

Continued strong execution, but a more cautious market



CEO's comment:



Olof Faxander

“Our organization continued to successfully implement the strategy, which again yielded results. Although operating profit was impacted by currency effects, declining metal prices and extended maintenance work, it still totaled

3.3 billion SEK, or 14.2%, in the seasonally weakest quarter of the year. At the same time, working capital was reduced, thereby contributing to the strongest cash flow recorded to date for a single quarter. We remain on the right track”, says Sandvik’s President and CEO Olof Faxander.

“The macroeconomic uncertainties seen earlier in the year, increased during the third quarter. Several of

Sandvik’s customer segments thus experienced weakening demand as the quarter progressed. Order intake declined to 21.8 billion SEK, while invoiced sales, supported by a strong backlog, totaled 23.4 billion SEK. Europe accounted for less than one third of Sandvik’s total business, for the first time in the company’s history. This shift in sales toward more rapidly expanding regions of the world is aligned with our long-term growth strategy.”

“Production levels are being adjusted, in response to the market slowdown observed. Furthermore, various scenarios are being evaluated to enable us to adjust costs in accordance with new market conditions. The common objective is to proactively and efficiently manage a potentially weaker business climate, without negatively affecting our long-term growth ambitions.”

Financial overview, MSEK

	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Order intake ¹⁾	21 795	24 825	-10	76 878	75 088	+1
Invoiced sales ¹⁾	23 424	23 528	+2	74 201	68 980	+7
Gross profit	8 431	7 537	+12	27 172	24 336	+12
% of invoiced sales	36.0	32.0		36.6	35.3	
Operating profit	3 325	1 665	+100	11 356	8 498	+34
% of invoiced sales	14.2	7.1		15.3	12.3	
Adjusted operating profit ²⁾	3 325	3 378	-2	11 356	10 277	+10
% of invoiced sales ²⁾	14.2	14.4		15.3	14.9	
Profit after financial items	2 852	1 110	+157	9 890	7 039	+41
% of invoiced sales	12.2	4.7		13.3	10.2	
Profit for the period	2 103	704	+199	7 381	5 058	+46
% of invoiced sales	9.0	3.0		9.9	7.3	
of which shareholders’ interest	2 101	626	+236	7 377	4 767	+55
Earnings per share, SEK ³⁾	1.67	0.53	+215	5.93	4.02	+48
Return on capital employed, % ⁴⁾	19.5	18.6		19.5	18.6	
Cash flow from operations	+3 979	+2 614	+52	+7 372	+4 452	+66
Number of employees	49 251	49 455	-0	49 251	49 455	-0

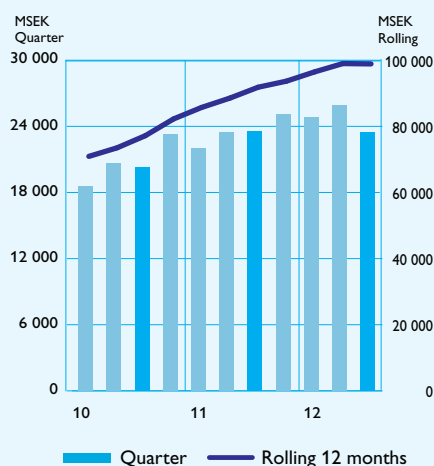
1) Change from the previous year at fixed exchange rates for comparable units.

2) Q3 2011 operating profit adjusted for goodwill write-down and restructuring costs, related to the new strategy established during the third quarter 2011.

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

4) Rolling 12 months.

Invoiced sales



Market and sales

Q3	Order intake	Invoiced sales
Price/volume, %	-10	+2
Structure, %	0	0
Currency, %	-3	-3
Total, %	-12	0

The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

The business environment in which Sandvik operates became more cautious during the third quarter. Global demand per customer segment displayed mixed development, with the largest downward shift in mining, while the aerospace industry remained strong. Demand improved from a high level in Africa, but weakened in other major markets. Order intake amounted to 21.8 billion SEK, a decline of 10% compared with the preceding year at fixed exchange rates. Invoicing for the quarter increased by 2% at fixed exchange rates for comparable units, and amounted to 23.4 billion SEK. Changed exchange rates impacted both order intake and invoiced sales negatively by 3%.

The environment in Sandvik's main markets became more cautious during the third quarter compared with the preceding quarter. Compared with 2011, demand increased in Africa, where the mining industry remained strong due to high gold prices. Business activity in Europe remained low, largely driven by declining demand in the German automotive and general engineering industries. Several other markets recorded more substantial declines compared with the preceding year.

Europe accounted for less than one third of Sandvik's total order intake and invoicing, for the first time in the company's history. With reduced dependence on one single region, Sandvik is thus more geographically balanced than at any point in its past.

A downward trend was noted in the mining industry, and the decline gathered momentum as the quarter progressed. During the quarter, the rate of cancellations and postponements for equipment and systems from Sandvik Mining increased.

Although noticeable, the market slowdown was less pronounced for the other business areas. Business activity for Sandvik Machining Solutions weakened compared with

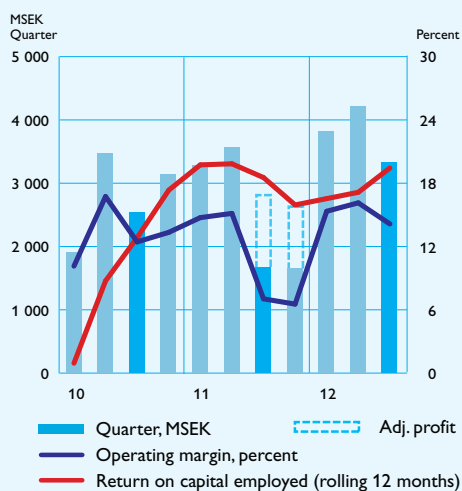
the record levels noted earlier in the year. North America remained strong, with continued high activity in the aerospace segment. Sandvik Materials Technology and Sandvik Construction experienced a continued weak, and in some areas, even lower level of demand during the third quarter. For Sandvik Venture, the scenario was fragmented.

Order intake in the third quarter amounted to 21,795 million SEK (24,825), -12% in total and -10% at fixed exchange rates for comparable units. Of this amount, approximately 1.7 billion SEK (0.3) represented major orders for mining systems for Sandvik Mining. Changed exchange rates had an impact of -3% on order intake. Order intake declined for all business areas at fixed exchange rates for comparable units. The development for Sandvik Mining was -11%, and for Sandvik Machining Solutions -3%. Sandvik Materials Technology's order intake declined by 11% compared with the third quarter in the preceding year, including a negative effect of 5 percentage points related to changed metal prices. Sandvik Construction and Sandvik Venture reported declines of 23% and 3%, respectively, at fixed exchange rates for comparable units.

Invoiced sales totaled 23,424 million SEK (23,528), flat in total and up 2% at fixed exchange rates for comparable units compared with the third quarter of 2011. Changed exchange rates had an impact of -3% on invoiced sales. For Sandvik Mining, invoiced sales increased by 14% at fixed exchange rates and for comparable units, while Sandvik Machining Solutions and Sandvik Construction decreased by 2% and 5%, respectively. Sandvik Materials Technology's invoiced sales declined by 7% compared with the year-earlier period, including a negative effect of 5 percentage points related to changed metal prices. For Sandvik Venture, invoicing declined by 7% at fixed exchange rates and for comparable units.

Sandvik Earnings and return

Operating profit and return



The turnaround programs in place at Sandvik Materials Technology and Sandvik Construction continued to yield results thereby contributing positively to earnings and return. Production rates were reduced partly in response to the weakening market situation, resulting in a strong cash flow. However this had an adverse effect on operating profit, which amounted to 3,325 million SEK (1,665*), or 14.2% (7.1*) of invoiced sales. Changed exchange rates had a negative impact of approximately 120 million SEK on earnings, while changed metal prices had a negative effect of 96 million SEK.

Measures to mitigate effects of a potential downturn are being evaluated and, in some cases, have already been implemented.

Return on capital employed for the most recent 12-month period was negatively affected by nonrecurring items during the fourth quarter of 2011 and was 19.5% (18.6). The annualized return for the quarter was 20.1%.

Production levels are being reduced at varying degrees in the business areas, in response to weakening demand. The turnaround programs in place at Sandvik Materials Technology and Sandvik Construction will be adjusted. The overriding objective is to proactively, responsibly and efficiently manage a potentially weaker business climate, without jeopardizing the long-term growth ambitions.

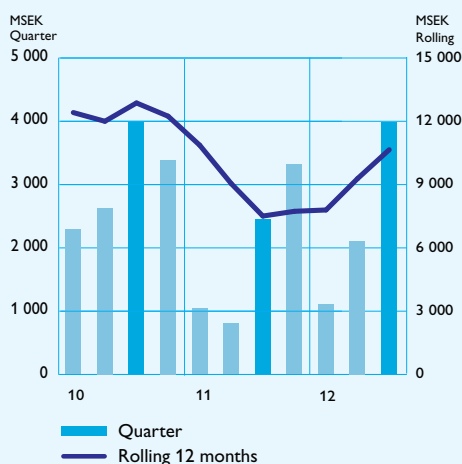
Changed exchange rates had a negative impact on operating profit, as the SEK strengthened against the most frequently traded currencies. Net financial items decreased, primarily as a result of lower interest rates, and amounted to -473 million SEK (-555).

Improvements in working capital, combined with favorable earnings, contributed to all time high cash flow levels. Cash flow from operations thus improved to +3,979 million SEK (+2,614).

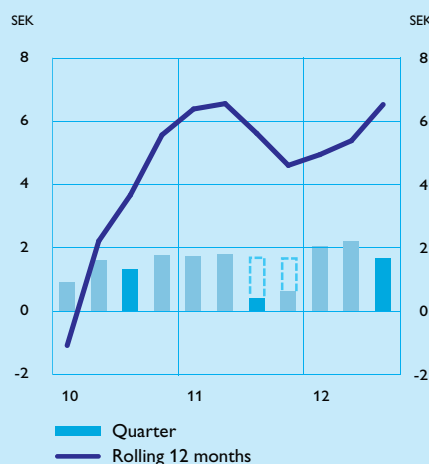
Total assets remained flat compared with the preceding quarter. The decline in demand and strengthening of the SEK resulted in reductions in inventories and accounts receivable, which in turn led to working capital reductions. However, due to the seasonally lower level of sales, net working capital as percentage of invoiced sales remained at an elevated level of 30% (28). The strong cash flow generation increased the cash position and reduced net debt to 25.1 billion SEK (27.5). Accordingly, the net debt to equity ratio decreased to 0.7 compared with the preceding quarter (0.8) and year (0.8). Loan maturities within the forthcoming 12-month period amount to 4.5 billion SEK. Currently, Sandvik has unutilized and committed long-term credit facilities, comprising 650 million EUR and 5 billion SEK. The credit market is currently very favorable for a company of Sandvik's size, credit rating and reputation. Loans with very long maturities are available at historically low interest rates. In October, Sandvik raised a loan of 250 million EUR with a 10 year maturity, from the European Investment Bank, based on Sandvik's European R&D investments.

* Operating profit in the third quarter 2011 was negatively affected by goodwill write-down and restructuring costs, related to the new strategy. Adjusted for these charges, operating profit amounted to 3,378 million SEK, or 14.4% of invoiced sales..

Cash flow from operations



Earnings per share





Strong invoicing

Increased focus on costs and working capital

Customers announce reduced capex

Growth

Q3	Order intake	Invoiced sales
Price/volume, %	-11	+14
Structure, %	+1	+1
Currency, %	-2	-2
Total, %	-12	+12

The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Demand from the global mining industry shifted over the course of the third quarter. While customer destocking affected the aftermarket somewhat, demand for new equipment fell sharply from the record levels noted in the first half of the year. Consequently order intake decreased by 11% at fixed exchange rates to 8.5 billion SEK (9.7). Activity was high in Africa, while all other major markets reported declines. The strong order backlog yielded a rise in invoiced sales of 14% at fixed exchange rates compared with the year-earlier period and amounted to 9,485 million SEK (8,432). The operating profit and margin amounted to 1,506 million SEK (1,451) and 15.9% (17.2), respectively, of invoiced sales.

The present market situation increases the importance of cost control and inventory management.

Announcements made by several customers indicating reduced investment ambitions had a negative impact on order intake for equipment and systems predominantly destined for greenfield and expansion projects and operations. Customer destocking of spare parts and rock tools was evident toward the end of the quarter and this - combined with the strikes in South Africa - adversely affected the service, parts, and consumables business. A higher number of postponed and

cancelled orders was noted during the quarter. In July, Sandvik Mining secured a major order valued in excess of 900 million SEK for a copper mine in South America. Other large orders with a combined value of about 750 million SEK were booked in North and South America and Asia. The downward trend in the exploration business during the second quarter continued in the third quarter.

The strong order backlog accumulated in the previous quarters, resulted in a 14% rise in invoicing at fixed exchange rates for comparable units. However, the positive contribution to earnings of higher invoicing and a positive price development were offset mainly by negative currency effects (100 million SEK) and an increase in doubtful accounts receivables. Operating profit amounted

to 1,506 million SEK (1,451) or 15.9% (17.2)

of invoiced sales, rock tools

and consumables accounted for 11% (11), customer services and spare parts for 32% (35) and equipment and mining systems for 38% (34) and 19% (20), respectively. While working capital decreased, an increase was noted in inventory levels. Actions aimed at reducing these are being implemented. Return on capital employed for the most recent 12-month period was 39.3% (42.8). The annualized return for the quarter was 37.3%.



Financial overview, MSEK

	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Order intake	8 499	9 690	-11 *	30 607	27 335	+10 *
Invoiced sales	9 485	8 432	+14 *	27 950	23 127	+20 *
Operating profit	1 506	1 451	+4	4 801	3 969	+21
% of invoiced sales	15.9	17.2		17.2	17.2	
Return on capital employed, %, rolling 12 months	39.3	42.8		39.3	42.8	
Number of employees	14 246	13 085	+9	14 246	13 085	+9

* At fixed exchange rates for comparable units

Q3 Sandvik Machining Solutions



Improved working capital

Strong cash flow

Dormer and Carboly to form part of the mid-market initiative

Growth

Q3	Order intake	Invoiced sales
Price/volume, %	-3	-2
Structure, %	0	0
Currency, %	-3	-3
Total, %	-7	-5

The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

The uncertainties in the market environment noted during the second quarter could also be observed in the third quarter of the year. Order intake and invoiced sales decreased by 3% and 2%, respectively, at fixed exchange rates for comparable units compared with the preceding year. Order intake and invoicing amounted to 6.6 billion SEK (7.0 and 6.9) respectively. The demand remained strong in North America, but was offset by declines in the other major markets compared with the preceding year. Although reduced production rates contributed to a strong cash flow, the effect on operating profit and margin was negative. Changed exchange rates impacted earnings by approximately -30 million SEK in the quarter.

Production rates are being reduced to address the weaker business climate.

Demand for Sandvik Machining Solutions weakened slightly from the record-high levels recorded in the first half of the year, and also compared with the preceding year. Business activity remained subdued in Asia, particularly in China. North America demonstrated continued strength, although the growth rate declined, while Europe developed negatively. Both regions noted a weakening in

demand from predominantly the automotive industry. Efforts focused on the aerospace industry continued to yield positive results, while conditions in this demanding segment were generally favorable.

The work to structurally reduce inventories at Seco

Tools continued successfully. In addition, production rates were reduced in all other product areas, during the quarter. While weakening sales prevented a further reduction in inventory levels, it also led to lower accounts receivables. The corresponding improvements in working capital, combined with favorable operating profit, resulted in a very strong cash flow.

During the quarter, the decision was taken

to re-launch the Carboly brand. Carboly will form the mid-market initiative at Sandvik Machining Solutions together with Dormer, which will be transferred from Sandvik Venture on 1 January 2013.

Operating profit was adversely affected by the reduced capacity utilization, and was further negatively impacted by changed exchange rates in the amount of 30 million SEK and totaled 1,313 million SEK, or 20.0% of invoiced sales. Return on capital employed for the most recent 12-month period was 33.5% (32.9). The annualized return for the quarter was 26.6%.



Financial overview, MSEK

	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Order intake	6 556	7 037	-3 *	21 868	21 379	+2 *
Invoiced sales	6 567	6 917	-2 *	21 617	20 807	+3 *
Operating profit	1 313	1 518	-14	5 016	4 798	+5
% of invoiced sales	20.0	21.9		23.2	23.1	
Return on capital employed, %, rolling 12 months	33.5	32.9		33.5	32.9	
Number of employees	18 515	18 383	+1	18 515	18 383	+1

* At fixed exchange rates for comparable units

Q3 Sandvik Materials Technology



Continued improved profitability

Step Change Program expanded to address continued weak business climate

Strong cash flow and inventory reduction

Growth

Q3	Order intake	Invoiced sales
Price/volume, %	-11	-7
Structure, %	0	0
Currency, %	-1	-1
Total, %	-12	-8

The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

The Step Change turnaround program continued to deliver good results. It will, however, be expanded in response to the continued weak business environment and also to establish a more robust profitability level over a business cycle.

Demand for products from Sandvik Materials Technology declined in the third quarter, from the already low levels recorded earlier in the year. Activity in the oil and gas sector remained stable, while many other areas weakened further, partly due to seasonal effects. Order intake declined by 11% and invoicing by 7% in price and volume for comparable units, compared with the preceding year. The effects of changed metal prices had a negative impact on order intake and invoiced sales of 5 percentage points.

Operating profit excluding metal price effects (-96 million SEK) totaled 276 million SEK, or 8.0% (4.3) of invoiced sales.

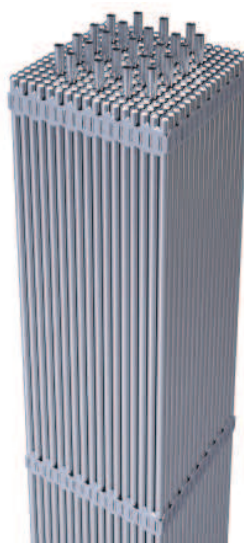
The business climate continued to weaken in some areas for Sandvik Materials Technology in the third quarter. The oil and gas sector remained stable, although some projects have been postponed. Demand in the general engineering industry remained relatively stable, while the automotive industry weakened. Major markets recorded declines compared with the preceding year, with the exception of Asia, which was flat.

Production rates were maintained at a low level to address the seasonally weaker market activity and to adapt inventory levels to the

lower level of demand, all of which contributed to a strong cash flow.

Based on the current business climate, and with the ambition of further strengthening Sandvik Materials Technology as a long-term value-generating business area, additional activities have been defined within the scope of the Step Change Program. The primary focus will be on consolidations as well as additional and sustainable cost savings of about 300 MSEK in total, the main share of which will impact 2013. Additional activities have also been defined to further strengthen the position in strategic growth segments.

The change efforts continued to yield positive results in the quarter. Underabsorption of fixed costs due to the reduced production rates, a temporarily unfavorable product mix and metal price effects of -96 million SEK (-120) were offset by cost savings and price increases. Operating profit, excluding metal price effects, amounted to 276 million SEK, or 8.0% of invoiced sales. Changed exchange rates affected earnings by approximately +30 million SEK for the quarter. Return on capital employed for the most recent 12-month period was 0.3% (3.3). The return was negatively affected by nonrecurring items that were charged to the result for the business area during the fourth quarter of 2011. The annualized return in the third quarter was 5.0%.



Financial overview, MSEK

	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Order intake	3 112	3 552	-11 *	11 396	12 675	-11 *
Invoiced sales	3 450	3 767	-7 *	11 746	12 398	-6 *
Operating profit	180	-449	N/A	943	254	N/A
% of invoiced sales	5.2	-11.9		8.0	2.1	
Adjusted operating profit**	180	41	+439	943	744	+27
% of invoiced sales**	5.2	1.1		8.0	6.0	
Return on capital employed, %, rolling 12 months	0.3	3.3		0.3	3.3	
Number of employees	7 357	8 241	-11	7 357	8 241	-11

* At fixed exchange rates for comparable units, including effects from changed metal prices.

** Operating profit in the third quarter 2011 adjusted for restructuring costs, related to the new strategy.

Q3 Sandvik Construction



Continued successful profit improvement

Continued market uncertainty

Turnaround program adjusted to the weaker business climate

Growth

Q3	Order intake	Invoiced sales
Price/volume, %	-23	-5
Structure, %	+4	+4
Currency, %	-6	-5
Total, %	-24	-6

The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

The extensive efforts to improve profitability in the business area continued successfully and operating profit improved further to 230 million SEK (99), or 10.2% (4.1) of invoiced sales. The demand situation remained challenging for Sandvik Construction compared with the preceding quarter, as well as the year-earlier period. Adjusted for major orders, order intake declined by 8% compared with the preceding year, and amounted to 2,110 million SEK (2,784). Invoiced sales declined 5% at fixed exchange rates and amounted to 2,256 million SEK (2,411).

The ongoing turnaround program will be adjusted in response to the continued weak business environment.

The weak demand situation for Sandvik Construction's products persisted in the third quarter of the year. Some European countries outside the Eurozone, which had shown resistance in the past, began to weaken as the quarter progressed. Business activity in Asia remained very mixed, with India and Japan continuing to advance strongly while China weakened. This also had a negative effect on the Chinese crusher manufacturer Shanbao.

Order intake in the third quarter 2011 was affected by a large order totaling nearly 500 million SEK secured in Australia, which should be considered when making year-on-year comparisons.

The turnaround program at Sandvik Construction initi-

ated at the beginning of the year continued to generate positive effects in the third quarter. A decision has been taken to adjust the turnaround program mainly as a result of the continued weak market situation. Actions addressing costs will be implemented during the remainder of the year. Additionally, production rates will be adjusted downwards in order to align inventory levels with the lower level of demand.

Net working capital declined compared with the preceding year, but increased compared with the preceding quarter, and amounted to 29% as percentage of invoiced sales (32). Consequently, absolute and relative levels are higher than desired, indicating further potential.

Good cost control, and a temporary reduction in invoicing for systems with lower margins had a positive impact on earnings. Operating profit thus improved significantly compared with the third quarter of 2011, and amounted to 230 million SEK (99), or 10.2% (4.1) of invoiced sales.

Changed exchange rates impacted earnings by about -20 million SEK for the quarter. Return on capital

employed for the most recent 12-month period was 6.7% (7.2). The return was negatively affected by nonrecurring items that were charged to the result for the business area during the fourth quarter of 2011. The annualized return in the third quarter was 15.2%.



Financial overview, MSEK

	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Order intake	2 110	2 784	-23 *	7 219	7 567	-8 *
Invoiced sales	2 256	2 411	-5 *	7 301	6 765	+3 *
Operating profit	230	99	+133	665	313	+113
% of invoiced sales	10.2	4.1		9.1	4.6	
Return on capital employed, %, rolling 12 months	6.7	7.2		6.7	7.2	
Number of employees	3 280	3 485	-6	3 280	3 485	-6

* At fixed exchange rates for comparable units



Fragmented market situation

Strong profitability

Dormer Product Area to be transferred to Sandvik Machining Solutions on 1 January 2013

Growth

Q3	Order intake	Invoiced sales
Price/volume, %	-3	-7
Structure, %	-8	-7
Currency, %	-3	-3
Total, %	-14	-17

The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

The fragmented business environment experienced in several parts of Sandvik Venture in the second quarter of the year continued in the third quarter. Order intake declined 3% compared with the corresponding quarter in the preceding year and invoiced sales declined 7% at fixed exchange rates for comparable units. Despite a general decline in the demand trend, individual product areas developed differently, both in terms of order intake and invoicing. Total order intake amounted to 1,517 million SEK (1,761) and invoiced sales to 1,655 million SEK (1,991). Operating profit continued to improve significantly and totaled 283 million SEK (-831**), or 17.1% (-41.7**) of invoiced sales.

The mixed demand trend noted in the second quarter continued in the third quarter for the majority of Sandvik Venture's product areas and major regions. High activity within the chemical, sulphur and food segments, contributed positively for Sandvik Process Systems. For most product areas, the business environment was flat in Europe, but declined in North America and Asia, particularly in Japan and South Korea.

The strategically important repurchasing programs of used cemented carbide products from customers proceeded as planned. This inflow of scrap-based raw material, com-

bined with continued lower demand for Wolfram's products, resulted in inventory levels remaining flat, despite a planned reduction.

A decision was taken during the quarter to transfer the Dormer product area from Sandvik Venture as of 1 January 2013. Dormer has developed a focused offering of round tools, and has created a light and efficient organization and production structure. The product area, with its business model and distribution channels, will become a valuable part of the mid-market initiative at Sandvik Machining Solutions. At the same time, this demonstrates the effectiveness of Sandvik Venture's strategy of serving as a greenhouse for existing and new businesses.



Improved cost efficiency in low-performing units and favorable performance by high-performing units, contributed positively to earnings. The third quarter of 2011 was significantly influenced by a goodwill impairment of the MedTech business. Nevertheless, the profit margin

improved despite adjustments for this nonrecurring item and declining sales. Operating profit thus amounted to 283 million SEK (-831), or 17.1% (-41.7) of invoiced sales. Changed exchange rates impacted earnings by about -15 million SEK for the quarter. Return on capital employed for the most recent 12-month period was 17.0% (-0.3).

Financial overview, MSEK	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Order intake	1 517	1 761	-3 *	5 786	6 131	-2 *
Invoiced sales	1 655	1 991	-7 *	5 555	5 854	-1 *
Operating profit	283	-831	N/A	979	-337	N/A
% of invoiced sales	17.1	-41.7		17.6	-5.8	
Adjusted operating profit**	283	336	-16	979	830	+18
% of invoiced sales	17.1	16.9		17.6	14.2	
Return on capital employed, %, rolling 12 months	17.0	-0.3		17.0	-0.3	
Number of employees	3 558	4 190	-15	3 558	4 190	-15

* At fixed exchange rates for comparable units, including effects from changed metal prices.

** Operating profit in the third quarter 2011 adjusted for goodwill write-down, related to the new strategy, amounted to 336 million SEK, or 16.9% of invoiced sales

Parent Company

The Parent Company's invoiced sales for the third quarter of 2012 amounted to 3,606 million SEK (3,760) and the operating result was -37 million SEK (-757). For the January - September 2012 period, invoiced sales amounted to 12,844 million SEK (13,255) and the operating result was -200 million SEK (-1,074).

The operating result for the third quarter of 2011 was negatively impacted by changed metal prices and the impairment of property, plant and machinery.

Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 8,701 million SEK (1,105) at the end of the third quarter. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 22,749 million SEK (16,990 at 31 December 2011). Investments in property, plant and machinery amounted to 997 million SEK (1,096).

The acquisition of Seco Tools in 2012 significantly affected the Parent Company's balance sheet by increasing indebtedness due to higher liabilities and increasing equity as a result of a realized new issue.

Acquisitions and divestments

Sandvik's public offer to the minority shareholders of Seco Tools to acquire all remaining shares in the company, against payment in Sandvik shares, was completed in February 2012. In the ongoing compulsory acquisition procedure, Sandvik was granted advance title in June 2012 to all remaining shares in Seco Tools that were

not acquired under the public offer. Consequently, Sandvik now holds 100% of all shares and votes in Seco Tools.

On 30 March 2012, Sandvik Medical Solutions was divested. On 31 December 2011, assets and liabilities related to Sandvik Medical Solutions were classified as held for sale. The transaction on 30 March had a marginal effect on the result for the nine-month period in 2012.

Acquisitions during the most recent 18-month period

	Company/unit	Closing date	Annual revenue MSEK	No of employees
Sandvik Construction	Shanbao (SJL), China	9 Oct 11	>500	>400

Divestments during the most recent 18-month period

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

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 2012. These changes have not had any impact on Sandvik's financial statements.

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

First nine months of 2012

The global business climate improved significantly in the earlier parts of the year, but started to weaken towards the end of the period. This trend applied to all business areas, but was most pronounced for Sandvik Mining.

Nevertheless, Sandvik's order intake for January – September 2012 developed positively and amounted to 76,878 million SEK (75,088), up 2% in total and 1% at fixed exchange rates for comparable units. Invoiced sales were 74,201 million SEK (68,980), up 8% in total and 7% at fixed exchange rates.

Operating profit for January – September 2012 improved, primarily as a result of higher volumes, and a successful execution of the new strategy established in 2011. Operating profit amounted to 11,356 million SEK (8,498), an improvement of 34%, or 10% if adjusted for the goodwill impairment charge

of 1,160 million SEK that adversely impacted earnings in the preceding year. The operating margin corresponded to 15.3% (12.3) of invoiced sales. Changed exchange rates had a positive effect of about 130 million SEK on earnings during the first nine months of the year, compared with the year-earlier period, while changed metal prices impacted the result by -216 million SEK.

Net financial items amounted to -1,466 million SEK (-1,459) and the result after net financial items was 9,890 million SEK (7,039). The tax rate was 25% and profit for the period amounted to 7,381 million SEK (5,058). Earnings per share were 5.93 SEK (4.02).

Cash flow from operations was +7,372 million SEK (+4,452). The Group's investments in fixed assets amounted to 3,256 million SEK (3,346), with company acquisitions accounting for 12 million SEK (265). After investments, acquisitions and divestments, cash flow was +4,925 million SEK (+980).

Significant events

- In July, Sandvik was awarded a major mining systems order in Latin America valued in excess of 900 million SEK. Sandvik will deliver a large materials handling and crushing system to a copper mine during 2012 and 2013.

- In August, it was announced that Olle Wijk, Chairman of Sandvik's R&D Board and Director of Technology and Research at Sandvik Materials Technology, will assume overall responsibility for the Group's research and develop-

ment as of 1 November, while also retaining his current assignments in the business area. In conjunction with this, Olle will also become a member of Sandvik's extended Group Executive Management team.

- In August, it was announced that Tomas Nordahl, member of Group Executive Management and Head of IT, sourcing and strategy, has been appointed President of Sandvik Venture effective 1 November 2012. Tomas will retain his current assignments in parallel with the new area of responsibility. He succeeds Anders Thelin, who is retiring according to his contract after 35 successful years at Sandvik.

Transactions with related parties

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

Risk assessment

Sandvik is a global group represented in 130 countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Sandvik in its work to achieve established targets. Efficient risk management is an ongoing

process conducted within the framework of business control, and is part of the ongoing review of operations and forward-looking assessment of operations. Sandvik's long-term risk exposure is assumed not to deviate from the inherent exposure associated with Sandvik's ongoing business operations. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2011.

Financial reports summary

The Group

Income statement

MSEK	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Revenue	23 424	23 528	-0	74 201	68 980	+8
Cost of sales and services	-14 993	-15 991	-6	-47 029	-44 644	+5
Gross profit	8 431	7 537	+12	27 172	24 336	+12
% of revenues	36.0	32.0		36.6	35.3	
Selling expenses	-2 867	-4 006	-28	-8 837	-9 729	-9
<i>of which goodwill write-down in MedTech</i>	-	-1 160	-	-	-1 160	-
Administrative expenses	-1 502	-1 393	+8	-4 726	-4 388	+8
Research and development costs	-551	-540	+2	-1 834	-1 739	+5
Other operating income and expenses	-186	67	-	-419	18	-
Operating profit	3 325	1 665	+100	11 356	8 498	+34
% of revenues	14.2	7.1		15.3	12.3	
Financial net	-473	-555	-15	-1 466	-1 459	+0
Profit after financial items	2 852	1 110	+157	9 890	7 039	+41
% of revenues	12.2	4.7		13.3	10.2	
Income tax	-749	-406	+84	-2 509	-1 981	+27
Profit for the period	2 103	704	+199	7 381	5 058	+46
% of revenues	9.0	3.0		9.9	7.3	
Other comprehensive income						
Foreign currency translation differences	-1 610	772		-1 869	465	
Cash-flow hedges	151	-496		215	-510	
Tax related to other comprehensive income	-42	130		-57	134	
Other comprehensive income for the period, net after tax	-1 501	406		-1 711	89	
Total comprehensive income for the period	602	1 110		5 670	5 147	
Profit for the period attributable to						
Owners of the Parent	2 101	626		7 377	4 767	
Non-controlling interests	2	78		4	291	
Total comprehensive income attributable to						
Owners of the Parent	599	1 014		5 672	4 841	
Non-controlling interests	3	96		-2	306	
Earnings per share, SEK *	1.67	0.53		5.93	4.02	

* No dilution effects during the period.

Balance sheet

MSEK	30 Sept 2012	30 Sept 2011	Change %	31 Dec 2011
Intangible assets	11 340	12 084	-6	11 807
Property, plant and equipment	25 398	25 411	-0	25 702
Financial assets	6 693	6 171	+8	6 835
Inventories	26 723	26 187	+2	26 077
Current receivables	22 976	22 909	+0	21 979
Cash and cash equivalents	9 247	3 508	+164	5 592
Non-current assets classified as held for sale	-	-	-	747
Total assets	102 377	96 270	+6	98 739
Total equity	35 306	33 830	+4	33 891
Non-current interest-bearing liabilities	31 802	26 623	+19	27 125
Non-current non-interest-bearing liabilities	6 489	5 705	+14	6 487
Current interest-bearing liabilities	4 036	5 890	-31	5 948
Current non-interest-bearing liabilities	24 744	24 222	+2	25 180
Liabilities associated with non-current assets classified as held for sale	-	-	-	108
Total equity and liabilities	102 377	96 270	+6	98 739
<i>Net working capital *</i>	26 763	26 754	+0	25 626
<i>Loans</i>	33 453	29 859	+12	30 455
<i>Net debt **</i>	25 061	27 483	-9	25 908
<i>Non-controlling interests in total equity</i>	149	1 289	-88	1 401

* Inventories plus trade receivables excl. prepaid income taxes, reduced by non-interest-bearing liabilities excl. tax liabilities.

** Current and non-current interest-bearing liabilities including net provisions for pensions, less cash and cash equivalents.

Change in total equity

MSEK	Equity related to owners of the Parent	Non-controlling interest	Total equity
Opening equity, 1 January 2011	32 580	1 233	33 813
Total comprehensive income for the period	4 773	360	5 133
Personnel options program	67	-	67
Hedge of personnel options program	-1 353	-	-1 353
Acquisition of non-controlling interests	-18	56	38
Dividends	-3 559	-248	-3 807
Closing equity, 31 December 2011	32 490	1 401	33 891
Opening equity, 1 January 2012	32 490	1 401	33 891
Total comprehensive income for the period	5 672	-2	5 670
Issue of new equity / Acquisition of non-controlling interests	1 168	-1 250	-82
Personnel options program	65	-	65
Hedge of personnel options program	-161	-	-161
Dividends	-4 077	-	-4 077
Closing equity, 30 September 2012	35 157	149	35 306
Opening equity, 1 January 2011	32 580	1 233	33 813
Total comprehensive income for the year	4 841	306	5 147
Personnel options program	50	-	50
Hedge of personnel options program	-1 353	-	-1 353
Acquisitions of non-controlling interests	-18	-5	-23
Dividends	-3 559	-245	-3 804
Closing equity, 30 September 2011	32 541	1 289	33 830

The Group

Cash flow statement

MSEK	Q3 2012	Q3 2011	Q1-3 2012	Q1-3 2011
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+2 852	+1 110	+9 890	+7 039
Adjustment for depreciation, amortization and impairment losses	+983	+2 527	+2 993	+4 460
Adjustment for items that do not require the use of cash etc.	-202	-93	-140	+37
Income tax paid	-830	-522	-2 505	-1 898
Cash flow from operations before changes in working capital	+2 803	+3 022	+10 238	+9 638
<i>Changes in working capital</i>				
Change in inventories	+153	-1 096	-1 760	-4 681
Change in operating receivables	+603	-354	-1 736	-2 809
Change in operating liabilities	+616	+1 088	+1 006	+2 495
Cash flow from changes in working capital	+1 372	-362	-2 490	-4 995
Investments in rental equipment	-196	-94	-458	-294
Divestments of rental equipment	0	+48	+82	+103
Cash flow from operations	+3 979	+2 614	+7 372	+4 452
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-12	0	-12	-265
Acquisitions of property, plant and equipment	-905	-1 241	-3 256	-3 346
Proceeds from sale of property, plant and equipment	+111	+54	+821	+139
Cash flow from investing activities	-806	-1 187	-2 447	-3 472
Net cash flow after investing activities	+3 173	+1 427	+4 925	+980
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-196	-796	+2 953	+1 607
Dividends paid	-	-2	-4 077	-3 804
Cash flow from financing activities	-196	-798	-1 124	-2 197
Cash flow for the period	+2 977	+629	+3 801	-1 217
Cash and cash equivalents at beginning of the period	+6 411	+2 815	+5 592	+4 783
Exchange-rate differences in cash and cash equivalents	-141	+64	-146	-58
Cash and cash equivalents at the end of the period	+9 247	+3 508	+9 247	+3 508

Key figures

	Q3 2012	Q3 2011	Q1-4 2011
No. of shares outstanding at end of period ('000) ¹⁾	1 254 386	1 186 287	1 186 287
Average no. of shares ('000) ¹⁾	1 254 386	1 186 287	1 186 287
Tax rate, %	26.3	36.6	28.3
Return on capital employed, % ²⁾	19.5	18.6	16.0
Return on total equity, % ²⁾	23.6	21.7	17.3
Return on total capital, % ²⁾	13.4	13.0	11.1
Shareholders' equity per share, SEK	28.0	27.4	27.4
Net debt/equity ratio	0.7	0.8	0.8
Equity/assets ratio, %	34	35	34
Net working capital, %	30	28	26
Earnings per share, SEK	1.67	0.53	4.63
Cash flow from operations, MSEK	+3 979	+2 614	+7 764
Number of employees	49 251	49 455	50 030

1) No dilution effect during the period.

2) Rolling 12 months.

Income statement

MSEK	Q3 2012	Q3 2011	Change %	Q1-3 2012	Q1-3 2011	Change %
Revenue	3 606	3 760	-4	12 844	13 255	-3
Cost of sales and services	-2 821	-3 559	-21	-9 914	-11 103	-11
Gross profit	785	201	-	2 930	2 152	+36
Selling expenses	-126	-149	-15	-423	-494	-14
Administrative expenses	-540	-742	-27	-2 046	-2 421	-15
Research and development costs	-272	-242	+12	-906	-812	+12
Other operating income and expenses	116	175	-34	245	501	-51
Operating result	-37	-757	-95	-200	-1 074	-81
Income from shares in Group companies ¹⁾	7 580	455	-	8 701	1 105	-
Income from shares in associated companies	-	-	-	5	10	-50
Interest income and similar items	400	184	-	856	442	+94
Interest expenses and similar items	-673	-724	-7	-1 780	-1 426	+25
Result after financial items	7 270	-842	-	7 582	-943	-
Income tax expense ¹⁾	-22	246	-	-104	-302	-
Result for the period ¹⁾	7 248	-596	-	7 478	-641	-

Balance sheet

MSEK	30 Sept 2012	30 Sept 2011	Change %	31 Dec 2011
Intangible assets	9	15	-40	17
Property, plant and equipment	7 344	6 994	+5	6 992
Financial assets	38 294	16 282	-	18 502
Inventories	3 833	4 132	-7	4 023
Current receivables ¹⁾	16 228	15 971	+2	15 699
Cash and cash equivalents	2	5	-60	8
Total assets	65 710	43 399	+51	45 241
Total equity ¹⁾	22 522	12 231	+84	12 516
Untaxed reserves	10	2	-	10
Provisions	598	283	-	697
Non-current interest-bearing liabilities	21 470	15 351	+40	16 072
Non-current non-interest-bearing liabilities	52	-	-	33
Current interest-bearing liabilities	15 737	10 343	+52	9 032
Current non-interest-bearing liabilities	5 321	5 189	+3	6 881
Total equity and liabilities	65 710	43 399	+51	45 241
Pledged assets	-	-	-	-
Contingent liabilities	13 231	12 421	+7	12 006
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	22 749	16 483	+38	16 990
Investments in fixed assets	997	1 096	-9	1 421

¹⁾ Q3 2011 result of -813 MSEK has been adjusted by 217 million SEK to -596 million SEK.

For the period January - September the result of -1,258 million SEK has been adjusted by 617 million SEK to -641 million SEK. The adjustment is attributable to changed accounting principles for Group contributions.

Market overview, the Group

Order intake and invoiced sales per market area

Third quarter 2012

Market area	Order intake	Change *		Share	Invoiced sales	Change *	Share
	MSEK	%	% ¹⁾			MSEK	
The Group							
Europe	7 116	-6	-6	32	7 331	-8	32
North America	3 952	-13	-18	18	4 651	+22	20
South America	2 508	+24	-20	12	1 754	-2	7
Africa/Middle East	2 342	+5	+5	11	2 589	+8	11
Asia	4 008	-14	-21	18	4 423	+7	19
Australia	1 869	-40	-30	9	2 676	+2	11
Total	21 795	-10	-14	100	23 424	+2	100
Sandvik Mining							
Europe	650	-36	-36	8	691	-19	8
North America	1 093	-24	-40	13	1 443	+44	15
South America	1 890	+54	-16	22	1 200	+10	13
Africa/Middle East	1 987	+5	+5	23	2 220	+9	23
Asia	1 456	-18	-37	17	1 734	+62	18
Australia	1 423	-33	-33	17	2 197	+3	23
Total	8 499	-11	-26	100	9 485	+14	100
Sandvik Machining Solutions							
Europe	3 369	-5	-5	52	3 397	-3	51
North America	1 442	+9	+9	22	1 414	+9	22
South America	249	-18	-18	4	243	-19	4
Africa/Middle East	71	-1	-1	1	72	+7	1
Asia	1 339	-7	-7	20	1 352	-4	21
Australia	86	-2	-2	1	89	+3	1
Total	6 556	-3	-3	100	6 567	-2	100
Sandvik Materials Technology							
Europe	1 459	-5	-5	47	1 535	-12	45
North America	765	-25	-25	25	941	+26	27
South America	59	-25	-25	2	87	+17	3
Africa/Middle East	40	-37	-37	1	43	-27	1
Asia	528	-0	-0	17	556	-31	16
Australia	261	-7	-7	8	288	+0	8
Total	3 112	-11	-11	100	3 450	-7	100
Sandvik Construction							
Europe	853	+9	+9	41	851	-12	39
North America	316	-15	-15	15	506	+28	22
South America	246	-19	-19	12	153	-37	7
Africa/Middle East	215	+23	+23	10	206	+11	9
Asia	409	-31	-31	19	462	-2	20
Australia	71	-88	-45	3	78	-17	3
Total	2 110	-23	-8	100	2 256	-5	100
Sandvik Venture							
Europe	786	+10	+10	52	848	-8	52
North America	335	-8	-8	22	346	-2	21
South America	63	-19	-19	4	71	+14	4
Africa/Middle East	30	+10	+10	2	48	-11	3
Asia	275	-22	-22	18	319	-14	19
Australia	28	-19	-19	2	23	-17	1
Total	1 517	-3	-3	100	1 655	-7	100

* At fixed exchange rates for comparable units.

1) Excluding major orders.

Order intake by business area

MSEK	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Change Q3		Q1-3
	2011	2011	2011	2012	2012	2012	%	% ¹⁾	2012
Sandvik Mining	9 690	8 284	35 619	11 793	10 315	8 499	-12	-11	30 607
Sandvik Machining Solutions	7 037	7 358	28 737	7 768	7 544	6 556	-7	-3	21 868
Sandvik Materials Technology	3 552	3 674	16 350	4 278	4 006	3 112	-12	-11	11 396
Sandvik Construction	2 784	2 330	9 898	2 622	2 488	2 110	-24	-23	7 219
Sandvik Venture	1 761	2 342	8 473	2 432	1 837	1 517	-14	-3	5 786
Group activities	1	2	1	1	0	1			2
Group total	24 825	23 990	99 078	28 894	26 190	21 795	-12	-10	76 878

Invoiced sales by business area

MSEK	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Change Q3		Q1-3
	2011	2011	2011	2012	2012	2012	%	% ¹⁾	2012
Sandvik Mining	8 432	9 105	32 232	8 639	9 826	9 485	+12	+14	27 950
Sandvik Machining Solutions	6 917	7 364	28 171	7 618	7 431	6 567	-5	-2	21 617
Sandvik Materials Technology	3 767	3 940	16 339	4 100	4 195	3 450	-8	-7	11 746
Sandvik Construction	2 411	2 484	9 249	2 453	2 592	2 256	-6	-5	7 301
Sandvik Venture	1 991	2 202	8 056	2 015	1 884	1 655	-17	-7	5 555
Group activities	10	9	37	13	11	11			32
Group total	23 528	25 104	94 084	24 838	25 939	23 424	0	+2	74 201

Operating profit by business area

MSEK	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Change Q3		Q1-3
	2011	2011	2011	2012	2012	2012	%	% ¹⁾	2012
Sandvik Mining	1 451	1 220	5 189	1 494	1 800	1 506	+4		4 801
Sandvik Machining Solutions	1 518	1 549	6 347	1 875	1 827	1 313	-14		5 016
Sandvik Materials Technology	-449	-896	-642	349	415	180	N/A		943
Sandvik Construction	99	-255	58	213	222	230	+133		665
Sandvik Venture	-831	316	-21	355	341	283	N/A		979
Group activities	-123	-285	-783	-467	-393	-187			-1 048
Group total ²⁾	1 665	1 649	10 148	3 819	4 212	3 325	+100		11 356

Operating margin by business area

MSEK	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Change Q3		Q1-3
	2011	2011	2011	2012	2012	2012	%	% ¹⁾	2012
Sandvik Mining	17.2	13.4	16.1	17.3	18.3	15.9			17.2
Sandvik Machining Solutions	21.9	21.0	22.5	24.6	24.6	20.0			23.2
Sandvik Materials Technology	-11.9	-22.7	-3.9	8.5	9.9	5.2			8.0
Sandvik Construction	4.1	-10.3	0.6	8.7	8.6	10.2			9.1
Sandvik Venture	-41.7	14.3	-0.3	17.6	18.1	17.1			17.6
Group total	7.1	6.6	10.8	15.4	16.2	14.2			15.3

1) Change compared with preceding year at fixed exchange rates for comparable units.

2) Internal transactions had negligible effect on business area profits.

Annual General Meeting

The Board of Directors has decided that the 2013 Annual General Meeting will be held in Sandviken, Sweden, on 25 April 2013. The notice to convene the AGM will be made in the prescribed manner.

Stockholm, 25 October 2012
Sandvik Aktiebolag (publ)

Olof Faxander
President and CEO

Review report

Introduction

We have reviewed the interim report of Sandvik AB as of September 30, 2012 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 the Standard on review engagements SÖG 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, 25 October 2012
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 25 October 2012 at 8.00. The Q4 2012 report will be published on 29 January 2013.

Additional information may be obtained from Sandvik Investor Relations, at tel +46 8 456 12 40 (Magnus Larsson) or tel +46 8 456 12 30 (Oskar Lindberg) or by e-mailing info.ir@sandvik.com. A presentation and teleconference will be held on 25 October 2012 at 14.00 CET at Operaterrassen in Stockholm. Information is available at www.sandvik.com/ir.

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Calendar 2013:

29 Jan	Fourth-quarter report 2012
23 Apr	First-quarter report 2013
25 Apr	Annual General Meeting in Sandviken, Sweden
19 Jul	Second-quarter report 2013
11 Sep	Capital Markets Day in Sandviken, Sweden
24 Oct	Third-quarter report 2013