

SANDVIK AB – Interim Report Six months ended 30 June 2000

- ÷ *Profit after financial income and expenses rose to SEK 3,310 M (1,811), including nonrecurring items amounting to a positive SEK 660 M*
- ÷ *Increased profitability in all business areas*
- ÷ *Continued favorable business climate – order intake up 17%*

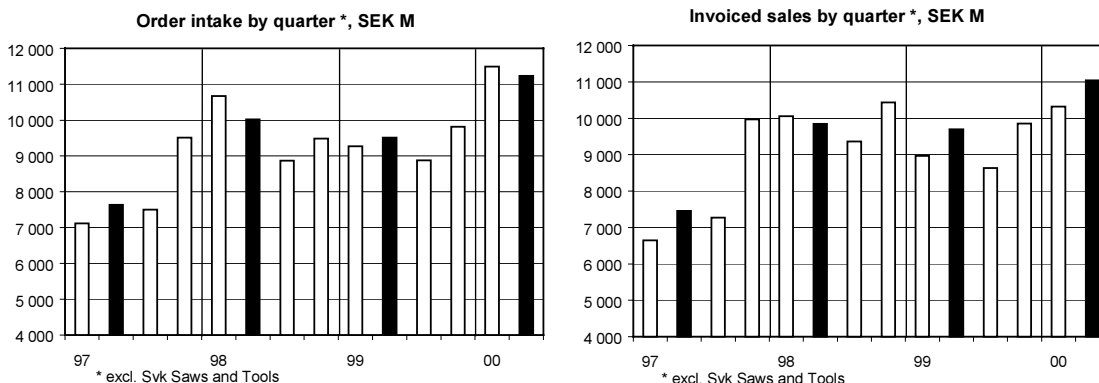
Market

Industrial production within the OECD had an annual growth rate of 4%. The production pace in the US remained high. Growth in Europe increased to an annual rate of approximately 3% and leading indicators remain positive. The Japanese economy was strengthened, but from a low level. Growth in China, Korea and Southeast Asia was high. Economic conditions in South America improved, with Brazil as the economic engine.

Consumer-oriented industries, particularly the electronics industry, continued to show high capacity utilization. Demand rose in the mining, construction, oil and gas and petrochemical industries. Investment willingness, however, was still low in the latter two areas.

The economic trend had a favorable effect on Sandvik and demand was strong within most product segments during the first half of the year.

Sales (see appendix 2)



Sandvik's order intake during the first half of the year amounted to SEK 22,730 M (20,130), which was 13% higher compared with the corresponding period a year earlier. At fixed exchange rates for comparable units, order intake increased by 17%.

Order intake increased in all markets. Demand in Europe was strong, and now has also improved in the UK. Activity in Central and Eastern Europe was high. Order intake continued to be favorable in NAFTA for all business areas.

Demand in South America rose primarily in Brazil whereas in the other markets in the region the situation was fragmented. Order intake in the Asia, Australia region continued to rise, particularly in China, India and Southeast Asia. In Japan the trend was also highly favorable.

Demand from the engineering, automotive, electronics and consumer-related industries increased sharply and remained high during the second quarter. Order intake from the mining and construction industry was very positive. On the other hand, demand from key customer segments such as the chemical and process industries, which generally are positioned later in the business cycle, was relatively weak.

Invoiced sales amounted to SEK 21,360 M (19,990) for the period, an increase of 7%. At fixed exchange rates for comparable units, sales rose 11% compared with the year-earlier period. In the second quarter, sales were 11% higher than in the preceding year and 7% higher than in the first quarter this year.

Earnings (see appendix 1)

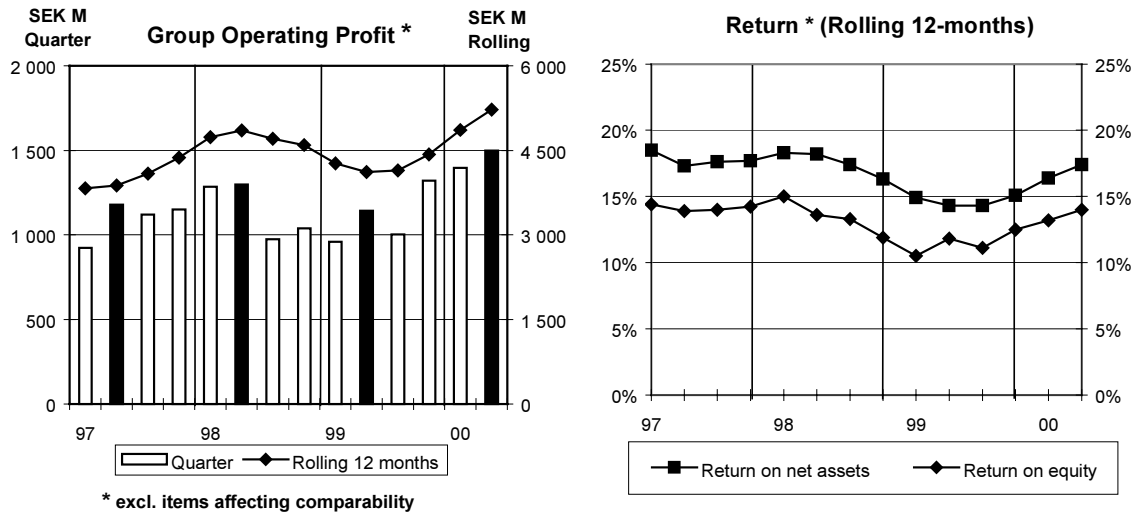
	Q 1-2 1999	Q 1-2 2000	Change %
Invoiced sales, SEK M	19 990	21 360	+7
Operating profit SEK M	2 101	3 550	+69
as % of invoiced sales	11	17	
Op. profit excl. items affecting comparability, SEK M	2 101	2 890	+38
as % of invoiced sales	11	14	
Op. profit after financial items, SEK M	1 811	3 310	+83
as % of invoiced sales	9	15	
Profit after financial items, excl. items affecting comparability, SEK M	1 811	2 650	+46
as % of invoiced sales	9	12	
Net profit, SEK M	1 118	2 096	+87
as % of invoiced sales	6	10	

Operating profit for the first six months amounted to SEK 3,550 M (2,101), up 69%. This included items affecting comparability amounting to SEK 660 M. These involved a surplus concerning pension funds held for Sandvik by the SPP insurance company. The net total amounts to SEK 360 M, including provisions for contractual retirements of salaried employees expected to take place during 2000-2001. Also included is a capital gain of SEK 300 M from the sale of the Group's captive insurance company in the first quarter.

Excluding items affecting comparability, operating profit rose 38% and for comparable units by 43%. Operating margin amounted to 14% (11) of invoiced sales. The improvement was attributable mainly to higher volumes and productivity in all business areas.

Net financial expense was SEK -240 M (-290). Interest expenses were lower than in the corresponding period of the preceding year, as a result of lower net debt.

Profit after net financial income and expenses was SEK 3,310 M (1,811).



Net profit amounted to SEK 2,096 M (1,118). Earnings per share were SEK 8.10 (4.30). Earnings per share during the most recent 12 months amounted to SEK 17.80 (14.00 for full year 1999). Excluding items affecting comparability, net profit amounted to SEK 1,537 M and earnings per share were SEK 10.70 (9.00) for the most recent 12 months.

Return on capital employed, before items affecting comparability, was for the most recent 12 months, 17.4% (15.1 for full year 1999), and return on shareholders' equity 14.1% (12.4% for full year 1999).

Invoiced sales of the Parent Company were SEK 6,157 M (5,209) and operating profit was SEK 711 M (390).

Structural changes

In the beginning of the year, Sandvik CTT acquired a former agent in the US, Titex Tools Inc., for the purpose of intensifying marketing of Titex's application tools to advanced US industries.

In the second quarter, Sandvik's Mining and Construction business area concluded its acquisition of the production of drilling rigs from two Austrian companies that are part of the Neuson Group. Annual sales are estimated at SEK 120 M.

Since March, Sandvik has been a joint-owner of a new venture-capital company, b-business partners, together with the principal shareholders ABB and Investor and a number of large Swedish industrial companies. b-business partners invests in and develops European companies focusing on e-commerce.

The Group's captive insurance company was divested during the period.

Business areas (see appendix 2)

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 niches. Sandvik Tooling includes Sandvik Coromant, Sandvik CTT and Sandvik Hard Materials and a small remaining distribution activity for Saws and Tools products on certain markets. Sandvik Specialty Steels comprises Sandvik Steel, Kanthal and Sandvik Process Systems.

Sandvik Tooling's invoiced sales amounted to SEK 7,650 M (6,709), an increase of 9% at fixed exchange rates for comparable units. Demand from the engineering and automotive industries was favorable, as was demand in such customer areas as medical technology, die and mould and electronics. Order intake was SEK 7,952 M, 12% higher for comparable units than in the preceding year, primarily due to strengthened market positions with increased market shares. The highly favorable trend in all markets, particularly in the US, Asia, Germany and Brazil, continued in the second quarter.

Order intake included SEK 392 M and sales included SEK 364 M from the remaining activities in Sandvik Saws and Tools.

Operating profit in the first half of the year amounted to SEK 1,570 M (1,279), corresponding to 21% of invoiced sales. The improvement was due mainly to favorable volume development and productivity increases. Sandvik Coromant continued to expand its marketing activities substantially by reinforcing its sales organization, including investments in e-business on the Internet.

Sandvik Mining and Construction's invoiced sales amounted to SEK 4,914 M (4,336), up 12% at fixed exchange rates for comparable units. The order intake improved considerably and was SEK 5,352 M, 20% higher than a year earlier. Demand from the mining and construction industries remained favorable. Many projects that have been in the planning stage for some period are now being realized, particularly in Eastern Europe, South America and Australia.

Operating profit for the half-year period amounted to SEK 496 M (293), corresponding to 10% of invoiced sales. Operating profit for the second quarter amounted to SEK 287 M (178) – or 11% (8). The sharp improvement is due to higher capacity utilization, combined with the effects of the completed restructuring program.

Sandvik Specialty Steel's invoiced sales amounted to SEK 6,902 M (6,011). The increase at fixed exchange rates for comparable units was 14%, of which 6% is price-related and mainly attributable to a higher alloy surcharge. The positive trend in demand continued and order intake was SEK 7,511 M, or 27% higher than in the preceding year. As earlier, sales were most favorable for products for consumer-related and maintenance-oriented areas, as well as for applications in the electronics industry.

Total operating profit amounted to SEK 588 M (288), 9% of invoiced sales. In the second quarter, operating profit was SEK 321 M (165), 9% (5). All business sectors increased their profits through higher volumes and productivity. Changes in nickel prices affected inventory valuation favorably, by approximately SEK 60 M.

Capital expenditures

Group investments in property, plant and equipment amounted to SEK 823 M (897). Acquisition of companies and operations amounted to SEK 369 M.

Financing and liquidity

Interest-bearing liabilities and provisions less liquid funds yielded net debt of SEK 8,164 M (6,014 at 31 December 1999). Liquid funds amounted to SEK 1,858 M (2,369) and loans totaled SEK 7,315 M (5,611). Cash flow from operating activities amounted to SEK 1,460 M. After capital expenditures, cash flow was SEK 92 M.

The number of shares at 30 June 2000 was 258,696,000. Shareholders' equity per share was SEK 77.60 (77.70 at 31 December 1999) and the equity/assets ratio 50% (52). The Annual General Meeting held on 4 May 2000 voted to change the Articles of Association to permit only one class of share.

Personnel

The number of employees in the Group at 30 June 2000 was 34,029 (33,870 at 31 December 1999), a slight decline for comparable units since year-end 1999.

Market outlook

The favorable business climate during the first six months is expected to continue for the remainder of 2000.

Sandviken, 9 August 2000

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

Appendices:

1. Group summary
2. Invoicing and operating profit

The interim report for the first half of 2000 is unaudited. The next interim report will be released on 2 November 2000 for the first three quarters of 2000.

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

Group in summary, SEK M

	Q1-2 1999	Full-year 1999	Q1-2 2000
Income statement			
Invoiced sales	19 990	39 300	21 360
Cost of goods sold	-13 601	-26 297	-14 155
Gross profit	6 389	13 003	7 205
Selling, general and administrative expenses	-4 255	-8 485	-4 372
Other operating income and expenses	-33	-93	57
Items affecting comparability	0	1 625	660
Operating profit	2 101	6 050	3 550
Financial income and expenses, net	-290	-585	-240
Profit after financial items	1 811	5 465	3 310
Taxes	-614	-1 688	-1 098
Minority interests	-79	-157	-116
Net profit	1 118	3 620	2 096
Consolidated balance sheet			
Fixed assets	19 353	18 318	18 251
Inventories	10 433	10 040	10 682
Current receivables	10 520	9 469	11 314
Liquid assets	1 807	2 369	1 858
Total assets	42 113	40 196	42 105
Shareholders' equity	17 632	20 109	20 084
Minority interests	821	888	820
Interest-bearing provisions and liabilities	12 633	8 382	10 022
Non-interest-bearing provisions and liabilities	11 027	10 817	11 179
Total provisions, liabilities and shareholders' equity	42 113	40 196	42 105
Summary cash-flow statement			
Profit after financial items	1 811	5 465	3 310
Items not affecting cash flow	-2	-1 892	-472
Reversal of depreciation	1 069	2 273	1 111
Taxes paid	-1 210	-1 524	-1 005
Change in working capital	-924	-928	-1 484
Cash flow from operating activities	744	3 394	1 460
Investments, acquisitions and divestments	-1 079	1 316	-1 368
Cash used in financial activities, changes in loans, dividends	355	-4 133	-605
Net cash flow	20	577	-513
Key figures			
Order intake, SEK M	20 130	39 650	22 730
Earnings per share excl. items affecting comparability, SEK*	8.15	9.00	10.70
Earnings per share incl. items affecting comparability, SEK*	8.15	14.00	17.80
Return on net assets excl. items affecting comparability*	14.3%	15.1%	17.4%
Return on shareholders' equity excl. items affecting comp. *	11.8%	12.4%	14.1%

* Rolling 12 months

**Invoiced sales by market area,
SEK M**

	Q2	Q1-2	Q3	Q4	Full-year	Q1	Q2	Q1-2	Change	
	1999	1999	1999	1999	1999	2000	2000	2000	%	% ¹⁾
EU (excl. Sweden)	4 086	8 164	3 387	3 720	15 271	3 825	3 951	7 776	-5	7
Sweden	637	1 191	461	597	2 249	623	616	1 239	4	15
Rest of Europe	613	1 147	500	499	2 146	628	639	1 267	10	9
Europe total	5 336	10 502	4 348	4 816	19 666	5 076	5 206	10 282	-2	8
NAFTA	2 645	5 018	2 493	2 441	9 952	2 722	2 817	5 539	10	8
South America	431	761	421	366	1 548	419	490	909	19	27
Africa, Middle East	357	763	406	437	1 606	391	420	811	6	15
Asia, Australia	1 591	2 946	1 612	1 970	6 528	1 712	2 107	3 819	30	23
Group total	10 360	19 990	9 280	10 030	39 300	10 320	11 040	21 360	7	11

**Invoiced sales by business area,
SEK M**

Svk Tooling	3 383	6 709	3 075	3 393	13 177	3 818	3 832	7 650	14	9
Svk Mining and Construction	2 235	4 336	2 229	2 243	8 808	2 248	2 666	4 914	13	12
Svk Specialty Steels	3 278	6 011	2 618	3 342	11 971	3 319	3 583	6 902	15	14
Svk Saws and Tools	666	1 335	647	171	2 153	/	/	/	/	/
Seco Tools ²⁾	791	1 585	708	835	3 128	916	946	1 862	17	10
Group activities	7	14	3	46	63	19	13	32	/	/
Group total	10 360	19 990	9 280	10 030	39 300	10 320	11 040	21 360	7	11

**Operating profit by business area,
SEK M**

Svk Tooling	665	1 279	634	684	2 597	800	770	1 570		
Svk Mining and Construction	178	293	168	213	674	209	287	496		
Svk Specialty Steels	165	288	105	240	633	267	321	588		
Svk Saws and Tools	38	102	42	9	153	/	/	/		
Seco Tools ²⁾	143	283	94	195	572	197	190	387		
Group activities	-47	-144	-39	-21	-204	-78	-73	-151		
Op. profit excl. items affecting comparability	1 142	2 101	1 004	1 320	4 425	1 395	1 495	2 890		
Items affecting comparability	-	-	1 600	25	1 625	300	360	660		
Op. profit incl. items affecting comparability	1 142	2 101	2 604	1 345	6 050	1 695	1 855	3 550		

**Operating profit by business area,
% of invoicing**

Svk Tooling	20	19	21	20	20	21	20	21		
Svk Mining and Construction	8	7	8	9	8	9	11	10		
Svk Specialty Steels	5	5	4	7	5	8	9	9		
Svk Saws and Tools	6	8	6	5	7	/	/	/		
Seco Tools ²⁾	18	18	13	23	18	22	20	21		
Op. profit excl. items affecting comparability	11	11	11	13	11	14	14	14		
Op. profit incl. items affecting comparability	11	11	28	13	15	16	17	17		

¹⁾ Change compared with year earlier at fixed exchanged 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 for the six months ended 30 June 2000.