



Annual general meeting 26 april 2007

Lars Pettersson

President and CEO

Ladies and gentlemen! Dear shareholders!

In recent years, Sandvik has developed at an increasingly fast pace, based on strong demand from the market as well as through successful work by the Group's employees.

In today's speech, I want to talk about Sandvik's strategic positioning for the future and some key driving forces for business development.

First, however, a few words about the preceding year and the first quarter of this year.

Sandvik 2006

Invoiced sales	SEK 72.3 bn	+14 %
Operating margin	16.7 %	(15.0 %)
Result after financials	SEK 11.1 bn	+26 %
ROCE	27.6 %	(23.7 %)
Earnings per share	SEK 6.45	+30 %



The business climate during 2006 remained strong. Sandvik expanded both in established as well as in new, rapidly growing markets in China, India and Eastern Europe.

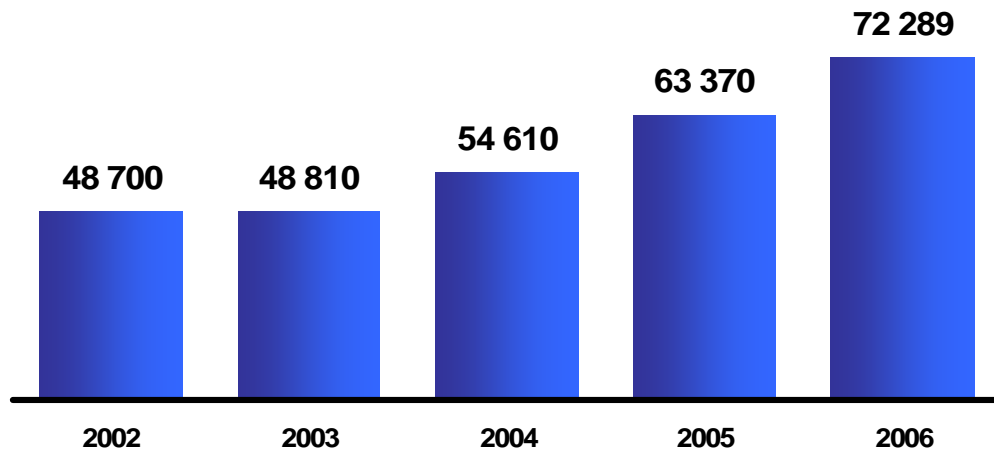
Sales rose 14% and amounted to more than SEK 72 billion, an increase of SEK 9 billion compared with 2005.

The operating margin rose to 16.7% from 15.0% a year earlier. This improvement was achieved through higher sales volumes, combined with a better product mix and improved productivity.

Overall, this resulted in profit after net financial items of SEK 11.1 billion, an increase of 26%, or SEK 2.3 billion.

Return on capital employed rose to 27.6% and earnings per share increased by 30% to SEK 6.45.

Invoiced sales SEK 72 bn



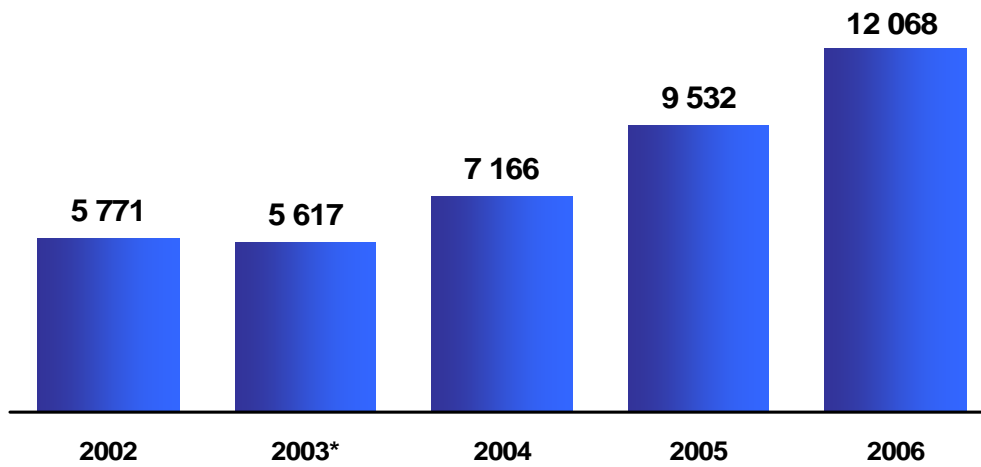
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Sandvik's sales have grown considerably in recent years. Since 2003, they have increased nearly 50% in fixed currency!

Over the past four years, growth has averaged 12% per year, excluding acquisitions, and the trend has been steadily upward for a long period. Our strong global position, combined with new products and services, is generating value for customers, which means that we are increasing our market shares.

Confidence in our ability to continue to grow is reflected by the fact that the Board has raised our growth target from 6% to 8% per year. More on that later.

Operating result SEK 12 bn



* Excluding one-offs in PTD 2003



Operating profit also improved considerably during the year, totaling SEK 12.1 billion in 2006.

Productivity, cost efficiency and a focus on improved product mix has yielded very strong results. Operating profit has more than doubled since 2003, despite a stronger Swedish krona.

Q1 2007

Growth and increased profit

Invoiced sales	+17 %	SEK 20,409 bn
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Operating result	+24 %	SEK 3,538 bn
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Earnings per share	+26 %	SEK 1.95
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In summary, we can say that we had a highly favorable full-year 2006. Sandvik's interim report for the first quarter of 2007 was published earlier today. From that we can see that the favorable trends are continuing for all business areas.

Sales increased 17% during the quarter, totaling SEK 20.4 billion. Adjusted for exchange rate differences and acquisitions, the increase amounted to 21%.

Global demand remained strong. Order intake adjusted for currency effects and acquisitions increased by 13% compared with the first quarter of the preceding year, which was also a very strong quarter. Demand remained strong from key customer segments such as the mining industry, oil and gas and the automotive and aerospace industries.

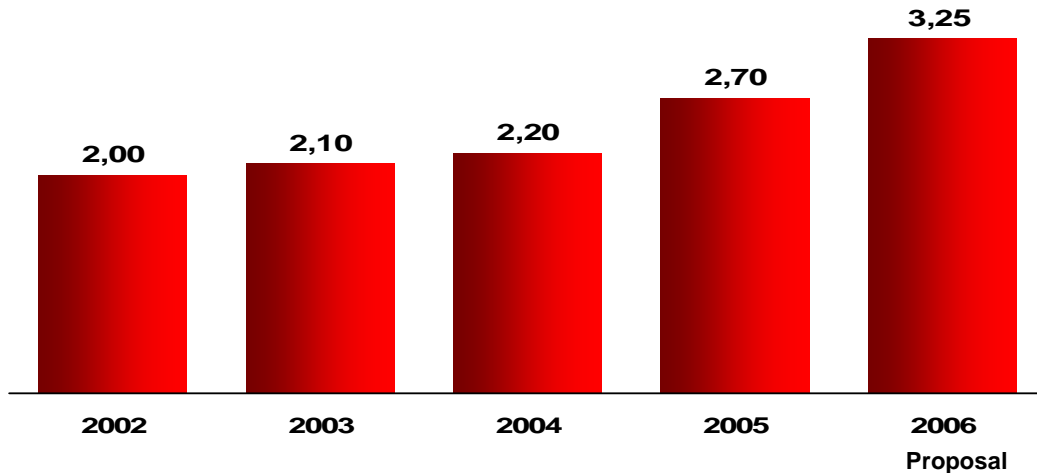
Positive growth continued in Europe, where invoicing increased by 23%. Growth remained strong in Asia, Australia and Africa, and sales even increased in the US, although at a slightly slower pace.

Higher volumes and better prices, combined with increased capacity utilization and productivity improvements, meant that the Group's operating profit increased by 24% to SEK 3.5 billion and earnings per share rose 26%.

The other day we also unveiled two new acquisitions, Extec and Fintec, within Mining and Construction. They are both leading suppliers of mobile crushers and, combined with Sandvik's previous offerings, means that we are now one of the three largest suppliers of crushers. The acquisitions will increase annual sales by almost SEK 2.5 billion.

Proposal to AGM

Increased dividend: SEK 3.25. Extra distribution: SEK 3.00.



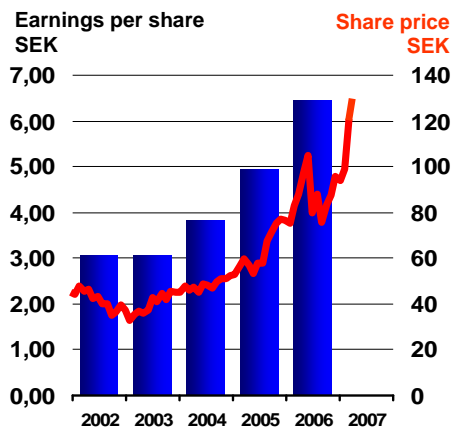
The Board's proposal today to the Annual General Meeting is to decide on increasing the dividend for 2006 to SEK 3.25 per share, corresponding to 50% of earnings per share.

Based on the Board's evaluation of Sandvik's financial strength, the Board also proposes that the company implements an extra dividend corresponding to SEK 3 per share through a mandatory redemption procedure. Technically, the redemption procedure is conducted by providing shareholders one new share for each old share held. Then the new shares are repurchased at a price of SEK 3 per share. The total yield is therefore SEK 6.25 per share.

More information about this can be found in the notice as well as on Sandvik's website.

Sandvik's earnings ability and prerequisites for continued profitable growth are very good. This will enable continued focus on product development, geographic expansion and acquisitions.

Shareholder value in focus



- Good development of profit and return
- High total return
- Focus on shareholder value



Sandvik's business concept is to generate customer value and improve the efficiency of our customers. This is a prerequisite for generating shareholder value.

The price trend for the Sandvik share in recent years is **one** indicator of how well we are doing. Total return on the Sandvik share over the past five-year period has averaged 22% per year.

To date, during 2007, that positive price trend has continued, with an increase of approximately 30%.

New financial targets - for the Group

Organic growth	+8 % + acquisitions
ROCE*	25 %
Dividend	≥ 50 % of earnings per share
Net debt to equity	0.7 - 1.0

* On current operations



As I mentioned initially, the Board has revised the financial goals for the Group that were set in 2000. The new goals are based on the Board's evaluation of Sandvik's strategic position and conditions for future profitable growth.

- The growth goal measured as price and volume is being raised from 6% to 8% per year.
- The goal for return on capital employed is being raised from 20% to 25% on existing operations.
- The dividend goal will be maintained to at least 50% of earnings per share.
- The goal for the debt/equity ratio is being raised to an interval between 0.7 and 1.0.

The new goals were publicized in conjunction with presentation of the fourth quarter and year-end 2006 report.

Work to break down these goals to the respective business areas has now been completed, allowing me to take this opportunity to present them to you.

New financial targets

- per business area

	Growth	ROCE*
Sandvik Tooling	+7 %	30 %
Sandvik Mining and Construction	+9 %	25 %
Sandvik Materials Technology	+8 %	20 %

* Return on capital employed on current operations



The new goals according to business area are based on different conditions for growth and return.

- For Sandvik Tooling the goal is 7% growth in terms of price and volume, and to generate a return on capital employed of 30%.
- For Sandvik Mining and Construction the goal is for growth of 9% per year and to generate a return of 25%.
- For Sandvik Materials Technology the goal is for growth of 8% per year and to generate a return of 20%.

The new goals are ambitious and reflect an expectation of continued strong market development, as well as the ability to increase market shares.

Global driving forces

- 
- **Increased demand for raw materials and energy**
 - **Emerging markets impact on global economy**
 - **Productivity, mechanisation and automation**
 - **Focus on safety, health and environment**

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So, what will enable us to achieve these more ambitious goals? Sandvik's future development will be determined by how well we can capitalize on the opportunities that global development offers.

I am thinking, for example, of:

- The global demand for natural resources such as oil, gas, minerals and metals. These are resources that will require increasingly sophisticated technologies to extract in an efficient and safe manner. Sandvik holds a leading position in such technology.
- The strong development of growth markets such as China, India and Eastern Europe. Nearly 3 billion people, or half the world's population, are gradually improving their standards of living. This will create high, long-term demand for many of Sandvik's products.
- How industrial development and increased competition are creating ever-higher demands for developing efficient, automated production processes. Sandvik offers world-leading solutions in this field as well. As some of you saw earlier today, this year's Wilhelm Haglund medal was awarded to those who have developed a concept for automated mining operations.
- Demand for greater awareness regarding safety, health and the environment, something we all welcome. Sandvik's products and production solutions have the goal of minimizing risks and damaging effects on health and the environment.

We will now take a closer look at a couple of important growth areas.

Strategic positioning



- **Mineral prospecting**

- **Superabrasives**

- **Energy**



Over the past 12 months, Sandvik has taken a number of strategically important steps, with the goal of expanding in the rapidly growing high-tech sector. Among our initiatives was the acquisition of ten or so companies to complement our offerings.

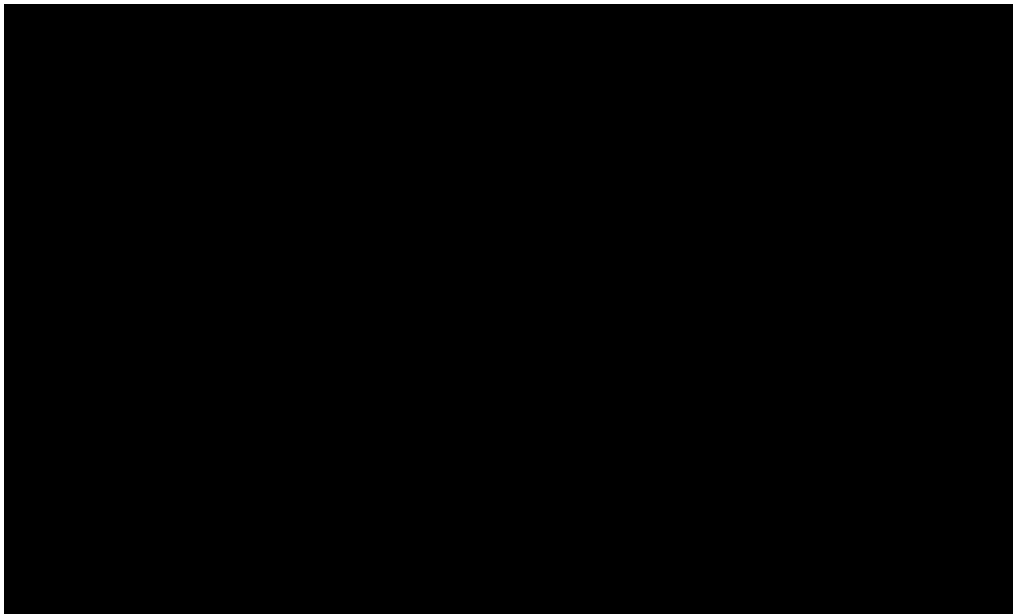
- As the demand for metals increases, **mineral exploration** is becoming increasingly important. This industry is one of the fastest growing in the mining sector. Over the past year, we have implemented several strategic acquisitions, establishing ourselves as one of the leading suppliers of machinery, tools and services in this field.

- Sandvik has long been a world leader in cemented carbide for metalworking. Striving to increase efficiency in internal combustion engines and in the aerospace industry has resulted in the development of new materials and composites. This, in turn, requires tools that are able to handle these new processing requirements, paving the way for ceramics, industrial diamonds and other **super hard materials**. Sandvik acquired the US company Diamond Innovations in January, giving us a leading position in this field.

- The **energy sector** is also a rapidly expanding segment. Sandvik offers numerous solutions for applications such as oil and gas extraction, nuclear power and other types of energy production. In recent years, we have focused on further strengthening our position by intensifying product development and increasing production capacity.

Let's take a closer look at two of these areas.

We'll start by watching a film on mineral exploration.



Mineral prospecting

- **Fast growing application**
- **Market leadership**
- **Complementary to existing offering**



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As was highlighted in the film, mineral exploration is a rapidly expanding and interesting field.

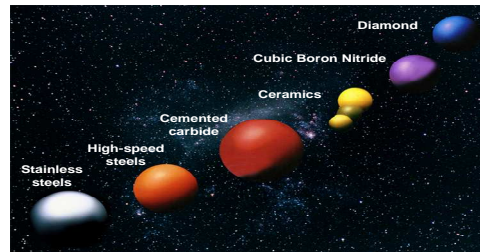
We find largely the same customers as within the rest of mining operations – but in many cases at an earlier stage. This creates additional interesting business opportunities for Sandvik.

After taking the strategic decision to create a world-leading position within mineral exploration, four leading companies were acquired during summer 2006:

UDR Group and SDS Corporation in Australia, the Swedish-Japanese firm Hagby-Asahi and the Chilean company Implemin. These acquisitions mean that Sandvik now has the most comprehensive product and service offerings for various kinds of mineral exploration, for both surface and underground operations.

Superabrasives

- Front-end technology
- Harder than cemented carbide
- Global coverage
- Complementary to existing assortment



The second area I would like to describe a little more closely is what is referred to as super hard materials.

Material developments within the automotive and aerospace industries have increased the commercial potential for ceramics and diamond-based tools.

As a result, in January of this year we completed perhaps one of the most important and strategic acquisitions in recent years: Diamond Innovations in the US. The company is one of the world's leading suppliers of diamond-based tools and will provide Sandvik Tooling extremely valuable expertise and capacity in this field.

We travel now, with the help of film, to Diamond Innovations:



Sandvik's global positioning

- 
- **Market leaders in selected areas**
 - **Expansion in strategically important segments**
 - **Market leaders in fast growing markets**
 - **Preferred productivity partner**



Looking towards the future, Sandvik holds a strong position and its prospects for continued successful development are highly favorable.

We hold commercial and technical leadership in many areas that we plan to develop further.

We shall be open towards renewing ourselves and expanding into new, rapid growth segments where we can benefit from our skill base and establish leading positions.

We are well established in rapidly expanding markets in which structural development over a long period of time will be a driving force for demand of Sandvik's products.

We shall build on our customers' confidence and the relationship we have created as the customer's natural productivity partner. Long-term customer relationships are critical to future successes.

Sandvik is strategically well positioned for the future.

Thank you for listening!



www.sandvik.com