

# Sandvik Q3

PRESS RELEASE 27 October 2006

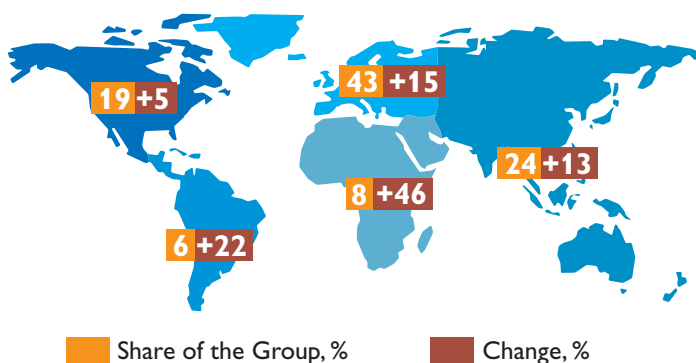
Interim report third quarter 2006

## CONTINUED STRONG DEMAND AND INCREASED PROFIT

- Order intake +14%\*, SEK 18,627 M.
- Invoicing +15%\*, SEK 17,587 M.
- Operating profit +26%, SEK 2,854 M.
- Profit after financial items +21%, SEK 2,583 M.
- Net profit for the period +19%, SEK 1,826 M.
- Earnings per share +21%, SEK 1.45.
- Cash flow -5%, SEK 2,788 M.



## INVOICED SALES\*



“The strong global demand for Sandvik’s products continued during the third quarter. Growth in Europe increased further. Higher volumes, improved product mix and high internal efficiency contributed to improved earnings. Invoicing increased a total of 13% to SEK 17.6 billion and profit after financial items rose 21% to SEK 2,583 M.

The high demand in our core areas as well as improvements in both product mix and internal efficiency are highly satisfactory. Structural improvements and acquisitions are being carried out continuously that strengthen Sandvik’s long-term competitiveness and secure future earnings improvements,” says Lars Petterson, President and CEO of Sandvik.

## KEY FIGURES

SEK M	Q 3/06	Q 3/05	Q 1-3/06	Q 1-3/05
Order intake	18 627	16 480	58 743	49 497
Invoiced sales	17 587	15 554	52 919	45 897
Operating profit	2 854	2 261	8 703	6 727
Earnings per share, SEK <sup>1)</sup>	1.45	1.20	4.60	3.45

1) Values for 2005 recalculated after 5:1 split.

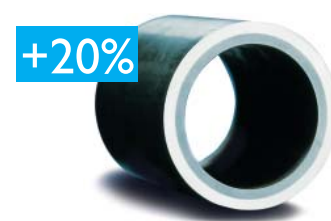
## BUSINESS AREAS – INVOICED SALES\*



Sandvik Tooling



Sandvik Mining and Construction



Sandvik Materials Technology

\* Change compared to the same quarter the preceding year at fixed exchange rates for comparable units.

For additional information, please call +46 (0) 26-26 10 23 or visit [www.sandvik.com](http://www.sandvik.com)



# Financial overview

<b>INCOME STATEMENT SEK M</b>	Q 3 2006	Q 3 2005	Change %	Q 1-3 2006	Q 1-3 2005	Change %
Order intake	18 627	16 480	+13 <sup>1)</sup>	58 743	49 497	+19 <sup>1)</sup>
Invoiced sales	17 587	15 554	+13 <sup>2)</sup>	52 919	45 897	+15 <sup>2)</sup>
Operating profit	2 854	2 261	+26	8 703	6 727	+29
%	16.2	14.5		16.4	14.7	
Profit after financial items	2 583	2 126	+21	7 963	6 253	+27
%	14.7	13.7		15.0	13.6	
Profit for the period	1 826	1 529	+19	5 753	4 500	+28
%	10.4	9.8		10.9	9.8	
of which shareholders' interest	1 732	1 458	+19	5 465	4 253	+28
Earnings per share, SEK *	1.45	1.20	+21	4.60	3.45	+33

1) +14 % and +15 % respectively at fixed exchange rates for comparable units.

2) +15 % and +12 % respectively at fixed exchange rates for comparable units.

\*) Calculated on the basis of the shareholders' share of profit for the period. Values for 2005 recalculated after 5:1 split.

<b>KEY FIGURES</b>	Q 3 2006	Q 3 2005	Full-year 2005
No. of shares outstanding at end of period ('000) <sup>3)</sup>	1 186 287	1 186 287	1 186 287 <sup>1)</sup>
Average no. of shares ('000) <sup>3)</sup>	1 186 287	1 210 756	1 216 873 <sup>1)</sup>
Tax rate, %	29	28	28
Return on capital employed, % <sup>2)</sup>	26.5	22.8	23.7
Return on total equity, % <sup>2)</sup>	31.1	25.5	27.4
Shareholders' equity per share, SEK <sup>3)</sup>	20.90	18.10	19.80
Net debt/equity ratio	0.7	0.8	0.7
Equity/assets ratio, %	40	38	41
Net working capital, %	29	31	27
No. of employees	41 126	39 519	39 613

1) After cancellation of redeemed and repurchased shares.

2) Rolling 12 months.

3) Values for 2005 recalculated after 5:1 split.

## ORDER INTAKE OCH INVOICED SALES BY MARKET AREA

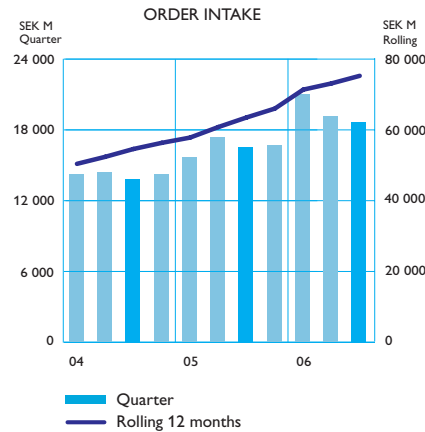
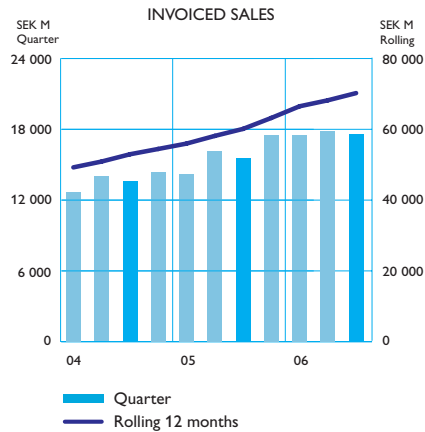
Third quarter 2006

Market area	Order intake SEK M	Change * %	Change * % <sup>1)</sup>	Share %	Invoiced sales SEK M	Change * %	Share %
Europe	7 987	+28	+26	43	7 508	+15	43
NAFTA	3 569	+15	+10	19	3 347	+5	19
South America	1 073	-10	+8	6	1 102	+22	6
Africa/Middle East	1 592	-8	+35	8	1 452	+46	8
Asia/Australia	4 406	+6	+11	24	4 178	+13	24
Total	18 627	+14	+18	100	17 587	+15	100

\* At fixed exchange rates for comparable units.

1) Excluding project orders.

# Sales



**Invoicing** amounted to SEK 17,587 M (15,554), an increase in total of 13% and 15% excluding currency effects for comparable units. The increase for comparable units excluding currency effects was 8% for Sandvik Tooling and 18% for Sandvik Mining and Construction. The increase for Sandvik Materials Technology was 20%, of which about 6% was attributable to price surcharges for increased raw material prices.

**Order intake** totaled SEK 18,627 M (16,480), representing a total increase of 13% and by 14% excluding currency effects for comparable units. Changed exchange rates affected order intake negatively by 3%. Growth excluding currency effects for comparable units was 7% for Sandvik Tooling and 3% for Sandvik Mining and Construction. The order intake for Sandvik Materials Technology rose by 41%, including a positive effect of approximately 6% as compensation for increased raw materials prices.

Adjusted for large project orders, growth was 18% in the Group, 20% for Sandvik Mining and Construction and 34% for Sandvik Materials Technology.

Demand for Sandvik's products improved further in Europe and order intake rose 28%. Development in Western Europe improved in all business areas, while at the same time demand in Eastern Europe was highly favorable. The busi-

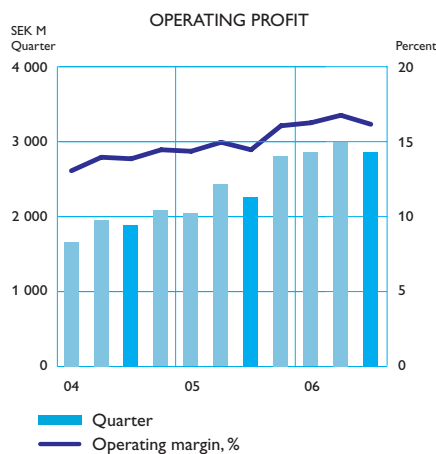
ness climate in NAFTA was strong and order intake increased by 15%, or 10% adjusted for large project orders, particularly in investment-related segments such as oil/gas and mining.

The trend in Africa/Middle East remained positive. Order intake declined by 8% compared with a year earlier, but adjusted for project orders it increased by 35%. Demand was also high in South America, mainly for Sandvik Mining and Construction and Sandvik Materials Technology. Order intake increased organically by 8% adjusted for project orders, but reported order intake declined by 10%. Order intake in Asia/Australia increased by 6%, 11% adjusted for project orders. Growth remained highly favorable, primarily in China, India and Japan.

The global industrial economy remained strong in most segments, particularly in investment-related areas, such as machinery, mining and construction industries, as well as the oil/gas and process industries. Demand from the general engineering industry continued at a high level. Activity in the global automotive industry remained favorable and demand from the heavy vehicle industry was stronger than from the passenger car industry. Activity was high in the aerospace industry and demand increased primarily in NAFTA.

CHANGE %	INVOICED SALES				ORDER INTAKE			
	Q 3 2006	Q 3 2005	Q 1-3 2006	Q 1-3 2005	Q 3 2006	Q 3 2005	Q 1-3 2006	Q 1-3 2005
Price/volume	+15	+12	+12	+15	+14	+16	+15	+18
Structural	+2	-1	+1	-1	+2	0	+2	-1
Currency	-3	+3	+2	+1	-3	+3	+2	0
<b>Total</b>	<b>+13</b>	<b>+15</b>	<b>+15</b>	<b>+14</b>	<b>+13</b>	<b>+20</b>	<b>+19</b>	<b>+17</b>

# Earnings and return



**Operating profit** amounted to SEK 2,854 M, an increase of 26% compared with a year earlier. The operating margin improved and amounted to 16.2% of invoiced sales (14.5). All business areas reported increased operating profit and operating margin. The earnings improvement was attributable to higher sales volumes and positive price trends, increased internal efficiency, successful product introductions and a more advantageous product mix. Changed exchange rates had a negligible impact on earnings in the quarter.

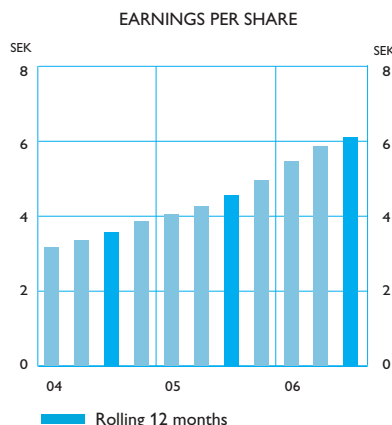
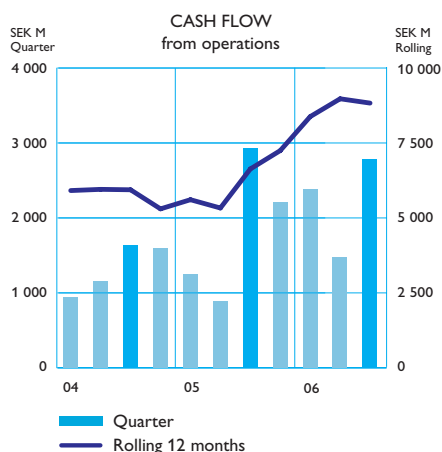
**Net financial items** amount to an expense of SEK 271 M (expense: 135). The change compared with the preceding year was due to increased borrowing and the effects of about SEK 100 M of the market valuation of financial instruments related to employee stock option programs.

**Profit after financial income and expenses** increased by 21% to SEK 2,583 M (2,126), 14.7 % of invoiced sales. **Tax** amounted to SEK 757 M (597). **Net profit for the period**

increased by 19% to SEK 1,826 M (1,529). **Earnings per share** rose by 21% to SEK 1.45 (1.20).

**Cash flow** from operating activities amounted to SEK 2,788 M (2,932). Working capital declined by SEK 62 M in volume compared with the preceding quarter, due mainly to advance payments of project orders and reduced accounts receivables. **Investments** amounted to SEK 1,446 M (1,003), of which company acquisitions accounted for SEK 234 M. Cash flow after investments was SEK 1,373 M (1,969) for the quarter.

**Working capital** as a percentage of invoicing amounted to 29% (31). **The return on capital employed** rose to 26.5% (22.8) through improved operating margin as well as increased capital efficiency. **The return on shareholders' equity** was 31.1% (25.5). Interest-bearing liabilities and provisions, less cash and cash equivalents, resulted in a net debt of SEK 17,173 M (17,413). Cash and cash equivalents amounted to SEK 1,580 M (2,007) and loans to SEK 15,268 M (15,703). Net debt/equity ratio was 0.7 (0.8).



# Sandvik Tooling

Sandvik Tooling's order intake in the third quarter amounted to SEK 5,268 M (5,089), which was an increase of 7% for comparable units excluding currency effects. Invoicing totaled SEK 5,298 M (5,066), an increase from the preceding year of 8% for comparable units excluding currency effects. Order intake and invoicing was affected negatively by slightly more than 1 percentage points due to the third quarter of 2006 having fewer working days than 2005.

The market trend was favorable for Sandvik Tooling. Tools in cemented-carbide developed better than high-speed steel tools. Demand rose further in Europe, with Germany as well as France and the UK showing favorable growth. Demand remains high in NAFTA and positive growth was noted in South America after three quarters of negative development. In Eastern Europe and Asia, the demand situation was as strong as previously, particularly in China, India and Japan.

Demand was favorable from the engineering industry, oil/gas as well as the heavy vehicle industries and increased in the aerospace industry. Activity in the automotive industry was good in Europe and Asia but weaker in North America.

Successful product introductions during the past year, including a new generation of cemented-carbide inserts, are contributing to further strengthening Sandvik Tooling's competitiveness.

Sandvik Tooling continued its strategic work to develop synergies and capitalize on cost advantages between product areas. As part of this effort, the intention was announced to dis-



continue production of high-speed steel tools in Worksop, UK. Negotiations have been initiated with the affected employee organizations. Production will be consolidated with other units, with the aim of achieving improved cost efficiency. A provision for the estimated costs for the phase-out of about SEK 100 M was charged in the third quarter. The quarter also includes a capital gain of SEK 112 M from property sales in Rovereto, Italy.

Operating profit improved by 15% compared with the third quarter of 2005 and amounted to SEK 1,235 M (1,074). The operating margin totaled 23.3% (21.2). The profit increase was mainly attributable to favorable price trends, higher volumes and improved internal efficiency. Changed exchange rates had no significant effect on earnings. The return on capital employed rose to 33.8% (30.7).

In September, Sandvik Tooling inaugurated a unit in Chiplun, India for recovery of cemented carbide from used inserts. Rune Karlsson, responsible globally for Sandvik Tooling Supply, is shown with scissors at hand.

## SANDVIK TOOLING

SEK M	Q 3 2006	Q 3 2005	Change %	Q 1-3 2006	Q 1-3 2005	Change %
Order intake	5 268	5 089	+7*	17 057	15 633	+7*
Invoiced sales	5 298	5 066	+8*	16 760	15 337	+8*
Operating profit	1 235	1 074	+15	3 843	3 234	+19
%	23.3	21.2		22.9	21.1	
Return on capital employed	33.8	30.7				
Number of employees	15 017	15 055	+/-0			

\* at fixed exchange rates for comparable units.

# Sandvik

## Mining and Construction

Sandvik Mining and Construction's order intake in the quarter amounted to SEK 6,717 M (6,283), an increase of 3% for comparable units, excluding currency effects. Adjusted for project orders, the increase was 20%, which illustrates the continued strong demand for the business area's products.

Market activity was high in the quarter and the demand for base metals, precious metals and coal remained strong. High production rates combined with new investments resulted in continued high demand for machinery for the mining industry. Demand for machinery and tools from Sandvik Mining and Construction was strong for both underground and surface mining and the construction industry as well from all geographical regions. During the quarter, a number of large contracts were signed for new machinery for underground mining, mainly in Southern Africa.

Invoicing rose by 18% for comparable units excluding currency effects and amounted to SEK 6,518 M (5,409).

The Chilean company Implementos Mineros (Implemin), Latin America's leading producer and supplier of consumables for rotary drilling and RC drilling within mineral exploration, was acquired in September. The acquisition complements previous acquisitions and means that Sandvik can now deliver fully integrated solutions for rotary drilling. In addition, the acquisition also strengthens Sandvik's capacity in the aftermarket.

Operating profit rose in the third quarter by 30% to SEK 952 M (730) or 14.6% (13.5) of



Demand for machinery and tools from Sandvik Mining and Construction remained strong in the quarter.

invoiced sales. The increase was attributable primarily to higher volume and high capacity utilization combined with increased efficiency.

The number of project orders in invoicing increased in the third quarter, which affected the operating margin somewhat negatively but return positively. Changed exchange rates had a marginally positive effect on earnings. The return on capital employed increased to 30.6 % (25.1).

### SANDVIK MINING AND CONSTRUCTION

SEK M	Q 3 2006	Q 3 2005	Change %	Q 1-3 2006	Q 1-3 2005	Change %
Order intake	6 717	6 283	+3 *	21 728	17 191	+18 *
Invoiced sales	6 518	5 409	+18 *	18 097	14 863	+16 *
Operating profit	952	730	+30	2 670	1 880	+42
%	14.6	13.5		14.8	12.6	
Return on capital employed	30.6	25.1				
Number of employees	11 851	10 452	+13			

\* at fixed exchange rates for comparable units.

# Sandvik

## Materials Technology

Sandvik Materials Technology's order intake in the quarter amounted to SEK 5,359 M (3,922), an increase of 41% compared with the year earlier period for comparable units excluding currency effects, or 34% after adjustment for major project orders. Invoiced sales amounted to SEK 4,501 M (3,890), an increase of 20% for comparable units excluding currency effects. Price surcharges for high raw material prices had a positive effect of about 6% on order intake and invoicing. This meant that order intake increased by 28% and invoicing by 14% in comparable terms.

Demand for products from Sandvik Materials Technology remained strong. The business climate in Europe was stable and improved in NAFTA. In Asia, particularly China, growth remained strong, as in South America, where mainly Brazil posted a positive trend.

Business conditions remained strong for most product areas, although primarily in the energy, process and aerospace industries. Demand for tube products to the oil/gas, fertilizer and nuclear power industries developed highly positively during the quarter and a number of large orders were secured. Activity in the general engineering industry and consumer-related industries was stable and improved in the electronics industry. Demand from the automotive industry was stable, with favorable growth in Asia, weak in the US and stable in Europe. New rapidly growing industries such as medical technology and precision mechanics showed highly positive development during the quarter.

Operating profit in the third quarter increased by 62% and amounted to SEK 473 M (292) or 10.5% (7.5) of invoicing. The improved profit-



Sandvik Santronic™ is a coated strip steel for the production of electronic components, such as domes, the pressure springs under the buttons on a mobile telephone.

ability is primarily attributable to higher volumes resulting in better capacity utilization, in combination with the change program in progress that resulted in increased capacity, reduced costs and an improved product mix. Changed routines for managing preventative maintenance among other areas resulted in a shorter vacation stop than previously at the production units in Sweden. This contributed to higher capacity utilization and reduced seasonal variation. Changed exchange rates had no significant effect on earnings. Return on capital employed increased to 15.9% (12.1).

### SANDVIK MATERIALS TECHNOLOGY

SEK M	Q 3 2006	Q 3 2005	Change %	Q 1-3 2006	Q 1-3 2005	Change %
Order intake	5 359	3 922	+41*	15 835	13 012	+20*
Invoiced sales	4 501	3 890	+20*	14 003	12 074	+15*
Operating profit	473	292	+62	1 552	1 156	+34
%	10.5	7.5		11.1	9.6	
Return on capital employed	15.9	12.1				
Number of employees	8 516	8 412	+1			

\* at fixed exchange rates for comparable units, including price surcharges for increased raw material prices.

## First nine months 2006

The order intake for the January to September 2006 period amounted to SEK 58,743 (49,497), an increase of 19% in total and 15% for comparable units excluding currency effects. Invoicing was SEK 52,919 M (45,897), an increase of 15% in total and 12% for comparable units excluding currency effects.

Operating profit for the period from January to September amounted to SEK 8,703 M (6,727), an increase of SEK 1,976 M or 29%. The operating margin was 16.4% (14.7) of invoicing. Currency effects had a positive impact on profit of about SEK 450 M from the beginning of the year.

Net financial items amounted to an expense of SEK 740 M (expense: 474). Profit after financial

items was SEK 7,963 M (6,253), an increase of 27%. The tax rate was 28%, and profit for the period amounted to SEK 5,753 M (4,500). Earnings per share amounted to SEK 4.60 (3.45).

Cash flow from operating activities amounted to SEK 6,644 M (5,060). The Group's investments in fixed assets amounted to SEK 3,403 M (2,347). Company acquisitions accounted for SEK 1,099 M. After investments, acquisitions and divestments, cash flow was SEK 2,532 M (2,701).

The number of employees was 41,126 (39,613 at 31 December 2005), an increase of 791 persons for comparable units since the beginning of the year.

## Significant events

- Sandvik Tooling announced its intention on 25 October to discontinue production of high-speed steel tools in Worksop, UK. This measure means that production of high-speed steel drills is being shifted to other production units within Sandvik Tooling to achieve a more cost-efficient production structure. The phase-out affects about 200 employees.
- As part of the development of Sandvik Mining and Construction's strategic position, the Chilean company Implementos Mineros (Implemin) was acquired in September. The company is Latin America's leading producer and supplier of consumables for rotary drilling and RC drilling within mineral exploration. Implemin has annual sales of about SEK 90 M and some 90 employees. The acquisition complements previous acquisitions and means that Sandvik can now deliver fully integrated solutions for rotary drilling. Implemin is consolidated within Sandvik Mining and Construction from 30 September. Since the acquisition was relatively small, no specification in accordance with IFRS 3 is provided in this report. Complete reporting of acquisitions carried out in 2006 will be provided in the 2006 Annual Report.
- In September, Sandvik Tooling inaugurated a unit for recovery of cemented carbide in Chilplun, India. The facility has a recovery capacity of 600 tons and is strategically important for the supply of raw materials as well as Sandvik's environmental commitment.
- Sandvik Hard Materials, within Sandvik Tooling business area, has decided to transfer production of wear parts and other products at the unit in Torino, Italy, to the product area's facilities in Epinouze, France and Barcelona, Spain. Operations in Torino will be phased out, but sales and service in Italy will not be affected. The decision is part of the work to enhance cost efficiency and achieve economies of scale in production. The phase-out affects about 20 persons and is scheduled to be completed at the end of 2006.



## Parent Company

The Parent Company's invoiced sales were SEK 12,815 M (11,157) and operating profit totaled SEK 374 M (244). Interest-bearing liabilities and provisions, less cash and cash equiva-

lents and interest-bearing assets, amounted to SEK 9,563 M (8,266 at 31 December 2005). Investments in fixed assets totaled SEK 682 M (610).

## Annual General Meeting

The Board of Directors has decided that the 2007 Annual General meeting will be held in Sandviken on 26 April 2007 at 5:00 p.m. The

notice to convene the Meeting will be made in the usual manner.

## Accounting principles

This report was prepared in accordance with IFRS, with application of IAS 34, Interim Financial Reporting. The same accounting and valua-

tion principles were applied as in the most recent annual report.

Sandviken, 27 October 2006

Sandvik AB; (publ)  
Lars Pettersson  
President and CEO

**Review report:**

We have reviewed the interim report for Sandvik AB; (publ) for the period 1 January to 30 September 2006. Management is 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 financial interim report based on our 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 issued by FAR. 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.

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, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, 27 October 2006

KMPG Bohlins AB  
Caj Nackstad

**Appendices:**

1. The Group in brief
2. Sales and operating profit

Additional information is available from Sandvik Investor Relations, +46 (0)26-26 10 23, or by e-mail to [info.ir@sandvik.com](mailto:info.ir@sandvik.com)

A combined presentation and telephone conference will be held on 27 October at 2:00 p.m. at Operaterrassen in Stockholm.

**Calendar 2007:**

- 1 Feb Report on Fourth Quarter and Full Year 2006
- 26 Apr Annual General Meeting in Sandviken
- 26 Apr First Quarter Report
- 19 July Second Quarter Report
- 6 Sep Capital Markets Day
- 26 Oct Third Quarter Report

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# Appendix 1

## The Group in brief

<b>INCOME STATEMENT SEK M</b>	Q 3 2006	Q 3 2005	Change %	Q 1-3 2006	Q 1-3 2005	Change %
Revenue	17 587	15 554	+13	52 919	45 897	+15
Cost of sales and services	-11 667	-10 457	+12	-34 476	-30 322	+14
Gross profit	5 920	5 097	+16	18 443	15 575	+18
% of revenue	33.7	32.8		34.9	33.9	
Selling expenses	-2 211	-2 075	+7	-6 924	-6 403	+8
Administrative expenses	-602	-561	+7	-1 872	-1 712	+9
R&D-expenses	-353	-312	+13	-1 160	-989	+17
Other operating income and expenses	100	112	-10	216	256	-16
Operating profit	2 854	2 261	+26	8 703	6 727	29
% of revenue	16.2	14.5		16.4	14.7	
Financial income	53	163	-67	198	280	-29
Financial expenses	-324	-298	+9	-938	-754	+24
Net financing cost	-271	-135	+101	-740	-474	+56
Profit after financial items	2 583	2 126	+21	7 963	6 253	+27
% of revenue	14.7	13.7		15.0	13.6	
Income tax expense	-757	-597	+27	-2 210	-1 753	+26
Profit for the period	1 826	1 529	+19	5 753	4 500	+28
% of revenue	10.4	9.8		10.9	9.8	
of which minority interests	94	71	+32	288	247	+16
of which shareholders' interest	1 732	1 458	+19	5 465	4 253	+28
Earnings per share, SEK	1.45	1.20		4.60	3.45	

<b>BALANCE SHEET SEK M</b>	Q 3 2006	Q 3 2005	Change %	Q 4 2005
Intangible assets	6 375	5 653	+13	5 874
Property, plant and equipment	17 338	16 285	+6	16 687
Financial assets	3 471	3 341	+4	3 271
Inventories	18 108	16 338	+11	16 440
Current receivables	17 010	15 261	+11	15 731
Cash and cash equivalents	1 580	2 007	-21	1 559
Total assets	63 882	58 885	+8	59 562
Total equity	25 802	22 379	+15	24 507
Interest-bearing liabilities	18 753	19 420	-3	18 212
Non-interest-bearing liabilities	19 327	17 086	+13	16 843
Total equity and liabilities	63 882	58 885	+8	59 562
Net working capital*	20 643	18 766		19 623

\*) Inventories + trade receivables excl. prepaid income taxes – non-interest-bearing liabilities excl. tax liabilities.

## Appendix 1 (cont)

<b>CHANGE IN TOTAL EQUITY</b>	Q 1-3	Q 1-3
<b>SEK M</b>	2006	2005
Opening equity as shown in approved balance sheet for the preceding year (IFRS)	24 507	23 551
Effect of change in accounting policy (IAS 39)	-	+62
Opening equity, as restated	24 507	23 613
Currency translation differences	-994	1 602
Equity settled share based payments	-137	-54
Effect of hedge accounting in accordance with IAS 39	208	-230
Dividends	-3 533	-3 012
Purchase of minority owned shares in subsidiaries	-2	-76
Redemption of own shares	-	-3 964
Net profit for the period	5 753	4 500
Closing equity	25 802	22 379

<b>CASH-FLOW STATEMENT</b>	Q 3	Q 3	Q 1-3	Q 1-3
<b>SEK M</b>	2006	2005	2006	2005
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+2 583	+2 126	+7 963	+6 253
Adjustment for depreciation and impairment losses	+748	+709	+2 188	+2 005
Adjustment for items that do not require the use of cash	-157	+15	-70	-51
Income tax paid	-430	-605	-2 107	-1 592
Cash flow from operating activities before changes in working capital	+2 744	+2 245	+7 974	+6 615
<i>Changes in working capital</i>				
Change in inventories	-996	-71	-2 023	-1 784
Change in operating receivables	+303	+435	-1 343	-981
Change in operating liabilities	+737	+323	+2 036	+1 210
Cash flow from operating activities	+2 788	+2 932	+6 644	+5 060
<i>Cash flow from investing activities</i>				
Aquisitions of companies and shares, net of cash acquired	-232	-100	-1 081	-128
Purchase of property, plant and equipment	-1 212	-903	-3 403	-2 347
Proceeds from sale of companies and shares, net of cash disposed of	-1		+5	
Proceeds from sale of property, plant and equipment	+30	+40	+367	+116
Net cash used in investing activities	-1 415	-963	-4 112	-2 359
Net cash flow after investing activities	+1 373	+1 969	+2 532	+2 701
<i>Cash flow from financing activities</i>				
Change in loans	-1 624	+2 409	+1 162	+4 411
Personnel options program	-3	-36	-48	-63
Redemption of own shares		-4 122		-3 964
Dividends paid			-3 533	-3 012
Net cash used in financing activities	-1 627	-1 749	-2 419	-2 628
Cash flow for the period	-254	+220	+113	+73
Cash and cash equivalents at beginning of the period	1 819	1 731	1 559	1 720
Exchange-rate differences in cash and cash equivalents	+15	+56	-92	+214
Cash and cash equivalents at the end of the period	1 580	2 007	1 580	2 007

# Appendix 2

## Sales and operating profit

### INVOICED SALES BY MARKET AREA

SEK M	Q 3	Q 4	Q 1-4	Q 1	Q 2	Q 3	Change Q 3		Q 1-3
	2005	2005	2005	2006	2006	2006	%	% <sup>1)</sup>	2006
Europe	6 589	7 508	28 729	7 896	8 265	7 508	+14	+15	23 669
NAFTA	3 306	3 579	12 643	3 779	3 442	3 347	+1	+5	10 568
South America	905	1 089	3 552	931	1 030	1 102	+22	+22	3 063
Africa/Middle East	1 033	1 154	3 994	1 161	1 290	1 452	+41	+46	3 903
Asia/Australia	3 721	4 143	14 452	3 714	3 824	4 178	+12	+13	11 716
Group total	15 554	17 473	63 370	17 481	17 851	17 587	+13	+15	52 919

### ORDER INTAKE BY BUSINESS AREA

SEK M	Q 3	Q 4	Q 1-4	Q 1	Q 2	Q 3	Change Q 3		Q 1-3
	2005	2005	2005	2006	2006	2006	%	% <sup>1)</sup>	2006
Svk Tooling	5 089	5 451	21 084	6 095	5 694	5 268	+4	+7	17 057
Svk Mining and Construction	6 283	5 203	22 394	8 300	6 711	6 717	+7	+3	21 728
Svk Materials Technology	3 922	4 700	17 712	5 124	5 351	5 359	+37	+41	15 835
Seco Tools <sup>2)</sup>	1 178	1 327	4 965	1 459	1 368	1 275	+8	+12	4 102
Group activities	8	8	31	7	7	8			21
Group total	16 480	16 689	66 186	20 985	19 131	18 627	+13	+14	58 743

### INVOICED SALES BY BUSINESS AREA

SEK M	Q 3	Q 4	Q 1-4	Q 1	Q 2	Q 3	Change Q 3		Q 1-3
	2005	2005	2005	2006	2006	2006	%	% <sup>1)</sup>	2006
Svk Tooling	5 066	5 510	20 847	5 801	5 662	5 298	+5	+8	16 760
Svk Mining and Construction	5 409	5 697	20 560	5 539	6 039	6 518	+21	+18	18 097
Svk Materials Technology	3 890	4 929	17 003	4 719	4 783	4 501	+16	+20	14 003
Seco Tools <sup>2)</sup>	1 181	1 317	4 919	1 413	1 356	1 259	+7	+10	4 028
Group activities	8	20	41	9	11	11			31
Group total	15 554	17 473	63 370	17 481	17 851	17 587	+13	+15	52 919

### OPERATING PROFIT BY BUSINESS AREA

SEK M	Q 3	Q 4	Q 1-4	Q 1	Q 2	Q 3	Change Q 3		Q 1-3
	2005	2005	2005	2006	2006	2006	%	% <sup>1)</sup>	2006
Svk Tooling	1 074	1 185	4 420	1 294	1 314	1 235	+15		3 843
Svk Mining and Construction	730	774	2 654	800	918	952	+30		2 670
Svk Materials Technology	292	573	1 729	526	553	473	+62		1 552
Seco Tools <sup>2)</sup>	246	319	1 100	329	286	298	+21		913
Group activities	-81	-46	-371	-96	-76	-104			-275
Group total	2 261	2 805	9 532	2 853	2 995	2 854	+26		8 703

### OPERATING PROFIT BY BUSINESS AREA

% OF INVOICING	Q 3	Q 4	Q 1-4	Q 1	Q 2	Q 3			Q 1-3
	2005	2005	2005	2006	2006	2006			2006
Svk Tooling	21.2	21.5	21.2	22.3	23.2	23.3			22.9
Svk Mining and Construction	13.5	13.6	12.9	14.4	15.2	14.6			14.8
Svk Materials Technology	7.5	11.6	10.2	11.1	11.6	10.5			11.1
Seco Tools <sup>2)</sup>	20.8	24.2	22.4	23.3	21.1	23.7			22.7
Group total	14.5	16.1	15.0	16.3	16.8	16.2			16.4

1) Change compared with year earlier 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 company's interim report.