

Meet Sandvik

JUNE 2005



Strong quarter

Shareholder value

Team leader

Productivity

Annual General Meeting

Sandvik Q1

PRESS INFORMATION 3 May 2005

Report on the first quarter, 2005

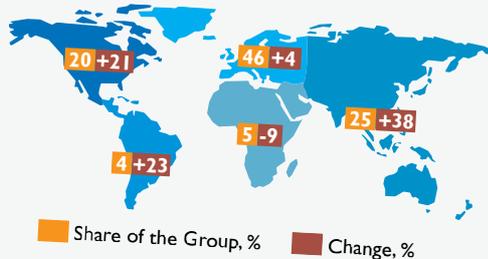
GROWTH AND PROFIT INCREASE

- Profit after financial items rose 25% to SEK 1,892 M.
- Order intake increased 14%* to SEK 15,646 M.
- Invoiced sales rose 14%* to SEK 14,194 M.
- Profit after tax was up 21% to SEK 1,363 M.
- Earnings per share rose 22% to SEK 5.20.



"Sandvik had continuing strong growth during the first quarter," comments Lars Pettersson, President and CEO.

ORDER INTAKE* PERCENTAGE SHARE AND CHANGE



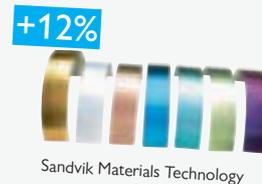
"Sandvik's earnings and sales continue to develop strongly. Profit after financial items rose 25%, with sales increasing 14%. Demand during the period was favorable, with high growth rates in Asia and NAFTA. During the first quarter, order intake rose by 14% in price and volume, and thus the Group's growth has exceeded 10% for five consecutive quarters. Growth in Sandvik Mining and Construction continues to be favored by very high demand for equipment for the mining industry," says Lars Pettersson, Sandvik's President and CEO.

KEY FIGURES

SEK M

	Q1/05	Q1/04	Q1-4/04
Order intake	15 646	14 160	56 500
Invoiced sales	14 194	12 680	54 610
Operating profit	2 041	1 660	7 578
Earnings per share, SEK	5.20	4.25	19.25

BUSINESS AREAS - ORDER INTAKE*



* Change compared to the same quarter the preceding year at fixed exchange rates for comparable units. Effective 1 January 2005, Sandvik applies the International Financial Reporting Standards (IFRS). The comparative figures for 2004 have been recalculated to IFRS.



For additional information, please call +46 (0)-26-26 10 01 or visit www.sandvik.com

Meet Sandvik

The Sandvik Group's magazine for shareholders and employees

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Profitable growth is foundation for increased shareholder value

Following the record year in 2004, continuing high growth and increased profitability were reported for the first quarter of 2005. When comparing the figures, it should also be borne in mind that the first quarter of 2004 was also a strong period.

The trend during the early part of the year was favorable within all business areas and in most markets. Order intake was generally healthy, particularly in Asia, but strong growth figures were also noted in NAFTA and South America.

One of the reasons for Sandvik's favorable development is the strong industrial climate. But I would also like to draw attention to a large number of activities within the framework of Sandvik's internal efforts, which have made a significant contribution to the successes.

- Comprehensive R&D investments in new products that add value for customers.
- A steady improvement in the product mix.
- The production resources are being consolidated and are more efficient than ever.
- Better logistics worldwide are enhancing delivery service.
- Expansion of the marketing organization.
- And last but not least, committed employees.

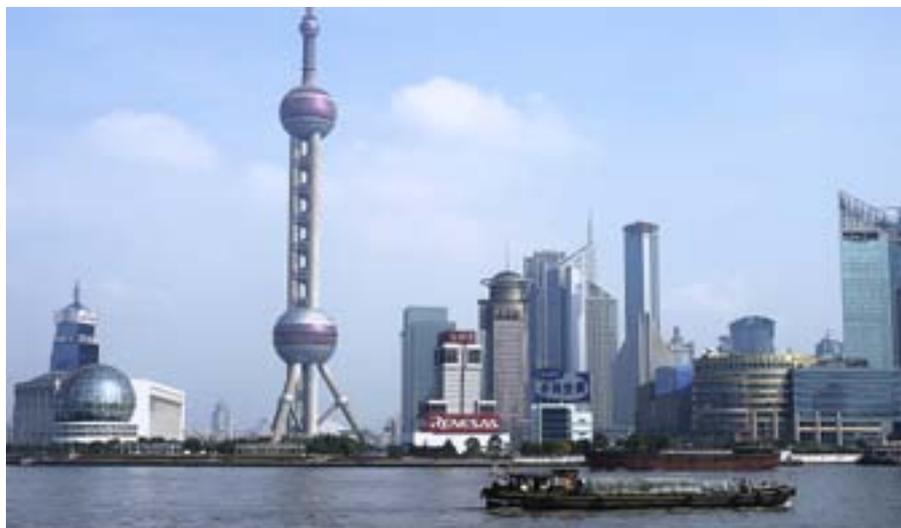
In combination, our long-term efforts have created a strong platform for continuous profitable growth, which is a prerequisite for generating shareholder value. Read more about the Group's investments in various areas in this issue of *Meet Sandvik*.

Sandvik's expansion is international and the Group is one of the winners from the globalization trend. With local presence in 130 countries and a global distribution and sales system, Sandvik delivers products, service and training at the right time. We adopt a global approach, even though we operate locally, close to our customers. This business combination generates the best financial leverage, both for our customers and for us.

Owning Sandvik shares must be an attractive investment. The aim is to distribute at least 50 percent of earnings per share as dividends and that this, combined with the share-price trend,

will generate greater value growth than the average for our sector. Following the Annual General Meeting's decision to raise the dividend to SEK 11.00 per share, the pay-out ratio amounts to a full 62 percent of earnings per share and the dividend paid in the past ten years has averaged more than 60 percent.

In addition, we have implemented a repurchase program that corresponds to a distribu-



tion to shareholders of about SEK 4 billion. We have been able to do this at the same time as investing in research and development, expanding our production resources and completing company acquisitions.

Against the background of our strong financial position, we are now, in accordance with a resolution from the Annual General Meeting, replacing the repurchase program with a redemption program of the same magnitude, namely approximately SEK 4 billion. This means that Sandvik is distributing about SEK 6.7 billion in ordinary dividends and share redemptions this year.

Handwritten signature of Lars Pettersson in blue ink.

Lars Pettersson
President and Chief Executive Officer

The Asian market continued to show strong growth in the beginning of 2005.

Productivity as guiding



A sunshine story

In the quest for alternative energy sources, increased attention is being focused on solar energy. Through gradual transition to renewable energy sources, such as solar energy, the greenhouse effect can be reduced and society will be better prepared to meet the demands of reduced emissions from combustion of fossil fuels. This development trend is creating growth opportunities for Sandvik. One of product area Kanthal's units in the US produces furnaces for some of the world's leading manufacturers of solar cells.

Sandvik machines the mold

Different types of consumer products – cameras, TVs, mobile phones, computers, electric razors – all have to be equipped with a casing of some kind, regardless of whether they are produced using plastic or metal. This has created new growth opportunities for the Group. Sandvik Coromant, within the Sandvik Tooling business area, offers customers in the die and mold industry a large number of high-performance tools and expertise for the production of molds for our most common everyday products. For example, the company Wahaha, in Hangzhou Province, is one of the leading beverage producers in China, with its product range including bottled water. Sandvik's milling tools ensure efficient machining and create the finished mold for the bottles. The material in the dies is extremely hard in order to withstand production rigors of the millions of bottles the company produces every year. This places very high demands on the tools that are used.



Another new item with low profile

The Shark bulldozer is a new member within the Sandvik Mining and Construction's low-profile product family. It was developed to meet a specific need in close cooperation with customers engaged in platinum mining and extraction. The metal is found in thin horizontal layers below the surface of the earth, most often in areas no more than about one meter high. In this case, the customer needed to move the extracted material to a more accessible part of the mine. EJC, the business area's division in Canada, designed a small, unmanned, remote-controlled bulldozer that is less than one meter in height. That marked the birth of the Shark. Its unique design creates many areas of application for the innovative bulldozer. In addition to mining applications, the remote-controlled bulldozer is also suitable for handling environmentally harmful waste products, for example.

star

Kanthal a hot name in glass industry

Swedish crystal is known around the world for its design and quality. Orrefors is an excellent example. Kanthal, within Sandvik Materials Technology, also has a good reputation in the international glass industry. The two companies cooperate closely in terms of furnaces, which form the heart of any glassworks. Kanthal manufactures furnace elements used in glass production operations. Demands on the materials are extreme. The molten glass is liquefied at temperatures up to 1,500°C. Kanthal also supplies elements to the channels that convey the molten glass from the furnaces to the glass presses.



CoroDrill 880® – the drill master

Sandvik Coromant, within the Sandvik Tooling business area, introduced a new generation of indexable drills, CoroDrill 880®, at the beginning of this year. This marks something of a breakthrough in holemaking with so-called short-hole drills. The patent-pending step technology provides a unique cutting force balance in the tool and increases hole quality and surface finish significantly. The new cemented-carbide grades in the inserts are developed to optimize drill performance and durability. Versatility facilitates the use of the tool in many different types of applications. In many cases, the cost per hole drilled can be halved. Customers experience the new products like a hole-in-one on the golf course.



For internal use

Sandvik Materials Technology has developed unique materials know-how in the field of medical technology. Coated stainless steel precision wire developed by the Kanthal product area in Palm Coast, in the US, provides one example. The ultra-fine and extremely hygienic wire is one of the basic requirements in the high-tech instrument launched within cardiovascular surgery by Endocardial Solutions, an American company



based in Minnesota. The instrument, which includes a special catheter wire, is implanted in an artery through the groin and maneuvered into the heart where the electrical impulses are measured. The information is then transferred to a three-dimensional image of the heart. Through careful examination procedures, physicians can quickly determine the most suitable actions and immediately begin effective treatment procedures. Fast and, most of all, gentle on the patient.

New material good for food

The Process Systems product area in the Sandvik Materials Technology business area has developed a new material that makes it possible to produce super-thin belts for use in conveyors within the food processing and other industries. The new material was launched at the Interpack trade show in Germany and Sandvik can now compete with plastic belts in a completely new way than previously. With the new material, Sandvik 1700SA, it is possible to build conveyors that are just as compact as those equipped with plastic belts – while maintaining the hygienic requirements and benefiting from the unique strength and durability of a steel belt.



Almost a year and a half ago, Lars Josefsson assumed duties as President of the Sandvik Mining and Construction business area. He is a graduate engineer specializing in engineering physics. “I noticed that the CEO of Sandvik and the Presidents of the other two business areas all have the same educational background,” says Lars Josefsson. His previous career involved a number of positions at ASEA, which subsequently became ABB, and the Alstom Group. “I have had the advantage of working in a wide variety of areas during my career, which gave me a broad range of skills. This, I feel, is very helpful to me in my current position at Sandvik.”

Team leader with a new

Impressions of Sandvik?

“Let me first say that I have been enormously impressed by the strong position Sandvik holds with its customers. Sandvik stands for know-how, safety and innovativeness. Such a strong brand is invaluable. Internally, I have acquired great respect for the high level of expertise I encounter all the time at all levels. I am used to working in companies with a strong team spirit. And Sandvik has lots of that. Here, however, it is paired with a strong desire to look to the future, try out new paths, tackle problems in new ways. In other words, there is terrific enthusiasm and curiosity here. I believe this is rather unusual and is a powerful driving force for Sandvik.”

Strength factors?

“Sandvik Mining and Construction is currently one of the world’s most complete suppliers of equipment and solutions to the mining and construction industries. Unquestionably, this is the platform from which we want to build our strength. However, we must not forget that the business area was created only six years ago. At that time, its net sales were approximately SEK 8 billion. Now, the business area’s sales are more than twice that figure – which is all the more remarkable considering that the dollar has depreciated during this time. In other words, the actual increase is greater. The expansion has occurred through strong organic growth combined with a number of strategic company acquisitions. Consequently, we stand particularly well positioned on the product side.”

What are the areas in which we could improve?

“We are now entering another phase of our development. Through our wide range of products,

we have created the conditions for success. The task now is to take full advantage of this in our business activities. We need to have a comprehensive approach and utilize the synergies that our product program offers. We have an enormous potential to unleash. It’s a matter of coordinating our internal resources intelligently, so that our customers may benefit from our expertise in a concrete manner. Without sacrificing the strength we derive from our decentralized structure.”

New organization?

“Yes, we are in the process of implementing a partly new organization. But more importantly, this organization is based on a new philosophy. As of now, we don’t start with our products, but rather with four well-defined user areas. Within each area, we serve customers with similar requirements. It is these requirements that will now steer everything we undertake – product development, offering, service and more. I believe that this will create a better focus in our operations. You might say that our focus now is to combine our cutting-edge technological know-how with a cutting-edge expertise concerning customer requirements. This should enable us to offer more efficient and broader-based solutions.”

What approach are you taking?

“This is an extensive undertaking, one that must take place step by step. We are beginning to implement the new philosophy and the new organization starting now. I expect we will need the rest of the year to ensure that all aspects are properly taken care of. On one hand, new internal systems need to be introduced, while on the other, the psychological reorientation will take time. At the same time, of course, it is business as usual for our regular commercial operations. We will definitely not lose the pace or focus of our business operations. The idea is to make the business area more cohesive. The previous phase was



largely about identifying all the puzzle bits. The task now is to make them all fit together. The Sandvik brand must take precedence over all of our other product brands – which themselves are often very strong. This is why we are using the slogan ‘The Power of Sandvik’ in the current implementation process – to create a team with a single game plan. I am more than convinced we will succeed.”

game plan

Can you describe the market scenario?

“Demand in the mining and construction industries is currently strong. And we see no signs of this trend subsiding. China is very much a driving force behind this strong trend. Directly and indirectly. Consequently, we plan to start a new plant in China so that we can have a real local presence there. However, our operations in Eastern Europe, Australia and Latin America also have wind in their sails. In my opinion, we have been successful and have captured market shares. The key is that despite the strong economy we have been successful with deliveries and in keeping our promises. We were able to do so because we have built a flexible network of suppliers.”

What is the scenario regarding customers’ requirements?

“We have found there is a strong trend toward customers want not only to purchase products but also productivity. They want to pay by the drilling meter or produced ton. This speaks in our favor, since only suppliers that offer broad programs of their own products can engage in contracts of that nature. We have come a long way here – longer than anyone else, I believe. In South Africa, for example, a large and growing portion of our sales is based on performance contracts. By focusing on four customer areas, we are now enabling ourselves to become even more skillful in the art of selling productivity. Which is where our future lies.”

New products?

“A cornerstone of our new strategy is that we can maintain our fast pace of development of new, innovative products that perform more, better and are more efficient. We already focus intensively on research and development. This is particularly clear when you consider that 40 percent of our sales currently involve products launched in the past five years. We must continue that level, at

least, in the future. The new low-profile bulldozer we recently launched at a trade fair in Las Vegas is an interesting product. Called Shark, this bulldozer was developed entirely to satisfy a particular customer requirement. Eventually, we discovered that, given certain minor adaptations, it could be used in several other applications. Hopefully, the new organization will ensure that this occurs and that it becomes a sales success.”

Leadership style?

“It’s not easy to describe one’s own leadership style, of course. As a manager, however, I am definitely not the authoritarian type. My style is based on my belief in goal-oriented leadership that delegates tasks to capable staff members and trusts them to achieve the goal. A condition for this to succeed is an open organization. I view myself as team leader in an organization that has an incredibly large number of talented players. Once we finish adjusting our game plan, we will be an even tougher team to beat.”



News from Sandvik's world

Crusher order in Russia

Pavlovskgranite operates the largest granite crusher plant in Russia about 500 km south of Moscow. The plant produced more than 8 million tons of crushed material last year. Sandvik Rock Processing, a product area of the Mining and Construction business area, recently received an order for a new, complete crusher installation and six cone crushers for an existing plant as well as a large mobile crusher. The customer selected Sandvik after a careful study of similar equipment delivered by the Group to the Russian market.



Flying deliveries from Singapore

Efficient logistics is an important competitive factor and a key issue for Sandvik. The Group is currently investing in a new distribution center in Singapore, which will provide all of Southeast Asia, Australia and, in fact, South Africa with cemented-carbide tools and other products within the Sandvik Tooling business area. The new facility will have twice the capacity as the existing unit within the regional company Sandvik South East Asia. Standard products shall reach the customers in the market area within 24 hours and, accordingly, air cargo is the most important transport mode. Consequently, the central warehouse is also located with this in mind – at the Singapore Airport, which is a free-trade zone. This reduces costs by minimizing transport between the distribution center and the airport. The result is enhanced service to the customers.

More waterholes in Manhattan

Comprehensive work efforts are now in progress one hundred and fifty meters under Manhattan, in New York, as part of a large project to improve the city's supply of fresh water. Ten shafts, each nearly four meters wide, are now being drilled with ample space for water mains down to a large tunnel. The drilling work includes raise-boring operations, and the contractor has two raise-boring heads from Sandvik Mining and Construction in action. The heads are of an extendable model and can be expanded to a diameter up to six meters, if required. Raise boring, in other words, is no longer just a technique that is used in mines. Broadway next?





Continued expansion in the US

Sandvik Tooling's production unit in Westminister, South Carolina, in the US, is now being expanded in a second stage. The first upgrade was initiated in 2002 with the goal of the unit becoming the most modern and efficient cemented-carbide plant in North America. As part of this effort, the business area's production in the US was consolidated and the plant in Westminister was provided new production equipment. This resulted in significantly higher production capacity and more efficient manufacturing. In addition, a new product range was developed. As a result of the investments, it was possible to reduce costs per unit produced considerably. This development is now continuing in the second stage.

Increased coordination within Sandvik Tooling

In a move to enhance efficiency and the gains from synergies within the business area, Sandvik Tooling is now combining the Valenite and Safety as well as the Titex and Prototyp product areas. All will remain in the market as separate, internationally active brands. Valenite and Safety will be active in the cemented-carbide tool market, particularly turning and milling of components to the automotive industry, die and mold industry and engineering industry. Titex and Prototyp will be active in the area of solid-carbide and high-speed steel products for the automotive, aerospace and engineering industries. The increased coordination within both combinations, primarily in supply and support functions, will further improve the business area's growth possibilities.



Research yields results

Dr. Anders Petersson, a graduate of the Royal Institute of Technology in Stockholm, has received Sandvik Coromant's 2004 Material Award. Anders Petersson received the award for his successful studies and theoretical analysis of the sintering process for cemented carbide. This is an important area in the development of new processes and materials for cemented-carbide tools and, accordingly, one of Sandvik Coromant's core areas.



Investment in China

Sandvik has purposefully established effective production and distribution in Asia, particularly in China. The Group is now taking a further step to be able to better respond to the increasing demand within the mining and construction industries. Near the rapidly expanding city of Shanghai, Sandvik Mining and Construction is establishing a service and assembly facility for crushers, screens and feeders as well as service and maintenance of the business area's products delivered to Chinese customers. The new facility will be completed in late autumn 2005.

Strong earnings generated higher dividend

Sandvik reported its best year in history at this year's Annual General Meeting, which was held in Sandviken on 3 May. The Group had sales of SEK 55 billion, following organic growth of 17 percent, and reported profit after financial items of SEK 6.5 billion, up 35 percent.

The Meeting approved the redemption proposal to Sandvik's shareholders, which replaces the repurchase of shares carried out previously. This entails that shares with a value of approximately SEK 4 billion will be redeemed. The Board's proposal to increase the dividend was approved – SEK 11 per share, making total dividends of about SEK 2.7 billion.

“Our financial strength enables us to both pursue a generous dividend policy and to invest aggressively. Sandvik's potential to grow successfully is better than ever,” said President and CEO Lars Pettersson in his address to the Meeting.

Georg Ehrnrooth, Clas Åke Hedström, Sigrun Hjelmquist, Egil Myklebust, Arne Mårtensson, Lars Nyberg, Anders Nyrén and Lars Pettersson were re-elected to the Board. Clas Åke Hedström was re-elected Chairman of the Board.

The Wilhelm Haglund Medal to the Product Developers of the Year was presented to Pasi Kangas and Ad Raatgeep, from the Sandvik Materials Technology business area. They received the award for the development of Sandvik Safurex®, a stainless material that has revolutionized the production of artificial fertilizers worldwide.

Four scholarships were also awarded, in the form of foreign work experience for pupils of the Göranssonsska school, the company's own technical upper secondary school.



The ice arena, converted for the day into an auditorium for the Annual General Meeting, was packed with 806 shareholders and a hundred guests.

The more than 800 shareholders and the additional hundred guests who attended the meeting at the Jernvallen Arena were in good spirits. The entire program took some five hours and the visitors were treated to both a lunch buffet and musical entertainment from the Sandviken Big Band and the popular guest singer Roger Pontare.



The Product Developers of the Year Pasi Kangas and Ad Raatgeep, from the Sandvik Materials Technology business area, accepted the Wilhelm Haglund Medal from former President Per-Olof Eriksson.

President and CEO Lars Pettersson could report new strong earnings for the Group in his address.

Roger Pontare was a popular guest artist as he joined the Sandviken Big Band to entertain prior to the Meeting.



Socializing after the Meeting, Meeting Chairman Sven Unger (left) chats with Gunnar Ek from the Swedish Shareholders' Association and Carl-Olof By (right) from Industrivärden.



Sarah McPhee, head of Asset Management at AMF Pension, was one of the proposal presenters at the Meeting.

One of the youngest visitors, Vida Hägglund, with her mother Christine.

Sandvik's Board Chairman Clas Åke Hedström awarded scholarships to four pupils at the Göranssonska school in the form of foreign work experience. Niklas Båtelsson, Taraneh Vosough, Ellinor Svensson and Johan Ekback will be traveling to Australia, New Zealand and Japan.



Prior to the Meeting, the participants enjoyed a lunch buffet, which was appreciated by Ola Bengtsson, Birgittha Bjerken and Carl-Göran Wallman.



At 2.5 kilometers under the sea it is even tougher

A community at the bottom of the sea: An oil-production platform is just the top of the iceberg. Under the rig, at the bottom of the sea, is a complex and advanced system of production units. A single oil rig may be linked to some ten such satellites. The rig's tentacles spread out like the arms of an octopus and connect everything into a single network.

Umbilical cord: Oil is pumped to the rig from the satellites at the bottom of the sea. Naturally, this does not occur automatically. Controlling all of these satellites – they can be at depths of 2,500 meters and miles apart – is a complicated technical problem. This is accomplished by connecting each

satellite with the mother rig by a type of “umbilical” through which electricity and hydraulic oil flow.

Pressure for renewal: Initially, this connection between satellites was through thermoplastic piping. In pace with recovery being carried out at increasingly greater depths, the demands placed on the piping increased. The pressure at such depths is unbelievably high. Combined with the high temperature of the oil, this forced the development of new innovative solutions. Particularly for ecological reasons. In other words, a typical problem for Sandvik's material specialists to get to the bottom of.

A super solution: A special alloy material for seamless tubes – designated Sandvik SAF 2507™ – is now used in these umbilicals. As a result of the high fatigue strength, the tube can be dimensioned with thin walls and still withstand the incredible pressure and the high temperatures. Naturally, the material is highly corrosion resistant. It will hold for many years of operations in this tough environment.

Our longest product: The tube's diameters can be up to 100 mm. Through welding a number of tubes together, total lengths of up to 20,000 meters can be produced.

These are delivered on huge cable drums.

Today, Sandvik SAF 2507 is a big seller: To date, more than 20,000,000 meters of tube has been delivered for production of umbilicals. This is equal to half way around the world.

Innovation at high pressure: Sandvik invests considerably more in research and development than its competitors. Each year, we invest about 4% of our sales in R&D – or about SEK 2 billion. This results in a steady flow of new, patented products and ideas, all designed to make our customers more competitive. Even when it sometimes means you have to go really deep.



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