

# Sandvik Q3

PRESS RELEASE 29 October 2010

Interim report on the third quarter 2010

## CEO's comment:

“The market situation continued to improve sequentially. Adjusted for seasonal effects, both order intake and invoiced sales rose. A high level of demand was noted in the energy sector and the improvement continued primarily in the automotive, mining and process industries. Order intake exceeded invoiced sales, resulting in a further strengthening of the order book. Order intake and invoiced sales increased by 23% and 21%, respectively, at fixed exchange rates, compared with the preceding year. Of the order intake of nearly SEK 22 billion, major project orders from the nuclear power industry accounted for SEK 700 M. The operating result amounted to SEK 2.5 billion, or 13% of

invoiced sales,” says Sandvik’s President and CEO Lars Pettersson.

“The seasonal weakening, which adversely impacts sales and earnings, was offset by a continued improvement in demand in most markets. However, earnings were negatively affected by the strengthening of the SEK, particularly in relation to the EUR and USD. Furthermore, earnings were affected by a provision for variable compensation and certain nonrecurring costs. Capital efficiency was further improved and net working capital neared the target level of 25% of invoicing. Combined with a low investment level, this contributed to continued strong cash flow.”

## FINANCIAL HIGHLIGHTS

SEK M	Q3 2010	Q3 2009	Change %	Q1-3 2010	Q1-3 2009	Change %
Order intake*	21 523	17 241	+23 *	66 972	51 498	+32 *
Invoiced sales *	20 241	16 578	+21 *	59 378	53 725	+12 *
Gross profit	7 296	4 105	+78	21 481	12 229	+76
% of invoiced sales	36.0	24.8		36.2	22.8	
Operating profit	2 532	51		7 900	-1 820	
% of invoiced sales	12.5	0.3		13.3	-3.4	
Profit after financial items	2 120	-523		6 658	-3 395	
% of invoiced sales	10.5	-3.2		11.2	-6.3	
Profit for the period	1 560	-180		4 757	-2 494	
% of invoiced sales	7.7	-1.1		8.0	-4.6	
of which shareholders' interest	1 575	-181		4 540	-2 522	
Earnings per share, SEK <sup>1)</sup>	1.33	-0.15		3.83	-2.13	
Return on capital employed <sup>2)</sup>	12.9	1.3		12.9	1.3	
Cash flow from operations	+3 978	+3 521	+13	+8 891	+7 909	+12
Number of employees	46 224	44 960	+3	46 224	44 960	+3

\* At fixed exchange rates for comparable units.

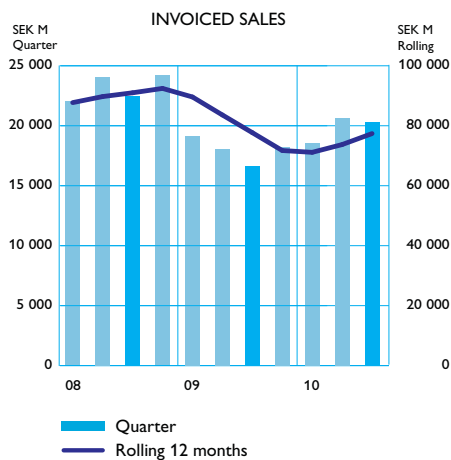
1) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact.

2) 12 months rolling.

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



Q3	Order intake	Invoiced sales
Price/volume, %	+23	+21
Structure, %	0	0
Currency, %	+1	+1
<b>Total, %</b>	<b>+25</b>	<b>+22</b>

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

The global market situation improved in the third quarter. Order intake and invoiced sales rose by 23% and 21%, respectively, at fixed exchange rates compared with the preceding year, although they were largely in line with the preceding quarter. Adjusted for a normal seasonal weakening, mainly in Europe and the US, the sequential development for order intake and invoiced sales was positive in most markets.

A continued increase in global industrial production entailed a marked increase in demand for Sandvik's products in all markets compared with the third quarter of 2009. Demand was particularly strong for high value-added products for industrial production and aftermarket, while the improvement for investment-related products is occurring with a some delay.

A high level of activity was noted in the energy sector and demand increased from, among others, the automotive, mining and engineering industries. Growth in order intake in the mining industry was most notable in the aftermarket segment, although the continued high price of metal meant that the willingness to invest in new equipment also gradually increased. Demand from the construction industry increased in Asia and South America, but remained weak in Europe and slowed slightly in the US compared with the preceding quarter. Order intake from the aerospace industry remained stable.

Demand remained strong in Asia, and most markets – primarily in Europe and the US – reported high rates of increase. Order intake in South America and Africa declined somewhat as a result of fewer project orders compared with the

preceding year. However, the rate of increase was about 25% excluding major project orders.

The product mix displayed a positive trend in the quarter, mainly because the share of cutting tools was relatively high, which was also the case for aftermarket within Sandvik Mining and Construction.

Sandvik's strong position as a supplier to the international nuclear power industry was consolidated during the quarter and three additional orders for steam generator tubes to China were received for a combined value of nearly SEK 700 M. Delivery is scheduled for 2012.

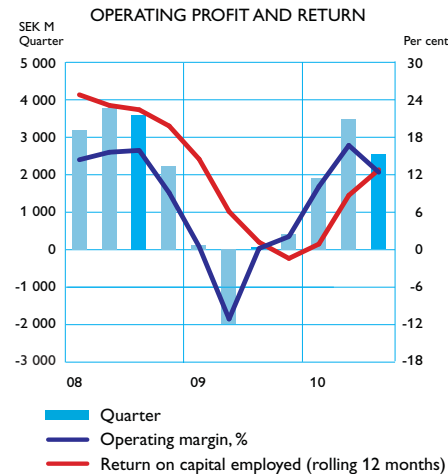
Order intake amounted to SEK 21,523 M (17,241), up 25% in total and 23% at fixed exchange rates for comparable units. Of the total order intake, SEK 700 M comprised major project orders. The increase at fixed exchange rates for comparable units was 39% for Sandvik Tooling and 8% for Sandvik Mining and Construction. For Sandvik Materials Technology, the increase was 35%, including a positive effect of about 8 percentage points related to movements in metal prices.

Invoiced sales in the third quarter amounted to SEK 20,241 M (16,578), up 22% in total and 21% at fixed exchange rates for comparable units compared with the third quarter in the preceding year. The increase in invoiced sales for Sandvik Tooling was 39%. The corresponding increase for Sandvik Mining and Construction was 8% and for Sandvik Materials Technology 25%, including a positive effect of about 8 percentage points related to movements in metal prices.

# Earnings and Return

Earnings and return for the third quarter displayed a significant improvement compared with the corresponding quarter in the preceding year. Still earnings were lower than the preceding quarter because of a normal seasonal weakening combined with negative exchange rate effects and certain costs of a nonrecurring nature. The operating result amounted to SEK 2,532 M (51) and the operating margin was 12.5% of invoiced sales (0.3). Return on capital employed totaled 12.9% for the most recent 12-month period. The improvement is attributable to higher volumes, increased capacity utilization, a lower cost level and a favorable product mix. Nonrecurring costs and a provision for variable compensation had a negative impact of about SEK 200 M on earnings. The negative impact of movements in exchange rates was about SEK 280 M compared to the third quarter 2009.

The earnings improvement compared with the preceding year was mainly generated by increased sales and production volumes combined with implemented efficiency-enhancement measures and a product mix with a higher average level of profitability. The improvement programs implemented are gradually increasing efficiency in all business areas and thus the underlying profitability. Compared with the preceding quarter, earnings declined due to seasonally lower invoicing and production volumes combined with negative exchange-rate effects as a result of a strengthening of the SEK. The result was also negatively impacted in the amount of approximately SEK 100 M due to a provision for variable salaries and profit-sharing and by about SEK 100 M related to a nonrecurring cost for such measures as the clo-

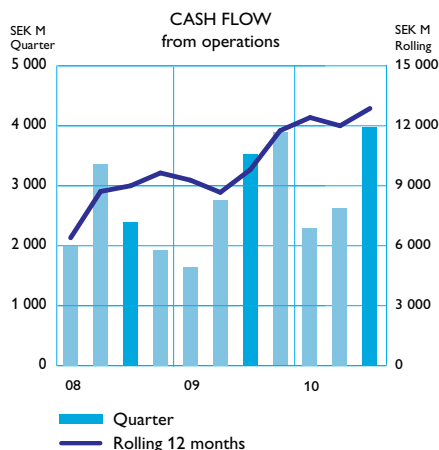


sure of the production unit in Crystal Lake in the US. Movements in metal prices had a marginal effect on the result.

Net financial items amounted to SEK -412 M (-574) and the result after net financial items was SEK 2,120 M (-523), or 10.5% of invoiced sales. Income tax was SEK -560 M (+343) and the net result for the period amounted to SEK 1,560 M (-180), or 7.7% of invoicing. Earnings per share amounted to SEK 1.33 (-0.15) in the quarter.

Capital efficiency improved further during the quarter and working capital amounted to 27% (40) of invoiced sales. Cash flow from operations was SEK +3,978 M (+3,521). Investments amounted to SEK 1,131 M (1,320), of which company acquisitions accounted for SEK 258 M (491). Cash flow after investments was SEK +2,886 M (+2,283) for the quarter.

Return on capital employed for the recent 12 months amounted to 12.9% (1.3) and the return on shareholders' equity was 15.2% (-4.0).



# Sandvik Tooling

- Increased demand
- Positive underlying earnings trend
- Strong cash flow
- Negative currency effects

The demand trend for Sandvik Tooling remained positive during the third quarter, both in relation to the preceding year and quarter. Order intake and invoiced sales improved substantially in all markets compared with 2009, and were largely in line with the preceding quarter despite a seasonal weakening. In the third quarter, order intake and invoiced sales rose by 39% at fixed exchange rates for comparable units. The operating result was SEK 961 M (-247), or 16.1% of invoiced sales. Currency effects, nonrecurring costs and a provision for variable compensation had a negative impact on earnings of about SEK 230 M.

The market situation continued to improve in all markets. Intensified global activity in many areas resulted in growth in industrial production and thus higher demand. In Europe, North America and Asia, order intake and invoicing rose by more than 40%. Demand from the energy sector remained strong, while the automotive, aerospace and general engineering industries demonstrated a stable trend. A stronger trend was noted for cemented-carbide products and super-hard materials than for high-speed steel products.

Order intake volume for the quarter was about



Q3	Order intake	Invoiced sales
Price/volume, %	+39	+39
Structure, %	-1	-1
Currency, %	-2	-2
<b>Total, %</b>	<b>+36</b>	<b>+36</b>

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

15% below the level recorded in 2008. A long-term focus in strategic areas has boosted Sandvik Tooling's competitiveness, and market shares grew in most markets. The price trend remained positive.

The trend in working capital was continued positive and declined to 26% (42) of invoiced sales and, combined with a low level of investment, led to a continued strong cash flow.

Compared with 2009, the operating result improved and amounted to SEK 961 M (-247). In seasonal terms, the third quarter is weaker than the other quarters with respect to order intake,

invoicing and profitability, which is why earnings were lower than the figure posted in the preceding quarter. Excluding seasonal and exchange-rate effects, the underlying profitability displayed a positive trend. Earnings were negatively impacted by about SEK 130 M due to movements in exchange rates, and by approximately SEK 100 M for a provision for variable salaries and profit-sharing together with

nonrecurring costs, including the closure of the production unit in Crystal Lake in the US. The operating margin was SEK 16.1% (-5.6). Return on capital employed for the most recent 12-month period amounted to 13.6% (1.6).

SEK M	Q3 2010	Q3 2009	Change %	Q1-3 2010	Q1-3 2009	Change %
Order intake	5 998	4 408	+39 *	18 192	13 906	+35 *
Invoiced sales	5 966	4 384	+39 *	17 639	14 119	+29 *
Operating profit	961	-247		3 077	-443	
%	16.1	-5.6		17.4	-3.1	
Return on capital employed	13.6	1.6		13.6	1.6	
Number of employees	15 296	15 521	-1	15 296	15 521	-1

\* At fixed exchange rates for comparable units.

# Sandvik

## Mining and Construction

- Strong aftermarket trend
- Continued earnings improvement
- Negative currency effects in EBIT
- Improved capital efficiency
- Strong cash flow

Demand from the global mining industry continued to improve in the third quarter, both in relation to the preceding year and quarter. Most notable was the improvement in the aftermarket segment, while the increase for machinery and equipment is at a slightly lower pace. Activity in the construction industry was lower than in the mining industry. Demand for major material-handling projects remained low during the quarter. Order intake and invoiced sales increased by 8% at fixed exchange rates. Excluding major project orders order intake increased by 28%.

Activity in the mining industry, particularly in underground mines, continued to develop positively during the quarter in line with the trend in earlier quarters. The growth in demand was more evident from the mining industry than from the construction industry and the trend was more pronounced for the aftermarket segment than for the equipment segment. However, higher metal prices meant that the willingness to invest in new equipment gradually increased. Major project orders represented a relatively low share of both order intake and invoiced sales, although deliveries of projects on order will increase in the forthcoming quarters. Of invoiced sales, the aftermarket business accounted for 57% while equipment and projects accounted for 36% and



Q3	Order intake	Invoiced sales
Price/volume, %	+8	+8
Structure, %	0	0
Currency, %	+4	+3
Total, %	+13	+12

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

7%, respectively. The invoicing volume for the quarter was about 15% lower than the peak year 2008, and while the aftermarket volume has returned to the same level, equipment and project volumes remain lower. Although the increase in demand was high in all markets, it was strongest in Europe and North America, which together account for about 30% of the business area's sales.

The number of employees increased slightly on account of an expansion of the sales organization in Asia and Eastern Europe and a growing need for personnel to production and service to ensure a high delivery and service level. Capital efficiency continued to develop in a positive direction and net working capital reached 25% of invoiced sales for the first time. Combined with a low investment level, this was one of the contributing factors behind a continued strong cash flow.

The third-quarter operating result amounted to SEK 1,257 M (332) or 14.5% (4.3) of invoiced sales.

The result was positively impacted by increased invoicing and production volumes, increased internal efficiency and a favorable product mix. Movements in exchange rates had a negative impact of approximately SEK 100 M on the result. Return on capital employed for the most recent 12-month period was 19.2% (5.1).

SEK M	Q3 2010	Q3 2009	Change %	Q1-3 2010	Q1-3 2009	Change %
Order intake	9 163	8 134	+8 *	28 698	21 885	+30 *
Invoiced sales	8 676	7 762	+8 *	24 639	24 580	-1 *
Operating profit	1 257	332		3 162	54	
%	14.5	4.3		12.8	0.2	
Return on capital employed	19.2	5.1		19.2	5.1	
Number of employees	15 116	14 661	+3	15 116	14 661	+3

\* At fixed exchange rates for comparable units.

# Sandvik

## Materials Technology

- Increased demand
- Major project orders to China
- Seasonal downturn
- Consolidation of product portfolio

Demand developed positively for Sandvik Materials Technology during the quarter. Order intake rose by 35% and invoiced sales by 25% at fixed exchange rates. Order intake for products to the energy sector and mining industry remained strong. During the quarter, the business area received three major project orders with a combined value of SEK 700 M from the Chinese nuclear power industry within the framework of previously signed agreements.

The market situation gradually improved during the quarter, primarily in North America, Europe and Asia. The market for advanced products to the nuclear power industry was extremely robust and a further three orders were registered for deliveries of steam generator tubes to Chinese nuclear power plants to the value of SEK 700 M. Demand remained favorable for products to, for example, the oil and gas industry and the electronics and consumer goods industries. A favorable trend was noted in most customer segments – in line with recent quarters – although a flat development was observed for major projects for the process industry. A conscious focus on high value-added products meant that order intake for low value-added products was retained at a low level. Movements in metal prices had a positive impact of 8 per-



Q3	Order intake	Invoiced sales
Price/volume, %	+35	+25
Structure, %	0	0
Currency, %	+1	+1
<b>Total, %</b>	<b>+37</b>	<b>+26</b>

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

centage points on order intake and invoicing.

Further actions to strengthen the business area's strategic position were taken during the quarter. These included the establishment of a strategic partnership with Carpenter Technology Corporation relating to the development and production of products based on powder technology. Furthermore, the decision was taken to discontinue the production and sale of bimetal products in the Wire and Heating Technology product area.

The number of employees increased to strengthen the sales organization in Asia and to ensure the implementation of expansion projects in the nuclear power area.

During the quarter, scheduled maintenance measures were conducted, which limited the delivery capacity. Some complications connected to the restart

caused a slight increase in delivery times and had a negative impact on the operating margin. Working capital amounted to 33% (38) of invoiced sales.

The operating result amounted to SEK 203 M (-2), or 4.9% (-0.1) of invoiced sales. Nonrecurring costs and a provision for variable salaries and profit-sharing adversely affected the operating margin by about 1 percentage point. Movements in metal prices and exchange rates had no material impact on earnings. Return on capital employed for the recent 12 months was 8.5% (-6.9).

SEK M	Q3 2010	Q3 2009	Change %	Q1-3 2010	Q1-3 2009	Change %
Order intake	4 896	3 578	+35 *	15 689	12 036	+33 *
Invoiced sales	4 170	3 299	+25 *	12 808	11 352	+15 *
Operating profit	203	-2		1 214	-1 273	
%	4.9	-0.1		9.5	-11.2	
Return on capital employed	8.5	-6.9		8.5	-6.9	
Number of employees	8 915	8 397	+6	8 915	8 397	+6

\* At fixed exchange rates for comparable units.

## First Nine Months of 2010

Order intake for the January-September 2010 period was positively impacted by the global economic recovery and amounted to SEK 66,972 M (51,498), up 30% in total and 32% at fixed exchange rates for comparable units. Invoicing was SEK 59,378 M (53,725), up 11% in total and 12% at fixed exchange rates for comparable units.

The operating result for the January-September period improved significantly primarily due to higher volumes, greater cost efficiency and a favorable product mix and amounted to SEK 7,900 M (-1,820). The operating margin was 13.3% (-3.4) of invoicing. Movements in exchange rates had a negative impact on the result of about SEK 470 M since the beginning

of the year and movements in metal prices had a positive impact of SEK 390 M.

Financial net amounted to SEK -1,242 M (-1,575) and the result after financial items was SEK 6,658 M (-3,395). The tax rate was 29%, and the net result for the period amounted to SEK 4,757 M (-2,494). Earnings per share amounted to SEK 3.83 (-2.13).

Cash flow from operating activities amounted to SEK +8,891 M (+7,909). The Group's investments in fixed assets totaled SEK 2,079 M (3,425). Company acquisitions accounted for SEK 726 M (1,542). After investments, acquisitions and divestments, cash flow amounted to SEK +6,249 M (+3,118).

## Significant Events

- During the quarter, Sandvik Tooling decided to discontinue production at Crystal Lake in the US. Manufacturing at the unit primarily focuses on high-speed steel drills. The plant closure affects about 150 employees and is expected to be completed by the end of 2010. The cost of the closure is estimated to be SEK 50 M, which corresponds to the estimated annual savings.
- In September, Sandvik Materials Technology received three orders for steam generator tubes to China to a total value of nearly SEK 700 M. Deliveries are expected to commence in 2012.
- To strengthen its market position, improve cost efficiency and specialize the product program in Wire and Heating Technology (formerly the Wire and Kanthal product areas), the decision was taken during the quarter to discontinue the bimetal operation. With this move, the product area has phased-out operations to a sales value of SEK 250 M through a range of structural measures, including the closure of two heating element plants in Europe and the phasing-out of the spring and welding rod range.
- In October, it was announced that Sandvik Materials Technology and Carpenter Technology Corporation intend to establish a strategic partnership to further strengthen its position in the field of powder technology and advanced materials. As part of the arrangement, Sandvik AB will acquire 40% of the shares in Carpenter Powder Products AB and Carpenter Technology Corporation will acquire 40% of the shares in Sandvik Powdermet AB. Carpenter Powder Products AB manufactures high-alloy powder and is already one of Sandvik Powdermet AB's suppliers. The partnership, which will also provide the opportunity for strategic product development collaboration, makes the combination of Sandvik and Carpenter Technology into a leading player in the powder technology area.
- As of 1 October Göran Westberg is appointed Senior Vice President Human Resources and member of Group Executive Management at Sandvik AB. Göran Westberg also holds the position as Executive Vice President Human Resources within Sandvik Materials Technology and has a background within Outokumpu, Uddeholm, Ericsson, Spencer Stuart and Korn Ferry. Peter Larson, who has been responsible for Group HR, remains as Executive Vice president and member of Group Executive Management at Sandvik AB with responsibility for Group IT and purchasing. Bo Severin, Sandvik's General Counsel since 2000, was also appointed member of Group Executive Management at Sandvik AB from 1 October 2010. As of 28 October 2010 Ola Salmén, Sandvik's CFO, is appointed Executive Vice President of Sandvik AB.

## Annual General Meeting 2011

The Board of Directors has decided that the 2011 Annual General Meeting will be held in Sandviken

on 3 May 2011 at 5:00 p.m. The notice to convene the AGM will be made in the usual manner.

## Parent Company

The Parent Company's invoicing for the third quarter of 2010 amounted to SEK 3,917 M (2,700) and the operating result was SEK -13 M (-362). For the period January-September 2010, invoicing amounted to SEK 12,754 M (9,632) and the operating result was SEK 283 M (-1,815). The operating result was positively impacted by an improved market climate with subsequent increased sales and production volumes. An additional contributing factor

was positive metal price effects and, compared with 2009, the absence of costs for restructuring programs. Income from shares in Group companies consists primarily of dividends from these and amounted to SEK 203 M (3,676) after the third quarter. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 13,170 M (11,319 at 31 December 2009). Investments in fixed assets amounted to SEK 845 M (800).

## Acquisitions and Divestments

A further part payment was made during the quarter relating to the acquisition of Wolfram, which had a negative impact of SEK 230 M on

cash flow after investments. Seco Tools acquired the French company AOB during the third quarter.

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

Business area	Company/unit	Closing date	Annual revenue SEK M	No. of employees
Sandvik Tooling	Wolfram, Austria	28 May 09	1 800	274
Seco Tools	AOB, France	23 July 10	40	37

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

## 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. New standards and interpretations effective from 1 January 2010 have not had any significant impact on Sandvik's financial statements.

The phrase "Minority interest" has been changed in the financial statements to the new designation "Non-controlling interest" according to revised IFRS 3 Business Combinations and amended IAS 27 Consolidated and Separate Financial Statements.

From 2010, Sandvik recognizes cash flows related to investments in rental machinery and sales of these as cash flows from operating activities. In the past, these cash flows were recognized as a component in investing activities. Comparative periods have been adjusted to comply with the new presentation. This change only affects the cash-flow statement.

The interim report for the Parent Company was prepared in accordance with the Annual Accounts Act and Securities Market Act, which is in line with standard RFR 2.3 Reporting by a legal entity, issued by the Swedish Financial Reporting Board.

## Risk 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. The dramatic developments in the global economy in 2008 and 2009 have caused a higher level of general uncertainty, which remains to a certain extent in 2010. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2009.



# Financial Reports Summary

## The Group

### INCOME STATEMENT

	Q3	Q3	Change	Q1-3	Q1-3	Change
SEK M	2010	2009	%	2010	2009	%
Revenue	20 241	16 578	+22	59 378	53 725	+11
Cost of sales and services	-12 945	-12 473	+4	-37 897	-41 496	-9
Gross profit	7 296	4 105	+78	21 481	12 229	+76
% of revenues	36.0	24.8		36.2	22.8	
Selling expenses	-2 630	-2 516	+5	-7 950	-8 315	-4
Administrative expenses	-1 238	-1 029	+20	-3 800	-3 754	+1
Research and development costs	-483	-406	+19	-1 539	-1 491	+3
Other operating income and expenses	-413	-103		-292	-489	-40
Operating profit	2 532	51		7 900	-1 820	
% of revenues	12.5	0.3		13.3	-3.4	
Financial net	-412	-574	-28	-1 242	-1 575	-21
Profit after financial items	2 120	-523		6 658	-3 395	
% of revenues	10.5	-3.2		11.2	-6.3	
Income tax	-560	343		-1 901	901	
Profit for the period	1 560	-180		4 757	-2 494	
% of revenues	7.7	-1.1		8.0	-4.6	
<b>Other comprehensive income</b>						
Foreign currency translation differences	-2 026	-2 190		-2 476	-1 233	
Cash-flow hedges	475	186		521	543	
Tax related to other comprehensive income	-125	-49		-137	-143	
Other comprehensive income for the period, net after tax	-1 676	-2 053		-2 092	-833	
Total comprehensive income for the period	-116	-2 233		2 665	-3 327	
Profit for the period attributable to:						
Owners of the parent	1 575	-181		4 540	-2 522	
Non-controlling interests	-15	1		217	28	
Total comprehensive income attributable to:						
Owners of the parent	-52	-2 194		2 520	-3 314	
Non-controlling interests	-64	-39		145	-13	
Earnings per share, before dilution, SEK	1.33	-0.15		3.83	-2.13	

# Financial Reports Summary

## The Group

### BALANCE SHEET

SEK M	30 Sept 2010	30 Sept 2009	Change %	31 Dec 2009
Intangible assets	13 138	13 882	-5	14 137
Property, plant and equipment	24 749	26 713	-7	26 519
Financial assets	6 121	5 592	+9	5 698
Inventories	20 565	21 539	-5	19 842
Current receivables	18 864	18 882	0	17 873
Cash and cash equivalents	4 642	8 040	-42	7 506
<b>Total assets</b>	<b>88 079</b>	<b>94 648</b>	<b>-7</b>	<b>91 575</b>
Total equity	31 428	29 472	+7	29 957
Non-current interest-bearing liabilities	28 405	30 859	-8	31 807
Non-current non-interest-bearing liabilities	5 787	5 457	+6	5 507
Current interest-bearing liabilities	2 616	11 891	-78	7 574
Current non-interest-bearing liabilities	19 843	16 969	+17	16 730
<b>Total equity and liabilities</b>	<b>88 079</b>	<b>94 648</b>	<b>-7</b>	<b>91 575</b>
Net working capital*	20 259	24 047	-16	22 122
Loans	28 295	39 823	-29	36 388
Net debt**	24 909	33 235	-25	30 342
Non-controlling interests in total equity	1 107	935	+18	970

\* 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

SEK M	Equity related to owners of the parent	Non-controlling interest	Total equity
Opening equity, 1 January 2009	35 588	1 137	36 725
Total comprehensive income for the period	-2 864	22	-2 842
Dividends	-3 737	-189	-3 926
Closing equity, 31 December 2009	28 987	970	29 957
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
Closing equity, 30 September 2010	30 321	1 107	31 428
Opening equity, 1 January 2009	35 588	1 137	36 725
Total comprehensive income for the period	-3 314	-13	-3 327
Dividends	-3 737	-189	-3 926
Closing equity, 30 September 2009	28 537	935	29 472

# Financial Reports Summary

## The Group

### CASH-FLOW STATEMENT

SEK M	Q3 2010	Q3 2009	Q1-3 2010	Q1-3 2009
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+2 120	-523	+6 658	-3 395
Adjustment for depreciation, amortization and impairment losses	+993	+982	+2 998	+3 318
Adjustment for items that do not require the use of cash etc.	+61	+227	-61	+233
<u>Income tax paid</u>	-232	-381	-983	-1 068
Cash flow from operating activities before changes in working capital	+2 942	+305	+8 612	-912
<i>Changes in working capital</i>				
Change in inventories	-634	+2 254	-1 718	+7 347
Change in operating receivables	+450	+701	-2 058	+5 362
Change in operating liabilities	+1 210	+370	+4 047	-3 493
Cash flow from operating activities	+1 026	+3 325	+271	+9 216
Investments in rental equipment	-30	-140	-130	-524
Divestments of rental equipment	+40	+31	+138	+129
Cash flow from operations	+3 978	+3 521	+8 891	+7 909
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-258	-491	-726	-1 542
Acquisitions of property, plant and equipment	-873	-829	-2 079	-3 425
Proceeds from sale of companies and shares, net of cash disposed of	0	0	0	+48
<u>Proceeds from sale of property, plant and equipment</u>	+39	+82	+163	+128
Cash flow from investing activities	-1 092	-1 238	-2 642	-4 791
Net cash flow after investing activities	+2 886	+2 283	+6 249	+3 118
<i>Cash flow from financing activities</i>				
Change in interest bearing debt	-2 370	-484	-7 802	+2 053
Closure of interest swap and currency hedge		+419		+1 843
<u>Dividends paid</u>		-1	-1 187	-3 926
Cash flow from financing activities	-2 370	-66	-8 989	-30
Cash flow for the period	+516	+2 217	-2 740	+3 088
Cash and cash equivalents at beginning of the period	+4 330	6 023	+7 506	4 998
Exchange-rate differences in cash and cash equivalents	-204	-200	-124	-46
Cash and cash equivalents at the end of the period	4 642	8 040	+4 642	8 040

### KEY FIGURES

	Q3 2010	Q3 2009	Full-year 2009
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, %	26.4	65.7	25.2
Return on capital employed, % <sup>2)</sup>	12.9	1.3	-1.3
Return on total equity, % <sup>2)</sup>	15.2	-4.0	-7.9
Return on total capital, % <sup>2)</sup>	9.5	1.0	-1.0
Shareholders' equity per share, SEK	25.60	24.10	24.40
Net debt/equity ratio	0.8	1.1	1.0
Equity/assets ratio, %	36	31	33
Net working capital, %	27	40	32
Earnings per share, SEK	1.33	-0.15	-2.24
Cash flow from operating activities, SEK M	+3 978	+3 521	+11 792
Number of employees	46 224	44 960	44 355

1) After dilution.

2) Rolling 12 months.

# Financial Reports Summary

## The parent company

### INCOME STATEMENT

	Q3	Q3	Change	Q1-3	Q1-3	Change
SEK M	2010	2009	%	2010	2009	%
Revenue	3 917	2 700	+45	12 754	9 632	+32
Cost of sales and services	-3 079	-2 330	+32	-9 558	-8 999	+6
Gross profit	838	370	+126	3 196	633	+405
Selling expenses	-140	-115	+22	-412	-402	+2
Administrative expenses	-629	-519	+21	-1 955	-1 778	+10
Research and development costs	-214	-186	+15	-668	-658	+2
Other operating income and expenses	132	88	+50	122	390	-69
Operating profit	-13	-362	-	283	-1 815	-
Income from shares in group companies	141	48	+194	203	3 676	-
Income from shares in associated companies	-	-	-	5	2	+150
Interest income and similar items	413	306	+35	652	589	+11
Interest expenses and similar items	-361	-333	+8	-1 034	-1 199	-14
Profit after financial items	180	-341	-	109	1 253	-
Appropriations	-	-	-	-	-	-
Income tax expense	-236	746	-	-235	614	-
Profit for the period	-56	405	-	-126	1 867	-

### BALANCE SHEET

	30 Sep	30 Sep	Change	31 Dec
SEK M	2010	2009	%	2009
Intangible assets	24	17	+41	17
Property, plant and equipment	6 870	6 802	+1	6 622
Financial assets	15 922	15 525	+3	15 489
Inventories	3 775	3 755	+1	3 310
Current receivables	20 333	19 030	+7	22 269
Cash and cash equivalents	10	13	-23	9
Total assets	46 934	45 142	+4	47 716
Total equity	13 287	12 211	+9	14 607
Untaxed reserves	4	12	-67	4
Provisions	230	273	-16	215
Non-current interest-bearing liabilities	17 069	17 986	-5	19 079
Non-current non-interest-bearing liabilities	18	51	-65	22
Current interest-bearing liabilities	11 335	10 635	+7	9 686
Current non-interest-bearing liabilities	4 991	3 974	+26	4 103
Total equity and liabilities	46 934	45 142	+4	47 716
Pledged assets	-	-	-	-
Contingent liabilities	11 893	17 818	-33	17 778
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	13 170	13 876	-5	11 319
Investments in fixed assets	845	800	+6	910

# Market Overview and Key Figures

## The Group

### ORDER INTAKE OCH INVOICED SALES PER MARKET AREA Q3 2010

#### The Group

Market area	Order intake			Share %	Invoiced sales		
	SEK M	Change* % % <sup>1)</sup>			SEK M	Change* %	
Europe	7 226	+36	+36	34	7 202	+20	37
NAFTA	3 497	+46	+46	16	3 535	+35	17
South America	1 506	-12	+26	7	1 431	+27	7
Africa/Middle East	2 452	-10	+25	11	2 124	+30	10
Asia	4 790	+44	+32	22	3 892	+32	19
Australia	2 052	+18	+18	10	2 057	-5	10
<b>Total</b>	<b>21 523</b>	<b>+23</b>	<b>+30</b>	<b>100</b>	<b>20 241</b>	<b>+21</b>	<b>100</b>

#### Sandvik Tooling

Europe	3 020	+43	+43	51	3 009	+41	51
NAFTA	1 153	+42	+42	19	1 133	+41	19
South America	309	+35	+35	5	300	+37	5
Africa/Middle East	104	+31	+31	2	122	+62	2
Asia	1 335	+43	+43	22	1 327	+47	22
Australia	77	+8	+8	1	75	+6	1
<b>Total</b>	<b>5 998</b>	<b>+39</b>	<b>+39</b>	<b>100</b>	<b>5 966</b>	<b>+39</b>	<b>100</b>

#### Sandvik Mining and Construction

Europe	1 431	+34	+34	16	1 474	-12	17
NAFTA	1 158	+43	+43	13	1 178	+20	14
South America	954	-24	+26	10	907	+27	10
Africa/Middle East	2 271	-9	+32	25	1 891	+29	22
Asia	1 677	+28	+28	18	1 537	+24	18
Australia	1 672	+21	+21	18	1 689	-6	19
<b>Total</b>	<b>9 163</b>	<b>+8</b>	<b>+28</b>	<b>100</b>	<b>8 676</b>	<b>+8</b>	<b>100</b>

#### Sandvik Materials Technology

Europe	1 945	+27	+27	40	1 908	+23	45
NAFTA	934	+56	+56	19	987	+49	24
South America	156	+3	+3	3	130	-3	3
Africa/Middle East	54	-53	-53	1	88	+82	2
Asia	1 525	+67	+22	31	785	+24	19
Australia	282	+7	+7	6	272	+2	7
<b>Total</b>	<b>4 896</b>	<b>+35</b>	<b>+23</b>	<b>100</b>	<b>4 170</b>	<b>+25</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

SEK M	Q3	Q4	Q1-4	Q1	Q2	Q3	Change Q3		Q1-3
	2009	2009	2009	2010	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	4 408	5 056	18 962	5 899	6 295	5 998	+36	+39	18 192
Sandvik Mining and Construction	8 134	9 029	30 915	9 906	9 629	9 163	+13	+8	28 698
Sandvik Materials Technology	3 578	4 444	16 480	5 041	5 752	4 896	+37	+35	15 689
Seco Tools <sup>2)</sup>	1 120	1 258	4 926	1 425	1 502	1 466	+31	+37	4 393
Group activities	1	0	2	-1	1				
Group total	17 241	19 787	71 285	22 270	23 179	21 523	+25	+23	66 972

### INVOICED SALES BY BUSINESS AREA

SEK M	Q3	Q4	Q1-4	Q1	Q2	Q3	Change Q3		Q1-3
	2009	2009	2009	2010	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	4 384	4 960	19 078	5 551	6 122	5 966	+36	+39	17 639
Sandvik Mining and Construction	7 762	8 042	32 621	7 588	8 375	8 676	+12	+8	24 639
Sandvik Materials Technology	3 299	3 976	15 328	4 019	4 618	4 170	+26	+25	12 808
Seco Tools <sup>2)</sup>	1 123	1 225	4 871	1 367	1 479	1 420	+27	+32	4 266
Group activities	10	9	39	9	9	9			26
Group total	16 578	18 211	71 937	18 534	20 603	20 241	+22	+21	59 378

### OPERATING PROFIT BY BUSINESS AREA

SEK M	Q3	Q4	Q1-4	Q1	Q2	Q3			Q1-3
	2009	2009	2009	2010	2010	2010			2010
Sandvik Tooling	-247	-84	-527	834	1 283	961			3 077
Sandvik Mining and Construction	332	411	466	623	1 283	1 257			3 162
Sandvik Materials Technology	-2	136	-1 137	312	699	203			1 214
Seco Tools <sup>2)</sup>	51	121	307	220	311	245			776
Group activities	-83	-176	-521	-92	-105	-134			-329
Group total <sup>3)</sup>	51	408	-1 412	1 897	3 471	2 532			7 900

### OPERATING MARGIN BY BUSINESS AREA

% OF INVOICED SALES	Q3	Q4	Q1-4	Q1	Q2	Q3			Q1-3
	2009	2009	2009	2010	2010	2010			2010
Sandvik Tooling	-5.6	-1.7	-2.8	15.0	21.0	16.1			17.4
Sandvik Mining and Construction	4.3	5.1	1.4	8.2	15.3	14.5			12.8
Sandvik Materials Technology	-0.1	3.4	-7.4	7.8	15.1	4.9			9.5
Seco Tools <sup>2)</sup>	4.5	9.9	6.3	16.1	21.0	17.2			18.2
Group total	0.3	2.2	-2.0	10.2	16.8	12.5			13.3

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.

## 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 third quarter.

Sandviken, 29 October 2010  
Sandvik Aktiebolag (publ)

Lars Pettersson  
President and CEO

### Review Report

#### Introduction

We have conducted a review of the financial interim information for Sandvik Aktiebolag (publ) at 30 September 2010 and of the nine-month period ending on that date. The Board of Directors and the President are responsible for preparing this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

#### Focus and scope of the 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 the Standards on Auditing in Sweden RS and other generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not provide the same level of assurance as a conclusion expressed based on an audit.

#### Conclusion

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

Stockholm, 29 October 2010  
KPMG AB  
Caj Nackstad  
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 29 October 2010 at 08.00 CET. The report for the fourth quarter 2010 will be published on 2 February 2011.

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

A combined presentation and teleconference will be held on 29 October 2010 at 14.00 CET at Operaterrassen in Stockholm. Information is available at [www.sandvik.com/ir](http://www.sandvik.com/ir).

#### Calendar 2011:

2 Feb	Fourth-quarter report 2010
3 May	First-quarter report 2011
3 May	Annual General Meeting
19 July	Second-quarter report 2011
27 Oct	Third-quarter report 2011

---

#### POSTAL ADDRESS

Sandvik AB  
SE-811 81 Sandviken

#### PUBLIC COMPANY (publ)

Corp. Reg. No.: 556000-3468  
VAT No: SE663000060901

#### PHONE

+46 26 26 00 00

#### WEBSITE AND E-MAIL

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