

SANDVIK AB

Interim Report - Three months ended 31 March 2000

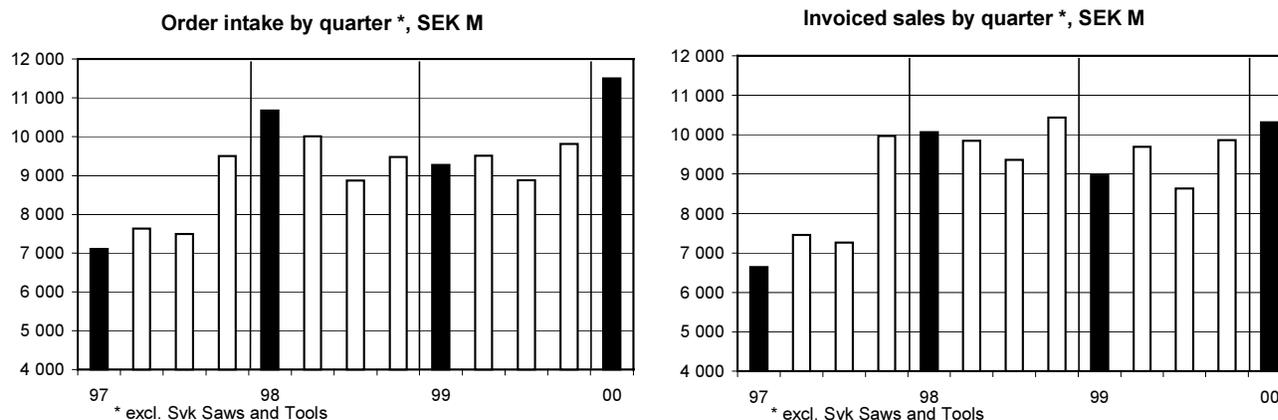
- ÷ *Profit after financial income and expenses nearly doubled to SEK 1,560 M (810). Capital gain of SEK 300 M included.*
- ÷ *Continued strong business climate - sharply increased order intake.*

Market

The business climate continued to strengthen in the first quarter of the year. On an annual basis, industrial production within the OECD rose 3.5%. The pace in the US remained high. Concurrently, the economy in Europe gained pace. The crises in the preceding year, for example in South America, appeared to be virtually over, and industrial production in Southeast Asia grew strongly. The recovery in Japan continued.

The economic trend had a favorable effect on Sandvik and demand increased sharply within most product segments and now also from the investment-related industries as a result of increased energy and metals prices, among other factors.

Sales (see appendix 2)



Sandvik's order intake during the first quarter amounted to SEK 11,500 M (9,960), which was 15% higher than in the first quarter a year earlier. At fixed exchange rates and for comparable units, order intake increased by 19% compared with the year-earlier period.

Invoiced sales amounted to SEK 10,320 M (9,630), an increase of 7%. At fixed exchange rates and for comparable units, sales rose 10% compared with the year-earlier period.

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Order intake increased in all markets. Demand in Europe strengthened, in the investment-oriented as well as consumer-related customer segments. The trend remained favorable in NAFTA, particularly for Sandvik Tooling and Sandvik Specialty Steels.

Demand in Brazil was favorable and the decline from the beginning of 1999 has now been fully recovered. Order intake in Asia and Australia continued to increase. It was strong in Southeast Asia and Korea for Sandvik Tooling and Sandvik Specialty Steels. Demand also increased for Sandvik Mining and Construction in Asia and Australia, due to higher activity within the mining industry.

Earnings (see appendix 1)

	Q1 1999	Q1 2000	Change %
Invoiced sales, SEK M	9,630	10,320	7
Operating profit, SEK M	959	1,695	77
as % of invoiced sales	10	16	
Operating profit excl. capital gain, SEK M	959	1,395	45
as % of invoiced sales	10	14	
Profit after financial items, SEK M	810	1,560	93
as % of invoiced sales	8	15	
Profit after financial items, excl. capital gain, SEK M	810	1,260	56
as % of invoiced sales	8	12	
Net profit, SEK M	520	1,038	100
as % of invoiced sales	5	10	

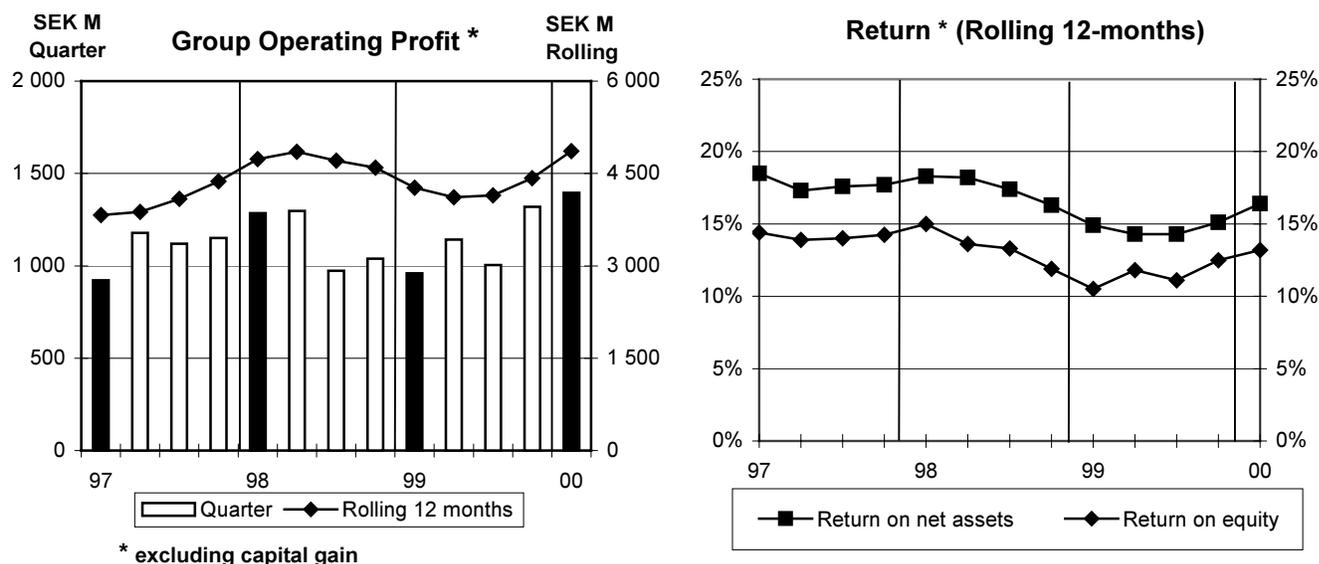
Operating profit for the quarter amounted to SEK 1,695 M (959), up 77%. This included a capital gain of SEK 300 M from the sale of the Group's captive re-insurance company.

Excluding capital gain, operating profit rose 45% compared with the year-earlier period and was 14% of invoiced sales. The improvement was attributable mainly to higher sales volumes combined with rationalization measures and cost reductions.

Operating profit improved sharply in all business areas: Sandvik Tooling by 30%, Sandvik Mining and Construction 82% and Sandvik Specialty Steels by 118%.

Net financial expense was SEK -135 M (-149). Interest expenses were lower than in the year-earlier period, as a result of lower net debt.

Profit after net financial items was SEK 1,560 M (810).



Net profit amounted to SEK 1,038 M (520). Earnings per share were SEK 4.00 (2.00). Excluding capital gain, net profit amounted to SEK 738 M and earnings per share were SEK 2.90. Earnings per share during the most recent 12 months including capital gains amounted to SEK 16.00 (14.00 for full-year 1999). Return on net assets during the most recent 12 months was 16.4% (15.1% for full-year 1999) and return on shareholders' equity 13.2% (12.4%).

Structural changes

In the beginning of the year, Sandvik CTT acquired a former agent in the US, Titex Tools Inc., for the purpose of intensifying the marketing of Titex's application tools to advanced US industries.

In March 2000 Sandvik Mining and Construction reached an agreement on acquisition of the production of drilling rigs from two Austrian companies that are part of the Neuson Group. Annual sales are estimated at SEK 120 M.

A restructuring of the Group's re-insurance activities was initiated. During the quarter, the Group's captive company up to now was divested.

Business areas (see appendix 2)

Sandvik's operations are concentrated around its three core businesses: 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 in its selected niches. Sandvik Tooling includes Sandvik Coromant, Sandvik CTT and Sandvik Hard Materials and a small remaining distribution activity for Saws and Tools products on certain markets. Sandvik Specialty Steels comprises Sandvik Steel, Kanthal and Sandvik Process Systems.

Sandvik Tooling's invoiced sales amounted to SEK 3,818 M (3,326), an increase of 9% at fixed exchange rates and for comparable units. Sales to the engineering and automotive industries rose. Demand also increased in such customer areas as medical technology, die and mould and electronics. Order intake was SEK 4,057 M, 11% higher than in the preceding year. The trend was highly favorable in all markets, particularly in Germany, the US, Brazil and Asia. Sandvik Coromant posted record-high sales in the US.

Order intake included SEK 196 M and sales included SEK 175 M from the remaining activities of the former Saws and Tools area.

Operating profit amounted to SEK 800 M (614), corresponding to 21% of invoiced sales, which was an increase compared with 1999. The improvement was due mainly to higher volumes as well as the cost reductions implemented.

Sandvik Mining and Construction's invoiced sales amounted to SEK 2,248 M (2,101), up 4% at fixed exchange rates. The order intake improved considerably more and was SEK 2,722 M, 19% higher than a year earlier. The demand for machinery increased strongly and remained high for tools and spare parts. Activity in the mining industry increased and many former dormant projects were restarted, particularly in Eastern Europe, NAFTA, South America and Australia. The construction industry showed high activity while demand from the coal mining industry remained weak.

Operating profit amounted to SEK 209 M (115), corresponding to 9% of invoiced sales. The sharp improvement compared with the year-earlier quarter was due to higher capacity utilization and the effects of the ongoing restructuring program.

Sandvik Specialty Steel's invoiced sales amounted to SEK 3,319 M (2,733). The increase at fixed exchange rates for comparable units was 14%, of which 5% is attributable to higher alloy price additions. The positive trend in demand from the end of 1999 continued in the quarter and order intake was SEK 3,774 M, or 29% higher than in the preceding year and now also included investment-related tube products for the oil/gas, chemical and petrochemical industries. Demand remained favorable for consumer-related steel products. Demand for Kanthal's products from, among others, the electronics industry rose sharply. Prices for Sandvik Steel had still not recovered fully, but the trend continued to be positive.

Operating profit in the quarter amounted to SEK 267 M (123), 8% of invoiced sales. The improvement was achieved through higher sales volumes and the effects of the ongoing rationalization program.

Capital expenditures

Group investments in property, plant and equipment amounted to SEK 360 M (438). Company acquisitions amounted to SEK 203 M.

Strong position in IT

The Group's business areas in recent years have established advanced web solutions for customer relationship marketing and e-commerce. For example, Sandvik Coromant Norden introduced trading on the Internet in the mid-1999 and today conducts 20% of its sales in Sweden and Denmark via the Internet. During the first quarter this year, Sandvik Coromant, as a complement to the already high sales via EDI, introduced e-commerce on the US market. This concept will be successively introduced in other countries.

At the end of March it was announced that Sandvik will become a part-owner in a new venture-capital company, b-business partners. In addition to the main interests, ABB and Investor, the owners are a number of large Swedish industrial companies. The new company will invest in and develop companies in Europe that focus on e-business between companies. Through participation in b-business partners, Sandvik gains the opportunity to be actively involved in this expanding area.

Financing and liquidity

Interest-bearing liabilities and provisions less liquid funds yielded net debt of SEK 6,133 M (6,014 at 31 December 1999). Liquid funds amounted to SEK 2,209 M (2,369) and loans totaled SEK 5,569 M (5,611). Cash flow from operating activities amounted to SEK 711 M. After capital expenditures, cash flow was a negative SEK 113 M.

The number of shares was 258,696,000. Shareholders' equity per share was SEK 81.10 (77.70 at 31 December 1999) and the equity/assets ratio 53% (52).

Personnel

The number of employees in the Group at 31 March 2000 was 33,695 (33,870 at 31 December 1999), corresponding to a decline for comparable units of 175 since year-end 1999.

Market outlook

The business climate is expected to remain strong throughout the rest of 2000.

Sandviken, 4 May 2000

SANDVIK AB; (publ)
Clas Åke Hedström
President and CEO

Appendices:

1. Group summary
2. Invoicing and operating profit

The interim report for the first quarter of 2000 is unaudited. The next interim report will be released on 9 August 2000 for the first six months of 2000.

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

Group in summary, SEK M

	Q1	Full-year	Q1
	1999	1999	2000
Income statement			
Invoiced sales	9 630	39 300	10 320
Cost of goods sold	-6 356	-26 297	-6 714
Gross profit	3 274	13 003	3 606
Selling, general and administrative expenses	-2 313	-8 485	-2 197
Other operating income and expenses	-2	-93	-14
Capital gain	0	1 625	300
Operating profit	959	6 050	1 695
Financial income and expenses, net	-149	-585	-135
Profit after financial income and expenses	810	5 465	1 560
Taxes	-252	-1 688	-466
Minority interest	-38	-157	-56
Net profit	520	3 620	1 038
Consolidated balance sheet			
Fixed assets	19 603	18 318	18 145
Inventories	10 261	10 040	10 265
Current receivables	9 901	9 469	10 461
Liquid assets	1 747	2 369	2 209
Total assets	41 512	40 196	41 080
Shareholders' equity	18 794	20 109	20 980
Minority interests	890	888	949
Interest-bearing provisions and liabilities	9 930	8 382	8 340
Non-interest-bearing provisions and liabilities	11 898	10 817	10 811
Total provisions, liabilities and shareholders' equity	41 512	40 196	41 080
Summary cash-flow statement			
Profit after financial items	810	5 465	1 560
Items not affecting cash flow	-3	-1 892	-138
Reversal of depreciation	499	2 273	556
Taxes paid	-241	-1 524	-527
Change in working capital	-224	-928	-740
Cash flow from operations	841	3 394	711
Investments, acquisitions and divestments	-648	1 316	-824
Cash used in financial activities, change of loans, dividends	-231	-4 133	-41
Net cash flow	-38	577	-154
Key figures			
Order intake, SEK M	9 960	39 650	11 500
Earnings per share excluding capital gain, SEK*	7.30	9.00	9.90
Earnings per share including capital gain SEK*	7.30	14.00	16.00
Return on net assets excluding capital gain*	14.9 %	15.1 %	16.4 %
Return on shareholders' equity including capital gain*	10.5 %	12.4 %	13.2 %

* Rolling 12 months

**Invoiced sales by market area,
SEK M**

	Q1	Q2	Q3	Q4	Full- year	Q1	Change	
	1999	1999	1999	1999	1999	2000	%	% ¹⁾
EU (excl. Sweden)	4 078	4 086	3 387	3 720	15 271	3 825	-6	5
Sweden	554	637	461	597	2 249	623	12	25
Rest of Europe	534	613	500	499	2 146	628	18	14
Europe total	5 166	5 336	4 348	4 816	19 666	5 076	-2	9
NAFTA	2 373	2 645	2 493	2 441	9 952	2 722	15	11
South America	330	431	421	366	1 548	419	27	35
Africa, Middle East	406	357	406	437	1 606	391	-4	3
Asia, Australia	1 355	1 591	1 612	1 970	6 528	1 712	26	16
Group total	9 630	10 360	9 280	10 030	39 300	10 320	7	10

¹⁾ Change compared with year earlier excluding currency effects and structural changes.

**Invoiced sales by business area,
SEK M**

Svk Tooling	3 326	3 383	3 075	3 393	13 177	3 818	15	9
Svk Mining and Construction	2 101	2 235	2 229	2 243	8 808	2 248	7	4
Svk Specialty Steels	2 733	3 278	2 618	3 342	11 971	3 319	21	14
Svk Saws and Tools	669	666	647	171	2 153	/	/	/
Seco Tools ²⁾	794	791	708	835	3 128	916	15	9
Group activities	7	7	3	46	63	19	/	/
Group total	9 630	10 360	9 280	10 030	39 300	10 320	7	10

**Operating profit by business area,
SEK M**

Svk Tooling	614	665	634	684	2 597	800		
Svk Mining and Construction	115	178	168	213	674	209		
Svk Specialty Steels	123	165	105	240	633	267		
Svk Saws and Tools	64	38	42	9	153	/		
Seco Tools ²⁾	140	143	94	195	572	197		
Group total	-97	-47	-39	-21	-204	-78		
Op. profit excl. capital gain	959	1 142	1 004	1 320	4 425	1 395		
Capital gain	-	-	1 600	25	1 625	300		
Op. profit incl. capital gain	959	1 142	2 604	1 345	6 050	1 695		

**Operating profit by business area,
% of invoicing**

Svk Tooling	18	20	21	20	20	21		
Svk Mining and Construction	5	8	8	9	8	9		
Svk Specialty Steels	5	5	4	7	5	8		
Svk Saws and Tools	10	6	6	5	7	/		
Seco Tools ²⁾	18	18	13	23	18	22		
Op. profit excl. capital gain	10	11	11	13	11	14		
Op. profit incl. capital gain	10	11	28	13	15	16		

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