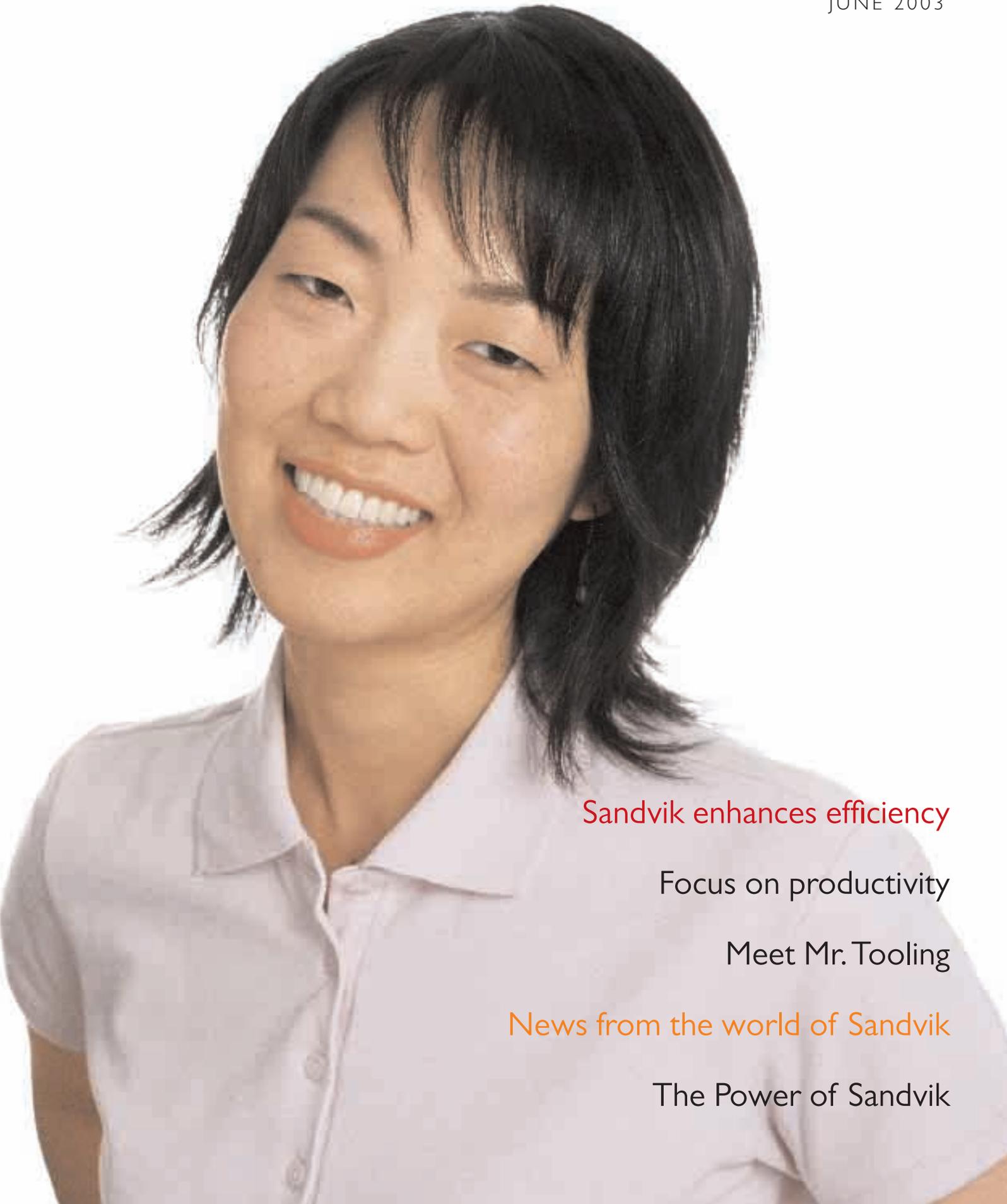


MeetSandvik

JUNE 2003



Sandvik enhances efficiency

Focus on productivity

Meet Mr. Tooling

News from the world of Sandvik

The Power of Sandvik

Current faces



New Business Area President

As of 2003, Peter Gossas is President of the Sandvik Materials Technology (formerly Sandvik Specialty Steels) business area. He is also a member of Sandvik's Group Executive Management. Peter, who holds a degree in engineering, was employed at Sandvik in 2001 and previously served as President of Sandvik Steel. Peter is now leading the business area's efforts to increase efficiency and improve profitability through the ongoing program of change. The name change and the new organization emphasize the business area's role as a high-technology partner within the materials technology area.

Rewarding research

Licentiate of Technology Ulrik Beste, 30, at Uppsala University, Sweden, has been awarded Sandvik Coromant's Materials Grant for 2002. In awarding the grant, SEK 35,000, Ulrik's work with defining wear and fracture incidence in cemented carbide in rock drilling and hot rolling was cited. His research in this complicated area is considered to be of great interest for cemented-carbide production within Sandvik. The Materials grant was established to promote materials technology research in the area of hard materials.



Cover profile

Thirty-year-old Ayano Yamada works in the Business Planning Department at Sandvik Coromant in Japan. She also oversees coordination of the product area's intranet in the country. Ayano joined Sandvik in 2000 and previously held the position of secretary to the president at the company before assuming her current position. She has a masters degree in business administration and was educated at the graduate school in Kobe. In her spare time Ayano enjoys traveling. She is also taking lessons on how to perform Japanese tea ceremonies!



Haglund Medalist

Lorne Massel, President at Tamrock Loaders Inc., in Canada, within the Sandvik Mining and Construction business area, received the Wilhelm Haglund Medal for 2003 in conjunction with the Annual General Meeting and was named the Group's product developer of the year. He was recognized for the development of a new underground loader with an extremely low height and considerable maneuverability, designed specifically for the mining of platinum.



Focus on productivity

It is now one year since I was appointed President of Sandvik. It has been an eventful year with many challenges, particularly as a result of the weak business climate that has also affected Sandvik.

However, a weak business climate does not solely involve problems, but it also offers many opportunities. Sandvik is a company that advances its positions and increases its competitiveness even in hard times.

The first quarter of 2003 was satisfactory considering the weak market conditions. Despite negative currency effects, earnings increased, due to the implementation of strong rationalization measures that reduced costs. The uncertainty regarding economic development remains. However, no significant change in the demand situation is expected for Sandvik in the near future.

The Group's goal is profitable growth. The key drivers are:

- ongoing geographic expansion
 - increased market shares in new markets
- growth of new products and new application areas
- complementary company acquisitions, and
- increased capital efficiency

The overriding business concept for the three business areas is to contribute actively to the improvement of customers' productivity and profitability. All companies must try to reduce the gap that arises when the costs of their own operations increase faster than the trend of prices for their finished products. This can only take place through increased productivity, which results in a lower cost for the finished product. In this context, Sandvik plays a critical role as supplier, in contributing new, advanced products, service and training to our customers.

All employees together comprise Sandvik, and they represent a diversity of backgrounds, languages and cultures. This diversity is a great asset in adapting our actions in different markets to the conditions prevailing locally. The ability to think globally and act locally is well established in our corporate culture. Clearly defined values guide all Sandvik employees in their behavior toward the surrounding community and toward each other. The values are communicated under the catchwords "Open Mind,



Fair Play and Team Spirit." To read more on this subject, please refer to pages 4–5.

The area of capital efficiency is a top priority. To reach our goal of return on capital employed of 20 percent, it is not adequate to solely improve margins. Increased capital efficiency through shorter lead times and faster deliveries is also an important means of increasing our sales growth, as is explained in the article on page 10.

I would also like to take this opportunity to welcome you as readers of this first issue of the new Meet Sandvik, the Group's magazine for shareholders and employees, now in its eighth year. With the new design and excluding the financial reporting section, the magazine has greater opportunities to focus on the current issues within the Group. I hope you will be looking forward to future meetings.

Lars Pettersson
President and Chief Executive Officer

First Quarter 2003

ORDER INTAKE:
SEK 13,420, up 5%

INVOICING:
SEK 12,080, up 2%

**PROFIT AFTER
FINANCIAL ITEMS:**
SEK 1,281 M, up 2%

**NUMBER OF EMPLOYEES,
31 MARCH 2003:**
37,260

*Change in percent compared
with the year-earlier period*



The Power of

Sandvik is a global group with operations in 130 countries, more than 37,000 employees, of which slightly less than 10,000 in Sweden. The employees represent a large number of nationalities worldwide. The large geographical breadth and multi-cultural operations provide a strong base for Sandvik.

What do Sandvik's values mean to you?

Although Sandvik is a distinctively global company, most business is carried out locally in close cooperation with customers. A local presence and in-depth insight into local conditions is therefore a prerequisite for our way of working. It is the local employees who build the necessary and long-term relations.

The global presence in so many countries places heavy demands for a unifying element between units and people in the Group. This is particularly important considering that about 14,000 employees became part of the Group during the past decade through acquisitions. The key question is: How to retain a shared corporate culture in such a multi-faceted organization?

“THE POWER OF SANDVIK”

Sandvik has more than a 140-year history. One of the most important strength factors within the company has been the spirit prevailing in the various parts of the organization. One could say that the corporate culture permeated the walls. In pace with the operations growing and the company becoming internationalized, it is important

rapid pace. There is a continuous and close exchange of ideas and knowledge among the employees of the Group. There is of course a limit to how far this is sufficient.

Accordingly, in 2002 Sandvik invested substantial effort to distinctly formulate the core values that guide the Group. These are summarized in an internal document entitled “The Power of Sandvik” – a common platform for the Group’s way of working. It contains an updated version of the company’s vision, strategy, mission, goals, values and guidelines.

It is the responsibility of each manager to ensure that the guidelines are followed. Everyone who comes in contact with the Group shall perceive that the employees stand on a stable and common value foundation. International customers that meet us in different markets – this type of customer is becoming increasingly more com-

Sandvik

to sustain this shared approach. An employee of a company acquired by the Group, for example in the US, must be able to feel and understand the Sandvik culture that has developed over such a long time. Concurrently, it is essential to be open to new experiences and ideas that come from the new companies that join the Sandvik family. It is a question of give and take.

Sandvik is among those companies that were able to safeguard its spirit and its shared values over a long period, even when the Group expanded globally at a

mon – should perceive that they are dealing with the same company everywhere.

A NEVER-ENDING PROCESS

“The Power of Sandvik” is part of our internal communications. It is an important and continuous effort and is included as a natural part of the Group’s control and management process worldwide. The cornerstone is the core values: *Open Mind*, *Fair Play* and *Team Spirit*.

The accompanying text provides insight into what these values mean for some Sandvik employees in various parts of the Group. No matter where they are located at various Sandvik units worldwide, they are all part of the same team. In the same strong global culture. And working toward the same goals.

“They are very good to have for guidance. Communication of core values is a key issue for the employees within the Group.”



Mee Yong Chong
Sandvik
South East Asia,
Singapore

“For me, Sandvik’s values symbolize unity, quality, strength and rapid growth. Our strength ultimately lies in our very competent employees.”

Gerrie Vergeer,
Voest-Alpine,
Sandvik Mining
and Construction,
South Africa



“I am impressed that the company has so clearly described its vision. Sandvik differs from its competitors through its comprehensive focus on research and development. That creates new business opportunities.”



Phil Belejchak,
Sandvik Materials
Technology,
US

“The values form the basis for the business philosophy and strategy that exists within the Group. They provide scope for the various brands while also making us all focused on the combined strength that exists within the world leader Sandvik.”

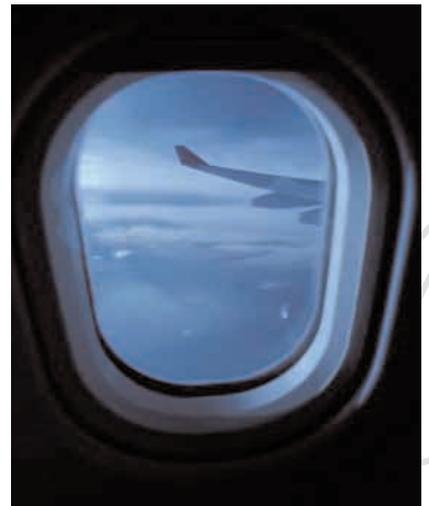
Nick Garner,
Dormer,
Sandvik Tooling,
UK



News from the wo

New plant in China

Sandvik is reinforcing its presence in the rapidly expanding Chinese market. The Group has inaugurated a new plant in Shanghai for the manufacture of processing systems and steel press plates. This is the Group's third manufacturing unit in the country and when it is fully built out it will employ 50 people. Processing equipment is delivered to customers in areas such as the chemical and food industries, where the steel-belt-based systems are utilized for applications such as cooling chemicals and the freezing and drying of food products, respectively. Press plates are used in the manufacture of circuitboard assemblies in the electronics industry and manufacturing of laminates within the flooring and furniture industries. The plant also houses a demonstration and service center for customers in the chemical industry.



Dizzying facts

Millions of clothes dryers are sold worldwide every year, all of them electrically heated. That means good business opportunities for Kanthal within Sandvik Materials Technology. Kanthal's heating wire is able to withstand exacting demands for long lifetimes under high temperatures, without deforming the dryers' heating elements. This means manufacturers won't be left out to dry. And neither will consumers.

Uplifting partnership

The American company Crissair Incorporated, with operations in California, supplies hydraulic components and valves, among other items, to the aircraft manufacturer Boeing. The company is highly regarded in the industry and has earlier been named Supplier of the Year by Boeing – out of 18,000 suppliers. Crissair buys tools and services from Sandvik Coromant, and they extended a note of thanks to our Group. The partnership has resulted in considerable savings and productivity improvements for Crissair. A boost for customers.

Valenite increases productivity at GM

The American company Valenite, which was acquired by Sandvik last year and now is part of the Sandvik Tooling business area, is a strong brand within that country's automotive industry. Their success is the result of innovative products, good service and close cooperation with automotive customers. Valenite has, for example, developed cylinder boring tools for aluminum engine blocks – a unique design of insert and holder – that enables automotive giant General Motors to realize significant savings in production. The new tool has made working with engine blocks more efficient and provides improved surface finish, higher cutting data and a longer lifespan. Simply put, the wheels roll faster in manufacturing.



World of Sandvik

Remote-controlled mining operation in Chile

Sandvik Mining and Construction has received an order for Toro loaders from the Chilean company Codelco, for use in the world's largest underground copper mine, El Teniente in Chile. The completely automated loaders are remote-controlled from a control room above ground. By introducing Sandvik's advanced system for automated mining operations, AutoMine, the goal of the mine is to become the most efficient of its kind in the world. At the same time, radical improvements are being made to the work environment. Once again, Sandvik's focus on research and development has proven to be the decisive competitive advantage. And in this case, a breakthrough in underground mining.



Sandvik praised

Sandvik's focus on quality attracts attention from around the world.

Sandvik Coromant has, for example, received a gold medal from the Chinese vehicle manufacturer SAIC Chery Automobile for the best product quality, service and advanced technical solutions.

In the US, Sandvik Coromant received the esteemed "Value Added Partner" award from the world's largest association of retailers within the manufacturing industry, IDA/ISMA. The commendation was for good collaboration with subsuppliers and retailers that has resulted in documented cost savings or productivity improvements for end-customers.

Sandvik Materials Technology, in fierce competition, received the American razorblade manufacturer Gillette's quality prize for 2002. Sandvik is a major supplier of stainless razorblade steel of the highest quality. Sandvik's strategy of developing quality products and services in close cooperation with customers has once again proven itself. Straight-edged to the top.

Hefty dimensions

Stainless steel precision wire from Sandvik Materials Technology plays an important role onboard sailboats. The wire is used to hold masts in the correct position. A high degree of strength, good corrosion resistance and little elasticity are characteristics of Sandvik's quality steel. Manufacturers of large boats for ocean races that require the most advanced equipment especially appreciate this. Sailboats in this size category continue to grow. Currently, boats 100 meters in length with up to 90-meter tall masts are being built! Talk about safety hanging by a wire. It is comforting to know that Sandvik's products can withstand the most extreme conditions.





Mr. Tooling

Anders Thelin is the President of Sandvik Tooling, which is the largest business area of Sandvik and accounts for nearly 40 percent of total sales. Sandvik Tooling is a reliable profit engine that last year contributed to nearly half of Sandvik Group's profit. During the period 1994–2002, sales have risen an average of 11 percent annually, 7 percent of which is organic growth.

Leading-edge expertise in metalworking applications is the driving factor behind Sandvik Tooling's success. An extensive focus on research and development of new products and manufacturing methods has over the years been one of the cornerstones of the rapid growth of the business. At Sandvik Tooling, metalworking applications have evolved into fine arts, which is largely the result of unique skills applied on all stages of the production chain – from raw material processing to application techniques.

Anders Thelin serves as the ideal example. He has such a solid background in cemented carbide that anyone can ever have. When he studied civil engineering, he did his thesis on this area. He landed his first job at Sandvik Coromant's cemented-carbide laboratory. After that he has worked with testing, materials development, research, production and logistics. One can say that he has mastered all the details of the pro-

duction chain in the same extensive manner as Sandvik Coromant. Anders Thelin is also a strong advocate of integrated thinking.

Anders Thelin on controlling the entire chain:

“It is important for us to have a comprehensive view. Controlling the entire flow from raw material to the customer gives us major advantages. Everything is interconnected and we can adjust each step in order to come up with a good finished product combined with high efficiency. Therefore, we have specialist expertise within all areas. This makes our solutions total solutions, which will benefit our customers in a very tangible manner in the form of applications that enhance their productivity.”

Anders Thelin on economies of scale:

“The concept ‘big is beautiful’ definitely applies to our industry. On sheer strength alone, we can carry out investments that smaller manufacturers shy away from. This means we have the capacity to strengthen our competitiveness. In pace with integrating other companies such as Walter and Valenite into Sandvik Tooling, we have gained greater weight and increasingly larger economies of scale. For instance, one such area where we can draw advantage from our large buying power is raw materials purchasing.”

Anders Thelin on sharing:

“Sandvik Coromant is without a doubt a leading global provider in its segment. Now that we are integrating Walter and Valenite into the Sandvik Tooling business area, Sandvik Coromant may act as some sort of big brother in our family. This means being generous with its expertise and sharing it with newcomers to help them become more competitive. This may involve widely diverse areas such as raw materials, production technology, surface coating – yes, basically, anything. This is how a good big brother should act. At the same time, a big brother can also learn from his younger siblings. A big brother need not be best in everything; we have seen this very clearly when we got to know Walter and Valenite. These companies have a lot to offer Sandvik Coromant.”

Anders Thelin on being ahead:

“Someone may probably wonder whether this would mean a depletion of Sandvik Coromant’s expertise. No, definitely not in my view. A maturing organization is stimulated by internal competition and by the fact that its competence can be shared by many. Growth is constantly pursued, new ideas steadily created. This is what it takes to create Sandvik Coromant’s leading position. I believe that this matter with sharing will help spur them towards breaking new boundaries.”

Anders Thelin on brand names:

“The current situation at Sandvik Tooling entails working with several brands, which is a progress from the time when we, to a large extent, only had the Sandvik Coromant brand. When we started working with high-speed steel tools, we received a number of new brands within Sandvik Tooling. This taught us how to handle multi-branding, an experience now benefiting us as when we work simultaneously with the Sandvik Coromant, Walter and Valenite brands. Each of these brands has its specific customer offering and we will have a healthy competition between them out in the market. It is the customer that will decide which offering has the best value.”

Anders Thelin on acquiring companies:

“We are very conscious of not letting the companies we acquire feel like they are being devoured by a colossus. Both Walter and Valenite are strong brands and established organizations that have the right to be proud of their own operations. We can determine this from the market surveys we conduct. On the other hand, we are keen on quickly opening the doors for them to enter our group so that they can

compare themselves with the other units in the business area, for instance, with regard to production techniques. This is called benchmarking, and this usually ends up quickly in bridging cooperation over boundaries and offers each other extra stimulus for improvements. Acquired companies must feel at home with us like a family supporting each other.”

Anders Thelin on growth:

“Sandvik Tooling is, undisputedly, the largest and leading player in its industry. So far, we have been able to grow on our own and through acquisitions. In light of the acquisitions of Walter and Valenite, further acquisitions in Europe or the US are not likely. On the other hand, there are possibilities to acquire smaller but specialized companies with niche expertise. We are, of course, focusing on continued strong organic growth. We currently hold a favorable position in the market that we need to sustain, and even if we are the industry leaders, there is a lot of scope for competition. Our objectives are set accordingly – they are ambitious but realistic.”

Anders Thelin on productivity:

“It is known that the cost of a cemented-carbide insert comprises a very small portion of the total cost for metalworking. But our tools play a decisive role in achieving profitability. I am often at customer meetings where we apply a method that allows us to show how great an impact our input has on the customer’s total expense. The customer then usually becomes very interested, and the matter is raised quickly to a higher level in the company. On this level, we use the opportunity to talk about what we are really offering, namely productivity and partnership.”

Anders Thelin on the future:

“Our industry is clearly under consolidation and Sandvik Tooling holds a strong position for the future. There are currently three major players in the cemented-carbide business and several specialized niche companies that cause strong competition. We at Sandvik Tooling are investing a lot in research and development as a basis for continued growth. For instance, we get as many patents approved in the US as the rest of the industry combined. I take this as a good omen and am convinced that we will be able to continue our profitable growth.”



Shorter lead times and fewer bottlenecks in the production. Reduced inventories and less unsold goods. Faster invoicing and more efficient credit watch. These are just a few of the ingredients in Sandvik's recipe for becoming more efficient.

This is a global process that will affect basically all of our employees worldwide – in all the business areas and in all the companies. The motto: Time is Capital.

Sandvik is now reviewing its work methods in order to make the production flow in the Group faster and to reduce the amount of capital tied up in operations. No segments are excluded. This review will cover everything from the administration, purchasing, accounts payable to production, sales, inventory management, distribution and accounts receivables. This has striking similarity to running your own household. The time between expenditures and income cannot be too long, or you may have to borrow money, which is expensive.

The effects of these internal efforts for Sandvik will be faster and more efficient operations, with reduced tied-up capital, which often results in higher quality. For customers, the impact will simply be better service which, in turn, is a driving force for further commercial successes.

REDUCED TIED-UP CAPITAL

The utmost result of the ongoing evaluation of the operations is that Sandvik as a company will be better positioned to take advantage of an upturn in demand when it occurs. Flexibility and delivery capacities should be at peak levels.

The cost chase – the focus on increased capital efficiency, as it is called by economists – has already begun. Work has initially been successful and the goal is to reduce tied-up capital by a total of SEK 4–5 billion in three years. The money saved can be used wisely: for investments, company acquisitions and/or dividends to shareholders.

THREE DISTINCT EXAMPLES

Several activities are under way in the Group aimed at enhancing work efficiency. For example, at one of business area Sandvik Materials Technology's operations in Sandviken (Tube Plant 50), a change in work methods raised the flow of materials by nearly 50 percent. This success has been reached without large

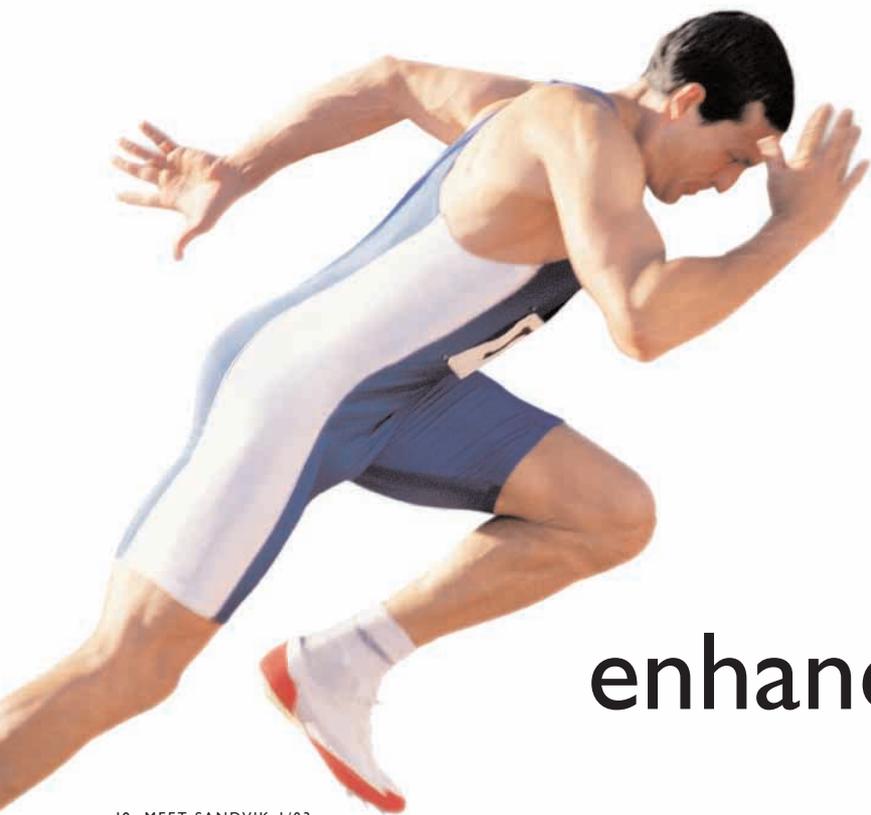
investments. The plant management and operators have instead developed forms of working that optimize planning and transfer of materials to facilitate production flow. A materials coordinator now has constant supervision of the production. There is no unnecessary intermediate storage while waiting for the next stage of the production.

Sandvik Mining and Construction focuses particularly on limiting the product range, on inventory control and distribution. Shorter production time, reduced inventory levels and shorter distribution channels are the overriding objectives of this work. Three regional distribution centers, for instance, are now in the same data system and global capacity is better utilized. This, in turn, provides better quality and more efficient customer service, which increases total competitiveness and growth opportunities.

At Sandvik Tooling, shorter through-put times, streamlining of product range and more efficient inventory control are also prioritized. A new, strategically located distribution center in Singapore has replaced a large number of local warehouses at the same time that delivery times are radically shortened. For instance, basically all customers in Asia can receive the standard products they have ordered within 24 hours. This is also proof that operations can be changed substantially while at the same time providing customers better service.

ONLY THE BEGINNING

With firm resolve, employees in all areas of operations, country after country, focus on one thing: To work even smarter in order to raise productivity and competitiveness.



Sandvik enhances efficiency

Annual General Meeting 2003



President and CEO
Lars Pettersson.



New Board member Sigrun Hjelmquist, the first woman elected to Sandvik's Board of Directors.

Sandviken's Symphony Orchestra, conducted by Anders Berglund, Claes-Johan Larsson as master of ceremonies and soloists Anna Hanning and Oskar Bly provided a highly appreciated popular concert prior to the Meeting.

Sandvik AB's Annual General Meeting in Sandviken on 5 May attracted nearly 1,000 shareholders, representatives and other interests.

In his first address as President of Sandvik, Lars Pettersson commented on the 2002 fiscal year and the development during the first quarter this year. He also presented the Group's business concept, objectives and values and described the factors of strength underlying the Group's global, profitable growth. Sandvik's focus is constantly on its overriding objective of generating higher value for customers. The key driving forces for Sandvik's profitable growth are ongoing geographic expansion, growth for new products and within new application areas, complementary company acquisitions and increased capital efficiency.

The Annual General Meeting approved the Board's proposed dividend of SEK 10.00 per share for the 2002 fiscal year.

In accordance with the proposal by the Board, the Meeting also resolved to authorize the Board to decide, prior to the next Annual General Meeting, to make additional purchases of the company's own shares. The Board is author-



Resigning Board members P-O Eriksson (left) and Mauritz Sahlin (right) were thanked for their efforts by Board Chairman Clas Åke Hedström.

ized to buy-back a maximum number of shares that ensures the company's holding at any given time does not exceed 10 percent of all shares in the company. The buy-back is to be effected on Stockholmsbörsen (Stockholm Exchange) and is part of efforts to adjust the company's capital structure in accordance with established financial objectives.

Board members Georg Ehrnrooth, Clas Åke Hedström, Arne Mårtensson, Lars Nyberg, Anders Nyrén and Lars Pettersson were re-elected. Sigrun Hjelmquist and Egil Myklebust were elected as new members to succeed Per-Olof Eriksson and Mauritz Sahlin, who declined re-election. The employee representatives appointed to the Board are Bo Boström (member), Göran Lindstedt (member), Birgitta Karlsson (deputy) and Bo Westin (deputy).

Did you know that...

... Sandvik has so many sales personnel worldwide they could form 600 soccer teams.



... Sandvik invests about 4 percent of its sales annually in research and development. This corresponds to approximately SEK 2 billion.

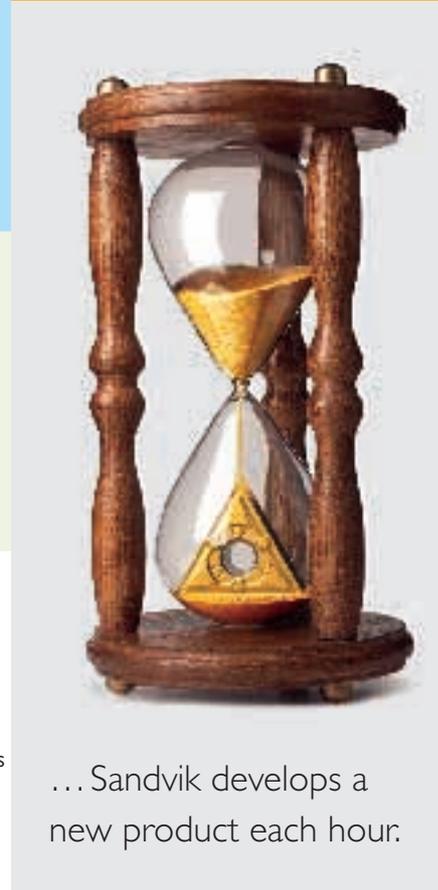
75

... Sandvik in a period of 10 years has increased sales by nearly three-fold from approximately SEK 17 billion to about SEK 50 billion.

... slightly more than SEK 11 billion has been allotted to Sandvik shareholders in the past five years.



... Sandvik has about 60,000 shareholders.



... Sandvik develops a new product each hour.



www.sandvik.com