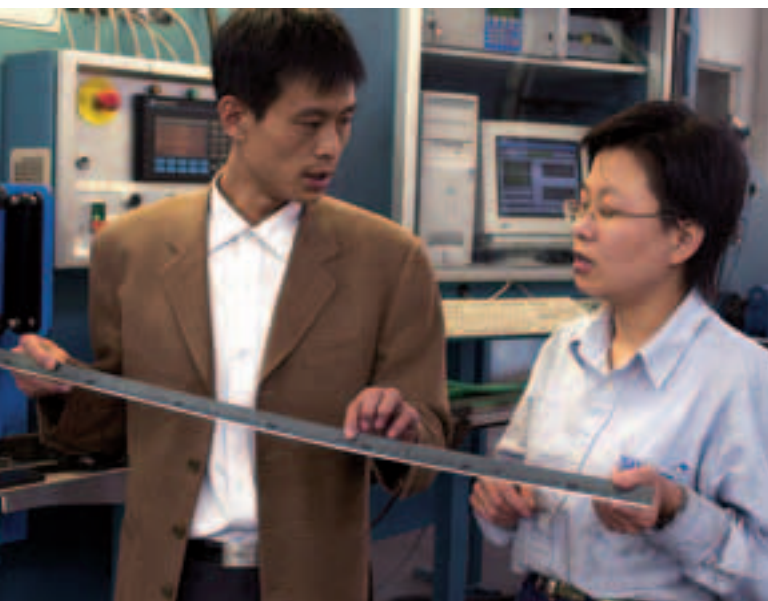




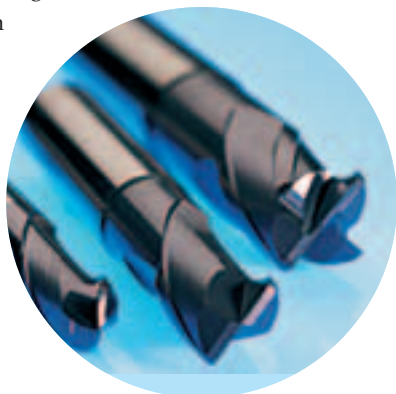
Meet
Sandvik 2/02

With interim report
for first quarter 2002



New tool concept

Sandvik Hard Materials has developed materials from ultra-finely grained solid carbide that are used by Sandvik subsidiary Prototyp to manufacture the new solid-carbide Protostar Ultra milling cutters. The product is sold to die and mould manufacturers and has been highly successful in the market since its introduction last autumn. The tool is designed particularly for so-called hard machining. Using the new carbide grade in combination with improved coating, processing costs are reduced and tool life is extended. This means increased profitability for customers, following the model used throughout the Sandvik Group ●



No die-cutting – no packaging

Packaging in a variety of forms plays a central role in a modern society. Virtually all products – big and small – are packaged in some manner. Sandvik is also involved in this role, for example, in the Chinese market. In Qingdao on the east coast of China, 500 kilometers from the capital of Beijing, Sandvik Steel produces diecutting steel rules that are sold to its Chinese customers, which then produce cartons and cases and other packaging material for industry. Sandvik shaves the steel strip, it is then edge hardened to increase the durability and service life. The strip is then processed in manageable sizes or delivered in coils. Sandvik is the world leader in this market and operations are expanding, not only in China, but also in other locations: Sandviken, Sweden and at Sandvik Saxon in Rugby, UK ●

Package solution in Canada

When the leading Canadian courier company, Canpar, decided to switch from manual sorting to a new automatic sorting system, it purchased the new equipment from Sandvik Process Systems. The new plant in Quebec, which will be placed in operation this year, is based on a patented solution from Sandvik. The sorting equipment has a total length of about 350 meters. The plant has a high capacity: slightly over 13,000 items per hour. There is considerable flexibility to permit adjustment for future expansion. Every item sorted is given a barcode – a unique identity that reveals its final destination. Packages are scanned automatically and placed in the correct path in the sorting process. Fast, quiet and efficient – a truly effective package solution ●



Cover:

Lars Petterson, new President and CEO

Following the 2002 Annual General Meeting, Lars Petterson is the new President and CEO of Sandvik AB, succeeding Clas Åke Hedström, who has retired and been appointed the new Chairman of the Board of Directors. Lars, who holds a degree in engineering physics, became a Sandvik employee in 1979. His long career has included periods as President of Sandvik Coromant and President of the Sandvik Tooling and, most recently, President of Sandvik Steel and the Sandvik Specialty Steels Business Area. Lars Petterson is 47 years of age, married, and has two children. Lars devotes his spare time to his family and his leisure interests: nature, fishing, hunting and literature ●

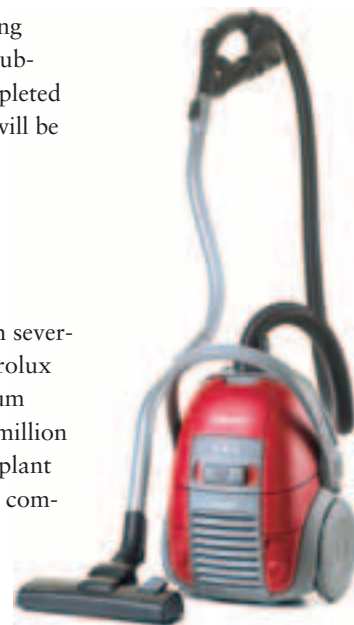


Sandvik on the right track

Sandvik Tamrock's new Axera series drilling rigs are now scoring a success at one of Europe's largest infrastructure projects – the Botnia Rail Link in Sweden. The project involves construction of a new coastal railway line from the Ångerman River to Umeå. This is a stretch of 190 kilometers, with 140 bridges and 25 kilometers of tunnels. The unique features of the Axera rigs are being applied in the tunneling work. The model being used is the only one in the world in which two operators can work simultaneously using four drilling booms, each equipped with a rock-drilling tool. This increases drilling efficiency by 50% and reduces total face drilling time substantially. Speaking of time – when the new line is completed in 2008, the travel time between Stockholm and Umeå will be halved. Rigged and ready for satisfied passengers ●

Clean sweep for good cooperation

In Hungary, Sandvik Coromant cooperates closely with several large international companies. One example is Electrolux Lehel, a major manufacturer of refrigerators and vacuum cleaners within the Electrolux Group. A total of three million of these necessities for daily living are produced at the plant outside Budapest and most are exported. The products comprise a large number of plastic components that must be formed to provide the proper appearance. This requires advanced cemented-carbide tools. Sandvik Coromant works closely with the customer to develop the forming tools and the result has been that Electrolux Lehel could increase its productivity while achieving high quality. Training as well as technical and commercial service are also key elements in the cooperation. An example of a long-term relationship in the best of form ●



Passadores – a source of pride in Brazil

Have you ever been to a barbecue in Brazil? If so, you will certainly have noticed the waiters who circulate with slices of beef threaded on a spit, from which, with large knives, they slice off portions for restaurant guests. These knives, and the waiters for that matter, are known as passadores in Brazil. Sandvik Steel supplies strip steel to the Brazilian knife manufacturer Tramontina, which produces the knives. The requirements from the passadores are extremely high. We can report that only Sandvik materials are acceptable to these professionals ●





Please do not disturb

Mobile phones must be protected from external interference in order to function properly. Moreover, they should not emit too much electromagnetic radiation, since this could have an external effect or interfere with other electronic equipment. Sandvik's expertise in materials technology is needed to meet this essential requirement. International mobile-phone manufacturers are increasingly using shielding made from Sandvik materials. The Sandvik Steel metal seals in high-alloy chromium steel offers a perfect fit that maintains the electrical contact between the screen components. One of the advantages of steel over competing materials such as silicon rubber is better electrical conductivity. If even better corrosion resistance is required, stainless spring steel can be used. Sandvik's researchers are currently participating in the ongoing development of the next generation of shielding seals – conducting a cooperation that promises to lead far ●



IT – one of Sandvik's strength factors

IT is an important aid in all areas of daily work within the Sandvik Group – R&D, production, administration, marketing, sales and other customer contacts as well as in logistics. Extensive IT support is also a condition for being able to expand business and increase productivity. A total of about 1,200 employees work within the IT field and investments are in the range of SEK 1 billion annually. Simply stated, IT is a sort of lubricant in the gears of the organization. It is a way to improve the flows in the company – flows of information, money, material, processes and more. As a result, we can increase our competitiveness while we become more cost efficient.

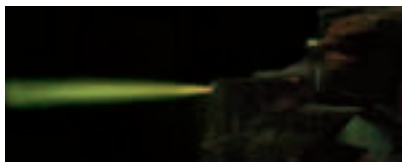
Sandvik has now regrouped operations in the former computer company and established two companies – one for development issues, Sandvik Systems Development, and a unit for operations, Sandvik Information Technology. "I am totally certain that in this way we will be able to work in the future in more standardized work processes than today," says Tom Erixon, member of Group Executive Management responsible for Business Development and IT: "We will be able to work even smarter, become more aware of interrelations and capitalize on skills more effectively – particularly in a global perspective." ●

Japanese miracle

Between the capital, Tokyo, and the major port and industrial city, Kobe, extensive work is under way to improve the conditions for the increasing number of cars on the road. The project in question involves the construction of a 600-kilometer-long, three-lane highway between the two big cities. A fifth of this length will run through tunnels to reduce environmental impact and improve traffic-flow. The longest tunnel is at Suzuka, which is known for its Formula 1 races. Specially developed hydraulic hammers from Rammer and Axera drill rigs from Tamrock are currently advancing steadily through the Japanese bedrock. Working conditions are challenging, involving varying types of rock – from loose sandstone to hard granite. The customer, Kajima Corporation, chose Sandvik because the equipment completes the job faster than any others. Talk about Formula 1! ●

The same technology, but in reverse

Kanthal materials are well known for generating heat for household appliances and industrial furnaces. Now the company is launching a new series of products that provide heat protection at temperatures up to approximately 1,000°C. By melting a wire and spraying the melt on a component, you can tailor the surface properties and still preserve the base materials' other properties. The method is known as thermal spraying and is used in a wide range of different areas, from the aerospace and



automotive industries to medical implants. Kanthal products are mainly used in applications for hot corrosion and oxidation protection ●

Internet catches interest in Korea

Electronic commerce is now an established sales channel for Sandvik in a growing number of markets, such as South Korea, for example, where e-commerce is attracting increasingly greater attention. During last year, about half of Sandvik Coromant's South Korean sales to distributors was via the Internet. Although the number of Internet users in the country is still relatively low in absolute terms, this provides an illustration of the major potential of Internet sales to reach far into the market. Customers could not be more pleased with Sandvik's e-commerce solutions ●



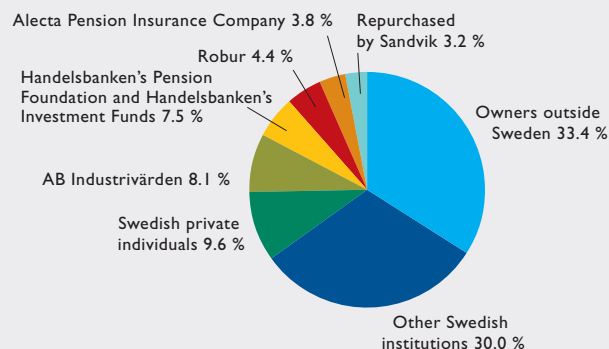
Strategic hub in the Netherlands

Sandvik Tooling has three ultra-modern warehousing facilities – one each in NAFTA, Asia and Europe. The European unit is located in Schiedam outside Rotterdam, the Netherlands. It handles deliveries mainly to European customers, but also supplies the US and Asia warehouses with products. The location is strategic, close to airports and the terminals of the major distributors, which facilitates efficient shipment. The hub, which also provides the name for the street on which it is located – Sandvikstraat, is the largest in the business area and probably the world's largest of its type. After the most recent rebuilding and extension, which was com-

pleted last autumn, capacity was doubled and there are now a total of 60,000 items in inventory. Sandvik Coromant, with its entire product range, accounts for a major share of the space, but Dormer within Sandvik CTT, Sandvik Hard Materials and parts of the Sandvik Steel range are also stocked here. The products reach most markets in Europe within 24 hours. Customers are assured that they receive the specific products they order, delivered to the right place and at the right time by a skilled staff of 250 employees representing not less than 30 nationalities. Perhaps a candidate for the Guinness Book of Records? ●

Who owns Sandvik?

The largest owners of Sandvik, as of 31 March 2002:



Sandvik

Annual General Meeting 2002

A bright spring sun greeted the shareholders attending the Sandvik Annual General Meeting on 7 May. A record number filled the ice arena in Sandviken, decorated for the occasion in an Asian theme, to be on hand when Clas Åke Hedström passed the baton to Lars Pettersson as President and CEO and at the same time Chairman Percy Barnevik expressed his thanks and a farewell after 19 years in his position. Also present at the Meeting, were the Board of Directors, the auditors, Group Executive Management and the managements of the three business areas as well as invited financial analysts, investors and media representatives.

In his final address as President of Sandvik, after a total of 37 years with the company, Clas Åke Hedström commented on the 2001 fiscal year and development during the first quarter this year. He provided a number of examples of the Group's aggressive efforts since the new growth strategy was announced. Clas Åke Hedström thanked Percy Barnevik who declined re-election. During his period as Board Chairman, Sandvik's invoicing rose 500%, earnings by 1000% and the share rose 2000%. At the Board

meeting on 16 January, Percy Barnevik was named Honorary Chairman of the Group when he leaves the Board.

The Meeting approved the Board's proposal for a dividend of SEK 9.50 for fiscal year 2001. In accordance with the proposal by the Board, the Meeting resolved to authorize the Board to make additional purchases of the company's own shares, prior to the next Annual General Meeting. The buy-back shall be effected on the Stockholm Exchange and shall be limited to a maximum number of shares that the company's holding at any given time does not exceed 10 percent of all shares in the company. The buy-back is a step toward adjusting the company's capital structure in accordance with established financial objectives. At the current price level, the buy-back would increase Sandvik's return on shareholders' equity and increase earnings per share. At the statutory Board meeting the same day, the Board decided to exercise the authority granted by the Annual General Meeting to acquire shares in the company.

Clas Åke Hedström was elected new Board Chairman. Board members Georg Ehrnrooth, Per-Olof Eriksson, Arne Mårtensson, Lars Nyberg and Mauritz Sahlin were re-elected. Anders Nyrén, President of AB Industrivärden, was elected new member after Clas Reuterskiöld who declined re-election, and Lars Pettersson, who was earlier named President and CEO as of 7 May, was also elected as a new Board member.

Auditors: 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) ●





Karin Näsfall, outgoing Secretary to the President, was honored with a song by Fredrik Swahn, a musical entertainer.



Engineers Jörgen Wiman and Jan Lundström, who both work at Sandvik Coromant, received the Wilhelm Haglund Medal for 2002 and were named product developers of the year. They were recognized for development of a new, advanced cemented-carbide insert for turning that doubles the customer's productivity.



Following the Meeting, a party was held for Clas Åke Hedström attended by 300 external guests, company management as well as current and former employees. Members of Group Executive Management, with the new President Lars Petterson in the lead, were among those offering congratulations.



Interim Report

first quarter 2002*

- Profit after financial items SEK 1,261 M, 11% of invoicing.
- Invoicing: SEK 11,800 M, down 2%.
- Order intake increased from fourth quarter 2001.
- Number of employees declined by 450.
- Walter Group consolidated from 25 February.

SHORT-TERM MARKET OUTLOOK

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.

Previous short-term market outlook (published 14 February 2002):

Demand is expected to remain weak in the near future. An extensive program of change is under way within the Group to further enhance efficiency and reduce cost levels. At the same time, the Group is ready to capitalize on business opportunities in the event of increased demand.

FIRST QUARTER 2002

Order intake in the first quarter amounted to SEK 12,830 M (12,570), an increase of 2% in total but a decline of 6% at fixed exchange rates for comparable units. For Sandvik Mining and Construction the order intake increased, while it declined for Sandvik Tooling and Sandvik Specialty Steels compared with the first quarter in the preceding year. Acquisitions contributed positively with 6%.

The lower order intake, down 6%, for comparable units in relation to the first quarter a year earlier should be viewed taking into consideration that the global business

climate was very strong at the beginning of 2001. Accordingly, a comparison with the fourth quarter of 2001 is more relevant even if a certain seasonal effect should be taken into account. Compared with the fourth quarter of 2001, the increase was 13% at fixed exchange rates for comparable units. All market areas and business areas showed an increase. Sandvik Mining and Construction reported a continued strong development and the trend was now positive also for Sandvik Specialty Steels and Sandvik Tooling.

The activity in the general engineering industry remained weak in Europe but increased somewhat in NAFTA compared with the fourth quarter. Total demand in the automotive industry in Europe declined, but varied between markets. In contrast, an increased rate of production was noted in NAFTA within the automotive industry. Activity in the commercial aerospace industry continued to decrease. Demand in the electronics industry showed, after a sharp decline, a tendency toward leveling out. Order intake from the mining and construction industry, offshore and energy industry remained favorable.

Invoicing amounted to SEK 11,800 M (12,050), a decrease of 2% in total and 12% at fixed exchange rates for comparable units. The increase from acquisitions was 7%. Higher currency rates affected invoicing positively by 3%. Invoicing declined for all business areas compared with the year-earlier period. The decline was sharpest in NAFTA

and Europe. Sales in Africa, China and Australia remained high and were largely unchanged compared with a year earlier.

Order intake was slightly more than SEK 1,000 M, or 9%, higher than invoicing in the first quarter.

EARNINGS, CASH FLOW AND RETURN

Operating profit in the first quarter amounted to SEK 1,421 M (1,640), 12% of invoicing. This was a decrease of 13% compared with the preceding year. Changes in currency exchange rates had a positive effect of about SEK 150 M. The new accounting principle for capitalizing certain development costs affected earnings positively by about SEK 50 M. Operating profit for Sandvik Mining and Construction rose 13% and was the highest since the business area was formed. Sandvik Specialty Steel's earnings declined by 12%, which should be viewed taking into account lower volumes. Sandvik Tooling reported a 20% decrease in earnings, which was attributable to lower volumes.

Net financial expense was SEK 160 M (expense: 115). The increase was due to higher level of debt. Profit after net financial items was down 17% to SEK 1,261 M, 11% of invoicing. The tax rate was 35% and net profit amounted to SEK 768 M (901). Earnings per share were SEK 3.10 (3.50) in the quarter and SEK 14.00 in the past 12 months (SEK 14.40 for full-year 2001).

Investments in fixed assets amounted to SEK 390 M and acquisitions to SEK 811 M. Cash flow from operations amounted to SEK 1,289 M, an increase of SEK 320 M compared with a year earlier. The change was due mainly to a positive trend in development of working capital. Cash flow after investment activities was SEK 265 M.

The return on capital employed during the past 12 months amounted to 16.2% (17.4% for full-year 2001) and the return on equity amounted to 14.8% (15.5). Interest-bearing liabilities and provisions less liquid funds resulted in a net debt of SEK 10,545 M (SEK 9,964 M at 31 December 2001). Liquid funds amounted to SEK 2,018 M (2,258) and loans to SEK 10,440 M (10,183).

The number of shares outstanding was 250,501,850. Equity per share was SEK 95.60 (95.50) and the equity/assets ratio was 50% (50). Net debt/equity ratio was 0.4 (0.4).

The number of employees amounted to 36,323 (34,848) at the end of the period including Walter. For comparable units, the number of employees declined by 450 during the quarter.

KEY FIGURES

SEK M	Q I 2002	Q I 2001	Change %	Full-year 2001
Order intake	12 830	12 570	+2 ¹⁾	47 900
Invoiced sales	11 800	12 050	-2 ²⁾	48 900
Operating profit	1 421	1 640	-13	6 103 ³⁾
%	12	14		12
Profit after financial items	1 261	1 525	-17	5 606 ³⁾
%	11	13		11
Earnings per share, SEK ⁴⁾	14.00	13.80		14.40
Return on net assets, %	16.2	19.6		17.4

1) -6% at fixed exchange rates for comparable units. 2) -12% at fixed exchange rates for comparable units. 3) Including items affecting comparability SEK +340 M for full-year 2001. 4) Most recent 12 months.

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

ACCOUNTING PRINCIPLES

This report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20. 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 31 March 2002, Sandvik's holding of own shares (treasury stock) totaled 8,197,000, corresponding to 3.2% of the total number of shares (258,698,850). The amount paid was SEK 1,784 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.

BUSINESS AREAS

Sandvik Tooling's order intake amounted to SEK 4,274 M (4,425), an 11% decrease compared with a year earlier at fixed exchange rates for comparable units. The development was most negative for high-speed steel tools and cemented-carbide blanks. The decline compared with a year earlier applied mainly to NAFTA, South America and the EU. However, order intake remained strong in Eastern Europe and Asia/Australia, particularly in China as well as in Southeast Asia.

Since the fourth quarter 2001, order intake increased by 7% at fixed exchange rates for comparable units. Demand increased in Eastern Europe, Asia/Australia as well as in NAFTA. Order intake in EU declined somewhat.

Invoicing amounted to SEK 4,107 M (4,258), which was a drop of 12% compared with the

INVOICED SALES BY MARKET AREA, SEK M

	Q 4 2002	Q 4 2001	Change %	Change % ¹⁾	Q 2 2001	Q 3 2001	Q 4 2001	Full-year 2001
EU	4 833	5 137	-6	-12	5 047	4 326	5 188	19 698
Rest of Europe	842	853	-1	-9	899	902	912	3 566
Europe total	5 675	5 990	-5	-12	5 946	5 228	6 100	23 264
NAFTA	2 799	2 960	-5	-17	2 969	2 855	2 759	11 543
South America	527	451	+17	-19	526	475	561	2 013
Africa/Middle East	610	611	0	0	616	603	681	2 511
Asia/Australia	2 189	2 038	+7	-10	2 383	2 469	2 679	9 569
Group total	11 800	12 050	-2	-12	12 440	11 630	12 780	48 900

ORDER INTAKE BY BUSINESS AREA, SEK M

	Q 4 2002	Q 4 2001	Change %	Change % ¹⁾	Q 2 2001	Q 3 2001	Q 4 2001	Full-year 2001
Sandvik Tooling	4 274	4 425	-3	-11	4 253	3 789	3 888	16 355
Sandvik Mining and Construction	3 936	3 171	+24	+7	3 923	3 040	3 273	13 407
Sandvik Specialty Steels	3 562	3 842	-7	-10	3 696	3 154	3 151	13 843
Seco Tools ²⁾	1 051	1 125	-7	-10	1 099	1 008	1 037	4 269
Group activities	7	7	/	/	9	9	1	26
Group total	12 830	12 570	+2	-6	12 980	11 000	11 350	47 900

INVOICED SALES BY BUSINESS AREA, SEK M

	Q 4 2002	Q 4 2001	Change %	Change % ¹⁾	Q 2 2001	Q 3 2001	Q 4 2001	Full-year 2001
Sandvik Tooling	4 107	4 258	-4	-12	4 296	3 954	4 053	16 561
Sandvik Mining and Construction	3 464	2 984	+16	-3	3 270	3 398	3 849	13 501
Sandvik Specialty Steels	3 200	3 690	-13	-16	3 763	3 258	3 817	14 528
Seco Tools ²⁾	1 027	1 103	-7	-10	1 092	1 005	1 059	4 259
Group activities	2	15	/	/	19	15	2	51
Group total	11 800	12 050	-2	-12	12 440	11 630	12 780	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.

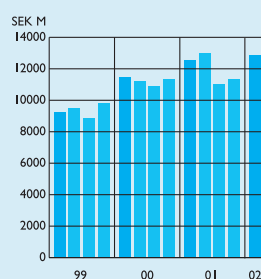
first quarter of 2001 at fixed exchange rates for comparable units.

Operating profit declined compared with a year earlier by 20% and amounted to SEK 701 M (878), or 17% of invoicing. The decrease was attributable to lower sales volume and rate of production. The operating

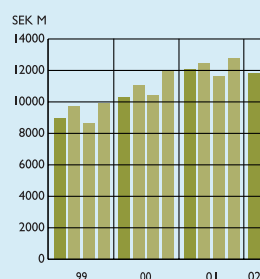
margin increased compared with the preceding quarter, even after taking into account items of a nonrecurring nature that were charged against earnings in the fourth quarter of 2001.

The restructuring program announced in November 2001 is proceeding as planned.

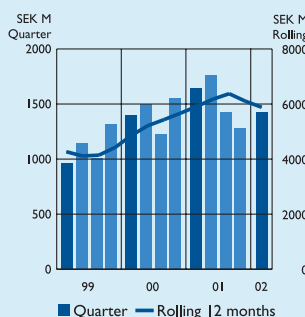
ORDER INTAKE
BY QUARTER



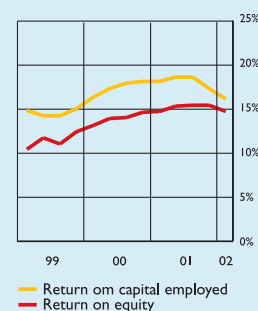
INVOICED SALES
BY QUARTER



OPERATING PROFIT*



RETURN*,
Rolling 12-months



* excl. items affecting comparability 1999 and 2000

SANDVIK TOOLING

	Q 1 2002	Q 1 2001	Change %	Full-year 2001
SEK M				
Order intake	4 274	4 425	-11*	16 355
Invoiced sales	4 107	4 258	-12*	16 561
Operating profit	701	878	-20	2 964
%	17	21		18

SANDVIK MINING AND CONSTRUCTION

	Q 1 2002	Q 1 2001	Change %	Full-year 2001
Order intake	3 936	3 171	+7*	13 407
Invoiced sales	3 464	2 984	-3*	13 501
Operating profit	355	315	+13	1 348
%	10	11		10

SANDVIK SPECIALTY STEELS

	Q 1 2002	Q 1 2001	Change %	Full-year 2001
Order intake	3 562	3 842	-10*	13 843
Invoiced sales	3 200	3 690	-16*	14 528
Operating profit	278	317	-12	1 281
%	9	9		9

* at fixed exchange rates for comparable units.

OPERATING PROFIT BY BUSINESS AREA, SEK M

	Q 1 2002	Q 1 2001	Q 2 2001	Q 3 2001	Q 4 2001	Full-year 2001
Sandvik Tooling	701	878	892	735	459 ¹⁾	2 964 ¹⁾
Sandvik Mining and Construction	355	315	351	336	346	1 348
Sandvik Specialty Steels	278	317	341	295	328	1 281
Seco Tools ²⁾	171	240	220	165	162	787
Group activities	-84	-110	-44	-106	-17	-277
Group total	1 421	1 640	1 760	1 425	1 278 ¹⁾	6 103 ¹⁾

OPERATING PROFIT BY BUSINESS AREA, % OF INVOICING

	Q 1 2002	Q 1 2001	Q 2 2001	Q 3 2001	Q 4 2001	Full-year 2001
Sandvik Tooling	17	21	21	19	11	18
Sandvik Mining and Construction	10	11	11	10	9	10
Sandvik Specialty Steels	9	9	9	9	9	9
Seco Tools ²⁾	17	22	20	16	15	18
Group total	12	14	14	12	10	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

Market area	SEK M	Share %	Change* Q 1 2001 %	Change* Q 4 2001 %
EU	5 346	42	-9	+10
Rest of Europe	887	7	-19	+21
Europe total	6 233	49	-10	+11
NAFTA	2 967	23	-7	+19
South America	598	5	0	+10
Africa/Middle East	660	5	+3	+13
Asia/Australia	2 372	18	-1	+11
Total	12 830	100	-6	+13

* at fixed exchange rates for comparable units.

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. The goal is to achieve an annual earnings improvement of slightly more than SEK 500 M from the end of 2002. Among other areas, consolidation of production units

is under way in the UK, Germany and France. In the US, it was decided to consolidate operations within Precision Twist Drill, which will result in a reduction of 250 employees.

During the quarter, the number of employees declined by 250 for comparable units. In addition, a decision has been made on a

reduction of 210 persons at Sandvik Coromant in Gimo, Sweden, which will have full effect during the third quarter.

Walter, the acquired German group, was consolidated as of 25 February and was included in the amount of SEK 227 M in order intake and SEK 198 M in sales. The net positive effect on Sandvik Tooling's operating profit was SEK 10 M.

Sandvik Mining and Construction's order intake amounted to SEK 3,936 M (3,171), which was an increase of 7% at fixed exchange rates for comparable units and of 24% at current exchange rates and including acquisitions. Demand remained favorable, particularly in the mining industry in Africa and Australia despite declining activity in the coal area. Demand in the civil engineering industry varied, with an increase in NAFTA and certain countries in Asia. It was largely unchanged in Europe. Sandvik Rock Processing reported a strong development, with several major orders for crushers in Chile, among other markets.

Since the fourth quarter, order intake increased by 22% at fixed exchange rates for comparable units.

Invoicing amounted to SEK 3,464 M (2,984), a decline of 3% compared with the first quarter of 2001 at fixed exchange rates for comparable units.

Operating profit amounted to SEK 355 M (315), or 10% of invoicing, an increase of 13%. The earnings improvement was due to a positive volume development, higher productivity and a continued adjustment of the cost level.

Sandvik Specialty Steels' order intake in the first quarter amounted to SEK 3,562 M (3,842), a decline compared with a year earlier of 10% at fixed exchange rates for comparable units. The market situation improved somewhat during the quarter and the corresponding increase was 15% compared with the fourth quarter of 2001.

Demand in the consumer-related customer segment, such as the automotive and electronics industries, leveled out, and demand remained favorable for products to the oil/gas and energy industry. Since the fourth quarter of 2001, order intake increased within the EU as well as in NAFTA and Asia/Australia.

Invoicing amounted to SEK 3,200 M (3,690). The decline at fixed exchange rates for comparable units was 16%.

Operating profit amounted to SEK 278 M (317), or 9% of invoiced sales. The drop in earnings compared with a year earlier was attributable to lower volumes. As a result of a better product mix, cost savings and continued personnel reductions, however, the operating margin was unchanged at 9%. The effect on earnings of higher prices for nickel in inventories was marginal. During the quarter, the number of employees decreased by about 130.

STRUCTURAL CHANGES

- In mid-February, an alignment of wire production capacity within Sandvik Steel was announced. Profitability for the Wire Division is clearly unsatisfactory, which is due mainly to total production capacity being too high. A review shows that the current five production units should be reduced to four to increase efficiency, reduce costs and increase profitability.
- Sandvik reached an agreement in February with the principal owners of Walter AG to complete the acquisition. This meant that Sandvik is consolidating the Walter Group as of 25 February. At 30 March, Sandvik's ownership interest was 77%.
- Sandvik's interest in the associated company Avesta Sandvik Tube AB was reduced from 25% to 17%. The company has changed name to AvestaPolarit Stainless Tube AB.
- 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.

NEW PRESIDENT

On 16 January 2002, the Board of Directors announced that Clas Åke Hedström, President and CEO of Sandvik AB, will leave his position in conjunction with the Annual General Meeting on 7 May 2002. Clas Åke Hedström will be 63 in July and has been employed with the company for 37 years, of which eight as President.

The Board of Directors has appointed Lars Pettersson, 47, as new President and CEO, as of 7 May 2002. Pettersson is currently Executive Vice President of the Group, President of Sandvik Specialty Steels Business Area and President of the Business Sector Sandvik Steel.

Peter Gossas, Executive Vice President of Sandvik Steel and head of the company's Tube Division has been appointed the new President of Sandvik Steel, effective 7 May 2002.

Sandviken, 7 May 2002
Sandvik AB; (publ)

Clas Åke Hedström
President and CEO

The interim report for the first quarter of 2002 has not been audited by the Company's auditors. The next interim report will be published on 7 August 2002 covering the first six months of 2002.

CONSOLIDATED FINANCIAL INFORMATION, SEK M

	Q 1 2002	Q 1 2001	Full-year 2001
INCOME STATEMENT			
Invoiced sales	11 800	12 050	48 900
Cost of goods sold	-8 054	-7 940	-33 978
Gross profit	3 746	4 110	14 922
Selling, general and administrative expenses	-2 318	-2 331	-9 288
Other operating income and expenses	-7	-139	+129
Items affecting comparability			+340
Operating profit	1 421	1 640	6 103
Financial income and expenses, net	-160	-115	-497
Profit after financial items	1 261	1 525	5 606
Taxes	-446	-558	-1 712
Minority interests	-47	-66	-206
Net profit	768	901	3 688
Earnings per share, SEK	14.00	13.80	14.40

CASH-FLOW STATEMENT

Profit after financial items	1 261	1 525	5 606
Items not affecting cash flow	-46	+197	-579
Reversal of depreciation	+635	+581	+2 446
Taxes paid	-415	-534	-1 762
Change in inventories	-50	-967	-583
Change in current receivables and operating liabilities	-96	+167	-35
Cash flow from operating activities	1 289	969	5 093
Investments, acquisitions and divestments	-1 024	-588	-3 873
Change in short- and long-term loans	-332	-595	4 137
Buy-back of own shares	-124		-1 660
Payment to newly established pension funds			-1 070
Dividends paid			-2 554
Net cash flow	-191	-214	73
Liquid funds at beginning of period	2 258	2 097	2 097
Exchange-rate differences in liquid funds	-49	+63	+88
Liquid funds at end of period	2 018	1 946	2 258

BALANCE SHEET

Fixed assets	22 388	19 867	22 505
Inventories	13 402	12 554	12 953
Current receivables	12 682	12 506	11 833
Liquid assets	2 018	1 946	2 258
Total assets	50 490	46 873	49 549
Shareholders' equity	23 950	24 817	23 972
Minority interests	1 226	1 023	967
Interest-bearing provisions and liabilities	12 564	8 446	12 222
Non-interest-bearing provisions and liabilities	12 750	12 587	12 388
Total provisions, liabilities and shareholders' equity	50 490	46 873	49 549

KEY FIGURES

No. of shares at end of period ('000)	250 502	258 696	251 025
Earnings per share, SEK*	14.00	13.80	14.40
After full dilution**	13.80	13.60	14.30
Return on capital employed	16.2%	19.6%	17.4%
Return on shareholders' equity	14.8%	16.0%	15.5%
Net debt/equity ratio	0.4	0.3	0.4

* most recent 12 months: Earnings divided by average number of outstanding shares 253,875,400.

** average no. of shares after full dilution of outstanding convertible and warrants programs amounts to 258,796,400.

Did you know that Sandvik acquired more than 30 companies in less than 10 years



During the past decade, Sandvik has more than doubled its sales to **SEK 50 billion**. In pace with this increase, the number of employees rose to **36,000**. These figures reflect strong **organic growth**. Sandvik's goal for organic growth is an average of 6% annually over a business cycle, which is very high.

In addition, Sandvik focuses heavily on growth through **company acquisitions**. Since the end of 1992, Sandvik has acquired 33 companies. Combined, these new companies contributed sales of SEK 18 billion to Sandvik (based on figures at the date of acquisition).

The most recent major acquisition was the German company **Walter AG**, with sales of SEK 2,700 M and 2,000 employees. Walter specializes in tools for metalworking, among other products. Accordingly,

the company fits well into the Sandvik family and complements the operations of the Group's Tooling Business Area.

Sandvik has since long had a successful strategy for integrating new companies into the Group. We call it **parenting**. Briefly, it involves extending extensive support to the acquired companies through providing access to our resources in various areas – such as technology, product development and marketing. Figuratively speaking, we bring them into the nest. The goal is that the companies should develop faster and more effectively within Sandvik than if they had been left standing alone.

The companies benefit, Sandvik benefits and most importantly our customers and shareholders benefit.



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