

Interim report

April - June 2002



Lars Pettersson, CEO
Peter Larson, Executive Vice President and CFO
Heléne Gunnarson, Senior Vice President Group Communications

August 7, 2002

Highlights Q2, 2002

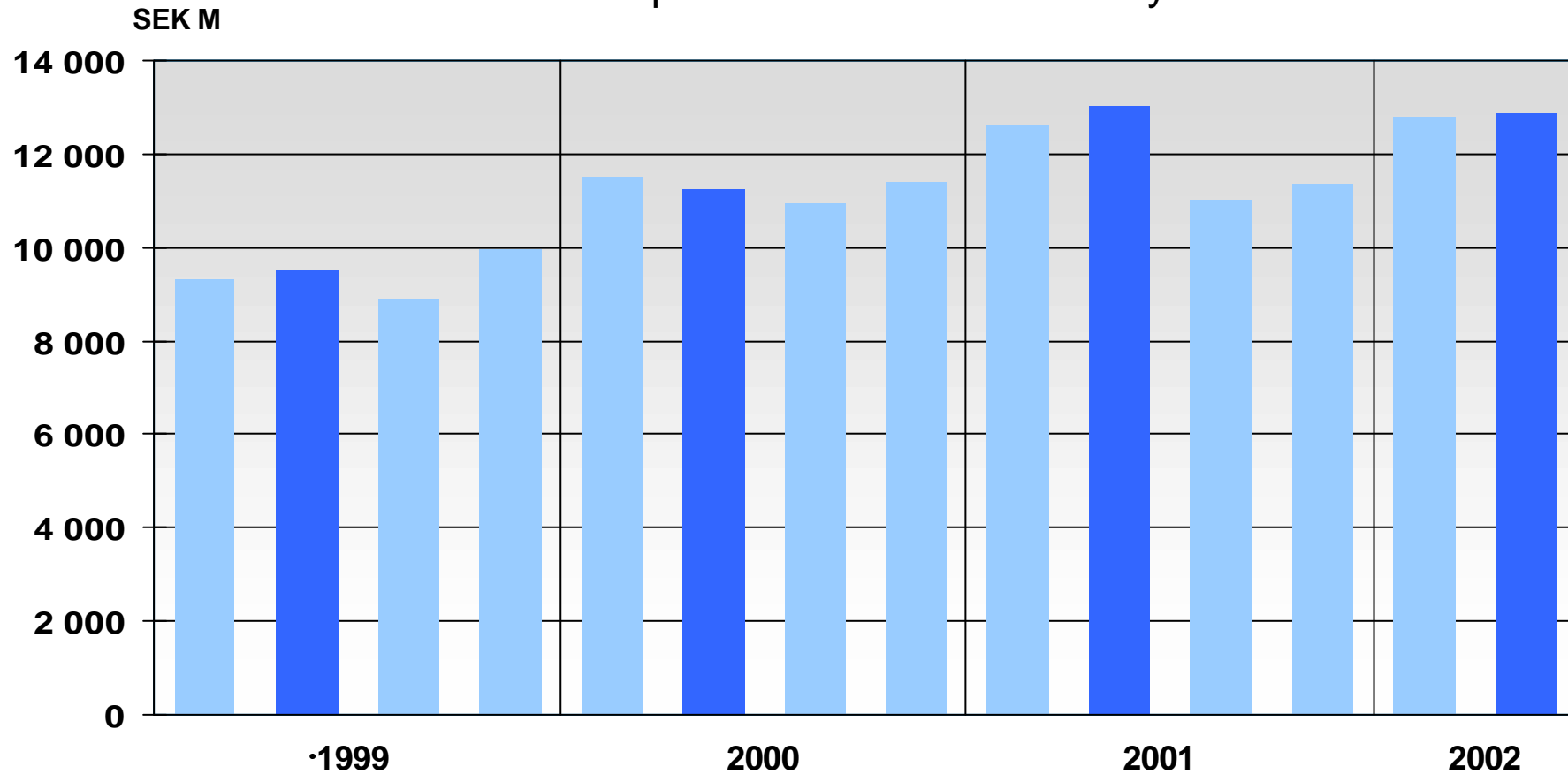
- Order intake -9%* but -2% compared to previous quarter
- Invoiced sales -7%* but +3% compared to previous quarter
- Operating profit SEK 1, 614 M, 13% of invoiced sales
 - ✓ Positive development for all business areas
 - ✓ SEK 60 M currency impact
- Ongoing efficiency programs - progress according to plan
 - ✓ Reduction of 320 employees
 - ✓ Closure of Steel Wire plant in Sweden
 - ✓ Closure of Hard Materials production in Denmark
 - ✓ Reorganization of CTT production in the US
- Strong cash flow, SEK 1,898 M
- Acquisition of American tool company Valenite

* for comparable units excl. currency effects

Order intake by quarter

Q2: -1%

-9% for comparable units excl. currency effects



Order Intake by Market region

Quarter	SEK M	%	Q2 vs Q2:01*	Q2 vs Q1:02*
			%	%
EU	5 168	40	-8	-8
Other Europe	1 009	8	-4	+8
EUROPE TOTAL	6 177	48	-7	-6
NAFTA	2 763	21	-7	-4
South America	553	5	-19	-4
Africa/Middle East	652	5	-12	+2
Asia/Australia	2 725	21	-6	+12
GROUP TOTAL	12 870	100	-9	-2

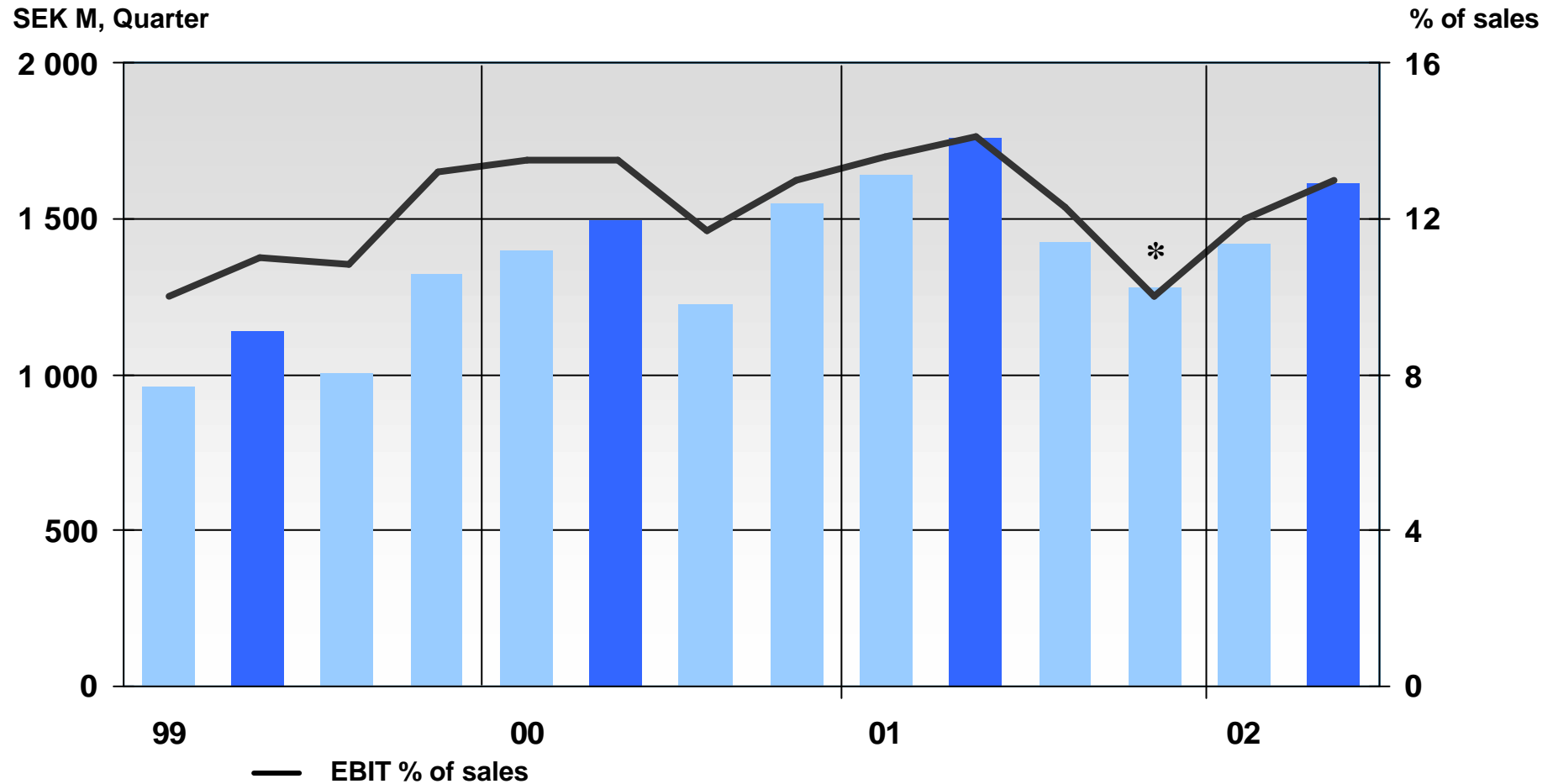
* at fixed exchange rates for comparable units

Order Intake by Business area

Quarter, % vs LY	2001				2002		
	Q1	Q2	Q3	Q4	Q1	Q2	Q2/Q1
Svk Tooling *	5	0	-5	-12	-11	-5	1
Svk Mining and Construction *	7	35	-5	2	7	-12	0
Svk Specialty Steels *	-4	-11	-20	-21	-10	-8	-5
GROUP *	3	5	-10	-11	-6	-9	-2
Currency	6	11	10	6	2	-2	
Structure	0	0	0	5	6	10	
GROUP TOTAL	9	16	1	0	2	-1	

* at fixed exchange rates for comparable units

Operating income



Excluding non-recurrent gains in 1999 and 2000

* Including restructuring cost (SEK -515 M) and Procera divestment (+340)



Sandvik Tooling

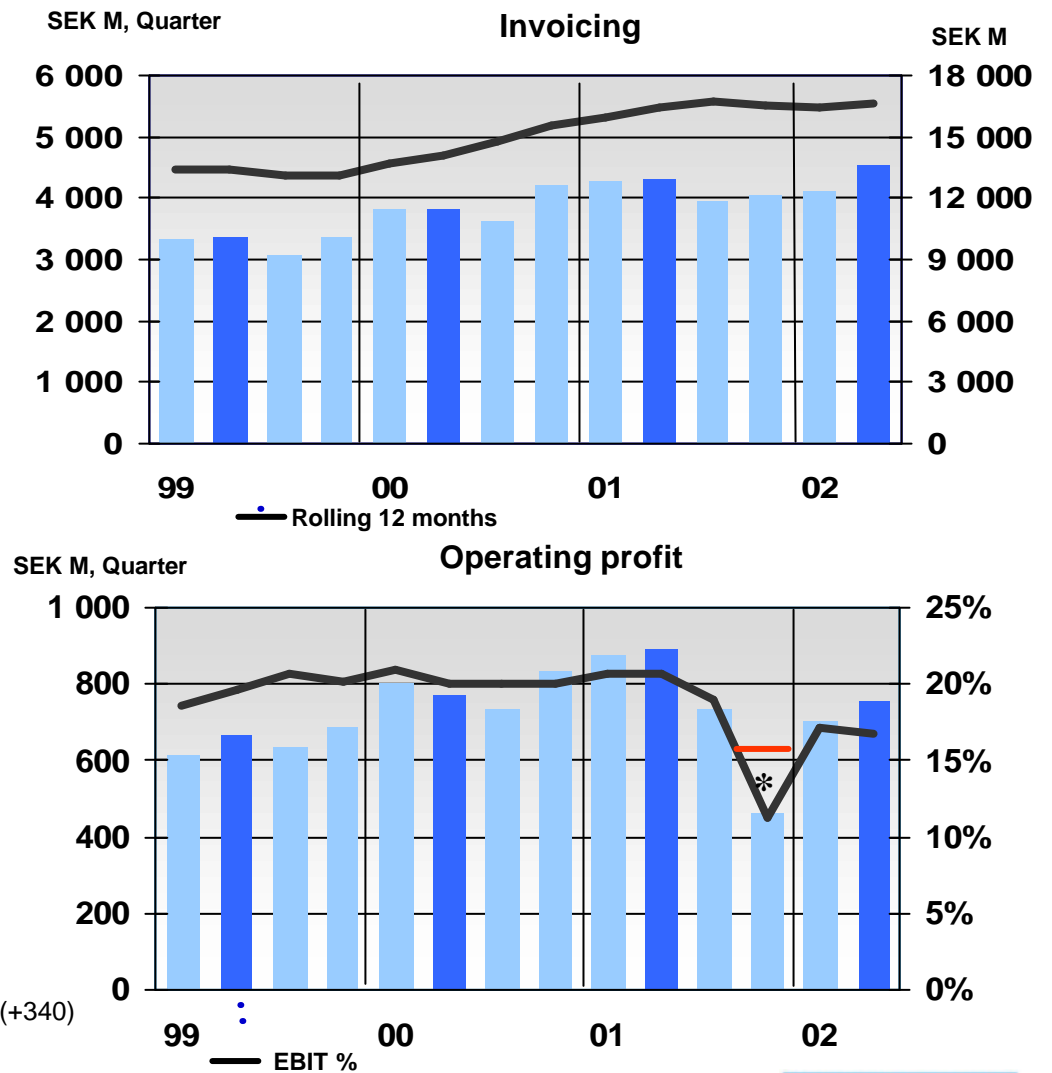
Review Q2

- Order intake: -5%
- Invoicing: -7%
- EBIT: SEK 757 M, 17%

- Order intake +1% vs Q1
- Employees -360 in Q2
- Program of change
 - ✓ -970 people (Q4+Q1+Q2)
 - ✓ 8 units closed/to be closed
- Acquisition of Valenite

* Q4 2001 incl. Restructuring (-515) and divestment of Procera Sandvik (+340)

— Excluding the items above



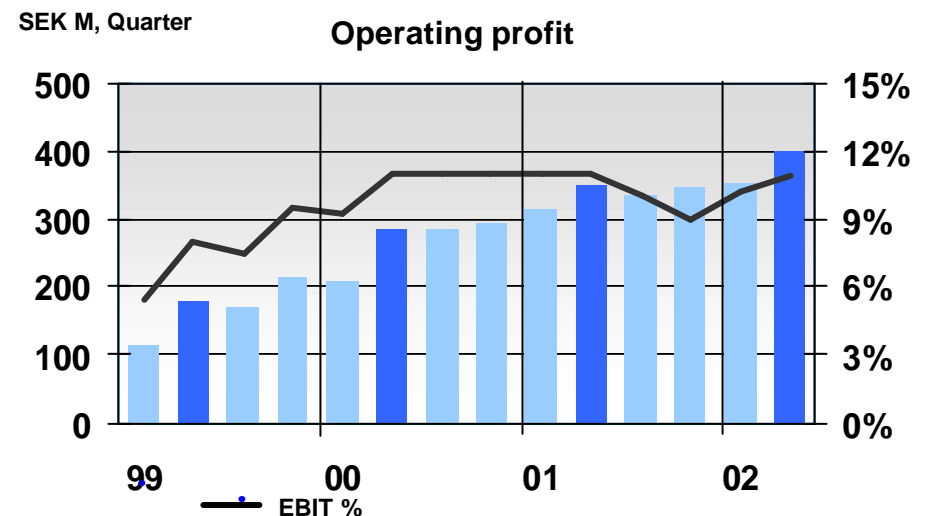
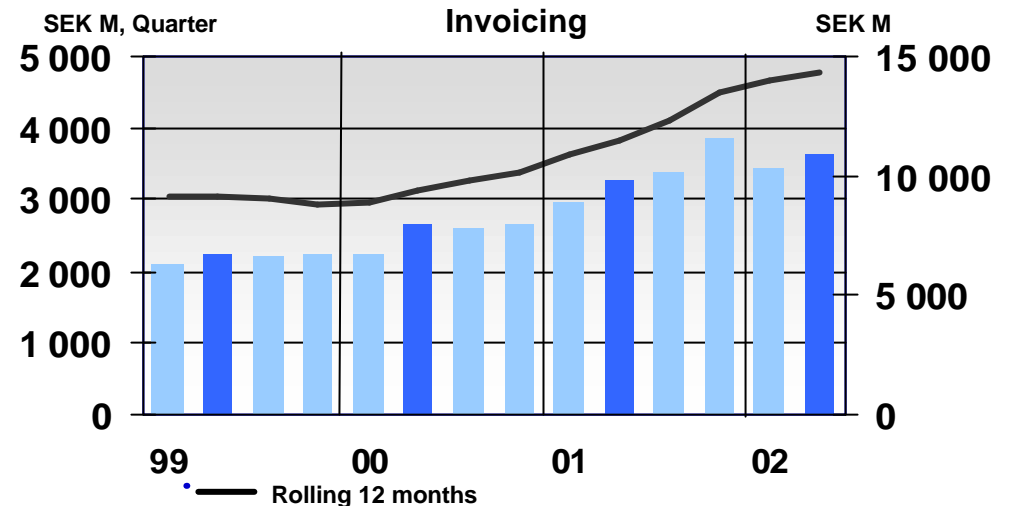
Sandvik Mining and Construction

Review Q2

- Order intake: -12%*
- Invoicing: +/- 0%
- EBIT: SEK 398 M, 11%

- Order intake +/-0% vs Q1
 - ✓ slower in coal
 - ✓ mining favorable
- Improved margins
- On-going efficiency activities

* Q2 2001 incl order of SEK 430 M

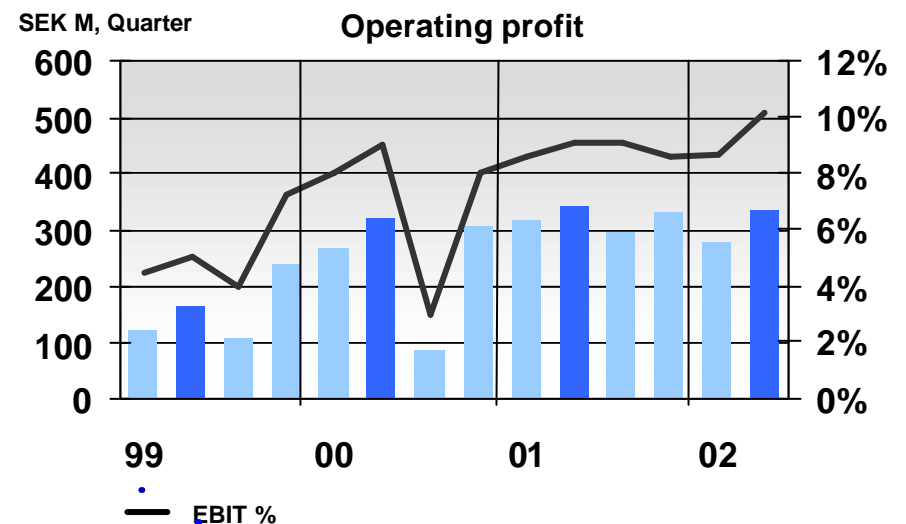
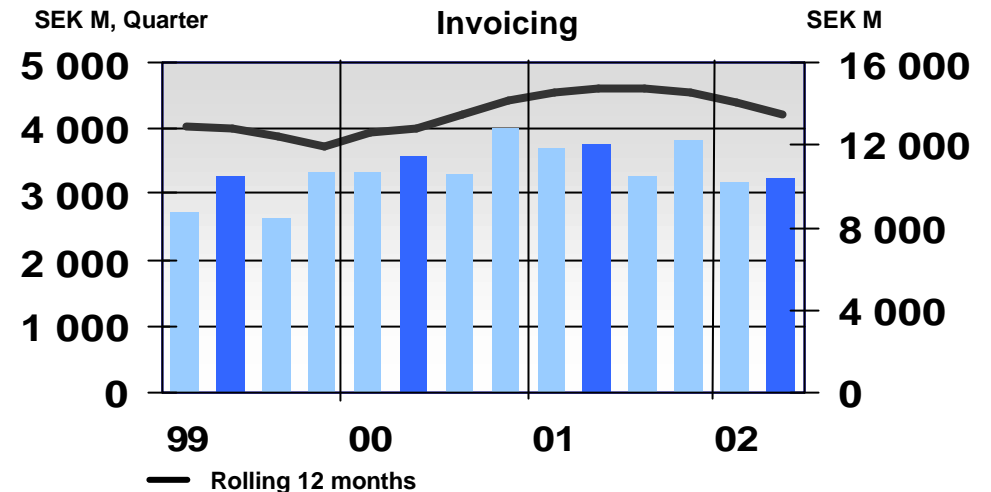


Sandvik Specialty Steels

Review Q2

- Order intake: -8%
- Invoicing: -12%
- EBIT: SEK 332 M, 10%

- Order intake -5% vs Q1
 - ✓ EU -, Nafta =
 - ✓ favorable in oil/gas and energy
- Positive results from program of change
- Closure of wire plant



Sales and Earnings by Business area

April - June

	<u>Invoicing</u>			<u>EBIT</u>			
	<u>Q2 2002</u>		<u>Q2 2002</u>		<u>Q2 2001</u>		
	<u>SEK M</u>	<u>Change* %</u>	<u>SEK M</u>	<u>%</u>	<u>SEK M</u>	<u>%</u>	
Tooling	4 537	-7	757	17	892	21	
Mining and Construction	3 653	0	398	11	351	11	
Specialty Steels	3 244	-12	332	10	341	9	
Seco Tools	1 059	-6	187	18	220	20	
Other	17	/	-60	/	-44	/	
GROUP TOTALS	12 510	-7	1 614	13	1 760	14	
Financial net			-157		-125		
EARNINGS BEFORE TAXES			1 457	12	1 635	13	

* at fixed exchange rates for comparable units

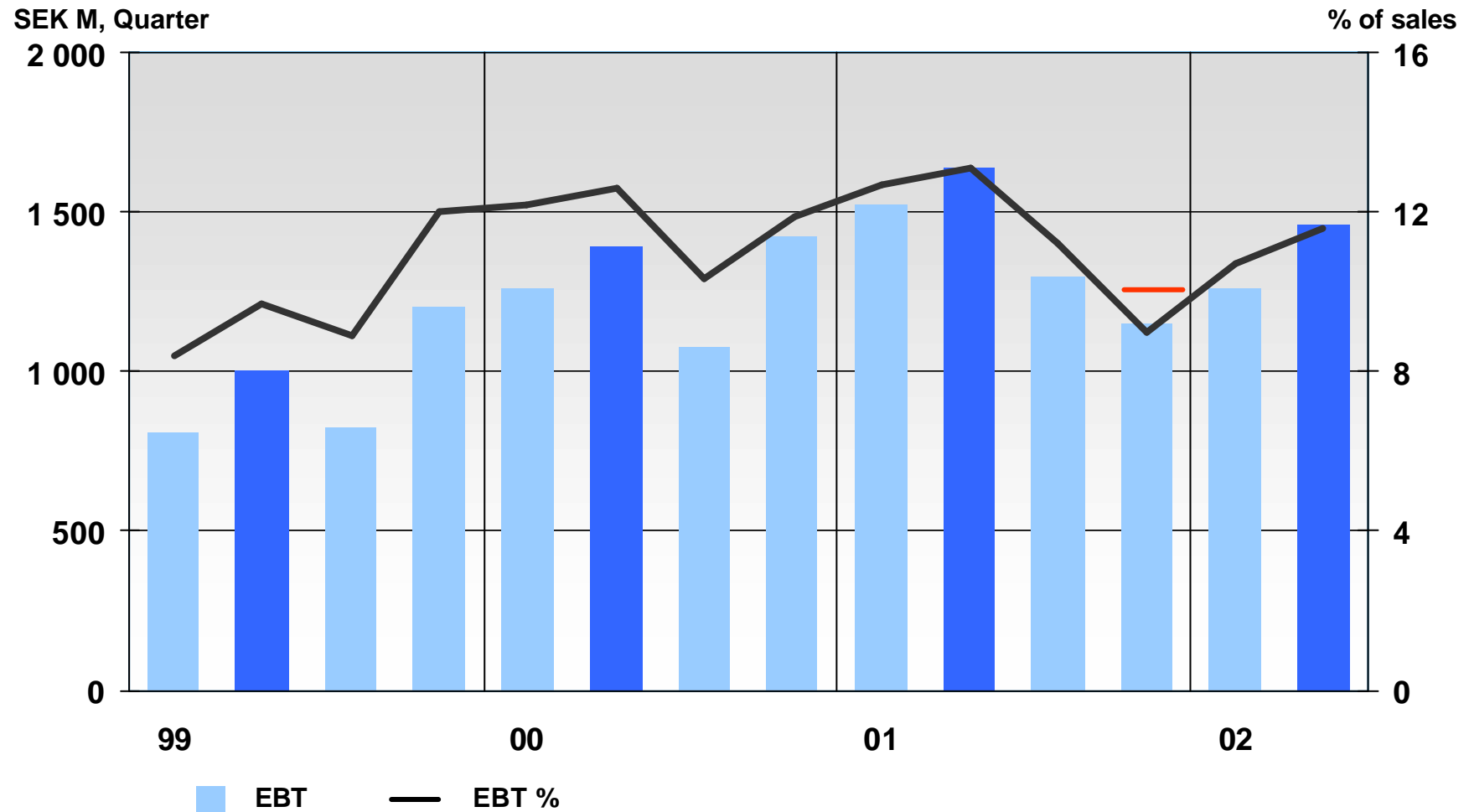
Sales and Earnings by Business area

January - June

	<u>Invoicing</u>		<u>EBIT</u>			
	<u>2002</u>		<u>2002</u>		<u>2001</u>	
	SEK M	Change* %	SEK M	%	SEK M	%
Tooling	8 644	-10	1 458	17	1 770	21
Mining and Construction	7 117	-2	753	11	666	11
Specialty Steels	6 444	-15	610	9	658	9
Seco Tools	2 086	-8	358	17	460	21
Other	19	/	-144	/	-154	/
GROUP TOTALS	24 310	-9	3 035	12	3 400	14
Financial net			-317		-240	
EARNINGS BEFORE TAXES			2 718	11	3 160	13

* at fixed exchange rates for comparable units

Earnings before taxes



Excluding non-recurrent gains in 1999 and 2000

— Excluding restructuring cost (-515) and gains (+340)



Cash-flow statement

SEK M	FY 2001	2002		
		Q1	Q2	H1
Profit after financial items (EBT)	5 606	1 261	1 457	2 718
Cash flow from operations	5 093	1 289	1 898	3 167

Financial position

	June 30 2002	March 31 2002	Dec 31 2001
• EPS, SEK (last 12 months)	14.00	14.00	14.40
• Cash flow from operations, SEK M	3,187	1,289	5,093
• CAPEX	903	390	2,627
• Net debt, SEK M	11,689	10,545	9,964
• Net debt, ratio	0.5	0.4	0.4
• Equity/Assets	46	50	50
• ROCE,%	15.6	16.2	17.4
• ROE,%	15.2	14.8	15.5
• Share buyback, no. of shares '000	8,197	8,197	7,747

Short-term market outlook

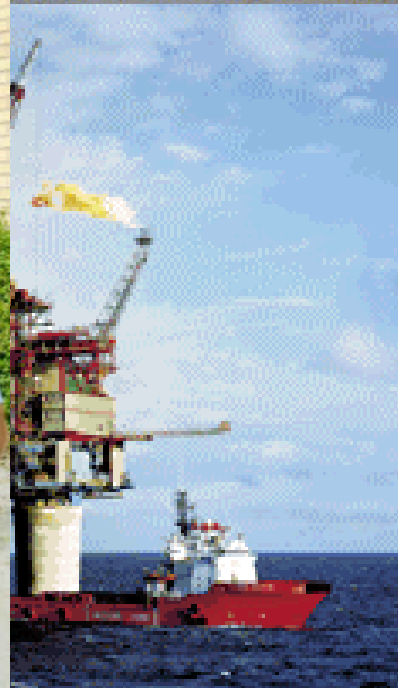
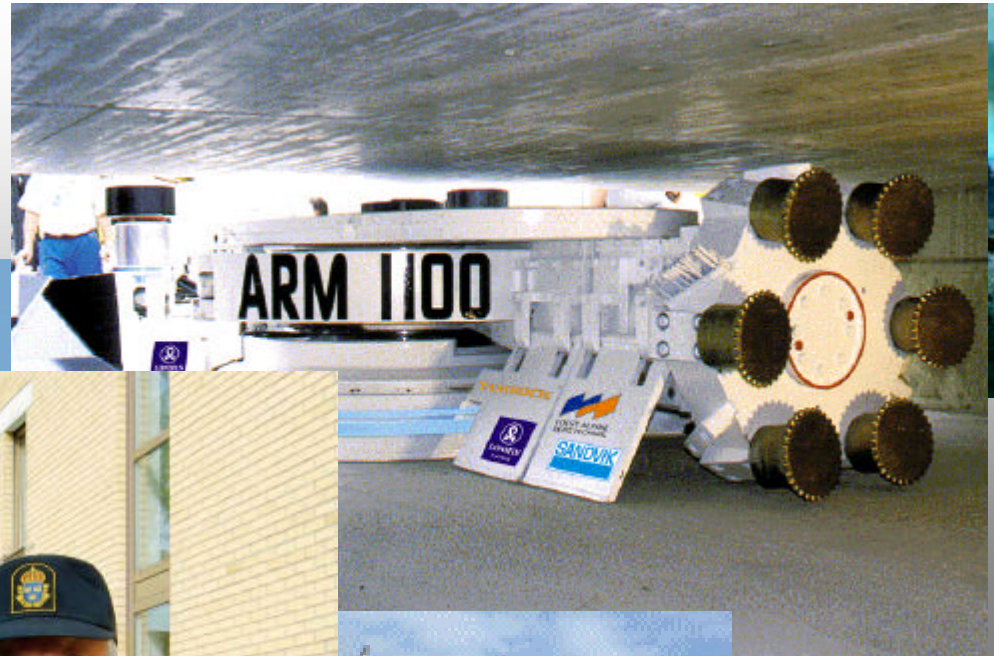
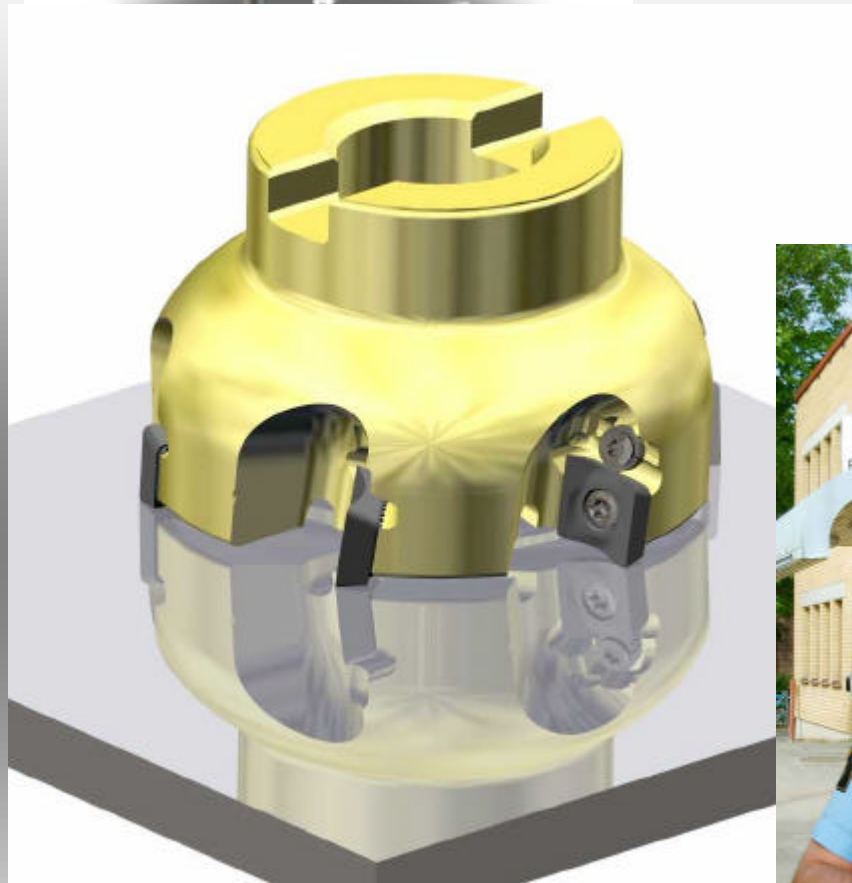
7 August 2002

The Outlook presented in the preceding interim report remains valid:

No significant change in the demand situation is expected for Sandvik in the near future. The process of change under way in the Group is proceeding as planned, which means that higher efficiency and cost savings successively affect profitability positively. The readiness is high to capitalize on a future increase in demand. Concurrently, Sandvik's market position is being strengthened through acquisitions.

Acquisition of Valenite Inc.

- **Leading US supplier of engineered metalcutting tooling solutions**
 - ✓ **Strong brand**
 - ✓ **Strong position in direct sales**
 - ✓ **Strong in Automotive**
 - ✓ **High degree of engineered products**
- **2001: sales \$200 M, EBIT \$3 M**
- **1,300 employees**
- **Purchase price \$175 M, debt free, goodwill about \$100 M**
- **Improved margin through ongoing efficiency program and cooperation with Sandvik Tooling**
- **Dilutive in the first 12 months**





www.sandvik.com

Cautionary Statement

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially effected by other factors like for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”