

# Sandvik Q3

PRESS RELEASE 1 November 2011

Interim report on the third quarter

## CEO's comment:

### Strong order intake but one-off items impacted earnings

"With the exception of certain segments, the business climate was positive in the third quarter and favorable development was reported for order intake and invoiced sales. While both Sandvik Mining and Construction and Sandvik Tooling registered high demand, the trend for some of Sandvik Materials Technology's product groups weakened. The North American market developed positively during the quarter as did South America and Australia, while demand in Europe and Asia leveled off in certain segments. Seasonally, the third quarter is normally the year's weakest, with a somewhat lower rate of

invoicing and higher level of tied-up capital in relative terms. This is expected to return to a more normal level over the next few quarters. In light of the increasing sense of uncertainty as regards the macro-economic conditions in the market, we are increasing the level of readiness to manage any weakening of the economy in forthcoming quarters," says Sandvik's



Olof Faxander.

President and CEO Olof Faxander:

"Efforts aimed at introducing the new strategy and shaping the new organization are proceeding well and according to schedule. At fixed exchange rates, order intake and invoiced sales rose by slightly more than 20%, amounting to 24.8 billion SEK and 23.5 billion SEK, respectively. Adjusted for impairment of goodwill and other one-off costs totaling approximately 1.7 billion SEK, operating profit amounted to about 3.4 billion SEK, or 14% of invoiced sales. The reported operating profit was 1.7 billion SEK, or 7.1% of invoiced sales."

## FINANCIAL OVERVIEW

	Q3 2011	Q3 2010	Change %	Q1-3 2011	Q1-3 2010	Change %
<b>MSEK</b>						
Order intake *	24 825	21 523	+21	75 088	66 972	+20
Invoiced sales *	23 528	20 241	+22	68 980	59 378	+24
Gross profit	7 537	7 296	+3	24 336	21 481	+13
% of invoiced sales	32.0	36.0		35.3	36.2	
Operating profit	1 665	2 532	-34	8 498	7 900	+8
% of invoiced sales	7.1	12.5		12.3	13.3	
Adjusted Operating profit **	3 378	2 532	+33	10 277	7 900	+29
% of invoiced sales **	14.4	12.5		14.9	13.3	
Profit after financial items	1 110	2 120	-48	7 039	6 658	+6
% of invoiced sales	4.7	10.5		10.2	11.2	
Profit for the period	704	1 560	-55	5 058	4 757	+6
% of invoiced sales	3.0	7.7		7.3	8.0	
of which shareholders' interest	626	1 575	-60	4 767	4 540	+5
Earnings per share, SEK <sup>1)</sup>	0.53	1.33	-60	4.02	3.83	+5
Return on capital employed, % <sup>2)</sup>	18.6	12.9		18.6	12.9	
Cash flow from operations	+2 614	+3 978	-34	+4 452	+8 891	-50
Number of employees	49 455	46 224	+7	49 455	46 224	+7

\* Change from the previous year at fixed exchange rates for comparable units.

\*\* Operating profit adjusted for goodwill write-down and restructuring costs.

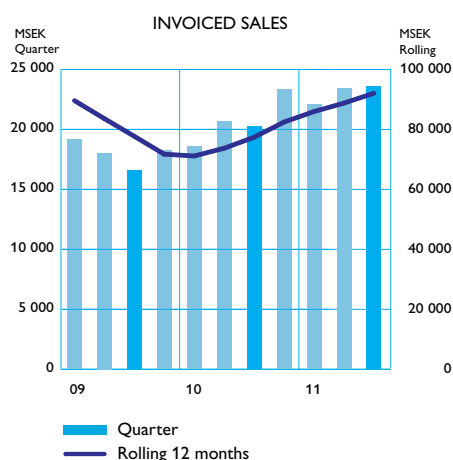
1) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact.

2) Rolling 12 months.

For additional information please call Sandvik Investor Relations +46 26 26 10 23 or visit [www.sandvik.com](http://www.sandvik.com)



# Market and sales



With the exception of certain segments, the business climate was positive in the third quarter and favorable development was reported for order intake and invoiced sales. While both Sandvik Mining and Construction and Sandvik Tooling registered high demand, the trend for some of Sandvik Materials Technology's product groups weakened. The order backlog increased further for equipment and projects for the mining industry. At fixed exchange rates, order intake and invoiced sales for the Group increased by 21% and 22%, respectively, amounting to 24.8 billion SEK and 23.5 billion SEK, respectively. Changed exchange rates had a negative impact of 5% on order intake and invoiced sales respectively.

Despite the uncertainty in many markets linked to government finance concerns in Europe and the US, demand for Sandvik's products and solutions remained favorable in the third quarter, particularly for Sandvik Mining and Construction and Sandvik Tooling. Demand from the North American market was highly favorable during the quarter, as was also the case for South America and Australia. There were signs in Europe and Asia of a leveling off in some segments and among certain customer groups.

Demand for advanced cutting tools remained high, with the strongest development recorded in North America and Europe, while, for example, the automotive industry in China displayed signs of leveling off. Activity in the global mining industry was high and a number of major orders for mining equipment used in surface and underground mining operations were received. In South America, Sandvik Mining and Construction secured a large

Q3	Order intake	Invoiced sales
Price/volume %	+21	+22
Structure, %	0	0
Currency, %	-5	-5
<b>Total, %</b>	<b>+15</b>	<b>+16</b>

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

order for a material handling system valued at just over 300 MSEK. In Australia, a contract was signed to design and construct a new quarry plant valued at nearly 500 MSEK, which confirms Sandvik's strong market position. The trend in the construction industry remained weak in mainly Europe and China, due to macroeconomic uncertainty and government austerity packages.

Aside from the usual seasonal drop off at Sandvik Materials Technology, demand weakened further for low value-added products and products for consumer-related applications. Activity in such key segments as the oil and gas industry remained strong, as was also the case for the petrochemical and aerospace industries.

Order intake amounted to 24,825 MSEK (21,523), a total increase of 15%, or of 21% at fixed exchange rates for comparable units. Changed exchange rates had an impact of -5% on order intake. The increase at fixed exchange rates for comparable units was 14% for Sandvik Tooling and 44% for Sandvik Mining and Construction. Order intake for Sandvik Materials Technology declined 13% compared with the third quarter of 2010, including an impact of about -2 percentage points related to changed metal prices.

Invoiced sales in the third quarter amounted to 23,528 MSEK (20,241), a total increase of 16%, or of 22% at fixed exchange rates for comparable units compared with the third quarter of the preceding year. Changed exchange rates had an impact of -5% on invoiced sales. Invoiced sales at fixed exchange rates and for comparable units increased 18% for Sandvik Tooling, 32% for Sandvik Mining and Construction and 7% for Sandvik Materials Technology compared with the previous year, including an impact of about -1 percentage point related to changed metal prices.

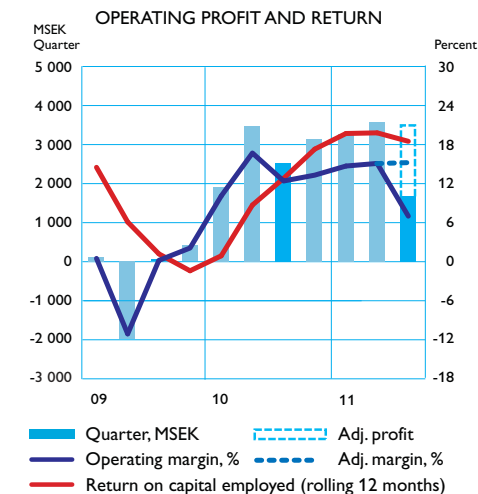
# Earnings and return

Earnings and return in operating activities, excluding one-off items, improved markedly compared with the corresponding quarter of 2010. This improvement was primarily attributable to higher volumes, increased capacity utilization and a lower cost level in relative terms. Earnings in the quarter were charged with impairments to goodwill and other one-off costs in the total amount of 1.7 billion SEK and about -120 MSEK (0) related to changed metal prices. Changed exchange rates had no material impact on consolidated earnings. The reported operating profit thus amounted to 1,665 MSEK (2,532), 7.1% of invoiced sales (12.5), while earnings adjusted for the impairment of goodwill and restructuring costs amounted to 3,378 MSEK, or 14.4% of invoiced sales. Return on capital employed was 18.6% (12.9) for the most recent 12-month period.

During the quarter, sales and production volumes increased, primarily within Sandvik Tooling and Sandvik Mining and Construction, compared with the preceding year. Combined with stable price increases, this contributed to higher productivity and profitability. The earnings of mainly Sandvik Materials Technology were charged with a goodwill impairment totaling 1,160 MSEK related to the MedTech operations and a further approximately 500 MSEK attributable to planned and approved restructuring measures and impairments. This contributed to a lower gross margin in the quarter.

Net financial items increased to -555 MSEK (-412), mainly due to currency effects, and the reported result after net financial items was 1,110 MSEK (2,120), or 4.7% of invoiced sales.

Income tax was -406 MSEK (-560) and the

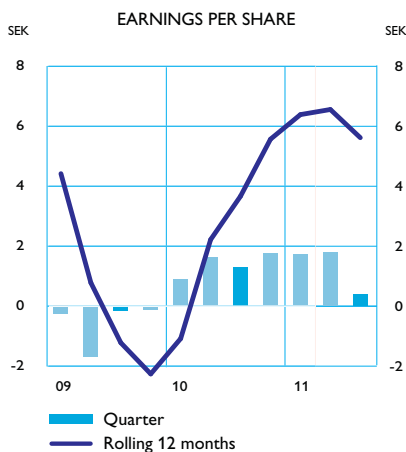
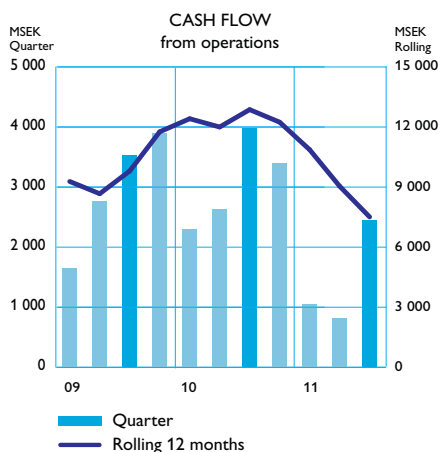


net result for the period amounted to 704 MSEK (1,560), or 3.0% of invoiced sales. The tax rate for the quarter rose to 37% due to the fact that the goodwill impairment is partially non-deductible. Earnings per share amounted to 0.53 SEK (1.33) for the quarter.

Working capital rose slightly compared with the preceding quarter, due to a partly seasonal rise in inventories in certain areas and longer delivery times, and amounted to 28% (27) of invoiced sales.

Due to the increase in working capital, cash flow from operations declined to +2,614 MSEK (+3,978). Investments totaled 1,241 MSEK (1,131), of which company acquisitions accounted for 0 (258). Cash flow after investments was +1,427 MSEK (+2,886) for the quarter.

Return on capital employed over the past 12 months rose to 18.6 % (12.9). Return on total equity amounted to 21.7% (15.2).



# Sandvik Tooling

- Stable demand trend
- Higher volumes
- Increased profitability
- Currency effect: -130 MSEK

The demand trend for cutting tools and products from Sandvik Tooling remained favorable in most markets in the third quarter. Both order intake and invoiced sales improved significantly in the majority of markets compared with the preceding year. Operating profit improved due to the increase in invoicing, a higher rate of production and greater internal efficiency. In the third quarter, order intake and invoiced sales rose 14% and 18%, respectively, at fixed exchange rates for comparable units. Operating profit increased to 1,483 MSEK (961), or 22.2% of invoiced sales. Changed exchange rates impacted the result by -130 MSEK (-130) for the quarter.

The market situation remained strong in most major markets and order intake increased compared with the year-earlier period. Order intake and invoiced sales were on par with the highest levels ever recorded in a third quarter for Sandvik Tooling. The growth in demand was most discernible in North America and Europe, driven primarily by high activity in the automotive, aerospace and oil and gas industries as well as in energy-related segments. In Asia, China showed signs of leveling out on a high level, mainly as a result of govern-



Q3	Order intake	Invoiced sales
Price/volume, %	+14	+18
Structure, %	0	0
Currency, %	-5	-5
Total, %	+9	+12

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

mental financial constraints reducing the willingness of companies and private individuals to invest. In the automotive industry, this impacted the number of vehicles sold and production rates. Order intake was stronger for cemented carbide-based products and material than for other products. The rise in invoiced sales resulted in higher production rates, giving rise to higher capacity utilization, which in turn had a positive impact on profitability. The rate of price increases was stable compared with earlier quarters.

During the quarter, Wolfram's raw material inventories increased, which, combined with a seasonally lower invoicing, led to a temporary situation of slightly higher tied-up capital. Other inventory levels remained largely unchanged in line with the goal of a continued reduction in working capital. During the quarter, working capital amounted to 26% (26) of invoiced sales.

Compared with the third quarter of 2010, operating profit improved and amounted to 1,483 MSEK (961), 22.2% of invoiced sales. Earnings were impacted by about -130 MSEK due to changed exchange rates. Return on capital employed over the past 12 months amounted to 27.5% (13.6).

MSEK	Q3 2011	Q3 2010	Change %	Q1-3 2011	Q1-3 2010	Change %
Order intake	6 528	5 998	+14 *	20 533	18 192	+22 *
Invoiced sales	6 692	5 966	+18 *	20 057	17 639	+23 *
Operating profit	1 483	961	+54	4 455	3 077	+45
%	22.2	16.1		22.2	17.4	
Return on capital employed	27.5	13.6		27.5	13.6	
Number of employees	15 965	15 296	+4	15 965	15 296	+4

\* At fixed exchange rates for comparable units.

# Sandvik

## Mining and Construction

- Strong order intake
- High production rates
- Longer delivery times
- Higher inventories

Q3	Order intake	Invoiced sales
Price/volume, %	+44	+32
Structure, %	0	0
Currency, %	-6	-5
<b>Total, %</b>	<b>+36</b>	<b>+25</b>

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

Activity in the global mining industry remained strong during the third quarter compared with both the year-earlier period and earlier quarters. The mining industry grew robustly particularly in terms of equipment and project orders while demand in the construction industry was fragmented, with some markets performing strongly while China and Europe reported weak growth during the quarter. Order intake and invoiced sales rose 44% and 32%, respectively, at fixed exchange rates compared with the year-earlier period. Changed exchange rates had a marginal impact on earnings.

Activity in the mining industry, both in underground and surface mines, remained very high during the quarter, and both order intake and invoiced sales were substantially higher than in the year-earlier period. The increase was robust in all regions but strongest for underground mining in Europe and South America, and surface mining in Asia and Australia. Demand increased primarily for equipment and projects, while aftermarket activity was unchanged at a high level.

Two major project orders were received during the quarter in South America and Australia for a combined value of about 800 MSEK. No major project orders were registered in the third quarter of 2010.



The rate of price increases was stable compared with previous quarters.

Demand in the construction industry was weaker than in the mining industry, which was mainly due to a continued weak trend in Europe and China, where financial uncertainty and austerity measures have resulted in the deferral of many projects.

Invoiced sales for the business area were about 1.5 billion SEK below order intake. This was due to high order intake for equipment and projects with extended delivery periods and the fact that large portions of the supply chain are being utilized to maximum capacity, giving rise to long delivery times. The high level of demand has also lengthened the lead times of many sub-suppliers, which has made production and stock control more difficult. The aftermarket portion of invoiced sales was 48% (57), while equipment and projects comprised 37% (36) and 15% (7), respectively. Compared with the preceding quarter, working capital rose slightly due to higher inventories and accounts receivables and amounted to 26% (25) of invoiced sales.

Operating profit in the third quarter amounted to 1,550 MSEK (1,257), or 14.3% (14.5) of invoiced sales. Return on capital employed over the past 12 months amounted to 31.5% (19.2).

MSEK	Q3 2011	Q3 2010	Change %	Q1-3 2011	Q1-3 2010	Change %
Order intake	12 474	9 163	+44 *	34 902	28 698	+31 *
Invoiced sales	10 843	8 676	+32 *	29 892	24 639	+30 *
Operating profit	1 550	1 257	+23	4 282	3 162	+35
%	14.3	14.5		14.3	12.8	
Return on capital employed	31.5	19.2		31.5	19.2	
Number of employees	16 569	15 116	+10	16 569	15 116	+10

\* At fixed exchange rates for comparable units.



# Sandvik

## Materials Technology

- Fragmented market scenario
- Strong demand in oil/gas sector
- Delayed nuclear orders to China
- Nonrecurring cost: 1.7 billion SEK
- Metal price effect: -120 MSEK

Q3	Order intake	Invoiced sales
Price/volume, %	-13	+7
Structure, %	0	-1
Currency, %	-3	-3
Total, %	-16	+3

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

The demand scenario was fragmented at Sandvik Materials Technology during the quarter. Order intake declined by 13% compared with the third quarter in the preceding year, while invoiced sales rose 7% at fixed exchange rates. Order intake for products for the oil and gas sector remained strong, while the decline accelerated for low value-added products and products for consumer-related segments. The result was charged by a total of about 1.7 billion SEK related to goodwill impairment and restructuring costs and by -120 MSEK (0) due to changed metal prices.

The global market situation was relatively fragmented during the quarter, with continued uncertainty because of the financial constraints in China and the financial turmoil in Europe.

The third quarter is also seasonally the weakest, which increases the uncertainty of trend analyses.

In North America, demand remained favorable, primarily in the energy and aerospace industries, while order intake declined in Europe and Asia. Activity in the oil and gas industry remained high and demand for high-alloy tubes grew further. Activity in the nuclear power industry remained low against the background of the ongoing safety reviews. Discussions with Chinese customers regarding timetables for orders have



confirmed delays of some orders. Demand was strong from the aerospace and process industries, but weakened for consumer goods and electronics industries as well as for low value-added products for which global production capacity exceeds demand.

During the quarter, working capital was reduced slightly but, despite this, amounted to 37% (33) of invoiced sales due to the seasonally low invoicing level.

As a result of the new strategic direction and the improvement program announced in September, operating profit for the quarter was charged with 1.2 billion SEK for a goodwill impairment of the MedTech business and a further approximately 500 MSEK in costs for restructuring and

write-downs. In addition, changed metal prices had an impact of -120 MSEK (0) on operating profit. Currency effects impacted the result by +60 MSEK compared with the year-earlier period.

The reported result amounted to -1,542 MSEK (203) or -35.9% (4.9) of invoiced sales. Adjusted for the impairment of goodwill, restructuring costs and metal price effects, the operating result was 241 MSEK, or 6% of invoiced sales. Return on capital employed for the past 12 months was -2.7% (8.5).

MSEK	Q3 2011	Q3 2010	Change %	Q1-3 2011	Q1-3 2010	Change %
Order intake	4 096	4 896	-13 *	14 321	15 689	-4 *
Invoiced sales	4 291	4 170	+7 *	13 823	12 808	+14 *
Operating profit **	-1 542	203	na.	-778	1 214	na.
%	-35.9	4.9		-5.6	9.5	
Return on capital employed	-2.7	8.5		-2.7	8.5	
Number of employees	9 285	8 915	+4	9 285	8 915	+4

\* At fixed exchange rates for comparable units.

\*\* Adjusted for goodwill write-downs and impairment costs the operating result was 121 MSEK.

## Parent company

The Parent Company's invoiced sales for the third quarter of 2011 amounted to 3,760 MSEK (3,917) and the operating result was -757 MSEK (-13). For the January–September 2011 period, invoiced sales amounted to 13,255 MSEK (12,754) and the operating result was -1,074 MSEK (+283). The operating result for the third quarter was negatively impacted by changed metal prices and the impairment of property, plant and machinery. The result from shares in Group companies consists primarily of dividends from these and amounted to 268 MSEK (203) in the third quar-

ter. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 16,483 MSEK (10,554 at 31 December 2010). In terms of accounting, the Parent Company's indebtedness and shareholders' equity were impacted by approximately 1.4 billion SEK through the signing of a share swap agreement pertaining to the hedging of the approved share-based incentive program. The debt will be reversed in connection with future redemption of share options. Investments in property, plant and machinery amounted to 1,096 MSEK (845).

## Significant events

- On 2 September, Sandvik announced a new strategic direction and a new organization that will apply from 1 January 2012. The purpose of the new strategy is to enhance growth and profitability, thereby generating world-class performance in value creation. This will be achieved by intensifying the focus on Sandvik's core business and fast-growing markets, more rapid decision-making processes and enhanced utilization of shared functions and resources. As a result of the new strategy, the organization will be divided into five business areas instead of three.
- In conjunction with the publication of the new strategy, it was announced that the instruments and implants part of Sandvik MedTech will be divested. As a result, the third quarter will be charged with an impairment of the goodwill value in the amount of 1,160 MSEK.
- On 2 September, Sandvik announced that the Group's head office will be relocated from Sandviken to Stockholm during the second half of 2012. In conjunction with this move, some parts of Group-wide functions will also be relocated.
- On 13 September, Sandvik Materials Technology published a six-step action program to improve the profitability in line with the new Group strategy.
- On 1 October, Tomas Nordahl, formerly partner and President of Boston Consulting Group Sweden, assumed a position at Sandvik as head of IT, sourcing and strategy implementation. Tomas is also a new member of Sandvik's Group Executive Management.
- In September, Lars Josefsson left Sandvik and his position as President of the Sandvik Mining and Construction business area. Peter Larson, from Sandvik's Group Executive Management, was appointed acting President of the business area until 31 December 2011.
- Sandvik Mining and Construction received two large project orders during the quarter. One of these, valued at nearly 500 MSEK, was secured in Australia by the Construction product segment and the second, valued at approximately 300 MSEK, was secured in Brazil by the Surface Mining product segment.
- On 9 October, Sandvik completed its acquisition of 80% of the shares in Shanghai Jianshe Luqiao Machinery Co. Ltd. (SJL) with the brand Shanbao. The company manufactures crushing and screening equipment and has about 1,000 employees. In 2010, the company reported sales of nearly 1 billion SEK.
- On 12 October, Sandvik formally founded a joint venture with Shandong Energy Machinery Co. for manufacturing and sales of equipment for coal mines. The jointly owned company, Energy Machinery Group ZhongRui Mining Equipment Manufacturing Co. Ltd. Energy Machinery, is scheduled to be operational in early 2012.
- A service technician at Sandvik Mining and Construction in Russia was tragically involved in a fatal accident while performing service on an underground drill rig on 8 September. A full investigation into the causes of the accident was undertaken and a number of corrective actions are being implemented. This accident strongly emphasizes the importance of continuing the focus on improving the safety systems and culture across the company.

## First nine months of 2011

The global business climate improved significantly during the first nine months of the year compared with the weak situation in early 2010. The improvement was tangible for all business areas and, due to a steadily improved global economy combined with a strong market offering, sales and production volumes rose significantly.

Sandvik's order intake for January – September 2011 developed positively and amounted to 75,088 MSEK (66,972), up 12% in total and 20% at fixed exchange rates for comparable units. Invoiced sales were 68,980 MSEK (59,378), up 16% in total and 24% at fixed exchange rates.

Operating profit for January – September 2011 improved, primarily as a result of higher volumes, higher cost efficiency and a favorable product mix, but was adversely impacted by such items as goodwill impairment charges of 1,160 MSEK, and

amounted to 8,498 MSEK (7,900). The operating margin corresponded to 12.3% (13.3) of invoiced sales. Changed exchange rates had an impact of nearly -1.2 billion 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 -100 MSEK.

Net financial items amounted to -1,459 MSEK (-1,242) and the result after net financial items was 7,039 MSEK (6,658). The tax rate was 28% and profit for the period amounted to 5,058 MSEK (4,757). Earnings per share was to 4.02 SEK (3.83).

Cash flow from operating activities was +4,452 MSEK (+8,891). The Group's investments in fixed assets amounted to 3,346 MSEK (2,079), with company acquisitions accounting for 265 MSEK (726). After investments, acquisitions and divestments, cash flow was +980 MSEK (+6,249).

## Status new Group strategy

Activities to shape the new organization and introduce the new Group strategy announced on 2 September are proceeding according to plan. The result of the third quarter was charged with SEK 1.7 billion relating to nonrecurring costs for the impairment of goodwill relating to the MedTech operation, the impairment of property, plant and machinery and provisions made for future actions primarily within Sandvik Materials Technology. The results of forthcoming quarters are expected to be charged with the remaining costs for similar actions in the amount of 1.3-1.6 billion SEK. The

table below shows the breakdown between the business areas.

As a consequence of the new strategy 365 employees in Sweden were given notice of redundancy on the 1 November. The reductions concern 230 staff at Sandvik Materials Technology in Sandviken, 70 staff at Sandvik Mining and Construction in Sandviken and 20 staff and 45 workers at Sandvik Materials Technology's site in Hallstahammar, Sweden. The changes are expected to be completed during the first half of 2012.

### Recognized and anticipated costs attributable to the new strategy and organization

Business Area Rounded-off figures, MSEK	Actual Q3	Anticipated total cost
Sandvik Tooling	-	300-400
Sandvik Mining and Construction	<100	400-500
Sandvik Materials Technology	1 700	2 500-2 600
Other	-	-
Total	>1 700	3 200-3 500
of which, impacting cash flow	<100	1 100-1 400



## Acquisitions and divestments

No acquisitions or divestments were performed during the first nine months of the year. During the first quarter, further part payments were made relating to the acquisition of Wolfram, and of Seco Tools' acquisitions of NCI

and DTC, which had a negative impact of 265 MSEK on cash flow after investments.

There is currently insufficient information to provide disclosure in accordance with IFRS 3 in relation to the acquisition of SJL on 9 October.

### Acquisitions during the most recent 18-month period

Business Area	Company/Unit	Closing date	Annual revenue MSEK	No of employees
Seco Tools	AOB, France	23 July 10	40	50
Seco Tools	NCI och DTC, US	29 Dec 10	275	180
Sandvik Mining and Constr.	SJL, China	9 Oct 11	<1 000	1 000

No divestments were made during the most recent 18-month period.

## Risks and uncertainty factors

Sandvik is a global group represented in 130 countries and is as such 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 future 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 2010.

## 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 2011. 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.

## Transactions with related parties

No transactions between Sandvik and related parties that have significantly affected the company's position and earnings took place during the first nine months.

# Financial reports summary

## The Group

### INCOME STATEMENT

	Q3	Q3	Change	Q1-3	Q1-3	Change
MSEK	2011	2010	%	2011	2010	%
Revenue	23 528	20 241	+16	68 980	59 378	+16
Cost of sales and services	-15 991	-12 945	+24	-44 644	-37 897	+18
Gross profit	7 537	7 296	+3	24 336	21 481	+13
% of revenues	32.0	36.0		35.3	36.2	
Selling expenses	-4 006	-2 630	+52	-9 729	-7 950	+22
<i>of which goodwill write-down in MedTech</i>	<i>-1 160</i>	<i>0</i>		<i>-1 160</i>	<i>0</i>	
Administrative expenses	-1 393	-1 238	+12	-4 388	-3 800	+15
Research and development costs	-540	-483	+12	-1 739	-1 539	+13
Other operating income and expenses	67	-413	-	18	-292	-
Operating profit	1 665	2 532	-34	8 498	7 900	+8
% of revenues	7.1	12.5		12.3	13.3	
Financial net	-555	-412	+35	-1 459	-1 242	+18
Profit after financial items	1 110	2 120	-48	7 039	6 658	+6
% of revenues	4.7	10.5		10.2	11.2	
Income tax	-406	-560	-27	-1 981	-1 901	+4
Profit for the period	704	1 560	-55	5 058	4 757	+6
% of revenues	3.0	7.7		7.3	8.0	
<b>Other comprehensive income</b>						
Foreign currency translation differences	772	-2 026		465	-2 476	
Cash-flow hedges	-496	475		-510	521	
Tax related to other comprehensive income	130	-125		134	-137	
Other comprehensive income for the period, net after tax	406	-1 676		89	-2 092	
Total comprehensive income for the period	1 110	-116		5 147	2 665	
Profit for the period attributable to						
Owners of the parent	626	1 575		4 767	4 540	
Non-controlling interests	78	-15		291	217	
Total comprehensive income attributable to						
Owners of the parent	1 014	-52		4 841	2 520	
Non-controlling interests	96	-64		306	145	
Earnings per share SEK, *	0.53	1.33		4.02	3.83	

\* No dilution effects during the period.

# Financial reports summary

## The Group

### BALANCE SHEET

MSEK	30 Sept 2011	30 Sept 2010	Change %	31 Dec 2010
Intangible assets	12 084	13 138	-8	13 193
Property, plant and equipment	25 411	24 749	+3	25 252
Financial assets	6 171	6 121	+1	6 023
Inventories	26 187	20 565	+27	21 420
Current receivables	22 909	18 864	+21	19 328
Cash and cash equivalents	3 508	4 642	-24	4 783
<b>Total assets</b>	<b>96 270</b>	<b>88 079</b>	<b>+9</b>	<b>89 999</b>
Total equity	33 830	31 428	+8	33 813
Non-current interest-bearing liabilities	26 623	28 405	-6	25 684
Non-current non-interest-bearing liabilities	5 705	5 787	-1	5 869
Current interest-bearing liabilities	5 890	2 616	+125	3 783
Current non-interest-bearing liabilities	24 222	19 843	+22	20 850
<b>Total equity and liabilities</b>	<b>96 270</b>	<b>88 079</b>	<b>+9</b>	<b>89 999</b>
<i>Net working capital*</i>	26 754	20 259	+32	21 139
<i>Loans</i>	29 859	28 295	+6	26 976
<i>Net debt**</i>	27 483	24 909	+10	23 200
<i>Non-controlling interests in total equity</i>	1 289	1 107	+16	1 233

\* 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 2010	28 987	970	29 957
Total comprehensive income for the period	4 769	241	5 010
Acquisition of non-controlling interests	10	-17	-7
Divestment of non-controlling interests	-	41	41
Dividends	-1 186	-2	-1 188
<b>Closing equity, 31 December 2010</b>	<b>32 580</b>	<b>1 233</b>	<b>33 813</b>
Closing equity, 31 December 2010	32 580	1 233	33 813
Total comprehensive income for the period	4 841	306	5 147
Personnel options program	50	-	50
Hedge of personnel options program through share swap	-1 353	-	-1 353
Acquisition of non-controlling interests	-18	-5	-23
Dividends	-3 559	-245	-3 804
<b>Closing equity, 30 September 2011</b>	<b>32 541</b>	<b>1 289</b>	<b>33 830</b>
Opening equity, 1 January 2010	28 987	970	29 957
Total comprehensive income for the period	2 520	145	2 665
Acquisition of non-controlling interests	-	-7	-7
Dividends	-1 186	-1	-1 187
<b>Closing equity, 30 September 2010</b>	<b>30 321</b>	<b>1 107</b>	<b>31 428</b>

# Financial reports summary

## The Group

### CASH-FLOW STATEMENT

MSEK	Q3 2011	Q3 2010	Q1-3 2011	Q1-3 2010
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+1 110	+2 120	+7 039	+6 558
Adjustment for depreciation, amortization and impairment losses	+2 527	+993	+4 460	+2 998
Adjustment for items that do not require the use of cash etc.	-93	+61	+37	-61
<u>Income tax paid</u>	<u>-522</u>	<u>-232</u>	<u>-1 898</u>	<u>-983</u>
Cash flow from operations before changes in working capital	+3 022	+2 942	+9 638	+8 612
<i>Changes in working capital</i>				
Change in inventories	-1 096	-634	-4 681	-1 718
Change in operating receivables	-354	+450	-2 809	-2 058
<u>Change in operating liabilities</u>	<u>+1 088</u>	<u>+1 210</u>	<u>+2 495</u>	<u>+4 047</u>
Cash flow from operating activities	-362	+1 026	-4 995	+271
<i>Investments in rental equipment</i>				
Investments in rental equipment	-94	-30	-294	-130
Divestments of rental equipment	+48	+40	+103	+138
Cash flow from operations	+2 614	+3 978	+4 452	+8 891
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	0	-258	-265	-726
Acquisitions of property, plant and equipment	-1 241	-873	-3 346	-2 079
<u>Proceeds from sale of property, plant and equipment</u>	<u>+54</u>	<u>+39</u>	<u>+139</u>	<u>+163</u>
Cash flow from investing activities	-1 187	-1 092	-3 472	-2 642
Net cash flow after investing activities	+1 427	+2 886	+980	+6 249
<i>Cash flow from financing activities</i>				
Change in interest bearing debt	-796	-2 370	+1 607	-7 802
<u>Dividends paid</u>	<u>-2</u>	<u>0</u>	<u>-3 804</u>	<u>-1 187</u>
Cash flow from financing activities	-798	-2 370	-2 197	-8 989
Cash flow for the period	+629	+516	-1 217	-2 740
Cash and cash equivalents at beginning of the period	+2 815	+4 330	+4 783	+7 506
Exchange-rate differences in cash and cash equivalents	+64	-204	-58	-124
Cash and cash equivalents at the end of the period	+3 508	+4 642	+3 508	+4 642

### KEY FIGURES

	Q3 2011	Q3 2010	Full year 2010
No. of shares outstanding at end of period('000) <sup>1)</sup>	1 186 287	1 186 287	1 186 287
Average no. of shares('000) <sup>1)</sup>	1 186 287	1 186 287	1 186 287
Tax rate, %	36,6	26,4	26,2
Return on capital employed, % <sup>2)</sup>	18,6	12,9	17,4
Return on total equity, % <sup>2)</sup>	21,7	15,2	22,1
Return on total capital % <sup>2)</sup>	13,0	9,5	12,7
Shareholders' equity per share, SEK	27,40	25,60	27,50
Net debt/equity ratio	0,8	0,8	0,7
Equity/assets ratio, %	35	36	38
Net working capital, %	28	27	22
Earnings per share, SEK	0,53	1,33	5,59
Cash flow from operating activities, MSEK	+2 614	+3 978	+12 149
Number of employees	49 455	46 224	47 064

1) No dilution effect during the period.

2) Rolling 12 months.

# Financial reports summary

## The parent company

### INCOME STATEMENT

	Q3	Q3	Change	Q1-3	Q1-3	Change
MSEK	2011	2010	%	2011	2010	%
Revenue	3 760	3 917	-4	13 255	12 754	+4
Cost of sales and services	-3 559	-3 079	+16	-11 103	-9 558	+16
Gross profit	201	838	-76	2 152	3 196	-33
Selling expenses	-149	-140	+6	-494	-412	+20
Administrative expenses	-742	-629	+18	-2 421	-1 955	+24
Research and development costs	-242	-214	+13	-812	-668	+22
Other operating income and expenses	175	132	+33	501	122	-
Operating profit	-757	-13	-	-1 074	283	-
Income from shares in group companies	160	141	+13	268	203	+32
Income from shares in associated companies	-	-	-	10	5	+100
Interest income and similar items	184	413	-55	442	652	-32
Interest expenses and similar items	-724	-361	+101	-1 426	-1 034	+38
Profit after financial items	-1 137	180	-	-1 780	109	-
Income tax expense	324	-236	-	522	-235	-
Profit for the period	-813	-56	-	-1 258	-126	-

### BALANCE SHEET

	30 Sept	30 Sept	Change	31 Dec
MSEK	2011	2010	%	2010
Intangible assets	15	24	-38	25
Property, plant and equipment	6 994	6 870	+2	6 768
Financial assets	16 282	15 922	+2	15 831
Inventories	4 132	3 775	+9	3 675
Current receivables	15 354	20 333	-24	20 000
Cash and cash equivalents	5	10	-50	12
Total assets	42 782	46 934	-9	46 311
Total equity	11 614	13 287	-13	17 740
Untaxed reserves	2	4	-50	2
Provisions	283	230	+23	281
Non-current interest-bearing liabilities	15 351	17 069	-10	14 592
Non-current non-interest-bearing liabilities	-	18	-	-
Current interest-bearing liabilities	10 343	11 335	-9	8 312
Current non-interest-bearing liabilities	5 189	4 991	+4	5 384
Total equity and liabilities	42 782	46 934	-9	46 311
Pledged assets	-	-	-	-
Contingent liabilities	12 421	11 893	+4	11 228
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	16 483	13 170	+25	10 554
Investments in fixed assets	1 096	845	+30	946

# Market overview and key figures

## The Group

### ORDER INTAKE AND INVOICED SALES PER MARKET AREA Q3 2011

#### The Group

Market area	Order intake			Share %	Invoiced sales		
	MSEK	Change* % % <sup>1)</sup>			MSEK	Change* %	
Europe	8 152	+16	+16	33	8 575	+22	37
Nafta	4 553	+40	+40	18	3 825	+16	16
South America	2 118	+48	+25	9	1 986	+47	8
Africa/Middle East	2 394	+6	+6	10	2 578	+32	11
Asia	4 570	+1	+18	18	3 997	+10	17
Australia	3 038	+44	+23	12	2 567	+21	11
<b>Total</b>	<b>24 825</b>	<b>+21</b>	<b>+21</b>	<b>100</b>	<b>23 528</b>	<b>+22</b>	<b>100</b>

#### Sandvik Tooling

Europe	3 426	+17	+17	53	3 614	+24	54
Nafta	1 233	+19	+19	19	1 228	+20	18
Syouth America	325	+11	+11	5	311	+9	5
Africa/Middle East	74	-26	-26	1	78	-34	1
Asia	1 378	+9	+9	21	1 376	+10	21
Australia	92	+17	+17	1	85	+11	1
<b>Total</b>	<b>6 528</b>	<b>+14</b>	<b>+14</b>	<b>100</b>	<b>6 692</b>	<b>+18</b>	<b>100</b>

#### Sandvik Mining and Construction

Europe	1 965	+42	+42	16	1 991	+39	18
Nafta	1 810	+69	+69	14	1 389	+28	13
South America	1 590	+76	+39	13	1 485	+74	14
Africa/Middle East	2 226	+7	+7	18	2 390	+38	22
Asia	2 239	+46	+46	18	1 413	-1	13
Australia	2 644	+54	+28	21	2 175	+25	20
<b>Total</b>	<b>12 474</b>	<b>+44</b>	<b>+35</b>	<b>100</b>	<b>10 843</b>	<b>+32</b>	<b>100</b>

#### Sandvik Materials Technology

Europe	1 804	-5	-5	44	2 017	+8	47
Nafta	1 138	+34	+34	28	855	-6	20
South America	107	-29	-29	2	91	-27	2
Africa/Middle East	68	+31	+31	2	87	+2	2
Asia	701	-52	-15	17	957	+29	22
Australia	278	-5	-5	7	284	+1	7
<b>Total</b>	<b>4 096</b>	<b>-13</b>	<b>0</b>	<b>100</b>	<b>4 291</b>	<b>+7</b>	<b>100</b>

\* At fixed exchange rates for comparable units.

1) Excluding major orders.



# Financial reports summary

## The Group

### ORDER INTAKE BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	Change Q3		Q1-3
	2010	2010	2010	2011	2011	2011	%	% <sup>1)</sup>	2011
Sandvik Tooling	5 998	6 150	24 342	6 982	7 023	6 528	+9	+14	20 533
Sandvik Mining and Construction	9 163	13 381	42 079	10 695	11 733	12 474	+36	+44	34 902
Sandvik Materials Technology	4 896	5 158	20 847	5 436	4 790	4 096	-16	-13	14 321
Seco Tools <sup>2)</sup>	1 466	1 624	6 016	1 788	1 815	1 727	+18	+17	5 330
Group activities			1						2
Group total	21 523	26 313	93 285	24 901	25 361	24 825	+15	+21	75 088

### INVOICED SALES BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	Change Q3		Q1-3
	2010	2010	2010	2011	2011	2011	%	% <sup>1)</sup>	2011
Sandvik Tooling	5 966	6 255	23 893	6 524	6 840	6 692	+12	+18	20 057
Sandvik Mining and Construction	8 676	10 543	35 182	9 182	9 867	10 843	+25	+32	29 892
Sandvik Materials Technology	4 170	4 896	17 703	4 598	4 935	4 291	+3	+7	13 823
Seco Tools <sup>2)</sup>	1 420	1 572	5 838	1 716	1 771	1 692	+19	+19	5 179
Group activities	9	10	38	10	8	10			29
Group total	20 241	23 276	82 654	22 030	23 421	23 528	+16	+22	68 980

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	Change Q3		Q1-3
	2010	2010	2010	2011	2011	2011	%	% <sup>1)</sup>	2011
Sandvik Tooling	961	1 219	4 296	1 400	1 572	1 483	+54		4 455
Sandvik Mining and Construction	1 257	1 503	4 665	1 327	1 405	1 550	+23		4 282
Sandvik Materials Technology	203	326	1 540	362	402	-1 542	-		-778
Seco Tools <sup>2)</sup>	245	322	1 098	352	388	297	+22		1 038
Group activities	-134	-241	-570	-170	-205	-123			-499
Group total <sup>3)</sup>	2 532	3 129	11 029	3 271	3 562	1 665	-34		8 498

### OPERATING MARGIN BY BUSINESS AREA

MSEK	Q3	Q4	Q1-4	Q1	Q2	Q3	Change Q3		Q1-3
	2010	2010	2010	2011	2011	2011	%	% <sup>1)</sup>	2011
Sandvik Tooling	16.1	19.5	18.0	21.5	23.0	22.2			22.2
Sandvik Mining and Construction	14.5	14.3	13.3	14.5	14.2	14.3			14.3
Sandvik Materials Technology	4.9	6.7	8.7	7.9	8.1	-35.9			-5.6
Seco Tools <sup>2)</sup>	17.2	20.5	18.8	20.5	21.9	17.6			20.0
Group total	12.5	13.4	13.3	14.8	15.2	7.1			12.3

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

2) As a result of the majority holding in Seco Tools AB, Sandvik consolidates this company.  
For comments, refer to the Seco Tools' interim report.

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

## Annual General Meeting 2012

The Board of Directors has decided that the 2012 Annual General Meeting will be held in Sandviken on 2 May 2012. The notice to convene the AGM will be made in the prescribed manner.

Sandviken, 1 November 2011  
Sandvik Aktiebolag (publ)

Olof Faxander  
President and CEO

### Review report

#### Introduction

We have reviewed the interim report of Sandvik AB as of September 30, 2011 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 November 1, 2011  
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 1 November 2011 at 8.00.

The Q4 2011 report will be published on 1 February 2012.

Additional information may be obtained from Sandvik Investor Relations, at tel +46 26 26 10 23 (Jan Lissåker) or tel +46 26 26 09 37 (Magnus Larsson) or by e-mailing [info.ir@sandvik.com](mailto:info.ir@sandvik.com).

A combined presentation and teleconference will be held on 1 November 2011 at 14.00 CET at Operaterrassen in Stockholm. Information is available at [www.sandvik.com/ir](http://www.sandvik.com/ir).

#### Calendar 2012:

1 Feb	Q4 Report 2011
26 Apr	Q1 Report 2012
2 May	AGM
29 May	Capital Markets Day
19 July	Q2 Report 2012
25 Oct	Q3 Report 2012

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#### POSTAL ADDRESS

Sandvik AB  
SE-811 81 Sandviken

#### PUBLIC COMPANY (publ) PHONE

Corp. Reg. No.: 556000-3468 +46 26 26 00 00  
VAT No: SE663000060901

#### WEBSITE AND E-MAIL

[www.sandvik.com](http://www.sandvik.com)  
[info.ir@sandvik.com](mailto:info.ir@sandvik.com)