

INTERIM REPORT JANUARY – JUNE 2001



SEK M	Second Quarter		First six months	
	2001	2000	2001	2000
Orders received	3 972	3 199	7 941	6 952
Sales	4 119	3 873	7 500	6 965
Operating profit	69	276	154	317
Profit after financial items	-11	188	-8	163
Profit after tax	-26	121	-34	78

Order bookings continue to show a positive trend, increasing by 24 percent during the second quarter and by 14 percent during the first six months of the year, compared with the corresponding period in 2000.

Demand for Svedala's products is stable in Europe and rising in South America and Asia, while North America reports declining volumes in several product areas.

Cash flow from ongoing operations was positive during the first six months, amounting to SEK 515 M.

Operating profit for the first six months of the year was SEK 154 M (317). The decrease compared with the year-earlier period was mainly attributable to the weak business trend in the US, combined with increased organizational stress due to the protracted examination process by the competition authorities resulting from Metso's offer to the Svedala shareholders.

The operating profit for the entire year 2001, before restructuring costs, was after the first quarter expected to be in line with 1999. Based on the factors above, operating profit for full-year 2001 is now forecast to be in the region of SEK 500 M.

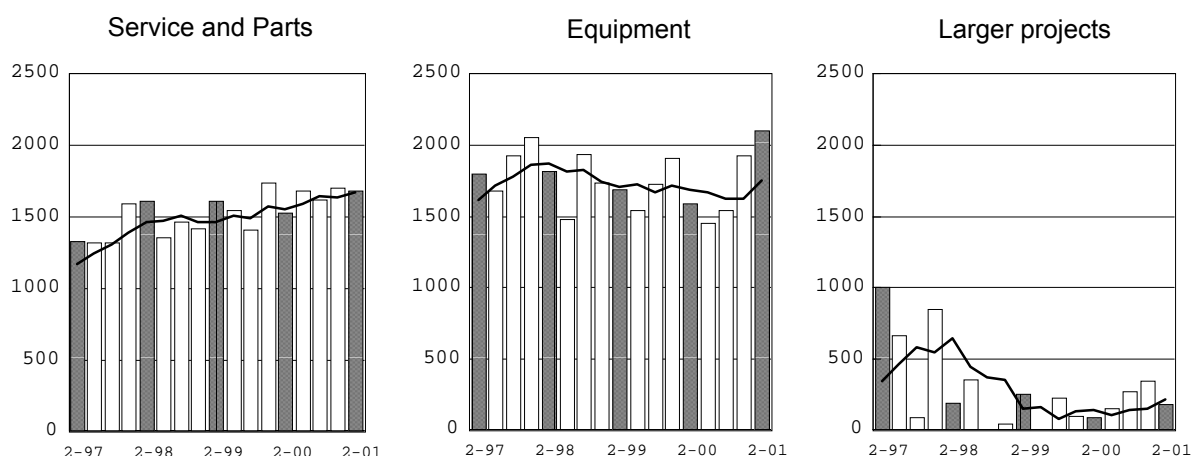
Malmö, August 10, 2001
Alf Göransson
President and CEO

METSO CORPORATION'S BID FOR SVEDALA

On July 20, 2001, the Finnish group, Metso Corporation, announced a further extension of the acceptance period for the conditional offer originally presented on June 21, 2000. The closing date following the latest extension is August 16, 2001. The original offer to shareholders and holders of convertibles still applies.

During the reporting period, Metso entered into an agreement with Sandvik AB to divest the operations included in the remedy package agreed with the EU Commission. These operations are currently part of the Svedala Group. Metso has also reached an agreement with Outokumpu Mintec Oy to sell its own Grinding mills operation as a result of the demands that arose during the examination process conducted by the Federal Trade Commission (FTC) in the US. The sale to Sandvik is conditional upon the completion of Metso's acquisition of Svedala Industri AB. The relevant competition authorities in Europe and the US have not raised any objections concerning the proposed purchasers, but certain conditions included in the agreements will require further negotiations with the FTC in the US. These negotiations are the reason behind the latest extension of Metso's offer to Svedala shareholders and holders of convertibles.

ORDER BOOKINGS

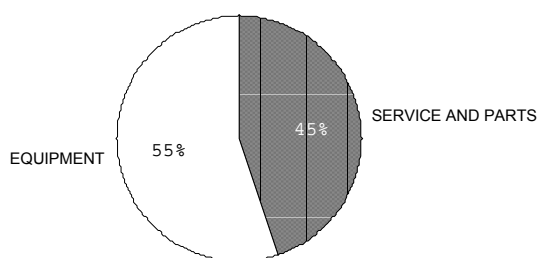


The bars in the diagram show the distribution of the quarterly orders received among Service and Parts, Equipment and Larger projects. The lines show the average orders received per quarter rolling full year

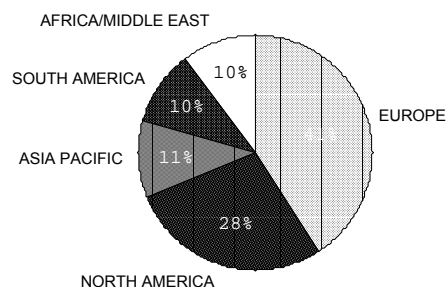
Svedala's order bookings for the *second quarter* of 2001 amounted to SEK 3,972 M (3,199), representing an increase of 24 percent. While the increase is partly attributable to currency fluctuations, order bookings for equipment and projects were also at a high level. New project orders for mining and bulk-handling equipment were secured in Brazil and China, among other countries.

Order bookings for the *first six months* of 2001 increased by a total of 14 percent to SEK 7,941 M (6,952). Currency fluctuations account for approximately 8 percent of the improvement. The increase in volumes related mainly to equipment and projects, with South America in particular, but also Asia, showing high levels of activity. Order bookings in Europe remain stable, while the US reports a decline, after adjustments for currency effects.

INVOICED SALES



The diagram shows the distribution of sales July 2000 to June 2001 between Service and Parts, and Equipment



Sales per region July 2000 to June 2001

Invoiced sales for the *second quarter* amounted to SEK 4,119 M (3,873), a 6-percent increase. Excluding currency fluctuations, this represents a slightly lower level of invoiced sales than for the corresponding period in 2000. Sales of service and parts remained essentially unchanged during the second quarter at SEK 1,747 M, compared with SEK 1,707 during the corresponding period in 2000, while invoiced sales of equipment and projects increased to SEK 2,372 M (2,166).

The Svedala Group's total invoiced sales during the *first six months* of 2001 amounted to SEK 7,500 M, compared with SEK 6,965 for the corresponding period of the preceding year. The total improvement, amounting to 8 percent, is entirely attributable to the translation effect resulting from the weaker Swedish krona. Invoicing of service and parts totaled SEK 3,315 M (3,159), while invoicing of equipment and projects amounted to SEK 4,185 M (3,806).

PROFIT

CURRENCY EFFECTS ON OPERATING PROFIT

SEK M	Jan-June 2001	Jan-June 2000	Change
Translation of flow	88		88
Translation of earnings	7		7
Forward contract	-92	-34	-58
Total	3	-34	37

Second quarter

Operating profit for the second quarter amounted to SEK 69 M (276). Items affecting comparability during this period of 2000 amounted to SEK 60 M, primarily as a result of the repayment of pension funds from SPP.

The decline in earnings was mainly concentrated to the US, where a number of factors contributed to the strongly negative trend. The earnings trend was affected by weak volumes in several business areas, increased price competition in certain product areas

and disruptions caused by the reorganization and cost-adjustment measures in the marketing organization. In addition cost increases have been noted in ongoing projects and additional nonrecurring expenses resulting from the cost-reduction program. The program of measures announced previously was extended to counter the decline. Measures already implemented or

in progress in the US are expected to lead to an improvement in earnings of at least SEK 100 M per year beginning in 2002.

Operating profit from sales of service and parts amounted to SEK 140 M (197), which corresponds to an operating margin of 8 percent (12), while the equipment area showed a loss of SEK 2 M (profit: 103).

A loss of SEK 11 M after *net financial items* was reported for the second quarter of 2001.

QUARTERLY FIGURES

SEK M	2001		2000				1999			
	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
Orderbookings	3 972	3 969	3 431	3 287	3 199	3 753	3 365	3 089	3 547	3 194
Sales	4 119	3 381	4 088	3 425	3 873	3 092	3 928	3 378	3 785	2 905
Operating profit	69	85	-1	-3	276	41	293	161	256	96
Profit after net financial items	-11	3	-93	-86	188	-25	231	91	192	137

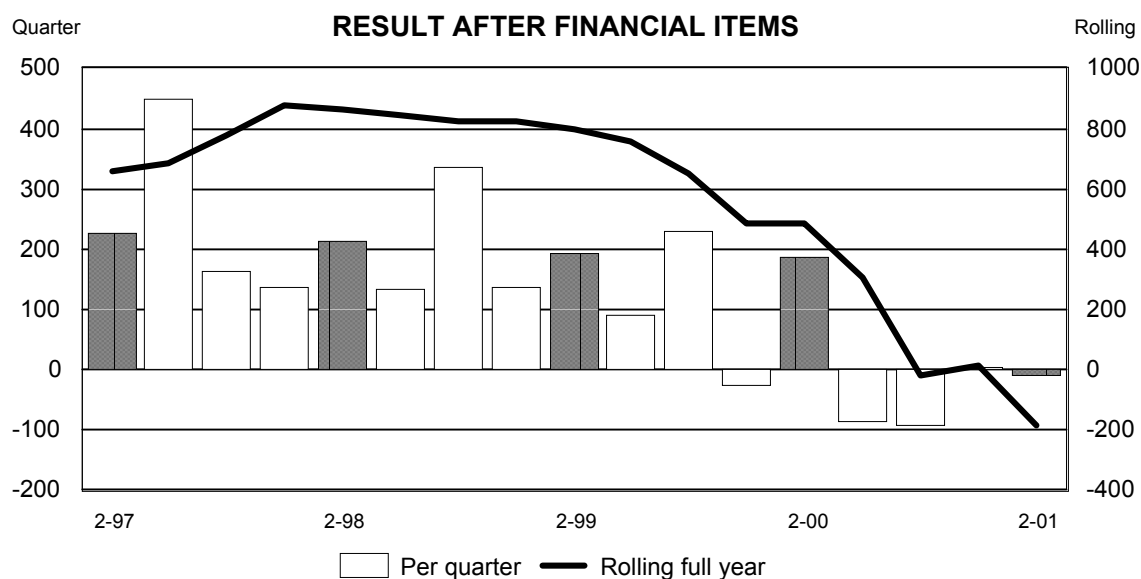
First six months

Operating profit for the first six months amounted to SEK 154 M (317). Service and parts reported an operating profit of SEK 303 M (344), which corresponds to an operating margin of 9 percent (11). The operating loss from equipment sales amounted to SEK 47 M (profit: 93). While the main reason for the negative trend is the changed situation in the US (see above), the slower pace of income recognition in the Iran project also affected results to some extent in the Africa/Middle East region. In Europe, earnings improved during the reporting period as a result of a high level of invoiced sales, while other regions showed only minor differences.

The protracted process relating to Metso's bid for Svedala has caused an increasingly negative impact on the Group during the first half of the year. While this impact is difficult to quantify, it is highly probable that it is affecting both volumes and gross margins. The uncertainty about the future is having an impact on large portions of the organization. At the same time, certain long-term structural measures are not being implemented, pending Metso's finalization of the offer to Svedala's shareholders.

A loss of SEK 8 M after *net financial items* (profit: 163) was reported for the first six months of 2001.

A loss of SEK 34 M after tax – equivalent to a loss of SEK 0.70 per share – was reported, compared with a profit of SEK 78 M (SEK 1.60 per share) during the corresponding period of year 2000.



INVESTMENTS AND DEPRECIATION

The Group's investments in plant and equipment totaled SEK 178 M during the first six months of 2001 (224), while depreciation during the same period amounted to SEK 240 M (216).

FINANCING AND CASH FLOW

Cash flow before investments amounted to SEK 515 M during the first six months of 2001.

At the close of the reporting period, net borrowing amounted to SEK 5,103 M, which was somewhat less than at the beginning of the year. The amount of capital tied up in inventories has increased by SEK 350 since the beginning of the year, with exchange rate movements accounting for the major portion of the increase. Despite exchange rate effects, current receivables have declined by SEK 270 M since the beginning of the year.

PERSONNEL

The number of employees in the Group amounted to about 10,150 at June 30, 2001. The workforce has decreased by approximately 350 persons since the beginning of the year.

PARENT COMPANY

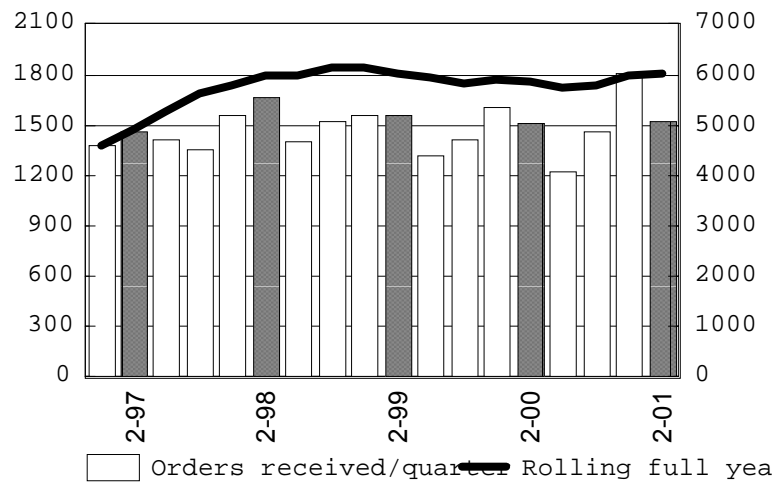
The Parent Company's operating revenue for the first six months of 2001 amounted to SEK 30 M (41). A loss of SEK 206 M after net financial items (loss: 180) was reported.

PRESIDENT RESIGNS

Svedala Industri AB's President and CEO, Alf Göransson, announced on May 2 that his intention is to leave the Company not later than autumn 2001. Alf Göransson assumed his position in June 2000.

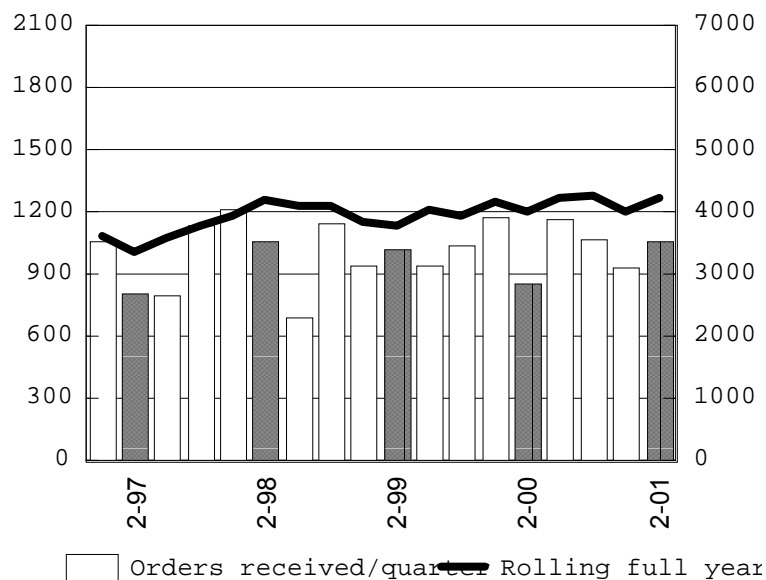
ORDERS RECEIVED AND PROFIT PER REGION

Europe



SEK M	2001 Q 2	2000 Q 2	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00- June-01
Orders received	1 524	1 512	3 331	3 121	5 805	6 015
Invoicing	1 775	1 516	3 148	2 736	5 734	6 146
Operating profit	96	69	179	103	270	346
ROA %			11	7	9	11

North America



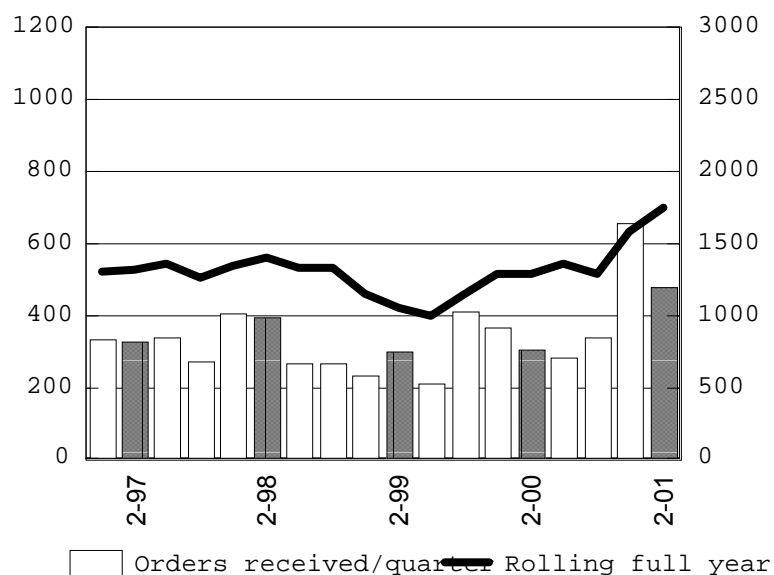
SEK M	2001 Q 2	2000 Q 2	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00- June-01
Orders received	1 056	853	1 989	2 028	4 269	4 230
Invoicing	1 168	1 205	2 155	2 146	4 203	4 212
Operating profit	-70	88	-101	114	17	-198
ROA %			-7	8	1	-7

Asia Pacific



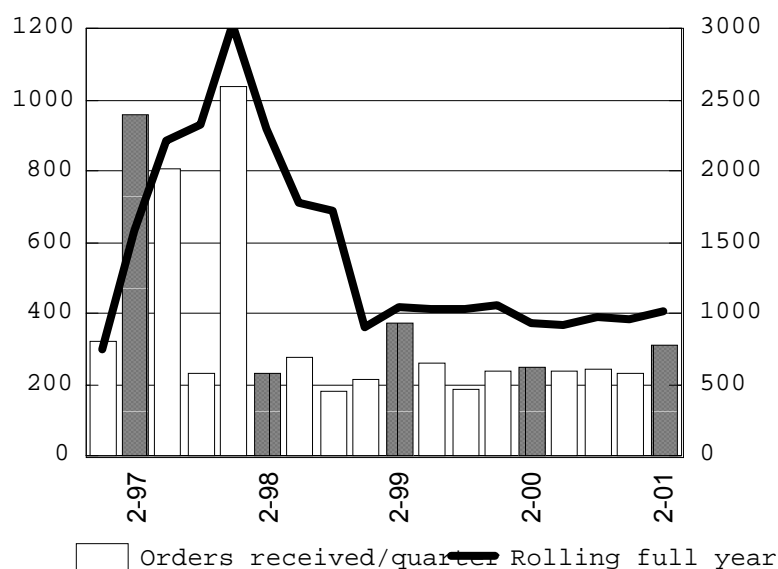
SEK M	2001 Q 2	2000 Q 2	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00- June-01
Orders received	606	289	942	637	1 334	1 639
Invoicing	440	415	780	780	1 599	1 599
Operating profit	37	31	47	49	93	91
ROA %			8	9	8	8

South America



SEK M	2001 Q 2	2000 Q 2	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00- June-01
Orders received	476	302	1 132	670	1 291	1 753
Invoicing	402	349	717	553	1 361	1 525
Operating profit	35	53	54	65	137	126
ROA %			16	>20	>20	19

Africa and Middle East



SEK M	2001 Q 2	2000 Q 2	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00- June-01
Orders received	310	251	545	492	972	1 025
Invoicing	329	379	689	738	1 619	1 570
Operating profit	40	59	77	106	183	154
ROA %			20	17	15	15

SALES PER BUSINESS AREA

SEK M	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00- June-01
Crushing and Screening	1587	1495	3155	3247
Compaction and Paving	1697	1664	2915	2948
Minerals Processing	1925	1692	3902	4135
Wear Protection and Conveying	1116	948	1992	2160
Associated Products	824	744	1708	1788
Other	351	422	806	735
Total	7500	6965	14478	15013

KEY RATIOS

	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00— June-01
Return on assets employed (ROA), %	3	7	3	2
Profit per share, SEK	-0.70	1.60	-0.60	-2.90
Profit per share after full conversion, SEK	-0.60	1.70	-0.40	-2.70
Return on shareholders' equity after tax, %	-2	4	-1	-3
Shareholders' equity per share, SEK	90	84	86	90
Number of shares, thousands	48 012	48 012	48 012	48 012
Number of shares after full conversion, thousands	48 976	48 976	48 976	48 976
Equity ratio, %	29	29	29	29
Debt/equity ratio, multiple	1.2	1.3	1.2	1.2

PROFIT AND LOSS ACCOUNT

SEK M	2001 6 mos.	2000 6 mos.	2000 12 mos.	July-00— June-01
Net sales	7 500	6 965	14 478	15 013
Cost of goods sold	-5 739	-5 107	-10 961	-11 593
Gross profit	1 761	1 858	3 517	3 420
Sales, administration and R&D expenses	-1 609	-1 528	-3 099	-3 180
Restructuring costs	0	-96	-202	-106
Other income and expenses	3	84	100	19
Interest in earnings of associated companies	-1	-1	-3	-3
Operating profit	154	317	313	150
Interest, net	-164	-150	-327	-341
Other financial items	2	-4	-2	4
Profit after financial items	-8	163	-16	-187
Taxes	-26	-85	-11	48
Minority interests	0	0	-1	-1
NET PROFIT	-34	78	-28	-140

BALANCE SHEET

SEK M	01-06-31	00-06-31	00-12-31
Assets			
Intangible fixed assets	1 438	1 408	1 428
Tangible fixed assets	2 356	2 165	2 276
Long-term interest-bearing receivables	418	383	385
Other financial fixed assets	858	512	637
Stock	4 343	4 191	3 991
Current receivables	4 869	4 814	5 137
Liquid funds	658	603	413
Total assets	14 940	14 076	14 267
Shareholders' equity and liabilities			
Shareholders' equity	4 315	4 049	4 128
Minority interests	2	0	3
Interest-bearing liabilities	6 179	6 094	5 926
Non-interest-bearing liabilities	4 444	3 933	4 210
Total shareholders' equity and liabilities	14 940	14 076	14 267

SHAREHOLDER'S EQUITY

Equity at the beginning of the year	4 128	4 269	4 269
Net profit	-34	78	-28
Dividend	0	-288	-288
Translation differences	221	-10	175
Equity at the end of the period	4 315	4 049	4 128

CASH FLOW ANALYSIS

SEK M	2001 6 mos	2000 6 mos	2000 12 mos	July-00-- June-01
<u>Operating activities</u>				
Operating profit	154	317	313	150
Plus: Depreciation	240	216	459	483
Less: Interest in earnings of associated companies	1	0	3	4
Financial items	-162	-154	-329	-337
Taxes paid	-26	-85	-137	-78
Cash flow from operating activities before changes in working capital	207	294	309	222
Change in working capital:				
Stock	-73	-353	17	297
Non-interest-bearing receivables	341	-612	-758	195
Non-interest-bearing liabilities	40	477	630	193
Cash flow from operating activities	515	-194	198	907
<u>Investing activities</u>				
Companies acquired	0	-62	-62	0
Gross investments in property, plant and equipment	-178	-224	-517	-471
Divested assets	68	45	104	127
Cash flow from investing activities	-110	-241	-475	-344
<u>Financing activities</u>				
Dividend paid	0	-288	-288	0
Net decrease(+) / increase(-) in long-term interest-bearing receivables	-21	-7	-2	-16
Net increase(+) / decrease(-) in interest-bearing liabilities	-146	1035	673	-508
Cash flow from financing activities	-167	740	383	-524
NET CASH FLOW	238	305	106	39

<u>Change in net borrowing during the period</u>				
Net borrowing at beginning of the period	5128	4352	4352	5108
Currency translation of net borrowing	379	33	211	557
Net cash flow	-238	-305	-106	-39
Less cash flow with no influence on the total net borrowing:				
Net decrease(+) / increase(-) in long-term interest-bearing receivables	-21	-7	-2	-16
Net increase(+) / decrease(-) in interest-bearing liabilities	-146	1035	673	-508
Net borrowing at end of the period	5102	5108	5128	5102

<u>Change in liquid assets during the period</u>				
Liquid assets at beginning of the period	413	297	297	603
Currency translation of liquid assets	8	1	10	17
Net cash flow	238	305	106	39
Liquid assets at end of the period	659	603	413	659

Same accounting principles as in the Annual Report for the year 2000 have been used. The figures in this report are unaudited.



The nine-month interim report will be published on October 25, 2001

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