



**Meet**  
**Sandvik I/02**

With year-end report and  
interim report fourth quarter 2001



### Leading-edge technology for people on slippery ice

Originally developed for surgical needles, Sandvik Steel's super steel is acquiring more and more areas of application. Steel for electrical shavers is one example, and the most recent application is ice pins. For long-distance skaters, or others traversing the frozen waters, this is welcome news indeed. The advantage of ice pins made from Sandvik material is that instead of a traditional one-point pin, it features a thin-walled stainless-steel tube with spiked edges. This means less effort is required to grip the ice. The Sandvik material also provides considerably better durability than conventional material, since the steel remains tough at low temperatures. Once again, Sandvik has made it possible – thanks, this time, to alert researchers who maintain a good grip on development ●



### Green light for Walter acquisition

The competition authorities – including the German Bundeskartellamt – have now approved Sandvik's purchase of a majority stake in the German company Walter AG. Walter's operations include cutting tools, tool administration systems and numerically controlled grinders. The head office is in Tübingen, south of Stuttgart. The company's sales in 2001 were SEK 2,700 M, and the number of employees approximately 2,000. The Walter brand is well known in the market, and the company's operations will form an excellent complement to the current operations of the Sandvik Group ●



### New President of 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 the business sector, Sandvik Steel, effective 7 May 2002. Gossas succeeds Lars Pettersson, who retains the position as President of the Sandvik Specialty Steels Business Area.

Peter Gossas, 52, has extensive experience in the steel industry. In April 2001, he was appointed head of Sandvik Steel's tube division and Executive Vice President of the company. Gossas will continue to function as head of the tube division ●



Cover:

### Tony Lee, Sandvik Hard Materials, China

Sandvik Hard Materials in China sells cemented-carbide blanks to tool manufacturers, components to the engineering industry and advanced cutting and forming tools to other industries. Tony Lee, 28-year-old sales engineer at the Sandvik Hard Materials office in Beijing, works with customers in the engineering industry who purchase cemented-carbide blanks for manufacturing of drills for the electronics industry. Tony, who studied at the University of Beijing, joined Sandvik four years ago. He is enthusiastic and confident about the future, with regard to both Sandvik and his country. Particularly optimistic now that China has become a member of the World Trade Organization, he believes the favorable development will be ongoing. There is undoubtedly considerable potential ●



## Shift in CEO and Chairman posts

*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. He is currently Executive Vice President of the Group, President of Sandvik Specialty Steels Business Area and President of Sandvik Steel.

*Percy Barnevik*, Chairman of Sandvik AB since 1983, has expressed his desire to step down and declined reelection. The Board intends to elect Clas Åke Hedström as new Chairman.

*Clas Reuterskiöld* has declined reelection after five years on the Board. *Anders Nyrén*, President of AB Industrivärden and Sandvik's new President *Lars Pettersson* are nominated as new Board members.

The Board has decided to appoint Percy Barnevik to the position of Honorary Chairman when he leaves the Board.

*"The nearly 19 years as Chairman of Sandvik have been an exciting journey. The company has expanded, while maintaining a high level of profitability. During Clas Åke Hedström's eight-year presidency, growth has increased considerably and we have also seen an increased focus on the three legs: Tools, Mining Equipment and Specialty Steels. Sandvik is now a world leader in most of its product areas. Despite worldwide operations, Sandvik has also succeeded in maintaining and developing its historical spirit of unity, innovation and customer-orientation through the years. This has been crucial to the company's success. It is also satisfying that the succession to the post of president has also been secured this time with the appointment of a highly qualified successor from within the Group,"* says Percy Barnevik.

*"As Chairman of Sandvik, Percy Barnevik has been a very great asset, with his extensive knowledge of Sandvik and the Group's global markets. His intense commitment has resulted in successful development for Sandvik. This can be exemplified by the fact that Sandvik's*

*invoicing during this period has grown by 500%, its earnings by 1,000%, and its share price by 2,000%. Sandvik's shareholders and employees have every reason to express their gratitude to Percy Barnevik,"* says Clas Åke Hedström.

Lars Pettersson holds an M.Sc. degree in engineering physics and has been employed at Sandvik since 1979. After working with materials and product development for Sandvik Steel and Sandvik Coromant, as well as marketing in the US, he was appointed Vice



President with responsibility for production and logistics within Sandvik Coromant in 1992. When Clas Åke Hedström left the post of President of Sandvik Coromant in 1994 and later Sandvik Tooling, he was succeeded by Lars Pettersson. In March 2000, Lars Pettersson was appointed President of Sandvik Steel and President of the Sandvik Specialty Steels Business Area, while also being named Executive Vice President of the Sandvik Group.

*"With 22 years at Sandvik, Lars Pettersson has particularly broad experience of operations and has enjoyed major success in heading the development of Sandvik Tooling and Sandvik Specialty Steels. Lars Pettersson is a highly qualified new President for Sandvik,"* says Clas Åke Hedström ●

From left, Clas Åke Hedström and Lars Pettersson



### Success stories in China

Sandvik has carried out a long-term development initiative in China, steadily strengthening its market position. The company has several competitive advantages: efficient in-house manufacturing of cemented-carbide tools; an extensive marketing organization including sales personnel in all key geographic areas; and advanced training of employees and customers. The company's investments are starting to pay off: for the second consecutive year, China was Sandvik Coromant's fastest-growing market, achieving a growth rate in 2001 of nearly 50%. The rapid transformation of Chinese society and the country's growing number of international contacts created new possibilities for the Group. The potential of the Middle Kingdom is indeed vast ●

### Right on course

Did you know that Sandvik subsidiary Kanthal delivers wire to American space shuttles? Specifically, the company produces an extremely thin precision wire that is used in electronic components for processes such as control and supervision of navigation equipment. It is used in the booster rockets that ensure that the space shuttles and their crews stay on their established course. The wire fulfills the extremely high quality standards demanded by NASA. The product is manufactured at the Kanthal plant in Palm Coast in Florida – a stellar operation in an interstellar context ●



### Sandvik in pole position

Highly efficient products, fast delivery from start to finish – this is and has been Sandvik Coromant's philosophy to capturing market share in the battle for tool customers. The concept has now achieved further success. The company has been selected to be the supplier of advanced tools to British American Racing's Formula 1 team. The team's main site is near the well-known Silverstone track between London and Birmingham. The project will involve very close cooperation between Sandvik's specialists and the team. The driving force here, of course, is the development of new products that meet the extremely high demands of auto racing. Since Sandvik has always prioritized speed and precision, the company is right at home in this project – in pole position ●



## Revitalized operations in Zambia

Konkola, Nchanga, Nkana, Mufulira – those familiar with African mining history will recognize these famous names. Activity at the copper mines in Zambia is on the upswing once again after a number of years of decline. Sandvik Tamrock, long-time supplier of loaders, tools and service to the mines, has a key role in the ongoing rejuvenation process. Zambia is Sandvik's next-largest mining market in Africa. To meet customer demand, a plant for renovation and repair has been established in the city of Kitwe in the northern part of the country. The plant, which is among the company's largest of its type, has recently been expanded through the addition of a Training Center for customers and company employees. The aim of the Group's operations in Zambia is to return the mining operations to their former high level, with the help of its extensive know-how in the area ●



## Unique Ford cooperation

Sandvik CTT companies Titex and Prototyp are working closely to help the Ford Motor Company increase its productivity. The two companies have been selected as suppliers to new engine-development projects, and they can now together with Sandvik Coromant provide all types of metalworking solutions, regardless of whether machining aluminum, steel or cast iron. A world-class cooperation in materials technology, to meet customers' accelerating demands ●



## Sandvik's own university

The ability to offer employees interesting career opportunities within the Sandvik Group is increasingly critical to the company's ability to keep its employees. Therefore, we now have the Sandvik University, a portal on the Sandvik intranet that gathers all the instructional tools of the Group in one location. The portal lists many global initiatives and training events taking place within the various business areas. The starting-point is a course database that will eventually be added to as employees' preferences and requirements develop. The intranet also contains an introductory course on Sandvik – Sandvik Ambassador. It is available for all employees. The course covers several areas, such as the company's values, customers, history and future challenges. The CEO's message to all employees is to involve themselves in the operations and be good ambassadors. That, if anything, is an investment in the famous Sandvik spirit ●

## New Sandvik Rock Processing making gains in South America

The Sandvik Rock Processing business sector, which develops, manufactures and markets crushers, screens, feeders and similar equipment, was formed on 1 October last year. The sector, which is part of Sandvik Mining and Construction, got off to a flying start with several major contracts, which included customers in South America. One example is the large crushers ordered by the Chilean company Codelco, to be used in the enormous El Teniente mine, south of the capital, Santiago. Following careful testing and comparisons with competitors, the customer ordered four more of Sandvik Rock Processing's largest rock-crushing machines. There are now a total of 15 units in the Codelco Group, the world's largest copper producer. Any doubt about this equipment is crushed by the hard facts ●



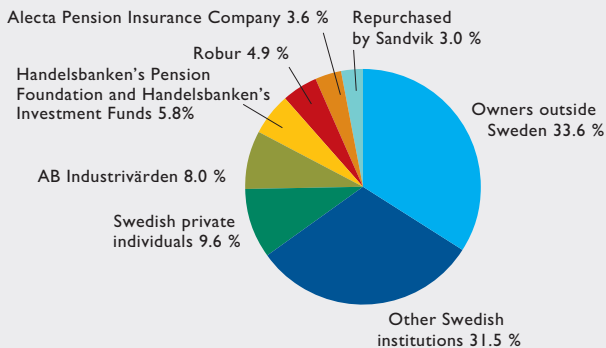
## Sandvik sold its interest in Procera-Sandvik

At year-end 2001, Sandvik sold its 50%-interest in the dental technology company Procera-Sandvik to Nobel Biocare. The capital gain on the divestment amounted to SEK 340 M. In addition, Sandvik will receive an annual compensation based on the sales trend for the Procera products to and including 2012 ●



## Who owns Sandvik?

The largest owners of Sandvik, as of 31 December 2001:



## New tool heats up the shops

Sandvik Coromant has launched a new, state-of-the-art endmill in its CoroMill series for high-speed machining of materials such as aluminum. The tool is adapted for customers in the aerospace industry, but can also be used in other areas that involve materials that are difficult to machine, such as the die and mould industry. Greater volumes in shorter time means full-speed production and increased profitability for customers ●

# Report on 2001 operations and the fourth quarter \*

- Invoiced sales: SEK 48,900 M, up 3 % at fixed exchange rates for comparable units.
- Profit: SEK 5,606 M after financial items, up 2 %, excluding items affecting comparability.
- Cash flow: SEK 5,093 M before investments.
- Extensive program of change under way; 800 fewer employees in Q4.
- Proposals to Annual General Meeting 7 May 2002:  
Dividend: SEK 9.50, increase of 6 %.  
Buy-back: 10 % of shares. Current authorization 5 %.

## SHORT TERM MARKET OUTLOOK

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.

Previous short term market outlook (published 9 November 2001):

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

## KEY FIGURES

	Q4 2001	Q4 2000	Change %	Full-year 2001	Full-year 2000	Change %
SEK M						
Order intake	11 350	11 370	±0 <sup>1)</sup>	47 900	45 000	+6 <sup>1)</sup>
Invoiced sales	12 780	11 940	+7 <sup>2)</sup>	48 900	43 750	+12 <sup>2)</sup>
Operating profit	1 278	1 552	-18 <sup>4)</sup>	6 103	6 327	-4 <sup>3)</sup>
%	10	13		12	14	
Profit after financial items	1 149	1 419	-19 <sup>4)</sup>	5 606	5 804	-3 <sup>3)</sup>
%	9	12		11	13	
Profit after financial items excl. items affecting comparability				5 266	5 144	+2
%				11	12	
Net profit	1 065	990	+8 <sup>4)</sup>	3 688	3 712	-1 <sup>3)</sup>
%	8	8		8	8	
Earnings per share, SEK				14.40	14.30	
Return on net assets, %				17.4	20.3	

1) -11% and -4% at fixed exchange rates for comparable units.

2) -3% and +3% at fixed exchange rates for comparable units.

3) Including items affecting comparability SEK +340 M in 2001 and SEK+660 M in 2000.

4) Including costs for restructuring program expense SEK -515 M and capital gain SEK +340 M in Q4 2001.

## SALES

Order intake in 2001 amounted to SEK 47,900 M (45,000), an increase of 6% in total but a decline of 4% at fixed exchange rates for comparable units. The business climate was favorable at the beginning of the year, but weakened sharply during the second half of the year.

Order intake in *the fourth quarter* amounted to SEK 11,350 M (11,370). At fixed exchange rates for comparable units, this was a decline of 11%. Sandvik Mining and Construction increased somewhat compared with the fourth quarter in the preceding year, Sandvik Tooling declined and Sandvik Specialty Steels fell sharply.

Consolidated invoiced sales for *the full year* amounted to SEK 48,900 M (43,750). The increase was 12% totally and 3% at fixed exchange rates for comparable units. Sandvik Tooling's invoicing was unchanged compared with a year earlier at fixed exchange rates for comparable units. Sandvik Mining and Construction's invoicing increased 26% at fixed exchange rates, including acquisitions. Sandvik Specialty Steels' invoicing declined 6% at fixed exchange rates for comparable units.

Invoiced sales in *the fourth quarter* amounted to SEK 12,780 M (11,940), a total increase of 7%. At fixed exchange rates for comparable units, invoicing declined 3% compared with a year earlier. Higher exchange rates affected invoicing favorably by 6% during the quarter and 8% for the full year.

## DEVELOPMENT BY MARKET AREA

Market area	Fourth quarter 2001			Full-year 2001		
	Invoiced sales SEK M	Share %	Change* %	Invoiced sales SEK M	Share %	Change* %
EU	5 188	41	-3	19 698	40	+2
Rest of Europe	912	7	+19	3 566	7	+27
Europe total	6 100	48	-1	23 264	47	+4
NAFTA	2 759	22	-14	11 543	24	-8
South America	561	4	-3	2 013	4	-6
Africa/Middle East	681	5	+23	2 511	5	+28
Asia/Australia	2 679	21	+8	9 569	20	+10
Total	12 780	100	-3	48 900	100	+3

\* Change from preceding year at fixed exchange rates for comparable units.

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



## DEVELOPMENT BY MARKET AREA

Invoiced sales declined successively within the EU, particularly for Sandvik Specialty Steels, but also for Sandvik Tooling in the fourth quarter. Demand in the rest of Europe was strong during the entire year.

The trend of invoicing in NAFTA was very negative, particularly for Sandvik Specialty Steels, but also for Sandvik Tooling in the fourth quarter. The trend was positive in Africa/Middle East and Asia/Australia, primarily for Sandvik Mining and Construction.

Development for Sandvik's customer segments varied during the year. In the fourth quarter, demand from the general engineering industry weakened, while it continued to be favorable for investment-related products to the oil/gas industry. Activity in the automotive industry was weak in NAFTA and a weakening was noted in Europe during the quarter. As previously, sales to the electronics industry were very low, with no signs of recovery. Activity in the mining industry remained favorable, but demand weakened for heavy machinery.

## EARNINGS AND CASH FLOW

Operating profit for the full year amounted to SEK 6,103 M (6,327) and the operating margin was 12%. Earnings for the year were charged with SEK 515 M for a restructuring program within Sandvik Tooling, but were affected positively by a capital gain of SEK 340 M on the divestment of Proceras-Sandvik. Changes in currency exchange rates had a positive effect of approximately SEK 700 M on earnings, of which SEK 180 M in the fourth quarter.

Development of the three business areas varied. Sandvik Tooling's operating profit declined, but was unchanged taking into account items of nonrecurring nature. Earnings rose sharply for Sandvik Mining and Construction, as a result of a strong increase in invoicing and acquisitions, among other factors. Sandvik Specialty Steels' earnings

were largely unchanged, taking into account the charge against earnings in 2000 of SEK 280 M for a program of change.

Operating profit in the fourth quarter amounted to SEK 1,278 M (1,552), a decline compared with a year earlier. Operating margin was 10% and was affected adversely by lower volumes and production rates within Sandvik Tooling and Sandvik Specialty Steels. In addition, operating margin in the quarter was reduced somewhat by a different product mix within Sandvik Mining and Construction, which delivered large projects for material handling equipment. The quarter was also affected by the aforementioned restructuring costs within Sandvik Tooling and the capital gain on the divestment of Proceras-Sandvik.

Net financial expense was SEK 497 M (expense: 523). Profit after net financial items amounted to SEK 5,606 M (5,804), an increase of 2% excluding items affecting comparability. The tax rate was 31% (32).

Net profit amounted to SEK 3,688 M (3,712) for the year and to SEK 1,065 M in the fourth quarter. Excluding items affecting comparability, earnings per share were SEK 13.10 (12.20) and after dilution SEK 13.00. The return on capital employed amounted to 17.4% (20.3) and the return on equity amounted to 15.5% (17.3). Equity per share was SEK 95.50 (89.00). Net debt/equity ratio was 0.4 (0.3) and the equity/assets ratio was 50% (55).

The Group reports a continued strong operating cash flow, amounting to SEK 5,093 M (4,476) for the full year. The efforts to reduce working capital has successively yielded favorable results and cash flow from operating activities amounted to SEK 1,579 M (1,064) in the fourth quarter.

The Group's investments in fixed assets for the full year totalled SEK 2,627 M (2,087). In addition, companies were acquired for an amount of SEK 1,456 M. After investments, acquisitions and divest-

ments, cash flow for the full year was SEK 1,220 M.

The Group's expenses 2001 for research, development and quality assurance were SEK 1,790 M (1,615), corresponding to 3.7% (3.7) of invoicing.

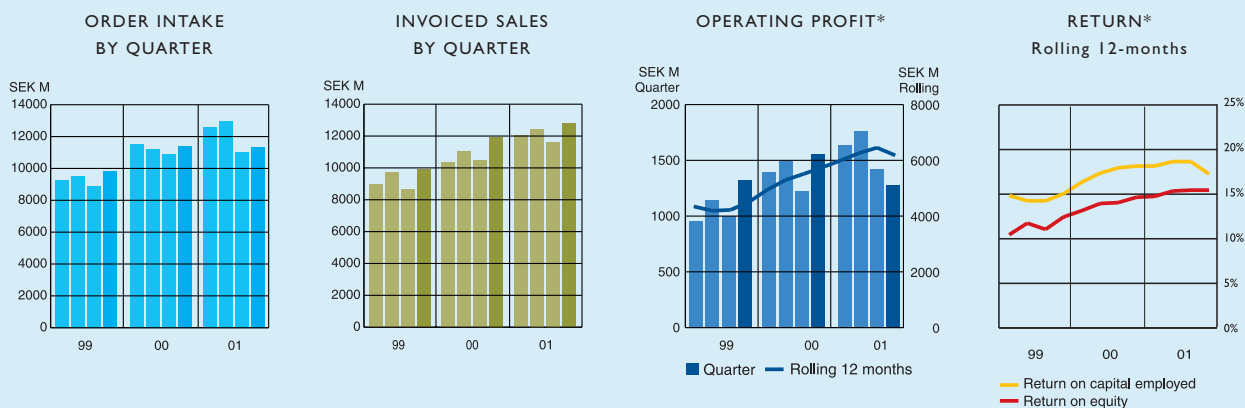
The number of employees amounted to 34,848, a decrease of about 950 for comparable units from the beginning of the year. The decline in the fourth quarter was about 800 persons for comparable units, of whom about 330 within Sandvik Tooling, about 140 within Sandvik Mining and Construction and about 250 within Sandvik Specialty Steels. Acquisitions within Sandvik Mining and Construction increased the number of employees by about 1,000.

The invoiced sales of the Parent Company amounted to SEK 12,270 M (12,084), operating profit was SEK 1,340 M (1,674). Liquid funds plus interest-bearing assets less interest-bearing liabilities amounted to SEK 1,636 M (1,785 at 31 December 2000). The number of employees at the Parent Company was 7,169 (7,257) at year-end.

## BUSINESS AREAS

SANDVIK TOOLING's order intake for the full year amounted to SEK 16,355 M (15,744). Invoicing was SEK 16,561 M (15,507). Despite a weakening market, this level was unchanged at fixed exchange rates for comparable units. This means that the business area continued to gain market shares. Operating profit declined somewhat compared with a year earlier and amounted to SEK 2,964 M, 18% of invoiced sales. Earnings were affected favorably by currency effects, but adversely by lower volumes and production rates as well as sharply increased raw material costs. In spite of this, profit was the same as a year earlier excluding one-off costs of SEK 515 M and capital gain of SEK 340 M. Return on capital employed amounted to 22% (27).

In the fourth quarter, order intake amounted to SEK 3,888 M (4,149), which



\* excl. items affecting comparability 1999 and 2000



was a decline at fixed exchange rates for comparable units of 12% compared with a year earlier. Order intake continued to be very negative for high-speed steel tools and cemented-carbide blanks and now also declined somewhat for metalworking tools in cemented carbide. Lower demand was noted in most markets in the EU. Sales in NAFTA remained weak, particularly in the automotive and electronics industries. In contrast, demand in Eastern Europe and Asia/Australia, particularly in China, remained favorable.

Invoicing declined 10% at fixed exchange rates for comparable units and amounted to SEK 4,053 M (4,204). The decline for high-speed steel tools and cemented-carbide blanks was substantial.

Operating profit in the fourth quarter amounted to SEK 459 M (830) or 11% of invoicing. The decrease compared with a year earlier was attributable to lower volume and rate of production as well as the charge against earnings in the quarter for the costs of a restructuring program of SEK 515 M. The measures announced in November 2001 were moved forward with the aim of increasing efficiency and reducing costs more rapidly. The objective is to achieve an annual earnings improvement of slightly more than SEK 500 M successively from the end of 2002. This is being accomplished, among other measures, through a consolidation of production and distribution units and is estimated to result in a reduction of the number of employees by about 1,000.

The quarter was affected favorably by capital gains of SEK 340 M on the divestment of the half-owned Procera-Sandvik.

Adjusted for the above one-off effects, operating profit in the fourth quarter amounted to SEK 634 M or 16% of invoicing. The decline compared with a year earlier is attributable mainly to lower production volume. Due to the weakening business climate, additional personnel reductions were announced in December involving notices to 250 employees in Gimo, Sweden, of termination of employment.

SANDVIK MINING AND CONSTRUCTION'S order intake for *the full year* amounted to SEK 13,407 M (10,659). Invoicing was SEK 13,501 M (10,184), an increase of 18% at fixed exchange rates for comparable units and 26% including acquisitions. Operating profit rose 26% compared with a year earlier and was SEK 1,348 M or 10% of invoiced sales. Return on capital employed amounted to 18% (16).

In *the fourth quarter*, order intake rose to SEK 3,273 M (2,512), which was an increase of 30% in total and 2% at fixed exchange rates for comparable units. Demand remained relatively favorable from the mining industry, but there were distinct indications of a future weakened trend, particularly for heavy

#### INVOICED SALES BY BUSINESS AREA, SEK M

	Q4 2000	Full-year 2000	Q4 2001	Full-year 2001	Change % % <sup>1)</sup>
Sandvik Tooling	4 204	15 507	4 053	16 561	+7 ±0
Sandvik Mining and Construction	2 668	10 184	3 849	13 501	+33 +18
Sandvik Specialty Steels	4 021	14 209	3 817	14 528	+2 -6
Seco Tools <sup>2)</sup>	1 028	3 785	1 059	4 259	+13 +3
Group activities	19	65	2	51	- -
Group total	11 940	43 750	12 780	48 900	+12 +3

#### OPERATING PROFIT BY BUSINESS AREA, SEK M

Sandvik Tooling	830	3 135	459 <sup>4)</sup>	2 964 <sup>4)</sup>
Sandvik Mining and Construction	291	1 073	346	1 348
Sandvik Specialty Steels	306	980	328	1 281
Seco Tools <sup>2)</sup>	197	740	162	787
Group activities	-72	399 <sup>3)</sup>	-17	-277
Operating profit	1 552	6 327 <sup>3)</sup>	1 278 <sup>4)</sup>	6 103 <sup>4)</sup>

#### OPERATING PROFIT BY BUSINESS AREA, % OF INVOICING

Sandvik Tooling	20	20	11	18
Sandvik Mining and Construction	11	11	9	10
Sandvik Specialty Steels	8	7	9	9
Seco Tools <sup>2)</sup>	19	20	15	18
Operating profit	13	14	10	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 660 M items affecting comparability.
- 4) Inclusive SEK 340 M items affecting comparability.

machinery and equipment. Activity in the energy field, including coal mining and hydropower construction, remained favorable. Demand in the civil engineering industry was stable in Europe, weak in NAFTA and highly favorable in certain parts of Asia. Development for the newly formed Sandvik Rock Processing business sector was good.

Invoicing increased 23% at fixed exchange rates for comparable units and amounted to SEK 3,849 M (2,668). A large share of the increase was attributable to the Sandvik Materials Handling business sector, in which deliveries, mainly project-related, were very high. Machinery invoicing declined, while the level for tools, service and spare parts was stable.

New acquisitions (Sandvik Rock Processing and Sandvik Smith) are included in the amount of SEK 519 M in order intake for the quarter and SEK 436 M in invoicing.

Operating profit in the fourth quarter reached SEK 346 M (291) or 9% of invoicing, an increase of 19%. Earnings in the quarter were the highest since the business area was formed and the sharp increase was due mainly to a strong volume trend and high capacity utilization. However, the margin was reduced somewhat by the high invoicing of engineering projects.

Lower demand within certain product areas required a review of capacity and staffing to successively adapt cost levels. During the quarter, the number of employees declined by

about 140 for comparable units and in the beginning of 2002 further reductions were announced of about 100 persons.

SANDVIK SPECIALTY STEEL'S order intake for *the full year* amounted to SEK 13,843 M (14,732). Invoicing was SEK 14,528 M (14,209), a decline of 6% at fixed exchange rates for comparable units. Operating profit rose 31% compared with a year earlier and amounted to SEK 1,281 M or 9% of invoiced sales. Earnings were largely unchanged taking into account that earnings a year earlier were charged with SEK 280 M for Sandvik Steel's program of change. Return on capital employed was 12% (10).

In *the fourth quarter*, order intake amounted to SEK 3,151 M (3,693), which was a decline of 21% compared with a year earlier at fixed exchange rates for comparable units. Demand in NAFTA fell further from an already low level and the decline also continued in Europe. Order intake in Asia/Australia increased through projects in the energy area. The sharp decline during the year in demand from the electronics industry continued also during the fourth quarter, which affected parts of the business area, primarily Kanthal. In contrast, demand from the oil/gas and other energy industries remained favorable.

Invoicing amounted to SEK 3,817 M (4,021), a decrease of 9% at fixed exchange rates for comparable units. Invoicing was

## CONSOLIDATED FINANCIAL INFORMATION, SEK M

	Q4 2001	Q4 2000	Full-year 2001	Full-year 2000
<b>INCOME STATEMENT</b>				
Invoiced sales	12 780	11 940	48 900	43 750
Cost of goods sold	-9 210	-7 971	-33 877	-29 357
Gross profit	3 570	3 969	15 023	14 393
Selling, general and administrative expenses	-2 603	-2 587	-9 324	-9 029
Other operating income and expenses	-29	170	64	303
Items affecting comparability	340	0	340	660
Operating profit	1 278	1 552	6 103	6 327
Financial income and expenses, net	-129	-133	-497	-523
Profit after financial items	1 149	1 419	5 606	5 804
Taxes	-48	-378	-1 712	-1 881
Minority interests	-36	-51	-206	-211
Net profit	1 065	990	3 688	3 712
<b>CASH-FLOW STATEMENT</b>				
Profit after financial items	1 149	1 419	5 606	5 804
Items not affecting cash flow	41	-136	-579	-871
Reversal of depreciation	627	640	2 446	2 336
Taxes paid	-405	-484	-1 762	-1 688
Change in inventories	323	-280	-583	-859
Change in current receivables and operating liabilities	-156	-95	-35	-246
Cash flow from operating activities	1 579	1 064	5 093	4 476
Investments, acquisitions and divestments	-2 064	-828	-3 873	-2 691
Change in short-term and long-term loans	389	-727	4 153	147
Buy-back of own shares	-419	0	-1 676	0
Payment to newly established pension funds	0	0	-1 070	0
Dividends paid	0	0	-2 554	-2 266
Net cash flow	-515	-491	73	-334
Liquid funds at beginning of period	2 796	2 588	2 097	2 369
Exchange-rate differences in liquid funds	-23	0	88	62
Liquid funds at end of period	2 258	2 097	2 258	2 097
<b>BALANCE SHEET</b>				
Fixed assets			22 505	19 156
Inventories			12 953	11 508
Current receivables			11 833	11 147
Liquid assets			2 258	2 097
Total assets			49 549	43 908
Shareholders' equity			23 972	23 019
Minority interests			967	931
Interest-bearing provisions and liabilities			12 222	8 741
Non-interest-bearing provisions and liabilities			12 388	11 217
Total provisions, liabilities and shareholders' equity			49 549	43 908
<b>KEY FIGURES</b>				
No. of shares at end of period ('000)			250 950	258 696
Earnings per share excl. items affecting comparability, SEK* after full dilution**			13.10	12.20
Earnings per share incl. items affecting comparability, SEK* after full dilution**			14.40	14.30
Return on net assets			17.4%	20.3%
Return on shareholders' equity			15.5%	17.3%
Net dept/equity ratio			0.4	0.3

\* Most recent 12 months divided by average number of outstanding shares, 255,514,000.

\*\* Average no. of shares after full dilution of outstanding convertible and warrants programs amounts to 260,435,000.

nearly SEK 700 M higher than order intake, which was largely due to final deliveries of projects within Sandvik Process Systems.

The low order intake in the quarter will affect invoicing in the future quarter.

Operating profit in the fourth quarter amounted to SEK 328 M (306) or 9% of invoicing. Lower prices for nickel in inventory affected profits marginally. The earnings improvement compared with the preceding year, despite lower volumes, was mainly an effect of ongoing rationalization measures and structural changes as well as of a better product mix within Sandvik Steel.

The program of change initiated within Sandvik Steel during 2000 includes rationalization of the production structure and sales organization in Europe. In the program, which is being implemented from year-end 2000 for three years, the number of employees will be reduced by a total of 600-700. The total reduction at year-end amounted to slightly more than 600 persons. As a result of the weakened business climate during the year, the program of change was intensified at the same time as measures were taken to align resources and costs to the lower demand.

**BUY-BACK OF SHARES**

At 31 December 2001, Sandvik's holding of own shares (treasury stock) totaled 7,747,000, corresponding to 3% of the total number of shares (258,697,100). The purchase amount was SEK 1,676 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 on 7 May 2002.

**COMPANY ACQUISITIONS**

- In January 2001, Sandvik became one of five part owners in Endorsia.com International AB, an e-business site for industrial products and services in Europe.
- In February, Sandvik CTT entered into an agreement with the UK based company Angus MacInnes & Co., Glasgow, to take over the sales and marketing of Prototyp products in the UK with about 10 employees.
- In March, Sandvik Specialty Steels acquired the remaining 49% of the shares in Sandvik Choksi Ltd. Sandvik has owned 51% of the shares since the company was founded in 1996. The company's operations are in Mehana, India, with production of extruded seamless stainless steel tube.
- In June, Sandvik Mining and Construction acquired the Chilean company Bafco Minería y Servicios S.A. in Santiago, a leader in providing service to the mining

industry in Chile. Sales amount to about SEK 85 M, with 180 employees.

- Following completion of a public share offer in July 2001, Sandvik secured an additional 284,530 shares in Sandvik Asia Ltd, Pune, India. Consequently, the ownership interest increased from 73% to 89%. Sandvik Asia was formed in 1960 and has annual sales of approximately SEK 400 M, with about 700 employees.
- In September, Sandvik Tooling and the Brazilian company Hurth-Infer SA formed a company for the production and sale of solid-carbide tools, Sandvik Hurth-Infer SA, in which Sandvik Tooling owns 80% of the shares. The company is located in Sorocabo, near Sao Paulo, and has annual sales of SEK 65 M with 75 employees.
- Sandvik Mining and Construction formed a jointly owned company (50/50) in October with the American company Smith International, Inc., Houston, Texas, covering operations in the area of roller cone bits for the mining and construction industry. The new company, Sandvik Smith AB, with head office in Köping, Sweden, has sales of about SEK 360 M and slightly more than 200 employees. There are subsidiaries in the NAFTA region, South America, Africa and Australia.
- In September, Sandvik Mining and Construction concluded the acquisition of parts of Svedala Industri's units for crushing and screening in accordance with an agreement with the Finnish company Metso Corporation. The operations, which are included in the new Sandvik Rock Processing business sector, generate sales of SEK 1,400 M with about 900 employees.
- Sandvik reached an agreement in September with the main owners of the German company Walter AG covering the acquisition of 60% of the shares in the company. The transaction was approved at the end of December by the relevant competition authorities and during 2001 Sandvik acquired most of the shares held by the main owners. Walter's operations include tools for metalworking, software systems for tool-management and numerically controlled grinding machines. Sales amount to approximately SEK 2,700 M annually. The head office is in Tübingen, Germany, and the number of employees is about 2,000.

#### PROFIT SHARING AND OPTIONS

Since 1986, Sandvik has a profit-sharing system for all employees at wholly-owned

### PROPOSED DIVIDEND AND REPURCHASE OF SHARES

The Board of Directors proposes a dividend of SEK 9.50 per share (9.00) or SEK 2,382 M (2,328). The proposal represents an increase of 6% from a year earlier and the dividend corresponds to 66% of earnings per share. The proposed record date for dividend entitlement is 13 May 2002.

Sandvik's high profitability and its strong cash flow facilitate organic growth and acquisitions as well as an aggressive policy for dividend and repurchases. Against this background, the Board has decided to propose that the Annual General Meeting on 7 May 2002 authorize the Board to

continue to repurchase shares. It is proposed that the company may hold its own shares (treasury stock) amounting to not more than 10% of the total number of shares outstanding, corresponding to 25.8 million shares. At 31 December 2001, Sandvik held 7,747,000 of its own shares, corresponding to 3% of the total number of shares (258,697,100). The purchase shall be made on the Stockholm Exchange at the prevailing market price. The buy-back is a step in an adjustment of the company's capital structure in accordance with established financial goals.

#### KEY FIGURES BY BUSINESS AREA 2001, SEK M

	Invoiced sales	Investments	Personnel
Sandvik Tooling	16 561	1 234	12 881
Sandvik Coromant	10 855	815	7 947
Sandvik CTT	3 619	253	3 521
Sandvik Hard Materials	1 782	165	1 333
Saws and Tools	305	1	80
Sandvik Mining and Construction	13 501	436	8 073
Sandvik Tamrock	7 629	240	4 338
VA-Eimco	2 358	66	1 316
Driltech Mission	1 047	61	385
Sandvik Materials Handling	1 993	14	932
Sandvik Rock Processing	398	26	876
Sandvik Smith	76	5	131
Sandvik Specialty Steels	14 528	572	8 564
Sandvik Steel	10 253	382	6 275
Kanthal	2 487	151	1 526
Sandvik Process Systems	1 788	39	763
Seco Tools	4 259	270	3 904
Group activities	51	115	1 426
Investments in company acquisitions	-	1 456	-
Group total	48 900	4 083	34 848

companies in Sweden. The Group's return during 2001 means that the maximum amount, SEK 150 M, is allocated to the fund.

Sandvik's Board decided in 1999 to establish a stock option plan for about 300 senior executives in Sweden and abroad. The plan provides the possibility of an annual allocation of so-called personnel options on Sandvik shares with a lifetime of five years and the right to exercise after three years, conditional upon continued employment. The allocation, which is consideration free, is based on Sandvik's return on capital employed in the preceding year.

The program is based on existing shares. Accordingly, there is no dilution effect for the current shareholders. The option plan is secured financially so that the effect of future increases in the price of the Sandvik share on the Company's costs will be limited. The

Board decided for 2002 to allocate 800,000 options to about 300 senior executives in the Group, of which 24,000 options to the designated President. The exercise price of the options will be 110% of the average share price during the next three trading days following publication of the year-end report.

The Annual General Meeting will be held in Sandviken on 7 May 2002, at 3:00 p.m. The annual report will be distributed to the shareholders approximately two weeks prior to the Meeting.

Sandviken, 14 February 2002

Sandvik AB; (publ)  
Board of Directors

Sandvik Group's result for the first quarter of 2002 will be published in connection with the Company's Annual General Meeting on 7 May 2002.



## Did you know that Sandvik achieved a breakthrough in medical technology?

Many of Sandvik's products contribute, directly or indirectly, to improving people's quality of life. A specific example of this is our stainless steels. We have developed special grades that are totally adapted for use in various types of medical **implants**. Some typical applications are hip-joint prostheses, components in heart pace-makers as well as the nails and screws that are often necessary to repair a severely broken bone.

Sandvik's focus on medical applications clearly illustrates our conscientious **niche-orientation**. Our fundamental concept is to focus on areas in which Sandvik is – or has the potential of becoming – a **world leader**. Areas in which we can offer added value to customers. This has been a successful strategy that has built a very strong Group.

Sandvik currently has 35,000 employees in 130 countries. Sales amount to approximately SEK 50 billion. And, although our medical products at the moment only account for a small portion of the total, this is an area with great **potential**. It is one of the fastest growing areas for Sandvik, with annual growth of some 50%. That's a real breakthrough.

We are continuing to work hard, mainly through the development of new and even better steel grades designed specifically for the demanding life inside the human body.



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