

# Sandvik Q2

PRESS RELEASE 20 July 2010

Interim report on the second quarter  
and the first six months of 2010

## CEO's comment:

“Demand for Sandvik’s products continued to improve in the second quarter. The Group’s operating result improved to SEK 3.5 billion and the operating margin rose to 17%. Order intake remained strong in Asia and improved in other markets. Demand from the energy sector remained high and an increase was noted in the automotive, mining and process industries. Order intake exceeded invoiced sales by SEK 2.5 billion, resulting in a strengthening of the order books of both Sandvik Mining and Construction and Sandvik Materials Technology. Lower cost levels, combined with higher sales and production volumes, a favorable product mix and positive metal

price effects are the main reasons for the improved result” says Sandvik’s President and CEO Lars Pettersson.

“It is satisfying to note that the market situation continued to improve in the second quarter. The operating margin was roughly on par with the level reported in the second quarter of 2008, despite the fact that invoicing was about 20% lower. The improved result was primarily generated by enhanced internal efficiency combined with higher sales and production volumes. Cash flow developed favorably due to strong result and improved capital efficiency. Furthermore, both net debt and net debt to equity ratio were reduced during the quarter.”

## FINANCIAL HIGHLIGHTS

	Q2 2010	Q2 2009	Change %	Q1-2 2010	Q1-2 2009	Change %
<b>SEK M</b>						
Order intake *	23 179	16 503	+43 *	45 449	34 257	+36 *
Invoiced sales *	20 603	18 011	+15 *	39 136	37 147	+8 *
Gross profit	7 920	3 154	+151	14 184	8 123	+75
% of invoiced sales	38.4	17.5		36.2	21.9	
Operating profit	3 471	-1 985		5 368	-1 871	
% of invoiced sales	16.8	-11.0		13.7	-5.0	
Profit after financial items	3 037	-2 443		4 538	-2 872	
% of invoiced sales	14.7	-13.6		11.6	-7.7	
Profit for the period	2 075	-2 015		3 198	-2 314	
% of invoiced sales	10.1	-11.2		8.2	-6.2	
of which shareholders' interest	1 904	-2 020		2 966	-2 341	
Earnings per share, SEK <sup>1)</sup>	1.61	-1.70		2.50	-1.97	
Return on capital employed <sup>2)</sup>	8.8	6.2		8.8	6.2	
Cash flow from operations	+2 626	+2 753	-5	+4 913	+4 388	+12
Number of employees	45 178	46 452	-3	45 178	46 452	-3

\* At fixed exchange rates for comparable units.

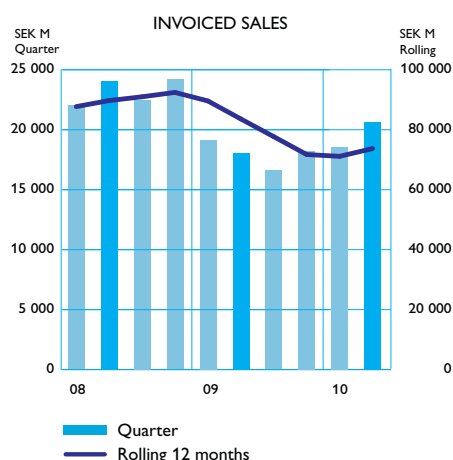
1) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact.

2) 12 months rolling.

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# Market and sales



The global market situation improved further in the second quarter. Order intake and invoiced sales rose by 43% and 15%, respectively, at fixed exchange rates. There was a distinct recovery in order intake in all markets. Compared with the historically strongest second quarter, in 2008, order intake was down 14% and invoiced sales 22% at fixed exchange rates. Still the operating margin was almost back to the same level.

A continued increase in global industrial production in most segments meant that demand for Sandvik's products increased compared with the weak second quarter in the preceding year. Excluding the lower demand during the quarter for materials-handling projects, order intake also increased compared with the preceding quarter. High activity levels in the energy segment and growth in order intake from, among others, the automotive, mining, engineering and process industries contributed to the rise in order intake. There was a noticeable rise in demand from the mining industry, both within the aftermarket segment and for machinery and equipment. Order intake from the aerospace industry was stable, while in the construction industry there was a slight improvement in market conditions, from low levels.

While the strong trend continued in Asia, other markets also displayed a favorable growth rate. The positive trend in Europe started at low levels and the recovery was weaker than in other parts of the world, but was higher in Northern Europe than in southern regions. The product mix for invoiced sales developed favorably in the quarter mainly because the share of cutting tools

Q2	Order intake	Invoiced sales
Price/volume, %	43	15
Structure, %	1	1
Currency, %	-2	-2
<b>Total, %</b>	<b>40</b>	<b>14</b>

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

was relatively high. This was also the case for Sandvik Mining and Construction's aftermarket business. Sandvik's strong position as a supplier to the international nuclear power industry was consolidated during the quarter. In June, within agreements previously announced, two orders were received for steam generator tubes to China with a combined value of about SEK 600 M for delivery at the end of 2011 and during 2013, respectively.

**Order intake** amounted to SEK 23,179 M (16,503), up 40% in total and 43% at fixed exchange rates for comparable units. Changed exchange rates had a negative impact on order intake of 2%. Major project orders accounted for just under SEK 1 billion.

The increase at fixed exchange rates for comparable units was 45% for Sandvik Tooling and 49% for Sandvik Mining and Construction, including major project orders. For Sandvik Materials Technology, the increase was 34%, including a positive effect of about 11 percentage points related to changed metal prices.

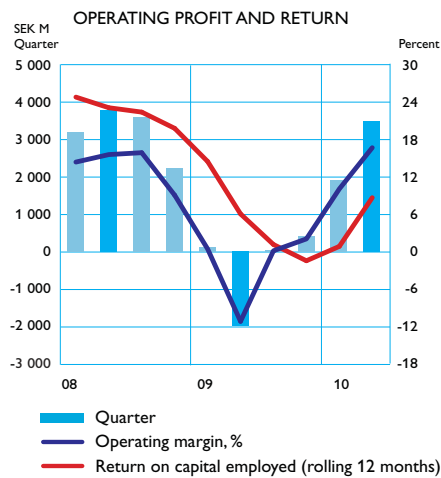
**Invoiced sales** in the second quarter amounted to SEK 20,603 M (18,011), up 14% in total and 15% at fixed exchange rates for comparable units compared with the second quarter in the preceding year. Changed exchange rates had a negative impact of 2% on invoiced sales. For Sandvik Tooling, the increase in invoiced sales at fixed exchange rates for comparable units was 38%. Sandvik Mining and Construction reported a decline of 2% in invoiced sales. Sandvik Materials Technology's invoiced sales increased 23% at fixed exchange rates for comparable units, including a positive effect of about 9 percentage points related to changed metal prices.

# Earnings and return

Earnings and return for the second quarter improved compared with the preceding quarter and the corresponding quarter in the preceding year. The operating result rose to SEK 3,471 M (-1,985) and the operating margin was 16.8% of invoicing (-11.0). The improvement is a result of lower cost levels in conjunction with higher production volumes, increased capacity utilization and a favorable product mix. Changed metal prices had a positive impact of about SEK 340 M (-360) on the result. Changed exchange rates also impacted the result positively in the amount of SEK 160 M. The result in the second quarter 2009 was charged with approximately SEK 1.8 billion attributable to nonrecurring costs and effects of changed metal prices.

Sales and production volumes rose during the quarter compared with both the preceding year and quarter, which resulted in increased capacity utilization. Production rates at Sandvik Tooling and Sandvik Materials Technology increased to a level just above the rate of sales to ensure high delivery security during the vacation and maintenance period in the third quarter. Sandvik Mining and Construction also increased its rate of production in response to the rise in demand. Implemented efficiency-enhancement measures yielded lower cost levels in all business areas, which – combined with increased volumes and a favorable product mix – led to an improved result. The price trend remained positive for all business areas.

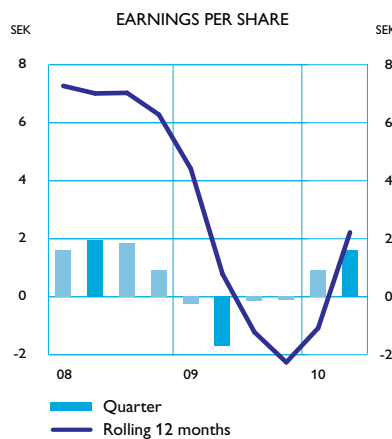
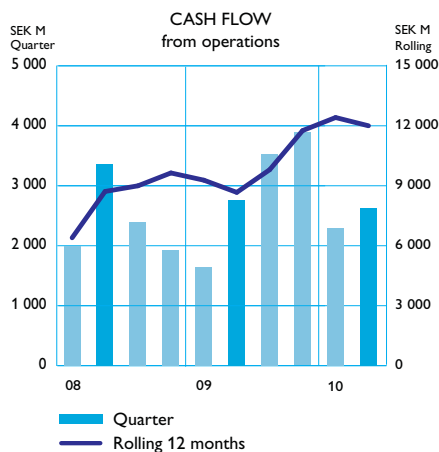
Net financial items amounted to SEK -434 M (-458) and the result after net financial items was SEK 3,037 M (-2,443), or 14.7% of invoiced sales. Income tax was SEK -962 M (+428)



and the net result for the period amounted to SEK 2,075 M (-2,015), or 10.1% of invoicing. Earnings per share amounted to SEK 1.61 (-1.70) in the quarter.

Cash flow from operations was SEK +2,626 M (+2,753). The strong cash flow was mainly a consequence of the improved result, but also of increased capital efficiency. Despite a certain level of over production ahead of the vacation period, capital efficiency was further improved during the quarter and working capital declined to 27% (42) of invoiced sales. Investments amounted to SEK 905 M (2,074), of which company acquisitions accounted for SEK 230 M (987). Cash flow after investments was SEK +1,770 M (+772) for the quarter. The net debt to equity ratio declined to 0.9 (1.2).

The return on capital employed for the most recent 12-month period amounted to 8.8% (6.2) and the return on shareholders' equity was 9.5% (3.3).



# Sandvik Tooling

- Increased demand
- Higher volumes
- Lower cost level
- Higher capital efficiency

The trend in demand for Sandvik Tooling remained positive during the quarter. Order intake and invoiced sales improved in all markets compared with the preceding year and increased slightly compared with the preceding quarter. The rise in invoicing combined with a higher production rate and lower cost level generated an increase in the operating result. Order intake in the second quarter increased 45% and invoiced sales 38% at fixed exchange rates for comparable units. The operating result increased to SEK 1,283 M (-463), or 21.0% of invoicing.

The market situation continued to improve in all markets. The growth in demand was driven by a rise in global demand in many regions, thus increasing industrial production. Demand from the energy sector remained strong, while order intake from the automotive and general engineering industries increased. Demand from the aerospace industry was stable. All product areas within Sandvik Tooling reported positive development, but the increase was most pronounced for products in cemented carbide and super-hard materials, but somewhat weaker for high-speed steel products. A long-term focus on strategic areas has increased Sandvik Tooling's competitiveness. The price trend remained positive.

The positive development of the operating result was mainly attributable to a lower cost base, higher invoicing and a higher production rate. During the quarter, the effects of the pro-

Q2	Order intake	Invoiced sales
Price/volume, %	45	38
Structure, %	3	4
Currency, %	-5	-5
<b>Total, %</b>	<b>41</b>	<b>35</b>

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



grams introduced in the preceding year aimed at reducing working hours diminished according to plan. The production rate during the quarter was slightly higher than invoiced sales to ensure a high delivery security during the vacation and maintenance period during the third quarter. This increased finished inventories slightly and had a positive impact of less than 1 percentage point on the operating margin. Cash flow remained strong and working capital declined to 26% (45) of invoiced sales.

The operating result improved significantly and totaled SEK 1,283 M (-463). Earnings were adversely impacted in the amount of about SEK 100 M by changed exchange rates. The second quarter of 2009 was charged with nonrecurring costs totaling approximately SEK 300 M related mainly to restructuring programs. The operating margin was 21.0% (-10.2). Return on capital employed for the most recent 12-month period amounted to SEK 7.7% (9.1).

SEK M	Q2 2010	Q2 2009	Change %	Q1-2 2010	Q1-2 2009	Change %
Order intake	6 295	4 466	+45 *	12 194	9 498	+33 *
Invoiced sales	6 122	4 541	+38 *	11 673	9 734	+24 *
Operating profit	1 283	-463		2 116	-196	
%	21,0	-10,2		18,1	-2,0	
Return on capital employed	7,7	9,1		7,7	9,1	
Number of employees	15 146	15 969	-6	15 146	15 969	-6

\* At fixed exchange rates for comparable units.

# Sandvik

## Mining and Construction

- Increased demand
- Improved product mix
- Higher volumes
- Lower cost level

Demand from the global mining industry continued to improve in the second quarter. Order intake for the business area rose 49% at fixed exchange rates, while invoiced sales declined 2% as a result of low project invoicing and a relatively high invoicing level in the corresponding year-earlier period. Excluding the project business, invoiced sales rose 8%. The operating result increased to SEK 1,283 M, or 15.3% of invoiced sales.

Activity in the mining industry intensified during the quarter in line with the trend from earlier quarters, while the construction industry also showed signs of improvement. Demand continued to rise in the aftermarket segment and also rose significantly for machinery and equipment. Although activity in the construction industry increased, it was lower than that reported by the mining industry. Higher metal prices and higher production rates for mining of copper, iron-ore and coal contributed to the rise in demand. The increase was particularly clear in North and South America as well as Asia and Africa, while Australia and particularly Europe displayed a lower rate of increase.

Order intake exceeded invoiced sales, entailing a further strengthening of the order book. Of invoiced sales, the aftermarket business rose at a



Q2	Order intake	Invoiced sales
Price/volume, %	49	-2
Structure, %	0	0
Currency, %	0	0
<b>Total, %</b>	<b>49</b>	<b>-1</b>

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

more rapid pace than the equipment business and accounted for 58% of invoicing, while equipment and projects represented 35% and 7%, respectively. During the latter half of the year, the project business is expected to once again expand.

Sandvik Mining and Construction continued to rationalize production processes, product development and logistics, and to create a more flexible cost structure. In pace with the growth in demand

for equipment, the utilization rate increased in all assembly plants, which contributed to an improved operating margin. Programs to increase capital efficiency performed favorably and helped to maintain a continued strong cash flow. Working capital declined to 28% (43) of invoiced sales.

The second-quarter operating result increased to SEK 1,283 M (-670) or 15.3% (-7.9) of invoiced sales. The result was positively impacted by increased invoicing and production volumes, a lower cost level, favorable product mix and positive exchange-rate effects. Changed exchange rates had a positive impact of approximately SEK 180 M on the result. The second quarter of 2009 was charged with nonrecurring costs totaling approximately SEK 800 M related mainly to restructuring programs. Return on capital employed for the most recent 12-month period was 13.3% (9.5).

SEK M	Q2 2010	Q2 2009	Change %	Q1-2 2010	Q1-2 2009	Change %
Order intake	9 629	6 443	+49 *	19 535	13 752	+44 *
Invoiced sales	8 375	8 487	-2 *	15 963	16 818	-5 *
Operating profit	1 283	-670		1 905	-278	
%	15,3	-7,9		11,9	-1,7	
Return on capital employed	13,3	9,5		13,3	9,5	
Number of employees	14 724	15 273	-4	14 724	15 273	-4

\* At fixed exchange rates for comparable units.

# Sandvik

## Materials Technology

- Increased demand
- Increased volumes
- Lower cost level
- Metal price effect + SEK 340 M

Demand developed positively for Sandvik Materials Technology during the quarter. Order intake for products to the energy sector and the mining industry remained strong and the improvement continued for products to the automotive, electronics and parts of the consumer industry. Although demand for more low value-added products remained weak, there was a slight improvement. Order intake and invoiced sales increased 34% and 23%, respectively, and the operating result improved to SEK 699 M, or 15.1% of invoiced sales. Excluding metal price effects the operating margin was 8 %.

The market situation improved gradually during the quarter, particularly in Europe and Asia. The market for high-alloy products for the nuclear power industry remained favorable and, within agreements previously announced, two orders for a combined value of SEK 600 M were signed covering deliveries of steam generator tubes to Chinese nuclear power plants. Demand improved for high-alloy products for applications in the oil and gas industry. For strip, wire and heat-conducting products to, among others, the automotive, consumer and electronics industries, order intake rose compared with the preceding year and quarter. Order intake increased 34% and invoiced sales 23% at fixed exchange rates. Changed metal prices had a posi-



Q2	Order intake	Invoiced sales
Price/volume, %	34	23
Structure, %	0	0
Currency, %	-2	-2
<b>Total, %</b>	<b>31</b>	<b>22</b>

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

itive impact on order intake and invoicing of 11 and 9 percentage points, respectively. Despite the improvement in market conditions, the invoicing level for the quarter was 10-15% lower than before the downturn in 2009.

The production rate was raised to offset the higher level of demand and to secure sufficient inventories ahead of the vacation period. At the end of the quarter, nickel inventory amounted to about 7,000 tons, with a value of USD 22,500 per ton. Working capital declined to 28% (39) of invoiced sales.

An increase in the rate of production in conjunction with good internal efficiency and lower costs contributed to an improvement in the operating result and operating margin compared with the preceding year and quarter. The operating result totaled SEK 699 M (-750), or 15.1% (-19.7) of invoiced sales. Changed metal prices had a positive impact of about SEK 340 M (-360), or 7 percentage points, on the operating result, but is expected to have a marginal effect in the third quarter. Changed exchange rates had no material impact on the result. The second quarter of 2009 was charged with nonrecurring costs and metal price effects totaling approximately SEK 660 M for restructuring programs and changed metal prices. Return on capital employed for the most recent 12-month period was 7.1% (-3.9).

SEK M	Q2 2010	Q2 2009	Change %	Q1-2 2010	Q1-2 2009	Change %
Order intake	5 752	4 400	+34 *	10 793	8 458	+31 *
Invoiced sales	4 618	3 798	+23 *	8 638	8 053	+11 *
Operating profit	699	-750		1 011	-1 271	
%	15,1	-19,7		11,7	-15,8	
Return on capital employed	7,1	-3,9		7,1	-3,9	
Number of employees	8 615	8 777	-2	8 615	8 777	-2

\* At fixed exchange rates for comparable units.



## First six months of 2010

Order intake for the period January-June 2010 was positively impacted by the global economic recovery and amounted to SEK 45,449 M (34,257), up 33% in total and 36% at fixed exchange rates for comparable units. Invoicing was SEK 39,136 M (37,147), up 5% in total and 8% at fixed exchange rates for comparable units.

The operating result for the January-June period improved primarily due to higher volumes, a lower cost level and a favorable product mix and amounted to SEK 5,368 M (-1,871). The operating margin was 13.7% (-5.0) of invoicing. Changed exchange rates had a negative impact on the result of about SEK 190 M since the

beginning of the year and changed metal prices had a positive impact of SEK 370 M.

Financial net amounted to SEK -830 M (-1,001) and the result after financial items was SEK 4,538 M (-2,872). The tax rate was 29.5%, and net result for the period amounted to SEK 3,198 M (-2,314). Earnings per share amounted to SEK 2.50 (-1.97).

Cash flow from operating activities amounted to SEK 4,913 M (4,388). The Group's investments in fixed assets totaled SEK 1,205 M (2,595). Company acquisitions accounted for SEK 468 M (1 051). After investments, acquisitions and divestments, cash flow amounted to SEK +3,364 M (+835).

## Significant events

- In June, within agreements previously announced, Sandvik Materials Technology received two orders for steam generator tubes to China for a combined value of about SEK 600 M. Deliveries are scheduled for the latter part of 2011 and during 2013, respectively.
- In June, the Administrative Court decided to

approve the Public Commissioner's appeal pertaining to additional taxation of Sandvik AB for 2005. Sandvik has subsequently appealed the decision and has been allowed a respite for the tax payment. For further information, refer to the press release dated 14 June 2010 or Sandvik's Annual Report for 2009.

## Parent Company

The Parent Company's invoicing during the second quarter of 2010 amounted to SEK 4,760 M (3,021) and the operating result was SEK 173 M (-838). For the period January-June 2010, invoicing amounted to SEK 8,837 M (6,932) and the operating result was SEK 296 M (-1,452). 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. Income from shares in Group companies consists primarily of dividends from these and amounted to SEK 62 M (3,628) after the second quarter. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 12,946 M (11,319 at 31 December 2009). Investments in fixed assets amounted to SEK 510 M (690).

## Acquisitions and divestments

No acquisitions or divestments were made during the first six months of the year. A further two part payments were made relating to the acquisition of Wolfram, which had a negative impact of

SEK 461 M on cash flow after investments. In addition, the Group redeemed the remaining 3% of its shares in Sandvik Asia for an amount totaling SEK 7 M.

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

Business area	Company/unit	Closing date	Annual revenue SEK M	No. of employees
Sandvik Tooling	BTA Heller Drilling Systems, UK	16 Jan 09	33	12
Sandvik Tooling	Wolfram, Austria	28 May 09	1 800	274

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

# Financial reports summary

## The Group

### INCOME STATEMENT

	Q2	Q2	Change	Q1-2	Q1-2	Change
SEK M	2010	2009	%	2010	2009	%
Revenue	20 603	18 011	14	39 136	37 147	5
Cost of sales and services	-12 683	-14 857	-15	-24 952	-29 024	-14
Gross profit	7 920	3 154	151	14 184	8 123	75
% of revenues	38.4	17.5		36.2	21.9	
Selling expenses	-2 739	-2 946	-7	-5 320	-5 799	-8
Administrative expenses	-1 301	-1 394	-7	-2 561	-2 725	-6
Research and development costs	-557	-557	0	-1 056	-1 085	-3
Other operating income and expenses	148	-242		121	-385	
Operating profit	3 471	-1 985		5 368	-1 871	
% of revenues	16.8	-11.0		13.7	-5.0	
Financial net	-434	-458	-5	-830	-1 001	-17
Profit after financial items	3 037	-2 443		4 538	-2 872	
% of revenues	14.7	-13.6		11.6	-7.7	
Income tax	-962	428		-1 340	558	
Profit for the period	2 075	-2 015		3 198	-2 314	
% of revenues	10.1	-11.2		8.2	-6.2	
<b>Other comprehensive income</b>						
Foreign currency translation differences	420	29		-451	957	
Cash-flow hedges	-189	401		46	357	
Tax related to other comprehensive income	50	-106		-12	-94	
Other comprehensive income for the period, net after tax	281	324		-417	1 220	
Total comprehensive income for the period	2 356	-1 691		2 781	-1 094	
Profit for the period attributable to:						
Owners of the parent	1 904	-2 020		2 966	-2 341	
Non-controlling interests	171	5		232	27	
Total comprehensive income attributable to:						
Owners of the parent	2 190	-1 686		2 572	-1 120	
Non-controlling interests	166	-5		209	26	
Earnings per share, before dilution, SEK	1.61	-1.70		2.50	-1.97	



# Financial reports summary

## The Group

### BALANCE SHEET

	30 June 2010	30 June 2009	Change %	31 Dec 2009
<b>SEK M</b>				
Intangible assets	14 062	15 093	-7	14 137
Property, plant and equipment	26 017	27 620	-6	26 519
Financial assets	6 240	5 504	13	5 698
Inventories	21 234	24 995	-15	19 842
Current receivables	19 993	20 813	-4	17 873
Cash and cash equivalents	4 330	6 023	-28	7 506
<b>Total assets</b>	<b>91 876</b>	<b>100 048</b>	<b>-8</b>	<b>91 575</b>
<b>Total equity</b>	<b>31 544</b>	<b>31 705</b>	<b>-1</b>	<b>29 957</b>
Non-current interest-bearing liabilities	29 846	32 056	-7	31 807
Non-current non-interest-bearing liabilities	5 947	5 808	2	5 507
Current interest-bearing liabilities	4 925	13 135	-63	7 574
Current non-interest-bearing liabilities	19 614	17 344	13	16 730
<b>Total equity and liabilities</b>	<b>91 876</b>	<b>100 048</b>	<b>-8</b>	<b>91 575</b>
<i>Net working capital *</i>	22 783	28 356	-20	22 122
<i>Loans</i>	31 775	41 937	-24	36 388
<i>Net debt **</i>	28 922	37 638	-23	30 342
<i>Non-controlling interests in total equity</i>	1 171	974	20	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

	Equity related to owners of the parent	Non-controlling interest	Total equity
<b>SEK M</b>			
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	2 572	209	2 781
Acquisition of non-controlling interests	-	-7	-7
Dividends	-1 186	-1	-1 187
Closing equity, 30 June 2010	30 373	1 171	31 544
Opening equity, 1 January 2009	35 588	1 137	36 725
Total comprehensive income for the period	-1 120	26	-1 094
Dividends	-3 737	-189	-3 926
Closing equity, 30 June 2009	30 731	974	31 705

# Financial reports summary

## The Group

### CASH-FLOW STATEMENT

SEK M	Q2 2010	Q2 2009	Q1-2 2010	Q1-2 2009
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+3 037	-2 443	+4 538	-2 872
Adjustment for depreciation, amortization and impairment losses	+1 013	+1 371	+2 005	+2 336
Adjustment for items that do not require the use of cash etc.	-69	+152	-121	+6
<u>Income tax paid</u>	<u>-443</u>	<u>-222</u>	<u>-752</u>	<u>-688</u>
Cash flow from operating activities before changes in working capital	+3 538	-1 142	+5 670	-1 218
<i>Changes in working capital</i>				
Change in inventories	-1 301	+3 454	-1 084	+5 093
Change in operating receivables	-1 338	+2 363	-2 508	+4 661
<u>Change in operating liabilities</u>	<u>+1 733</u>	<u>-1 785</u>	<u>+2 837</u>	<u>-3 862</u>
Cash flow from operating activities	-906	+4 032	-755	+5 892
Investments in rental equipment	-61	-211	-100	-384
Divestments of rental equipment	+55	+74	+98	+98
Cash flow from operations	+2 626	+2 753	+4 913	+4 388
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-230	-987	-468	-1 051
Acquisitions of property, plant and equipment	-675	-1 087	-1 205	-2 595
Proceeds from sale of companies and shares, net of cash disposed of		+48		+48
<u>Proceeds from sale of property, plant and equipment</u>	<u>+49</u>	<u>+45</u>	<u>+124</u>	<u>+45</u>
Cash flow from investing activities	-856	-1 981	-1 549	-3 553
Net cash flow after investing activities	+1 770	+772	+3 364	+835
<i>Cash flow from financing activities</i>				
Change in interest bearing debt	-1 067	+67	-5 433	+2 537
Closure of interest swap and currency hedge				+1 424
<u>Dividends paid</u>	<u>-1 186</u>	<u>-3 920</u>	<u>-1 187</u>	<u>-3 925</u>
Cash flow from financing activities	-2 253	-3 853	-6 620	+36
Cash flow for the period	-483	-3 081	-3 256	+871
Cash and cash equivalents at beginning of the period	+4 718	+9 083	+7 506	+4 998
Exchange-rate differences in cash and cash equivalents	+95	+21	+80	+154
Cash and cash equivalents at the end of the period	+4 330	+6 023	+4 330	+6 023

### KEY FIGURES

	Q2 2010	Q2 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, %	31.7	17.5	25.2
Return on capital employed, % <sup>2)</sup>	8.8	6.2	-1.3
Return on total equity, % <sup>2)</sup>	9.5	3.3	-7.9
Return on total capital, % <sup>2)</sup>	6.6	4.6	-1.0
Shareholders' equity per share, SEK	25.60	25.90	24.40
Net debt/equity ratio	0.9	1.2	1.0
Equity/assets ratio, %	34	32	33
Net working capital, %	27	42	32
Earnings per share, SEK	1.61	-1.70	-2.24
Cash flow from operating activities, SEK M	+2 626	+2 753	+11 792
Number of employees	45 178	46 452	44 355

1) After dilution.

2) Rolling 12 months.

# Financial reports summary

## The parent company

### INCOME STATEMENT

	Q2	Q2	Change	Q1-2	Q1-2	Change
SEK M	2010	2009	%	2010	2009	%
Revenue	4 760	3 021	58	8 837	6 932	27
Cost of sales and services	-3 435	-2 961	16	-6 479	-6 669	-3
Gross profit	1 325	60	-	2 358	263	-
Selling expenses	-147	-144	2	-272	-286	-5
Administrative expenses	-702	-620	13	-1 326	-1 259	5
Research and development costs	-241	-235	3	-454	-472	-4
Other operating income and expenses	-62	101	-	-10	302	-
Operating profit	173	-838	-	296	-1 452	-
Income from shares in group companies	31	143	-78	62	3 628	-
Income from shares in associated companies	5	2	-	5	2	-
Interest income and similar items	-	162	-	238	284	-16
Interest expenses and similar items	-340	-476	-29	-672	-867	-22
Profit after financial items	-131	-1 007	-	-71	1 595	-
Appropriations	-	-	-	-	-	-
Income tax expense	86	-107	-	1	-132	-
Profit for the period	-45	-1 114	-	-70	1 463	-

### BALANCE SHEET

	30 June	30 June	Change	31 Dec
SEK M	2010	2009	%	2009
Intangible assets	24	17	41	17
Property, plant and equipment	6 719	6 802	-1	6 622
Financial assets	15 767	14 780	7	15 489
Inventories	3 837	3 814	1	3 310
Current receivables	20 487	19 100	7	22 269
Cash and cash equivalents	4	2	100	9
Total assets	46 838	44 515	5	47 716
Total equity	13 343	11 806	13	14 607
Untaxed reserves	4	12	-67	4
Provisions	219	255	-14	215
Non-current interest-bearing liabilities	17 295	18 313	-6	19 079
Non-current non-interest-bearing liabilities	25	55	-55	22
Current interest-bearing liabilities	11 093	10 377	7	9 686
Current non-interest-bearing liabilities	4 859	3 697	31	4 103
Total equity and liabilities	46 838	44 515	5	47 716
Pledged assets	-	-	-	-
Contingent liabilities	13 151	19 249	-32	17 778
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	12 946	13 722	-6	11 319
Investments in fixed assets	510	690	-26	910

# Market overview and key figures

## The Group

### ORDER INTAKE OCH INVOICED SALES PER MARKET AREA Q2 2010

#### The Group

Market area	Order intake			Share %	Invoiced sales		
	SEK M	Change* % % <sup>1)</sup>			SEK M	Change* %	
Europe	9 065	45	45	39	8 147	18	40
NAFTA	3 807	35	35	16	3 508	29	17
South America	1 498	52	52	7	1 362	24	7
Africa/Middle East	2 201	41	41	10	1 931	15	9
Asia	4 661	53	55	20	3 768	12	18
Australia	1 947	25	25	8	1 887	-10	9
<b>Total</b>	<b>23 179</b>	<b>43</b>	<b>43</b>	<b>100</b>	<b>20 603</b>	<b>15</b>	<b>100</b>

#### Sandvik Tooling

Europe	3 322	45	45	53	3 226	34	53
NAFTA	1 181	39	39	19	1 145	38	19
South America	289	46	46	5	287	39	5
Africa/Middle East	87	21	21	1	88	12	1
Asia	1 345	57	57	21	1 304	52	21
Australia	71	6	6	1	72	4	1
<b>Total</b>	<b>6 295</b>	<b>45</b>	<b>45</b>	<b>100</b>	<b>6 122</b>	<b>38</b>	<b>100</b>

#### Sandvik Mining and Construction

Europe	2 061	36	16	21	1 739	-11	21
NAFTA	1 454	85	85	15	1 054	14	13
South America	988	58	58	10	860	16	10
Africa/Middle East	2 026	48	48	21	1 736	14	21
Asia	1 497	53	53	16	1 460	-12	17
Australia	1 603	33	33	17	1 526	-11	18
<b>Total</b>	<b>9 629</b>	<b>49</b>	<b>44</b>	<b>100</b>	<b>8 375</b>	<b>-2</b>	<b>100</b>

#### Sandvik Materials Technology

Europe	2 807	61	81	49	2 307	25	50
NAFTA	922	-9	-9	16	1 073	34	23
South America	140	23	23	3	130	31	3
Africa/Middle East	61	-36	-36	1	79	46	2
Asia	1 569	48	55	27	760	16	16
Australia	253	-6	-6	4	269	-8	6
<b>Total</b>	<b>5 752</b>	<b>34</b>	<b>40</b>	<b>100</b>	<b>4 618</b>	<b>23</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	Q2	Q3	Q4	Q1-4	Q1	Q2	Change Q2		Q1-2
	2009	2009	2009	2009	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	4 466	4 408	5 056	18 962	5 899	6 295	+41	+45	12 194
Sandvik Mining and Construction	6 443	8 134	9 029	30 915	9 906	9 629	+49	+49	19 535
Sandvik Materials Technology	4 400	3 578	4 444	16 480	5 041	5 752	+31	+34	10 793
Seco Tools <sup>2)</sup>	1 192	1 120	1 258	4 926	1 425	1 502	+26	+34	2 927
Group activities	2	1	0	2	-1	1			
Group total	16 503	17 241	19 787	71 285	22 270	23 179	+40	+43	45 449

### INVOICED SALES BY BUSINESS AREA

SEK M	Q2	Q3	Q4	Q1-4	Q1	Q2	Change Q2		Q1-2
	2009	2009	2009	2009	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	4 541	4 384	4 960	19 078	5 551	6 122	+35	+38	11 673
Sandvik Mining and Construction	8 487	7 762	8 042	32 621	7 588	8 375	-1	-2	15 963
Sandvik Materials Technology	3 798	3 299	3 976	15 328	4 019	4 618	+21	+23	8 638
Seco Tools <sup>2)</sup>	1 176	1 123	1 225	4 871	1 367	1 479	+26	+34	2 846
Group activities	9	10	9	39	9	9			16
Group total	18 011	16 578	18 211	71 937	18 534	20 603	+14	+15	39 136

### OPERATING PROFIT BY BUSINESS AREA

SEK M	Q2	Q3	Q4	Q1-4	Q1	Q2	Q1-2	
	2009	2009	2009	2009	2010	2010	2010	2010
Sandvik Tooling	-463	-247	-84	-527	834	1 283		2 116
Sandvik Mining and Construction	-670	332	411	466	623	1 283		1 905
Sandvik Materials Technology	-750	-2	136	-1 137	312	699		1 011
Seco Tools <sup>2)</sup>	41	51	121	307	220	311		531
Group activities	-143	-83	-176	-521		-105		-195
Group total <sup>3)</sup>	-1 985	51	408	-1 412	1 897	3 471		5 368

### OPERATING MARGIN BY BUSINESS AREA

% OF INVOICED SALES	Q2	Q3	Q4	Q1-4	Q1	Q2	Q1-2	
	2009	2009	2009	2009	2010	2010	2010	2010
Sandvik Tooling	-10.2	-5.6	-1.7	-2.8	15.0	21.0		18.1
Sandvik Mining and Construction	-7.9	4.3	5.1	1.4	8.2	15.3		11.9
Sandvik Materials Technology	-19.7	-0.1	3.4	-7.4	7.8	15.1		11.7
Seco Tools <sup>2)</sup>	3.4	4.5	9.9	6.3	16.1	21.0		18.7
Group total	-11.0	0.3	2.2	-2.0	10.2	16.8		13.7

1) Change compared with preceeding 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.

## 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. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2009.

## 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 second quarter.



## Certification

The Board of Directors and the CEO certify that the interim report on the first six months gives a fair view of the Company's and the Group's operations, position and earnings, and describes the significant risks and uncertainty factors to which the Group is exposed.

Sandviken, 20 July 2010  
Sandvik Aktiebolag (publ)

Anders Nyrén  
Chairman

Egil Myklebust  
Director

Georg Ehrnrooth  
Director

Simon Thompson  
Director

Hanne de Mora  
Director

Fredrik Lundberg  
Director

Lars Westerberg  
Director

Tomas Kärnström  
Director

Jan Kjellgren  
Director

Lars Pettersson  
CEO and Director

Sandvik discloses the information provided herein pursuant to the Securities Market Act. The information is submitted for publication on 20 July 2010 at 08.00 CET.

The company's auditors have not conducted a special review of the Q2 2010 report. The Sandvik Group's interim report for the third quarter 2010 will be published on 29 October 2010.

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 20 July 2010 at 14.00 CET at Operaterassen in Stockholm. Information is available at [www.sandvik.com/ir](http://www.sandvik.com/ir).

### Calendar 2010:

15 Sep Capital Markets Day  
29 Oct Third-quarter report 2010

### 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

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