



Meet
Sandvik 2/01

With interim report
second quarter 2001

Focus on growth at Capital Market Days

“Growth in the NAFTA area” was this year’s theme at Sandvik’s International Capital Market Days. During three intensive days in Fair Lawn, NJ, outside New York, Scranton, Pennsylvania, and Crystal Lake, near Chicago, Illinois, fifty representatives of financial markets and the media received an in-depth presentation of the Group’s operations in NAFTA, a high-priority market block. Following an initial description of Sandvik’s growth objectives and the Group’s performance during the first quarter of 2001, visits to several production plants were the next items on the agenda. This provided participants with an on-site opportunity to meet the managers of the operations concerned and to obtain a direct view of manufacturing of the Group’s leading-edge products ●



Growing confidence

Tubes for the fertilizer industry is one of Sandvik Steel’s niche products. The chemistry of the tube is completely tailored to this application. The use of special steel as corrosion protection in fertilizer production facilities reduces the risk for operational breakdowns and significantly boosts process efficiency. The high quality of the tube has been demonstrated repeatedly and the product is highly appreciated by customers. This is currently being illustrated by IFFCO Kalol, an Indian company that is now replacing its existing heat exchanger made of special steel from Sandvik with a new exchanger made from the same state-of-the-art steel grade. The old equipment was installed in 1975 – more than 26 years ago. Good experience is the most fertile soil for new decisions ●



Night heat sees light of day

Tube from Sandvik Steel and wire from Kanthal are important elements in a newly developed system for heat storage, which may come to play an important role in electric water heaters for domestic heating. The concept builds on an invention that utilizes a new and more efficient heat accumulator to store energy produced at night to be used during the daytime when electricity is often significantly more expensive. In Korea, for example, the cost of electricity at night is only a fourth of the daytime price. It is in Korea that production has recently begun and the potential of the system is judged to be great even in many other parts of the world. By means of this new technology, it is possible to save significant amounts of energy and money. The future looks bright for nighttime heat ●

Sandvik praised in New Zealand

Ford Motor Co. in Auckland, New Zealand, is a leading manufacturer of aluminum wheel rims within Ford. Most of the products are exported to the US. Last year, the plant was named the best export company in New Zealand in 2000. In conjunction with this honor, Ford recognized Sandvik Coromant as a strategically important supplier of advanced cemented-carbide tools and effective systems for handling the flow of tools. Sandvik makes it a point of honor to meet customer expectations ●



Cover photo:

Pekka Kilpeläinen, Sandvik Materials Handling, Finland



Sandvik Materials Handling, part of the Mining and Construction business area, has been the center of attention recently, following several large and strategic materials handling orders for the mining and construction sectors. One of the unit’s employees is Pekka Kilpeläinen, aged 37, service manager for the Roxon brand in Finland. He has spent more than ten years with the company. After university studies in automation, he was employed as CAD manager. Since 1995, he has been in charge of the company’s service activities in Finland. According to Pekka, the most satisfying aspect of his job is working with customers in the development and follow-up of efficient, fully comprehensive service contracts. In addition to his job and his family (wife and two children), his main interests include playing football, bandy and golf – also a type of materials handling ●

Expansion in NAFTA

The NAFTA free trade zone, namely the US, Canada and Mexico, is one of Sandvik's prioritized market areas, within which the Group has shown major expansion. Including acquired companies, Group sales have grown by an average of 12% per year since 1993, to more than SEK 11 billion. Today, NAFTA, in which the US is the dominant region, accounts for 26% of total sales, compared with 21% in 1993. During this period within NAFTA, Sandvik has invested approximately SEK 2 billion in increased capacity and the number of employees currently exceeds 6,000. Today, more than 70% of the goods sold are manufactured locally within the market area.

In other words, the Sandvik Group is strongly established within the North American market and well positioned for achieving further growth. The investments have been completed, production resources increased and the marketing organization strengthened. The focus is on capturing additional market shares within all three business areas.

CUSTOMERS IN ALL AREAS

Sandvik's customers are found in many sectors: the automotive and aerospace industries, the engineering and electronics industries, the mining and construction industries, the process industry, and the oil/gas and power industries.

In all of these sectors, demands are being made on increased productivity. In its marketing, Sandvik promotes itself as a productivity partner for customers.

Today, Sandvik has about 30 manufacturing units in this market area. The Group's NAFTA head office is located in Fair Lawn, New Jersey, just west of New York, as is the Sandvik Coromant main plant in the US. This is the Group's second largest plant for the production of cemented-carbide inserts. Most of the customers are active in the engineering industry and the automotive and aerospace industries. The Sandvik Procera plant for the production of customized ceramic dental crowns is also located in Fair Lawn. Internationally, the potential for this product is substantial, particularly within the giant United States market. Ceramic, diamond and other hard-material inserts for



aluminum and other particularly tough processing applications are produced in Stafford, outside Houston, Texas. In Mexico, Sandvik Hard Materials produces cemented-carbide balls for ballpoint pens and cemented-carbide rods for the drills used by the world's leading manufacturers of mobile telephones.

In Burlington, near Toronto in Canada, EJC underground loaders are produced for the mining industry. Recently, this facility developed the world's lowest loading machine designed for use in Africa's platinum mines. In Alachua, Florida, the Sandvik Mining and Construction subsidiary, Driltech Mission, produces equipment for surface-drilling applications, such as blast-hole and water-well drilling.

Sandvik Steel's main plants are located in Scranton, Pennsylvania. The units there produce seamless stainless tubes as well as stainless steel wire for welding and spring applications. The finished steel products are delivered to customers within NAFTA via a newly constructed distribution center. In Benton Harbor, Michigan, Sandvik Steel produces stainless strip and Sandvik Special Metals in Kennewick, Washington, manufactures titanium and zirconium tubes. The Group maintains an advanced plant for the production of tube in both stainless steel and nickel alloys in Arnprior, Canada. The Sandvik subsidiary Kanthal produces heating elements and furnaces for the electronics industry at its plant in California and precision wire for computer and other applications at its unit in Florida ●





Solid expansion

Sandvik Coromant's 50-year jubilee plant in Gimo, Sweden – the world's leading production unit for cemented-carbide products – has placed in operation a new plant for production of the company's unique tools in solid carbide. This is a step in the long-term investment program within the area amounting to about SEK 250 M. Demand for solid carbide is rising sharply due to the combination of faster and more effective machine tools, the increased use of new materials that are more difficult to machine and significantly higher productivity demands from customers. One innovation is that customized solid-carbide tools can now be ordered direct via the Internet. Following the recent investment in Gimo, the entire production process for solid-carbide tools, from raw materials to finished product, is concentrated in one location. This ensures a good, or we could say solid, foundation for continued international expansion ●



Sandvik shows the way

Drilling rigs, tools and service from Sandvik Tamrock are playing an important role in the completion of the expressway between Columbus, Ohio and Charleston, North Carolina in the US. The task is impressive. The three-lane highway is to run through the Appalachian mountain chain. The current stage is a 10-kilometer stretch of the route. The road must be cut through granite cliffs nearly 100 meters in height and, in total, well over 10 million tons of rock must be excavated. Using advanced equipment from Sandvik Tamrock, the work can be carried out efficiently. That is a rock-solid promise ●



New Sandvik CTT President

Roland Setterberg has been named the new President of Sandvik CTT in the Tooling business area. Most recently, he served as President of Sandvik International. Roland Setterberg succeeds Håkan Larsson, who was appointed President of Sandvik's subsidiary in Spain ●



Pure pleasure

Do you like wine? Are you also favorably disposed toward Sandvik? Then you will probably be interested to know that the Group is also involved in that business. Sandvik Steel produces welding wire used in the welding of wine vats, which, in turn, are used by producers of wine in Australia and champagne in France. The welding wire meets the customers' stringent requirements for quality and purity. Corking good news for the wine industry! Salut! ●

Program of change in Sandvik Steel

Currently, the previously announced program of change is being implemented within Sandvik Steel that will enhance and ensure a sustained satisfactory earnings level and reduce cyclical sensitivity. The program includes measures to increase efficiency and align production capacity. The changes affect operations within and outside Sweden and mean that the number of personnel will be reduced by 600-700 persons within the business sector. The program is expected to yield annual earnings improvement in the range of SEK 200 M. Actions being carried out since year-end 2000 include:

- sale of Guldsmedshyttebruks AB, which produces heavy castings for use in steel mills.
- planned shutdown of tube production at Sterling Tubes in the UK and transfer of production to the main plant in Sandviken and other units in the Sandvik Group.
- restructuring of spring wire production at the units in Sandviken and Mjölby, Sweden ●



Peak of knowledge

Surrounded by the towering snowcapped peaks of the Alps, the main plant of Voest Alpine Bergtechnik is located in Zeltweg, Austria. More than 400 employees at the plant produce equipment for mechanical mining of coal and other soft minerals. The products are used in the mining and construction industries for such applications as road-heading for tunneling and construction of roads as well as in underground transportation systems. The company has successfully developed new systems and application areas and holds a world-leading position in its niches.

Small and mid-size BPI brand down-the-hole drilling rigs and spare parts used above ground in quarries, for example, are also produced at the plant. In addition, there is a project and technology center within Sandvik Materials Handling that develops efficient systems for materials handling in mines, quarries, ports and terminals – the entire transport chain. Without exaggerating, you could say that operations at Zeltweg represent customized engineering science at the highest level.

Operations at Zeltweg are based on a long tradition. Voest Alpine was established a decade earlier than Sandvik and recently celebrated its 150-year anniversary. The company shares several parallels with Sandvik; for example, one of its most important customers in its first years was the railway industry.

Much has occurred since then.

The successful development of the company is based on extensive rock engineering know-how. Currently, the focus is on the Icutroc project, winner of this year's Haglund Medal. This is a strategically interesting combination of tooling technology and mechanical engineering know-how.

Harvesting the fruits of four to five years of development efforts, carried out in an international project with Sandvik companies, customers, universities and other external research institutions, is now beginning. Equipment based on the Icutroc concept has been sold and the sales potential is about SEK 100 M annually. The unique feature is being able to work with the mechanical excavation of harder rock than previously, without drilling and blasting. It is easily understandable that this is an important development, for example, for road tunnels in sensitive environments and within densely populated areas.

The engineers at Zeltweg are also leaders in other areas in the development of technically advanced systems for rock excavation. Currently, a major area is mining of platinum used in jewelry and in automotive catalytic converters. Voest Alpine is in the forefront in this sector as well as other strategically important areas ●





Sandvik reaches agreement to acquire part of Svedala

Sandvik Mining and Construction has reached an agreement with Metso Corporation of Finland covering acquisition of part of Svedala Industri AB. For competition reasons, Metso's current purchase offer for Svedala Industri requires that certain segments of the company's operations be divested. Sandvik's takeover is conditional upon the completion of Metso's offer and approval by relevant authorities, which is expected in the near future.

The agreement covers products for the mining and construction industry – crushers, screens and feeders as well as mobile crushers and screening stations. The acquisition includes Svedala Industri's production units in Svedala and Arbrå, Sweden, and in Chauny, France. The operations generate sales of SEK 1,400 M annually, with about 900 employees. The acquisition is expected to make a direct positive contribution to Sandvik's earnings.

The world market in the area is worth more than SEK 40 billion and the products included in the acquisition represent a number of strong global brands.

"The products provide a natural complement to Sandvik Mining and Construction's operations and the acquisition means that we can offer our customers a complete program for drilling, loading and conveying of rock and minerals as well as crushing, screening and fragmentation," says Anders Ilstam, head of the Sandvik Mining and Construction business area ●

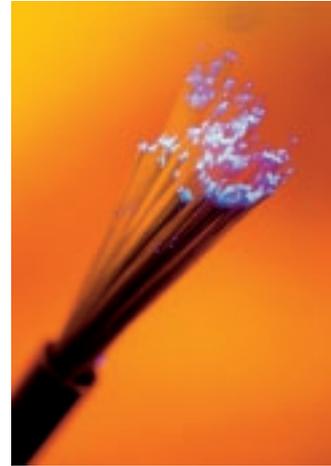
International outlook

This year, 16 students from universities and colleges in Sweden will undergo six to eight week traineeships at some of the Sandvik Group subsidiaries in other parts of the world: the United States, Germany, the United Kingdom and Spain. The students have academic backgrounds in the fields of material physics, engineering technology, engineering physics, marketing, industrial economics and business studies. These are tailor-made skills for a possible future position within the Group ●



Broadband has generated growth for Kanthal

Digging activity has never been greater. It's in progress in all corners of the globe. Along all of the major road routes worldwide, cable is being laid to provide consumers with high-speed Internet connections. The cable concerned is of the fiber-optic type, also known as broadband. It is produced by a limited number of companies, which all have one feature in common – a production process that includes Kanthal super-electric heating elements, which can handle the very high temperatures, up to 1850°C. The sharp build-out of broadband that has been under way for the past few years has provided new sales opportunities for these state-of-the-art elements – and raised the temperature at the Sandvik subsidiary Kanthal ●



Sandvik Avenue



There is now a street that bears the Sandvik name – Sandvik Avenue, in China. The kilometer-long street runs close to Sandvik's plant for the production of cemented-carbide tools and other products in the half-million metropolis of Langfang, south of Beijing. The Group's presence in this important market is thus becoming more noticeable for the man on the street – at least those living in Langfang and its environs. The fact that many customers have already chosen the Sandvik route is another story ●

Major mining order from Thailand

Sandvik Materials Handling has received a large order for the development, supply and installation of a complete materials-handling system at the Mae Moh coal mine in northern Thailand. The customer is the Italian-Thai Development Public Company Ltd (ITD). The total value of the order is approximately SEK 430 M. The installation is scheduled to be placed in operation in April 2002.

ITD is one of the largest companies in its industry in Thailand. The equipment ordered, which includes crushers and conveyor systems, will be used to remove a total of 500 million cubic meters of surface soil at the mine during the next nine years.

“This order involves one of the largest systems of its type in the world, with a capacity of 22,000 tons an hour. It demonstrates our very strong competitive position and our leadership in this area,” says Jarmo Juntunen, President of Sandvik Materials Handling ●



Sandvik expands in South America

Through its Tooling business area, Sandvik has acquired a majority interest in the Brazilian company Hurth-Infer SA's manufacturing and sales of solid-carbide tools. The company is the leader in the field in Brazil and also has extensive service operations, including regrinding of tools.



Sandvik Hurth-Infer's sales amount to SEK 65 M annually, with 75 employees. The manufacture of solid-carbide tools is carried out in Sorocaba, west of Sao Paulo, and there are two service centers in the country.

Sandvik Mining and Construction has acquired Bafco Minería y Servicios S.A., a leading service company for the mining industry in Chile. Annual sales amount to SEK 85 M, with 180 employees. Bafco represents several strong mining equipment brands, such as Normet and Liebherr, complementing Sandvik Mining and Construction's already broad product offering ●



Sandvik strengthens position in India

Following the additional acquisition of slightly more than 14% of the shares in the Sandvik Asia Ltd subsidiary, Sandvik now holds an ownership interest in the company of about 89%. Sandvik Asia, based in Pune, outside Mumbai, was formed in 1960 and currently has about 700 employees. Annual sales amount to approximately SEK 400 M. Production includes cemented-carbide tools for metalworking, rock-drilling tools and wear parts in cemented carbide. Sandvik Asia is listed on the Bombay Stock Exchange and traded on the National Stock Exchange of India.

At the same time, Sandvik has acquired the remaining 49% of the shares in the Indian subsidiary Sandvik Choksi Ltd. in Mehsana in Gujarat State, which produces extruded seamless, stainless-steel tube for the Indian and other Asian markets. Sandvik has owned 51% of the shares since the company was founded in 1996. The plant now meets the highest international standards in production technology, productivity and quality. After becoming wholly owned, the company is being integrated into Sandvik Steel's global production network ●



Who owns Sandvik?

Sandvik's ten largest shareholders as of 30 June 2001:

	Share, %
AB Industrivärden	8.7
Robur	6.0
Alecta Pension Insurance Company (formerly SPP)	3.5
Handelsbanken's Pension Foundation	3.3
Handelsbanken's Investment Funds	2.6
Nordea Investment Funds	1.9
AMF Pension	1.8
Skandia	1.7
National Swedish Pension Insurance Fund, Fourth Fund Board	1.4
Putnam International Growth Fund	1.2

Interim report

second quarter 2001

- Continued high order intake and invoicing.
- Record earnings: SEK 1,635 M after net financial items, up 18% excluding items affecting comparability.
- Improved earnings for all business areas.
- Buyback of 2,316,000 shares.

SHORT-TERM MARKET OUTLOOK

The current economic slowdown is expected to result in a slight continued weakening in demand. However, the trend for Sandvik's different product areas varies. It is anticipated that sales of products to the automotive and consumer-related areas will continue to be low, while demand in investment-related areas is projected to remain relatively favorable.

SECOND QUARTER, 2001

Order intake in the second quarter amounted to SEK 12,980 M (11,230), corresponding to a total increase of 16% and of 5% at fixed exchange rates for comparable units. The volume was unchanged from the preceding quarter.

Invoiced sales amounted to SEK 12,440 M (11,040), a total increase of 13% and of 2% at fixed exchange rates for comparable units. Higher exchange rates affected invoicing favorably during the quarter by 11%.

Invoiced sales remained high, varying among market areas, however. Sales increased in Europe, up 5%, which accounts for nearly 50% of the Group's total invoicing, as well as in Africa/Middle East and Asia/Australia. Invoiced sales in the NAFTA region fell 8% compared with the year-earlier period.

The trend of demand in the various customer segments was largely the same as in the

preceding quarter. Demand in the general engineering industry continued to be relatively good, and the trend for investment-related products to the oil and gas industry, for example, remained favorable. Among other segments, sales to the automotive and electronics industries weakened further. Activity in the mining industry continued to be high despite lower metal prices, while demand from the construction industry was lower.

EARNINGS AND CASH FLOW

Operating profit in the second quarter reached the highest value ever, excluding items affecting comparability, amounting to SEK 1,760 M (1,495), 14% of invoiced sales. Compared with the year-earlier period, the increase in earnings was 18% and was favorably affected by higher sales volumes and good capacity utilization. In addition, changes in currency exchange rates had a positive affect of approximately SEK 200 M on earnings. All business areas posted improved earnings.

Net financial expense was SEK 125 M (expense: 105). Profit after net financial items rose 18% to SEK 1,635 M, 13% of invoiced sales. Net profit was SEK 982 M (1,058). Earnings per share, excluding items affecting comparability, were SEK 3.80 in the quarter (3.00) and SEK 13.50 for the past 12 months.

Cash flow from operating activities amounted to SEK 726 M, a decline of SEK 23 M compared with a year earlier. Working capital increased, attributable mainly to higher inventories in areas with favorable order intake and capacity utilization, while inventory volumes declined within Sandvik Specialty Steels. Investments in property, plant and equipment in the quarter amounted to SEK 622 M and acquisitions to SEK 62 M.

Interest-bearing liabilities and provisions reduced by liquid assets produced a net debt of SEK 9,552 M (6,500 at 31 March 2001). The change from the preceding quarter was due mainly to dividends paid and the repurchase of shares. Liquid assets amounted to SEK 1,916 M (1,946) and loans amounted to SEK 8,183 M (5,356).

The return on capital employed excluding items affecting comparability during the past 12 months amounted to 18.7% (18.2% for the entire 2000) and the return on equity amounted to 15.4% (14.7). The number of shares outstanding was 256,380,000 after the buyback of 2,316,000 shares during the second quarter. Equity per share was SEK 91.30 (89.00), and the equity ratio was 50% (55). The net debt/equity ratio was 0.4 (0.3).

The number of employees was 34,869 at the end of the period, a decline of 96 persons for comparable units during the quarter. Within Sandvik Tooling and Sandvik Mining and Construction the number of employees in the sales organization increased, while the number of employees at Sandvik Specialty Steels declined.

BUSINESS AREAS

Sandvik's operations consist of 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'S order intake amounted to SEK 4,253 M (3,895), which was an unchanged high level compared with a year earlier. Order intake rose for metalworking tools in cemented carbide, but declined for tools in high-speed steel and for cemented-carbide blanks. Activity remained favorable in the EU, Eastern Europe and in Asia, particularly China. Demand from the automotive industry was weak, while sales continued to be high to the engineering, aerospace, oil and gas, and die and mould industries.

Invoicing rose 3%, amounting to SEK 4,296 M (3,832). Development in the EU, Eastern Europe and in Asia/Australia remained favorable. Active investments in the market and sales organization and in new products and service concept have contributed strongly to the favorable trend.

KEY FIGURES

SEK M	Q 2 2001	Q 2 2000	Change %	Q 1-2 2001	Q 1-2 2000	Change %
Order intake	12 980	11 230	+16 ¹⁾	25 550	22 730	+12 ¹⁾
Invoiced sales	12 440	11 040	+13 ²⁾	24 490	21 360	+15 ²⁾
Oper. profit excl. items affecting comp. ³⁾	1 760	1 495	+18	3 400	2 890	+18
%	14	14		14	14	
Operating profit	1 760	1 855	-5	3 400	3 550	-4
%	14	17		14	17	
Profit after financial items excl. items affecting comparability ³⁾	1 635	1 390	+18	3 160	2 650	+19
%	13	13		13	12	
Profit after financial items	1 635	1 750	-7	3 160	3 310	-5
%	13	16		13	15	
Net profit	982	1 058	-7	1 883	2 096	-10
%	8	10		8	10	
Earnings per share ⁴⁾ , SEK	-	-		13.50	10.70	
Return on capital employed ⁴⁾ , %	-	-		18.7	17.2	

1) 5% and 3% at fixed exchange rates for comparable units.

2) 2% and 6% at fixed exchange rates for comparable units.

3) Items affecting comparability SEK +660 M in 2000, of which SEK 300 M in Q1 and SEK 360 M in Q2.

4) Rolling 12 months, excl. items affecting comparability.

However, invoicing in NAFTA has declined due to the generally weakened business climate.

Operating profit rose 16% and amounted in the quarter to SEK 892 M (770) or 21% of invoiced sales. Good volume and productivity together with a favorable currency contributed to the positive earnings trend, offsetting higher costs for raw materials and for expansions in the marketing organization. The profitability of the high-speed steel operations in the US was unsatisfactory.

During the quarter, the majority interest in the production and sales of solid-carbide tools of the Brazilian company Hurth-Infer SA was acquired. The acquisition strengthens Sandvik Tooling's position in the rapidly growing solid-carbide tools segment and increases competitiveness within special tools, a segment in which the potential is particularly substantial.

SANDVIK MINING AND CONSTRUCTION'S order intake amounted to SEK 3,923 M (2,630), an increase of 35% at fixed exchange rates for comparable units. Order intake during the second quarter was the highest ever since the formation of the business area. Demand remained favorable in the mining industry, for excavation of base metals as well as coal. An order valued at about SEK 430 M was received during the quarter for the installation of a complete materials-handling system in Thailand.

Invoiced sales rose 8% at fixed exchange rates for comparable units, amounting to SEK 3,270 M (2,666). The increase remained strong in Africa and Asia/Australia and was favorable in the EU. The exception was the NAFTA region, where invoiced sales to the construction industry declined compared with a year earlier, although a stabilization was noted during the quarter.

Operating profit amounted to SEK 351 M (287), or 11% of invoiced sales – an increase of 22%. The improvement in earnings was primarily due to a strong volume trend and high capacity utilization.

During the quarter, the Chilean service company Bafco Minería y Servicios S.A. was acquired. The acquisition is in line with the business area's strategy to grow within the service area and it strengthens Sandvik's position as a leading partner to customers in the Chilean mining industry.

INVOICED SALES BY MARKET AREA, SEK M

	Q 1 2000	Q 2 2000	Full year 2000	Q 1 2001	Q 2 2001	Q 1-2 2001	Change % % ¹⁾
EU (excl. Sweden)	3 825	3 951	15 559	4 551	4 464	9 015	16 7
Sweden	623	616	2 375	586	583	1 169	-6 -2
Rest of Europe	628	639	2 623	853	899	1 752	38 30
Europe total	5 076	5 206	20 557	5 990	5 946	11 936	16 8
NAFTA	2 722	2 817	11 273	2 960	2 969	5 929	7 -4
South America	419	490	1 888	451	526	977	7 -2
Africa/Middle East	391	420	1 921	611	616	1 227	51 48
Asia/Australia	1 712	2 107	8 111	2 038	2 383	4 421	16 8
Group total	10 320	11 040	43 750	12 050	12 440	24 490	15 6

INVOICED SALES BY BUSINESS AREA, SEK M

	Q 1 2000	Q 2 2000	Full year 2000	Q 1 2001	Q 2 2001	Q 1-2 2001	Change % % ¹⁾
Skv Tooling	3 818	3 832	15 507	4 258	4 296	8 554	12 6
Skv Mining and Construction	2 248	2 666	10 184	2 984	3 270	6 254	27 15
Skv Specialty Steels	3 319	3 583	14 209	3 690	3 763	7 453	8 0
Seco Tools ²⁾	916	946	3 785	1 103	1 092	2 195	18 7
Group activities	19	13	65	15	19	34	/ /
Group total	10 320	11 040	43 750	12 050	12 440	24 490	15 6

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.

DEVELOPMENT BY MARKET AREA, SECOND QUARTER, 2001

Market area	Invoiced sales SEK M	Share %	Change* %
EU	5 047	41	+3
Rest of Europe	899	7	+29
Europe total	5 946	48	+5
NAFTA	2 969	24	-8
South America	526	4	-5
Africa/Middle East	616	5	+38
Asia/Australia	2 383	19	+4
Total	12 440	100	+2

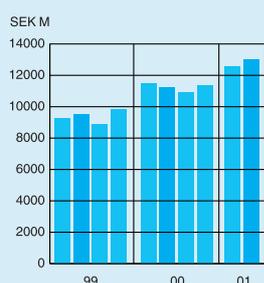
* at fixed exchange rates for comparable units.

An agreement was reached during the quarter with Metso Corporation of Finland covering the acquisition of parts of Svedala Industri AB. Sandvik's takeover is conditional upon the completion of Metso's current offer to acquire Svedala Industri. The agreement covers products for the mining and construction industry – crushers, screens and feeders as well as mobile crushers and screening stations. The acquisition includes Svedala Industri's production units in Svedala and Arbrå, Sweden, and in Chauny, France. The products provide a natural complement to Sandvik Mining and Construction's opera-

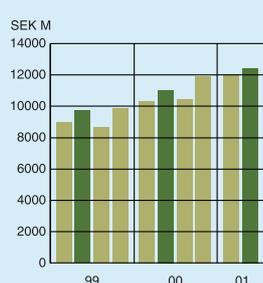
tions and the acquisition means that customers will be offered a complete range including equipment for drilling, loading and conveying of rock and minerals as well as for crushing, screening and fragmentation.

SANDVIK SPECIALTY STEELS' order intake amounted to SEK 3,696 M (3,737), a decline of 11% compared with a year earlier, at fixed exchange rates for comparable units. Demand remained weak in NAFTA and parts of Asia/Australia and declined now also in Europe. Sales to consumer-related customer segments such as the automotive and the electronics industries weakened

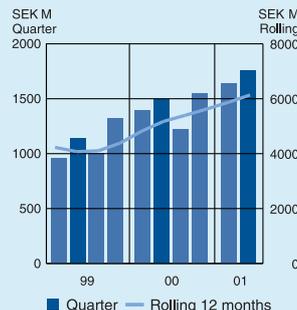
ORDER INTAKE
BY QUARTER



INVOICED SALES
BY QUARTER



GROUP
OPERATING PROFIT*



RETURN*,
Rolling 12-months



* excl. items affecting comparability

SANDVIK TOOLING (Sandvik Coromant, Sandvik CTT and Sandvik Hard Materials)

SEK M	Q 2 2001	Q 2 2000	Change %	Q 1-2 2001	Q 1-2 2000	Change%
Order intake	4 253	3 895	+/-0*	8 678	7 952	+2*
Invoiced sales	4 296	3 832	+3*	8 554	7 650	+6*
Operating profit	892	770	+16	1 770	1 570	+13
%	21	20		21	21	

SANDVIK MINING AND CONSTRUCTION

Order intake	3 923	2 630	+35*	7 094	5 352	+21*
Invoiced sales	3 270	2 666	+8*	6 254	4 914	+15*
Operating profit	351	287	+22	666	496	+34
%	11	11		11	10	

SANDVIK SPECIALTY STEELS (Sandvik Steel, Kanthal and Sandvik Process Systems)

Order intake	3 696	3 737	-11*	7 538	7 511	-8*
Invoiced sales	3 763	3 583	-5*	7 453	6 902	+/-0*
Operating profit	341	321	+6	658	588	+12
%	9	9		9	9	

* at fixed exchange rates for comparable units.

OPERATING PROFIT BY BUSINESS AREA, SEK M

	Q 1 2000	Q 2 2000	Q 3 2000	Q 4 2000	Full year 2000	Q 1 2001	Q 2 2001	Q 1-2 2001
Svk Tooling	800	770	735	830	3 135	878	892	1 770
Svk Mining and Construction	209	287	286	291	1 073	315	351	666
Svk Specialty Steels	267	321	86	306	980	317	341	658
Seco Tools ¹⁾	197	190	156	197	740	240	220	460
Group activities	-78	-73	-38	-72	-261	-110	-44	-154
Operating profit excl. items affecting comparability	1 395	1 495	1 225	1 552	5 667	1 640	1 760	3 400
Items affecting comparability	300	360	0	0	660	0	0	0
Operating profit incl. items affecting comparability	1 695	1 855	1 225	1 552	6 327	1 640	1 760	3 400

OPERATING PROFIT BY BUSINESS AREA, % OF INVOICING

Svk Tooling	21	20	20	20	20	21	21	21
Svk Mining and Construction	9	11	11	11	11	11	11	11
Svk Specialty Steels	8	9	3	8	7	9	9	9
Seco Tools ¹⁾	22	20	17	19	20	22	20	21
Operating profit excl. items affecting comparability	14	14	12	13	13	14	14	14
Operating profit incl. items affecting comparability	16	17	12	13	14	14	14	14

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

further, while demand from the oil/gas- and energy industries continued to be favorable.

Invoiced sales amounted to SEK 3,763 M (3,583), a decline of 5% at fixed exchange rates for comparable units. Lower alloy surcharges accounted for about half of the decline. Invoicing was lower in largely all market areas.

Operating profit increased 6% in the quarter compared with a year earlier, amounting to SEK 341 M (321), or 9% of invoiced sales. The earnings improvement was due primarily to a positive currency trend as well as to a better product mix and higher productivity. Lower prices for the nickel content in inventories affected earnings adversely by SEK 60 M.

The program of change announced last

year regarding Sandvik Steel includes rationalization of the production structure and 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 first half of 2001, the reduction amounted to 300 persons of which 150 in the second quarter. The entire program is proceeding according to plan.

FIRST SIX MONTHS OF 2001

Order intake during the first six months amounted to SEK 25,550 M (22,730), which was a total increase of 12% and 3% at fixed exchange rates for comparable units. Invoiced sales amounted to SEK 24,490 M (21,360), a total increase of 15% and 6% at fixed

exchange rates for comparable units. Higher exchange rates affected invoicing favorably by 9%.

Operating profit excluding items affecting comparability for the first six months amounted to SEK 3,400 M (2,890). This is an increase of 18% and in absolute figures SEK 510 M. The operating margin amounted to 14% of invoicing. Changes in exchange rates affected invoicing favorably by about SEK 350 M.

Net financial expense was SEK 240 M (expense: 240) and profit after net financial items excluding items affecting comparability was SEK 3,160 M (2,650), up 19%. The tax rate was 36% and net profit amounted to SEK 1,883 M (2,096).

Cash flow from operating activities was SEK 1,695 M. Group investments in property, plant and equipment were SEK 1,184 M (823). Company acquisitions amounting to SEK 127 M were carried out. After investments, acquisitions and divestments, the cash flow was SEK 534 M.

The number of employees amounted to 34,869.

Parent company invoicing was SEK 6,530 M (6,157), operating profit SEK 986 M (711) and liquid assets plus interest-bearing assets less interest-bearing liabilities amounted to SEK 550 M (1,785 at 31 December 2000).

ACCOUNTING PRINCIPLES

This interim report has been 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. Application from this date of RR9 Income Taxes resulted in a change in accounting principles and the comparable figures for 2000 were adjusted accordingly. The application of other new recommendations have not had any material effect on Sandvik's reporting.

BUYBACK OF SHARES

At 30 June 2001, Sandvik's holding of own shares (treasury stock) totaled 2,316,000, corresponding to 0.9% of the total number of shares (258,696,000). The purchase amount was about SEK 520 M. In accordance with the decision at the Annual General Meeting in May 2001, Sandvik is authorized to repurchase a total of 12,934,800 shares, corresponding to 5% of the total number of shares. The authorization is valid for the period up to the date of the next Annual General Meeting.

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 and is part of a program of change announced earlier within Sandvik Steel.

● In the middle of January 2001, Sandvik became a joint owner of Endorsia.com International AB, an e-business site for industrial products and services in Europe.

● A decision was made in February to invest about SEK 40 M in an expansion of Sandvik Hard Materials cemented-carbide plant in Mexico City. The investment will result in increased production capacity in several rapidly growing product areas in the automotive, aerospace and die and mould industries.

● In February, it was decided to close the unit for down-the-hole drilling tools in Mexico with about 60 employees and transfer operation to Sandvik Tamrock Tool's rock-drilling plant in Sandviken, Sweden, which already produces the corresponding tools.

● At the end of February, Sandvik CTT entered into an agreement with the British company Angus MacInnes & Co., Glasgow, to take over sales and marketing of Prototyp products in the UK.

● 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.

● Following completion of a public share offer on 10 July 2001, Sandvik purchased 284,530 shares in Sandvik Asia Ltd at the price of SEK 55 M. The ownership interest thereafter is 89%.

● In mid-May, Sandvik Tooling acquired 80% interest in the production and sales of solid-carbide tools of the Brazilian company Hurth-Infer SA. Sandvik Hurth-Infer has annual sales of SEK 65 M, and 75 employees.

● In the beginning of June, Sandvik Mining and Construction acquired the Chilean company Bafco Minería y Servicios S.A., a leader in providing service to the mining industry in Chile. Sales amount to about SEK 85 M, with 180 employees.

● Sandvik Mining and Construction reached an agreement in June with Metso Corporation of Finland covering acquisition of parts of Svedala Industri AB. For competition reasons, Metso's current purchase offer for Svedala Industri requires that certain segments of the company's operations must be divested. Sandvik's takeover is conditional upon the completion of Metso's offer and approval by the requisite authorities, which is expected in the near future. The operations have annual sales of about SEK 1,400 M, with some 900 employees.

Sandviken, 8 August 2001
SANDVIK AB; (publ)

Clas Åke Hedström
President and CEO

The interim report for the second quarter has not been audited by the Company's auditors. The nine-month interim report will be published on 9 November 2001.

CONSOLIDATED FINANCIAL INFORMATION, SEK M

	Q 2 2001	Q 2 2000	Q 1-2 2001	Q 1-2 2000
INCOME STATEMENT				
Invoiced sales	12 440	11 040	24 490	21 360
Cost of goods sold	-8 552	-7 441	-16 492	-14 155
Gross profit	3 888	3 599	7 998	7 205
Selling, general and administrative expenses	-2 254	-2 175	-4 585	-4 372
Other operating income and expenses	+126	71	-13	57
Items affecting comparability	0	360	0	660
Operating profit	1 760	1 855	3 400	3 550
Financial income and expenses, net	-125	-105	-240	-240
Profit after financial items	1 635	1 750	3 160	3 310
Taxes	-593	-632	-1 151	-1 098
Minority interests	-60	-60	-126	-116
Net profit	982	1 058	1 883	2 096
BALANCE SHEET				
Fixed assets			21 604	18 251
Inventories			13 075	10 682
Current receivables			12 385	11 314
Liquid assets			1 916	1 858
Total assets			48 980	42 105
Shareholders' equity			23 402	20 600
Minority interests			883	820
Interest-bearing provisions and liabilities			11 469	10 022
Non-interest-bearing provisions and liabilities			13 226	10 663
Total provisions, liabilities and shareholders' equity			48 980	42 105
CASH-FLOW STATEMENT				
Profit after financial items	1 635	1 750	3 160	3 310
Items not affecting cash flow	-738	-334	-541	-472
Reversal of depreciation	611	555	1 192	1 111
Taxes paid	-421	-478	-955	-1 005
Change in working capital	-361	-744	-1 161	-1 484
Cash flow from operating activities	726	749	1 695	1 460
Investments, acquisitions and divestments	-573	-544	-1 161	-1 368
Cash used in financial activities, changes in loans, dividends	-230	-564	-825	-605
Net cash flow	-77	-359	-291	-513
Liquid funds at beginning of period	1 946	2 209	2 097	2 369
Exchange-rate differences in liquid funds	47	8	110	2
Liquid funds at end of period	1 916	1 858	1 916	1 858
CHANGE IN SHAREHOLDERS' EQUITY				
Opening equity as shown in approved balance sheet			22 472	20 109
Effect of change in accounting principles			547	516
Opening equity adjusted to new principles			23 019	20 625
Effect of change in exchange rates			1 348	-51
Dividend to shareholders			-2 328	-2 070
Buyback of own shares			-520	0
Result of the period			1 883	2 096
Closing balance			23 402	20 600
KEY FIGURES				
No. of shares at end of period (000s)			256 380	258 696
Earnings per share before items affecting comparability, SEK*			13.50	10.70
after full dilution **			13.30	10.50
Earnings per share after items affecting comparability, SEK*			13.50	17.80
after full dilution **			13.30	17.40
Return on capital employed before items affecting comparability *			18.7	17.2
Return on shareholders' equity before items affecting comparability *			15.4	13.9
Net debt/equity ratio			0.4	0.3

* Most recent 12 months divided by average number of outstanding shares, 258,233,000, as per 30 June 2001.

** Average no. of shares after full dilution of outstanding convertible and warrants programs amounts to 263,154,000, as per 30 June 2001.

Did you know that Sandvik has moved into a higher gear



When we moved into the 1900s, we had about 1,500 employees and sales of SEK 7 million.

Now, at the start of a new century – and millennium – we are a global group, with 35,000 employees in 130 countries. Sales exceed SEK 44 billion. Operations are focused in **three core areas** – Tooling, Mining and Construction as well as Specialty Steels.

We are **world leaders** in all these areas. We are accelerating from this inside position. Quite simply, we are moving into overdrive. The objective is clear: to increase our market shares in existing areas. In addition, we are focusing on new areas in which we see potentials for strong and rapid growth.

In recent years our objective was to achieve average **annual growth of 6%**. (This is an increase from our previous objective of 4% that we already achieved). This is organic growth. Growth from acquisition is in addition. The markets with the highest priority are in Asia, Eastern Europe and NAFTA.

Return on capital employed shall be an average of 20% annually. We are retaining our dividend objective – a distribution of at least **50%** of earnings to our owners.

Join us for the rest of the trip.



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