

# Sandvik Q4

PRESS RELEASE 9 February 2005

## Quarter 4:

- Profit after financial items rose 48% to SEK 1,794 M.
- Order intake increased 17%\* to SEK 14,180 M.
- Strong global demand.

## 2004 – a record year:

- Profit after financials +35% to SEK 6,465 M.
- Organic growth +17%\*.
- Earnings per share +58%, 17.70 SEK.
- Proposal of an increased dividend by SEK 0.50 and share redemption of SEK 4 billion and cancellation of previously repurchased shares.

“Demand in the quarter remained high in all markets and order intake increased 17%. Profit after financial items rose to SEK 1,794 M, making 2004 a record year for Sandvik. Both sales and earnings were the highest ever. Invoicing amounted to SEK 55 billion and profit after financial items rose to SEK 6.5 billion. Increased market shares and continued efficiency improvements meant that the Group strengthened its position as global market leader,” says Sandvik’s President and CEO Lars Pettersson.



“Sandvik’s growth in the fourth quarter was strong”, says Lars Pettersson, President and CEO of Sandvik.

## ORDER INTAKE\*



## KEY FIGURES

SEK M	Q4/04	Q4/03	Q1-4/04	Q1-4/03
Order intake	14 180	12 450	56 500	49 830
Invoiced sales	14 380	12 880	54 610	48 810
Operating profit	1 965	805	7 166	4 967
Earnings per share, SEK	4.90	1.10	17.70	11.20

## BUSINESS AREAS – ORDER INTAKE\*



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



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# Key figures

SEK M	Q4 2004	Q4 2003	Change %	Q1-4 2004	Q1-4 2003	Change %
Order intake	14 180	12 450	+14 <sup>1)</sup>	56 500	49 830	+13 <sup>1)</sup>
Invoiced sales	14 380	12 880	+12 <sup>2)</sup>	54 610	48 810	+12 <sup>2)</sup>
Operating profit	1 965	805	+144 <sup>3)</sup>	7 166	4 967	+44 <sup>3)</sup>
%	13.7	6.3		13.1	10.2	
Operating profit excl. nonrecurring expenses <sup>3)</sup>	1 965	1 405	+40	7 166	5 567	+29
%	13.7	10.9		13.1	11.4	
Profit after financial items	1 794	612	+193 <sup>3)</sup>	6 465	4 187	+54 <sup>3)</sup>
%	12.5	4.8		11.8	8.6	
Profit after financial items excl. nonrecurring items <sup>3)</sup>	1 794	1 212	+48	6 465	4 787	+35
%	12.5	9.4		11.8	9.8	
Net profit	1 237	258		4 453	2 788	
%	8.6	2.0		8.2	5.7	
Earnings per share, SEK	4.90	1.10		17.70	11.20	
Return on equity, %	-	-		20.2	12.8	
Return on capital employed, %	-	-		19.4	13.4 <sup>4)</sup>	

1) +17 % and +17 % respectively, at fixed exchange rates for comparable units.

2) +16 % and +15 % respectively, at fixed exchange rates for comparable units.

3) Q4, 2003 includes nonrecurring expenses of SEK 600 M for write down of goodwill etc., related to Precision Twist Drill Inc. Adjusted for these expenses, operating profit in 2004 rose 40% in the fourth quarter and 29% for the full year. Profit after financial items increased by 48% and 35%, respectively.

4) Excl. nonrecurring expenses (SEK 600 M) in Q4 2003, ROCE was 14.9%.

	Full-year 2004	Full-year 2003
No. of shares outstanding at end of period ('000)	247 045	250 013
Earnings per share, SEK*	17.70	11.20
After full dilution**	17.60	11.00
Return on capital employed, %	19.4	13.4
Return on shareholders equity, %	20.2	12.8
Net debt/equity ratio	0.6	0.5

\* Most recent 12 months divided by average number of outstanding shares, 251,334,000 (250,012,000).

\*\* Most recent 12 months. After full dilution of convertible programs, the average number of shares amounts to 252,692,000 (254,921,000).

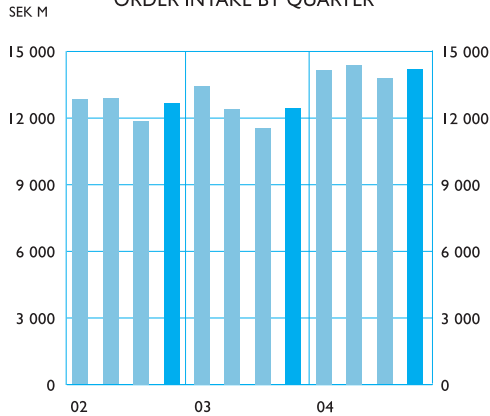
## ORDER INTAKE BY MARKET AREA

Market area	Fourth quarter 2004			Full year 2004		
	Order intake SEK M	Change* %	Share %	Order intake SEK M	Change* %	Share %
Europe	6 882	+22	49	26 760	+13	47
NAFTA	2 730	+20	19	11 171	+27	20
South America	772	+17	5	2 776	+24	5
Africa/Middle East	778	-7	6	3 350	+6	6
Asia/Australia	3 018	+12	21	12 443	+22	22
Total	14 180	+17	100	56 500	+17	100

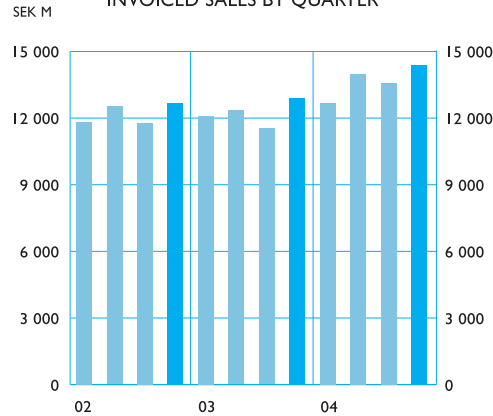
\* at fixed exchange rates for comparable units.

# Sales

ORDER INTAKE BY QUARTER



INVOICED SALES BY QUARTER



Order intake in the fourth quarter amounted to SEK 14,180 M (12,450), an increase of 14% in total, or 17% at fixed exchange rates for comparable units. Changed exchange rates affected order intake negatively by 3%. Growth remained strong for all business areas. The increase at fixed exchange rates for comparable units for Sandvik Tooling was 15%, for Sandvik Mining and Construction 9% and for Sandvik Materials Technology 32%. Increased prices for raw materials affected order intake in Sandvik Materials Technology positively by about 7 percentage points.

Order intake for the full year amounted to SEK 56,500 M (49,830), an increase of 13% in total, or 17% at fixed exchange rates for comparable units. Changed exchange rates affected order intake negatively by 2%.

Demand remained strong in all market areas. In Europe, order intake increased by 22% in the fourth quarter and the rise was sharp in Germany and Eastern Europe. The business climate in NAFTA remained positive for all business areas. Order intake was also high in Asia/Australia. The trend in China, India and other parts of Southeast Asia remained strong. Asia/Australia accounted for 21% of the Group's total order intake in the fourth quarter and the market area for the full year was larger than NAFTA. Order intake in South America increased by 17% in the fourth quarter, with favorable development in Brazil and Chile. Order intake declined in Africa/Middle East compared with a year earlier, attributable to lower mining activity in South Africa.

The industrial business climate remained

strong in the consumer- and investment-related areas. Demand in the general engineering industry was generally high. The automotive industry in Europe posted continued positive development. In NAFTA, the production of heavy vehicles was high, while the domestic passenger car industry showed a weaker development.

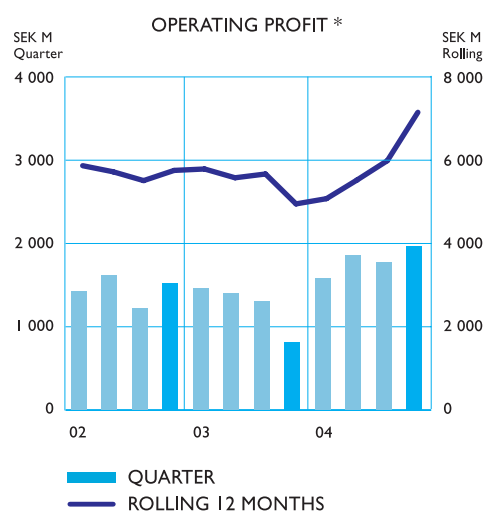
Demand in the oil/gas, chemical and other process industries was favorable. Demand in the mining industry remained favorable, for investment products, such as machinery and plants, and consumption goods, such as tools and service. The construction industry developed positively, mainly in NAFTA and Asia. Demand in the aerospace industry rose. The trend was positive in the electronics industry, but a certain weakening was noted in Japan and Korea.

## INVOICING

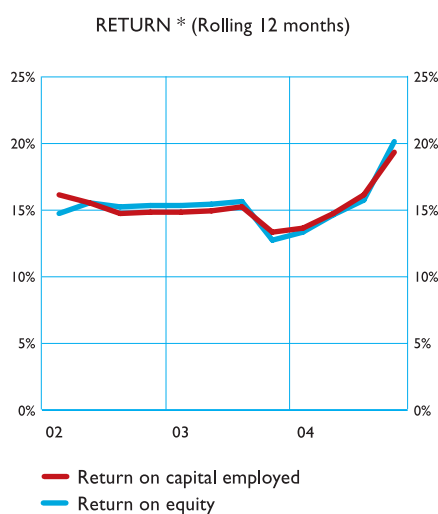
Invoicing in the fourth quarter amounted to SEK 14,380 M (12,880), up 12% in total and by 16% at fixed exchange rates for comparable units. Changed currency rates had a negative effect of 2%. The increase at fixed exchange rates for comparable units was 16% for Sandvik Tooling, 14% for Sandvik Mining and Construction and 17% for Sandvik Materials Technology. Higher raw material prices accounted for about 7 percentage points of the increase within Sandvik Materials Technology.

Group invoicing for the full year was SEK 54,610 M (48,810), up 12% in total and by 15% at fixed exchange rates for comparable units. Changed currency rates had a negative effect of 2% for the full year.

# Earnings and return



\* including one off items Q4 2003



Operating profit in the fourth quarter was SEK 1,965 M, up 40% adjusted for the nonrecurring items in Q4 2003. The operating margin was 13.7% of invoicing. The earnings improvement was attributable to higher sales volumes and prices, increased capacity utilization and the effects of implemented rationalization measures. Changed exchange rates affected earnings negatively by approximately SEK 80 M.

Operating profit for the full year amounted to SEK 7,166 M (4,967) and was the highest ever for the Group. Changed exchange rates affected earnings negatively by approximately SEK 310 M. The operating margin was 13.1% of invoicing.

The net financial expense was SEK 171 M (expense: 193). The net financial expense for the full year was SEK 701 M (expense: 780).

Profit after financial items in the fourth quarter amounted to SEK 1,794 M, 12.5% of invoicing, and for the full year SEK 6,465 M, or 11.8% of invoicing. The increase in the fourth quarter was 48% and 35% for the full year, adjusted for nonrecurring items in the fourth quarter 2003.

Tax for the quarter amounted to SEK 495 M (306) and for the full year SEK 1,759 M (1,212). Net profit for the fourth quarter was SEK 1,237 M (258) and for the full year SEK 4,453 M (2,788). Earnings per share were SEK 4.90 (1.10) for the quarter and SEK 17.70 for the full year (11.20 for full-year 2003).

Cash flow from operations amounted to SEK 1,593 M (2,230) in the quarter and

SEK 5,322 M (6,421) for the full year. Working capital rose by SEK 579 M due to increased volumes. Investments in the quarter amounted to SEK 1,205 M (1 043), of which company acquisitions accounted for SEK 199 M. Investments for the full year were SEK 3,278 M (3 260), of which company acquisitions SEK 311 M. Cash flow after investments was SEK 520 M (1,278) for the quarter and SEK 2,709 M (3,655) for the full year.

Capital efficiency improved compared with the preceding year and working capital amounted to 29% (31) of invoicing.

Return on capital employed rose to 19.4% (13.4 for full-year 2003). Return on equity was 20.2% (12.8). Interest-bearing liabilities and provisions less liquid funds resulted in a net debt of SEK 13,027 M (12,128). Liquid funds amounted to SEK 1,720 M (1,972) and loans to SEK 10,946 M (10,167).

The number of shares outstanding was 247,044,796. Equity per share was SEK 88.50 (85.80) and the equity/assets ratio 45% (46). The net debt/equity ratio was 0.6 (0.5).

Group expenditures for research, development and quality assurance amounted to SEK 1,870 M (1,860), corresponding to 3.4% (3.8) of invoicing.

The number of employees was 38,421 (36,930), an increase for comparable units of 725 persons during the quarter. The increase for comparable units from the beginning of the year was 1,609.

# Sandvik Tooling

Sandvik Tooling's order intake in the fourth quarter amounted to SEK 4,818 M (4,514), up 15% at fixed exchange rates for comparable units. Demand in Europe and the other regions was strong. The automotive industry developed positively and particularly for heavy vehicles. Development in the general engineering industry was favorable, with high activity in Eastern Europe, NAFTA and Asia. Sales to the aerospace industry increased. Demand for indexable inserts and solid-carbide tools was very favorable.

Invoicing amounted to SEK 4,784 M (4,488), an increase compared with the preceding year of 16% at fixed exchange rates for comparable units.

Operating profit in the fourth quarter amounted to SEK 960 M, an increase of 37% adjusted for nonrecurring expenses in Q4, 2003. The operating margin was 20.1% (15.6). The earnings increase was due mainly to higher volumes, high capacity utilization and implemented efficiency measures.

The operating margin in the fourth quarter rose by about 0.8 percentage points compared with the third quarter after adjustment for non-recurring items. Product area Walter posted strong development, with a sharp improvement in operating margin.

Order intake for the full year amounted to SEK 19,584 M (18,187), an increase of 14% for comparable units. Invoicing was SEK 19,227 M



(18,090), up 11% for comparable units. High demand and increased market shares resulted in a strong volume trend, particularly for the Walter and Sandvik Coromant product areas, which posted sharp sales increases in a number of markets, including North America. The business area's operating profit increased to SEK 3,737 M, 19.4% of invoicing. The return on capital employed for the business area rose to 28.1% (16.0).

The number of employees was 15,048 at year-end 2004, an increase of 451 persons for comparable units.

One of Sandvik Coromant's new products is CoroDrill® 880, that due to its unique shape of the central insert, with Step Technology can, in many applications, give up to 100% productivity increases, and cut the cost per drilled hole to less than half. An innovation with great possibilities on the market.

## SANDVIK TOOLING

SEK M	Q4 2004	Q4 2003	Change %	Q1-4 2004	Q1-4 2003	Change %
Order intake	4 818	4 514	+15 *	19 584	18 187	+14 *
Invoiced sales	4 784	4 488	+16 *	19 227	18 090	+11 *
Operating profit	960	101	+850 <sup>1)</sup>	3 737	2 286	+63 <sup>1)</sup>
%	20.1	2.3	<sup>1)</sup>	19.4	12.6	<sup>1)</sup>
Return on capital employed	-	-		28.1	16.0	

\* at fixed exchange rates for comparable units.

1) Excluding write-down of goodwill and restructuring costs in Precision Twist Drill in Q4 2003, SEK 600 M, operating profit was:

Q4 2003: SEK 701 M, 15.6% of invoicing

Q1-4 2003: SEK 2,886 M, 16.0% of invoicing.

# Sandvik

## Mining and Construction

Sandvik Mining and Construction's order intake in the fourth quarter was SEK 4,284 M (3,867), an increase of 9% at fixed exchange rates for comparable units. The business climate within the mining industry remained positive. The need for base and precious metals as well as coal was substantial and prices held at a high level. This resulted in high capacity utilization by customers and increased demand. Order intake for machinery, equipment, tools and service remained strong in all market areas. However, lower activity was noted in South Africa due to the strong local currency. The investment level in projects, such as conveyor systems for ore, remained high, particularly in South America. Demand for crushers for mining applications increased.

Invoicing increased by 14% at fixed exchange rates for comparable units and amounted to SEK 4,515 M (3,951).

Operating profit in the fourth quarter rose by 32% to SEK 495 M (376), or 11% of invoicing. Profit was affected positively by higher volumes

and high capacity utilization. The share of machinery and projects rose compared with a year earlier and accounted for about 50% of invoicing.

### THE FULL YEAR

Order intake for the full year amounted to SEK 17,162 M (14,888), an increase of 17% for comparable units. Invoicing amounted to SEK 16,617 M (14,299), an increase of 20% at fixed exchange rates for comparable units. Continued focus on high-technology products, internal efficiency and an increased service and after-market share contributed to operating profit rising by 18% and amounting to SEK 1,704 M (1,444), 10.3% of invoicing. The automated mining concept Automine® was successful. The business area posted a return on capital employed of 19.7% (17.5).

The number of employees was 9,623 at year-end 2004, an increase of 717 persons for comparable units.

### SANDVIK MINING AND CONSTRUCTION

SEK M	Q4 2004	Q4 2003	Change %	Q1-4 2004	Q1-4 2003	Change %
Order intake	4 284	3 867	+9*	17 162	14 888	+17 *
Invoiced sales	4 515	3 951	+14*	16 617	14 299	+20 *
Operating profit	495	376	+32	1 704	1 444	+18
%	11.0	9.5		10.3	10.1	
Return on capital employed	-	-		19.7	17.5	

\* at fixed exchange rates for comparable units.



The ultra-low-profile loader 88 XLP, designed for the narrow platinum mines, was one of the new products on show for the participants at the Sandvik Capital Markets Day.

# Sandvik

## Materials Technology

Sandvik Materials Technology's order intake in the fourth quarter amounted to SEK 3,963 M (3,081), an increase compared with a year earlier of 32% at fixed exchange rates for comparable units. Invoicing amounted to SEK 3,949 M (3,447), up 17% at fixed exchange rates for comparable units. Surcharges due to higher raw material prices affected order intake and invoicing positively by about 7 percentage points, which means that the comparable increases were 25% and 10%, respectively.

Order intake was strong in all product areas. Customer segments such as oil/gas and the process industries as well as the general engineering industry developed positively. Demand from consumer-related segments, such as automotive and household appliances, was stable and high.

Operating profit in the fourth quarter rose by 53% to SEK 380 M (248), or 9.6% of invoicing. The improvement compared with the preceding year was due mainly to higher volumes and prices as well as increased capacity utilization. Higher prices compensated for increased raw material costs. The high demand resulted in continued purchasing of semifinished goods, which affected earnings adversely by about SEK 20 M. Earnings include a damage settlement received in a dispute related to the Sorting product area and a write-down of fixed assets. The combined effect of these items was mainly neutral on earnings.

### THE FULL YEAR

Order intake for the full year amounted to SEK 15,391 M (12,790), an increase of 23% at fixed exchange rates for comparable units. Invoicing amounted to SEK 14,423 M (12,467), up 18%



The Sandvik Innovation Prize was awarded in conjunction with Sandvik's R&D Day held in Sandviken, Sweden in October. The winning entry came from Sandvik Materials Technology. Håkan Holmberg (left) and Magnus Cedergren were awarded the prize for a new method for surface treatment of strip.

at fixed exchange rates for comparable units. Operating profit rose 68% to SEK 1,259 M (750), 8.7% of invoicing. The process of change to increase efficiency and profitability was intensified during the year and the effects of parts of the program carried out to date are positive. The return on capital employed rose to 10.6% (6.8).

The number of employees was 8,350 at year-end 2004, an increase of 394 persons for comparable units.

### SANDVIK MATERIALS TECHNOLOGY

SEK M	Q4 2004	Q4 2003	Change %	Q1-4 2004	Q1-4 2003	Change %
Order intake	3 963	3 081	+32 *	15 391	12 790	+23 *
Invoiced sales	3 949	3 447	+17 *	14 423	12 467	+18 *
Operating profit	380	248	+53	1 259	750	+68
%	9.6	7.2		8.7	6.0	
Return on capital employed	-	-		10.6	6.8	

\* at fixed exchange rates for comparable units.

## Parent Company

Parent Company invoicing was SEK 12,984 M (11,974) and operating profit SEK 847 M (1,018). Interest-bearing liabilities and provisions less liquid funds and interest-bearing assets

amounted to SEK 3,005 M (3,110). Parent Company investments in fixed assets amounted to SEK 836 M (1,083).

## Accounting principles

This report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20. The same accounting and valuation principles were applied

as in the most recent annual report. Information about the transition to IFRS accounting principles was published in a separate press release on 8 February 2005.

## Significant events 2004

- In March, Sandvik Mining and Construction acquired 51% of the shares in the Brazilian company Manuseio de Granéis Sólidos S.A. (MGS), based in São Paulo. The acquisition is included in the Sandvik Materials Handling product area. MGS is a leading producer of overland conveyors in Brazil. Customers are major Brazilian mining companies, ports and other bulk materials handling companies. MGS reported annual sales in 2003 of approx. SEK 240 M, with 65 employees.
- On 31 August, Walter AG divested its grinding machine operations to the Körber Schleifring Group. Sales amounted to EUR 76.5 M in 2003, with 388 employees.
- In August, Werner Schmitt PKD-Werkzeug, a German manufacturer of polycrystalline diamond hole machining tools, was acquired. The company, which has sales of approximately SEK 80 M and about 80 employees, is included in the Walter product area and was consolidated from October 2004.
- In December, Sandvik acquired the American tool company Technical Tooling, Inc (TTI). TTI is the market leader in precision tooling for aluminum beverage can manufacturing in the United States. Annual sales amount to about USD 7 M. The company is based in Minneapolis and its customers are large global food packaging groups. TTI will be integrated with Sandvik Hard Materials, a product area within the Sandvik Tooling business area.
- Sandvik Mining and Construction has decided to establish a manufacturing unit in China for the assembly of machines and equipment. The new facility is expected to become operational in 2005.
- Sandvik signed an agreement in November with Accenture regarding outsourcing of administrative HR services. The agreement is for ten years and applies in the first phase to the US, Finland and Sweden. It is the partners' intention at a later stage of the process to include France, Germany, the UK, South Africa, India and Australia.
- Sandvik AB signed a syndicated loan facility for EUR 1,000 M on 18 June. The facility will be applied in the company's ongoing operations.
- Peter Larson, Executive Vice President of Sandvik AB and CFO, Chief Financial Officer, left his position as CFO on 1 November 2004. In his role as Executive Vice President, Peter is responsible for business development and IT.
- Per Nordberg, has been appointed Executive Vice President and CFO of Sandvik AB effective 1 November 2004. Per (48) holds an MBA and is the former CFO of OMX AB.



## Buy-back of shares

The authorization to repurchase the company's own shares was utilized in 2004 as a step towards reaching the Group's debt/equity target.

At 31 December 2004, Sandvik's holding of own shares (treasury stock) totaled 16,522,000, corresponding to 6.3% of the total number of shares (263,566,796) and the amount paid was SEK 3,974 M, corresponding to an average price

paid of SEK 238 per share. During the fourth quarter, 3,650,000 shares were repurchased at a purchase price of SEK 989 M.

The Board will propose that the shares already purchased be cancelled. In addition, to retain an efficient capital structure, the Board is proposing a redemption program that replaces the earlier buy-back program.

## Proposals to the AGM, 3 May 2005

The Annual General Meeting will be held in Sandviken on 3 May 2005 at 17:00. The Annual Report will be distributed to the shareholders approximately one month prior to the Meeting.

### **DIVIDEND**

The Board of Directors proposes a dividend of SEK 11.00 per share (10.50) or SEK 2,717 M (2,640). The proposal represents an increase of 5% from a year earlier and the dividend corresponds to 62% of earnings per share. The proposed record date for dividend entitlement is 9 May 2005.

### **REDEMPTION PROCESS**

Against the background of the company's strong balance sheet and to contribute to increased shareholder value, the Board proposes that about SEK 4 billion, or about SEK 16 per share, be distributed to the shareholders through a redemption offer.

In accordance with the proposal, the exact terms and conditions for the redemption process will be established one month prior to the Annual General Meeting on 3 May 2005. Such a

redemption process is expected to be completed during June. The redemption process is a step in adapting the company's capital structure to the established financial goals. Further information is provided in a separate press release.

### **DELETION OF PROVISIONS FOR REDEMPTION OBLIGATION AND TRANSFER OF FIXED ASSETS FROM THE ARTICLES OF ASSOCIATION**

The Board proposes that the Annual General Meeting resolve that the current provision in the Articles of Association regarding redemption obligation be deleted. The reason for the Board's proposal is that the purpose that justified the addition of the provision in 1992 is currently in all significant respects met by the Industry and Commerce Stock Exchange Committee's rules governing mandatory bids. Moreover, the Board proposes that the provision in the Articles of Association regarding decisions at transfer of fixed assets be deleted. The reason for the Board's proposal is to facilitate that operations can be organized in an optimal manner.

# Nomination Committee's proposal at the AGM

In accordance with a decision at Sandvik AB's Annual General Meeting, the company has a Nomination Committee comprising representatives of the four largest shareholders together with the Chairman of Sandvik. Accordingly, prior to the Annual General Meeting 2005 Sandvik's Nomination Committee comprises, Carl-Olof By, Industrivärden, Chairman, Curt Källströmer, Handelsbanken Pension Foundation

and Pension Fund, Sarah McPhee, AMF Pension and AMF Funds, Marianne Nilsson, Robur and Sandvik's Chairman Clas Åke Hedström.

The Nomination Committee intends to propose at the Annual General Meeting the re-election of Board members Georg Ehrnrooth, Clas Åke Hedström, Sigrun Hjelmquist, Egil Myklebust, Arne Mårtensson, Lars Nyberg, Anders Nyrén and Lars Pettersson.

Sandviken, 9 February 2005

Sandvik AB; (publ)

Board of Directors

Appendices:

1. Group summary
2. Invoicing and operating profit

The report has not been reviewed by the Company's auditors.

Sandvik Group's result for the first quarter of 2005 will be published in connection with the Company's Annual General Meeting on 3 May 2005.

For additional information, please call +46 (0)26-26 10 01.

A combined presentation and telephone conference will be held at Operaterrassen in Stockholm on 9 February at 14.00 p.m. For further information visit [www.sandvik.com](http://www.sandvik.com)

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# Appendix 1

## CONSOLIDATED FINANCIAL INFORMATION, SEK M

<b>INCOME STATEMENT</b>	Q4 2004	Q4 2003	Q1-4 2004	Q1-4 2003
Invoiced sales	14 380	12 880	54 610	48 810
Cost of goods sold	-10 026	-9 012 <sup>1)</sup>	-37 340	-33 657 <sup>1)</sup>
Gross profit	4 354	3 868 <sup>1)</sup>	17 270	15 153 <sup>1)</sup>
Selling and administrative expenses	-2 496	-3 133 <sup>1) 2)</sup>	-10 455	-10 372 <sup>1) 2)</sup>
Other operating income and expenses, net	107	70	351	186
Operating profit	1 965	805	7 166	4 967
% of invoicing	13.7	6.3	13.1	10.2
Financial income and expenses, net	-171	-193	-701	-780
Profit after financial items	1 794	612	6 465	4 187
% of invoicing	12.5	4.8	11.8	8.6
Taxes	-495	-306	-1 759	-1 212
Minority interest	-62	-48	-253	-187
Net profit	1 237	258	4 453	2 788
% of invoicing	8.6	2.0	8.2	5.7

1) Comparative figures for 2003 have been adjusted for reclassification between Costs of goods sold and Selling and administrative expenses (SEK 210 M, Q4 2003 and SEK 160 M for full-year 2003).

2) Amount includes nonrecurring expenses of SEK 600 M related to Precision Twist Drill.

Earnings per share before dilution, SEK	4.90	1.10	17.70	11.20
Earnings per share after full dilution, SEK	4.90	1.00	17.60	10.90
Average no. of shares ('000)	248 870	250 013	251 334	250 012
Average no. of shares after full dilution ('000)	248 920	254 921	252 692	254 921

<b>CASH FLOW STATEMENT</b>	Q4 2004	Q4 2003	Q1-4 2004	Q1-4 2003
Profit after financial items	+1 794	+612	+6 465	+4 187
Items not affecting cash-flow etc.	+4	+48	-536	-213
Reversal of depreciation	+814	+1 330	+2 933	+3 346
Taxes paid	-440	-277	-1 334	-1 577
Change in inventories	-410	+405	-1 836	+70
Change in operating receivables and liabilities	-169	+112	-370	+608
Cash flow from operations	+1 593	+2 230	+5 322	+6 421
Investments, acquisitions and divestments	-1 073	-952	-2 613	-2 766
Change in short-term loans	+627	-1 243	+1 937	-3 633
Change in long-term loans	-33	+424	-123	+2 533
Buy-back of own shares	-988		-2 048	
New issue of shares*			+117	
Change in operating receivables and liabilities			-2 799	-2 659
Cash flow from operations	+126	+459	-207	-104
Liquid funds at beginning of period	1 643	1 528	1 972	2 175
Exchange-rate differences in liquid funds	-49	-15	-45	-99
Liquid funds at end of period	1 720	1 972	1 720	1 972

\* New issue as a result of options program.

## Appendix 1 (cont)

<b>BALANCE SHEET</b>	Full-year 2004	Full-year 2003
Fixed assets	22 520	22 352
Inventories	13 459	12 147
Current receivables	13 532	11 926
Liquid assets	1 720	1 972
<b>Total assets</b>	<b>51 231</b>	<b>48 397</b>
Shareholders' equity	21 856	21 440
Minority interests	959	846
Interest-bearing provisions and liabilities	14 746	14 100
Non-interest-bearing provisions and liabilities	13 670	12 011
<b>Total provisions, liabilities and shareholders' equity</b>	<b>51 231</b>	<b>48 397</b>
	Q1-4 2004	Q1-4 2003
<b>CHANGE IN SHAREHOLDERS' EQUITY</b>		
Opening equity as shown in approved balance sheet for the preceding year	21 440	23 205
Effect of change in accounting principles	-	-1 053
Opening equity adjusted to new accounting principles	21 440	22 152
Translation differences due to changed currency rates	-413	-1 000
Dividends to shareholders	-2 640	-2 500
Buy-back of own shares	-2 048	-
New issue of shares*	1 064	-
Net profit of the period	4 453	2 788
<b>Closing balance</b>	<b>21 856</b>	<b>21 440</b>

\* Conversion of loans and new issues as a result of options program.

# Appendix 2

## INVOICING BY MARKET AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Change	
	2003	2003	2004	2004	2004	2004	2004	%	% <sup>1)</sup>
Europe	6 027	23 402	6 440	6 670	6 056	6 975	26 141	+12	+13
NAFTA	2 414	10 270	2 533	2 781	2 697	2 640	10 651	+4	+18
South America	537	2 034	490	671	804	792	2 757	+36	+28
Africa/Middle East	924	3 159	697	935	894	928	3 454	+9	+7
Asia/Australia	2 978	9 945	2 520	2 923	3 119	3 045	11 607	+17	+20
Group total	12 880	48 810	12 680	13 980	13 570	14 380	54 610	+12	+15

## ORDER INTAKE BY BUSINESS AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Change	
	2003	2003	2004	2004	2004	2004	2004	%	% <sup>1)</sup>
Svk Tooling	4 514	18 187	5 014	5 084	4 668	4 818	19 584	+8	+14
Svk Mining and Construction	3 867	14 888	4 150	4 362	4 366	4 284	17 162	+15	+17
Svk Materials Technology	3 081	12 790	3 911	3 843	3 674	3 963	15 391	+20	+23
Seco Tools <sup>2)</sup>	973	3 930	1 082	1 102	1 066	1 095	4 344	+11	+14
Group activities	15	35	3	-1	-4	20	19	/	/
Group total	12 450	49 830	14 160	14 390	13 770	14 180	56 500	+13	+17

## INVOICES SALES BY BUSINESS AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Change	
	2003	2003	2004	2004	2004	2004	2004	%	% <sup>1)</sup>
Svk Tooling	4 488	18 090	4 701	4 997	4 745	4 784	19 227	+6	+11
Svk Mining and Construction	3 951	14 299	3 537	4 235	4 330	4 515	16 617	+16	+20
Svk Materials Technology	3 447	12 467	3 373	3 654	3 447	3 949	14 423	+16	+18
Seco Tools <sup>2)</sup>	978	3 902	1 057	1 094	1 040	1 121	4 312	+11	+14
Group activities	16	52	12	0	8	11	31	/	/
Group total	12 880	48 810	12 680	13 980	13 570	14 380	54 610	+12	+15

## OPERATING PROFIT BY BUSINESS AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Change	
	2003	2003	2004	2004	2004	2004	2004	%	% <sup>1)</sup>
Svk Tooling	101	2 286	859	947	971	960	3 737		
Svk Mining and Construction	376	1 444	324	450	434	495	1 704		
Svk Materials Technology	248	750	302	314	263	380	1 259		
Seco Tools <sup>2)</sup>	164	677	191	229	175	214	809		
Group activities	-84	-190	-96	-90	-72	-84	-343		
Group total	805	4 967	1 580	1 850	1 771	1 965	7 166		

## OPERATING PROFIT BY BUSINESS AREA

% OF INVOICING	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Change	
	2003	2003	2004	2004	2004	2004	2004	%	% <sup>1)</sup>
Svk Tooling	2.3	12.6	18.3	19.0	20.5	20.1	19.4		
Svk Mining and Construction	9.5	10.1	9.2	10.6	10.0	11.0	10.3		
Svk Materials Technology	7.1	6.0	9.0	8.6	7.6	9.6	8.7		
Seco Tools <sup>2)</sup>	16.8	17.4	18.0	21.0	16.8	19.1	18.8		
Group total	6.3	10.2	12.5	13.2	13.1	13.7	13.1		

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.