



Annual General Meeting 2 May 2006

Lars Pettersson
President and CEO

Ladies and gentlemen! Dear shareholders !

The film that we have just seen was brief look at how we work in Eastern Europe, where we have had considerable success for many years.

With this film I introduce my main theme for the day: Profitable growth through geographic expansion.

But first, of course, a few words about the preceding year and the first quarter of this year!

Sandvik 2005 – a record year

Invoiced sales SEK	63.4 bn	+16 %
Operating margin	15.0 %	(13.9 %)
Profit after financial items	8.8 bn	+28 %
ROCE	23.7 %	(20.5 %)
Earnings per share	24.70 SEK	+28 %



2005 offered a favorable business climate. Sandvik expanded in established markets as well as in new, high growth areas.

Invoiced sales rose 16%, totalling more than SEK 63 billion.

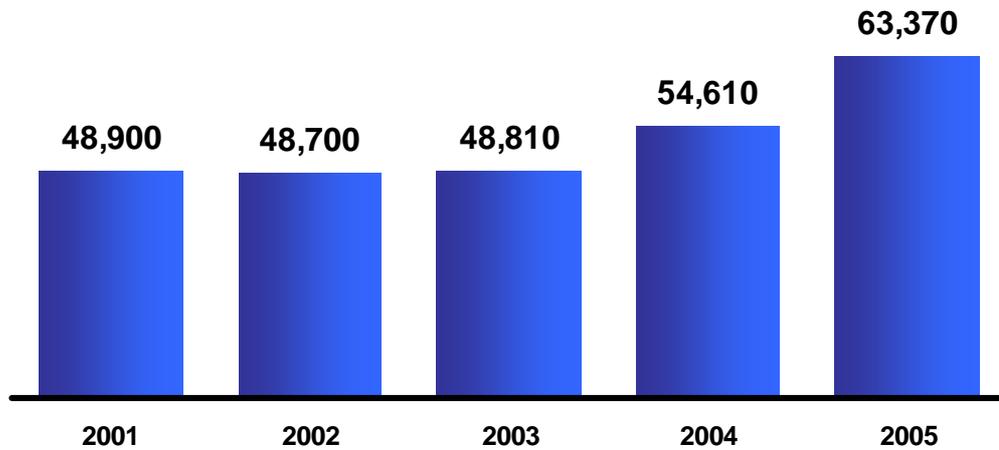
In terms of prices and volume, this entailed growth of 14%, or SEK 7 billion, compared with the preceding year.

Operating margin rose to 15.0% compared to 13.9% in the preceding year. The improvement was achieved through higher sales volumes combined with increased productivity and rationalization programs.

Overall, this meant that profit after financial items totalled SEK 8.8 billion, up 28%.

The return on capital employed increased to 23.7%, while earnings per share rose 28% to SEK 24.70.

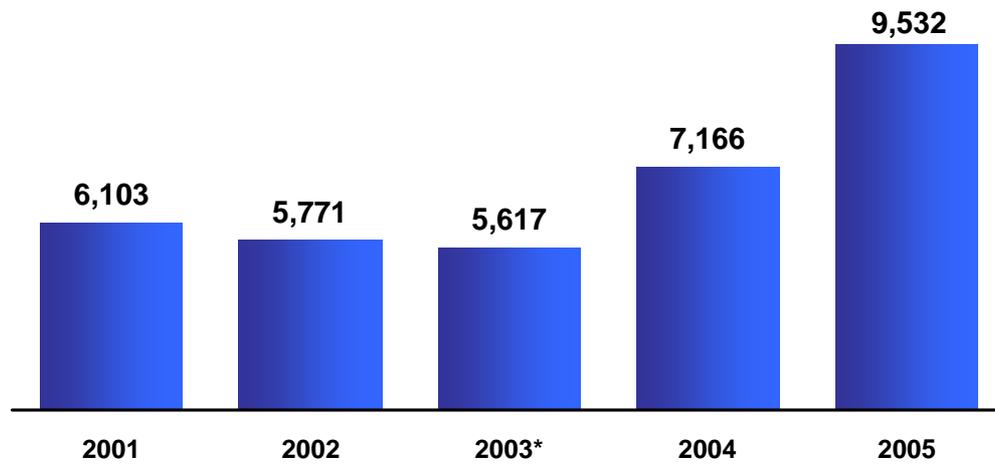
Invoiced sales SEK 63 billion



Group sales have grown significantly during the past two years.

Our goal is to expand by an average of 6% annually over a business cycle, a figure that has been exceeded since 2000 despite sluggish economic conditions in certain periods. This is the result of our strong global position and because we enhance customer value through new products and services and thus increase our market shares.

Operating profit SEK 9.5 billion



* Excluding non-recurring costs in PTD 2003

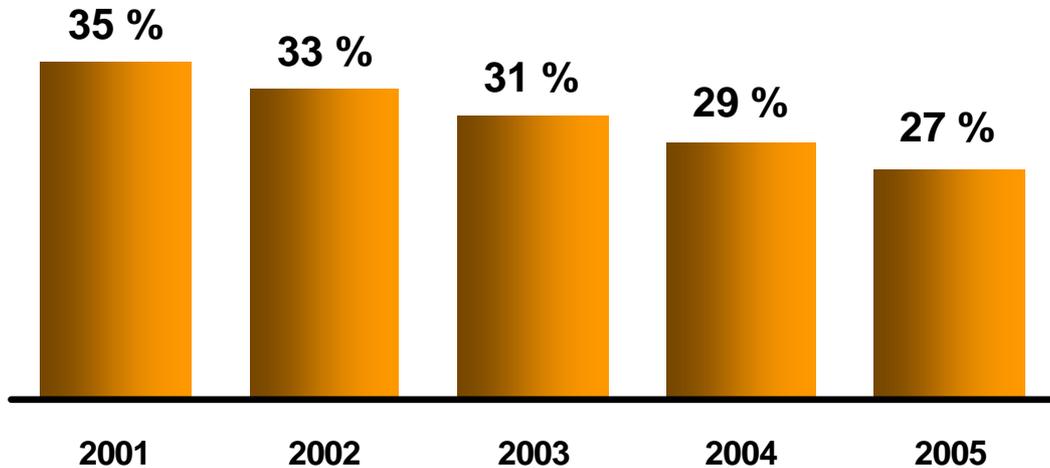


During the same period, operating profit also showed a strong increase and totaled 9.5 bn.

Productivity, cost efficiency and a focus on a more profitable product mix have yielded results.

Higher capital efficiency

Working capital as a percentage of sales



Capital efficiency – meaning the capital we have tied up in inventories, accounts receivable and other items in the balance sheet – is one particular area in which we have focused in recent years.

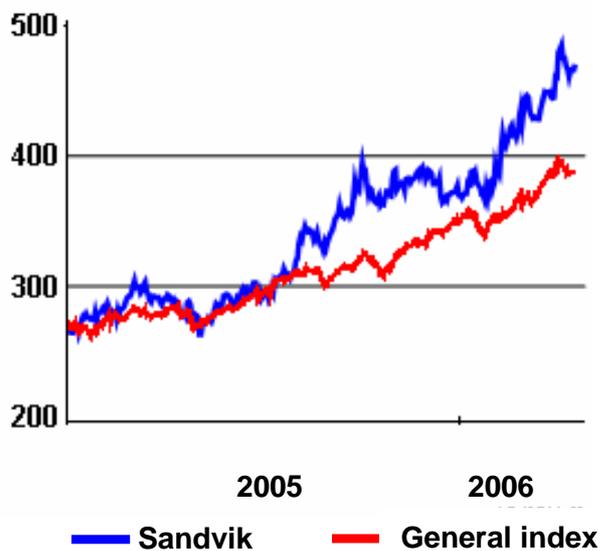
As I see it, capital efficiency is a key indicator of how efficient we are in our various processes such as procurement, production, inventory control, distribution and sales.

This is reflected in shorter lead times, lower inventories, faster and more reliable deliveries that offer customers superior service, leading in turn to increased growth and superior efficiency – in other words, profitability.

At year-end 2001, capital tied up in inventories, accounts receivable less accounts payables amounted to 35% of invoiced sales and at year-end 2005 we were at 27%, despite higher raw material prices.

As a result of this process during the period under review, the Group released nearly SEK 5 billion that has been used for capital expenditures, acquisitions and dividends to shareholders.

The Sandvik share



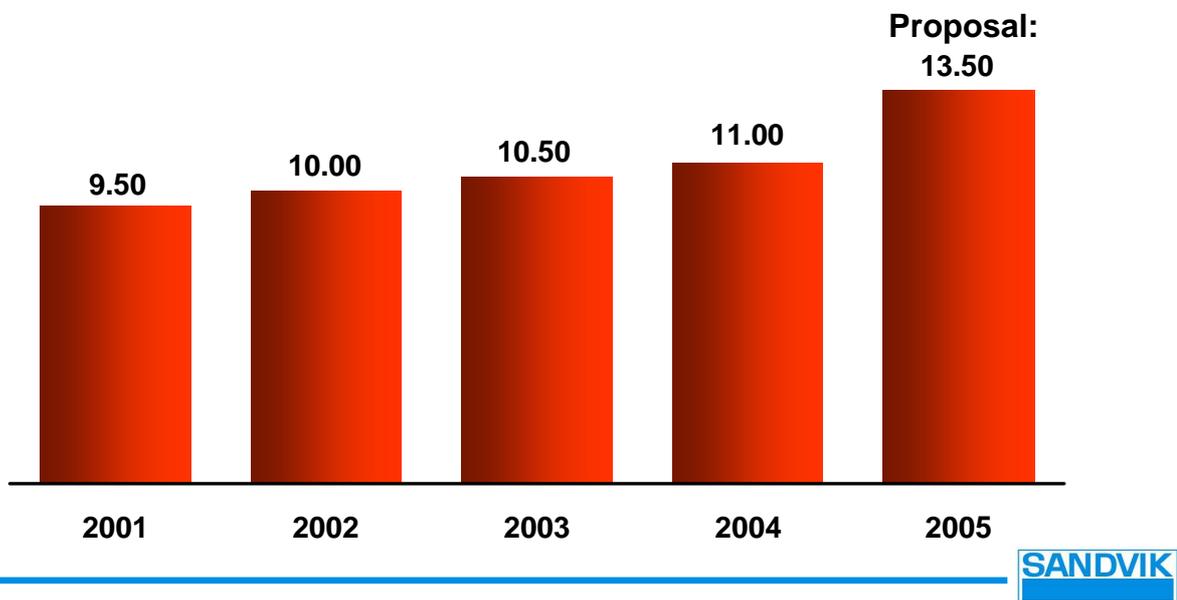
Average of 20% total
return annually,
2000-2005



Our business concept is to create customer value. This is a prerequisite for creating value for our shareholders.

The share price trend for Sandvik in recent years is **one** indicator of how well we have performed and during the past 5-year period, the Sandvik share provided value growth averaging a total of 20% annually.

Dividend SEK 13.50 – 5:1 split



One of our Group objectives is that the dividend shall amount to at least 50% of earnings per share.

Sandvik's earnings ability and conditions for continued profitable growth are highly favorable. This provides solid prerequisites to continue our efforts in product development, sales, geographic expansion and acquisitions.

Based on the Board's assessment, it is being proposed that the Annual General Meeting increase the dividend for 2005 by SEK 2.50 to SEK 13.50, which corresponds to 55% of earnings per share.

In addition, the Board proposes that the company implement a 5:1 share split, that is, each share is replaced by five new shares. This means that it will be easier for shareholders with small holdings to trade in full trading lots.

First quarter of 2006

Growth and higher profits

Invoiced sales	+23 %	SEK 17,481 M
-----------------------	--------------	---------------------

Operating profit	+40 %	SEK 2,853 M
-------------------------	--------------	--------------------

Earnings per share	+48 %	SEK 7.70
---------------------------	--------------	-----------------



Thus we can summarize a highly satisfactory 2005. Sandvik's interim report for the first quarter was published earlier today and we can confirm a continuing positive trend.

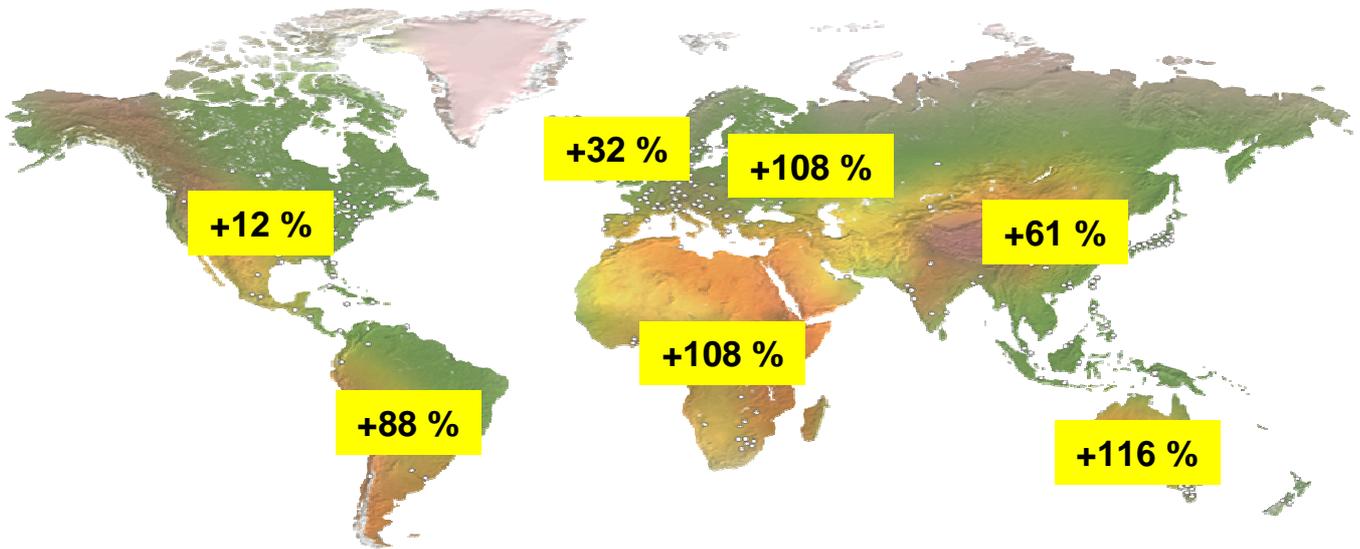
Sales rose 23 % during the quarter, totaling SEK 17.5 billion. Adjusted for changes in exchange rates, the increase was 15 %.

Demand was strong on a global level and the increase we saw in Europe last quarter was strongly confirmed in this quarter with an increased order intake of 29%. Also in North America and Asia/Australia growth continued to be very good.

All business areas reported good growth. The order intake in Mining and Construction increased 64% based on very strong market conditions but also a successful gain of project orders in the quarter. Project orders were received in Italy, Brazil and South Africa totaling more than SEK 1.6 billion.

Higher volumes and better prices, combined with high capacity utilization and the completion of rationalization programs, led to an increase in operating profit of 40% and increased earnings per share increased 48%.

Growth 2000-2005



SANDVIK

Viewed from a longer perspective, Group invoiced sales have doubled in less than 10 years.

As illustrated, growth has been clearly higher outside our traditional markets in Western Europe and North America. That trend is continuing.

There is a substantial modernization requirement and the gradually rising living standard is a strong driving force underlying industrial development, primarily in Asia and Eastern Europe.

By way of introduction we viewed a film from Eastern Europe.

For Sandvik's part, it is a matter of capitalizing on the growth potential represented by these markets and staying close to global customers who are also establishing a presence in these countries.

India



- **41% growth in 2005**
- **SEK 1,089 M in invoiced sales**
- **1,468 employees**



Let's now look at one of the fastest growing markets – India.

India is an example of a key growth market for Sandvik, and one in which we have a strong local presence. Our subsidiary in India was established as early as the 1960s and Sandvik was one of the first foreign companies to establish a presence in India. Today, we have established a very strong market position.

India was the country with the fastest sales growth in 2005, + 41%!

Sharp growth has been achieved over a number of years and our operations have been steadily expanded. This is the result of a goal-oriented, long-term investment in production, marketing and competence development.

Let's now visit our customers and employees in India.

China



- **36% growth in 2005**
- **SEK 2,066 M in invoiced sales**
- **908 employees**



Let's now look at the market that has gained most attention in various contexts: China.

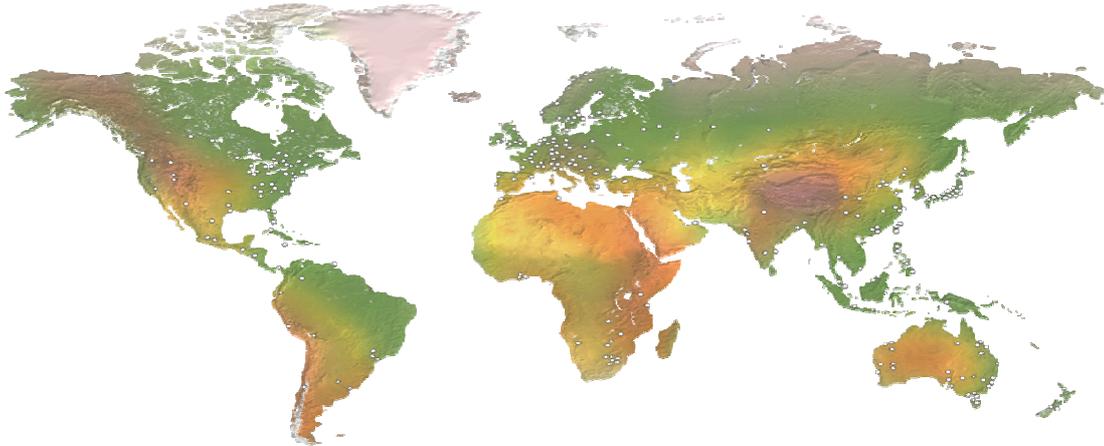
Naturally, China represents a vast potential for profitable growth for Sandvik, now and in the future.

Sandvik also has a long business tradition. Our strong brand and good reputation are major advantages as China gradually opens its doors to the outside world.

China is a highly expansive market, with GDP growth close to 10% annually in recent years. Today, Sandvik currently has slightly more than SEK 2 billion in sales in China with some 1,000 employees. The increase was 36% last year and sales have doubled in two years. The country is now the Group's tenth largest market.

So, ladies and gentlemen, to the Central Kingdom!

Good global positioning



Our customers in Eastern Europe, India and China impose equally strong demands on Sandvik as other customers worldwide.

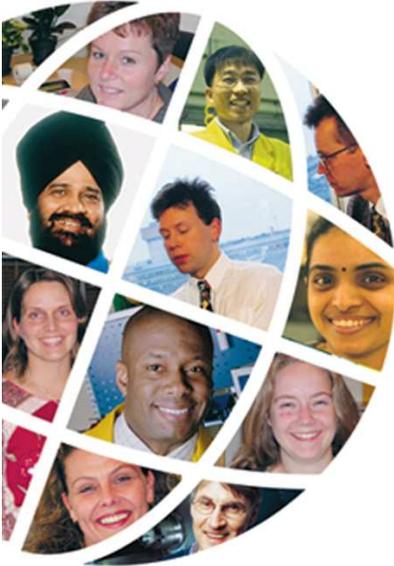
A common feature of these markets is that growth is rapid as a result of the considerable investments in developing local infrastructure and new industries, as well as modernizing existing operations.

Sandvik's overall strategy is to create close relations with local customers. This means that we build up local sales organizations, service units and to a certain extent local production. Product development, production and distribution are integrated in the Group's global infrastructure.

Sandvik is very well positioned in these markets. We have a strong brand with a good reputation that is associated with high quality, good service and products offering the best performance available on the market.

Sandvik's strength is that we have a global customer offering for our products and services, and that we are driven to create maximum value for our customers and thus ensure Sandvik's long-term leadership in these parts of the world, too.

Supply of skills to ensure growth



- **Conditions for diversity**
- **Promote growth and earnings**
- **Attractive employer**
- **Strong competitiveness**



But to continue expanding, we must also ensure that we have an effective supply of personnel and skills. We must be able to attract and develop the best employees to attain our goals!

By creating the conditions for diversity in Sandvik, we strengthen our competitiveness and consequently the basis for growth.

In our search for the best talents, we must not overlook groups due to gender, race, religion or other factors. Consequently, we need a distinct strategy and a keen focus on the task – to develop the best skills for attaining our ambitious business targets. We must act like the global company we are and utilize the potential this offers.

It is also very important that all Sandvik employees have shared basic values in their manner of representing the company. We discuss this aspect regularly within the framework of what we call Fair Play. This permits us to become conscious of what we as individuals can contribute through our efforts to create long-term, profitable growth.

By setting an example in various ways, we become more attractive as an employer and as a result increase diversity and our competitiveness.

Continuing profitable growth

- 
- **Strong product portfolio**
 - **Focused R&D resources**
 - **Broad customer base**
 - **Potential for acquisitions**
 - **Global and local presence**
 - **Skilled employees**



Both 2004 and 2005 have been highly successful years for Sandvik.

And our prerequisites for a continued successful development are highly favorable:

- We have a strong product portfolio and are world leaders in technology and quality to meet customers' rising demands
- Our extensive focus on R&D is a fundamental platform and driving force to increase our competitiveness
- Our customer base has successively been broadened, both to new application areas and new customer segments, which makes us less sensitive to the economy
- The financial strength makes it possible for us to carry out strategically correct investments and acquisitions while concurrently pursuing a generous dividend policy
- With our global presence, we are well represented on rapidly growing new markets. When such markets as China, India and Eastern Europe develop, we are well positioned to capitalize on the opportunities.

In brief, Sandvik is well positioned for continued profitable growth!

Thank you!



www.sandvik.com