



SANDVIK AB Report on the three months ended 31 March, 2001

- **Strong earnings: SEK 1,525 M after net financial items, up 21%**
- **Record invoicing: SEK 12,050 M, up 17%,
11% at fixed exchange rates for comparable units**
- **Continued favorable order intake, SEK 12,570 M, up 9%,
3% at fixed exchange rates for comparable units**

Key figures

SEK M	Q1 2001	Q1 2000	Change %	Full-year 2000
Order intake	12 570	11 500	+9 ¹⁾	45 000
Invoiced sales	12 050	10 320	+17 ²⁾	43 750
Operating profit excl. items affecting comparability ³⁾	1 640	1 395	+18	5 667
%	14	14		13
Operating profit	1 640	1 695	-3	6 327
%	14	16		14
Profit after financial items excl. items affecting comparability ³⁾	1 525	1 260	+21	5 144
%	13	12		12
Profit after financial items	1 525	1 560	-2	5 804
%	13	15		13
Earnings per share ⁴⁾ , SEK	12.80	9.90	+29	12.20
Return on capital employed ⁴⁾ , %	18.5	16.3		18.2

1) +3 % at fixed exchange rates for comparable units.

2) +11 % at fixed exchange rates for comparable units.

3) Items affecting comparability SEK +660 M in 2000, of which 300 in Q1, 2000.

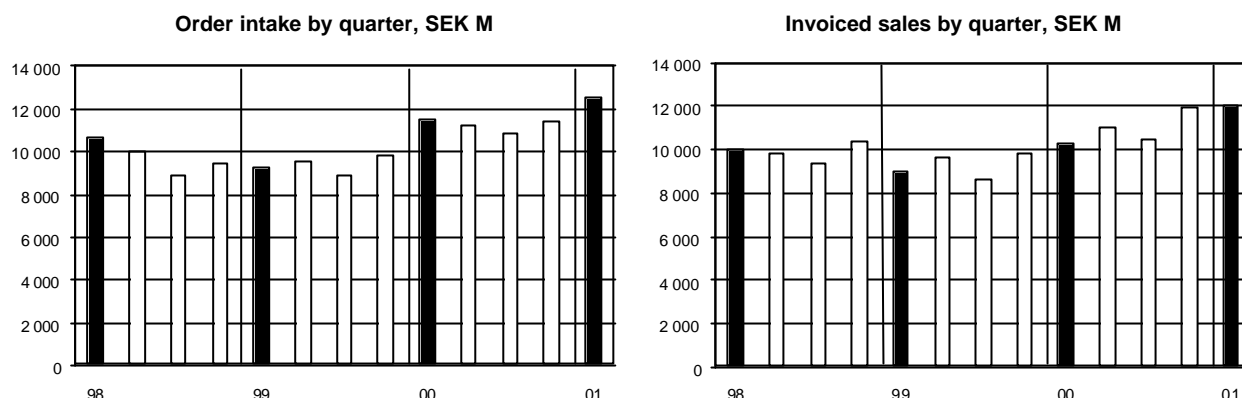
4) Most recent 12 months, excl. items affecting comparability.

Market outlook in near future

The uncertainty over the future business climate has increased successively. The decline within the NAFTA region has not had any noticeable impact on the demand for Sandvik products in the other market areas. However, there may be a weakening of demand over the near term in a number of customer segments that are important for Sandvik.

First quarter 2001

Sales (see appendix 2)



Order intake in the first quarter amounted to SEK 12,570 M (11,500), which was an increase compared with a year earlier of 9% totally and of 3% at fixed exchange rates for comparable units. The rate rose 11% from the fourth quarter in the preceding year, and all three business areas reported higher order intake. The order intake was slightly more than SEK 500 M or 4% higher than invoicing in the first quarter.

Invoiced sales amounted to SEK 12,050 M (10,320), an increase of 17% totally and of 11% at fixed exchange rates for comparable units. Higher exchange rates affected invoicing favorably by 6%.

Development by market area, Q1, 2001

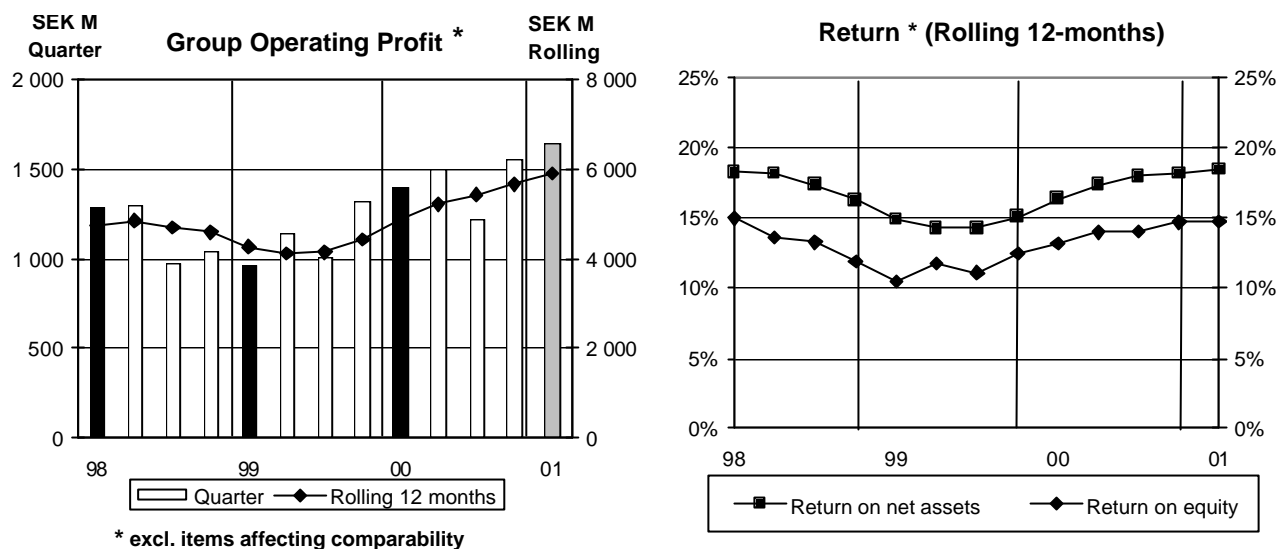
Market areas	Invoiced sales SEK M	Share, %	Change * %
EU	5 137	43	9
Rest of Europe	853	7	31
Europe total	5 990	50	11
NAFTA	2 960	24	0
South America	451	4	1
Africa/Middle East	611	5	59
Asia/Australia	2 038	17	14
Total	12 050	100	11

* at fixed exchange rates for comparable units.

The increase in invoiced sales remained high, varying among the market areas, however. It remained strong in Europe, up 11%, which accounts for approximately 50% of the Group's total invoicing, as well as in Africa/Middle East and Asia/Australia. In these areas, order intake also exceeded invoiced sales. In NAFTA invoiced sales were unchanged, but order intake was lower than in the first quarter the preceding year.

Demand from engineering industries continued to be strong, and the favorable trend for investment-related products for the oil and gas industry was strengthened. Consumer-related demand – from the automotive and electronics industries, for example – declined. Activity in the mining industry continued to be high, whereas it decreased in the construction industry.

Earnings and financing in the first quarter (see appendix 1)



Operating profit in the first quarter rose to SEK 1,640 M (1,395 preceding year excluding items affecting comparability), 14% of invoiced sales. This is an increase of 18% compared with the year-earlier period. Accordingly, operating profit before items affecting comparability was the highest ever. Earnings were favorably affected by higher volumes of invoicing, favorable capacity utilization and higher productivity. Changes in currency exchange rates had a positive effect of approximately SEK 150 M on earnings. All three business areas improved earnings sharply, with Sandvik Tooling and Sandvik Mining and Construction achieving record levels.

Net financial expense was SEK 115 M (expense: 135). Profit and net financial items rose 21% to SEK 1,525 M, 13% of invoiced sales. Tax amounted to 37% and net profit to SEK 901 M (1,038). Earnings per share were SEK 3.50 in the quarter (2.90) and SEK 12.80 (9.90) for the past 12 months excluding items affecting comparability.

Investments in property, plant and equipment totalled SEK 562 M and acquisitions SEK 65 M. Cash flow from operating activities amounted to SEK 969 M, an increase of SEK 258 M compared with the year-earlier period. The change was primarily attributable to the favorable trend in the underlying operating profit. Cash flow after investments was SEK 381 M.

The return on capital employed excluding items affecting comparability during the past 12 months amounted to 18.5% (18.2% for the entire 2000) and the return on equity amounted to 14.8% (14.7). Interest-bearing liabilities and provisions reduced by liquid funds produced a net debt of SEK 6,500 M (6,644 as per 31 December 2000). Liquid funds amounted to SEK 1,946 M (2,097) and loans decreased to SEK 5,356 M (5,927).

The number of shares was 258,696,000. Equity per share was SEK 95.90 (89.00), and the equity ratio was 55% (55). The net debt/equity ratio was 0.3 (0.3).

The number of employees was 34,819 at 31 March 2001, an increase of 237 for comparable units during the quarter. The increase is attributable to sales and service personnel at Sandvik Tooling and Sandvik Mining and Construction, while the number of employees at Sandvik Specialty Steels declined.

	Q1	Q1	Full-year
Key figures	2001	2000	2000
No. of shares ('000)	258 696	258 696	258 696
Earnings per share before items affecting comparability, SEK*	12.80	9.90	12.20
Ditto after full dilution **	12.60	9.70	12.00
Earnings per share after items affecting comparability, SEK*	13.80	16.00	14.30
Ditto after full dilution **	13.60	15.70	14.10
Return on capital employed before items affecting comparability *	18.5%	16.3%	18.2%
Return on shareholders' equity before items affecting comparability *	14.8%	13.1%	14.7%
Net debt/equity ratio	0.3	0.3	0.3

* Most recent 12 months.

** No. of shares after full dilution of outstanding convertible and warrants programs amounts to 263,617,000.

Accounting principles

This interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim Financial Reporting. At 1 January 2001 an additional number of recommendations from the Swedish Financial Accounting Standards Council became effective. The application from this date of RR9 Income Taxes resulted in a change in accounting principles and the comparable figures for the year 2000 were adjusted accordingly. The application of other new recommendations has not had any material effect on Sandvik's reporting.

Business areas (see appendix 2) – First quarter 2001.

Sandvik's operations are concentrated around its three core businesses: Sandvik Tooling, Sandvik Mining and Construction, and Sandvik Specialty Steels, areas in which the technology content is considerable and the Group occupies leading global positions in its selected areas.

Sandvik Tooling (Sandvik Coromant, Sandvik CTT and Sandvik Hard Materials)

SEK M	Q1 2001	Q1 2000	Change %	Full-year 2000
Order intake	4 425	4 057	+5 *	15 744
Invoiced sales	4 258	3 818	+8 *	15 507
Operating profit	878	800	+10	3 135
%	21	21		20

* at fixed exchange rates for comparable units.

Sandvik Tooling's order intake in the first quarter amounted to SEK 4,425 M (4,057), an increase of 5% compared with a year earlier at fixed exchange rates for comparable units. The trend was also favorable from the fourth quarter in all market areas, resulting in an increase of 7%. Demand from the automotive industry declined, while sales continued to be favorable to the engineering, aerospace, and oil and gas industries, as well as to the die and mould industry.

Invoicing rose 8% amounting to SEK 4,258 M (3,818), which was a record for the business area. The increases were substantial in the EU, Eastern Europe, South America and Asia/Australia. Invoicing in NAFTA declined from a high level by 3% at fixed exchange rates. The generally favorable trend was the result of successful efforts to expand the marketing organization and service, and of new products. Sales of solid-carbide tools rose sharply.

Operating profit rose 10% from the preceding year and amounted to SEK 878 M (800) or 21% of invoiced sales. Strong volume development and productivity contributed to the favorable earnings trend, offsetting higher costs for raw materials and increased activities in the marketing organization.

During the quarter, it was decided to invest approximately SEK 40 M in an expansion of the cemented-carbide plant of Sandvik Hard Materials in Mexico City. This investment will increase production capacity in several rapidly growing product areas. The Mexico plant manufactures microdrill blanks in cemented carbide for the electronics industry and rods for solid-carbide tools used in the automotive, aerospace and die and mould industries.

Remaining agency operations from Sandvik Saws and Tools, which has been divested, were reduced as planned through a transfer to the purchaser.

Sandvik Mining and Construction

SEK M	Q1 2001	Q1 2000	Change %		Full-year 2000
Order intake	3 171	2 722	+7 *		10 659
Invoiced sales	2 984	2 248	+24 *		10 184
Operating profit	315	209	+51		1 073
%	11	9			11

* at fixed exchange rates for comparable units.

Sandvik Mining and Construction's order intake amounted to SEK 3,171 M (2,722), an increase of 7%. Order intake during the quarter was the highest since the formation of the business area in 1998, and it was primarily demand from the mining industry that increased. The trend remained favorable compared with the fourth quarter of the preceding year even if weakening in certain markets was reported.

Invoiced sales rose 24% at fixed exchange rates for comparable units, and amounted to SEK 2,984 M (2,248). The increase was attributable to most markets, particularly Africa and Asia/Australia. The exception was NAFTA where invoiced sales to the construction industry declined.

Operating profit amounted to SEK 315 M (209), or 11% of invoiced sales, an increase of 51%. The sharp improvement in earnings was primarily due to a strong volume trend and high capacity utilization.

During the quarter, it was decided to close the unit in Mexico that manufactures down-the-hole drilling tools, affecting approximately 60 employees. The operations of the unit will be transferred to the Sandvik Tamrock Tools rock-drilling tool plant in Sandviken, Sweden, which already manufactures similar tools. This measure facilitates the previously announced expansion of cemented-carbide manufacturing in Mexico and increases productivity.

Sandvik Specialty Steels (Sandvik Steel, Kanthal and Sandvik Process Systems)

SEK M	Q1 2001	Q1 2000	Change %		Full-year 2000
Order intake	3 842	3 774	-4 *		14 732
Invoiced sales	3 690	3 319	+5 *		14 209
Operating profit	317	267	+19		980
%	9	8			7

* at fixed exchange rates for comparable units.

Sandvik Specialty Steel's order intake in the first quarter amounted to SEK 3,842 M (3,774), a decline of 4% compared with a year earlier, at fixed exchange rates for comparable units. Demand rose in Europe but declined in NAFTA and parts of Asia/Australia. Order intake increased somewhat in relation to the fourth quarter. Demand from consumer-related customer segments such as the automotive and the electronics industries declined, while products for the oil and gas and the energy industries continued to grow.

Invoiced sales amounted to SEK 3,690 M (3,319). The increase was 5% at fixed exchange rates for comparable units. Invoiced sales increased in Europe, NAFTA, Australia and Japan, but declined throughout the rest of Asia.

Operating profit increased 19% in the quarter compared with a year earlier, amounting to SEK 317 M (267), or 9% of invoiced sales. The earnings improvement was due primarily to a better product mix and higher productivity. Lower prices for the nickel content in inventories affected earnings adversely by SEK 85 M. The program of change announced last year regarding Sandvik Steel is proceeding according to plan, and involves the restructuring of production and the rationalizing of the sales organization in Europe. The program, which will take place during a three-year period, will result in a total reduction in the number of employees of 600-700. During the quarter, the reduction amounted to slightly more than 150 employees. The rationalization measures announced to date are expected to achieve full impact at year-end.

Structural changes

In the beginning of January 2001, Sandvik Steel announced plans to shut down manufacturing of seamless tubes in the UK. The closing, scheduled for August 2001, will affect a total of approximately 250 employees. It is part of the program of change within the business sector.

In the middle of January 2001, Sandvik entered as one of five joint owners of Endorsia.com International AB, an e-business site for industrial products and services in Europe.

At the end of February, Sandvik CTT entered into an agreement with its former British agent Angus MacInnes & Co., Glasgow, to take over their sales and marketing of Prototyp products in the UK. Prototyp is a subsidiary of Sandvik CTT that produces mills, taps and other advanced tools in high-speed steel and solid carbide for metalworking.

At the beginning of March, Sandvik acquired the remaining 49% of the shares in Sandvik Choksi Ltd. from the Indian company Choksi Tube Company Ltd. Sandvik has owned 51% of the shares since the company was founded in 1996, and the acquisition strengthens Sandvik's position in India and in the other Asian markets for extruded seamless stainless tubes. It also enhances the potential for synergies with other production units within Sandvik Steel.

Sandvik has made a public offer to acquire the remaining shares representing 26.8% of the total share capital in the Indian subsidiary Sandvik Asia Ltd. The total value of the offer is approximately SEK 95 M.

Sandviken 7 May 2001

SANDVIK AB; (publ)
Clas Åke Hedström
President and CEO

Appendices:

1. Group summary
2. Invoicing and operating profit

Sandvik Group's result for the first quarter of 2001 has not been audited by the Company's auditors. The next interim report, on the first six months in 2001, will be released on 8 August.

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

A telephone conference will be held on 7 May at 5:00 p.m. For further information visit www.sandvik.com

Consolidated Financial Information, SEK M

	Q1 2001	Q1 2000	Full-year 2000
Income statement			
Invoiced sales	12 050	10 320	43 750
Cost of goods sold	-7 940	-6 714	-29 357
Gross profit	4 110	3 606	14 393
Selling, general and administrative expenses	-2 331	-2 197	-9 029
Other operating income and expenses	-139	-14	303
Items affecting comparability		300	660
Operating profit	1 640	1 695	6 327
Financial income and expenses, net	-115	-135	-523
Profit after financial items	1 525	1 560	5 804
Taxes	-558	-466	-1 881
Minority interests	-66	-56	-211
Net profit	901	1 038	3 712
Balance sheet			
Fixed assets	19 867	18 145	19 156
Inventories	12 554	10 265	11 508
Current receivables	12 506	10 461	11 147
Liquid assets	1 946	2 209	2 097
Total assets	46 873	41 080	43 908
Shareholders' equity	24 817	21 496	23 019
Minority interests	1 023	949	931
Interest-bearing provisions and liabilities	8 446	8 340	8 741
Non-interest-bearing provisions and liabilities	12 587	10 295	11 217
Total provisions, liabilities and shareholders' equity	46 873	41 080	43 908
Cash-flow statement			
Profit after financial items	1 525	1 560	5 804
Items not affecting cash flow	+197	-138	-871
Reversal of depreciation	581	556	2 336
Taxes paid	-534	-527	-1 688
Change in working capital	-800	-740	-1 105
Cash flow from operating activities	969	711	4 476
Investments, acquisitions and divestments	-588	-824	-2 691
Cash used in financial activities, changes in loans, dividends	-595	-41	-2 119
Net cash flow	-214	-154	-334
Liquid funds at beginning of period	2 097	2 369	2 369
Exchange-rate differences in liquid funds	+63	-6	+62
Liquid funds at end of period	1 946	2 209	2 097
Change in shareholders' equity			
Opening equity as shown in approved balance sheet	22 472	20 109	20 109
Effect of change in accounting principles	547	516	516
Opening equity adjusted to new principles	23 019	20 625	20 625
Effect of change in exchange rates	897	-167	752
Dividend to shareholders			-2 070
Result of the period	901	1 038	3 712
Closing balance	24 817	21 496	23 019

Invoices sales by market area, SEK M	Q1	Q2	Q3	Q4	Full- year	Q1	Change	
	2000	2000	2000	2000	2000	2001	%	% ¹⁾
EU (excl. Sweden)	3 825	3 951	3 527	4 256	15 559	4 551	19	11
Sweden	623	616	502	634	2 375	586	-6	-3
Rest of Europe	628	639	643	713	2 623	853	36	31
Europe total	5 076	5 206	4 672	5 603	20 557	5 990	18	11
NAFTA	2 722	2 817	2 760	2 974	11 273	2 960	9	0
South America	419	490	491	488	1 888	451	8	1
Africa/Middle East	391	420	550	560	1 921	611	56	59
Asia/Australia	1 712	2 107	1 977	2 315	8 111	2 038	19	14
Group total	10 320	11 040	10 450	11 940	43 750	12 050	17	11

Invoices sales by market area, SEK M

Svk Tooling	3 818	3 832	3 653	4 204	15 507	4 258	12	8
Svk Mining and Construction	2 248	2 666	2 602	2 668	10 184	2 984	33	24
Svk Specialty Steels	3 319	3 583	3 286	4 021	14 209	3 690	11	5
Seco Tools ²⁾	916	946	895	1 028	3 785	1 103	20	8
Group activities	19	13	14	19	65	15	/	/
Group total	10 320	11 040	10 450	11 940	43 750	12 050	17	11

Operating profit by business area, SEK M

Svk Tooling	800	770	735	830	3 135	878
Svk Mining and Construction	209	287	286	291	1 073	315
Svk Specialty Steels	267	321	86	306	980	317
Seco Tools ²⁾	197	190	156	197	740	240
Group activities	-78	-73	-38	-72	-261	-110
Op. profit excl. items affecting comparability	1 395	1 495	1 225	1 552	5 667	1 640
Items affecting comparability	300	360	/	/	660	/
Op. profit incl. items affecting comparability	1 695	1 855	1 225	1 552	6 327	1 640

Operating profit by business area, % of invoicing

Svk Tooling	21	20	20	20	20	21
Svk Mining and Construction	9	11	11	11	11	11
Svk Specialty Steels	8	9	3	8	7	9
Seco Tools ²⁾	22	20	17	19	20	22
Op. profit excl. items affecting comparability	14	14	12	13	13	14
Op. profit incl. items affecting comparability	16	17	12	13	14	14

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 the company's interim report.