

# Sandvik Q2

PRESS RELEASE 17 July 2009

Interim report on the second quarter  
and the first six months of 2009

## CEO's comment:

“Demand during the second quarter remained very weak in all customer segments with the exception of the energy sector, which remained robust,” says Sandvik’s President and CEO Lars Pettersson.

“Order intake declined in price and volume by 42% and invoiced sales by 35% compared with the corresponding quarter in the preceding year and amounted to SEK 16.5 billion and SEK 18 billion, respectively. Low invoicing levels combined with low production rates and non-recurring costs of SEK 1.4 billion led to a sharp drop in earnings compared with the preceding year and amounted to

a loss of SEK 2 billion. Up until now we have not seen any improvement in the market.”

“Efforts to reduce working capital and adapt capacity and costs to the weak market continued successfully. We generated a favorable operating cash flow, inventory volumes were reduced and the cost base was lowered. Meanwhile, our strong market position in the energy sector was confirmed by the agreements we have recently signed for the supply of advanced products to the nuclear power and oil industries.”

## FINANCIAL HIGHLIGHTS

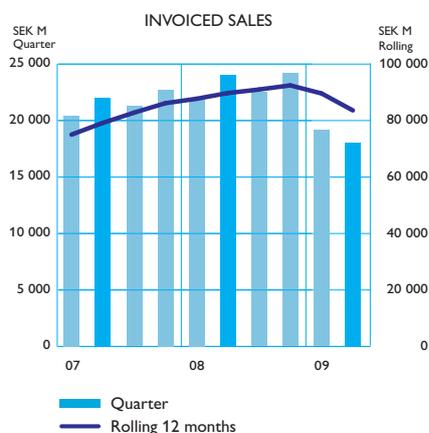
SEK M	Q2 2009	Q2 2008	Change %	Q1-2 2009	Q1-2 2008	Change %
Order intake	16 503	24 688	-42 *	34 257	49 788	-40 *
Invoiced sales	18 011	24 016	-35 *	37 147	46 006	-30 *
Gross profit	3 154	8 520	-63	8 123	16 206	-50
% of invoiced sales	17.5	35.5		21.9	35.2	
Operating profit	-1 985 **	3 783	neg.	-1 871 **	6 973	neg.
% of invoiced sales	-11.0	15.8		-5.0	15.2	
Profit after financial items	-2 443	3 302	neg.	-2 872	6 018	neg.
% of invoiced sales	-13.6	13.7		-7.7	13.1	
Profit for the period	-2 015	2 410	neg.	-2 314	4 410	neg.
% of invoiced sales	-11.2	10.0		-6.2	9.6	
of which shareholders' interest	-2 020	2 304	neg.	-2 341	4 189	neg.
Earnings per share, SEK <sup>1)</sup>	-1.70	1.94		-1.97	3.53	
Return on capital employed, 12 months rolling, %	6.2	23.2		6.2	23.2	
Cash flow from operations	+2 890	+3 364	-14	+4 674	+5 360	-13
Number of employees	46 452	50 125	-7	46 452	50 125	-7

\* At fixed exchange rates for comparable units.

\*\* Excluding non-recurring costs in Q2 the operating profit was SEK -585 M and SEK -471 M respectively.

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

# Market and sales



Q2	Order intake	Invoicing
Price/volume, %	-42	-35
Structure, %	0	0
Currency, %	+15	+16
<b>Total, %</b>	<b>-33</b>	<b>-25</b>

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

The weak global economy continued during the second quarter of 2009. The market situation was poor, with the exception of the energy sector and parts of the Chinese market. Extensive reductions in the inventories of major customer groups added to the low activity in the market.

Demand for Sandvik's products was considerably lower than in the corresponding period in 2008, but only marginally lower than the preceding quarter. Invoiced sales remained slightly higher than order intake due to order backlog reduction for mainly mining equipment.

In most markets, order intake declined by 30-50% in price and volume. Demand from all segments was weak except for the energy sector, which remained strong. The rate of investment in the mining industry was low, particularly with regard to exploration. Despite higher price levels for many metals, production rates were low and many mines have been temporarily closed, meaning that equipment and service are concentrated to fewer mines with a lower production cost. New agreements and orders for tube deliveries to the nuclear power and oil industries confirmed Sandvik's strength in the energy segment. In China the automotive industry in particular performed positively.

Ongoing activities to adapt costs and capacity to the weak demand continued. The effects will be gradually increased throughout the year and the estimated cost reductions in the second quarter amounted to about SEK 1.3 billion, while the effect for the full-year is estimated to amount to

nearly SEK 6 billion. At the end of the second quarter, the workforce had been reduced by more than 7,000 employees and contracted staff since the downturn started. Some 12-14,000 employees have agreed to reduce working hours and salaries, mainly in the second half of the year, and about 15 production units have been closed or are in the process of being closed.

**Order intake** totaled SEK 16,503 M (24,688), a decline of 33% in total and 42% excluding currency effects for comparable units. Changed exchange rates had a positive impact on order intake of 15%.

Cancellations in the mining sector amounted to SEK 130 M during the quarter. The decline in comparable units and excluding currency effects was 45% for Sandvik Tooling and 46% for Sandvik Mining and Construction. For Sandvik Materials Technology, the decline was 34%, but excluding adjustments for price compensation related to metal prices, the decline was 16%.

**Invoiced sales** in the second quarter amounted to SEK 18,011 M (24,016), a fall of 25% in total and of 35% for comparable units and excluding currency effects. Changed exchange rates had a positive impact on invoiced sales of 16%. For Sandvik Tooling, the decline for comparable units excluding currency effects was 44% and this figure for Sandvik Mining and Construction was 25%. The reduction for Sandvik Materials Technology was 43%, but excluding adjustments for price compensation related to metal prices, the decline was 25%.

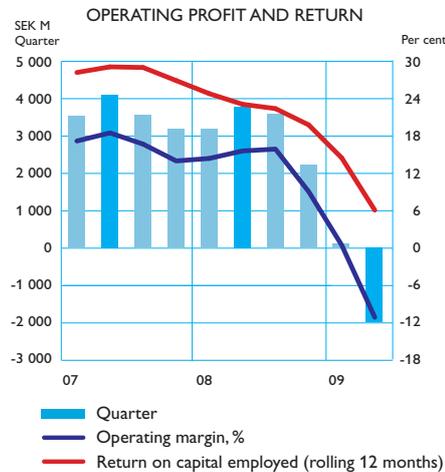
# Earnings and return

The negative impact on earnings for the quarter was significant as a result of the low level of demand, but also as a result of extensive reduction in production rates and costs for restructuring measures, impairment losses, metal price effects and increased provisions for obsolescence. The operating result in the second quarter totaled SEK -1,985 M (+3,783), but excluding non-recurring costs it was SEK -585 M. The operating margin was -11.0 % of invoicing (15.8).

Earnings were adversely impacted in the amount of SEK 360 M attributable to changed metal prices and by about SEK 1,400 M as a result of nonrecurring costs related to restructuring measures, impairment of goodwill and other assets, and an increase in provisions for obsolescence. Changed exchange rates had a positive impact on earnings of approximately SEK 30 M. Cost saving measures improved the result with about SEK 1 300 M in the quarter.

The rate of production was further reduced during the quarter with the aim of addressing the issue of lower order intake and to adapt inventory levels to the lower demand scenario. The rate of production in most production units was 10-20% lower than invoicing during the quarter. Combined with the significantly lower invoicing volumes, this meant that the volume-related reduction in earnings and the under absorption of fixed costs had a significant impact on earnings. Inventories were reduced by more than SEK 3 billion in volume and the operating cash flow was strong for all business areas, which strengthened the financial position.

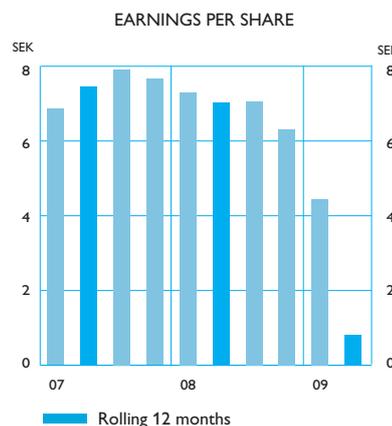
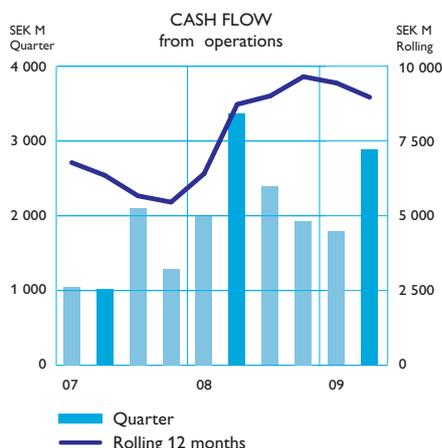
The financial net amounted to SEK -458 M (-481) and result after financial items was



SEK -2,443 M (3,302). The result for the period was SEK -2,015 M (2,410) and earnings per share SEK -1.70 (1.94).

Operating cash flow was SEK +2,890 M (+3,364) as a result of a SEK 4,032 M reduction in working capital. Investments in fixed assets amounted to SEK 1,298 M (1,630), and this level will continue to be gradually reduced. Company acquisitions accounted for SEK 987 M (673). Cash flow after investments amounted to SEK +772 M (+1,144) during the quarter. Payment of dividend lead to a seasonal weakening of the net debt/equity ratio. The favorable trend in cash flow and working capital however compensated well for the weaker result and the payment for the acquisition of Wolfram Bergbau- und Hütten. Cash and cash equivalents totaled about SEK 6 billion at the end of the quarter.

The return on capital employed declined significantly to 6.2% (23.2) and the return on shareholders' equity declined to 3.3% (31.2).



# Sandvik Tooling

- Continued weak demand
- Reduced production rates
- Under absorption of fixed costs
- Comprehensive cost reductions
- Consolidation of Wolfram Bergbau- und Hütten

During the second quarter, Sandvik Tooling was also influenced by extremely low activity levels and significant cutbacks in important customer segments, primarily the automotive industry and engineering industry. Extensive production restrictions were implemented.

Order intake in the second quarter fell by 45%, while invoiced sales declined by 44% for comparable units excluding currency effects. The price level was stable.

Demand largely remained at the same low level as that experienced during the first quarter, primarily as a result of low activity



and extensive reductions in production rates and inventories in the automotive and engineering industries. Demand was also weak for consumer-related products and, to a certain extent, also the aerospace industry, whereas the energy sector remained strong. Activity levels were low in all markets, with the exception of China, where the trend in automotive production was favorable.

Activities aimed at reducing costs in Sandvik Tooling continued. These included production curtailments, staff reductions and consolidation of production units. Agreements are now in place in most units regulating reduced working hours

Q2	Order intake	Invoicing
Price/volume, %	-45	-44
Structure %	+1	+1
Currency, %	+19	+19
Total, %	-34	-32

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

and salaries, which is gradually bringing about further cost reductions. Since the end of the third quarter 2008, Sandvik Tooling has reduced the number of employees by about 1,800 persons, of whom slightly more than 600 during the second quarter of 2009.

During the quarter, implemented measures are estimated to have cut costs by SEK 600-700 M.

The acquisition of Wolfram Bergbau- und Hütten was finalized during the quarter and the company was consolidated into Sandvik Tooling as of 28 May.

The operating result deteriorated sharply compared with the second quarter of 2008 and amounted to SEK -463 M (+1,626) or -10.2% (24.2%) of invoiced sales. Low production volumes resulted in a reduction in gross profit and the under absorption of fixed costs, which had a significant negative impact on earnings in the quarter. Earnings were also adversely impacted in the amount of about SEK 300 M for costs primarily related to restructuring measures, impairment losses and increased obsolescence, but were positively impacted by SEK 30 M due to changed exchange rates. Return on capital employed declined to 9.1% (33.0).

SEK M	Q2 2009	Q2 2008	Change %	Q1-2 2009	Q1-2 2008	Change %
Order intake	4 466	6 720	-45 *	9 498	13 649	-42 *
Invoiced sales	4 541	6 721	-44 *	9 734	13 321	-39 *
Operating profit	-463 **	1 626		-196 **	3 221	
%	-10,2	24,2		-2,0	24,2	
Return on capital employed	9,1	33,0		9,1	33,0	
Number of employees	15 969	16 928	-6	15 969	16 928	-6

\* At fixed exchange rates for comparable units.

\*\* Excluding non-recurring costs in Q2 the operating profit was SEK -163 M and SEK +104 M respectively.

# Sandvik

## Mining and Construction

- Continued weak demand
- Low investment level
- Under absorption of fixed costs
- Consolidation of units
- Cost adjustments

The low levels of activity in the mining and construction industries continued during the second quarter. Efforts to adjust capacity and costs continued on schedule and involved personnel reductions and consolidation of the number of production units.

Order intake declined by 46% for comparable units excluding currency effects and invoiced sales fell by 25%, which meant that the order backlog declined by approximately SEK 2 billion. The price trend remained relatively stable. No major project orders were received during the quarter.

Customer activity in the global mining and construction industries remained weak during the quarter. Government stimulus packages and higher metal prices have not yet had any material effect on order intake to date. A more stable trend was reported for tools, spare parts and service, despite a decline in volume caused by lower production rates and a concentration to fewer mines. Cancellations of orders already placed impacted order intake negatively with SEK 130 M, but fell considerably compared with the preceding quarter.

In South America and parts of Asia, the decline was less severe than in the rest of the world. Activity in such areas as energy-related



Q2	Order intake	Invoicing
Price/volume, %	-46	-25
Structure, %	0	0
Currency, %	+15	+16
<b>Total, %</b>	<b>-38</b>	<b>-13</b>

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

coal mining and, to a certain degree, gold mining remained relatively high. The dramatic change in the market scenario in the recent quarters impacted the product mix in the business area.

During the second quarter, the share of equipment amounted to 37% (48) of invoicing and the aftermarket share to 48% (42), while the project share was 15% (10).

With the aim of adapting production capacity and costs to the weak market situation, Sandvik Mining and Construction continued to reduce its workforce and consolidate production units. During the quarter, the workforce was reduced by about 800 employees. Agreements are now in place in several units regulating reduced working hours and salaries. Measures implemented are estimated to have reduced costs by about SEK 400 M during the quarter. Inventory volumes were reduced by SEK 1,700 M during the quarter.

The operating result in the second quarter amounted to SEK -670 M (+1,370) or -7.9% of invoicing. Earnings were negatively impacted due to lower sales and production volumes and by about SEK 800 M attributable to costs for restructuring, impairment losses and increased obsolescence. Changed exchange rates had a negative impact of about SEK 70 M on earnings. Return on capital employed declined to 9.5% (27.9).

SEK M	Q2 2009	Q2 2008	Change %	Q1-2 2009	Q1-2 2008	Change %
Order intake	6 443	10 389	-46 *	13 752	20 918	-42 *
Invoiced sales	8 487	9 786	-25 *	16 818	18 138	-19 *
Operating profit	-670 **	1 370		-278 **	2 555	
%	-7,9	14,0		-1,7	14,1	
Return on capital employed	9,5	27,9		9,5	27,9	
Number of employees	15 273	16 928	-10	15 273	16 928	-10

\* At fixed exchange rates for comparable units.

\*\* Excluding non-recurring costs in Q2 the operating profit was SEK +130 M and SEK +522 M respectively.

# Sandvik

## Materials Technology

- Continued weak demand in most customer segments
- Strong development and capacity expansion in the energy area
- Under absorption of fixed costs
- Reduced inventories

The market situation for Sandvik Materials Technology remained weak during the second quarter. Demand was low from most customer segments with the exception of products for the energy sector, where the nuclear power and oil/gas industries demonstrated favorable growth.

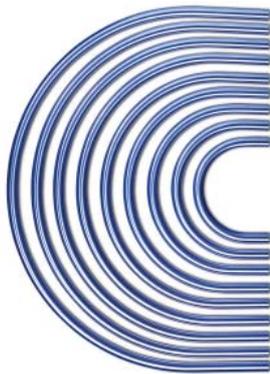
Order intake fell by 34% and invoicing by 43% in price and volume. The effects of changed metal prices had a negative impact on order intake and invoicing of about 18 percentage points. The price trend was favorable for high value-added products, but under greater pressure for low-value added products and products exposed to a higher degree of competition.

Sandvik's strong position as a supplier to the energy sector was consolidated during the quarter. Sandvik Materials Technology signed two major agreements covering the delivery of steam generator tubes to the nuclear power industry with a total value of more than SEK 3 billion. The order intake was positively impacted during the quarter by about SEK 400 M as a result of these agreements, which relate to deliveries from 2013. Moreover, the business area secured a number of major orders for advanced tubes to the oil industry for delivery during the second half of 2009. Demand from other segments, primarily the automotive, aerospace, mining and consumer-related industries, was weak.

Q2	Order intake	Invoicing
Price/volume, %	-34	-43
Structure, %	0	0
Currency, %	+13	+14
<b>Total %</b>	<b>-25</b>	<b>-35</b>

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

During the quarter, the Kanthal and Wire product areas were merged into a single organization with the aim of capitalizing on cost reduction opportunities and strengthening the product mix. A decision was also made to significantly increase production capacity in Sandviken of steam generator tubes for the nuclear power industry.



The ongoing action programs to address the issue of the low volume trend continued during the quarter and included cost cuts, personnel reductions and production restrictions. The number of employees was reduced by about 200 persons during the quarter. Furthermore, an agreement was reached relating to a temporary reduction in working hours and

salaries from mid-2009 for about a further 3,000 employees. Total nickel inventory levels declined from 9,000 tons to 8,000 tons.

The operating result in the second quarter totaled SEK -750 M (+534) or -19.7% of invoicing. The result was negatively impacted by lower sales and production volumes. Changed metal prices had a negative effect of SEK 360 M on earnings. However, changed exchange rates had a positive impact of about SEK 90 M and cost-cutting measures with about SEK 250 M. Earnings were also charged with about SEK 300 M for restructuring and impairment costs. Return on capital employed declined to -3.9% (7.2).

SEK M	Q2 2009	Q2 2008	Change %	Q1-2 2009	Q1-2 2008	Change %
Order intake	4 400	5 899	-34 *	8 458	11 820	-37 *
Invoiced sales	3 798	5 810	-43 *	8 053	11 212	-37 *
Operating profit	-750 **	534		-1 271 **	617	
%	-19,7	9,2		-15,8	5,5	
Return on capital employed	-3,9	7,2		-3,9	7,2	
Number of employees	8 777	9 404	-7	8 777	9 404	-7

\* At fixed exchange rates for comparable units.

\*\* Excluding non-recurring costs in Q2 the operating profit was SEK -450 M and SEK -971 M respectively.

## Significant events

- During the quarter, the Kanthal and Wire product areas within Sandvik Materials Technology were merged with the aim of capitalizing on cost reduction opportunities while also improving market penetration and the product mix.
- As announced earlier, Sandvik Tooling's acquisition of the Austrian company Wolfram Bergbau- und Hütten was concluded during the second quarter. The company was consolidated in its entirety in the Sandvik Group as of 28 May 2009. The purchase consideration will follow a payment plan that extends until 2011.
- In June, Sandvik Materials Technology signed two agreements covering the delivery of steam generator tubes to the nuclear power industry for a total value of more than SEK 3 billion. One of these agreements was reached with the Chinese company Shanghai Electric Nuclear Power Equipment Co and is valued at more than SEK 1 billion. The second agreement was signed with the French company Areva NP SAS and is valued at more than SEK 2 billion. Deliveries are expected to commence in 2013. An order intake totaling approximately SEK 400 M based on these agreements was recognized during the quarter.
- Based on Sandvik's strong market position, it has been decided to increase capacity for the production of steam generator tubes to the nuclear power industry through an expansion of the operation in Sandviken. The build-up of capacity will take place gradually and will commence in the second half of 2009.
- Sandvik's comprehensive action program continued during the quarter with the aim of adapting production capacity and cost levels to prevailing market conditions. About 12-14 000 employees are presently affected by agreements on reduced working hours. In addition to cost-saving measures in day-to-day activities, the structural measures that have been taken since the third quarter 2008 are summarized in the table below:

### Personnel changes since third quarter 2008

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Other	Group total
Reduction of contract and temporary employees *	200	1 600	400	50	2 250
Reduction of permanent employees	1 613	1 921	666	551	4 751
Announced further reduction of employees *	150	500	550	150	1 350
Closing of units	Australia, Italy (2), Austria, Korea	Australia (3), UK, Canada, Sweden, USA, South Africa, Austria, Brazil	–	–	

\*) rounded numbers

## Acquisitions and divestments

The total purchase consideration for operations acquired during the year amounted to SEK 3,272 M. Of the purchase consideration, a preliminary amount of SEK 2,223 M comprises

goodwill and other intangible assets. The number of employees in acquired operations amounted to 286. The effect on invoicing and earnings for the period does not represent a significant amount.

### Acquisitions during the latest 18 months

Business area	Company/unit	Closing date	Annual revenue SEK M	No. of employees
Sandvik Mining and Construction	JN Precise, Canada	28 Jan 08	100	70
Sandvik Materials Technology	Medtronic Inc., USA (part of)	1 Feb 08	140	110
Sandvik Mining and Construction	Corstor International, South Africa	29 Feb 08	70	100
Sandvik Mining and Construction	Aubema, Germany	3 Apr 08	160	80
Sandvik Mining and Construction	Sanslip, Sweden	7 Apr 08	15	9
Sandvik Materials Technology	Eurocut, UK	2 May 08	60	60
Seco Tools	ALG, Russia	5 May 08	100	170
Sandvik Tooling	Teeness, Norway	30 May 08	200	105
Sandvik Tooling	Precorp, USA (49%)	12 Jun 08	140	140
Sandvik Tooling	BTA Heller Drilling Systems, UK	16 Jan 09	33	12
Sandvik Tooling	Wolfram Bergbau- und Hütten, Austria	28 May 09	1 800	274

### Divestments during the latest 18 months

Business area	Company/unit	Closing date	Annual revenue SEK M	No. of employees
Sandvik Tooling	Sandvik Tobler	31 Jan 08	85	80
Sandvik Mining and Construction	Sandvik Nora, construction division	30 Apr 08	65	30
Sandvik Materials Technology	Sandvik Calamo	30 Oct 08	65	36

## Parent Company

The Parent Company's invoicing during the second quarter of 2009 amounted to SEK 3,021 M (5,566) and the operating result was SEK -838 M (199). For the period January – June 2009, invoicing was SEK 6,932 M (11,101) and the operating result was SEK -1,452 M (-85). Similar to the Group, the Parent Company's operating result was negatively impacted during the period by metal price effects, low capacity utilization in certain production units and items of a nonrecurring nature. In

2009, the result has been negatively affected by SEK 680 M due to metal price effects and SEK 186 M attributable to costs for restructuring measures. Income from shares in Group companies consists primarily of dividends from these and amounted to SEK 3,628 M (3,256). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 13,722 M (12,362 at 31 December 2008). Investments in fixed assets amounted to SEK 690 M (855).

## First six months of 2009

Order intake for the period January-June 2009 was impacted by the sharp deterioration in the economy and amounted to SEK 34,257 M (49,788), down 31% in total and 40% for comparable units excluding currency effects. Invoicing was SEK 37,147 M (46,006), down 19% in total and 30% for comparable units excluding currency effects.

The operating result of the January-June period significantly declined as a result of lower volumes and amounted to SEK -1,871 M (6,973) and excluding non-recurring costs in Q2 SEK -471 M. The operating margin was -5.0% (15.2) of invoicing. Changed exchange rates had a positive impact on earnings of about

SEK 380 M from the beginning of the year.

Financial net amounted to SEK -1,001 M (-955) and result after financial items was SEK -2,872 M (6,018). Result for the period amounted to SEK -2,314 M (4,410). Earnings per share amounted to SEK -1.97 (3.53).

Cash flow from operating activities amounted to SEK +4,674 M (+5,360). The Group's investments in fixed assets totaled SEK 2,979 M (3,092). Company acquisitions accounted for SEK 1,051 M (923). After investments, acquisitions and divestments, cash flow amounted to SEK +835 M (+1,591). Cash flow after investments and dividends amounted to SEK -3,148 M.

## Accounting principles

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 certain new standards and interpretations, which are applied from 1 January 2009.

Revised IAS 1 Presentation of financial statements entails that items recognized directly in equity that do not affect transactions with owners must now be recognized in the income statement under the heading Other comprehensive income. Sandvik has chosen to present other comprehensive income as a component in the income statement and not as a separate statement. The statement of changes in equity

presents the total comprehensive income for the period and transactions with owners. The corresponding reclassifications have been made in the comparative figures.

In addition to the amendments in IAS 1, new standards and interpretations have not entailed any significant effects on Sandvik's financial reports. IFRS 8 Operating segments has not entailed any change to Sandvik's definition of the Group's segments.

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 2.2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board.

## Risks 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 relation to established targets. Efficient risk management is an ongoing process conducted within the framework of business control, and is part of the ongoing operations follow-up 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 recent dramatic developments in the global economy have caused a higher level of general uncertainty, which, in the short term, could also entail increased risk and uncertainty for Sandvik's sales and profitability. For a more in-depth analysis of risks, refer to Sandvik's Annual Report 2008.

## Transactions with related parties

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

pany's position and earnings have taken place.

# Financial reports summary

## The Group

### INCOME STATEMENT

	Q2	Q2	Change	Q1-2	Q1-2	Change
SEK M	2009	2008	%	2009	2008	%
Revenue	18 011	24 016	-25	37 147	46 006	-19
Cost of sales and services	-14 857	-15 496	-4	-29 024	-29 800	-3
Gross profit	3 154	8 520	-63	8 123	16 206	-50
% of revenues	17.5	35.5		21.9	35.2	
Selling expenses	-2 946	-2 858	+3	-5 799	-5 591	+4
Administrative expenses	-1 394	-1 349	+3	-2 725	-2 641	+3
Research and development costs	-557	-525	+6	-1 085	-1 017	+7
Other operating income and expenses	-242	-5	-	-385	16	-
Operating profit	-1 985	3 783	neg.	-1 871	6 973	neg.
% of revenues	-11.0	15.8		-5.0	15.2	
Financial net	-458	-481	-5	-1 001	-955	+5
Profit after financial items	-2 443	3 302	neg.	-2 872	6 018	neg.
% of revenues	-13.6	13.7		-7.7	13.1	
Income tax	428	-892	neg.	558	-1 608	neg.
Profit for the period	-2 015	2 410	neg.	-2 314	4 410	neg.
% of revenues	-11.2	10.0		-6.2	9.6	
<b>Other comprehensive income</b>						
Foreign currency translation differences	29	102		957	-729	
Cash-flow hedges	401	143		357	131	
Tax related to other comprehensive income	-106	-40		-94	-37	
Total comprehensive income for the period	324	205		1 220	-635	
Total profit for the period	-1 691	2 615		-1 094	3 775	
Profit for the period attributable to:						
Owners of the parent	-2 020	2 304		-2 341	4 189	
Non-controlling interests	5	106		27	221	
Total comprehensive income attributable to:						
Owners of the parent	-1 686	2 502		-1 120	3 580	
Non-controlling interests	-5	113		26	195	
Earnings per share, before dilution, SEK	-1.70	1.94		-1.97	3.53	

# Financial reports summary

## The Group

### BALANCE SHEET

SEK M	30 June 2009	30 June 2008	Change %	31 Dec 2008
Intangible assets	15 093	11 256	+34	12 472
Property, plant and equipment	27 620	22 142	+25	26 123
Financial assets	5 504	3 995	+38	4 352
Inventories	24 995	25 657	-3	28 614
Current receivables	20 813	24 135	-14	26 668
Cash and cash equivalents	6 023	3 293	+83	4 998
<b>Total assets</b>	<b>100 048</b>	<b>90 478</b>	<b>+11</b>	<b>103 227</b>
Total equity	31 705	28 304	+12	36 725
Non-current interest-bearing liabilities	32 056	21 445	+49	25 314
Non-current non-interest-bearing liabilities	5 808	5 457	+6	5 919
Current interest-bearing liabilities	13 135	14 456	-9	14 549
Current non-interest-bearing liabilities	17 344	20 816	-17	20 720
<b>Total equity and liabilities</b>	<b>100 048</b>	<b>90 478</b>	<b>+11</b>	<b>103 227</b>
<i>Net working capital *</i>	28 356	28 499	-1	32 571
<i>Loans</i>	41 937	33 137	+27	36 735
<i>Net debt **</i>	37 638	31 305	+20	33 323
<i>Non-controlling interests in total equity</i>	974	891	+9	1 137

\* Inventories + 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

SEK M	Equity related to owners of the parent	Non-controlling interest	Total equity
Opening equity, 1 January 2008	28 614	1 209	29 823
Total comprehensive income for the period	11 755	456	12 211
Acquisition of non-controlling interest		-162	-162
Dividends	-4 745	-366	-5 111
Exercised share options	-36		-36
Closing equity, 31 December 2008	35 588	1 137	36 725
Opening equity, 1 January 2009	35 588	1 137	36 725
Total comprehensive income for the period	-1 120	26	-1 094
Dividends	-3 737	-189	-3 926
Closing equity, 30 June 2009	30 731	974	31 705
Opening equity, 1 January 2008	28 614	1 209	29 823
Total comprehensive income for the period	3 580	195	3 775
Acquisition of non-controlling interest		-147	-147
Dividends	-4 745	-366	-5 111
Exercised share options	-36		-36
Closing equity, 30 June 2008	27 413	891	28 304

# Financial reports summary

## The Group

### CASH-FLOW STATEMENT

SEK M	Q2 2009	Q2 2008	Q1-2 2009	Q1-2 2008
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	-2 443	+3 302	-2 872	+6 018
Adjustment for depreciation, amortization and impairment losses	+1 371	+824	+2 336	+1 681
Adjustment for items that do not require the use of cash	+152	-153	+6	-286
<u>Income tax paid</u>	<u>-222</u>	<u>-1 027</u>	<u>-688</u>	<u>-1 797</u>
Cash flow from operating activities before changes in working capital	-1 142	+2 946	-1 218	+5 616
<i>Changes in working capital</i>				
Change in inventories	+3 454	-21	+5 093	-892
Change in operating receivables	+2 363	-981	+4 661	-1 796
<u>Change in operating liabilities</u>	<u>-1 785</u>	<u>+1 420</u>	<u>-3 862</u>	<u>+2 432</u>
Cash flow from operating activities	+2 890	+3 364	+4 674	+5 360
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-987	-673	-1 051	-923
Acquisitions of property, plant and equipment	-1 298	-1 630	-2 979	-3 092
Proceeds from sale of companies and shares, net of cash disposed of	+48	+33	+48	+83
<u>Proceeds from sale of property, plant and equipment</u>	<u>+119</u>	<u>+50</u>	<u>+143</u>	<u>+163</u>
Cash flow from investing activities	-2 118	-2 220	-3 839	-3 769
Net cash flow after investing activities	+772	+1 144	+835	+1 591
<i>Cash flow from financing activities</i>				
Change in interest bearing debt	+67	+6 130	+2 537	+5 542
Closure of interest swap and currency hedge			+1 424	
Exercise of personnel options program		-3		-44
Payment to new pension funds		-663		-663
<u>Dividends paid</u>	<u>-3 920</u>	<u>-5 111</u>	<u>-3 925</u>	<u>-5 111</u>
Cash flow from financing activities	-3 853	+353	+36	-276
Cash flow for the period	-3 081	+1 497	+871	+1 315
Cash and cash equivalents at beginning of the period	+9 083	+1 745	+4 998	+2 006
Exchange-rate differences in cash and cash equivalents	+21	+51	+154	-28
<u>Cash and cash equivalents at the end of the period</u>	<u>+6 023</u>	<u>+3 293</u>	<u>+6 023</u>	<u>+3 293</u>

### KEY FIGURES

	Q2 2009	Q2 2008	Q1-4 2008
No. of shares outstanding at end of period ('000) <sup>1)</sup>	1 186 287	1 186 287	1 186 287
Average no. of shares ('000) <sup>1)</sup>	1 186 287	1 186 287	1 186 287
Tax rate, %	17.5	27.0	25.9
Return on capital employed, % <sup>2)</sup>	6.2	23.2	19.9
Return on total equity, % <sup>2)</sup>	3.3	31.2	24.8
Return on total capital, % <sup>2)</sup>	4.6	16.5	14.4
Shareholders' equity per share, SEK	25.90	23.10	30.0
Net debt/equity ratio	1.2	1.1	0.9
Equity/assets ratio, %	32	31	36
Net working capital, %	42	30	32
Earnings per share, SEK	-1.70	1.94	6.30
Cash flow from operating activities, SEK M	+2 890	+3 364	+9 671
<u>Number of employees</u>	<u>46 452</u>	<u>50 125</u>	<u>50 028</u>

1) After dilution.

2) Rolling 12 months

# Financial reports summary

## The parent company

### INCOME STATEMENT

	Q2	Q2	Change	Q1-2	Q1-2	Change
SEK M	2009	2008	%	2009	2008	%
Revenue	3 021	5 566	-46	6 932	11 101	-38
Cost of sales and services	-2 961	-4 241	-30	-6 669	-8 981	-26
Gross profit	60	1 325	-95	263	2 120	-88
Selling expenses	-144	-171	-16	-286	-334	-14
Administrative expenses	-620	-589	5	-1 259	-1 116	13
Research and development costs	-235	-262	-10	-472	-531	-11
Other operating income and expenses	101	-104	-	302	-224	-
Operating profit	-838	199	-	-1 452	-85	-
Income from shares in group companies	143	3 214	-96	3 628	3 256	11
Income from shares in associated companies	2	2	-	2	2	-
Interest income and similar items	162	109	49	284	341	-17
Interest expenses and similar items	-476	-384	24	-867	-708	22
Profit after financial items	-1 007	3 140	-	1 595	2 806	-43
Appropriations	-	-	-	-	-	-
Income tax expense	-107	2	-	-132	-21	-
Profit for the period	-1 114	3 142	-	1 463	2 785	-47

### BALANCE SHEET

	30 June	30 June	Change	31 Dec
SEK M	2009	2008	%	2008
Intangible assets	17	15	13	31
Property, plant and equipment	6 802	6 229	9	6 618
Financial assets	14 780	14 039	5	14 819
Inventories	3 814	5 155	-26	5 123
Current receivables	19 100	16 073	19	15 305
Cash and cash equivalents	2	44	-95	3
Total assets	44 515	41 555	7	41 899
Total equity	11 806	10 896	8	14 089
Untaxed reserves	12	19	-37	12
Provisions	255	338	-25	371
Non-current interest-bearing liabilities	18 313	10 881	68	12 366
Non-current non-interest-bearing liabilities	55	18	-	108
Current interest-bearing liabilities	10 377	14 511	-28	9 873
Current non-interest-bearing liabilities	3 697	4 892	-24	5 080
Total equity and liabilities	44 515	41 555	7	41 899
Pledged assets	-	-	-	-
Contingent liabilities	19 249	16 068 <sup>1)</sup>	20	17 316
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	13 722	14 917	-8	12 362
Investments in fixed assets	690	855	-19	1 537

1) Relates to values of 2007-12-31

# Market overview and key figures

## The Group

### ORDER INTAKE AND INVOICED SALES PER MARKET AREA Q2 2009

#### The Group

Market area	Order intake			Share %	Invoiced sales		
	SEK M	Change* % % <sup>1)</sup>			SEK M	Change* %	
Europe	6 622	-46	-48	40	7 234	-42	40
NAFTA	2 931	-37	-37	18	2 792	-38	15
South America	933	-31	-31	6	1 040	-36	6
Africa/Middle East	1 551	-38	-38	9	1 673	-29	9
Asia	3 062	-34	-43	19	3 388	-24	19
Australia	1 404	-55	-40	8	1 884	-25	11
<b>Total</b>	<b>16 503</b>	<b>-42</b>	<b>-43</b>	<b>100</b>	<b>18 011</b>	<b>-35</b>	<b>100</b>

#### Sandvik Tooling

Europe	2 409	-48	-48	54	2 477	-47	55
NAFTA	888	-39	-39	20	872	-43	19
South America	182	-48	-48	4	191	-44	4
Africa/Middle East	82	-39	-39	2	80	-29	2
Asia	845	-39	-39	19	858	-38	19
Australia	60	-34	-34	1	63	-33	1
<b>Total</b>	<b>4 466</b>	<b>-45</b>	<b>-45</b>	<b>100</b>	<b>4 541</b>	<b>-44</b>	<b>100</b>

#### Sandvik Mining and Construction

Europe	1 624	-47	-47	25	2 094	-34	25
NAFTA	789	-43	-43	12	918	-32	11
South America	602	-22	-22	9	709	-27	8
Africa/Middle East	1 349	-39	-39	21	1 514	-27	18
Asia	994	-47	-47	16	1 711	-3	20
Australia	1 085	-58	-40	17	1 541	-21	18
<b>Total</b>	<b>6 443</b>	<b>-46</b>	<b>-42</b>	<b>100</b>	<b>8 487</b>	<b>-25</b>	<b>100</b>

#### Sandvik Materials Technology

Europe	1 832	-44	-51	42	1 911	-44	50
NAFTA	1 071	-30	-30	24	833	-39	22
South America	105	-32	-32	2	92	-58	3
Africa/Middle East	95	-25	-25	2	54	-63	1
Asia	1 055	-9	-46	24	646	-40	17
Australia	242	-45	-45	6	262	-37	7
<b>Total</b>	<b>4 400</b>	<b>-34</b>	<b>-44</b>	<b>100</b>	<b>3 798</b>	<b>-43</b>	<b>100</b>

\* At fixed exchange rates for comparable units.

1) Excluding major orders.

# Financial reports summary

## The Group

### ORDER INTAKE BY BUSINESS AREA

SEK M	Q2	Q3	Q4	Q1-4	Q1	Q2	Change Q2		Q1-2
	2008	2008	2008	2008	2009	2009	%	% <sup>1)</sup>	2009
Sandvik Tooling	6 720	6 270	5 879	25 798	5 032	4 466	-34	-45	9 498
Sandvik Mining and Construction	10 389	9 465	8 251	38 634	7 308	6 443	-38	-46	13 752
Sandvik Materials Technology	5 899	4 770	4 991	21 581	4 057	4 400	-25	-34	8 458
Seco Tools <sup>2)</sup>	1 678	1 600	1 595	6 594	1 356	1 192	-29	-36	2 548
Group activities	1	1	0	3	1	2			1
Group total	24 688	22 106	20 716	92 610	17 754	16 503	-33	-42	34 257

### INVOICED SALES BY BUSINESS AREA

SEK M	Q2	Q3	Q4	Q1-4	Q1	Q2	Change Q2		Q1-2
	2008	2008	2008	2008	2009	2009	%	% <sup>1)</sup>	2009
Sandvik Tooling	6 721	6 295	6 359	25 975	5 193	4 541	-32	-44	9 734
Sandvik Mining and Construction	9 786	9 475	11 038	38 651	8 330	8 487	-13	-25	16 818
Sandvik Materials Technology	5 810	5 122	5 146	21 480	4 255	3 798	-35	-43	8 053
Seco Tools <sup>2)</sup>	1 691	1 576	1 618	6 513	1 347	1 176	-30	-37	2 523
Group activities	8	10	10	35	11	9			19
Group total	24 016	22 478	24 171	92 654	19 136	18 011	-25	-35	37 147

### OPERATING PROFIT BY BUSINESS AREA

SEK M	Q2	Q3	Q4	Q1-4	Q1	Q2	Change Q2		Q1-2
	2008	2008	2008	2008	2009	2009	%	% <sup>1)</sup>	2009
Sandvik Tooling	1 626	1 422	817	5 461	267	-463			-196
Sandvik Mining and Construction	1 370	1 337	1 105	4 996	392	-670			-278
Sandvik Materials Technology	534	505	65	1 187	-521	-750			-1 271
Seco Tools <sup>2)</sup>	378	318	232	1 332	95	41			135
Group activities	-125	3	16	-183	-118	-143			-261
Group total <sup>3)</sup>	3 783	3 586	2 235	12 794	115	-1 985			-1 871

### OPERATING MARGIN BY BUSINESS AREA

% OF INVOICED SALES	Q2	Q3	Q4	Q1-4	Q1	Q2	Change Q2		Q1-2
	2008	2008	2008	2008	2009	2009	%	% <sup>1)</sup>	2009
Sandvik Tooling	24.2	22.6	12.9	21.0	5.1	-10.2			-2.0
Sandvik Mining and Construction	14.0	14.1	10.0	12.9	4.7	-7.9			-1.7
Sandvik Materials Technology	9.2	9.9	1.3	5.5	-12.2	-19.7			-15.8
Seco Tools <sup>2)</sup>	22.3	20.2	14.4	20.5	7.0	3.4			5.4
Group total	15.8	16.0	9.2	13.8	0.6	-11.0			-5.0

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

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

3) Internal transactions had negligible effect on business area profits.

### Certification

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

Sandviken 17 July 2009  
Sandvik Aktiebolag (publ)

	Clas Åke Hedström Chairman	
Anders Nyrén Vice Chairman	Georg Ehrnrooth Director	Simon Thompson Director
Tomas Kärnström Director	Jan Kjellgren Director	Fredrik Lundberg Director
Hanne de Mora Director	Egil Myklebust Director	Lars Pettersson CEO and Director

Sandvik discloses the information provided herein pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 17 July 2009 at 08:00 CET.

The company's auditors have not conducted a special review of the Q2 2009 report. The Sandvik Group's interim report for the third quarter of 2008 will be published on 30 October 2009.

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

A combined presentation and teleconference will be held on 17 July 2009 at 13.30 CET at Operaterasen in Stockholm. Information available at [www.sandvik.com/ir](http://www.sandvik.com/ir).

### Calendar 2009:

17 Jul Second-quarter report 2009  
3 Sep Capital Markets Day  
30 Oct Third-quarter report 2009

### Calendar 2010:

3 Feb Fourth-quarter and full-year report 2009  
4 May First-quarter report 2010 and AGM  
20 Jul Second-quarter report 2010  
29 Oct Third-quarter report 2010

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