Press Release

SANDVIK AB
Interim Report, second quarter 2002

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

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

1) -9% and -7% at fixed exchange rates for comparable units.
2) -7% and -9% at fixed exchange rates for comparable units.
3) Rolling 12 months.

Short-term market outlook

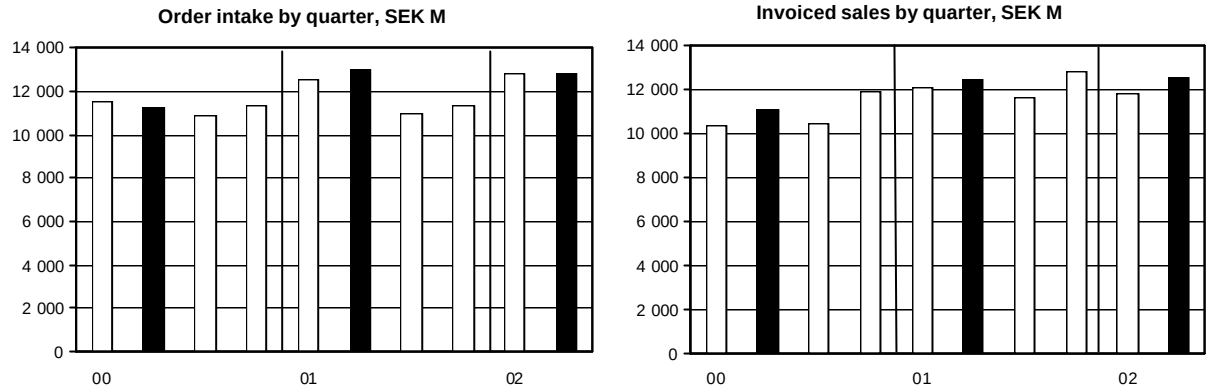
The outlook presented in the preceding interim report remains valid:
"No significant change in the demand situation is expected for Sandvik in the near future. The process of change under way in the Group is proceeding as planned, which means that higher efficiency and cost savings successively affect profitability positively. The readiness is high to capitalize on a future increase in demand."

Concurrently, Sandvik's market position is being strengthened through acquisitions.

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Second quarter 2002

Sales (see appendix 2)



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

Order intake – Development by market area second quarter 2002

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

* at fixed exchange rates for comparable units.

Compared with the first quarter of 2002, order intake declined by 2% at fixed exchange rates for comparable units. Demand fell within the EU for all business areas. In NAFTA, order intake declined, although the development varied among the business areas. The trend was continued positive in Asia/Australia and Rest of Europe. Order intake in the Sandvik Tooling business area rose somewhat compared with the first quarter and it was unchanged for Sandvik Mining and Construction. Sandvik Specialty Steels posted a decline in order intake, mainly within the EU and South America.

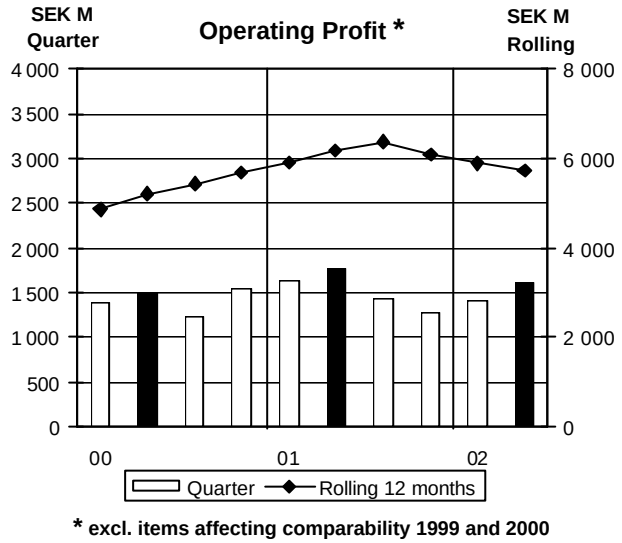
The activity in the general engineering industry remained weak in the EU but stabilized in NAFTA. Demand in the commercial aerospace industry declined further. Order intake from the electronics industry planed out at a relatively low level. Demand from the mining industry remained favorable, but with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

Invoicing in the second quarter amounted to SEK 12,510 M (12,440), an increase of 1% in total but a decline of 7% at fixed exchange rates for comparable units. Lower currency rates affected invoicing negatively by 2% in the quarter. Invoicing was unchanged for Sandvik Mining and Construction, while it declined for Sandvik Tooling and Sandvik Specialty Steels compared with

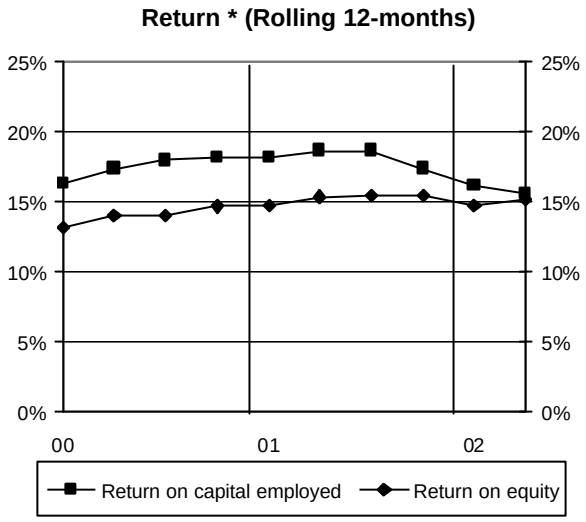
the corresponding quarter a year earlier. Invoicing declined in all market areas except Africa/Middle East and in China. Compared with the first quarter 2002, invoicing increased by 3% at fixed exchange rates for comparable units.

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

Earnings, cash flow and return in the second quarter (see appendix 1)



* excl. items affecting comparability 1999 and 2000



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

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

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

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

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

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

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

Key figures	**Q1-2 2002**	Q1-2 2001	Full-year 2001
No. of shares at end of period ('000)	**250 509**	256 380	251 025
Earnings per share, SEK*	**14.00**	13.50	14.40
After full dilution**	**13.90**	13.30	14.30
Return on capital employed, %	**15.6**	18.7	17.4
Return on shareholders' equity, %	**15.2**	15.4	15.5
Net debt/equity ratio	**0.5**	0.4	0.4

* Most recent 12 months divided by average number of outstanding shares, 252,238,000.
** Most recent 12 months. After full dilution of outstanding convertible and warrants programs the average number of shares amounts to 257,159,000.

Business areas (see appendix 2) – Second quarter 2002

Sandvik Tooling

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

* at fixed exchange rates for comparable units.

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

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

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

Operating profit in the quarter declined compared with a year earlier by 15% and amounted to SEK 757 M (892), or 17% of invoicing. The decrease in earnings was attributable to lower sales

and production volumes. The ongoing restructuring program began to show positive effects and, consequently, operating profit rose 8% from the preceding quarter.

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

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

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

Sandvik Mining and Construction

SEK M	**Q2 2002**	Q2 2001	Change %		**Q1-2 2002**	Q1-2 2001	Change %	
Order intake	**3 832**	3 923	-12	*	**7 768**	7 094	-4	*
Invoiced sales	**3 653**	3 270	0	*	**7 117**	6 254	-2	*
Operating profit	**398**	351	13		**753**	666	13	
%	**11**	11			**11**	11		

* at fixed exchange rates for comparable units.

Sandvik Mining and Construction's order intake amounted to SEK 3,832 M (3,923), which was a decline of 12% at fixed exchange rates for comparable units. The trend was positive taking into account that the second quarter in 2001 included a project order of SEK 430 M in Asia.

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

Invoicing was unchanged at fixed exchange rates for comparable units compared with the second quarter of 2001 and amounted to SEK 3,653 M (3,270). In comparison with the first quarter of 2002, invoicing rose by 8%.

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

Sandvik Specialty Steels

SEK M	Q2 2002	Q2 2001	Change %		Q1-2 2002	Q1-2 2001	Change %	
Order intake	**3 357**	3 696	-8	*	**6 919**	7 538	-9	*
Invoiced sales	**3 244**	3 763	-12	*	**6 444**	7 453	-15	*
Operating profit	**332**	341	-3		**610**	658	-7	
%	**10**	9			**9**	9		

* at fixed exchange rates for comparable units.

Sandvik Specialty Steels' order intake amounted to SEK 3,357 M (3,696), a decline of 8% compared with a year earlier at fixed exchange rates for comparable units. Compared with the first quarter of 2002, order intake declined by about 5%. Demand in the EU weakened and demand in South America remained low. Order intake in NAFTA stabilized and the increase continued in Asia/Australia. As previously, demand was favorable for products to the offshore and energy industry and a certain increased activity was noted within the electronics industry. In contrast, activity in the consumer-related customer segment and the general engineering industry was weaker.

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

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

First six months of 2002

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

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

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

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

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

Parent Company

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

Accounting principles

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

Buy-back of shares

At 30 June 2002, Sandvik's holding of own shares (treasury stock) totaled 8,197,000 corresponding to 3.2% of the total number of shares (258,706,150) and the amount paid was SEK 1,784 M. In accordance with the decision at the Annual General Meeting in May 2002, Sandvik is authorized to repurchase 10% of the total number of shares. The authorization is valid for the period up to the date of the next Annual General Meeting.

Structural changes 2002

- An agreement was reached 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 June, Sandvik's ownership interest was 81% of the shares outstanding.

- In the first quarter, 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 Rhinelander, Wisconsin, is being transferred to Crystal Lake, Illinois, which will result in a reduction of about 250 employees.

- In May, Sandvik Steel initiated negotiations with the trade unions regarding the closure of production of stainless steel spring wire at the Gusab Stainless AB subsidiary in Mjölby, which has about 110 employees. The closing is expected to be completed during 2003 and is part of the previously announced program of change intended to increase efficiency and align production capacity within Sandvik Specialty Steels.

- Sandvik Hard Materials announced a decision in May to close production of cemented-carbide seal rings and wear parts in Espergaerde, Denmark, and for the most part transfer production to the unit in Barcelona, Spain. The action affects slightly more than 100 employees and is expected to be completed within the next 12 months. The closure is part of Sandvik Tooling's ongoing program of change.

- An agreement was reached in June with Milacron Inc., in the US, covering the acquisition of the North American tool company Valenite. The company, with approximately 1,300 employees, has its head office in Madison Heights, Michigan, US, and production units in South Carolina, Michigan and Texas. Sales in 2001 amounted to about SEK 2 billion. The purchase price was SEK 1,750 M and goodwill is estimated preliminarily to about SEK 1,000 M. Approval was received from the anti-trust authorities in the US and Germany in July. The acquisition will be completed during the third quarter of 2002.

Sandviken, 7 August 2002

Sandvik AB; (publ)

Lars Pettersson
President and CEO

Appendices:
1. Group summary
2. Invoicing and operating profit

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

For additional information, please call +46 (0)26-26 10 01

A combined presentation and telephone conference will be held at Operaterrassen in Stockholm on 7 August, 14:00. For further information visit www.sandvik.com

Consolidated Financial Information, SEK M

Income statement	**Q2 2002**	Q2 2001	**Q1-2 2002**	Q1-2 2001
Invoiced sales	**12 510**	12 440	**24 310**	24 490
Cost of goods sold	**-8 451**	-8 552	**-16 505**	-16 492
Gross profit	**4 059**	3 888	**7 805**	7 998
Selling and administrative expenses	**-2 437**	-2 254	**-4 755**	- 4 585
Other operating income and expenses	**-8**	+126	**-15**	-13
Operating profit	**1 614**	1 760	**3 035**	3 400
Financial income and expenses, net	**-157**	-125	**-317**	-240
Profit after financial items	**1 457**	1 635	**2 718**	3 160
Income taxes	**-436**	-593	**-882**	-1 151
Minority interests	**-51**	-60	**-98**	-126
Net profit	**970**	982	**1 738**	1 883
Earnings per share before dilution, SEK	**3.90**	3.80	**6.90**	7.30
Earnings per share after full dilution, SEK	**3.80**	3.70	**6.80**	7.20
Earnings per share, recent 12 months, before dilution, SEK			**14.00**	13.50
Cash-flow statement				
Profit after financial items	**+1 457**	+1 635	**+2 718**	+3 160
Items not affecting cash flow	**-31**	-738	**-77**	-541
Reversal of depreciation	**+675**	+611	**+1 310**	+1 192
Taxes paid	**-602**	-421	**-1 017**	-955
Change in inventories	**-51**	+152	**-101**	-815
Change in operating receivables and liabilities	**+450**	-513	**+354**	-346
Cash flow from operations	**+1 898**	+726	**+3 187**	+1 695
Investments, acquisitions and divestments	**-438**	-573	**-1 462**	- 1 161
Change in short-term loans	**+1 486**	+2 657	**-56**	+2 133
Change in long-term loans	**-237**	+77	**+973**	+6
Own shares acquired	**-**	-410	**-124**	-410
Dividends paid	**-2 545**	-2 554	**-2 545**	-2 554
Net cash flow	**+164**	-77	**-27**	-291
Liquid funds at beginning of period	**2 018**	1 946	**2 258**	2 097
Exchange-rate differences in liquid funds	**-69**	47	**-118**	110
Liquid funds at end of period	**2 113**	1 916	**2 113**	1 916

Balance sheet	**30 June 2002**	31 Dec. 2001
Fixed assets	**21 624**	22 505
Inventories	**12 985**	12 953
Current receivables	**12 728**	11 833
Liquid assets	**2 113**	2 258
Total assets	**49 450**	49 549
Shareholders' equity	**21 806**	23 972
Minority interests	**1 015**	967
Interest-bearing provisions and liabilities	**13 802**	12 222
Non-interest-bearing provisions and liabilities	**12 827**	12 388
Total provisions, liabilities and shareholders' equity	**49 450**	49 549

Change in shareholders' equity	**Q1-2 2002**	Q1-2 2001
Opening equity as shown in approved balance sheet	**23 972**	22 472
Effect of change in accounting principles	**0**	547
Opening equity in accordance with new accounting principles	**23 972**	23 019
Translation differences due to changed currency rates	**-1 402**	1 348
Dividend paid	**-2 380**	-2 328
Own shares acquired	**-124**	-520
Loan conversion	**+2**	
Net profit of the period	**1 738**	1 883
Closing balance	**21 806**	23 402

Invoiced sales by market area **SEK M**	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Full-year 2001	**Q1** **2002**	**Q2** **2002**	**Q1-2** **2002**	Change %	 %[1]
EU	5 137	5 047	4 326	5 188	19 698	**4 833**	**5 140**	**9 973**	-2	-11
Rest of Europe	853	899	902	912	3 566	**842**	**1 008**	**1 850**	+6	-5
Europe total	5 990	5 946	5 228	6 100	23 264	**5 675**	**6 148**	**11 823**	-1	-10
NAFTA	2 960	2 969	2 855	2 759	11 543	**2 799**	**2 787**	**5 586**	-6	-13
South America	451	526	475	561	2 013	**527**	**561**	**1 088**	+11	-13
Africa/Middle East	611	616	603	681	2 511	**610**	**657**	**1 267**	+3	+9
Asia/Australia	2 038	2 383	2 469	2 679	9 569	**2 189**	**2 357**	**4 546**	+3	-3
Group total	12 050	12 440	11 630	12 780	48 900	**11 800**	**12 510**	**24 310**	-1	-9
Order intake by business area **SEK M**										
Svk Tooling	4 425	4 253	3 789	3 888	16 355	**4 274**	**4 608**	**8 882**	+2	-9
Svk Mining and Construction	3 171	3 923	3 040	3 273	13 407	**3 936**	**3 832**	**7 768**	+10	-4
Svk Specialty Steels	3 842	3 696	3 154	3 151	13 843	**3 562**	**3 357**	**6 919**	-8	-9
Seco Tools[2]	1 125	1 099	1 008	1 037	4 269	**1 051**	**1 066**	**2 117**	-5	-8
Group activities	7	9	9	1	26	**7**	**7**	**14**	/	/
Group total	12 570	12 980	11 000	11 350	47 900	**12 830**	**12 870**	**25 700**	+1	-7
Invoiced sales by business area **SEK M**										
Svk Tooling	4 258	4 296	3 954	4 053	16 561	**4 107**	**4 537**	**8 644**	+1	-10
Svk Mining and Construction	2 984	3 270	3 398	3 849	13 501	**3 464**	**3 653**	**7 117**	+14	-2
Svk Specialty Steels	3 690	3 763	3 258	3 817	14 528	**3 200**	**3 244**	**6 444**	-14	-15
Seco Tools[2]	1 103	1 092	1 005	1 059	4 259	**1 027**	**1 059**	**2 086**	-5	-8
Group activities	15	19	15	2	51	**2**	**17**	**19**	/	/
Group total	12 050	12 440	11 630	12 780	48 900	**11 800**	**12 510**	**24 310**	-1	-9
Operating profit by business area **SEK M**										
Svk Tooling	878	892	735	459[3]	2 964[3]	**701**	**757**	**1 458**		
Svk Mining and Construction	315	351	336	346	1 348	**355**	**398**	**753**		
Svk Specialty Steels	317	341	295	328	1 281	**278**	**332**	**610**		
Seco Tools[2]	240	220	165	162	787	**171**	**187**	**358**		
Group activities	-110	-44	-106	-17	-277	**-84**	**-60**	**-144**		
Group total	1 640	1 760	1 425	1 278[3]	6 103[3]	**1 421**	**1 614**	**3 035**		
Operating profit by business area **% of invoicing**										
Svk Tooling	21	21	19	11	18	**17**	**17**	**17**		
Svk Mining and Construction	11	11	10	9	10	**10**	**11**	**11**		
Svk Specialty Steels	9	9	9	9	9	**9**	**10**	**9**		
Seco Tools[2]	22	20	16	15	18	**17**	**18**	**17**		
Group total	14	14	12	10	12	**12**	**13**	**12**		

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.

3) Inclusive SEK+340 M items affecting comparability.