



Meet
Sandvik 3/02

With interim report
for second quarter 2002



Scalpel, please

Sandvik Bioline is a cutting-edge concept in medical technology. All material delivered to the Group's customers within this industry bears this brand name. Sandvik Steel, for example, manufactures the stainless steel strip that is used for surgical scalpels. This is an application that requires extreme sharpness. While Southeast Asia is by far the most important market for this product, there are also customers operating in other markets. They all have one thing in common: a sharp appreciation of Sandvik's high-quality material.

Awarded by Microsoft

Sandvik Coromant wanted to secure data distribution within the company and create a global contact channel on the web to its partners. The major challenge was to intermix new and old systems despite their being developed in different programming languages over several years. Problematic? Yes, but Sandvik makes it possible! The task was completed by creating an in-house solution based on a platform from Microsoft. This drew the

attention of the American computer giant and Sandvik Coromant received an award

for its creativity and successful coordination. Via the web, the customers now have access to a system fully adapted to the local market. They can immediately access information about previous orders and current prices and then search for desired products. "The computer in the service of man" is a good summary of the project.

Acquisition of Valenite strengthens Sandvik's position in US

Sandvik reached an agreement in June with Milacron Inc. in the United States to acquire Valenite, the latter's American tool company. Valenite is a leading supplier of advanced metalcutting tooling solutions to customers located mainly in North America. The company, with approximately 1,300 employees, has its head office in Madison Heights, near Detroit, Michigan, and production units in South Carolina, Michigan and Texas. Sales in 2001, a year that was severely affected by the recession, amounted to around SEK 2 billion, with operating profit of SEK 30 M. Valenite will be included as a separate sector in the Sandvik Tooling business area. "Valenite will strengthen

Sandvik's position in the American market," says Lars Pettersson, Sandvik's President and CEO.

"Valenite is a well-known brand that complements Sandvik Tooling's products, especially those for customers in the automotive industry."



Cover picture:

Anja van Geijtenbeek, Dormer Tools, The Netherlands



Anja van Geijtenbeek, age 31, is Finance Manager of the Sandvik CTT company Dormer Tools B.V., in Veenendaal, near Utrecht in the Netherlands. Despite her young age, she is something of a veteran at the company; she began as a secretary nearly thirteen years ago. Gradually, she assumed an increasing amount of responsibility for finance, IT and systems issues. She has held her current position at the sales company, which is responsible for the entire Benelux area – Belgium, the Netherlands and Luxembourg, since 1999. Anja handles reporting to Sandvik CTT, salaries, personnel issues, purchasing and a certain amount of systems maintenance. "There are so many opportunities to grow in the company. I really feel that I have been given a challenge, as well as trust. I am glad I took the opportunity," says Anja van Geijtenbeek.

Capital Markets Day

– with focus on opportunities

Sandvik's Capital Markets Day on 15 August in Sandviken attracted record interest among analysts, investors and journalists. More than 70 persons representing the international financial community and the Swedish media participated. All members of Group executive management were on hand to present Sandvik's business opportunities within various key areas.

SANDVIK SECURES ITS LEADING POSITION

CEO Lars Pettersson characterized Sandvik as innovative, global, expansive, productive and goal oriented. He stated that now as before the key is to grow organically and through acquisitions while concurrently prioritizing profitability. One of the cornerstones of sustained profitable growth is the focus on R&D and the development of new products that provide enhanced productivity for customers. After the strategic acquisitions of Walter and Valenite, the Group has an even stronger focus on tools for metalcutting – about half of sales is from this product area. Accordingly, the leading position on markets worldwide is strengthened. Internally, the focus is on improving productivity through the ongoing programs of change.

CORPORATE CULTURE AS A GROWTH FACTOR

Another point in the CEO's presentation was Sandvik's corporate culture, with such guiding principles as openness, profit-mindedness and goal-orientation. This Sandvik spirit in itself is a

Kenneth Toll (left) of Deutsche Bank and Arne C Karlsson from Alecta chat with CEO Lars Pettersson (right) during a coffee break.

strong growth factor for the future. Lars Pettersson emphasized Sandvik's long-term approach and illustrated this by showing the trend of sales and earnings during the past 20 years. Expansion has been substantial, particularly during the past decade. Executive Vice President Peter Larson supplemented the presentation with the current financial goals. He pointed out that Sandvik's ambition is to improve capital efficiency and that the Group is striving to reduce working capital from 35% of sales to 25% during the next three years.

The extensive program included presentations by the Sandvik Tooling, Sandvik Specialty Steels and Sandvik Mining and Construction business areas – the latter with an emphasis on the new sector Sandvik Rock Processing. Sandvik's IT strategy and aggressive investment in human resources were the other topics for the day – a day focused on Sandvik's opportunities.



Anders Fagerlund, UBS Warburg, was one of the many analysts who had questions for Group management.



Every seat in the auditorium was taken at Sandvik's Capital Markets Day.





Strong tailwind

The energy sector is an important customer group for Sandvik. The Group is a supplier to the oil and gas industry, the hydroelectric and nuclear power industries, the wind-power industry etc. The Belgian company Hansen Transmission is a good example. The company holds a world-leading position in equipment for wind turbines. The products are renowned for their low weight, quiet operation and reliability. Sandvik Coromant supplies the cemented-carbide tools used in the production of the equipment. Since wind turbines are among the most difficult environments imaginable for this type of equipment, Sandvik's reputation is also enhanced. Substantial energy is devoted to developing customized solutions that optimize the customer's productivity, no matter which way the wind blows.

Good vibrations

When blasting operations are carried out in close proximity to buildings, power lines or other important installations, it is essential that the work be performed with the greatest possible care. To ensure that this is so, the blasting holes must be drilled with maximum precision. Sandvik Tamrock's recently developed T35 tool system enables optimal hole straightness and drilling precision to be achieved without any additional equipment. For the customer, this means improved blasting results and reduced costs for explosives. These efficient tools are in use in many parts of the world with excellent results – for example in an extensive construction project north of Stockholm that involves constructing a number of office buildings adjacent to premises occupied by companies in the computer and telecom sectors that use equipment which is highly sensitive to vibrations. The work has proceeded according to plan – entirely without problems. From the customer's viewpoint, the only vibrations are good ones!



New on the western front

The advanced material that Sandvik Steel once launched for eye surgery, Sandvik Nanoflex™, has proved a major success in other areas – now including use for protection in bulletproof vests! These comprise a textile fiber in multiple layers reinforced with a protective plate produced from the Sandvik material. This is less expensive than previous alternatives and can be produced much thinner, making the vest lighter to wear. The Sandvik material combines strength with toughness – two properties that are normally incompatible. The vests are now being used by the Swedish police and it should be a direct hit on other markets as well.



Exceptionally strong profile

Profiles rolled from stainless steel wire rod are one of Sandvik Steel's many interesting niche products. The profiles are used in several different applications, such as bracelets for quality wristwatches. Watch manufacturers want a steel with maximum strength in order to obtain high durability. And not only that. The material also needs to be extremely pure to ensure the best possible corrosion resistance. The fact that the steel can then be polished to the finest luster also helps. It simply reflects the fact that the highest quality pays for itself in the long run.



Effective materials-handling systems

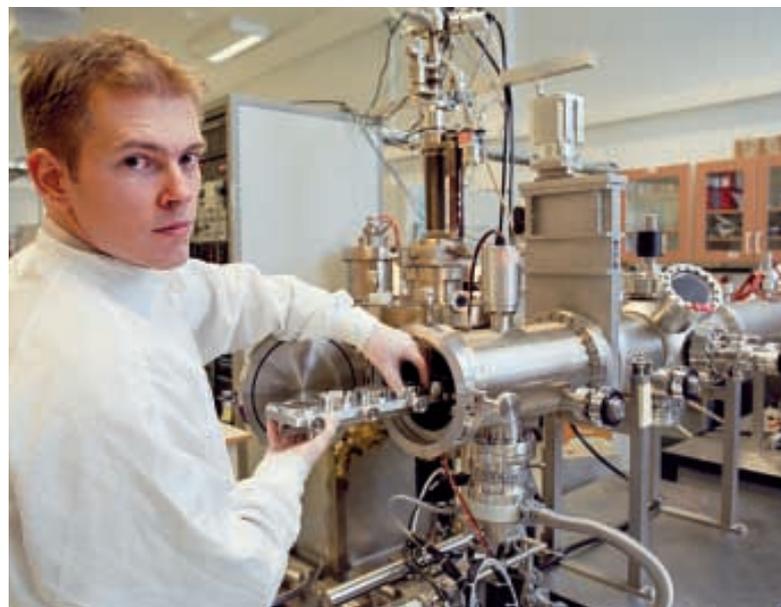
The leading technology and service company Sandvik Materials Handling knows how to handle materials in ports, terminals, power stations and mines as efficiently as possible. The company has recently secured several major orders for materials-handling systems – specifically, customized high-capacity plants for applications that include power plants in Taiwan and Germany, port facilities in Australia and India and mines in China. The total value of the orders amounts to about SEK 400 M. Effective conveying is always of major value to customers.

Programs of change continue

The programs of change under way at Sandvik to enhance the Group's efficiency and profitability is continuing. Several major actions were announced during the second quarter: a planned discontinuation of wire production at Sandvik Steel's subsidiary Gusab Stainless AB in Mjölby, Sweden, and termination of Sandvik Hard Materials' production of seal rings in Espergaerde, Denmark. In both cases, production will be transferred to other Sandvik units. Another change is being made within the Sandvik Tooling business area – the closure of the American high-speed steel drill company Precision Twist Drill's factory in Rhinelander, Wisconsin. Production is being transferred to the unit in Crystal Lake, near Chicago, Illinois. Consolidation of the number of production units is part of the ongoing programs of change.

New material awarded prize

The Sandvik Coromant Materials Grant has been awarded this year to Timo Seppänen, a doctoral candidate in the Thin-Film Physics Division at Linköping University, for development of a new type of titanium silicon carbide. If, by using a coating of this material, the average temperature in jet and combustion engines could be raised by a single degree, an estimated one billion dollars could be saved annually and substantial environmental gains could be made. Comparable savings could be achieved if the gold layer in gold-coated electrical components could be replaced with titanium silicon carbide. What potential! The recognition of this thin-film process by the jury of Sandvik, a materials-technology company, is therefore entirely proper.



Breakthrough in the Alps

Sandvik Tamrock has achieved further market successes. The company has received an order for its Axera drill rigs and Toro loaders for use in the construction of a new rail link through the famous, nearly 60-kilometer-long Saint Gotthard Tunnel in Switzerland. The order is worth a total of approximately SEK 150 M, one third of which relates to service and tool contracts. Deliveries are scheduled for this year and next year. The work will be carried out in the strategic Sedrun section of the tunnel, about six kilometers long, where two parallel tunnels with numerous cross-links are to be constructed to facilitate track changes. The working conditions are highly exacting – involving operations at a depth of 800 meters, often in unstable rock conditions. Another challenge demanding Sandvik’s cutting-edge expertise.



Cold facts about cooling

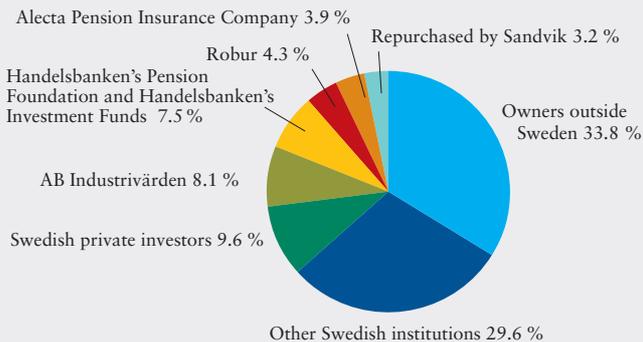
Various types of effective cooling plants are required for transporting food. Freons, which are now banned, are being replaced in such equipment by other coolants. This is a development that is good for the environment – and for Sandvik. The new cooling liquids are generally based on ammonia, and this imposes even stricter requirements on the seals in the equipment. In the event of a coolant leak, the cooling plant ceases to function and the food is spoiled. We have a hot tip: Sandvik Hard Materials has the solution in its cemented carbide

developed specifically for this type of seal, which ensures more reliable and precise operation of cooling plants. We enjoy the benefits of this technology every day, perhaps without even being aware of it.



Who owns Sandvik?

The largest owners of Sandvik, as of 30 June 2002:



Adhesive bandages

Sandvik Hard Materials’ cemented-carbide rotary cutters are a major market success. The knives are used in producing diapers as well as in a number of other areas, such as cutting of adhesive strips for plasters. The cemented-carbide knives operate at considerably higher speeds and have a much longer lifetime than conventional steel knives. There is also substantially less waste during the production process and fewer stoppages for service and maintenance. In other words, less time lost patching up the line. This is highly appreciated by the producers of adhesive bandages. A cutting-edge product from Sandvik that will certainly stick around.



Geared for driving pleasure

To be the best, you need modern technology. This is an axiom that applies throughout the world. And in the automotive industry it applies to all production equipment – from heavy machines to tools and tooling systems for metalworking. In Seville, Spain, Sandvik Coromant is supplying the Capto series of holding tools to the passenger-car gearbox plant of Renault, the French automotive group. The objective is to make the plant the leading one of its type in Europe. Consequently, only the best is good enough. Sandvik's advanced modular tool systems are one of the reasons why the plant has been able to substantially improve the efficiency of its operations. The feeding of new steel blanks into the machines and the dimensional checking of each component are fully automated. As always, the improved profitability is the direct result of the close gearing between supplier and customer.

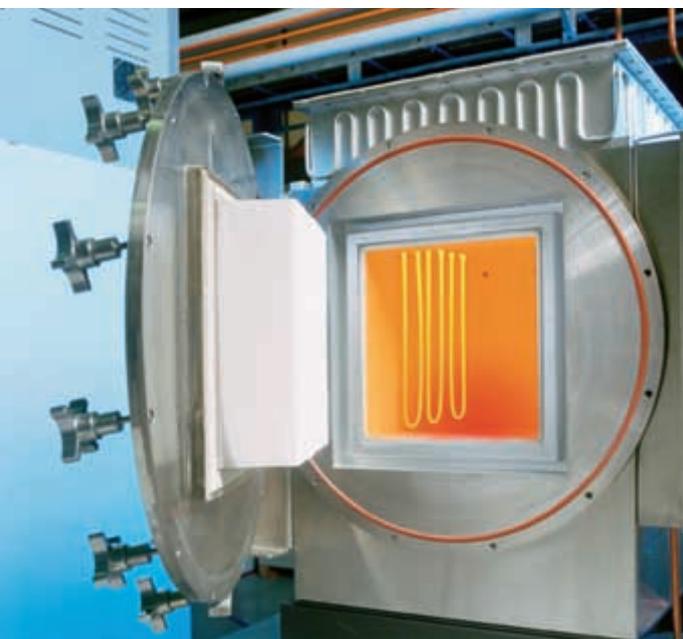
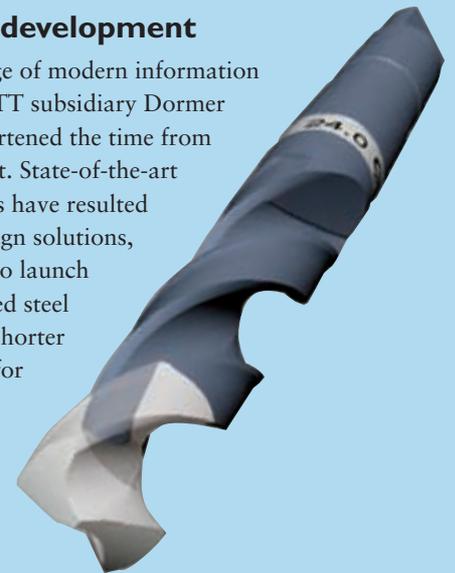


Sandvik hits hard for recycling

Rammer is a well-known brand within Sandvik Mining and Construction. The name is synonymous with high-quality hydraulic hammers for material processing and demolition. One of the most recent products is the E63 hammer, weighing more than one ton. It is now undergoing successful trials at a large recycling facility in Copenhagen, Denmark. The hammer is being used to break away the steel from concrete beams for recycling. A unique feature of the hammer is that it can be attached to a wide range of carriers. As a result, it is well equipped for a smashing success worldwide – for example, to improve the environment.

Virtual product development

By taking full advantage of modern information technology, Sandvik CTT subsidiary Dormer Tools has radically shortened the time from idea to finished product. State-of-the-art simulations and models have resulted in several patented design solutions, and it is now possible to launch more drills in high-speed steel at lower cost and in a shorter time. An efficient tool for increasing productivity and competitiveness.



A really hot innovation

Among other products, Sandvik's Kanthal subsidiary produces heating elements and complete heating systems for industrial applications. These products are in hot demand on the market. The launch is now under way of a new series of electrical heating elements, incorporating a new material able to withstand temperatures up to 1,600°C for use in nitrogen and hydrogen atmospheres. Customers in primarily the steel and electronics industries need the new products to be able to attain the high temperatures required in modern industrial processes. The growth potential for the product area is high and Kanthal is going at full steam to achieve it. What a difference a few degrees can make!

Interim Report

second quarter 2002*

- Profit after financial items: SEK 1,457 M in the quarter, 12% of invoicing.
- Invoicing: SEK 12,510 M, up 1%.
- Strong cash flow from operations: SEK 1,898 M.
- Valenite acquired.

SHORT-TERM MARKET OUTLOOK

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.

SECOND QUARTER 2002

Order intake in the second quarter amounted to SEK 12,870 M (12,980), a decline of 1% in total compared with the year-earlier period, and 9% at fixed exchange rates for comparable units. Changes in currency rates affected order intake negatively by 2%. All business areas reported lower order intake compared with the corresponding quarter in the preceding year.

Compared with the first quarter of 2002, order intake declined by 2% at fixed exchange rates for comparable units. Demand fell within the EU for all business areas. In NAFTA, order intake declined, although the development varied among the business areas. The trend was continued positive in Asia/

Australia and Rest of Europe. Order intake in the Sandvik Tooling business area rose somewhat compared with the first quarter and it was unchanged for Sandvik Mining and Construction. Sandvik Specialty Steels posted a decline in order intake, mainly within the EU and South America.

The activity in the general engineering industry remained weak in the EU but stabilized in NAFTA. Demand in the commercial aerospace industry declined further. Order intake from the electronics industry planed out at a relatively low level. Demand from the mining industry remained favorable, but with lower activity within coal mining. The market for products to the construction and offshore industries was favorable.

Invoicing in the second quarter amounted to SEK 12,510 M (12,440), an increase of 1% in total but a decline of 7% at fixed exchange rates for comparable units. Lower currency rates affected invoicing negatively by 2% in the quarter. Invoicing was unchanged for Sandvik Mining and Construction, while it declined for Sandvik Tooling and Sandvik Specialty Steels compared with the corresponding quarter a year earlier. Invoicing declined in all market areas except Africa/Middle East and in China. Compared with the first quarter 2002, invoicing increased by 3%

at fixed exchange rates for comparable units.

Major acquisitions, Sandvik Rock Processing and Walter, increased order intake and invoicing by 10% compared with the preceding year.

EARNINGS, CASH FLOW AND RETURN

Operating profit in the second quarter amounted to SEK 1,614 M (1,760), 13% of invoicing. This was a decline of 8% compared with the preceding year. Changes in currency rates had a positive effect of SEK 60 M. The new accounting principle for capitalizing certain development costs affected earnings positively by about SEK 40 M.

Operating profit rose by 14% compared with the preceding quarter and all business areas developed positively. Sandvik Mining and Construction's earnings were the highest since the business area was formed.

Net financial expense was SEK 157 M (expense: 125). The increase was due to a higher level of debt. Profit after net financial items declined by 11% compared with a year earlier to SEK 1,457 M, 12% of invoicing. Nevertheless, this was an increase of 16% compared with the first quarter. The tax rate during the quarter was 30% after a tax liability of SEK 120 M expired. Net profit amounted to SEK 970 M (982). Earnings per share were SEK 3.90 (3.80) in the quarter and SEK 14.00 in the most recent 12 months (SEK 14.40 for full-year 2001).

Cash flow from operations amounted to SEK 1,898 M, an increase of SEK 609 M compared with the preceding quarter. Working capital declined, which was attributable mainly to lower operating receivables, while inventory volumes were largely unchanged. Investments in fixed assets amounted to SEK 513 M and acquisitions to SEK 11 M in the quarter.

Interest-bearing liabilities and provisions less liquid funds resulted in a net debt of SEK 11,689 M (SEK 10,545 M at 31 March 2002). Liquid funds amounted to SEK 2,113 M (2,018) and loans to SEK 11,670 M (10,440).

The return on capital employed during the most recent 12 months amounted to 15.6% (17.4% for full-year 2001) and the return on equity was 15.2% (15.5). The number of shares outstanding was 250,509,150. Equity per share amounted to SEK 87.00 (95.50) and the equity/assets ratio was 46% (50). Net debt/equity ratio was 0.5 (0.4).

The number of employees amounted to 36,127 (34,848) at the end of the period. For comparable units, the number of employees declined by 320 during the quarter.

KEY FIGURES

SEK M	Q2 2002	Q2 2001	Change %	Q1-2 2002	Q1-2 2001	Change %
Order intake	12 870	12 980	-1 ¹⁾	25 700	25 550	+1 ¹⁾
Invoiced sales	12 510	12 440	+1 ²⁾	24 310	24 490	-1 ²⁾
Operating profit	1 614	1 760	-8	3 035	3 400	-11
%	13	14		12	14	
Profit after financial items	1 457	1 635	-11	2 718	3 160	-14
%	12	13		11	13	
Net profit	970	982	-1	1 738	1 883	-8
%	8	8		7	8	
Earnings per share ³⁾ , SEK				14.00	13.50	
Return on capital employed ³⁾ , %				15.6	18.7	

1) -9% and -7% at fixed exchange rates for comparable units.

2) -7% and -9% at fixed exchange rates for comparable units.

3) Rolling 12 months.

* The complete report is available at www.sandvik.com

BUSINESS AREAS

Sandvik Tooling's order intake amounted to SEK 4,608 M (4,253), a 5% decline compared with a year earlier at fixed exchange rates for comparable units.

Compared with the first quarter 2002, order intake increased by 1%. The trend remained weak for tools in high-speed steel and for cemented-carbide blanks, but the demand for cemented-carbide tools was stable. Activity remained favorable in Rest of Europe and in Asia/Australia. Order intake in NAFTA stabilized. Demand in the EU, however, continued to decline.

Invoicing amounted to SEK 4,537 M (4,296), which was a decline compared with the preceding year of 7% at fixed exchange rates for comparable units. Compared with the first quarter of 2002, invoicing rose by 2%.

Operating profit in the quarter declined compared with a year earlier by 15% and amounted to SEK 757 M (892), or 17% of invoicing. The decrease in earnings was attributable to lower sales and production volumes. The ongoing restructuring program began to show positive effects and, consequently, operating profit rose 8% from the preceding quarter.

The restructuring program announced in November 2001 is proceeding as planned. A concentration of the number of production and logistics units is expected to result in a reduction in the number of employees by about 1,000 persons. The goal is to achieve an annual earnings improvement of slightly more than SEK 500 M from the end of 2002. Consolidation of production units is under way in UK, France, Germany and the US, among other areas. During the quarter, the number of employees was reduced by 360 for comparable units and in total the reduction amounts to about 970 persons since the program was initiated.

Walter was included during the second quarter at the amount of SEK 612 M in order intake and SEK 613 M in sales. The net positive effect on Sandvik Tooling's operating profit was SEK 35 M.

INVOICED SALES BY MARKET AREA, SEK M

	Q2	Q1-2	Change		Q2	Q1-2	Full-year
	2002	2002	%	% ¹⁾	2001	2001	2001
EU	5 140	9 973	-2	-11	5 047	10 184	19 698
Rest of Europe	1 008	1 850	+6	-5	899	1 752	3 566
Europe total	6 148	11 823	-1	-10	5 946	11 936	23 264
NAFTA	2 787	5 586	-6	-13	2 969	5 929	11 543
South America	561	1 088	+11	-13	526	977	2 013
Africa/Middle East	657	1 267	+3	+9	616	1 227	2 511
Asia/Australia	2 357	4 546	+3	-3	2 383	4 421	9 569
Group total	12 510	24 310	-1	-9	12 440	24 490	48 900

ORDER INTAKE BY BUSINESS AREA, SEK M

Sandvik Tooling	4 608	8 882	+2	-9	4 253	8 678	16 355
Sandvik Mining and Construction	3 832	7 768	+10	-4	3 923	7 094	13 407
Sandvik Specialty Steels	3 357	6 919	-8	-9	3 696	7 538	13 843
Seco Tools ²⁾	1 066	2 117	-5	-8	1 099	2 224	4 269
Group activities	7	14	/	/	9	16	26
Group total	12 870	25 700	+1	-7	12 980	25 550	47 900

INVOICED SALES BY BUSINESS AREA, SEK M

Sandvik Tooling	4 537	8 644	+1	-10	4 296	8 554	16 561
Sandvik Mining and Construction	3 653	7 117	+14	-2	3 270	6 254	13 501
Sandvik Specialty Steels	3 244	6 444	-14	-15	3 763	7 453	14 528
Seco Tools ²⁾	1 059	2 086	-5	-8	1 092	2 195	4 259
Group activities	17	19	/	/	19	34	51
Group total	12 510	24 310	-1	-9	12 440	24 490	48 900

- 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 report.

An agreement was reached in June with Milacron Inc. in the US covering the acquisition of the North American tool company Valenite. Approval was received from the anti-trust authorities in the US and Germany in July. When the acquisition is completed, Valenite will be included as a sector within the Sandvik Tooling business area, with retained identity.

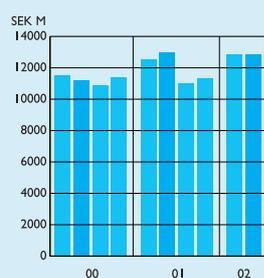
Sandvik Mining and Construction's order intake amounted to SEK 3,832 M (3,923), which was a decline of 12% at fixed exchange rates for comparable units. The trend was positive taking into account that the second

quarter in 2001 included a project order of SEK 430 M in Asia.

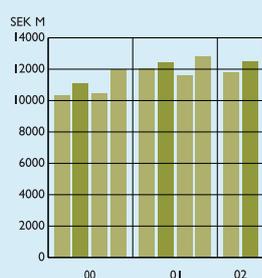
Compared with the first quarter 2002, order intake was unchanged. Demand from the mining industry for base and precious metals in Africa and Australia was favorable, while activity in the coal area, particularly NAFTA, continued to decline. In the civil engineering industry, activity was low in Europe, stable within NAFTA and favorable in Asia/Australia.

Invoicing was unchanged at fixed exchange rates for comparable units compared with the second quarter of 2001 and amounted to SEK

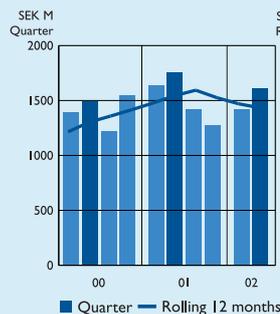
ORDER INTAKE
BY QUARTER



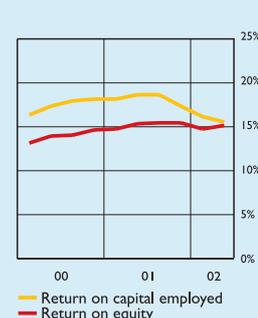
INVOICED SALES
BY QUARTER



OPERATING PROFIT*



RETURN*,
Rolling 12-months



* excl. items affecting comparability 1999 and 2000

SANDVIK TOOLING

SEK M	Q2 2002	Q2 2001	Change %	Q1-2 2002	Q1-2 2001	Change %
Order intake	4 608	4 253	-5*	8 882	8 678	-9*
Invoiced sales	4 537	4 296	-7*	8 644	8 554	-10*
Operating profit	757	892	-15	1 458	1 770	-18
%	17	21		17	21	

SANDVIK MINING AND CONSTRUCTION

Order intake	3 832	3 923	-12*	7 768	7 094	-4*
Invoiced sales	3 653	3 270	0*	7 117	6 254	-2*
Operating profit	398	351	13	753	666	13
%	11	11		11	11	

SANDVIK SPECIALTY STEELS

Order intake	3 357	3 696	-8*	6 919	7 538	-9*
Invoiced sales	3 244	3 763	-12*	6 444	7 453	-15*
Operating profit	332	341	-3	610	658	-7
%	10	9		9	9	

* at fixed exchange rates for comparable units.

OPERATING PROFIT BY BUSINESS AREA, SEK M

	Q2 2002	Q1-2 2002	Q2 2001	Q1-2 2001	Full-year 2001
Sandvik Tooling	757	1 458	892	1 770	2 964 ¹⁾
Sandvik Mining and Construction	398	753	351	666	1 348
Sandvik Specialty Steels	332	610	341	658	1 281
Seco Tools ²⁾	187	358	220	460	787
Group activities	-60	-144	-44	-154	-277
Group total	1 614	3 035	1 760	3 400	6 103 ¹⁾

OPERATING PROFIT BY BUSINESS AREA, % OF INVOICING

Sandvik Tooling	17	17	21	21	18
Sandvik Mining and Construction	11	11	11	11	10
Sandvik Specialty Steels	10	9	9	9	9
Seco Tools ²⁾	18	17	20	21	18
Group total	13	12	14	14	12

1) Inclusive SEK+340 M items affecting comparability.

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

ORDER INTAKE – DEVELOPMENT BY MARKET AREA

	Q2 2002 SEK M	Share %	Change %* Q2 2001
EU	5 168	40	-8
Rest of Europe	1 009	8	-4
Europe total	6 177	48	-7
NAFTA	2 763	21	-7
South America	553	5	-19
Africa/Middle East	652	5	-12
Asia/Australia	2 725	21	-6
Total	12 870	100	-9

* at fixed exchange rates for comparable units.

3,653 M (3,270). In comparison with the first quarter of 2002, invoicing rose by 8%.

Operating profit amounted to SEK 398 M (351), or 11% of invoicing, an increase of 13% compared with the preceding year and 12% compared with the first quarter of 2002. The positive earnings trend was due to increased volume, continued reduction of costs and successful integration.

Sandvik Specialty Steels' order intake amounted to SEK 3,357 M (3,696), a decline

of 8% compared with a year earlier at fixed exchange rates for comparable units. Compared with the first quarter of 2002, order intake declined by about 5%. Demand in the EU weakened and demand in South America remained low. Order intake in NAFTA stabilized and the increase continued in Asia/Australia. As previously, demand was favorable for products to the offshore and energy industry and a certain increased activity was noted within the electronics industry. In

contrast, activity in the consumer-related customer segment and the general engineering industry was weaker.

Invoicing amounted to SEK 3,244 M (3,763), a decline of 12% at fixed exchange rates for comparable units. Compared with the first quarter of 2002, invoicing rose by 2%.

Operating profit amounted to SEK 332 M (341), or 10% of invoiced sales. The decline compared with a year earlier was attributable primarily to lower volumes. However, the trend is positive and earnings increased by 19% compared with the first quarter as a result of a better product mix and lower costs.

FIRST SIX MONTHS OF 2002

Order intake during the first six months amounted to SEK 25,700 M (25,550), which was a total increase of 1%, but down 7% at fixed exchange rates for comparable units. Invoiced sales amounted to SEK 24,310 M (24,490), a total decrease of 1% and 9% at fixed exchange rates for comparable units. Acquisitions contributed positively by 8%.

Operating profit for the January-June period amounted to SEK 3,035 M (3,400), which was a decline of 11%. The operating margin amounted to 12% of invoicing. Changes in currency rates affected invoicing favorably by about SEK 210 M. The new accounting principle for capitalizing certain development costs affected earnings positively by about SEK 90 M.

Net financial expense was SEK 317 M (expense 240) and profit after net financial items was SEK 2,718 M (3,160), down 14%. The tax rate was 32% and net profit amounted to SEK 1,738 M (1,883).

Cash flow from operations was SEK 3,187 M (1,695). Investments in fixed assets amounted to SEK 903 M (1,184) and company acquisitions to SEK 822 M. After investments, acquisitions and divestments, the cash flow was SEK 1,725 M (534).

The number of employees amounted to 36,127 (34,848 at 31 December 2001), which was a decline of about 770 persons for comparable units from the beginning of the year.

PARENT COMPANY

Parent Company invoicing was SEK 6,445 M (6,530), operating profit SEK 1,023 M (986) and net debt SEK 401 M (-1,086 at 31 December 2001). Parent Company investments in fixed assets amounted to SEK 171 M (255).

ACCOUNTING PRINCIPLES

This report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim Reports. As of 2002, an additional number of recommendations from the Swedish Financial Accounting Standards Council became effective, of which only RR15 Intangible Assets has had any effect on earnings for the year.

BUY-BACK OF SHARES

At 30 June 2002, Sandvik's holding of own

shares (treasury stock) totaled 8,197,000 corresponding to 3.2% of the total number of shares (258,706,150) and the amount paid was SEK 1,784 M. In accordance with the decision at the Annual General Meeting in May 2002, Sandvik is authorized to repurchase 10% 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 2002

- At the end of April, a consolidation of operations in Precision Twist Drill in the US was announced. One of the major actions is that production in Rhineland, Wisconsin, is being transferred to Crystal Lake, Illinois, which will result in a reduction of about 250 employees.
- In May, Sandvik Steel initiated negotiations with the trade unions regarding the closure of production of stainless steel spring wire at the Gusab Stainless AB subsidiary in Mjölby, Sweden, which has about 110 employees. The closing is expected to be completed during 2003 and is part of the previously announced program of change intended to increase efficiency and align production capacity within Sandvik Specialty Steels.
- Sandvik Hard Materials announced a decision in May to close production of cemented-carbide seal rings and wear parts in Espergaerde, Denmark, and for the most part transfer production to the unit in Barcelona, Spain. The action affects slightly more than 100 employees and is expected to be completed within the next 12 months. The closure is part of Sandvik Tooling's ongoing program of change.
- An agreement was reached in June with Milacron Inc., in the US, covering the acquisition of the North American tool company Valenite. The company, with approximately 1,300 employees, has its head office in Madison Heights, Michigan, US, and production units in South Carolina, Michigan and Texas. Sales in 2001 amounted to about SEK 2 billion. The purchase price was SEK 1,750 M and goodwill is estimated preliminarily to about SEK 1,000 M. Approval was received from the anti-trust authorities in the US and Germany in July. The acquisition will be completed during the third quarter of 2002.

Sandviken, 7 August 2002
Sandvik AB; (publ)

Lars Pettersson
President and CEO

CONSOLIDATED FINANCIAL INFORMATION, SEK M

	Q2 2002	Q2 2001	Q1-2 2002	Q1-2 2001
INCOME STATEMENT				
Invoiced sales	12 510	12 440	24 310	24 490
Cost of goods sold	-8 451	-8 552	-16 505	-16 492
Gross profit	4 059	3 888	7 805	7 998
Selling and administrative expenses	-2 437	-2 254	-4 755	-4 585
Other operating income and expenses	-8	+126	-15	-13
Operating profit	1 614	1 760	3 035	3 400
Financial income and expenses, net	-157	-125	-317	-240
Profit after financial items	1 457	1 635	2 718	3 160
Income taxes	-436	-593	-882	-1 151
Minority interests	-51	-60	-98	-126
Net profit	970	982	1 738	1 883
Earnings per share before dilution, SEK	3.90	3.80	6.90	7.30
Earnings per share after full dilution, SEK	3.80	3.70	6.80	7.20
Earnings per share, recent 12 months, before dilution, SEK			14.00	13.50
CASH-FLOW STATEMENT				
Profit after financial items	+1 457	+1 635	+2 718	+3 160
Items not affecting cash flow	-31	-738	-77	-541
Reversal of depreciation	+675	+611	+1 310	+1 192
Taxes paid	-602	-421	-1 017	-955
Change in inventories	-51	+152	-101	-815
Change in operating receivables and liabilities	+450	-513	+354	-346
Cash flow from operations	+1 898	+726	+3 187	+1 695
Investments, acquisitions and divestments	-438	-573	-1 462	-1 161
Change in short-term loans	+1 486	+2 657	-56	+2 133
Change in long-term loans	-237	+77	+973	+6
Own shares acquired	-	-410	-124	-410
Dividends paid	-2 545	-2 554	-2 545	-2 554
Net cash flow	+164	-77	-27	-291
Liquid funds at beginning of period	2 018	1 946	2 258	2 097
Exchange-rate differences in liquid funds	-69	47	-118	110
Liquid funds at end of period	2 113	1 916	2 113	1 916
BALANCE SHEET				
Fixed assets			21 624	22 505
Inventories			12 985	12 953
Current receivables			12 728	11 833
Liquid assets			2 113	2 258
Total assets			49 450	49 549
Shareholders' equity			21 806	23 972
Minority interests			1 015	967
Interest-bearing provisions and liabilities			13 802	12 222
Non-interest-bearing provisions and liabilities			12 827	12 388
Total provisions, liabilities and shareholders' equity			49 450	49 549
KEY FIGURES				
No. of shares at end of period ('000)	250 509	256 380	251 025	251 025
Earnings per share, SEK*	14.00	13.50	14.40	14.40
After full dilution**	13.90	13.30	14.30	14.30
Return on capital employed, %	15.6	18.7	17.4	17.4
Return on shareholders' equity, %	15.2	15.4	15.5	15.5
Net debt/equity ratio	0.5	0.4	0.4	0.4

* Most recent 12 months divided by average number of outstanding shares, 252,238,000.

** Most recent 12 months. After full dilution of outstanding convertible and warrants programs the average number of shares amounts to 257,159,000.

The interim report for the second quarter of 2002 has not been audited by the Company's auditors. The interim report for the third quarter will be published on 6 November 2002.

Did you know that Sandvik develops more than one new product every hour



Sandvik's **research and development** is like a conveyor belt that constantly delivers new, improved solutions to the benefit of our customers. New developments range from international innovations to further developments of existing products – for example: a new version of a metalworking tool; perhaps a new rig for the mining and construction industries; or a new advanced steel grade.

For us, R&D is not an end in itself, but rather an activity that consistently focuses on helping our customers **increase their productivity**. It's a clear way for us to create added customer value.

Of Sandvik's 37,000 employees, about **1,400 specialists** are involved in the Group's R&D. They are of widely differing nationalities, and highly qualified. Many of them hold doctoral degrees in engineer-

ing. Moreover, we cooperate extensively with universities, research institutions and companies with specialist expertise. So it is quite appropriate to refer to Sandvik as a **knowledge-based company** in the true sense of the term.

Despite the Sandvik Group's net sales – currently about SEK 52 billion – nearly doubling over the past decade, the level of investment in R&D and quality assurance has remained stable at **4%** of sales for several consecutive years. In actual figures, we now invest almost SEK 2 billion in R&D on an annual basis.

A reliable measurement of the result of our investment in R&D is the number of patents that the Sandvik Group currently owns – about **3,700** in total. The number has grown by 70% over a period of 10 years.

Now is the right time for Sandvik.



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