidated as of the same date.
- In June, Sandvik signed a letter of intent with Zhuzhou Cemented Carbide Group Co., Ltd. ("Zhuzhou Group") to form a joint venture for strategic cooperation. The Zhuzhou Group is the largest domestic manufacturer in China of cemented carbide and its compatible tools. It also offers smelting services for tungsten, molybdenum, tantalum, niobium and cobalt. The company is based in Zhuzhou, China, and the number of employees encompassed by the strategic cooperation is approximately 2,000. Annual sales for the part of the business concerned amount to about 1.3 billion RMB (1.4 billion SEK). Sandvik and Zhuzhou Group intend to establish a joint venture based on the existing manufacturing facilities of Zhuzhou Group in China. The products will be sold and marketed in and outside China. Based on the strength of Sandvik Machining Solutions and the position of Zhuzhou Group, the ambition is to drive profitable growth and capture market shares in the fast-growing mid-market segment. The letter of intent between Sandvik and the Zhuzhou Group expresses the parties' preliminary intention to negotiate a strategic cooperation. It does not impose any binding obligation on either party to enter into final and definitive agreements relating to the strategic cooperation.
- In June, Sandvik issued a Eurobond of 350 million EUR in a 12-year transaction maturing in June 2026 under its existing Euro Medium Term Note Program. The coupon of 3% is the lowest ever, achieved by a BBB Industrial borrower for a 12-year maturity. This transaction further establishes Sandvik with the European fixed income investor base.

## 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 will not have any material impact on the consolidated accounts.

## FIRST SIX MONTHS OF 2014

Demand for Sandvik's products during the first half of the year remained on par with the first six months of 2013. Business activity increased somewhat from a high level in North America, remained stable in Europe and Asia, while demand in the southern hemisphere was characterized by the subdued investment levels from the mining industry. Sandvik's order intake amounted to 43,690 million SEK (43,058) an increase of 1% in fixed exchange rates for comparable units. Invoiced sales were 42,835 million SEK (45,142), down 5% in fixed exchange rates for comparable units. The decline is attributable to higher invoicing in the year-earlier period on the back of a stronger order backlog at the time.

Operating profit was negatively impacted by lower invoiced sales and production rates, and thus amounted to 5,035 million SEK (5,518) for the January – June 2014 period. The operating margin was 11.8% (12.2) of invoiced

sales. Changed exchange rates had a negative impact of 400 million SEK on earnings during the first half of the year, compared with the year-earlier period, while changed metal prices contributed positively by 203 million SEK mostly resulting from increased nickel prices during the February – June 2014 period. Costs related to the Varel acquisition adversely affected operating profit by 75 million SEK. Net financial items amounted to -893 million SEK (-974) and the profit after financial items was 4,142 million SEK (4,544). The tax rate was 26.8% (26.7) and profit for the period amounted to 3,030 million SEK (3,332). Earnings per share amounted to 2.41 SEK (2.66). Cash flow from operations was +2,114 million SEK (+4,847). Acquisitions of property, plant and equipment amounted to 2,052 million SEK (1,840) and 2,787 million SEK in acquisitions of companies (267). Cash flow after investing activities was -2,604 million SEK (+2,957).

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q2 2014	Q2 2013	CHANGE %	Q1-2 2014	Q1-2 2013	CHANGE %
Revenue	22 051	23 043	-4	42 835	45 142	-5
Cost of sales and services	-13 958	-15 285	-9	-27 123	-29 814	-9
<b>Gross profit</b>	<b>8 093</b>	<b>7 758</b>	<b>+4</b>	<b>15 712</b>	<b>15 328</b>	<b>+3</b>
% of revenues	36.7	33.7		36.7	34.0	
Selling expenses	-2 981	-2 849	+5	-5 656	-5 572	+2
Administrative expenses	-1 753	-1 634	+7	-3 421	-3 181	+8
Research and development costs	-646	-700	-8	-1 305	-1 303	0
Other operating income and expenses	-157	386	-	-295	246	-
<b>Operating profit</b>	<b>2 556</b>	<b>2 961</b>	<b>-14</b>	<b>5 035</b>	<b>5 518</b>	<b>-9</b>
% of revenues	11.6	12.8		11.8	12.2	
Net financial items	-457	-495	-8	-893	-974	-8
Profit after financial items	2 099	2 466	-15	4 142	4 544	-9
% of revenues	9.5	10.7		9.7	10.1	
Income tax	-562	-612	-8	-1 112	-1 212	-8
<b>Profit for the period</b>	<b>1 537</b>	<b>1 854</b>	<b>-17</b>	<b>3 030</b>	<b>3 332</b>	<b>-9</b>
% of revenues	7.0	8.0		7.1	7.4	
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/(losses) on defined benefit pension plans	-295	18		-547	251	
Tax relating to items that will not be reclassified	67	-24		151	-103	
	-228	-6		-396	148	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	1 174	943		1 065	106	
Cash flow hedges	-104	-270		-197	-236	
Tax relating to items that may be reclassified	26	56		50	49	
	1 096	729		918	-81	
<b>Total other comprehensive income</b>	<b>868</b>	<b>723</b>		<b>522</b>	<b>67</b>	
<b>Total comprehensive income</b>	<b>2 405</b>	<b>2 577</b>		<b>3 553</b>	<b>3 398</b>	
-----						
Profit for the period attributable to						
Owners of the Parent	1 531	1 858		3 026	3 335	
Non-controlling interests	6	-4		5	-3	
-----						
Total comprehensive income attributable to						
Owners of the Parent	2 399	2 580		3 548	3 400	
Non-controlling interests	6	-3		5	-2	
Earnings per share, SEK *	1.22	1.48		2.41	2.66	

\* No dilution effects during the period

## THE GROUP BALANCE SHEET

MSEK	30 JUN 2014	31 DEC 2013	CHANGE %	30 JUN 2013
Intangible assets	17 045	11 947	+43	11 673
Property, plant and equipment	26 007	25 255	+3	25 057
Financial assets	8 387	8 150	+3	7 613
Inventories	25 761	23 318	+10	25 031
Current receivables	22 282	20 136	+11	22 067
Cash and cash equivalents	2 490	5 076	-51	6 770
<b>Total assets</b>	<b>101 972</b>	<b>93 882</b>	<b>+9</b>	<b>98 211</b>
Total equity	32 949	33 610	-2	31 432
Non-current interest-bearing liabilities	37 735	28 377	+33	30 410
Non-current non-interest-bearing liabilities	4 028	3 263	+23	2 637
Current interest-bearing liabilities	5 411	7 047	-23	5 555
Current non-interest-bearing liabilities	21 849	21 585	+1	28 177
<b>Total equity and liabilities</b>	<b>101 972</b>	<b>93 882</b>	<b>+9</b>	<b>98 211</b>
Net working capital *	27 633	23 281	+19	25 671
Loans	37 159	30 099	+23	29 851
Net debt **	34 810	25 184	+38	23 226
Net debt to equity ratio***	1.0	0.7	-	0.7
Non-controlling interests in total equity	138	100	+38	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	3 548	5	3 553
Non-controlling interest in acquired companies		33	33
Personnel options program	90		90
Hedge of personnel options program	53		53
Dividends	-4 390		-4 390
Closing equity, 30 June 2014	32 811	138	32 949
Opening equity, 1 January 2013	32 429	107	32 536
Total comprehensive income for the period	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

## THE GROUP CASH FLOW STATEMENT

MSEK	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013
<b>Cash flow from operating activities</b>				
Income after financial income and expenses	2 099	2 466	4 142	4 544
Adjustment for depreciation, amortization and impairment losses	1 006	1 276	1 954	2 226
Adjustment for items that do not require the use of cash etc.	-156	-53	-359	-197
Income tax paid	-586	-651	-1 026	-1 131
<b>Cash flow from operations before changes in working capital</b>	<b>2 363</b>	<b>3 038</b>	<b>4 711</b>	<b>5 442</b>
<b>Changes in working capital</b>				
Change in inventories	-349	31	-946	449
Change in operating receivables	394	166	-1 260	-407
Change in operating liabilities	-972	-511	-274	-475
<b>Cash flow from changes in working capital</b>	<b>-927</b>	<b>-314</b>	<b>-2 480</b>	<b>-433</b>
Investments in rental equipment	-117	-160	-212	-278
Divestments of rental equipment	36	76	95	116
<b>Cash flow from operations</b>	<b>1 355</b>	<b>2 640</b>	<b>2 114</b>	<b>4 847</b>
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares	-2 787	-267	-2 787	-267
Investments in tangible assets	-943	-799	-1 641	-1 519
Proceeds from sale of tangible assets	77	37	130	37
Investments in intangible assets	-206	-143	-411	-321
Proceeds from sale of intangible assets	0	7	7	7
Other investments, net	18	33	-16	173
<b>Cash flow from investing activities</b>	<b>-3 841</b>	<b>-1 132</b>	<b>-4 718</b>	<b>-1 890</b>
<b>Net cash flow after investing activities</b>	<b>-2 486</b>	<b>1 508</b>	<b>-2 604</b>	<b>2 957</b>
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	6 964	-4 075	4 349	-5 615
Dividends paid	-4 390	-4 390	-4 390	-4 390
<b>Cash flow from financing activities</b>	<b>2 574</b>	<b>-8 465</b>	<b>-41</b>	<b>-10 005</b>
<b>Cash flow for the period</b>	<b>88</b>	<b>-6 957</b>	<b>-2 645</b>	<b>-7 048</b>
Cash and cash equivalents at beginning of the period	2 328	13 708	5 076	13 829
Exchange-rate differences in cash and cash equivalents	74	19	59	-11
<b>Cash and cash equivalents at the end of the period</b>	<b>2 490</b>	<b>6 770</b>	<b>2 490</b>	<b>6 770</b>

FINANCIAL INSTRUMENTS, MSEK	CARRYING AMOUNT		FAIR VALUE	
	30 Jun 2014	31 DEC 2013	30 Jun 2014	31 DEC 2013
Assets measured at fair value*	559	911	559	911
Assets measured at amortized cost	18 457	19 346	18 457	19 346
Liabilities measured at fair value*	937	721	937	721
Liabilities measured at amortized cost**	44 114	37 012	45 607	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 provided in the most recently published Annual Report.

## THE PARENT COMPANY INCOME STATEMENT

MSEK	Q2 2014	Q2 2013	CHANGE %	Q1-2 2014	Q1-2 2013
Revenue	4 433	4 448	0	8 618	8 416
Cost of sales and services	-3 056	-3 770	-19	-6 259	-6 884
<b>Gross profit</b>	<b>1 377</b>	<b>678</b>	<b>+103</b>	<b>2 359</b>	<b>1 532</b>
Selling expenses	-165	-126	+31	-322	-292
Administrative expenses	-930	-813	+14	-1 863	-1 518
Research and development costs	-347	-361	-4	-681	-690
Other operating income and expenses	-28	476	-	-37	532
<b>Operating profit</b>	<b>-93</b>	<b>-146</b>	<b>+36</b>	<b>-544</b>	<b>-436</b>
Income from shares in Group companies	800	942	-15	1 260	1 635
Income from shares in associated companies	5	-	-	5	-
Interest income/expenses and similar items	-337	-1 172	-	-505	-1 206
<b>Profit after financial items</b>	<b>375</b>	<b>-376</b>		<b>216</b>	<b>-7</b>
Appropriations	-	-	-	-	-
Income tax expense	-27	-5 141	-	17	-5 217
<b>Profit for the period</b>	<b>348</b>	<b>-5 517</b>	<b>-</b>	<b>233</b>	<b>-5 224</b>

## BALANCE SHEET

MSEK	30 JUN 2014	31 DEC 2013	CHANGE %	30 JUN 2013
Intangible assets	8	4	+100	4
Property, plant and equipment	7 499	7 429	+1	7 133
Financial assets	44 032	40 080	+10	38 920
Inventories	4 020	3 638	+11	3 739
Current receivables	16 160	17 668	-9	16 599
Cash and cash equivalents	23	0	-	13
<b>Total assets</b>	<b>71 742</b>	<b>68 819</b>	<b>+4</b>	<b>66 408</b>
Total equity	22 736	26 761	-15	15 050
Untaxed reserves	4	4	0	3
Provisions	600	533	+13	535
Non-current interest-bearing liabilities	24 296	15 759	+54	16 602
Non-current non-interest-bearing liabilities	83	75	+11	86
Current interest-bearing liabilities	18 325	19 744	-7	22 803
Current non-interest-bearing liabilities	5 698	5 943	-4	11 329
<b>Total equity and liabilities</b>	<b>71 742</b>	<b>68 819</b>	<b>+4</b>	<b>66 408</b>
Pledged assets	-	-	-	-
Contingent liabilities	15 113	13 339	+13	14 073
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	21 925	19 462	+13	23 829
Investments in fixed assets	574	1 257	-54	536



## MARKET OVERVIEW, THE GROUP

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

MARKET AREA	ORDER INTAKE			SHARE %	INVOICED SALES		
	MSEK	CHANGE * %	% <sup>1)</sup>		MSEK	CHANGE * %	SHARE %
<b>THE GROUP</b>							
Europe	8 335	-7	-5	39	8 536	-5	39
North America	4 239	-1	-5	20	4 178	-5	19
South America	1 421	-19	-0	7	1 558	-9	7
Africa/Middle East	1 756	-16	-16	8	1 950	-13	9
Asia	4 200	+58	+8	20	4 287	+1	19
Australia	1 243	-9	-9	6	1 542	-17	7
<b>Total</b>	<b>21 194</b>	<b>+0</b>	<b>-4</b>	<b>100</b>	<b>22 051</b>	<b>-6</b>	<b>100</b>
<b>SANDVIK MINING</b>							
Europe	841	+10	+10	14	585	-42	10
North America	1 235	+30	-7	20	857	-24	13
South America	868	-22	+10	14	962	-16	15
Africa/Middle East	1 319	-18	-18	21	1 452	-16	23
Asia	1 083	+4	+4	17	1 359	-5	21
Australia	871	-8	-8	14	1 170	-17	18
<b>Total</b>	<b>6 217</b>	<b>-3</b>	<b>-4</b>	<b>100</b>	<b>6 385</b>	<b>-19</b>	<b>100</b>
<b>SANDVIK MACHINING SOLUTIONS</b>							
Europe	4 262	+1	+1	54	4 219	+2	55
North America	1 630	+4	+4	21	1 614	+4	21
South America	240	-9	-9	3	235	-10	3
Africa/Middle East	62	-6	-6	1	66	-10	1
Asia	1 516	+13	+13	20	1 484	+9	19
Australia	58	-9	-9	1	58	-8	1
<b>Total</b>	<b>7 768</b>	<b>+3</b>	<b>+3</b>	<b>100</b>	<b>7 676</b>	<b>+3</b>	<b>100</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>							
Europe	1 530	-22	-13	44	1 914	-4	49
North America	730	-30	-12	21	928	-4	24
South America	65	-49	-49	2	72	+7	2
Africa/Middle East	67	+15	+15	2	56	+11	1
Asia	845	N/A	+29	24	682	-1	18
Australia	212	-0	-0	7	214	+4	6
<b>Total</b>	<b>3 449</b>	<b>+22</b>	<b>-7</b>	<b>100</b>	<b>3 866</b>	<b>-3</b>	<b>100</b>
<b>SANDVIK CONSTRUCTION</b>							
Europe	821	-18	-18	40	896	-6	40
North America	295	-23	-23	15	386	-1	17
South America	195	+4	+4	10	234	+33	10
Africa/Middle East	197	-18	-18	10	275	+3	12
Asia	440	-12	-12	22	438	-1	19
Australia	65	-21	-21	3	52	-56	2
<b>Total</b>	<b>2 013</b>	<b>-16</b>	<b>-16</b>	<b>100</b>	<b>2 281</b>	<b>-3</b>	<b>100</b>
<b>SANDVIK VENTURE</b>							
Europe	877	-20	-20	51	920	+10	50
North America	348	+0	+0	20	392	+17	21
South America	54	-24	-24	3	56	+1	3
Africa/Middle East	111	+49	+49	6	101	+27	5
Asia	315	+1	+1	18	325	+8	18
Australia	36	-54	-54	2	47	+17	3
<b>Total</b>	<b>1 741</b>	<b>-12</b>	<b>-12</b>	<b>100</b>	<b>1 841</b>	<b>+11</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	Q2	Q3	Q4	Q1-4	Q1	Q2	CHANGE Q2	
	2013	2013	2013	2013	2014	2014	%	% <sup>1)</sup>
Sandvik Mining	6 652	7 033	6 514	27 882	6 055	6 217	-7	-3
Sandvik Machining Solutions	7 332	6 882	7 354	28 715	7 719	7 768	+6	+3
Sandvik Materials Technology	2 820	3 152	3 672	13 415	4 633	3 449	+22	+22
Sandvik Construction	2 384	1 892	1 792	8 521	2 336	2 013	-16	-16
Sandvik Venture	1 532	1 263	1 456	5 535	1 749	1 741	+14	-12
Group activities	-1	-1	6	4	4	6		
<b>Group total</b>	<b>20 719</b>	<b>20 221</b>	<b>20 794</b>	<b>84 072</b>	<b>22 496</b>	<b>21 194</b>	<b>+2</b>	<b>0</b>

### INVOICED SALES BY BUSINESS AREA

MSEK	Q2	Q3	Q4	Q1-4	Q1	Q2	CHANGE Q2	
	2013	2013	2013	2013	2014	2014	%	% <sup>1)</sup>
Sandvik Mining	8 136	6 961	7 334	30 744	6 601	6 385	-22	-19
Sandvik Machining Solutions	7 281	6 922	7 363	28 543	7 400	7 676	+5	+3
Sandvik Materials Technology	3 967	3 224	3 360	14 035	3 547	3 866	-3	-3
Sandvik Construction	2 326	2 055	2 174	8 601	1 871	2 281	-2	-3
Sandvik Venture	1 332	1 252	1 538	5 394	1 362	1 841	+38	+11
Group activities	1	2	1	11	2	2		
<b>Group total</b>	<b>23 043</b>	<b>20 416</b>	<b>21 770</b>	<b>87 328</b>	<b>20 783</b>	<b>22 051</b>	<b>-4</b>	<b>-6</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q2	Q3	Q4	Q1-4	Q1	Q2	CHANGE Q2	
	2013	2013	2013	2013	2014	2014	%	% <sup>1)</sup>
Sandvik Mining	1 153	858	-480	2 743	688	452	-61	
Sandvik Machining Solutions	1 525	1 454	1 084	5 205	1 480	1 561	+2	
Sandvik Materials Technology	409	175	350	1 270	421	647	+58	
Sandvik Construction	141	88	-223	110	-11	51	-64	
Sandvik Venture	-18	199	309	606	233	187	N/A	
Group activities	-249	-243	-450	-1 296	-333	-342		
<b>Group total<sup>2)</sup></b>	<b>2 961</b>	<b>2 531</b>	<b>590</b>	<b>8 638</b>	<b>2 478</b>	<b>2 556</b>	<b>-14</b>	

### OPERATING MARGIN BY BUSINESS AREA

MSEK	Q2	Q3	Q4	Q1-4	Q1	Q2
	2013	2013	2013	2013	2014	2014
Sandvik Mining	14.2	12.3	-6.5	8.9	10.4	7.1
Sandvik Machining Solutions	20.9	21.0	14.7	18.2	20.0	20.3
Sandvik Materials Technology	10.3	5.4	10.4	9.0	11.9	16.7
Sandvik Construction	6.1	4.3	-10.2	1.3	-0.6	2.3
Sandvik Venture	-1.4	15.9	20.1	11.2	17.1	10.2
<b>Group total</b>	<b>12.8</b>	<b>12.4</b>	<b>2.7</b>	<b>9.9</b>	<b>11.9</b>	<b>11.6</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

	Q2 2014	Q2 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, %	26.8	24.8	25.8
Return on capital employed, % <sup>2)</sup>	12.3	16.0	12.6
Return on total equity, % <sup>2)</sup>	14.2	19.2	15.3
Return on total capital, % <sup>2)</sup>	8.7	11.1	9.0
Shareholders' equity per share, SEK	26.2	25.0	26.7
Net debt/equity ratio	1.0	0.7	0.7
Equity/assets ratio, %	32	32	36
Net working capital, %	30	28	27
Earnings per share, SEK	1.22	1.48	4.00
Cash flow from operations, MSEK	1 355	2 640	5 133
Number of employees	48 428	47 801	47 338

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

## 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.

## 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.

## TRANSACTIONS WITH RELATED PARTIES

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

## 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, 17 July 2014*  
**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

**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 17 July 2014 at 8:00 CET. The report for the third-quarter 2014 will be published on 27 October 2014. The company's auditors have not conducted a special review of the second-quarter report for 2014.

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

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A presentation and teleconference will be held on 17 July 2014 at 10:00 CET at the World Trade Center in Stockholm.

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

### CALENDAR 2014/2015:

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