



Meet
Sandvik I/OI

With interim report
three months ended
31 March 2001

New member in Sandvik's Group Executive Management

Tom Erixon, 40, has been appointed manager of a newly established Group staff, Corporate Business Development and IT within Sandvik and will assume his new position on 1 August 2001. As of the same date, he will become a member of Group Executive Management.

Tom Erixon has a long career within the Boston Consulting Group (BCG), most recently as Managing Partner for BCG in Denmark and Practice Leader for the Industrial Goods Sector within the Nordic countries. He holds a Master of Laws degree from Lund University in Sweden and an MBA from the IESE Business School, Barcelona, Spain ●



New Productivity Center

The world's leading producer of cemented carbide, Sandvik Coromant, has inaugurated its new Productivity Center in Sandviken, Sweden. This is a demonstration and training facility, which presents the company's most impressive new products and aids for highly efficient metal cutting to customers from the entire world. The company thus takes yet another step forward in, as the name of the facility implies, offering customers even greater productivity. The Productivity Center is in a class of its own – World Class ●

Life-essential connection

Did you know that Kanthal plays a life-essential role for many people? And we are not referring to all those household appliances and domestic electronics devices that employ the company's resistance materials. This time, it is a matter of striking a beat for life itself. Kanthal's center for precision wire in Palm Coast, Florida in the US, supplies a special wire used in pacemakers. Wire that is permanently implanted in the human body must be extremely clean and able to withstand all forms of corrosion or other attacks. Kanthal's wire has these properties. It consists of a special alloy of nickel, cobalt, chromium and molybdenum and is melted three times in order to become absolutely pure. Sometimes life hangs by a thread – in this case, it is a comfort that it is not a weak one ●



Cover photo:

First female Vice President

In February, Heléne Gunnarson became the new Vice President Group Communications at Sandvik when the Investor Relations unit, which she previously managed, was integrated into the other information operations of the Group Staff Communications. Heléne, who is a 39-year old economics graduate with some 15 years at Sandvik, also became the first female senior executive in the parent company.

“I look forward to working with communications issues on an even broader front than previously. Information and communications have, for obvious reasons, a strong external connection, but I would also like to be involved with the development of the internal element of the job. Everything begins on the home front,” says Heléne ●

With an eye on the Sandvik share

In recent years interest in Sandvik on the part of the capital market – institutional fund managers and financial analysts in particular – has increased sharply outside Sweden. As one way of dealing with the growing attention the Group established its Investor Relations (IR) function in 1996 and made it responsible for coordinating the financial information that is released to the market. The objective is to offer existing and potential shareholders relevant information so that they can make a proper valuation of Sandvik's shares over the long term. This also promotes share liquidity and the possibility of an efficient external financing.

EXTERNAL INTERESTS INCREASINGLY IMPORTANT

The IR program covers activities ranging from daily contacts with analysts and fund managers to presentations of operating results and capital market days, so-called road shows, analyses and monitoring of Sandvik's business environment. Banks and such organizations as the Share Savers Association in Sweden naturally constitute important target groups.

"During a 12-month period we usually hold approximately 200 meetings and presentations for more than 1,000 persons throughout the world," says Heléne Gunnarson, Vice President Group Communications (see separate article).

"In the wake of increased globalization of the stock market, activities outside Sweden are becoming increasingly important and foreign ownership of Sandvik shares today has nearly doubled since 1996," Heléne says. "The introduction of a single class of shares will be a positive factor in the valuation of the company over the long term, since will acquire greater weight in various comparison indices and in that way will become more attractive in the global market."

Who in the financial market is analyzing Sandvik? In the investor segment, there are approximately 200 institutions in the United States and Canada, more than 100 in Great Britain, some 50 in Sweden and a number in such other European countries as Germany, France, the Netherlands and Switzerland, as well as in Japan, Australia and Singapore. "We have some 20 brokers in Sweden, the UK and the US that continually research, monitor and publish recommendations about the Sandvik share," relates Heléne.

A LONG-TERM APPROACH

Underlying all contacts with the financial market there is the contract with the Stockholm Exchange. This contract specifies that the company cannot release information selectively. As a result, the Company arranges capital market days, at which the media are always represented. There are many questions. The valuation factors that analysts and investors apply in valuing the share include sales growth, market shares, prices, productivity development, capacity utilization, investment plans, synergies, acquisitions and divestments. In addition, the quality of the Group management and the objectives and strategies for operations are significant. These factors are all compiled for an assessment of earnings and profitability. Higher sales growth and profitability than the average for its industry are decisive for the valuation of the Sandvik share long term. Short term, extensive knowledge about the company reduces fluctuations in the price trend, although Sandvik, naturally, is affected by the general stock market climate.

"Up to now Sandvik's IR program has focused on the large financial centers in Sweden, Great Britain and the US," Heléne notes. "We are now also increasing our work with fund managers and analysts in Continental Europe. We have some ten meetings annually with the Share Savers Association in Sweden. We have also started 'background' information programs for analysts. In this way we can offer a good basic introduction to the company and how we operate. This is good and at the same time an effective method to increase competence levels and is highly appreciated," concludes Heléne Gunnarson ●

Who owns Sandvik?

Sandvik is currently owned to an increasing extent by institutions outside Sweden. During the period 1996-2000 this percentage has doubled from 14% to 29%. Owners outside Sweden include equity funds, insurance companies and pension foundations in primarily the US and the UK. The ten largest shareholders are Swedish. The top-ten list as of 30 March 2001 is shown below:

	Share, %
Robur	9.0
AB Industrivärden	8.9
Alecta Pension Insurance Company (formerly SPP)	3.4
Handelsbanken's Pension Foundation	3.3
Handelsbanken's Investment Funds	2.8
SEB Investment Funds, incl. Trygg Hansa	2.5
Nordea Investment Funds	2.1
Skandia	1.8
AMF Pension	1.7
National Swedish Pension Insurance Fund, Fourth Fund Board	1.2





Cemented carbide on the march

Sandvik Hard Materials continues the extensive build-out of its cemented-carbide production in order to meet increasing global demand within several product areas. This takes the form of investments in the Mexico City plant, which manufactures micro-drill blanks for the electronics industry and rods for solid-carbide tools used in the automotive and aerospace industries in the NAFTA countries. Capacity was previously increased at the Coventry plant in the UK where corresponding products are manufactured for the global market. Both of these investments exemplify the Group's continuing focusing of its production towards market segments where growth is greater than the average within manufacturing industries ●



'Sweden's most admired company'

Sandvik was recently recognized as Sweden's most admired company by a jury comprising 176 senior executives in the Swedish business community. The survey was conducted by the Veckans Affärer business weekly. Those surveyed were asked to rank 75 Swedish company based on five criteria including company management, expertise and quality. These results were then weighted and compiled to a single ranking. Sandvik received the highest total and topped the list – ahead of another well-furnished company, IKEA ●

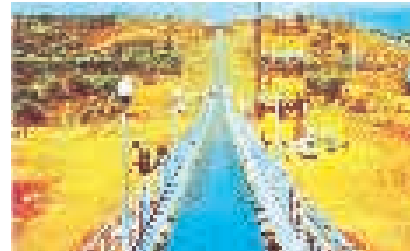
Sandvik measures up

In Sandviken, Sandvik Steel has one of Europe's largest R&D centers for specialty steel and special alloys, with more than 200 highly educated professionals in the field of material technology. This spring the facility was complemented with a new ultramodern corrosion laboratory. The new lab, which features highly advanced measuring equipment, makes it possible to carry out extremely detailed tests that in addition can be conducted at both higher and lower temperatures than previously. Sandvik's R&D is world class and the company measures up to the very best in its selected areas of expertise ●



Strategic acquisition

Sandvik Mining and Construction has adopted a strategy of growth within the tools, spare-parts and service sectors. The acquisition of Beltreco Limited in Australia at the end of last year fits this policy well. Australia is one of the world's largest markets for mining and Beltreco is the country's leading company in equipment, systems and components for materials handling within the mining industry. The company has its headquarters in Perth and its comprehensive service organization covers all mining operations in Australia. The total annual sales of the company correspond to SEK 450 M and it has 400 employees ●



Sandvik moves ahead with e-business

E-business solutions are gaining increasing importance for Sandvik's sales to distributors and end-customers. As a complement to other undertakings in this area, Sandvik is one of five part-owners in Endorsia.com International AB, an e-business site for industrial goods and services in Europe. Through



Endorsia, quality products are offered from the participating companies, simplifying purchasing and sales for all parties. Sandvik will market over the site its well-known cemented-carbide and high-speed steel brands: Sandvik Coromant, Dormer, Titex and Prototyp ●



Expansion in oil and gas

Sandvik Steel is a world leader in seamless, stainless, coiled tubing to the offshore industry. The tubes are delivered joint-welded in lengths up to 25 kilometers and are used in umbilicals. These are used for hydraulic remote control of oil exploration at great depths. Sales of these advanced tubes increased sharply during 2000. The largest order to date in this growing product area involved coiled tubing for a total value of more than SEK 100 M to an oil project in the Gulf of Mexico.

Another expansion in tube production is now under way at Sandvik Chomutov Precision Tubes in the Czech Republic to meet the rising demand. Umbilicals are used at depths of more than two kilometers and in lengths of more than 70 kilometers. They literally live up to one of Sandvik's customer principles, namely, in-depth relations ●



Thinner than thin

In March, Sandvik Steel inaugurated a new cold-rolling mill in Sandviken that can roll strip down to a thickness of 0.015 mm, that is, about four times thinner than the paper you are holding. As a result of this investment, the Group can meet an increasingly greater demand for thin strip used, for example, in catalytic converters for cars, razor-blade steel, battery chargers and electromagnetic wave protection in mobile telephones as well as heating elements in ceramic stove plates. These are areas in which Sandvik Steel has a world-leading position. Being able to produce increasingly thinner strip is necessary to develop even better properties in the end-products. At the same time, there are not many producers that can master the highly complicated process of rolling so thin. This creates conditions for continued successes for Sandvik on a broad front ●



The champion on long holes

Speaking in golf terms, one could say that the Group is taking a swing at long holes.

Sandvik Coromant's new long-hole drill with its inserts is an eagerly awaited innovation for customers in the automotive, shipbuilding and process industries. The drill will allow customers to drill holes up to 25 m long quickly and efficiently at half the price per drilled meter compared with conventional tools. Thanks to its unique patent-pending design with fixed cutting settings, the result is a straight hole

with an extremely fine interior surface quality, regardless of whether this is in regular steel, stainless steel, alloys or aluminum. Another hole-in-one from Sandvik ●



Hot markets

Among all Sandvik's market areas, Africa and the Middle East rose the sharpest during 2000. Excluding currency effects and company acquisitions, sales rose by not less than 31% compared with a year earlier. However, the increase was from a low level, 4% of total Group sales. The sales increases in Africa are attributable mainly to major deliveries of machinery, tools and service from Sandvik Mining and Construction to mines in South Africa, Zambia, Tanzania and Ghana ●

Sandvik's Annual General Meeting 2001

Sandvik AB's Annual General Meeting in Sandviken, Sweden, on 7 May approved the Board's proposal of a dividend of SEK 9.00 per share for fiscal year 2000. The Meeting approved 10 May 2001 as the record date, which means that the distribution of dividends from VPC is expected to occur on 15 May 2001.

The Meeting also resolved in accordance with the Board of Directors' proposal to authorize the Board during the period to the next Annual General Meeting to acquire shares in the company. The purchase shall be made on the Stockholm Exchange and is limited by the company's total holding of own shares may not at any time exceed 5 percent of the shares outstanding in the company.

The buyback is a step in an adjustment of the company's capital structure in accordance

with established financial objectives. A repurchase at prevailing market price would increase Sandvik's return on shareholders' equity and raise earnings per share.

At the statutory Board Meeting, the Board decided to utilize the authorization it received from the Annual General Meeting to acquire shares in the company.

In his address to the shareholders at the Meeting, Chief Executive Officer Clas Åke Hedström commented on the 2000 fiscal year, development in the first quarter of this year and the long-term development of the Group as a background to the new aggressive growth objectives that were announced in August 2000. The CEO also presented several examples of Sandvik as a knowledge-based company, with investments in leadership and skills



Sven Wirfelt from the Haglund Medal jury, left, talks with Clas Åke Hedström and Percy Barnevik.





development and an investment in an independent school with a technical orientation to facilitate future recruiting.

The following were elected members of the Board: Percy Barnevik, Georg Ehrnrooth, Per-Olof Eriksson, Clas Åke Hedström, Arne Mårtensson, Lars Nyberg, Clas Reuterskiöld and Mauritz Sahlin (all re-elected).

The auditors are: Authorized Public Accountants Lars Svantemark and Bernhard Öhrn. Deputy auditors: Authorized Public Accountants Peter Markborn and Åke Näsman. The employee representatives appointed to the Board are: Bo Boström (member),

Göran Lindstedt (member), Birgitta Karlsson (deputy) and Bo Westin (deputy).

Mats Waldenström, D. Eng., at Sandvik Coromant and Egmont Lammer, MSc. Eng. at VA-Eimco received the Wilhelm Haglund Medal for 2001 and were named with Jan Åkerman, MSc. Eng., VA-Eimco, as the product developers of the year within the Group. Waldenström was recognized for development of a new process for manufacturing cemented-carbide powder, while Lammer and Åkerman were cited for a new method of mechanical mining in harder rock ●

The Sandviken Symphony Orchestra, with soloist Anna Hanning, under the direction of István Nemeth, provided an appreciated concert of popular music before the Meeting.

Haglund Medal winners Mats Waldenström, Coromant, left, and Egmont Lammer, VA-Eimco, right, with Jan Åkerman VA-Eimco, who was named product developer of the year.



Interim report

three months ended 31 March 2001

- Strong earnings: SEK 1,525 M after net financial items, up 21%.
- Record invoicing: SEK 12,050 M, up 17%, 11% at fixed exchange rates for comparable units.
- Continued favorable order intake, SEK 12,570 M, up 9%, 3% at fixed exchange rates for comparable units.

MARKET OUTLOOK IN NEAR FUTURE

The uncertainty over the future business climate has increased successively. The decline within the NAFTA region has not had any noticeable impact on the demand for Sandvik products in the other market areas. However, there may be a weakening of demand over the near term in a number of customer segments that are important for Sandvik.

FIRST QUARTER 2001

Order intake in the first quarter amounted to SEK 12,570 M (11,500), which was an increase compared with a year earlier of 9% totally and of 3% at fixed exchange rates for comparable units. The rate rose 11% from the fourth quarter in the preceding year, and all three business areas reported higher order intake. The order intake was slightly more than SEK 500 M or 4% higher than invoicing in the first quarter.

Invoiced sales amounted to SEK 12,050 M (10,320), an increase of 17% totally and of 11% at fixed exchange rates for comparable units. Higher exchange rates affected invoicing favorably by 6%.

The increase in invoiced sales remained high, varying among the market areas, however. It remained strong in Europe, up 11%, which accounts for approximately 50% of

the Group's total invoicing, as well as in Africa/Middle East and Asia/Australia. In these areas, order intake also exceeded invoiced sales. In NAFTA invoiced sales were unchanged, but order intake was lower than in the first quarter the preceding year.

Demand from engineering industries continued to be strong, and the favorable trend for investment-related products for the oil and gas industry was strengthened. Consumer-related demand – from the automotive and electronics industries, for example – declined. Activity in the mining industry continued to be high, whereas it decreased in the construction industry.

EARNINGS

Operating profit in the first quarter rose to SEK 1,640 M (1,395 preceding year excluding items affecting comparability), 14% of invoiced sales. This is an increase of 18% compared with the year-earlier period. Accordingly, operating profit before items affecting comparability was the highest ever. Earnings were favorably affected by higher volumes of invoicing, favorable capacity utilization and higher productivity. Changes in currency exchange rates had a positive effect of approximately SEK 150 M on earnings. All three business areas improved earnings sharply, with Sandvik Tooling and

Sandvik Mining and Construction achieving record levels.

Net financial expense was SEK 115 M (expense: 135). Profit and net financial items rose 21% to SEK 1,525 M, 13% of invoiced sales. Tax amounted to 37% and net profit to SEK 901 M (1,038). Earnings per share were SEK 3.50 in the quarter (2.90) and SEK 12.80 (9.90) for the past 12 months excluding items affecting comparability.

Investments in property, plant and equipment totalled SEK 562 M and acquisitions SEK 65 M. Cash flow from operating activities amounted to SEK 969 M, an increase of SEK 258 M compared with the year-earlier period. The change was primarily attributable to the favorable trend in the underlying operating profit. Cash flow after investments was SEK 381 M.

The return on capital employed excluding items affecting comparability during the past 12 months amounted to 18.5% (18.2% for the entire 2000) and the return on equity amounted to 14.8% (14.7). Interest-bearing liabilities and provisions reduced by liquid funds produced a net debt of SEK 6,500 M (6,644 as per 31 December 2000). Liquid funds amounted to SEK 1,946 M (2,097) and loans decreased to SEK 5,356 M (5,927).

The number of shares was 258,696,000. Equity per share was SEK 95.90 (89.00), and the equity ratio was 55% (55). The net debt/equity ratio was 0.3 (0.3).

The number of employees was 34,819 at 31 March 2001, an increase of 237 for comparable units during the quarter. The increase is attributable to sales and service personnel at Sandvik Tooling and Sandvik Mining and Construction, while the number of employees at Sandvik Specialty Steels declined.

ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 Interim Financial Reporting. At 1 January 2001 an additional number of recommendations from the Swedish Financial Accounting Standards Council became effective. The application from this date of RR9 Income Taxes resulted in a change in accounting principles and the comparable figures for the year 2000 were adjusted accordingly. The application of other new recommendations has not had any material effect on Sandvik's reporting.

BUSINESS AREAS

Sandvik's operations are concentrated around its three core businesses: Sandvik Tooling,

KEY FIGURES

SEK M	Q1 2001	Q1 2000	Change %	Full-year 2000
Order intake	12 570	11 500	+9 ¹⁾	45 000
Invoiced sales	12 050	10 320	+17 ²⁾	43 750
Operating profit excl. items affecting comparability ³⁾	1 640	1 395	+18	5 667
%	14	14		13
Operating profit	1 640	1 695	-3	6 327
%	14	16		14
Profit after financial items excl. items affecting comparability ³⁾	1 525	1 260	+21	5 144
%	13	12		12
Profit after financial items	1 525	1 560	-2	5 804
%	13	15		13
Earnings per share ⁴⁾ , SEK	12.80	9.90	+29	12.20
Return on capital employed ⁴⁾ , %	18.5	16.3		18.2

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

2) +11% at fixed exchange rates for comparable units.

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

4) Most recent 12 months, excl. items affecting comparability.

Sandvik Mining and Construction, and Sandvik Specialty Steels, areas in which the technology content is considerable and the Group occupies leading global positions in its selected areas.

SANDVIK TOOLING's order intake in the first quarter amounted to SEK 4,425 M (4,057), an increase of 5% compared with a year earlier at fixed exchange rates for comparable units. The trend was also favorable from the fourth quarter in all market areas, resulting in an increase of 7%. Demand from the automotive industry declined, while sales continued to be favorable to the engineering, aerospace, and oil and gas industries, as well as to the die and mould industry.

Invoicing rose 8% amounting to SEK 4,258 M (3,818), which was a record for the business area. The increases were substantial in the EU, Eastern Europe, South America and Asia/Australia. Invoicing in NAFTA declined from a high level by 3% at fixed exchange rates. The generally favorable trend was the result of successful efforts to expand the marketing organization and service, and of new products. Sales of solid-carbide tools rose sharply.

Operating profit rose 10% from the preceding year and amounted to SEK 878 M (800) or 21% of invoiced sales. Strong volume development and productivity contributed to the favorable earnings trend, offsetting higher costs for raw materials and increased activities in the marketing organization.

During the quarter, it was decided to invest approximately SEK 40 M in an expansion of the cemented-carbide plant of Sandvik Hard Materials in Mexico City. This investment will increase production capacity in several rapidly

INVOICED SALES BY MARKET AREA, SEK M

	Q1	Q1	Q2	Q3	Q4	Full-year	Change	
	2001	2000	2000	2000	2000	2000	%	% ¹⁾
EU (excl. Sweden)	4 551	3 825	3 951	3 527	4 256	15 559	19	11
Sweden	586	623	616	502	634	2 375	-6	-3
Rest of Europe	853	628	639	643	713	2 623	36	31
Europe total	5 990	5 076	5 206	4 672	5 603	20 557	18	11
NAFTA	2 960	2 722	2 817	2 760	2 974	11 273	9	0
South America	451	419	490	491	488	1 888	8	1
Africa/Middle East	611	391	420	550	560	1 921	56	59
Asia/Australia	2 038	1 712	2 107	1 977	2 315	8 111	19	14
Group total	12 050	10 320	11 040	10 450	11 940	43 750	17	11

INVOICED SALES BY BUSINESS AREA, SEK M

Svk Tooling	4 258	3 818	3 832	3 653	4 204	15 507	12	8
Svk Mining and Construction	2 984	2 248	2 666	2 602	2 668	10 184	33	24
Svk Specialty Steels	3 690	3 319	3 583	3 286	4 021	14 209	11	5
Seco Tools ²⁾	1 103	916	946	895	1 028	3 785	20	8
Group activities	15	19	13	14	19	65	/	/
Group total	12 050	10 320	11 040	10 450	11 940	43 750	17	11

1) Change compared with year earlier at fixed exchange rates for comparable units.

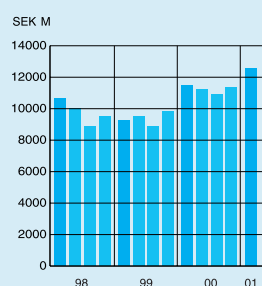
2) As a result of the majority holding in Seco Tools, Sandvik consolidates this company. For comments refer to the company's interim report.

DEVELOPMENT BY MARKET AREA, Q1, 2001

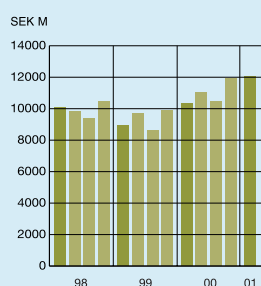
	Invoiced sales SEK M	Share %	Change* %
EU	5 137	43	9
Rest of Europe	853	7	31
Europe total	5 990	50	11
NAFTA	2 960	24	0
South America	451	4	1
Africa/Middle East	611	5	59
Asia/Australia	2 038	17	14
Total	12 050	100	11

* at fixed exchange rates for comparable units.

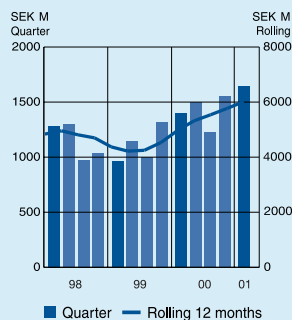
ORDER INTAKE
BY QUARTER



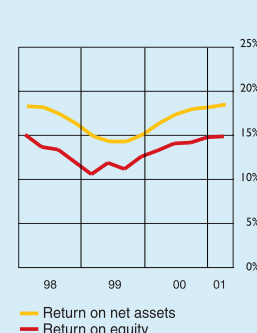
INVOICED SALES
BY QUARTER



GROUP
OPERATING PROFIT*



RETURN*,
Rolling 12-months



* excl. items affecting comparability

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

SEK M	Q I 2001	Q I 2000	Change %	Full-year 2000
Order intake	4 425	4 057	+5*	15 744
Invoiced sales	4 258	3 818	+8*	15 507
Operating profit	878	800	+10	3 135
%	21	21		20

* at fixed exchange rates for comparable units.

SANDVIK MINING AND CONSTRUCTION

SEK M	Q I 2001	Q I 2000	Change %	Full-year 2000
Order intake	3 171	2 722	+7*	10 659
Invoiced sales	2 984	2 248	+24*	10 184
Operating profit	315	209	+51	1 073
%	11	9		11

* at fixed exchange rates for comparable units.

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

SEK M	Q I 2001	Q I 2000	Change %	Full-year 2000
Order intake	3 842	3 774	-4*	14 732
Invoiced sales	3 690	3 319	+5*	14 209
Operating profit	317	267	+19	980
%	9	8		7

* at fixed exchange rates for comparable units.

OPERATING PROFIT BY BUSINESS AREA, SEK M

	Q I 2001	Q I 2000	Q 2 2000	Q 3 2000	Q 4 2000	Full-year 2000
Svk Tooling	878	800	770	735	830	3 135
Svk Mining and Construction	315	209	287	286	291	1 073
Svk Specialty Steels	317	267	321	86	306	980
Seco Tools ¹⁾	240	197	190	156	197	740
Group activities	-110	-78	-73	-38	-72	-261
Operating profit excluding items affecting comparability	1 640	1 395	1 495	1 225	1 552	5 667
Items affecting comparability	/	300	360	/	/	660
Operating profit including items affecting comparability	1 640	1 695	1 855	1 225	1 552	6 327

OPERATING PROFIT BY BUSINESS AREA, % OF INVOICING

	Q I 2001	Q I 2000	Q 2 2000	Q 3 2000	Q 4 2000	Full-year 2000
Svk Tooling	21	21	20	20	20	20
Svk Mining and Construction	11	9	11	11	11	11
Svk Specialty Steels	9	8	9	3	8	7
Seco Tools ¹⁾	22	22	20	17	19	20
Operating profit excluding items affecting comparability	14	14	14	12	13	13
Operating profit including items affecting comparability	14	16	17	12	13	14

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

growing product areas. The Mexico plant manufactures microdrill blanks in cemented carbide for the electronics industry and rods for solid-carbide tools used in the automotive, aerospace and die and mould industries.

Remaining agency operations from Sandvik Saws and Tools, which has been divested, were reduced as planned through a transfer to the purchaser.

Sandvik Mining and Construction's order intake amounted to SEK 3,171 M (2,722), an increase of 7%. Order intake during the quarter was the highest since the formation

of the business area in 1998, and it was primarily demand from the mining industry that increased. The trend remained favorable compared with the fourth quarter of the preceding year even if weakening in certain markets was reported.

Invoiced sales rose 24% at fixed exchange rates for comparable units, and amounted to SEK 2,984 M (2,248). The increase was attributable to most markets, particularly Africa and Asia/Australia. The exception was NAFTA where invoiced sales to the construction industry declined.

Operating profit amounted to SEK 315 M (209), or 11% of invoiced sales, an increase of 51%.

The sharp improvement in earnings was primarily due to a strong volume trend and high capacity utilization.

During the quarter, it was decided to close the unit in Mexico that manufactures down-the-hole drilling tools, affecting approximately 60 employees. The operations of the unit will be transferred to the Sandvik Tamrock Tools rock-drilling tool plant in Sandviken, Sweden, which already manufactures similar tools. This measure facilitates the previously announced expansion of cemented-carbide manufacturing in Mexico and increases productivity.

SANDVIK SPECIALTY STEEL'S order intake in the first quarter amounted to SEK 3,842 M (3,774), a decline of 4% compared with a year earlier, at fixed exchange rates for comparable units. Demand rose in Europe but declined in NAFTA and parts of Asia/Australia. Order intake increased somewhat in relation to the fourth quarter. Demand from consumer-related customer segments such as the automotive and the electronics industries declined, while products for the oil and gas and the energy industries continued to grow.

Invoiced sales amounted to SEK 3,690 M (3,319). The increase was 5% at fixed exchange rates for comparable units. Invoiced sales increased in Europe, NAFTA, Australia and Japan, but declined throughout the rest of Asia.

Operating profit increased 19% in the quarter compared with a year earlier, amounting to SEK 317 M (267), or 9% of invoiced sales. The earnings improvement was due primarily to a better product mix and higher productivity. Lower prices for the nickel content in inventories affected earnings adversely by SEK 85 M. The program of change announced last year regarding Sandvik Steel is proceeding according to plan, and involves the restructuring of production and the rationalizing of the sales organization in Europe. The program, which will take place during a three-year period, will result in a total reduction in the number of employees of 600-700. During the quarter, the reduction amounted to slightly more than 150 employees. The rationalization measures announced to date are expected to achieve full impact at year-end.

STRUCTURAL CHANGES

In the beginning of January 2001, Sandvik Steel announced plans to shut down manufacturing of seamless tubes in the UK. The closing, scheduled for August 2001, will affect a total of approximately 250 employees. It is part of the program of change within the business sector.

In the middle of January 2001, Sandvik entered as one of five joint owners of Endorsia.com International AB, an e-business site for industrial products and services in Europe.

At the end of February, Sandvik CTT entered into an agreement with its former British agent Angus MacInnes & Co., Glasgow, to take over their sales and marketing of Prototyp products in the UK. Prototyp is a subsidiary of Sandvik CTT that produces mills, taps and other advanced tools in high-speed steel and solid carbide for metalworking.

At the beginning of March, Sandvik acquired the remaining 49% of the shares in Sandvik Choksi Ltd. from the Indian company Choksi Tube Company Ltd. Sandvik has owned 51% of the shares since the company was founded in 1996, and the acquisition strengthens Sandvik's position in India and in the other Asian markets for extruded seamless stainless tubes. It also enhances the potential for synergies with other production units within Sandvik Steel.

Sandvik has made a public offer to acquire the remaining shares representing 26.8% of the total share capital in the Indian subsidiary Sandvik Asia Ltd. The total value of the offer is approximately SEK 95 M.

Sandviken 7 May 2001
SANDVIK AB; (publ)

Clas Åke Hedström
President and CEO

CONSOLIDATED FINANCIAL INFORMATION, SEK M

	Q1 2001	Q1 2000	Full-year 2000
INCOME STATEMENT			
Invoiced sales	12 050	10 320	43 750
Cost of goods sold	-7 940	-6 714	-29 357
Gross profit	4 110	3 606	14 393
Selling, general and administrative expenses	-2 331	-2 197	-9 029
Other operating income and expenses	-139	-14	303
Items affecting comparability		300	660
Operating profit	1 640	1 695	6 327
Financial income and expenses, net	-115	-135	-523
Profit after financial items	1 525	1 560	5 804
Taxes	-558	-466	-1 881
Minority interests	-66	-56	-211
Net profit	901	1 038	3 712
BALANCE SHEET			
Fixed assets	19 867	18 145	19 156
Inventories	12 554	10 265	11 508
Current receivables	12 506	10 461	11 147
Liquid assets	1 946	2 209	2 097
Total assets	46 873	41 080	43 908
Shareholders' equity	24 817	21 496	23 019
Minority interests	1 023	949	931
Interest-bearing provisions and liabilities	8 446	8 340	8 741
Non-interest-bearing provisions and liabilities	12 587	10 295	11 217
Total provisions, liabilities and shareholders' equity	46 873	41 080	43 908
CASH-FLOW STATEMENT			
Profit after financial items	1 525	1 560	5 804
Items not affecting cash flow	+197	-138	-871
Reversal of depreciation	581	556	2 336
Taxes paid	-534	-527	-1 688
Change in working capital	-800	-740	-1 105
Cash flow from operating activities	969	711	4 476
Investments, acquisitions and divestments	-588	-824	-2 691
Cash used in financial activities, changes in loans, dividends	-595	-41	-2 119
Net cash flow	-214	-154	-334
Liquid funds at beginning of period	2 097	2 369	2 369
Exchange-rate differences in liquid funds	+63	-6	+62
Liquid funds at end of period	1 946	2 209	2 097
CHANGE IN SHAREHOLDERS' EQUITY			
Opening equity as shown in approved balance sheet	22 472	20 109	20 109
Effect of change in accounting principles	547	516	516
Opening equity adjusted to new principles	23 019	20 625	20 625
Effect of change in exchange rates	897	-167	752
Dividend to shareholders			-2 070
Result of the period	901	1 038	3 712
Closing balance	24 817	21 496	23 019
KEY FIGURES			
No. of shares ('000)	258 696	258 696	258 696
Earnings per share before items affecting comparability, SEK*	12.80	9.90	12.20
Ditto after full dilution **	12.60	9.70	12.00
Earnings per share after items affecting comparability, SEK*	13.80	16.00	14.30
Ditto after full dilution **	13.60	15.70	14.10
Return on capital employed before items affecting comparability *	18.5%	16.3%	18.2%
Return on shareholders' equity before items affecting comp. *	14.8%	13.1%	14.7%
Net debt/equity ratio	0.3	0.3	0.3

Sandvik Group's result for the first quarter of 2001 has not been audited by the Company's auditors. The next interim report, on the first six months in 2001, will be released on 8 August.

* Most recent 12 months.

** No. of shares after full dilution of outstanding convertible and warrants programs amounts to 263,617,000.

Did you know that
Sandvik speaks productivity
in almost every language?

生產效率

This is the word productivity written in Chinese.
We also know how to pronounce it.

According to available information, approximately 4,000 different languages are spoken in our world.

Within Sandvik, we can make ourselves understood in most of them, even if we don't master all dialects. We are active in **130 countries** with about 35,000 employees. Our annual sales amount to approximately SEK 44 billion.

A local presence **close to the customers** has always been the foundation of Sandvik's philosophy. The first establishments outside Sweden were started well-over 100 years ago. About the same time construction of the first railroads began.

Since our customers today are situated in virtually all parts of the world, we are also there. As a **local partner**. At the same time we are

a global company in the true sense of the word. With worldwide production resources. A comprehensive **IT network** that reaches all corners of the world. And efficient logistics systems that know no geographical borders.

By being close to the customer, we are better able to understand and meet the needs and wishes of the users of our products. This helps us to develop better products. And to ensure that the products are used most effectively. An important element in our business concept is that Sandvik, with our products and services, shall help customers improve their **productivity** and **profitability**.

It's a language everybody understands.



www.sandvik.com