

Sandvik

Annual Report 2010



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Note. The formal annual report comprises the pages 12–94.

Forthcoming information and reports

Annual Report 2010	April 2011
The Sandvik World 2010/2011	April 2011
Report on the first quarter	3 May 2011
Annual General Meeting	3 May 2011
Report on the second quarter	19 July 2011
Report on the third quarter	27 October 2011
Report on the fourth quarter	1 February 2012
Annual Report 2011	April 2012
The Sandvik World 2011/2012	April 2012

Financial information may be ordered from:

Sandvik AB
Group Communications
SE-811 81 Sandviken
Sweden
Phone: +46 (0)26-26 10 47
www.sandvik.com

The consolidation implemented throughout the Group in recent years has not only enhanced cost efficiency but has also strengthened the Sandvik brand.

Read more on page **4**

Sandvik's invoiced sales amounted to SEK 82,654 M (71,937) and the Group's result after financial items totaled SEK 9,412 M (–3,472).

Read more on page **13**

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

Read more on page **96**

In addition to information in the Annual Report, the Sandvik Group is presented in The Sandvik World 2010/2011, a publication distributed to shareholders in April 2011. 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 +33%*, SEK **93,285** M.
- Invoiced sales +17%*, SEK **82,654** M.
- Result after financial items, SEK **9,412** M.
- Earnings per share, SEK **5.59**.
- Proposed dividend, SEK **3.00**.

* At fixed exchange rates for comparable units.

Operational information

- Stable demand generated a strong order intake.
- Strong cash flow and significant improvement in capital efficiency.
- Increased presence in emerging markets and in the energy sector.
- Continued structural changes to enhance the efficiency of operations.

Key figures

SEK M	2010	2009	2008	2007	2006	Change 2010/2009
Order intake	93,285	71,285	92,610	92,059	77,708	+33*
Invoiced sales	82,654	71,937	92,654	86,338	72,289	+17*
Result after financial items	9,412	-3,472	10,577	12,997	11,113	—
Earnings per share, SEK	5.59	-2.24	6.30	7.65	6.45	—
Return on capital employed, %	17.4	-1.3	19.9	27.0	27.6	—
Return on shareholders' equity, %	22.1	-7.9	24.8	34.4	31.8	—
Cash flow from operations	12,149	11,792	9,335	5,076	7,741	+3
Number of employees at 31 December	47,064	44,355	50,028	47,123	41,743	+6

* 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 2010, the Group had about 47,000 employees and sales in more than 130 countries. Sales amounted to approximately SEK 83 billion.

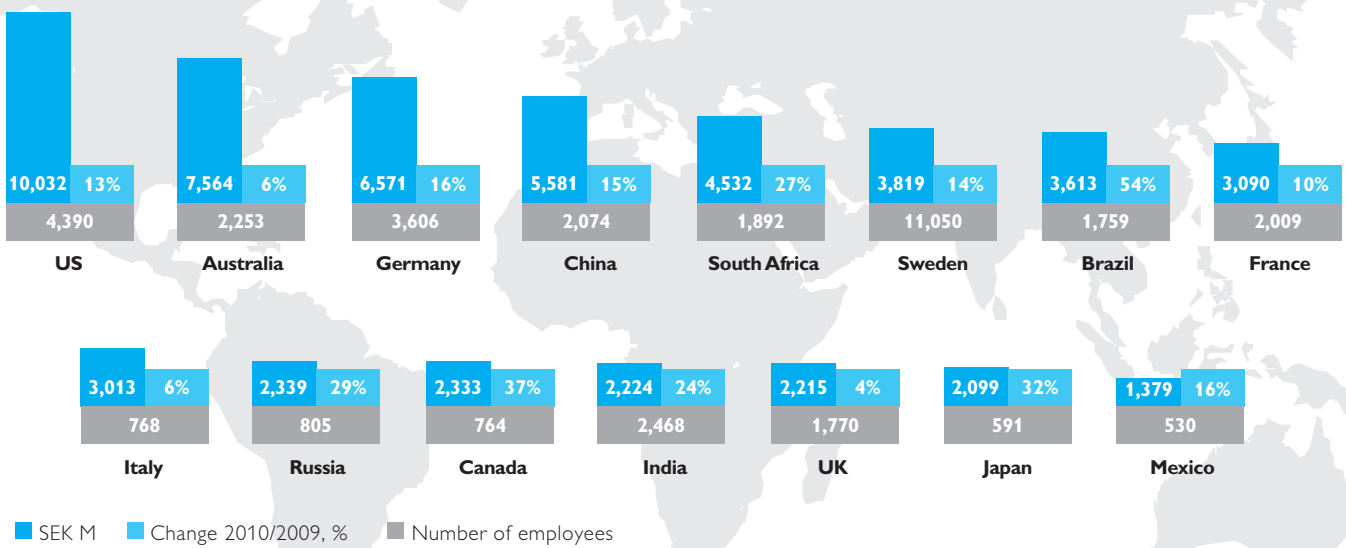
Sandvik's operations are based on unique expertise in materials technology and extensive insight into customer processes. This combination has provided world-leading positions in three primary areas:

- 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 steels, special alloys, titanium, metallic and ceramic resistance materials and process systems.

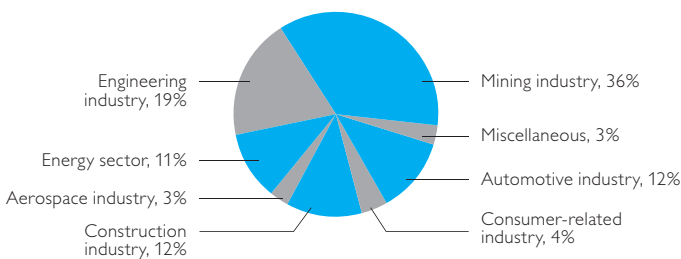
Sandvik is focused on long-term growth. To create the basis for sustainable development, operations are divided into three business areas, with world-leading market positions. Each business area is responsible for research and development, production, marketing and sales of its particular products.

The world as our local market

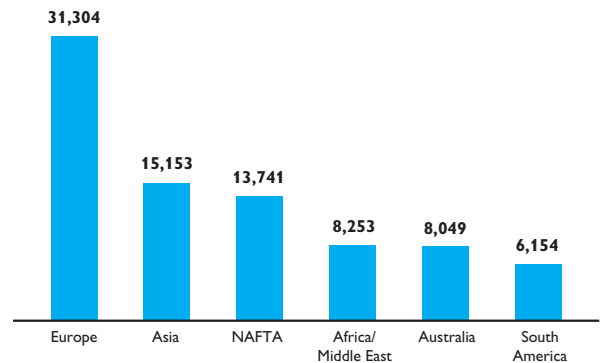
Invoiced sales and number of employees for the 15 largest markets in 2010.



Invoiced sales by customer area



Invoicing by market area, SEK M



Sandvik Tooling

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

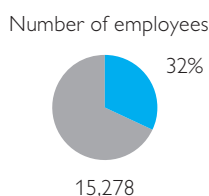
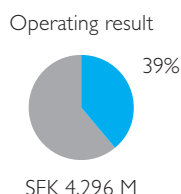
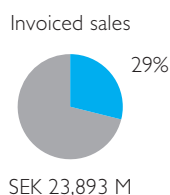
Advanced products manufactured in cemented carbide and other hard materials, such as synthetic diamond, cubic boron nitride, ceramics and high-speed steel. The objective is to increase customer productivity by providing products, services and applications know-how.

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 2010, 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 150 billion. Given the uncertainty in the market in 2010, some increased degree of uncertainty surrounds estimations of the market's size. The average annual long-term growth has been 4–5%.

Share of Group



Sandvik Mining and Construction

Sandvik Mining and Construction is specialized in equipment, tools and service for the mining and construction industries.

The business area 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.

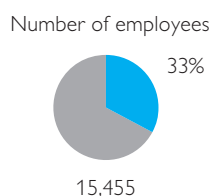
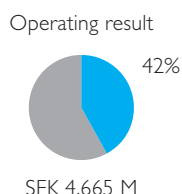
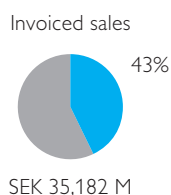
The business area provides an extensive product program for drilling and mechanical mining, as well as for loading and transport, crushing and sorting, demolition, recycling and handling of rock and minerals.

Market

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

The global market for 2010 was estimated to amount to about SEK 265 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



Sandvik Materials Technology

Sandvik Materials Technology develops products in advanced metallic and ceramic materials, customized for the most demanding industries and fields of applications. Its cutting-edge expertise is based on an integrated production platform and world-leading metallurgy and R&D.

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

Offering

High value-added products and system solutions based on advanced stainless steels, special alloys and titanium.

Furnace products, heating systems and resistance materials.

Production of orthopedic implants and surgical instruments.

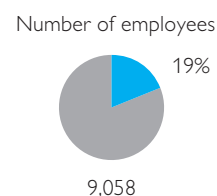
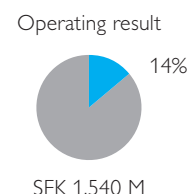
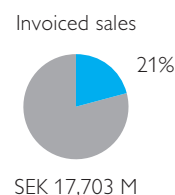
Process systems based on steel belts.

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 2010 was estimated at more than SEK 150 billion. The underlying average annual growth is 4–6%, while growth is normally higher in such areas as the energy segment.

Share of Group



Greater efficiency yielded results and a strengthened position for the future

Comprehensive programs aimed at reducing costs and enhancing capital efficiency, together with new investments in production and logistics, yielded results in 2010 in the form of increases in sales, productivity and profitability. The market situation gradually improved during the year and by year-end, sales were about 10% below the level for the Group prior to the downturn in autumn 2008.

The beginning of 2010 was marked by crisis management in response to the earlier financial crisis and the recession, but as the market situation improved, the new cost and capital structures that were shaped by the Group's action programs generated results in the form of increased sales, productivity and profitability. In parallel, Sandvik continued to develop its forward-looking plans, which included expanding manufacturing of tubing for the nuclear power industry, coordinating logistics and opening new production plants in China. Sandvik's business model created strong leverage in conjunction with this market realignment. In 2010, Sandvik's invoiced sales amounted to SEK 82,654 M (71,937) and the result after financial items was SEK 9,412 M (-3,472).

Development within Sandvik's business areas

There was a sharp improvement in the demand trend for Sandvik Tooling in all markets and product areas in 2010. The principal reasons were intensified global activity with increased industrial production, thus leading to higher demand for Sandvik Tooling's products. The strongest markets were Europe and North America as well as the Asian markets of China, India and South Korea.

Sandvik Mining and Construction also noted a strongly positive demand trend, particularly from the mining industry, where development was driven by a rise in metal consumption and higher prices for metals and coal. Despite the introduction of stimulus packages in many coun-

tries, the construction industry displayed only weak development. The year ended with the highest order intake ever recorded for a single quarter and sales in the after-market segment were particularly positive. Demand was generally favorable in all geographic markets, with the strongest increase in demand noted in North and South America, and Africa. In the latter part of the year, we announced a strategically significant acquisition of the Chinese company Shanghai Jianshe Luqiao Machinery Co. Ltd. The company is active in the Chinese mining and construction industries, supplying equipment for crushing and screening as well as consumables and service.

Demand for Sandvik Materials Technology was also positive, mainly in Europe and Asia, and order intake for products for the energy sector and mining industry was especially strong. The trend toward the consolidation of production continued and the business area initiated a strategic partnership with Carpenter Technology Corporation to further strengthen the position in the area of powder technology and advanced material used in, for example, the fast-growing energy sector. This partnership makes the combination of Sandvik and Carpenter Technology a leading player in the sector.

Development areas

Sandvik's cost adjustments and its focus on reducing working capital ensured a strong cash flow, which in turn meant that key functions required to generate future revenue could be kept intact

throughout the crisis. The company continued to invest aggressively in research and development and a considerable number of new products were launched according to schedule, resulting in greater cost efficiency for customers in line with the Group's fundamental business concept.

The consolidation that has been implemented in the Group in recent years has not only led to enhanced cost efficiency, but also a strengthening of the Sandvik brand. Sustainability was another major focus area during the year and one example of this was the acquisition of Wolfram Bergbau, enabling the Group to substantially increase its capacity to satisfy its raw material needs through the recovery of cemented carbide. Another example is the steady rise in the share of products and services developed on the basis of sustainability. This takes the form of significant investments in the development of products that offer improved energy efficiency in customer processes, with the corresponding reduction in the environmental footprint. Examples include solutions for the processing industry, mining industry and manufacture of wind turbines.

Finally, I would like to thank all employees for a job well done in 2010.



Lars Pettersson
President and CEO
up to and including January 2011

“ Sandvik continued to develop its forward-looking plans, which included expanding manufacturing of tubing for the nuclear power industry, coordinating logistics and opening new production plants in China. ”

Sandvik's ability to adapt is a key asset

I took over the position as President and CEO of Sandvik on 1 February 2011.

Leading a global knowledge-based company in a period filled with challenges and opportunities is an exciting and interesting assignment.


Sandvik offers unique products and solutions in areas with considerable potential. The Group generates added values for customers across the globe by reducing their total costs, streamlining their processes and meeting sustainability criteria in relation to environment, health and safety. I am convinced that Sandvik's ability to contribute to enhanced efficiency and more effective utilization of resources will continue to constitute a key concept for success in the future.

2010 was the year when the global economy started to recover after the effects of the financial crisis and, while the outlook for 2011 is generally positive in Sandvik's sectors, there remains a series of concerns and question marks relating to the economic situation. It is therefore important to maintain a high level of preparedness and to be ready to react to rapid changes. However, it is also important to keep in mind that strong pressure for change from our external environment is not necessarily negative. In fact, it is quite the opposite. It is my

firm opinion that the most successful companies and organizations are also those that are best at adapting to rapid changes and new trends. Sandvik has shown that it is one of these companies, and we will nurture this and continue to build on it.

Yes, Sandvik is a successful company with a strong position and an exciting outlook, but it has not achieved this status by chance. It has been the result of the collective efforts of its employees. I hope that this will continue in 2011 and that our cooperation will be a successful one.

It is with both excitement and confidence that I look forward to the year ahead and Sandvik's continued development.



Olof Faxander
President and CEO
as of February 2011

“ Sandvik's ability to contribute to enhanced efficiency and more effective utilization of resources will continue to constitute a key concept for success in the future. ”

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 an advanced holistic approach that covers 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. From the very beginning, the company has 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 customer 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.

Management by objectives is pursued in a decentralized manner and contains both short and long-term goals. 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 Annual Report on pages 96-107 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 various business areas encounter differing commercial conditions and they have thus been assigned specific intermediate 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.

Long-term approach and shareholder value

The Group's long-term objective is to create value for its shareholders. Sandvik has achieved in average of about 7% annual growth over the past 20 years – half of which through organic growth and half through acquisitions. In the past five years, the total return on an investment in Sandvik shares has averaged 15% annually.

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.

Research and development

Comprehensive and goal-oriented research and development is a prerequisite for 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 maximize 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 builds trust 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.

Business concept

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

Core values

Strong corporate culture

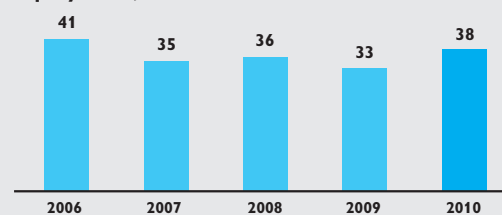
- Open Mind
- Fair Play
- Team Spirit

Overall goals

Profitable growth

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

Equity ratio, %



Strength factors

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

Sandvik Tooling

Tools of cemented carbide and other hard materials for metal cutting.

Sandvik Mining and Construction

Machinery and equipment for mining and construction industries.

Sandvik Materials Technology

Products of advanced metallic and ceramic materials.

Sustainable development

Issues relating to sustainable development are assigned priority at Sandvik. The Group’s focus on 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. Sandvik shall also maintain a high level of ethics and be a good global corporate citizen.

The Group’s Code of Conduct includes guidelines 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 forms 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 positive leverage 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 and similar stakeholders.

Read more about the Group’s sustainability work on pages 96–107 or at www.sandvik.com.

Long-term 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. The Group has completed some 40 company acquisitions over the past ten years.

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.

Strategy

Main focus

To maintain:

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

To offer:

- Added value for customers.

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.

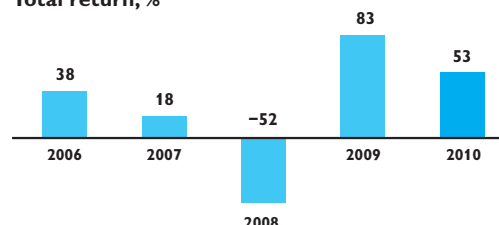
Focus on efficiency

- 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, %



Customers attach value to enhanced efficiency

Sandvik generates increased customer value by offering products and solutions that reduce costs, provide more reliable and cost-efficient processes and satisfy sustainability aspects in terms of environment, health and safety.

By acting at both a global and local level, Sandvik offers customers across the globe optimal solutions encompassing products and service. The Group strives to become a valued partner and the customer's obvious first choice.

More efficient solar energy

Solar cell technology represents an important cornerstone in the development of renewable energy. Sandvik Materials Technology has developed a furnace system used in the manufacture of the thin layers of solar cells that convert solar energy to electricity. The new furnaces raise the productivity of solar cell manufacturing by 25% compared with competing methods.

World-leading drilling

Sandvik Mining and Construction has introduced a newly designed down-the-hole drill rig featuring advanced technical solutions, sophisticated energy-saving functions and a range of optional extras. It is based on a module concept with components that are practically designed to ensure a high degree of availability and automation, resulting in lower costs, simpler handling and greater safety. The product is the first of a series and has attracted considerable interest from the construction sector.

Innovative solution for gear milling

With the aim of replacing high-speed steel tools, Sandvik Coromant – within the Sandvik Tooling business area – has developed a new gear cutter fitted with cemented-carbide inserts that has been successfully deployed by a number of customers. The cutter raised customers' productivity by an average of 40% and the manufacturing cost was cut by up to 20%. At the same time, the new gear cutter reduced the tool cost when used instead of conventional high-speed steel tools. The market for the new concept is considerable and it allows a shift in technology in many different industrial applications, such as in the manufacture of gear units for wind turbines.

The Sandvik share

During 2010, Sandvik's share price increased 52%, while the OMXS index on the NASDAQ OMX Stockholm rose 23%. Communication with players in the financial market during the year was characterized by strong interest in the company's actions during the rapidly changing economic conditions and the effectiveness of Sandvik's business model during this period.

At year-end 2010, the Sandvik share was quoted at SEK 131.10. The Group's market capitalization rose SEK 54 billion during the year to SEK 156 billion (102), ranking Sandvik as the 7th (8) largest company on the OMXS. During the year, Sandvik shares were traded for a total value of SEK 147 billion (123), making it the 6th (8) 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 objective is that the dividend will amount to at least 50% of earnings per share.

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 2010, the total dividend yield for the Sandvik share was 53%. Over the past five-year period, the total dividend yield has averaged 15% annually.

Reliable information to investors, analysts and the media

Sandvik's goal is to ensure that the value of the company's share is always assessed on the basis of relevant, correct and current information. Realization of this goal requires a clear strategy for financial communication, reassuring information and regular contact with the various stakeholders in the financial markets.

Contacts with the financial markets include presentations in conjunction with 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.

IR focus in 2010

In 2010, about 300 meetings were arranged throughout the world, including a major investment meeting in Shanghai, China, with nearly 200 participants. Much of the IR activities during the year were based on the theme "Prepared for the future," which was aimed at describing the future oriented measures implemented over the course of the recession and how the Group prepared itself to deal with new, rapid movements in the economy and to leverage growth opportunities in various markets.

Sandvik's owners

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 American Depositary Receipts (ADR).

In 2010, the number of shareholders increased to a total of about 112,000 (109,000). Sandvik has shareholders in more than 90 countries.

At 31 December 2010, members of Sandvik's Group Executive Management owned a total of 280,016 shares in Sandvik, corresponding to 0.02% of the capital and voting rights. Members of the Board of Sandvik owned a total of 6,148,562 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 3.00 (1.00) per share for 2010 to the Annual General Meeting, corresponding to a dividend yield of 2.3% based on the share price at year-end. Overall, the proposed dividend represents some SEK 3.6 billion. Over the past five years, Sandvik's dividend has averaged SEK 2.88 per year. During the same period, an average of approximately 61% of earnings per share has been distributed to the shareholders.

Awards

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

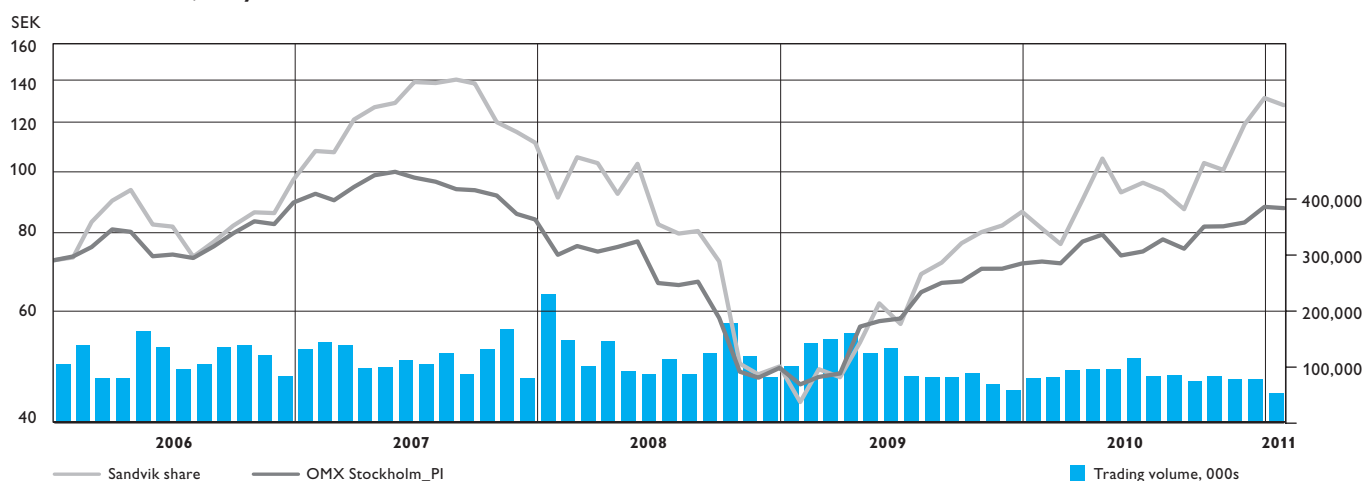
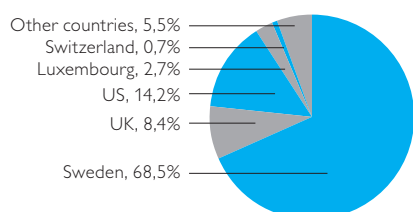
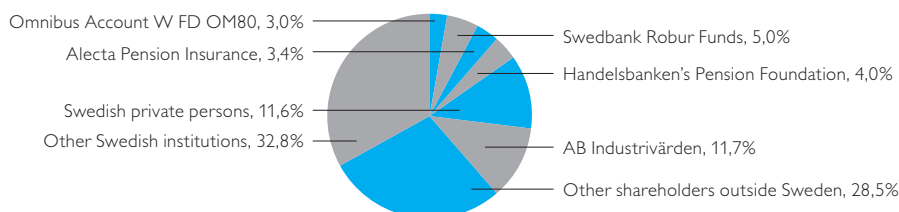
Sandvik is also included in FTSE-4Good Series; another international index for global companies that assume social responsibility.

Investor Relations on the Internet

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

Sandvik's positioning

Sandvik is a global engineering Group whose offering includes products, services and support that improve customer productivity and profitability. Over 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 holds – or has the potential to establish – world-leading positions in all of the market segments in which it operates. Assuming an active role in addressing such issues as sustainability, health and safety characterizes the Group, as does close cooperation with customers and suppliers.

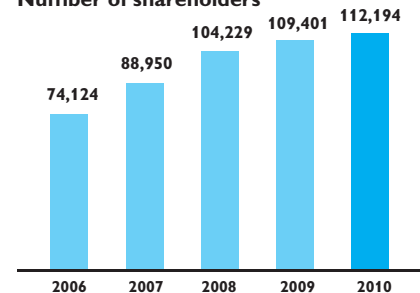
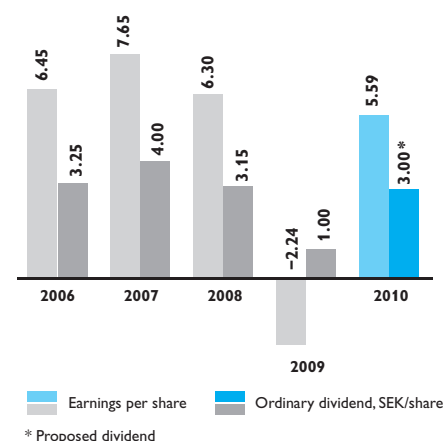
The Sandvik share, five-year trend

Distribution of shareholding by country

Shareholders in Sandvik AB, 31 December 2010

Key figures

	2010	2009	2008	2007	2006
Number of shares at year-end (millions)	1,186	1,186	1,186	1,186	1,186
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)	156	102	58	132	118
Number of shareholders	112,194	109,401	104,299	88,950	74,124
Share price at year-end, SEK	131.10	86.40	49.00	111.25	99.50
Earnings per share, SEK	5.59	-2.24	6.30	7.65	6.45
P/E ratio at year-end	23.5	—	7.8	14.5	15.4
Change in share price during the year, %	+52	+76	-56	+12	+34
Regular dividend, SEK/share	3.00*	1.00	3.15	4.00	3.25
Dividend as a percentage of earnings per share	54	—	50	52	50
Total dividend yield (price increase + dividend), %	+53	+83	-52	+18	+38
Proportion of shares in Sweden, %	69	67	65	63	63
Proportion of shares owned by the ten largest shareholder groups, %	36	35	36	38	35

* Proposed dividend.

The ten largest shareholders, holding at 31 December, %

	2010	2009	2008	2007	2006
AB Industrivärden	11.7	11.4	11.5	11.5	11.0
Swedbank Robur Funds	5.0	4.7	3.4	2.3	2.4
Handelsbanken's Pension Foundation	4.0	4.0	4.0	4.0	3.8
Alecta Pension Insurance	3.4	2.5	3.4	3.1	2.9
Omnibus Account W FD OM80	3.0	2.5	—	—	—
L E Lundbergföretagen AB	2.0	1.2	1.2	1.1	0.8
AMF Pension Insurance	2.0	1.8	1.3	1.5	1.8
SSB CL Omnibus AC OM03 (0 PCT) Pension Fund	1.8	0.8	—	—	—
Nordea Investment Funds	1.8	1.4	0.6	0.9	1.4
Handelsbanken Funds	1.7	1.9	1.4	2.1	2.0

Number of shareholders

Earnings and dividend per share, SEK


Report of the Directors

Market conditions

Following the financial crisis in 2008 and the subsequent recession that marked 2009, a significant improvement in industrial activity took place in 2010. Demand for Sandvik's products rose sharply in all markets and sectors. The trend was most pronounced in the energy, automotive and mining sectors and, viewed in terms of geographical growth, North and South America and Asia displayed the strongest performance.

Industrial output in the OECD countries increased 8% compared with 2009. The manufacturing industry in the EU demonstrated a positive trend and rose 7% while the manufacturing industry in Russia rose 12%. In the US, the manufacturing industry reversed the trend and expanded by 7% compared with the preceding year. Brazil's manufacturing industry grew 10% and the increase in Mexico's industrial production was 9%. Growth during the year remained favorable in Asia. Industrial production in China and India rose by 14% and 10%, respectively, while the trend in Japan was also positive, up 16% compared with 2009.

Demand from Sandvik's customers

Demand was particularly strong for high value-added products for industrial production and the aftermarket, while there was a slight delay before an improvement was observed in investment-related products. A high level of activity was noted in the energy segment and demand increased from the automotive, mining and engineering industries, among others. In the mining industry, the aftermarket segment accounted for the sharp growth in order intake, although the continued high price of metals meant that the willingness to invest in new equipment also gradually increased. Demand from the construction industry grew in Asia and South America, but remained relatively weak in Europe and the US. Order intake from the aerospace industry remained stable.

The product mix demonstrated favorable development during the year. The share of cutting tools was relatively high in Sandvik Tooling and, for Sandvik Mining and Construction, the proportion of aftermarket services increased in line with the approved strategy. Sandvik Materials Technology's market for advanced products for the nuclear power industry remained highly robust, while demand continued to be favorable for products used in the oil and gas industry as well as the electronics and consumer goods industries. Developments in the respective business areas are described in more detail on pages 16–19.

Order intake by market area

SEK M	2010	Share, %	2009	Change, %	Change, %*
Europe	32,916	35	27,233	+21	+28
NAFTA	14,899	16	11,235	+33	+39
South America	8,811	10	5,275	+67	+62
Africa, Middle East	9,446	10	7,789	+21	+19
Asia	18,011	19	13,321	+35	+38
Australia	9,202	10	6,432	+43	+31
Group total	93,285	100	71,285	+31	+33

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

Invoiced sales by market area

SEK M	2010	Share, %	2009	Change, %	Change, %*
Europe	31,304	38	28,867	+8	+15
NAFTA	13,741	17	11,704	+17	+23
South America	6,154	7	4,562	+35	+31
Africa, Middle East	8,253	10	6,872	+20	+18
Asia	15,153	18	12,427	+22	+25
Australia	8,049	10	7,505	+7	-3
Group total	82,654	100	71,937	+15	+17

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

Group summary review

Order intake amounted to SEK 93,285 M (71,285), up 31% in value and up 33% at fixed exchange rates for comparable units. The Sandvik Group's invoiced sales reached SEK 82,654 M (71,937), up 15% in value and up 17% 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 9,412 M (-3,472). Earnings per share amounted to SEK 5.59 (-2.24). Return on capital employed was 17.4% (-1.3). The Board of Directors proposes a dividend of SEK 3.00 per share (1.00), corresponding to an increase of 200% from a year earlier.

Future prospects

The beginning of 2010 was marked by crisis management in response to the earlier recession. As the market situation improved, sales, productivity and profitability increased, with a positive contribution coming from the effects of action programs implemented in previous periods.

While the outlook for 2011 is generally positive in Sandvik's sectors, there remains a series of concerns and question marks relating to the economic situation. It is therefore important to maintain a high level of preparedness and be ready to react to rapid changes. Sandvik holds a strong market position and, as a result of 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 2001 corresponds to an average annual organic growth of 4.6% and a return on capital employed of 18.1%. In addition, the annual growth from acquisitions, net of divestments, has averaged 1.8%. The financial crisis in autumn 2008 and the subsequent recession had a significant negative impact on average growth and return. In 2010, the organic growth was 16.8% and the return on capital employed was 17.4%. At the end of 2010, the net debt/equity ratio was 0.7.

Goals and goal fulfillment

Sandvik Group	Long-term goals	Outcome 2010	Average 2000–2010
Organic growth, %	8	17	5
Return on capital employed, %	25*	17	18
Net debt/equity ratio	0.7–1.0	0.7	—
Payout ratio, % of earnings per share	≥50	54	63
Sandvik Tooling			
Organic growth, %	7	30	3
Return on capital employed, %	30*	20	23
Sandvik Mining and Construction			
Organic growth, %	9	7	10
Return on capital employed, %	25*	26	22
Sandvik Materials Technology			
Organic growth, %	8	18	3
Return on capital employed, %	20*	10	9

* Relates to existing operations.

Earnings, returns and financial position

Earnings and returns

The operating result amounted to SEK 11,029 M (–1,412). The change was mainly due to the improvement in the business climate, resulting in higher sales and production volumes in all business areas. The operating result was also positively impacted by about SEK 300 M by movements in metal prices in Sandvik Materials Technology. Changes in foreign exchange rates compared with 2009 negatively affected the operating result by about SEK 700 M. Net financial items amounted to SEK –1,617 M (–2,060). The improvement in net financial items compared with the preceding year was mainly due to a lower level of indebtedness. The result after financial income and expenses was SEK 9,412 M (–3,472). Income tax had a negative impact of SEK –2,469 M (876) on the result of or 26%

(25) of the result before taxes. The result for the year attributable to equity holders of the Parent Company was SEK 6,634 M (–2,652). Earnings per share amounted to SEK 5.59 (–2.24). Return on capital employed was 17.4% (–1.3) and return on equity was 22.1% (–7.9).

Financial position

Cash flow from operating activities amounted to SEK 12,149 M (11,792). Cash flow after investments, acquisitions and divestments was SEK 7,769 M (6,119). At the end of the year, cash and cash equivalents amounted to SEK 4,783 M (7,506). Interest-bearing liabilities, including net provisions for pensions, less cash and cash equivalents yielded a net debt of SEK 23,200 M (30,342). 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 corresponding to the nominal amount of SEK 9,397 M were outstanding at year-end. Under the European bond program of EUR 3,000 M, the nominal amount of EUR 590 M was utilized. In addition, there were bonds issued in the US for a nominal amount of USD 740 M. The remaining maturity of bonds averaged 4.8 years for Swedish bonds, 3.2 years for European bonds and 8.9 years for US bonds. At year-end, the international credit-rating agency Standard & Poor's had a rating of BBB for Sandvik's long-term borrowings, and A-2 for short-term borrowings.

Capital expenditure	2010	2009
Investments in property, plant and equipment, SEK M	3,378	4,006
as a % of invoiced sales	4.1	5.6

Results and returns	2010	2009
Operating result, SEK M	11,029	–1,412
as a % of invoiced sales	13.3	–2.0
Result after financial income and expenses, SEK M	9,412	–3,472
as a % of invoiced sales	11.4	–4.8
Return on capital employed, %	17.4	–1.3
Return on equity, %	22.1	–7.9
Basic earnings per share, SEK	5.59	–2.24
Diluted earnings per share, SEK	5.59	–2.24

Definitions, page 65.

Working capital

Working capital at the end of the year amounted to SEK 21,139 M (22,122). Relative working capital during the fourth quarter of 2010 was 22% (32) of invoiced sales. The carrying amount of inventories at the end of the year was SEK 21,420 M (19,842). Capital tied up in inventory was 23% (28) of invoiced sales. At year-end, accounts receivables totaled SEK 12,738 M (11,587), which was 13% (16) of invoiced sales.

Equity

Equity at year-end amounted to SEK 33,813 M (29,957), or SEK 27.50 (24.40) per share. The equity ratio was 38% (33).

Capital expenditure

The purchase consideration for company acquisitions during the year (less acquired cash) was SEK 1,216 M (2,036). Proceeds

from the sale of companies and shares amounted to SEK 0 M (55). Investments in internally generated intangible assets amounted to SEK 397 M (427). Investments in property, plant and equipment amounted to SEK 3,378 M (4,006).

Parent Company and subsidiaries operating on commission for Sandvik AB

The Parent Company's invoicing for the fourth quarter of 2010 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 affected by an improved market climate and higher sales and production volumes. The forthcoming change of CEO led to a cost provision of SEK 77 M.

Income from shares in Group companies consists primarily of dividends from these 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 property, plant and machinery amounted to SEK 946 M (899).

The Parent Company's total assets decreased SEK 1,405 M (from SEK 47,716 M to SEK 46,311 M) partly attributable to repayments of matured loans.

In 2010, the Parent Company received dividends totaling SEK 3,352 M, of which SEK 1,450 M from Sandvik Finance B.V and SEK 1,685 M from Sandvik Mining and Construction Logistics Limited.

The number of employees in the Parent Company and the subsidiaries operating on commission for Sandvik AB at 31 December 2010 was 8,025 (7,535).

Quarterly trend of invoiced sales and result after financial items

SEK M		Invoiced sales	Result after-financial items	Net margin, %
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
2010	1:st quarter	18,534	1,502	8
	2:nd quarter	20,603	3,037	15
	3:rd quarter	20,241	2,120	10
	4:th quarter	23,276	2,754	12

Financial position

	2010	2009
Cash flow from operating activities, SEK M	12,149	11,792
Cash flow after capital expenditures, acquisitions and divestments, SEK M	7,769	6,119
Cash and cash equivalents and short-term investments at 31 December, SEK M	4,783	7,506
Net debt at 31 December, SEK M	23,200	30,342
Net financial items, SEK M	-1,617	-2,060
Equity ratio, %	38	33
Net debt/equity ratio, times	0.7	1.0
Equity at 31 December, SEK M	33,813	29,957
Equity per share at 31 December, SEK	27.50	24.40

Definitions, page 65.

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

A significant improvement in the global market situation was noted in 2010 compared with 2009. Demand was especially strong for high value-added products for industrial production and aftermarket while the improvement for investment-related products was more sluggish.

Activity was high in the energy segment and demand increased in the automotive, mining and engineering industries, among others.

Sandvik Tooling in figures

Sandvik Tooling's order intake totaled SEK 24,342 M (18,962), up 33% on the preceding year at fixed exchange rates for comparable units. Invoiced sales totaled SEK 23,893 M (19,078), an increase of 30% compared with 2009 at fixed exchange rates for comparable units. Movements in exchange rates affected order intake and invoiced sales negatively by 5%. The price trend remained positive.

The operating result totaled SEK 4,296 M (-527), yielding an operating margin of 18.0%. The increase derived from growth in demand and production, resulting in a rise in gross profit. The result was negatively impacted by approximately SEK 500 M due to exchange rate movements. The number of employees at 31 December was 15,278 (15,296).

Performance and key events at Sandvik Tooling

The demand trend for Sandvik Tooling was positive in 2010 and compared with the market situation in 2009, conditions improved significantly in all markets and product areas. The main underlying factor for this was the increase in global activity in many regions, resulting in a rise in industrial production and thus higher demand for Sandvik Tooling's products. The markets that displayed strongest growth were Europe, North and South America and Asia, where order intake rose by more than 30%.

In terms of the distribution over industries, demand from the energy sector remained strong while a stable trend was noted in the automotive, aerospace and general engineering industries. From the low levels noted in 2009, the automotive industry reported considerable growth, although the recovery did not achieve the levels prevailing prior to the financial crisis. Growth was stronger for products in cemented-carbide and super-hard materials than for high-speed-steel products.

A long-term focus on strategic regions boosted Sandvik Tooling's competitiveness thereby increasing its market shares in most markets. Among other activities, the introduction of new competitive customer offerings in the aerospace industry created a stronger position.

Most of the programs introduced in 2009 to reduce working hours in an effort to meet the sharp decline in order intake following the financial crisis were discontinued in the first half of 2010 and the programs were gradually completely

Order intake by business area

SEK M	2010	2009	Change, %	Change, %*
Sandvik Tooling	24,342	18,962	28	33
Sandvik Mining and Construction	42,079	30,915	36	36
Sandvik Materials Technology	20,847	16,480	26	29
Seco Tools	6,016	4,926	22	31
Group activities	1	2	—	—
Group total	93,285	71,285	31	33

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

Invoiced sales by business area

SEK M	2010	2009	Change, %	Change, %*
Sandvik Tooling	23,893	19,078	25	30
Sandvik Mining and Construction	35,182	32,621	8	7
Sandvik Materials Technology	17,703	15,328	15	18
Seco Tools	5,838	4,871	20	28
Group activities	38	39	—	—
Group total	82,654	71,937	15	17

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

terminated in the latter half of the year. The continued activities to enhance the efficiency of inventory and production planning resulted in a relative reduction in capital employed with retained delivery precision compared with earlier years.

In the third quarter, Sandvik Tooling decided to close the production unit in Crystal Lake, in the US. The unit had mainly focused on the production of high-speed steel drills. The closure affected about 150 employees and the cost of the closure was estimated at about SEK 50 M, which corresponds to the anticipated annual saving.

Sandvik Mining and Construction in figures

In 2010, Sandvik Mining and Construction's order intake amounted to SEK 42,079 M (30,915), representing an increase of 36% compared with 2009 at fixed exchange rates for comparable units. Invoiced sales amounted to SEK 35,182 M (32,621), up 7% from the pre-

ceding year at fixed exchange rates for comparable units. Movements in exchange rates had a positive impact of about SEK 150 M on invoiced sales. The price trend remained relatively stable.

The operating result totaled SEK 4,665 M (466), yielding an operating margin of 13.3%. The result was positively impacted by a rise in invoicing and production volumes, increased internal efficiency and a favorable product mix. Exchange rate movements had only a marginal impact on the result. The number of employees at 31 December was 15,455 (14,429).

Performance and key events at Sandvik Mining and Construction

Demand improved significantly in 2010 after the sharp downturn that followed in the wake of the financial crisis. Activity in the mining sector was most positive. The aftermarket and equipment sectors performed positively, with the equipment sector improving primarily in the second half of the year. Higher metal prices

resulted in a steady rise in the willingness to make capital investments in new equipment. While demand for large materials handling equipment increased sharply, it remained in line with the business area's aspiration level. The positive trend in the construction industry was slower but stable. Demand for equipment rose, but the activity level in the US and Europe remained relatively low. The aftermarket segment continued to display favorable development.

The total invoicing volume for materials handling projects remained lower than the peak year of 2008. Aftermarket volumes once again reached 2008 levels toward the end of 2010 while equipment volumes remained lower. Invoiced project volumes comprised a small percentage of the total sales volume for 2010 compared with 2009.

Operating result by business area

SEK M	2010	Margin as a % of invoiced sales	2009	Margin as a % of invoiced sales
Sandvik Tooling	4,296	18	-527	-3
Sandvik Mining and Construction	4,665	13	466	1
Sandvik Materials Technology	1,540	9	-1,137	-7
Seco Tools	1,098	19	307	6
Group activities	-570	—	-521	—
Group total	11,029	13	-1,412	-2

Although the increase in demand was substantial in all markets, it was strongest in North and South America, which combined to account for 25% of the business area's sales. The number of employees rose as a result of an expansion of the sales organization in Asia and Eastern Europe in addition to a growth in demand for production and service personnel in order to ensure a high delivery and service level. During the year, Sandvik Mining and Construction continued to streamline production processes, product development and logistics and to create a more flexible cost structure. Efforts to increase capital efficiency progressed favorably, contributing to a continued strong cash flow despite an increase in the production rate.

During 2010, Sandvik Mining and Construction received a number of large project orders in the materials handling area from customers in South America, Africa, Asia and Australia for a combined order value of more than SEK 5,000 M with deliveries set to commence at the beginning of 2011.

Sandvik Mining and Construction's product development center for crusher technology is located in Svedala, Sweden. In September 2010, the business area

decided to expand its production of crushers in Svedala by investing SEK 300 M in a new production facility. The nearly 6,000-square-meter facility will be completed in early 2012 and be equipped with state-of-the-art production equipment to manufacture key components for Sandvik's crushers, which will be assembled in Svedala and in other countries. A new distribution center will also be constructed for the European spare part market.

In November, construction work commenced on what is set to become the business area's largest unit for manufacturing, assembly, distribution and after-market service in the world. Named the Hunter Valley unit, it is located in Heatherbrae, to the north of Newcastle in Australia. A number of existing regional facilities will be integrated into one unit at the 16-hectare site, which will serve the Australian and the global market. Inauguration of the plant is planned for November 2011.

In December, an agreement was reached to acquire 80% of the shares in the Chinese company Shanghai Jianshe Luqiao Machinery Co. Ltd. The acquisition strengthens the customer offering in equipment for crushing and screening for new substantial customer segments in China and globally.

Sandvik Materials Technology in figures

Sandvik Materials Technology's order intake totaled SEK 20,847 M (16,480), up 29% from the preceding year at fixed exchange rates for comparable units. Invoiced sales totaled SEK 17,703 M (15,328), an increase of 18% compared with 2009 at fixed exchange rates for comparable units. The effects of movements in metal prices had a positive impact on order intake and invoiced sales of about 7 and 6 percentage points, respectively. Exchange rate movements impacted both order intake and invoiced sales negatively by 2%. The price trend was favorable for high value-added niche products, but somewhat more pressured for products exposed to greater competition.

The operating result totaled SEK 1,540 M (-1,137), yielding an operating margin of 8.7%. Movements in metal prices had a positive effect of about SEK 300 M on the operating result. Compared with the preceding year, movements in exchange rates negatively impacted the operating result by slightly more than SEK 100 M. The number of employees at 31 December totaled 9,058 (8,246).

Performance and key events at Sandvik Materials Technology

In 2010, demand progressed in a positive direction for Sandvik Materials Technology, mainly in North America, Europe and Asia. The production rate increased in pace with the growth in demand. Order intake for products for the energy sector and mining industry was particularly strong. The market for advanced products for the nuclear power industry was highly robust and demand was favorable for products for such areas as the oil and gas industry, the electronics industry and parts of the consumer goods industry. Although most customer segments performed positively, development was flat for major projects for the process industry. As a result of a conscious focus on high value-added products, order intake for low value-added products remained low.

The action program aimed at enhancing efficiency, strengthening the strategic position, reducing tied-up capital and improving the product mix continued in 2010. For example, the business area established a strategic partnership with Carpenter Technology in the field of powder technology to further strengthen its position in advanced materials, primarily in the fast-growing energy sector.

This partnership, which also enables strategic research collaboration, makes the combination of Sandvik and Carpenter Technology a leading player in the field of powder technology.

As part of efforts to specialize the product program and improve cost efficiency in the Wire and Heating Technology product area (formerly the Wire and Kanthal product areas), the decision was taken to discontinue the bimetal operation. With this move, the product area has phased out operations with a sales value of approximately SEK 300 M through a range of structural measures, including the closure of heating element plants in Europe and the phasing-out of parts of the spring wire and welding product range.

A decision was also made at the end of the year to close down the Protomedical unit in Zell in Germany as part of the ongoing work to specialize and consolidate manufacturing in the MedTech product area. The majority of Protomedical's product program will be transferred to MedTech's existing unit in Sheffield in the UK.

The number of employees was increased to further strengthen the sales organization in Asia and to ensure the implementation of the comprehensive investment program in the nuclear power area.

Sandvik Materials Technology received a number of important orders during the year, including major orders for high-alloy seamless tubing for the oil industry in Europe and North America. The tubes are delivered in continuous lengths of up to 30,000 meters and are used in umbilicals, which are deployed to remotely operate oil wells at great depths. Sandvik Materials Technology also secured several major orders for deliveries of advanced steam generator tubing for the nuclear power industry. Since the beginning of 2009, Sandvik has thus signed delivery agreements for a combined value of more than SEK 10 billion in this area. Deliveries will commence in 2012. Due to the high level of demand from the nuclear power industry, Sandvik AB's Board of Directors approved a substantial expansion of production capacity of steam generator tubing at the units in Sandviken, Sweden, and Chomutov, in the Czech Republic.

Research and development

The aim of Sandvik's research and development activities is to increase customers' productivity, reduce their impact on the environment and improve the work environment. R&D projects are assigned high priority in the Group and include metallurgic research, metal cutting and 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. The R&D strategy includes a focused and continuous effort to seek, protect and monitor patents.

Activities are conducted in a decentralized manner in each of the business areas and in close cooperation with customers. The exchange of knowledge between the business areas is substantial, generating synergies and qualitative accumulation of data upon which decisions can be based.

Sandvik also pursues long-term research efforts within the framework of various national and international research programs thus establishing important contacts between Sandvik and universities and colleges. These partnerships are ongoing in some ten countries worldwide covering such research areas as metallurgy, material physics, metal cutting, rock mechanics, mining processes and production technology. The Group also participates in the development of university programs to ensure that they are adapted to current and future requirements and supports a number of doctorate programs.

R&D at Sandvik Tooling

• Focus

Development of new tool materials and products as well as improved production methods and product equipment. Tool performance and quality is enhanced while production efficiency both for customers and the business area itself is streamlined. New methods are developed 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.

• Driving forces

To increase customer productivity through advanced technology, low environmental impact and favorable total production economy.

• Locations

R&D activities are carried out in several locations throughout the world. The largest units are located in Sweden, Germany, the US and the UK. Each product area pursues product and application development in close cooperation with customers.

A selection of advances in research and development at Sandvik Tooling in 2010 are listed below:

Innovative solution replaces high-speed steel tool

Demand for wind turbines is increasing as investments in renewable energy sources grow steadily. Sandvik Coromant, part of the Sandvik Tooling business area, has developed a new hob cutter fitted with cemented-carbide inserts; a concept that enables a shift in technology in many different industrial applications, for example, in the manufacture of gear units for wind turbines. The new concept raised productivity by an average of 40% and the manufacturing cost was reduced by up to 20%.

More efficient aluminum can manufacturing
Sandvik Hard Materials, within Sandvik Tooling, has initiated a partnership with UK-based National Physical Laboratory and Rexam, one of the world's leading manufacturers of aluminum beverage cans. Sandvik Hard Materials already supplies the stamping tools used in the production of cans and the aim of the partnership project, which is partially financed by the British government, is to develop new types of stamping tools to manufacture Rexam's annual output of 60 billion cans.

Improved cemented-carbide inserts

In 2010, Walter, which is part of Sandvik Tooling, developed a new coating technology for its cemented-carbide indexable inserts in the TigerTec Silver range. The new aluminum-oxide coating enhances the performance of the insert. The new inserts will be launched in 2011.

Productivity boost for aerospace

The aerospace industry is one of the most technically demanding sectors, with difficult-to-machine materials and stringent requirements on safety and precision. Many of Sandvik Tooling's product areas serve customers in the aerospace industry, and developing and improving products for these constitutes an important part of the business area's work. For example, Safety patented and, in 2010, launched milling tools with a unique clamping system, SideLok, thus simplifying milling in difficult-to-machine materials, such as titanium and Inconel. Also in 2010, Diamond Innovations launched various super-hard grinding materials used in the aerospace and energy sectors.

R&D at Sandvik Mining and Construction

• Focus

Development of innovative solutions for automated mining operations and mechanical excavation, with a focus on energy and cost efficiency. Research is based on know-how of how energy is generated and used in connection with crack extension in minerals or gangue, thus creating the basis for product development. Research and development improve the reliability of customer applications. Development is based on technology platforms that support several project concepts, enabling competitive solutions to be delivered.

- **Driving forces**

Cost savings, reduced energy use, enhanced safety and improved environment and health conditions. The availability of equipment is continuously developed to satisfy the rigorous demands of customers for operational reliability in sites with continuous operations.

- **Locations**

The largest development units can be found in Finland, Sweden, Austria and the US. In 2010, a product development center was inaugurated in Shanghai, China, to strengthen Sandvik's establishment in the world's most rapidly expanding market.

A number of current R&D advances in Sandvik Mining and Construction are listed below:

Focus on energy efficiency and reduced carbon dioxide

For the past number of years, Sandvik has pursued a comprehensive project focusing on energy efficiency and carbon emissions for sustainable mining operations and rock excavation. For example, when drilling, only 30–40% of the total energy output is utilized for actual rock excavation. To enhance the efficiency of the drilling process, Sandvik has developed a unique control system for compressors fitted to drill rigs.

The patented control system not only curbs fuel consumption by up to 50%, but also reduces the drill rig's carbon emissions, operating hours and engine load.

Expansion of infrastructure requires new methods and products

The world's large cities are expanding and their infrastructure must be built out accordingly. Tunnel construction is filled with challenges, one of which is to avoid tunnel-induced building subsidence, which is a risk associated with conventional blasting. With its leading-edge expertise in drilling and cutting rock, Sandvik has developed a new generation of tunneling roadheaders that cut through the rock. Increased productivity is achieved through a range of easily exchangeable product modules, enabling the machine to be adapted to a range of applications. Active stabilization minimizes vibrations during operation and an integrated dust suppression system improves health and safety conditions for the operator.

Growing need for safe and energy-efficient mining processes

The process of mining and removing material from the pit and its subsequent crushing and final removal is labor intensive and costly. Transportation represents the single largest cost. Sandvik offers a flexible and energy-efficient transportation and crushing system. It includes several mobile conveyor belts and crushers, meaning less truck traffic. This has a direct impact in the form of increasing mine safety and cutting consumption of electricity and fuel, while reducing carbon dioxide emissions and the environmental footprint.

R&D at Sandvik Materials Technology

- **Focus**

The business area is the market leader in developing advanced metallic and ceramic materials for the most demanding industries and fields of application. Examples of technology niches in which the business area has made particularly large investments in recent years include powder and surface technology. Sandvik Materials Technology's position in energy and medical technology has also been strengthened in recent years through the continuous launch of new materials and products that, among other benefits, enable technology shifts in these areas.

- **Driving forces**

Increase customer productivity, reduce energy use, reduce the environmental footprint and create a safe working environment.

- **Locations**

One of Europe's largest R&D centers for advanced metallic materials and special alloys is located in Sandviken, Sweden. The business area also operates an R&D center for ceramic and metallic resistance materials in Hallstahammar, Sweden. A research and modeling center for advanced materials is sited in Pune, India, where activities include simulation of various processes.

A number of current R&D projects in Sandvik Materials Technology's are listed below:

Strategic research partnership initiated with Carpenter Technology

In 2010, a strategic partnership was initiated with Carpenter Technology to further strengthen positions in powder technology

and advanced materials used, for example, in the fast-growing energy sector. The partnership makes the combination of Sandvik and Carpenter Technology a leading player in the field of powder technology.

Material that can cope with the demands of deep-sea oil extraction

Sandvik has long been the leading supplier of highly advanced materials to the oil industry, where extremely rigorous demands are placed on material performance. In close cooperation with key customers, Sandvik has continuously developed new materials that can cope with the demands of oil extraction at ever-increasing depths. Development projects are underway to continue the evolution of materials.

Next-generation nuclear power requires increasingly extreme materials

The next-generation nuclear power plants will take reactor design to an entirely new level. The aim is to make the plants safer and more efficient and to reduce the volume of waste generated. This development requires ever-more extreme materials. With leading-edge expertise in materials technology and a very strong position as a material supplier to the nuclear power industry, Sandvik has what it takes to develop material and solutions for the most critical applications.

Material and product development that support climate-neutral energy extraction

With state-of-the-art competence in materials technology, Sandvik can play a decisive role in technology development for renewable energy. A range of confidential development projects are ongoing in the area. For example, at the development center in California, in the US, development of the next-generation furnace system used in the manufacture of solar cells was completed in 2010. The new system was launched during the year and boosts customer productivity by 25%.

Development partnership with leading medtech companies

A number of partnerships were initiated during the year with leading medtech companies aimed at developing tomorrow's implant material, particularly for knee and hip joints, where the requirements relating to working life and biocompatibility are extremely rigorous.

Human resources

Competence development and competitiveness are strongly interconnected. It is important for the Group's financial results and its ability to compete in the global market that every Sandvik employee realizes their full potential. Sandvik's success as a workplace in attracting, developing and retaining employees with the relevant competencies is essential for the company to achieve its objectives.

Group competence sourcing

An effective recruitment process is key to ensuring access to the relevant competencies for each part of the Sandvik organization. The Group as an employer must attract and recruit personnel who meet the rigorous demands placed on the company's employees. In addition to formal competence, it is important that the Group's focus on diversity aspects is based on the conditions that prevail in the various markets in which it conducts business. Aside from external recruitment, it is also paramount that there is mobility among the company's employees both to meet requirements for competencies and to ensure access to development opportunities for the company's employees. Sandvik makes use of Group-wide recruitment procedures and tools to ensure the efficiency and quality of the process. To stimulate mobility, the company decided to publish its internal job market on a Group-wide IT portal. Sandvik can develop only with and through its employees. All of the company's employees are entitled to receive an individual development plan that clearly defines the actions that are expected to be taken for employees to optimize their development in their current and future roles. This plan is drawn

up jointly by manager and employee and forms part of the employee objective discussions, at which performance targets and competency development plans are also established.

It is highly important to Sandvik that the correct competencies are available for each position. A number of positions have been designated key positions for which Group-wide activities are being undertaken to ensure access to potential replacements. This planning process is being coordinated at Group level and is continuously revised. The individuals identified under the key position replacement plans have separate development plans that are regularly reviewed and revised. Succession planning is a key component of the Group's competence sourcing.

Being a manager at Sandvik involves many possibilities and challenges. To ensure that each manager is given the opportunity to develop in their roles and consequently contribute to the development of the organization, the company has established a number of Group-wide training ventures. Sandvik Global Leadership (SGL) is a Group-wide training program for new leaders and managers concentrating on the role of managers and the company's view of leadership.

Several Group-wide leadership programs are also in place, alongside industry and business-area specific training courses.

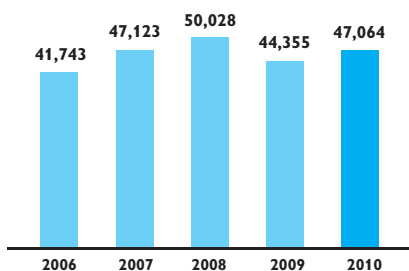
Management by objectives

It is vital to break down the company's overall objectives to specific targets at group and individual level to retain and improve Sandvik's competitiveness. Management by objectives takes place at all levels of the company and a main task for all of the Group's managers is to ensure that each employee is assigned relevant company and individual targets. A global management-by-objectives process with accompanying support tools aids managers in this work.

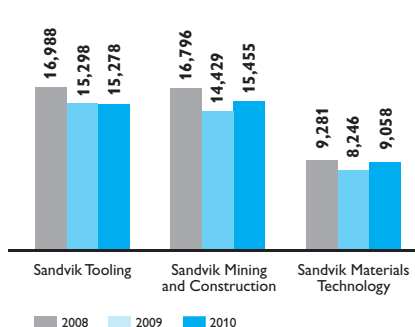
Remuneration and compensation

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 for senior executives and specialists, pensions and benefits. According to the Group's remuneration

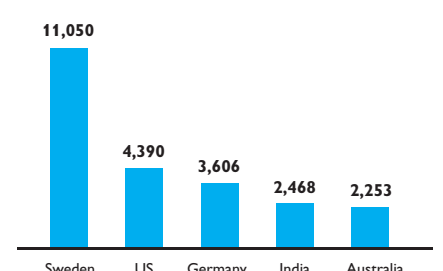
Number of employees



Number of employees by business area



Number of employees by business 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.

A flexible organization

Sandvik works continuously to adjust its production capacity and cost levels to prevailing market conditions. In addition to standard rationalization measures, the company seeks to implement measures that create flexibility in the organization as far as possible, for example, solutions in conjunction with an economic downturn could involve employee agreements regulating reducing working hours or temporary dismissal.

Number of employees

The number of employees at the end of the year was 47,064 (44,355), an increase for comparable operations of 2,709 persons during the year. The number of employees in Sweden at 31 December 2010 totaled 11,050 (10,285). Data on personnel expenses and the average number of employees is available in Note 3.

Employment conditions

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

Activities pursued during the year to attain Group-wide objectives include providing stimulation to managers to emphasize Sandvik's target to improve the balance between men and women in connection with recruitment processes. Relevant performance indicators that are monitored on a quarterly basis include employee turnover and the number of men and women in various positions. The trend 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 were adopted at the Annual General Meeting held on 4 May 2010 are stated in Note 3.5. The company's auditors have examined compliance with the guidelines.

The Board of Sandvik AB proposes that the Annual General Meeting on 3 May 2011 resolve on the revised principles for the remuneration of senior execu-

tives in accordance with that stated in Note 3.5. The Board's motion is designed to ensure that Sandvik, from a global perspective, can offer market-based remuneration 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 in terms of 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 on both the adopted principles and the Board's proposed revised principles, refer to Note 3.5.

Distribution of women/men	2010	2009
No. of employees 31 December	47,064	44,355
Average number of employees		
Women	8,189	8,574
Men	37,520	38,617
Total	45,709	47,191

Sustainable development

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

The Group's Code of Conduct forms the basis for Sandvik's improvement 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 are presented in the company's Sustainability Report on pages 96–107.

Environment

Activities conducted during the year to fulfill Sandvik's objectives include eight ISO 14001 certifications 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 that are followed up on a quarterly basis include use of electricity and fossil fuel, carbon dioxide emissions, water consumption, waste volumes and wastewater from processes. The increase in production volumes in 2010 had a negative impact on these indicators.

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 justified, 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 and 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 2010, the Environmental Court of Sweden announced its final decision on Sandvik's permit application in Sandviken lodged in 2002. However, the County Administrative Board appealed the part of the decision regarding mercury emissions. The case has now been brought to the Environmental Court of Appeal for consideration.

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 guideline 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. In one case, at the Hallstahammar plant, breaches of guideline values for emissions to water led to the plant being instructed to take appropriate action. The supervisory authorities also referred this case to the regional public prosecution office for consideration. In 2010, Sandvik was requested to perform ground and air tests at its Köping plant due to earlier contamination in the industrial area.

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 the impact on the environment or the consumption of resources.

Known or presumed land contamination has occurred at 25 units throughout the entire Sandvik Group. Of these, remediation procedures have been ordered at 11 units at an estimated cost of some SEK 70 M. Moreover, voluntary remediation measures at a further four sites have been agreed.

When manufacturing companies are acquired or divested, the due diligence procedures always include a comprehensive environmental audit to identify any environmental liabilities related to the operation in question.

Emission allowances

The Group's plants in Sandviken and Hallstahammar are covered by the EU trading system in carbon dioxide emission allowances. In 2010, the Group was allocated emission allowances corresponding to 109,727 tons of carbon dioxide. For the period, the Group declared emissions amounting to 135,807 tons of carbon dioxide. The higher volume of emissions was mainly due to the use of oil instead of electricity during the latter part of the year in the thermal power station in Sandviken. The deficit will be partially covered by the surplus of emission allowances from 2009. The remainder of the deficit will be carried forward to 2011.

The European REACH chemical legislation and similar legislation in other parts of the world will involve costs for processing of applications and registration. 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 impact on business activities.

Health and safety

Activities pursued during the year to attain Group-wide objectives for health and safety, and employee conditions and development, include 11 certifications under the OHSAS 18001 occupational health and safety management system for companies recently acquired, training, risk assessment of the workplace, more focus on reporting of incidents and improving the efficiency of safety committees. Relevant performance indicators that are monitored on a quarterly basis include the number of fatalities, the number of injuries resulting in lost time, the number of reported near misses and the number of lost days due to injuries.

Human rights and business ethics

Sandvik's policies relating to human rights and business ethics are summarized in the Code of Conduct. No incidents relating to violation of human rights in proprietary operations were reported during 2010. Some 40 incidents of harassment, fraud and corruption were identified. 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 leveraged in the best possible manner. The uncertainty in the financial markets and the uneven recovery in the global product market have meant that Sandvik's work on restricting and controlling risk-taking was particularly important in 2009 and 2010. Sandvik has a favorable risk spread with operations in more than 130 countries in about 20 product areas and a number of different industries.

In 2010, most of Sandvik's markets recovered from the sharp economic downturn in demand that dominated 2009. Risk management continued to focus on the Group's business risks in order to efficiently retain capacity and personnel during the period of economic upturn.

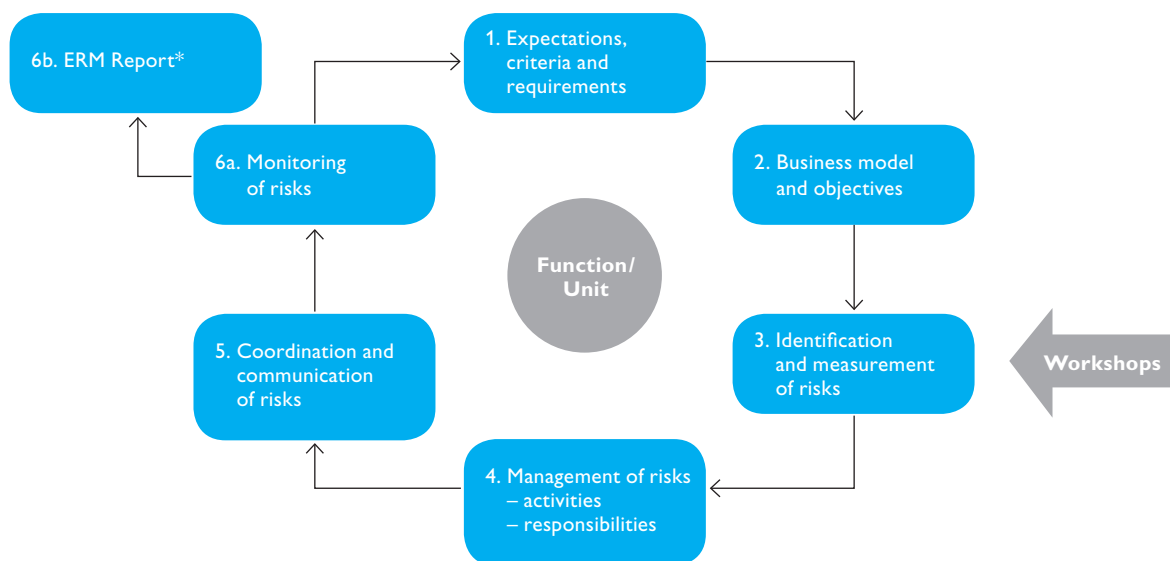
Integrated risk management at Sandvik

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 governing 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 34–41.

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.

Sandvik's US subsidiary, Sandvik Inc., has been subject to lawsuits in the US in which the plaintiffs have claimed that exposure to welding fumes has caused neurological injury. Sandvik Inc., sells welding electrodes, although its market share in the US is less than 1%. All of the cases against Sandvik also involve other defendants who have sold welding electrodes in the US. In order for a plaintiff to win a judgment against Sandvik, the plaintiff would have to prove that he used Sandvik's welding electrodes and that he has neurological injuries that were caused by such use. Many of the cases against Sandvik have been dismissed because the plaintiffs were unable to prove that they used Sandvik's welding electrodes. Furthermore, Sandvik believes that there is no reliable scientific evidence to support the claims being made in these lawsuits. To date, Sandvik has not lost or settled any of these lawsuits, and the only costs that have arisen are the costs of defending the lawsuits. A significant portion of these defense costs have been covered by Sandvik's insurance policies.

Sandvik's risk areas

Business

- Industry & Market
- Commercial
- Operational

Compliance

- Power of Sandvik¹⁾
- Tax legislation
- Local laws
- Governance

1) Refer to Corporate Governance Report

Financial reporting

- Financial closure process
- Financial reporting system
- Guidelines
- Internal control

One-off risks

- Acquisitions
- Structural changes
- Dramatic changes in macroeconomics

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.

As a result of the reorganization, 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. In June 2010, the Administrative Court in Falun approved the Public Commissioner's appeal pertaining to additional taxation of Sandvik for 2005. Sandvik subsequently appealed the decision and was granted a respite for its tax payments. Pending a conclusion of the legal proceedings, Sandvik has established a provision 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 approved.

An area that Sandvik periodically discusses with the tax authorities is transfer pricing issues, meaning the prices applied to products distributed from Sandvik's production plant to its sales companies in

various countries. Sandvik keeps detailed documentation for this pricing, but if the tax authorities' opinion in a pricing matter differs from Sandvik's standpoint, it may have consequences for Sandvik's revenue recognition between countries.

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 continuously, 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 an adverse impact on 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 96–107.

Financial risk management

Through its comprehensive and 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 function is to contribute to the creation of value by managing the financial risks to which the Group is exposed in the ordinary course of business, and to optimize the Group's financial net.

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

change deals, and to act as advisors in financial matters. The function 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 the Group's 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 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.

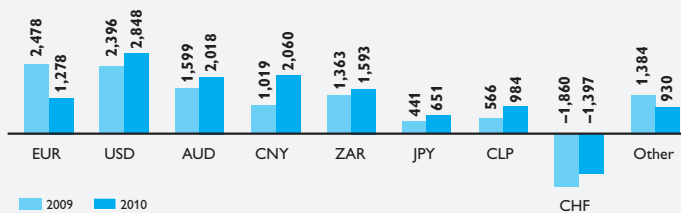
The presentations in the fact columns to the right comply with the reporting requirements stated in accordance with IFRS (IFRS 7 and IAS 39).

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 the manner described 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 transaction exposure, meaning the Group's net flow of currencies, after full offsetting of the countervalue in the exporting companies' local currencies, amounted to SEK 10,965 M (9,386) in 2010. The most important currencies are shown in the diagram below.

Net flow in foreign currencies, SEK M



Sandvik generally 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. 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. The CFO establishes how much of the Group's transaction exposure needs to be hedged. At year-end, the total hedged amount was SEK 6,458 M (6,426). The average duration for the hedged volume of foreign currency was about 2 years (3). Unrealized gains from outstanding currency contracts for hedging of future net flows amounted to SEK 489 M (-20) at year-end. Of these, SEK 34 M relates to contracts maturing in 2011 and SEK 455 M to contracts maturing in 2012 or later. The nominal amounts of derivatives pertaining to purchased and sold currencies totaled SEK 38,857 M (49,568). These derivatives are part of the Group's management of currency risks for transaction flows and financing. 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 quarterly effects on cash flow of the transactions that have been recognized in the hedging reserve, see Note 30.

Risk	Exposure	Comments																																																																					
<p>Translation exposure</p> <p>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).</p> <p>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.</p> <p>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 34,485 M (32,063).</p>	<p>Subsidiary financing by currency, SEK M</p> <table border="1"> <thead> <tr> <th>Currency</th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>SEK</td> <td>-14,530</td> <td>-10,613</td> </tr> <tr> <td>USD</td> <td>-7,933</td> <td>-6,076</td> </tr> <tr> <td>EUR</td> <td>-5,532</td> <td>-5,194</td> </tr> <tr> <td>GBP</td> <td>-1,816</td> <td>-1,654</td> </tr> <tr> <td>BRL</td> <td>-1,673</td> <td>-1,106</td> </tr> <tr> <td>CLP</td> <td>-870</td> <td>-609</td> </tr> <tr> <td>ZAR</td> <td>-1,071</td> <td>-604</td> </tr> <tr> <td>Other</td> <td>-3,300</td> <td>-2,030</td> </tr> </tbody> </table> <p>Group's borrowing by currency, SEK M</p> <table border="1"> <thead> <tr> <th>Currency</th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>SEK</td> <td>-19,691</td> <td>-13,003</td> </tr> <tr> <td>EUR</td> <td>-8,081</td> <td>-5,928</td> </tr> <tr> <td>USD</td> <td>-6,588</td> <td>-5,977</td> </tr> <tr> <td>AUD</td> <td>-1,459</td> <td>-1,570</td> </tr> <tr> <td>Other</td> <td>-905</td> <td>-725</td> </tr> </tbody> </table> <p>Net assets by foreign currency, SEK M</p> <table border="1"> <thead> <tr> <th>Currency</th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>17,725</td> <td>19,052</td> </tr> <tr> <td>GBP</td> <td>2,454</td> <td>2,069</td> </tr> <tr> <td>USD</td> <td>2,220</td> <td>2,236</td> </tr> <tr> <td>CHF</td> <td>1,699</td> <td>1,548</td> </tr> <tr> <td>CNY</td> <td>1,481</td> <td>1,615</td> </tr> <tr> <td>AUD</td> <td>1,513</td> <td>1,527</td> </tr> <tr> <td>Other</td> <td>4,971</td> <td>6,440</td> </tr> </tbody> </table>	Currency	2009	2010	SEK	-14,530	-10,613	USD	-7,933	-6,076	EUR	-5,532	-5,194	GBP	-1,816	-1,654	BRL	-1,673	-1,106	CLP	-870	-609	ZAR	-1,071	-604	Other	-3,300	-2,030	Currency	2009	2010	SEK	-19,691	-13,003	EUR	-8,081	-5,928	USD	-6,588	-5,977	AUD	-1,459	-1,570	Other	-905	-725	Currency	2009	2010	EUR	17,725	19,052	GBP	2,454	2,069	USD	2,220	2,236	CHF	1,699	1,548	CNY	1,481	1,615	AUD	1,513	1,527	Other	4,971	6,440	<p>To avoid translation risk in the balance sheets of subsidiaries, they are financed through the 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, thus minimizing the translation risk.</p> <p>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.</p>
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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, 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 exposure currencies were to change by 5% in an unfavorable direction for the company, the total operating result over a 12-month period would change by approximately SEK 1 billion, assuming that the structure 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 approximately SEK 350 M. This net effect primarily comprises translation exposure in equity.</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 measures interest rate risk as the change over the forthcoming 12 months given a 1 percentage point change in interest rates. 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 2011 – in relation to loans for which the interest rate will be renegotiated during the coming year – net interest expenses would be impacted by SEK –127 M</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 98 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. Interest-swap agreements are sometimes used to achieve the desired fixed-interest term. The CFO has a mandate to vary the average fixed-interest term of the Group's debt portfolio, provided that it does not exceed 36 months. As detailed in the table, the average fixed-interest term on Sandvik's borrowing was 29 months (36) at year-end, with consideration given to derivative agreements entered into. The Group's average interest rate, including other loans and effects of interest-swap agreements, was 4.1% (3.8).</p> <p>Hedge accounting is applied when an effective link exists between hedged loans and interest swaps. Accordingly, changed market interest rates could also impact other comprehensive income, since the Group has 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 into, and information regarding their duration, can be found in Note 30.</p> <p>Sandvik's loan conditions do not currently entail financial covenants. Only under exceptional circumstances 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

	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	
SEK M					
Bond loans, Swedish MTN	3.8	13	3.6	20	9,165
Bond loans, European MTN	6.9	34	6.3	23	5,295
Private placement	5.7	85	3.7	85	5,948
Commercial papers	—	—	—	—	—
Other loans from banks	3.4	6	3.4	6	6,795
Total	4.7	31	4.1	29	27,203

Risk	Exposure	Comments																																			
<p>Liquidity and refinancing risk</p> <p>Liquidity and refinancing risk is defined as the risk that 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 Nominal amount, SEK M</p>	<p>According to the finance policy, the Group's capital employed excluding cash and cash equivalents should be financed on a long-term basis and the short-term liquidity reserve should correspond to at least two weeks' operating expenses. At year-end, the Group's capital employed, excluding cash and cash equivalents, was SEK 58.5 billion and long-term financing, including share capital, pension liabilities, long-term tax liabilities, long-term provisions and long-term guaranteed credit facilities, amounted to approximately SEK 73 billion. The short-term liquidity reserve amounted to about SEK 12 billion compared with two weeks' estimated operating expenses of nearly SEK 2.7 billion.</p> <p>Sandvik has credit facilities totaling EUR 1.5 billion, of which EUR 0.5 billion will mature in 2012 and EUR 1 billion in 2013. These credit facilities have been placed at the company's disposal by a group of banks that 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>The aim of Sandvik's financing strategy is to maintain a well-balanced maturity profile for liabilities to reduce refinancing risk. The share of long-term loans in relation to total borrowing was 87% at year-end 2010 compared with 79% one year earlier.</p> <p>At year-end, Standard & Poor's, the international credit rating agency, had assigned a BBB 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 www.sandvik.com.</p>																																			
<p>Borrowing, size of programs and remaining credit periods</p> <table border="1"> <thead> <tr> <th></th> <th>Currency</th> <th>Recognized liability, SEK M</th> <th>Size of programs, SEK M</th> <th>Average remaining credit period (years)</th> </tr> </thead> <tbody> <tr> <td>Bond loans, Swedish MTN</td> <td>SEK</td> <td>9,165</td> <td>15,000</td> <td>4.8</td> </tr> <tr> <td>Bond loans, European MTN</td> <td>EUR</td> <td>5,295</td> <td>27,005</td> <td>3.2</td> </tr> <tr> <td>Private placement</td> <td>USD</td> <td>5,948</td> <td>—</td> <td>8.9</td> </tr> <tr> <td>Commercial papers</td> <td>SEK</td> <td>—</td> <td>16,751</td> <td>—</td> </tr> <tr> <td>Other loans from banks</td> <td>Other</td> <td>6,795</td> <td>—</td> <td>1.4</td> </tr> <tr> <td>Total borrowing</td> <td></td> <td>27,203</td> <td>58,756</td> <td>4.5</td> </tr> </tbody> </table>				Currency	Recognized liability, SEK M	Size of programs, SEK M	Average remaining credit period (years)	Bond loans, Swedish MTN	SEK	9,165	15,000	4.8	Bond loans, European MTN	EUR	5,295	27,005	3.2	Private placement	USD	5,948	—	8.9	Commercial papers	SEK	—	16,751	—	Other loans from banks	Other	6,795	—	1.4	Total borrowing		27,203	58,756	4.5
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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	2010	2009
Trade receivables	12,738	11,587
Cash and cash equivalents	4,783	7,506
Unrealized gains on derivatives	1,189	652
Other receivables	764	550
Total	19,474	20,295

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 2010, the value of these amounted to SEK 1,189 M (652).

The Sandvik companies are exposed to credit risk in outstanding trade receivables from ongoing sales. The use of payment terms and risk management are regulated in Sandvik's Group-wide credit policy. Credit risk is diversified over a large number of customers in all business areas and satisfactorily reflects the spread of sales. Collateral for credit is used to a certain extent and payment hedging instruments are used particularly in export transactions involving large amounts and following an assessment of the counterparty's credit rating. Sandvik's credit losses amounted to SEK –108 M (–135). Credit losses have not exceeded 0.1%–0.2% of sales for the past number of years. The total gross value of outstanding trade receivables was SEK 13,399 M (12,300) at 31 December. Total impairment of these was SEK –661 M (–713). Ageing analyses of trade receivables at 31 December are presented in Note 20.

Sandvik offers short and long-term customer financing through its own financing companies and in partnership with financial institutions and banks. Customer financing usually takes place in conjunction with the sale of products from Sandvik Mining and Construction, with the aim of supporting and promoting sales and enhancing competitiveness in the market. Customer financing at Sandvik is being developed, for example, by expanding the partnership with the Swedish National Export Credits Guarantee Board (EKN). At year-end, the value of outstanding credits in financing companies was SEK 523 M (421), of which SEK 20 M was reserved for doubtful receivables.

Sandvik regularly provides 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 382 M (368).

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 carrying amount of these machines was SEK 562 M (652).

Risk	Exposure	Comments																										
<p>Raw materials price exposure</p> <p>Sandvik's financial risks related to raw materials are primarily concentrated to nickel, molybdenum and electricity. The price risk involved in these is partially hedged through the signing of financial contracts. The price of nickel varied during the year and the price at the beginning of January was USD 18,855 per metric ton. The highest price of USD 27,600 was recorded in April, while the price at year-end was USD 24,960 per metric ton.</p>	<p>Monthly average price of nickel during 2010, USD</p>  <table border="1"> <caption>Monthly average price of nickel during 2010, USD</caption> <thead> <tr> <th>Month</th> <th>Price (USD)</th> </tr> </thead> <tbody> <tr><td>Jan</td><td>18,855</td></tr> <tr><td>Feb</td><td>19,000</td></tr> <tr><td>Mar</td><td>24,000</td></tr> <tr><td>Apr</td><td>27,600</td></tr> <tr><td>May</td><td>22,000</td></tr> <tr><td>Jun</td><td>19,000</td></tr> <tr><td>Jul</td><td>19,000</td></tr> <tr><td>Aug</td><td>21,000</td></tr> <tr><td>Sep</td><td>22,000</td></tr> <tr><td>Oct</td><td>24,000</td></tr> <tr><td>Nov</td><td>23,000</td></tr> <tr><td>Dec</td><td>24,960</td></tr> </tbody> </table>	Month	Price (USD)	Jan	18,855	Feb	19,000	Mar	24,000	Apr	27,600	May	22,000	Jun	19,000	Jul	19,000	Aug	21,000	Sep	22,000	Oct	24,000	Nov	23,000	Dec	24,960	<p>The total consumption of nickel amounted to about 21,800 metric tons during the 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.</p> <p>The Group pursues an offset hedging strategy 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.</p> <p>At year-end, the volume of hedged nickel inventory was 3,413 tons (3,856). The market value of commodity derivatives entered into was SEK 146 M (65).</p> <p>For Sandvik's large production units in Sweden, the electricity price is continuously hedged through derivatives. The total electricity consumption at these units normally amounts to some 900 GWh. The hedging horizon at year-end was about 19 months' (19) expected consumption. The market value of electricity derivatives in 2010 was SEK 830 M (625) at year-end. Gains from these derivative contracts amounted to SEK 173 M (-12). 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 SEK 90 M on an annual basis, based on the prevailing conditions at year-end 2010.</p> <p>Hedge accounting in accordance with IAS 39 is applied to the majority of the raw materials and electricity derivatives. To view when recognized hedging transactions will impact profit or loss for the year, see Note 30.</p>
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<p>Pension commitments</p> <p>Sandvik has comprehensive pension obligations for its employees in the 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.</p>	<p>The average interest rate duration for the Group's interest-bearing assets in the pension portfolio is 4.8 years, and 17.7 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 1,300 M. A 20% fall in the stock market would lead to a decline in assets of about SEK 1,000 M. If the life assumptions, so-called longevity, are changed by one year, the pension liability would change by about 4%, which corresponds to about SEK 550 M. The risk, measured as Value at Risk (VaR), is approximately SEK 1,500 M.</p> <p>Trend of pension liability and managed capital</p>  <table border="1"> <caption>Trend of pension liability and managed capital</caption> <thead> <tr> <th>Year</th> <th>Liabilities (SEK M)</th> <th>Assets (SEK M)</th> <th>Funding level (%)</th> </tr> </thead> <tbody> <tr><td>2006</td><td>11,000</td><td>10,000</td><td>90.9</td></tr> <tr><td>2007</td><td>12,000</td><td>11,000</td><td>91.7</td></tr> <tr><td>2008</td><td>13,000</td><td>11,500</td><td>88.5</td></tr> <tr><td>2009</td><td>14,000</td><td>12,500</td><td>89.3</td></tr> <tr><td>2010</td><td>13,486</td><td>12,447</td><td>92.3</td></tr> </tbody> </table>	Year	Liabilities (SEK M)	Assets (SEK M)	Funding level (%)	2006	11,000	10,000	90.9	2007	12,000	11,000	91.7	2008	13,000	11,500	88.5	2009	14,000	12,500	89.3	2010	13,486	12,447	92.3	<p>To ensure the efficient administration of the substantial pension plans and 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.</p> <p>The defined-benefit pension plans are described in Note 23.</p> <p>In 2010, managed capital totaled SEK 12,447 M and the corresponding pension commitments amounted to SEK 13,486 M, which is equal to a funding level of 92% (89). The return on Sandvik's Group pension assets was 8.7%.</p>		
Year	Liabilities (SEK M)	Assets (SEK M)	Funding level (%)																									
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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 47,000 employees. Sandvik AB is a public company listed on NASDAQ OMX Stockholm (“the Stock Exchange”) and has some 112,000 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 Code is available from www.corporategovernanceboard.se.

The purpose of corporate governance is to clearly specify the division of roles and responsibilities among shareholders, 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.

Ownership structure

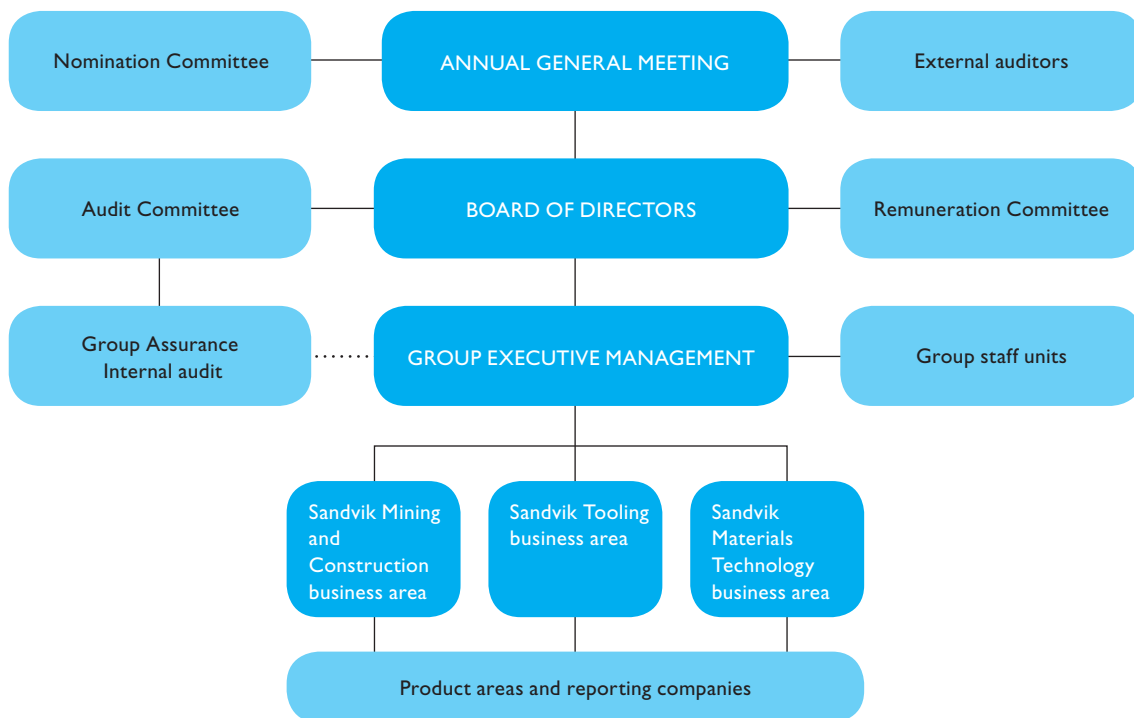
Sandvik’s share capital amounts to SEK 1,423,544,610 represented by 1,186,287,175 shares. Each share carries one vote at meetings of shareholders. According to the owner register, Sandvik had about 112,000 shareholders at 31 December 2010. Industrivärden AB is the largest owner with about 11.7% of the share capital. Of the total share capital at year-end, approximately 31% was owned by foreign investors, according to SIX Ågarservice.

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.

The Articles of Association do not contain any limitations on the number of votes that a shareholder may cast at a Meeting. In addition, the Articles of

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.

Association do not contain any specific provisions regarding the appointment or discharge of Board members or regarding amendments to the Articles. The Annual General Meeting did not issue the Board with any permanent authorization to decide that the company should issue new shares or acquire treasury shares.

All shareholders who have been entered in the Share Register and notified the company of their attendance within the correct time limit are entitled to participate at the Annual General Meeting and vote according to the number of shares held. Shareholders are also entitled to be represented by a proxy at the Meeting. Notification of the Annual General Meeting is published in Post- och Inrikes Tidningar, in Svenska Dagbladet and in a daily newspaper published in Sandviken or Gävle.

Additional information concerning the Annual General Meeting and complete minutes are published on the company's website, www.sandvik.com.

2010 Annual General Meeting

Shareholders representing 47.2% of the votes and share capital attended the Annual General Meeting held on 4 May 2010. Sven Unger, attorney-at-law, was elected to chair the meeting. The meeting resolved to pay a dividend of SEK 1 per share for the 2009 fiscal year. In his presentation, President and CEO Lars Pettersson commented on operations during the 2009 fiscal year and developments during the first quarter of 2010. He also gave an account of the Sandvik Group's business model and future development.

Lars Westerberg was elected a new member of the Board and Georg Ehrnrooth, Fredrik Lundberg, Hanne de Mora, Egil Myklebust, Anders Nyrén, Lars Pettersson and Simon Thompson were re-elected as members of the Board. Anders Nyrén was elected Chairman of the Board. The trade union organizations had appointed Tomas Kärnström and Jan Kjellgren as permanent members of the Board, with Alicia Espinosa and Bo Westin as deputies.

Nomination Committee

In accordance with the resolution passed at the Annual General Meeting in 2009, Sandvik has had a Nomination Committee. The four largest shareholders in terms of the number of votes each appointed one member and, together with the Chairman of the Board, they formed the Nomination Committee.

Nomination Committee for the 2010 AGM

The Nomination Committee for the 2010 Annual General Meeting, comprising Carl-Olof By, Chairman (Industrivärden), Håkan Sandberg (Handelsbanken's Pension Foundations), Staffan Grefbäck (Alecta), Marianne Nilsson (Swedbank Robur Funds), and Clas Åke Hedström (Sandvik Chairman at that time), held six 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 Commit-

Nomination Committee's tasks

- Submit proposals concerning the Chairman of the Annual General 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.

tee 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 new election of Lars Westerberg and the re-election of all other Board members, except for Clas Åke Hedström who announced that he wished to resign from the Board of Directors after 16 years, eight of which he served as Chairman.

The ten largest shareholders at 31 December, %

	2010	2009	2008	2007	2006
AB Industrivärden	11.7	11.4	11.5	11.5	11.0
Swedbank Robur Funds	5.0	4.7	3.4	2.3	2.4
Handelsbanken's Pension Foundation	4.0	4.0	4.0	4.0	3.8
Alecta Pension Insurance	3.4	2.5	3.4	3.1	2.9
Omnibus Account W FD OM80	3.0	2.5	—	—	—
L E Lundbergföretagen AB	2.0	1.2	1.2	1.1	0.8
AMF Pension Insurance	2.0	1.8	1.3	1.5	1.8
SSB CL Omnibus AC OM03 (0 PCT) Pension Fund	1.8	0.8	—	—	—
Nordea Investment Funds	1.8	1.4	0.6	0.9	1.4
Handelsbanken Funds	1.7	1.9	1.4	2.1	2.0

The principal tasks of the Board are to

- Establish the overall objectives for the operations.
- Appoint, evaluate and, if necessary, discharge the President and otherwise ensure that the company's executive management functions efficiently and is suitably remunerated.
- Ensure that the provision of information by the company is open, correct, relevant and reliable.
- Ensure that there are effective systems for the monitoring and control of the company's operations.
- 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.

Nomination Committee for the 2011 AGM

For the Annual General Meeting to be held on 3 May 2011, the Nomination Committee consists of Carl-Olof By, Chairman (Industrivärden), Håkan Sandberg (Handelsbanken's Pension Foundations), Staffan Greffbäck (Alecta), Marianne Nilsson (Swedbank Robur Funds), and Anders Nyrén (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 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.

Composition of the Board since 2010 Annual General Meeting

Name	Function	Independent an acc. with the Code	Shareholding, number ³⁾ 31 Dec 2010	Elected	Audit Committee	Remuneration Committee
Georg Ehrnrooth	Member	Yes	55,000	1997		Member
Alicia Espinosa	Deputy*	Yes	6,739	2010		
Jan Kjellgren	Member*		570	2008		
Tomas Kärnström	Member*		2,865	2006		
Fredrik Lundberg	Member	No ¹⁾	5,940,000 ⁴⁾	2006		
Hanne de Mora	Member	Yes	0	2006	Chairman	
Egil Myklebust	Member	Yes	10,000	2003		Member
Anders Nyrén	Chairman	No ¹⁾	4,500	2002	Member	Chairman
Lars Pettersson	Member	No ²⁾	139,062	2002		
Simon Thompson	Member	Yes	0	2008	Member	
Lars Westerberg	Member		12,000	2010		
Bo Westin	Deputy*		0	1999		

* Employee representatives (Both members and deputy members partake in Board meetings). Jan Kjellgren (member) and Alicia Espinosa (deputy) represent Unionen/Ledarna/Swedish Association of Graduate Engineers. Tomas Kärnström (member) and Bo Westin (deputy) represent IF 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) Pertains to own and closely related persons shareholdings.

4) Shareholding in Sandvik via L E Lundbergföretagen AB totals 23,500,000, and shareholding via AB Industrivärden totals 138,443,752.

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 members and two deputies.

In accordance with the Nomination Committee's proposal, Georg Ehrnrooth, Fredrik Lundberg, Hanne de Mora, Egil Myklebust, Anders Nyrén, Lars Pettersson and Simon Thompson were reelected at the Annual General Meeting in 2010. Lars Westerberg was elected a new member of the Board. Anders Nyrén was elected Board Chairman.

Sandvik's General Counsel Bo Severin served as secretary of the Board, the

Remuneration and Audit Committees as well as the Nomination Committee.

Independence

As defined in the Code, Anders Nyrén and Fredrik Lundberg are not independent in relation to major shareholders in the company and Lars Pettersson is not independent in relation to the company and Group Executive Management. 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 the majority of the members elected by the Annual General Meeting be independent in relation to the company and Group Executive Management and 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.

Board proceedings during 2010

During the year, the Board met on seven 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 Sandvik Materials Technolo-

gy's plant in Sandviken. The Board also addressed matters related to personnel, such as succession planning and remuneration terms, and matters relating to investments, acquisitions and divestments.

Board of Directors appoints new President

In December 2010, the Board of Directors appointed Olof Faxander as new President and CEO of Sandvik as of 1 February 2011. Olof Faxander succeeds Lars Pettersson, who has held the position of President and CEO since 2002. In conjunction with the change of President, the Board of Directors expressed its sincere gratitude to Lars Pettersson for his contribution to Sandvik.

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. In addition, SEK 150,000 was paid to the Chairman and SEK 125,000 to each member of the Audit Committee, in total SEK 400,000. 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 68–70.

Attendance at Board and Committee meetings in 2010

Member	Board	Audit Committee	Remuneration Committee
Number of meetings	7	4	7
Georg Ehrnrooth	6		7
Alicia Espinosa	5		
Clas Åke Hedström	2		3
Jan Kjellgren	7		
Tomas Kärnström	7		
Fredrik Lundberg	7		
Hanne de Mora	6	4	
Egil Myklebust	7		7
Anders Nyrén	7	4	5
Lars Pettersson	7		
Simon Thompson	6	1	
Lars Westerberg	4		
Bo Westin	6		

Board Committees

The tasks of the Committees and their work procedures are stipulated in written instructions issued by the Board. The Committees' primary task is to draft issues and present them to the entire Board for resolution.

Remuneration Committee

According to the Board's work procedures, the Remuneration Committee shall undertake the tasks prescribed by the Code, which includes preparing proposals to the Board of Directors regarding proposed guidelines for remuneration of senior executives that the Annual General Meeting is to resolve on by law. In 2010, the members of the Remuneration Committee were the Board's Chairman Anders Nyrén (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 Board of Directors utilized its right to deviate from the guidelines resolved by the Annual General Meeting pertaining to severance pay for Lars Pettersson in conjunction with his departure from the company. He will receive remuneration until his 60th birthday, which is the age of retirement stipulated in his employment contract. This deviates from the provision of the Code by nine months. The deviation was made to span the

period until Lars Pettersson's contractual retirement. The President decides on the remuneration to be paid to the other senior executives following consultation with the Remuneration Committee. For additional information, see pages 68–70. Key guidelines relating to remuneration policies in the Group have been presented to the Remuneration Committee.

During 2010, the Remuneration Committee was convened on seven occasions.

Audit Committee

Since the 2010 Annual General Meeting, the members of the Audit Committee have been Hanne de Mora (Chairman), Anders Nyrén and Simon Thompson. In 2010, the Committee held four 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 for the year.
- The Group's 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).

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 auditors meet with the company's Board once a year without the President or any other member of company management attending.

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 continuously assess their independence.

For information on fees paid to auditors, see page 70.

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 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 2010, 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, Ola Salmén, Executive Vice President and CFO and (from 1 October 2010) Göran Westberg, Senior Vice President Human Resources, and Bo Severin, General Counsel. 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

Important events

- Anders Nyrén was elected Chairman of the Board.
- Lars Westerberg was elected as a new Board member.
- Olof Faxander was appointed new President and CEO effective 1 February 2011.
- Bo Severin, General Counsel, was appointed as a member of Group Executive Management as of 1 October 2010.
- Anna Vikström Persson was appointed Senior Vice President Human Resources and member of Group Executive Management as of 1 March 2011.

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, refer to pages 68-70.

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 country, a member of Group Executive Management, or another individual appointed by Group Executive Management, has been given the overriding responsibility for the business (Group Management Representative). In most cases, this individual serves as Chairman on local Boards and is responsible, through the Country Manager, for ensuring compliance with Group-wide guidelines.

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 of 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 Stockholm. This description of internal control of financial reporting is prepared in accordance with the Annual Accounts Act and constitutes an integral part of the corporate governance report.

Sandvik's finance organization manages a well-established financial reporting process aimed at ensuring a high level of internal control. The internal control system applied complies with 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 below.

Control Environment

As described earlier in the Annual Report, The Power of Sandvik (PoS) is the primary source for the guidelines governing management and staff, internal control and conduct at Sandvik. The PoS 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 etc., 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 policies 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 accounts for 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 roles and responsibilities, work descriptions, 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.

The external auditors continuously examine the level of internal control of financial reporting. They review the third-quarter interim report and study the financial reports prepared for the other quarters. In conjunction with the close of the third quarter, the external auditors perform a more detailed examination of the operations, known as a hard

close audit, which includes the Parent Company's reporting and internal control, the business areas, subsidiaries and Group functions. Finally, the external auditors perform a standard examination of the annual accounts and the Annual Report.

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.

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Consolidated income statement

SEK M	Note	2010	2009
Revenue	1, 2	82,654	71,937
Cost of sales and services		-53,131	-54,871
Gross profit		29,523	17,066
Selling expenses		-10,848	-10,853
Administrative expenses		-5,295	-5,188
Research and development costs	4	-2,106	-2,007
Share of results of associated companies		38	-39
Other operating income	5	142	82
Other operating expenses	6	-425	-473
Operating profit/loss	1, 3, 7, 8	11,029	-1,412
Financial income		377	438
Financial expenses		-1,994	-2,498
Net financing cost	9	-1,617	-2,060
Profit/loss after financial items		9,412	-3,472
Income tax	11	-2,469	876
Profit/loss for the year		6,943	-2,596
Other comprehensive income			
Translation differences during the year		-2,386	-645
Fair-value changes in cash-flow hedges		566	272
Fair-value changes in cash-flow hedges transferred to profit/loss for the year		49	269
Tax related to fair-value changes in cash-flow hedges	11	-162	-142
Other total comprehensive income for the year, net after tax		-1,933	-246
Total comprehensive income/loss for the year		5,010	-2,842
Profit/loss for the year attributable to:			
Equity holders of the Parent		6,634	-2,652
Non-controlling interests		309	56
Total comprehensive income/loss for the year attributable to:			
Equity holders of the Parent		4,769	-2,864
Non-controlling interests		241	22
Basic earnings per share, SEK	12	5.59	-2.24
Diluted earnings per share, SEK	12	5.59	-2.24

Consolidated balance sheet

SEK M	Note	2010	2009
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents and other intangible assets	13	2,859	3,002
Goodwill	13	10,334	11,135
Total		13,193	14,137
<i>Property, plant and equipment</i>			
Land and buildings	13	7,811	8,171
Plant and machinery	13	13,430	13,895
Equipment, tools, fixtures and fittings	13	1,544	1,721
Construction in progress and advance payments	13	2,467	2,732
Total		25,252	26,519
<i>Financial assets</i>			
Investments in associated companies	1, 16	467	385
Financial assets	17	78	78
Deferred tax assets	11	2,056	2,510
Non-current receivables	18	3,422	2,725
Total		6,023	5,698
Total non-current assets		44,468	46,354
Current assets			
<i>Inventories</i>			
	19	21,420	19,842
<i>Current receivables</i>			
Trade receivables	20	12,738	11,587
Due from associated companies		274	125
Income tax receivables	11	765	1,304
Other receivables	18	4,676	4,011
Prepaid expenses and accrued income		875	846
Total		19,328	17,873
<i>Cash and cash equivalents</i>			
		4,783	7,506
Total current assets		45,531	45,221
TOTAL ASSETS	1	89,999	91,575

SEK M	Note	2010	2009
EQUITY AND LIABILITIES			
Equity			
Share capital		1,424	1,424
Other paid-in capital			1,057
Reserves		0	4,439
Retained earnings including profit/loss for the year		31,157	22,067
Equity attributable to equity holders of the Parent		32,581	28,987
Non-controlling interests		1,232	970
Total equity	21	33,813	29,957
Non-current liabilities			
<i>Interest-bearing liabilities</i>			
Provisions for pensions	23	2,264	2,657
Loans from financial institutions		3,142	5,093
Other liabilities	26	20,278	24,057
Total		25,684	31,807
<i>Noninterest-bearing liabilities</i>			
Deferred tax liabilities	11	1,038	1,242
Provisions for taxes	11	3,650	3,311
Other provisions	24	895	782
Other non-current liabilities	27	286	172
Total		5,869	5,507
Total non-current liabilities		31,553	37,314
Current liabilities			
<i>Interest-bearing liabilities</i>			
Loans from financial institutions		3,109	3,431
Other liabilities	26	674	4,143
Total		3,783	7,574
<i>Noninterest-bearing liabilities</i>			
Advance payments from customers		2,153	1,895
Accounts payable		6,889	4,730
Due to associated companies		47	42
Income tax liabilities	11	1,208	768
Other liabilities	27	3,760	3,428
Provisions	24	879	995
Accrued expenses and deferred income		5,914	4,872
Total		20,850	16,730
Total current liabilities		24,633	24,304
TOTAL LIABILITIES	1	56,186	61,618
TOTAL EQUITY AND LIABILITIES		89,999	91,575

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

Consolidated changes in equity

SEK M	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit/ loss for the year	Total			
Equity at 1 January 2009	1,424	1,057	4,651	28,456	35,588	1,137	36,725	
Profit/loss for the year	—	—	—	-2,652	-2,652	56	-2,596	
Other comprehensive income/loss	—	—	-212	—	-212	-34	-246	
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	
Equity at 1 January 2010	1,424	1,057	4,439	22,067	28,987	970	29,957	
Profit/loss for the year	—	—	—	6,634	6,634	309	6,943	
Other comprehensive income/loss	—	—	-1,865	—	-1,865	-68	-1,933	
Total comprehensive income/loss for the year	—	—	-1,865	6,634	4,769	241	5,010	
Acquisition of non-controlling interests	—	—	—	10	10	-17	-7	
Divestment of non-controlling interest	—	—	—	—	—	41	41	
Dividend	—	—	—	-1,186	-1,186	-2	-1,188	
Equity at 31 December 2010	1,424	1,057	2,574	27,525	32,580	1,233	33,813	

Consolidated cash-flow statement

SEK M	2010	2009
Cash flow from operating activities		
Income/loss after financial income and expenses	9,412	-3,472
Adjustment for depreciation, amortization and impairment losses	4,038	4,541
Adjustment for non-cash items, etc.	-130	481
Income tax paid	-1,056	-870
Cash flow from operating activities before changes in working capital	12,264	680
Changes in working capital		
Change in inventories	-2,161	9,449
Change in operating receivables	-2,832	5,884
Change in operating liabilities	5,041	-3,701
Cash flow from changes in working capital	48	11,632
Investments in rental equipment	-369	-619
Divestments of rental equipment	206	99
Cash flow from operating activities	12,149	11,792
Cash flow from investing activities		
Acquisition of companies and shares, net of cash acquired	-1,216	-2,036
Acquisition of property, plant and equipment	-3,378	-4,006
Proceeds from sale of companies and shares, net of cash disposed of	—	55
Proceeds from sale of property, plant and equipment	214	314
Net cash used in investing activities	-4,380	-5,673
Net cash flow after investing activities	7,769	6,119
Cash flow from financing activities		
Proceeds from borrowings	1,044	20,852
Repayment of borrowings	-10,301	-22,417
Realization of interest swaps and currency hedging	—	1,843
Acquisition of non-controlling interests	-7	—
Divestment of non-controlling interests	41	—
Dividends paid	-1,188	-3,926
Cash flow from financing activities	-10,411	-3,648
Cash flow for the year	-2,642	2,471
Cash and cash equivalents at beginning of year	7,506	4,998
Exchange-rate differences on cash and cash equivalents	-81	37
Cash and cash equivalents at end of year	4,783	7,506

Supplementary information, Note 32.

Parent Company financial statement

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Parent Company income statement

SEK M	Note	2010	2009
Revenue	2	17,668	13,527
Cost of sales and services		-13,348	-12,018
Gross profit		4,320	1,509
Selling expenses		-631	-536
Administrative expenses		-2,820	-2,402
Research and development costs	4	-932	-884
Other operating income	5	911	1,132
Other operating expenses	6	-741	-722
Operating profit/loss	3, 8	107	-1,903
Income from shares in Group companies	9	3,343	5,834
Income from shares in associated companies	9	5	5
Interest income and similar items	9	665	587
Interest expenses and similar items	9	-1,376	-1,545
Profit after financial items		2,744	2,978
Appropriations	10	2	8
Income tax	11	104	765
Profit for the year		2,850	3,751

Profit for the year corresponds to total comprehensive income for the year.

Parent Company balance sheet

SEK M	Note	2010	2009
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents and other intangible assets	14	25	17
Total		25	17
<i>Property, plant and equipment</i>			
Land and buildings	14	675	638
Plant and machinery	14	4,443	4,275
Equipment, tools, fixtures and fittings	14	374	376
Construction in progress and advance payments	14	1,276	1,333
Total		6,768	6,622
<i>Financial assets</i>			
Shares in Group companies	15	15,037	14,366
Advances to Group companies		148	152
Investments in associated companies	16	66	4
Other investments		1	1
Non-current receivables	18	61	101
Deferred tax assets	11	518	865
Total		15,831	15,489
Total non-current assets		22,624	22,128
Current assets			
<i>Inventories</i>			
	19	3,675	3,310
<i>Current receivables</i>			
Trade receivables		804	569
Due from Group companies		17,748	20,691
Due from associated companies		263	117
Income tax receivables	11	203	165
Other receivables	18	521	338
Prepaid expenses and accrued income		461	389
Total		20,000	22,269
<i>Cash and cash equivalents</i>		12	9
Total current assets		23,687	25,588
TOTAL ASSETS		46,311	47,716

SEK M	Note	2010	2009
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		11,855	7,821
Profit for the year		2,850	3,751
Total		14,705	11,572
Total equity	21	17,740	14,607
<i>Untaxed reserves</i>			
Other untaxed reserves	22	2	4
Total		2	4
<i>Provisions</i>			
Provisions for pensions	23	99	128
Other provisions	24	182	87
Total		281	215
<i>Non-current interest-bearing liabilities</i>			
Loans from financial institutions	25	463	1,894
Loans from Group companies	25	43	40
Other liabilities	25	14,086	17,145
Total		14,592	19,079
<i>Non-current noninterest-bearing liabilities</i>			
Other liabilities		—	22
Total		—	22
<i>Current interest-bearing liabilities</i>			
Loans from credit institutes		1,539	—
Loans from Group companies		6,399	6,526
Other liabilities		374	3,160
Total		8,312	9,686
<i>Current noninterest-bearing liabilities</i>			
Advance payments from customers		599	429
Accounts payable		1,595	1,147
Due to group companies		281	270
Due to associated companies		1	—
Other liabilities		225	202
Accrued expenses and deferred income	28	2,683	2,055
Total		5,384	4,103
TOTAL EQUITY AND LIABILITIES		46,311	47,716
Pledged assets	29	—	—
Contingent liabilities	29	11,228	17,778

Parent Company statement of changes in equity

SEK M	Share capital	Statutory reserve	Distributable equity	Total equity
Equity at 1 January 2009	1,424	1,611	11,054	14,089
Profit for the year	—	—	3,751	3,751
Dividend	—	—	-3,737	-3,737
Group contributions paid	—	—	694	694
Group contributions recieved	—	—	-10	-10
Tax effect of Group contributions	—	—	-180	-180
Equity at 31 December 2009	1,424	1,611	11,572	14,607
Profit for the year	—	—	2,850	2,850
Dividend	—	—	-1,186	-1,186
Group contributions paid	—	—	-10	-10
Group contributions recieved	—	—	2,003	2,003
Tax effect of Group contributions	—	—	-524	-524
Equity at 31 December 2010	1,424	1,611	14,705	17,740

Profit for the year corresponds to total comprehensive income for the year.

Parent Company cash-flow statement

SEK M	2010	2009
Cash flow from operating activities		
Profit before tax	2,746	2,986
Adjustment for depreciation and impairment losses	851	712
Adjustment for non-cash items, etc.	-1,329	-460
Income tax paid	-111	-42
Cash flow from operating activities before changes in working capital	2,157	3,196
Changes in working capital		
Changes in inventories	-364	1,813
Changes in operating receivables	-2,344	-334
Changes in operating liabilities	1,218	-418
Cash flow from operating activities	667	4,257
Cash flow from investing activities		
Acquisition of companies and shares, net of cash acquired	-783	-191
Acquisition of property, plant and equipment	-946	-899
Proceeds from sale of companies and shares, net of cash disposed of	41	340
Proceeds from sale of property, plant and equipment	13	127
Net cash used in investing activities	-1,675	-623
Net cash flow after investing activities	-1,008	3,634
Cash flow from financing activities		
Changes in advances/loans to/from Group companies, net	5,229	-8,090
Proceeds from external borrowings	798	11,571
Repayment of external borrowings	-5,824	-4,056
Dividend paid	-1,186	-3,737
Group contributions	1,994	684
Net cash used in financing activities	1,011	-3,628
Cash flow for the year	3	6
Cash and cash equivalents at beginning of year	9	3
Cash and cash equivalents at end of year	12	9

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) as endorsed by the EU Commission. In addition, the standard RFR 1 Supplementary accounting standards for consolidated accounts, issued by the Swedish Financial Reporting Board, 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 12–94 in the printed Annual Report. The Parent Company's annual report and the consolidated financial statements were approved for issuance by the Board of Directors on 16 February 2011. The Group's and the Parent Company's income statements and balance sheets are subject to adoption at the Annual General Meeting on 3 May 2011.

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 2010 are described below. Other revisions to IFRS that came into effect in 2010 did not have any significant impact on the Group's reporting.

Business combinations and consolidated financial statements

As of 1 January 2010, the Group applies revised IFRS 3 Business Combinations and revised IAS 27 Consolidated and Separate Financial Statements. These amended accounting policies include the following changes: The definition of business is changed, transaction expenses in connec-

tion 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. The term "minority interest" has been changed in the statements to the new designation of "non-controlling interest." Other new items include the introduction of two alternative methods to recognize non-controlling interest and goodwill, either at fair value, meaning the inclusion of goodwill in the non-controlling interest, or that the non-controlling 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 policies did not have any retroactive effect on the company's financial statements, meaning that no amounts in the financial statements were changed.

Classification in the cash flow statement

From 2010, Sandvik recognizes its cash flows related to investments in rentals machines and sales of such machinery as cash flow from operating activities. These cash flows were previously recognized as part of investment activities. The comparative year has been amended to comply with the new presentation format. This change affects only the cash flow statement.

New IFRSs that have not yet been applied

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.

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 in a business model with the aim of obtaining the contractual cash flows, which shall comprise payment of principals and interest on principals on a specified date. 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 accounting 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 material impact on Sandvik's financial statements. A decision has not been made as to whether the new policies will be applied in advance or from 2013.

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

- Revised IAS 24 *Related Party Disclosures* mainly in respect of disclosures for government-related entities, but also relating to the definition of related parties.
- Revised IAS 32 *Financial Instruments: Presentation* with respect to the classification of rights issues.
- Revised IFRS 7 *Financial Instruments: Disclosures* with respect to new disclosure requirements on financial assets that have been derecognized in their entirety or in part.
- 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 19 *Extinguishing Financial Liabilities with Equity Instruments*.
- Annual improvements to IFRS that are not already applicable, particularly those published in May 2010.

A summary of the implications of revised accounting policies with prospective application as detailed above is outlined below.

The amendment of IAS 24 *Related Party Disclosures* mainly involves certain exceptions from disclosure requirements for companies over which the government exerts controlling or significant influence, but also that the definition of related parties is simplified and clarified and the asymmetry has been removed. The change to the related party definition involves the addition of a number of special relationships to the related party category, while others have been removed. The amendment will be applied retroactively from fiscal years commencing on 1 January 2011.

Amendments were made to IAS 32 *Financial Instruments: Presentation* allowing 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 or loss since it is a derivative). The amendment must be applied no later than fiscal years beginning 1 February 2010 or later.

Amendments to IFRS 7 *Financial Instruments: Disclosures* with respect to new disclosure requirements on financial assets that have been derecognized in their entirety or in part. The amendment must be applied to fiscal years beginning 1 July 2011 or later. The EU is expected to approve the amendments during the second quarter of 2011.

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 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 difference 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 chief operating 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 chief operating decision maker. This is known as a management approach.

Sandvik's business is organized in a manner that allows the Group's chief operating decision maker, meaning the CEO, to monitor results, return and cash flow generated by the various products and services 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 and the services it provides, 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 relevant 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 over which the Parent Company has a controlling influence. Controlling interest 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 controlling interest, potential voting rights that currently are exercisable or convertible are taken into account.

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

For cases in which the subsidiary's accounting policies do not coincide with the Group's accounting policies, adjustments were made to the Group's accounting policies.

Acquisitions on 1 January 2010 or later

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. The acquisition analysis determines the acquisition-date fair value of acquired identifiable assets, assumed liabilities and any non-controlling interests. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are recognized directly in profit or loss for the year.

For business combinations in which the consideration transferred, any non-controlling interests and the fair value of previously held equity interests (for step acquisitions) exceeds the fair value of separately

recognized acquired assets and assumed liabilities, the difference is recognized as goodwill. When the difference is negative, known as a bargain purchase, it is directly recognized in profit or loss for the year.

Consideration transferred in conjunction with the acquisition does not include payments pertaining to the settlement of previous business connections, which is instead recognized in profit or loss.

Contingent considerations are recognized at fair value on the acquisition date. Contingent consideration classified as an equity instrument is not remeasured and its settlement takes place within shareholders' equity. Other types of contingent considerations are remeasured at each reporting period with any change recognized in profit or loss for the year.

Non-controlling interests arise for acquisitions not involving 100% ownership of the subsidiary. Two options are available for recognizing non-controlling interests: recognizing the non-controlling interest's proportionate share of net assets of the acquiree or recognizing the non-controlling interest at fair value, meaning that the non-controlling interest has a share of goodwill. The options for recognizing non-controlling interests can be made on an acquisition-by-acquisition basis.

For business combination achieved in stages (step acquisitions), goodwill is determined on the date on which the non-controlling interest arises. Former interests are measured at fair value and the change in value recognized in profit or loss for the year.

In conjunction with divestments resulting in the loss of a non-controlling interest but where a residual interest exists, this holding is measured at fair value and the change in value recognized in profit or loss for the year.

Acquisitions made between 1 January 2004 and 31 December 2009

Acquisitions made between 1 January 2004 and 31 December 2009 where the cost exceeds the fair value of the separately recognized acquired assets and assumed liabilities and contingent liabilities, the difference is recognized as goodwill. If the difference is negative, it is recognized in profit or loss for the year.

Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are included in the cost.

Acquisitions made prior to 1 January 2004 (IFRS transition date)

For acquisitions made prior to 1 January 2004, impaired goodwill is recognized at cost corresponding to the carrying amount in accordance with previously applied accounting policies. The classification and accounting procedures applied to business combinations occurring prior to 1 January 2004 were not retested under IFRS 3 in the preparation of the Group's opening balance sheet in accordance with IFRS on 1 January 2004.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are recognized as a transaction within shareholders' equity, meaning between the Parent Company's owners (under retained earnings) and non-controlling interests. Accordingly, goodwill does not arise in conjunction with such transactions. The change in non-controlling interests is based on their proportionate share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests, entailing a residual controlling interest, are recognized as a transaction within shareholders' equity, meaning between the Parent Company's owners and non-controlling interests. The difference between the consideration received and the non-controlling interest's proportionate share of acquired net assets is recognized under retained earnings.

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.

Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are included in cost.

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 func-

tional 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. For cases in which divestments made include a residual controlling influence, the proportionate share of accumulated translation differences from other comprehensive income is transferred to non-controlling interests.

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

Net investments in foreign operations

Monetary non-current receivables or monetary non-current liabilities to a foreign operation for which no settlement is planned or is not likely to take place in the foreseeable future are, in practice, part of the company's net investment in foreign operations. An exchange rate difference arising on the monetary non-current receivable or monetary non-current liabil-

ity is recognized in other comprehensive income and accumulated in a separate component of shareholders' equity, entitled translation reserve. When a foreign operation is divested, the accumulated exchange rate differences attributable to monetary non-current receivables or monetary non-current liabilities are included in the accumulated translation differences reclassified from the translation reserve in equity to profit or loss for the year.

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 as deferred income 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 classi-

fication 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 exchange-rate fluctuations are recognized in profit or loss for the year.

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 post-employment, 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), mortgage 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 retirement 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 Reporting by a legal entity, issued by the Swedish Financial Reporting Board. Also the interpretations issued by the Financial Reporting Board valid for listed companies have been applied. Under RFR 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 Act on Income Security, 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

Unless otherwise stated below, the Parent Company's accounting policies in 2010 changed in accordance with the amendments described above for the Group's accounting policies.

The amended accounting policies stipulated in the revised standards IFRS 3 *Business Combinations* and IAS 27 *Consoli-*

dated and Separate Financial Statements applied within the Group do not give rise to the same changes to the Parent Company's accounting policies as regards transaction costs and contingent consideration, refer below to the section entitled "Shares in Group companies and associated companies."

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, meaning that transaction costs are included in the carrying amount of holdings in subsidiaries and associated companies. Transaction costs related to shares in Group companies are recognized directly in profit or loss in the consolidated financial statements when they arise.

Contingent consideration is valued based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/deducted from the cost. Contingent consideration is measured at fair value in the consolidated financial statements with changes in value recognized in profit or loss.

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 or 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 or 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. Correspondingly, portions of appropriations are not allocated to deferred tax expenses in the Parent Company's income statement.

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

The Parent Company applies a relaxation rule permitted by the Swedish Financial Reporting Board to the reporting of financial guarantees as opposed to the rules stipulated by IAS 39. This relaxation rule pertains to financial guarantee agreements issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company recognizes financial guarantees as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the commitment.

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 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 2010 was SEK 562 M (652).

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 remeasured 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 5.2% to 5.1%. The expected weighted average return on plan assets was 6.1% in 2010 compared with 6.0% in 2009.

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 legislation, or the outcome of the final review by tax authorities and tax courts of tax returns. At year-end 2010, Sandvik recognized deferred tax assets of SEK 2,056 M (2,510). Furthermore, the Group had additional tax loss carryforwards of about SEK 355 M (800) 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 2010 amounted to SEK 3,650 M (3,311).

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 or 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 2,359 M at year-end 2009 and SEK 1,789 M at year-end 2010.

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 non-controlling 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 non-controlling 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.

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(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	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue														
External revenue	23,893	19,078	35,182	32,621	17,703	15,328	5,838	4,871	38	39			82,654	71,937
Internal revenue	160	89	9	14	338	167	20	17	17	16	-544	-303		
Group total	24,053	19,167	35,191	32,635	18,041	15,495	5,858	4,888	55	55	-544	-303	82,654	71,937
Share of results of associated companies	14	-1	5	13	14	-51	5	—	—	—			38	-39
Operating profit/loss by business area	4,296	-527	4,665	466	1,540	-1,137	1,098	307	-570	-521			11,029	-1,412
Net financing cost													-1,617	-2,060
Income tax expense for the year													-2,469	876
Profit/loss for the year													6,943	-2,596
Other disclosures														
Assets	23,913	25,398	27,040	27,036	20,586	18,268	5,425	4,959	1,570	2,286			78,534	77,947
Investment in associates	131	129	48	45	272	199	16	12	—	—			467	385
Segment assets	24,044	25,527	27,088	27,081	20,858	18,467	5,441	4,971	1,570	2,286			79,001	78,332
Unallocated assets													10,998	13,243
Group total													89,999	91,575
Liabilities	4,835	4,433	9,817	7,872	4,258	3,347	1,251	934	3,467	1,810			23,628	18,396
Unallocated liabilities													32,558	43,222
Group total													56,186	61,618
Capital expenditure	750	1,504	583	930	1,340	1,097	386	325	215	181			3,274	4,037
Depreciation/Amortization	-1,576	-1,593	-1,091	-1,080	-832	-914	-379	-373	-104	-89			-3,982	-4,049
Impairment losses	33	-202	-27	-193	-28	-95	—	-2	-34	—			-56	-492
Other non-cash expenses	-20	317	-83	191	-59	26	-24	41	56	-94			-130	481

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	2010	2009
USA	10,032	8,854
Australia	7,564	7,154
Germany	6,571	5,679
China	5,581	4,833
South Africa	4,532	3,567
Sweden	3,819	3,356
Brazil	3,613	2,345
France	3,090	2,807
Italy	3,013	2,835
Russia	2,339	1,815
Canada	2,333	1,709
India	2,224	1,800
UK	2,215	2,127
Japan	2,099	1,596
Mexico	1,379	1,184
Other countries	22,250	20,276
Total	82,654	71,937

Fixed assets by country

Group	2010	2009
Sweden	12,231	11,773
USA	4,730	5,039
UK	3,368	3,972
Germany	3,288	3,946
Austria	2,411	2,626
Finland	1,566	1,694
Australia	1,448	1,471
China	1,332	1,401
France	918	1,153
India	915	955
Brazil	886	917
Japan	860	823
Canada	544	575
Italy	511	587
Czech Republic	401	334
Other countries	3,036	3,390
Total	38,445	40,656

NOTE 2. CATEGORIES OF REVENUE

	Group		Parent Company	
	2010	2009	2010	2009
Sale of goods	75,541	64,319	17,430	12,865
Contract revenue	3,251	4,146	178	630
Rendering of services	3,241	2,948	52	28
Rental income	621	524	8	4
Total	82,654	71,937	17,668	13,527

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

	Group				Parent Company			
	2010		2009		2010		2009	
	Number	Women %	Number	Women %	Number	Women %	Number	Women %
Sweden	10,667	22	10,886	21	7,737	20	7,795	20
Rest of Europe	14,778	19	15,295	19	—	—	—	—
Total Europe	25,445	20	26,181	20	7,737	20	7,795	20
NAFTA	5,565	19	6,124	19	—	—	—	—
South America	2,846	13	2,958	15	2	—	2	—
Africa, Middle East	2,965	13	3,112	14	—	—	—	—
Asia	6,538	16	6,228	15	—	—	—	—
Australia	2,350	14	2,588	16	—	—	—	—
Total	45,709	18	47,191	18	7,739	20	7,797	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

%	2010	2009
Total absence due to illness as a percentage of regular working hours	3.1	3.2
Share of total absence due to illness pertaining to sick leave for 60 consecutive days or more	29.6	37.0

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

	2010	2009
Men	2.8	3.0
Women	4.0	4.4

Sick leave by age category

	2010	2009
Age 29 or younger	2.6	2.8
Age 30 to 49	2.8	2.9
Age 50 or older	3.7	4.0

3.3 Wages, salaries, other remuneration and social costs

	Group		Parent Company	
	2010	2009	2010	2009
Wages, salaries and other remuneration	17,967	17,611	3,321	3,098
Social costs	4,668	4,830	1,593	1,530
Employee profit sharing	250	—	212	—
Total	22,885	22,441	5,126	4,628
of which, pension costs recognized in social costs	1,466	1,643	538	550

A total of SEK 69 M (40) of the Group's pension costs relates to Boards and presidents. The Group's pension liability to these persons amounted to SEK 221 M (264). Correspondingly, SEK 32 M (10) 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 61 M (90).

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. The Group's return during 2010 implied a maximum allocation of SEK 250 M (0) to the profit-sharing foundation.

3.4 Wages, salaries and other remuneration by market area¹⁾

	Group		Parent Company	
	2010	2009	2010	2009
Sweden	4,522	4,182	3,321	3,098
Rest of Europe	6,269	6,460	—	—
Total Europe	10,791	10,642	3,321	3,098
NAFTA	2,778	2,867	—	—
South America	791	806	0	0
Africa, Middle East	851	709	—	—
Asia	1,268	1,095	—	—
Australia	1,488	1,492	—	—
Total	17,967	17,611	3,321	3,098
Of which, to Boards of Directors and presidents				
Salaries and other remuneration	401	408	32	20
of which, variable salary	55	57	9	1

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 2010. They are designed to ensure that Sandvik, from a global perspective, can offer market-based remuneration in order to attract and retain qualified employees.

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.

Long-term variable salary

In 2006, the Board decided to implement a cash-based program for long-term variable salary. 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 be achieved through an overall shared 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 2007, 2008, 2009 and 2010. Some 400 Sandvik employees participated in the programs on

NOTE 3.5 (CONT.)

a global basis. The programs applied for a three-year period, with any settlement paid after the third year of each program. The 2007 program was concluded in 2009, but resulted in no settlement in 2010. Any settlement for the 2008 program will take place in 2011, for the 2009 program in 2012 and for the 2010 program in 2013.

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 40–50% of the annual fixed salary.

Amounts attributable to these three programs are expensed and reserved continuously, based on assumptions regarding goal achievement. In 2010, no long-term variable salary was paid. The 2007 long-term variable salary program covering the years 2007-2009 resulted in no settlement, since the performance targets set by the Board of Directors were not met. During the year, a provision of SEK 52 M was made for the 2010 long-term variable salary program, of which SEK 5 M pertained to the President and other senior executives. No provisions were made for the 2008 and 2009 long-term variable salary programs.

Preparation and decision-making process

The Board's Remuneration Committee prepares issues relating to Group Executive Management's remuneration. The Committee met seven 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 2010. The President decided on remuneration to other senior executives after consultation with the Remuneration Committee. The Remuneration Committee performed its task supported by expertise on remuneration levels and structures. For information on the composition of the Committee, refer to the Corporate Governance Report.

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 2010:

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 over 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 in 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 of senior executives to be applied in 2011

The Board proposes that for 2011, the Annual General Meeting resolve to apply the following revised guidelines for remuneration of senior executives in accordance with the Board's proposed guidelines:

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 in the form of salary and/or shares in Sandvik AB. 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 may not exceed 75% of annual fixed salary. The long-term variable cash 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 over a three-year period. The maximum payment of long-term variable cash salary is 50% of the annual fixed salary. Long-term variable remuneration may also be provided in the form of shares in Sandvik AB by participating in a share-based incentive program that includes the offer of acquiring personnel options and matching rights. The program, which shall have been adopted by the Annual General Meeting, shall contain the principal conditions that certain categories of top-level senior executives are required to have invested personally in the Sandvik share, that the vesting period is three years subject to the requirement that the individual remain an employee for this entire period and that the allotment of shares shall be related to performance criteria linked to the company's growth, profitability and capital efficiency – Sandvik Value Added (SVA). 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.

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 4,050,000. Of this amount, SEK 1,350,000 (on an annual basis) is payable to the Chairman of the Board (Anders Nyrén) and SEK 450,000 to each of the other external Board members (Georg Ehrnrooth, Fredrik Lundberg, Hanne de Mora, Egil Myklebust, Simon Thompson and Lars Westerberg).

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 an amount totaling SEK 400,000 to be divided between the members of the Audit Committee (Hanne de Mora SEK 150,000, Anders Nyrén SEK 125,000 and Simon Thompson SEK 125,000) and in an amount totaling SEK 250,000 to be divided between the members of the Remuneration Committee (Georg Ehrnrooth SEK 75,000, Egil Myklebust SEK 75,000 and Anders Nyrén SEK 100,000).

Apart from the pension obligations to the President, Lars Pettersson, there are no pension obligations to other Board members.

Effective 1 January 2010, President and CEO Lars Pettersson is paid an annual fixed salary of SEK 7,650,000 and receives the fringe-benefit value of housing and car provided by the company. In addition, a variable salary of maximum 75% of the fixed salary is paid. The variable salary for 2010 amounts to SEK 5,737,500.

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 2010, the obligation for pension vested through that date amounted to SEK 25,016,142. 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.

In 2010, Sandvik expensed and reserved SEK 77 M in severance pay for Lars Pettersson. The amount pertains to salary, pension benefits, taxes and social security contributions for the period until Lars Pettersson's 60th birthday. The amount also includes commitments for a pension between the age of 60 and 65 that will be earned during the period until Lars Pettersson's 60th birthday. The agreement entails that Sandvik will pay compensation to Lars Pettersson for nine months in excess of the terms stipulated in his employment contract. This additional portion amounts to approximately SEK 10 M.

Effective 1 February 2011, Sandvik's new CEO and President, Olof Faxander, will be paid an annual fixed salary of SEK 9,900,000 and receive the fringe-benefit value of housing and car provided by the company. In addition, a variable salary will be paid in accordance with the guidelines for senior executives.

Olof Faxander is entitled to retire with pension at age 60. A premium of 35% of his annual fixed salary is reserved annually.

Severance pay is paid in the event that the company terminates employment. Severance pay equals 24 months' fixed salary in addition to the notice period.

NOTE 3.5 (CONT.)

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 2010, the obligation for pensions vested through that date amounted to SEK 35,376,292.

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 seven remaining members of Group Executive Management employed on 31 December 2010, four people are encompassed by the ITP 1 plan and three 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. Remuneration and other benefits attributable to 2010 expensed during the year.

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 Anders Nyren	1,575,000 ⁴⁾	—	—	—	—
President and CEO Lars Pettersson	8,335,434 ⁵⁾	5,737,500	288,176	1,352,648	8,612,000
Other senior executives ⁶⁾	23,767,622	13,050,600	1,762,656	3,721,604	16,870,000
Total	33,678,056	18,788,100	2,050,832	5,074,252	25,482,000

1) Amount pertaining to 2010 and expected to be paid in 2011.

2) Other benefits largely pertain to the fringe-benefit value of housing and company car.

3) The amounts pertain to provisions made for the 2010 long-term variable salary program.

4) Expensed during 2010 and will be paid in 2011. The amount includes a Board fee of SEK 1,350,000, a Remuneration Committee fee of SEK 100,000 and an Audit Committee fee of SEK 125,000.

5) Lars Pettersson's fixed salary as of 1 January 2010 amounted to SEK 7,650,000, the remaining amount relates to vacation pay, etc. Board fees are not paid to internal Board members.

6) Pertains to the following persons in 2010: Peter Gossas, Lars Josefsson, Peter Larson, Ola Salmén, Bo Severin, Anders Thelin and Göran Westerberg. Costs for Bo Severin and Göran Westerberg also relate to the full fiscal year 2010. They have been included as members of Group Executive Management from 1 October 2010.

3.6 Gender distribution in senior management

	Group		Parent Company	
	2010	2009	2010	2009
Proportion of women, %				
Boards and presidents	9	9	9	9
Senior management	17	15	—	—

3.7 Audit fees

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

	KPMG		Other		Total	
	2010	2009	2010	2009	2010	2009
Audit						
Parent Company	11.7	8.1	0.0	0.0	11.7	8.1
Subsidiaries (excl. Seco Tools)	53.0	57.9	4.3	6.3	57.3	64.2
Seco Tools	0.3	0.3	6.7	7.9	7.0	8.2
Group	65.0	66.3	11.0	14.2	76.0	80.5
Tax consultancy services	1.0	1.7				
Subsidiaries (excl. Seco Tools)	12.6	8.9				
Seco Tools	0.0	0.0				
Group	13.6	10.6				
Other services						
Parent Company	2.5	4.1				
Subsidiaries (excl. Seco Tools)	4.8	3.4				
Seco Tools	0.0	0.0				
Group	7.3	7.5				

Audit refers to the statutory audit of the financial statements, the accounting records and the administration of the business by the Board of Directors and the President, and auditing and other review procedures performed in accordance with agreements or contracts. This includes 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.

Tax consultancy services relate to services in the tax area. Other services essentially comprise advice in areas closely related to the audit, such as advice on accounting issues, tax services and due-diligence services in connection with acquisitions.

NOTE 4. RESEARCH, DEVELOPMENT AND QUALITY ASSURANCE

	Group		Parent Company	
	2010	2009	2010	2009
Expenditure for				
research and development	2,309	2,325	932	884
quality assurance	570	508	279	215
Total	2,879	2,833	1,211	1,099
of which expensed, total	2,675	2,515	1,211	1,099
of which expensed relating to research and development	2,106	2,007	932	884

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	2010	2009
Gain on sale of property, plant and equipment	43	—
Gain on sale of businesses and shares	6	5
Other	93	77
Total	142	82

Parent Company

Other operating income mainly pertains to intra-Group services.

NOTE 6. OTHER OPERATING EXPENSES

Group	2010	2009
Loss on disposal of non-current assets	—	-65
Gain/loss on sale of operations and shares	-3	—
Exchange rate losses on operating receivables and payables	-243	-246
Other	-179	-162
Total	-425	-473

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	2010	2009
Employee benefit expense	-22,885	-22,441
Depreciation and amortization	-3,982	-4,049
Impairment losses, inventories	-317	-519
Impairment losses, property, plant and equipment	-56	-492
Impairment losses, trade receivables	-89	-194

There were no significant reversals of earlier recognized impairment losses during 2010 or 2009.

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 2010, the planned residual value of such leased assets was SEK 171 M (165).

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	
	2010	2009	2010	2009
Within one year	30	34	27	31
Between one and five years	89	117	70	92
Later than five years	72	98	39	55
Total	191	249	136	178

Finance leases with Sandvik as lessor

The Group's investments in finance leases at 2010 year-end amounted to SEK 493 M (484). Variable fees recognized in profit/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	
	2010	2009	2010	2009
Within one year	241	133	221	109
Between one and five years	252	260	208	220
Later than five years	—	91	—	59
Total	493	484	429	388

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 within operating expenses. In 2010, the Group expensed SEK 711 M (583), including minimum lease payments of SEK 690 M (560), variable fees of SEK 24 M (23), and net of sublease income of SEK 3 M (0). The Parent Company expensed SEK 165 M (130).

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

	Group		Parent Company	
	2010	2009	2010	2009
Within one year	642	609	159	157
Between one and five years	1,308	1,234	465	452
Later than five years	703	469	230	200
Total	2,653	2,312	854	809

Future minimum lease payments under non-cancellable lease contracts that pertain to subleased items amounted to SEK 1 M (0).

Operating leases with Sandvik as lessor

The planned residual value of the Group's rental fleet is SEK 562 M (652). Depreciation for the year amounted to SEK 504 M (411). The future minimum lease payments under non-cancellable leases amount to SEK 306 M (230). Variable fees amounted to SEK 19 M (32).

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

	Group		Parent Company	
	2010	2009	2010	2009
Within one year	186	127	11	14
Between one and five years	119	102	3	16
Later than five years	1	1	—	—
Total	306	230	14	30

NOTE 9. NET FINANCING COST

Group	2010	2009
Interest income	189	249
Dividend	6	10

Other investments incl. derivatives

Net gain on disposal of financial assets	0	0
Net gain on remeasurement of financial assets/liabilities at fair value	138	164
Net foreign-exchange gains	27	—
Other financial income	17	15
Financial income	377	438

Interest expense	-1,925	-2,204
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Other investments incl. derivatives

Net loss on disposal of financial assets	0	-23
Net loss on remeasurement of financial assets/liabilities	-51	-209
Net foreign-exchange losses	—	-25
Other financial expenses	-18	-37
Financial expenses	-1,994	-2,498

Net financing cost **-1,617** **-2,060**

Measurement of interest derivatives had a positive effect on net financing cost of SEK 14 M (32). 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 -1,754 M (-1,983). Hedging of fair values in 2010 had an effect of SEK -45 M (17) on the result.

Parent Company	Income from shares in Group companies		Income from shares in associated companies	
	2010	2009	2010	2009
Dividend, net of withholding tax	3,352	5,753	5	5
Gain on sale of shares and participations	-7	81	—	—
Impairment	-2	0	—	—
Total	3,343	5,834	5	5

Parent Company	Interest income and similar items	
	2010	2009
Interest income, Group companies	259	345
Other interest income	1	2
Derivatives, Group companies	405	240
Total	665	587

Parent Company	Interest expense and similar items	
	2010	2009
Interest expense, Group companies	-263	-319
Other interest expense	-983	-905
Derivatives, Group companies	-8	-68
Other	-122	-253
Total	-1,376	-1,545

NOTE 10. APPROPRIATIONS

Parent Company	2010	2009
Changes in other untaxed reserves	2	8
Total	2	8

NOTE 11. INCOME TAX

Recognized in profit and loss

	Group		Parent Company	
	2010	2009	2010	2009
Income tax expense for the year				
Current tax	-2,478	-912	536	203
Adjustment of taxes attributable to prior years	87	27	-87	6
Total current tax expense	-2,391	-885	449	209
Deferred taxes relating to temporary differences and unused tax losses	-78	1,761	-345	556
Total tax expense	-2,469	876	104	765

The Group recognized tax expense for the year of SEK 2,469 M or 26.2% of the result after financial items. The Group's tax income for 2009 was SEK 876 M or 25.2% of the result after financial items.

Reconciliation of the Group's tax expense

The Group's weighted average tax rate, based on the tax rates in each country, is 26.2% (28.7). The nominal tax rate in Sweden is 26.3% (26.3). 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	2010		2009	
	SEK M	%	SEK M	%
Result after financial items	9,412		-3,472	
Weighted average tax based on each country's tax rate	-2,468	-26.2	998	-28.7

Tax effect of

Non-deductible expenses	-258	-2.7	-214	6.2
Tax exempt income	232	2.5	230	-6.6
Adjustments relating to prior years	87	0.9	27	-0.8
Effects of unused tax losses, net	23	0.2	-139	4.0
Other	-85	-0.9	-26	0.7
Total recognized tax expense	-2,469	-26.2	876	-25.2

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	2010		2009	
	SEK M	%	SEK M	%
Profit before tax	2,746		2,986	
Tax based on the nominal tax rate for the Parent Company	-722	-26.3	-785	-26.3

Tax effects of

Non-deductible expenses	-22	-0.8	-13	-0.4
Tax-exempt income	899	32.7	1,546	51.8
Use of previously uncapitalized tax loss deductions	36	1.3	—	—
Adjustments relating to prior years	-87	-3.1	17	0.6
Total recognized tax expense	104	3.8	765	25.6

Tax item attributable to other comprehensive income

Group	2010			2009		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Translation differences for the year	-2,386	—	-2,386	-645	—	-645
Fair-value changes in cash-flow hedges for the year	566	-149	417	272	-71	201
Fair-value changes in cash-flow hedges carried forward to profit/loss for the year	49	-13	36	269	-71	198
Other comprehensive income	-1,771	-162	-1,933	-104	-142	-246

Tax items recognized directly in equity

Parent Company	2010	2009
Current tax relating to taxable group contributions	524	180
Total	524	180

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	2010			2009		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	52	-620	-568	64	-890	-826
Property, plant and equipment	96	-1,285	-1,189	95	-1,228	-1,133
Financial non-current assets	162	-6	156	113	-2	111
Inventories	1,300	-83	1,217	1,468	-37	1,431
Receivables	156	-425	-269	422	-394	28
Interest-bearing liabilities	383	-494	-111	315	-441	-126
Noninterest-bearing liabilities	1,059	-523	536	943	-932	11
Other	28	-2	26	—	-11	-11
Unused tax losses	1,220	—	1,220	1,783	—	1,783
Total	4,456	-3,438	1,018	5,203	-3,935	1,268
Offsetting within companies	-2,400	2,400	—	-2,693	2,693	—
Total deferred tax assets and liabilities	2,056	-1,038	1,018	2,510	-1,242	1,268

NOTE 11. INCOME TAX (CONT.)

Parent Company	2010			2009		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	—	-33	-33	—	-34	-34
Inventories	1	—	1	9	—	9
Provisions	42	—	42	49	—	49
Noninterest-bearing liabilities	—	-145	-145	14	-14	0
Unused tax losses	653	—	653	841	—	841
Total	696	-178	518	913	-48	865
Offsetting	-178	178	—	-48	48	—
Total deferred tax assets and liabilities	518	—	518	865	—	865

Unrecognized deferred tax assets

The Group has additional unused tax losses of about SEK 355 M (800).

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	
	2010	2009	2010	2009
Balance at beginning of year, net	1,268	-237	865	292
Recognized in profit and loss	-78	1,761	-347	573
Acquisitions/disposals of subsidiaries	3	-140	—	—
Recognized in other comprehensive income	-162	-142	—	—
Government grants	-7	-25	—	—
Translation differences	-6	51	—	—
Balance at end of year, net	1,018	1,268	518	865

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

	Group		Parent Company	
	2010	2009	2010	2009
Other provisions for taxes	-3,650	-3,311	—	—
Income tax liabilities	-1,208	-768	—	—
Income tax receivables	765	1,304	203	165
Net tax liabilities/receivables	-443	536	203	165

Other provisions for taxes of SEK -3,650 M (-3,311) relate to ongoing disputes and assessed risks. The increase during 2010 (SEK 339 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	
	2010	2009	2010	2009
Earnings per share	5.59	-2.24	5.59	-2.24

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 2010 is based on the result for the year attributable to the equity holders of the Parent Company of SEK 6,634 M (-2,652) and the weighted average number of shares (thousands) during 2010 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, basic

	2010	2009
Profit/loss for the year attributable to the equity holders of the Parent Company	6,634	-2,652

Weighted average number of shares, basic

In thousands of shares	2010	2009
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, basic	1,186,287	1,186,287

Diluted earnings per share

The calculation of diluted earnings per share 2010 is based on the result attributable to the equity holders of the Parent Company of SEK 6,634 M (-2,652) and the weighted average number of shares (thousands) during 2009, 1,186,287 (1,186,369). The two components have been calculated as follows:

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

	2010	2009
Profit/loss for the year attributable to equity holders of the Parent Company	6,634	-2,652

Weighted average number of shares, diluted

In thousands of shares	2010	2009
Weighted average number of shares, basic	1,186,287	1,186,287
Effect of share options	—	82
Weighted average number of shares outstanding during the year, diluted	1,186,287	1,186,369

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 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	
At 1 January 2010	1,486	786	237	48	2,557	15	335	808	11,135	1,712	14,005	16,562	
Additions	203	176	18	—	397	—	4	7	—	65	76	473	
Business combinations	—	—	—	—	—	—	—	8	37	24	69	69	
Divestments and disposals	-73	-22	-1	-1	-97	—	-1	-1	—	-69	-71	-168	
Reclassifications	—	26	—	8	34	—	7	—	—	29	36	70	
Translation differences during the year	-53	-10	-18	4	-77	—	-33	-54	-838	-98	-1,023	-1,100	
At 31 December 2010	1,563	956	236	59	2,814	15	312	768	10,334	1,663	13,092	15,906	
Accumulated amortization and impairment losses													
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	
At 1 January 2010	555	528	82	39	1,204	15	308	371	—	527	1,221	2,425	
Business combinations	—	—	—	—	—	—	—	—	—	—	—	—	
Divestments and disposals	-66	—	-1	-1	-68	—	-1	-1	—	-60	-62	-130	
Impairment losses	—	—	1	—	1	—	—	—	—	—	—	1	
Reclassifications	—	—	—	—	—	—	—	—	—	1	1	1	
Amortization for the year	189	114	13	6	322	—	19	57	—	136	212	534	
Translation differences for the year	-23	-3	-8	2	-32	—	-35	-12	—	-39	-86	-118	
At 31 December 2010	655	639	87	46	1,427	15	291	415	—	565	1,286	2,713	
Net carrying amounts													
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	
1 January 2010	931	258	155	9	1,353	0	27	437	11,135	1,185	12,784	14,137	
31 December 2010	908	317	149	13	1,387	0	21	353	10,334	1,098	11,806	13,193	
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	
Amortization for the year is included in the following lines in the 2010 income statement													
Cost of sales	—	-6	-2	—	-8	—	-7	-37	—	-69	-113	-121	
Selling expenses	—	-6	-5	-2	-13	—	-1	-10	—	-64	-75	-88	
Administrative expenses	-189	-102	-6	-4	-301	—	-11	-10	—	-3	-24	-325	
Total	-189	-114	-13	-6	-322	—	-19	-57	—	-136	-212	-534	

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 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
At 1 January 2010	13,131	34,061	5,528	2,732	55,452
Additions	304	943	258	1,666	3,171
Business combinations	21	178	4	—	203
Divestments and disposals	-183	-1,071	-226	-24	-1,504
Impairment losses	—	—	—	—	—
Reclassifications	200	1,540	101	-1,842	-1
Translation differences for the year	-650	-1,368	-281	-65	-2,364
At 31 December 2010	12,823	34,283	5,384	2,467	54,957
Accumulated depreciation and impairment losses					
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
At 1 January 2010	4,960	20,166	3,807	—	28,933
Business combinations	5	29	3	—	37
Divestments and disposals	-106	-983	-212	—	-1,301
Reclassifications	-1	8	1	—	8
Depreciation for the year	416	2,584	448	—	3,448
Impairment losses	43	1	11	—	55
Translation differences for the year	-305	-951	-219	—	-1,475
At 31 December 2010	5,012	20,854	3,839	—	29,705
Net carrying amounts					
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
1 January 2010	8,171	13,895	1,721	2,732	26,519
31 December 2010	7,811	13,430	1,544	2,467	25,252

Impairment losses are included in the following lines in the 2010 income statement

	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Impairment losses					
Administrative expenses	-1	—	—	—	-1
Cost of sales	-42	-14	—	—	-56
Other operating expenses	—	13	-11	—	2
Total	-43	-1	-11	—	-55

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

Ratable values	2010	2009
Buildings (in Sweden)	1,321	1,303
Land (in Sweden)	454	431

Additional information

Items of property plant and equipment for a total of SEK 207 M (237) have been pledged as security for liabilities.

In 2010, contractual commitments for the acquisition of property, plant and equipment amounted to SEK 242 M (50).

Borrowing costs 2010	Machinery
Borrowing costs included in the cost of assets during the year	1
Interest rate for determining borrowing costs included in cost	3,72 %

Borrowing costs 2009	Constructions in progress
Borrowing costs included in the cost of assets during the year	0
Interest rate for determining borrowing costs included in the cost	3,75 %

Disclosure concerning government grants in the Group

No government grants were received in 2010 or 2009.

Impairment tests of goodwill

Goodwill was tested for impairment at the balance sheet date of 31 December 2010. As stated below, the carrying amount of goodwill in the consolidated balance sheet is SEK 10,334 M (11,135), essentially related to a number of major business combinations.

Goodwill by cash-generating unit	Carrying amount	
	2010	2009
Sandvik Tooling		
Walter Group	999	1,144
Diamond Innovations	718	761
Wolfram	1,385	1,588
Business area level	932	996
Total	4,034	4,489
Sandvik Mining and Construction		
Exploration	465	436
Extec/Fintec	1,015	1,102
Business area level	2,086	2,238
Total	3,566	3,776

Goodwill by cash-generating unit	Carrying amount	
	2010	2009
Sandvik Materials Technology		
Kanthal Group	—	1,115
MedTech	1,298	1,398
Business area level	1,146	80
Total	2,444	2,593
Seco Tools and Corporate	290	277
Group total	10,334	11,135

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, 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. During the year, the Kanthal group was integrated with other operations in Sandvik Materials Technology and is now included in the line Business area level.

Tests have not indicated any impairment requirement. 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 0 M (28).

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

Intangible assets	Patents and other intangible assets	Patents and other intangible assets
Cost		
At 1 January 2009	121	
Additions	14	
Divestments and disposals	-24	
At 31 December 2009	111	
At 1 January 2010	111	
Additions	17	
Divestments and disposals	-8	
At 31 December 2010	120	
Accumulated amortization		
At 1 January 2009		90
Amortization for the year		4
At 31 December 2009		94
At 1 January 2010		94
Amortization for the year		1
At 31 December 2010		95
Net carrying amount at end of year		25

Amortization for the year is included in the following lines in the income statement	2010	2009
Selling expenses	—	-3
Administrative expenses	-1	-1
Total	-1	-4

Property, plant and equipment	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost					
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
At 1 January 2010	1,045	10,372	1,052	1,333	13,802
Additions	20	173	34	680	907
Acquired through business combinations	—	22	—	—	22
Divestments and disposals	—	-169	-33	—	-202
Reclassifications	49	636	52	-737	0
At 31 December 2010	1,114	11,034	1,105	1,276	14,529
Revaluations					
At 1 January 2009	41	—	—	—	41
At 31 December 2009	41	—	—	—	41
At 1 January 2010	41	—	—	—	41
At 31 December 2010	41	—	—	—	41
Accumulated depreciation					
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
At 1 January 2010	448	6,097	676	—	7,221
Acquired through business combinations	—	11	—	—	11
Divestments and disposals	—	-148	-29	—	-177
Depreciation for the year	32	631	84	—	747
At 31 December 2010	480	6,591	731	—	7,802
Net carrying amounts					
1 January 2009	491	4,088	312	1,727	6,618
31 December 2009	638	4,275	376	1,333	6,622
1 January 2010	638	4,275	376	1,333	6,622
31 December 2010	675	4,443	374	1,276	6,768

Ratable values – Parent Company	2010	2009
Buildings (in Sweden)	306	290
Land (in Sweden)	114	102

NOTE 15. SHARES IN GROUP COMPANIES

Shares in Group Companies	Parent Company	
	2010	2009
Cost		
At beginning of year	14,755	14,824
Additions	231	42
Capital contributions	490	98
New issues	—	50
Divestments	-48	-259
Total	15,428	14,755

Shares in Group Companies	Parent Company	
	2010	2009
Accumulated impairment losses		
At beginning of year	-389	-389
Impairment losses for the year	-2	—
Impairment losses reversed during the year	—	0
Total	15,037	14,366
Carrying amount at year-end	-391	-389

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

According to balance sheet at 31 December; company, domicile	2010				2009			
	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	32,474	200,000	100	32,957	
Industri AB Skomab, Sandviken	556008-8345	2,000	100	99,346	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	
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 Besöksservice 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	501,000	100	50,100	
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	360	60	71,732	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	51	1,000	100	69	
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	
Sandvik Västanbyn AB, Sandviken	556590-8075	1,000	100	100	1,000	100	100	

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	Corp. Reg. number	2010			2009		
		No. of shares	Holding, % ²⁾	Carrying amount SEK 000s	No. of shares	Holding, % ²⁾	Carrying amount SEK 000s
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
Dormer Tools 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	1,000	100	100
Wire Sandviken AB ¹⁾	556779-3897	1,000	100	100	1,000	100	100
Sandvik IT Services AB ¹⁾	556788-9059	1,000	100	100	1,000	100	100
AB Ascet, Sandviken	556285-0882	1,000	100	120	—	—	—

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

According to balance sheet at 31 December; company, domicile		2010			2009		
		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	330,298	1,894,797,190	100	46,072
	Sandvik Materials Technology do Brasil S.A.	10,877,380	100	31,489	—	—	—
	Sandvik MGS S.A.	14,999,998	100	192,400	—	—	—
	Sandvik Mining and Construction do Brasil S.A.	85,329,996	100	195,225	—	—	—
BULGARIA	Sandvik Bulgaria Ltd.	—	100	0	—	100	0
CHILE	Sandvik Credit Chile S.A.	9,900	99	39,631	9,900	99	39,631
CHINA	Sandvik China Holding Co Ltd.	—	100	668,890	—	100	668,890
	Sandvik Materials Technology (China) Ltd.	—	44 ³⁾	207,854	—	44 ³⁾	207,854
CZECH REPUBLIC	Sandvik CZ s.r.o.	—	100	0	—	100	0
DEMOKRATIC REPUBLIC OF CONGO	Sandvik Mining and Construction DRC S.P.R.L.	9,990	100	—	—	—	—
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	908	5,529	100	1,567
HUNGARY	Sandvik Magyarorszag Kft.	—	100	3,258	—	100	3,258
INDIA	Sandvik Asia Ltd.	16,030,246	17 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
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	19,886	1	100	2,096
ZIMBABWE	Sandvik Mining and Construction Zimbabwe (Pty) Ltd.	233,677	100	3,269	233,677	100	3,269
Total				15,037,592			14,366,028

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 100% 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, %		2010 ¹⁾	2009 ¹⁾
SWEDEN	Sandvik Heating Technology AB	100	100
	Sandvik SRP AB	100	100
	Sandvik Treasury AB	100	100
	Seco Tools AB	60 ²⁾	60 ²⁾
ALGERIA	Sandvik Mining and Construction Algeria SpA	100	100
ARGENTINA	Sandvik Argentina S.A.	100	100
	Sandvik Mining and Construction Argentina S.A.	100	100
	Walter Argentina S.A.	100	100
AUSTRALIA	Sandvik Mining and Construction Redhead Pty Ltd	100	100
	Sandvik Australia Pty. Ltd.	100	100
	Sandvik Shark Pty. Ltd.	100	100
	Sandvik Mining and Construction Perth Pty. Ltd.	100	100
	Sandvik Mining and Construction Adelaide Pty. Ltd.	100	100
	Sandvik Mining and Construction Pty. Ltd. Australia	100	100
	Sandvik Mining and Construction Tomago Pty. Ltd.	100	100
	Sandvik RC Tools Australia Pty. Ltd.	100	100
	Walter Australia Pty. Ltd.	100	100
AUSTRIA	Walter Austria GmbH	100	100
	Wolfram Bergbau und Hütten AG	100	100
	Sandvik in Austria Ges.m.b.H.	100	100
	Sandvik Mining and Construction GmbH	100	100
	Sandvik Mining and Construction Materials Handling GmbH & Co. KG	100	100
BELGIUM	Walter Benelux N.V./S.A.	100	100
BRAZIL	Walter do Brasil Ltda.	100	100
CANADA	Sandvik Canada Inc.	100	100
	Sandvik Mining and Construction Canada Inc.	100	100
	Sandvik Tooling Canada Inc.	100	100
CHILE	Sandvik Chile S.A.	100	100
	Sandvik Mining and Construction Chile S.A.	100	100
CHINA	Sandvik International Trading (Shanghai) Co. Ltd.	100	100
	Sandvik Mining and Construction (China) Co. Ltd.	100	100
	Sandvik Mining and Construction Trading (Shanghai) Co. Ltd.	100	100
	Sandvik Hard Materials (Wuxi) Co. Ltd.	100	100
	Sandvik Process Systems (Shanghai) Co. Ltd.	100	100
	Sandvik Round Tools Production Co. Ltd.	100	100
	Sandvik Tooling Production (Langfang) Co. Ltd.	100	100
	Sandvik Tooling Sales and Trade (Shanghai) Ltd.	100	100
	Sandvik (Qingdao) Ltd.	100	100
	Walter Wuxi Co. Ltd.	100	100
COLOMBIA	Sandvik Colombia S.A.S.	70	—
CROATIA	Sandvik, za trgovinu d.o.o.	100	100
CZECH REPUBLIC	Sandvik Chomutov Precision Tubes s.r.o.	100	100
	Walter CZ s.r.o.	100	100
DENMARK	Sandvik A/S	100	100
FINLAND	Sandvik Mining and Construction Finland Oy	100	100
	Sandvik Mining and Construction Oy	100	100
FRANCE	Safety S.A.S.	100	100
	Sandvik Mining and Construction Chauny S.A.S.	100	100
	Sandvik Hard Materials S.A.S.	100	100
	Sandvik Materials Technology France S.A.S.	100	100
	Sandvik Mining and Construction Lyon S.A.S.	100	100
	Sandvik Mining and Construction France S.A.S.	100	100
	Sandvik Tooling France S.A.S.	100	100
	Gunther Tools S.A.S.	100	100
Safety Production S.A.S.	100	100	
	Walter France S.A.S.	100	100
GERMANY	Sandvik Mining and Construction Crushing Technology GmbH	100	100
	Prototyp-Werke GmbH	100	100
	Sandvik Customer Financing Europe GmbH	100	100
	Sandvik Materials Technology Deutschland GmbH	100	100
	Sandvik Mining and Construction Europe GmbH	100	100
	Sandvik Mining and Construction Supply GmbH	100	100
	Sandvik Tooling Deutschland GmbH	100	100
	TDM Systems GmbH	75	75
	Walter AG	100	100
	Walter Deutschland GmbH	100	100
	Werner Schmitt PKD-Werkzeug GmbH	100	100
GHANA	Sandvik Mining and Construction Ghana Ltd.	100	100
HONG KONG	Sandvik Hong Kong Ltd.	100	100
HUNGARY	Walter Hungaria Kft.	100	100
INDIA	Walter Tools India Pvt. Ltd.	100	100
INDONESIA	PT Sandvik Indonesia	100	100
	PT Sandvik Mining and Construction Indonesia	100	100
	PT Sandvik SMC	100	100
IRELAND	Diamond Innovations International Sales	100	100
ITALY	Dormer Italia S.p.A.P	100	100
	Sandvik Italia S.p.A.	100	100
	Walter Italia S.R.L.	100	100
JAPAN	Sandvik Mining and Construction Japan K.K.	100	100
	Sandvik Tooling Supply Japan K.K.	100	100
	Walter Tooling Japan K.K.	100	100
KAZAKHSTAN	Sandvik Mining and Construction Kazakhstan	100	100
KOREA	Sandvik SuhJun Ltd.	100	100
	Walter Korea Ltd.	100	100

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, %		2010 ¹⁾	2009 ¹⁾
MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100	100
	Sandvik Mining and Construction (Malaysia) Sdn. Bhd.	100	100
	Walter Malaysia Sdn. Bhd.	100	100
MEXICO	Sandvik de México S.A. de C.V.	100	100
	Sandvik Mining and Construction de México S.A. de C.V.	100	100
	Walter Tools S.A. de C.V.	100	100
NETHERLANDS	Sandvik Benelux B.V.	100	100
NEW ZEALAND	Sandvik New Zealand Ltd.	100	100
NIGERIA	Sandvik Mining and Construction Nigeria Ltd.	100	100
NORWAY	Sandvik Norge A/S	100	100
	Sandvik Riser Technology A/S	100	100
	Teeness ASA	100	100
	Sandvik Tamrock A/S	100	100
PERU	Sandvik del Peru S.A.	100	100
PHILIPPINES	Sandvik Philippines Inc.	100	100
	Sandvik Tamrock (Philippines) Inc.	100	100
POLAND	Walter Polska Sp. z.o.o.	100	100
	Sandvik Mining and Construction Sp. z.o.o.	100	100
ROMANIA	Sandvik SRL	100	100
RUSSIA	LLC Sandvik	100	100
	OOO Walter	100	100
	Sandvik Mining and Construction CIS LLC	100	100
	Sandvik-MKTC OAO	100	100
SERBIA/MONTENEGRO	Sandvik Srbija d.o.o.	100	100
SINGAPORE	Kanthal Electroheat (SEA) Pte. Ltd.	100	100
	Sandvik Mining and Construction S.E. Asia Pte. Ltd.	100	100
	Sandvik South East Asia Pte. Ltd.	100	100
	Walter AG Singapore Pte. Ltd.	100	100
SLOVENIA	Sandvik d.o.o.	100	100
SOUTH AFRICA	Sandvik Mining and Construction RSA (Pty) Ltd.	100	100
	Sandvik (Pty) Ltd.	100	100
	Sandvik Mining and Construction Delmas (Pty) Ltd.	100	100
SPAIN	Sandvik Española S.A.	100	100
	Walter Tools Iberica S.A.U.	100	100
SWITZERLAND	Sandvik AG	100	100
	Santrade Ltd.	100	100
	Walter (Schweiz) AG	100	100
	Sandvik Hard Materials Taiwan Pty. Ltd.	100	100
	Sandvik Taiwan Ltd.	100	100
TANZANIA	Sandvik Mining and Construction Tanzania Ltd.	100	100
THAILAND	Sandvik Thailand Ltd.	100	100
	Walter (Thailand) Co. Ltd.	100	100
UK	Dormer Tools Ltd.	100	100
	SMC Mobile Crushers and Screens Swadlincote	100	100
	Sandvik Materials Technology UK Ltd.	100	100
	Sandvik Ltd.	100	100
	Sandvik Medical Solutions Ltd.	100	100
	Sandvik Mining and Construction Ltd.	100	100
	Sandvik Osprey Ltd.	100	100
	Walter GB Ltd.	100	100
UKRAINE	Sandvik Ukraine	100	100
US	Diamond Innovations Inc.	100	100
	Diamond Innovations International Inc.	100	100
	Sandvik Wire and Heating Technology Corporation	100	100
	Sandvik Thermal Process Inc.	100	100
	Pennsylvania Extruded Tube Co.	70	70
	Precision Dormer LLC	100	100
	Sandvik Customer Finance LLC	100	100
	Sandvik Inc.	100	100
	Sandvik Medical Solutions Tennessee	100	100
	Sandvik Medical Solutions Oregon Inc.	100	100
	Sandvik Mining and Construction USA LLC	100	100
	Sandvik Process Systems LLC	100	100
	Sandvik Special Metals LLC	100	100
TDM Systems Inc.	100	100	
Walter USA LLC	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	2010	2009
Accumulated share of equity		
At beginning of year	385	485
Acquisitions	62	—
Divestments	—	-52
Share of profits for the year	38	-39
Less dividend received	-6	-6
Translation differences during the year	-12	-3
At end of year	467	385

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

2010	Country	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %
Owned directly by Sandvik AB							
Balzer Sandvik Coating AB	Sweden	89	10	61	17	44	49.0
Carpenter Powder Products	Sweden	168	12	178	29	149	40.0
Owned indirectly by Sandvik AB							
Bellataire LLC	US	44	-9	79	7	72	50.0
Eimco Elecon	India	246	22	272	80	192	25.1
Fagersta Stainless AB	Sweden	1,715	56	967	431	536	50.0
Precorp Inc.	US	188	21	154	55	99	49.0
Associates owned by Seco Tools		100	10	59	25	34	
2009							
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	

Additional information

The close of the reporting period for the associate Eimco Elecon is 31 March 2010. Dividend paid in 2010 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	2010	2009
Cost		
At beginning of year	4	4
Acquisitions	62	—
At end of year	66	4

	Corp. Reg. No.	Share of capital and voting rights, %	Carrying amount, SEK M
2010			
Balzer Sandvik Coating AB, Stockholm	556098-1333	49	4
Carpenter Powder Products	556223-2594	40	62
2009			
Balzer Sandvik Coating AB, Stockholm	556098-1333	49	4

NOTE 17. OTHER FINANCIAL ASSETS

Group	2010	2009
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	2010	2009
Non-current receivables		
Derivatives designated as hedging instruments	700	223
Funded pension plans	1,484	1,534
Other noninterest-bearing receivables	714	385
Other interest-bearing receivables	524	583
Total	3,422	2,725
Other current receivables		
Derivatives held as investments	3	6
Derivatives designated as hedging instruments	486	423
Due from customers for contract work	869	1,142
Other noninterest-bearing receivables	2,485	1,815
Other interest-bearing receivables	480	370
Advances to suppliers	353	255
Total	4,676	4,011
Parent Company		
	2010	2009
Non-current receivables		
Derivatives	41	82
Other noninterest-bearing receivables	20	19
Total	61	101
Other current receivables		
Derivatives	196	169
Other noninterest-bearing receivables	325	166
Other interest-bearing receivables	0	3
Total	521	338

NOTE 20. TRADE RECEIVABLES

Age analysis of trade receivables

Group	2010			2009		
	Gross	Allowance for bad debts	Net carrying amount	Gross	Allowance for bad debts	Net carrying amount
Current receivables	10,272	-131	10,141	9,253	-47	9,206
Past due receivables						
0-3 months	2,149	-73	2,076	1,784	-69	1,715
Past due receivables						
3-12 months	455	-139	316	708	-255	453
Past due receivables						
>12 months	523	-318	205	555	-342	213
Total	13,399	-661	12,738	12,300	-713	11,587

NOTE 21. CAPITAL AND RESERVES

Group	2010	2009
Details of reserves		
Translation reserve		
At beginning of year	4,417	5,028
Translation differences during the year	-2,318	-611
At end of year	2,099	4,417
Hedging reserve		
At beginning of year	22	-377
Cash flow hedges recognized in other comprehensive income	453	399
At end of year	475	22
Total reserves		
Reserves at beginning of year	4,439	4,651
Changes in reserves:		
Translation reserve	-2,318	-611
Hedging reserve	453	399
Reserves at end of year	2,574	4,439

Construction contracts	Group	
	2010	2009
Contract costs incurred and recognized profits (less recognized losses)	8,806	8,760
Advances received	1,025	1,300
Amounts retained by customers	84	29
Gross amount due from customers	869	1,142
Gross amount due to customers	478	281

NOTE 19. INVENTORIES

	Group		Parent Company	
	2010	2009	2010	2009
Raw materials and consumables	4,872	4,450	1,220	1,380
Work in progress	4,948	3,773	1,723	1,217
Finished goods	11,600	11,619	732	713
Total	21,420	19,842	3,675	3,310

Cost of sales of the Group includes impairment of inventories of SEK 317 M (519) while cost of sales of the Parent Company includes impairment of SEK 156 M (150). There were no significant reversals of impairment losses during 2010 and 2009.

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*

	2010	2009
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 objectives 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 considerable growth potential.

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 over the past two years:

	No. of shares	SEK/share	Share capital SEK
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
Share capital at 31 December 2010	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 2010 is estimated to amount to SEK 3,559 M (SEK 3.00 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 Stockholm. 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

	2010	2009
Other untaxed reserves	2	4
Total other untaxed reserves	2	4

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 post-employment 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 non-controlling interests.

Equity	2010	2009
Share capital	1,424	1,424
Other paid-in capital	1,057	1,057
Reserves	2,574	4,439
Retained earnings including profit for the year	27,525	22,067
Equity attributable to equity holders of the Parent	32,580	28,987
Non-controlling interests	1,233	970
Total equity	33,813	29,957

The Board of Directors has proposed to the 2011 Annual General Meeting a dividend of SEK 3.00 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 2010, Alecta reports a plan surplus of 143% (141). 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 2010, the defined-benefit obligation amounted to SEK 2,214 M (2,351). The fair value of the plan assets held by the Sandvik Pension Foundation in Sweden was SEK 1,943 M (1,894).

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. These plans are closed for new entrants and new employees are instead offered a defined-contribution solution.

In the US part of the Group, there are also commitments for post-retirement medical benefits. At 31 December 2010, the present value of remaining defined-benefit pension obligations was SEK 3,263 M (3,303). The fair value of plan assets was SEK 2,494 M (2,348).

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 2006. Subsequent newly hired employees are being offered participation in a defined-contribution plan.

At 31 December 2010, the present value of remaining defined-benefit pension obligations was SEK 4,137 M (4,328) and the fair value of plan assets was SEK 3,441 M (3,404).

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 2010, the present value of the defined-benefit pension obligations was SEK 1,994 M (2,241). The fair value of the plan assets held by the related Finnish pension foundation was SEK 2,574 M (2,715).

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 2010 was SEK 1,609 M (1,777). The fair value of the plan assets amounts to SEK 783 M (856).

Other

The present value of defined-benefit pension obligations in other countries was SEK 1,797 M (1,966). The fair value of related plan assets was SEK 1,212 (1,403).

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

Pension cost	2010	2009
Current service cost	-400	-418
Interest expense	-804	-852
Expected return on plan assets	722	717
Amortization of unrecognized gains and losses	-80	-110
Past service cost	-7	-6
Employee contributions	44	58
Gains (losses) on settlements	-13	18
Total defined-benefit pension cost	-538	-593

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

Defined-contribution and defined-benefit plans	2010	2009
Defined-contribution plans	-928	-1,050
Defined-benefit plans	-538	-593
Total pension cost	-1,466	-1,643

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.

Actual return on plan assets during 2010 was SEK 1,094 M (1,500).

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 185 M (217), 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	2010	2009
Funded plans recognized as non-current receivables	1,484	1,534
Pension plans recognized as provisions for pensions	-2,264	-2,657
Provisions for pensions, net	-780	-1,123

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	2010	2009
Wholly or partly funded plans		
Present value of defined-benefit obligations	-13,486	-14,126
Fair value of plan assets	12,447	12,620
Net liability, funded plans	-1,039	-1,506

Unfunded plans

Present value of defined-benefit obligations	-1,528	-1,840
Unrecognized past service costs	38	28
Unrecognized actuarial losses (+) and gains (-), net	1,789	2,359

Pension liability for plans recognized in accordance with IAS 19

Pension liability for plans recognized in accordance with local regulations	-40	-164
Provisions for pensions/medical benefits, net	-780	-1,123

The consolidation ratio, that is, the value of plan assets in relation to the present value of comparable obligations, amounted at year-end 2010 to 92% (89).

Composition of plan assets, %	2010	2009
Shares and equity based securities	40	39
Interest-bearing securities	45	49
Other	15	12
Total	100	100

The fair value of plan assets at 31 December 2010 (and 31 December 2009) includes loans to Sandvik entities totaling SEK 47 M (160) and the value of properties leased to Sandvik of SEK 212 M (241).

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	2010	2009
Obligations for defined-benefit plans at beginning of year	-15,966	-14,823
Current service cost and interest expense	-1,204	-1,270
Pensions paid	634	694
Effects of business combinations and settlements	217	-72
Actuarial gains (+)/losses (-)	136	-959
Foreign exchange differences	1,169	464
Obligations for defined-benefit plans at end of year	-15,014	-15,966

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

Movements in plan assets	2010	2009
Fair value of plan assets at beginning of year	12,620	11,421
Expected return on plan assets	722	717
Actuarial gains(+)/losses(-)	372	783
Pensions paid, net	-598	-645
Contributions from employers	526	652
Effects of business combinations and settlements	-252	21
Foreign exchange differences	-943	-329
Fair value of plan assets at end of year	12,447	12,620

Sandvik estimates that about SEK 400 M (500) will be paid in 2011 to existing defined-benefit pension plans.

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

	2010	2009
Net liability at beginning of year	-1,123	-1,193
New plans, incl. those of newly acquired companies	—	-81
Pension cost for the year for defined-benefit plans	-538	-593
Contributions from Group companies	544	652
Movement in the net liability due to foreign exchange differences	213	78
Movement in net liability for defined-benefit plans recognized in accordance with IAS 19	219	56

Movement in pension plans recognized in accordance with local regulations	2010	2009
	124	14
Provisions for pensions, net	-780	-1,123

Key actuarial assumptions (weighted average, %)	2010	2009
Discount rate	5.1	5.2
Expected return on plan assets	6.1	6.0
Expected rate of salary increases	3.4	3.3
Expected inflation	2.5	2.4
Change in medical cost trend	8.9	10.0

Unrecognized actuarial gains (-) and losses (+)	2010	2009	2008	2007	2006
Unrecognized gains and losses at beginning of year	2,359	2,353	932	856	778
Changed assumptions relating to obligations	-82	882	-746	-137	318
Experience adjustments arising on plan liabilities	-25	73	-30	167	82
Difference between anticipated and actual return on plan assets	-372	-783	2,087	31	-232
Amortization of actuarial gains and losses	-80	-110	-10	-5	-15
Translation difference	-11	-56	120	20	-75
Unrecognized gains and losses at end of year	1,789	2,359	2,353	932	856

Parent Company

The Parent Company's recognized pension provision was SEK 99 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 1,943 M (1,894), which exceeded the capital value of the pension obligations by SEK 17 M (67).

The Parent Company's funded obligations mainly comprise ITP Plans.

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

2010	Funded obligations	Unfunded obligations	Total
Capital value at beginning of year	-1,423	-116	-1,539
Pension cost for the year excl. interest expense	-59	-29	-88
Interest expense	-66	-1	-67
Pensions paid	54	3	57
+/- effects of settlements and business combinations	1	55	56
Other changes	-7	-	-7
Capital value at end of year	-1,500	-88	-1,588
of which insured with FPG/PRI	-1,489	-60	-1,549

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

Movement in the assets of the pension foundation	2010	2009
Fair value of assets at beginning of year	1,474	1,297
Actual return on assets	29	176
Net amount refunded to employers	8	1
Fair value of assets at end of year	1,511	1,474

Reconciliation of the recognized pension liability	2010	2009
Capital value at end of year	-1,588	-1,539
Fair value of the assets of the foundation at end of year	1,511	1,474
Surplus/deficit value of foundation assets	-22	-63
Recognized net liability	-99	-128

The recognized pension cost for the year comprises the following items	2010	2009
Current service cost excl. interest expense	-88	-70
Interest expense	-67	-69
Return on separated assets	29	176
Effects of settlements, etc.	—	—
Costs for pension under own management	-126	37

Defined-contribution plans	2010	2009
Pension premiums for the year	-430	-462
Subtotal	-556	-425

Special employer's contribution	2010	2009
Premium for credit insurance policy	0	-1
Total pension cost for the year	-663	-518

Change in surplus value of separated assets	2010	2009
	125	-37
Net pension cost for the year	-538	-555

Composition of the foundation's assets, %	2010	2009
Shares and equity based securities	27	34
Interest-bearing securities	61	55
Other	12	11
Total	100	100

Key actuarial assumptions, %	2010	2009
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 31 December 2009	376	416	248	737	1,777
Provisions made during the year	270	191	329	488	1,278
Provisions used during the year	-170	-326	-110	-524	-1,130
Provisions reversed during the year	-44	-1	-7	-32	-84
Translation differences	-25	-9	-8	-25	-67
Balance at 31 December 2010	407	271	452	644	1,774
of which current	187	187	140	365	879
of which non-current	220	84	312	279	895
Parent Company					
Balance at 31 December 2009	25	0	46	16	87
Provisions made during the year	9	—	112	8	129
Provisions used during the year	-13	—	-15	-1	-29
Provisions reversed during the year	—	—	—	-5	-5
Balance at 31 December 2010	21	0	143	18	182

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 SEK 0 M (118).

NOTE 25. NON-CURRENT INTEREST-BEARING LIABILITIES**Parent Company**

Non-current interest-bearing liabilities fall due as follows:

	2010			2009		
	Within one to five years	Later than five years	Total	Within one to five years	Later than five years	Total
Loans from financial institutions	463	—	463	1,431	463	1,894
Loans from Group companies	42	1	43	39	1	40
Other liabilities	9,191	4,895	14,086	12,222	4,923	17,145
Total	9,696	4,896	14,592	13,692	5,387	19,079

NOTE 26. OTHER INTEREST-BEARING LIABILITIES

Group	2010	2009
Non-current liabilities		
Bond issues	20,033	23,484
Other	245	573
Total	20,278	24,057
Current liabilities		
Bond issues	375	3,160
Other	299	983
Total	674	4,143

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	2010	2009
Other non-current liabilities		
Derivatives held for trading	0	1
Derivatives designated as hedging instruments	247	146
Other	39	25
Total	286	172
Other current liabilities		
Derivatives held for trading	3	7
Derivatives designated as hedging instruments	483	819
Bills payable	76	87
Gross amount due to construction contract customers	1,205	281
Other	1,993	2,234
Total	3,760	3,428

NOTE 28. ACCRUED EXPENSES AND DEFERRED INCOME

Parent Company	2010	2009
Personnel related	1,467	970
Expenses related to finance	622	621
Other	594	464
Total	2,683	2,055

NOTE 29. CONTINGENT LIABILITIES AND PLEDGED ASSETS

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.

Sandvik's US subsidiary, Sandvik Inc., was the object of claims in the US in which the plaintiffs stated that exposure to welding fumes caused neurological damage. Sandvik Inc. sells welding electrodes, although its market share in the US is less than 1%. All of the cases against Sandvik also involve other defendants who sold welding electrodes in the US. To obtain a favorable verdict in a case against Sandvik Inc., a plaintiff would have to prove that he used Sandvik's welding electrodes and that he suffered neurological injury caused by such usage. Many of the cases against the company have been dismissed because the plaintiffs could not prove that they had used Sandvik welding electrodes. In addition, Sandvik believes that there is no reliable scientific evidence to support the claims in these cases. To date, Sandvik has not received an unfavorable verdict in any proceedings or come to a settlement in regard to these cases and the only expenses it has incurred are legal costs. A significant share of these costs has been covered by Sandvik's insurance.

In 2005, Sandvik AB implemented a reorganization of ownership and management of intellectual property rights. All Swedish-owned patents and trademarks were transferred to Sandvik Intellectual Property AB (IP Company). As a result of the reorganization, the Swedish National Tax Board did not approve the IP company's tax returns and the Public Commissioner filed an appeal against the Tax Board's decision relating to Sandvik AB.

The Public Commissioner requested that Sandvik AB be taxed in 2005 for a capital gain of SEK 18,097 M, which arose in the Group in conjunction with the reorganization. In June 2010, the Administrative Court approved the Public Commissioner's appeal pertaining to additional taxation of Sandvik AB for 2005. The decision has been appealed to the Administrative Court of Appeal. The decision, if it gains legal force, entails that Sandvik AB will be taxed for additional earnings of SEK 18,097 M for 2005. Because the decision will not impact the Group's earnings, Sandvik has not made any provision, since any additional tax expense of about SEK 5 billion will correspond to the tax value of the increased amortization in the IP Company and this tax value, according to IFRS policies, would then be recognized as income. For further details, refer to section Integrated risk management.

	Group		Parent Company	
	2010	2009	2010	2009
Contingent liabilities				
Bills discounted	24	51	—	—
Other surety undertakings and contingent liabilities	1,635	2,868	11,228	17,778
Total	1,659	2,919	11,228	17,778
of which for subsidiaries			10,721	15,969

The Parent Company's surety undertakings and contingent liabilities amounted to SEK 11,228 M (17,778), of which SEK 7,826 M (11,898) 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 1,659 M (2,919) 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	2010	2009
Property mortgages	207	237
Chattel mortgages	108	168
Total	315	405

No assets of the Parent Company had been pledged at 2010 and 2009 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 in 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 2010

Financial instruments measured at fair value	2010	2009
Financial assets		
Derivatives		
Foreign exchange contracts	771	399
Foreign currency options	16	3
Interest-rate swaps	60	149
Commodity and electricity derivatives	325	101
Total	1,172	652
Financial liabilities		
Derivatives		
Foreign exchange contracts	707	897
Foreign currency options	—	2
Interest-rate swaps	15	24
Commodity and electricity derivatives	—	49
Total	722	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 1,077 M (2,227). 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.

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.

NOTE 30. SUPPLEMENTARY INFORMATION – FINANCIAL RISK MANAGEMENT (CONT.)**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⁾ Derivates held for trading ³⁾		Available-for-sale financial assets		Loans and receivables		Total carrying amount		Fair value	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial assets												
Financial investments	—	—	—	—	78	78	—	—	78	78	78	78
Shares in associates	—	—	—	—	467	385	—	—	467	385	467	385
Trade receivables	—	—	—	—	—	—	12,738	11,587	12,738	11,587	12,738	11,587
Other receivables ⁴⁾	—	—	—	—	—	—	1,277	1,166	1,277	1,166	1,277	1,166
Derivatives ⁵⁾	1,043	349	146	303	—	—	—	—	1,189	652	1,189	652
Cash and cash equivalents							4,783	7,506	4,783	7,506	4,783	7,506
Total financial assets	1,043	349	146	303	545	463	18,798	20,259	20,532	21,374	20,532	21,374
Financial liabilities												
Borrowings ⁶⁾	—	—	—	—	27,203	36,724	—	—	27,203	36,724	28,280	38,952
Derivatives ⁷⁾	352	189	381	783	—	—	—	—	733	972	733	972
Accounts payable	—	—	—	—	—	—	6,889	4,730	6,889	4,730	6,889	4,730
Due to associates	—	—	—	—	—	—	47	42	47	42	47	42
Other liabilities ⁸⁾	—	—	—	—	—	—	77	706	77	706	77	706
Total financial liabilities	352	189	381	783	27,203	36,724	7,013	5,478	34,949	43,174	36,026	45,402

1) Fair Value Option is not applied.

2) Of which SEK 645 M (30) pertains to cash-flow hedges recognized in the hedging reserve in equity and SEK 46 M (130) pertains to fair-value hedges recognized in profit or loss.

3) Of which SEK -239 M (-475) 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.

	2010	2009
Assets and liabilities at fair value (Derivatives)	205	-175
Loans and accounts receivables	-156	134
Available-for-sale financial assets	6	10
Financial liabilities	-1,733	-2,057

The company's financial liabilities amounted to SEK 34,949 M (43,174) at year-end.

Group's maturity structure of financial liabilities and derivatives – undiscounted cash flows

Nominal amounts		2010				2009			
		<6 months	6–12 months	1–5 years	>5 years	<6 months	6–12 months	1–5 years	>5 years
Bank loans	SEK	-3,438	-32	-3,596	—	-2,187	-1,262	-5,012	—
Commercial papers	SEK	—	—	—	—	-1,560	-250	—	—
MTN	SEK	-171	-495	-15,681	-10,233	-1,401	-2,003	-7,545	-5,058
EMTN	EUR	-371	—	4,189	—	-426	—	-7,890	—
Private placement	USD	-146	-146	-1,168	-6,195	-148	-148	-1,480	-6,495
Derivatives									
– Currency derivatives		-273	11	39	66	-472	-30	1	5
– Interest-rate derivatives		94	-45	172	-128	3	18	-41	-209
– Commodity and electricity derivatives		134	134	46	6	-3	-4	53	4
Accounts payable		-6,889	—	—	—	-4,730	—	—	—
Total		-11,060	-573	-15,999	-16,484	-10,924	-3,679	-21,914	-11,753

Periods when hedged cash flows are expected to occur and affect earnings

	Q 1 2011	Q 2 2011	Q 3 2011	Q 4 2011	Q 1 2012	Q 2 2012	Q 3 2012	Q 4 2012	2013 and later
Currency derivatives	-2	-15	11	9	15	-2	36	23	252
Interest derivatives									-2
Commodity and electricity derivatives	98	38	11	20	27	9	7	18	92
Total	96	23	22	29	42	7	43	41	342

NOTE 31. RELATED PARTIES**Related-party transactions**

The Group's sales to associated companies amounted to SEK 978 M (691). The Group's purchases from associated companies amounted to SEK 396 M (276). 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 13,482 M (9,851), or 76% (73) of total sales. The share of exports was 72% (66). The Parent Company's purchases from Group companies amounted to SEK 2,563 M (2,417), or 18% (22) 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 37, no transactions took place with persons closely associated with the company.

NOTE 32. SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	2010	2009
Cash and cash equivalents – Group		
Cash and cash equivalents comprise:		
Cash and bank	3,172	2,722
Short-term investments comparable to cash and cash equivalents	1,611	4,784
Total in the balance sheet	4,783	7,506
Total in the cash-flow statement	4,783	7,506

Cash and cash equivalents – Parent Company

Cash and cash equivalents comprise:		
Cash and bank	12	9
Total in the balance sheet	12	9
Total in the cash-flow statement	12	9

A short-term investment is classified as a cash and 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	
	2010	2009	2010	2009
Interest and dividend paid				
Dividend received	6	10	3,357	5,803
Interest received	48	302	102	685
Interest paid	-1,883	-1,995	-1,189	-983
Total	-1,829	-1,683	2,270	5,505

NOTE 32. SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT (CONT.)

	Group		Parent Company	
	2010	2009	2010	2009
Adjustment for items do not require the use of cash				
Changes in value of financial instruments	—	—	-618	-528
Unappropriated results of associated companies	-27	34	—	—
Gains and losses on disposal of property, plant and equipment	-121	67	-85	-23
Provisions for pensions	-52	115	-29	0
Appropriations	—	—	-2	-8
Unrealized foreign exchange differences	—	—	-707	-347
Other	70	265	112	446
Total	-130	481	-1,329	-460

2010 2009

Acquisitions of subsidiaries and other business operations – Group

Net assets acquired:		
Non-current assets	198	2,849
Inventories	44	690
Operating receivables	38	156
Cash and cash equivalents	3	88
Total assets	283	3,783
Provisions	—	-204
Operating liabilities	-22	-66
Other liabilities	-2	-237
Total provisions and liabilities	-24	-507
Purchase consideration recognized as a liability	-60	-1,152
Purchase consideration paid	-1,219	-2,124
Less cash and cash equivalents of divested operations	3	88
Effect on cash and cash equivalents	-1,216	-2,036

2010 2009

Divestments of subsidiaries and other business operations – Group

Net assets divested:		
Non-current assets	—	-52
Total assets	—	-52
Purchase consideration received	—	55
Effect on cash and cash equivalents	—	55

NOTE 33. BUSINESS COMBINATIONS

The business combinations effected during 2009 and 2010 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 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
Seco Tools	AOB, France	23 July 2010	40	50
Seco Tools	NCI and DTC, USA	29 December 2010	275	180

In all of the business combinations during 2010, Sandvik acquired 100% of the shares. No equity instruments were issued in connection with the acquisitions. Direct acquisition expenses amounted to SEK 10 M and were charged to administrative expenses in the Group's incomes statement.

Goodwill was 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.

On 23 July 2010, Seco Tools acquired the French company AOB from one of the leading suppliers of Poly Crystalline Diamond (PCD) tools for the aerospace, automotive and timber-machining industries. AOB has particular expertise and experience of machining in composite materials (CFRP), for which Seco Tools' cemented-carbide tools are unsuitable. Goodwill is attributable to the strong ability within product development and manufacturing of PCD tools.

On 29 December 2010, Seco Tools acquired the US companies NC Industries (NCI) and Diamond Tool Coating (DTC). NCI manufactures solid-carbide end mills under the Niagara Cutters and Arch Micro Tools brands and is one of the largest local manufacturers in the US of these products. DTC manufactures diamond coatings. Most of its customers are found in the aerospace and power-generation industries as well as in the general engineering industry. An additional purchase price may be payable if specific growth and profitability targets are met for the 2011-2012 period. Goodwill is attributable to the strong market position in the important NAFTA market.

The fair value of assets and liabilities in acquired companies are presented in the tables below. Only the Seco Tools business area completed acquisitions in 2010.

Total fair value of assets and liabilities of acquired businesses 2010

	Recognized value on acquisition
Seco Tools	
Intangible assets	32
Property, plant and equipment	166
Inventories	44
Current receivables	38
Cash and cash equivalents	3
Noninterest-bearing liabilities	-24
Net identifiable assets and liabilities	259
Goodwill	37
Purchase consideration	296
Cash and cash equivalents in acquired businesses	-3
Part of consideration entered as a liability	-37
Anticipated additional purchase consideration	-23
Net cash outflow	233

Total fair value of assets and liabilities of acquired businesses 2009

	Sandvik Tooling	Sandvik Mining and Constructions	Sandvik Materials Technology	Seco Tools	Recognized value on acquisition
Intangible assets	511	—	32	—	543
Property, plant and equipment	624	—	—	—	624
Financial investments	43	—	—	—	43
Inventories	687	—	5	—	692
Current receivables	156	—	—	—	156
Cash and cash equivalents	88	—	—	—	88
Interest-bearing liabilities	-78	—	—	—	-78
Noninterest-bearing liabilities	-443	—	—	—	-443
Net identifiable assets and liabilities	1,588	—	37	—	1,625
Goodwill	1,647	—	—	—	1,647
Purchase consideration	3,235	—	37	—	3,272
Cash and cash equivalents of acquired businesses	-88	—	—	—	-88
Finalized purchase consideration	-1,152	—	—	—	-1,152
Net cash outflow	1,995	—	37	—	2,032
of which directly attributable acquisition costs	11	—	0	—	11

No material adjustments have been made to the fair values of assets and liabilities of businesses acquired in 2009.

NOTE 33. BUSINESS COMBINATIONS (CONT.)**Contributions from companies acquired in 2010 by business area**

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Seco Tools	Total
<i>Contributions as of acquisition date</i>					
Revenue	—	—	—	19	19
Profit/loss for the year	—	—	—	2	2
<i>Contributions as though the acquisition date had been 1 January 2010</i>					
Revenue	—	—	—	318	318
Profit/loss for the year	—	—	—	11	11

Contributions from companies acquired during 2009 by business area

	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Seco Tools	Total
<i>Contributions as of acquisition date</i>					
Revenue	388	—	—	—	388
Profit/loss for the year	-56	—	—	—	-56
<i>Contributions as though the acquisition date had been 1 January 2009</i>					
Revenue	661	—	—	—	661
Profit/loss for the year	-47	—	—	—	-47

Acquisition of non-controlling interests

On 26 February 2010, an additional 3% was acquired in Sandvik Asia Ltd, bringing the shareholding in this company up to 100%. Accordingly, the Group recognizes a decline in non-controlling interests of SEK 17 M and an increase in profit brought forward of SEK 10 M.

NOTE 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 Stockholm. Shares can also be traded in the US in the form of ADRs (American Depositary Receipts).

The 2010 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.

NOTE 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 2010, 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 (11.7%).

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. For information on significant events, we refer to the Report of the Directors.

The company's financial position at 31 December 2010 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.

Sandviken, 16 February 2011
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	11,855,367,492
and the profit for the year	2,850,334,411
SEK	14,705,701,903

be appropriated as follows:

a dividend of SEK 3.00 per share	3,558,861,525
profit carried forward	11,146,840,378
SEK	14,705,701,903

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 3 May 2011.

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, 16 February 2011

Anders Nyrén <i>Chairman</i>	Georg Ehrnrooth <i>Director</i>	Jan Kjellgren <i>Director</i>
Tomas Kärnström <i>Director</i>	Fredrik Lundberg <i>Director</i>	Hanne de Mora <i>Director</i>
Egil Myklebust <i>Director</i>	Simon Thompson <i>Director</i>	Lars Westerberg <i>Director</i>
Lars Pettersson <i>Director</i> <i>President</i> <i>(up until 31 January, 2011)</i>	Olof Faxander <i>President</i> <i>(as of 1 February, 2011)</i>	

Our audit report was submitted on 17 February 2011

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 2010. The company's annual report is included in the printed version of this document on pages 12–94. 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 consoli-

dated 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. A Corporate Governance Report has been prepared. 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, 17 February 2011

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 and performance indicators established at Group level.

Significant events during the year:

- The number of Lost Time Injuries rose 8% and the Lost Time Injury Frequency Rate rose 12% compared with 2009.
- No work-related fatalities occurred.
- At year-end, the number of production-related units certified in accordance with ISO 14001 was 161 (95%), with 161 (95%) certified in accordance with OHSAS 18001.
- The target of phasing-out the use of chlorinated solvents by year-end 2010 was achieved.
- New guidelines for evaluating and selecting suppliers from a CSR perspective were adopted. The organization for auditing suppliers in India was further strengthened.
- For the third consecutive year, Sandvik was included in both of the Dow Jones' sustainability indexes: the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index.
- Decline in energy efficiency.

The Sustainability Report

This is the fifth 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's 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 assurance of sustainability reports. 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 organization's website (www.accountability21.net).

The sustainability report comprises information found at the following locations:

- The Report of the Directors (Human Resources and Sustainable development) 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 objectives.
- 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 2010 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.

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 recog-

nized 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 review.

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 requires working internally to involve stakeholders in identifying and understanding sustainability issues and assuming responsibility for, reporting on and explaining decisions, actions and results.

Sandvik's sustainability activities

Sandvik's sustainability activities are described in the following sections based on various stakeholder perspectives. The Group's results in relation to its objectives are measured using relevant performance indicators and key figures. The figures presented are the accumulated figures for 2010 for all active reporting units (approximately 300), unless otherwise stated. Acquisitions in 2009 had a certain effect on environment and health and safety performance indicators, which are commented on separately next to each indicator.

Strategy and control

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.

Group Executive Management, supported by the Board, sets the company's Code of Conduct, targets and performance indicators, and 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, business ethics, 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 HR, purchasing, environment, health and safety) to coordinate the work among the business areas and to draft common policies, objectives, targets and indicators for Group Executive Management.

The diagram below shows the management process for sustainability activities. The various councils have representatives from each business area and the relevant Group staff functions.

A summary of Sandvik's objectives and targets for its sustainability work is available on the Sandvik website, www.sandvik.com. Indicators and key figures are reported on a quarterly basis to the Group Assurance staff function, which analyzes the results and presents them to the Board, Group Executive Management and the entire organization. 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.

Sandvik has an established risk management process for evaluating both financial and non-financial risks. The evaluation process does not only encompass the com-

pany's own operations but also risks related to the geographic locations in which it conducts business and the risks associated with its suppliers. The risk management process is described in the section that starts on page 25 of Sandvik's Annual Report.

To ensure adequate functionality of management systems, internal control and risk management as well as compliance with the Code of Conduct, an independent unit (Group Assurance) has been established. This unit continuously monitors the Group's operations, mainly by way of internal audits, and reports to the Board's Audit Committee and Group Executive Management on a quarterly basis.

Respect for stakeholders' interests

Sandvik endeavors to engage in an open dialog with all of its key stakeholders regarding how this work is conducted, explaining priorities, how decisions are made and what results are achieved. This is a key condition in being able to focus on the correct aspects of its sustainability work. 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. Refer to the diagram below. Sandvik expects that all stakeholders who have an opinion regarding the direction of this work or the results generated will contact the company to engage in dialog. Key sustainability issues are communicated to stakeholders primarily through the sustainability report. 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.

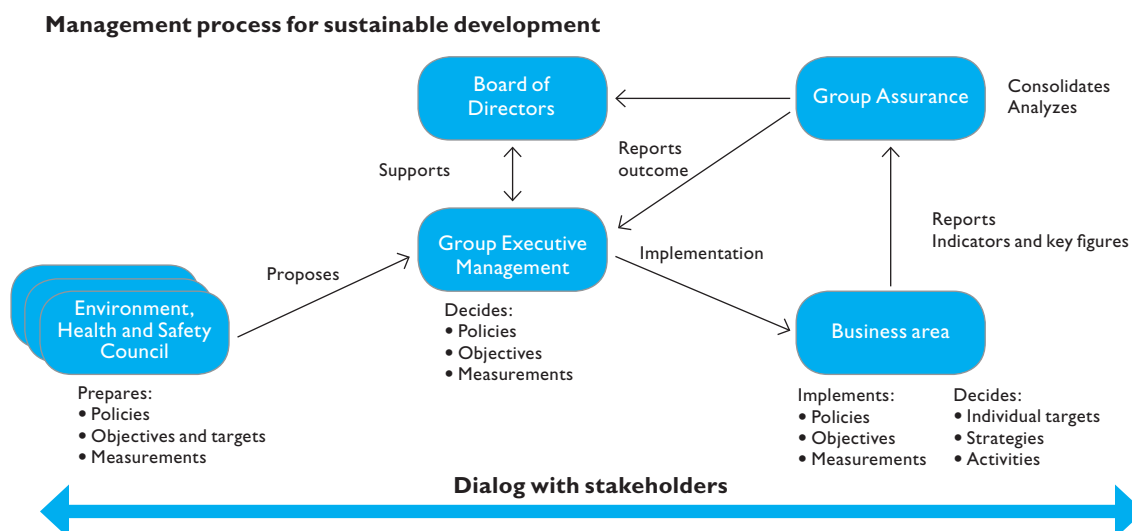
Ultimately, it is Group Executive Management in consultation with the Board that decides upon the key sustainability issues for the Group and approves Group-wide policies and objectives.

Sandvik has identified five stakeholder groups of particular significance for the Group: shareholders, employees, customers, suppliers and society.

Sandvik's responsibility

Sandvik has an explicit responsibility for its impact on society, the economy and the environment. Sandvik complies with the laws and regulations that exist in countries where the company has operations and respects international norms and declarations regarding human rights and labor legislation adopted by the UN and the ILO. Moreover, Sandvik respects 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.

In 2008, Group Executive Management established a new environment, health and safety policy for all Group units. This policy is available from Sandvik's website, www.sandvik.com.

As part of Sandvik's corporate responsibility in such areas as environment, health and safety, the Group has a target that all major production-related units (production, service, machinery rebuilding and distribution/warehouse) units shall be certified in accordance with ISO 14001 and OHSAS 18001, within two years of their acquisition or establishment. The term "major" is defined as sites with 25 employees or more. During the year, eight units were certified in accordance with ISO 14001 and 11 with OHSAS 18001. Five units that were previously certified were closed during the year. The total number of certified units is presented in the table below. Of the units that have not yet been certified, two are newly established, while the remainders have

exceeded the timeframe of two years. In addition, Sandvik operates about 20 maintenance workshops within customer operations (mainly mines). All of these workshops have also been certified.

Sandvik is responsible for working to combat corruption in all its forms, which means having clear policies, identifying and managing risks, training personnel and robust measures for when violations have been confirmed.

Sandvik has undertaken to adhere to the OECD's Guidelines for Multinational Enterprises and the Group's responsibilities are summarized in a 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). Sandvik's responsibility 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 Group's General Counsel. Notifications that are received centrally in

the Group are investigated by the head of Group Assurance and the company's General Counsel. Whistleblowers are guaranteed that there will be no reprisals for such notifications or for participation in the company's investigation of a complaint.

Ethical conduct

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 harassment, fraud and corruption were identified, which is largely in line with the figure in 2009. All these cases have been investigated and corrective measures have been taken, including the dismissal of employees.

Shareholders

Sandvik endeavors to generate an attractive return and growth in value for those investing in the Sandvik share. Nearly 70% of owners are found in Sweden. More information about the company's ownership structure is available on Sandvik's website, www.sandvik.com.

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. During the year, stakeholder-related dialogs took place with a

Economic value generated and distributed*

SEK M	Stakeholder	2010	2009	2008	2007
Sales	Customers	82,654	71,937	92,654	86,338
Economic value generated		82,654	71,937	92,654	86,338
Production costs	Suppliers	44,758	46,859	53,287	48,343
Employee wages and benefits**	Personnel	22,885	22,441	23,129	20,562
Payments to providers of capital	Credit providers	1,617	2,060	2,217	1,397
Payments to providers of capital	Shareholders	1,188	3,926	5,111	4,207
Payments to governments	Public sector	2,391	885	2,876	4,167
Economic value distributed		72,839	76,171	86,620	78,676
Retained in company		9,815	-4,234	6,034	7,662

* The table includes Seco Tools.

** Employee wages and benefits comprise wages to employees including amounts paid to the public sector (employer's contributions and unemployment benefit funds) on behalf of employees.

Management system

	ISO 14001						OHSAS 18001					
	2010			2009			2010			2009		
	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified
Production units	140	133	95	139	132	95	140	132	94	139	127	91
Service, machinery rebuilding units	24	23	96	24	22	92	24	24	100	24	24	100
Distribution units	5	5	100	4	4	100	5	5	100	4	4	100
Total production-related units	169	161	95	167	158	95	169	161	95	167	155	93

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 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 supply chain, particularly with respect to human rights issues.

Sandvik's financial risks are described on pages 28–33 and 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 of page 98 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).

Employees

The average number of employees in the Sandvik Group by geographical area and gender is presented in Note 3 in the Annual Report. During the year, personnel turnover was 8% (14). Mobility within the company (the proportion of positions filled internally in relation to the total number of positions filled) was 43% (36).

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 employees,

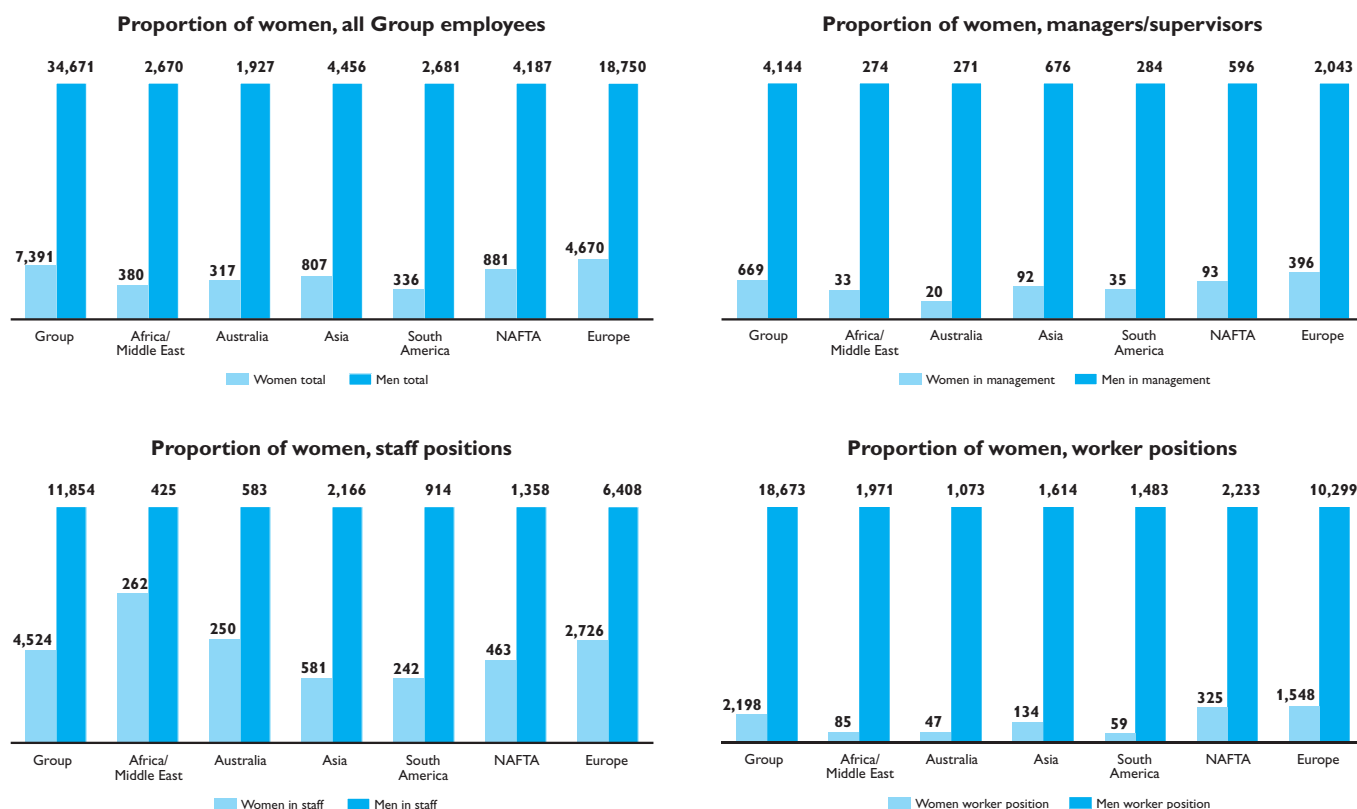
irrespective of age, race, color, national origin, religion, sex or disability.

Sandvik has aimed to increase the proportion of female employees for a long time to ensure that employees are recruited based on their skills and suitability rather than their gender. At year-end 2010, the proportion of women was 17.6% (17.2) of the total number of employees, 9% (9) of the total number of Board members and Presidents, 13.9% (13.5) of the total number of managers/supervisors, 27.6% (27.6) of the total number of staff positions (excluding managers) and 10.5% (10.2) of the total number of worker positions.

Other relevant key figures regarding distribution by gender are shown in the diagrams below.

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.

The diagrams below show the distribution between the number of women and men at year-end, broken down by geographic market and position.



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.

Sandvik's development and competitiveness are closely related to employees' competency development and well-being. In its sustainability work, the Group has decided to focus on having efficient competency development in the long-term and enhancing employee job satisfaction.

All of the company's employees are entitled to receive an individual development plan that clearly defines the personal targets that are expected to be achieved for employ-

ees to optimize their development in their current and future roles. This plan is drawn up jointly by manager and employee and forms part of the annual formal review discussions, which also include competency development. An explicit Group target is that all employees are to have formal review discussions every year. In 2010, such review discussions were held with 74% (66) of Sandvik's employees, which was a clear improvement on the preceding year, but was still quite far away from the goal of 100%. An important part of the review discussions is identifying opportunities for enhancing employees' competencies and well-being, and improving job satisfaction and health in the work place. Developing employee competencies means developing Sandvik's business operations. The number

of training days per employee and region during the year is described in the diagram below. A key training component is providing education concerning Sandvik's sustainability work and Code of Conduct. At year-end 2010, 86% (84) of employees had been trained in the Group's sustainability work and Code of Conduct.

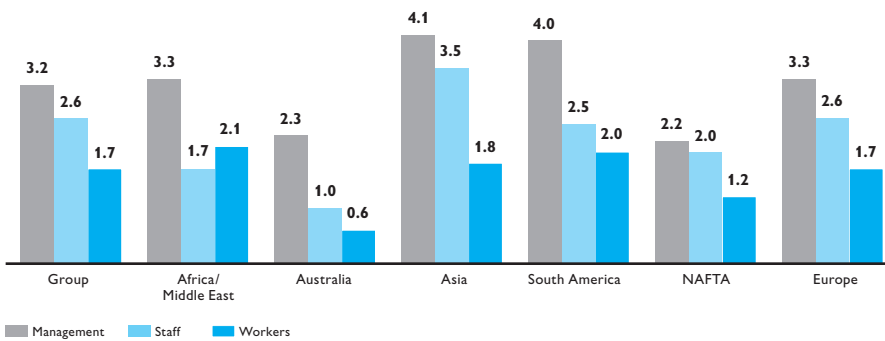
Health and safety is another prioritized area. The Group has a dedicated focus on continuing to reduce the frequency of occupational injuries, illnesses and incidents, and improving health and well-being among employees.

Sandvik's various production-related units present potential risks for occupational illnesses and injuries. The risk of injuries is also significant in the sales process, for example, in conjunction with travel to and from customers and while visiting customers' plants or facilities. During the year, Sandvik gave particular attention to preventative measures in the sales process. Work pursued by the sales organization included training sessions, risk identification and risk management, in addition to the development of special personal safety equipment for sales representatives.

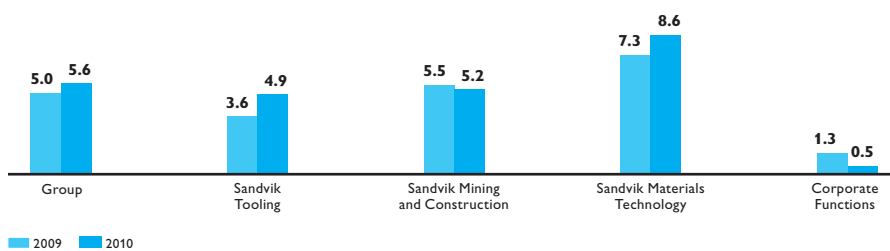
The table on page 101 provides an overview of Sandvik's results as regards health and safety.

No work-related fatalities occurred during the year. Since 2008, the number of Lost Time Injuries and the Lost Time Injury Frequency Rate have declined by 36% and 31%, respectively. However, the trend in 2010 was negative and the number of Lost Time Injuries rose by 8% and the Lost Time Injury Frequency Rate rose by 12% compared with the preceding year. The number of Lost Days due to Lost Time Injuries increased 3% during the year. Sandvik's target is to reduce the Lost Time Injury Frequency Rate by 50% from 2008 through 2012. The diagrams below present the Lost Time Injury Frequency Rate by Sandvik's business areas and market areas. During the year, Sandvik Mining and Construction continued to reduce its Lost Time Injury Frequency Rate, albeit at a slower pace than in earlier years. The other business areas displayed a negative trend. The main reason for the increase was the rise in the rate of production combined with the hiring of new staff to work in production.

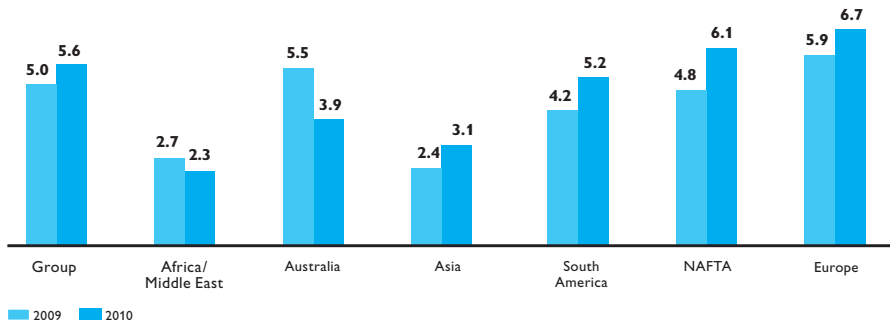
Competence development, days per employee and market area



Lost Time Injury Frequency Rate by business area



Lost Time Injury Frequency Rate by market area



Sandvik continues to encourage reporting of Near Misses, since these provide an early indication of where the risks exist, enabling them to be managed at an early stage and accidents to be prevented. From 2007, the number of reported Near Misses and risks has been introduced as a Group-wide indicator (see table below). In 2010, the number of reported Near Misses continued to rise. The ratio between Near Misses and Lost Time Injuries remained at 2.5.

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.

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. No incidents involving human rights abuses were reported in 2010.

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 arise not only within the Group's own operations in these countries but also among suppliers and customers.

Customers

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. Questions related to the new European Community Regulation on chemicals and their safe use (REACH) are also common. Many customers, notably those of Sandvik Mining and Construction, are imposing higher demands on machine safety. Customers also want to be assured that Sandvik complies with all international conventions on human rights.

Sandvik has long had the strategy of offering customers products with extended service life and more effective resource utilization. In addition, these products will have a minimal environmental impact when used by a customer and be recyclable. Group Executive Management decided in 2009 to introduce a new long-term objective to increase the number of products that support sustainability principles. Implementation of this objective in the organization commenced during the year.

Health and safety	2010	2009	2008	2007
Number of fatalities due to work-related injuries	0	0	2	1
Number of Lost Time Injuries*	459	425	717	827
Lost Time Injury Frequency Rate**	5.6	5.0	8.1	10.3
Number of reported Near Misses	11,649	10,556	6,346	3,179
Number of Near Misses per Lost Time Injury	25	25	9	4
Lost days due to Lost Time Injuries	8,789	8,523	11,286	12,603
Working Days Lost by employee due to Lost Time Injuries	0.21	0.20	0.25	0.31
Total absence (from scheduled work), %	2.3	2.3	2.3	2.6

* 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	Coun- selling	Prevention/ Risk controls	Treat- ment
Employees	7	7	7	5
Families of employees	6	7	6	5
Other inhabitants	5	5	4	0

The number denotes the number of countries in which Sandvik offers programs for the respective categories.

Suppliers

Sandvik has a large number of suppliers throughout the world. The Group has a clear position regarding these suppliers. In 2009, a separate Code of Conduct for suppliers was adopted. This Code is available from Sandvik’s website (www.sandvik.com).

In 2010, Sandvik further intensified its focus on managing risks related to its supply chain. Internal rules for evaluating suppliers were further developed. These rules will be gradually implemented from the beginning of 2011. Meanwhile, the work on audits of suppliers in Asia continued during the year. Local CSR auditors were employed in India and China, and the main focus of the audits was these countries and Thailand. In 2010, a total of 49 extensive audits of suppliers in these countries were performed. A number of deviations from Sandvik’s Code of Conduct for suppliers and/or local legislation were identified, particularly in India and China. Deviations related to minimum age, minimum pay, working hours and environmental issues and major deviations in respect of health and safety. Many of these are linked to the staffing agencies that provide the suppliers with workers. The majority of the audited suppliers explained that corruption is a part of everyday life in their country of operation, and that by adopting Sandvik’s Code, they take a clear stance against all forms of corruption. Measures were implemented in light of these deviations. All suppliers who do not comply with Sandvik’s Code of Conduct for suppliers are given a fixed period of time to

take corrective action, often with assistance from Sandvik.

In addition to the audits, a total of 357 suppliers were trained in India, China and Brazil during the year. At these training courses, Sandvik stresses the need for a separate Supplier Code and how seriously Sandvik views the brand risks associated with supplier non-compliance with its Code. The training courses usually last for one working day and supplier feedback often relates to the uniqueness of Sandvik’s initiative and the importance of the initiative in terms of sustainability. These courses are highly productive and Sandvik has realized that training is a key element in supplier relations.

Society and the environment

Sandvik conducts proprietary operations in the forms of research and development, manufacturing, sales and distribution in more than 60 countries and has production-related plants in 33 countries. The geographic locations of these units across continents are presented below. With its global coverage, Sandvik is available to its customers directly or through its distributors and agents in more than 130 countries.

Accordingly, Sandvik affects a high number of local communities. The most significant positive impact is the contribution to economic and social development in the form of high-qualified jobs and tax payers. In its role as an employer, Sandvik influences competencies development in the countries in which it operates and has an excellent opportunity to positively influence

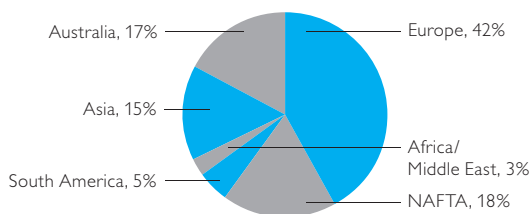
the standard of life for its employees. With its advanced products, Sandvik can also contribute to technological advances and a greater level of safety at various work-places.

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 projects 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.

Geographic distribution of production units



Raw materials consumption

	2010	2009	2008	2007
Consumption of metallic raw materials (thousand metric tons)	359	252	350	399
of which recovered (%)	81	78	79	78

Sandvik's operations generate an environmental footprint, particularly in countries in which production takes place.

Sandvik's key environmental aspects are summarized below:

- 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.

The Report of the Directors (page 24) presents information on licensed operations in Sweden and environmental liabilities.

Environmental objectives and goal fulfillment *Use of input materials*

Sandvik has the objective of enhancing the efficiency of its use of input materials. The input materials deemed to be most relevant to Sandvik are various types of metallic raw materials and water.

Metallic raw materials are primarily used by Sandvik Materials Technology, to a lesser extent by Sandvik Tooling and partially by Sandvik Mining and Construction. Production at Mining and Construction is mainly based on purchased components. The table on page 102 presents Sandvik's use of metallic raw materials.

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, 81% (78) 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 88% (89) of these materials is derived from scrap. In total for the Group, about 81% (78) 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 Materials Technology is participating in a Swedish research project into developing methods for utilizing other types of waste products, such as slag from the melting process.

Sandvik Tooling maintained a high level of recycling of materials from cemented-carbide products. Slightly less than 60% of the tungsten used in the business area in 2010, excluding Wolfram Bergbau, was derived from recycling. This resulted in a

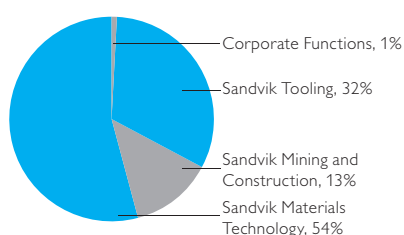
reduced need for material purchases from mines. Sandvik Coromant's program for recycling of sold cemented carbide inserts represents an integral part of this sustainability work. Buy-backs of products from customers are gradually being introduced in other product areas, which means that the need for primary material is further reduced.

During the year, Sandvik Mining and Construction continued to develop recycling of the tungsten material in drill bits. In 2010, some 10% of the annual production of rock-drilling tools was collected, which generated 80 tons of reusable tungsten powder, corresponding to approximately 7% of the annual consumption of virgin tungsten powder.

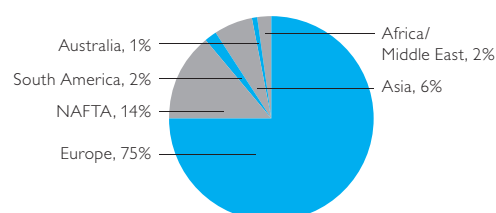
Hazardous chemicals are used only to a limited and well-supervised extent and are handled in accordance with environmentally safe methods. Sandvik's target has been to replace all chlorinated solvents, such as dichloromethane, tetrachloroethene, tetrachloromethane, trichloroethane and trichloroethene, with other solvents or techniques before year-end 2010.

The total consumption of chlorinated solvents in 2010 was about 2 cubic meters, the majority of which derives from a plant that was closed during the year. Accordingly, consumption will fall to a very low level and this target can be deemed to be fulfilled.

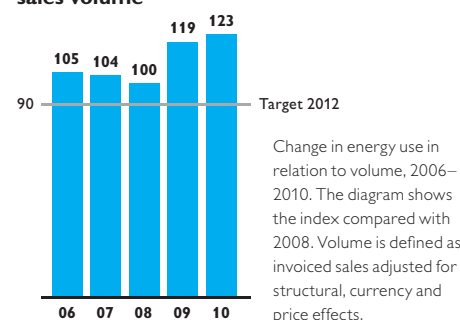
Energy use per business area



Energy use per market area



Energy use in relation to sales volume



Consumption of water

Water is a valuable resource and its efficient use is therefore crucial. Sandvik's endeavors to reduce consumption of fresh water (purchased water). During the year, Sandvik's freshwater consumption rose 7%, while consumption for comparable units fell 7% in relation to sales volume. The table below shows the trend in freshwater consumption in Sandvik since 2007. It also details the consumption of groundwater and harvested surface water. This activity is conducted at some 30 production units. The increase in water consumption compared with earlier years is attributable to acquisitions and increased production.

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 their operations.

Use of energy

Sandvik's objective is to reduce its energy use. The table below and the diagrams on page 103 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.

During the year, the total use of energy for comparable units rose 3% in relation to sales volume. The primary reason for the increase is the consumption of fuel oil and natural gas, which are mainly used for heating, although a significant proportion of natural gas is consumed in the production process.

Energy-enhancement activities have progressed according to plan. An energy-enhancement project has been carried out

since 2009 at Sandvik Materials Technology in Sandviken, which accounts for slightly more than 41% of the Group's energy use. The aim of the project is to identify and implement energy-enhancement activities. Various measures are being simulated and studies are made prior to and after a measure has been implemented to illustrate its potential. Some examples of measures being studied include:

- Replacing furnace linings
- Changing procedures for turning equipment on and off to avoid idle running
- Adjusting existing control equipment
- Reducing air flows in ventilation systems
- Insulating roofs
- Rebuilding degreasing plants and installing heat exchangers

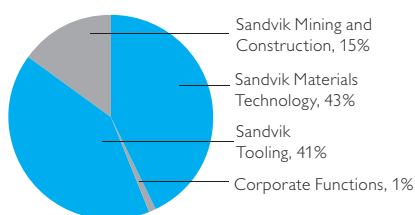
The project's target is to reduce energy use by 10%, corresponding to about 230 TJ per year. The measures that have been identified and planned to date correspond to savings of 190 TJ per year.

Water consumption	2010	2009	2008	2007
Water consumption (thousands m ³)	8,900	7,100	6,600	6,800
of which purchased freshwater (thousands m ³)	3,400	3,200	3,600	3,500
of which groundwater (thousands m ³)	600	600	500	500
of which harvested surface water (thousands m ³)	4,900	3,300	2,500	2,800

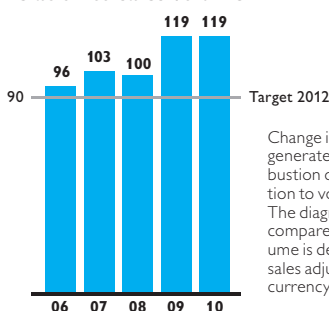
Energy use	2010	2009	2008	2007
Use of energy (TJ)	9,100	7,500	8,900	8,800
of which fossil fuels (TJ) Direct energy	3,900	2,900	3,400	3,400
of which electricity (TJ) Indirect energy*	5,200	4,600	5,500	5,400

* Use of energy does not include the energy used by electricity producers to generate the electricity.

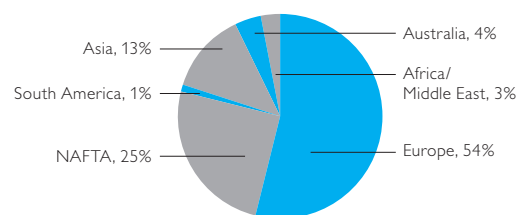
Carbon dioxide emissions per business area



Carbon dioxide emissions in relation to sales volume



Carbon dioxide emissions per market area



Climate impact

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, but Sandvik estimates that this figure represents less than 0.5% of total carbon dioxide emission equivalents.

Sandvik's objective is to reduce carbon dioxide emissions from the internal use of fossil fuels and electricity.

The table below shows the trend of the Group's carbon dioxide emissions and the diagrams on page 104 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 increased 17%. However, carbon dioxide emissions for comparable units in relation to sales volume remained unchanged.

During the year, the Swedish units purchased a higher percentage of renewable energy, which meant that carbon dioxide

emissions did not rise to the same extent as energy use, despite the percentage of fossil fuels being higher compared with the preceding year. Of total energy, 43% (39) comprised fossil fuels and 57% (61) electricity.

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.

In addition to emissions related to the internal use of fossil fuels and electricity, carbon dioxide emissions are also generated from various forms of transportation, such as the transport of materials and products and passenger transportation. In 2009, Sandvik began reporting carbon dioxide emissions from passenger transports and intends to expand this reporting to include all types of transportation. Activities were initiated in 2010 to record and measure the levels of carbon dioxide from freight trans-

portation. In the long term, the company will 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 below also presents the carbon dioxide emissions from passenger transportation (air travel and rental cars).

Emissions and waste

Sandvik's objective is to reduce emissions to air and water. 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 (NOX). Sulfur dioxide mainly originates from the combustion of oils and coke. Emissions of NOX 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 below details emissions of SO₂ and NOX in addition to emissions of NMVOCs (Non-Methane

Carbon dioxide emissions	2010	2009	2008	2007
Carbon dioxide emissions (thousand metric tons CO ₂)*	559	479	566	547
of which from combustion of fossil fuels (thousand metric tons CO ₂). Direct	260	195	224	226
of which use of electrical energy (thousand metric tons CO ₂). Indirect**	299	284	342	321

* 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*	2010	2009	2008	2007
Emissions from passenger transports via air travel (thousand metric tons CO ₂)	33	22	/	/
Emissions from passenger transports via hire car (thousand metric tons CO ₂)	8	6	/	/

* Emissions based on collected data from Sandvik employees corresponding to 68% (72) of the Group's workforce.

Emissions of process water	2010	2009	2008	2007
Volume of process water discharged (thousands m ³)	2,200	1,400	/	/

Emissions to water and air

Emissions to water	2010	Emissions to air	2010
Nitrogen (kg)	379,000	NMVOC (kg)*	62,000
Phosphorous (kg)	1,300	SO ₂ (kg)	69,000
COD (kg)	201,000	NOX (kg)	441,000
Nickel (kg)	180		
Chromium (kg)	60		

* Only from combustion of fossil fuels.

Volatile Organic Compounds). SO₂ emissions are calculated from the volume of oil and coke burned, while NMVOC emissions are calculation from the combustion of all fossil fuels. Estimations of emissions of NOX from pickling plants and smelting 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 105 shows emissions to water. To monitor total emissions to water, the volume of process water discharged following treatment is also measured. Refer to the table on page 105.

The table below presents the waste volumes produced during 2010. The significant increase of the past two years is attributable to the acquisition of Wolfram Bergbau, which conducts mining activities in Austria. Waste comprises sludge from dressing plants. No major changes were noted for comparable units compared with earlier years.

Awards and ratings

Sandvik’s sustainability work is evaluated annually by a number of SRI analysts and rating agencies. In 2010, Sandvik has been included in the following indexes:

Dow Jones Sustainability World Index and Dow Jones Sustainability Europe 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.

Produced waste	2010	2009	2008	2007
Waste (thousand metric tons)*	417	280	166	171
of which, hazardous waste (thousand metric tons)	34	27	32	28
of which, to landfill (thousand metric tons)	358	231	109	105

* Excluding scrap metal that has been internally or externally recycled.

Auditor's Review Report on Sandvik Sustainability Report 2010

To the readers of Sandvik's Sustainability Report:

We have been engaged by Sandvik's Executive Management to review Sandvik's 2010 Sustainability Report. The Sustainability Report is presented on page 24 and 96–107 of Sandvik's 2010 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.

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far (the institute for the accountancy profession in Sweden) as well as AA1000 AS, type 2, issued by AccountAbility. A review¹⁾ consists of making inquiries, primarily of persons responsible for different 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 IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed in a review consequently do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the specific measurement and reporting principles, Fair Play Reporting, that Sandvik has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Far require us to act in accordance with Far 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 the internal and external stakeholders' need of information.
- Interviews with stakeholders and representatives of the board to secure that Sandvik respond 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 ten of Sandvik's facilities located in Finland, France, China, Spain, the UK 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 2010 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 2010 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 AA1000APS 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 internal and external communication on sustainability performance will be developed.

Sandviken, February 17, 2011
KPMG AB

Caj Nackstad
Authorized Public Accountant

Åse Bäckström
Expert member of Far

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.

Board of Directors and auditors

Members of the Board

Anders Nyrén, b. 1954.

Chairman of the Board since 2010.
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 AB, Securum AB and Nordbanken 1979–1997.

Current Board assignments: 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.

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): 139,062.

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: —

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, Director of LE Lundbergföretagen AB and AB Industrivärden.

Shareholding in Sandvik (own and closely related persons): 5,940,000, via L E Lundbergföretagen AB 23,500,000 and via AB Industrivärden 138,443,752.

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 Confederation of Norwegian Enterprise 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): 10,000.

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: AB Volvo.

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.

Lars Westerberg, b. 1948.

Director of Sandvik AB since 2010.

Education and business experience: M.Sc. and B.Sc., CEO and President of Autoliv Inc. 1999–2007, Gränges AB 1994–1999 and ESAB 1991–1994. Various positions in ESAB and ASEA from 1972.

Current board assignments: Chairman of the Boards of Autoliv Inc., Husqvarna AB and Vattenfall AB, and Director of SSAB AB and AB Volvo.

Shareholding in Sandvik (own and closely related persons): 12,000.

Independent in relation to the company, Group Executive Management and major shareholders in the company.

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: Director of AB Sandvik Hard Materials.

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.

Alicia Espinosa, b. 1967.

Director of Sandvik since 2010 (Employee representative)

Education and business experience: MSc. Eng. Flow Manager at Sandvik Materials Technology, various positions within Sandvik since 2000.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 6,895.

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 since 2000, Legal Counsel in Sandvik AB 1988–2000.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 12,970.

Group Executive Management and Group staff units

Lars Pettersson, b. 1954.

President and Chief Executive Officer of Sandvik AB 2002–January 2011.
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): 139,062.

Olof Faxander, b. 1970.

President and Chief Executive Officer of Sandvik AB since 1 February 2011.
Education and business experience: M.Sc. and B.Sc. President and Chief Executive Officer of SSAB 2006–2011, Executive Vice President of Outokumpu Oy.
Current Board assignments: Director of Industrivärden, the Confederation of Swedish Enterprise, the Steel and Metal Employers Association and SSAB AB. Chairman of Jernkontoret (Swedish Steel Producers' Association).
Shareholding in Sandvik (own and closely related persons): 1,000.

Peter Larson, b. 1949.

Executive Vice President of Sandvik AB since 2000. Responsible for HR until 30 September 2010.
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): 35,325.

Ola Salmén, b. 1954.

Executive Vice President of Sandvik AB since 28 October 2010. CFO of Sandvik AB since 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 between 1984–1996.
Current Board assignments: Director of Svevia AB and Pettersson & Wagner Fonder AB.
Shareholding in Sandvik (own and closely related persons): 5,000.

Anna Vikström Persson, b. 1970.

Senior Vice President Human Resources of Sandvik AB since 1 March 2011.
Education and business experience: Master of Laws. Head of Group Human Resources at SSAB 2006–2011. Former Head of Human Resources for Ericsson's Swedish operations.
Current Board assignments: —
Shareholding in Sandvik (own and closely related persons): 0.

Bo Severin, b. 1955.

General Counsel of Sandvik AB since 2000.
Education and business experience: Master of Laws. Legal Counsel in Sandvik AB 1988–2000.
Current Board assignments: —
Shareholding in Sandvik (own and closely related persons): 12,970.

Anders Thelin, b. 1950.

President of Sandvik Tooling business area since 2000.
Education and business experience: MSc. Eng. Various positions within research, development and production, and the management group of Sandvik Coromant 1976–2000.
Current Board assignments: Director of Haldex AB.
Shareholding in Sandvik (own and closely related persons): 19,055.

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): 44,500.

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, Director of "Industriarbetsgivarna."
Shareholding in Sandvik (own and closely related persons): 23,104.

Group staff units

Business Development	Peter Larson	Intellectual Property	Henrik Hägglöf (until 31 December 2010). Peter Larson (from 1 January 2011).
IT	Daniel Repond	Communications	Anders Wallin
Business Control	Andreas Burman	Investor Relations	Jan Lissåker
Real Estate	Carl Larsson	Legal Affairs	Bo Severin
Financial Control	Björn Wahlborg	HR	Göran Westberg, (from 1 October 2010 to 28 February 2011). Anna Vikström Persson (from 1 March 2011).
Financial Services	Anders Örbom	Taxes and Financial Projects	Pierre Jansson
Group Assurance	Bernth Nilsson		

Information regarding Board assignments and holdings of shares is valid as of 1 January 2011.

Annual General Meeting, payment of dividend

Annual General Meeting

The Annual General Meeting will be held at the Göransson Arena, Sättragatan 15, Sandviken on Tuesday, 3 May 2011 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 Wednesday, 27 April 2011. Shareholders must also have been entered in the Share Register kept by Euroclear Sweden AB not later than Wednesday, 27 April 2011 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 Wednesday, 27 April 2011 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 Annual General Meeting declare a dividend of SEK 3.00 per share for 2010.

The proposed record date is Friday, 6 May 2011. If this motion is adopted by the Meeting, it is expected that dividends will be paid on Wednesday, 11 May 2011. 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 2010 comprises the formal financial statements, meaning the Report of the Directors, 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 report. In addition to the information in the Annual Report, the Sandvik Group is presented in the *The Sandvik World 2010/2011*, which is distributed to all shareholders in April 2011.

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)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Invoiced sales, SEK M	82,654	71,937	92,654	86,338	72,289	63,370	54,610	48,810	48,700	48,900
change, %	+15	-22	+7	+19	+14	+16	+12	0	0	+12
of which organic, %	+17	-30	+5	+18	+14	+14	+15	+5	-7	+3
of which structural, %	+1	0	+2	+3	+1	-1	-1	+2	+10	+1
of which currency, %	-2	+10	0	-2	-1	+3	-2	-7	-3	+8
Operating result, SEK M	11,029	-1,412	12,794	14,394	12,068	9,532	7,578	4,967	5,771	6,103
as % of invoicing	13	-2	14	17	17	15	14	10	12	12
Result after financial items, SEK M	9,412	-3,472	10,577	12,997	11,113	8,819	6,877	4,187	5,063	5,606
as % of invoicing	11	-5	11	15	15	14	13	9	10	11
Consolidated net result for the year, SEK M	6,943	-2,596	7,836	9,594	8,107	6,392	5,111	2,788	3,436	3,688
Shareholders' equity, SEK M	33,813	29,957	36,725	29,823	27,198	24,507 ¹⁾	23,551 ¹⁾	21,440	23,205	23,972
Equity ratio, %	38	33	36	35	41	41	46	46	48	50
Net debt/equity ratio, multiple	0.7	1.0	0.9	1.0	0.6	0.7	0.5	0.5	0.5	0.4
Rate of capital turnover, %	92	73	101	112	115	112	108	98	97	102
Cash and cash equivalents, SEK M	4,783	7,506	4,998	2,006	1,745	1,559	1,720	1,972	2,175	2,258
Return on shareholders' equity, %	22.1	-7.9	24.8	34.4	31.8	27.4	21.7	12.8	14.9	15.5
Return on capital employed, %	17.4	-1.3	19.9	27.0	27.6	23.7	20.5	13.4	15.4	17.4
Investments in property, plant and equipment ²⁾ , SEK M	3,378	4,006	6,634	4,811	4,175	3,665	2,967	3,153	2,357	2,627
Total investments ²⁾ , SEK M	4,493	6,161	7,766	9,480	5,455	3,950	3,278	3,260	5,066	4,083
Cash flow from operations ²⁾ , SEK M	12,149	11,792	9,335	5,076	7,741	7,266	5,322	6,421	7,190	5,093
Cash flow, SEK M	-2,642	2,471	2,764	179	357	-380	-207	-104	48	73
Number of employees, 31 December	47,064	44,355	50,028	47,123	41,743	39,613	38,421	36,930	37,388	34,848

1) Total equity, including minority interest.

2) As of 2006 excluding rental fleet.

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	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Basic earnings ¹⁾	5.59	-2.24	6.30	7.65	6.45	4.95	3.85	2.20	2.70	2.85
Diluted earnings ²⁾	5.59	-2.24	6.29	7.65	6.45	4.90	3.75	2.15	2.70	2.85
Equity	27.5	24.4	30.00	24.10	22.00	19.80	18.30	17.20	18.60	19.10
Dividend (2010 as proposed)	3.00	1.00	3.15	4.00	3.25	2.70	2.20	2.10	2.00	1.90
Direct return ³⁾ , %	2.3	1.2	6.4	3.6	3.3	3.6	4.1	4.2	5.2	4.2
Payout percentage ⁴⁾ , %	54	—	50	52	50	55	57	94	73	66
Quoted prices, Sandvik share, highest	133	90	108	151	106	79	56	50	52	49
lowest	76	41	42	96	71	54	46	35	38	35
year-end	131	86	49	111	100	74	54	50	39	45
No. of shares at year-end, million	1,186.3	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
Average no. of shares, million	1,186.3	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
P/E ratio ⁵⁾	23.5	—	7.8	14.5	15.4	15.0	13.9	22.1	14.2	15.6
Quoted price, % of equity ⁶⁾	476	352	163	462	452	374	293	288	209	235

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 sha.

6) Market price of share at year-end, as a percentage of equity per share. Supplementary definitions on page 65.

Development by Business Area

	Invoiced sales				Operating result and operating margin							
	2010 MSEK	2009 MSEK	2008 MSEK	2007 MSEK	2010 MSEK	%	2009 MSEK	%	2008 MSEK	%	2007 MSEK	%
Sandvik Tooling	23,893	19,078	25,975	24,732	4,296	18	-527	-3	5,461	21	5,989	24
Sandvik Mining and Construction	35,182	32,621	38,651	33,073	4,665	13	466	1	4,996	13	4,979	15
Sandvik Materials Technology	17,703	15,328	21,480	22,486	1,540	9	-1,137	-7	1,187	6	2,435	11
Seco Tools*	5,838	4,871	6,513	6,011	1,098	19	307	6	1,332	21	1,491	25

*Seco Tools, an independent, exchange-listed group of companies that markets tools for metal cutting, is part of the Sandvik Group.

