



Annual General Meeting 3 May 2005

Lars Pettersson

Executive Vice President and CEO

Ladies and gentlemen! Distinguished shareholders!

It is truly a pleasure to see that so many shareholders have come to Sandvik's Annual General Meeting. This is the third time I have the privilege to tell you about Sandvik, and what I and my colleagues are doing to further develop the company.

Sandvik 2004

Invoiced sales	54.6 billion
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– price and volume	+15 %
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– structure	- 1 %
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– currency	- 2 %
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Operating margin	13.1 %
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Pre-tax profit	6.5 billion
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Earnings per share	17.70 SEK
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2004 was another strong year for Sandvik!

It was a year with a favorable business climate. The company expanded both in established markets and new, rapidly growing regions.

Sales during 2004 amounted to SEK 55 billion.

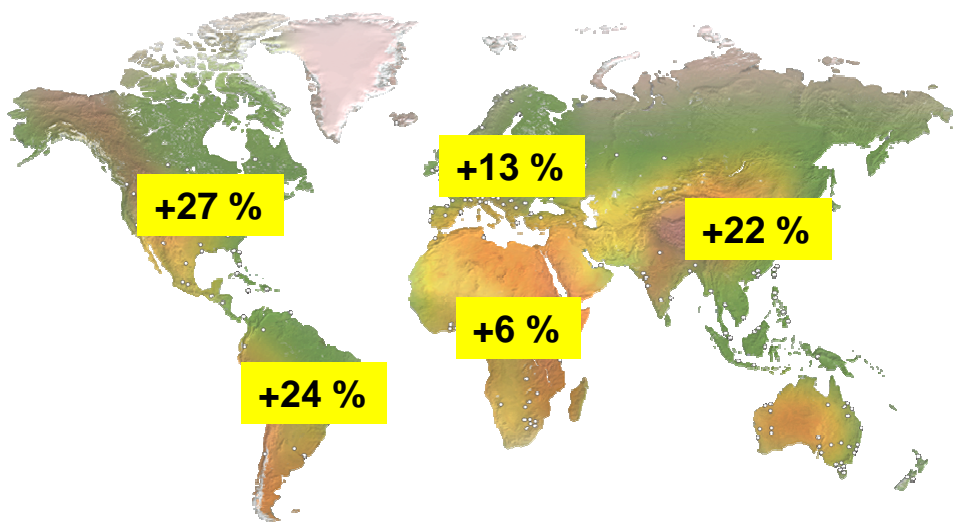
Calculated in price and volume, this was equal to growth of 15%, or SEK 7 billion, compared with the preceding year.

The operating margin rose to 13.1%, from 10.2%, an increase of nearly 3 percentage points from 2003. The positive development was achieved through higher volumes combined with increased productivity and internal rationalization measures.

Overall, profit after net financial items increased by as much as 54% and amounted to SEK 6.5 billion.

Earnings per share rose by 58% to SEK 17.70.

Growth in all markets



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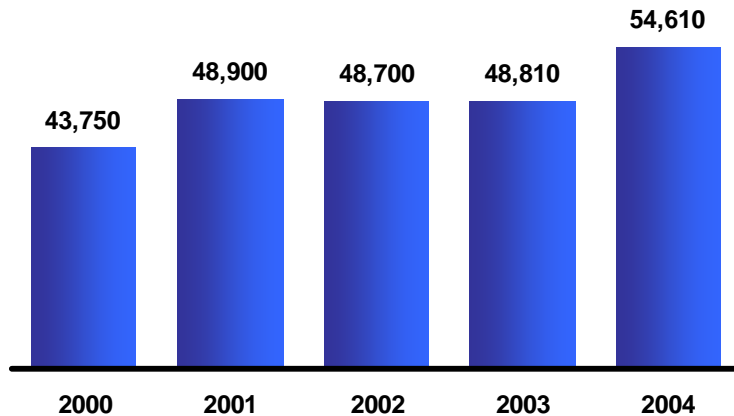
Sandvik's order intake increased by 17% in price and volume.

It is pleasing to note that growth was favorable in all regions. The strongest increase was shown in North America, with +27%, but Asia/Australia and South America also showed very strong growth. The Group continued its successful expansion in China in particular, with growth of about 30%. In Europe, which is Sandvik's largest market, demand rose by 13%.

Growth was strong for all business areas. Demand was good in most segments, but particularly in the engineering industry, oil/gas and the processing industry. The continued high activity in the mining industry created exceptionally strong demand for equipment as well as tools and service. The automotive industry showed mixed trends during the year, somewhat better in Europe and slightly weaker in North America.

Growth was not attributable solely to strong economic conditions, however, but was also a result of our long-term investments in new products, new application areas and determined strategy to broaden both our customer base and geographical presence. All of this is to ensure a continued increase in the Group's global market shares.

Invoicing 55 billion

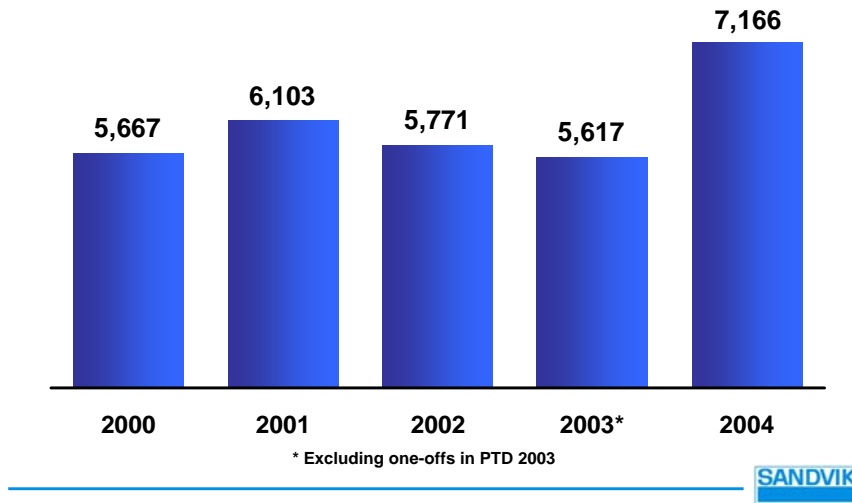


Sandvik's goal is to achieve organic growth of 6% annually, in addition to growth through acquisitions. The integration of Walter and Valenite, which were acquired in 2002, is continuing according to plan.

If we look at Group sales over a longer perspective, we note that Sandvik's invoiced sales five years ago amounted to SEK 44 billion, and we have now reached SEK 55 billion.

Excluding currency effects and acquisitions, the increase amounts to annual growth of nearly 6%, despite a relatively weak economy throughout most of the period.

Operating result 7.2 billion



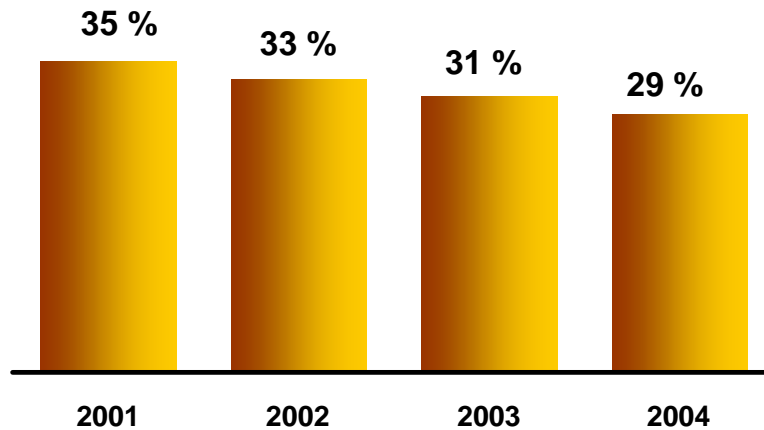
Operating profit for the year amounted to SEK 7.2 billion.

The sustained, stable trend of earnings reflects the Sandvik Group's strength. It shows both our ability to generate value for our customers through products and services and, in parallel, continuously increase our internal productivity.

The joint efforts of all Sandvik employees in all parts of the world, and I think they are doing a fantastic job, have laid the foundation for continued favorable development.

Increased capital efficiency

Net Working Capital as % of sales



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One area where we have focused strongly during recent years is capital efficiency – or the capital that is tied up in inventories, accounts receivable and other balance sheet items.

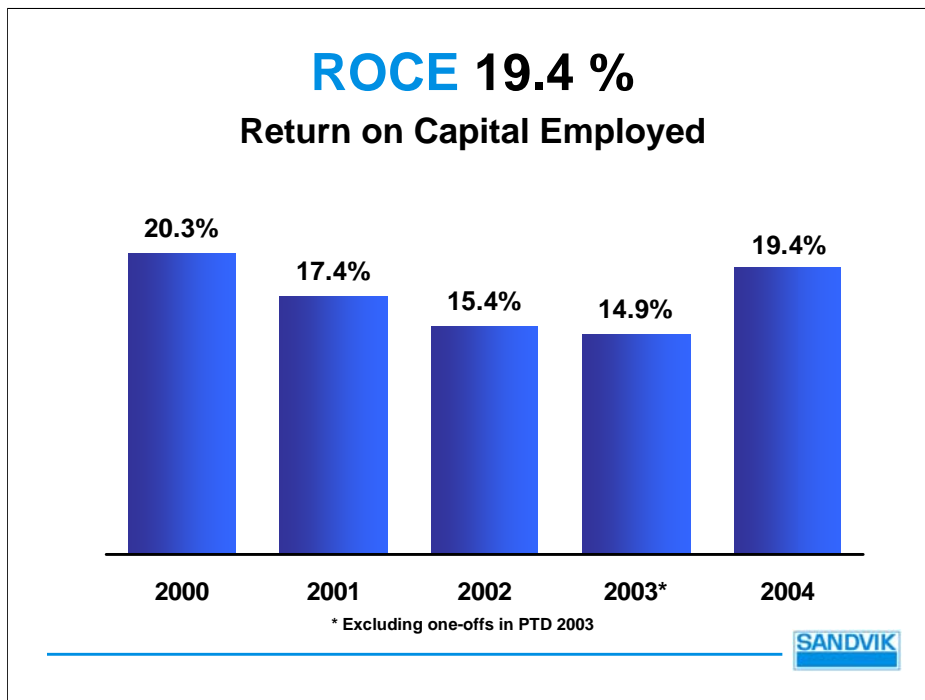
Capital efficiency is an important indicator for me of how effective we are in our different processes, such as purchasing, production, warehousing, distribution and sales.

At the close of 2001, capital tied up in inventories and accounts receivable, less payments due to suppliers, amounted to 35% of sales. As we can see in these columns, our working capital has now been reduced to 29% of sales, and a continued reduction will be achieved. In comparable terms, the Group has freed up slightly more than SEK 3 billion during the period.

The increase in capital efficiency means that we have made more capital available for dividends, acquisitions and investments. The most important effect, however, is that we have increased the efficiency of many strategic processes.

Examples of this are seen in shorter lead-times, lower inventory levels, faster and more reliable deliveries and, in the final analysis, better customer service.

This contributes, naturally, to higher profitability, better service to our customers and, in turn, increased growth.



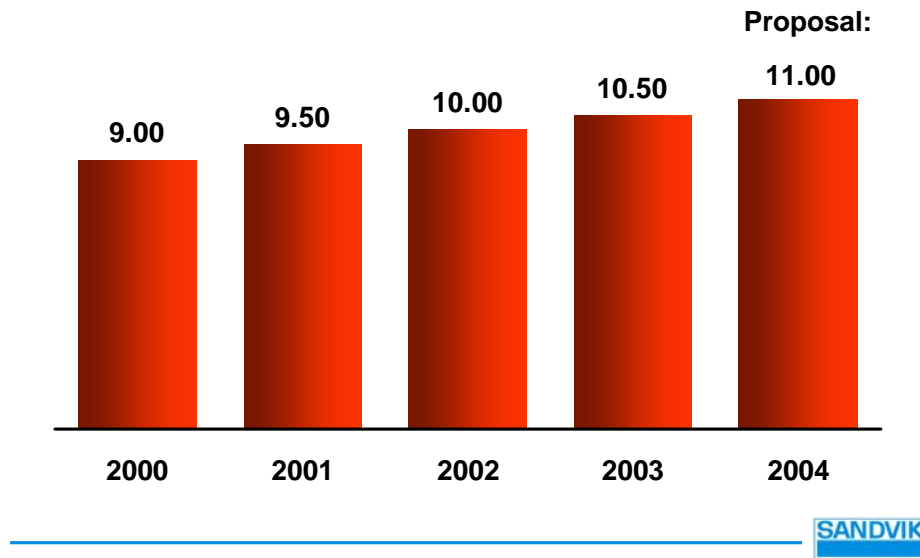
Sandvik's overall financial goal is to generate average return on capital employed of 20% annually over a complete business cycle.

After a few years with lower capital return, due mainly to acquisitions and weak economic conditions, Sandvik achieved its goal during the last two quarters of 2004.

We accomplished this through improved margins in combination with increased capital efficiency.

The high level of return also means a maximum allocation of SEK 150 million in profit sharing to our employees in Sweden. This amounts to about SEK 14,000 per employee.

Dividend 11.00 SEK/share



Another one of Sandvik's overall goals is that dividends should amount to at least 50% of earnings per share.

The company has shown a stable and favorable trend of earnings for several years. Combined with increased capital efficiency, this has generated a strong cash flow and, in turn, we have been able to gradually increase the dividend. Over the past 10 years, dividends have amounted to more than 60% of earnings per share.

Based on the Board's appraisal of the Group's earnings capacity, a proposal has been submitted to the Annual General Meeting to raise the dividend on operations in 2004 by SEK 0.50 to SEK 11, which corresponds to 62% of earnings per share.

Focus on shareholder value

- **Increased dividend 11.00 SEK (10.50)**
- **Share redemption: 4 billion**
- **Total payout: ~ 6.7 billion**
- **Cancellation of bought back shares**



Focus on shareholder value, naturally, has a high priority for Sandvik.

As I mentioned a few minutes ago, the dividend has been increased gradually over recent years, and direct yield for the share has been favorable.

In addition to the dividend, and based on decisions reached at past Annual General Meetings, we have also implemented a program of share redemption corresponding to a total distribution of approximately 4 billion. It's important in this particular context to point out that the adjustment in the Group's balance sheet has not impeded our ability in any way to make acquisitions or invest in research and development or production equipment.

In view of the Group's strong financial position, a proposal has been submitted to the Annual General Meeting, as described in the announcement of this Meeting, to replace the buy-back program with a redemption program totaling about SEK 4 billion.

This means that Sandvik this year will pay out 6.7 billions to the shareholders, as ordinary dividend and share redemption. Additionally it is proposed that the 16 million repurchased shares will be cancelled.

First quarter 2005

Growth and increased profitability

Order intake	+11 %,	SEK 15,646 M
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Invoicing	+12 %,	SEK 14,194 M
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Pre-tax profit	+25 %,	SEK 1,892 M
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Earnings per share	+20 %
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And now some words about the first quarter of 2005.

As stated in the quarterly report Sandvik's growth and profitability has continued to develop in a positive way also during the first quarter of 2005. Invoiced sales increased 12% during the quarter. Adjusted for currency and structural effects the organic growth was 14%.

Demand was continued strong with good growth, primarily in North America and Asia. Also in Europe the development was good, although there were major regional variations. All business areas show healthy development, especially Mining and Construction, where high prices and demand on metals generates a very strong demand for equipment in the mining industry.

Higher volumes and better prices in combination with high capacity utilization made the operating profit increase 23% and for the second consecutive quarter exceed 2 billion SEK. Earnings per share increased 22% versus last year.

Research and Development

– driver for growth and profitability

- SEK 1.9 billion
- 2,200 employees in R&D
- 4,300 patents



I would now like to talk about the Group's future development.

Investments in research and development comprise a basic prerequisite for our ability to continuously offer our customers new and better products, service and training.

Within the niches in which Sandvik operates, we are normally a market leader and none of our competitors invests such substantial resources in product development as Sandvik. Our annual investments amount to SEK 1.9 billion.

We have 2,200 qualified employees within R&D who work to provide our customers with the best possible solutions.

This also requires that we have comprehensive knowledge of our customers' processes. And for this reason, our product development work is often conducted in close cooperation with customers. New solutions are normally protected by patents. We have about 4,300 active patents today, and Sandvik is one of Sweden's most successful companies in terms of patents granted, both in Europe and the US.

Sandvik's focus on R&D yields results. A very large proportion of our sales is based on new products that create business growth and higher profitability.

Global leader – Customer focus

**Sandvik
Tooling**



**Sandvik
Mining and
Construction**



**Sandvik
Materials
Technology**



The key to success, however, lies in satisfied customers.

Our business concept is to contribute to increased customer productivity and efficiency with an offering that is better than what our competitors offer.

We reduce customer costs by continuously delivering sophisticated new products, but also by offering a comprehensive range of service and training activities.

Our ability to develop attractive solutions that enable our customers to increase their productivity is one reason they continue to do business with the Group and, in turn, enables Sandvik to establish operations in new growth markets.

The three business areas comprising Tools, Mining and Construction and Materials Technology are world leaders today in their respective areas. Each of our business areas has a global presence and, accordingly, they operate as strong suppliers to customers in all parts of the world, and many of our customers are also global players.



I now want to take you on a trip to three different parts of the world and provide insights into three completely different areas of business activity.

We will visit a mine hundreds of meters underground and take a look at the inside of the human body.

The links between these different examples are products and solutions from Sandvik that enable our customers to increase their productivity and profitability.

The first stop on our trip is Chile, in South America, and the El Teniente copper mine operated by our customer, Codelco.

Film: El Teniente



Speaker:

Welcome to Chile in South America. And El Teniente – the world's largest underground mine, situated at more than 2,000 meters above sea level in the Andes mountain range, not far from the capital city of Santiago.

Copper has mined in this region for hundreds of years. Today, the demand for copper is growing increasingly in the world market, and the capacity at the mine has been increased gradually in various stages. El Teniente now accounts for about 4% of global production.

The goal of the mining company Codelco is to become the most cost-effective mine in the world. Management also wants to increase safety standards and the work environment for employees who work in the mine.

And that's where Sandvik enters the picture – with AutoMine®, the world's first patented technology within automated mining.

Nearly 40,000 tons of rock are processed in a totally automated system that includes remote-controlled Toro loaders from the Mining and Construction business area. The operators sit in a control room at ground level and manage the entire process down in the mine through remote control and display screens.

For the customer, the result is a significant reduction in the cost per extracted ton.

Tomorrow's mine is already here, today. And Sandvik is the world leader in the new technology.

The mine also features other products from Sandvik: drilling rigs, crushers, hydraulic hammers, transport equipment, etc. An excellent testimony of Mining and Construction's competitiveness based on the market's broadest product range.



Our next stop is one of the absolutely most exciting and dynamic regions in world today – China. The thousand-year old Middle Kingdom is changing and developing at a very rapid pace. You will see examples of how Sandvik is contributing to the country's development in an area that is perhaps not normally associated with our business areas– the production of plastic bottles for mineral water.



Consumer products must be put into containers of some kind – regardless of whether it is plastic or metal, and this has created new growth opportunities for Sandvik. We are able to offer sophisticated cemented-carbide tools and comprehensive know-how used to produce molds for, in this case, one of our most common everyday products.

Film: Wahaha



Speaker:

We are in the city of Hangzhou, in China, and one of the production plants operated by the company Wahaha.

Wahaha is one of the leading beverage producers in China, and its product range includes bottled water.

All production operations are managed within the company, from the processing of casting molds to the bottles filled with their contents.

Sandvik Coromant's product range includes a large number of high-performance tools for the production of dies and molds. And customer-adapted solutions provide a sound total economy.

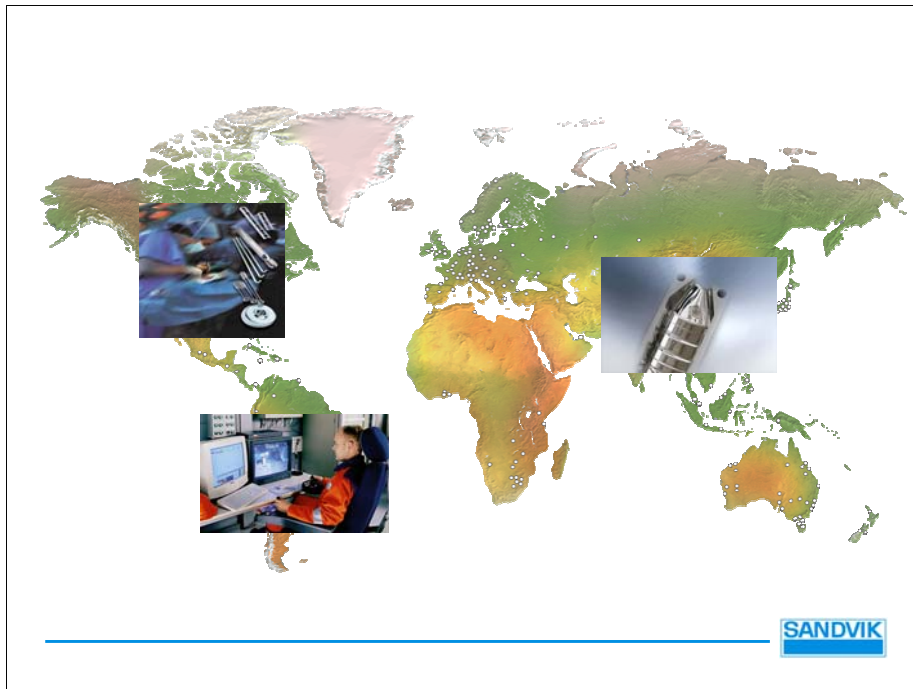
A representative of Wahaha: "We chose Sandvik because the company offers high-quality products, provides good service and has short delivery times. We always receive the support we need quickly."

This is the first stage in the production process. Milling tools from Sandvik provide effective metal processing and create the finished casting molds for the bottles. The molds are placed in special machines where the final shape and design of the plastic bottles is created.

The material in the casting molds is extremely hard in order to maintain its form for the millions of bottles that are produced.

The bottles are inspected and transported in the plant before they are eventually filled with their contents, in this case water, and continue along the conveyor belt to the packaging station, from where they are distributed to stores in all parts of the country.

For example to this store, where the bottle eventually ends up in a Chinese consumer's shopping cart.



And now to an application area for Sandvik's products that can be literally a matter of life and death for the customer.

Medical applications are becoming an increasingly important growth area for Sandvik and, for the final stop on our tour, we leave Hangzhou in China and go to an area settled by Swedes in the US.



Through its extensive research and development, Sandvik has developed unique expertise in materials and tools for medical applications. We have developed a long line of advanced materials used in the human body. These include hip implants and the pins and screws used to repair complex bone fractures. These are products we all prefer not to use, but they serve an extremely useful purpose when they are needed.

You will meet a person over there who, from personal experience, knows how important it is that new materials and advanced technical solutions are being developed within the field of medical engineering – in this case, heart surgery.

Film: Endocardial, Med Tech

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(Film) Richard Ranwick, Minnesota, USA:

“My life before the operation was filled with chaos, anxiety, panic... I couldn’t plan anything. I never knew when the next attack might come. I travel quite a bit, and always had to be close to a city with a hospital that could treat these types of attacks. It was very frightening.”

Speaker:

Richard’s illness was manifested by a very sharp increase in his heartbeat – up to 160-170 beats per minute – without any advance warning signs. That means a heart rhythm like this ... (heartbeat can be heard).

Almost three beats per second – more than three times what is considered normal.

The solution to Richard’s problem with sudden and extreme fluctuations in cardiovascular activity, called arrhythmia, was a high-technology instrument developed by Endocardial Solutions, a company in the US.

The instrument, which contains a special catheter wire, is inserted in the artery through the groin and maneuvered up into the heart where it measures electrical impulses in the heart. Through careful examination procedures, physicians can quickly determine which actions are the most suitable and immediately begin treatment.

One of the prerequisites for this instrument is a coated precision wire developed by Kanthal Palm Coast, a subsidiary of Sandvik.

(cont.)

Film: Endocardial, Med Tech

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The wire is extremely thin – 0.07 millimeters, about the size of a human hair.

Sixty four wires are braided together with three electrodes to form a mesh tube – a sort of mesh stocking, if you will.

Production operations are characterized by extremely high precision and require sophisticated special equipment.

The new technology is the result of comprehensive research and many years of clinical studies.

Since the catheter wire is used inside the human body, the demands on cleanliness are exceptionally stringent.

The front portion of the catheter forms a measurement unit that functions like an antenna when it expands. It is this unit that receives the electrical impulses inside the heart.

Sandvik has been able to meet the customer's extremely high quality demands.

Richard J. Omlanovicz, President of Endocardial Solutions: (*Caption*)

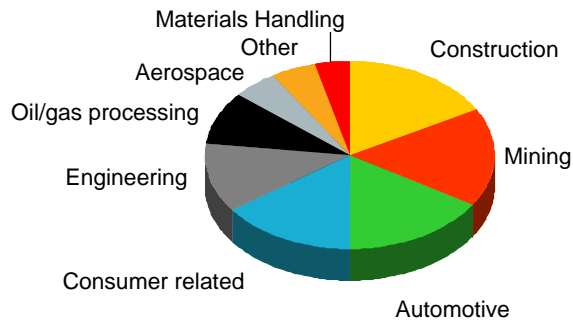
"We chose Sandvik as our supplier based on quality and the company's good reputation. We looked for the best possible supplier, and Sandvik has met all of our requirements and demands."

Speaker, continued: Testing and calibrating the instrument's functionality is extremely critical. This is a matter of microsurgery and transfers of information that create three-dimensional images from inside the heart.

We conclude with Richard's testimony of what the method has meant to him.

Richard Ramwick: (*Caption*) "My life has been transformed from terror to a very pleasant, harmonious and comfortable life. I know that I'm healthy again."

Customer Segments



Distinguished shareholders, that was a short insight into three expansive and attractive customer segments: the mining industry, injection molding and medical technology.

This tour also presented a few examples of how Sandvik's innovativeness and knowledge in completely different industrial fields can help our customers to develop their operations and increase their effectiveness.

Our strategy is to concentrate on selected customer and production areas in which we have a world-leadership position, or the potential to establish global leadership.

Sandvik continues to focus its business direction on a broad wide of growth areas that offer higher growth and profitability than average industrial growth.

Continued profitable growth



- Strong product portfolio
- Focused R&D resources
- Diversified customer base
- Strength to add acquisitions
- Global and local presence



Honored shareholders:

I think Sandvik is a fantastic company with many committed, competent and innovative employees.

In my opinion, our potential for continued successful business growth is better than ever.

- We have a strong product portfolio.
- Our investments in R&D continuously strengthen our competitiveness.
- Our customer base has been gradually broadened, both into new application areas and new customer segments.
- Our financial strength enables us to pursue a generous dividend policy and still implement strategically prudent investments and acquisitions.
- Through our global presence, we are well-represented in dynamic new markets. When markets such as China, India and Eastern Europe mature, we will be favorably positioned to capitalize on new business opportunities.

In short, Sandvik is well-positioned for continued profitable growth. Sandvik is well positioned for the future.

Thank you!