

# Sandvik Q4

PRESS RELEASE 2 february 2011

Interim report for the fourth quarter  
and year-end report 2010

## CEO's comment:

“The business climate continued its positive trend in the fourth quarter and order intake and invoiced sales rose for all business areas compared with the preceding quarter. Order intake for major project orders rose sharply during the quarter and totaled more than SEK 3.5 billion, most of which related to material-handling systems. Although the increase in demand was stable in most markets, it was strongest in the mining and energy sectors. Order intake amounted to more than SEK 26 billion, which is the highest figure to date for a single quarter. Invoiced sales totaled slightly more than SEK 23 billion, which was 31% higher in price and volume than the preceding year. The operating margin and operating result amounted to 13.4% and SEK 3.1 billion, respectively. As a result of the continued

improvement in capital efficiency combined with higher operating margins, return on capital employed improved further and also generated a strong cash flow. Working capital was for the first time better than the target level of 25% of invoiced sales,” says Sandvik’s resigning President and CEO Lars Pettersson.

“The market trend remained positive in the quarter and we continued to improve our financial key figures. We also reached an agreement involving a strategically important acquisition through which Sandvik will acquire 80% of the Chinese company Shanghai Jianshe Luqiao Machinery Co., Ltd. The acquisition will strengthen Sandvik’s position in China and create favorable conditions for continued profitable growth.”

## FINANCIAL HIGHLIGHTS

SEK M	Q4 2010	Q4 2009	Change %	Q1-4 2010	Q1-4 2009	Change %
Order intake	26 313	19 787	+37 *	93 285	71 285	+33 *
Invoiced sales	23 276	18 211	+31 *	82 654	71 937	+17 *
Gross profit	8 043	4 837	+66	29 523	17 066	+73
% of invoiced sales	34.6	26.6		35.7	23.7	
Operating profit	3 129	408		11 029	-1 412	
% of invoiced sales	13.4	2.2		13.3	-2.0	
Profit after financial items	2 754	-77		9 412	-3 472	
% of invoiced sales	11.8	-0.4		11.4	-4.8	
Profit for the period	2 186	-103		6 943	-2 596	
% of invoiced sales	9.4	-0.6		8.4	-3.6	
of which shareholders' interest	2 094	-132		6 634	-2 652	
Earnings per share, SEK <sup>1)</sup>	1.76	-0.11		5.59	-2.24	
Return on capital employed <sup>2)</sup>	17.4	-1.3		17.4	-1.3	
Cash flow from operations	+3 259	+3 883	-16	+12 149	+11 792	+3
Number of employees	47 064	44 355	+6	47 064	44 355	+6

\* At fixed exchange rates for comparable units.

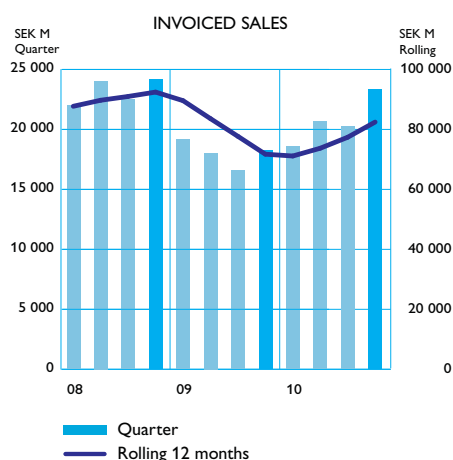
1) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact.

2) 12 months rolling.

For additional information please call Sandvik Investor Relations +46 26 26 10 23 or visit [www.sandvik.com](http://www.sandvik.com)



# Market and Sales



Q4	Order intake	Invoiced sales
Price/volume, %	+37	+31
Structure, %	0	0
Currency, %	-3	-3
<b>Total, %</b>	<b>+33</b>	<b>+28</b>

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

The global market climate improved further in the fourth quarter and order intake and invoiced sales rose 37% and 31%, respectively, at fixed exchange rates compared with the preceding year. Order intake compared with the preceding quarter increased in most markets and remained high in Asia. A continued rise in demand from the mining industry and the energy sector and a pronounced increase in major project orders made a significant contribution to the high order intake.

The increase in global industrial production resulted in a marked increase in demand for Sandvik's products in all markets compared with the fourth quarter of 2009. Demand remained strong for high value-added products for industrial production and aftermarket and improved for investment-related products in both Sandvik Mining and Construction and Sandvik Materials Technology. Demand increased substantially for major material-handling equipment for such applications as mines and harbors. The high level of activity in the energy sector continued, including the oil and gas as well as nuclear power sectors. A rise in demand was noted from, among others, the automotive, mining and aerospace industries. Order intake from the mining industry was high from the aftermarket segment and increased from the equipment segment. Demand from the construction industry continued to increase in Asia and South America, and improved in the latter part of the quarter in Europe and in the US, but was still lower than from the mining industry.

Demand from most customer segments remained strong in Asia and the rate of increase

was generally high in most markets compared with the preceding year and preceding quarter. Excluding major project orders, the trend was particularly positive in Europe and the US. The project business developed very well both in Sandvik Mining and Construction and Sandvik Materials Technology. In December, Sandvik received an additional order for steam generator tubes to China for a total value of nearly SEK 500 M.

Order intake amounted to SEK 26,313 M (19,787), up 33% in total and 37% at fixed exchange rates for comparable units. Major project orders accounted for just over SEK 3.5 billion of which most related to mining applications. Currency effects had a negative impact of 3% on order intake. The increase at fixed exchange rates for comparable units was 29% for Sandvik Tooling and 50% for Sandvik Mining and Construction. For Sandvik Materials Technology, the increase was 18%, including a positive effect of about 7 percentage points related to movements in metal prices.

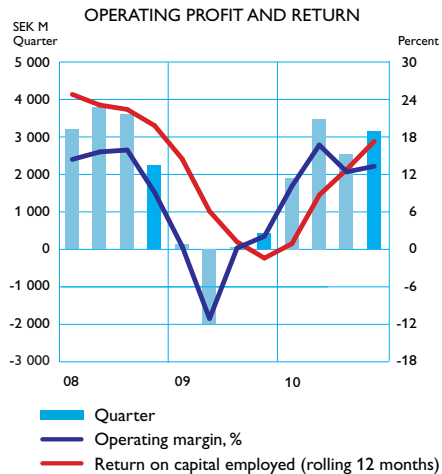
Invoiced sales in the fourth quarter amounted to SEK 23,276 M (18,211), up 28% in total and 31% at fixed exchange rates for comparable units compared with the fourth quarter in the preceding year. Project deliveries for Sandvik Mining and Construction accounted for about SEK 1.5 billion of invoiced sales. Currency effects had a negative impact of 3% on invoiced sales. At fixed exchange rates for comparable units, the increase in invoiced sales for Sandvik Tooling was 34%, for Sandvik Mining and Construction 32% and for Sandvik Materials Technology 26%, including a positive effect of about 6 percentage points related to movements in metal prices.

# Earnings and Return

Earnings and return for the fourth quarter improved significantly compared with the corresponding quarter in the preceding year. The operating result increased to SEK 3,129 M (408) and the operating margin was 13.4% of invoiced sales (2.2). The improvement is mainly attributable to higher volumes, increased capacity utilization and a lower cost level. Earnings were negatively impacted by SEK 80 M due to movements in metal prices and by about SEK 200 M due to other items of a nonrecurring nature. The negative impact of movements in exchange rates on earnings was about SEK 240 M. Return on capital employed increased to 17.4% for the most recent 12-month period as a result of increased capital efficiency and an improved operating margin.

The earnings improvement was generated by increased sales and production volumes combined with implemented efficiency-enhancement measures and a product mix with a higher average level of profitability. The improvement programs implemented gradually increased efficiency in all business areas and thus profitability in the form of the operating result and return. Although the product mix for the quarter with a high share of major project orders had a positive impact on return, the effect on the operating margin was slightly negative. The result was also negatively impacted in the approximate amount of SEK 100 M due to a periodized provision for variable salaries and profit-sharing and by approximately a further SEK 100 M related to other non-recurring items.

Net financial items amounted to SEK -375 M (-485) and the result after net financial items was SEK 2,754 M (-77), or 11.8% of invoiced sales. Income tax was SEK -568 M (-26) and the net

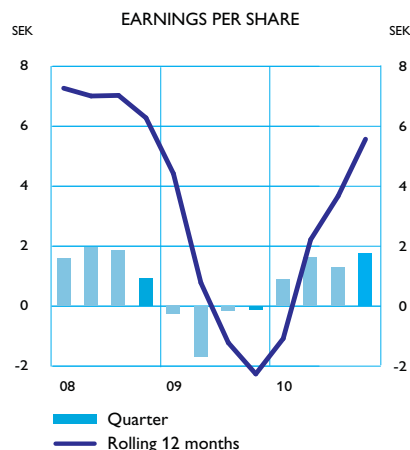
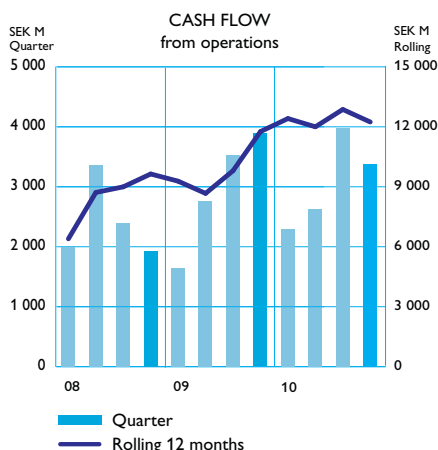


result for the period amounted to SEK 2,186 M (-103), or 9.4% of invoicing. Earnings per share amounted to SEK 1.76 (-0.11) in the quarter.

Capital efficiency improved further during the quarter through an ongoing focus on inventory control and accounts receivables combined with higher sales. Working capital as a share of invoicing declined to 22% (32), which is better than the target level of 25% for the first time. As a result of the improvement in capital efficiency combined with a higher operating margin, return on capital employed for the most recent 12-month period rose to 17.4% (-1.3) and, for the fourth quarter, return was 20% on an annualized basis. Return on equity was 22.1% (-7.9).

Net debt was further reduced and the net debt/equity ratio amounted to 0.7 at the end of the year.

Cash flow from operations was SEK +3,259 M (+3,883). Investments amounted to SEK 1,789 M (1,073), of which company acquisitions accounted for SEK 490 M (493). Cash flow after investments was SEK +1,520 M (+3,000) for the quarter.



# Sandvik Tooling

- Improved demand trend
- Increased capital efficiency
- Strong cash flow
- Increased return

The demand trend for Sandvik Tooling remained positive during the fourth quarter. Both order intake and invoiced sales improved in all markets compared with 2009. Compared with the preceding quarter, order intake increased slightly in most markets. In the fourth quarter, order intake and invoiced sales rose by 29% and 34%, respectively, at fixed exchange rates for comparable units. A rise in invoicing combined with a higher rate of production, high internal efficiency and lower nonrecurring costs yielded an increase in the operating result to SEK 1,219 M (-84), 19.5% of invoicing.

The market situation continued to improve in all markets. Intensified global activity in many areas resulted in growth in industrial production and thus higher demand compared with the preceding year. Order intake rose in all major markets by between 20 and 35%. In Europe and NAFTA, demand improved in most markets, while the increase in Asia was mainly attributable to favorable development in China, India and South Korea. In South America, the strong performance of the automotive industry in Brazil was the main factor behind the continued increase in order intake. Compared with the preceding quarter, order intake



Q4	Order intake	Invoiced sales
Price/volume, %	+29	+34
Structure, %	-1	-1
Currency, %	-5	-5
<b>Total, %</b>	<b>+22</b>	<b>+26</b>

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

in Europe rose by just over 10% while demand in other markets grew marginally. With a generally positive trend, developments in particularly the automotive and aerospace industries were the main driving forces. As seen in earlier quarters, a stronger trend was noted for cemented-carbide products than for high-speed steel products. A long-term focus in strategic areas has boosted Sandvik Tooling's competitiveness and market shares grew in most markets. The price trend remained positive.

The rate of production corresponded to the invoicing volume for the quarter and was about 15% below the peak level recorded in 2008. Working capital was further reduced in the quarter and amounted to 23% (32) of invoicing. This, combined with a low investment level, meant that cash flow remained strong.

The operating result improved and amounted to SEK 1,219 M (-84), 19.5% of invoiced sales. However, earnings were negatively impacted by about SEK 90 M because of exchange-rate movements. A higher operating margin combined with improved capital efficiency meant that return on capital employed for the most recent 12-month period increased to 20.0% (-2.2) and for the quarter on an annualized basis to 24%.

SEK M	Q4 2010	Q4 2009	Change %	Q1-4 2010	Q1-4 2009	Change %
Order intake	6 150	5 056	+29 *	24 342	18 962	+33 *
Invoiced sales	6 255	4 960	+34 *	23 893	19 078	+30 *
Operating profit	1 219	-84		4 296	-527	
%	19.5	-1.7		18.0	-2.8	
Return on capital employed	20.0	-2.2		20.0	-2.2	
Number of employees	15 278	15 296	+/-0	15 278	15 296	+/-0

\* At fixed exchange rates for comparable units.

# Sandvik

## Mining and Construction

- Strong demand trend
- High project order intake
- Improved capital efficiency
- Increased return

Demand from the global mining industry continued to improve in the fourth quarter. While the improvement in the project business was most pronounced, demand also rose for equipment and remained high in the aftermarket segment. Although activity in the construction industry was lower than in the mining industry, the trend was nonetheless positive. Order intake and invoiced sales increased by 50% and 32%, respectively, at fixed exchange rates. Order intake reached the highest level ever recorded during a quarter.

Activity in the mining industry, particularly in underground mines and exploration, continued to develop positively during the quarter. The growth in demand was more evident from the mining industry than from the construction industry and was mainly attributable to higher order intake for equipment, while aftermarket was stable at a high level. The rate of increase was highest in South America, NAFTA and Africa. The trend in the construction industry was relatively favorable in Latin America and Asia and improved toward the end of the quarter in Europe and NAFTA. The most significant improvement in demand related to material-handling projects for the mining industries in South America, Asia and Australia. During the quarter, orders were received for a total value of SEK 3.2 billion, or 24% of order intake.

The increase of activity in the project business



Q4	Order intake	Invoiced sales
Price/volume, %	+50	+32
Structure, %	0	0
Currency, %	-1	-1
<b>Total, %</b>	<b>+48</b>	<b>+31</b>

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

added to the high level of invoicing and, in addition to higher invoicing for equipment, led to a slight change in the product mix. Of invoiced sales, the aftermarket business accounted for 47% while equipment and projects accounted for 38% and 15%, respectively.

Capital efficiency was further improved and working capital reached 21% of invoiced sales. Combined with a controlled investment level, this ensured that cash flow remained strong. The increase in demand required an expansion of the

workforce to safeguard a high service level and delivery capacity.

The fourth-quarter operating result amounted to SEK 1,503 M (411) or 14.3% (5.1) of invoiced sales. The result was positively impacted by increased invoicing and pro-

duction volumes, increased internal efficiency and – compared with the preceding year – lower non-recurring costs. Movements in exchange rates had a negative impact of approximately SEK 70 M on the result. A higher project share had a positive impact on return, but negatively impacted the operating margin by about 2 percentage points. Improved capital efficiency combined with a higher share of projects and better operating margin resulted in an increase in return on capital employed for the most recent 12-month period to 25.9% (2.1) and for the fourth quarter on an annualized basis to 35%.

SEK M	Q4 2010	Q4 2009	Change %	Q1-4 2010	Q1-4 2009	Change %
Order intake	13 381	9 029	+50 *	42 079	30 915	+36 *
Invoiced sales	10 543	8 042	+32 *	35 182	32 621	+7 *
Operating profit	1 503	411		4 665	466	
%	14.3	5.1		13.3	1.4	
Return on capital employed	25.9	2.1		25.9	2.1	
Number of employees	15 455	14 429	+7	15 455	14 429	+7

\* At fixed exchange rates for comparable units.

# Sandvik

## Materials Technology

- Increased demand
- Continued product consolidation
- Increased capital efficiency
- Negative metal price effects

Demand developed positively for Sandvik Materials Technology during the quarter. Order intake rose 18% and invoiced sales 26% at fixed exchange rates. Order intake for products for the energy sector and mining industry remained strong and the improvement continued for products used in the automotive, electronics and consumer goods industries. Earnings were negatively impacted by exchange-rate and metal-price effects in the amount of SEK 120 M.

The market situation gradually improved during the quarter, primarily in Europe and Asia. The market for high-alloy products for the nuclear power industry was extremely robust and one further order was registered for deliveries of steam generator tubes to the nuclear power industry in the value of nearly SEK 500 M. Demand also remained favorable for high-alloy products for applications in, for example, the oil and gas industries, but also for products to the automotive, aerospace and electronics industries, among others. The weak state of demand for standard business was unchanged. The strategy in this regard is to gradually reduce exposure in this area. Metal-price movements had a positive effect on order intake and invoiced sales of 7 and 6 percentage points, respectively. The base price trend was positive for most prod-



Q4	Order intake	Invoiced sales
Price/volume, %	+18	+26
Structure, %	0	0
Currency, %	-2	-2
<b>Total, %</b>	<b>+16</b>	<b>+23</b>

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

ucts, with the exception of the standard business, where the downward pressure on prices remained substantial.

Efforts to consolidate and strengthen the product portfolio continued during the quarter and, among other activities, the decision was taken to discontinue the operation in Protomedical in Zell, Germany. The operation encompasses contract manufacturing of medical technology products and the closure will affect 30 employees. Protomedical has annual sales of slightly less than SEK 30 M. Most of the product program will be transferred to other units in MedTech.

The continued expansion of the workforce is primarily due to the need to increase manufacturing capacity, strengthen the sales organization in Asia and ensure delivery performance in ongoing expansion projects.

Capital efficiency was further improved and working capital

amounted to 27% (28) of invoiced sales.

The operating result amounted to SEK 326 M (136), or 6.7% (3.4) of invoiced sales. Movements in metal prices and exchange rates had a negative impact of SEK 80 M and SEK 40 M, respectively, during the quarter. Return on capital employed for the most recent 12-month period amounted to 9.5% (-6.7) and for the fourth quarter on an annualized basis to 8%.

SEK M	Q4 2010	Q4 2009	Change %	Q1-4 2010	Q1-4 2009	Change %
Order intake	5 158	4 444	+18 *	20 847	16 480	+29 *
Invoiced sales	4 896	3 976	+26 *	17 703	15 328	+18 *
Operating profit	326	136		1 540	-1 137	
%	6.7	3.4		8.7	-7.4	
Return on capital employed	9.5	-6.7		9.5	-6.7	
Number of employees	9 058	8 246	+10	9 058	8 246	+10

\* At fixed exchange rates for comparable units.



## Full-year 2010

The global business climate improved sharply in 2010. The improvement took place in most markets and was initially driven by increased consumption of products for industrial production, extending later in the year to include capital-investment goods and major investment projects.

Sandvik's order intake for full-year 2010 was impacted positively by the improvement in the global economy and amounted to SEK 93,285 M (71,285), up 31% in total and 33% at fixed exchange rates for comparable units. Invoicing was SEK 82,654 M (71,937), up 15% in total and 17% at fixed exchange rates for comparable units.

The operating result for the full-year 2010 improved significantly, primarily due to higher volumes, greater cost efficiency and a favorable product mix and amounted to SEK 11,029 M (-1,412). The operating margin was 13.3% (-2.0) of invoic-

ing. Movements in exchange rates had a negative impact on the result of about SEK 720 M compared with the preceding year and movements in metal prices had a positive impact of SEK 300 M. The net effect of other items of a nonrecurring nature for the full year was SEK -400 M.

Financial net amounted to SEK -1,617 M (-2,060) and the result after financial items was SEK 9,412 M (-3,472). The tax rate was 26%, and the net result for the period amounted to SEK 6,943 M (-2,596). Earnings per share amounted to SEK 5.59 (-2.24).

Cash flow from operating activities amounted to SEK 12,149 M (11,792). The Group's investments in fixed assets totaled SEK 3,378 M (4,006). Company acquisitions accounted for SEK 1,216 M (2,036). After investments, acquisitions and divestments, cash flow amounted to SEK 7,769 M (6,119).

## Proposals to the 2011 AGM

The Annual General Meeting will be held in Sandviken on the 3 May, 2011, at 17:00 CET. The 2010 Annual Report will be available in the first week of April on [www.sandvik.com](http://www.sandvik.com). A printed version of the report can also be ordered on the website.

The Board of Directors proposes a dividend of SEK 3.00 per share (1.00), or SEK 3 559 M (1,188) for 2010. The proposal corresponds to 54% of earnings per share. The proposed record date to receive dividends is 6 May 2011.

## Parent Company

The Parent Company's invoicing for the fourth quarter of 2010 amounted to SEK 4,914 M (3,895) and the operating result was SEK -177 M (-87). For the full-year 2010, invoicing amounted to SEK 17,668 M (13,527) and the operating result was SEK 107 M (-1,903). During the year, the operating result was positively impacted by an improved market climate with increased sales and production volumes. The imminent change of CEO resulted in a provision of SEK 77 M being made in the quar-

ter, which, combined with a periodized provision for profit sharing, negative metal-price effects and depreciation of receivables, was charged to earnings for the quarter in the approximate amount of SEK 300 M. Full-year income from shares in Group companies was primarily dividends and amounted to SEK 3,343 M (5,834). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 10,554 M (11,319). Investments in fixed assets amounted to SEK 946 M (910).

## Acquisitions and Divestments

During the fourth quarter, Seco Tools acquired the US companies Niagara Cutter Industries (NCI) and Diamond Tool Coating (DTC). The acquisitions had a minor effect on Sandvik's financial reports. More information will be available in the

annual report for 2010.

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

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

Business area	Company/unit	Closing date	Annual revenue SEK M	No. of employees
Seco Tools	AOB, France	23 July 10	40	50
Seco Tools	NCI and DTC, USA	29 Dec 10	275	180

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

## Significant events

- In October, it was announced that Sandvik Materials Technology had decided to establish a strategic partnership with Carpenter Technology Corporation to further strengthen its position in the field of powder technology and advanced materials, mainly in the energy sector. As part of the arrangement, Sandvik AB will acquire 40% of the shares in Carpenter Powder Products AB and Carpenter Technology Corporation will acquire 40% of the shares in Sandvik Powdermet AB. Carpenter Powder Products AB manufactures high-alloy powder and is already one of Sandvik Powdermet AB's suppliers. The partnership, which also enables strategic research collaboration, makes the combination of Sandvik and Carpenter Technology into a leading player in the powder technology sector.
- In November, Rio Tinto Iron Ore announced its selection of Sandvik Mining and Construction as the preferred supplier of mobile machines for the iron ore capacity expansion to 283 million tons per annum in the Pilbara region of Western Australia. Initially the project includes the delivery and commissioning of nine Sandvik mobile machines by mid- 2013 to several ports and mine sites in Pilbara, and additional machines in the following year. The first order with a value of SEK 750 M was received in December.
- In December, Sandvik reached an agreement with the owners of Shanghai Jianshe Luqiao Machinery Co., Ltd. (SJL), in Shanghai, China, to acquire 80% of the equity interest in the Company. The acquisition is expected to be completed within six to nine months, following customary regulatory approvals. SJL is one of the leading companies in the design and manufacture of crushing and screening equipment, including consumables and services, to the Chinese mining and construction industries. SJL has 1,200 employees and forecast sales of approximately SEK 1,000 M in 2010. Profitability is low, but positive and the acquisition will initially have a slight dilutive effect on Sandvik Mining and Construction's operating margin and return.
- As part of efforts to consolidate and strengthen the business within the MedTech product area, Sandvik Materials Technology decided to discontinue the operation in Protomedical in Zell, Germany. The operation encompasses contract manufacturing of medical technology products and the closure will affect 30 employees. Protomedical has annual sales of slightly less than SEK 30 M. Most of the product program will be transferred to other units in MedTech.
- During October and November, Sandvik Mining and Construction secured a number of major orders for material-handling systems and systems for continuous mining operations and crushing in South America, Africa and Asia. The total value of these orders amounts to about SEK 2,500 M. Deliveries have commenced and are planned to be completed between late 2011 and mid-2013.
- In December, Sandvik's Board of Directors appointed Olof Faxander as new President and CEO with effect from 1 February 2011. Olof Faxander will succeed Lars Pettersson who, after nine years as CEO, will leave Sandvik. Olof Faxander holds an M. Sc. and B. Sc and has been President and CEO of SSAB since 2006.
- In December, it was announced that Anna Vikström Persson had been appointed Senior Vice President Human Resources and member of Group Executive Management at Sandvik AB with effect from 1 March 2011. Anna Vikström Persson is currently Executive Vice President and Head of Group Human Resources at SSAB.

## Risk and Uncertainty Factors

Sandvik is a global group represented in 130 countries and is as such exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Sandvik in its work to achieve established targets. Efficient risk management is an ongoing process conducted within the framework of business control, and is part of the ongoing review of operations and

forward-looking assessment of operations.

Sandvik's future risk exposure is assumed not to deviate from the inherent exposure associated with Sandvik's ongoing business operations. The dramatic developments in the global economy in 2008 and 2009 have caused a higher level of general uncertainty. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2009.



# Financial Reports Summary

## The Group

### INCOME STATEMENT

	Q4	Q4	Change	Q1-4	Q1-4	Change
SEK M	2010	2009	%	2010	2009	%
Revenue	23 276	18 211	+28	82 654	71 937	+15
Cost of sales and services	-15 233	-13 374	+14	-53 131	-54 871	-3
Gross profit	8 043	4 837	+66	29 523	17 066	+73
% of revenues	34.6	26.6		35.7	23.7	
Selling expenses	-2 898	-2 538	+14	-10 848	-10 853	+/-0
Administrative expenses	-1 497	-1 434	+4	-5 295	-5 188	+2
Research and development costs	-567	-516	+10	-2 106	-2 007	+5
Other operating income and expenses	48	59		-245	-430	
Operating profit	3 129	408		11 029	-1 412	
% of revenues	13.4	2.2		13.3	-2.0	
Financial net	-375	-485	-23	-1 617	-2 060	-22
Profit after financial items	2 754	-77		9 412	-3 472	
% of revenues	11.8	-0.4		11.4	-4.8	
Income tax	-568	-26		-2 469	876	
Profit for the period	2 186	-103		6 943	-2 596	
% of revenues	9.4	-0.6		8.4	-3.6	
<b>Other comprehensive income</b>						
Foreign currency translation differences	90	589		-2 386	-645	
Cash-flow hedges	94	-2		615	541	
Tax related to other comprehensive income	-25	1		-162	-142	
Other comprehensive income for the period, net after tax	159	588		-1 933	-246	
Total comprehensive income for the period	2 345	485		5 010	-2 842	
Profit for the period attributable to:						
Owners of the parent	2 094	-132		6 634	-2 652	
Non-controlling interests	92	29		309	56	
Total comprehensive income attributable to:						
Owners of the parent	2 249	450		4 769	-2 864	
Non-controlling interests	96	35		241	22	
Earnings per share, before dilution, SEK	1.76	-0.11		5.59	-2.24	

# Financial Reports Summary

## The Group

### BALANCE SHEET

	31 Dec 2010	31 Dec 2009	Change %
<b>SEK M</b>			
Intangible assets	13 193	14 137	-7
Property, plant and equipment	25 252	26 519	-5
Financial assets	6 023	5 698	+6
Inventories	21 420	19 842	+8
Current receivables	19 328	17 873	+9
Cash and cash equivalents	4 783	7 506	-36
<b>Total assets</b>	<b>89 999</b>	<b>91 575</b>	<b>-2</b>
Total equity	33 813	29 957	+13
Non-current interest-bearing liabilities	25 684	31 807	-19
Non-current non-interest-bearing liabilities	5 869	5 507	+7
Current interest-bearing liabilities	3 783	7 574	-50
Current non-interest-bearing liabilities	20 850	16 730	+25
<b>Total equity and liabilities</b>	<b>89 999</b>	<b>91 575</b>	<b>-2</b>
<i>Net working capital**</i>	<i>21 139</i>	<i>22 122</i>	<i>-4</i>
<i>Loans</i>	<i>26 976</i>	<i>36 388</i>	<i>-26</i>
<i>Net debt****</i>	<i>23 200</i>	<i>30 342</i>	<i>-24</i>
<i>Non-controlling interests in total equity</i>	<i>1 233</i>	<i>970</i>	<i>+27</i>

\* Inventories plus trade receivables excl. prepaid income taxes, reduced by non-interest-bearing liabilities excl. tax liabilities.

\*\* Current and non-current interest-bearing liabilities including net provisions for pensions, less cash and cash equivalents.

### CHANGE IN TOTAL EQUITY

	Equity related to owners of the parent	Non-controlling interest	Total equity
<b>SEK M</b>			
Opening equity, 1 January 2009	35 588	1 137	36 725
Total comprehensive income for the period	-2 864	22	-2 842
Dividends	-3 737	-189	-3 926
Closing equity, 31 December 2009	28 987	970	29 957
Opening equity, 1 January 2010	28 987	970	29 957
Total comprehensive income for the period	4 769	241	5 010
Acquisition of non-controlling interests	10	-17	-7
Divestment of non-controlling interests		41	41
Dividends	-1 186	-2	-1 188
Closing equity, 31 December 2010	32 580	1 233	33 813

# Financial Reports Summary

## The Group

### CASH-FLOW STATEMENT

SEK M	Q4 2010	Q4 2009	Q1-4 2010	Q1-4 2009
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+2 754	-77	+9 412	-3 472
Adjustment for depreciation, amortization and impairment losses	+1 041	+1 223	+4 038	+4 541
Adjustment for items that do not require the use of cash etc.	-70	+248	-130	+481
<u>Income tax paid</u>	-73	+198	-1 056	-870
Cash flow from operating activities before changes in working capital	+3 652	+1 592	+12 264	+680
<i>Changes in working capital</i>				
Change in inventories	-443	+2 103	-2 161	+9 449
Change in operating receivables	-774	+522	-2 832	+5 884
<u>Change in operating liabilities</u>	+995	-209	+5 041	-3 701
Cash flow from changes in working capital	-222	+2 416	+48	+11 632
Investments in rental equipment	-240	-95	-369	-619
Divestments of rental equipment	+69	-30	+206	+99
Cash flow from operating activities	+3 259	+3 883	+12 149	+11 792
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-490	-493	-1 216	-2 036
Acquisitions of property, plant and equipment	-1 299	-580	-3 378	-4 006
Proceeds from sale of companies and shares, net of cash disposed of		+7	0	+55
<u>Proceeds from sale of property, plant and equipment</u>	+50	+183	+214	+314
Cash flow from investing activities	-1 739	-883	-4 380	-5 673
Net cash flow after investing activities	+1 520	+3 000	+7 769	+6 119
<i>Cash flow from financing activities</i>				
Change in interest bearing debt	-1 421	-3 618	-9 223	-1 565
Closure of interest swap and currency hedge				+1 843
<u>Dividends paid</u>	-1		-1 188	-3 926
Cash flow from financing activities	-1 422	-3 618	-10 411	-3 648
Cash flow for the period	+98	-618	-2 642	+2 471
Cash and cash equivalents at beginning of the period	+4 642	+8 040	+7 506	+4 998
Exchange-rate differences in cash and cash equivalents	+43	+84	-81	+37
Cash and cash equivalents at the end of the period	+4 783	+7 506	+4 783	+7 506

### KEY FIGURES

	Full-year 2010	Full-year 2009
No. of shares outstanding at end of period ('000) <sup>1)</sup>	1 186 287	1 186 287
Average no. of shares ('000) <sup>1)</sup>	1 186 287	1 186 287
Tax rate, %	26.2	25.2
Return on capital employed, % <sup>2)</sup>	17.4	-1.3
Return on total equity, % <sup>2)</sup>	22.1	-7.9
Return on total capital, % <sup>2)</sup>	12.7	-1.0
Shareholders' equity per share, SEK	27.50	24.40
Net debt/equity ratio	0.7	1.0
Equity/assets ratio, %	38	33
Net working capital, %	22	32
Earnings per share, SEK	5.59	-2.24
Cash flow from operating activities, SEK M	+12 149	+11 792
Number of employees	47 064	44 355

1) After dilution.

2) Rolling 12 months.

# Financial Reports Summary

## The parent company

### INCOME STATEMENT

	Q4	Q4	Change	Q1-4	Q1-4	Change
SEK M	2010	2009	%	2010	2009	%
Revenue	4 914	3 895	+26	17 668	13 527	+31
Cost of sales and services	-3 790	-3 019	+26	-13 348	-12 018	+11
Gross profit	1 124	876	+28	4 320	1 509	+186
Selling expenses	-219	-134	+63	-631	-536	+18
Administrative expenses	-865	-624	+39	-2 820	-2 402	+17
Research and development costs	-264	-226	+17	-932	-884	+5
Other operating income and expenses	47	21	+124	170	410	-59
Operating profit	-177	-87	+103	107	-1 903	-106
Income from shares in group companies	3 141	2 158	+46	3 343	5 834	-43
Income from shares in associated companies	-	2	-	5	5	0
Interest income and similar items	14	-	-	665	587	+13
Interest expenses and similar items	-342	-348	-2	-1 376	-1 545	-11
Profit after financial items	2 636	1 725	+53	2 744	2 978	-8
Appropriations	2	8	-75	2	8	-75
Income tax expense	339	151	+125	104	765	-86
Profit for the period	2 977	1 884	+58	2 850	3 751	-24

### BALANCE SHEET

	31 Dec	31 Dec	Change
SEK M	2010	2009	%
Intangible assets	25	17	+47
Property, plant and equipment	6 768	6 622	+2
Financial assets	15 832	15 489	+2
Inventories	3 675	3 310	+11
Current receivables	20 000	22 269	-10
Cash and cash equivalents	12	9	+33
Total assets	46 312	47 716	-3
Total equity	17 740	14 607	+21
Untaxed reserves	2	4	-50
Provisions	281	215	+31
Non-current interest-bearing liabilities	14 592	19 079	-24
Non-current non-interest-bearing liabilities	-	22	-
Current interest-bearing liabilities	8 313	9 686	-14
Current non-interest-bearing liabilities	5 384	4 103	+31
Total equity and liabilities	46 312	47 716	-3
Pledged assets	-	-	-
Contingent liabilities	11 228	17 778	-37
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	10 554	11 319	-7
Investments in fixed assets	946	910	+4

# Market Overview and Key Figures

## The Group

### ORDER INTAKE OCH INVOICED SALES PER MARKET AREA Q4 2010

#### The Group

Market area	Order intake			Share %	Invoiced sales		
	SEK M	Change* % % <sup>1)</sup>			SEK M	Change* %	
Europe	8 692	+27	+39	33	8 610	+24	37
NAFTA	3 827	+24	+59	15	3 584	+38	16
South America	3 193	+108	+35	12	2 220	+81	10
Africa/Middle East	2 868	+46	+24	11	2 424	+38	10
Asia	4 514	+26	+21	17	4 270	+34	18
Australia	3 219	+46	+12	12	2 168	+8	9
<b>Total</b>	<b>26 313</b>	<b>+37</b>	<b>+33</b>	<b>100</b>	<b>23 276</b>	<b>+31</b>	<b>100</b>

#### Sandvik Tooling

Europe	3 336	+34	+34	54	3 363	+38	54
NAFTA	1 093	+33	+33	18	1 106	+32	18
South America	305	+32	+32	5	277	+23	4
Africa/Middle East	53	-49	-49	1	96	+28	2
Asia	1 286	+23	+23	21	1 339	+29	21
Australia	77	+12	+12	1	74	+12	1
<b>Total</b>	<b>6 150</b>	<b>+29</b>	<b>+29</b>	<b>100</b>	<b>6 255</b>	<b>+34</b>	<b>100</b>

#### Sandvik Mining and Construction

Europe	1 944	-8	+27	14	1 846	-2	18
NAFTA	1 418	+108	+108	11	1 225	+62	12
South America	2 701	+134	+38	20	1 725	+108	16
Africa/Middle East	2 735	+59	+34	20	2 227	+41	21
Asia	1 698	+19	+17	13	1 694	+35	16
Australia	2 885	+59	+18	22	1 826	+9	17
<b>Total</b>	<b>13 381</b>	<b>+50</b>	<b>+34</b>	<b>100</b>	<b>10 543</b>	<b>+32</b>	<b>100</b>

#### Sandvik Materials Technology

Europe	2 436	+59	+59	47	2 436	+27	50
NAFTA	1 064	-24	+49	21	1 025	+21	21
South America	111	+21	+21	2	139	+18	3
Africa/Middle East	59	-47	-47	1	80	+29	1
Asia	1 252	+35	+19	24	970	+37	20
Australia	236	-24	-24	5	246	+0	5
<b>Total</b>	<b>5 158</b>	<b>+18</b>	<b>+37</b>	<b>100</b>	<b>4 896</b>	<b>+26</b>	<b>100</b>

\* At fixed exchange rates for comparable units.

1) Excluding major orders.

# Financial Reports Summary

## The Group

### ORDER INTAKE BY BUSINESS AREA

SEK M	Q4	Q1-4	Q1	Q2	Q3	Q4	Change Q4		Q1-4
	2009	2009	2010	2010	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	5 056	18 962	5 899	6 295	5 998	6 150	22	29	24 342
Sandvik Mining and Construction	9 029	30 915	9 906	9 629	9 163	13 381	48	50	42 079
Sandvik Materials Technology	4 444	16 480	5 041	5 752	4 896	5 158	16	18	20 847
Seco Tools <sup>2)</sup>	1 258	4 926	1 425	1 502	1 466	1 624	29	38	6 016
Group activities	0	2	-1	1					1
Group total	19 787	71 285	22 270	23 179	21 523	26 313	33	37	93 285

### INVOICED SALES BY BUSINESS AREA

SEK M	Q4	Q1-4	Q1	Q2	Q3	Q4	Change Q4		Q1-4
	2009	2009	2010	2010	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	4 960	19 078	5 551	6 122	5 966	6 255	26	34	23 893
Sandvik Mining and Construction	8 042	32 621	7 588	8 375	8 676	10 543	31	32	35 182
Sandvik Materials Technology	3 976	15 328	4 019	4 618	4 170	4 896	23	26	17 703
Seco Tools <sup>2)</sup>	1 225	4 871	1 367	1 479	1 420	1 572	28	37	5 838
Group activities	9	39	9	9	9	10			38
Group total	18 211	71 937	18 534	20 603	20 241	23 276	28	31	82 654

### OPERATING PROFIT BY BUSINESS AREA

SEK M	Q4	Q1-4	Q1	Q2	Q3	Q4	Change Q4		Q1-4
	2009	2009	2010	2010	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	-84	-527	834	1 283	961	1 219			4 296
Sandvik Mining and Construction	411	466	623	1 283	1 257	1 503			4 665
Sandvik Materials Technology	136	-1 137	312	699	203	326			1 540
Seco Tools <sup>2)</sup>	121	307	220	311	245	322			1 098
Group activities	-176	-521	-92	-105	-134	-241			-570
Group total	408	-1 412	1 897	3 471	2 532	3 129			11 029

### OPERATING MARGIN BY BUSINESS AREA

% OF INVOICED SALES	Q4	Q1-4	Q1	Q2	Q3	Q4	Change Q4		Q1-4
	2009	2009	2010	2010	2010	2010	%	% <sup>1)</sup>	2010
Sandvik Tooling	-1.7	-2.8	15.0	21.0	16.1	19.5			18.0
Sandvik Mining and Construction	5.1	1.4	8.2	15.3	14.5	14.3			13.3
Sandvik Materials Technology	3.4	-7.4	7.8	15.1	4.9	6.7			8.7
Seco Tools <sup>2)</sup>	9.9	6.3	16.1	21.0	17.2	20.5			18.8
Group total	2.2	-2.0	10.2	16.8	12.5	13.4			13.3

1) Change compared with preceding year at fixed exchange rates for comparable units.

2) As a result of the majority holding in Seco Tools AB, Sandvik consolidates this company.  
For comments, refer to the Seco Tools' interim report.



## Accounting policies

This interim report was prepared in accordance with IFRS, applying IAS 34, *Interim Financial Reporting*. The same accounting and valuation policies were applied as in the most recent annual report with the exception of new and revised standards and interpretations effective from 1 January 2010. These changes have not had any significant impact on Sandvik's financial statements.

As of 1 January 2010, the Group applies the revised IFRS 3 *Business Combinations* and the revised IAS 27 *Consolidated and Separate Financial Statements*. The implications of the revised accounting policies include the following: transaction costs in connection with business combinations must be expensed, conditional purchase considerations must be fair valued at the date of acquisition and the effects of the revaluation of liabilities related to the conditional purchase considerations must be recognized as income or expense in profit or loss for the year. 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 to Sandvik's earlier policy, which states that excess amounts shall be recognized as goodwill. The phrase "Minority interest" has also been changed in the financial statements to the new designation "Non-controlling interest."

The policy changes had no retroactive effect on Sandvik's financial statements and thus no amounts in the financial statements were adjusted.

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

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

## Transactions with related parties

No transactions between Sandvik and related parties that have significantly affected the com-

pany's position and earnings took place during the fourth quarter.

Sandviken, 2 February 2011  
Sandvik Aktiebolag (publ)

Board of Directors

Sandvik AB discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information is submitted for publication on 2 February 2011 at 08.00 CET. The report for the first quarter 2011 will be published on 3 May 2011. The company's auditors have not conducted a special review of the Q4 2010 report.

Additional information may be obtained from Sandvik Investor Relations, at tel +46 26 26 10 23 (Jan Lissåker) or tel +46 26 26 09 37 (Magnus Larsson) or by e-mailing [info.ir@sandvik.com](mailto:info.ir@sandvik.com).

A combined presentation and teleconference will be held on 2 February 2011 at 13.30 CET at Operaterrassen in Stockholm. Information is available at [www.sandvik.com/ir](http://www.sandvik.com/ir).

### Calendar 2011:

3 May	First-quarter report 2011
3 May	Annual General Meeting
19 July	Second-quarter report 2011
14 Sep	Capital Markets Day
27 Oct	Third-quarter report 2011

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