



**Meet**  
**Sandvik 3/01**

With interim report  
third quarter 2001

### Brilliant steel belt

They feature in cars, as well as cellphones, cameras and computers. And they are increasingly incorporated in television sets and other household appliances. They are the LCD displays – panels or screens – that are a feature of our most common electronic products, and they represent a strongly expanding market. The extremely thin films from which these displays are made are produced using highly polished cold-rolled steel belt from Sandvik Process Systems. The strip is about 1-millimeter thick and meet customers' stringent requirements regarding uniformity and surface finish. This year marks the centennial of steel belt first being used in conveyor belts. Now it is also used in the production of advanced electronic devices – a role it handles with brilliance ●



### Tenfold production increase in ten years

In 1991, Sandvik Kosta, a unit within Sandvik Coromant with its head office in Renningen, near Stuttgart, Germany, established a new plant in Schmalkalden, Thuringia, in the eastern part of the country. The operation has developed extremely rapidly during the ten years since then. Major investments have been made, resulting in a dramatic increase in productivity – production has risen nearly tenfold. Today the plant produces special tools for a large number of European customers, including well-known car manufacturers and large engineering companies, among other customer categories, all with the highest demands in terms of quality and delivery service. Demands that Sandvik Coromant is well able to meet. The modern plant in Schmalkalden now has 175 employees – double the workforce it had ten years ago ●

### Faster to the customer

A comprehensive change process was recently implemented at Sandvik Coromant's production plant for cemented-carbide inserts in Semine, north of Tokyo, Japan. The result was a 50-percent reduction in the time needed to produce the tools. This dramatic increase in efficiency, unmatched by any comparable program in the world, was made possible by the introduction of rational planning principles, radically improved internal transports and other measures. The flow within the plant is considerably smoother, while the same high quality levels as before have naturally been maintained – a win-win situation for customers in the engineering, automotive and aircraft industries and other sectors ●



Cover:

### Stephen Cowen, Sandvik Steel, United Kingdom

Sandvik Metinox is a company within Sandvik Steel that specializes in products for applications within the growth area of medical technology. The head of Sandvik Metinox, based in Sheffield, in the UK, is Stephen Cowen. Stephen, 28, started his career within Sandvik five years ago as technical assistant with responsibility for materials testing and certification at Metinox. After a couple of years as production manager, he became the company's technical sales manager. He was appointed General Manager of Metinox 12 months ago. Stephen has an engineering background and thoroughly enjoys his job. "The variety of my work, coupled with the focus on such an expansive field as medical technology, is really stimulating. The best part of the job is our role in placing Sandvik on the map as a leading producer of highly advanced products and the opportunities we have for establishing long-term relationships with key customers in the industry." Stephen devotes much of his free time to such pursuits as mountain biking, swimming and tennis – advantage Cowen, one can assume! ●



## Salt of the earth

Common salt. The world's oldest and least expensive seasoning. Formerly, one of the world's most important trading commodities. Salt continues to be much coveted and in many cultures is still worth its weight in gold today. About 70% of the world's total salt production is used within industry and as road salt. The balance is literally vital to our well-being. We need salt every day if our bodies are to continue to function. Almost half of the world's total annual salt production of around 200,000 million tons is extracted from underground deposits. There, you can find sea salt that has been built up for millions of years. This rock salt is mined in solid form, an ideal job for Voest-Alpine Bergtechnik, a unit within Sandvik Mining and Construction. This company delivers specially developed machines and equipment for salt-mining operations throughout the world. An underground activity that adds a little spice to our lives ●

## Aggressive patent strategy

When Sandvik's founder, Göran Fredrik Göransson, decided to establish the company in 1862, its only asset was a patent license from the British inventor Henry Bessemer. Today, when Sandvik has become a leading global group within its areas of operations, the company holds some 3,500 valid patents, with a similar number pending. Patents continue to play a key role and awareness of their importance has increased during recent years. The favored strategy is to be aggressive and global, both internally and externally. Industry developments are closely monitored – at international trade fairs for example – and Sandvik actively counters competing patent applications. Patents should be regarded as an insurance policy for the Group's extensive research and development activities, and as an investment for the future through the protection they provide for the commercial opportunities that are created. Patents are a recipe for success that demands a certain degree of inventiveness for its full potential to be realized ●



## Sandvik acquires shares in Walter

Sandvik has reached an agreement with the main owners of the German company Walter AG covering the acquisition of shares that constitute a majority stake in the company. The acquisition requires the approval of the competition authorities involved. Walter's operations include tools for metalworking, software systems for tool management and numerically controlled grinding machines. In 2000, the company had sales of nearly SEK 3 billion and operating profit of SEK 400 M. The head office is in Tübingen, Germany, and the company has approximately 2,000 employees. Markets outside Germany account for about 75% of total sales ●



### New company for roller cone bits

Sandvik Mining and Construction has teamed up with the American company Smith International, Inc., based in Houston, Texas, to form a jointly owned company (Sandvik 50%, Smith 50%) that will be responsible for development, production, marketing and service in the area of roller cone bits for the mining and civil engineering industries. The company's operations include Sandvik Tamrock's production of roller cone bits in Köping, Sweden, and Smith Bits Mining and Industrial Tools. The new company, named Sandvik Smith, has slightly more than 200 employees and sales of approximately SEK 360 M. The production units are located in Sweden, the US and Italy, and the head office is in Köping, where the largest plant is located. Sandvik Smith is a world-leading producer with an extensive product range and broad market coverage. The operations in the raise-boring area in Köping are being conducted within a new company, Sandvik Raiseboring AB ●

### New spearhead product

Sandvik CTT is investing aggressively in research and development aimed at introducing new products made from high-speed steel as highly competitive alternatives to tools in solid carbide. An example is the new Titex Plus drill, Va Inox, which was specially developed for working in stainless steel and



has set new productivity records, thanks to an advanced material with a new geometry and a special coating on the tip of the tool. The drill is more than three times as efficient as corresponding products from competitors and is almost as

fast as tools in solid carbide. In other words, a high-speed steel that really merits the name. And yet another spearhead product ●



### Extending the quality of life

Sandvik Steel has the interests of its customers – and all of humanity – at heart. The company produces wire that is woven together to form expanding mesh tubes, known as stents, used in operations to expand arteries and remove calcifications from their inner surfaces. In balloon angioplasty, as the method is called, the stent is inserted into the artery together with a plastic balloon catheter, which is then inflated precisely where the constriction (stenosis) is located. The balloon is then deflated and withdrawn from the artery, leaving the stent in place to support the now expanded arterial walls. After a few weeks, the natural tissue grows over the superclean and biocompatible metal surface. The procedure has a marked effect on the patient's quality of life, and many of the complications that may occur during or after the operation can now be avoided. Sandvik's subsidiary Kanthal also has a say in the matter, as the company responsible for drawing the wire to the extremely fine dimensions required and delivering it to the customers. A synergy for life in the long term ●

### Phenomenal efficiency

Ethylene is the most important basic raw material in the plastics industry. The process for producing ethylene involves heating a mixture of steam and a hydrocarbon compound to more than 1,000°C in a reactor tube. The tube is heated from the outside by oil or gas burners, imposing extreme demands on the durability and performance of the material. Now Sandvik Steel, working in close cooperation with an American customer, has developed an advanced



type of tube that substantially increases efficiency. The inner surface of the tube is equipped with longitudinal fins, which increases the surface area by up to 25% and considerably improves heat transfer, resulting in a better return for the customer. Tubes with internal fins are also of interest for other applications. Product development in this area thus provides a good example of Sandvik's profiling in carefully selected growth areas ●

## Close contacts

Pumps are extremely important in our everyday lives. They are key components in products ranging from dishwashers to machines weighing several tons that are used for pumping out water. Drainage pumps are used in construction work and in mines to remove water or to prevent flooding. Sandvik Hard Materials plays a key role in supplying producers of high-performance pumps with cemented-carbide seals. The extreme durability and load-bearing capacity of cemented carbide make it possible to design pumps that can handle several cubic meters of sludge per minute. Perhaps the most crucial property is cemented carbide's low dry-friction level. In simple terms, this means that the pump can run dry without the equipment breaking down, which is not the case with ceramic seals.



Product development is proceeding favorably due to the close contacts between Sandvik's own and external researchers. Friction in the pumps can be further reduced by coating the seal rings with a thin film, which is important both for operational reliability and the environment. This by no means exhausts the business opportunities in this area. Low-friction seals can be used for such products as compressors and refrigeration equipment. In these areas too, Sandvik holds a tight position ●

## Italian offensive

Sandvik has many home arenas around the world. Italy is definitely one of them. Ever since the first Group subsidiary was established in Italy in 1940, the run of play has rapidly developed in Sandvik's favor. Naturally, this applies to an even greater extent if one counts from the time of the first order for Sandvik's strip steel from typewriter manufacturer Olivetti some 90 years ago. Today, the Group's various operations in Italy generate sales of approximately SEK 3 billion and employ some 1,100 people. This gives a third-place ranking in Sandvik's internal sales league. The Sandvik head office in Italy is located in Milan and operations remain concentrated to some ten companies in the northern part of the country. In addition to Milan, Sandvik Italy has production units in Turin, Givoletto, Varese, Rovereto and Piacenza. All three business areas maintain extensive activities in Italy and are leaders in their areas of operation in this market. Sandvik Coromant sells the international cemented-carbide standard tools assortment and the special tools produced in Milan. There is a highly equipped Productivity Center, where a large number of customers and Group personnel are trained each year in such

subjects as cost-efficient machining. Key customers include die and mould manufacturers, energy companies, automotive and aerospace companies and mechanical engineering companies. Sandvik Coromant's status as a star in the sector is illustrated by the company having delivered special turning tools for work being conducted on Galileo, the world's largest telescope.

Sandvik Mining and Construction sells equipment, spare parts and service, primarily to the construction industry, for use in major expressway projects in Italy, for example. The office in Milan is also the base for services provided to distributors of the business area's products in the Middle East. Sandvik Steel is the market leader in seamless stainless-steel tubes for refineries and heat exchanger tubes for the nuclear power industry. The engineering industry is the largest individual customer group but the Group's products are also put to good use in such sectors as the food industry. Did you know, for example, that Italy's pasta producers use Sandvik Steel's advanced tubes? Taken as a whole, it could be said that Sandvik Italy is on the offensive ●



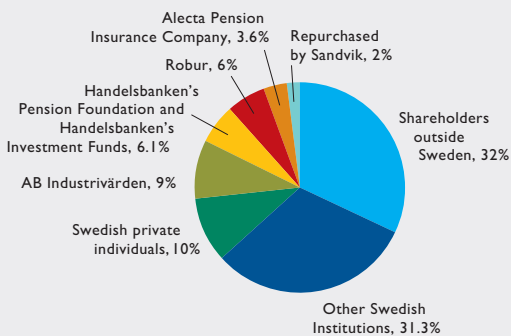


### From Beatles to Bach

It is widely known that heating elements from Sandvik's subsidiary Kanthal are often used as the heat source in household appliances and industrial furnaces. But did you know that the same products are to be found in contexts that have nothing whatever to do with heat – for example, the strings of musical instruments? Such a string is in fact a high-tech product that must provide an extremely precise balance of different material properties. The strings usually consist of a core of nylon or metal wire wrapped in a tightly wound spiral of extremely thin strips or flat-rolled wire from – you guessed it – Kanthal. This material has interesting acoustic properties that depend on the type of alloy used. World-class soloists choose with extreme care between different types of strings to achieve exactly the sound they wish. Strings incorporating Kanthal's strip are used in a wide range of instruments, from electric guitars to double basses. There's no denying that Kanthal has many strings to its bow ●

### Who owns Sandvik?

At 30 September 2001, the largest shareholders in Sandvik were:



### Broader offering through Sandvik Rock Processing

Sandvik's acquisition of Svedala Industri's crushing and screening unit was finalized in September. The purchase increases Group sales by approximately SEK 1,400M and the number of employees by about 900 persons. The unit's operations are conducted in Sweden and France, with the main facilities in Svedala, Sweden. The products are primarily used to crush rock in the construction of buildings, roads, railways, bridges and other major infrastructural projects, and also in mining operations. The total market potential is substantial and growing. One of the reasons is that it is becoming increasingly difficult to obtain natural gravel, resulting in a gradual transition to crushed materials. Another reason is the growing need for metals. In conjunction with the acquisition, the Sandvik Rock Processing business sector was formed within the Sandvik Mining and Construction busi-



ness area. The acquired products complement the other products in the business area's range and are aimed at the same customers. The broader range makes it possible to offer customers highly competitive total solutions. In other words, a rock-solid concept ●

### More secure tungsten supplies

In partnership with a US company, Sandvik is financing the reopening of the Can Tung tungsten mine in Canada, which has been closed for 15 years. Sandvik's financial investment will amount to approximately SEK 15 M, in return for which the Group will gain access to significant supplementary supplies of tungsten over the next three years, beginning in December 2001. Tungsten is a metal (the most difficult of all metals to smelt) that occurs naturally in the form of the minerals wolframite or scheelite. Tungsten carbide, a chemical compound of tungsten and carbon, is an important constituent in cemented carbide, which is used in the production of metalworking tools, among other applications ●



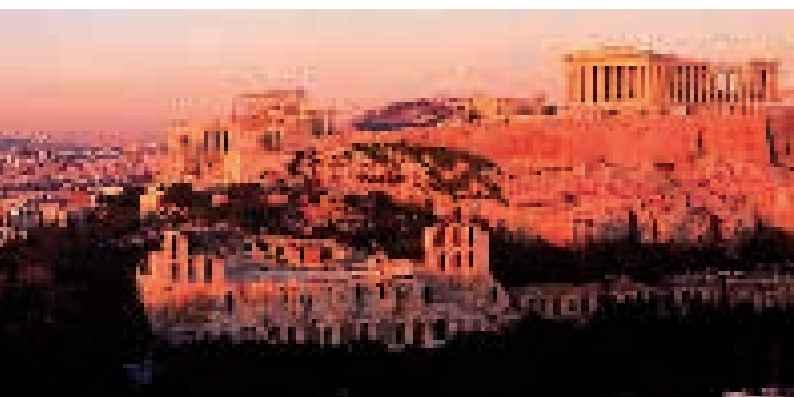
## Mini-products for maximum benefit

It is clear from many examples that today's consumer products are becoming smaller and smaller. Sandvik's research and development are among the factors that make this miniaturization possible. The new credit-card-sized mobile phones can serve as an example. The manufacture of such products requires minuscule cemented-carbide drills capable of drilling the tiny holes – barely visible to the naked eye – in the circuit boards of the cellphones. The drills would fit into the eye of a needle and are only about one tenth of a millimeter thick. To be able to perform their task, the drills must be produced using extremely fine-grained cemented-carbide powder. No problem for Sandvik. The world of medical technology provides another example. The extremely narrow, flexible needles that are used today in advanced surgery are only a few hundredths of a millimeter in diameter. Their production depends entirely on the strong and hard-wearing steel alloy developed by Sandvik's researchers. The secret behind the technology is known to metallurgists as nanometer-sized quasi-crystals. A nanometer is one billionth of a meter. Tiny, but perfectly formed, was the blueprint. No more and no less ●



## New road on classic ground

An extensive expressway project is currently under construction in Greece with the aim of providing a ring road around Athens to divide up the traffic and thereby reduce the traffic density and the environmental pollution in the city center, as well as providing a hub for transport links throughout the region. Sandvik Tamrock is playing a major role in this gigantic project by supplying surface drill rigs for road base and underground drill rigs to construct the 12 kilometers of tunnels for the project. Other companies and brand names within the Sandvik Mining and Construction business area are also represented, such as Bröyt and Voest-Alpine Bergtechnik. Some of the project work is being carried out under extremely difficult conditions due to the sensitive nature of the area, which abounds with ancient monuments from classical antiquity. Altogether a classic undertaking for Sandvik Mining and Construction ●



## Strategic order for tubes

Sandvik Steel has received several major orders in strategic growth areas, namely, special tubes for the fertilizer industry and advanced tubes for steam generators. The combined value of the orders is approximately SEK 100 M. The fertilizer-industry tubes are destined for customers in China and India, while the steam-generator tubes are to be installed in nuclear power plants in the US. Once again, the customers' rigorous requirements in terms of reliability and performance work to Sandvik's advantage. The Group is favorably positioned for continued market success in this product area. And that you can rely on! ●

## Major orders from Chile and Kazakhstan

Sandvik Mining and Construction has received several major orders for Tamrock drilling rigs and Toro loaders to be used for copper extraction in underground mines in Chile and Kazakhstan. The total value of the orders is approximately SEK 150 M. Deliveries are scheduled for the period September 2001-March 2002. The orders also cover spare parts and service, as well as on-site training and customer support at the mine locations. Sandvik is where the customers are ●



## In top form

Sandvik Coromant is currently earning high praise from customers in the die and mould industry. The clear winner of the "Rookie of the Year" award for the best newly developed product is the Coromill Plura series, which includes an end mill designed, among other applications, for the production of moulds for the PET bottles used in the beverage industry – specifically, to produce the lower part of the bottles. Customers using the advanced new tools can produce moulds 30% more quickly and at lower cost. "We'll drink to that!" say the customers ●

# Interim report

## third quarter 2001\*

- Profit after financial items SEK 1,297 M.
- Strong cash flow, SEK 1,819 M before investments.
- Continued high invoicing, but lower demand.
- Agreement on purchase of shares in Walter AG.
- Program of change under way at Sandvik Tooling.

### SHORT TERM MARKET OUTLOOK

The market trend in NAFTA continues to be negative and a decline is now also being noted in Europe. Demand is expected to remain low in the near future, and now also in the investment-related segments. However, the Group is well-positioned to take additional market shares, at the same time as the program of change aimed at retaining profitability is intensified.

### THIRD QUARTER 2001

Order intake in the third quarter amounted to SEK 11,000 M (10,900), an increase of 1%. At fixed exchange rates for comparable units, a decrease of 10% was noted. Order intake remained low in NAFTA and South America, and a weakening trend was now noted in Europe.

Invoiced sales amounted to SEK 11,630 M (10,450), a total increase of 11%. At fixed exchange rates for comparable units, invoicing was unchanged compared with a year earlier. Higher exchange rates affected invoicing favorably during the quarter by 10%.

The rate of change in invoiced sales varied sharply among the market areas. Invoicing

declined within the EU, which was attributable to lower demand in the Sandvik Specialty Steels business area. In contrast, the increase in Rest of Europe was strong, particularly in Eastern Europe. Sandvik Tooling continued to post a favorable trend in Europe.

Invoicing fell sharply in NAFTA and South America, mainly within Sandvik Specialty Steels, but also for Sandvik Tooling. The trend was positive in Africa/Middle East and Asia/Australia, particularly in China, India and Australia.

Invoicing to the general engineering industry was favorable as well as to the oil/gas industry for investment-related products. Demand from the automotive industry was satisfactory in Europe but weak in NAFTA. Sales to the electronics industry fell sharply and a weakening was noted to the aerospace industry. Activity in the mining industry was high, but with large differences geographically. Invoicing to the construction industry was favorable in Asia/Australia, but declined in NAFTA.

### EARNINGS AND CASH FLOW

Operating profit in the third quarter amounted to SEK 1,425 M (1,225). Compared with

the year-earlier period, earnings increased by 16%, but was largely unchanged taking into account that the third quarter a year earlier included restructuring costs of SEK 210 M. Operating margin was 12% and was affected adversely by lower capacity utilization. Changes in currency exchange rates had a positive affect of approximately SEK 170 M on earnings (520 from beginning of the year). The Sandvik Mining and Construction business area posted a continued strong earnings improvement.

Net financial expense was SEK 128 M (expense: 150). Profit after net financial items rose 21% to SEK 1,297 M, 11% of invoiced sales. Net profit was SEK 740 M (626). Earnings per share, excluding items affecting comparability, were SEK 2.90 (2.40) and SEK 14.10 for the past 12 months (12.20 for full-year 2000).

Cash flow from operating activities amounted to SEK 1,819 M. Working capital declined, attributable mainly to lower accounts receivable. The higher inventory volume was related entirely to raw materials within Sandvik Tooling. Investments in property, plant and equipment in the quarter amounted to SEK 646 M and acquisitions to SEK 45 M.

Interest-bearing liabilities and provisions reduced by liquid assets produced a net debt of SEK 9,237 M (9,552 at 30 June 2001). During the quarter, SEK 1,070 M was transferred from the Swedish Sandvik companies to a newly formed pension fund in Sweden independent of the Group. The amount represented the pension liability of the companies to salaried employees, which thereby is no longer included in the consolidated balance sheet. Liquid assets amounted to SEK 2,796 M (1,916) and loans amounted to SEK 9,770 M (8,183).

The return on capital employed excluding items affecting comparability during the past 12 months amounted to 18.7% (18.2% for full-year 2000) and the return on equity amounted to 15.5% (14.7%). The number of shares outstanding was 252,849,000 after a buyback of 3,531,000 shares during the third quarter. Equity per share was SEK 94.00 (89.00), and the equity ratio was 50% (55). The net debt/equity ratio was 0.4 (0.3).

The number of employees was 34,570 at the end of the period, a decline of 397 persons for comparable units during the quarter.

### BUSINESS AREAS

Sandvik's operations consist of three business areas: Sandvik Tooling, Sandvik Mining and Construction, and Sandvik Specialty Steels, areas in which the technology content is considerable and the Group occupies leading global positions.

### KEY FIGURES

SEKM	Q 3 2001	Q 3 2000	Change %	Q 1-3 2001	Q 1-3 2000	Change %
Order intake	11 000	10 900	+1 <sup>1)</sup>	36 550	33 630	+9 <sup>1)</sup>
Invoiced sales	11 630	10 450	+11 <sup>2)</sup>	36 120	31 810	+14 <sup>2)</sup>
Operating profit excl. items affecting comparability <sup>3)</sup>	1 425	1 225	+16	4 825	4 115	+17
%	12	12		13	13	
Operating profit %	1 425	1 225	+16	4 825	4 775	+1
%	12	12		13	15	
Profit after financial items excl. items affecting comparability <sup>3)</sup>	1 297	1 075	+21	4 457	3 725	+20
%	11	10		12	12	
Profit after financial items %	1 297	1 075	+21	4 457	4 385	+2
%	11	10		12	14	
Net profit	740	626	+18	2 623	2 722	-4
%	6	6		7	9	
Earnings per share <sup>4)</sup> , SEK	-	-		14.10	11.10	
Return on capital employed <sup>4)</sup> , %	-	-		18.7	17.8	

1) -10 % and 0 % at fixed exchange rates for comparable units.

2) 0 % and +5 % at fixed exchange rates for comparable units.

3) Items affecting comparability SEK +660 M in 2000, of which SEK 300 M in Q1 and SEK 360 M in Q2.

4) Rolling 12-months, excl. items affecting comparability.

\*The complete interim report is available at [www.sandvik.com](http://www.sandvik.com)



SANDVIK TOOLING'S order intake amounted to SEK 3,789 M (3,643), which was a decline at fixed exchange rates for comparable units of 5% compared with a year earlier. Order intake continued to rise for metalworking tools in cemented carbide, but declined sharply for tools in high-speed steel and for cemented-carbide blanks. Activity remained favorable in the EU, Eastern Europe and Asia/Australia particularly in China. Demand in the automotive industry in NAFTA remained weak and declined sharply from the electronics industry.

Invoicing declined 1% at fixed exchange rates for comparable units, amounting to SEK 3,954 M (3,653). Development in the EU and Eastern Europe remained favorable as well as parts of Asia/Australia. Invoicing in NAFTA fell in most areas but particularly for tools in high-speed steel and for cemented-carbide blanks.

Operating profit was unchanged compared with a year earlier and amounted in the quarter to SEK 735 M (735) or 19% of invoiced sales. Profit fell sharply, among other areas, for the high-speed steel operations in NAFTA due to lower volumes.

The accelerating weakening of the business climate is increasingly impacting demand. In addition, profitability is not satisfactory for parts of Sandvik Tooling's operations. Measures, which otherwise would have been taken gradually, will therefore be moved forward with the aim of increasing efficiency and reducing the cost level. The objective is to cut annual costs by approximately SEK 500 M. This is being accomplished through such measures as a concentration of the number of production and logistics units. It is estimated that this will result in a reduction of the number of employees by 1,000. The costs for the action program are estimated at SEK 400-500 M and will be charged against earnings in the fourth quarter.

SANDVIK MINING AND CONSTRUCTION'S order intake amounted to SEK 3,040 M (2,795), a decrease of 5% at fixed exchange rates for comparable units. The comparison is against a strong third quarter in 2000. Demand remained favorable in the mining industry engaged in excavation of precious metals. It was also high from various activities

## DEVELOPMENT BY MARKET AREA, THIRD QUARTER 2001

Market area	Invoiced sales SEK M	Share %	Change* %
EU	4 326	37	-3
Rest of Europe	902	8	+31
Europe total	5 228	45	+2
NAFTA	2 855	25	-10
South America	475	4	-16
Africa/Middle East	603	5	+3
Asia/Australia	2 469	21	+16
Total	11 630	100	±0

\* change from the third quarter 2000 at fixed exchange rates for comparable units.

## INVOICED SALES BY MARKET AREA, SEK M

	Q 3 2000	Q 1-3 2000	Full year 2000	Q 3 2001	Q 1-3 2001	Change % % <sup>1)</sup>
EU (excl. Sweden)	3 527	11 303	15 559	3 882	12 897	14 4
Sweden	502	1 741	2 375	444	1 613	-7 -4
Rest of Europe	643	1 910	2 623	902	2 654	39 30
Europe total	4 672	14 954	20 557	5 228	17 164	15 6
NAFTA	2 760	8 299	11 273	2 855	8 784	6 -6
South America	491	1 400	1 888	475	1 452	4 -7
Africa/Middle East	550	1 361	1 921	603	1 830	34 30
Asia/Australia	1 977	5 796	8 111	2 469	6 890	19 11
Group total	10 450	31 810	43 750	11 630	36 120	14 5

## INVOICED SALES BY BUSINESS AREA, SEK M

	Q 3 2000	Q 1-3 2000	Full year 2000	Q 3 2001	Q 1-3 2001	Change % % <sup>1)</sup>
Sandvik Tooling	3 653	11 303	15 507	3 954	12 508	11 3
Sandvik Mining and Construction	2 602	7 516	10 184	3 398	9 652	28 15
Sandvik Specialty Steels	3 286	10 188	14 209	3 258	10 711	5 -3
Seco Tools <sup>2)</sup>	895	2 757	3 785	1 005	3 200	16 5
Group activities	14	46	65	15	49	/ /
Group total	10 450	31 810	43 750	11 630	36 120	14 5

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

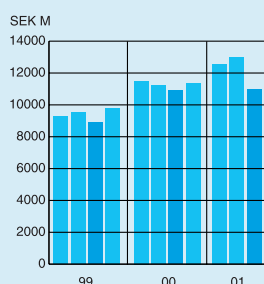
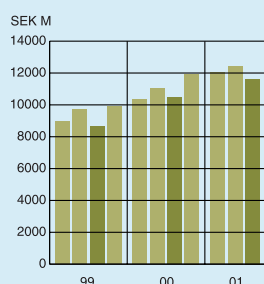
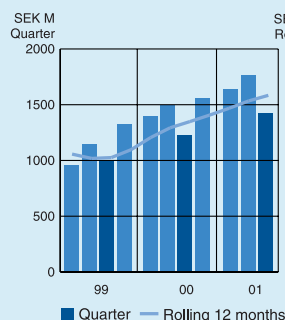
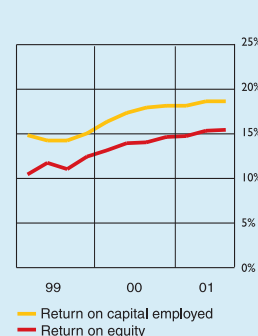
2) As a result of the majority holding in Seco Tools, Sandvik consolidates this company. For comments refer to the company's interim report.

in the energy field, including mining of coal and expansion of hydropower. During the quarter a gradually lower order intake was noted for machinery and project-related business, while demand for tools, service and spare parts remained high. A number of major orders were received, including drilling rigs and loaders for underground mines in Chile and Kazakhstan for mining of copper.

Invoiced sales rose 17% at fixed exchange rates for comparable units, amounting to

SEK 3,398 M (2,602). The increase was attributable largely to all market areas except South America.

Operating profit amounted to SEK 336 M (286), or 10% of invoiced sales – an increase of 17%. The improvement in earnings was primarily due to a strong volume trend and high capacity utilization. Much of the production of heavy machinery is outsourced to subcontractors, which limits the adverse effect in the event of a volume decline.

ORDER INTAKE  
BY QUARTERINVOICED SALES  
BY QUARTEROPERATING PROFIT\*  
Rolling 12-monthsRETURN\*  
Rolling 12-months

\* excl. items affecting comparability

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

SEK M	Q 3 2001	Q 3 2000	Change %	Q 1-3 2001	Q 1-3 2000	Change %
Order intake	3 789	3 643	-5*	12 467	11 595	±0*
Invoiced sales	3 954	3 653	-1*	12 508	11 303	+3*
Operating profit	735	735	±0	2 505	2 305	+9
%	18.6	20.1		20.0	20.4	

## SANDVIK MINING AND CONSTRUCTION

Order intake	3 040	2 795	-5*	10 134	8 147	+12*
Invoiced sales	3 398	2 602	+17*	9 652	7 516	+15*
Operating profit	336	286	+17	1 002	782	+28
%	9.9	11.0		10.4	10.4	

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

Order intake	3 154	3 528	-20*	10 692	11 039	-11*
Invoiced sales	3 258	3 286	-10*	10 711	10 188	-3*
Operating profit	295	86	+243	953	674	+41
%	9.1	2.6		8.9	6.6	

\* at fixed exchange rates for comparable units.

## OPERATING PROFIT BY BUSINESS AREA, SEK M

	Q 3 2000	Q 1-3 2000	Full year 2000	Q 3 2001	Q 1-3 2001
Sandvik Tooling	735	2 305	3 135	735	2 505
Sandvik Mining and Construction	286	782	1 073	336	1 002
Sandvik Specialty Steels	86	674	980	295	953
Seco Tools <sup>1)</sup>	156	543	740	165	625
Group activities	-38	-189	-261	-106	-260
Operating profit excl. items affecting comparability	1 225	4 115	5 667	1 425	4 825
Items affecting comparability	0	660	660	0	0
Operating profit incl. items affecting comparability	1 225	4 775	6 327	1 425	4 825

## OPERATING PROFIT BY BUSINESS AREA, % OF INVOICING

Sandvik Tooling	20	20	20	19	20
Sandvik Mining and Construction	11	10	11	10	10
Sandvik Specialty Steels	3	7	7	9	9
Seco Tools <sup>1)</sup>	17	20	20	16	20
Operating profit excl. items affecting comparability	12	13	13	12	13
Operating profit incl. items affecting comparability	12	15	14	12	13

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

At the same time, capacity and manning is continually reviewed to align cost levels.

During the quarter, an agreement was reached with the American company Smith International on establishing of a jointly owned company, Sandvik Smith AB (50/50). Sandvik Tamrock's business unit for production of roller cone bits in Köping, Sweden, and Smith International's Smith Bits Mining and Industrial Tools division are being transferred to the new venture. The company has about 200 employees, sales of about SEK 360 M and its head office is in Köping. Operations in the jointly owned company began on 1 October this year and are consolidated within Sandvik Mining and Construction.

The acquisition of Svedala Industri's units for crushing and screening in Sweden and

France, with sales of about SEK 1,400 M and 900 employees, was also completed during the quarter. The purchase price for the operations amounts to approximately SEK 550 M, including a consignment stock valued at about SEK 300 M which is being made available to Sandvik. It is assessed that the acquisition will provide a positive contribution to Group earnings as of 2002. The acquired operations form a new business sector, Sandvik Rock Processing, as of 1 October 2001.

SANDVIK SPECIALTY STEELS' order intake amounted to SEK 3,154 M (3,528), a decline of 20% compared with a year earlier, at fixed exchange rates for comparable units. Demand in Europe and parts of Asia/Australia fell. Order intake in NAFTA and South America declined from an earlier low level. Activity

weakened further within the consumer-related customer segment and fell sharply within the electronics industry. Demand from the oil/gas-and energy industry was relatively favorable. A number of major orders were received during the quarter in strategic growth areas: tubes to the fertilizer industry in China and India and tubes to the nuclear power industry in the US.

Invoiced sales amounted to SEK 3,258 M (3,286), a decline of 10% at fixed exchange rates for comparable units.

Operating profit amounted to SEK 295 M (86), or 9% of invoiced sales. The increase was sharp compared with the year-earlier earnings, which were charged with restructuring expenses of SEK 210 M. Within Sandvik Steel, an improved product mix, including a higher portion of seamless tubes, had a positive effect during the quarter. Concurrently, Kanthal's earnings were affected adversely by sharply falling demand in the electronics industry. Lower prices for nickel in inventory impacted operating profit negatively by SEK 40 M, compared with a positive effect of SEK 100 M in the third quarter of the preceding year.

The program of change announced last year within Sandvik Steel includes rationalization of the production structure and of the sales organization in Europe. The program, which is being implemented during a three-year period, will result in a total reduction in the number of employees of 600-700. During the January-September period 2001, the reduction amounted to 400 persons, of which 100 in the third quarter. Two production units were closed in the UK during the third quarter and a decision was taken regarding a new sales organization in Europe. As a result of the weakened business climate for Sandvik Steel as well as Kanthal, the program of change is being intensified, concurrently as actions are taken to align resources and costs with lower demand.

## QUARTERS 1-3, 2001

Order intake during the first three quarters amounted to SEK 36,550 M (33,630), which was a total increase of 9% and an unchanged level at fixed exchange rates for comparable units. Invoiced sales amounted to SEK 36,120 M (31,810), a total increase of 14% and 5% at fixed exchange rates for comparable units. Higher exchange rates affected invoicing favorably by 9%.

Operating profit excluding items affecting comparability for the first nine months amounted to SEK 4,825 M (4,115). This is an increase of SEK 710 M, or 17%. The operating margin amounted to 13% of invoicing. Changes in currency rates affected invoicing favorably by about SEK 520 M.

Net financial expense was SEK 360 M (expense: 390) and profit after net financial items excl. items affecting comparability was SEK 4,457 M (3,725), up 20%. The tax rate was 37% and net profit amounted to SEK 2,623 M (2,722).

Cash flow from operating activities was

SEK 3,514 M. Group investments in property, plant and equipment were SEK 1,830 M (1,379). Company acquisitions amounting to SEK 172 M were carried out. After investments, acquisitions and divestments, the cash flow was SEK 1,705 M.

The number of employees amounted to 34,570, a decline of 255 for comparable units since the beginning of the year.

Parent company invoicing was SEK 8,636 M (8,996), operating profit was SEK 1,276 M (1,121) and liquid assets plus interest-bearing assets less interest-bearing liabilities amounted to SEK 809 M (1,785 at 31 December 2000).

#### BUYBACK OF SHARES

At 30 September 2001, Sandvik's holding of own shares (treasury stock) totaled 5,847,000, corresponding to 2.3% of the total number of shares (258,696,000). The purchase amount was SEK 1,257 M. In accordance with the decision at the Annual General Meeting in May 2001, Sandvik is authorized to repurchase a total of 12,934,800 shares, corresponding to 5% 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

In August, Sandvik's Pension Fund in Sweden was formed. Concurrently, SEK 1,070 M was transferred from the Swedish Sandvik companies to this newly formed pension fund, which is independent of the Group. The amount represented the companies' pension liability to salaried employees which thereby is no longer included in the consolidated balance sheet.

In September, Sandvik reached an agreement with the main owners of the German company Walter AG covering the acquisition of shares resulting in a controlling interest in the company. The transaction is subject to approval being granted by the competition authorities. Walter's operations include tools for chip-forming metalworking, software systems for tool-management and numerically controlled grinding machines. Sales in 2000 amounted to SEK 2,900 M, with about 2,000 employees.

Sandviken, 9 November 2001  
Sandvik AB; (publ)

Clas Åke Hedström  
President and CEO

#### CONSOLIDATED FINANCIAL INFORMATION, SEK M

	Q 3 2001	Q 3 2000	Q 1-3 2001	Q 1-3 2000
<b>INCOME STATEMENT</b>				
Invoiced sales	11 630	10 450	36 120	31 810
Cost of goods sold	-8 175	-7 231	-24 667	-21 386
Gross profit	3 455	3 219	11 453	10 424
Selling, general and administrative expenses	-2 136	-2 070	-6 721	-6 442
Other operating income and expenses	106	76	93	133
Items affecting comparability				660
Operating profit	1 425	1 225	4 825	4 775
Financial income and expenses, net	-128	-150	-368	-390
Profit after financial items	1 297	1 075	4 457	4 385
Taxes	-513	-405	-1 664	-1 503
Minority interests	-44	-44	-170	-160
Net profit	740	626	2 623	2 722

	30 Sept 2001	31 Dec 2000
<b>BALANCE SHEET</b>		
Fixed assets	21 809	19 156
Inventories	13 216	11 508
Current receivables	11 878	11 147
Liquid assets	2 796	2 097
Total assets	49 699	43 908
Shareholders' equity	23 756	23 019
Minority interests	949	931
Interest-bearing provisions and liabilities	12 033	8 741
Non-interest-bearing provisions and liabilities	12 961	11 217
Total provisions, liabilities and shareholders' equity	49 699	43 908

	Q 3 2001	Q 3 2000	Q 1-3 2001	Q 1-3 2000
<b>CASH-FLOW STATEMENT</b>				
Profit after financial items	1 297	1 075	4 457	4 385
Items not affecting cash flow	-79	-263	-620	-735
Reversal of depreciation	627	585	1 819	1 696
Taxes paid	-402	-199	-1 357	-1 204
Change in inventories	-91	-56	-906	-579
Change in current receivables and operating liabilities	467	810	121	-151
Cash flow from operating activities	1 819	1 952	3 514	3 412
Investments, acquisitions and divestments	-648	-495	-1 809	-1 863
Change in short-term and long-term loans	1 625	-787	3 764	874
Buyback of own shares	-847		-1 257	
Payment to newly established pension fund	-1 070		-1 070	
Dividends paid	0	0	-2 554	-2 266
Net cash flow	879	670	588	157
Liquid funds at beginning of period	1 916	1 858	2 097	2 369
Exchange-rate differences in liquid funds	1	60	111	62
Liquid funds at end of period	2 796	2 588	2 796	2 588

#### KEY FIGURES Q 1-3

No. of shares at end of period ('000)	252 849	258 696
Earnings per share before items affecting comparability, SEK*	14.10	11.10
after full dilution**	13.80	10.90
Earnings per share after items affecting comparability, SEK*	14.10	13.20
after full dilution**	13.80	13.00
Return on capital employed before items affecting comparability*	18.7%	17.8%
Return on shareholders' equity before items affecting comparability*	15.5%	13.9%
Net debt/equity ratio	0.4	0.3

The interim report for the third quarter has not been audited by the Company's auditors. The year-end report for 2001 will be published on 14 February 2002.

\* Most recent 12 months divided by average number of outstanding shares, 257,063,000 as per 30 September 2001.

\*\* Average no. of shares after full dilution of outstanding convertible and warrants programs amounts to 261,984,000 as per 30 September 2001.

## Did you know that Sandvik is now also world leading in this process?



Crushing. Screening. Sorting. On a large scale, of course. Sandvik is moving into an entirely new process area and for this reason we are establishing a specialized business sector within the Group – **Sandvik Rock Processing**.

Sandvik Rock Processing's operations are based on the acquisition of the core business of **Svedala Industri Crushing & Screening**. The products included in the purchase constitute a well-unified program. It involves advanced products and systems for demanding applications. (For those of you familiar with the industry, we can report the range comprises hydrocone crushers, jawmaster and gyratory crushers, screens and mobile crushing plants.) The new Sandvik Rock Processing will

be an integrated sector in Sandvik Mining and Construction. The sector forms a natural complement and a substantial addition of expertise to the other operations in the business area. As a result, we can offer our customers in the world mining and construction industries a **complete process chain**: drilling – loading – conveying and now also crushing and screening.

Today, Sandvik has 35,000 employees in 130 countries. Annual sales amount to SEK 44 billion. Our goal is to be world leading in our selected areas. The new Sandvik Rock Processing business sector adds spice to this image.



[www.sandvik.com](http://www.sandvik.com)