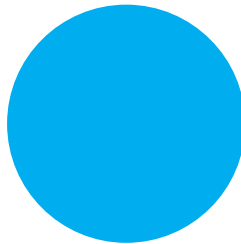
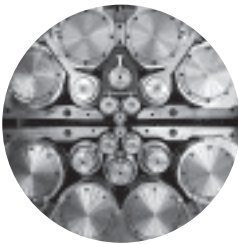


Sandvik

Annual Report 2009



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Forthcoming information and reports

Annual Report 2009	April 2010
The Sandvik World 2009/2010	April 2010
Report on the first quarter	4 May 2010
Annual General Meeting	4 May 2010
Report on the second quarter	20 July 2010
Report on the third quarter	29 October 2010
Report on the fourth quarter	2 February 2011
Annual Report 2010	April 2011
The Sandvik World 2010/2011	April 2011

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Sandvik is well prepared for the future. Investments implemented in 2009, which enabled the expansion of capacity for the production of steam generator tubing for the nuclear power industry and the establishment of five new production facilities in China, have formed the basis for Sandvik's future growth.

Read more on page **4**

Sandvik's invoiced sales amounted to SEK 71,937 M (92,654) and the Group's result after financial items totaled SEK –3,472 M (10,577).

Read more on page **13**

Sustainability is an integral part of the company's business operations. The concept of sustainable development includes accepting responsibility, risk management and improvement work within the areas of the environment, health and safety, business ethics and human rights.

Read more on page **88**

In addition to information in the Annual Report, the Sandvik Group is presented in *The Sandvik World 2009/2010*, a publication distributed to shareholders in April 2010. In addition to descriptions of operations, financial key figures, goals, business concept, strategy and more, *The Sandvik World* provides an in-depth look at a number of key areas. More information is provided at www.sandvik.com.

Year in brief

Financial data

- Order intake –31%*, SEK **71,285** M.
- Invoiced sales –30%*, SEK **71,937** M.
- Result after financial items, SEK **–3,472** M.
- Earnings per share, SEK **–2.24**.
- Proposed dividend, SEK **1.00**.

* At fixed exchange rates for comparable units.

Operational information

- Strong cash flow and significant improvement in capital efficiency.
- Focus on capital efficiency strengthened cash flow at the expense of the Group's result.
- Structural cost reductions enable improvements in productivity.
- Expanded presence in emerging markets and in the energy sector.

Key figures

SEK M	2009	2008	2007	2006	2005	Change 2009/2008
Order intake	71,285	92,610	92,059	77,708	66,186	–31*
Invoiced sales	71,937	92,654	86,338	72,289	63,370	–30*
Result after financial items	–3,472	10,577	12,997	11,113	8,819	
Earnings per share, SEK	–2.24	6.30	7.65	6.45	4.95	
Return on capital employed, %	–1.3	19.9	27.0	27.6	23.7	
Return on shareholders' equity, %	–7.9	24.8	34.4	31.8	27.4	
Cash flow from operations	12,312	9,671	5,476	8,170	7,266	+27
Number of employees at 31 December	44,355	50,028	47,123	41,743	39,613	–11

* At fixed exchange rates for comparable units.

This is Sandvik

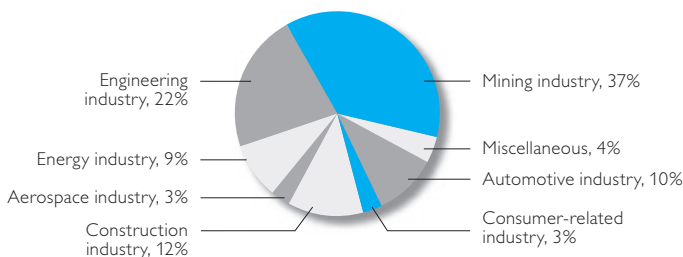
Sandvik is a high-technology engineering group with advanced products and world-leading positions in selected areas. In 2009, the Group had representation in more than 130 countries and about 44,000 employees. Sales amounted to approximately SEK 72 billion.

Sandvik's operations are based on unique expertise in materials technology and extensive insight into customer processes. This combination has provided world-leading positions in three primary areas:

- Tools for metal cutting in cemented carbide and high-speed steel as well as components in cemented carbide and other hard materials.
- Equipment and tools for the mining and construction industries.
- Products in advanced stainless materials, titanium, special alloys, metallic and ceramic resistance materials and process systems.

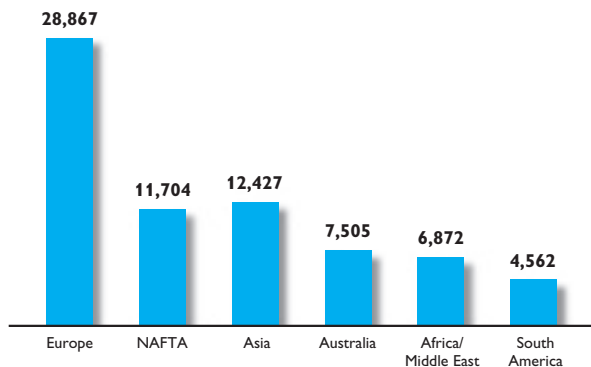
Sandvik is focused on long-term growth. To create the basis for long-term profitable growth, operations are divided into three business areas, with world-leading positions. Each business area is responsible for research and development, production and sales of its particular products.

Invoiced sales by customer area



The global economic downturn was exceptionally dramatic. The downturn impacted all business areas and markets. However, the extent of the decline varied between industry segments and the energy segment displayed a continued positive trend.

Invoicing by market area, SEK M



The world as our local market

Invoiced sales and number of employees for the 15 largest markets in 2009.

	SEK M	Change, %	Number of employees
US	8,854	-20	4,287
Australia	7,154	-12	2,269
Germany	5,679	-29	3,557
China	4,833	12	1,761
South Africa	3,567	-10	1,961
Sweden	3,356	-29	10,285
Italy	2,835	-39	917
France	2,807	-24	1,996
Brazil	2,345	-34	1,514
UK	2,127	-36	1,681
Russia	1,815	-31	722
India	1,800	-12	2,269
Canada	1,709	-30	693
Japan	1,596	-25	584
Norway	1,357	-12	208

The market situation in 2009 was weak in Europe, but improved gradually in North America, Asia, Australia and Africa.

Sandvik Tooling

is primarily focused on tools and tooling systems for metal cutting.

The products are sold under a number of international brands, such as Sandvik, Sandvik Coromant, Walter, Safety, Dormer, Diamond Innovations and Wolfram.

Offering

Advanced products manufactured in cemented carbide and other hard materials, such as synthetic diamond, cubic boron nitride, ceramics and high-speed steel. The objective is to increase customer productivity by providing products, services and applications know-how.

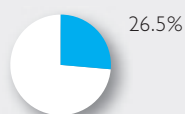
Market

Customers include companies in the general engineering, aerospace and automotive industries, oil and gas extraction sectors, as well as electronics and medical technology industries.

In 2009, the global market for metal-cutting tools as well as wear parts and components in cemented carbide and other hard materials was estimated to total some SEK 100 billion. Given the turbulent conditions in the market in 2009, some increased degree of uncertainty surrounds estimations of the market size. The average annual long-term growth has been 3–4%.

Share of Group

Invoiced sales

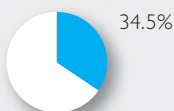


SEK 19,078 M

Operating result

SEK -527 M

Number of employees



15,296

Sandvik Mining and Construction

specializes in equipment, tools and service for the mining and construction industries.

Since 1 April 2009, Sandvik Mining and Construction is active in three customer segments: Underground Mining, Surface Mining and Construction.

Offering

Equipment, tools, service and technical solutions for mineral exploration, mining and processing of rock and minerals in the mining and construction industries.

The business area provides an extensive product program for drilling and mechanical mining, as well as for loading and transport, crushing and sorting, demolition, recycling and handling of rock and minerals.

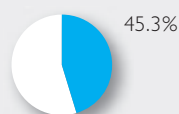
Market

The products are deployed primarily in mines and in construction operations worldwide.

The global market for 2009 was estimated to amount to about SEK 230 billion. Average, long-term annual growth for equipment, tools and spare parts is about 4–6%, with a higher growth rate for services.

Share of Group

Invoiced sales

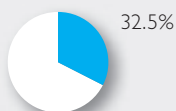


SEK 32,621 M

Operating result

SEK 466 M

Number of employees



14,429

Sandvik Materials Technology

develops products in advanced stainless materials, special alloys, metallic and ceramic resistance materials, as well as process systems.

Operations are divided into five product areas: Tube, Strip, Kanthal, Process Systems and MedTech.

Offering

High value-added products and system solutions based on advanced metallic materials.

Process equipment based on steel belts.

Production of orthopedic implants and surgical instruments.

Systems for generating, controlling, measuring or protecting against heat.

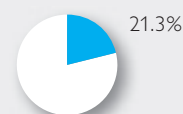
Market

Customers are active in most industrial segments in which exacting demands are imposed on safety, productivity, cost efficiency and a long life cycle.

The world market for 2009 was estimated at more than SEK 150 billion. The underlying average annual growth is 4–6%, while growth is normally higher in such segments as medical technology and energy.

Share of Group

Invoiced sales

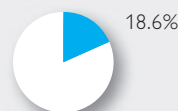


SEK 15,328 M

Operating result

SEK -1,137 M

Number of employees



8,246

Sandvik is well prepared for the future

The global financial crisis that culminated in autumn 2008 triggered a deep recession that impacted essentially all markets and industries simultaneously. Demand for Sandvik's products declined rapidly and very sharply, with the exception of the energy sector. In 2009, the Group focused on measures to manage the downturn in demand while also creating conditions to enable it to emerge strongly from this business situation.

The extent of the economic downturn during the year was considerable and the market contracted by one third over a short period. Sandvik's invoiced sales for 2009 amounted to SEK 71,937 M (92,654) and the result after financial items was SEK -3,472 M (10,577).

The Group has grown rapidly over the course of many years, both organically and through acquisitions. Improved productivity and capital structure has been prioritized and, in 2009, efforts in these areas were intensified. Our assessment is that despite the sharp drop in sales, the company has increased its market shares.

Consolidation and crisis management

In parallel with a deepening of the dramatic decline in the global economy, the company implemented robust savings and rationalization programs aimed at once again returning to a favorable level of profitability. The immediate measures focused on reducing the cost base and capital utilization to meet the low level of demand. Capital efficiency was prioritized over short-term profitability. Cost savings on an annualized basis corresponded to SEK 8 billion at year-end

2009. Measures included personnel reductions corresponding to about 11,000 full-time positions, for example, through the closure of 18 production units and a range of other efficiency-enhancement measures, and the utilization of agreements regulating shorter working hours.

The cost reductions are mainly structural and encompass streamlining and consolidations that aim to create conditions for sustainable productivity improvements.

Through financial stability and measures that ensured a strong cash flow, Sandvik was able to maintain a high level with respect to market presence as well as research and development. The continuous introduction of new products thus continued according to plan and contributed to increased cost efficiency among our customers.

Through investments made in 2009, which enabled the expansion of production capacity for steam generator tubing used in the nuclear power industry and the establishment of five new production plants in China, conditions have been established for Sandvik's future growth, not least in Asia.

Developments in Sandvik's business areas

The significant downturn in volumes for Sandvik Tooling resulted in the implementation of extensive cost savings and the intensification of the consolidation of companies acquired earlier.

The highly strategic acquisition of Wolfram Bergbau und Hütten AG strengthened Sandvik's supply of raw materials, since this company contributes know-how and technology to the development of cemented carbide and the recycling of tungsten and other raw materials.

At Sandvik Mining and Construction, which has been distinguished by a high pace of acquisition over the past number of years, the consolidation of acquired units continued in order to enhance efficiency and create cohesive product development, manufacturing, logistics and brand strategy. The coordination of global logistics to a small number of strategic locations generated positive effects for working capital and a higher service level, similar to that achieved in other business areas in the past.

Sandvik Materials Technology continued the work it commenced at the beginning of 2008 to raise productivity and further

Our main tasks in 2010:

New cost and capital structures as well as major investments in future-oriented areas will now be translated into increased sales, productivity and profitability.

“ *The Group’s successful performance in the energy sector was strengthened through the development of products and solutions that enhance efficiency and reduce customers’ environmental footprint.* ”

develop the product mix toward more high value-added and profitable products. The business area was highly successful in the energy sector with products for both conventional and renewable energy sources. Intensive work focused on logistics and raw materials management helped to rationalize capital utilization.

Equipped for both challenges and growth

In the third and fourth quarters, demand leveled out at a low but stable level and preparedness remains high for possible changes.

Sandvik advanced its positions further in Asia, particularly through the establishment of the new units in China. The company is thus well invested and has created strong positions for all business areas in a region where the continued growth is anticipated to be robust.

The Group’s successful performance in the energy field was strengthened through the development of products and solutions that enhance efficiency and reduce customer’s environmental footprint in the oil, gas, coal and nuclear power sectors. In addition, the Group has further developed its offering for renewable energy, such as wind and solar power.

Development in the years ahead will primarily take place through organic growth, continuous streamlining activities, profitability enhancements and improvements to the product mix.

In many ways, 2009 was an exceptional year. Sandvik’s employees, customers, suppliers and other stakeholders were faced with substantial challenges. The measures taken have reduced the cost base and increased capital efficiency, at the same time as they have ensured that the Group has good preparedness to meet a possible continued weak business climate as well as a future upswing in demand.

Sandvik has a strong market position and, as a result of the actions taken, the company is well prepared to meet the future.

Sandviken, January 2010



Lars Pettersson
President and CEO

“ *Sandvik advanced its positions further in Asia, particularly through the establishment of the new units in China.* ”

Business concept, goals and strategies

Sandvik is a global engineering Group whose offering includes products, services and support that improve customer productivity and profitability. To achieve long-term success, Sandvik has developed a holistic approach that includes financial, environmental and social responsibility. Assuming an active role in addressing sustainability issues also characterizes cooperation with customers and suppliers.

Founded in 1862, Sandvik is a world-leading company in the engineering industry. The company has always distinguished itself through high-technology development, with a focus on metallurgy and materials technology. Throughout the years, the direction of the company has varied depending on historical technology shifts and the needs of the industry and society at various points in time.

Sandvik manufactures advanced engineering tools, mining equipment and products in high-alloy materials. Sandvik holds, or has the potential to establish, world-leading positions in all of the market segments in which it operates.

A business concept that strengthens customers' competitiveness

Sandvik's business concept is to develop, manufacture and market high-tech products and services that facilitate higher customer productivity and profitability.

Sandvik's long-term strategy is based on creating an interaction between the Group's strengths, such as advanced and broad-based R&D, high value-added products, in-house manufacturing, efficient logistics systems, financial strength, a well-established approach to sustainability and a strong corporate culture.

Management by objectives

Sandvik has a number of customer-oriented, financial, social and environmental objectives.

To achieve both its short and long-term goals, Sandvik works in a decentralized fashion with management by objectives. This means that the objectives are broken down into a number of targets that are adapted to the various levels in the organization. Read more about the objectives of the Group's sustainability work in this publication on pages 88–99 or at www.sandvik.com.

Overall financial goals

The overall financial goal is based on the Group's world-leading positions in various business areas.

The long-term goal for Sandvik's organic growth is 8%, compared with the estimated underlying average market growth over the same period of 4–6% in Sandvik's areas of activities. The goal is based on:

- Increased market shares in current and new markets.
- New products.
- New application areas with high growth potential.

The goal for return on capital employed in existing operations is 25% for the Group as a whole. The commercial conditions differ among the business areas and they have thus been assigned different goals.

Specialized and decentralized organization

Sandvik is a global engineering Group with a decentralized organization. Decisions regarding operational activities are carried out within the Group's three business areas, all of which have specialist expertise in various technological areas, as well as deep insight into customer requirements and processes.

Significant customer value

Sandvik creates customer value by offering products that reduce costs, and provide more reliable and cost-efficient processes. By means of a global presence, Sandvik offers customers worldwide optimum solutions that cover products, service and technical support. Sandvik aims to be a valued business partner and the customer's obvious first choice.

Group's financial goals

Organic growth	+8% + acquisitions
Return on capital employed	25% for existing operations
Net debt/equity ratio	0.7–1.0
Payout ratio as a percentage of earnings per share	≥50%

Business areas	Organic growth	Return on capital employed*
Sandvik Tooling	+7%	30%
Sandvik Mining and Construction	+9%	25%
Sandvik Materials Technology	+8%	20%

* Relates to existing operations.

Business concept

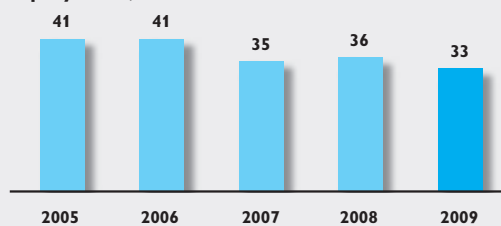
To develop, manufacture and market high-tech products and services that facilitate higher customer productivity and profitability.

Overall goals

Profitable growth

- **Customer-focused goals**
- **Financial goals**
- **Social goals**
- **Environmental goals**

Equity ratio, %



Strategy

Main focus

To maintain:

- Unique expertise in materials technology.
- Extensive insight into customer processes.

To offer:

- Added value for customers.

Core values

Strong corporate culture

- **Open Mind**
- **Fair Play**
- **Team Spirit**

Strength factors

World-leading positions in the Group's business areas:

- **Sandvik Tooling:** Tools of cemented carbide and other hard materials.
- **Sandvik Mining and Construction:** Machinery and equipment for mining and construction industries.
- **Sandvik Materials Technology:** Products of advanced metallic and ceramic materials.

Advanced R&D

- Leading in selected technology fields.
- Integrated in the production organization.
- Extensive organization for patents and other intellectual property rights.
- Distinct customer orientation.
- High degree of value addition.

Long-term growth

Organic growth and the acquisition of businesses in priority areas generate increased market shares.

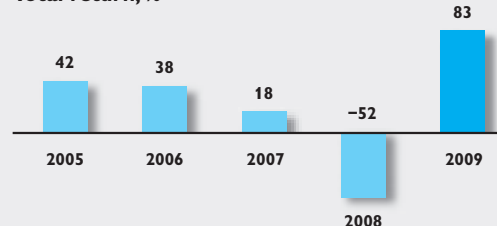
Focus on efficiency

- Efficient production and logistics.
- Global presence with local responsibility.
- High proportion of direct sales to end-customers.
- Continuous launch of new products.

Shareholder value

Continued profitable growth and attractive return generate a long-term increase in value for shareholders.

Total return, %



Long-term approach and shareholder value

The Group's long-term objective is to create value for its shareholders. Sandvik has achieved about 7% annual growth over the past 20 years – half of which was achieved through organic growth and half through acquisitions. In the past five years, the total return on an investment in Sandvik shares averaged 14% annually.

Research and development

Comprehensive and goal-oriented research and development is a prerequisite for continued growth. Each year, Sandvik invests approximately SEK 3 billion in R&D. More than 2,400 employees work in the area and activities are often pursued in close cooperation with customers. The Group has some 5,000 active patents and other intellectual property rights that are owned and managed by a separate company to optimize value creation.

Advanced logistics

Efficient inventory management and advanced logistics enhance the reliability of supplies and ensure excellent customer service. Sandvik's distribution system is based on a small number of large and strategically sited warehouses in the largest market areas. This means that the Group can ensure rapid deliveries and maintain a broad product offering.

World-class manufacturing

Sandvik's production organization is integrated with R&D activities and maintains world-class efficiency. This creates

favorable potential for the continuous and rapid launch of products, which is a major competitive advantage for the Group.

Transparent corporate governance

Effective and transparent corporate governance increases credibility among Sandvik's various stakeholders and creates a distinct focus on customer and shareholder value. Corporate governance clearly defines the roles and responsibilities of shareholders, the Board of Directors and Group Executive Management. It also covers the Group's control and management systems.

Sustainable development

Issues relating to sustainable development have priority at Sandvik. The Group's focus aimed at enhancing efficiency in customer operations contributes to sustainable development, since it means that a growing number of companies endeavor or are given the opportunity to effectively utilize their resources. Meanwhile, Sandvik shall maintain a high level of ethics and be a good global corporate citizen.

The Group's Code of Conduct includes policies for the environment, health, safety and social responsibility. Management by objectives and preventive programs are important foundation pillars in efforts to achieve continuous improvements. The Code of Conduct applies to all units and employees. It includes rules and guidelines for record keeping and accounting, business ethics, working conditions, and environmental and social commitments. The

Code of Conduct lays the basis for Sandvik's management system and helps to continuously improve the Group's financial, environmental and social performance. Each manager in the Group is responsible for ensuring compliance with the Code.

At the same time as Sandvik's sustainability work generates a positive leverage effect for customers and the external environment, it is also important that Sandvik's suppliers share its values. Sandvik has thus prepared a Code of Conduct for its suppliers.

Read more about the sustainability work in this publication or at www.sandvik.com.

Core values

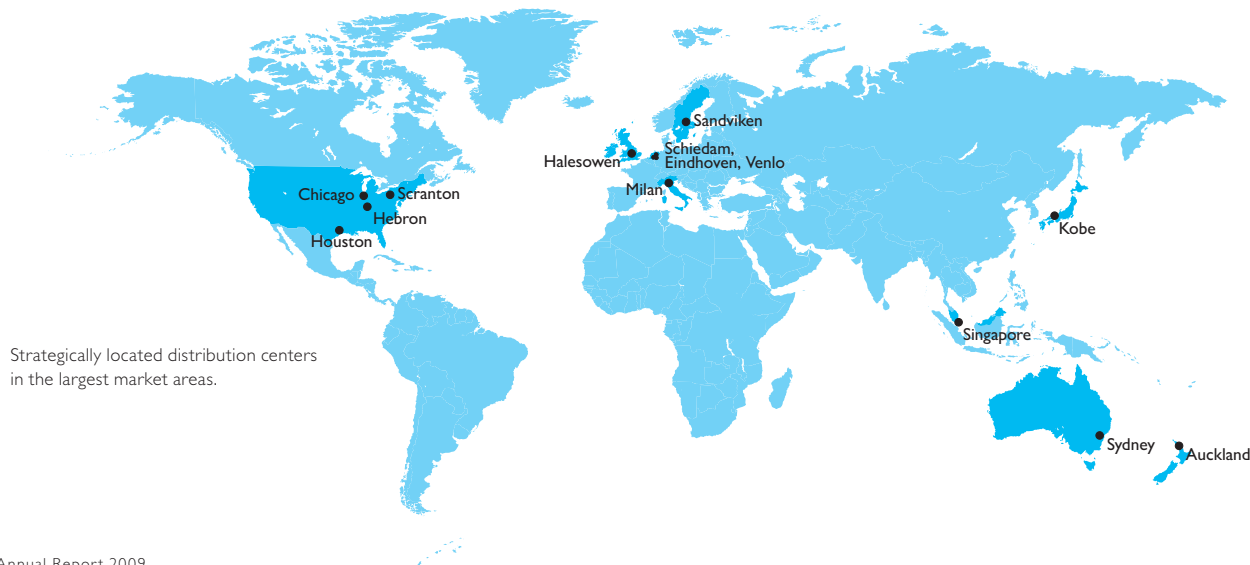
Sandvik is a global company. In pace with the growth of operations and the internationalization of the company, it has been crucial to invest resources to uphold and develop Sandvik's corporate culture – the company's core values and joint corporate approach.

The Group works consciously with three basic core values:

Open Mind – to encourage all aspects of operations to seek consistently new, innovative solutions and potential routes to improvement.

Fair Play – to manage Sandvik's businesses in a sustainable manner.

Team Spirit – to ensure that everybody at Sandvik acts as a team player through cross-border interaction, both in terms of geography and culture.



Acquisition strategy

Company acquisitions are part of Sandvik's long-term growth strategy to strengthen and advance positions in the Group's priority areas. Acquired operations add new products and new know-how, strengthen the existing offering, provide entry into new markets and create the potential for an even stronger presence in markets with high growth and favorable profitability.

Sandvik continuously analyzes possible acquisition candidates in its various areas of operations. At the same time, assessments are made regarding the possible divestment of operations that do not comprise part of the Group's areas of core strategic directions.

Sandvik applies an aggressive acquisition strategy. Since 1997, the Group has implemented some 50 company acquisitions.

Strategically important acquisitions in 2009

In 2009, Sandvik acquired the Austrian company Wolfram Bergbau und Hütten AG (WBH), a producer and supplier of

tungsten carbide – the main constituent in cemented carbide. The market-leading quality of the company's products is a result of its advanced research and development resources. Sandvik and WBH have previously worked together for many years.

The acquisition complements and strengthens Sandvik Tooling's offering by allowing the Group to control the entire production chain, from ore to finished cemented-carbide powder.

The acquisition includes a plant for manufacturing tungsten carbide, a recycling unit for tungsten material, an ore dressing plant and a mine. In 2008,

WBH's sales amounted to about SEK 1.8 billion and the number of employees totaled about 300.

During the year, the acquired BTA Heller Drilling Systems Ltd was also consolidated, strengthening the customer offering of tools and tooling systems for deep-hole drilling for the Sandvik Coromant product area.

The Sandvik Share

During 2009, Sandvik's share price increased 76%, while the Nasdaq OMX Nordic Exchange Stockholm (OMXS) rose 47%. The number of shareholders increased and the Group's distribution of information to stakeholders in the financial market was intense, with particular focus on Sandvik's management of the financial crisis and the subsequent global recession.

At year-end 2009, the Sandvik share was listed at SEK 86.40, corresponding to a market capitalization of SEK 102 billion (58). In terms of market capitalization, Sandvik was ranked the 8th (8) largest company on the OMXS. During the year, Sandvik shares were traded for a total value of SEK 123 billion (198), making it the 8th (7) most actively traded share.

Long-term shareholder value

Sandvik endeavors to generate an attractive return and value growth for investors in the Sandvik share. The goal is that the dividend shall amount to at least 50% of earnings per share over an extended period.

Total dividend yield

The term "total dividend yield" shows the real progress of a stock investment and consists of the change in share price, including reinvested dividends. During 2009, the total dividend yield on an investment in the Sandvik share was 83%. During the past five-year period, the total dividend yield has averaged 14% annually.

More shareholders

Sandvik is listed on the Nasdaq OMX Nordic Exchange Stockholm and is one of the Stockholm Stock Exchange's oldest companies, with a listing dating back to 1901. The Sandvik share can be traded in the US in the form of ADRs (American Depositary Receipts).

In 2009, the number of Swedish and international shareholders continued to

increase to a total of about 109,000 (104,000). Sandvik has shareholders in a total of approximately 90 countries.

At 31 December 2009, members of Sandvik's Group Executive Management owned a total of 216,574 shares in Sandvik, corresponding to 0.02% of the capital and voting rights. Members of the Board of Sandvik owned a total of 5,646,589 shares in Sandvik, corresponding to 0.5% of the capital and voting rights.

Dividend proposal

The Board has decided to propose a dividend of SEK 1.00 (3.15) per share for 2009 to the Annual General Meeting, corresponding to a dividend yield of 1.2% based on the share price at year-end. Overall, the proposed dividend represents some SEK 1.2 billion. Over the past five years, Sandvik's dividend has averaged SEK 2.82 per year. During the same period, an average of approximately 61% of earnings per share has been distributed.

Reliable information to investors, analysts and the media

Sandvik's goal is to ensure that the value of the company's share shall always be assessed on the basis of relevant, correct and current information. Realization of this goal requires a clear strategy for financial communication, reassuring information management and regular contact by the company with the various stakeholders in the financial markets. In 2009, the information requirement was particularly extensive due to the many new issues raised and the considerable

turbulence caused by the financial crisis and the industrial recession.

Contacts with the financial markets include presentations in conjunction with the four interim reports and meetings with analysts, investors and journalists on capital market days, conferences and seminars, as well as visits to various Sandvik sites. Communications are coordinated by Sandvik's Investor Relations (IR) Group staff function and nearly 400 meetings were arranged worldwide in 2009.

Awards

During 2009, Institutional Investor awarded Sandvik the prize for the Best Investor Relations Operations and the Best Investor Relations Group Function in the European engineering industry.

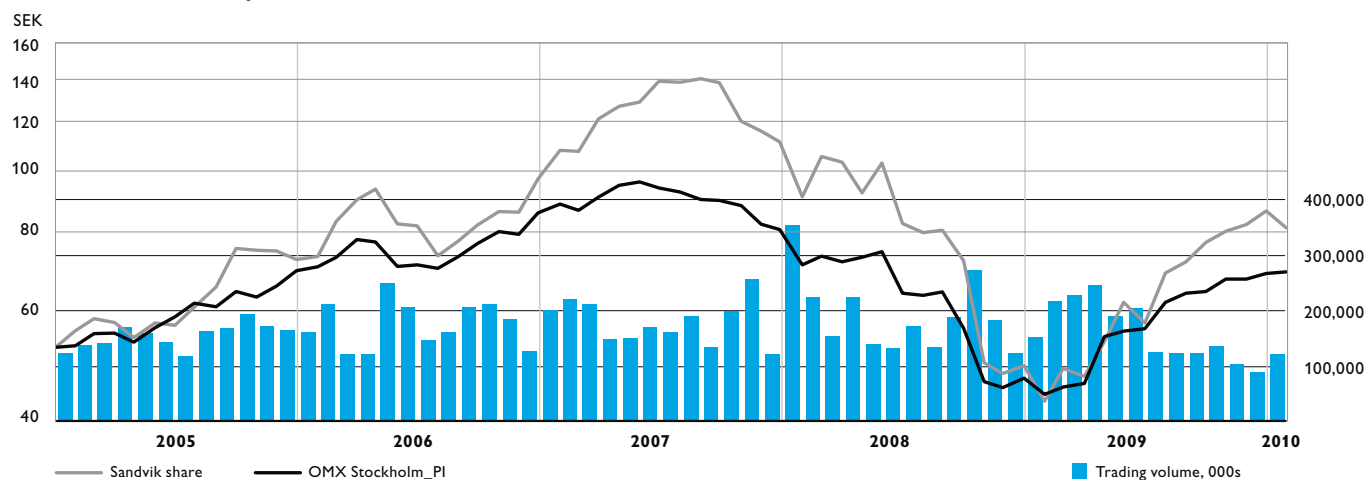
Sandvik is included in the Dow Jones Sustainability Index World (DJSI World) and the European Dow Jones STOXX Sustainability Index (DJSI STOXX). Qualification for DJSI World requires that Sandvik is among the top 10% of companies ranked in terms of three factors: financial success, environmental performance and social responsibility.

Sandvik is also included in FTSE-4Good Series, which is another international index for global companies that assume social responsibility.

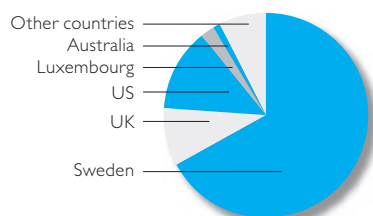
Investor Relations on the Internet

At www.sandvik.com/ir you will find further information about the Sandvik share and IR activities.

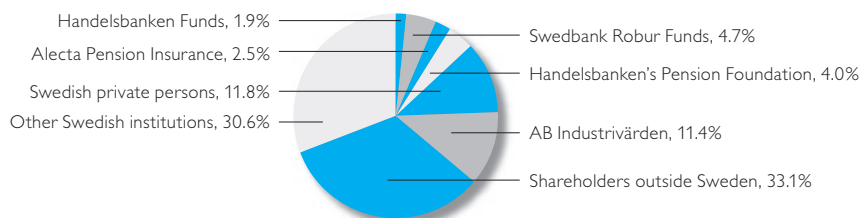
The Sandvik share, five-year trend



Distribution of shareholding by country



Shareholders in Sandvik AB, 31 December 2009

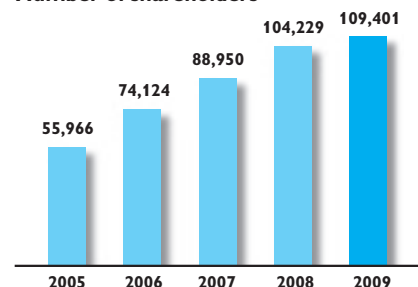


Key figures

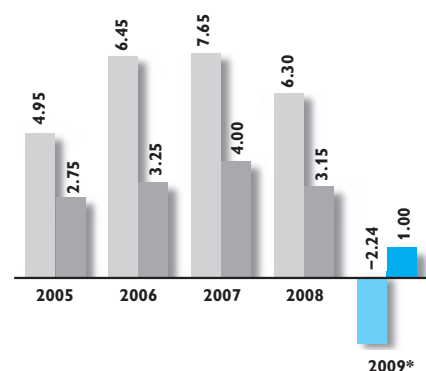
	2009	2008	2007	2006	2005
Number of shares at year-end (millions)	1,186	1,186	1,186	1,186	237
Number of shares at year-end, recalculated for split (millions)	1,186	1,186	1,186	1,186	1,186
Market capitalization at year-end (SEK billion)	102	58	132	118	87.8
Number of shareholders	109,401	104,299	88,950	74,124	55,966
Share price at year-end, SEK	86.40	49.00	111.25	99.50	74.00
Earnings per share, SEK	-2.24	6.30	7.65	6.45	4.95
P/E ratio at year-end	—	7.8	14.5	15.4	15.0
Change in share price during the year, %	+76	-56	+12	+34	+37
Regular dividend, SEK/share	1.00*	3.15	4.00	3.25	2.70
Dividend as a percentage of earnings per share	—	50	52	50	55
Total dividend yield (price increase + dividend), %	83	-52	18	38	42
Proportion of shares in Sweden, %	67	65	63	63	61
Proportion of shares owned by the ten largest shareholder groups, %	35	36	38	35	45

* Proposed dividend.

Number of shareholders



Earnings and dividends per share, SEK



* Proposed dividend.

The ten largest shareholders, holding at 31 December, %

	2009	2008	2007	2006	2005
AB Industrivärden	11.4	11.5	11.5	11.0	11.0
Swedbank Robur Funds	4.7	3.4	2.3	2.4	2.6
Handelsbanken's Pension Foundation	4.0	4.0	4.0	3.8	3.8
JP Morgan Chase Bank*	2.8	10.5	8.7	5.6	10.9
Alecta Pension Insurance	2.5	3.4	3.1	2.9	1.1
Omnibus Account W FD OM180	2.5	—	—	—	—
Handelsbanken Funds	1.9	1.4	2.1	2.0	2.2
AMF Pension Insurance	1.8	1.3	1.5	1.8	3.8
SEB Investment Management	1.7	1.9	1.5	1.7	1.6
First Swedish National Pension Fund	1.7	1.0	0.8	0.9	0.4

* Adminstrates shares held in trust.

Report of the Directors

Market Conditions

The global manufacturing industry was marked by an extremely sharp downturn during the year. The decline impacted all regions and the majority of customer segments. China and India were slightly less affected by the economic decline, while the energy segment demonstrated continued growth. Demand was negatively impacted by customer destocking during the year.

Industrial output in OECD countries fell 13% compared with the preceding year. The manufacturing industry in the EU contracted significantly and was down 15%. The manufacturing industry in Russia declined 17%. In the US, the manufacturing industry continued its downward slide and declined 11% compared with the preceding year. Brazil's manufacturing industry contracted by 8% and the trend in Mexico was negative, down 11%. Growth during the year remained positive in parts of Asia. Industrial production in China and India rose by 13% and 6%, respectively, while the trend in Japan was strongly negative, down 23% compared with the preceding year.

Demand from Sandvik's customers

In the wake of the financial crisis and the subsequent recession that took hold in autumn 2008, demand continued to

decline in 2009. The rate of the decline eased in the third quarter of 2009 after which demand stabilized at a low level. The automotive and engineering industries were hardest hit by the downturn, which had a negative impact on Sandvik Tooling. Demand was also low for consumer-related products and, to a certain degree, the aerospace industry. Order intake from the energy sector remained relatively favorable. Low levels of activity were reported in all markets, with the exception of China and India, where the automotive industry developed positively.

Demand during the year was weak, particularly for equipment and projects related to materials handling in the mining and construction industries. The after-market was also affected, but to a lesser degree. Metal prices recovered during the year despite the fact that customers adopted a wait-and-see approach. Activity levels in the coal sector were impacted to a lesser

extent, but a decline was also reported in this area. A sharp downturn was reported in the construction industry mainly in mature markets, such as Western Europe and the US, but also in Russia. The part of the construction industry served by Sandvik Mining and Construction benefited to a limited degree from the investments in infrastructure carried out in many countries.

The global recession meant that the market situation for Sandvik Materials Technology remained weak in 2009. Demand was low in the majority of customer segments, with the exception of products for the energy sector, where the nuclear power and oil/gas industry reported a continued favorable trend. The market trend was relatively favorable in Asia, while development in both Europe and North America was poor.

Group summary review

Order intake amounted to SEK 71,285 M (92,610), down 23% in value and down 31% at fixed exchange rates for comparable units. The Sandvik Group's invoiced sales reached SEK 71,937 M (92,654), down 22% in value and down 30% at fixed exchange rates for comparable units.

Markets outside Sweden accounted for 95% (95) of invoiced sales. The consolidated result after financial income and expenses totaled SEK -3,472 M (10,577). Earnings per share amounted to SEK -2.24 (6.30). Return on capital employed was -1.3% (19.9). The Board of Directors proposes a dividend of SEK 1.00 per share (3.15), corresponding to a decrease of 68% from a year earlier.

Future prospects

During the third and fourth quarters, demand leveled out at a low but stable level. Preparedness remains high for possible changes in the business climate. Sandvik further advanced its positions in Asia, particularly through the new units in China. The Group is thus well-invested and has created strong positions for all business areas in a region where the rate

of continued growth is expected to be robust. The Group's successful performance in the energy area was reinforced through the development of products and solutions that enhance efficiency and reduce customers' environmental footprint in the oil, gas, coal and nuclear power sectors. In addition, the Group further developed its offering for renewable energy, such as wind and solar power, and established a position in medical technology.

In the years ahead, development will primarily take place through organic growth, continued efficiency enhancements, improvements in profitability and refinement of the product mix. Sandvik has a strong market position and, as a result of the actions taken, is well prepared for the future.

Financial goals

Sandvik's financial goals are based on assessments of the company's strength and of how it is positioned for the future. The Group's goals and goal fulfillment are presented in the table below.

Goal fulfillment

The outcome since 2000 corresponds to average annual organic growth of 4.1% and a return on capital employed of 18.4%. In addition, the annual growth from acquisitions, net of divestments, has averaged 1%. In 2009, the organic growth was -29% and the return on capital employed was -1.3%. At the end of 2009, the net debt/equity ratio was 1.0.

Goals and goal fulfillment

	Long-term goals	Outcome 2009	Average 2000-2009
Sandvik Group			
Organic growth	8%	-29%	4%
Return on capital employed	25%*	-1.3%	18%
Net debt/equity ratio	0.7-1.0	1.0	
Payout ratio, % of earnings per share	≥50%		64%
Sandvik Tooling			
Organic growth	7%	-36%	1%
Return on capital employed	30%*	-2%	24%
Sandvik Mining and Construction			
Organic growth	9%	-23%	11%
Return on capital employed	25%*	2%	21%
Sandvik Materials Technology			
Organic growth	8%	-34%	3%
Return on capital employed	20%*	-7%	9%

* Relates to existing operations.

Earnings, returns and financial position

Earnings and returns

The operating result amounted to SEK –1,412 M (12,794). The change was mainly due to the severe deterioration in the business climate with lower production volumes in all business areas leading to lower gross margins. The result was also negatively impacted by restructuring activities, impairment losses and increased obsolescence. Implemented savings programs reduced costs by approximately SEK 6,000 M. Capital efficiency was prioritized above short-term profitability. The operating result was also influenced negatively by approximately SEK 500 M by changed metal prices in Sandvik Materials Technology. Changes in foreign exchange rates compared with 2008 negatively affected the operating result by about SEK 18 M. The net financing cost was SEK –2,060 M (–2,217). The improvement in net financial items compared with the preceding year was mainly caused by lower average interest rates. The result after financial income

and expenses was SEK –3,472 M (10,577). Income tax had a positive impact on the result of SEK 876 M (–2,741) or 25% (26) of the result before taxes. The result for the year attributable to equity holders of the Parent Company was SEK –2,652 M (7,472). Earnings per share amounted to SEK –2.24 (6.30). Return on capital employed amounted to –1.3% (19.9) and return on equity was –7.9% (24.8).

Financial position

Cash flow from operating activities amounted to SEK 12,312 M (9,671). Cash flow after investments, acquisitions and divestments was SEK 6,119 M (2,040). At the end of the year, cash and cash equivalents amounted to SEK 7,506 M (4,998). Interest-bearing liabilities, including net provisions for pensions, less cash and cash equivalents yielded a net debt of SEK 30,342 M (33,323). Sandvik has a credit facility of EUR 500 M expiring in 2012 and another facility of EUR 1,000 M

expiring in 2013. These facilities, which are the Group's primary liquidity reserve, were unutilized at the end of the year. Under the Swedish bond program of SEK 15,000 M, bonds in the amount of SEK 14,119 M were outstanding at year-end. Under the European bond program of EUR 3,000, SEK 600 M was utilized. In addition, there were bonds issued in the US amounting to USD 740 M. The remaining maturity of bonds averaged four years for Swedish bonds and ten years for US bonds. At year-end, the international credit-rating agency Standard & Poor's had an A- rating for Sandvik's long-term borrowings, and A-2 for short-term borrowings.

Working capital

Working capital at the end of the year amounted to SEK 22,122 M (32,571). Relative working capital during the fourth quarter of 2009 was 32% (32) of invoiced sales. The carrying amount of

Capital expenditure	2009	2008
Investments in property, plant and equipment, SEK M	4,625	7,169
as a % of invoiced sales	6.4	7.7

Of these investments, SEK 619 M (535) pertained to Sandvik Mining and Construction's fleet of rental machines.

Results and returns	2009	2008
Operating result, SEK M	–1,412	12,794
as a % of invoiced sales	–2.0	13.8
Result after financial income and expenses, SEK M	–3,472	10,577
as a % of invoiced sales	–4.8	11.4
Return on capital employed, %	–1.3	19.9
Return on equity, %	–7.9	24.8
Basic earnings per share, SEK	–2.24	6.30
Diluted earnings per share, SEK	–2.24	6.29

Definitions, page 57.

inventories at the end of the year was SEK 19,842 M (28,614). Capital tied up in inventory was 28% (29) relative to invoiced sales. At year-end, accounts receivables totaled SEK 11,587 M (15,930), which was 16% (16) of invoiced sales.

Equity

Equity at year-end amounted to SEK 29,957 M (36,725), or SEK 24.40 (30.00) per share. The equity ratio was 33% (36).

Capital expenditure

The purchase consideration for company acquisitions during the year (less acquired cash) was SEK 2,036 M (954). Proceeds from the sale of companies and shares amounted to SEK 55 M (111). Investments in internally generated intangible assets amounted to SEK 427 M (460). Investments in property, plant and equipment amounted to SEK 4,625 M (7,169).

Parent Company and subsidiaries operating on commission for Sandvik AB

The Parent Company's invoicing amounted to SEK 13,524 M (20,427) and the operating result was SEK -1,903 M (-395). As was the case for the Group's operating result, the Parent Company's operating result was influenced negatively by changed metal prices, low capacity utilization in certain production facilities and nonrecurring items. In 2009, the result was negatively impacted in the amount of SEK 537 M due to metal price effects and SEK 197 M due to costs for restructuring measures. At 31 December 2009, interest-bearing liabilities less cash and cash equivalents and interest-bearing provisions amounted to SEK 11,319 M (12,362). Capital expenditure during the year amounted to SEK 899 M (1,537). The Parent Company's total assets increased SEK 5,817 M (from SEK 41,899 M

to SEK 47,716 M) through the raising of a bond loan as part of the Group's total financing.

In 2009, the Parent Company received dividends of SEK 5,754 M, of which SEK 5,521 M from Sandvik Finance BV. The number of employees in the Parent Company and the subsidiaries operating on commission for Sandvik AB at 31 December 2009 was 7,535 (8,151). Besides Sweden, the Parent Company operates in a number of countries, mainly through representative offices.

Quarterly trend of invoiced sales and result after financial items

SEK M		Invoiced sales	Result after financial items	Net margin, %
2008	1:st quarter	21,990	2,715	12
	2:nd quarter	24,016	3,302	14
	3:rd quarter	22,478	3,035	14
	4:th quarter	24,171	1,524	6
2009	1:st quarter	19,136	-429	-2
	2:nd quarter	18,011	-2,443	-14
	3:rd quarter	16,578	-523	-3
	4:th quarter	18,211	-77	0

Financial position

	2009	2008
Cash flow from operating activities, SEK M	12,312	9,671
Cash flow after capital expenditures, acquisitions and divestments, SEK M	6,119	2,040
Cash and cash equivalents and short-term investments at 31 December, SEK M	7,506	4,998
Net debt at 31 December, SEK M	30,342	33,323
Net financial items, SEK M	-2,060	-2,217
Equity ratio, %	33	36
Net debt/equity ratio, times	1.0	0.9
Equity at 31 December, SEK M	29,957	36,725
Equity per share at 31 December, SEK	24.40	30.00

Definitions, page 57.

Order intake, sales, and development in business areas

Sandvik's operations are divided into three business areas: Sandvik Tooling, Sandvik Mining and Construction and Sandvik Materials Technology. Sandvik also controls 60% of the shares and 89% of the votes in Seco Tools, which is a global group active in the area of metal cutting. Seco Tools describes its operations in its own annual report.

Demand status in brief

Demand was low for Sandvik's products and services in 2009, with an especially difficult market situation in all market areas and in the majority of customer segments. Demand was negatively affected by customer destocking. For full-year 2009, the trend in order intake was negative in the EU, where activity declined strongly in such countries as Germany and Italy. Demand in Eastern Europe slowed considerably. Order intake in NAFTA fell sharply. The business climate in South America was slightly more favorable during the year despite a negative trend in order intake. Order intake also declined in Africa and the Middle East, with the weakening in these markets due to a fall in investments in the mining industry. Demand in Asia weakened, with the exception of China, where order intake continued to grow. Asia accounted for 19% (16) of the Group's total order intake. Demand in Australia weakened significantly.

Sandvik Tooling in figures

Sandvik Tooling's order intake totaled SEK 18,962 M (25,798), down 36% on the preceding year at fixed exchange rates for comparable units. Invoiced sales totaled SEK 19,078 M (25,975), a decline of 36% from the preceding year at fixed exchange rates for comparable units. Changes in exchange rates affected order intake and invoiced sales positively by 12%. The price level was stable.

The operating result totaled SEK -527 M (5,461), yielding an operating margin of -2.8%. The decline was due to low order intake and low production volumes, resulting in a reduction in gross profit and under-absorption of fixed costs. Earnings were also negatively impacted by costs for restructuring programs, impairment losses and increased obsolescence.

The number of employees at 31 December totaled 15,296 (16,988).

Performance and key events at Sandvik Tooling

Sandvik Tooling was negatively impacted in all markets by the weak global economy. The downturn was severe at the beginning of the year but leveled out during the third quarter. The level of activity in the oil and gas sector, as well as the aerospace industry, displayed a negative trend. Demand from the automotive and engineering industries was low, but gradually increased during the second half of the year.

Following the financial crisis and the subsequent recession that took hold in autumn 2008, demand continued to decline in 2009. The rate of the decline eased during the third quarter and demand stabilized at a low level during the remainder of the year. Hardest hit by the downturn were the automotive and general engineering industries. Demand for consumer-related products and, to a certain degree, within the aerospace industry was also weak, while order intake from the energy sector remained relatively favorable. Activity levels were

Order intake by market area

SEK M	2009	Share, %	2008	Change, %	Change, %*
Europe	27,233	38	40,945	-33	-39
NAFTA	11,235	16	15,071	-25	-35
South America	5,275	7	5,839	-10	-17
Africa, Middle East	7,789	11	7,743	1	-13
Asia	13,321	19	14,701	-9	-23
Australia	6,432	9	8,311	-23	-28
Group total	71,285	100	92,610	-23	-31

* Change compared with the preceding year at fixed exchange rates for comparable units.

low in all markets, with the exception of China, where the performance of the automotive industry was positive.

The measures initiated in 2008 to reduce costs and working capital were intensified in 2009. Working hours for many employees were reduced and costs were cut proportionately. In addition, time banks were utilized in Sweden and Germany, meaning that compensatory leave accrued earlier in connection with periods of high demand is exchanged in return for reduced working hours during periods with low production requirements. Actions taken to reduce working hours yielded a saving in personnel costs corresponding to approximately 2,200 full-time positions. In addition, the workforce was reduced by a total of about 2,000 full-time employees.

The acquisition of the Austrian company Wolfram Bergbau und Hütten AG took place during the year and the company formed the new Wolfram product area. Wolfram is a producer and supplier of tungsten carbide – the main constituent in cemented carbide. The company's advanced research and development resources have yielded a market-leading product quality. The acquisition also strengthens Sandvik Tooling's supply of

raw materials and contributes know-how and technology that aids in the development of cemented carbide and the recovery of tungsten and other raw materials from cemented carbide.

The acquisition of the UK-based BTA Heller Drilling Systems Ltd was finalized in early 2009 and strengthened the Sandvik Coromant product area's customer offering of tools and tooling systems for deep-hole drilling.

The Valenite Safety product area was restructured and this resulted in the formation of the new Safety product area. Valenite was integrated in the Walter product area. Walter and Valenite products will be sold under the Walter Valenite brand in the North American market, which will strengthen Walter's product offering and market position.

A new production unit for medical technology equipment was inaugurated in Zell, Germany, while in Pune, India, a Tooling Engineering Center was opened to support work related to production engineering in the business area. Sandvik Nora, a unit in Sweden focused on the development and production of diamond-based tools for machining of such items as composite materials, was taken over from Sandvik Mining and Construction.

Sandvik Mining and Construction in figures

In 2009, Sandvik Mining and Construction's order intake amounted to SEK 30,915 M (38,634). This represents a decline of 27% compared with the preceding year at fixed exchange rates for comparable units. Cancellations of orders already placed contributed to the negative trend. Invoiced sales amounted to SEK 32,621 M (38,651), down 23% from the preceding year at fixed exchange rates for comparable units. Changes in exchange rates had a positive impact of about SEK 3,900 M on invoiced sales. The price trend remained relatively stable. Government stimulus packages in many countries and higher metal prices had no discernible effect on order intake for the year.

The operating result totaled SEK 466 M (4,996), yielding an operating margin of 1.4%. The result was adversely impacted by low volumes, impairment losses and restructuring costs. The number of employees at 31 December was 14,429 (16,796).

Invoiced sales by market area

SEK M	2009	Share, %	2008	Change, %	Change, %*
Europe	28,867	40	41,851	-31	-36
NAFTA	11,704	16	14,827	-21	-30
South America	4,562	6	5,982	-24	-31
Africa, Middle East	6,872	10	7,811	-12	-23
Asia	12,427	17	13,653	-9	-21
Australia	7,505	11	8,530	-12	-19
Group total	71,937	100	92,654	-22	-30

* Change compared with the preceding year, at fixed exchange rates for comparable units.

Invoiced sales in the ten largest markets

SEK M	2009	2008	Change, %
US	8,854	11,039	-20
Australia	7,154	8,152	-12
Germany	5,679	7,958	-29
China	4,833	4,311	12
South Africa	3,567	3,955	-10
Sweden	3,356	4,753	-29
Italy	2,835	4,682	-39
France	2,807	3,698	-24
Brazil	2,345	3,567	-34
UK	2,127	3,307	-36

Performance and key events at Sandvik Mining and Construction

Sandvik Mining and Construction's order intake in the mining industry declined sharply during the latter part of 2008 and early 2009 to subsequently stabilize at a low level. The underlying demand for base metals remained, but many customers showed hesitation in placing orders. Demand from the coal industry also stalled, particularly with respect to metallurgical coal. This was also the case for demand within energy production, since much of the energy-intensive basic industry operated at restricted capacity. Demand in the construction industry was stable at a low level during the year. For materials handling solutions, the degree of activity increased toward the end of the year, when a number of large orders were received.

Robust action programs were implemented in 2009 in response to the continued downturn in the global economy. The primary focus was to curtail production rates, adjust inventory levels and reduce costs. The business area announced the

closure of 13 production units to adapt the production and service structure, while manufacturing rates were reduced in almost the same number of facilities. Several units prepared new agreements regulating reduced working hours and pay, while other plants utilized existing agreements. The number of employees and contracted staff was reduced by just over 4,500.

Restructuring the organization around three customer segments helped to clarify responsibility in processes, enhance coordination, increase synergies and improve cost efficiency.

The business area's global presence was reinforced by the inauguration of new assembly facilities for mining equipment outside Shanghai, China, and near Belo Horizonte, Brazil. The new facilities offer assembly capacity closer to major customers and facilitate shorter lead times, as well as continued consolidation and streamlining of the manufacturing and delivery process. Combined with a concentration to a small number of strategi-

cally located distribution centers, these investments play an important part in efforts to move closer to customers.

Sandvik Mining and Construction received three major project orders with a combined value of nearly SEK 2 billion. These comprised a materials-handling system for an underground mine in Africa, a loading system in South America and a materials-handling system for a power plant in the Netherlands.

Sandvik Materials Technology in figures

Sandvik Materials Technology's order intake totaled SEK 16,480 M (21,581), down 30% from the preceding year at fixed exchange rates for comparable units. Invoiced sales totaled SEK 15,328 M (21,480), a decrease of 34% from the preceding year at fixed exchange rates for comparable units. The effects of changed metal prices had a negative impact on order intake and invoiced sales of about 10 and 12 percentage points, respectively. Changed exchange rates impacted order

Order intake by business area

SEK M	2009	2008	Change, %	Change, %*
Sandvik Tooling	18,962	25,798	-26	-36
Sandvik Mining and Construction	30,915	38,634	-20	-27
Sandvik Materials Technology	16,480	21,581	-24	-30
Seco Tools	4,926	6,594	-25	-30
Group activities	2	3	—	—
Group total	71,285	92,610	-23	-31

* Change compared with the preceding year, at fixed exchange rates for comparable units.

Invoiced sales by business area

SEK M	2009	2008	Change, %	Change, %*
Sandvik Tooling	19,078	25,975	-27	-36
Sandvik Mining and Construction	32,621	38,651	-16	-23
Sandvik Materials Technology	15,328	21,480	-29	-34
Seco Tools	4,871	6,513	-25	-30
Group activities	39	35	—	—
Group total	71,937	92,654	-22	-30

* Change compared with the preceding year, at fixed exchange rates for comparable units.

intake and invoiced sales positively by 9%. The price trend was favorable for high value-added niche products, but somewhat more pressured for products exposed to a higher degree of competition.

The operating result totaled SEK –1,137 M (1,187), yielding an operating margin of –7.4%. The decline was due to low invoiced sales and low production volumes, resulting in a reduction in gross profit and under-absorption of fixed costs. Earnings were also negatively impacted by costs for restructuring programs, impairment and changed metal prices.

The number of employees at 31 December totaled 8,246 (9,281).

Performance and key events at Sandvik Materials Technology

The global recession resulted in a weak business situation for Sandvik Materials Technology in 2009. The areas that were worst affected were the automotive, mining and consumer-related industries. The energy sector, however, displayed strong growth, particularly in such segments as nuclear power and oil/gas.

The action program initiated in 2008 to reduce costs and working capital was intensified in 2009. In response to the weak volume trend, the business area implemented extensive cost restraints, personnel reductions and production cuts. The number of full-time employees decreased by a total of about 1,000 dur-

ing the year and inventories were reduced by about SEK 2,300 M. In addition, agreements were reached covering a temporary reduction in working hours and pay for large parts of the organization.

Metal prices fluctuated during the year and metals in stock were valued at the lower of cost or net realizable value, which had a negative impact of SEK 541 M on the reported result. However, the effect of metal prices on inventory valuations did not impact cash flow. During 2009, a range of measures were applied to reduce exposure to fluctuations in metal prices and to minimize the effects on margins and cash flow.

The Kanthal and Wire product areas were merged to capitalize on synergies and improve cost efficiency, market presence and product mix. Consequently, the number of product areas was reduced from six to five.

Investments aimed at strengthening the business area's market position in Asia continued during the year. A new production facility for cold rolling and finishing of high-alloy seamless tubes was constructed in Zhenjiang, China. The sales organizations in China and India were expanded in parallel with the build-out of capacity. A service center for precision strip was brought on-stream in Zhenjiang, China, while the research center in Pune, India, was strengthened through the addition of further resources.

Sandvik Materials Technology holds a strong position in selected niches in the fast-growing nuclear power industry and is a leading supplier of such products as steam generator tubes. During the year, the business area signed agreements for steam generator tubes for a combined value of more than SEK 6 billion. Deliveries will commence in 2012. In response to the increased demand, work was initiated to substantially expand manufacturing capacity.

Consolidation of units in the MedTech product area continued during the year. To better capitalize on synergies in the medical technology area, it was decided that Protomedical GmbH, a unit that offers manufacturing of medical implants and surgical instruments, would be transferred from Sandvik Tooling to Sandvik Materials Technology effective 1 January 2010.

Back-office functions in the business area's European sales organization were coordinated. One single unit is now responsible for providing service to large parts of the European market.

A powder technology research facility was started up at the research center in Sandviken and comprehensive investments were also made to significantly expand capacity for rock-drill steel in Sandviken.

Operating result by business area

SEK M	2009	Margin as a % of invoiced sales	2008	Margin as a % of invoiced sales
Sandvik Tooling	–527	–3	5,461	21
Sandvik Mining and Construction	466	1	4,996	13
Sandvik Materials Technology	–1,137	–7	1,187	6
Seco Tools	307	6	1,332	20
Group activities	–521	—	–184	—
Group total	–1,412	–2	12,794	14

Research and development

Sandvik's research and development is highly prioritized in the Group and aims to increase customers' productivity, facilitate their efforts in the environmental area and improve the work environment of employees. Projects include metallurgic research, metal cutting and the development of production technologies, production processes and IT systems.

Sandvik invests almost SEK 3 billion each year in R&D and more than 2,400 employees are active in this area. The Group has about 5,000 active patents and other intellectual property rights.

Research and development is conducted in a decentralized manner in each of the business areas. The exchange of knowledge between the business areas is substantial, which generates synergies and qualitative accumulation of data upon which decisions can be based.

Sandvik Tooling

The focus of Sandvik Tooling's research and development is on the development of new materials and products and the improvement of the production methods and production equipment. The aim is to enhance tool performance and quality as well as production efficiency both for customers and the business area itself. The business area continuously develops new methods for the production of cemented carbide, ceramic materials, cubic boron nitride and synthetic diamonds. Development of methods for precision pressing and coating in the production of indexable inserts has a high priority.

Research and development activities are carried out in several locations throughout the world. Each product area pursues product and application development in close cooperation with customers.

A selection of advances in research and development in 2009 are listed below:

- **Focus on milling at Sandvik Coromant**
During the year, Sandvik Coromant launched the CoroMill®316 end mill with exchangeable cutting heads and the CoroMill®345 face mill with eight cutting edges. A number of important enhancements to the CoroMill®490 shoulder-milling program were also introduced. The new CoroMill®329 increases productivity in slot milling. Furthermore, the Coromant Capto tool-

holding system was expanded to include a larger version for heavy-duty machining. The CoroCut parting and grooving program was complemented with new, larger inserts for heavy-duty parting and grooving operations and thus covers a broad range of applications.

- **Walter strengthens and expands its total product offering**

The Walter product area, with the three brands Walter, Walter Titex and Walter Prototyp, offers a complete product range for all types of metal cutting. During the year, Walter launched Tiger-tec®Silver, incorporating new technology for coated indexable inserts that delivers a performance increase of 50–100%. Walter Titex introduced the Xtreme D8 and D12 drills for extreme deep-hole and small diameter drilling. Walter Prototyp introduced the Cone-Fit™ shoulder mill with exchangeable cutting heads.

- **Broadened offering in diamond and cemented carbide tools**

Dormer strengthened its offering in machining of composite materials for such sectors as the aerospace industry through the launch of diamond-tipped tools. In addition, a broad range of cemented-carbide tools for specific applications and materials was launched.

- **Continued development of superhard materials at Diamond Innovations**

Diamond Innovations introduced a new generation of diamond-tipped drill buttons with improved service life for drilling for oil and gas, which resulted in an increased market share.

- **Successful technology development in attractive niches**

At Sandvik Hard Materials, improved extrusion technology enabled the production of cemented-carbide blanks with complex shapes. New grades of titanium-based cemented carbide for

metal sawing offered major efficiency gains for customers. A new, patented locking system for rolls, DynaLock, had its commercial breakthrough. The system offers increased productivity, since slippage is avoided at high loads.

- **Customer-driven development of new tungsten carbide grades**

The Wolfram product area offers a complete range of tungsten carbide powders with various properties. The powders are mainly used in the production of cemented carbide tools, but also in other applications in which strict demands are placed on hardness and wear resistance. The various powder grades are continuously improved and tailored based on the customers' needs. During 2009, the ultra fine-grained tungsten carbide grade, CRC010, was introduced. It enables, for example, the production of high-performance drills in extremely small dimensions for the electronics industry.

Sandvik Mining and Construction

Sandvik Mining and Construction continued to introduce new technology and new products in the market. Through close cooperation with customers, the business area can continuously adapt its products to the needs of customers and offer holistic solutions. For example, the business area develops innovative solutions for automated mining operations and mechanical excavation of harder rock grades. The principal driving forces in its development work are to create improvements in the areas of the environment, health and safety. Other important driving forces for the development work include cost savings, reduced energy use and skills enhancement.

The issues with the highest priority in Sandvik Mining and Construction's R&D efforts relate to safety and products and services for the aftermarket. The largest development units can be found in Finland, Sweden, Austria and the US.

A number of the products and process solutions introduced in 2009 are listed below:

- **New system for complete surface crushing stations**

With the Sandvik PF300, Sandvik launches a system for complete mobile

crushing stations. The system has been created for surface mining in which the minerals are crushed and immediately removed from the extraction site. The new method reduces truck transports, which results in direct cost savings, reduced fuel consumption and lower carbon dioxide emissions.

- **More efficient and safer coal mining**
Customers in the coal industry demand reliable equipment with high cutting power and availability. To meet these requirements, Sandvik Mining and Construction has developed the Sandvik MC350 mining machine that offers state-of-the-art-technology for underground mining of soft rock grades. Combined with the other products in the business area, Sandvik offers a powerful, safe and efficient coal-mining system.
- **Hybrid crusher for a variety of needs**
The newly developed Sandvik CR810 hybrid roll crusher was introduced at the beginning of the year. The crusher features a unique and compact design that combines the advantages of reducing the space requirement with the benefits of traditional double-roll crushers that have hydraulic gap adjustment and overload protection. The Sandvik CR810 is used in surface and underground mining operations and in construction projects.
- **Cost and eco-efficient electronically controlled loader**
Sandvik continues to develop the product range for electronically controlled loaders for the loading and transport of ore from underground mines in a productive, safe and profitable manner. During the year, the customer offering was expanded through the addition of a new model, the Sandvik LH514E, which has an excellent power-to-weight ratio, combined with a superior turning radius and improved electronic control system. The electric power system, with its low noise levels and zero emissions, provides an improved work environment and reduces the costs for mine ventilation. The loader also requires fewer maintenance hours than a conventional diesel-powered loader. The combined benefits enable considerable savings for customers.

Sandvik Materials Technology

Sandvik Materials Technology develops advanced materials, products and system solutions in close cooperation with customers. The aims include increasing customer productivity, reducing energy use and the impact on the environment, and creating processes that result in a secure working environment.

The business area has one of Europe's largest R&D centers for advanced metallic materials and special alloys in Sandviken, Sweden. The business area also operates an R&D center for ceramic and metallic resistance materials in Hallstammar, Sweden. A research and modeling center for advanced materials is sited in Pune, India, where simulations of various processes and materials are conducted, among other activities.

A few years ago, work commenced on a number of key R&D programs in strategically important areas for Sandvik Materials Technology, including energy and medical technology. Through continuous development of advanced material and extensive investments in powder and surface technology, Sandvik Materials Technology can play a decisive role in the development within these prioritized segments.

A selection of products and process solutions introduced in 2009 are listed below:

- **More efficient energy use enhances productivity**
The Kanthal product area continuously launches new products that enhance the efficiency of energy use and increase productivity for customers. One example is the new thermoelement material, Thermothal®Low Drift, which allows more precise temperature control and thus enhanced performance in the manufacture of, for example, components for the aerospace industry.
- **Capacity increase in the oil industry**
Large volumes of liquid sulfur are a by-product of oil extraction, and must be converted into pastilles to facilitate handling. The conversion process takes place in high-speed and high-performance Rotoform lines, which significantly increase customers' capacity. During 2009, several orders were received for Rotoform HS® for refineries, including an important breakthrough order in

Russia. Sandvik offers complete solutions providing financial, logistical and environmental benefits.

- **Development of medical implants**
Through its MedTech product area, Sandvik is a leading supplier of implants and surgical instruments to global medical technology companies. Sandvik's products meet the exacting demands imposed on surfaces, precision, strength and corrosion resistance. During the year, the product area further developed models of medical implants, including hip replacement implants. Important breakthrough orders were received from, for example, India and Korea.
- **New materials with extreme performance for the oil and gas industries**
Sandvik SAF 2707HD® is a new material for wirelines used in the oil and gas industry to lower various measurement instruments and tools in oil wells. Extreme demands are placed on the material's performance, which is adapted to chloride-containing environments, features high mechanical strength and has high resistance to corrosion. The same material is also used in tube applications in the offshore industry and in oil refineries.
- **New spring material increases performance**
Sandvik Loniflex® is a new wire material for aerosol springs used in aerosols, perfume bottles and pump soap dispensers. The material contains considerably less nickel, which is expensive and fluctuates considerably in price. At the same time, the material has comparable or superior properties in terms of corrosion and hot and cold machining possibilities. This also helps increase productivity of spring customers.
- **Productivity boost for milling, turning and drilling**
Sanmac SAF 2205® is a re-launched and improved product that is once again available in the bar program in an exceptionally broad size range. The bars are used, for example, in the manufacture of fittings and flanges in several industries.

Human resources

Since competence development and competitiveness are strongly interconnected, HR issues are assigned a high priority at Sandvik. The Group's capacity to effectively develop employees to their full potential plays a significant role in the Group's financial results and its ability to compete in the global market.

The aim of Sandvik's efforts relating to Human Resource management (HR) is to create methods and a working climate that allow the Group to realize its short and long-term goals. The organization must have the capacity to manage successes and setbacks in its business operations. It is the responsibility of central and local HR functions to contribute cost-efficiency and effective support for managers, create simplicity and clarity for employees, and help to make Sandvik an attractive employer.

A number of global processes facilitate this work so that the methods can be practically applied in day-to-day activities. These are subsequently introduced on a gradual basis to all units in the Group.

Competence development and sourcing

Sandvik is a global company that offers many opportunities for development. The creation of increased mobility in the Group is an important element on many levels. Firstly, it allows personal development for employees and, secondly, it is a way of transferring competencies within the company. One example of a tool that stimulates mobility is Sandvik's internal employment market, which comprises a portal on the Group's intranet where all

vacancies are published, with support also being offered to employees in the application process.

Competence development is a continuous process in all areas of the organization. All Sandvik employees are entitled to a personal development plan – this applies to all Group companies and countries in which Sandvik conducts operations. Each manager is responsible for preparing educational plans together with the employee. This plan forms the base for the planned development efforts. The manager bears a long-term responsibility to ensure that his or her own organization at any given time is staffed by employees with the necessary expertise in relation to the work content of the unit. Managers receive training and develop in their roles thanks to the company's global strategic leadership development program. Sandvik also tailors its own industry-specific educational programs. One example of this is the Sandvik International Mining School – a two-year program that is offered in partnership with five universities from four continents.

Sandvik works actively with Employer Branding as part of the company's work to identify, recruit and retain in-demand personnel. The Group's initiatives in this area are based on communicating, in various contexts, the opportunities offered

by a professional career at Sandvik. This profiling work is conducted on a broad front, ranging from meetings on labor market days at universities and colleges to how communication messages are formulated.

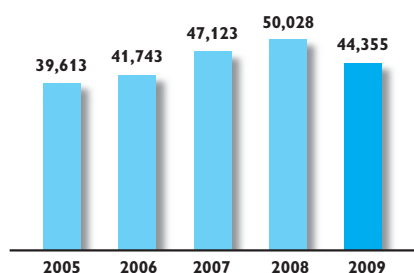
Management by objectives

A manager at Sandvik shall enjoy effective support in his or her role as a leader. HR functions are focused on such tasks as offering practical tools and templates that facilitate administration and release resources for management by objectives and teambuilding. The ability to break down objectives into specific targets to be achieved by an individual or a group is vital in efforts to retain and develop Sandvik's competitiveness.

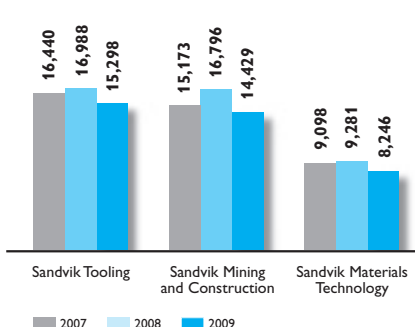
Remuneration and compensation

Sandvik's management by objectives is also reflected in the strategy for remuneration and compensation, which aims to support Sandvik's business objectives and contribute to maintaining Sandvik as an attractive company in which to work and develop. Sandvik's remuneration model comprises fixed salary, performance-based annual variable salary, long-term performance-based salary to senior executives and specialists, pensions and benefits. According to Sandvik's remuneration

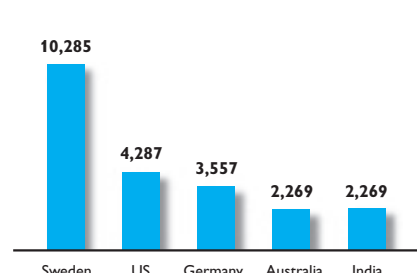
Number of employees



Number of employees by business area



Number of employees by country



policy, fixed salary is based on four cornerstones: the complexity and difficulty of the position, individual performance, the salary situation in the relevant market, and professional incentive. Some of Sandvik's employees are entitled to performance-based variable salary. Remuneration of these individuals is always based on predetermined goals. For remuneration of senior executives, see below and Note 3.5.

Adaptation to sharp fall in demand

In 2009, Sandvik focused on a range of measures to adjust production capacity and cost levels to the prevailing market conditions. This work was conducted on a global scale and actions taken include a reduction of temporary and permanent employees, the closure of units, and employee agreements regulating shorter working hours, lay-offs and similar actions. Following the expiration of agreements for shorter working hours, they will be concluded or renegotiated. Work aimed at retaining and further developing key expertise within the company has been carried out.

Number of employees

The number of employees at the end of the year was 44,355 (50,028), a decrease for comparable operations of 5,947 per-

sons during the year. The number of employees in Sweden at 31 December 2009 totaled 10,285 (11,487). Data on personnel expenses and the average number of employees is available on page 60, Note 3.

Employment conditions

Sandvik's employment conditions are based on the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

Activities pursued during the year to attain Group-wide objectives for health and safety, and employee conditions and development, include certification of the occupational health and safety management system in accordance with OHSAS 18001 for companies recently acquired, training, risk assessment of the workplace, more focus on reporting of incidents, improving the efficiency of safety committees, and providing stimulation to managers to emphasize Sandvik's objective to improve the balance between men and women in connection with recruitment processes. Relevant performance indicators that are monitored on a quarterly basis include the number of fatalities, the number of lost time injuries resulting in lost time, the number of reported near misses, the number of lost days due to injuries, employee turnover, as well as the number of men and women in various positions. The trend in occupational injuries resulting in lost time and the lost time injury frequency rate remained positive during the year, but the improvement in the balance between men and women remains weak.

Decision on principles for the remuneration of senior executives

The guidelines for the remuneration of the Board and senior executives that applied during 2009 are set out in Note 3.5 on pages 60–62. The company's auditors have examined compliance with the guidelines.

The Board of Sandvik AB proposes that the Annual General Meeting on 4 May 2010 resolve on the following principles for the remuneration of senior executives in accordance with that stated in Note 3.5. The Board's proposal is designed to ensure that Sandvik, from a global perspective, can offer remuneration at the market rate that will attract and retain qualified members of the Group Executive Management. The remuneration package for Group Executive Management comprises fixed salary, annual variable salary and long-term variable salary and pension. The aim is that the components will form a well-balanced remuneration and benefit package that reflects the individual's performance and responsibility and the Group's earnings trend. The fixed salary, which is individual and differentiated considering responsibility and performance, is determined taking into account market conditions and is reviewed each year. The Board may depart from the principles established by the Annual General Meeting if, in isolated cases, there are special reasons for so doing. Those affected by these proposed principles are the President and the other members of the Group Executive Management. For further details, refer to Note 3.5 on pages 60–62.

Key figures	2009	2008
No. of employees 31 December	44,355	50,028
Average number of employees		
Women	8,574	8,819
Men	38,617	39,752
Total	47,191	48,571

Sandvik's responsibility

Sustainable development represents an integral part of the business process, with focus on continual improvement in such areas as environment, occupational health and safety, human rights and business ethics.

The Group's Code of Conduct forms the basis for Sandvik's improvements efforts in these areas.

In addition to the financial results of Sandvik's operations, the Group's environmental and social objectives and the outcome of these is presented in the company's Sustainability Report on pages 88–99.

Environmental objectives

Activities conducted during the year to fulfill Sandvik's objectives include certification in accordance with ISO 14001 for companies recently acquired, the continued introduction of energy-saving programs, phasing-out of chlorinated solvents and reduction of water consumption using such methods as recirculation. Relevant performance indicators for the use of electricity and fossil fuel, carbon dioxide emissions and water consumption are monitored on a quarterly basis. Furthermore, the Group monitors waste volumes and wastewater from processes on an annual basis. The outcome for 2009 is presented in Sandvik's Sustainability Report. During the year, the absolute environmental indicators, such as energy use and carbon dioxide emissions, developed positively while the relative indicators displayed a negative trend largely due to the sharp downturn in business volumes.

Licensed operations

Sandvik complies with applicable laws and regulations relating to environmental issues in the countries where the Group operates. However, Sandvik applies even stricter requirements when it is ecologically warranted, technically possible and economically viable. Sandvik's Swedish units conduct licensed operations in accordance with Swedish environmental legislation at the plants in Sandviken, Gimo, Stockholm, Halmstad, Hallstahammar, Surahammar, Svedala and Köping. The environmental permits for these sites relate to such activities as the manufacturing of ingots/CC-blooms/CC-billets, bar, tube, strip and wire products, rock-drilling products, rollable ingots, ceramics, metal powder, cemented carbide products, castings and

various equipment and tools. All these units have the environmental permits that are required for their operations. The main environmental impacts from these sites are emissions to air and water, energy use, waste production, older contaminated land areas and noise. Sandvik is highly dependent on the environmental permits granted for these sites.

During the year, Kanthal AB in Hallstahammar, Sweden, was granted a new permit for carbon dioxide emissions due to the addition of a number of reserve power generators under the terms of the license. A permit to use an internal landfill for metal hydroxide sludge in Hallstahammar also expired in 2009. No breaches of permissible manufacturing volumes or limit values within the parameters of the terms and conditions of permits occurred during the year. A number of target values were exceeded for noise and emissions to air and water at a few sites. Actions are being taken to comply with these target values, often in consultation with the relevant supervisory authority.

For the units subject to environmental permits, public environmental reports are submitted each year to the supervisory authority. In these reports, conditions and compliance with all the various requirements are presented, as are annual emissions and actions taken to lessen impacts on the environment or the consumption of resources. No unit has been issued with any significant injunction related to applicable conditions from the supervisory authorities in 2009.

Some 23 units throughout the entire Sandvik Group are affected by known or presumed land contamination. Of these, remediation procedures have been ordered at ten units at an estimated cost of some SEK 60 M. Moreover, voluntary remediation measures at a further seven sites have been agreed. Soil remediation was completed in Västberga, Sweden during the year.

When new manufacturing companies are divested and acquired, the due diligence procedures always include a comprehensive environmental audit to identify any environ-

mental liabilities related to the operation in question.

Emission allowances

The Group's plants in Sandviken and Hallstahammar are covered by the trading system in carbon dioxide emission allowances in the EU. In 2009, the Group was allocated emission allowances corresponding to 109,727 tons of carbon dioxide. For the period, the Group declared emissions amounting to 88,240 tons of carbon dioxide.

All use of production-related fossil fuel in the industrial site in Sandviken is encompassed by trading in emission allowances.

The trading in emission allowances also affects Sandvik in that the price for electricity, even such electricity not affected by emission allowances, has risen.

The European REACH chemical legislation and similar legislation in other parts of the world will involve costs for processing of applications and registration. The fulfillment of requirements is also a strength for Sandvik's businesses.

Otherwise, Sandvik is not aware of any changes in environmental requirements raised by laws or otherwise that could have a significant operational or financial effect on business activities.

Suppliers

Sandvik increased the focus on risks related to suppliers during 2009. A new supplier Code of Conduct was developed and special supplier audit functions were introduced in China and India during the year. Further information is presented in the sustainability report.

Human rights and business ethics

Sandvik's policies relating to human rights and business ethics are summarized in the Code of Conduct. To emphasize the importance of compliance, training in these issues is regularly arranged. At the end of 2009, more than 84% of the employees had participated in this training.

No incidents relating to violation of human rights in proprietary operations were reported during 2009. Some 40 incidents of suspected harassment, fraud and corruption were reported. Where appropriate, corrective measures were implemented in all of these cases, including the dismissal of personnel.

Integrated risk management

The aim of Sandvik's risk management is to minimize risks within the company and also to ensure that opportunities are capitalized on in the best possible manner. The turbulence in the financial markets and the global recession have meant that Sandvik's work on restricting and controlling risk-taking was particularly important in 2009. Sandvik has a favorable risk spread with operations in 130 countries in about 20 product areas and a number of different industries.

The substantial decline in demand for Sandvik's products in the past year has affected all markets and industries, with only a handful of exceptions. In light of this trend, risk management directed its focus to the Group's business risks. It is essential to balance the operations by reporting profitability based on the prevailing lower volume levels, while retaining capacity and personnel to efficiently manage an economic upturn.

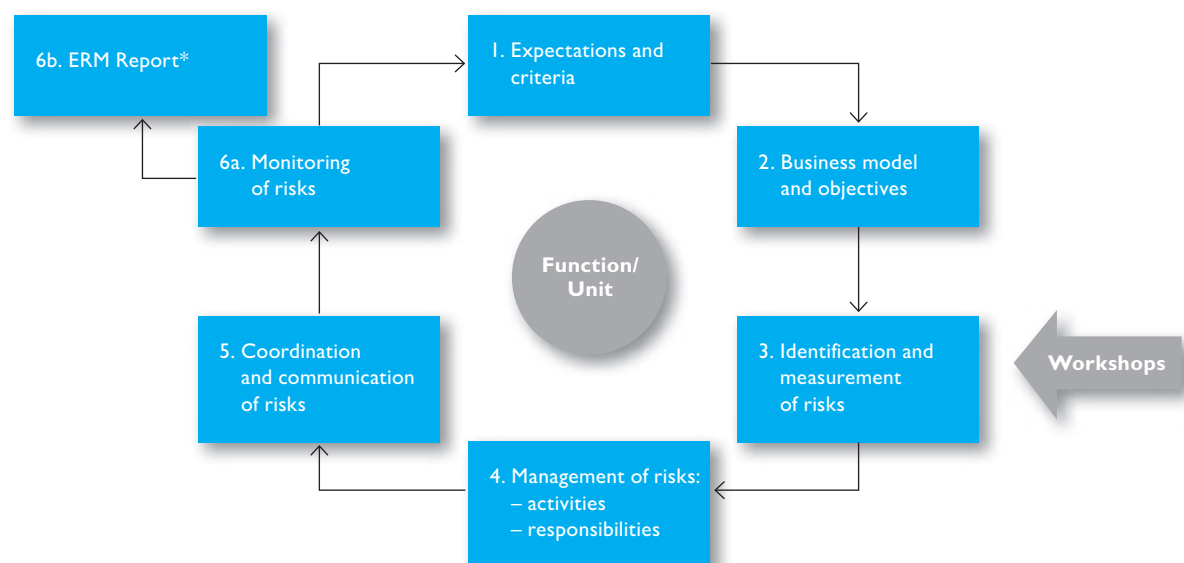
Integrated risk management at Sandvik

The Sandvik Group applies a comprehensive program for risk management – Enterprise Risk Management (ERM). The program covers all parts of operations, business areas as well as Group functions. Since ERM is an integral part of the control of Sandvik's operations, the process also assists the company in taking action when dramatic changes occur in the external environment and market conditions.

The main components of risk management are identification, measurement, management, reporting, monitoring and control. An action plan is established for each risk to accept, reduce, eliminate or increase the risk. Formal procedures and processes are established for the reporting, monitoring and control of risks.

A full, consolidated ERM Report is submitted to Executive Group Management twice a year and to the Board once a year.

ERM process – Overview



* Reporting twice per year, of which once to the Sandvik Board.

The purpose of the integrated risk management work is to:

- Create heightened risk awareness in the organization, from operational decision-makers to the Board of Directors. Transparent and consistent reporting of risks shall form a basis for a united approach to what shall be prioritized and managed.
- Support the Board of Directors and executive management in strategic decision-making through continuous identification and evaluation of strategic risks.
- Contribute to improvements in operational decision-making by managers at various levels by ensuring that operational risks are continuously evaluated and managed.
- Improve control of the company's exposure to risk by implementing a Group-wide model and methodology to consolidate risks.

Operational risks

Each manager with operational responsibilities shall ensure that risks associated with the operations are appropriately identified, measured and managed. Operational risks include market and country risks, R&D risks, product risks, production risks, health and safety as well as environmental risks. Each unit's risks are regularly summarized in a report, which also details the actions that are being taken to manage the risks. Each risk is measured and assigned an action plan. All this information is consolidated at Group level.

Compliance risks

Sandvik is globally engaged in many different areas and conducts its business within the framework of rules and regulations that apply in various countries, markets and factual areas. The Group

shall comply with laws as regards environmental and labor issues, the operation of the business, taxation, terms of employment, marketing regulations, and so forth. In addition, the Group has internally established regulatory systems and instructions as support for management and other employees in the company.

Financial reporting risks

Operating companies within the Sandvik Group present reports on their financial performance and economic status on a regular basis in accordance with internal reporting rules and the accounting policies that Sandvik applies, the International Financial Reporting Standards (IFRS). The Group's controller function validates and analyzes the financial information as a part of the quality control of financial reporting. See also the Corporate Governance Report on pages 100–107.

One-off risks

Through recurring updates conducted as part of the ERM work, specific changes in the business or in factors affecting the business are identified. These may relate to the acquisition of a new company, a major investment, new legislation, sudden changes in market conditions, technical innovation, etc., whose implications must be individually assessed.

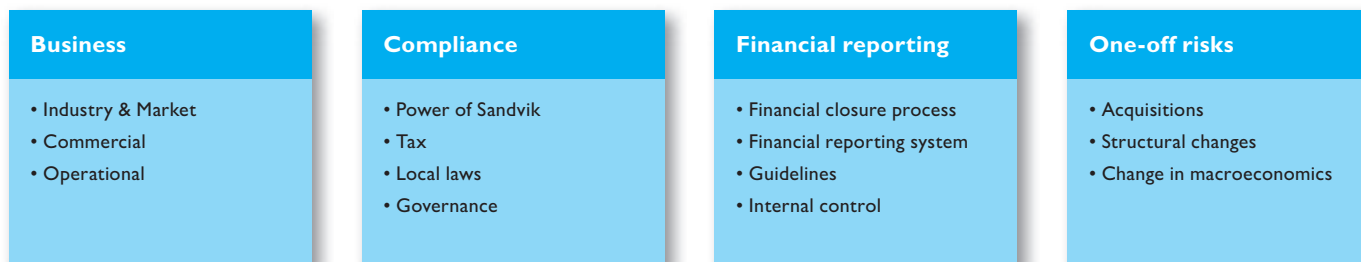
Legal risks

Litigation

On occasion, Sandvik is party to litigation and administrative proceedings related to its operations, including responsibility for products, the environment, health and safety. However, Sandvik does not deem that any of these ongoing proceedings and processes will significantly affect the Sandvik Group.

In the US, companies that sell welding electrodes, including Sandvik's US subsidiary, Sandvik Inc., are the object of claims in which it is alleged that exposure to welding fumes causes neurological damage. All of these claims involve multiple defendants in addition to Sandvik Inc. To obtain a favorable verdict against Sandvik Inc., a plaintiff would have to prove that any neurological injury was caused by Sandvik Inc.'s welding electrodes. The market share of Sandvik Inc. for welding electrodes in the US is less than 1%, and many of the cases against the company have been dismissed because the plaintiffs could not prove that they had used Sandvik Inc.'s welding electrodes.

Sandvik's risk areas



In addition, Sandvik believes that there is no reliable scientific evidence to support the claims. Despite such absence of evidence, and also considering the minimal market share, Sandvik anticipates that it will have to continue to defend itself against these types of claims in lawsuits. To date, the Group has not received an unfavorable verdict in any proceedings or been forced to come to a settlement in regards to injury compensation related to welding electrodes and the only expenses it has incurred are legal costs. A significant share of these costs has been covered by insurance.

Protection of intellectual property rights

To protect the return on the resources that Sandvik invests in research and development, the Group has a strategy for the active safeguarding of technical achievements against patent infringements and copying. Sandvik protects its intellectual property rights through legal proceedings when necessary.

Tax disputes

During 2007, the Swedish National Tax Board performed tax audits at Sandvik AB and Sandvik Intellectual Property AB (the "IP Company"), and in this connection, reviewed the reorganization of ownership and management of intellectual property rights that took place in 2005.

The reorganization implied that Swedish-owned patents and trademarks were transferred to the IP Company. The reasons for this reorganization were the need to gather the activities relating to intellectual property rights into one company to visualize the considerable worth of the intellectual rights and to gain operational advantages.

The Tax Board did not approve the tax returns for the 2005 and 2006 fiscal years filed by the IP Company with respect to the claimed deductions for amortization of the transferred intellectual property rights.

The Tax Board approved the tax returns filed by Sandvik AB for the 2005 fiscal year. Subsequently, the Tax Board, through the Public Commissioner, filed an appeal against its own decision relating to the effects of the above-mentioned reorganization. In addition, according to the Commissioner's appeal, the rejection of the IP Company's amortization claims should be removed in the event that the appeal concerning Sandvik AB's tax returns is approved. If the Commissioner's appeals are approved, the resulting additional tax expense of some SEK 5,050 M would not affect Sandvik's earnings since the amount would correspond to the tax value of the raised taxable amortization in the IP Company. However, as a result of a reduction in Swedish income tax from 28% to 26.3% effective from 2009, the tax value of the taxable amortization would be affected negatively by about SEK 200 M.

If the Court accepts Sandvik's position, the Group's tax expense would decline by about SEK 4,850 M, to be recognized as income when such a court order gains legal force.

In January and December of 2008, the IP Company appealed the decision by the Tax Board regarding taxation for 2005, 2006 and 2007. For subsequent years of assessment, both the Tax Board and Sandvik have dealt with tax returns and appeals in the same manner as previously. Pending a conclusion of the legal proceedings, Sandvik has established a pro-

vision for the tax effects of implemented amortization in the IP Company and for accrued interest for the tax that the Public Commissioner's appeal against Sandvik AB would entail if it is approved.

Insurable risks

Sandvik has the customary insurance programs with respect to the Group's property and liability risks.

As a natural element of the Group's various activities, measures to limit the impact of damages are taken continually, often in cooperation with Sandvik's external insurance advisors.

In such a context, standards for desired protection levels are established to reduce the probability of significant material damages and to guarantee deliveries to customers.

Sustainability risks

Sustainability risks entail the risk of adverse consequences concerning the environment, health and safety, human rights and business ethics due to the commercial operations conducted by Sandvik. To minimize these risks, Sandvik conducts comprehensive work at all levels of the company. Fair play and Code of Conduct seminars are held throughout the Group on a regular basis. These aspects also comprise key areas for Sandvik's internal assurance function, Group Assurance. In recent years, Sandvik has also developed a separate Sustainability Report, which requires a systematic analysis of the company's operations in terms of sustainability and enables the identification of risks within this area. For further information, see Sandvik's Sustainability Report on pages 88–99.

Financial risk management

Through its comprehensive international operations, Sandvik is exposed to financial risks. The Board of Directors is responsible for establishing the Group's finance policy, which comprises the guidelines, objectives and limits for financial management and the managing of financial risks within the Group.

Sandvik Financial Services has been established to act as the functional organization responsible for managing the greater part of the Group's financial risks. The primary objective of the department is to contribute to the creation of value by minimizing the financial risks to which the Group is exposed to the ordinary course of business, and to optimize the Group's net financial expense.

Sandvik Financial Services provides service to Group companies and its task is to support subsidiaries with loans, investment

opportunities and currency-exchange deals, and to act as advisors in financial matters. The department conducts internal banking operations and is based at the head office in Sweden and in Singapore. The internal bank also conducts Sandvik's netting system, and is responsible for international cash management.

Sandvik Financial Services also conducts operations for payment advice and trade finance, and issues the Group's global credit policy. This activity is carried out mainly through the head office in Sweden and via

finance companies in the US, Germany and Chile.

Finally, Sandvik Financial Services also manages the financial risks associated with the company's defined-benefit pension plans.

Only banks with a solid financial position and high credit ratings are accepted as Sandvik's counterparties in financial transactions.

The following presentation complies with the reporting requirements stated in accordance with IFRS (IFRS 7 and IAS 39).

Risk	Exposure	Comments
<p>Currency risk</p> <p>Currency risks refer to the foreign-exchange movements affecting the company's profit or loss for the year, other comprehensive income, and the company's competitive situation in various ways:</p> <ul style="list-style-type: none"> • Profit or loss for the year is affected when sales and purchases are made in different currencies (transaction exposure). • Profit or loss for the year is affected when assets and liabilities are denominated in different currencies (translation exposure). • Profit or loss for the year is affected when the financial results of subsidiaries are translated to SEK (translation exposure). • Other comprehensive income is affected when the net assets of subsidiaries are translated to SEK (translation exposure). <p>Sandvik manages the currency risks that arise in accordance with the description in the following section. The manner in which the currency risk is managed has not been changed compared with the preceding year.</p>		

Transaction exposure

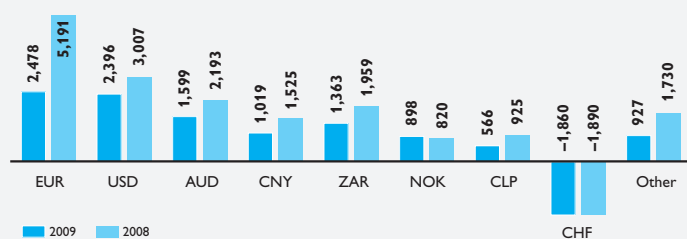
Sandvik's principal currencies comprise the currency basket through which Sandvik's transaction exposure is measured. The value of this basket, in other words the Group's net flow of currencies, after full offsetting of the countervalue in the exporting companies' local currencies, amounted to SEK 9,386 M (15,460) in 2009. The significance of the local currencies in the basket is shown in the diagram below.

In its international operations, Sandvik regularly offers customers the possibility to pay in their own currencies through the global sales organization. As a result, the Group is continuously exposed to currency risks in accounts receivable denominated in foreign currency and in future sales to foreign customers. Since a large percentage of production is concentrated to a few countries, while sales occur in many countries, Sandvik is exposed to a large net inflow of foreign currencies, which are exposed to transaction risks. To reduce exposure to foreign currencies, currencies received are used to pay for purchases in the same currency.

A certain portion of the anticipated net flow of sales and purchases is hedged through financial instruments in accordance with guidelines set in the Group's finance policy. In addition, major project orders are currency hedged to safeguard the gross margin. An executive committee that meets regularly establishes how much of the Group's transaction exposure needs to be hedged. At year-end, the total hedged amount was SEK 6,426 M. The average duration for the hedged volume of foreign currency was about 3 years (8 months). The reason for the increase in the duration compared with the preceding year was because of currency hedging in conjunction with supply agreements signed by Sandvik Materials Technology relating to steam generator tubing, with delivery scheduled to take place from 2012 through 2014.

Unrealized losses from outstanding currency contracts for hedging of future net flows amounted to SEK -20 M (-235) at year end. Of these, SEK -43 M relates to contracts maturing in 2010 and SEK 23 M to contracts maturing in 2011 or later. Hedge reporting in line with IAS 39 is applied for the most significant portion of the hedge transactions. For a more detailed breakdown of the effects on cash flow on a quarterly basis of the transactions that have been recognized in the hedging reserve, see Note 30.

Net flow in foreign currencies, SEK M



Risk

Translation exposure

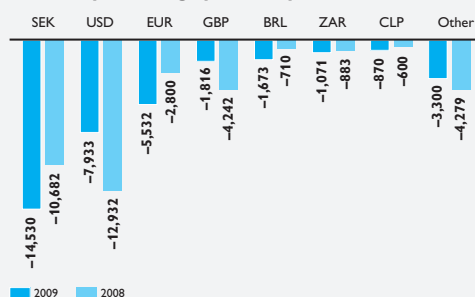
Sandvik's subsidiaries should normally not have any extensive translation risk in their balance sheets since the objective is that a subsidiary's receivables and liabilities in foreign currency shall be balanced (currency hedged).

Profit/loss in a foreign subsidiary is translated to SEK based on the average rate for the period to which the profit/loss relates, which means that the Group's result is exposed to a translation risk.

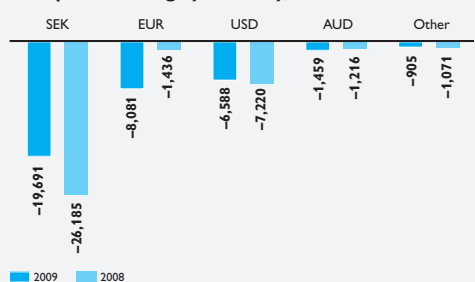
Net assets, meaning the subsidiaries' shareholders equity, are translated into SEK at the rate applying on the balance-sheet date. At 31 December, the Group's net assets in subsidiaries in foreign currency were SEK 32,063 M (41,065).

Exposure

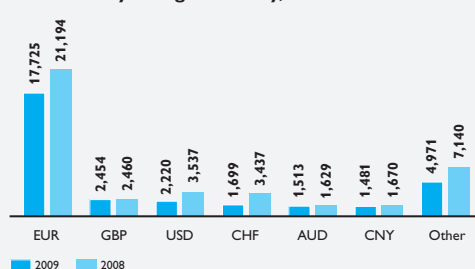
Subsidiary financing by currency, SEK M



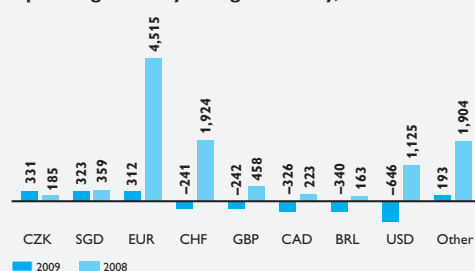
Group's borrowing by currency, SEK M



Net assets by foreign currency, SEK M



Operating result by foreign currency, SEK M



Comments

To avoid translation risk in the balance sheets of subsidiaries, the subsidiaries' investments in the companies' local currencies are financed through an internal bank. External borrowing often takes place in a specific currency. The currency risk that arises in the internal bank as a result of this is managed using various derivatives, which means that the translation risk is minimized.

Sandvik has chosen not to hedge future profits in foreign subsidiaries. Net assets are also not hedged, but the differences that arise due to changes in exchange rates since the preceding year-end are recognized directly in other comprehensive income.

Risk	Exposure	Comments
<p>Exchange-rate sensitivity</p> <p>To gain a comprehensive understanding of how exchange-rate fluctuations impact the Group's operating result, consideration must be given to the transaction exposure's currency basket, the operating result of the subsidiaries in their respective currencies and implemented hedging activities.</p> <p>The sensitivity of the Group's other comprehensive income to exchange rates depends on the size of net assets. Aside from net assets, other comprehensive income is also exposed to exchange-rate risk, since certain derivative contracts are subject to hedge accounting, which means that the change in the market value of these contracts is recognized directly in other comprehensive income instead of in the profit or loss for the year.</p>	<p>If the exchange rates for the currencies included in the basket were to change by 5% in an unfavorable direction for the company, the total operating result over a 12-months period would change by SEK 459 M, assuming that the currency basket is the same as it was at year-end.</p> <p>The net effect on other comprehensive income of a similar change to exchange rates would be SEK 1,869 M.</p>	

<p>Interest rate risk</p> <p>Interest rate risk is defined as the risk that changes in market interest rates will have an adverse impact on the Group's net interest items. The speed with which a change in interest rate affects net interest items depends on the fixed-interest terms of assets and liabilities. Sandvik applied the same method to calculate and manage interest risk as in the preceding year.</p> <p>Interest rate risk arises in two ways:</p> <ul style="list-style-type: none"> • The company may have invested in interest-bearing assets, the value of which changes when the interest rate changes. • The cost of the company's borrowing fluctuates when the general interest-rate situation changes. 	<p>If market rates were to rise by 1 percentage point across all terms at 1 January 2010, net interest items would be impacted by SEK -139 M during the coming year.</p> <p>An interest-rate sensitivity analysis of interest-swap agreements valid at year-end, and to which hedge accounting was applied, shows that other comprehensive income would change by SEK 110 M as a result of a 1 percentage point parallel shift of the interest-rate curve.</p>	<p>In the event that Sandvik has surplus liquidity, it is placed in bank deposits or in short-term money-market instruments with durations of less than 90 days, which means that the interest risk (the risk of a change in value) is low.</p> <p>The Group's interest-rate risk arises mainly in connection with borrowing. According to the Group's finance policy, a fixed-interest term of 12 months is the aim for the borrowing portfolio. Interest-swap agreements are sometimes used to achieve the desired fixed-interest term. The internal bank and the Group's CFO have a deviation mandate that enables them to apply a different fixed-interest term if this is found to be optimal, provided that it remains within the interval 6–36 months. As detailed in the table, the average fixed-interest term on Sandvik's borrowing was 36 months (13) at year-end, with consideration given to derivative agreements entered. The Group's average interest rate, including other loans and effects of interest-swap agreements, was 3.8% (4.8).</p> <p>Hedge accounting was applied to the financial statement when an effective link existed between hedged loans and interest swaps. Accordingly, changed market interest rates may also impact other comprehensive income, since the Group has only a small number of interest-swap agreements to which it applies cash-flow hedging. This means that changes in the market values of these swaps are recognized directly in other comprehensive income instead of in profit or loss for the year. A presentation of all interest-swap agreements entered, and information regarding their duration, can be found in Note 30.</p> <p>Sandvik's loan conditions are not connected to any financial key figures. Only under exceptional circumstance are assets pledged in connection with the raising of loans. Such pledging is disclosed in Note 29.</p>
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Interest rates and fixed-interest terms on outstanding loans

SEK M	Excluding effects of derivatives		Including effects of derivatives		Recognized liability, SEK M
	Effective rate of interest, %	Fixed-interest term, months	Effective rate of interest, %	Fixed-interest term, months	
Bond loans, Swedish MTN	2.9	10	2.5	16	14,118
Bond loans, European MTN	6.9	47	6.9	47	6,186
Private placement	5.7	114	5.7	114	6,339
Certificates	1.4	3	1.4	3	1,791
Other loans from banks	2.7	7	2.7	7	8,290
Total	3.9	33	3.8	36	36,724

Risk	Exposure	Comments																																								
<p>Liquidity and refinancing risk</p> <p>Liquidity and refinancing risk is defined as the risk that costs will rise and financing possibilities will be limited when loans must be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity.</p>	<p>Maturity profile for borrowing and liquid assets</p> <p>Nominal amount, SEK M</p> <table border="1"> <caption>Maturity profile for borrowing and liquid assets (SEK M)</caption> <thead> <tr> <th>Period</th> <th>Nominal amount</th> </tr> </thead> <tbody> <tr><td>0-6 months</td><td>7,506</td></tr> <tr><td>6-12 months</td><td>-4,963</td></tr> <tr><td>12-18 months</td><td>-3,396</td></tr> <tr><td>18-24 months</td><td>-3,531</td></tr> <tr><td>2010</td><td>-2,930</td></tr> <tr><td>2011</td><td>-1,705</td></tr> <tr><td>2012</td><td>-6,686</td></tr> <tr><td>2013</td><td>-2,813</td></tr> <tr><td>2014</td><td>-3,375</td></tr> <tr><td>2015</td><td>-2,031</td></tr> <tr><td>2016</td><td>-1,421</td></tr> <tr><td>2017</td><td>-1,367</td></tr> <tr><td>2018</td><td>-1,205</td></tr> <tr><td>2019</td><td>-500</td></tr> <tr><td>2020</td><td></td></tr> <tr><td>2021</td><td></td></tr> <tr><td>2022</td><td></td></tr> <tr><td>2023</td><td></td></tr> <tr><td>2024</td><td></td></tr> </tbody> </table>	Period	Nominal amount	0-6 months	7,506	6-12 months	-4,963	12-18 months	-3,396	18-24 months	-3,531	2010	-2,930	2011	-1,705	2012	-6,686	2013	-2,813	2014	-3,375	2015	-2,031	2016	-1,421	2017	-1,367	2018	-1,205	2019	-500	2020		2021		2022		2023		2024		<p>According to the finance policy, the Group must always have sufficient cash and cash equivalents and guaranteed credit facilities to cover loans maturing within the next six months. In Sandvik's finance policy, the liquidity and refinancing risks are regulated to ensure that the sum of guaranteed credit facilities and cash and cash equivalents exceeds the total of all loans that mature within the next six months. At 31 December 2009, the sum of cash and cash equivalents available immediately to the Parent Company and credit facilities was SEK 20,122 M (21,415), compared with loans that mature within the next six months totaling SEK 4,963 M (9,271).</p> <p>Sandvik has credit facilities of EUR 500 M maturing in 2012 and of EUR 1,000 M maturing in 2013. These credit facilities have been placed at the company's disposal by a group of banks. The constituent banks also have other relations with Sandvik. The facilities, which are the Group's primary liquidity reserve, were unutilized at year-end. The size of the facilities is revised regularly and adapted to the Group's need for a liquidity reserve.</p> <p>Historically, Sandvik has largely secured short-term financing through the Swedish commercial paper market. The turbulence in the global financial markets in autumn 2008 resulted in a change in the company's financing strategy with the aim of securing a longer maturity profile for liabilities, thus reducing the refinancing risk. Among other effects, this meant that Sandvik issued EUR 600 M under a Euro Medium Term Note program (EMTN) during the year. The effect was that the share of long-term loans in relation to total borrowing was 79% at year-end 2009 compared with 68% one year earlier.</p> <p>At year-end, Standard & Poor's, the international credit rating agency, had assigned an A- credit rating to Sandvik's long-term borrowing and A-2 for its short-term borrowing. For a continuous update on Sandvik's credit rating, refer to Sandvik's website.</p>
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Credit risk

The Group's commercial and financial transactions give rise to credit risk in relation to Sandvik's counterparties. Credit risk or counterparty risk is defined as the risk for losses if the counterparty does not fulfill its commitments.

The credit risk to which Sandvik is exposed can be divided into three categories:

- Financial credit risk.
- Credit risk in trade receivables.
- Credit risk in customer financing.

Total credit risk – Financial instruments

SEK M	2009	2008
Trade receivables	11,587	15,930
Cash and cash equivalents	7,506	4,998
Unrealized gains on derivatives	652	3,420
Other receivables	550	710
Total	20,295	25,058

With respect to the financial credit risk, Sandvik has entered into agreements with the banks that are most important to the company covering such matters as the right to offset receivables and liabilities that arise from financial transactions, so-called ISDA agreements. This means that the company's counterparty exposure to the financial sector is limited to the unrealized positive results that arise in derivative agreements. At 31 December 2009, the value of these amounted to SEK 652 M (3,420). The total nominal value of derivative instruments for purchased and sold currencies amounted to SEK 49,568 M (49,924). These derivatives form part of the Group's managing of currency risks in transaction flows and financing.

The company has a credit risk in outstanding trade receivables that arises continuously due to invoicing on open terms and conditions in relation to the company's customers. The credit risk in trade receivables is regulated by a Group-wide credit policy. The distribution of the business areas' individual credit exposure per industry segment entails a favorable diversification of risk without significant concentrations to specific customers or markets. Collateral for credit is sometimes required in connection with specifically large or risky trade receivable exposures. However, the value of these is minor in relation to the total trade receivable portfolio. Sandvik's credit losses have been small in historical terms. The total gross value of outstanding trade receivables was SEK 12,299 M (16,624) at 31 December. Total impairment of these was SEK -713 M (-694). Ageing analyses of trade receivables and customer financing at 31 December are presented in Note 20.

Sandvik, notably the Sandvik Mining and Construction business area, offers customer financing to the company's distributors and end-customers. In North and South America, and in Europe, this takes place through its own finance companies. Sandvik's customers frequently wish to finance their investments in new equipment with terms that match the products' expected economic lives. Therefore, Sandvik Financial Services works in close liaison with financial institutions, such as banks and export credits guarantee boards, to be able to offer customers competitive solutions and to reduce the credit risk in customer financing. At year-end, the value of outstanding credits in financing companies was SEK 421 M (534), of which SEK 31 M was reserved for doubtful receivables.

In certain cases, Sandvik must provide buyback guarantees, that is, a promise to repurchase a machine at a price established in advance. At year-end, the outstanding buyback guarantees amounted to SEK 368 M (111).

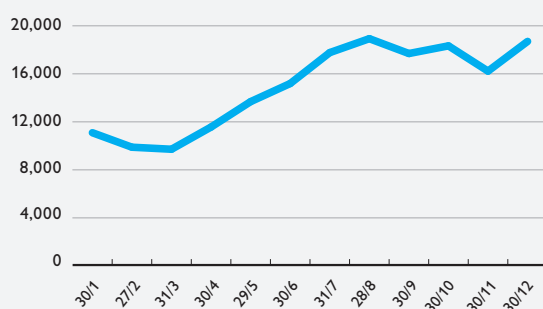
In addition to the traditional financing of equipment that the customer buys, Sandvik also offers rental machines to customers that only require the use of a machine for a shorter period. At year-end, the net book value of these machines was SEK 652 M (468).

Risk	Exposure	Comments
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Raw materials price exposure

Sandvik's financial risks related to raw materials are concentrated to nickel, molybdenum and electricity. The price risk involved in these is partially hedged through the signing of financial contracts. Trading in financial contracts is conducted on the London Metal Exchange and the Nordpool electricity exchange. The price of nickel is highly volatile. It varied during the year and the price at the beginning of the January was USD 12,710 per metric ton. The highest price of USD 21,070 was recorded in August, while the price at year-end was USD 18,480 per metric ton.

Trend in the price of nickel during 2009, USD



The total consumption of nickel is some 9,000 metric tons per year. When Sandvik Materials Technology obtains a significant customer order with a fixed price for nickel and molybdenum, the price of these materials is hedged by signing financial contracts. The main purpose of hedging external orders at a fixed price and volume is to ensure sales margins, and thus avoid any impact on Sandvik Materials Technology's result.

In 2009, the Group initiated an offset hedging strategy for nickel to eliminate the metal price risk in connection with transactions conducted at a variable metal price. This form of hedging is carried out each month and is based on a calculated net exposure to nickel in purchased raw materials and nickel contained in sold products. The measurement of inventory is not affected by offset hedging.

At year-end, the volume of hedged nickel inventory amounted to 3,856 tons (1,526). The market value of commodity derivatives entered into was SEK 65 M (-120). A price reduction for nickel of USD 1,000 per metric ton is estimated to have a negative effect of SEK 52 M on Sandvik's reported results on an annual basis, based on the prevailing conditions at 31 December 2009, and the effect on other comprehensive income would be SEK -28 M.

For Sandvik's large production units in Sweden, the electricity price is continuously hedged through derivatives. The total electricity use at these units normally amounts to some 900 GWh. The hedging horizon at year-end was about 19 months' (18) expected use. The market value of electricity derivatives at year-end was SEK -12 M (-67). A change in the electricity price of SEK 0.10 per kWh is estimated to impact Sandvik's operating result and other comprehensive income by plus or minus approximately SEK 90 M on an annual basis, based on the prevailing conditions at year-end 2009.

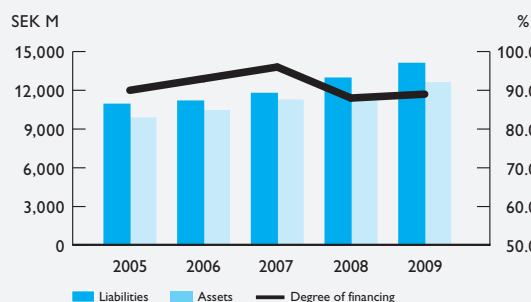
Hedge accounting in accordance with IAS 39 is applied to the majority of the raw materials and electricity derivatives. To view when reported hedging transactions will impact profit or loss for the year, see Note 30.

Pension commitments

Sandvik has comprehensive pension obligations for its employees in all countries in which it operates. The pension solutions vary depending on legislation and local agreements. The most comprehensive agreements are found in Sweden, Finland, Germany, the UK and the US. The risk is defined as the value change effect a 1 percentage point change in interest rates would have on the net of assets and liabilities.

The average interest rate duration for the Group's interest-bearing assets in the pension portfolio is 4.1 years, and 19.2 years for the pension commitment. Since the durations of the assets and liabilities differ, a change in interest rates of 1 percentage point would have a net impact of approximately SEK 1,600 M. The risk, measured as the standard deviation (volatility) for assets, varies between 5.6 and 16.7. If the economic life assumptions are changed by one year, the pension liability would change by about 4%, which corresponds to about SEK 600 M.

Trend of pension liability and managed capital



To ensure the efficient administration of the substantial pension plans in these countries and an equally efficient management of funds reserved for pension plans, Sandvik has established a separate entity for this purpose, the Sandvik Pensions Supervisory Board. In addition, local pension boards are established in each country that are responsible for compliance with legislation and local agreements.

The defined-benefit pension plans are described in Note 23.

In 2009, the return on Sandvik's Group pension portfolio was 13.2%. Managed capital totaled SEK 12,620 M and corresponding pension commitments amounted to SEK 14,126 M, which is equal to an investment ratio of 89% (88).

Consolidated financial statements

Income statement	35
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Statement of changes in equity	38
Consolidated cash-flow statement	39



Consolidated income statement

SEK M	Note	2009	2008
Revenue	1, 2	71,937	92,654
Cost of sales and services		-54,871	-61,562
Gross profit		17,066	31,092
Selling expenses		-10,853	-11,524
Administrative expenses		-5,188	-5,287
Research and development costs	4	-2,007	-2,014
Share of results of associated companies		-39	46
Other operating income	5	82	661
Other operating expenses	6	-473	-180
Operating profit/loss	1, 3, 7, 8	-1,412	12,794
Financial income		438	375
Financial expenses		-2,498	-2,592
Net financing cost	9	-2,060	-2,217
Profit/loss after financial items		-3,472	10,577
Income tax	11	876	-2,741
Profit/loss for the year		-2,596	7,836
Other comprehensive income			
Translation differences during the year		-645	4,832
Fair-value changes in cash-flow hedges		272	-537
Fair-value changes in cash-flow hedges transferred to profit/loss for the year		269	-84
Tax related to fair-value changes in cash-flow hedges	11	-142	164
Other total comprehensive income for the year, net after tax		-246	4,375
Total comprehensive income/loss for the year		-2,842	12,211
Profit/loss for the year attributable to:			
Equity holders of the Parent		-2,652	7,472
Minority interest		56	364
Total comprehensive income/loss for the year attributable to:			
Equity holders of the Parent		-2,864	11,755
Minority interest		22	456
Basic earnings per share, SEK	12	-2.24	6.30
Diluted earnings per share, SEK	12	-2.24	6.29

Consolidated balance sheet

SEK M	Note	2009	2008
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents and other intangible assets	13	3,002	2,641
Goodwill	13	11,135	9,831
Total		14,137	12,472
<i>Property, plant and equipment</i>			
Land and buildings	13	8,171	6,974
Plant and machinery	13	13,895	13,229
Equipment, tools, fixtures and fittings	13	1,721	1,874
Construction in progress and advance payments	13	2,732	4,046
Total		26,519	26,123
<i>Financial assets</i>			
Investments in associated companies	1, 16	385	485
Financial assets	17	78	78
Deferred tax assets	11	2,510	1,277
Non-current receivables	18	2,725	2,512
Total		5,698	4,352
Total non-current assets		46,354	42,947
Current assets			
<i>Inventories</i>			
	19	19,842	28,614
<i>Current receivables</i>			
Trade receivables	20	11,587	15,930
Due from associated companies		125	180
Income tax receivables	11	1,304	1,699
Other receivables	18	4,011	7,759
Prepaid expenses and accrued income		846	1,100
Total		17,873	26,668
<i>Cash and cash equivalents</i>			
		7,506	4,998
Total current assets		45,221	60,280
TOTAL ASSETS	1	91,575	103,227

SEK M	Note	2009	2008
EQUITY AND LIABILITIES			
Equity			
Share capital		1,424	1,424
Other paid-in capital		1,057	1,057
Reserves		4,439	4,651
Retained earnings including profit/loss for the year		22,067	28,456
Equity attributable to equity holders of the Parent		28,987	35,588
Minority interest		970	1,137
Total equity	21	29,957	36,725
Non-current liabilities			
<i>Interest-bearing liabilities</i>			
Provisions for pensions	23	2,657	2,735
Loans from financial institutions		5,093	4,691
Other liabilities	26	24,057	17,888
Total		31,807	25,314
<i>Noninterest-bearing liabilities</i>			
Deferred tax liabilities	11	1,242	1,514
Provisions for taxes	11	3,311	3,201
Other provisions	24	782	806
Other non-current liabilities	27	172	398
Total		5,507	5,919
Total non-current liabilities		37,314	31,233
Current liabilities			
<i>Interest-bearing liabilities</i>			
Loans from financial institutions		3,431	11,324
Other liabilities	26	4,143	3,225
Total		7,574	14,549
<i>Noninterest-bearing liabilities</i>			
Advance payments from customers		1,895	2,368
Accounts payable		4,730	7,000
Due to associated companies		42	80
Income tax liabilities	11	768	1,301
Other liabilities	27	3,428	3,312
Provisions	24	995	734
Accrued expenses and deferred income		4,872	5,925
Total		16,730	20,720
Total current liabilities		24,304	35,269
TOTAL LIABILITIES		61,618	66,502
TOTAL EQUITY AND LIABILITIES		91,575	103,227

For information on contingent liabilities and pledged assets, refer to Note 29.

Consolidated statement of changes in equity

SEK M	Equity attributable to equity holders of the Parent Company				Total	Minority interest	Total equity
	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit/loss for the year			
Equity at 1 January 2008	1,424	1,057	368	25,765	28,614	1,209	29,823
Total comprehensive income for the year	—	—	4,283	7,472	11,755	456	12,211
Dividend	—	—	—	-4,745	-4,745	-366	-5,111
Purchase of minority owned shares in subsidiaries	—	—	—	—	—	-162	-162
Stock options exercised by employees settled against equity instruments	—	—	—	-36	-36	—	-36
Equity at 31 December 2008	1,424	1,057	4,651	28,456	35,588	1,137	36,725
Equity at 1 January 2009	1,424	1,057	4,651	28,456	35,588	1,137	36,725
Total comprehensive income/loss for the year	—	—	-212	-2,652	-2,864	22	-2,842
Dividend	—	—	—	-3,737	-3,737	-189	-3,926
Equity at 31 December 2009	1,424	1,057	4,439	22,067	28,987	970	29,957

Consolidated cash-flow statement

SEK M	2009	2008
Cash flow from operating activities		
Income/loss after financial income and expenses	-3,472	10,577
Adjustment for depreciation, amortization and impairment losses	4,541	3,481
Adjustment for non-cash items, etc.	481	-142
Income tax paid	-870	-2,897
Cash flow from operating activities before changes in working capital	680	11,019
Changes in working capital		
Change in inventories	9,449	-1,001
Change in operating receivables	5,884	-640
Change in operating liabilities	-3,701	293
Cash flow from operating activities	12,312	9,671
Cash flow from investing activities		
Acquisition of companies and shares, net of cash acquired	-2,036	-954
Acquisition of property, plant and equipment	-4,625	-7,169
Proceeds from sale of companies and shares, net of cash disposed of	55	111
Proceeds from sale of property, plant and equipment	413	381
Net cash used in investing activities	-6,193	-7,631
Net cash flow after investing activities	6,119	2,040
Cash flow from financing activities		
Proceeds from external borrowings	20,852	16,026
Repayment of external borrowings	-22,417	-9,484
Realization of interest swaps and currency hedging	1,843	—
Exercise of personnel options	—	-44
Payment to new pension fund	—	-663
Dividends paid	-3,926	-5,111
Cash flow from financing activities	-3,648	724
Cash flow for the year	2,471	2,764
Cash and cash equivalents at beginning of year	4,998	2,006
Exchange-rate differences on cash and cash equivalents	37	228
Cash and cash equivalents at end of year	7,506	4,998

Supplementary information, Note 32.

Parent Company financial statements

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Parent Company income statement

SEK M	Note	2009	2008
Revenue	2	13,527	20,427
Cost of sales and services		-12,018	-17,007
Gross profit		1,509	3,420
Selling expenses		-536	-662
Administrative expenses		-2,402	-2,191
Research and development costs	4	-884	-920
Other operating income	5	1,132	788
Other operating expenses	6	-722	-830
Operating loss	3, 8	-1,903	-395
Income from shares in Group companies	9	5,834	6,774
Income from shares in associated companies	9	5	5
Interest income and similar items	9	587	613
Interest expenses and similar items	9	-1,545	-1,655
Profit after financial items		2,978	5,342
Appropriations	10	8	7
Income tax	11	765	401
Profit for the year		3,751	5,750

Parent Company balance sheet

SEK M	Note	2009	2008
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents and other intangible assets	14	17	31
Total		17	31
<i>Property, plant and equipment</i>			
Land and buildings	14	638	491
Plant and machinery	14	4,275	4,088
Equipment, tools, fixtures and fittings	14	376	312
Construction in progress and advance payments	14	1,333	1,727
Total		6,622	6,618
<i>Financial assets</i>			
Shares in Group companies	15	14,366	14,435
Advances to Group companies		152	61
Investments in associated companies	16	4	4
Other investments		1	1
Non-current receivables	18	101	26
Deferred tax assets	11	865	292
Total		15,489	14,819
Total non-current assets		22,128	21,468
Current assets			
<i>Inventories</i>			
	19	3,310	5,123
<i>Current receivables</i>			
Trade receivables		569	861
Due from Group companies		20,691	12,800
Due from associated companies		117	116
Income tax receivables	11	165	166
Other receivables	18	338	233
Prepaid expenses and accrued income		389	1,129
Total		22,269	15,305
<i>Cash and cash equivalents</i>		9	3
Total current assets		25,588	20,431
TOTAL ASSETS		47,716	41,899

SEK M	Note	2009	2008
EQUITY AND LIABILITIES			
Equity			
<i>Non-distributable equity</i>			
Share capital		1,424	1,424
Statutory reserve		1,611	1,611
Total		3,035	3,035
<i>Distributable equity</i>			
Profit brought forward		7,821	5,304
Profit for the year		3,751	5,750
Total		11,572	11,054
Total equity	21	14,607	14,089
<i>Untaxed reserves</i>			
Other untaxed reserves	22	4	12
Total		4	12
<i>Provisions</i>			
Provisions for pensions	23	128	128
Provisions for taxes	11	—	55
Other provisions	24	87	188
Total		215	371
<i>Non-current interest-bearing liabilities</i>			
Loans from financial institutions	25	1,894	1,653
Loans from Group companies	25	40	122
Other liabilities	25	17,145	10,591
Total		19,079	12,366
<i>Non-current noninterest-bearing liabilities</i>			
Other liabilities		22	108
Total		22	108
<i>Current interest-bearing liabilities</i>			
Loans from Group companies		6,526	7,074
Other liabilities		3,160	2,799
Total		9,686	9,873
<i>Current noninterest-bearing liabilities</i>			
Advance payments from customers		429	443
Accounts payable		1,147	1,532
Due to group companies		270	638
Due to associated companies		—	68
Other liabilities		202	219
Accrued expenses and deferred income	28	2,055	2,180
Total		4,103	5,080
TOTAL EQUITY AND LIABILITIES		47,716	41,899
Pledged assets	29	—	—
Contingent liabilities	29	17,778	17,316

Parent Company statement of changes in equity

SEK M	Share capital	Statutory reserve	Distributable equity	Total equity
Equity at 1 January 2008	1,424	1,611	11,260	14,295
Profit for the year	—	—	5,750	5,750
Dividend	—	—	-4,745	-4,745
Group contributions	—	—	304	304
Tax effect of Group contributions	—	—	-85	-85
Stock options exercised by employees settled against equity instruments	—	—	-36	-36
Equity at 31 December 2008	1,424	1,611	11,054	14,089
Profit for the year	—	—	3,751	3,751
Dividend	—	—	-3,737	-3,737
Group contributions	—	—	684	684
Tax effect of Group contributions	—	—	-180	-180
Equity at 31 December 2009	1,424	1,611	11,572	14,607

Parent Company cash-flow statement

SEK M	2009	2008
Cash-flow from operating activities		
Result before tax	2,986	5,349
Adjustment for depreciation	712	635
Adjustment for non-cash items	-460	-237
Income tax paid	-42	269
Cash-flow from operating activities before changes in working capital	3,196	6,016
Changes in working capital		
Changes in inventories	1,813	1,119
Changes in operating receivables	-334	819
Changes in operating liabilities	-418	-4,052
Cash-flow from operating activities	4,257	3,902
Cash-flow from investing activities		
Acquisition of companies and shares, net of cash acquired	-191	-678
Acquisition of property, plant and equipment	-899	-1,537
Proceeds from sale of companies and shares, net of cash disposed of	340	28
Proceeds from sale of property, plant and equipment	127	14
Net cash used in investing activities	-623	-2,173
Net cash-flow after investing activities	3,634	1,729
Cash-flow from financing activities		
Changes in advances/loans to/from Group companies, net	-8,090	-42
Proceeds from external borrowings	11,571	3,350
Repayment of external borrowings	-4,056	-564
Exercise of personnel options	—	-36
Dividend paid	-3,737	-4,745
Group contributions	684	305
Net cash used in financing activities	-3,628	-1,732
Cash-flow for the year	6	-3
Cash and cash equivalents at beginning of year	3	6
Cash and cash equivalents at end of year	9	3

Supplementary information, Note 32.

Significant accounting policies

and assessments and assumptions for accounting purposes

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and interpretations of such standards by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the EU Commission. In addition, the standard RFR 1.2, Supplementary accounting standards for consolidated accounts, issued by the Swedish Financial Accounting Standards Council, has been applied.

The Parent Company has applied the same accounting policies as those applied in the consolidated financial statements except as set out below in the section "Parent Company's accounting policies."

The financial statements are presented on pages 12–86. The Parent Company's annual report and the consolidated financial statements were approved for issuance by the Board of Directors on 17 February 2010. The Group's and the Parent Company's income statements and balance sheets are subject to adoption at the Annual General Meeting on 4 May 2010.

Basis of measurement in preparation of the Parent Company and Group financial statements

Assets and liabilities are stated on a historical cost basis except for certain financial assets and liabilities, which are stated at their fair value. Financial assets and liabilities measured at fair value comprise derivative instruments and financial assets held for sale.

Receivables and liabilities and items of income and expense are offset only when required or expressly permitted in an accounting standard.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. All amounts are in SEK million unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires management to make assessments, estimates and assumptions that affect the application of accounting policies and recognized

amounts of assets and liabilities, income and expenses. Actual results may differ from these assessments.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are further discussed below.

Events after the balance sheet date refer to both favorable and unfavorable events that have occurred after the balance sheet date but before the date the financial statements were authorized for issue by the Board of Directors. Significant non-adjusting events, that is, events indicative of conditions that arose after the balance sheet date, are disclosed in the financial statements. Only adjusting events, that is, those that provide evidence of conditions that existed at the balance sheet date, have been considered in the preparation of the financial statements.

The most significant accounting policies for the Group, as set out below, have been applied consistently to all periods presented in these consolidated financial statements except as specifically described. Moreover, the Group's accounting policies have been consistently applied in the statements of all members of the Group and also in the statements of associated companies, where necessary, by adaptation to Group policies.

Changes in accounting policies

The changed accounting policies applied by the Group effective 1 January 2009 are described below. Other revisions to IFRS that came into effect in 2009 did not have any significant impact on the Group's reporting.

Presentation of the financial statements

Since 1 January 2009, the Group applies revised IAS 1 *Presentation of Financial Statements*. The amendment has meant that income and expenses previously rec-

ognized directly in equity are now instead recognized in Other comprehensive income, which Sandvik presents after profit or loss for the year in an extended income statement. The statement of changes in equity includes Total other comprehensive income for the year and transactions with owners.

The comparative periods have been changed throughout in the annual report to comply with the new presentation. Since the changes only affect the presentation of information, no amounts have been changed, neither with respect to basic earnings per share nor other items in the financial statements.

Disclosure requirements relating to segments

Since 1 January, the Group applies the new IFRS 8 *Operating Segments*, which replaces IAS 14 *Segment Reporting*. IFRS 8 introduces a management perspective for how operating segments can be categorized and presented. The new principles are described further on in these accounting policies. The standard has been applied in accordance with its transition rules by adapting the comparative year to requirements in IFRS 8.

For Sandvik, the application of IFRS 8 has not necessitated any change to the division of segments, since the segments identified in IAS 14 corresponded to those monitored by the President. Sandvik continues to apply the same accounting policies to its operating segments as in the consolidated financial statements, that is, IFRS. Accordingly, none of the amounts recognized were changed relative to the amounts recognized earlier.

Disclosure requirements relating to financial instruments

Amendments to IFRS 7 *Financial Instruments: Disclosures* that apply to financial periods beginning on or after 1 January 2009 impact Sandvik's financial reporting from the 2009 annual period. The amendments mainly entail new disclosure requirements relating to financial instruments measured at fair value in the statement of financial position. The instruments are subdivided into a three-tier hierarchy depending on the quality of the input data in the measurement. The subdivision into tiers determines how and which disclosures

are to be presented regarding the instruments. These disclosure requirements have mainly impacted Note 30. Furthermore, changes to IFRS 7 entail a number of changes relating to liquidity risk disclosure. Pursuant to the transition regulations in IFRS 7, comparative data for the disclosures required by amendments need not be presented during the first year of application.

Borrowing costs

Since 1 January, the Group applies revised IAS 23 *Borrowing Costs*. The revised standard requires that the Group capitalizes borrowing costs in the cost for qualifying assets with a start date of 1 January 2009 or later. In the past, borrowing costs were charged to the result in the period to which they related instead of being capitalized. In accordance with the transition rules in IAS 23, the amendment was applied prospectively.

Since the amendment was applied prospectively, it has no effect on earlier years. For 2009, the new accounting policy had only a negligible effect on interest expense.

New or revised IFRSs and interpretations coming into effect in future accounting periods

A number of new or revised standards and interpretations will not become effective until future financial years and were not applied in advance in the preparation of these financial statements. New items or revisions that become effective in the years ahead are not planned to be applied in advance.

Revised IFRS 3 *Business Combinations* and revised IAS 27 *Consolidated and Separate Financial Statements* result in the following changes: The definition of business is changed, transaction expenses in connection with business combinations shall be expensed, conditional purchase considerations shall be fair valued at the date of acquisition and the effects of the revaluation of liabilities related to the conditional purchase considerations shall be recognized as income or expense in profit or loss for the year. Other new items include the introduction of two alternative methods to recognize minority interest and goodwill, either at fair value, meaning the inclusion of goodwill in the minority interest, or that the minority interest forms a part of net assets. The choice between these two methods will be made on an acquisition-by-acquisition basis. In addition, further acquisitions that take place after the controlling influence has been obtained will be regarded as owner transactions and recognized directly in

equity, which represents a change of Sandvik's current policy, which states that excess amounts shall be recognized as goodwill. The revised and amended standards will be applied from the next financial year, that is, from 1 January 2010. The amendments will only have prospective effects for Sandvik.

IFRS 9 *Financial Instruments* is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* not later than 2013. The IASB has published the first of at least three components that will combine to form IFRS 9. This first component addresses the classification and measurement of financial assets. The categories for financial assets that exist in IAS 39 are replaced by two categories, in which measurement is conducted at fair value or amortized cost. Amortized cost is applied to instruments that are held with the intention of obtaining the contractual cash flows, which shall comprise payment of loan amounts and interest on loan amounts. Other financial assets are recognized at fair value and the possibility to apply the fair value option, as stipulated in IAS 39, is retained. Changes in fair value shall be recognized in earnings, with the exception of value changes of equity instruments held for trading and for which an initial choice is made to recognize value changes in other comprehensive income. Value changes of derivatives in hedge reporting are not affected by this part of IFRS 9, but will be recognized in line with IAS 39 until further notice. The standard is not expected to have any significant effects on Sandvik's financial statements.

The following amendments to accounting policies with prospective application have not been deemed to have any significant effects on the Group's financial statements:

- Revised IFRS 1 *First-Time Adoption of IFRS* with respect to additional exceptions.
- Revised IFRS 2 *Share-Based Payment* with respect to cash-settled intra-Group remuneration.
- IAS 24 *Related-Party Disclosures* mainly with regard to disclosures for state-regulated companies, but also concerning the definition of related party.
- IAS 32 *Financial Instruments: Presentation*, relating to the classification of new share issues.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* with regard to items authorized for hedge accounting.
- IFRIC 12 *Service Concession Arrangements*.

- Revised IFRIC 14 IAS 19 *The Limit on a Defined-Benefit Asset, Minimum Funding Requirements and their Interaction* with respect to advance payments to cover requirements for minimum funding.
- IFRIC 15 *Agreements for the Construction of Real Estate*.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*.
- IFRIC 18 *Transfers of Assets from Customers*.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

A summary of the revised accounting policies with prospective application detailed above that have been deemed not to have an impact on Sandvik's accounting is outlined below.

Revised IFRS 2 *Share-Based Payments* mainly entails a clarification of the area of application for, and classification of, payments settled with cash or another asset (such as an equity instrument in another Group company) of a company other than the company that received the services or goods. The amendments stipulate that such cash-settled intra-Group payments are within the area of application of IFRS 2 and how the paying and receiving companies shall classify the payments, as cash or equity-settled remuneration. This amendment shall be retroactively applied from the fiscal year beginning 1 January 2010.

Revised IAS 24 *Related-Party Disclosures* mainly involves the introduction of certain exceptions from the disclosure requirements for companies over which the national government has a controlling or significant influence, but also means that the definition of related party is simplified, clarified and cleared of asymmetrical elements. Relaxations of the standard introduced mean that state-regulated companies no longer need to disclose all information regarding related-party transactions with either (i) the national government that has controlling or significant influence over the company or (ii) other companies that are related to the same national government. If this possibility is availed of, new, less extensive information must instead be disclosed. The revision of the related party definition means that a number of special relations have been added to the related party category while a few others have been deleted. The revisions are to be applied retroactively from fiscal years beginning 1 January 2011.

Amendments were made to IAS 32 *Financial Instruments: Presentation* with regard to classification as equity of rights (options and warrants) issued to acquire a fixed number of the company's equity instruments (shares) for a fixed cash amount in any currency. However, classification as equity presupposes that the company has offered the rights pro rata to all its existing owners. Prior to this amendment, rights issued to acquire a fixed number of the company's equity instruments (shares) for a fixed cash amount in a currency other than the company's functional currency were classified as a debt instrument (which must be fair valued in profit and loss since it is a derivative). The amendment must be applied no later than fiscal years beginning 1 February 2010 or later.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* deal with "items authorized for hedge accounting" and clarify the application of the principles for hedge accounting in connection with cash-flow hedging of a highly probable forecast transaction with a purchased option and defines the possibilities that exist to hedge identifiable components in the hedged item. This amendment shall be applied to fiscal years commencing after 30 June 2009.

IFRIC 12 *Service Concession Arrangements* addresses the issue of accounting by private entities for assets as well as the rights and obligations inherent in contracts with the national government, county councils or municipalities regarding, for example, financing, operation and development of the installation. The interpretation is applied to fiscal years commencing 29 March 2009 or later.

Amendments to IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* specifies that advance payments to cover requirements for minimum funding may be recognized as an asset. The interpretation is applied to fiscal years commencing 1 January 2011 or later, with retroactive application from the beginning of the earliest comparative period.

IFRIC 15 *Agreements for the Construction of Real Estate* deals with issues covered by IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from construction of real estate is to be recognized. The interpretation is applied to fiscal years beginning 1 January 2010 or later.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* deals with specifics, among other stipulations, that it is solely the risk in functional currencies in the Parent

Company and respective foreign operation than can be hedged. In addition, the interpretation stipulates where in the Group the hedging instrument can be included if hedge accounting is applied and if the consolidation method affects the amount reclassified to profit or loss for the year, that is, consolidation step-by-step, or consolidation by line item. Sandvik has no derivative instruments used to hedge net investments in foreign operations. The interpretation is applied to fiscal years beginning 1 July 2009 or later.

IFRIC 17 *Distribution of Non-Cash Assets to Owners* deals with issues related to dividends paid with assets other than cash. The liability for the dividend is recognized at fair value when the dividend is adopted, with Profit/loss brought forward as the counter item. In conjunction with the expiry of reporting periods and at the date for the distribution of the dividend, the liability is fair valued, with the change in value recognized in equity. When the dividend is realized, the difference between the liability's fair value and the carrying amount of the assets is recognized on a separate line in profit or loss for the year. The interpretation is applied to fiscal years beginning 1 November 2009 or later.

IFRIC 18 *Transfers of Assets from Customers* deals with such issues as how accounting is to be conducted, at the receiver, in conjunction with agreements that regulate instances in which customers transfer an item of property, plant and equipment to the company, which are subsequently used to either connect the customer to a network or provide the customer with continuous access to goods or services, or both of these. The interpretation also addresses those instances in which the company, as per agreement, receives cash from the customer to manufacture or acquire an item of property, plant and equipment to be used for the same purpose. The interpretation is applied prospectively to fiscal years beginning 1 November 2009 or later.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* clarifies regulations for accounting when the conditions for financial liabilities are renegotiated in such a manner that the lender accepts to settle the entire or part of the liability through payment in the form of shares or other equity instruments in the company. The value of equity instruments shall be included in the payment that is made to repay the liability and they shall primarily be measured at the equity instruments' fair value. If the instruments cannot

be reliably measured, they shall be measured at the fair value of the liability that is regulated. The differences between the recognized value of the repaid liability and the value of the equity instrument is recognized in profit or loss for the year. The interpretation is applied to fiscal years commencing 1 July 2010 or later, with retroactive application from the beginning of the earliest comparative year.

Classification

Non-current assets and liabilities essentially consist of amounts expected to be recovered or settled after more than 12 months from the balance sheet date. Current assets and current liabilities essentially consist of amounts expected to be recovered or settled within 12 months from the balance sheet date. The Group's operating cycle is considered to be less than one year.

Reporting of operating segments

An operating segment is a part of the Group that pursues operations from which it can generate revenues and incur costs for which separate financial information is available. The result of an operating segment is subsequently monitored by the Group's highest-ranked executive decision-maker to evaluate the outcome and to be able to allocate resources to the operating segment.

The Group's business is divided into operations based on the parts of the business monitored by the Group's highest-ranking executive. This is known as a management approach.

Sandvik's business is organized in a manner that allows the Group's highest-ranking executive, meaning the CEO, to monitor results, return and cash flow generated by the various products in the Group. Each operating segment has a president that is responsible for day-to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business's result and decides on the distribution of resources based on the products the Group manufactures and sells, these constitute the Group's operating segments.

The Group's operations are organized in a number of business areas based on products and services. The market organization also reflects this structure. In accordance with IFRS 8, segment information is presented only on the basis of the consolidated financial statements.

Segment results, assets and liabilities include only those items that are directly attributable to the segment and the rele-

vant portions of items that can be allocated on a reasonable basis to the segments. Unallocated items comprise interest and dividend income, gains on disposal of financial investments, interest expense, losses on the disposal of financial investments, income tax expense and certain administrative expenses. Unallocated assets and liabilities include income tax receivables and payables, financial investments and financial liabilities.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account.

Acquisitions of subsidiaries are recognized in accordance with the purchase method. Under such a method, the acquisition is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The acquisition cost to the Group is established in a purchase price allocation analysis. In such analysis, the cost of the business combination is established as being the fair values of recognized identifiable assets, liabilities and contingent liabilities. The cost of the business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for the net assets acquired, plus any costs directly attributed to the business combination. When the cost of the business combination exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities, the excess is recognized as goodwill. If the difference is negative, such difference is immediately recognized in profit or loss for the year.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associated companies

Associated companies are those entities over which the Group commands a significant influence, but not control, over the financial and operating policies, normally a shareholding of not less than 20% and not more than 50%. Interests in associated

companies are, as from the date significant influence commences, recognized in accordance with the equity method in the consolidated financial statements. Under the equity method, the carrying amounts of interests in associated companies correspond to the recognized equity of associated companies, any goodwill and any other remaining fair value adjustments recognized at acquisition date. The consolidated profit or loss for the year includes as "Share of profit or loss of associated companies" the Group's share of the associate's income attributable to the owners of the Parent Company adjusted for dissolution of acquired surplus or deficit values. These shares in profits, less dividends received from associates, constitute the main change in the carrying amount of participations in associated companies. The Group's share of other comprehensive income of associated companies is recognized on a separate line in the Group's other comprehensive income.

Any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with the same principles as those applied to the acquisition of subsidiaries.

When the Group's share of recognized losses in associated companies exceeds the value of shares in the Group, the value of the shares is reduced to zero. Losses are also deducted from non-current financial transactions without collateral, which in its financial meaning comprise a part of the owner company's net investment in the associated company. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the associated company. The application of the equity method is discontinued on the date that significant influence ceases.

Transactions eliminated on consolidation

Intra-Group balances, income and expenses and any unrealized gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized gains from transactions with associated companies and jointly controlled entities are eliminated to the extent that they correspond to the Group's interest in the entity. Unrealized losses are similarly eliminated, but only insofar as there is no impairment requirement.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the foreign exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the Group entities operate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in profit or loss for the year. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date that the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, at foreign exchange rates prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve. When the foreign operation is divested, the accumulated translation differences attributable to the divested foreign operation are reclassified from equity to profit or loss for the year as a reclassification adjustment at the date on which the profit or loss on the divestment is recognized.

Since 1 January 2004, meaning the date of transition to IFRS, translation differences have been recognized in the translation reserve.

Revenue

Revenue from sales and services

Revenue from the sale of goods is recognized in profit or loss for the year when the significant risks and rewards of ownership have been transferred to the buyer, that is, normally in connection with delivery. If the

product requires installation at the buyer, and installation is a significant part of the contract, revenue is recognized when the installation is completed. Buy-back commitments may entail that sales revenue cannot be recognized if the agreement with the customer in reality implies that the customer has only rented the product for a certain period of time.

Revenue from service assignments is normally recognized in connection with the rendering of the service. Revenue from service and maintenance contracts is recognized in accordance with the percentage-of-completion method. The stage of completion is normally determined based on the proportion of costs incurred on the balance sheet date in relation to the estimated total costs of the assignment. Only expenditures relating to work carried out or to be carried out are included in calculating the total costs.

Construction contracts

Construction contracts exist to some extent, mainly in the Sandvik Mining and Construction business area and the Sandvik Materials Technology's Process Systems product area. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss for the year in proportion to the stage of completion of the contract. The stage of completion is determined based on the proportion that contract costs incurred to date bear to the estimated total contract costs. Expected losses are immediately recognized as an expense in consolidated profit or loss for the year.

Other revenue

Revenue in the form of royalty is recognized on the basis of the financial implications of the agreement.

Government grants

Government grants are recognized in the balance sheet when there is reasonable assurance that the grant will be received and that the entity will comply with the conditions attaching to them. Grants are recognized in profit or loss for the year in the same way and over the same periods as the related costs that they are intended to compensate, on a systematic basis. Grants related to assets are presented by deducting the grant from the carrying amount of the asset.

Operating expenses and financial income and expenses

Operating lease agreements

Costs for operating leases are recognized in profit or loss for the year on a straight-line basis over the term of the lease. Lease incentives received are recognized in profit or loss for the year as an integral part of the total lease expense. Variable fees are expensed in the period in which they were incurred.

Finance lease agreements

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Variable fees are expensed in the period in which they were incurred.

Financial income and expenses

Financial income comprises interest income on funds invested (including financial assets available-for-sale), dividend income, gains on the disposal of financial assets available-for-sale, and gains on hedging instruments recognized in profit or loss for the year.

Interest income from financial instruments is recognized using the effective interest method (see below). Dividend income is recognized when the Group's right to receive payment is established. Income from the sale of a financial instrument is recognized when the risks and benefits associated with ownership are transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses comprise interest expense on borrowings, unwinding of the discount effect on provisions, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit for the year. Borrowing costs are recognized in profit or loss using the effective interest method, except for the portion that is directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete for their intended use or sale. In such a case, they are included in the asset's cost.

Foreign currency gains and losses are recognized net.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected

life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between contractual parties that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transaction is recognized in other comprehensive income, in which case the associated tax effects are recognized in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet liability method, based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill, or for temporary difference arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Additionally, deferred tax is not recognized on temporary differences relating to investments in subsidiaries and associated companies to the extent that they will probably not be reversed in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates and fiscal regulations enacted or substantively enacted at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The value of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Any additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Financial instruments

Financial instruments recognized in the balance sheet include assets, such as cash and cash equivalents, loan and trade account receivables, financial investments and derivatives, and liabilities such as loan liabilities, accounts payable and derivatives.

Recognition and derecognition

A financial asset or a financial liability is recognized on the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Trade receivables are recognized upon issuance of the invoice. A liability is recognized when the counterparty has performed under the agreement and the company is contractually obliged to settle the obligation, even if no invoice has been received. A financial asset is derecognized when the rights under the agreement are realized or have expired, or when control of the contractual rights is lost. The same applies to a portion of a financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged or otherwise expires. The same applies to a portion of a financial liability. A financial asset and a financial liability are offset and presented in a net amount in the balance sheet only if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. A regular purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting. Trade date is the date at which an entity commits itself to purchase or sell an asset.

Classification and measurement

A non-derivative financial instrument is initially recognized at transaction price equivalent to the fair value of the instrument. The Group classifies its financial instruments based on the purpose for its acquisition. Management decides its classification on initial recognition. The classification of a financial asset determines how it is measured after initial recognition. Sandvik's holdings of financial instruments are classified as follows.

Cash and cash equivalents comprise cash balances and call deposits with banks and equivalent financial institutions, and short-term investments that have a maturity of no more than three months from the date of acquisition, and are exposed only to an insignificant risk of changes in value.

Financial assets and liabilities are classified as follows:

a) Financial assets and financial liabilities measured at fair value in profit or loss consist of two subgroups:

i) Financial assets and financial liabilities held for trading, which comprise all derivatives held by Sandvik. Derivatives trading is pursued mainly to hedge the Group's foreign exchange and interest rate risks. Derivatives with positive fair values are recognized as other current or non-current receivables (unrealized profits), while derivatives with negative fair values are recognized as other current or non-current liabilities (unrealized losses).

ii) Financial assets and liabilities which are initially classified as belonging to this category (fair value option). Sandvik holds no financial instruments classified in this subgroup.

b) Loans and receivables

Non-current receivables and among non-current assets and current trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial recognition, these assets are measured at amortized cost using the effective interest method, less any reserve for value depletion.

c) Financial liabilities

Financial liabilities, that is, Sandvik's borrowings, are initially measured at fair value net of transaction costs. Borrowings are subsequently measured at amortized cost and any difference between the loan amount (net of transaction costs) and the repayable amount is allocated to profit or loss for the year over the term of the loan using the effective interest method. Borrowings are classified as current unless the company has an unconditional right to postpone payment for at least 12 months after the balance sheet date.

d) Financial assets available for sale

Investments in shares and participations reflect holdings that are not traded on an active market and are classified as financial assets available-for-sale. Such assets are, after initial recognition, principally measured at their fair values with gains or losses arising from a change in the fair value recognized directly in equity. However, if there is objective evidence that the asset is impaired, the cumulative loss recognized directly in equity is removed from equity and recognized in profit for the year. Investments in equity instruments

that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are, however, measured at cost, possibly adjusted to recognize an impairment loss.

The policies set out above are those that Sandvik mainly apply when accounting for financial assets and financial liabilities. The exceptions from the abovementioned principles apply to financial instruments that form part of hedging relations.

Derivatives and hedge accounting

The Group's derivative instruments are acquired to hedge interest rates and foreign exchange risks to which the Group is exposed as well as the risk for changes in the fair value of certain assets, liabilities and contracted transactions. Derivatives are initially recognized at fair value. Transaction costs are recognized in profit or loss for the year. After initial recognition, derivatives are measured at fair value and the change in value is recognized in the manner described below.

To meet the criteria for hedge accounting, there must be a clear-cut relation to the hedged item and the hedge must be expected to be highly effective and it must be possible to measure such effectiveness reliably. Moreover, the hedge must be formally designated and documented. Gains and losses on hedges are recognized in profit or loss for the year at the same time that the gains and losses are recognized for the hedged items.

Sandvik does not apply hedge accounting to all hedging transactions. When hedge accounting is not applied, the different handling of derivatives, which are measured at market value, and liabilities, measured at amortized cost, result in volatility in the financial net in the accounts.

In financial terms, Sandvik believes that its hedging activities are appropriate and that its risk management complies with the finance policy approved by the Board.

Receivables and liabilities denominated in foreign currencies

Sandvik uses foreign exchange contracts to hedge the foreign exchange risk inherent in these assets and liabilities. Hedge accounting is not applied to derivatives that economically hedge such monetary assets and liabilities denominated in foreign currencies. Rather, both the underlying receivable or liability and the hedging instrument are measured at the exchange rate ruling on the balance sheet date and the changes in value are recognized.

Cash-flow hedges

Sandvik uses foreign exchange contracts and foreign currency options to hedge future cash flows and forecast transactions denominated in foreign currencies, including intra-Group transactions as defined in the amendment to IAS 39 issued by the IASB in April 2005. These derivative instruments are included in the balance sheet at fair value. The effective portion of the change in fair value for the year is recognized in other comprehensive income and the accumulated changes in a separate component of shareholders' equity (the hedging reserve) until the hedged flow impacts profit or loss for the year, at which point the accumulated changes in value of the hedging instrument are reclassified to profit or loss for the year in conjunction with the hedged item impacting profit or loss for the year. The ineffective portion of a gain or loss is immediately recognized in profit or loss for the year. To a lesser extent, Sandvik has entered into foreign exchange contracts that are not designated as hedging instruments. The changes in fair value of these contracts are directly recognized in profit or loss for the year.

The accumulated gain or loss recognized in equity is reclassified into profit or loss for the year in the periods during which the hedged item affects profit or loss (for instance when the forecast sales that are hedged take place). If the hedged forecast transaction subsequently results in the recognition of a non-financial asset (for instance, inventories or an item of property, plant and equipment), or a non-financial liability, the hedging reserve is dissolved and the gain or loss is included in the initial cost or other carrying amount of the asset or liability.

Interest-rate swaps are used to hedge the risk in future interest rate flows of loans with floating interest rates. The swaps are measured at fair value in the balance sheet. The interest coupon on swaps is recognized as interest income or interest expense in profit or loss for the year. The remaining change in fair value is recognized directly in the hedging reserve in equity until the hedged item is recognized in profit for the year, and as long as the criteria for hedge accounting and hedge effectiveness are met. Some of Sandvik's interest rate swaps do not meet the criteria for hedge accounting and the changes in fair value of these instruments are therefore recognized in profit or loss for the year.

Fair-value hedges

When a hedging instrument is used to hedge the exposure to changes in fair value, changes in the fair value of the instrument are recognized in profit or loss for the year. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in profit or loss.

Fair value hedges are used to hedge the fair value of assets and liabilities recognized in the balance sheet, provided that the hedged item is otherwise recognized at purchase value, and by contracted flows. The derivative instruments used include commodity and electricity derivatives used to hedge delivery contracts entered into with suppliers.

Hedging of net investments

Sandvik has no derivatives to hedge net investments in foreign operations.

Intangible assets

Goodwill

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Goodwill arising on the acquisition of an associated company is included in the carrying amount of participations in associates.

On transition to IFRS, the company has not applied IFRS retrospectively to business combinations effected before 1 January 2004. Instead, the carrying amount of goodwill at that date henceforth constitutes its deemed cost, adjusted only for any impairment losses.

If in a business combination the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is immediately recognized in profit or loss for the year.

Research and development

Expenditure on research activities related to the obtaining of new scientific or technical knowledge is expensed as incurred. Expenditure on development activities, whereby the research results or other knowledge is applied to accomplish new or improved products or processes, is recognized as an intangible asset in the balance

sheet, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset.

The carrying amount includes the directly attributable expenditure, such as the cost of materials and services, costs of employee benefits, fees to register intellectual property rights and amortization of patents and licenses. Other expenses for development are expensed as incurred. In the balance sheet, capitalized development expenditure is stated at cost less accumulated amortization and any impairment losses.

Other intangible assets

Other intangible assets acquired by the company are recognized at cost less accumulated amortization and any impairment losses. Capitalized expenditure for the development and purchase of software for the Group's IT operations are included here. Expenditure for internally generated goodwill and trademarks is expensed as incurred.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits. All other expenditure is expensed as incurred.

Borrowing costs

Borrowing cost attributable to the construction of qualifying assets are capitalized as a portion of the qualifying asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Firstly, borrowing costs that arise on loans that are specific to the qualifying asset are capitalized. Secondly, borrowing costs are capitalized that arise on general loans that are not specific to any other qualifying asset. For the Group, the capitalization of borrowing costs is mainly relevant for capitalized expenditure for the development of new data systems.

Amortization of intangible assets

Amortization is charged to profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment annually or as soon as there is an indication that the asset may be impaired. Intangible assets with a finite useful life

are amortized as from the date the asset is available for use. The estimated useful lives are as follows:

- Patents and trademarks 10–20 years.
- Capitalized development costs 3–7 years.
- Software for IT operations 3 years.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses.

Leased assets

In the consolidated financial statements, leases are classified as either finance leases or operating leases. A finance lease substantially transfers the economic risks and rewards of ownership to the lessee. If that is not the case, the lease is classified as an operating lease.

Assets leased under finance leases are recognized as assets in the consolidated balance sheet and are initially measured at the lower of the fair value of the leased property and the present value of the minimum lease payments at inception of the lease. The obligation to pay future leasing fees is recognized as interest-bearing non-current and current liabilities. The leased assets are systematically depreciated and the leasing fees are apportioned between interest expense and the reduction of the outstanding liabilities.

In cases in which Sandvik is the lessor under a financial lease, the assets held under such leases are not presented as property, plant and equipment since the risks of ownership have been transferred to the lessee. Instead, the future minimum lease payments are recognized as financial receivables.

Subsequent expenditure

Subsequent expenditure on an item of property, plant and equipment is capitalized only when it increases the future economic benefits. All other expenditure is expensed as incurred.

Borrowing costs

Borrowing costs attributable to the construction of qualifying assets are capitalized as a portion of the qualifying asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Firstly, borrowing costs that arise on loans that are specific to the qualifying asset are capitalized. Secondly, borrowing costs are capitalized that arise on general loans that are

not specific to any other qualifying asset. For the Group, the capitalization of borrowing costs is mainly relevant in connection with the construction of production buildings on a proprietary basis.

Depreciation

Depreciation is based on cost less estimated residual value. The assets are depreciated over the estimated useful lives. Plant and machinery is generally depreciated on a straight-line basis over 5–10 years, rental assets over three years, buildings over 10–50 years, and site improvements over 20 years. Land is not depreciated. Computer equipment is depreciated over 3–5 years using the reducing balance method.

If an item of property, plant and equipment comprises components with different useful lives, each such significant component is depreciated separately.

Depreciation methods and estimated residual values and useful lives are reviewed at each year-end.

Impairment and reversals of impairment

Assets with an indefinite useful life are not amortized but tested for impairment annually. Assets that are amortized or depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the greater of the net selling price and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognized in respect of a cash-generating unit (or group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of items of property, plant and equipment and intangible fixed assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Impairment – and any reversal of impairment – of certain other assets, such as financial assets under the scope of IAS 39, inventories, plan assets held by a long-term employee benefit fund and deferred tax assets, is tested in accordance with the respective standard.

Inventories

Inventories are stated at the lower of cost and net realizable value, with due consideration of obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the first-in/first-out (FIFO) principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Equity

When share capital is repurchased, the amount of the consideration paid is recognized as a change in equity. If the repurchased shares are cancelled, the quotient value of such shares reduces the share capital. If repurchased shares are re-issued or sold, the consideration directly increases shareholders' equity.

Dividends are recognized as a liability in the period in which they are declared at a shareholders' meeting.

Earnings per share

The calculation of basic earnings per share is based on the profit or loss attributable to ordinary equity holders of the Parent Company and the weighted average number of ordinary shares outstanding during the year. When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential ordinary shares, which during reported periods relates to options issued to employees. The options are dilutive if the exercise price is less than the quoted stock price and increases with the size of the difference.

Employee benefits

The Group's pension plans

The Group sponsors a number of defined contribution and defined-benefit pension plans, some of which with plan assets held by separate foundations or equivalent.

A number of Group entities also provide post-employment medical benefits. Whenever possible, Sandvik nowadays seeks defined-contribution pension solutions and in recent years defined-benefit plans have as far as possible been closed for new entrants in connection with negotiations about defined-contribution pension arrangements. As of October 2007, the Group's Swedish companies offer to its newly hired white-collar staff, regardless of age, the defined-contribution pension solution (ITP 1) resulting from the renegotiation of the ITP Plan between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector.

Defined-contribution plans

A defined-contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The size of the pension that the employee will ultimately receive in such case depends on the size of the contributions that the entity pays to the plan or an insurance company and the return that the contributions yield. Obligations for contributions to defined-contribution pension plans are recognized as an employee benefit expense in profit or loss for the year as the employee renders services to the entity and the contribution payable in exchange for that service becomes due.

Defined-benefit plans

The Group's net obligation in respect of defined-benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have vested in return for their service in the current and prior periods. This benefit is discounted to its present value. The discount rate is the yield on high-quality corporate bonds (AA credit rated bonds) – or if there is no deep market for such bonds, government bonds – that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary. In addition, the fair value of any plan assets as at the balance sheet date is assessed. Sandvik applies such an accounting policy to the

Group's most significant defined-benefit plans. A number of plans, which neither individually nor in the aggregate are significant in relation to the Group's total pension obligations, are still recognized in accordance with local regulations.

In measuring the present value of pension obligations and the fair value of plan assets, actuarial gains and losses may accrue either because the actual outcome differs from earlier assumptions (so-called experience adjustments) or the assumptions are changed. The corridor rule is applied, which means that only the portion of the aggregate gains and losses that exceed the greater of 10% of the present value of the obligations or 10% of the fair value of plan assets are recognized in profit or loss over the remaining expected average service period of the plan participants. Actuarial gains and losses are otherwise not recognized.

When the benefits under a plan are improved, the portion of the increased benefits that relate to past service by employees is recognized in profit or loss for the year on a straight-line basis over the average period until all of the benefits become vested. To the extent that the benefits become fully vested, the expense is recognized immediately in profit or loss for the year.

The amount of obligations recognized in the balance sheet for pensions and similar obligations reflects the present value of the obligations at balance sheet date, less the fair value of any plan assets and any unrecognized gains or losses as well as any unrecognized past service costs.

If the net amount so determined results in an asset, the recognized value of the asset is limited to the total of any cumulative unrecognized net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

When there is a difference between the pension cost recognized in the separate financial statements of an entity and in the consolidated financial statements, a provision or a refundable claim for payroll tax on pension costs calculated on such difference is recognized. Such calculation is not discounted to present value.

Termination benefits

When employment is terminated, a provision is recognized only when the entity is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal re-

tirement age or provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the latter case, a liability and an expense are recognized if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Share-based payments

A share option program allows employees to acquire shares in the company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value as measured at the grant date is spread over the vesting period. The fair value of the options is measured using the Black & Scholes formula, taking into account the terms and conditions upon which the options were granted. Sandvik's option programs contain no other vesting conditions than that the employee shall remain in the entity's employ at the end of the three-year vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options vested.

Cash-settled options result in a commitment to employees, which is measured at fair value and recognized as an expense, with a corresponding increase of liabilities. The fair value is initially measured at the allotment date and is allocated over the vesting period. The fair value of the cash-settled options is calculated in accordance with the Black & Scholes formula, taking into account the terms and conditions of the rights. The fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognized as an employee expense in profit or loss for the year.

Social costs relating to share-based payments to employees are expensed over the accounting periods during which the services are provided. The charge is based on the fair value of the options at the reporting date. The fair value is calculated using the same formula as that used when the options were granted.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at

a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes with their associated probabilities.

Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. No provision is posted for future operating costs.

Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when land has become contaminated.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group are lower than the unavoidable cost of meeting its obligations under the contract.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is a present obligation that cannot be recognized as a liability because it is not probable that an outflow of resources will be required, alternatively because the amount of the obligation cannot be measured with sufficient reliability.

Cash-flow statement

Payments and receipts have been divided into categories: operating activities, investing activities, and financing activities. Cash flows from operating activities are recognized using the indirect method.

Changes during the year in operating assets and liabilities are adjusted for the effects of exchange rate movements. Acquisitions and divestments are recognized

within investing activities. The assets and liabilities held by acquired or divested entities at the transfer date are not included in the analysis of changes in working capital, nor in changes in balance sheet items recognized within investing and financing activities.

In addition to cash and bank balances, cash and cash equivalents include short-term investments, the conversion of which to bank funds can be accomplished at an amount that is largely known in advance. Cash and cash equivalents thus include short-term investments with a maturity of less than three months.

Parent Company's accounting policies

The Parent Company has prepared its annual report in accordance with the Annual Accounts Act (1995:1554) and the standard, RFR 2.2 Reporting by a legal entity, issued by the Swedish Financial Accounting Standards Council. Also the interpretations issued by the Council's Emerging Issues Task Force valid for listed companies have been applied. Under RFR 2.2, the Parent Company in its annual report shall apply all the IFRS and IFRIC interpretations approved by the EU to the extent possible within the framework of the Annual Accounts Act, the law on safeguarding of pension commitments, and taking into account the close tie between financial reporting and taxation. The standard specifies what exceptions from or additions to the IFRS shall be made. Taken together, this results in differences between the accounting policies applied in the consolidated financial statements and those applied by the Parent Company is specified below.

Changed accounting policies

Amendments to IFRS 1 *First-Time Adoption of IFRS* and IAS 27 *Consolidated and Separate Financial Statements* with respect to "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" is applied since 1 January 2009. This amendment has meant that the Parent Company now always recognizes dividends from subsidiaries in full as income in profit or loss for the year. In the past, dividends larger than profits accumulated after the acquisition reduced the carrying amount of shares in subsidiaries. The amendment has only a slight impact on the amounts of items in the financial statements of the Parent Company.

Classification and presentation

The Parent Company's income statement and balance sheet adhere to the presentation included in the Annual Accounts Act. The differences compared to IAS 1 *Presentation of Financial Statements* applied when presenting the consolidated financial statements mainly pertain to the presentation of finance income and expenses, non-current assets, equity and the presentation of provisions as a separate heading in the balance sheet.

Shares in Group companies and associated companies

The Parent Company recognizes shares in Group companies and associated companies in accordance with the cost model. Dividends from subsidiaries are recognized in full as income in profit or loss for the year.

Property, plant and equipment

The Parent Company recognizes items of property, plant and equipment at cost less accumulated depreciation and any impairment losses, that is as in the consolidated financial statements, but increased by any revaluation.

Leased assets

The Parent Company recognizes all lease contracts as operating leases.

Intangible assets

The Parent Company recognizes all expenditure for research and development conducted on a proprietary basis as an expense in profit and loss.

Borrowing costs

In the Parent Company, borrowing costs are expensed in the periods to which they relate. Borrowing costs for assets are not capitalized.

Employee benefits

The Parent Company calculates expenses for defined-benefit pension plans differently from the manner prescribed in IAS 19. The Parent Company applies the Act on Income Security and regulations issued by the Swedish Financial Supervisory Authority, which is a prerequisite for income tax purposes. Compared to IAS 19, the most significant differences relate to the determination of the discount rate, the fact that the obligation is calculated based on the current salary level disregarding assumptions about future levels, and the immediate recognition of actuarial gains and losses in profit and loss.

Income tax

The Parent Company recognizes untaxed reserves including the deferred tax component. In the consolidated financial statements, untaxed reserves are recognized in their equity and deferred tax components.

Group contributions and shareholders' contributions in legal entity accounts

The Parent Company recognizes Group contributions and shareholders' contributions in accordance with the pronouncement of the Swedish Financial Accounting Standard Council's task group (UFR 2). Shareholders' contributions are recognized directly in the recipient's equity whereas the contributor capitalizes the contribution among shares and participations, to the extent that the recognition of an impairment loss is not required. Group contributions are recognized in accordance with their financial substance. This means that Group contributions paid to minimize the Group's overall income tax burden are recognized directly in retained earnings net of the related tax effect.

Anticipated dividends

Anticipated dividends from subsidiaries are recognized in cases where the Parent Company unilaterally may determine the size of the dividend and provided that the Parent Company has made such a decision before it published its financial statements.

Financial instruments

Considering the close tie between financial reporting and taxation, rules relating to financial instruments and hedge accounting in IAS 39 are not applied in the Parent Company as a legal entity.

Financial guarantees

Sandvik has elected not to apply the provisions of IAS 39 relating to financial guarantee contracts entered into in favor of subsidiaries and associated companies as allowed under RFR 2.2.

Critical accounting estimates and judgments

Key sources of estimation uncertainty

In order to prepare the financial statements, management and the Board make various judgments and estimates that can affect the amounts recognized in the financial statements for assets, liabilities, revenues and expenses as well as information in general, including issues with regard to contingent liabilities. The judgments and estimates discussed in this section are

those deemed to be most important for an understanding of the financial statements, considering the level of significant estimations and uncertainty. The conditions under which Sandvik operates are gradually changing meaning that the judgments also change.

Impairment tests of goodwill

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate or a decision taken either to sell or close down certain operations. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present-value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in Note 13. As can be deduced from this description, changes during 2009 in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Impairment tests of other fixed assets

Sandvik's property, plant and equipment and intangible assets – excluding goodwill – are stated at cost less accumulated depreciation/amortization and any impairment losses. Other than goodwill, Sandvik has not identified any intangible assets with indefinite useful lives. The assets are depreciated/amortized over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

The carrying amount of the Group's non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered. The carrying amount of intangible assets not yet available for use is tested annually. If such analysis indicates an excessive carrying amount, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use. Value in use is measured as the discounted future cash flows of the asset, alternatively the cash-generating unit to which the asset belongs. The rental fleet of Sandvik Mining and Construction is particularly examined considering its dependence on the business

climate in the mining industry and the risk that rental agreements may be cancelled. The carrying amount of the rental fleet at the end of 2009 was SEK 652 M (468).

A call for an impairment test arises also when a non-current asset is classified as being held for sale, at which time it must be re-measured at the lower of its carrying amount and fair value less cost to sell.

Pension assumptions

Actuarial assumptions are important ingredients in the actuarial methods used to measure pension obligations and they can significantly affect the recognized net liability and the annual pension cost. Two critical assumptions – the discount rate and expected return on plan assets – are essential for the measurement of both the expense of the current year and the present value of the defined-benefit obligations. These assumptions are reviewed annually for each pension plan in each country. Other assumptions, which may relate to demographic factors such as pension age, mortality rates and employee turnover, are reviewed less frequently. The actual outcome often differs from the actuarial assumptions for economic or other reasons.

The discount rate is used to measure the present value of future cash flows at the measurement date. This rate shall be determined by reference to market yields at the balance sheet date on high-quality corporate bonds or, if there is no deep market for such bonds, the market yields on government bonds. A lower discount rate increases the present value of the pension obligation and the annual pension cost.

In order to determine the expected rate of return on plan assets, the Company considers the current and anticipated categories of plan assets as well as historical and expected returns on the various categories.

Compared with the preceding year, the average discount rate was changed from 5.7% to 5.2%. The expected weighted average return on plan assets was 6.0% in 2009 compared with 6.2% in 2008.

Income tax

Significant estimates are made to determine both current and deferred tax liabilities/assets, not least the value of deferred tax assets. The company must then determine the possibility that deferred tax assets will be utilized and offset against future taxable profits. The actual results may differ from these estimates, for instance due to changes in the business climate, changed tax legis-

lation, or the outcome of the final review by tax authorities and tax courts of tax returns. At year-end 2009, Sandvik recognized deferred tax assets of SEK 2,510 M (1,277). Furthermore, the Group had additional tax loss carryforwards of about SEK 800 M (570) at year-end for which no deferred tax assets are recognized since utilization of these losses is not deemed probable. A change in the estimate of the possibility for utilization thus can affect results both positively and negatively. The expenditure recognized as a provision for ongoing tax litigations is based on management's best estimate of the outcome and at the end of 2009 amounted to SEK 3,311 M (3,201).

Disputes

Sandvik is – besides the tax litigation cases set out above – party to a number of disputes and legal proceedings in the ordinary course of business. Management consults with legal experts on issues related to legal disputes and with other experts internal or external to the Company on issues related to the ordinary course of business. It is management's best estimate that neither the Parent Company, nor any subsidiary, is involved in legal proceedings or arbitration that may be deemed to have a materially

negative effect on the business, the financial position or results of operations.

For additional information on risks related to disputes, refer to page 26.

Key assessments in applying the Group's accounting policies

The company refers to its description above of the accounting policies that the company has chosen to apply, especially when those policies are selected from permissible alternatives. Management would in particular draw attention to the following:

Inventory accounting

Sandvik applies IAS 2 in accounting for its inventories. Inventories are carried at the lower of cost and net realizable value. A consequence of the IAS 2 rules is that if the market value of materials and components included in Sandvik's finished goods drops, the value of the materials and components must not be reduced as long as the selling price of the finished product less selling costs still exceeds the cost of the finished product. Instead, the lesser market value of the materials and components shows itself in the form of a lower margin in future periods to the extent that Sandvik must adapt its selling price due to the changes

in market values. In periods of significant price volatility, this state of affairs should be taken into consideration when future results are being appraised.

Accounting for actuarial gains and losses
According to IAS 19, immediate recognition of actuarial gains and losses related to defined-benefit pension plans is not mandatory. Instead, only that portion of such gains and losses that fall outside of a corridor of plus/minus 10% of the greater of the present value of the defined-benefit obligation and fair value of the plan assets is recognized. Also any systematic method that results in faster recognition of actuarial gains and losses is possible, including immediate recognition in profit and loss. Sandvik has chosen to apply the corridor approach and to recognize gains or losses outside the corridor over the expected average remaining working lives of the employees participating in the plan. Unrecognized actuarial losses amounted to SEK 2,353 M at year-end 2008 and SEK 2,359 M at year-end 2009.

Definitions

Earnings per share

Net profit/loss for the year attributable to equity holders of the Parent Company divided by the average number of shares outstanding during the year.

Equity ratio

Shareholders' equity including minority interests in relation to total capital.

Net debt/equity ratio

Interest-bearing current and non-current debts (including provisions for pensions) less cash and cash equivalents divided by the total of shareholders' equity including minority interests.

Rate of capital turnover

Invoiced sales divided by average total capital.

Relative working capital

Average working capital divided by invoicing in the most recent quarter adjusted to annual rate.

Return on capital employed

Profit/loss after financial income and expenses, plus interest expenses, as a percentage of average total capital, less non-interest-bearing debts.

Return on shareholders' equity

Consolidated net profit/loss for the year as a percentage of average shareholders' equity during the year.

Return on total capital

Profit/loss after financial income and expenses, plus interest expenses, as a percentage of average total capital.

Working capital

Total of inventories, trade receivables, accounts payable and other noninterest-bearing receivables and liabilities, excluding tax assets and liabilities.

Notes

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Notes

TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in SEK millions, unless otherwise stated)

NOTE 1. SEGMENT INFORMATION

1.1 Information on business segments/business areas

	Sandvik Tooling		Sandvik Mining and Construction		Sandvik Materials Technology		Seco Tools		Corporate		Eliminations		Group total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue														
External revenue	19,078	25,795	32,621	38,651	15,328	21,480	4,871	6,513	39	35	—	—	71,937	92,654
Internal revenue	89	146	14	21	167	326	17	23	16	112	-303	-628		
Group total	19,167	26,121	32,635	38,672	15,495	21,806	4,888	6,536	55	147	-303	-628	71,937	92,654
Share of results of associated companies	-1	11	13	29	-51	5	—	1	—	—	—	—	-39	46
Operating profit/loss by business area	-527	5,461	466	4,996	-1,137	1,187	307	1,332	-521	-182	—	—	-1,412	12,794
Net financing cost													-2,060	-2,217
Income tax expense for the year													876	-2,741
Profit for the year													-2,596	7,836
Other disclosures														
Assets	25,398	27,115	27,036	32,740	18,268	21,832	4,959	5,812	2,286	2,413			77,947	89,912
Investment in associates	129	143	45	81	199	253	12	8	—	—			385	485
Segment assets	25,527	27,258	27,081	32,821	18,467	22,085	4,971	5,820	2,286	2,413			78,332	90,397
Unallocated assets													13,243	12,830
Group total													91,575	103,227
Liabilities	4,433	5,269	7,872	9,445	3,347	3,467	934	1,338	1,810	2,357			18,396	21,876
Unallocated liabilities													43,222	44,626
Group total													61,618	66,502
Capital expenditure	1,504	2,496	1,549	1,940	1,097	1,770	325	725	181	401			4,656	7,332
Depreciation/Amortization	-1,593	-1,356	-1,080	-929	-914	-722	-373	-351	-89	-86			-4,049	-3,444
Impairment losses	-202	-32	-193	—	-95	—	-2	-5	—	—			-492	-37
Other non-cash expenses	317	-16	191	25	26	41	41	-64	-94	-128			481	-142

All transactions between the business areas are on market terms. For information regarding business combinations, see Note 33.

1.2 Information by country

External income per country

Group	2009	2008
USA	8,854	11,039
Australia	7,154	8,152
Germany	5,679	7,958
China	4,833	4,311
South Africa	3,567	3,955
Sweden	3,356	4,753
Italy	2,835	4,682
France	2,807	3,698
Brazil	2,345	3,567
UK	2,127	3,307
Russia	1,815	2,625
India	1,800	2,044
Canada	1,709	2,433
Japan	1,596	2,121
Norway	1,357	1,547
Other countries	20,103	26,462
Total	71,937	92,654

Fixed assets by country

Group	2009	2008
Sweden	11,773	12,035
USA	5,039	5,292
UK	3,972	3,817
Germany	3,946	4,433
Austria	2,626	208
Finland	1,694	1,792
Australia	1,471	1,116
China	1,401	997
France	1,153	1,209
India	955	1,016
Brazil	917	661
Japan	823	742
Italy	587	635
Canada	575	648
Spain	469	511
Other countries	3,255	3,483
Total	40,656	38,595

NOTE 2. CATEGORIES OF REVENUE

	Group		Parent Company	
	2009	2008	2009	2008
Sale of goods	64,319	86,629	12,865	20,392
Contract revenue	4,146	3,070	630	0
Rendering of services	2,948	2,388	28	31
Rental income	524	567	4	4
Total	71,937	92,654	13,527	20,427

NOTE 3. PERSONNEL INFORMATION AND REMUNERATION TO MANAGEMENT AND AUDITORS**3.1 Average number of employees¹⁾**

	Group					Parent Company				
	2009		2008		2009		2008			
	Number	Women	Number	Women	Number	Women	Number	Women	Number	Women
Sweden	10,886	21	11,415	21	7,795	20	8,022	20		
Rest of Europe	15,295	19	15,727	19	—	—	—	—		
Total Europe	26,181	20	27,142	20	7,795	20	8,022	20		
NAFTA	6,124	19	6,534	19	—	—	—	—		
South America	2,958	15	3,292	15	2	—	1	—		
Africa, Middle East	3,112	14	3,134	12	—	—	—	—		
Asia	6,228	15	5,822	16	—	—	—	—		
Australia	2,588	16	2,647	15	—	—	—	—		
Total	47,191	18	48,571	18	7,797	20	8,023	20		

1) Complete information by country is presented in the Annual Report that was submitted to the Swedish Companies Registration Office.

3.2 Absence due to illness, Parent Company

%	2009	2008
Total absence due to illness as a percentage of regular working hours	3.2	3.9
Share of total absence due to illness pertaining to sick leave for 60 consecutive days or more	37.0	39.9

Absence due to illness as percentage of each group's regular working hours**Sick leave by gender**

Men	3.0	3.5
Women	4.4	5.2

Sick leave by age category

Age 29 or younger	2.8	3.3
Age 30 to 49	2.9	3.5
Age 50 or older	4.0	4.8

3.3 Wages, salaries, other remuneration and social costs

	Group		Parent Company	
	2009	2008	2009	2008
Wages, salaries and other remuneration	17,611	18,181	3,098	3,515
Social costs	4,830	4,881	1,530	1,647
Employee profit sharing	—	67	—	53
Total	22,441	23,129	4,628	5,215
of which, pension costs recognized in social costs	1,643	1,424	550	495

A total of SEK 40 M (56) of the Group's pension costs relates to Boards and presidents. The Group's pension liability to these persons amounted to SEK 264 M (205). Correspondingly, SEK 10 M (21) of the Parent Company's pension costs related to the Board of Directors and presidents. The Parent Company's pension liability relating to these persons amounted to SEK 90 M (92).

Employee profit-sharing program

To promote a performance that is favorable to the Group's long-term development and also to stimulate continued employee loyalty, Sandvik has had a profit-sharing system for all employees in wholly owned companies in Sweden since 1986. As from 2007, the system has been modified in order to increase transparency and elasticity and to better relate the system to the company's goals. Under the modified system, the maximum allocation may be higher than before, but cannot exceed SEK 250 M, and also the requirements for qualifying for maximum allocation have been raised. The Group's return during 2009 implied an allocation of SEK 0 M (67) to the profit sharing foundation.

3.4 Wages, salaries and other remuneration by market area¹⁾

	Group		Parent Company	
	2009	2008	2009	2008
Sweden	4,182	4,842	3,098	3,515
Rest of Europe	6,460	6,728	—	0
Total Europe	10,642	11,570	3,098	3,515
NAFTA	2,867	2,919	—	—
South America	806	682	0	0
Africa, Middle East	709	663	—	—
Asia	1,095	987	—	—
Australia	1,492	1,360	—	—
Total	17,611	18,181	3,098	3,515
Of which, to Boards of Directors and presidents				
Salaries and other remuneration	408	377	20	27
of which, variable salary	57	61	1	8

1) Complete information by country is presented in the Annual Report that was submitted to the Swedish Companies Registration Office.

3.5 Information on remuneration of the Board of Directors and senior executives**Guidelines**

The guidelines for the remuneration of Sandvik's senior executives were adopted at the Annual General Meeting in 2009. They are designed to ensure that Sandvik, from a global perspective, can offer market-related remuneration in order to attract and retain qualified members.

Components of remuneration

The total remuneration package is distributed between fixed salary, annual variable salary, long-term variable salary, pension and other benefits, such as company car, free housing, health insurance and severance benefits. It is intended that the components shall jointly form a well-balanced remuneration and benefit program that reflects the individual's performance and responsibility as well as the Group's earnings trend.

Share-based remuneration

Sandvik's share-based, long-term variable salary was discontinued in 2009 and no redemption took place during the year.

Long-term variable salary

In 2006, the Board decided to implement as a long-term variable salary a cash-based program. Based on a common goal perception for executives, specialists and shareholders, the program was to form a link to future performance goals aimed at the long-term enhancement of the value of the company. This was to

NOTE 3.5 (CONT.)

be achieved through an overall common Group and business area focus on and governing towards profitable growth. An additional purpose was to improve the possibilities to recruit and retain key employees in the Group.

A long-term variable salary program was decided for each of the years 2006, 2007, 2008 and 2009. Some 400 Sandvik employees participated in the programs on a global basis. The programs applied for a three-year period, with any settlement paid after the third year of each program. Accordingly, settlement for the 2006 program took place in 2009. Any settlement for the 2007 program will take place in 2010, for the 2008 program in 2011 and for the 2009 program in 2012.

Under these programs, there is a direct link between performance, added value, and remuneration. There is an annual maximum outcome related to the participant's fixed salary in the December of the third year. The outcome is conditional upon meeting measurable goals established by the Board for certain key ratios that create shareholder value linked to the company's growth, profitability and capital efficiency over a three-year period. For members of Group Executive Management, the maximum long-term variable salary can amount to 45–50% of the annual fixed salary.

Amounts attributable to these three programs are expensed and reserved continuously, based on assumptions regarding goal achievement. Long-term variable salary under the 2006 program encompassing the years 2006–2008 was paid in 2009. A total of SEK 3,429,360 was paid to the President and a total of SEK 7,721,374 to other senior executives. During the year, previously posted cost provisions for the programs totaling SEK 71 M were dissolved, of which SEK 4.7 M pertained to the President and other senior executives.

Preparation and decision-making process

The Board's Remuneration Committee prepares issues relating to Group Executive Management's remuneration. The Committee met two times during the year. Issues dealt with included the distribution between fixed and variable salary, the magnitude of any pay increases and the long-term variable salary. The Board discussed the Remuneration Committee's proposals and made a decision, using the Committee's proposal as guidance.

Based on the Remuneration Committee's proposals, the Board decided on the remuneration of the President for 2009. The President decided on remuneration to other senior executives after consultation with the Remuneration Committee. Salaries for the President and other members of Group Executive Management for 2009 remained unchanged compared with levels for the preceding year. The Remuneration Committee performed its task supported by expertise on remuneration levels and structures. For information on the composition of the Committee, see page 103.

Remuneration to the Board and senior executives**The Board**

Fees to the Chairman and other external Board members are paid in accordance with the resolution at the Annual General Meeting. No Board fees are paid to the President and the employee representatives.

President and other senior executives

The following guidelines approved by the Annual General Meeting for remuneration to senior executives were applied for 2009:

The Board's motion concerning guidelines for remuneration of senior executives is designed to ensure that the Sandvik Group from a global perspective can offer remuneration at the market rate and that is competitive to attract and retain skilled personnel to Sandvik's Group Executive Management. Group Executive Management's remuneration comprises fixed salary, annual variable salary and long-term variable salary. The components are intended to create a well-balanced remuneration and benefit program that reflects the individual's performance and responsibility and the Group's earnings trend. The fixed salary, which is individual and differentiated based on the individual's responsibility and performance, is determined based on market-rate principles and is reviewed annually. Payment of annual variable salary requires fulfillment of annually established goals. The goals are related to the company's earnings and to measurable goals within the individual's area of responsibility. The annual variable salary for Group Executive Management may not exceed 50–75% of fixed salary. The long-term variable salary requires fulfillment of measurable goals, set by the Board, pertaining to certain key figures that create shareholder value linked to the company's growth, profitability and capital efficiency during a three-year period. The maximum payment of long-term variable salary for Group Executive Management is 45–50% of the annual fixed salary. Group Executive Management's other benefits shall correspond to what could be considered reasonable in relation to generally accepted practice on the market. The benefits comprise pension, company car, housing, medical insurance and severance pay. The pension benefits for Group Executive Management are based on fixed salary or gross salary paid in cash and shall be defined-benefit or defined-contribution solution. Normally, retirement is at age 62. Retirement age for the President is 60. Normally, severance payment is made when

employment is terminated by the company. Any other income from employment is deducted from the severance pay, which is between 12 and 18 months for persons under 55 years of age and between 18 to 24 months for persons over 55. No severance amount is paid to employees who resign from the company. The Board shall have the right to deviate from the guidelines resolved by the Annual General Meeting, if in individual cases there is a special reason for this. The sphere of senior executives encompassed by the proposal is the President and other members of Group Executive Management.

The Board's motion for remuneration to senior executives to be applied in 2010

The Board proposes that for 2010 the Annual General Meeting resolve to apply the same guidelines for remuneration to senior executives as applied in 2009.

Remuneration and other benefits during the year

In accordance with the resolution at the Annual General Meeting, the total fee to the external directors elected at the Meeting amounts to SEK 4,500,000, which is unchanged compared with the preceding year. Of this amount, SEK 1,350,000 (on an annual basis) is payable to the Chairman of the Board (Clas Åke Hedström), SEK 900,000 to the Vice Chairman (Anders Nyström) and SEK 450,000 to each of the other external Board members (Georg Ehrnrooth, Fredrik Lundberg, Hanne de Mora, Egil Myklebust and Simon Thompson).

In addition to these amounts, the Annual General Meeting resolved that an additional fee should be paid for the committee work to committee members not employed by the company, in the amount of SEK 275,000 to be divided between the members of the Audit Committee (Anders Nyström SEK 150,000 and Hanne de Mora SEK 125,000) and SEK 250,000 to be divided between the members of the Remuneration Committee (Clas Åke Hedström SEK 100,000, Egil Myklebust SEK 75,000 and Georg Ehrnrooth SEK 75,000).

Apart from the pension obligations to the Chairman of the Board and the President, there are no pension obligations to other Board members. At 31 December 2009, the pension obligation to the Chairman amounted to SEK 56,379,735 and related to a defined-benefit obligation, which is not secured by an insurance policy and which refers to his period of services as President of Sandvik AB.

Effective 1 January 2009, President and CEO Lars Pettersson is paid an annual fixed salary of SEK 7,200,000 (unchanged level compared with the preceding year), and receives benefits in the form of free housing and company car. In addition, a variable salary of maximum 75% of the fixed salary is paid. The variable salary for 2009 amounts to SEK 1,625,000.

Lars Pettersson is entitled to retire with pension at age 60. His pension between the ages of 60 and 65 will amount to 65% of the fixed salary up to 30 price base amounts and 50% of fixed salary in excess of 30 price base amounts. No pension insurance policy is taken out for his pension through age 65 and at 31 December 2009 the obligation for pension vested through that date amounted to SEK 20,104,599. Until 31 December 2008, the pension from the age of 65 was arranged through the ITP Plan 2 and a supplementary defined-contribution plan. From 1 January 2009, following a change of system offered to all salaried employees at Sandvik under the ITP 2 plan, the President's pension comprises the ITP 1 plan, meaning 4.5% of salary portions up to 7.5 income base amounts and 30% of salary portions thereafter. In addition, a supplement of 5% of salary portions exceeding 7.5 income base amounts is paid. Severance pay is paid in the event that the company terminates employment. Severance pay equals 18 months' fixed salary in addition to the six-month notice period.

For other members of Group Executive Management, pension age is 62. Pension between the age of 62 and 65 will amount to 65% of fixed salary up to 30 price base amounts, 50% of fixed salary between 30–50 price base amounts, and 25% of fixed salary in the interval 50–100 price base amounts (15 years is required for full accrual). No pension insurance policies have been taken out for pensions through age 65 and at 31 December 2009 the obligation for pensions vested through that date amounted to SEK 25,340,162.

The pension from age 65 to the other members of Group Executive Management is arranged through the ITP Plan and a supplementary defined-contribution plan under which the company each year contributes 20–30% (depending on age) of fixed salary portions in excess of 20 price base amounts. Alternatively, this group may be encompassed by the ITP Plan 1 and a supplement of a maximum of 5% for salary portions exceeding 7.5 income base amounts if this solution has been chosen under the offering to all salaried employees at Sandvik under the ITP 2 plan. In such a case, the previous system with the ITP 2 plan and the supplementary plan will not apply. Of the five remaining members of Group Executive Management employed on 31 December 2009, three people are encompassed by the ITP 1 plan and two people remain in the ITP 2 plan and a supplementary plan. Severance pay is paid in the event that the company terminates employment. The severance pay equals 12–18 months' fixed salary in addition to the six-month notice period. For both the President and other members of Group Executive Management, any earned income is offset against the severance pay.

NOTE 3.5 (CONT.)**Remuneration and other benefits expensed during the year**

SEK	Fixed salary/ Director's fee	Annual variable salary ¹⁾	Other benefits ²⁾	Long-term variable salary ³⁾	Pension costs
Chairman of the Board Clas Åke Hedström	1,450,000 ⁴⁾	—	—	—	3,551,000 ⁵⁾
President and CEO Lars Pettersson	7,559,934 ⁶⁾	1,625,000	269,258	-1,662,343	4,599,000
Other senior executives ⁷⁾	23,825,957	4,829,632	1,342,111	-3,050,101	14,630,000
Total	32,835,891	6,454,632	1,611,369	-4,712,444	22,780,000

1) Amount pertaining to 2009 and expected to be paid in 2010.

2) Other benefits largely pertain to free housing and company car.

3) The amounts pertain to previously reserved amounts for the long-term variable salary programs.

4) Expensed during 2009 and will be paid in 2010. The amount includes the regular fee of SEK 1,350,000 and a SEK 100,000 fee to members of the Remuneration Committee.

5) Pension to the Chairman is being paid under an earlier employment contract pertaining to the period when he served as President. The pension is annually indexed according to the ITP-agreement.

6) Lars Pettersson's fixed salary as of 1 January 2009 amounted to SEK 7,200,000 (unchanged level compared with the preceding year).

7) Pertains to the following persons in 2009: Peter Larson, Peter Gossas, Anders Thelin, Lars Josefsson, Per Nordberg until 31 August 2009 and Ola Salmén from 1 May 2009.

3.6 Gender distribution in senior management

Proportion of women, %	Group		Parent Company	
	2009	2008	2009	2008
Boards and presidents	9	8	9	15
Senior management	15	13	—	—

3.7 Audit fees

Fees and remuneration to the Group's auditors were as follows:

	KPMG		Other auditors at Group companies		Total	
	2009	2008	2009	2008	2009	2008
Audit						
Parent Company	8.1	7.5	—	—	8.1	7.5
Subsidiaries (excl. Seco Tools)	57.9	50.2	6.3	3.2	64.2	53.3
Seco Tools	0.3	0.3	7.9	6.8	8.2	7.1
Group	66.3	58.0	14.2	9.9	80.5	67.9
Other services						
Parent Company	5.8	8.5	—	—	5.8	8.5
Subsidiaries (excl. Seco Tools)	12.3	10.2	—	—	12.3	10.2
Seco Tools	0.0	0.5	—	—	0.0	0.5
Group	18.1	19.2	—	—	18.1	19.2

Audit services comprise the examination of the financial statements, the accounting records and the administration of the business by the Board of Directors and the President, and other procedures required to be performed by the Company's auditors as well as other services caused by observations during the performance of such examination and other procedures.

Other services essentially comprise advice in areas closely related to the audit, such as advice on accounting issues, tax services and due-diligence services.

NOTE 4. RESEARCH, DEVELOPMENT AND QUALITY ASSURANCE

Expenditure for	Group		Parent Company	
	2009	2008	2009	2008
research and development	2,325	2,347	884	920
quality assurance	508	464	215	207
Total	2,833	2,811	1,099	1,127
of which expensed, total	2,515	2,478	1,099	1,127
of which expensed relating to research and development	2,007	2,014	884	920

Research and quality assurance expenditures are expensed as incurred. Expenditure for development is recognized as an intangible asset if it meets the criteria for recognition as an asset in the balance sheet.

NOTE 5. OTHER OPERATING INCOME

Group	2009	2008
Gain on sale of property, plant and equipment	—	—
Gain on sale of businesses and shares	5	56
Insurance compensation	—	15
Exchange rate gains on operating receivables and liabilities	—	497
Other	77	93
Total	82	661

Parent Company

Other operating income mainly pertains to intra-Group services, capital losses attributable to sales of property, plant and equipment and currency losses on receivable and liabilities of an operational nature.

NOTE 6. OTHER OPERATING EXPENSES

Group	2009	2008
Loss on disposal of non-current assets	-65	-28
Exchange rate losses on operating receivables and payables	-246	—
Impairment loss on non-current receivable	—	-104
Other	-162	-48
Total	-473	-180

Parent Company

Other operating expenses pertain mainly to royalties between Group companies, exchange rate losses on operating receivables and payables, and losses on sale of property, plant and equipment.

NOTE 7. OPERATING EXPENSES

Group	2009	2008
Employee benefit expense	-22,441	-23,129
Depreciation and amortization	-4,049	-3,444
Impairment losses, inventories	-519	-460
Impairment losses, property, plant and equipment	-492	-37
Impairment losses, trade receivables	-194	-228

There were no significant reversals of earlier recognized impairment losses during 2009 or 2008.

NOTE 8. FEES FOR FINANCE AND OPERATING LEASES**FINANCE LEASES****Finance leases with Sandvik as lessee**

The Group leases plant and machinery under finance lease agreements. At 31 December 2009, the planned residual value of such leased assets was SEK 165 M (221).

Variable fees recognized as an expense were SEK 0 M (0).

Future minimum lease payments in respect of non-cancellable contracts fall due as follows:

Group	Minimum fee		Present value	
	2009	2008	2009	2008
Within one year	34	36	31	35
Between 1–5 years	117	116	92	94
Later than five years	98	118	55	68
Total	249	270	178	197

NOTE 8. FEES FOR FINANCE AND OPERATING LEASES (CONT.)**Finance leases with Sandvik as lessor**

The Group's investments in finance leases at 2009 year-end amounted to SEK 484 M (642). Variable fees recognized in profit and loss, and unguaranteed residual values accruing to the benefit of the lessor, were minor.

The gross investment and the present value of minimum lease payments fall due as follows:

Group	Minimum fee		Present value	
	2009	2008	2009	2008
Within one year	133	338	109	310
Between 1–5 years	260	304	220	265
Later than five years	91	0	59	0
Total	484	642	388	575

OPERATING LEASES**Operating leases with Sandvik as lessee**

Leasing fees for assets under operating leases, such as leased premises, machinery and major items of computer and office equipment, are recognized with operating expenses in profit and loss. In 2009, the Group expensed SEK 583 M (509), including minimum lease payments of SEK 560 M (477), variable fees of SEK 23 M (35), and net of sublease income of SEK 0 M (4). The Parent Company expensed SEK 130 M (122).

Future minimum lease payments under non-cancellable operating lease contracts fall due as follows:

	Group		Parent Company	
	2009	2008	2009	2008
Within one year	609	603	157	162
Between 1–5 years	1,234	1,122	452	320
Later than five years	469	483	200	165
Total	2,312	2,208	809	647

Future minimum lease payments under non-cancellable lease contracts that pertain to subleased items amounted to SEK 0 M (4).

Operating leases with Sandvik as lessor

The planned residual value of the Group's rental fleet is SEK 652 M (468). Depreciation for the year amounted to SEK 411 M (395). The future minimum lease payments under non-cancellable leases amount to SEK 230 M (250). Variable fees amounted to SEK 32 M (62).

Future minimum lease payments under non-cancellable operating lease contracts fall due as follows:

	Group		Parent Company	
	2009	2008	2009	2008
Within one year	127	124	14	9
Between 1–5 years	102	125	16	9
Later than five years	1	1	—	0
Total	230	250	30	18

NOTE 9. NET FINANCING COST

Group	2009	2008
Interest income	249	352
Dividend	10	3

Other investments incl. derivatives

Net gain on disposal of financial assets	0	0
Net gain on remeasurement of financial assets/ liabilities at fair value	164	16
Other financial income	15	4
Financial income	438	375
Interest expense	–2,204	–2,256

Other investments incl. derivatives

Net loss on disposal of financial assets	–23	–8
Net loss on remeasurement of financial assets/liabilities	–209	–260
Net foreign-exchange losses	–25	–54
Other financial expenses	–37	–14
Financial expenses	–2,498	–2,592
Net financing cost	–2,060	–2,217

NOTE 9. NET FINANCING COST (CONT.)

Measurement of interest derivatives had a positive effect on net financing cost of SEK 32 M (–40). For further information regarding valuation policies, refer to Note 30.

Net interest income/expense from financial assets and liabilities not measured at fair value through profit or loss amounted to SEK –1,983 M (–1,929). Hedging of fair values in 2009 had an effect of SEK 17 M (–8) on the result.

Parent Company	Income from shares in Group companies		Income from shares in associated companies	
	2009	2008	2009	2008
Dividend, net of withholding tax	5,753	6,754	5	5
Gain on sale of shares and participations	81	20	—	—
Impairment	0	0	—	—
Total	5,834	6,774	5	5

Parent Company	Income from other investments held as non-current assets		Interest income and similar items	
	2009	2008	2009	2008
Interest income, Group companies	—	—	345	601
Other interest income	—	—	2	12
Derivatives, Group companies	—	—	240	—
Total	—	—	587	613

Parent Company	Interest expense and similar items	
	2009	2008
Interest expense, Group companies	–319	–672
Other interest expense	–905	–723
Derivatives, Group companies	–68	–247
Other	–253	–13
Total	–1,545	–1,655

NOTE 10. APPROPRIATIONS

Parent Company	2009	2008
Changes in other untaxed reserves	8	7
Total	8	7

NOTE 11. INCOME TAX**Recognized in income statement**

	Group		Parent Company	
	2009	2008	2009	2008
Income tax expense for the year				
Current tax	–912	–2,942	203	112
Adjustment of taxes attributable to prior years	27	66	6	15
Total current tax expense	–885	–2,876	209	127
Deferred taxes relating to temporary differences and unused tax losses	1,761	135	556	274
Total tax expense	876	–2,741	765	401

The Group recognized tax revenue for the year of SEK 876 M or 25.2% of the result after financial items. The Group's tax expense for 2008 was SEK 2,741 M or 25.9% of the result after financial items.

NOTE 11. INCOME TAX (CONT.)**Reconciliation of the Group's tax expense**

The Group's weighted average tax rate, based on the tax rates in each country, is 28.7% (26.5). The nominal tax rate in Sweden is 26.3% (28.0).

Reconciliation of the Group's weighted average tax rate, based on the tax rates in each country, and the Group's actual tax expense:

Group	2009		2008	
	SEK M	%	SEK M	%
Profit after financial items	-3,472		10,577	
Weighted average tax based on each country's tax rate	998	-28.7	-2,805	-26.5
Tax effect of				
Non-deductible expenses	-214	6.2	-216	-2.0
Tax exempt income	230	-6.6	145	1.4
Adjustments relating to prior years	27	-0.8	66	0.6
Effects of unused tax losses, net	-139	4.0	30	0.3
Other	-26	0.7	39	0.4
Total recognized tax expense	876	-25.2	-2,741	-25.9

Reconciliation of the Parent Company's tax expense

The Parent Company's effective tax rate is less than the nominal tax rate in Sweden, mainly due to tax-exempt dividend income from subsidiaries and associated companies.

Reconciliation of the Parent Company's nominal tax rate and actual tax expense:

Parent Company	2009		2008	
	SEK M	%	SEK M	%
Profit before tax	2,986		5,349	
Tax based on the nominal tax rate for the Parent Company	-785	-26.3	-1,498	-28.0
Tax effects of				
Non-deductible expenses	-13	-0.4	-22	-0.4
Tax-exempt income	1,546	51.8	1,946	36.4
Effect of changed tax rate	—	—	-19	-0.4
Use of previously uncapitalized tax loss deductions	—	—	2	0.0
Adjustments relating to prior years	17	0.6	-8	-0.1
Total recognized tax expense	765	25.6	401	7.5

Tax item attributable to other comprehensive income

Group	2009			2008		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Translation differences for the year	-645	—	-645	4,832	—	4,832
Fair-value changes in cash-flow hedges for the year	272	-71	201	-537	142	-395
Fair-value changes in cash-flow hedges carried forward to profit/loss for the year	269	-71	198	-84	22	-62
Other comprehensive income	-104	-142	-246	4,211	164	4,375

Tax items recognized directly in equity

Parent Company	2009	2008
Current tax relating to taxable group contributions	180	85
Total	180	85

Recognized in the balance sheet**Deferred tax assets and liabilities**

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following assets and liabilities (liabilities shown with a minus sign).

Group	2009			2008		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	64	-890	-826	43	-771	-728
Property, plant and equipment	95	-1,228	-1,133	98	-1,114	-1,016
Financial non-current assets	113	-2	111	93	-2	91
Inventories	1,468	-37	1,431	1,572	-64	1,508
Receivables	422	-394	28	204	-536	-332
Interest-bearing liabilities	315	-441	-126	367	-442	-75
Noninterest-bearing liabilities	943	-932	11	724	-670	54
Other	—	-11	-11	29	-50	-21
Unused tax losses	1,783	—	1,783	282	—	282
Total	5,203	-3,935	1,268	3,412	-3,649	-237
Offsetting within companies	-2,693	2,693	—	-2,135	2,135	—
Total deferred tax assets and liabilities	2,510	-1,242	1,268	1,277	-1,514	-237

Parent Company	2009			2008		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	—	-34	-34	—	-34	-34
Inventories	9	—	9	—	—	—
Provisions	49	—	49	31	—	31
Noninterest-bearing liabilities	14	-14	0	78	—	78
Unused tax losses	841	—	841	217	—	217
Total	913	-48	865	326	-34	292
Offsetting	-48	48	—	-34	34	—
Total deferred tax assets and liabilities	865	—	865	292	—	292

NOTE 11. INCOME TAX (CONT.)**Unrecognized deferred tax assets**

The Group has additional unused tax loss carryforwards of about SEK 800 M (570). Related deferred tax assets were not recognized since it was not deemed probable that it would be possible to utilize these deductions in the foreseeable future.

Movements in deferred tax in temporary differences and unused tax losses

	Group		Parent Company	
	2009	2008	2009	2008
Balance at beginning of year, net	-237	-463	292	22
Recognized in income statement	1,761	135	573	270
Acquisitions/disposals of subsidiaries	-140	-10	—	—
Recognized in other comprehensive income	-142	164	—	—
Government grants	-25	—	—	—
Translation differences	51	-63	—	—
Balance at end of year, net	1,268	-237	865	292

In addition to the deferred tax assets and liabilities, Sandvik reports the following tax liabilities and receivables:

	Group		Parent Company	
	2009	2008	2009	2008
Other provisions for taxes	-3,311	-3,201	—	-55
Income tax liabilities	-768	-1,301	—	—
Income tax receivables	1,304	1,699	165	166
Net tax liabilities/receivables	536	398	165	166

Other provisions for taxes of SEK -3,311 M (-3,201) relate to ongoing disputes and assessed risks. The increase during 2009 (SEK 110 M) mainly reflects provisions relating to the tax dispute involving Sandvik Intellectual Property AB and Sandvik AB regarding the reorganization of ownership and managing of patents and trademarks effected in 2005. For additional information refer to the section "Integrated risk management."

NOTE 12. EARNINGS PER SHARE**Basic and diluted earnings per share**

SEK	Basic		Diluted	
	2009	2008	2009	2008
Earnings per share	-2.24	6.30	-2.24	6.29

The calculation of the numerators and denominators used in the above calculations of earnings per share is shown below.

Basic earnings per share

The calculation of earnings per share 2009 is based on the result for the year attributable to the equity holders of the Parent Company of SEK -2,652 M (7,472) and the weighted average number of shares (thousands) during 2009 of 1,186,287 (1,186,287). These two components have been calculated as follows:

Profit/loss for the year attributable to the equity holders of the Parent Company, before dilution

	2009	2008
Profit/loss for the year attributable to the equity holders of the Parent Company	-2,652	7,472

Weighted average number of shares, before dilution

In thousands of shares	2009	2008
Total number of ordinary shares at 1 January	1,186,287	1,186,287
Effects of reacquisitions and redemption	—	—
Weighted average number of shares outstanding during the year, before dilution	1,186,287	1,186,287

Diluted earnings per share

The calculation of diluted earnings per share 2009 is based on the result attributable to the equity holders of the Parent Company of SEK -2,652 M (7,472) and the weighted average number of shares (thousands) during 2009, 1,186,369 (1,187,058). The two components have been calculated as follows:

Profit/loss for the year attributable to equity holders of the Parent Company, after dilution

	2009	2008
Profit/loss for the year attributable to equity holders of the Parent Company	-2,652	7,472

Weighted average number of shares, after dilution

In thousands of shares	2009	2008
Weighted average number of shares, before dilution	1,186,287	1,186,287
Effect of share options	82	771
Weighted average number of shares outstanding during the year, after dilution	1,186,369	1,187,058

NOTE 13. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – GROUP**Intangible assets**

Cost	Internally generated intangible assets					Acquired intangible assets						Total
	Capitalized R&D expenditure	IT software	Patents, licenses, trade-marks, etc.	Other	Subtotal	Capitalized R&D expenditure	IT software	Patents, licenses, trade-marks, etc.	Goodwill	Other	Subtotal	
At 1 January 2008	971	471	118	46	1,606	15	278	772	8,933	1,061	11,059	12,665
Additions	333	99	25	3	460	—	20	5	—	32	57	517
Business combinations	—	—	—	—	—	—	2	120	474	6	602	602
Acquisition of minority interest	—	—	—	—	—	—	—	—	16	—	16	16
Divestments and disposals	-17	-10	—	—	-27	—	-8	-10	—	18	0	-27
Reclassifications	-100	116	54	—	70	—	14	-89	—	1	-74	-4
Translation differences during the year	40	5	23	5	73	—	37	-52	408	-17	376	449
At 31 December 2008	1,227	681	220	54	2,182	15	343	746	9,831	1,101	12,036	14,218
At 1 January 2009	1,227	681	220	54	2,182	15	343	746	9,831	1,101	12,036	14,218
Additions	318	88	21	—	427	—	5	22	—	30	57	484
Business combinations	—	—	—	—	—	—	3	31	1,647	554	2,235	2,235
Divestments and disposals	-7	-15	-2	-10	-34	—	-3	—	—	-73	-76	-110
Impairment losses	—	—	—	—	—	—	—	—	-154	—	-154	-154
Reclassifications	-32	35	-3	7	7	—	—	-1	—	68	67	74
Translation differences during the year	-20	-3	1	-3	-25	—	-13	10	-189	32	-160	-185
At 31 December 2009	1,486	786	237	48	2,557	15	335	808	11,135	1,712	14,005	16,562
Accumulated amortization and impairment losses												
At 1 January 2008	196	361	45	32	634	15	209	136	—	246	606	1,240
Business combinations	—	—	—	—	—	—	2	10	—	11	23	23
Divestments and disposals	-16	-12	—	—	-28	—	-12	-2	—	-1	-15	-43
Reclassifications	—	3	10	—	13	—	1	—	—	1	2	15
Amortization for the year	91	77	7	6	181	—	51	102	—	112	265	446
Translation differences for the year	5	3	9	3	20	—	27	0	—	18	45	65
At 31 December 2008	276	432	71	41	820	15	278	246	—	387	926	1,746
At 1 January 2009	276	432	71	41	820	15	278	246	—	387	926	1,746
Business combinations	—	—	—	—	—	—	3	—	—	42	45	45
Divestments and disposals	-25	-5	-2	-5	-37	—	-4	-1	—	-66	-71	-108
Impairment losses	28	12	—	—	40	—	—	—	—	41	41	81
Reclassifications	—	—	—	—	—	—	—	1	—	-40	-39	-39
Amortization for the year	281	91	11	7	390	—	42	116	—	154	312	702
Translation differences for the year	-5	-2	2	-4	-9	—	-11	9	—	9	7	-2
At 31 December 2009	555	528	82	39	1,204	15	308	371	—	527	1,221	2,425
Net carrying amounts												
1 January 2008	775	110	73	14	972	0	69	636	8,933	815	10,454	11,425
31 December 2008	951	249	149	13	1,362	0	65	500	9,831	714	11,110	12,472
1 January 2009	951	249	149	13	1,362	0	65	500	9,831	714	11,110	12,472
31 December 2009	931	258	155	9	1,353	0	27	437	11,135	1,185	12,784	14,137
Amortization for the year is included in the following lines in the 2008 income statement												
Cost of sales	—	-8	-2	—	-10	—	-1	-59	—	-74	-134	-144
Selling expenses	-6	-16	-2	-3	-27	—	-33	-44	—	-15	-92	-119
Administrative expenses	-85	-53	-3	-3	-144	0	-17	1	—	-23	-39	-183
Total	-91	-77	-7	-6	-181	0	-51	-102	—	-112	-265	-446
Amortization for the year is included in the following lines in the 2009 income statement												
Cost of sales	-39	-3	-1	-1	-44	—	-8	-3	—	-16	-27	-71
Selling expenses	-9	-3	-4	-2	-18	—	-11	-3	—	-29	-43	-61
Administrative expenses	-233	-85	-6	-4	-328	—	-23	-110	—	-109	-242	-570
Total	-281	-91	-11	-7	-390	—	-42	-116	—	-154	-312	-702

NOTE 13. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – GROUP (CONT.)**Property, plant and equipment**

Cost	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
At 1 January 2008	9,498	27,604	4,718	2,703	44,523
Additions	661	2,271	535	3,348	6,815
Business combinations	23	318	46	1	388
Divestments and disposals	-129	-1,544	-343	-9	-2,025
Reclassifications	448	1,695	159	-2,256	46
Translation differences for the year	904	1,850	377	259	3,390
At 31 December 2008	11,405	32,194	5,492	4,046	53,137
At 1 January 2009	11,405	32,194	5,492	4,046	53,137
Additions	863	1,682	243	1,384	4,172
Business combinations	599	656	249	99	1,603
Divestments and disposals	-318	-1,674	-449	-4	-2,445
Impairment losses	—	—	—	-26	-26
Reclassifications	875	1,607	72	-2,631	-77
Translation differences for the year	-293	-404	-79	-136	-912
At 31 December 2009	13,131	34,061	5,528	2,732	55,452
Accumulated depreciation and impairment losses					
At 1 January 2008	3,779	16,679	3,170		23,628
Business combinations	1	93	21		115
Divestments and disposals	-64	-1,168	-287		-1,519
Reclassifications	-2	65	10		73
Depreciation for the year	334	2,211	453		2,998
Impairment losses	5	32	—		37
Translation differences for the year	378	1,053	251		1,682
At 31 December 2008	4,431	18,965	3,618		27,014
At 1 January 2009	4,431	18,965	3,618		27,014
Business combinations	326	466	187		979
Divestments and disposals	-177	-1,581	-407		-2,165
Reclassifications	15	-24	-17		-26
Depreciation for the year	416	2,451	480		3,347
Impairment losses	92	128	9		229
Translation differences for the year	-143	-239	-63		-445
At 31 December 2009	4,960	20,166	3,807		28,933
Net carrying amounts					
1 January 2008	5,719	10,925	1,548	2,703	20,895
31 December 2008	6,974	13,229	1,874	4,046	26,123
1 January 2009	6,974	13,229	1,874	4,046	26,123
31 December 2009	8,171	13,895	1,721	2,732	26,519
Impairment losses are included in the following lines in the 2009 income statement	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Impairment losses					
Administrative expenses	-6	—	—	—	-6
Cost of sales	-78	-124	-9	-26	-237
Other operating expenses	-8	-4	0	0	-12
Total	-92	-128	-9	-26	-255

NOTE 13. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – GROUP (CONT.)

Ratable values	2009	2008
Buildings (in Sweden)	1,303	1,287
Land (in Sweden)	431	421

Additional information

Items of property plant and equipment for a total of SEK 237 M (250) have been pledged as security for liabilities.

In 2009, contractual commitments for the acquisition of property, plant and equipment amounted to SEK 50 M (150).

Borrowing costs 2009	Construction in progress
Borrowing costs included in the cost of assets during the year	0
Interest rate for determining borrowing costs included in cost	3.75%

Disclosure concerning government grants in the Group

The Group received government grants for the acquisition of property, plant and equipment during 2009 for a total of SEK 0 M (63). Grants received have reduced the stated cost by SEK 0 M (63).

Impairment tests of goodwill

Goodwill was tested for impairment at the balance sheet date of 31 December 2009. As stated above, the carrying amount of goodwill in the consolidated balance sheet is SEK 11,135 M (9,831), essentially related to a number of major business combinations.

	Carrying amount	
Goodwill by cash-generating unit	2009	2008
Sandvik Tooling		
Walter Group	1,144	1,209
Diamond Innovations	761	816
Wolfram	1,588	—
Business area level	996	1,023
Total	4,489	3,048
Sandvik Mining and Construction		
Exploration	436	509
Extec/Fintec	1,102	1,086
Business area level	2,238	2,263
Total	3,776	3,858

	Carrying amount	
Goodwill by cash-generating unit	2009	2008
Sandvik Materials Technology		
Kanthal Group	1,115	1,139
MedTech	1,398	1,407
Business area level	80	85
Total	2,593	2,631
Seco Tools and Corporate	277	294
Group total	11,135	9,831

Goodwill is allocated to cash-generating units. The recoverable amount of a cash-generating unit is assessed based on estimates of value in use. These calculations are based on budgets/forecasts covering a five-year period. Cash flows for subsequent years have been extrapolated based on inflation, in no case exceeding 3%. Need of working capital beyond the five-year period is deemed to remain on the same level as in the fifth year. Cash flows have generally been discounted at a pre-tax rate of 10%.

Production and marketing processes of acquired businesses have in most cases been integrated into other Sandvik operations to such an extent that it is no longer possible to identify the cash flows and assets of the acquired businesses. For such reason, the impairment tests were largely made at a higher level although in no case above segment level. At present, the activities of Walter, Diamond Innovations, Wolfram, Kanthal, MedTech, Exploration and Extec/Fintec are also conducted in such a way that it has been possible to separately test goodwill allocated to these acquisitions.

The testing of goodwill at a higher organizational level obviously lessens the probability of identifying an impairment loss. These tests have by a broad margin supported the carrying amounts. The testing did not demonstrate a need for impairment except for goodwill allocated to Exploration operations for which impairment losses of SEK 154 M were recognized and charged to profit in 2009. Accordingly, the recoverable amount of the goodwill attributable to the operation in Exploration comprises its value in use. The sensitivity in all calculations implies that no impairment loss would be required even if the discount rate were increased by 1 percentage point or if the long-term growth rate were lowered by 1 percentage point.

Other impairment tests

Capitalized development projects that are not yet available for use were tested and resulted in an impairment loss of SEK 28 M (0).

NOTE 14. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT – PARENT COMPANY

Intangible assets	Patents and other intangible assets	Patents and other intangible assets		
Cost		Accumulated amortization		
At 1 January 2008	99	At 1 January 2008	73	
Additions	23	Amortization for the year	17	
Divestments and disposals	-1	At 31 December 2008	90	
At 31 December 2008	121			
At 1 January 2009	121	At 1 January 2009	90	
Additions	14	Amortization for the year	4	
Divestments and disposals	-24	At 31 December 2009	94	
At 31 December 2009	111	Net carrying amount at end of year	17	
		Amortization for the year is included in the following lines in the income statement		
		2009	2008	
		Selling expenses	-3	-14
		Administrative expenses	-1	-4
		Total	-4	-18

Property, plant and equipment	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2008	845	8,870	1,027	1,352	12,094
Additions	9	211	30	1,264	1,514
Divestments and disposals	—	-155	-65	-3	-223
Reclassifications	25	804	57	-886	0
At 31 December 2008	879	9,730	1,049	1,727	13,385
At 1 January 2009	879	9,730	1,049	1,727	13,385
Additions	121	353	63	233	770
Acquired through business combinations	—	115	—	—	115
Divestments and disposals	-17	-256	-157	-38	-468
Reclassifications	62	430	97	-589	0
At 31 December 2009	1,045	10,372	1,052	1,333	13,802
Revaluations					
At 1 January 2008	41	—	—	—	41
At 31 December 2008	41	—	—	—	41
At 1 January 2009	41	—	—	—	41
At 31 December 2009	41	—	—	—	41
Accumulated depreciation					
At 1 January 2008	402	5,246	722	—	6,370
Divestments and disposals	—	-136	-55	—	-191
Depreciation for the year	27	532	70	—	629
At 31 December 2008	429	5,642	737	—	6,808
At 1 January 2009	429	5,642	737	—	6,808
Acquired through business combinations	—	71	—	—	71
Divestments and disposals	-7	-204	-152	—	-363
Reclassifications	—	-11	11	—	0
Depreciation for the year	26	599	80	—	705
At 31 December 2009	448	6,097	676	—	7,221
Net carrying amounts					
1 January 2008	484	3,624	305	1,352	5,765
31 December 2008	491	4,088	312	1,727	6,618
1 January 2009	491	4,088	312	1,727	6,618
31 December 2009	638	4,275	376	1,333	6,622

Ratable values – Parent Company	2009	2008
Buildings (in Sweden)	290	281
Land (in Sweden)	102	82

NOTE 15. SHARES IN GROUP COMPANIES

Shares in Group Companies	Parent Company	
	2009	2008
Cost		
At beginning of year	14,824	14,151
Additions	42	294
Capital contributions	98	2,477
New issues	50	1
Divestments	-259	-2,099
Total	14,755	14,824

Shares in Group Companies	Parent Company	
	2009	2008
Accumulated impairment losses		
At beginning of year	-389	-389
Impairment losses reversed during the year	0	0
Total	-389	-389
Net carrying amount at end of year	14,366	14,435

Sandvik AB's holdings of shares and participations in subsidiaries

Direct holdings

According to balance sheet at 31 December; company, domicile	2009				2008			
	Corp. Reg. number	No. of shares	Holding, % ²⁾	Carrying amount SEK 000s	No. of shares	Holding, % ²⁾	Carrying amount SEK 000s	
SWEDEN								
C.O. Öberg & Co:s AB, Sandviken	556112-1186	2,000	100	0	2,000	100	0	
Dropler High Tech AB, Sandviken	556332-0380	1,000	100	119	1,000	100	119	
Elasis Svenska AB, Sandviken	556307-8947	100,000	100	110	100,000	100	110	
Förvaltningsbolaget Predio 4 KB, Sandviken	916624-2181	—	0 ³⁾	0	—	0 ³⁾	0	
Gimo Utbildningsaktiebolag, Gimo	556061-4041	1,000	91	2,591	1,000	91	2,591	
Gusab Holding AB, Sandviken	556001-9290	1,831,319	100	53,474	1,831,319	100	53,474	
Gusab Stainless AB, Mjölby	556012-1138	200,000	100	32,957	200,000	100	33,172	
Industri AB Skomab, Sandviken	556008-8345	2,000	100	100,050	2,000	100	100,050	
Malcus AB, Sandviken	556350-7903	1,000	100	100	1,000	100	100	
Rammer Svenska AB, Sandviken	556249-4004	3,000	100	851	3,000	100	851	
Tamrock Svenska AB, Sandviken	556189-1085	100	100	123	100	100	123	
AB Sandvik Antenn, Sandviken	556350-7895	1,000	100	100	1,000	100	100	
AB Sandvik Automation, Sandviken	556052-4315	1,000	100	50	1,000	100	50	
AB Sandvik Belts, Sandviken	556041-9680	25,000	100	2,500	25,000	100	2,500	
AB Sandvik Bruket, Sandviken	556028-5784	13,500	100	1,698	13,500	100	1,698	
AB Sandvik Communication, Sandviken	556257-5752	1,000	100	120	1,000	100	120	
AB Sandvik Construction Segment, Malmö ¹⁾	556659-6952	1,000	100	100	1,000	100	100	
AB Sandvik Coromant, Sandviken ¹⁾	556234-6865	1,000	100	50	1,000	100	50	
Sandvik Coromant Sverige AB, Stockholm ¹⁾	556350-7846	1,000	100	100	1,000	100	100	
Sandvik Export Assistance AB, Sandviken	556061-3746	80,000	100	0	80,000	100	0	
AB Sandvik Falken, Sandviken	556330-7791	1,000	100	120	1,000	100	120	
Sandvik Far East Ltd. AB, Sandviken	556043-7781	10,000	100	10,000	10,000	100	10,000	
Sandvik Försäkrings AB, Sandviken	516401-6742	1,500	100	15,000	1,500	100	15,000	
AB Sandvik Hard Materials, Stockholm ¹⁾	556234-6857	1,000	100	50	1,000	100	50	
Sandvik Hard Materials Norden AB, Stockholm	556069-1619	1,000	100	50	1,000	100	50	
Sandvik Information Technology AB, Sandviken ¹⁾	556235-3838	1,000	100	50	1,000	100	50	
Sandvik Intellectual Property AB, Sandviken	556288-9401	1,000,000	100	3,499,950	1,000,000	100	3,499,950	
AB Sandvik International, Sandviken ¹⁾	556147-2977	1,000	100	50	1,000	100	50	
AB Sandvik Klangberget, Sandviken	556135-6857	1,000	100	100	1,000	100	100	
Sandvik Materials Technology EMEA AB, Stockholm	556734-2026	501,000	100	50,100	1,000	100	100	
AB Sandvik Materials Technology, Sandviken ¹⁾	556234-6832	1,000	100	50	1,000	100	50	
Sandvik Mining and Construction AB, Sandviken ¹⁾	556664-9983	1,000	100	100	1,000	100	100	
Sandvik Mining and Construction Sverige AB, Sandviken ¹⁾	556288-9443	1,000	100	50	1,000	100	50	
Sandvik Mining and Construction Tools AB, Sandviken ¹⁾	556234-7343	1,000	100	50	1,000	100	50	
Sandvik Nora AB, Nora	556075-0506	80,000	100	135,000	80,000	100	135,000	
Sandvik Powdermet AB, Surahammar	556032-6760	600	100	119,554	600	100	119,554	
AB Sandvik Process Systems, Sandviken ¹⁾	556312-2992	1,000	100	100	1,000	100	100	
AB Sandvik Rock Tools, Sandviken	556081-4328	1,000	100	50	1,000	100	50	
Sandvik Rotary Tools AB, Köping	556191-8920	101,000	100	150,177	101,000	100	150,177	
AB Sandvik Service, Sandviken	556234-8010	1,000	100	50	1,000	100	50	
AB Sandvik Skogsfastigheter, Sandviken	556579-5464	1,000	100	69	1,000	100	26	
AB Sandvik Steel Investment, Sandviken	556350-7853	1,000	100	100	1,000	100	100	
Sandvik Stål Försäljnings AB, Stockholm ¹⁾	556251-5386	1,000	100	50	1,000	100	50	
Sandvik Systems Development AB, Sandviken ¹⁾	556407-4184	1,000	100	100	1,000	100	100	
Sandvik Tooling AB, Sandviken ¹⁾	556692-0038	1,000	100	100	1,000	100	100	
Sandvik Tooling Sverige AB, Sandviken ¹⁾	556692-0053	1,000	100	100	1,000	100	100	
AB Sandvik Tranan, Sandviken	556330-7817	1,000	100	9,088	1,000	100	9,088	
Sandvik Utbildnings AB, Sandviken	556304-8791	910	91	91	910	91	91	
AB Sandvik Vallhoven, Sandviken	556272-9680	6,840	100	1,800	6,840	100	1,800	

NOTE 15. SHARES IN GROUP COMPANIES (CONT.)**Sandvik AB's holdings of shares and participations in subsidiaries****Direct holdings**

According to balance sheet at 31 December; company, domicile	2009				2008			
	Corp. Reg. number	No. of shares	Holding, % ²⁾	Carrying amount SEK 000s	No. of shares	Holding, % ²⁾	Carrying amount SEK 000s	
Sandvik Västaby AB, Sandviken	556590-8075	1,000	100	100	1,000	100	100	
AB Sandvik Västberga Service, Stockholm	556356-6933	1,000	100	100	1,000	100	100	
Sandvik Örebro AB, Sandviken	556232-7949	10,000	100	167	10,000	100	167	
AB Sandvik Örnen, Sandviken	556330-7783	1,000	100	120	1,000	100	120	
Sandvikens Brukspersonals Byggnadsförening upa, Sandviken	785500-1686	—	100	0	—	100	0	
Scandinavian Handtools AB, Sandviken	556093-5875	1,000	100	50	1,000	100	50	
Steebide International AB, Sandviken	556048-3405	15,000	100	1,000	15,000	100	1,000	
Tooling Support Halmstad AB, Halmstad	556240-8210	80,000	100	25,145	80,000	100	25,145	
AB Trelbo, Sandviken	556251-6780	1,000	100	120	1,000	100	120	
Walter Norden AB, Halmstad	556752-4698	15,000	100	1,500	15,000	100	1,500	
Sandvik Mining and Construction Köping AB ¹⁾	556776-9525	1,000	100	100	—	—	—	
Wire Sandviken AB ¹⁾	556779-3897	1,000	100	100	—	—	—	
Sandvik IT Services AB ¹⁾	556788-9059	1,000	100	100	—	—	—	

Sandvik AB's holdings of shares and participations in subsidiaries**Direct holdings**

According to balance sheet at 31 December; company		2009			2008		
		No. of shares	Holding, % ²⁾	Carrying amount SEK 000s	No. of shares	Holding, % ²⁾	Carrying amount SEK 000s
AUSTRALIA	Sandvik Australia Pty. Ltd.	—	6 ^{3, 4)}	1,202,442	—	6 ^{3, 4)}	1,202,442
	Sandvik Australian Ltd. Partnership	—	99	—	—	99	—
BRAZIL	Dormer Tools S.A.	2,137,623,140	100	200,000	2,137,623,140	100	200,000
	Sandvik do Brasil S.A.	1,894,797,190	100	46,072	1,894,797,190	100	46,072
BULGARIA	Sandvik Bulgaria Ltd.	—	100	0	—	100	0
CHILE	Sandvik Credit Chile S.A.	9,900	99	39,631	—	—	—
CHINA	Sandvik China Holding Co Ltd.	—	100	668,890	—	100	668,890
	Sandvik Tooling Production (Langfang) Co., Ltd.	—	—	—	—	100	190,666
	Sandvik International Trading (Shanghai) Co. Ltd.	—	—	—	—	100	17,466
	Sandvik Mining and Construction (China) Ltd.	—	—	—	—	100	44,468
	Sandvik Materials Technology (China) Ltd.	—	44 ³⁾	207,854	—	44 ³⁾	109,053
	Sandvik Process Systems (Shanghai) Ltd.	—	—	—	—	100	6,809
CZECH REPUBLIC	Sandvik CZ s.r.o.	—	100	0	—	100	0
GERMANY	Sandvik Materials Technology GmbH	—	1 ³⁾	1,486	—	1 ³⁾	1,486
	Sandvik Holding GmbH	—	1 ³⁾	367	—	1 ³⁾	367
GREECE	Sandvik A.E. Tools and Materials	5,529	100	1,567	5,529	100	1,567
HUNGARY	Sandvik Magyarorszag Kft.	—	100	3,258	—	100	3,258
INDIA	Sandvik Asia Ltd.	16,030,246	27 ⁵⁾	277,028	16,030,246	27 ⁵⁾	277,028
IRELAND	Sandvik Mining and Construction Logistics Ltd.	100	100	5,508	100	100	5,508
JAPAN	Sandvik K.K.	2,600,000	100	224,701	2,600,000	100	224,701
KENYA	Sandvik Kenya Ltd.	35,000	96	0	35,000	96	0
KOREA	Sandvik Korea Ltd.	752,730	100	46,856	752,730	100	46,856
MALI	Sandvik Mining and Construction Mali	25,000	100	3,462	25,000	100	3,462
MEXICO	Sandvik Mexicana S.A. de C.V.	406,642,873	90 ³⁾	71,000	406,642,873	90 ³⁾	71,000
MONGOLIA	Sandvik Mongolia LLC.	400,000	100	2,682	400,000	100	2,682
MOROCCO	Sandvik Maroc SARL	940	94	0	940	94	0
NETHERLANDS	Sandvik Finance B.V.	18,786	100	7,017,620	18,786	100	7,017,620
PERU	Sandvik del Perú S.A.	6,562,795	100	26,025	6,562,795	100	26,025
POLAND	Sandvik Polska Sp. z.o.o.	3,211	100	93,197	3,211	100	93,197
SLOVAKIA	Sandvik Slovakia s.r.o.	—	100	1,238	—	100	1,238
SWITZERLAND	Sanfinanz AG	1,000	100	735	1,000	100	735
TURKEY	Sandvik Endüstriyel Mamüller Sanayi ve Ticaret A.S.	125,154,588	100	3,200	125,154,588	100	3,200
UAE	Sandvik Middle East FZE	1	100	2,096	—	—	—
ZIMBABWE	Sandvik Mining and Construction Zimbabwe (Pty) Ltd.	233,677	100	3,269	233,677	100	3,269
Total				14,366,028			14,434,781

1) Subsidiaries conducting business on behalf of the Parent Company.

2) Refers to voting rights, which also equals share of capital unless otherwise indicated.

3) Remaining shares are held by other Group companies.

4) Share of capital 33%.

5) Shares up to an ownership interest of 97% are held by other Group companies.

NOTE 15. SHARES IN GROUP COMPANIES (CONT.)

Sandvik AB's holdings of shares and participations in subsidiaries. Indirect holdings in operating Group companies

Group holding, %		2009 ¹⁾	2008 ¹⁾	Group holding, %		2009 ¹⁾	2008 ¹⁾	
SWEDEN	Kanthal AB	100	100	INDONESIA	PT Sandvik Indonesia	100	100	
	Sandvik Mining and Construction Haparanda AB	100	100		PT Sandvik Mining and Construction Indonesia	100	100	
	Sandvik SRP AB	100	100		PT Sandvik SMC	100	100	
	Sandvik Treasury AB	100	100	IRELAND	Diamond Innovations International Sales	100	100	
Seco Tools AB	60 ²⁾	60 ²⁾	Sandvik Ireland Ltd.		100	100		
ALGERIA	Sandvik Mining and Construction Algeria SpA	100	100	ITALY	Dormer Italia S.p.A.P	100	100	
ARGENTINA	Sandvik Argentina S.A.	100	100		Impero S.p.A.	100	100	
	Sandvik Mining and Construction Argentina S.A.	100	100		Sandvik Italia S.R.L.	100	100	
	Walter Argentina S.A.	100	100	Walter Italia S.R.L.	100	100		
AUSTRALIA	Sandvik Mining and Construction Redhead Pty Ltd	100	100	JAPAN	Sandvik Mining and Construction Japan K.K.	100	100	
	Sandvik Australia Pty. Ltd.	100	100		Sandvik Tooling Supply Japan K.K.	100	100	
	Sandvik Shark Pty. Ltd.	100	100		Walter Tooling Japan K.K.	100	100	
	Sandvik Mining and Construction Perth Pty. Ltd.	100	100	KAZAKHSTAN	Sandvik Mining and Construction Kazakhstan	100	100	
	Sandvik Mining and Construction Adelaide Pty. Ltd.	100	100		KOREA	Sandvik Suhjun Ltd.	100	100
	AUSTRIA	Sandvik Mining and Construction Pty. Ltd. Australia	100	100	Walter Korea Ltd.	100	100	
		Sandvik Mining and Construction Tomago Pty. Ltd.	100	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100	100
		Sandvik RC Tools Australia Pty. Ltd.	100	100		Sandvik Mining and Construction (Malaysia) Sdn. Bhd	100	100
		Walter Australia Pty. Ltd.	100	100	Walter Malaysia Sdn. Bhd.	100	100	
		AUSTRIA	Walter Austria GmbH	100	100	MEXICO	Sandvik de México S.A. de C.V.	100
Wolfram Bergbau und Hütten AG			100	—	Sandvik Mining and Construction de México S.A. de C.V.		100	100
Sandvik BPI Bohrtechnik GmbH & Co. KG	100		100	Walter Tools S.A. de C.V.	100	100		
Sandvik in Austria Ges.m.b.H.	100		100	NETHERLANDS	Sandvik Benelux B.V.	100	100	
Sandvik Mining and Construction GmbH	100	100	Sandvik DC Venlo B.V.		100	100		
BELGIUM	Materials Handling GmbH & Co. KG	100	100	NEW ZEALAND	Sandvik New Zealand Ltd.	100	100	
	Walter Benelux N.V./S.A.	100	100		Walter New Zealand Ltd.	100	100	
BRAZIL	Diamond Innovations Brasil Comércio E Importação Ltda.	100	100	NIGERIA	Sandvik Mining and Construction Nigeria Ltd.	100	100	
	Sandvik MGS S.A.	100	100		NORWAY	Sandvik Norge A/S	100	100
	Sandvik Mining and Construction do Brasil S.A.	100	100	Sandvik Riser Technology A/S	100	100		
	Walter do Brasil Ltda.	100	100	Teeness ASA	100	100		
CANADA	Sandvik Canada Inc.	100	100	PERU	Sandvik Tamrock A/S	100	100	
	Sandvik Mining and Construction Canada Inc.	100	100		Sandvik del Peru S.A.	100	100	
CHILE	Sandvik Tooling Canada Inc.	100	—	PHILIPPINES	Sandvik Philippines Inc.	100	100	
	Sandvik Chile S.A.	100	100		Sandvik Tamrock (Philippines) Inc.	100	100	
CHINA	Sandvik Mining and Construction Chile S.A.	100	100	POLAND	Walter Polska Sp. z.o.o.	100	100	
	Sandvik International Trading (Shanghai) Co. Ltd.	100	—		Sandvik Mining and Construction Sp. z.o.o.	100	100	
	Sandvik Mining and Construction (China) Co. Ltd.	100	—	ROMANIA	Sandvik SRL	100	100	
	Sandvik Mining and Construction Trading (Shanghai) Co. Ltd.	100	100		RUSSIA	LLC Sandvik	100	100
	Sandvik Hard Materials (Wuxi) Co. Ltd.	100	100	OOO Walter		100	100	
	Sandvik Process Systems (Shanghai) Co. Ltd.	100	—	Sandvik Mining and Construction CIS LLC	100	100		
	Sandvik Round Tools Production Co. Ltd.	100	100	Sandvik-MKTC OAO	100	100		
	Sandvik Tooling Production (Langfang) Co. Ltd.	100	—	SERBIA/ MONTENEGRO	Sandvik Serbia/Montenegro d.o.o.	100	100	
	Sandvik Tooling Sales and Trade (Shanghai) Ltd.	100	100		SINGAPORE	Kanthal Electroheat (SEA) Pte. Ltd.	100	100
	Sandvik (Qingdao) Ltd.	100	100	SLOVENIA	Sandvik Mining and Construction S.E. Asia Pte. Ltd.	100	100	
Walter Wuxi Co. Ltd.	100	100	Sandvik South East Asia Pte. Ltd.		100	100		
CROATIA	Sandvik, za trgovinu d.o.o.	100	100		Walter AG Singapore Pte. Ltd.	100	100	
	CZECH REPUBLIC	Sandvik Chomutov Precision Tubes s.r.o.	100		100	Sandvik d.o.o.	100	100
Walter CZ s.r.o.		100	100	SOUTH AFRICA	ARO Mining (Pty) Ltd.	100	100	
DENMARK	Sandvik A/S	100	100	Sandvik Mining and Construction RSA (Pty) Ltd.	100	100		
	FINLAND	Sandvik Mining and Construction Finland Oy	100	100	Sandvik (Pty) Ltd.	100	100	
Sandvik Mining and Construction Oy		100	100	Sandvik Mining and Construction Delmas (Pty) Ltd.	100	100		
FRANCE	Safety S.A.S.	100	100	SPAIN	Sandvik Española S.A.	100	100	
	Sandvik Mining and Construction Chauny S.A.S.	100	100		Walter Tools Iberica S.A.U.	100	100	
	Sandvik Hard Materials S.A.S.	100	100	SWITZERLAND	Sandvik AG	100	100	
	Sandvik Materials Technology France S.A.S.	100	100		Santrade Ltd.	100	100	
	Sandvik Mining and Construction Lyon S.A.S.	100	100	Walter (Schweiz) AG	100	100		
	Sandvik Mining and Construction France S.A.S.	100	100	TAIWAN	Sandvik Hard Materials Taiwan Pty. Ltd.	100	100	
	Sandvik Tooling France S.A.S.	100	100		Sandvik Taiwan Ltd.	100	100	
	Gunther Tools S.A.S.	100	100	TANZANIA	Sandvik Mining and Construction Tanzania Ltd.	100	100	
	Safety Production S.A.S.	100	100		THAILAND	Sandvik Thailand Ltd.	100	100
	Walter France S.A.S.	100	100	Walter (Thailand) Co. Ltd.	100	100		
GERMANY	Sandvik Mining and Construction Crushing Technology GmbH	100	100	UK	Dormer Tools Ltd.	100	100	
	Prototyp-Werke GmbH	100	100		Extec Screens and Crushers Ltd.	100	100	
	Sandvik Customer Financing Europe GmbH	100	100		Fintec Crushing and Screening Ltd.	100	100	
	Sandvik Materials Technology Deutschland GmbH	100	100		Kanthal Ltd.	100	100	
	Sandvik Mining and Construction Central Europe GmbH	100	100		Sandvik Ltd.	100	100	
	Sandvik Mining and Construction Supply GmbH	100	100		Sandvik Medical Solutions Ltd.	100	100	
	Sandvik Tooling Deutschland GmbH	100	100		Sandvik Mining and Construction Ltd.	100	100	
	TDM Systems GmbH	75	75		Sandvik Osprey Ltd.	100	100	
	Walter AG	100	100		Walter GB Ltd.	100	100	
	Walter Deutschland GmbH	100	100		UKRAINA	Sandvik Ukraine	100	100
Werner Schmitt PKD-Werkzeug GmbH	100	100	US	Diamond Innovations Inc.		100	100	
GHANA	Sandvik Mining and Construction Ghana Ltd.	100		100	Diamond Innovations International Inc.	100	100	
	HONG KONG	Sandvik Hong Kong Ltd.		100	100	Kanthal Corp.	100	100
Walter Hungaria Kft.		100		100	MRL Industries Inc.	100	100	
INDIA	Walter Tools India Pvt. Ltd.	100		100	Pennsylvania Extruded Tube Co.	70	70	
		100		100	Precision Twist Drill Co.	100	100	
INDONESIA	Walter Tools India Pvt. Ltd.	100		100	Sandvik Customer Finance LLC	100	100	
		100		100	Sandvik Inc.	100	100	
		100		100	Sandvik Medical Solutions Alabama LLC	100	100	
		100		100	Sandvik Medical Solutions Oregon Inc.	100	100	
		100	100	Sandvik Mining and Construction USA LLC	100	100		
		100	100	Sandvik Process Systems LLC	100	100		
		100	100	Sandvik Special Metals LLC	100	100		
		100	100	TDM Systems Inc.	100	100		
		100	100	Valenite LLC	100	100		
		100	100	Walter USA Inc.	100	100		
ZAMBIA	Sandvik Mining and Construction Zambia Ltd.	100	100					

1) Refers to share of capital, which also corresponds to voting rights for the total number of shares, unless otherwise stated.

2) Share of votes 89% (89).

NOTE 16. INVESTMENTS IN ASSOCIATED COMPANIES

Group	2009	2008
Accumulated share of equity		
At beginning of year	485	348
Acquisitions	—	91
Divestments	-52	—
Share of profits for the year	-39	46
Less dividend received	-6	-21
Translation differences during the year	-3	21
At end of year	385	485

Summarized financial information of associated companies, and the Group's share

2009	Country	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %
Owned directly by Sandvik AB							
Balzer Sandvik Coating AB	Sweden	65	1	57	11	46	49.0
Owned indirectly by Sandvik AB							
Bellataire LLC	US	24	-20	89	4	85	50.0
Eimco Elecon	India	232	25	262	84	178	25.1
Fagersta Stainless AB	Sweden	884	-82	732	328	404	50.0
Precorp Inc.	US	102	-1	105	22	83	49.0
Associates owned by Seco Tools		77	5	56	29	27	
2008							
	Country	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %
Owned directly by Sandvik AB							
Balzer Sandvik Coating AB	Sweden	111	23	77	24	53	49.0
Owned indirectly by Sandvik AB							
Bellataire LLC	US	69	7	126	14	112	50.0
Caterpillar Impact Products Ltd.	UK	405	56	177	79	98	40.0
Eimco Elecon	India	175	20	213	43	170	25.1
Fagersta Stainless AB	Sweden	1,964	5	991	480	511	50.0
Precorp Inc.	US	54	1	107	17	90	49.0
Associates owned by Seco Tools		46	4	45	26	19	

Additional information

The close of the reporting period for the associate Eimco Elecon is 31 March 2009. Dividend paid in 2009 is included in the calculation of the proportion of equity. No financial statements as of a later date have been obtained.

Other associates are recognized one month in arrears.

Parent Company's shares in associated companies	2009	2008
Cost		
At beginning of year	4	4
At end of year	4	4

	Corp. Reg. No.	Share of capital and voting rights, %	Carrying amount, SEK M
2009			
Balzer Sandvik Coating AB, Stockholm	556098-1333	49	4
2008			
Balzer Sandvik Coating AB, Stockholm	556098-1333	49	4

NOTE 17. OTHER FINANCIAL ASSETS

Group	2009	2008
Non-current financial investments		
Available-for-sale investments		
Shares and participations	78	78
Total	78	78

Additional information

Since it has not been possible to measure the fair value of these shares and participations reliably, these assets are measured at cost.

NOTE 18. NON-CURRENT RECEIVABLES AND OTHER CURRENT RECEIVABLES

Group	2009	2008
Non-current receivables		
Funded pension plans	1,534	1,542
Other noninterest-bearing receivables	385	438
Other interest-bearing receivables	806	532
Total	2,725	2,512
Other current receivables		
Derivatives held as investments	6	4
Derivatives designated as hedging instruments	423	3,204
Due from customers for contract work	1,142	1,138
Other noninterest-bearing receivables	1,815	2,533
Other interest-bearing receivables	370	439
Advances to suppliers	255	441
Total	4,011	7,759
Parent Company		
Non-current receivables	2009	2008
Derivatives	82	6
Other noninterest-bearing receivables	19	20
Total	101	26
Other current receivables		
Derivatives	169	19
Other noninterest-bearing receivables	166	200
Other interest-bearing receivables	3	14
Total	338	233

NOTE 20. TRADE RECEIVABLES

Age analysis of trade receivables

Group	2009			2008		
	Gross	Allowance for bad debts	Net carrying amount	Gross	Allowance for bad debts	Net carrying amount
Current receivables	9,253	-47	9,206	11,878	-74	11,804
Past due receivables 0-3 months	1,784	-69	1,715	3,390	-82	3,308
Past due receivables 3-12 months	708	-255	453	1,005	-238	767
Past due receivables >12 months	555	-342	213	351	-300	51
Total	12,300	-713	11,587	16,624	-694	15,930

NOTE 21. CAPITAL AND RESERVES

Group	2009	2008
Details of reserves		
Translation reserve		
At beginning of year	5,028	288
Translation differences during the year	-611	4,740
At end of year	4,417	5,028
Hedging reserve		
At beginning of year	-377	80
Cash flow hedges recognized in equity	399	-457
At end of year	22	-377
Total reserves		
Reserves at beginning of year	4,651	368
Changes in reserves:		
Translation reserve	-611	4,740
Hedging reserve	399	-457
Reserves at end of year	4,439	4,651

	Group	
	2009	2008
Construction contracts		
Contract costs incurred and recognized profits (less recognized losses)	8,760	6,691
Advances received	1,300	885
Amounts retained by customers	29	0
Gross amount due from customers	1,142	1,138
Gross amount due to customers	281	207

NOTE 19. INVENTORIES

	Group		Parent Company	
	2009	2008	2009	2008
Raw materials and consumables	4,450	6,315	1,380	1,815
Work in progress	3,773	5,274	1,217	2,074
Finished goods	11,619	17,025	713	1,234
Total	19,842	28,614	3,310	5,123

Cost of sales of the Group includes impairment of inventories of SEK 519 M (460) while cost of sales of the Parent Company includes impairment of SEK 150 M (154). There were no significant reversals of impairment losses during 2009 and 2008.

Other paid-in capital

Relates to payments made by owners and includes share premium reserve transferred to the statutory reserve at 31 December 2005. Any share premium as from 1 January 2006 and onwards is also recognized as paid-in capital.

Reserves**Translation reserve**

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations stated in a currency different from the Group's presentation currency. The Parent Company's and the Group's presentation currency is Swedish kronor (SEK).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow hedging instruments related to hedged transactions that have not yet occurred.

Retained earnings including profit or loss for the year

Retained earnings including profit or loss for the year comprises the earned profit of the Parent Company and its subsidiaries and associated companies.

NOTE 21. CAPITAL AND RESERVES (CONT.)**Repurchased shares**

Repurchased shares include the acquisition cost of treasury stock held by the Parent Company.

Management of capital*Sandvik's long-term financial objectives*

	2009	2008
Organic growth	8%	8%
Return on capital employed	25%	25%
Dividend payout percentage	≥50%	≥50%
Debt/equity ratio	0.7–1.0	0.7–1.0

Sandvik's overall financial objective are based on the Group's position as world leading within its various fields of activities.

Sandvik's long-term organic growth goal is 8% over a sustained period of time, to be compared with the underlying average growth of the market over the same period of time, which is estimated at 4–6% within Sandvik's fields of activities. The objective is based on:

- Increased market shares in existing as well as new markets.
- New products.
- New application areas with great growth potentials.

The objective for the return on capital employed for existing operations is 25% for the Group as a whole. The circumstances for the various business areas differ and, accordingly, they also have different goals.

The business areas' goals and goal fulfillment are presented on page 13.

Parent Company**Share capital**

According to the Articles of Association of Sandvik AB, the share capital shall amount to a minimum of SEK 700,000,000 and a maximum of SEK 2,800,000,000. All issued shares are fully paid, have the same voting rights and are equally entitled to the Company's assets.

Share capital has changed as follows during the past two years:

	No. of shares	SEK/share	Share capital SEK
Share capital at 31 December 2007	1,186,287,175	1,20	1,423,544,610
Share capital at 31 December 2008	1,186,287,175	1,20	1,423,544,610
Share capital at 31 December 2009	1,186,287,175	1,20	1,423,544,610

A dividend is proposed by the Board of Directors in accordance with the stipulations in the Swedish Companies' Act, and is approved at the Annual General Meeting. The proposed, not yet resolved, dividend for 2009 is estimated to amount to SEK 1,186 M (SEK 1.00 per share). This amount is not recognized as a liability.

No shares have been reserved for transfer under options or other agreements.

The Sandvik share is officially listed only on the Nasdaq OMX Exchange. Shares can also be traded in the US in the form of ADRs (American Depositary Receipts).

Undistributable reserves

Undistributable reserves may not be paid to the shareholders in the form of dividends.

NOTE 22. PARENT COMPANY'S OTHER UNTAXED RESERVES

	2009	2008
Other untaxed reserves	4	12
Total other untaxed reserves	4	12

NOTE 23. PROVISIONS FOR PENSION AND OTHER NON-CURRENT POST-EMPLOYMENT BENEFITS

Sandvik provides direct pension solutions and otherwise participates in a number of defined-benefit, defined-contribution and other plans for long-term postemployment benefits to employees throughout the Group. The plans are structured in accordance with local regulations and local practice. In recent years, Sandvik has sought to move more pensions toward defined-contribution solutions and to an ever-increasing extent the total pension expense comprises the costs for such plans. In principle, the plans cover all employees. The Group's most significant pension arrangements are described below.

Sweden

Workers are covered by the SAF/LO Plan, which is a multiemployer collectively bargained defined-contribution pension plan common for several industry sectors. Salaried employees are covered by the ITP Plan, which is also a multiemployer collectively bargained pension plan for several industry sectors. The ITP Plan was renegotiated and, as from October 2007, newly hired white-collar

Equity

Equity is defined as total shareholders' equity, including minority interest.

Equity	2009	2008
Share capital	1,424	1,424
Other paid-in capital	1,057	1,057
Reserves	4,439	4,651
Retained earnings including profit for the year	22,067	28,456
Equity attributable to equity holders of the Parent	28,987	35,588
Minority interest	970	1,137
Total equity	29,957	36,725

The Board of Directors has proposed to the 2010 Annual General Meeting a dividend of SEK 1.00 per share. Over the last five years, approximately 61% of the earnings per share has been distributed as ordinary dividend.

No changes were made to the processes for managing capital during the year.

Neither the Parent Company nor any of its subsidiaries have to comply with externally imposed capital requirements.

Statutory reserve

The purpose of the statutory reserve has been to tie up part of the net profits that is not needed to cover an accumulated deficit. The statutory reserve amount includes amounts that before 1 January 2006 were included in the share premium reserve.

Distributable reserves**Retained earnings**

Retained earnings comprise the distributable reserves recognized in the preceding year less any dividend declared. The total of such profits brought forward and the profit for the year constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders.

employees are offered the defined-contribution solution that the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector have agreed on (ITP 1). Earlier hired employees remain in the old ITP Plan. The old-age pension obligation under the old plan is of the defined-benefit kind and Sandvik mainly provides for this pension under the so-called FPG/PRI system. However, the commitment for family pension, also classified as a defined-benefit plan, is insured with Alecta. Sufficient information to use defined-benefit accounting for this plan was not available but these pension benefits insured with Alecta are accounted for as if the plan were a defined-contribution plan. At the end of 2009, Alecta reports a plan surplus of 141% (112). Such surplus reflects the fair value of Alecta's plan assets as a percentage of plan commitments, measured in accordance with Alecta's actuarial assumptions which are different from those under IAS 19. Alecta's surplus may be distributed to the policyholders and/or to the insureds.

NOTE 23. PROVISIONS FOR PENSION AND OTHER NON-CURRENT POST-EMPLOYMENT BENEFITS (CONT.)

In addition, the Parent Company has made supplementary defined-benefit pension commitments to a limited number of Executive Group Management members.

At 31 December 2009, the defined-benefit obligation amounted to SEK 2,351 M (2,106). The fair value of the plan assets held by the Sandvik Pension Foundation in Sweden was SEK 1,894 M (1,665).

US

The employees of the Group's US subsidiaries have mainly been entitled to participate in the defined-benefit pension plans sponsored by their respective employer. As of 2007, these commitments have been renegotiated meaning that newly hired staff will henceforth be offered a defined-contribution solution. The defined-benefit plans were closed for new entrants.

In the US part of the Group, there are also commitments for post-retirement medical benefits. At 31 December 2009, the present value of remaining defined-benefit pension obligations was SEK 3,303 M (3,293). The fair value of plan assets was SEK 2,348 M (2,059).

UK

Sandvik guarantees a number of defined-benefit pension plans in the UK. These plans are funded through trusts, which provide pension benefits based on a participant's salary when reaching pension age and length of service. All defined-benefit plans were closed for new entrants in September 2006. Subsequent newly hired employees are being offered participation in a defined-contribution plan.

At 31 December 2009, the present value of remaining defined-benefit pension obligations was SEK 4,328 M (3,732) and the fair value of plan assets was SEK 3,404 M (3,234).

Finland

In Finland, Sandvik sponsors a funded defined-benefit pension plan. The benefits offered include an old-age pension and disability pension. In addition to the benefits guaranteed by the Finnish subsidiary, there is also a defined-contribution pension component.

At 31 December 2009, the present value of the defined-benefit pension obligations was SEK 2,241 M (2,101). The fair value of the plan assets held by the related Finnish pension foundation was SEK 2,715 M (2,455).

Germany

In Germany, Sandvik has defined-benefit pension plans. Until 2008, these plans were unfunded. During 2008, Sandvik formed a foundation, a so-called Contractual Trust Agreement (CTA), which covers the current employees within most of Sandvik's German companies. The pension commitments for retirees and paid-up policyholders are still unfunded. The present value of the defined benefit obligations at 31 December 2009 was SEK 1,777 M (1,709). The fair value of the plan assets amounts to SEK 856 M (778).

Other

The present value of defined-benefit pension obligations in other countries was SEK 1,966 M (1,882). The fair value of related plan assets was SEK 1,403 (1,230).

The total cost for the more significant defined-benefit pension plans is presented below:

Pension cost	2009	2008
Current service cost	-418	-414
Interest expense	-852	-734
Expected return on plan assets	717	734
Amortization of unrecognized gains and losses	-110	-10
Prior service costs	-6	-5
Employee contributions	58	55
Gains (losses) on settlements	18	15
Total defined-benefit pension cost	-593	-359

Total pension costs for defined-contribution and defined-benefit plans were as follows:

Defined-contribution and defined-benefit plans	2009	2008
Defined-contribution plans	-1,050	-1,065
Defined-benefit plans	-593	-359
Total pension cost	-1,643	-1,424

The cost for defined-contribution plans also includes plans recognized in accordance with local regulations and the cost for the defined-benefit commitments insured with Alecta described on the preceding page.

Actual return on plan assets during 2009 was SEK 1,500 M (-1,353).

Pension costs are included in profit and loss on the lines cost of sales, selling expenses, administrative expenses, research and development costs, and financial expense. Financial expense includes a portion, SEK 217 M (206), of the interest expense above that pertains to deficits in pension plans.

If the fair value of plan assets for a certain pension plan exceeds the present value of the obligation, an asset is recognized considering the restrictions described in the "Significant accounting policies" section above. The amounts recognized in the balance sheet are allocated between non-current financial receivables and provisions as follows:

Provision for pensions	2009	2008
Funded plans recognized as non-current receivables	1,534	1,542
Pension plans recognized as provisions for pensions	-2,657	-2,735
Provisions for pensions, net	-1,123	-1,193

Actuarial gains and losses for a specific plan are recognized over the expected average remaining working lives of the employees participating in the plan to the extent that the total gain or loss exceeds the greater of 10% of the present value of the obligations or 10% of the fair value of any plan assets.

A summary of the recognized net obligation for the most significant plans for defined-benefit pensions and medical benefits follows:

Net obligation	2009	2008
Wholly or partly funded plans		
Present value of defined-benefit obligations	-14,126	-12,940
Fair value of plan assets	12,620	11,421
Net liability, funded plans	-1,506	-1,519

Unfunded plans

Present value of defined-benefit obligations	-1,840	-1,883
Unrecognized past service costs	28	34
Unrecognized actuarial losses (+) and gains (-), net	2,359	2,353

Pension liability for plans recognized in accordance with IAS 19	-959	-1,015
Pension liability for plans recognized in accordance with local regulations	-164	-178
Provisions for pensions/medical benefits, net	-1,123	-1,193

The consolidation ratio, that is, the value of plan assets in relation to the present value of comparable obligations, amounted at year-end 2009 to 89% (88).

Composition of plan assets, %	2009	2008
Shares and equity based securities	39	26
Interest-bearing securities	49	56
Other	12	18
Total	100	100

The fair value of plan assets at 31 December 2009 (and 31 December 2008) includes loans to Sandvik entities totaling SEK 160 M (153) and the value of properties leased to Sandvik of SEK 241 M (255).

Movements in the recognized obligations for pensions and medical benefits, and in plan assets are set out in the following tables:

Movements in the obligations	2009	2008
Obligations for defined-benefit plans at beginning of year	-14,823	-14,089
Current service cost and interest expense	-1,270	-1,149
Pensions paid	694	554
Effects of business combinations and settlements	-72	-161
Actuarial gains (+)/losses (-)	-959	775
Exchange-rate differences	464	-753
Obligations for defined-benefit plans at end of year	-15,966	-14,823

NOTE 23. PROVISIONS FOR PENSION AND OTHER NON-CURRENT POST-EMPLOYMENT BENEFITS (CONT.)

Movements in plan assets	2009	2008
Fair value of plan assets at beginning of year	11,421	11,231
Expected return on plan assets	717	734
Actuarial gains(+)/losses(-)	783	-2,087
Pensions paid, net	-645	-503
Contributions from employers	652	1,380
Effects of business combinations and settlements	21	195
Exchange-rate differences	-329	471
Fair value of plan assets at end of year	12,620	11,421

Sandvik estimates that about SEK 500 M will be paid in 2010 to existing defined-benefit pension plans.

The movements in the net pension and medical-benefit liability are presented in the following table:

	2009	2008
Net liability at beginning of year	-1,193	-2,065
New plans, incl. those of newly acquired companies	-81	-7
Pension cost for the year for defined-benefit plans	-593	-359
Contributions from Group companies	652	1,380
Movement in the net liability due to exchange-rate differences	78	-135
Movement in net liability for defined-benefit plans recognized in accordance with IAS 19	56	879

Movement in pension plans recognized in accordance with local regulations	2009	2008
	14	-7
Provisions for pensions, net	-1,123	-1,193

Key actuarial assumptions (weighted average, %)	2009	2008
Discount rate	5.2	5.7
Expected return on plan assets	6.0	6.2
Expected rate of salary increases	3.3	3.5
Expected inflation	2.4	2.7
Change in medical cost trend	10.0	9.0

Unrecognized actuarial gains (-) and losses (+)	2009	2008	2007	2006
Unrecognized gains and losses at beginning of year	2,353	932	856	778
Changed assumptions relating to obligations	882	-746	-137	318
Experience adjustments arising on plan liabilities	73	-30	167	82
Experience adjustments arising on plan assets	-783	2,087	31	-232
Amortization of actuarial gains and losses	-110	-10	-5	-15
Translation difference	-56	120	20	-75
Unrecognized gains and losses at end of year	2,359	2,353	932	856

Parent Company

The Parent Company's recognized pension provision was SEK 128 M (128). The Parent Company's PRI pensions are secured through Sandvik's own pension foundation, the Sandvik Pension Foundation in Sweden. Sandvik AB and most of its Swedish subsidiaries, including Seco Tools, are members of the foundation. The total fair value of the assets held by the foundation was SEK 1,894 M (1,665), which exceeded the capital value of the pension obligations by SEK 67 M (72 lower).

The Parent Company's funded obligations mainly comprise ITP Plans, in which different lifetime assumptions were made during the year, while at the same time the consolidation reserve was reduced. In total, the changes had only a limited effect on the recognized liability.

The Swedish Financial Supervisory Authority's (Finansinspektionen) new calculation basis, FFFS 2007:31, which covers the Parent Company's unfunded obligations, became effective 1 January 2008 and means increased lifetime assumptions and reduced discount rates.

The trend in the capital value of the company's proprietary obligations.

2009	Funded obligations	Unfunded obligations	Total
Capital value at beginning of year	-1,348	-117	-1,465
Pension cost for the year excl. interest expense	-65	-5	-70
Interest expense	-68	-1	-69
Pensions paid	47	5	52
+/- effects of settlements and business combinations	2	—	2
Other changes	9	2	11
Capital value at end of year	-1,423	-116	-1,539
of which insured with FPG/PRI	-1,411	-48	-1,459

2008	Funded obligations	Unfunded obligations	Total
Capital value at beginning of year	-1,247	-95	-1,342
Pension cost for the year excl. interest expense	-63	-12	-75
Interest expense	-52	-1	-53
Pensions paid	32	5	37
+/- effects of settlements and business combinations	0	—	0
Other changes	-18	-14	-32
Capital value at end of year	-1,348	-117	-1,465
of which insured with FPG/PRI	-1,337	-46	-1,383

Movement in the assets of the pension foundation	2009	2008
Fair value of assets at beginning of year	1,297	1,475
Actual return on assets	176	-202
Net amount refunded to employers	1	24
Fair value of assets at end of year	1,474	1,297

Reconciliation of the recognized pension liability	2009	2008
Capital value at end of year	-1,539	-1,465
Fair value of the assets of the foundation at end of year	1,474	1,297
Surplus/deficit value of foundation assets	-63	40
Recognized net liability	-128	-128

The recognized pension cost for the year comprises the following items	2009	2008
Current service cost excl. interest expense	-70	-75
Interest expense	-69	-53
Return on separated assets	176	-202
Effects of settlements, etc.	—	—
Costs for pension under own management	37	-330

Defined-contribution plans	2009	2008
Pension premiums for the year	-462	-397
Subtotal	-425	-727

Special employer's contribution	2009	2008
Premium for credit insurance policy	-92	-91
Total pension cost for the year	-518	-816

Change in surplus value of separated assets	2009	2008
	-37	330
Net pension cost for the year	-555	-486

Composition of the foundation's assets, %	2009	2008
Shares and equity based securities	34	13
Interest-bearing securities	55	77
Other	11	10
Total	100	100

Key actuarial assumptions, %	2009	2008
Discount rate for ITP Plan	3.84	3.84

NOTE 24. OTHER PROVISIONS

Group	Provisions for warranties	Provisions for restructurings	Personnel-related provisions	Other provisions	Total
Balance at 1 January 2009	414	160	421	545	1,540
Provisions made during the year	205	400	187	524	1,316
Provisions used during the year	-197	-116	-347	-322	-982
Provisions reversed during the year	-42	-24	-33	-16	-115
Translation differences	-4	-4	20	6	18
Balance at 31 December 2009	376	416	248	737	1,777
of which current	179	318	81	417	995
of which non-current	197	98	167	320	782

Parent Company

Balance at 1 January 2009	25	0	125	38	188
Provisions made during the year	8	—	16	1	25
Provisions used during the year	-8	—	-68	-23	-99
Provisions reversed during the year	—	—	-27	—	-27
Balance at 31 December 2009	25	0	46	16	87

Provisions for warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

Provisions for restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Other provisions

Other provisions include provisions not classified into the above categories, such as provisions for onerous contracts, for lease commitments relating to abandoned premises, and for environmental issues.

Provisions classified as current are expected to result in an outflow of resources within twelve months from the balance-sheet date.

Provisions carried by newly acquired companies at acquisition date amounted to some SEK 118 M (12).

NOTE 25. NON-CURRENT INTEREST-BEARING LIABILITIES**Parent Company**

Non-current interest-bearing liabilities fall due as follows:

	2009			2008		
	Within one to five years	Later than five years	Total	Within one to five years	Later than five years	Total
Loans from financial institutions	1,431	463	1,894	1,190	463	1,653
Loans from Group companies	39	1	40	122	—	122
Other liabilities	12,222	4,923	17,145	8,168	2,423	10,591
Total	13,692	5,387	19,079	9,480	2,886	12,366

NOTE 26. OTHER INTEREST-BEARING LIABILITIES

Group	2009	2008
Non-current liabilities		
Bond issues	23,484	17,528
Other	573	360
Total	24,057	17,888
Current liabilities		
Bond issues	3,160	2,776
Other	983	449
Total	4,143	3,225

For information on contractual terms, scheduled repayments and the exposure to interest risk and foreign-currency risk, refer to the section "Financial risk management."

NOTE 27. OTHER NONINTEREST-BEARING LIABILITIES

Group	2009	2008
Other non-current liabilities		
Derivatives held for trading	1	38
Derivatives designated as hedging instruments	146	296
Other	25	64
Total	172	398
Other current liabilities		
Derivatives held for trading	7	20
Derivatives designated as hedging instruments	819	1,109
Bills payable	87	185
Gross amount due to construction contract customers	281	207
Other	2,234	1,791
Total	3,428	3,312

NOTE 28. ACCRUED EXPENSES AND DEFERRED INCOME

Parent Company	2009	2008
Personnel related	970	1,159
Expenses related to finance	621	386
Other	464	635
Total	2,055	2,180

NOTE 29. CONTINGENT LIABILITIES AND PLEDGED ASSETS

From time to time, Sandvik is party to more or less significant legal proceedings in the ordinary course of business. In that context, Sandvik is also party to legal and administrative proceedings related to its responsibility for products, environment, health and safety. None of these proceedings is of a material nature.

In the US, companies that sell welding electrodes, including Sandvik's US subsidiary, Sandvik Inc., are the object of claims in which it is asserted that the exposure to welding fumes caused neurological injury. All of these cases involve multiple defendants in addition to Sandvik Inc. To obtain a favorable result against Sandvik Inc., a plaintiff would have to prove that the neurological injury was caused by welding electrodes sold by Sandvik Inc. Sandvik Inc.'s market share for welding electrodes in the US is less than 1%, and many of the cases against Sandvik Inc. have been dismissed because the plaintiff could not show that they had used Sandvik Inc.'s welding electrodes. Furthermore, Sandvik believes that there is no reliable scientific evidence to support the claims. Despite such absence of evidence, and notwithstanding Sandvik's minimal market share, Sandvik anticipates it will have to continue to defend itself against this kind of claims in lawsuits. To date, the Group has not lost a lawsuit or reached settlements pertaining to these welding electrodes claims, and the only costs that have arisen are legal expenses. A significant portion of these expenses were covered by insurance policies.

	Group		Parent Company	
	2009	2008	2009	2008
Contingent liabilities				
Bills discounted	51	22	—	—
Other surety undertakings and contingent liabilities	2,868	1,838	17,778	17,316
Total	2,919	1,860	17,778	17,316
of which for subsidiaries			15,969	17,122

The Parent Company's surety undertakings and contingent liabilities amounted to SEK 17,778 M (17,316), of which SEK 11,898 M (13,941) related to the Parent Company's guarantees for Sandvik Treasury AB's financial borrowings. The remainder comprised mainly indemnity bonds for commitments of Group companies to their customers and vendors, and to financial institutions relating to local borrowings, guarantees on advances received and various types of performance bonds.

The Group's surety undertakings and contingent liabilities amounted to SEK 2,919 M (1,860) and comprised mainly guarantees to financial institutions for various types of performance bonds, chiefly relating to construction contracts entered into by Sandvik Mining and Construction.

Pledged assets

Pledged assets for own liabilities and provisions.

Group	2009	2008
Property mortgages	237	250
Chattel mortgages	168	166
Total	405	416

No assets of the Parent Company had been pledged at 2009 and 2008 year-ends.

NOTE 30. SUPPLEMENTARY INFORMATION – FINANCIAL RISK MANAGEMENT**Disclosure regarding financial instruments measured at fair value in the balance sheet.**

Under the new IFRS 7 disclosure requirements, the method applied to the valuation of financial instruments measured at fair value in the balance sheet is presented below. The valuation is divided into three levels:

Level 1: Fair value is determined according to prices listed on an active market for the same instrument.

Level 2: Fair value is determined based on either directly (as a price) or indirectly (derived from prices) observable market data that is not included in level 1.

Level 3: Fair value is determined based on input data that is not observable in the market.

All of Sandvik's financial instruments are included in Level 2.

Measurements of fair value

The following is a summary of the methods and assumptions primarily applied to determine the fair value of the financial instruments presented in the table below.

The fair value of listed securities is determined based on the listed average price of the asset on the balance sheet date with no supplement for transaction costs on the acquisition date.

The fair value of foreign exchange contracts is determined based on the listed price. The fair value of interest-rate swaps is based on discounting estimated future cash flows under the contractual terms and conditions and maturity dates and based on the market interest rate for similar instruments on the balance-sheet date. Where discounted cash flows are used, the future cash flows are calculated on the best assessments of company management. The discount rate applied is the market-based interest rate of similar instruments on the balance-sheet date.

All valuation techniques applied are accepted on the market and take into account all parameters that the market would consider in its pricing. These techniques are reviewed regularly so as to ensure their reliability. Applied assumptions are compared against actual outcomes to identify any needs for adjusting the measurement or forecasting tools.

For means of payment, receivables and liabilities with variable interest and current receivables and liabilities (for example, trade receivables and accounts payable), the fair value has been considered to correspond to the carrying amount.

The Group's financial instruments measured at fair value in the balance sheet on 31 December 2009

Financial instruments measured at fair value

Financial assets		
Derivatives	Foreign exchange contracts	399
	Foreign currency options	3
	Interest-rate swaps	149
	Commodity derivatives	101
Total		652

Financial liabilities

Derivatives	Foreign exchange contracts	897
	Foreign currency options	2
	Interest-rate swaps	24
	Commodity derivatives	49
Total		972

Financial assets and liabilities and financial derivatives are stated at fair value, except for current and non-current borrowings, which are measured at amortized cost. Calculation at fair value would increase the Group's non-current borrowings by SEK 2,227 M (2,475). When measuring interest-bearing liabilities, the company's Swedish and European bond loans have then been remeasured at listed market prices when available. Other non-current debt has been remeasured in accordance with the principles described above. Current loans, which include outstanding commercial papers with a fixed interest period of less than 12 months, have not been remeasured.

NOTE 30. SUPPLEMENTARY INFORMATION – FINANCIAL RISK MANAGEMENT (CONT.)

The table below shows the fair value of financial assets and liabilities compared with their carrying amounts. Fair value is the amount at which an asset or liability can be sold between well-informed partners who are independent in relation to each other and who have a vested interest in completing the transaction.

Fair value of financial assets and liabilities by valuation category

Balance-sheet items	Derivatives for hedge accounting ²⁾		Assets at fair value through profit and loss ¹⁾		Available-for-sale financial assets		Loans and receivables		Total carrying amount		Fair value	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Financial assets												
Financial investments	—	—	—	—	78	78	—	—	78	78	78	78
Shares in associates	—	—	—	—	385	485	—	—	385	485	385	485
Trade receivables	—	—	—	—	—	—	11,587	15,930	11,587	15,930	11,587	15,930
Other receivables ⁴⁾	—	—	—	—	—	—	1,166	1,258	1,166	1,258	1,166	1,258
Derivatives ⁵⁾	349	1,663	303	1,757	—	—	—	—	652	3,420	652	3,420
Cash and cash equivalents	—	—	—	—	—	—	7,506	4,998	7,506	4,998	7,506	4,998
Total financial assets	349	1,663	303	1,757	463	563	20,259	22,186	21,374	26,169	21,374	26,169
Financial liabilities												
Borrowings ⁶⁾	—	—	—	—	36,724	37,128	—	—	36,724	37,128	38,952	38,219
Derivatives ⁷⁾	189	790	783	727	—	—	—	—	972	1,517	972	1,517
Accounts payable	—	—	—	—	—	—	4,730	7,000	4,730	7,000	4,730	7,000
Due to associates	—	—	—	—	—	—	42	80	42	80	42	80
Other liabilities ⁸⁾	—	—	—	—	—	—	706	657	706	657	706	657
Total financial liabilities	189	790	783	727	36,724	37,128	5,478	7,737	43,174	46,382	45,402	47,473

1) Fair Value Option is not applied.

2) Of which SEK +30 M (-511) pertains to cash-flow hedges recognized in the hedging reserve in equity and SEK +130 M (+1,384) pertains to fair-value hedges recognized in profit or loss.

3) Of which SEK -475 M (+1,084) pertains to financial hedges; hedge accounting is not applied.

4) Comprises parts of the Group's non-current receivables, accrued income and other receivables recognized in the balance sheet.

5) Derivatives form part of the other receivables recognized in the balance sheet.

6) Recognized in the balance sheet as non-current and current liabilities to financial institutions and other liabilities.

7) Derivatives form part of the other liabilities recognized in the balance sheet.

8) Form part of the Group's non-current liabilities, accrued expenses and other liabilities recognized in the balance sheet.

Fair-value adjustments included in profit or loss for the year

In addition to fair value adjustment, interest and currency movement effects are included.

	2009	2008
Assets and liabilities at fair value (Derivatives)	-175	100
Loans and accounts receivables	134	645
Available-for-sale financial assets	10	3
Financial liabilities	-2,057	-2,253

The company's financial liabilities amounted to SEK 43,174 M (46,382) at year-end.

Group's maturity structure of financial liabilities and derivatives – undiscounted cash flows

Nominal amounts		2009				2008			
		<6 months	6–12 months	1–5 years	>5 years	<6 months	6–12 months	1–5 years	>5 years
Bank loans	SEK	-2,187	-1,262	-5,012	—	-4,167	-647	-2,104	-2,476
Commercial papers	SEK	-1,560	-250	—	—	-4,279	-3,690	—	—
MTN	SEK	-1,401	-2,003	-7,545	-5,058	-1,251	-1,902	-8,523	-2,498
EMTN	EUR	-426	—	-7,890	—	—	—	—	—
Private placement	USD	-148	-148	-1,480	-6,495	-148	-148	-1,480	-6,791
Derivatives									
– Currency derivatives		-472	-30	1	5	744	228	-173	—
– Interest-rate derivatives		3	18	-41	-209	33	81	677	460
– Commodity and electricity derivatives		-3	-4	53	4	-41	-42	-103	—
Accounts payable		-4,730	—	—	—	-7,000	—	—	—
Total		-10,924	-3,679	-21,914	-11,753	-16,109	-6,120	-11,706	-11,305

NOTE 30. SUPPLEMENTARY INFORMATION – FINANCIAL RISK MANAGEMENT (CONT.)**Periods when hedged cash flows are expected to occur and affect earnings**

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2012 and later
Currency derivatives	-5	-16	-16	1	4	3	4	11	3
Interest derivatives	0	0	0	0	0	0	0	0	10
Commodity and electricity derivatives	-5	-14	-12	0	8	0	-5	1	58
Total	-10	-30	-28	1	12	3	-1	12	71

NOTE 31. RELATED PARTIES**Related-party transactions**

The Group's sales to associated companies amounted to SEK 691 M (1,756). The Group's purchases from associated companies amounted to SEK 276 M (564). Advances have been made to associated companies in the amount of SEK 0 M (0). Interest income on loans to associated companies amounted to SEK 0 M (0). Guarantees have been made for the obligations of associated companies in the amount of SEK 0 M (0). All transactions are carried out on market terms.

Sales to Group companies from the Parent Company amounted to SEK 9,851 M (15,362), or 73% (75) of total sales. The share of exports was 66% (79). The Parent Company's purchases from Group companies amounted to SEK 2,417 M (2,306), or 22% (13) of total purchases. The Parent Company granted no loans to associated companies. Guarantees have been made for obligations of associated companies in the amount of SEK 0 M (0). All transactions are effected on an arm's length basis.

Transactions with key management personnel

Except as indicated in Note 3.5, Information on benefits to the Board of Directors and senior executives, and in the description of the Board of Directors on page 103, no transactions took place with persons closely associated with the company.

NOTE 32. SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	2009	2008
Cash and cash equivalents – Group		
Cash and cash equivalents comprise:		
Cash and bank	2,722	3,112
Short-term investments	4,784	1,886
Total in the balance sheet	7,506	4,998
Total in the cash-flow statement	7,506	4,998

Cash and cash equivalents – Parent Company

	2009	2008
Cash and cash equivalents comprise:		
Cash and bank	9	3
Total in the balance sheet	9	3
Total in the cash-flow statement	9	3

A short-term investment is classified as cash equivalent if:

- the risk of changes in value is insignificant
- it is readily convertible into cash
- it has a maturity of no more than three months from the date of acquisition.

	Group		Parent Company	
	2009	2008	2009	2008
Interest and dividend paid				
Dividend received	10	3	5,803	6,757
Interest received	302	383	685	545
Interest paid	-1,995	-2,169	-983	-1,403
Total	-1,683	-1,783	5,505	5,899

cont. NOTE 32. SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	Group		Parent Company	
	2009	2008	2009	2008
Adjustment for items do not require the use of cash				
Changes in value of financial instruments	—	—	-528	547
Unappropriated results of associated companies	34	-24	—	—
Gains and losses on disposal of property, plant and equipment	67	-60	-23	-1
Provisions for pensions	115	-299	0	20
Appropriations	—	—	-8	-7
Unrealized exchange-rate differences	—	—	-347	-678
Other	265	241	446	-118
Total	481	-142	-460	-237

	2009	2008
Acquisitions of subsidiaries and other business operations – Group		
Net assets acquired:		
Non-current assets	2,849	865
Inventories	690	138
Operating receivables	156	116
Cash and cash equivalents	88	10
Total assets	3,783	1,129
Provisions	-204	-38
Operating liabilities	-66	-109
Other liabilities	-237	-155
Total provisions and liabilities	-507	-302
Purchase consideration recognized as a liability	-1,152	-16
Purchase consideration paid	-2,124	-811
Acquisition of minority interests in subsidiaries		
Purchase consideration paid	—	-153
Less cash and cash equivalents acquired	88	10
Effect on cash and cash equivalents	-2,036	-954

NOT 32. SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT (CONT.)

	2009	2008
Divestments of subsidiaries and other business operations – Group		
Net assets divested:		
Non-current assets	–52	–20
Inventories	—	–46
Operating receivables	—	–31
Cash and cash equivalents	—	0
Total assets	–52	–97
Provisions	—	3
Operating liabilities	—	29
Other liabilities	—	—
Total provisions and liabilities	—	32
Purchase consideration received	55	111
Less cash and cash equivalents of divested operations	—	0
Effect on cash and cash equivalents	55	111

Realization of interest-rate swaps and foreign exchange contracts

The realization of interest-rate swaps and foreign exchange contracts during the year contributed SEK 1,843 M to cash flow. Interest-rate swaps pertained to interest-rate contracts signed in conjunction with raising loans in the form of US Private Placements in 2005 and 2007 to obtain variable interest rates.

NOTE 33. BUSINESS COMBINATIONS

The business combinations effected during 2008 and 2009 are set out below. Annual revenue and number of employees reflect the situation at the date of the respective acquisition.

Business area	Company	Acquisition date	Annual revenue	No. of employees
Sandvik Mining and Construction	JN Precise, Canada	28 January 2008	100	70
Sandvik Materials Technology	Medtronic Inc, USA (part of)	1 February 2008	140	110
Sandvik Mining and Construction	Corstor International, South Africa	29 February 2008	70	100
Sandvik Mining and Construction	Aubema, Germany	3 April 2008	160	80
Sandvik Mining and Construction	Sanslip, Sweden	7 April 2008	15	9
Sandvik Materials Technology	Eurocut Ltd, UK	2 May 2008	60	60
Sandvik Tooling	Teeness ASA, Norway	30 May 2008	200	105
Seco Tools	ALG, Russia	5 May 2008	100	170
Sandvik Tooling	BTA Heller Drilling Systems Ltd., UK	16 January 2009	33	12
Sandvik Materials Technology	FeCrAl product line, Germany	31 January 2009	46	0
Sandvik Tooling	Wolfram Bergbau und Hütten, Austria	28 May 2009	1,800	274

In all of the business combinations during 2009, Sandvik acquired 100% of the shares. No equity instruments were issued in connection with the acquisitions.

BTA Heller Drilling Systems Ltd. specializes in advanced tooling solutions for deep-hole drilling in complex materials. The company is located in Cirencester, UK.

In January 2009, Sandvik Mining Technology acquired the FeCrAl product line in the wire manufacturing area.

Wolfram Bergbau und Hütten has plants in St. Martin and Mittersill in Austria and develops and produces tungsten metal and carbide powder.

Goodwill has been recognized as a result of synergy effects, for example in the form of improved production processes, integration of production capacity, joint research and development activities and synergies in the distribution chain arising from added products.

NOTE 33. BUSINESS COMBINATIONS (CONT.)

Pre-acquisition carrying amounts determined under IFRS and fair value adjustments of assets and liabilities of the acquired companies are presented by business area in the following tables:

	2009			2008
	Pre-acquisition carrying amounts	Fair value adjustments	Recognized value on acquisition	Recognized value on acquisition
Sandvik Tooling				
Intangible assets	18	493	511	28
Property, plant and equipment	486	138	624	129
Financial investments	43	—	43	8
Inventories	637	50	687	27
Current receivables	156	—	156	14
Cash and cash equivalents	88	—	88	2
Interest-bearing liabilities	-78	—	-78	-113
Noninterest-bearing liabilities	-272	-171	-443	-37
Net identifiable assets and liabilities	1,078	510	1,588	58
Goodwill			1,647	177
Purchase consideration			3,235	235
Cash and cash equivalents of acquired businesses			-88	-2
Part of consideration entered as a liability			-1,152	
Net cash outflow			1,995	233

	2009			2008
	Pre-acquisition carrying amounts	Fair value adjustments	Recognized value on acquisition	Recognized value on acquisition
Sandvik Mining and Construction				
Intangible assets	—	—	—	51
Property, plant and equipment	—	—	—	34
Inventories	—	—	—	59
Current receivables	—	—	—	65
Cash and cash equivalents	—	—	—	7
Interest-bearing liabilities	—	—	—	-41
Noninterest-bearing liabilities	—	—	—	-96
Net identifiable assets and liabilities	—	—	—	79
Goodwill			—	222
Purchase consideration			—	301
Cash and cash equivalents of acquired businesses			—	-7
Part of consideration entered as a liability			—	-2
Net cash outflow			—	292

	2009			2008
	Pre-acquisition carrying amounts	Fair value adjustments	Recognized value on acquisition	Recognized value on acquisition
Sandvik Materials Technology				
Intangible assets	—	32	32	—
Property, plant and equipment	—	—	—	73
Inventories	5	—	5	39
Net identifiable assets and liabilities	5	32	37	112
Goodwill			—	16
Purchase consideration			37	128
Net cash outflow			37	128

	2009			2008
	Pre-acquisition carrying amounts	Fair value adjustments	Recognized value on acquisition	Recognized value on acquisition
Seco Tools				
Intangible assets	—	—	—	10
Property, plant and equipment	—	—	—	37
Inventories	—	—	—	10
Current receivables	—	—	—	32
Cash and cash equivalents	—	—	—	1
Interest-bearing liabilities	—	—	—	-21
Noninterest-bearing liabilities	—	—	—	-28
Net identifiable assets and liabilities	—	—	—	41
Goodwill			—	59
Purchase consideration			—	100
Cash and cash equivalents of acquired businesses			—	-1
Finalized purchase consideration			—	-14
Net cash outflow			—	85

During the year, purchase considerations recognized as a liability were amortized in the amount of SEK 4 M.

NOTE 33. BUSINESS COMBINATIONS (CONT.)**Total fair value of assets and liabilities of acquired businesses**

	2009			2008
	Pre-acquisition carrying amounts	Fair value adjustments	Recognized value on acquisition	Recognized value on acquisition
Intangible assets	18	525	543	89
Property, plant and equipment	486	138	624	273
Financial investments	43	—	43	8
Inventories	642	50	692	135
Current receivables	156	—	156	111
Cash and cash equivalents	88	—	88	10
Interest-bearing liabilities	-78	—	-78	-175
Noninterest-bearing liabilities	-272	-171	-443	-161
Net identifiable assets and liabilities	1,083	542	1,625	290
Goodwill			1,647	474
Purchase consideration			3,272	764
Cash and cash equivalents of acquired businesses			-88	-10
Part of consideration entered as a liability			-1,152	-16
Net cash outflow			2,032	738
of which directly attributable acquisition costs			11	12

No material adjustments have been made to the fair values of assets and liabilities of businesses acquired in 2008.

Contributions from companies acquired in 2009 by business area

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Seco Tools	Total
Contributions as from acquisition date					
Revenue	388	—	—	—	388
Profit/loss for the year	-56	—	—	—	-56

Contributions as though the acquisition date had been 1 January 2009

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Seco Tools	Total
Revenue	661	—	—	—	661
Profit/loss for the year	-47	—	—	—	-47

Contributions from companies acquired during 2008 by business area

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Seco Tools	Total
Contributions as from acquisition date					
Revenue	0	205	100	65	370
Profit/loss for the year	8	-2	-28	5	-17

Contributions as though the acquisition date had been 1 January 2008

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Seco Tools	Total
Revenue	0	269	119	102	490
Profit/loss for the year	14	1	-33	6	-12

Acquisition of minority interests

No minority interests were acquired in 2009.

On 15 March 2008, an additional 49% was acquired in Sandvik MGS S.A., on 23 July 2.1% in Sandvik MKTC-OAO and on 31 October 30% in Sandvik Shujun Ltd. As a result, the ownership in these companies rose to 100%. Accordingly, the Group recognizes a decline in minority interests of SEK 162 M.

NOT 34. PARENT COMPANY PARTICULARS

Sandvik Aktiebolag, corporate registration number 556000-3468, is a registered Swedish limited liability company domiciled in Sandviken.

The head office address is Sandvik AB, SE-811 81 Sandviken, Sweden.

Sandvik's shares are quoted on the Nasdaq OMX Exchange. Shares can also be traded in the US in the form of ADRs (American Depositary Receipts).

The 2009 consolidated financial statements comprise the Parent Company and all its subsidiaries, jointly the Group. The Group also includes the owned share of investments in associated companies.

NOT 35. INFORMATION ON SHARES, OWNERS AND RIGHTS

The following information is presented in accordance with the provisions of Chapter 6, Section 2.a. of the Swedish Annual Accounts Act.

The Parent Company has issued one series of shares and each share carries one vote. The total number of shares shall be not less than 1,000,000,000 and no more than 4,000,000,000.

At the end of 2009, 1,186,287,175 shares with a quotient value of SEK 1.20 per share had been issued. Shareholders have a preferential right to subscribe to newly issued shares issued for cash or with terms and conditions concerning rights of setoff. All shares are fully negotiable.

Shareholdings that directly and indirectly represent at least 10% of the voting rights are held by AB Industrivärden (11.4%).

Sandvik AB's Articles of Association govern such policies as the direction of the business, domicile and share capital (minimum and maximum capital). The Articles do not stipulate that the members of the Board of Directors shall be elected in any other way than at the Annual General Meeting. However, Board representatives of the employees are appointed by the trade unions under the Private Sector Employees (Board Representation) Act.

Companies in the Group entered into borrowing agreements that include conditions coming into effect should the control of the company change as a result of a public takeover bid.

There are no agreements between the companies in the Group and the Parent Company's directors or employees if those persons give notice of termination, or their services are improperly terminated, or the employment is terminated as a consequence of a public takeover bid.

Board statement on dividend proposal

Board statement in accordance with Chap. 18, Section 4 of the Swedish Companies Act.

The nature and extent of the company's operations are stated in the Articles of Association and issued annual reports.

Such nature and extent do not entail risks over and above those inherent, or reasonably to be expected, in the industry or otherwise inherent in business operations. The exceptional year experienced by the global economy in 2009 does not alter this assessment. For information on significant events, we refer to the Report of the Directors.

The company's financial position at 31 December 2009 is apparent from this annual report. The proposed dividend does not infringe on investments deemed to be required. In addition, the company's liquidity reserve at the end of the year in the form of unutilized credit facilities is about EUR 1,500 M, which means that the Company should reasonably be able to meet unexpected

events and temporary fluctuations in cash flows of reasonable proportions. The company's financial position supports the assessment that the company will be able to continue in business and meet its obligations in both the short and long term.

In view of the above and based on what the Board is otherwise aware, the proposed dividend in the Board's opinion is justified considering the requirements which the nature, extent and risks associated with the operations place on the size of the equity of the company, and also taking into consideration the company's need to strengthen its balance sheet, liquidity and financial position in general.

Directors Jan Kjellgren and Tomas Kärnström registered a reservation against the Board's motions in the minutes of the meeting, citing the extensive savings measures, short working weeks and salary relinquishments implemented in the company in Sweden and abroad in 2009.

Sandviken, 17 February 2010
Sandvik Aktiebolag; (publ)
BOARD OF DIRECTORS

Proposed appropriation of profits

The Board of Directors and the President propose that:

the profits brought forward from the preceding year	7,820,902,241
and the profit for the year	3,751,267,492
SEK	11,572,169,733

be appropriated as follows:

a dividend of SEK 1.00 per share	1,186,287,175
profit carried forward	10,385,882,558
SEK	11,572,169,733

The income statements and the balance sheets of the Group and of the Parent Company are subject to the adoption by the Annual General Meeting on 4 May 2010.

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated 19 July 2002, pertaining to the application of international financial reporting standards, and that such financial reports give a true and fair view of the results of operations and financial position of the Parent Company and of the Group, respectively, and that the Report of the Directors pertaining to the Parent Company and the Group gives a fair view of the development of the company's and the Group's activities, financial position and results of operations, and further presents the significant risks and uncertainties facing the company and the entities that are members of the Group.

Sandviken, 17 February 2010

Clas Åke Hedström
Chairman

Georg Ehrnrooth
Director

Jan Kjellgren
Director

Tomas Kärnström
Director

Fredrik Lundberg
Director

Hanne de Mora
Director

Egil Myklebust
Director

Anders Nyrén
Director
Vice Chairman

Simon Thompson
Director

Lars Pettersson
President

Our audit report was submitted on 18 February 2010

KPMG AB

Caj Nackstad
Authorized Public Accountant

Audit Report

To the Annual General Meeting of the Shareholders of Sandvik AB; (publ)
Corporate Registration Number 556000-3468

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Sandvik AB; (publ) for the year 2009. The company's annual report is included in the printed version of this document on pages 12–86. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we

examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of Shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Sandviken, 18 February 2010

KPMG AB

Caj Nackstad
Authorized Public Accountant

Sustainability Report

Sustainability is an important feature of the company's business activities. Sandvik has been conducting extensive sustainability efforts for many years and reports the results of its work in this Sustainability Report. The concept of sustainable development encompasses responsibility, risk management and improvement initiatives in the areas of environment, health and safety, business ethics and human rights. A Code of Conduct and environmental, health and safety management systems form the foundation of the Group's sustainability activities. This work is carried out on a decentralized basis within the business areas and is based on policies, objectives, targets, strategies and performance indicators established at Group level.

Significant events during the year:

- The number of Lost Time Injuries was reduced 41% and the Lost Time Injury Frequency Rate was reduced 39% compared with 2008.
- No work-related fatalities occurred.
- The number of major production, service, machinery rebuilding and distribution units certified in accordance with ISO 14001 is 158 (95%), with 155 (93%) certified in accordance with OHSAS 18001.
- A new supplier Code of Conduct was adopted.
- Organizations established in India and China for auditing and training of suppliers. The principal focus has been on auditing suppliers in relation to Sandvik's new Code of Conduct for suppliers.
- For the second consecutive year, Sandvik was included in both of the Dow Jones' sustainability indexes: the Dow Jones World Sustainability Index and the Dow Jones STOXX Sustainability Index.
- The strong downturn in business volumes had a negative impact on environmental performance indicators, environmental investments and certifications, while energy-saving programs continued on schedule.
- Increase noted in the number of non-compliances with Sandvik's Code of Conduct.

Sustainability Report

This is the fourth year that Sandvik has published a Sustainability Report. This report describes the Group's objectives/targets, strategies, controls, responsibilities, risks and opportunities from a sustainability perspective and also presents the Group's results from a financial, environmental and social perspective. The Sustainability Report has been independently reviewed in accordance with FAR SRS' standard "RevR 6 Assurance of Sustainability Reporting" and AccountAbility's "AA1000AS (2008)." AA1000AS

(2008) is an internationally accepted standard that provides the requirements for conducting sustainability assurance. It requires that the auditor provide assurance on the nature and extent of adherence to AccountAbility's three principles. Information regarding AccountAbility is available on the organizations website (www.accountability21.net).

The sustainability report comprises information sourced from the following locations:

- The Report of the Directors (Human Resources and Sandvik's responsibility) covering requirements pertaining to non-financial performance indicators and environmental information in line with the Swedish Annual Accounts Act.
- The report in this section that summarizes objectives/targets, strategies, controls, responsibilities, risks, opportunities and results from a sustainability perspective.
- *The Sandvik World* publication that presents a number of examples concerning projects that have been completed to achieve the Group's environmental and social targets.
- Sandvik's website (www.sandvik.com), which contains further information relating to the sustainability work being conducted in each of the business areas.
- Sandvik's website also includes complete references to Global Reporting Initiative's (GRI) G3 guidelines, which were applied when preparing this Sustainability Report.

Content, scope and limitations of the report

This Sustainability Report refers to the 2009 fiscal year. Unless otherwise stated, the same accounting policies are applied in the Sustainability Report as in the rest of the Annual Report, and the report covers the entire operations of the Group, but excludes

Seco Tools, associated companies and joint ventures. Specific methods of measurement and assumptions are presented in connection with the respective indicators in the report. Data from units acquired during the year is included only in the indicators for 2009.

Application of laws and recommendations

This Sustainability Report is based on the Swedish Annual Accounts Act, the Swedish Society of Financial Analysts' recommendations relating to Corporate Responsibility and the third generation of guidelines (G3) issued by the internationally recognized organization Global Reporting Initiative (GRI). Further information regarding GRI is available on the organization's website (www.globalreporting.org). The report corresponds with the GRI level B+, which means that at least 20 indicators are presented and that the report has been subjected to external verification.

Sandvik has adopted AccountAbility's AA1000APS (2008) principles for accountability. AccountAbility requires that Sandvik clearly acknowledges, assumes responsibility for and endeavors to be transparent with respect to the sustainability-related effects caused by its operations. This also involves working internally to involve stakeholders in identifying and understanding sustainability issues and assuming responsibility for, reporting on and explaining decisions, actions and results.

Strategy and control of sustainability programs

Sandvik's strategy for sustainability programs entails proceeding from the company's Code of Conduct when analyzing risks and opportunities, setting objectives and targets as part of efforts to minimize risks, and utilizing the possibilities available in an efficient and effective manner. Sandvik endeavors to engage in an open dialog with all of its key stakeholders regarding how

this work is conducted, how decisions are made and what results are achieved. This is a key condition in being able to focus on the correct aspects of the sustainability work.

Sandvik's control model requires that Group Executive Management sets the company's Code of Conduct and objectives, and that each business area assumes responsibility for ensuring compliance with the Code and that the objectives are broken down in the organization. In addition, each business area is responsible for the assessment of sustainability risks (environment, health and safety, corruption, human rights issues, etc.) in its operations, and there are specific organizations appointed in each business area to coordinate issues and support the local management teams. At Group level, various councils exist (for example, for purchasing, environment, health and safety) to coordinate the work among the business areas and to draft joint policies, objectives, targets and indicators for Group Executive Management. To ensure that management systems, internal controls and the risk management function adequately and in compliance with the Code of Conduct, an independent unit (Group Assurance) continually monitors the Group's operations and reports to the Board's Audit Committee and Group Executive Management on a quarterly basis. A report on performance indicators and key figures is presented to the Board, Group Executive Management and the entire organization on a quarterly basis. Training is another key factor in Sandvik's sustainability strategy. A program is in progress to train all company employees with respect to the implications of environmental and social responsibility and business ethics. The program is followed up on a quarterly basis. By the end of 2009, 84% (81) of employees had completed the training.

Stakeholders

The Group's operations affect and are affected by a number of stakeholders. Sandvik assumes its responsibility in relation to these stakeholders by openly disclosing information and inviting dialog concerning its sustainability activities. An important part of the company's provision of information is the Group's Sustainability Report. Sandvik expects that all stakeholders who have an opinion regarding the direction of this work or the results generated will con-

tact the company to engage in dialog. Dialog with stakeholders is in part conducted at Group level but also, to a large degree, at local level in the companies throughout the world. The value of local stakeholder dialog is discussed as part of Sandvik's internal training relating to environmental and social responsibility.

Sandvik has identified three stakeholder groups of particular significance for the Group: shareholders, employees and customers. These are of critical importance for operations and there is regular contact with these groups at various levels in the Group. Dialog with shareholders is primarily conducted via the Board of Directors and at the Annual General Meeting, but also through a well-developed Investor Relations function.

Sandvik's employees are represented on the Parent Company's Board of Directors. Dialog is also conducted directly with employees at a local level, for example, in connection with annual formal review discussions. A cooperation project is underway in Europe between the trade unions at Sandvik (European Works Council), where the company's sustainability work is discussed.

Dialogs with the trade union organizations have revealed that employees feel that the environment, health and safety, absenteeism and discrimination are key issues, as is general training in responsibility and business ethics. Competence development and assessment of performance are other key areas.

Customer contacts are handled locally through Sandvik's worldwide sales organization. Increasing demands imposed by Sandvik's customers on sustainability programs are becoming ever-more evident as a result of customers' growing focus on sustainability issues, thus intensifying the focus on supplier audits. Many of these demands relate to workplace safety and the environment. For example, customers more often insist that Sandvik should have systems for compiling data on carbon dioxide emissions to enable them to calculate the total carbon dioxide emissions in the entire value chain. In addition, requests have been presented that Sandvik be able to report the carbon dioxide emissions generated in product manufacturing. Questions related to the new European Community Regulation on chemicals and their safe use

(REACH) are also common and many customers, notably those of Sandvik Mining and Construction, are imposing higher demands for machine safety. Customers also want to be assured that Sandvik complies with all international conventions on human rights.

During the year, stakeholder-related dialogs took place with a number of Social Responsible Investment (SRI) analysts and other stakeholder-related dialogs were conducted with the assistance of external parties. Among other aspects, these dialogs revealed that Sandvik's works with relevant sustainability aspects in a responsible manner. In addition, it emerged that Sandvik is expected to assess future environmental and social risks connected to, for example, changes in legislation regulating carbon dioxide emissions and risks associated with customers. Stakeholders also expect Sandvik to develop risk management in the supplier stage, particularly with respect to human rights issues.

Key sustainability issues

The basis for the sustainability work is to identify the key sustainability issues. The Group's strategy is to identify these issues through a systematic risk assessment process (see page 90). The most significant issues are communicated to stakeholders mainly through the Sustainability Report and Sandvik will willingly engage in a dialog concerning the issues, but ultimately the key sustainability issues are decided upon by the Group's management in consultation with the Board.

Responsibility

Sandvik has a responsibility to respect the laws and regulations that exist in countries where the company has operations and to respect international norms and declarations regarding human rights and labor legislation adopted by the UN and the ILO. Moreover, it is Sandvik's responsibility to apply the following four environmental principles:

- Environmental responsibility in excess of what is prescribed by law and regulations through actively working to improve the environmental performance in its own operations and the operations of others, in areas where Sandvik has the opportunity to exert an influence.

- Precautionary approach, which means that precautionary measures are taken as soon as there is reason to believe that an action can harm the environment or human health.
- Environmental risk management, which entails the introduction of a program derived from a risk-based and sustainable perspective to avoid, examine and reduce the environmental impact from activities, products and services.
- Polluter Pays Principle, meaning that the entity that causes the damage to the environment shall pay the social economic cost that arises.

Furthermore, Sandvik is responsible for working to combat corruption in all its forms. Sandvik has undertaken to adhere to the OECD's Guidelines for Multinational Enterprises.

Sandvik's responsibilities are summarized in the Group's Code of Conduct, which was adopted by the Board in 2004. The Code deals with responsibility in such areas as business ethics, suppliers, employee working conditions and development, human rights, environment and community involvement. The Code has been translated into 14 languages and is available on Sandvik's website (www.sandvik.com). The Code also includes a distinct process for managing the reporting of divergences from the stated responsibilities. Employees are encouraged to report behavior that departs from the Code to their immediate supervisor in the respective unit or, if there is a feeling that such action will not have any effect, to a more senior manager, the company's human resources department or the company's General Counsel. There is a special Group forum that is responsible for dealing with all such notifications. Whistleblowers are guaranteed that there will be no reprisals for such notifications or for participation in the company's investigation of a complaint.

Business ethics

Sandvik's Code of Conduct includes clear guidelines on accuracy of records, the avoidance of bribes and compliance with antitrust and competition legislation in the countries in which the company is active.

Suppliers

Sandvik has a clear position regarding suppliers, including contractors, agents, distributors and their sub-suppliers. These groups must meet the same requirements as those imposed on Sandvik's employees, and operate in line with the Code of Conduct. In 2009, a separate Code of Conduct for suppliers was adopted (see page 91).

Environment, health and safety

Sandvik's vision as regards the environment, health and safety is to be recognized by its stakeholders as a company with excellent environment, health and safety performance. To achieve this, Sandvik must ensure that:

At its sites, Sandvik minimizes:

- Any potential environmental impacts, such as from the use of energy and input materials, in the most efficient way,
- Any risks to health, safety and well-being of employees.

Products, services and technical solutions:

- Provide long service life and better resource utilization,
- Have minimal environmental impact when used by a customer,
- Are fully recyclable.

Policy

In 2008, Group Executive Management established a new environment, health and safety policy for all Group units.

Environment, health and safety policy:

- Environment, health and safety issues are integral parts of Sandvik's total operations and the company achieves continual improvement in these areas through management by objectives. Sandvik believes that the greatest effect is achieved through preventive actions.
- The company follows an approach that results in long-term sustainable development in its operations. Consequently, Sandvik strives for high efficiency in the use of energy and natural resources, promotes systems for recycling and recovery of materials and works to prevent pollution and any work-related illness and injury.

- Sandvik strives to provide a healthy and safe work environment that stimulates employees to perform effectively to assume responsibility and to continue to develop towards their personal and professional goals.
- Sandvik complies with or exceeds applicable environmental, health and safety, legal and other requirements. The company believes that common and effective environment, health and safety requirements and standards should be established at an international level.

Human rights and employee conditions

Sandvik has clear policies on human rights and labor rights, which are based on the United Nations Universal Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.

Sandvik is responsible for ensuring compliance with these policies in the company's operations as well as throughout the supply chain, in areas where Sandvik has the potential to exert influence and control.

Risks and opportunities

Sandvik's financial risks are described on pages 28–33. In addition to these, there are risks associated with Sandvik being active in many parts of the world where the risk of environmental pollution, violation of human rights and corruption is present. Moreover, Sandvik has a large number of production units in which environmental, health and safety risks arise. Sandvik has an established risk management process to assess these types of risks, as well as financial risks. The risk assessment not only encompasses the Group's operations, but also risks related to the geographical areas in which Sandvik is active and supplier-related risks. The risk management process is described in the section starting on page 25 in Sandvik's Annual Report.

Business ethics

Sandvik's risks relating to business ethics are regarded as significant, especially the risk of bribes in connection with marketing and sales, and risks related to purchasing in countries in which corruption is widespread. The use of agents and distributors represents

a particularly large risk, since monitoring of these is more difficult than the monitoring of Sandvik's own operations. The development of corruption in various countries in which Sandvik is active is continually monitored via, for example, Transparency International's website (www.transparency.org). The risk of breaches of local antitrust and competition legislation is also high. To minimize these business risks, continual training and internal audits are conducted. During the year, some 40 cases of suspected harassment, fraud and corruption were reported, representing an increase compared with the preceding year. All these cases have been investigated and corrective measures have been taken, including the dismissal of employees.

Suppliers

In 2009, Sandvik further intensified its focus on risks associated with the supply chain by adopting a special Code of Conduct for suppliers, which is based on Sandvik's Code of Conduct. The Code, which is available in an original English version on Sandvik's website (www.sandvik.com), has also been translated into Mandarin, Hindi, Marathi, Gujarati, Telugu and Portuguese. The Code has been used in China and India to train about 20 suppliers. A fundamental method of assessing suppliers based on the new supplier Code of Conduct is being developed and is scheduled to be implemented in early 2010.

Sandvik has about 2,800 suppliers in China and India. Of these, 34 high-risk suppliers were audited during the year. In India, it was revealed that child labor was being used by two suppliers. In addition, several suppliers have unacceptable levels of safety and excessive working hours. Furthermore, several suppliers in India admitted that they had bribed civil servants to avoid being

audited or interaction with government agencies. These suppliers have been placed under special surveillance.

Environment

At year-end 2009, Sandvik had 139 manufacturing units and 28 distribution or service/rebuilding workshops worldwide with varying environmental impacts. The distribution of manufacturing units in various parts of the world is detailed in the diagram below. Most service/rebuilding workshops are located in Australia.

Environmental management systems have already been introduced at the vast majority of these sites and are currently being developed at the remaining sites. Within the framework of these systems, the Group's environmental risks have been summarized as follows:

Overall environmental risks within Sandvik's own operations:

- Use/consumption of energy, input materials, fresh water and hazardous chemicals.
- Generation of emissions and waste from production.
- Old industrial sites and waste landfills.
- Environmental liabilities in conjunction with company acquisitions.

Risks associated with emissions primarily relate to the emission of carbon dioxide and acid gases to the atmosphere. These emissions are mainly caused by the company's use of fossil fuels and indirectly from purchases of electricity produced by combustion of fossil fuel. Meanwhile, this represents a long-term business opportunity for Sandvik in its search for new carbon-neutral energy sources, as well as in the short term in the extraction of more fossil fuels whose extraction presents greater difficulties.

The Report of the Directors (page 24) presents information on licensed operations in Sweden and environmental liabilities.

Health and safety

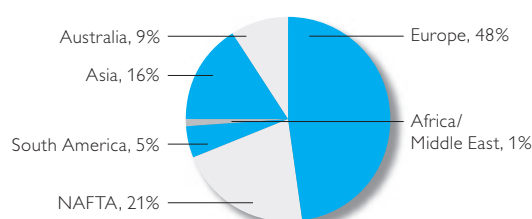
Sandvik's various production, service/rebuilding and distribution units represent potential risks of work-related illnesses and injuries. Health and safety management systems have already been introduced, or are in the process of being introduced, at most of these units. The management systems are designed to enhance the work environment and the working conditions of the company's employees. Sandvik's products may also constitute a risk when in use at customers' sites. This risk imposes major requirements on quality control in the company's own production and that of its suppliers, as well as the need for simple, clear operator manuals and product specifications.

Human rights and employee conditions

Any violation of Sandvik's policies in respect of human rights and employee conditions could have a major negative impact on Sandvik's credibility. Consequently, regular basic training is held covering the company's core values, policies and risks regarding human rights and labor legislation. In addition, regular internal audits are conducted at units deemed to be particularly exposed to these risks. The results of the audits are presented to local executives, country managers, Group Executive Management and the Board.

To raise the level of understanding in the organization regarding the risks relating to human rights and labor issues when Sandvik undertakes operations in high-risk countries, analyses have been conducted of a large number of countries in Asia, Africa and South America. These analyses are available on Sandvik's intranet for those active in these countries. Risks of this type

Geographic distribution of production units



arise not only in direct operations (such as production and purchasing) in such countries, but also indirectly (risk associated with customers).

No incidents involving human rights abuses were reported in 2009.

Objectives/targets for sustainability programs

Sandvik's sustainability objectives/targets were approved by Group Executive Management in 2008.

Environment

The Group's objectives are:

- More efficient use of energy and input materials.
- Reduced emissions to air and water.
- Increased recovery of materials and by-products.
- Reduced environmental impact from the use of hazardous chemicals.
- Increased number of products that support sustainability principles.

The Group's targets are:

- Reduce the use of energy in relation to sales volume by 10% before year-end 2012 (base year: 2008).
- Reduce consumption of fresh water in relation to sales volume by 10% before year-end 2012 (base year: 2008).
- Commence reporting of wastewater discharged from sites before year-end 2009.
- Replace all chlorinated solvents, such as dichloromethane, tetrachloroethene, tetrachloromethane, trichloroethane and

trichloroethene, with other solvents or techniques before year-end 2010.

- Reduce carbon dioxide emissions from internal use of fossil fuels and electricity by 10% in relation to sales volume before year-end 2012 (base year: 2008).
- Commence reporting of carbon dioxide emissions arising from transportation before year-end 2009.
- All major production, service and distribution units shall be certified in accordance with ISO 14001 within two years of acquisition or establishment.

Health and safety

The Group's objectives are to:

- Further reduce the frequency of occupational injuries, illnesses and incidents.
- Improve health and well-being among employees.

The Group's targets are:

- Reduce the Lost Time Injury Frequency Rate by 50% before year-end 2012 (base year: 2008).
- All sites will introduce a health and well-being program before year-end 2010.
- All major production, service and distribution units shall be certified in accordance with OHSAS 18001 (or an equivalent standard) within two years of acquisition or establishment.

Employee conditions and development

The Group's objectives are:

- Increase equality of opportunity at workplaces.

The Group's targets are:

- All sites will introduce a program to improve the gender balance before year-end 2010.
- All employees shall have formal annual performance review discussions.

Outcome of sustainability programs

The following section presents the outcome in relation to the Group's targets using the relevant performance indicators and key figures. Unless otherwise indicated, the values comprise the accumulated values for 2009 from all active reporting units (about 300). Acquisitions for the year had a slight impact on environmental and health and safety indicators, which is commented on separately for each indicator. Sandvik's adaptation of the rate of production to the prevailing market situation had a significant impact on most of the indicators.

Financial

Sandvik's financial progress is presented in the Report of the Directors and in the financial statements in the Annual Report. These include a presentation of the Group's financial goals and outcome in relation to these goals.

The table below shows how the value created through the Group's operations has been generated and the manner in which it was distributed among the various stakeholders.

Apart from allocations of carbon dioxide emission allowances (see page 24), Sandvik received no significant government grants during the year (see Note 13 in the Annual Report).

Economic value generated and distributed*

SEK M	Stakeholder	2009	2008	2007	2006
Sales	Customers	71,937	92,654	86,338	72,289
Economic value generated		71,937	92,654	86,338	72,289
Production costs	Suppliers	46,859	53,287	48,343	38,620
Employee wages and benefits	Personnel	22,441	23,129	20,562	18,825
Payments to providers of capital	Credit providers	2,060	2,217	1,397	955
Payments to providers of capital	Shareholders	3,926	5,111	4,207	3,533
Payments to governments	Public sector	885	2,876	4,167	3,151
Economic value distributed		76,171	86,620	78,676	65,084
Retained in company		-4,234	6,034	7,662	7,205

* The table includes Seco Tools.

Raw materials consumption	2009	2008	2007	2006
Consumption of metallic raw materials (thousand metric tons)	252	350	399	405
of which recovered (%)	78	79	78	78

Water consumption	2009	2008	2007	2006
Water consumption (thousands m ³)	7,100	6,600	6,800	6,800
of which purchased freshwater (thousands m ³)	3,200	3,600	3,500	3,300
of which groundwater (thousands m ³)	600	500	500	500
of which harvested surface water (thousands m ³)*	3,300	2,500	2,800	3,000

* Historical values have been adjusted.

Energy use	2009	2008	2007	2006
Use of energy (TJ)	7,500	8,900	8,800	8,100
of which fossil fuels (TJ) Direct energy*	2,900	3,400	3,400	3,000
of which electricity (TJ) Indirect energy**	4,600	5,500	5,400	5,100

* Historical values have been adjusted.

** Use of energy does not include the energy used by electricity producers to generate the electricity.

Environment

Use of raw materials

Material consumption varies across the business areas. At Sandvik Tooling and Sandvik Materials Technology, production is mainly based on metallic raw materials, while at Sandvik Mining and Construction, it is primarily based on purchased components. Sandvik's consumption of metallic raw materials is presented in the table on page 92.

Sandvik Materials Technology's sites in Sandviken and Hallstahammar are the major users of raw materials in the Group. The raw materials most important to Sandvik Materials Technology are iron, nickel, chromium, manganese and molybdenum, either in alloys or as part of scrap metal. Of these materials 78% (80) are derived from recycled scrap. The key raw materials for Sandvik Tooling are various tungsten compounds and cobalt, but more unusual elements such as tantalum are also used. Sandvik Mining and Construction uses iron and manganese raw material for the manufacture of castings. Approximately 89% (88) of these materials is derived from scrap. In total for the Group, about 78% (79) of metallic raw materials is derived from scrap.

Although the recovery level is already high today, Sandvik continuously endeavors to increase the proportion of recovered raw materials to secure a sustainable utilization of raw materials and to reduce its environmental impact. This is accomplished through buying back used products and the recycling of waste products from proprietary manufacturing plants.

Sandvik Tooling continues to increase recycling of materials from cemented-carbide products. Just over 60% of the tungsten used in the business area in 2009 was derived from recycling. This resulted in a reduced need for material purchases from mines. Sandvik Coromant's program for recycling of sold cemented carbide inserts represents an integral part of this sustainability work. Buy-backs of products from customers are gradually being introduced in other product areas, which means that the need for primary material is further reduced. During the year, Sandvik Mining and Construction continued to develop recycling of the tungsten material in drill tools.

Hazardous chemicals are used only to a limited and well-supervised extent and are handled in accordance with environmentally safe methods. The work on replacing chlorinated solvents with other less environmentally hazardous solvents is proceeding according to plan. The total annual consumption of chlorinated solvents in 2009 was about 2 cubic meters.

Consumption of water

Water is a valuable resource and its efficient use is therefore crucial. Sandvik's target is to reduce consumption of fresh water (purchased water) relative to sales volume by 10% from 2008 to 2012. During the year, Sandvik's freshwater consumption decreased by 11%, while consumption in relation to sales volume rose 25%. This figure includes structural effects of 1 percentage point from companies acquired during the year. The table on page 92 shows the trend in fresh-

water consumption in Sandvik since 2006. It also details the consumption of ground-water and harvested surface water. This activity is conducted at 26 production units. The increase in harvested surface water compared with earlier years is attributable to acquisitions. This increase also impacts total water consumption.

One country with very limited access to water, and where Sandvik's water consumption is significant, is India. All production sites in India have introduced systems for the treatment of all waste water, which is subsequently re-used in its operations.

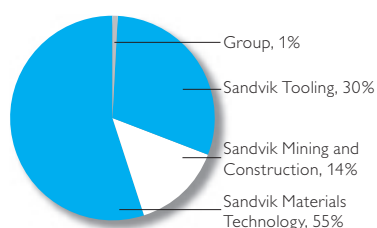
Use of energy

The table on the previous page and the diagrams below show the trend in the use of energy at Sandvik as well as the distribution of energy use by the business areas and various markets.

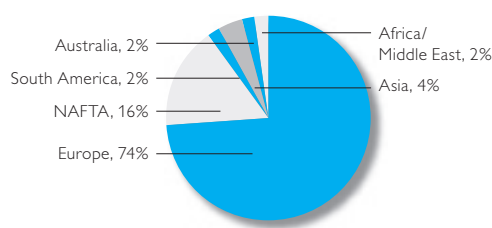
During the year, the use of energy in relation to sales volume displayed a negative trend. Sandvik's target for the period 2008 through 2012 is to reduce total energy use (electricity and fossil fuels) by 10% in relation to sales volume. However, during the year, the total use of energy in relation to sales volume increased 19%, which includes structural effects of 2 percentage points from acquired companies. The main reason for the sharp increase is that a significant portion of energy use is derived from the heating/cooling of properties that are not affected by volume downturns.

Despite the difficult economic situation with declining sales and production, energy-efficiency programs continued

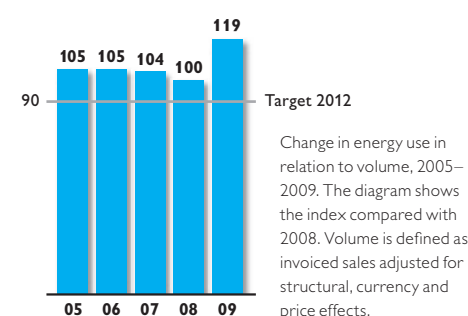
Energy use per business area



Energy use per market area



Energy use in relation to sales volume



according to plan. At Sandvik Materials Technology in Sandviken, which accounts for slightly more than 40% of the Group's energy use, energy-efficiency efforts were intensified, for example, by employing two people on a project basis to identify new efficiency opportunities.

Climate issues

Sandvik's impact on the climate primarily consists of emissions of carbon dioxide. The combustion of fossil fuels also generates emissions of the greenhouse gases N₂O and CH₄, corresponding to approximately 2,000 tons of carbon dioxide, although this figure represents less than 0.5% of total carbon dioxide emissions. The table on page 95 shows the trend of the Group's carbon dioxide emissions and the diagrams below show emissions in relation to sales volume and emissions per business area and market.

During the year, Sandvik's carbon dioxide emissions from the use of electricity and combustion of fossil fuels declined by 15%, but carbon dioxide emissions increased 19% in relation to sales volume, which is a negative trend if compared with the target to reduce relative emissions by 10% from 2008 through 2012. The increase was influenced by structural effects of 2 percentage points from companies acquired during the year.

As described above, the increase was mainly attributable to the fact that much of the Group's energy use is unaffected by volume changes.

In most cases when conducting calculations of carbon dioxide emissions related to the generation of electricity, factors used in the calculation of carbon dioxide emissions were obtained from the suppliers of the electricity used at the plants. Otherwise, factors from the International Energy Agency Data Services were applied.

During the year, Sandvik also commenced reporting of carbon dioxide emissions arising from passenger transports to be able to better monitor the Group's total impact on the environment and present a more comprehensive report in line with the Greenhouse Gas Protocol (www.ghgprotocol.org). The table on page 95 also presents the carbon dioxide emissions from passenger transports (air travel and rental cars). In 2010, reporting of carbon dioxide emissions from goods transports will commence.

Emissions and waste

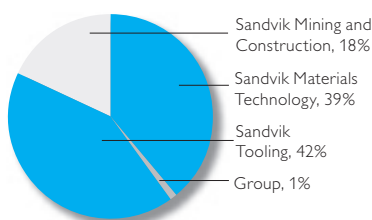
In addition to emissions of carbon dioxide to air, Sandvik has significant emissions of such acid gases as sulfur dioxide (SO₂) and various forms of nitrogen oxides (NO_x). Sulfur dioxide mainly originates from the combustion of oils and coke. Emissions of

NO_x are derived from the smelting processes in Sandviken and Hallstahammar, and from pickling plants for the cleaning of surfaces, and the combustion of fossil fuels. The table on page 95 details emissions of SO₂ and NO_x in addition to emissions of VOCs (Volatile Organic Compounds). SO₂ emissions are calculated from the volume of oil and coke burned, while VOC emissions are calculation from the combustion of all fossil fuels. Estimations of emissions of NO_x from pickling plants and melting processes are based on random monitoring. Emissions from the combustion of fossil fuels are calculated using factors from the Swedish Environmental Protection Agency

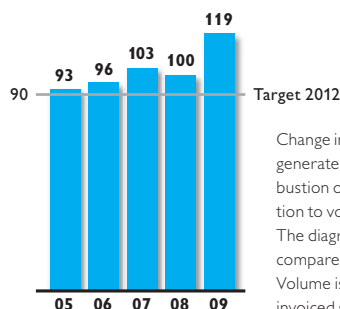
Emissions to water comprise another environmental effect in the Group, where the objective is to reduce emissions. Emissions mainly consist of fertilizers, such as phosphorous and nitrogen, in addition to metals from pickling plants. The table on page 95 shows emissions to water. To monitor total emissions to water, the volume of process water discharged following treatment is also measured. See the table on page 95.

The table on page 95 presents the waste volumes produced during 2009. The significant increase compared with earlier years is attributable to acquisitions. No major changes were noted for comparative units compared with earlier.

Carbon dioxide emissions per business area

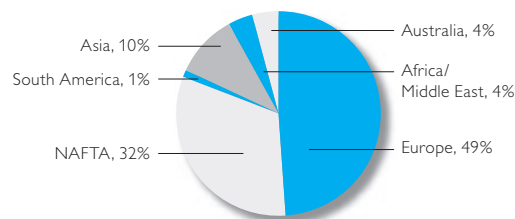


Carbon dioxide emissions in relation to sales volume



Change in carbon dioxide generated from the combustion of fossil fuels in relation to volume 2005–2009. The diagram shows index compared with 2008. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

Carbon dioxide emissions per market area



Environmental management system

Sandvik's target is that all major production, service and distribution units shall be certified in accordance with the international standard for environmental management systems, ISO 14001, within two years of their acquisition or establishment. The term "major" is defined as sites with 25 employees or more. At year-end 2009, 158 (95%) production, service/rebuilding and distribution units were certified. These units are physically located on Sandvik's sites. In addition, Sandvik operates about 20 maintenance workshops within customer operations (mainly mines). These workshops are either part of the customers' or Sandvik's environmental management systems. Of Sandvik's 139 major production sites, 95% are certified. All major units not certified are new acquisitions or new establishments during 2008–2009.

Biodiversity

Twelve of Sandvik's production units are located within or close to protected areas with high value in terms of biodiversity. Four of these sites are located in the US, five in Europe, two in Brazil and one in New Zealand. Eight of these areas comprise wetlands. Sandvik demonstrates particular consideration for these areas and cooperates with authorities in relevant cases.

Health and safety

The table on page 96 provides an overview of Sandvik's results as regards health and safety.

No work-related fatalities occurred during the year. The number of Lost Time Injuries and the Lost Time Injury Frequency Rate fell sharply during the year (41% and 39%, respectively) and have declined by 59% and 69%, respectively, since 2005. The number of Lost Days due to Lost Time Injuries declined 24% during the year. Sandvik's target is to reduce the Lost Time Injury Frequency Rate by 50% from 2008 through 2012. The diagrams on page 97 present the Lost Time Injury Frequency Rate by Sandvik's business areas and market areas. During 2009, all business areas have reduced the injury frequency rate.

The sharp decrease during the year can be attributed in part to the continued focus on improvement programs, but also to the significant fall in production. Many production units implemented shortened working hours, which was not taken into account in the calculation of the Lost Time Injury Frequency Rate.

Sandvik continues to encourage reporting of Near Misses and risks, since these provide an early indication of where the risks exist. Accordingly, risks can be managed at an early stage and accidents prevented.

From 2007, the number of reported Near Misses and risks has been introduced as a Group-wide indicator (see table on page 96). In 2009, the number of reported Near Misses and risks rose sharply. This does not indicate an actual increase in the number of Near Misses, but is rather proof of more effective reporting. The ratio between Near Misses and Lost Time Injury was 25 (9).

Carbon dioxide emissions*	2009	2008	2007	2006
Carbon dioxide emissions (thousand metric tons CO ₂)**	479	566	547	470
of which from combustion of fossil fuels (thousand metric tons CO ₂). Direct	195	224	226	202
of which use of electrical energy (thousand metric tons CO ₂). Indirect***	284	342	321	268

* Historical values have been adjusted.

** Excluding emissions from the transport of raw materials and finished products as well as travel.

*** Emissions are calculated using factors from electricity suppliers or the International Energy Agency Data Services, see text. Emissions also include emissions from electricity generation.

Carbon dioxide emissions from passenger transports*	2009	2008	2007	2006
Emissions from passenger transports via air travel	22	/	/	/
Emissions from passenger transports via hire car	6	/	/	/

* Emissions based on collected data from Sandvik employees corresponding to 72% of the Group's workforce.

Emissions of process water	2009	2008	2007	2006
Volume of process water discharged (thousands m ³)	1,400	/	/	/

Produced waste	2009	2008	2007	2006
Waste (thousand metric tons)*	280	166	171	150
of which, hazardous waste (thousand metric tons)	27	32	28	35
of which, to landfill (thousand metric tons)	231	109	105	95

* Excluding scrap metal that has been internally or externally recycled.

Emissions to water and air

Emissions to water	2009	Emissions to air	2009
Nitrogen to water (kg)	201,000	VOC to air (kg)*	65,000
Phosphorous to water (kg)	1,400	SO ₂ to air (kg)	45,000
COD to water (kg)	172,000	NO _x to air (kg)	379,000
Nickel to water (kg)	680		
Chromium to water (kg)	70		

* Only from combustion of fossil fuels.

In certain countries, community and working life is marked by the presence of serious transmittable diseases. For example, HIV/AIDS is an extremely serious problem particularly in southern Africa. Sandvik has extensive HIV/AIDS programs in South Africa, Zimbabwe, Tanzania, Zambia, and Malawi and to some extent in Ghana and the Democratic Republic of Congo. A summary of the HIV/AIDS programs in these countries is presented in the table below.

Sandvik has implemented programs to educate and counsel employees and their families and, in some cases, the community near to Sandvik's operations, about HIV/AIDS. Training in these matters is provided daily, usually in conjunction with the safety meetings that are held prior to work commencing. Counseling is provided by private organizations with whom Sandvik cooperates and the Group's own counselors. These meetings not only address HIV/AIDS matters, but also identify other factors that may affect an individual, such as stigma. Preventive work and risk controls are conducted in connection with training and counseling. The main focus is placed on changing the attitude to partners and the use of condoms. Measures and support are offered to all employees who test HIV positive. In addition to the opportunity to receive testing and free condoms, antiretroviral drugs are offered to people who are within the scope of the program.

Management system for health and safety

Sandvik's target is to certify all major production, service and distribution sites in accordance with the international specification for the occupational health and safety management system OHSAS 18001 (or an equivalent standard) within two years of the acquisition or establishment. The term major is defined as sites with 25 employees or more. At year-end 2009, 155 (93%) of production, service/rebuilding and distribution units were certified. These units are physically located on Sandvik's sites. In addition, Sandvik operates about 20 maintenance workshops within customers' operations (mainly mines). All of these units have also been certified. A total of 91% of Sandvik's 139 major production units are certified. All units that are not certified comprise new acquisitions or new establishments in 2008–2009.

Employee conditions and development

To ensure continuous improvement of employee performance, Group Executive Management has decided to monitor five indicators: diversity (the balance between the number of men and women), mobility (internally within the company), personnel turnover, competence development days and performance review discussions. Two of these indicators have been assigned a specific Group target – that all employees shall have an annual performance review discussion and improvement in the balance between men and women in the company.

Employment

The average number of employees by geographical area and gender is presented in Note 3 in the Annual Report. During the year, personnel turnover was 14% (10). Mobility within the company (the proportion of positions filled internally in relation to the total number of positions filled) was 36% (15).

Diversity and equal opportunity

About 77% of Sandvik's employees work outside Sweden. The employees at subsidiaries in more than 60 countries have a wide variety of nationalities and collectively speak a large number of languages. This diversity in the Group is considerable and is also a prerequisite for Sandvik to be able to secure the availability of the right expertise at the right time for the needs that exist within the company. This high level of diversity is secured by offering equal rights and equal opportunities to all, irrespective of age, race, color, national origin, religion, sex or disability. Sandvik has aimed to increase the proportion of female employees to ensure access to the most competent employees in a future, when there will be increased competition for skilled labor. At year-end 2009, the proportion of women was 17.2% (16.9) of the total number of employees, 9.2% (7.8) of the total number of Board members and Presidents, 13.5% (12.8) of the total number of managers/supervisors, 27.6 (27.7) of the total number of staff positions (excluding managers) and 10.2% (10.2) of the total number of worker positions.

Health and safety	2009	2008	2007	2006
Number of fatalities due to work-related injuries	0	2	1	2
Number of Lost Time Injuries*	425	717	827	980
Lost Time Injury Frequency Rate**	5.0	8.1	10.3	13.2
Number of reported Near Misses	10,556	6,346	3,179	—
Number of Near Misses per Lost Time Injury	25	9	4	—
Lost days due to Lost Time Injuries	8,523	11,286	12,603	14,897
Working Days Lost by employee due to Lost Time Injuries	0.20	0.25	0.31	0.40
Total absence (from scheduled work), %	2.3	2.3	2.6	2.7

* Work-related injury (own employees) resulting in minimum one day's absence from work.

** Lost Time Injury Frequency Rate is defined as the number of Lost Time Injuries per million work hours. Assumption: Employees are assumed to work 2,000 hours a year.

HIV/AIDS Assistance program

Recipients	Education	Counseling	Prevention/ Risk controls	Treatment
Employees	7	6	7	5
Families of employees	5	6	6	5
Other inhabitants	5	4	3	1

The number denotes the number of countries in which Sandvik offers programs for the respective categories.

Distribution of the average number of employees within various geographical regions and taking into account gender is presented in Note 3 to the financial statements in the Annual Report. Other relevant key figures regarding distribution by gender are shown in the diagrams on page 98.

Performance review discussions and competence development

During 2009, performance review discussions were conducted with 66% (56) of Sandvik's employees, which remains far below the established target of 100%. An important feature of the performance review discussion is to identify opportunities to enhance the skills and well-being of the employee and to increase satisfaction and well-being in the workplace. Advancing the employee's skills is equal to advancing Sandvik's business. The number of competence development days per employee and region during the year is presented in the diagram on page 98.

Social commitment

Sandvik's policy with respect to social commitment is that each Sandvik company shall strive to gain an understanding of the society in which it operates, make a constructive contribution to local matters and promote development of the region. To act in accordance with this policy, Sandvik encourages its employees to participate in community programs and initiatives that are beneficial for the inhabitants in regions where Sandvik has operations.

Sandvik does not pursue any Group-wide project in this area, but all activities are arranged locally by the various companies. Examples of the Group's commitment include:

- Collaborations with schools and universities for the purpose of offering degree projects and developing educational programs.
- Donations to schools, charity organizations, hospitals, Children's Villages, etc., sometimes in cooperation with Sandvik's customers or local NGOs.
- Sponsorship of sports clubs and local initiatives.
- Assistance to unemployed individuals to find a job or educational program.
- Donations of equipment in connection with severe natural disasters, such as earthquakes.
- Blood donations.
- HIV/AIDS program.

Awards and ratings

Sandvik's sustainability work is evaluated annually by a number of SRI analysts and rating agencies. In 2009, Sandvik has been included in the following indexes:

Dow Jones World Sustainability Index and Dow Jones STOXX Sustainability Index. The most prestigious indexes that track the financial performance of the leading sustainability-driven companies. To qualify for the DJSI World, it is necessary to be among the top 10% of companies ranked in terms of three factors: financial success, environmental performance and social responsibility. The selection is made from the 2,500 largest companies on the Dow Jones world index.

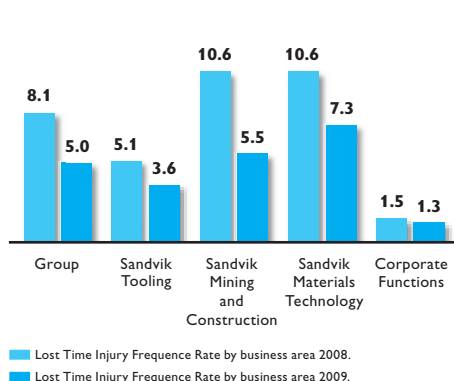
FTSE4Good. An internationally recognized market index that measures the results and performance of companies that comply with globally recognized corporate responsibility standards.

ECPI Ethical Index Euro. The index contains 150 European companies that are eligible investments according to ECPI SRI's screening methodology.

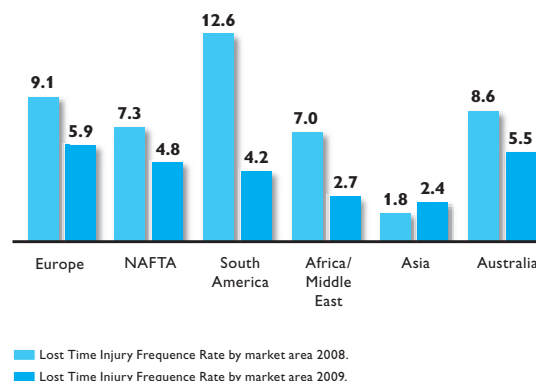
Ethibel Excellence Investment Register. Ethibel assesses companies throughout the world based on financial, social and environmental aspects.

Sandvik was also acknowledged by the Carbon Disclosure Project and was included in the Carbon Disclosure Leadership Index, an index comprising companies in the Nordic region that have prepared the best carbon-emission reports. This project is backed by 475 investors worldwide.

Lost Time Injury Frequency Rate by business area

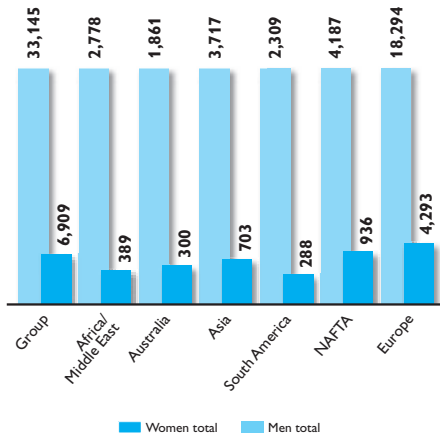


Lost Time Injury Frequency Rate by market area

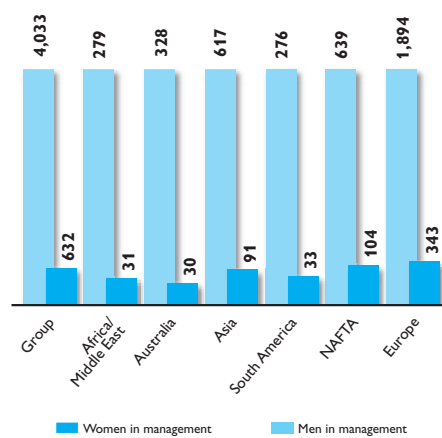


The diagrams below show the distribution between the number of women and men, broken down by geographic market and position.

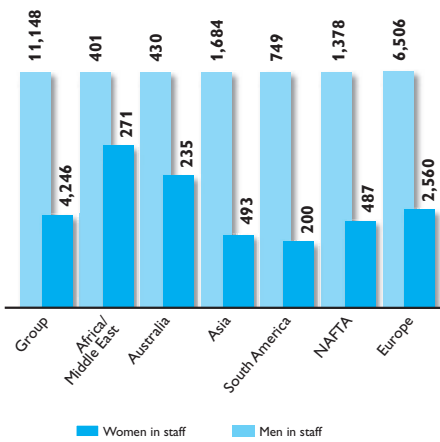
Proportion of women, all Group employees



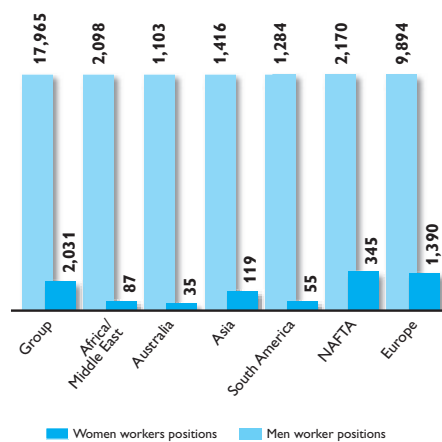
Proportion of women, managers/supervisors



Proportion of women, staff positions



Proportion of women, worker positions



Competence development, days per employee and market area



Review report on the Sustainability Report

To the readers of Sandvik's 2009 Sustainability Report:

We have been engaged by Sandvik's Executive Management to perform an assurance engagement related to Sandvik's 2009 Sustainability Report. The Sustainability Report is presented on page 24 and 88–99 of Sandvik's 2009 Annual Report and on Sandvik's website www.sandvik.com/sustainability under the headings GRI Index and AA1000APS. It is Sandvik's Executive Management that is responsible for the continuous activities regarding sustainable development from the perspective of financial, environmental and social responsibility and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) recommendation RevR 6 Assurance of sustainability reports and AccountAbility's AA1000AS, type 2. A review¹⁾ consists of making inquiries, primarily of persons responsible for sustainability matters and for preparing the sustainability report, 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 standards. The procedures performed in a review do not enable us to obtain an 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 give the same level of assurance as a conclusion based on an audit.

The criteria used in the course of performing review procedures are based on applicable parts of the Sustainability Reporting Guidelines, G3 issued by the Global Reporting Initiative (GRI) suitable for the sustainability report, and specific measurement and reporting principles, Fair Play Reporting, developed and stated by Sandvik. We consider those criteria to be suitable for our engagement.

FAR SRS requires us to act in accordance with FAR SRS's Code of Ethics for professional accountants. In accordance with AA1000AS (2008), we confirm that we are independent of Sandvik. Our review has been performed by a multidisciplinary team specialized in reviewing economic, environmental and social issues in sustainability reports, and with experience from the industry Sandvik operates within.

Our review has, based on an assessment of materiality and risk, among other things included the following procedures:

- Assessment of suitability and application of criteria in respect to internal and external stakeholders' need of information.
- Interviews with certain external stakeholders to secure that Sandvik responds to important stakeholders' concerns in the sustainability report.
- Interviews with responsible management, at group level, division level and business unit level as well as review of internal and external documents with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient.
- Review of underlying documentation, on a test basis, to assess whether the information and data in the sustainability report is based on that documentation.
- Pre-announced visits to eight of Sandvik's facilities located in Chile, France, Sweden, the UK, the US and Austria.

- Review of qualitative information and statements, as well as the report on compliance with legislation, permits and conditions related to sustainability.
- Assessment of Sandvik's stated application level according to the GRI guidelines.
- Reconciliation of financial information to Sandvik's 2009 Annual Report.
- Overall impression of the sustainability report, and its format, considering the information's mutual correctness with applicable criteria.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that Sandvik's 2009 Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria and that Sandvik has not adhered to the principles inclusivity, materiality and responsiveness to the extent reported on www.sandvik.com/sustainability under the heading AA1000APS.

Other information

The following is other information that has not affected our conclusion above. The principles inclusivity, materiality and responsiveness apply to the extent reported in the description on www.sandvik.com/sustainability under the heading AA1000APS which includes the following points that requires further attention:

- In relation to inclusivity focus will be to increase the local awareness of AA1000APS.
- In relation to materiality activities to follow-up the suppliers will be developed further.
- In relation to responsiveness, processes for feedback to local stakeholders will be developed.

Sandviken, February 18, 2010
KPMG AB

Caj Nackstad
Authorized Public Accountant

Åse Bäckström
Expert Member FAR SRS

1) A review provides a limited level of assurance which is deemed as being equal to a moderate level of assurance as defined by AA1000AS.

Corporate Governance Report

Sandvik AB has its registered office in Sandviken, Sweden, and is the Parent Company of the Sandvik Group with subsidiaries in about 60 countries. Its operations are global with sales in more than 130 countries, and the Sandvik Group has approximately 44,000 employees. Sandvik AB is a public company listed on Nasdaq OMX Stockholm (the “Stock Exchange”) and has some 109,000 shareholders.

Corporate governance within Sandvik is based on applicable legislation, the rules and regulations of the Stock Exchange, the Swedish Code of Corporate Governance (“The Code”), and internal guidelines and regulations.

The purpose of corporate governance is to clearly specify the division of roles and responsibilities among owners, the Board and executive management. Corporate governance comprises the Group’s control and management systems. Another important corporate governance ingredient is the link to Sandvik’s risk management, in accordance with the ERM model, and to the approved model for remuneration of senior executives.

This Corporate Governance Report is not part of the statutory Annual Report and it has not been examined by Sandvik’s external auditors.

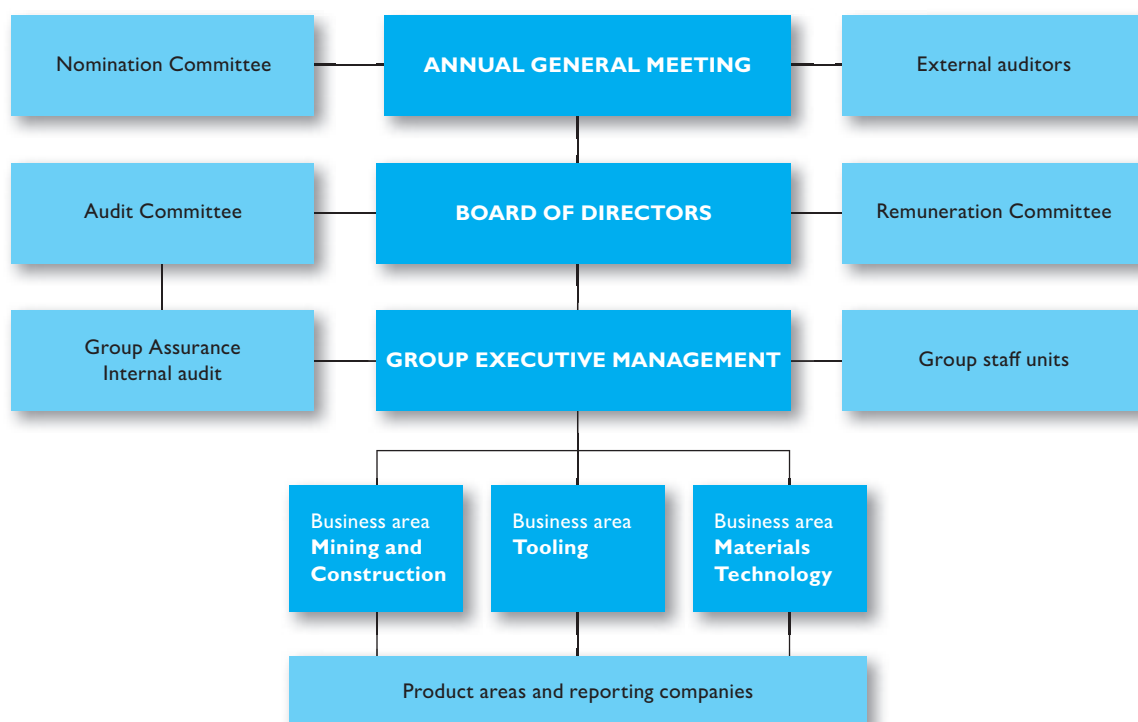
Ownership structure

Sandvik’s share capital amounts to SEK 1,423,544,610 represented by 1,186,287,175 shares. Each share carries one vote at meetings of shareholders. According to the owner register, Sandvik had about 109,000 shareholders at 31 December 2009. Industrivärden AB is the largest owner with about 11.4% of the share capital. Of the total share capital at year-end, approximately 33% was owned by foreign investors, according to SIX Ägarservice.

Shareholder meetings

Pursuant to the Swedish Companies Act, the meeting of shareholders is the highest decision-making forum, at which the shareholders exercise their voting rights. At the Annual General Meeting, resolutions are made relating to the Annual Report, dividends, election of Board members and appointment of auditors, remuneration of Board members and auditors, and other matters stipulated in the Companies Act and the Articles of Association. Additional information concerning the Annual General Meeting and complete minutes are published on the company’s website, www.sandvik.com.

Organizational model



As a component in the governance of Sandvik, Group-wide cooperation and task forces have been established comprising representatives from all business areas and the Group. Examples of such groups include the Finance Management Team, IT Management Team, R&D Council, Cross Communication Team, etc.

2009 Annual General Meeting

Shareholders representing 53.9% of the votes and share capital attended the Annual General Meeting held on 28 April 2009. Sven Unger, attorney-at-law, was elected to chair the meeting. The meeting resolved to declare a dividend of SEK 3.15 per share for the 2008 fiscal year. In his presentation, President and CEO Lars Pettersson commented on operations during the 2008 fiscal year and developments during the first quarter of 2009. He also gave an account of the Sandvik Group's development opportunities.

Georg Ehrnrooth, Clas Åke Hedström, Fredrik Lundberg, Hanne de Mora, Egil Myklebust, Anders Nyrén, Lars Pettersson and Simon Thompson were reelected as members of the Board. Clas Åke Hedström was elected Chairman of the Board. The trade union organizations had appointed Tomas Kärnström and Jan Kjellgren as permanent members of the Board, with Mette Ramberg and Bo Westin as deputies. Anders Nyrén is the Vice Chairman of the Board.

Nomination Committee

A Nomination Committee has been established in accordance with the resolution passed at the Annual General Meeting in 2008. The four largest shareholders known to the company each appointed one member and, together with the Chairman of the Board, they formed the Nomination Committee.

Nomination Committee for the 2009 AGM

The Nomination Committee for the 2009 Annual General Meeting, comprising Carl-Olof By, Chairman (Industrivärden), Håkan Sandberg (Handelsbanken's Pension Foundations), Staffan Greffbäck (Alecta Pension Insurance), Marianne Nilsson (Swedbank Robur Funds), and Clas Åke Hedström (Sandvik's Chairman), held seven meetings. Through Sandvik's Board Chairman, the Nomination Committee received information concerning the Board's own evaluation of Board members' performance and of the company's operations, stage of development and overall status. The Nomination Committee discussed the general criteria that Board members should fulfill, including independence issues. The issue of more even gender distribution was addressed by the Committee. In its assessment, the Nomination Committee determined that the Board functioned effectively and that the various Board members represent a broad spectrum of experience and knowledge, which is why the Nomination Committee has proposed the re-election of all Board members.

Nomination Committee for the 2010 AGM

For the Annual General Meeting to be held on 4 May 2010, the Nomination Committee consists of Carl-Olof By, Chairman (Industrivärden), Håkan Sandberg (Handelsbanken's Pension Foundations), Staffan Greffbäck (Alecta Pension

Nomination Committee's tasks

- proposals concerning the Chairman of the Meeting
- proposals concerning the number of Board members
- proposals concerning remuneration of Board members and auditors
- proposals concerning Board members and Chairman of the Board
- proposals concerning number of auditors and appointment of auditors
- proposals concerning the method of appointment of the Nomination Committee for the forthcoming AGM and its assignments.

Insurance), Marianne Nilsson (Swedbank Robur Funds), and Clas Åke Hedström (Sandvik's Chairman).

The Board of Directors

The Board of Directors is responsible for the company's organization and the management of the company's business. The Board shall continuously monitor the company's and the Group's financial position.

The Board shall ensure that the company's organization is designed in a way that ensures that the accounts, the management of assets and the company's financial condition in general are controlled in a satisfactory manner.

The ten largest shareholders at 31 December, %

	2009	2008	2007	2006	2005
AB Industrivärden	11.4	11.5	11.5	11.0	11.0
Swedbank Robur Funds	4.7	3.4	2.3	2.4	2.6
Handelsbanken's Pension Foundation	4.0	4.0	4.0	3.8	3.8
JP Morgan Chase Bank*	2.8	10.5	8.7	5.6	10.9
Alecta Pension Insurance	2.5	3.4	3.1	2.9	1.1
Omnibus Account W FD OM80	2.5	—	—	—	—
Handelsbanken Funds	1.9	1.4	2.1	2.0	2.2
AMF Pension Insurance	1.8	1.3	1.5	1.8	3.8
SEB Investment Management	1.7	1.9	1.5	1.7	1.6
First Swedish National Pension Fund	1.7	1.0	0.8	0.9	0.4

* Administrates shares held in trust. Capital Group's shareholding is registered in custodial accounts.

The principal tasks of the Board are to:

- establish the overall objectives for the company's operations and the strategy for reaching these objectives,
- ensure that the company's executive management functions efficiently and is suitably remunerated,
- ensure that the company's external financial reporting is conducted transparently and objectively and provides a fair view of the company's performance, profitability, financial position and risk exposure,
- ensure that there are effective systems for the monitoring and control of the company's operations and financial position in relation to the established goals,
- monitor and evaluate the company's development and advise and support the CEO in taking necessary measures,
- ensure that there is adequate control of compliance with laws and regulations governing the company's operations,
- ensure that necessary ethical guidelines are established for the company's conduct,
- decide on acquisitions, divestments and investments,
- propose the dividend to the AGM.

The CEO is responsible for the daily operations pursuant to guidelines and instructions issued by the Board. The distribution of responsibilities between the Board and the CEO is laid down in written terms of reference.

Procedural Guidelines

The Board's Procedural Guidelines and instruction for Work Delegation between the Board and the CEO, as well as financial reporting, are updated and approved

each year. The update is based on such aspects as the Board's evaluation of the individual and collective work that the Board performs.

In addition to financial reporting and the monitoring and follow-up of daily operations and profit trend, Board meetings address the goals and strategies for the operations, acquisitions and major investments, as well as matters relating to the financial structure. Senior executives report business plans and strategic issues

to the Board on an ongoing basis. The respective committees prepare remuneration and audit matters.

Evaluation of the work of the Board

To ensure that the Board of Directors meets with required standards, a systematic and structured process has been developed to evaluate the work that the Board and its members perform. The evaluation of the work of the Board and its need for experience and expertise covers each individual member. The Board discusses the evaluations in a plenary meeting. The Chairman of the Board presents the results of the evaluation at a meeting with the Nomination Committee.

Composition of the Board of Directors

Sandvik's Board of Directors, to the extent elected at the Annual General Meeting, has eight members. Pursuant to Swedish legislation, union organizations are entitled to representation on the Board and they have appointed two additional members and two deputies.

In accordance with the Nomination Committee's proposal, Georg Ehrnrooth, Clas Åke Hedström, Fredrik Lundberg, Hanne de Mora, Egil Myklebust, Anders Nyrén, Lars Pettersson and Simon Thompson were reelected at the Annual General Meeting in 2009.

Composition of the Board in 2009

Name	Function	Independent an acc. with the Code	Shareholding, number 31 Dec 2009	Elected	Audit Committee	Remuneration Committee
Georg Ehrnrooth	Member	Yes	55,000	1997		Member
Clas Åke Hedström	Chairman	Yes	225,000	1994		Chairman
Jan Kjellgren	Member*		570	2008		
Tomas Kärnström	Member*		2,865	2006		
Fredrik Lundberg	Member	No ¹⁾	5,200,000 ³⁾	2006	Member ⁴⁾	
Hanne de Mora	Member	Yes	0	2006	Member	
Egil Myklebust	Member	Yes	5,000	2003		Member
Anders Nyrén	Vice Chairman	No ¹⁾	4,500	2002	Chairman	
Lars Pettersson	Member	No ²⁾	113,654	2002		
Simon Thompson	Member	Yes	0	2008		
Bo Westin	Deputy*		101	1999		
Mette Ramberg Frodigh	Deputy*		900	2006		

* Employee representatives (Both members and deputy members partake in Board meetings). Jan Kjellgren (member) and Mette Ramberg (deputy) represent Unionen/Ledarna/ Swedish Association of Graduate Engineers. Tomas Kärnström (member) and Bo Westin (deputy) represent Metall.

1) Not independent in relation to major shareholders in the company.

2) Not independent in relation to the company and Group Executive Management.

3) Shareholding in Sandvik via L E Lundbergföretagen AB totals 14,000,000, and shareholding via AB Industrivärden totals 136,431,200.

4) Fredrik Lundberg was a member of the Audit Committee up to and including 28 April 2009.

Sandvik's General Counsel Bo Severin served as secretary of the Board, the Remuneration and Audit Committees as well as the Nomination Committee.

Independence

Anders Nyrén and Fredrik Lundberg are not independent in relation to major shareholders as defined in the Code. The remaining four members elected at the Annual General Meeting were all independent in relation to Sandvik and major shareholders. Accordingly, the composition of the Board complies with the requirements in the Code that a minimum of two of those members that are independent in relation to the company and its management shall also be independent in relation to major shareholders, and that the members that are independent in relation to the company and major shareholders have the required experience of serving public listed companies.

Board proceedings during 2009

During the year, the Board met on eight occasions. The Board dealt with strategic issues related to the operations of the business areas. The executive managements of all three business areas presented their goals and strategies. During the year, the Board visited the acquired company Wolfram Bergbau und Hütten in St. Martin, Austria, and Walter AG's new plant in Münsingen, Germany. In

addition, the Board addressed issues related to the downturn in the economy and its implications for the business. The Board also addressed matters related to personnel, such as succession planning and remuneration terms. Decisions were taken on investments, acquisitions and divestments.

Evaluation of the President

The Board continually evaluates the performance and competence of the President and CEO and Group Executive Management. When this issue is addressed – not less than once a year – no members of Group Executive Management attend.

Remuneration of the Board members

As resolved at the Annual General Meeting, the fee to each of the external members elected at the Annual General Meeting is SEK 450,000. The Chairman's fee is SEK 1,350,000 and the fee to the Vice Chairman is SEK 900,000. In addition, SEK 150,000 was paid to the Chairman and SEK 125,000 to each member of the Audit Committee, in total SEK 275,000. The Chairman of the Remuneration Committee was paid SEK 100,000 and each member SEK 75,000, or a total of SEK 250,000. For additional information on remuneration to the Board members, see pages 60–62.

Board Committees

The tasks of the Committees and their work procedures are stipulated in written instructions issued by the Board. The Committees shall draft issues and present them to the entire Board for resolution.

Remuneration Committee

According to the Board's work procedures, the Remuneration Committee shall prepare matters pertaining to the remuneration of the President and other senior executives based on the guidelines resolved at the Annual General Meeting. In 2009, the members of the Remuneration Committee were the Board's Chairman Clas Åke Hedström (also Chairman of the Remuneration Committee), Georg Ehrnrooth and Egil Myklebust.

The Remuneration Committee's recommendations to the Board cover:

- principles for remuneration
- the distribution between fixed and variable salary
- pension and severance pay
- other benefits to senior executive management.

Based on the proposal by the Remuneration Committee, the Board decides the remuneration of the President and CEO. The President decides the remuneration to be paid to the other senior executives

Attendance at Board and Committee meetings in 2009

Member	Board	Audit Committee	Remuneration Committee
Number of meetings	8	5	2
Georg Ehrnrooth	8		1
Clas Åke Hedström	8		2
Jan Kjellgren	8		
Tomas Kärnström	8		
Fredrik Lundberg	8	3	
Hanne de Mora	8	5	
Egil Myklebust	7		2
Anders Nyrén	8	5	
Lars Pettersson	8		
Simon Thompson	8		
Bo Westin	7		
Mette Ramberg Frodigh	3		

following consultation with the Remuneration Committee. For additional information, see pages 60–62. Key guidelines relating to remuneration policies in the Group have been presented to the Remuneration Committee.

During 2009, the Remuneration Committee was convened on two occasions.

Audit Committee

Since the 2009 AGM, the members of the Audit Committee have been Anders Nyrén (Chairman) and Hanne de Mora. In 2009, the committee held five meetings at which the company's external auditors and representatives of the company's management were present.

Areas addressed by the Audit Committee mainly related to:

- financial reporting
- planning, scope and follow-up of the internal and external audit
- the Group's implementation of systematic processes for risk management, including legal disputes, accounting procedures, taxation, finance operations and pension issues.

External auditor

At the 2008 Annual General Meeting, the audit firm KPMG AB was reelected auditor for the three-year period until the 2011 Annual General Meeting, with Caj Nackstad as the auditor in charge.

An account of the audit is presented to the shareholders in the audit report. This report provides a recommendation to the shareholders upon which they can base their resolutions at the Annual General Meeting regarding the adoption of the income statements and balance sheets of

the Parent Company and the Group, the appropriation of the Parent Company's profit and the discharge of the members of the Board and the CEO from liability for the fiscal year.

The audit is conducted in accordance with the Companies Act and generally accepted auditing standards, which require that the audit is planned and performed on the basis of knowledge of the Sandvik Group's operations and its development and strategies. The audit includes such activities as an examination of compliance with the Articles of Association, the Companies Act, the Annual Accounts Act, International Financial Reporting Standards (IFRS) and the disclosure standards specified by the Stock Exchange relating to information in the Annual Report, as well as issues related to the measurement of items recognized in the balance sheet and the follow-up of essential accounting processes and financial control.

The progress of the audit is reported regularly during the year to the managements of individual companies and the business areas, to Group Executive Management, the Audit Committee and to the Board of Sandvik AB.

The independence of the external auditor is governed by a special instruction prepared by the Audit Committee setting out which non-audit services the external auditors may provide to Sandvik.

In accordance with the Auditors Act, auditors are required to continually assess their independence.

For information on fees paid to auditors, see page 62.

Operational management

Information relating to the Group's operational organization and business activities is available on the company's website, www.sandvik.com.

The three business areas, Sandvik Tooling, Sandvik Mining and Construction and Sandvik Materials Technology, comprise Sandvik's operational structure. The presidents of the business areas report directly to the CEO of Sandvik AB and are responsible for the business activities of their respective areas. In turn, the business areas are organized in various product areas or customer segments.

Internal Board meetings are held at the business area level. Sandvik's CEO chairs these meetings. In addition to the president and the financial manager of the business area, Sandvik AB's Executive Vice President, the Group's CFO, Business Controller and the General Counsel attended these meetings. Executive Vice President Peter Larson is a Board member of Seco Tools AB and thus does not participate in Sandvik Tooling's Board meetings.

CEO and Group Executive Management

In 2009, Group Executive Management comprised Lars Pettersson, President and CEO, Anders Thelin, Sandvik Tooling, Lars Josefsson, Sandvik Mining and Construction, Peter Gossas, Sandvik Materials Technology, Peter Larson, Executive Vice President, Per Nordberg, Executive Vice President and CFO (up to an including 31 August 2009) and Ola Salmén, CFO (from 1 September 2009). Group Executive Management is convened each

month and deals with the Group's financial development, Group-wide development projects, leadership and competence sourcing, and other strategic issues. The Sandvik Group has established Group functions responsible for such Group-wide activities as financial reporting, business analysis, treasury, IT, communications, internal control, legal affairs, HR, taxes, investor relations, intellectual rights, and patents and trademarks. Intellectual rights and patents and trademarks are managed by a separate, wholly owned Group entity. In addition to Group Executive Management, business areas and Group functions, a number of councils are commissioned to coordinate Group-wide strategic areas, such as environment, health and safety, research and development, purchasing, IT, finance and HR.

The CEO and other members of Group Executive Management are presented on page 110 of the Annual Report. For principles, remuneration and other benefits payable to Group Executive Management, see pages 60–62.

For each country in which Sandvik has a subsidiary, there is a Country Manager whose task includes representing Sandvik in relation to public authorities in the country, assuming responsibility for Group-wide issues, coordinating Group-wide processes, and ensuring compliance with Group-wide guidelines.

For each such country, a member of Group Executive Management, or another person appointed by Group Executive Management, has been assigned overall responsibility for the operations in the country concerned (Group Management

Representative). In most cases, this member is also Chairman of the local Board and, among other tasks, must ensure compliance with Group-wide guidelines aided by the Country Manager.

Integration of acquired companies

In the most recent 10-year period, Sandvik has acquired some 50 companies. In the past two years, 11 new companies with some 1,000 employees and total sales of about SEK 3 billion (at acquisition date) have been acquired. Accordingly, a considerable part of the Sandvik Group's growth comes from acquisitions.

A swift and well-accomplished integration of new companies with Sandvik's other operations is of utmost importance. The commercial synergies of the acquisition must be ensured. The integration also comprises management and HR issues, and harmonization with Sandvik's administrative procedures and its core values: *Open Mind*, *Team Spirit* and *Fair Play*.

The integration is secured in three steps. During the initial acquisition stage, prior to the completion of negotiations and before the acquisition is finalized, the significant integration aspects are analyzed and prepared. When the acquisition is concluded, an integration group is appointed which is charged with the task of planning and implementing the integration in various areas. Finally, the company is incorporated into Sandvik's administrative procedures and its personnel are trained in Sandvik's regulations, instructions and set of values.

This includes financial reporting, which allows for early consolidation into Sandvik's financial reporting and the consolidated financial statements.

Internal control and risk management

The Board has the overall responsibility to ensure that the Group's system for management and internal control is effective.

The guidelines for Sandvik's operations are assembled in The Power of Sandvik, the contents of which include:

- the Group's business concept, strategies, objectives and values
- organizational structure and job descriptions
- Sandvik's Code of Conduct including business ethics, human rights, equal opportunity, health and safety, external environment and community involvement
- administrative procedures, guidelines and instructions

The Group's risk management complies with the ERM model and is integrated with the daily planning, monitoring and control within the framework of strategic and operational management. Effective risk management unites operational business development with demands from shareholders and other stakeholders for control and sustainable value creation. Risk management also aims to minimize risks while ensuring that opportunities are utilized in the best possible way.

Internal control regarding financial reporting

The financial statements were established in accordance with prevailing legislation, International Financial Reporting Standards (IFRS) and the listing agreement with the Nasdaq OMX Nordic Exchange Stockholm. This description of internal control over financial reporting is prepared in accordance with the Code, sections 10.5 and 10.6. It does not form part of the formal Annual Report and has not been examined by the external auditors.

Sandvik's finance organization manages a well-established financial reporting process that ensures a high level of internal control. The internal control system applied follows the conceptual framework of COSO, which is based on five key components comprising good internal control in large companies. The five components are Control Environment, Risk Assessment, Control Activities, Information and Communication and, finally, Monitoring and Follow up.

The internal control procedures cover all stages of the financial reporting process, from the initial recording of transactions in each subsidiary and reporting entity, to the validation and analysis of each business area further to the consolidation, quality assurance, analysis and reporting at Group level. The way Sandvik applies the COSO framework is described in the following.

Control Environment

As described earlier in the Annual Report, The Power of Sandvik is the primary source for the guidelines governing management and staff, internal control and conduct at Sandvik. The Power of Sandvik contains the Sandvik Code of Conduct, delegation instruments, including signatory and authorization principles for decision-making and cost approvals, request and approval procedures regarding investments and acquisitions, and instructions regarding funding and the placement of capital.

In the area of financial reporting, the Sandvik Financial Reporting Procedures (FRP) have been implemented. This document contains detailed instructions

regarding accounting principles and financial reporting procedures to be applied by all Sandvik reporting entities. In the 20 major countries where Sandvik operates, Country Financial Managers are appointed to support the local management and finance organizations and to provide a link between reporting entities and Group finance. At Group level, Group Financial Control manages the reporting process to ensure the completeness and correctness of financial reporting and its compliance with IFRS requirements. Group Business Control provides the business analysis of results and the report on operational performance. Both statutory and management reporting is performed in close cooperation with business areas and specialist functions such as tax, legal and financial services to ensure the correct reporting of the income statement, balance sheet, equity and cash flow.

Risk assessment and risk management

The ERM work at Sandvik described earlier in the Annual Report also includes the area of financial reporting. This means that risk management is a natural element of the daily work on and responsibility for financial reporting. Specific activities have been established with the purpose of identifying risks, weaknesses and any changes needed to the financial reporting process to minimize risks. The combination of work descriptions, roles and responsibilities, IT systems, skills and expertise creates an environment that is monitored continuously to identify and manage potential risks.

Control activities

Control activities have been implemented in all areas that affect financial reporting. The internal control activities follow the logic of the reporting process and the finance organization. In each reporting entity, the finance staff is responsible for the correct accounting and closing of books. The finance staff adheres to the Sandvik Financial Reporting Procedures and validates and reconciles local accounts before submitting them to business area management and Group finance for consolidation.

Controllers in the product and business areas perform analytical reviews and investigations, conduct business trend analyses and update forecasts and budgets. They investigate certain issues related to the financial information when needed. All business areas present their financial performance in written reports on a monthly and quarterly basis.

The Group finance functions that are responsible for the consolidated Sandvik income statement, balance sheet and cash-flow statement and the internal management and external statutory reporting perform detailed reconciliation of submitted financial information from each reporting entity. Comparisons are made against targets, forecasts and previous accounting periods. Key ratios and performance indicators are reviewed and calculations tested. In-depth analysis is made of reported numbers and performance. Meetings are held with business area management to discuss performance and to agree on the outcome of financial information for the reporting period.

Group Financial Control, Group Business Control and Group Assurance all have key responsibilities for control activities regarding financial reporting.

Information and communication

Financial reports setting out the Group's financial position and the earnings trend of operations are regularly submitted to the Board. The Board deals with all quarterly interim reports as well as the Annual Report prior to publishing and monitors the audit of internal control and financial statements conducted by Group Assurance and external auditors.

The business areas and major countries also have a system of internal Board meetings with a formal agenda, including financial information, monitoring and decisions related to financial matters.

Steering documents, such as policies and instructions, are updated regularly on the company's intranet and are available to Sandvik's employees. Reporting requirements are also updated on the company's intranet and are communicated through formal and informal channels, as well as at regular meetings and conferences.

Information to external parties is communicated regularly on Sandvik's website, which contains news and press releases. Quarterly interim reports are published externally and are supplemented by investor meetings attended by Group Executive Management. In addition, there is an established agenda for communicating information on shareholder meetings and other information to owners. The Annual Report is made available to shareholders and the general public, both as a printed version and on Sandvik's website.

Monitoring and follow-up

Order status, sales statistics and cash flow are reported and monitored on a monthly basis while a comprehensive and complete closing of books, together with a full reporting package provided to the Group Executive Management and the Board, is performed quarterly and for the full fiscal year.

Each business entity manager and finance organization is ultimately responsible for continuously monitoring the financial information of the various entities. In addition, the information is monitored at a business area level, by Group staff functions, Group Executive Management and by the Board. The Audit Committee at Sandvik is a key body in the monitoring of financial reporting and different aspects thereof.

The performance of the financial reporting process and the quality of internal controls are assessed by Group Finance every month as part of the quality assurance of reporting. The Sandvik internal audit function Group Assurance independently monitors the internal control system of financial reporting as part of its audit plan.

Group Assurance

As assigned by the Board and the Audit Committee, the Group Assurance staff function ensures that the Group has effective corporate governance, internal control and risk management procedures.

The purpose of the activities of Group Assurance is to support the creation of value growth in the Group. It achieves this by ensuring that well-functioning risk management and appropriate internal control have been established, by ensuring the quality of internal controls and by suggesting improvements in the areas of corporate governance, internal control and risk management. Group Assurance is subordinated to the Board's Audit Committee and the head of the unit reports to the Audit Committee. In functional terms, the head of Group Assurance reports to Sandvik's CFO.

The internal audits are based on the Group's guidelines and policies for corporate governance, risk management and internal control with regard to such aspects as financial reporting, compliance with the Code of Conduct and IT. The examination results in actions and programs for improvement. The teams report to Group Executive Management and business area management and to the Board's Audit Committee.

Board of Directors and auditors

Members of the Board

Clas Åke Hedström, b. 1939.

Chairman since 2002, Director of Sandvik AB since 1994.

Education and business experience: MSc. Eng. President and CEO of Sandvik AB 1994–2002. President of Sandvik Tooling business area 1980–1994 and various positions within Sandvik Coromant 1965–1980.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 225,000.

Lars Petterson, b. 1954.

Director of Sandvik AB since 2002.

Education and business experience: MSc. Eng., PhD Honorary. President and Chief Executive Officer of Sandvik AB since 2002. Group Executive Vice President and President of Sandvik Specialty Steels business area 2000–2002. Various positions within production and management in Sandvik 1978–1999.

Current Board assignments: Director of Skanska AB and Teknikföretagen.

Shareholding in Sandvik (own and closely related persons): 113,654.

Not independent in relation to the company and Group Executive Management.

Georg Ehrnrooth, b. 1940.

Director of Sandvik AB since 1997.

Education and business experience: Graduate engineer, D.Tech. Honorary. President of Metra Oyj (currently Wärtsilä Oyj Abp) 1991–2000, President of Lohja Oyj Abp 1979–1991, various positions in production and management within Wärtsilä Oyj Abp 1965–1979.

Current Board assignments: Director Nokia Oyj.

Shareholding in Sandvik (own and closely related persons): 55,000.

Fredrik Lundberg, b. 1951.

Director of Sandvik AB since 2006.

Education and business experience: MSc. Eng., B.Sc. (Econ.), D.Econ Honorary, D.Tech. Honorary. Active in L E Lundbergföretagen AB since 1977 and Chief Executive Officer since 1981.

Current Board assignments: Chairman of the Board of Cardo AB, Holmen AB, Hufvudstaden AB, Vice Chairman of Svenska Handelsbanken AB and NCC AB, Director of LE Lundbergföretagen AB and AB Industrivärden.

Shareholding in Sandvik (own and closely related persons): 5,240,000, via L E Lundbergföretagen AB 14,000,000 and via AB Industrivärden 135,431,200.

Not independent in relation to major shareholders in the company.

Anders Nyrén, b. 1954.

Director of Sandvik AB since 2002.

Vice Chairman of the Board.

Education and business experience: B.Sc. (Econ.), MBA. President and Chief Executive Officer of AB Industrivärden since 2001, Executive Vice President and CFO of Skanska AB 1997–2001, various executive positions within AB Wilhelm Becker, STC Scandinavian Trading Co AB, STC Venture AB, OM International, Securum AB and Nordbanken 1979–1997.

Current Board assignments: Chairman of Association of Exchange-listed Companies and the Association for Good Practices on the Securities Market, Vice Chairman of Svenska Handelsbanken AB, Director of Ericsson AB, Industrivärden, SCA, SSAB, Volvo and Ernströmgruppen.

Shareholding in Sandvik (own and closely related persons): 4,500.

Not independent in relation to major shareholders in the company.

Egil Myklebust, b. 1942.

Director of Sandvik AB since 2003.

Education and business experience: LLB. Chief Executive Officer of Norsk Hydro 1991–2001, President of Næringslivets hovedorganisasjon 1989–1990, President of Norsk Arbeidsgivareforening 1987–1988, various positions within Norsk Hydro 1971–1987. Consultant to the National Insurance Administration 1968–1971.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 5,000.

Hanne de Mora, b. 1960.

Director of Sandvik AB since 2006.

Education and business experience: B.Sc. (Econ.), MBA, IESE, Barcelona. One of the founders and owners, also Chairman of the Board of the management company a-connect (group) ag since 2002, partner in McKinsey & Company Inc. 1989–2002, various positions within brand management and controlling within Procter & Gamble 1986–1989.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 0.

Simon Thompson, b. 1959.

Director of Sandvik AB since 2008.

Education and business experience: MA Geology. Various positions with Anglo American Group 1995–2007 including director of Anglo American plc 2005–2007, Director of AngloGold Ashanti 2004–2008, Chairman of Tarmac 2004–2007, Director of SG Warburg 1994–1995, NM Rothschild & Sons Ltd. 1984–1995.

Current Board assignments: Director of Newmont Mining Corporation and AMEC plc.

Shareholding in Sandvik (own and closely related persons): 0.

Tomas Kärnström, b. 1966.

Director of Sandvik AB since 2006 (employee representative).

Education and business experience: Principal safety representative Sandvik Materials Technology. Various positions within Sandvik since 1986.

Current Board assignments: —
Shareholdings in Sandvik (own and closely related persons): 2,865.

Jan Kjellgren, b. 1952.

Director of Sandvik AB since 2008 (employee representative).

Education and business experience: Research engineer, Sandvik Tooling Sverige AB. Various positions within Sandvik since 1981.

Current Board assignments: AB Sandvik Hard Materials, Sandvik Tooling Sverige AB.
Shareholding in Sandvik (own and closely related persons): 570.

Deputy members**Bo Westin**, b. 1950.

Director of Sandvik AB since 1999 (employee representative).

Education and business experience: Chairman Union Committee, Metal Workers' Union, Sandvik Rotary Tools AB, Köping. Various operator positions within Sandvik Mining and Construction since 1973. Volvo Köpingverken 1971–1972, Köpings Mekaniska Verkstad 1968–1970.

Current Board assignments: Director of Sandvik Rotary Tools.
Shareholding in Sandvik (own and closely related persons): 0.

Mette Ramberg Frodigh, b. 1961.

Director of Sandvik AB since 2006. Resigned 29 June 2009 (employee representative).

Honorary Chairman

Percy Barnevik, b. 1941.

Chairman of the Board of Sandvik AB 1983–2002.

Auditors**Caj Nackstad**, b. 1945.

Auditor in charge, Authorized Public Accountant, KPMG AB.

Other auditing assignments: LKAB, Axel Johnson AB and Wallenius.

Shareholding in Sandvik (own and closely related persons): 0.

Board Secretary**Bo Severin**, b. 1955.

Secretary to the Sandvik Board of Directors since 2000.

Education and business experience: LLB. General Counsel in Sandvik AB.

Current Board assignments: —
Shareholding in Sandvik (own and closely related persons): 12,806.

Group Executive Management and Group staff units

Lars Pettersson, b. 1954.

Director of Sandvik AB since 2002.
President and Chief Executive Officer of Sandvik AB since 2002.
Education and business experience: MSc. Eng., PhD Honorary. Group Executive Vice President and President of Sandvik Specialty Steels business area 2000–2002, various positions within production and management in Sandvik 1978–1999.
Current Board assignments: Director of Skanska AB and Teknikföretagen.
Shareholding in Sandvik (own and closely related persons): 113,654.

Peter Larson, b. 1949.

Executive Vice President of Sandvik AB since 2000. Responsible for Business Development and HR.
Education and business experience: B.Sc. (Econ), Executive Vice President and head of IT, Sandvik AB 2004 until 15 February 2009, Executive Vice President and CFO, Sandvik AB 2000–2004, Executive Vice President of Kanthal 1992–2000, Administration Manager, Uddeholm Tooling 1989–1992, controller positions within Härnösands Graft AB, Kanthal AB and Asea/ABB 1974–1989.
Current Board assignments: Director of Seco Tools AB.
Shareholding in Sandvik (own and closely related persons): 41,425.

Ola Salmén, b. 1954.

CFO of Sandvik AB since 1 September 2009.
Education and business experience: B.Sc. (Econ), CFO Vin & Sprit AB 2002–2009, CFO Adcore AB 2000–2001, Director of Finance Handelsbanken Markets 1997–2000, various financial manager and controller positions at the Swedish Match and STORA Groups 1984–1996.
Current Board assignments: Director of Svevia AB and Petersson & Wagner Fonder AB.
Shareholding in Sandvik (own and closely related persons): 2,000.

Anders Thelin, b. 1950.

President of Sandvik Tooling business area since 2000.
Education and business experience: MSc. Eng. Various positions within research and development and the management group of Sandvik Coromant 1976–2000.
Current Board assignments: Director of Haldex AB.
Shareholding in Sandvik (own and closely related persons): 18,891.

Lars Josefsson, b. 1953.

President of Sandvik Mining and Construction business area since 2003.
Education and business experience: MSc. Eng. Physics. President, ABB STAL/Alstom Sweden AB 1998–2003.
Current Board assignments: International Council of Swedish Industry
Shareholding in Sandvik (own and closely related persons): 40,000.

Peter Gossas, b. 1949.

President of Sandvik Materials Technology business area since 2002.
Education and business experience: MSc. Eng. Physics. General Manager Sandvik Tube 2001, business unit manager positions within Avesta Polarit, Avesta Sheffield and Avesta AB 1986–2001, production and development positions within SSAB 1974–1986.
Current board assignments: Director of Höganäs AB, chairman of the Employers' Association of the Steel and Metal Industry, Chairman of "Industriarbetsgivarna."
Shareholding in Sandvik (own and closely related persons): 604.

Group staff units

IT	Daniel Repond	Intellectual Property	Henrik Hägglöf
Business Control	Andreas Burman	Communications	Anders Wallin
Real Estate	Carl Larsson	Investor Relations	Jan Lissåker
Financial Control	Björn Wahlborg	Legal Affairs	Bo Severin
Financial Services	Anders Örbom	HR and Business Development	Peter Larson
Group Assurance	Bernth Nilsson	Taxes and Financial Projects	Thomas B. Hjelm (until 31 August 2009) Pierre Jansson (from 1 September 2009)

Information regarding Board assignments and holdings of shares is valid as of 1 January 2010.

Annual General Meeting, payment of dividend

Annual General Meeting

The Annual General Meeting will be held at Göransson Arena, Sättagatan 15, Sandviken on Tuesday, 4 May 2010 at 5.00 p.m.

Shareholders wishing to attend the Meeting must notify the Company either by letter to Sandvik AB, Legal Affairs, SE-811 81 Sandviken, Sweden or by fax +46 26 26 10 86, or telephone +46 26 26 09 40 from 9.00 a.m. to 12.00 noon and 1.00 p.m. to 4.00 p.m. on weekdays, or via the Internet on the Group's website (www.sandvik.com). Such notification must reach Sandvik AB not later than Tuesday, 27 April 2010. Shareholders must also have been entered in the Share Register kept by Euroclear Sweden AB not later than Tuesday, 27 April 2010 to establish their right to attend the Meeting.

Shareholders whose shares are registered as held in trust must have them temporarily re-registered with Euroclear Sweden AB in their own names not later than Tuesday, 27 April 2010 to establish their right to attend the meeting. Note that this procedure also applies to shareholders using a bank's shareholder deposit account and/or trade via the Internet.

In notification of your intent to attend the Meeting, please state your name, personal or corporate registration number, address and telephone number, and details of any advisors. If you plan to be represented at the Meeting by proxy, notice must be given to Sandvik AB prior to the Meeting.

Payment of dividend

The Board and the President propose that the Meeting declare a dividend of SEK 1.00 per share for 2009.

The proposed record date is Friday, 7 May 2010. If this motion is adopted by the Meeting, it is expected that dividends will be paid on Wednesday, 12 May 2010. Dividends will be sent to those who, on the record date, are entered in the Share Register or on the separate List of Assignees, etc. To facilitate the distribution of dividends, shareholders who have changed address should report their change of address to their bank in sufficient time prior to the record date.

Sandvik's Annual Report

Sandvik's Annual Report for 2009 comprises the formal financial statements, meaning the Board of Directors' report, income statements and balance sheets, with accompanying notes, etc., and is printed separately in a reduced number of copies for the shareholders who have ordered the printed reports. In addition to descriptions of operations, financial key figures, goals, business concept, strategy and more, *The Sandvik World 2009/2010* provides an in-depth look at a number of key areas. *The Sandvik World* will be distributed to shareholders in April 2010.

The Annual Report is available on the Group's website (www.sandvik.com) and can be ordered in a printed format.

Financial key figures

Key Figures (From 2004 in accordance with IFRS, earlier years in accordance with previous GAAP.)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Invoiced sales, SEK M	71,937	92,654	86,338	72,289	63,370	54,610	48,810	48,700	48,900	43,750
change, %	-22	+7	+19	+14	+16	+12	0	0	+12	+11
of which organic, %	-30	+5	+18	+14	+14	+15	+5	-7	+3	+12
of which structural, %	0	+2	+3	+1	-1	-1	+2	+10	+1	-4
of which currency, %	10	0	-2	-1	+3	-2	-7	-3	+8	+3
Operating result, SEK M	-1,412	12,794	14,394	12,068	9,532	7,578	4,967	5,771	6,103	6,327
as % of invoicing	-2	14	17	17	15	14	10	12	12	14
Result after financial items, SEK M	-3,472	10,577	12,997	11,113	8,819	6,877	4,187	5,063	5,606	5,804
as % of invoicing	-5	11	15	15	14	13	9	10	11	13
Consolidated net result for the year, SEK M	-2,596	7,836	9,594	8,107	6,392	5,111	2,788	3,436	3,688	3,712
Shareholders' equity, SEK M	29,957	36,725	29,823	27,198	24,507 ¹⁾	23,551 ¹⁾	21,440	23,205	23,972	23,019
Equity ratio, %	33	36	35	41	41	46	46	48	50	55
Net debt/equity ratio, multiple	1.0	0.9	1.0	0.6	0.7	0.5	0.5	0.5	0.4	0.3
Rate of capital turnover, %	73	101	112	115	112	108	98	97	102	104
Cash and cash equivalents, SEK M	7,506	4,998	2,006	1,745	1,559	1,720	1,972	2,175	2,258	2,097
Return on shareholders' equity, %	-7.9	24.8	34.4	31.8	27.4	21.7	12.8	14.9	15.5	17.3
Return on capital employed, %	-1.3	19.9	27.0	27.6	23.7	20.5	13.4	15.4	17.4	20.3
Investments in property, plant and equipment, SEK M	4,625	7,169	5,399	4,801	3,665	2,967	3,153	2,357	2,627	2,087
Total investments, SEK M	6,780	8,301	10,068	6,081	3,950	3,278	3,260	5,066	4,083	2,670
Cash flow from operations, SEK M	12,312	9,671	5,476	8,170	7,266	5,322	6,421	7,190	5,093	4,476
Cash flow, SEK M	2,470	2,764	179	357	-380	-207	-104	48	73	-334
Number of employees, 31 December	44,355	50,028	47,123	41,743	39,613	38,421	36,930	37,388	34,848	34,742

1) Total equity, including minority interest.

Per-Share Data (From 2004 in accordance with IFRS. Earlier years in accordance with previous GAAP. All historical figures are adjusted taking into account the 5:1 split.)

SEK	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Basic earnings ¹⁾	-2.24	6.30	7.65	6.45	4.95	3.85	2.20	2.70	2.85	2.85
Diluted earnings ²⁾	-2.24	6.29	7.65	6.45	4.90	3.75	2.15	2.70	2.85	2.80
Equity	24.4	30.00	24.10	22.00	19.80	18.30	17.20	18.60	19.10	17.80
Dividend (2009 as proposed)	1.00	3.15	4.00	3.25	2.70	2.20	2.10	2.00	1.90	1.80
Direct return ³⁾ , %	1.2	6.4	3.6	3.3	3.6	4.1	4.2	5.2	4.2	4.0
Payout percentage ⁴⁾ , %		50	52	50	55	57	94	73	66	63
Quoted prices, Sandvik share, highest	90	108	151	106	79	56	50	52	49	62
lowest	41	42	96	71	54	46	35	38	35	36
year-end	86	49	111	100	74	54	50	39	45	45
No. of shares at year-end, million	1,186.3	1,186.3	1,186.3	1,186.3	1,186.3	1,235.2	1,250.1	1,250.1	1,255.1	1,293.5
Average no. of shares, million	1,186.3	1,186.3	1,186.3	1,186.3	1,216.9	1,255.8	1,250.1	1,252.5	1,277.6	1,293.5
P/E ratio ⁵⁾		7.8	14.5	15.4	15.0	13.9	22.1	14.2	15.6	15.9
Quoted price, % of equity ⁶⁾	352	163	462	452	374	293	288	209	235	255

1) Profit/loss for the year per share.

2) Profit/loss for the year per share after dilution of outstanding convertible program.

3) Dividend divided by the quoted price at year-end.

4) Dividend divided by basic earnings per share.

5) Market price of share at year-end in relation to earnings per share.

6) Market price of share at year-end, as a percentage of equity per share.

Supplementary definitions on page 57.

Development by Business Area

	Invoiced sales				Operating result and operating margin							
	2009 MSEK	2008 MSEK	2007 MSEK	2006 MSEK	2009 MSEK	%	2008 MSEK	%	2007 MSEK	%	2006 MSEK	%
Sandvik Tooling	19,078	25,975	24,732	22,477	-527	-3	5,461	21	5,989	24	5,191	23
Sandvik Mining and Construction	32,621	38,651	33,073	25,001	466	1	4,996	13	4,979	15	3,672	15
Sandvik Materials Technology	15,328	21,480	22,486	19,337	-1,137	-7	1,187	6	2,435	11	2,324	12
Seco Tools*	4,871	6,513	6,011	5,436	307	6	1,332	21	1,491	25	1,266	23

* Seco Tools, an independent, exchange-listed group of companies that markets tools for metal cutting, is part of the Sandvik Group.

