



SANDVIK AB - Report on the second quarter 2003

- *Profit after financial items: SEK 1,191 M. Currency effect, negative SEK 180 M*
- *Invoicing: SEK 12,330 M, +4% at fixed exchange rates for comparable units*
- *Order intake: SEK 12,410 M, +2% at fixed exchange rates for comparable units*
- *Cash flow before investments: SEK 1,119 M*
- *Earnings per share: SEK 3.60 in the quarter*

Key figures SEK M	Q2 2003	Q2 2002	Change %	Q1-2 2003	Q1-2 2002	Change %
Order intake	12 410	12 870	-4 ¹⁾	25 830	25 700	+1 ¹⁾
Invoiced sales	12 330	12 510	-1 ²⁾	24 410	24 310	0 ²⁾
Operating profit	1 403	1 614	-13	2 858	3 035	-6
%	11	13		12	12	
Profit after financial items	1 191	1 457	-18	2 472	2 718	-9
%	10	12		10	11	
Net profit	901	970	-7	1 742	1 738	0
%	7	8		7	7	
Earnings per share, SEK ³⁾	3.60	3.90		13.80 ³⁾	14.00 ³⁾	
Return on capital employed, % ³⁾				15.0	15.6	

1) +2% and +4% at fixed exchange rates for comparable units.

2) +4% and +4% at fixed exchange rates for comparable units.

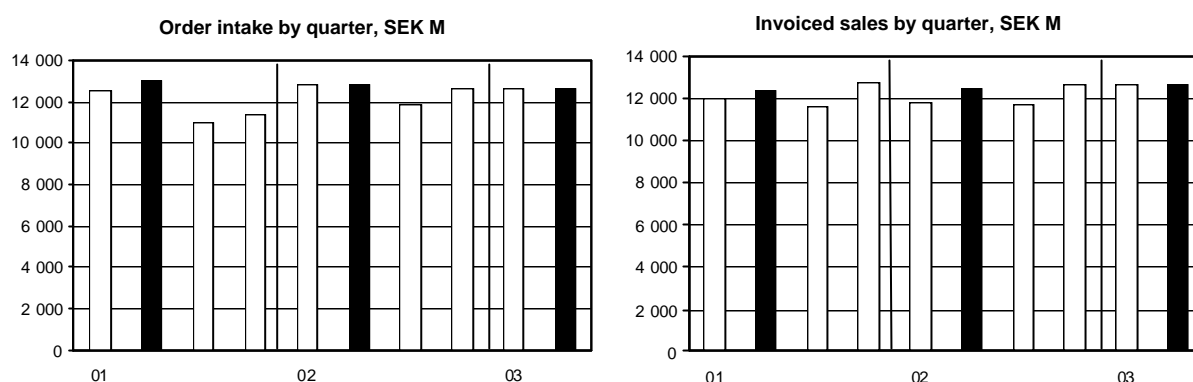
3) Rolling 12 months.

Short-term market outlook

The outlook presented in the preceding interim report remains valid (published 5 May 2003):
“Uncertainty regarding economic development remains. However, no significant change in the demand situation is expected for Sandvik in the near future.”

Second quarter 2003

Sales (see appendix 2)



Order intake in the second quarter amounted to SEK 12,410 M (12,870), a decline of 4% in total compared with the preceding year, but an increase of 2% at fixed exchange rates for comparable units. Currency movements affected order intake negatively by 8%. Order intake increased for all business areas compared with the corresponding period in the preceding year.

Order intake – Development by market area second quarter 2003

Market area	Order intake SEK M	Share %	Change* Q2 2002 %
EU	4 950	40	-3
Rest of Europe	989	8	+3
Europe total	5 939	48	-2
NAFTA	2 465	20	-6
South America	505	4	+11
Africa/Middle East	715	6	+12
Asia/Australia	2 786	22	+10
Total	12 410	100	+2

* At fixed exchange rates for comparable units.

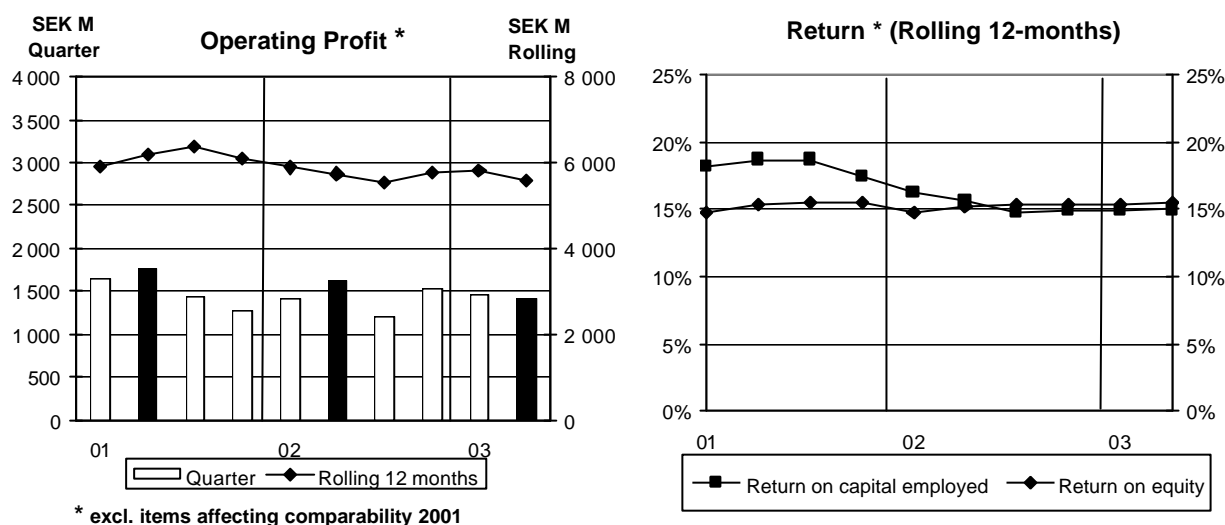
The market situation remained weak within the Group's core market areas, with no signs of any major changes. Order intake within the EU declined by a total of 3%, but the change varied between countries and business areas. Demand was stable in Germany and the UK, but was weaker in France and Italy. Order intake was unchanged for business areas Sandvik Tooling and Sandvik Materials Technology, but declined for Sandvik Mining and Construction. The level in Rest of Europe remained favorable, but a certain tendency toward weaker activity was noted. Order intake in NAFTA declined for Sandvik Tooling and Sandvik Materials Technology. The trend remained positive in Asia/Australia and particularly in India, China, Japan and Australia. As previously, the growth rate in Africa/Middle East was high for Sandvik Mining and Construction.

Activity within the general engineering industry continued to weaken within the EU. A weakening was now also noted in NAFTA, particularly within the automotive industry. Demand from the commercial aviation industry was weak. Order intake from the electronics industry in Japan increased. As previously, demand from the mining industry was strong in all market areas

and particularly in Africa and Australia. The market for civil engineering and infrastructure was stable in Europe and continued to be weak in NAFTA. Niche products within Sandvik Materials Technology to the oil/gas, energy and automotive industries developed favorably.

Invoicing in the second quarter amounted to SEK 12,330 M (12,510), a decline of 1% in total, but an increase of 4% at fixed exchange rates for comparable units. Lower currency rates affected invoiced sales negatively by 8% in the quarter. Invoicing volume rose 9% for Sandvik Mining and Construction and by 5% for Sandvik Materials Technology. Invoicing volume for Sandvik Tooling was largely unchanged.

Earnings, cash flow and return in the second quarter (see appendix 1)



Operating profit in the second quarter amounted to SEK 1,403 M (1,614), 11% of invoicing. This was a decline of SEK 211 M, or 13% compared with a year earlier. The main reason for the decline compared with second quarter in the preceding year was changed currency rates, which affected earnings negatively by SEK 180 M. Operating profit in the business areas was affected adversely by currency rates, but both Sandvik Tooling and Sandvik Mining and Construction could to a certain extent offset the effect through higher volumes and increased productivity. In addition to the currency effects, the continued low earnings for Sandvik Materials Technology was attributable to low capacity utilization. The loss for Group activities of SEK 19 M (loss: 60) was impacted positively as a result of the hedging of the Group's option program, among other factors.

Excluding the positive inventory revaluation (about SEK 100 M) that affected earnings in the first quarter, operating profit rose somewhat compared with the preceding quarter.

Net financial expense was SEK 212 M (expense: 157). The increase was due to a higher level of debt after financing of acquisitions in the preceding year. Profit after net financial items declined by 18% to SEK 1,191 M, 10% of invoicing. The tax rate in the quarter was 21% and was affected positively by a changed assessment of the tax expenses of the year. The underlying normal tax level amounts to about 35%.

Net profit amounted to SEK 901 M (970). Earnings per share was SEK 3.60 (3.90) in the quarter and SEK 13.80 in the most recent 12 months (SEK 13.70 for full-year 2002).

Investments in the quarter amounted to SEK 763 M, including acquisitions of SEK 37 M. Cash flow from operations amounted to SEK 1,119 M, a decline of SEK 309 M compared with the preceding quarter. The decline was due to the nonrecurring effects pertaining to taxes paid, about SEK 200 M, and higher payments to pension funds. Working capital was largely unchanged compared with the end of the preceding quarter. Cash flow after investments was SEK 407 M.

The return on capital employed during the most recent 12 months amounted to 15.0% (15.4% for full-year 2002) and the return on equity was 15.5% (14.9). Interest-bearing liabilities and provisions less liquid funds resulted in a net debt of SEK 14,454 M (SEK 12,224 M at 31 March 2003). The change in net debt during the quarter was attributable mainly to the payment of dividends. Liquid funds amounted to SEK 1,862 M (1,825) and loans to SEK 12,315 M (9,833).

The number of shares outstanding was 250,012,000. Equity per share amounted to SEK 83.10 at 30 June 2003 (SEK 91.00 at 31 March 2003) and the equity/assets ratio was 43% (47%). Net debt/equity ratio was 0.7 (0.5).

The number of employees amounted to 37,305 (37,260) at the end of the period, which was a decline of about 30 persons for comparable units. Within Sandvik Mining and Construction, the number of employees within service-related operations increased by slightly more than 90 persons.

Key figures	30 June 2003	30 June 2002	31 Dec. 2002
No. of outstanding shares at end of period ('000)	250 012	250 509	250 012
Earnings per share, SEK*	13.80	14.00	13.70
After full dilution**	13.50	13.90	13.50
Return on capital employed, %	15.0	15.6	15.4
Return on shareholders' equity, %	15.5	15.2	14.9
Net debt/equity ratio	0.7	0.5	0.5

* Most recent 12 months divided by average number of outstanding shares, 250,199,000.

** Most recent 12 months. After full dilution of outstanding convertible programs, the average number of shares amounts to 255,109,000 (255,418,000)

Business areas (see appendix 2) – Second quarter 2003

Sandvik Tooling

SEK M	Q2 2003	Q2 2002	Change %	Q1-2 2003	Q1-2 2002	Change %
Order intake	4 550	4 608	+1 *	9 424	8 882	+2 *
Invoiced sales	4 522	4 537	+1 *	9 242	8 644	+3 *
Operating profit	705	757	-7	1 491	1 458	+2
%	16	17	**	16	17	**

* At fixed exchange rates for comparable units.

** Excluding the Walter and Valenite product areas and nonrecurring inventory valuation (Q1 2003) the operating margins were 19% for 2003 and 18% for 2002.

Sandvik Tooling's order intake amounted to SEK 4,550 M (4,608), an increase of 1% compared with a year earlier at fixed exchange rates for comparable units.

Order intake in the EU continued to decline. A weakening was noted in NAFTA, with lower activity in the automotive industry that affected demand. As previously, the trend in Rest of Europe and Asia/Australia was strong. The market for metalworking tools in cemented carbide was stable, while over-capacity in high-speed steel tools resulted in increased price pressure.

Invoicing amounted to SEK 4,522 M (4,537), which was an increase compared with the preceding year of 1% at fixed exchange rates for comparable units.

Operating profit in the quarter declined compared with a year earlier by 7% and amounted to SEK 705 M (757), or 16% of invoicing. Sandvik Tooling's operating margin excluding the acquisitions of Walter and Valenite rose to 19%. Higher productivity and the effects of implemented restructuring activities offset the negative effect of currency movements.

The number of employees declined by 75 for comparable units during the quarter.

The Walter and Valenite companies acquired in 2002 are included in invoicing and earnings (after goodwill amortization) in the amount of SEK 894 M and SEK 4 M, respectively. Walter posted a favorable sales trend in the quarter for both tools and machinery and the operating margin was 9% (before costs for the acquisition). Valenite was affected by the weak demand in the American market and reported an operating loss. Activities to upgrade the product range and improve production efficiency and logistics are proceeding according to plan and will successively strengthen Valenite's competitiveness and profitability.

Sandvik Mining and Construction

SEK M	Q2 2003	Q2 2002	Change %	Q1-2 2003	Q1-2 2002	Change %
Order intake	3 726	3 832	+5 *	7 554	7 768	+4 *
Invoiced sales	3 671	3 653	+9 *	6 937	7 117	+5 *
Operating profit	364	398	-9	708	753	-6
%	10	11		10	11	

* At fixed exchange rates for comparable units.

Sandvik Mining and Construction's order intake amounted to SEK 3,726 M (3,832), which was an increase of 5% at fixed exchange rates for comparable units.

Demand from the mining industry for base and precious metals remained strong in all market areas. In the civil engineering industry, activity was stable in Europe, remained weak in NAFTA and was favorable in Asia/Australia. A number of orders for such new products as low-profile machinery and Automine were secured during the quarter.

Invoicing increased by 9% at fixed exchange rates for comparable units compared with the second quarter of 2002 and amounted to SEK 3,671 M (3,653).

Operating profit was SEK 364 M (398), or 10% of invoicing, down 9% compared with a year earlier. The decline in operating profit was due to the business area not being able to fully offset the negative effects of changed exchange rates and to a somewhat higher proportion of products with lower operating margins.

During the quarter, the number of employees increased by 50 for comparable units due to an increase in service-related personnel.

Sandvik Materials Technology

SEK M	Q2 2003	Q2 2002	Change %	Q1-2 2003	Q1-2 2002	Change %
Order intake	3 152	3 357	+2 *	6 795	6 919	+6 *
Invoiced sales	3 150	3 244	+5 *	6 199	6 444	+4 *
Operating profit	191	332	-42	372	610	-39
%	6	10		6	9	

* At fixed exchange rates for comparable units.

Sandvik Materials Technology's order intake amounted to SEK 3,152 M (3,357), an increase of 2% compared with a year earlier at fixed exchange rates for comparable units. Demand in the EU remained low and declined in NAFTA. In Japan, order intake increased from a low level, which was due to the electronics industry. In the rest of Asia, demand was largely stable. As previously, order intake was favorable for special products to the offshore, energy and automotive industries. In contrast, the market situation for standard products to the general engineering industry remained weak.

Invoicing amounted to SEK 3,150 M (3,244), an increase of 5% at fixed exchange rates for comparable units.

Operating profit amounted to SEK 191 M (332), or 6% of invoiced sales. The weak earnings were in line with the comments in the preceding interim report. The decline was due to continued negative currency effects and low capacity utilization. Another contributing factor was lower earnings in associated companies. At the end of the quarter, the order backlog comprised a better product mix, which is assessed to provide a positive earnings effect during the later part of 2003.

An extensive program of change is under way in the business area to improve the product mix, reduce costs, increase productivity and cut lead times.

The number of personnel declined during the period by about 30 for comparable units.

First six months of 2003

Order intake during the first six months amounted to SEK 25,830 M (25,700), which was an increase in total of 1% and 4% at fixed exchange rates for comparable units. Invoiced sales amounted to SEK 24,410 M (24,310), unchanged in total and up 4% at fixed exchange rates for comparable units. Acquisitions contributed positively by 5%.

Operating profit for the January-June period amounted to SEK 2,858 M (3,035), which was a decline of SEK 177 M, or 6%. The operating margin was 12% of invoicing. Changes in exchange rates affected earnings negatively by about SEK 400 M.

Net financial expense was SEK 386 M (317) and profit after net financial items was SEK 2,472 M (2,718), down 9%. The tax rate was 25% and net profit amounted to SEK 1,742 M (1,738).

Cash flow from operations was SEK 2,547 M (3,187). Group investments in fixed assets amounted to SEK 1,433 M (903). Company acquisitions amounted to SEK 63 M. After investments, acquisitions and divestments, the cash flow was SEK 1,145 M (1,725).

The number of employees amounted to 37,305 (37,388 at 31 December 2002), which was a decline of about 155 persons for comparable units since the beginning of the year. During the first half of the year, the number of employees in service-related operations rose by about 130.

Parent Company

Parent Company invoicing was SEK 6,137 M (6,445) and operating profit SEK 646 M (1,023). Liquid funds plus interest-bearing assets less interest-bearing liabilities and provisions amounted to a net liability of SEK 3,607 M (net liability: 787 at 31 December 2002). Parent Company investments in fixed assets amounted to SEK 474 M (171).

Accounting principles

This report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim Reports.

As of 2003, Sandvik applies the Swedish Financial Accounting Standards Council's recommendation RR29 Employee Benefits in consolidated accounting. The rules are based on IAS 19. Pensions and other post-retirement benefits have previously been reported in accordance with local rules in each country. The transition to RR29 resulted in an increase in the Group's pension liabilities of about SEK 1,675 M. Net, after deduction for deferred taxes, the

consolidated shareholders' equity was affected at 1 January by SEK 1,053 M. The change did not alter the Sandvik Group's obligations to its employees.

As of 2003, the Swedish Financial Accounting Standards Council's recommendation RR25 regarding segment reporting is applied. Sandvik's operating segments are the business areas. Accordingly, in this report the relevant information is provided in the description by business area.

Buy-back of shares

At 30 June, Sandvik's holding of own shares (treasury stock) totaled 8,697,000, corresponding to 3.4% of the total number of shares (258,709,350) and the amount paid was SEK 1,889 M, corresponding to an average price paid of SEK 217 per share. No shares were repurchased during the quarter. In accordance with the decision at the Annual General Meeting in May 2003, Sandvik is authorized to repurchase 10% of the total number of shares in the company. The authorization is valid for the period up to the date of the next Annual General Meeting.

Significant events

- On 23 May, Sandvik announced the acquisition of additional shares in the German company Walter AG and the Group's shareholding in the company now amounts to 96.44% of the votes, including the repurchased 5.18% that is owned directly by the Walter company. Sandvik is now investigating various alternatives to attain 100% ownership.
- Sandvik inaugurated a new plant in June for the assembly of crushers, feeders and screens in India. The facility is located within Sandvik's industrial area in Pune, in the state of Maharashtra.
- In Shanghai, China, Sandvik inaugurated a new plant in March for the production of process systems and press plates. Fully completed, the unit will have 50 employees. There is also a demonstration and service center for customers at the plant.
- Lars Josefsson has been appointed President of the Sandvik Mining and Construction business area and a member of Group Executive Management, effective 1 January 2004. Lars Josefsson holds a M.Sc. Eng. degree and is currently President of ALSTOM Sweden, with 3,000 employees and annual sales of SEK 7,000 M.
- Anders Ilstam, who has been President of the Sandvik Mining and Construction business area since 1998 and a member of Group Executive Management, has been appointed Executive Vice President of Sandvik AB, effective 1 January 2004.
- Carina Malmgren Heander has been appointed Vice President Human Resources and member of Group Executive Management. She assumes her position on 1 October 2003. Carina Malmgren Heander, MBA, is currently Vice President Human Resources within ABB AB.

Sandviken, 5 August 2003

Sandvik AB; (publ)

Lars Pettersson
President and CEO

Appendices:

1. Group summary
2. Invoicing and operating profit

The interim report for the second quarter of 2003 has not been reviewed by the Company's auditors. The interim report for the third quarter of 2003 will be published on 30 October.

For additional information, please call +46 (0)26-26 10 01.

A combined presentation and telephone conference will be held at Operaterrassen in Stockholm on 5 August, 14:00.

For further information visit www.sandvik.com

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Consolidated Financial Information, SEK M

	Q2	Q2	Q1-2	Q1-2
Income statement	2003	2002	2003	2002
Invoiced sales	12 330	12 510	24 410	24 310
Cost of goods sold	-8 492	-8 451	-16 706	-16 505
Gross profit	3 838	4 059	7 704	7 805
Selling and administrative expenses	-2 426	-2 437	-4 919	-4 755
Other operating income and expenses	-9	-8	73	-15
Operating profit	1 403	1 614	2 858	3 035
Financial income and expenses, net	-212	-157	-386	-317
Profit after financial items	1 191	1 457	2 472	2 718
Taxes	-248	-436	-630	-882
Minority interests	-42	-51	-100	-98
Net profit	901	970	1 742	1 738
Earnings per share before dilution, SEK	3.60	3.90	7.00	6.90
Earnings per share after full dilution, SEK	3.50	3.80	6.80	6.80
Average no. of shares ('000)	250 012	250 507	250 012	250 635
Average no. of shares after full dilution ('000)	254 921	255 421	254 921	255 552
Cash-flow statement				
Profit after financial items	+1 191	+1 457	+2 472	+2 718
Items not affecting cash flow etc.	-127	-31	-114	-77
Reversal of depreciation	+665	+675	+1 351	+1 310
Taxes paid	-623	-602	-1 018	-1 017
Change of inventories	-199	-51	-558	-101
Change in operating receivables and liabilities	+212	+450	+414	+354
Cash flow from operations	+1 119	+1 898	+2 547	+3 187
Investments, acquisitions and divestments	-712	-438	-1 402	-1 462
Change in short-term loans	+193	+1 486	-893	-56
Change in long-term loans	+2 121	-237	+2 149	+973
Own shares acquired	-	-	-	-124
Dividends paid	-2 658	-2 545	-2 658	-2 545
Net cash-flow	+63	+164	-257	-27
Liquid funds at beginning of period	1 825	2 018	2 175	2 258
Exchange-rate differences in liquid funds	-26	-69	-56	-118
Liquid funds at end of period	1 862	2 113	1 862	2 113

Balance sheet	30 June 2003	Changed principles 1 Jan. 2003 *	31 Dec. 2002
Fixed assets	23 070	23 589	23 022
Inventories	13 058	12 849	12 849
Current receivables	12 343	12 075	12 075
Liquid assets	1 862	2 175	2 175
Total assets	50 333	50 688	50 121
Shareholders' equity	20 764	22 152	23 205
Minority interests	844	909	964
Interest-bearing provisions and liabilities	16 317	15 285	13 610
Non-interest-bearing provisions and liabilities	12 408	12 342	12 342
Total provisions, liabilities and shareholders' equity	50 333	50 688	50 121
	Q1-2 2003		Q1-2 2002
Opening equity as shown in approved balance sheet	23 205		23 972
Effect of change in accounting principles	-1 053		0
Opening equity adjusted to new accounting principles	22 152		23 972
Translation differences due to changed currency rates	-630		-1 402
Dividends paid	-2 500		-2 380
Own shares acquired	-		-124
Loan conversion	-		+2
Net profit of the period	1 742		1 738
Closing balance	20 764		21 806

* **Note to balance sheet**

"Interest-bearing provisions and liabilities" includes "Pension provisions". As of 1 January 2003, Sandvik applies the Swedish Financial Accounting Standards Council's recommendation RR29 Employee Benefits for these items. The rules are based on IAS 19. As a non-recurring effect of the change in accounting principles, the provisions increased by SEK 1 675 M and deferred tax assets (stated in fixed assets) rose by SEK 567 M. At the same time, total shareholders' equity was reduced by SEK 1 053 M and minority interests in shareholders' equity by SEK 55 M, a total of SEK 1 108 M.

Invoiced sales by market area	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q1-2	Change	
SEK M	2002	2002	2002	2002	2002	2003	2003	2003	%	% ¹⁾
EU	4 833	5 140	4 734	5 180	19 887	5 141	5 049	10 190	+2	+1
Rest of Europe	842	1 008	865	979	3 694	811	986	1 797	-3	0
Europe total	5 675	6 148	5 599	6 159	23 581	5 952	6 035	11 987	+1	+1
NAFTA	2 799	2 787	2 715	2 825	11 126	2 712	2 581	5 293	-5	-2
South America	527	561	456	474	2 018	472	552	1 024	-6	+12
Africa/Middle East	610	657	673	728	2 668	730	717	1 447	+14	+14
Asia/Australia	2 189	2 357	2 287	2 474	9 307	2 214	2 445	4 659	+2	+9
Group total	11 800	12 510	11 730	12 660	48 700	12 080	12 330	24 410	0	+4

Order intake by business area

SEK M	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q1-2	Change	
Svk Tooling	4 274	4 608	4 404	4 618	17 904	4 874	4 550	9 424	+6	+2
Svk Mining and Construction	3 936	3 832	3 539	3 526	14 833	3 828	3 726	7 554	-3	+4
Svk Materials Technology	3 562	3 357	2 953	3 542	13 414	3 643	3 152	6 795	-2	+6
Seco Tools ²⁾	1 051	1 066	947	991	4 055	1 060	976	2 036	-4	+2
Group activities	7	7	7	3	24	15	6	21	/	/
Group total	12 830	12 870	11 850	12 680	50 230	13 420	12 410	25 830	+1	+4

Invoiced sales by business area

SEK M	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q1-2	Change	
Svk Tooling	4 107	4 537	4 439	4 757	17 840	4 720	4 522	9 242	+7	+3
Svk Mining and Construction	3 464	3 653	3 338	3 387	13 842	3 266	3 671	6 937	-3	+5
Svk Materials Technology	3 200	3 244	3 008	3 518	12 970	3 049	3 150	6 199	-4	+3
Seco Tools ²⁾	1 027	1 059	938	993	4 017	1 035	969	2 004	-4	+2
Group activities	2	17	7	5	31	10	18	28	/	/
Group total	11 800	12 510	11 730	12 660	48 700	12 080	12 330	24 410	0	+4

Operating profit by business area

SEK M	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q1-2	Change	
Svk Tooling	701	757	558	695	2 711	786	705	1 491		
Svk Mining and Construction	355	398	327	397	1 477	344	364	708		
Svk Materials Technology	278	332	230	342	1 182	181	191	372		
Seco Tools ²⁾	171	187	132	199	689	217	162	379		
Group activities	-84	-60	-34	-110	-288	-73	-19	-92		
Group total	1 421	1 614	1 213	1 523	5 771	1 455	1 403	2 858		

Operating profit by business area

% of invoicing	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q1-2	Change	
Svk Tooling	17	17	13	15	15	17	16	16		
Svk Mining and Construction	10	11	10	12	11	11	10	10		
Svk Materials Technology	9	10	8	10	9	6	6	6		
Seco Tools ²⁾	17	18	14	20	17	21	17	19		
Group total	12	13	10	12	12	12	11	12		

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

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