

**Sandvik**  
**Annual Report**  
**2000**



#### SANDVIK: A KNOWLEDGE-BASED COMPANY

Sandvik is a high-technology company with advanced products and well-known brands. The Group's successes are attributable to very qualified personnel worldwide, who are highly skilled and have the ability to develop productive solutions in close cooperation with customers. More about Sandvik's focus on knowledge is presented on pages 36-37.

The cover illustration shows three representatives of Sandvik, the knowledge-based company, from left:

**Generosa D' Cruze**, 38, B. Com., sales representative at Sandvik Steel in India. Employee of Sandvik since 1989.

**Guido Bobadilla**, 41, M.Sc. Eng. and Econ., sales representative at Sandvik Mining and Construction in Chile. Employee of Sandvik since 1997.

**Zdenek Kyzivat**, 28, M.Sc. Eng., product specialist at Sandvik Coromant, Czech Republic. Employee of Sandvik since 1999.

# Sandvik

# Annual Report 2000

Sandvik Aktiebolag; (publ) Corporate Registration Number 556000-3468

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# Highlights of 2000

- Favorable business climate throughout the year.
- Highest invoicing and earnings ever.
- Positive development for all business areas.
- New, higher growth objectives.
- Transition to one share class. Proposal to buy back shares.

	2000	1999
Order intake, SEK M	45 000	39 650
Invoiced sales, SEK M	43 750	39 300
of which, outside Sweden, %	95	94
Profit after financial income and expenses, SEK M	5 804	5 465
Return on capital employed, % **	18.4	15.1
Return on shareholders' equity, % **	14.9	12.4
Earnings per share, SEK	14.20	14.00
Dividend per share, SEK	9.00 *	8.00
Number of employees, 31 Dec.	34 742	33 870

\* Proposed    \*\* Excluding items affecting comparability

Sandvik Coromant broadened its line of advanced cemented-carbide tools for the die and mould industry.



Sandvik Tamrock strengthened its market positions and introduced a number of new Axera drilling rigs.

Sandvik Coromant continued its worldwide expansion. A major extension was initiated at the main production plant in Gimo, Sweden.



New, higher growth objectives:  
The organic sales increase shall amount to an average of 6% annually, compared with the previous result of 4%.

Kanthal's subsidiary MRL in the US had a strong increase in sales of heating elements and furnaces to the rapidly growing semiconductor industry.



The Annual General Meeting decided on a transition to a single share class.



## b-business partners

Sandvik became part-owner in a new venture-capital company that will invest in and develop companies with a focus on e-commerce.



Seamless coiled tubing for the offshore industry achieved major sales successes. Sandvik Chomutov Precision Tubes, in the Czech Republic, is one of the production facilities.

# New objectives and faster pace

The year 2000 was another favorable year for the Sandvik Group. Profit was the highest in the company's history. The business climate was highly favorable in most of our customer segments and markets. All three business areas strengthened their positions. During the autumn the Group adopted new, more ambitious growth objectives for the years immediately ahead. The focus on organic growth, acquisitions of companies and greater cost-efficiency is designed to reduce our vulnerability to fluctuations in the economy and further improve profitability.

## MARKET AND BUSINESS CLIMATE

Economic conditions in the large industrial countries were good, and our priority growth markets – Asia, NAFTA and Eastern Europe – developed favorably. Demand for most of Sandvik's products and services was strong throughout the year.

All business areas reported higher sales and earnings. Sandvik Tooling had another very good year. Sandvik Mining and Construction benefited from strong demand in the mining and construction industry. The situation was more varied for Sandvik Specialty Steels. A program of change that is designed to improve profitability and ensure a sustainable satisfactory return was begun within Sandvik Steel.

## HIGHER GROWTH OBJECTIVES

The objectives and the strategy that we established in 1994 have been highly successful. All of the Group's financial goals were reviewed during

the year and in August new and higher growth objectives for the period up to 2003 were presented.

Organic growth in sales shall amount to 6% per year, on average, compared with the earlier 4% growth. In addition, there will be company acquisitions. We shall grow in all geographical areas, but at a higher rate in our growth markets. The return on capital employed shall amount to an average of 20% per year.

The high objective of a dividend that amounts to at least 50% of the earnings per share is being retained. To achieve a better balance between equity capital and debt, we are also introducing a target for our capital structure. The objective is to increase the net debt/equity ratio to the interval 0.6 and 0.8. This is to be attained through organic growth, acquisitions, continuing high dividends and repurchases of shares. The growth in value of the Sandvik share including dividend paid should continue to be higher than the average for our industry.

The goals for growth and profitability have been formulated slightly differently for the three business areas. Sandvik Tooling's focus is on greater growth in sales and sustained high profitability – that is, operating margin. For Sandvik Mining and Construction, it is a matter of both growth in sales and improved profitability. Sandvik Specialty Steels will concentrate on higher profitability combined with growth in sales in specially selected customer and product areas.

Accordingly, acquisitions of companies will be made primarily in Sandvik Tooling and Sandvik Mining and Construction. Acquisitions may comprise supplementary product programs, brand names and marketing channels. We also want to grow in product areas that complement present business areas, and in which we can provide expertise in research and development, production, marketing and logistics.

*“All business areas reported higher sales and earnings.”*



## INCREASED SHARE VALUE

The objective is that the return to our shareholders shall exceed the average for our industry. Viewed in a longer perspective, the growth in value combined with the dividend have been higher than in the European engineering industry as a whole. I am convinced that our ambition to increase the rate of growth by focusing on expansive products and markets and by making acquisitions will provide a good return for our shareholders.

In 2000 the Annual General Meeting also approved a transition to a single class of share. This has promoted both liquidity and a higher valuation of the Sandvik share.

## FOCUS ON EXPERTISE

To gain acceptance for the growth objectives, exchange experience and explore various leadership issues, a Group management conference, "Sandvik Leadership 2000", was arranged in September. Three hundred senior executives from all parts of the world participated in the conference, the largest ever organized in Sandvik.

Sandvik's success is based on the fact that our employees are motivated, derive satisfaction from their work and can develop within the organization. Formulation of objectives, the development of expertise and the provision of incentives are thus important cornerstones in our personnel policy.

## DRIVING FORCE FOR INCREASED EXPANSION

We are today leaders in our principal areas of operation but we have substantial opportunities to further increase our market shares through investments in the marketing organization in Asia, as well as in NAFTA and a number of other markets where we are already well established. We possess a major competitive advantage in our global organization with sales in 130 countries. The Group has a common infrastructure but each business area has its own sales organization, which is a prerequisite for being able to introduce new products in new markets and be close to customers in a cost-efficient manner.

Sandvik is selling production economy to its customers. In addition to technically advanced products, we also offer comprehensive know-how in the way the products are to be used, and we participate in the development of customers' processes. The element of commercial and technical service constitutes an increasingly large part of our commitment to customers.

New products and new areas of application are contributing substantially to our organic growth. We are expanding our market and we are investing much more in research and development than any of our competitors. The R&D

program is increasingly focused on areas with notable high growth rates, such as the electronics industry, die and mould industry, medical technology, environmental programs, and energy. We are well positioned to take advantage of such trends as increased globalization, stricter environmental regulations, higher productivity and – not least – shorter life cycles for customers' products.

Increased growth is also taking place through the development of our marketing channels. Sandvik's business philosophy is based on direct contact with customers. The development of information technology (IT) gives us new opportunities to reach more customers and distributors than before – through e-commerce, among other channels – in a cost-efficient manner. We have a well-developed IT network with fully integrated systems ranging from product development, order processing and production to delivery of our products – and we are now also linking customers to these systems. This is additional evidence of our determination to be a partner to our customers.

## MORE GROWTH – LESS CYCLICAL

Sandvik's sales and earnings vary with the industrial economy. The long-term trend is very positive, with a higher rate of sales and a higher level of earnings. Our objective is to reduce the effects of fluctuations in the economy through better geographical distribution of operations within NAFTA, Europe and Asia, a higher percentage of industrial-consumption products and service, and a continuing extension of the customer base to attractive growth areas.

The level of earnings is not only dependent on the trend of sales but also requires continuing increases in productivity and a strong cost-consciousness within the Group, as well as a focus on reducing the amount of capital employed. Important measures include, for example, dividing our organization throughout the world into regions, taking greater advantage of internal economies of scale, and increasing our outsourcing of non-critical businesses.

We are very well established to strengthen our world-leading position in our operating areas. This is a result of our farsightedness, financial strength and the strong "Sandvik spirit" in the company. We are determined to continue to be an interesting and attractive knowledge company – the obvious first choice of customers, and a good investment for the shareholders ●

Sandviken, March 2001

Clas Åke Hedström  
President and Chief Executive Officer

*"We are very well established to strengthen our world-leading position in our operating areas."*

# The Sandvik share

## ONE SHARE CLASS

On 4 May 2000, Sandvik's Annual General Meeting decided to change the Articles of Association so that Sandvik as of 11 May 2000 has one share class, in which each share has one vote. This has had a positive effect on liquidity and valuation of the share.

## SHARE PRICE DEVELOPMENT

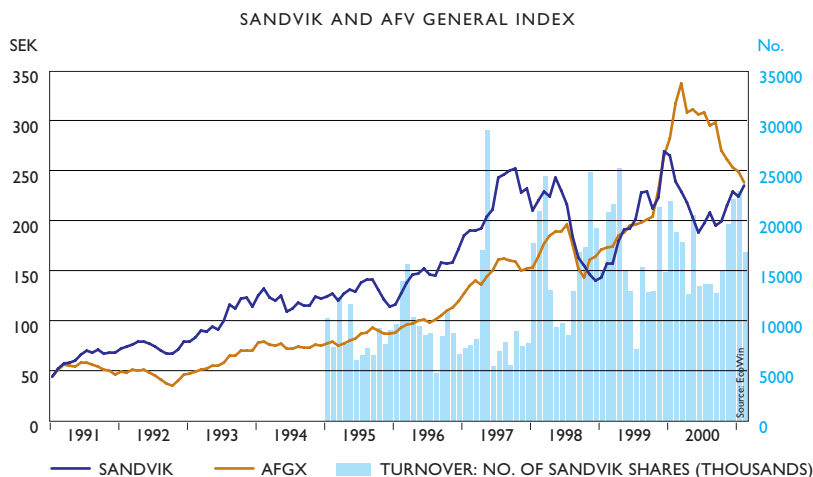
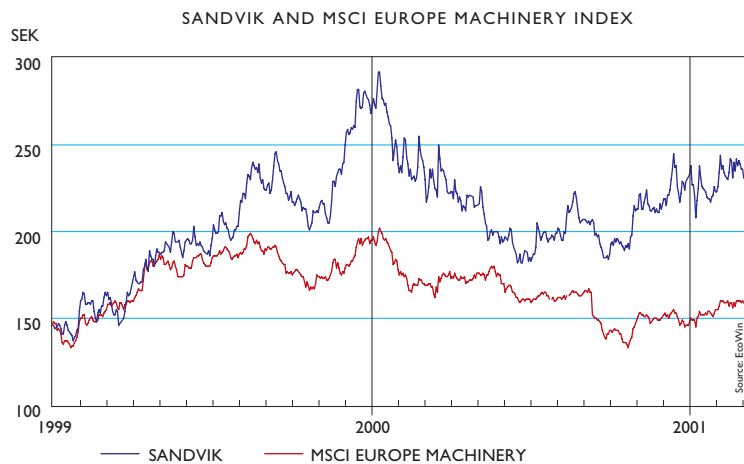
The price of the Sandvik share at year-end 2000 was SEK 227 and the total market capitalization was SEK 59 billion (SEK 69 billion in 1999). In terms of value, the Group was the 12th largest company on the Stockholm Exchange. Sandvik's market value declined 15% during 2000, after an increase of more than 90% in 1999. The price trend for the engineering industry was

negative during the year, with a sharp decline during the first half and a certain recovery during the second half. An important comparative index for the engineering industry is the MSCI Europe Machinery Index, which declined 24% during 2000. The General Index on the Stockholm Exchange fell 12%.

During the most recent ten-year period, the Sandvik share price, including reinvested dividend, rose an average of 21% annually. The comparable increase for the General Index, including dividends, was also 21%.

The Sandvik share ranked 18th (14th) among most actively traded shares on the Stockholm Exchange in 2000. A total of 204 million Sandvik shares was traded. The turnover was 81% (75), compared with 108% (94) for the entire Stockholm Exchange.

Sandvik's shares have been listed on the Stockholm Exchange since 1901. The total number of Sandvik shares today is 258,696,000, with about 56,000 shareholders. The Sandvik share is also traded in the US in the form of ADRs (American Depositary Receipts), under the symbol "SAVKY." The number of ADRs outstanding in 2000 was 649,764.



## DIVIDEND POLICY

The principal financial goal of the Sandvik Group is to create attractive capital return and value growth for those who invest in the Sandvik share. The goal is that the dividend and value growth of the Sandvik share shall exceed the engineering industry's average and that shareholders shall receive a dividend of at least 50% of earnings per share.

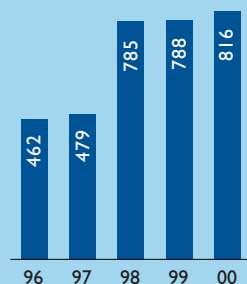
With the proposed dividend in 2000 (SEK 9.00 per share), the increase in dividends has averaged 7% annually from and including 1996. The dividend comprises 63% of earnings per share in 2000. The average payout ratio during the past five years amounts to 67%. Earnings per share was SEK 14.20 during 2000 and average profit growth during the past ten years has been 27%.

## SHAREHOLDERS

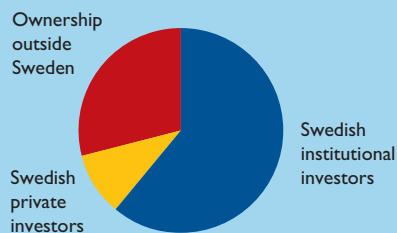
The ten largest shareholders in Sandvik account for about 50% of the number of shares. Shares owned by foreign investors amounted to 29% (25) of all shares and has doubled since 1996.



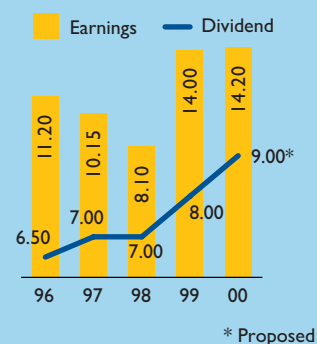
AVERAGE DAILY NUMBER OF SANDVIK SHARES  
TRADED ON THE STOCKHOLM EXCHANGE  
(thousands)



SHAREHOLDER STRUCTURE  
IN SANDVIK AB



EARNINGS AND DIVIDEND  
PER SHARE, SEK



\* Proposed

## CONVERTIBLE AND OPTION PROGRAMS

The Sandvik Annual General Meeting in 1999 resolved to carry out a part-ownership program directed to employees of the Sandvik Group, with the exception of those within the Seco Tools Group. The direct issue of convertible debentures amounted to SEK 955 M, corresponding to 4,360,150 shares if fully converted. Employees outside Sweden were issued 560,900 warrants which, if exercised, will amount to a corresponding number of shares. The term of the convertible debenture loan is from 2 July 1999 through 30 June 2004. Conversion to the new shares in Sandvik will occur during the period 2 July 2001 – 31 May 2004. The conversion price is SEK 219. The convertible debenture loan carries an annual interest corresponding to STIBOR less 0.75 percentage points. Full conversion and exercise of all outstanding programs will result in 4,921,050 shares, which gives a dilution of 1.9% and a total of 263,617,050 shares issued.

Sandvik's Board also decided in 1999 on the implementation of an options plan for about 300 senior executives in Sweden and abroad. The options plan provides for an annual allotment of personnel options on Sandvik shares with a lifetime of five years and right to

exercise after three years, conditional upon continued employment. The allotment, which is consideration free, is based on Sandvik's return on capital employed in the preceding year. In 2000, 1.4 million options were allotted, with an exercise price of SEK 289. The Board decided to allot 1.6 million options in 2001 to about 300 senior executives in the Group at an exercise price of SEK 259. The program is based on existing shares and, accordingly, does not result in any dilution for the current shareholders.

## LISTED OPTIONS

Standardized options in Sandvik shares were introduced for trading in 1993. Warburg Dillon Read has issued covered warrants on Sandvik shares. FöreningsSparbanken has issued put options with a strike price of SEK 290 that are listed on the Stockholm Exchange and are sold ongoing. The expiration date is 12 April 2002.

## INDEXES

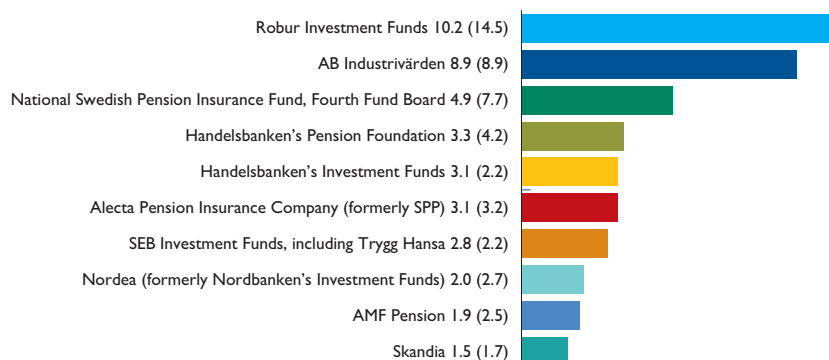
The Sandvik share is included in the following indexes: SX General Index, OMX, Afv General Index, Findata's return index, MSCI World Machinery, MSCI Europe Machinery, FTSE Eurotop 300, FTSE Eurotop 100, DJ Stoxx, S&P Euro Plus 200, Alfred Berg Nordic and Enskilda Engineering Index ●

## RESEARCH

The following companies published research on Sandvik during 2000:

ABG Securities  
Alfred Berg Research  
ArosMaizels  
CAI Cheuvreux  
Carnegie  
Commerzbank  
CSFB  
Danske Securities  
Deutsche Bank Research  
Enskilda Securities  
Fischer Partners Fondkommission  
Goldman Sachs International  
Hagströmer & Qviberg  
Handelsbanken Markets  
HSBC Securities  
Lehman Brothers  
Matteus Fondkommission  
Merrill Lynch  
Morgan Stanley Dean Witter  
Nordiska Fondkommission  
Paribas  
Schroder Salomon Smith Barney  
Swedbank Markets  
UBS Warburg  
Öhman Equities

TEN LARGEST SHAREHOLDERS IN SANDVIK AB  
31 Dec. 2000 (31 Dec. 1999), NUMBER OF SHARES, %



# This is Sandvik

## THREE CORE AREAS

Sandvik is a high-technology engineering group with operations in 130 countries, 35,000 employees and annual sales of approximately SEK 44 billion. The Group holds a world-leading position in three selected core areas.

**Sandvik Tooling** specializes in cemented-carbide and high-speed steel tools for metal-working.

**Sandvik Mining and Construction** concentrates on machinery, tools and service for rock excavation.

**Sandvik Specialty Steels** focuses on products in stainless steel, special alloys and resistance materials.

The above three business areas are organized into business sectors. Seco Tools, an independent, publicly listed company, is also included in the Sandvik Group.

Sandvik's customers are active in many areas, including the automotive and aerospace industries, mining and construction operations, chemical, oil and gas, power, pulp and paper, household appliances, electronics, medical technology, pharmaceuticals and other engineering industries. About two thirds of the products are industrial-consumption goods and one third investment goods.

## PRODUCTIVITY AS A BUSINESS CONCEPT

Sandvik's business concept is to contribute actively in various ways to improving the productivity and profitability of its customers. Products and services offered by the Group shall provide customers with maximum value in terms of performance, quality, speed, safety, flexibility and total economy. Sandvik shall be the obvious first choice for its customers.

Operations shall be concentrated primarily on areas with higher growth potential than the industry as a whole, areas where Sandvik is – or has the potential to become – a world leader.

## LONG-TERM STRATEGY

The Sandvik Group's strategy is based on the interaction between a number of different strength factors.

Sandvik markets its products in close cooperation with customers worldwide, mainly through its own personnel as well as with a number of selected industrial distributors and through other complementary channels, such as e-commerce.

Direct contact with the market is essential to adapt research and development programs to customer needs. Annually, about 4% of sales, SEK 1.6 billion in 2000, is invested in research and development and quality assurance of new products and new production technology.

Manufacturing of highly refined products shall mainly be carried out in the Group's own production plants. The coordination of product development with production technology developed by Sandvik ensures maximum quality, availability and cost efficiency and also contributes to Sandvik's determined efforts to create a favorable environment. Sandvik shall also capitalize on the synergies that exist between the Group's various areas of operations and markets – in R&D, production, marketing, administration and logistics. In all areas, extensive IT support is an important element in development of business processes.

Sandvik has a strong corporate culture. Qualified, experienced employees worldwide work in close cooperation, which establishes the foundation for common values and creates favorable conditions to achieve set goals.

Sandvik's ambition is to offer working conditions that stimulate employees to perform effectively, assume responsibility and to develop personally. The Group shall also promote equality, regardless of gender, race, color, religion, nationality or ethnic origin. In relations with its customers, suppliers, employees and other interests groups, Sandvik shall display good ethics and act as a good citizen in all countries in which it is active.

The Group's long-term strategy has been successful and resulted in a financial strength that provides for commercial freedom of action and ensures conditions for continued profitable growth.

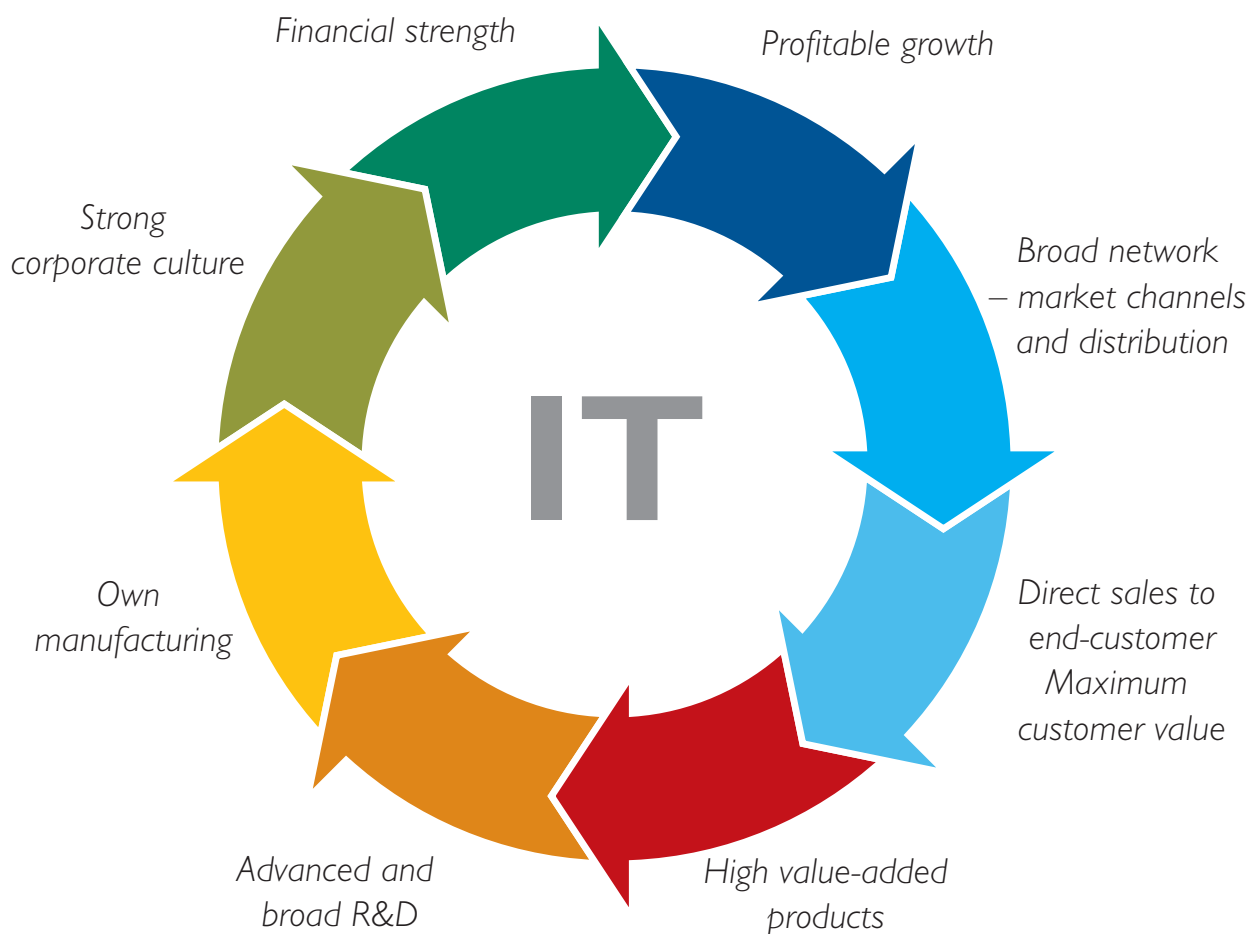
## MORE AMBITIOUS OBJECTIVES

During 2000, new, higher growth objectives were presented for the period 2000-2003. Organic sales growth shall average 6% annually, compared with the earlier 4% growth. In addition, there will be company acquisitions. Prioritized markets are Asia, NAFTA and Eastern Europe. Return on capital employed shall be 20% annually.

The goal of a high dividend payout of at least 50% of earnings per share was retained and supplemented with a net debt/equity ratio that shall be increased from 0.3 to the interval 0.6–0.8 not later than year-end 2003.

The objectives are considerably more ambitious than previously and should be viewed against the background of the Group's strong positions within its selected areas. Sandvik has favorable possibilities to accelerate its rate of growth through, among other measures, increased focus on products and customers areas with greater growth potential than average.

The Sandvik Group's high profitability and strong cash flow facilitate strong organic growth as well as expansion through acquisitions and an active policy for dividends and the buy-back of own shares ●



The Sandvik Group's successful strategy is based on the interaction of many strength factors.

**BUSINESS AREA****OPERATIONS****OBJECTIVES 2000–2003****Sandvik Tooling**

- Tools and tool systems for metalworking applications, blanks and components
- Products are manufactured in cemented carbide, high-speed steel and other hard materials such as diamond and special ceramics
- Extensive investment in R&D
- Strong global presence
- Close cooperation with customers
- High technical and commercial skills, complete offering to customers, including training and service

- Average annual sales growth clearly exceeding 6%
- Sustained profitability, about 20% operating margin
- Return on capital employed exceeding 20% by a broad margin

**Sandvik Mining and Construction**

- Special machinery, cemented-carbide tools and services for rock excavation and mining of minerals in the mining and construction industries
- Extensive product program for drilling, mechanical mining, loading and transporting of metals and minerals as well as demolition and bulk materials handling
- Product development in close cooperation with customers
- Well-developed, service-oriented global organization

- Average annual sales growth amounting to about 6%
- Continued improvement in profitability, operating margin of 10-15%
- Return on capital employed of 20%

**Sandvik Specialty Steels**

- High value-added products in stainless steel, special alloys, metallic and ceramic resistance materials.
- Product areas are seamless tube, strip, wire, bar, heating elements and systems, steel belts, process plants and sorting systems
- Global presence, with focus on product niches and customers with high demands on productivity, reliability and performance.
- Investments in R&D, using extensive resources in close cooperation with customers

- Average annual sales growth amounting to 4-5%
- Higher profitability, operating margin of 12-15% at year-end 2003
- Return on capital employed of 15-20% at year-end 2003

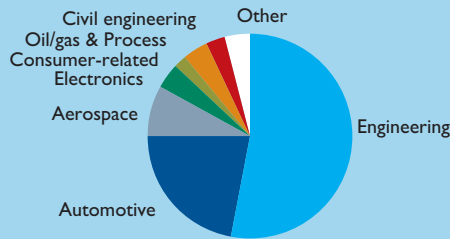
**STRATEGY**

**CUSTOMER SEGMENTS**

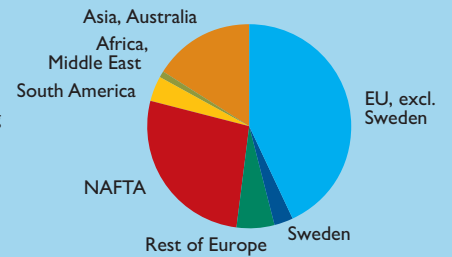
**MARKET AREAS**

- Expansion of sales organization
- New and complementary sales channels
- Continued geographic expansion
- Development of new products in attractive growth areas
- Acquisitions
- Continued development of synergies between the sectors in the business area

INVOICED SALES BY CUSTOMER SEGMENT



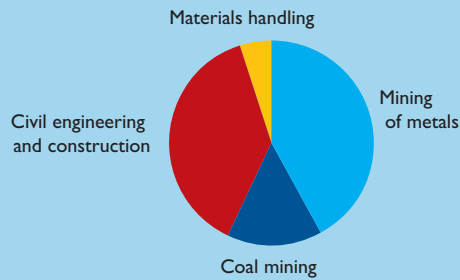
INVOICED SALES BY MARKET AREA



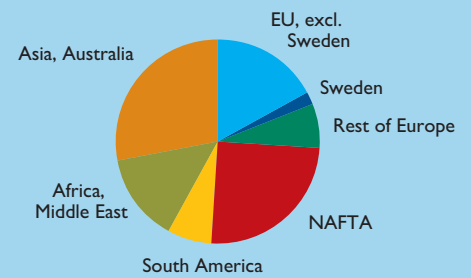
INVOICED SALES SEK 15,507 M

- Refinement of product portfolio, with increased share of tools, spare parts and service
- Increased R&D investment
- Enhanced efficiency in purchasing and logistics
- Consolidation of production resources
- Acquisitions

INVOICED SALES BY CUSTOMER SEGMENT



INVOICED SALES BY MARKET AREA

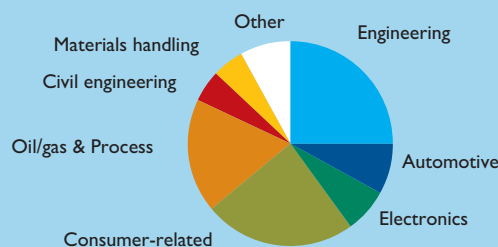


INVOICED SALES SEK 10,184 M

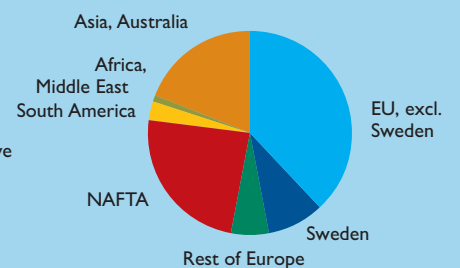
Program of change initiated in 2000 comprises the following strategy:

- Consolidation of production resources
- Rationalization of market and distribution organization
- Development of product portfolio toward a larger share of products with higher growth and more consumer-oriented customer segments

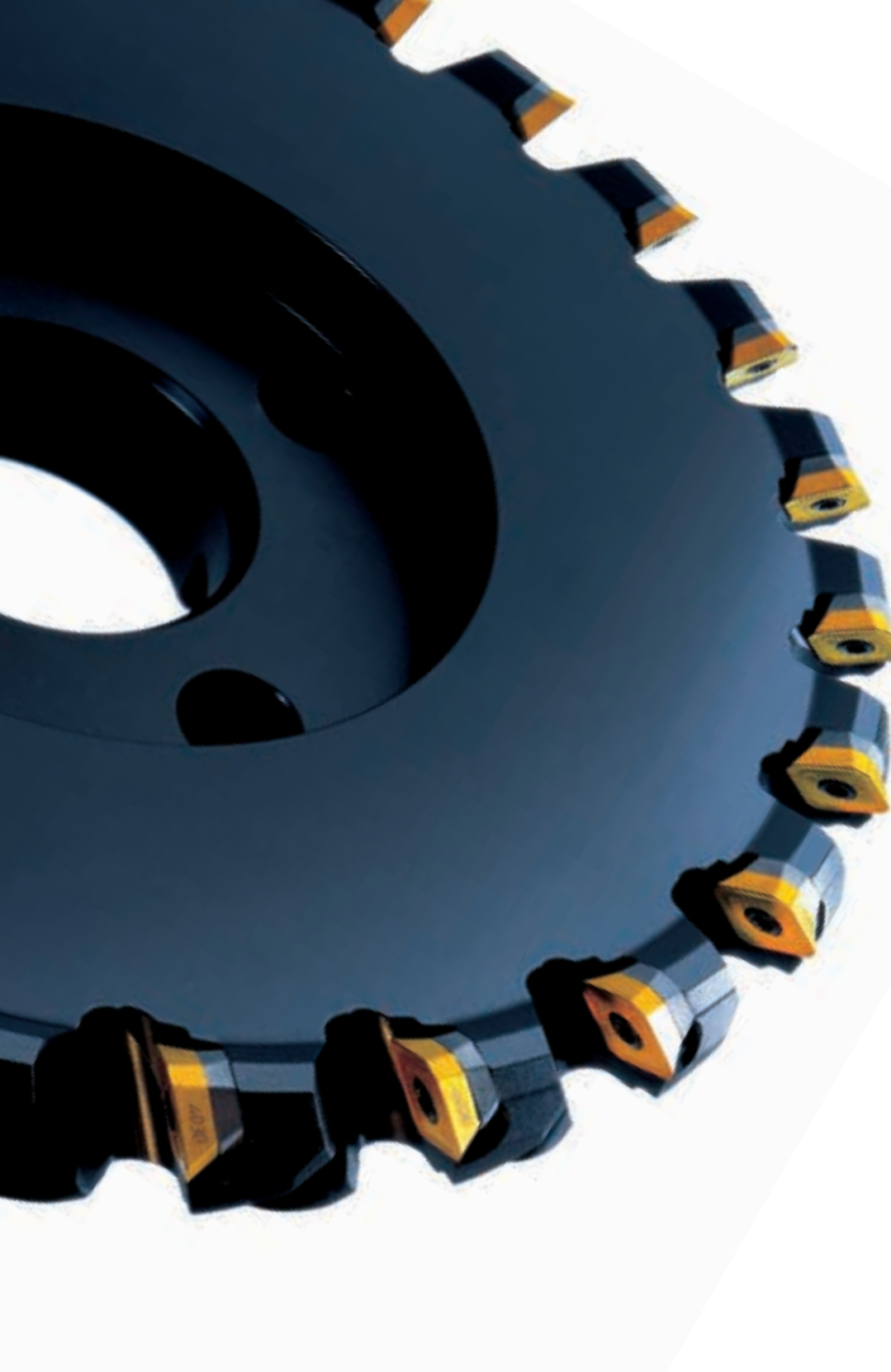
INVOICED SALES BY CUSTOMER SEGMENT



INVOICED SALES BY MARKET AREA



INVOICED SALES SEK 14,209 M

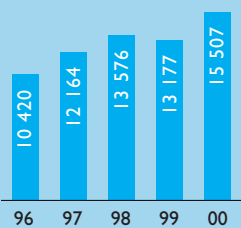


BUSINESS AREA

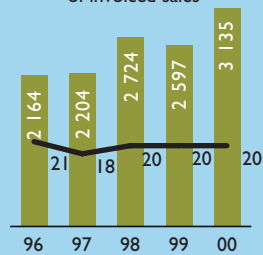
# Sandvik Tooling

SANDVIK COROMANT  
SANDVIK CTT  
SANDVIK HARD MATERIALS

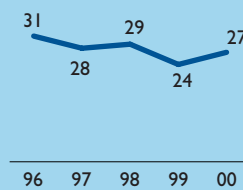
INVOICED SALES, SEK M



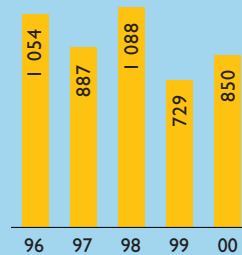
OPERATING PROFIT, SEK M  
— as a percentage of invoiced sales



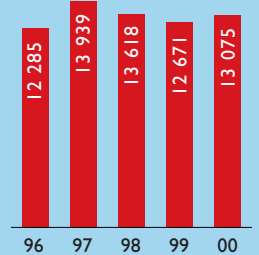
RETURN ON CAPITAL EMPLOYED, %



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



The business area is a world-leading supplier of tools and tooling systems for metalworking applications as well as of blanks and components. Products are manufactured in cemented carbide, high-speed steel and other hard materials such as diamond and special ceramics. Coating technology, development of materials and processes based on high skills in R&D and market service are prioritized areas to further strengthen technological and commercial leadership.

Sales of Sandvik Tooling rose 18% compared with a year earlier and amounted to SEK 15,507 M (13,177). Operating profit was SEK 3,135 M (2,597), or 20% (20).

Return on capital employed amounted to 27% (24). The average volume increase in sales for the business area (including acquisitions) amounted to 6% annually in the past five years and return on capital employed in the corresponding period was 28%.

The total world market potential for tools within traditional metalworking amounts to approximately SEK 85 billion. The market is growing by about 3-4% annually, with a focus on tools for increasingly more advanced configurations and harder materials. The world market for high-speed steel tools amounts to about SEK 25 billion, but is declining by 1-2% annually. A transition is under way to solid-carbide tools and in contrast this market, estimated at about SEK 12 billion, is growing and rose by more than 10% during 2000.

The addition of new products and application areas means that the market potential for Sandvik Tooling has expanded significantly in recent years. Several current trends are having a positive impact on potential, such as globalization, rapid technological development with increasingly more advanced machines for metalworking, materials that are more difficult to machine and higher environmental demands. Sandvik Tooling has a very strong market position and favorable conditions for being the customer's obvious first choice for higher productivity and profitability.

The business area is world leading and has well-developed global production, distribution, marketing and sales. The objective for Sandvik Tooling is organic growth that clearly exceeds the Group's goal of 6% annually with sustained high profitability. Growth shall also be attained through acquisitions that complement the business area with new markets or products and brands. This sales growth shall be achieved through aggressive cultivation of markets and by focusing on areas with higher-than-average growth. Key elements in the strategy to achieve the ambitious goals include continued expansion of the market and sales organization in NAFTA, Eastern Europe and Asia, product development in the direction of such areas as electronics and medical technology and continued development of brands and market channels. Investments in production capacity and delivery capability result in strengthened presence in the large and important markets and increase coordination within the global network of production units and distribution centers.

Extensive work has been under way in the business area since mid-1999 to develop synergies between the three business sectors within product development, marketing, production and logistics. This work will result in synergy gains of SEK 300-400 M within a few years, of which about SEK 100 M has already been achieved.

Combined, the business area's extensive investments in R&D, production, marketing and service provide favorable conditions for continued high growth and profitability and a further strengthening of the leading market position ●

*“The objective for Sandvik Tooling is organic growth that clearly exceeds the Group's goal of 6% annually with sustained high profitability.”*



Anders Thelin, President of Sandvik Tooling Business Area and of Sandvik Coromant. Born 1950, M.Sc. Eng., employed since 1976.



Sven Flodmark, President of Sandvik Hard Materials. Born 1944, M.Sc. Eng., employed 1970-1976 and since 1979.



Håkan Larsson, President of Sandvik CTT. Born 1951, B.A. Econ., employed since 1993.

## SANDVIK COROMANT

Sandvik Coromant is the world leader in the product area of tools in cemented carbide, ceramics, cubic boron nitride and diamond for metalworking applications. The company's modular tool systems to enhance customers' production-process efficiency are becoming increasingly important.



The trend of Sandvik's operations in Russia was favorable during 2000. The production plant for cemented-carbide inserts is today the most modern in the country.

Sales invoiced by Sandvik Coromant increased by 15% to SEK 9,606 M (8,358) during 2000. Investments amounted to SEK 486 M (393), and the number of employees was 7,799 (7,485).

Customers include companies that use metalworking to upgrade products made of various materials such as cast iron, steel, stainless steel, aluminum and composite materials into finished components. Leading companies in the automotive, aerospace and other engineering industries use Sandvik Coromant's products to improve their productivity and profitability.

Sandvik Coromant's leading international position is based on solid know-how in material properties and high-quality products that are manufactured in accordance with uniform standards, and available to all customers worldwide. In addition, a comprehensive range of services is available: from assisting with certain cutting data for a specific operation to complete undertakings that encompass the entire production of a specific type of customer component.

Today, development of the service assortment has an importance equal to that of product development. Sandvik Coromant is well in the forefront in offering, for example, systems solutions, transactions via Internet, rapid customer-adapted and custom-made tool solutions and a fast and efficient delivery service in all markets worldwide.

Onsite technical support is an important component in Sandvik Coromant's customer offerings.



Globalization of industries is also causing structural shifts in the tooling industry. At present, eight large manufacturers control approximately two thirds of the world market. A large number of local or highly specialized companies account for remaining market shares. Sandvik Coromant is the leader in the European and South American markets. In the North American market, Kennametal is Sandvik Coromant's main competitor, and in Asia, a number of Japanese companies are the primary competitors. Sandvik Coromant is the most well-established non-Japanese company in the Asian markets, with production of cemented-carbide tools in Japan, India and China.

Today, Sandvik Coromant maintains 19 well-equipped training centers in major markets, where customers and employees are trained in tooling and systems solutions for increased industrial productivity. This increased expertise is wholly decisive for enabling the industry to exploit the productivity gains provided by modern machinery and tools.

## MARKET AND BUSINESS CONDITIONS

The upturn in demand that began in late 1999 became increasingly pronounced during early 2000. However, a weakening in the business climate in a number of sectors could be discerned by year-end.

The engineering industry, Sandvik Coromant's largest customer segment, generally developed positively during 2000. This also applied to the die and mould industry that produces casting forms of metal, for example, for consumer products. Growth within this industry is, on a trend basis, strong, due to the ever shorter economic lives of products, in pace with the increased focus on appearance and design.

The automotive industry's growth declined in the US and elsewhere. However, the aerospace industry's development continued to be good. In Europe, the overall market trend was favorable. In particular, the Eastern European markets, including Russia, had positive growth. The market trend in NAFTA and Latin America continued to be strong, with market positions showing further advances. There was significant improvement in Asia, with the Japanese recovery continuing, following a period of decline in 1997 to 1999. The positive assessment of the sales potential in the region remains unchanged.

## GLOBAL EXPANSION

Sandvik Coromant is presently introducing a comprehensive international program to further enhance competitiveness and delivery capability. This includes an expansion of the strategic production resources.



At the main plants in Gimo, Sweden, development of technology for more automated production is ongoing. The methods and systems being introduced there will also be implemented at the more than 40 other Sandvik Coromant production facilities worldwide.

The relocation of the existing powder production in Stockholm to Gimo and Coventry, in the UK, will take place successively during 2001 and 2002. In Gimo, production of ready-to-press cemented-carbide powder is being doubled, and a new unit for producing tungsten carbide is under construction. At the same time, production capacity is being expanded for solid-carbide products, such as drills. This area has a considerable market growth potential and investments will provide the opportunity for continued expansion.

During the year, the decision was reached to double production of tools at the plant in Mebane, North Carolina, in the US. This plant produces tool-holders for cemented-carbide tools for the American market.

Through this expansion, the plant will also become a supplier to various distribution centers worldwide. A training center will also be built in Mebane, the third in the US, for the training of customers, distributors and own personnel. Investment is increasing Sandvik Coromant's already strong presence and market position in the NAFTA region.

At year-end, a new distribution center in Singapore was placed in operation. The unit is strategically situated and serves the entire Asia-Pacific area. The same service is provided as at the distribution centers in Gimo, Sweden, Schiedam, Netherlands, and Erlanger, Kentucky in the US. This means that most end-customers can obtain the products they order within 24 hours. This investment in logistics and improved delivery service means that competitiveness in the Asia-Pacific area is increased considerably.

## RESEARCH AND DEVELOPMENT

Development of new products, services and production methods is critical to the company's ongoing competitiveness. Of net sales, 6%, or about SEK 550 M is invested annually in research and development. This has resulted in a constant flow of new products and systems. More than 1,500 new products or product variants are introduced each year. In recent years, approximately 50% of sales have come from products less than five years old.

The company's continuous and extensive focus on research and development has made Sandvik Coromant the technological leader in its field. Research is conducted in own laboratories, at customer facilities or at universities,



colleges and external research institutes.

Sandvik Coromant's development work focuses primarily on three main areas: new insert materials, coatings and tool systems. The work is carried out in close cooperation with customers and it is based on their need for newer, lighter and stronger component materials, and more automated processes.

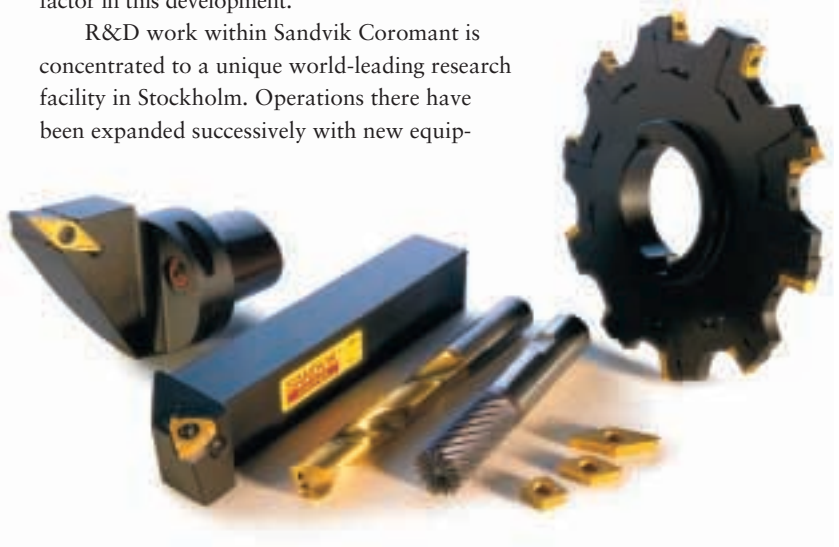
Another crucial factor is development in the machine tool area. Machine tools are becoming faster and more stable while, at the same time, complexity is increasing. This places high demands on the tolerances and quality level of cemented-carbide tools, with uniform, predictable tool life for the individual cutting edge. Through a close cooperation with machine manufacturers worldwide, Sandvik Coromant has maximum flexibility and is very well equipped for the ongoing and future development within this area.

Sandvik Coromant develops its line of service continuously. Major international customers are increasingly interested in services within the tool management area, and the range of tools is being supplemented with offerings within purchasing, inventory management and strictly production-technical processes. The tool management system, AutoTAS, has become an increasingly important factor in this development.

R&D work within Sandvik Coromant is concentrated to a unique world-leading research facility in Stockholm. Operations there have been expanded successively with new equip-

Customers within the entire Asia-Pacific area can receive tool deliveries within 24 hours from the new distribution center in Singapore.

Sandvik Coromant offers customers a complete line of cemented-carbide tools for chipforming metalworking.





During the year, a number of new cemented-carbide grades for turning were introduced.

ment, new processes and more staff, and is today the world's largest of its type. During the year, it was decided to carry out an extensive renovation and expansion of the facility, with construction to begin during the first quarter of 2001. The aim is to create a unified materials and process laboratory for strengthening the Group's leading position in the development of new, advanced cutting materials.

#### NEW PRODUCTS

During 2000, new products were introduced at the same rapid pace as previously. Several of the product innovations involved technical breakthroughs, which reinforced Sandvik Coromant's position as the leading supplier of high-productivity tools and tool systems for metalworking.

In Gimo, a new facility for producing solid-carbide tools, such as drills, was put into operation. This product area is growing strongly due to ongoing developments in the customers' machining equipment and, in the immediate years ahead, a continued capacity expansion is planned. Marketing activities include the launching of several new products.

During the year, the assortment of new cemented-carbide grades, for example, for steel turning, was expanded, with a very positive sales trend within the area. By using Coromant products, customers can increase cutting speeds substantially, and in most cases, obtain productivity gains exceeding 20%.

Sales growth for Wiper turning inserts was exceedingly strong. With these geometrically advanced inserts, customers can choose between faster machining, that is, increased productivity, or improved surface finish, thereby eliminating costly grinding operations. This flexibility is attracting considerable interest in many industries, particularly the automotive industry.

CoroTurn, an entirely new indexable insert program for turning was introduced. These

inserts were developed in part for internal and external turning of smaller components.

For forming tool manufacturers, Sandvik Coromant introduced several important products during the year, including a new series of radial inserts which enlarges the application area for CoroMill 390, the versatile end mill with indexable inserts. Another new product was the toroid cutter CoroMill 300, developed particularly for machining small areas.

The Coromant Capto modular tool system demonstrated a continued sales growth. Users are equipping increasingly more machines with this system to enable automatic, flexible and rapid tool replacement, without compromising precision and stability.

During the year, Sandvik Coromant introduced a new tool-holding system, CoroGrip™, a high-precision chuck with performance superior to all conventional systems on the market. CoroGrip successfully handles all applications from super-precision to rough cutting, and the market reaction has been highly positive.

Sandvik Coromant is a market leader in its product areas. As a result of its partnership with customers, Sandvik Coromant has attained a strong position in the area of technical and commercial service. Customers are offered a total concept encompassing methods, process and system solutions for more efficient production and increased productivity. This accumulated expertise, combined with rapid, reliable deliveries, will be an increasingly important competitive tool in the future.

#### E-COMMERCE

Sandvik Coromant's business operations are based on the rational processing of about six million order lines annually. The internally developed business, production and inventory-management systems used since the mid-1980s have gradually been modernized and coordinated.

The traditional sales channels are now being supplemented with e-business solutions in pace with customer demands and requests. Electronic commerce enables customers to be reached worldwide. Due to the Internet, even small customers receive the same breadth and depth of information and service that was formerly reserved for large customers.

Customers can contact Sandvik Coromant around the clock, every day of the year, to obtain current information about drawings, process data, price information and delivery times for subsequent ordering of the products required. The system also enables, through a combination of the Internet and Sandvik's own computer programs, customers to design their own special tools directly at their workplace.

At Gimo, capacity for production of solid-carbide products was expanded.



With a worldwide delivery system, customers receive the products they order rapidly and efficiently. Standard tools are delivered within 24 hours in most markets.

Sales via the Internet was introduced during 1999 in Sweden and Denmark, and systems were subsequently introduced in about 15 markets, including the US. At the close of 2000, about 25% of sales in Sweden were made via Internet. The organization for web-based commerce was strengthened and, as a result, e-commerce will be expanded to encompass all major markets.

## SANDVIK CTT

Sandvik CTT is a world leader in the product area of high-speed steel tools for metalworking applications and is also rapidly expanding in the area of rotating solid-carbide tools.

Sales invoiced by Sandvik CTT increased by 4% to SEK 3,459 M (3,322). Investments amounted to SEK 210 M (184), and the number of employees was 3,695 (3,755).

Sandvik CTT's primary markets are the EU, NAFTA and Latin America. The market initiatives in Asia continue. Dormer, Titex, Prototyp and Precision are globally leading brands.

## MARKET AND BUSINESS CONDITIONS

In Europe, demand for high-speed steel tools improved in most markets, particularly France and Italy. Demand in the US was clearly lower than in the preceding year in most customer segments. In Latin America, the business climate was brighter, particularly in Brazil. In Asia, the positive trend continued in most markets.

The high-speed steel tool industry is highly fragmented, with several hundred producers, many of which have profitability problems. Sandvik CTT is today the leading company. Growth will mainly be generated organically, but also through acquisitions of agents offering Sandvik CTT brands in strategically important markets.

Within the area of solid-carbide tools, there is no clear market leader, but many small and medium-size manufacturers. The proportion of special tools is high, and regrinding is also a growing market segment. For many customers, fast, professional regrinding service from the manufacturer has become a requirement for purchasing standard tools. Sandvik CTT is continuing its expansion in the solid-carbide area

and has as its objective the attainment of the same leading position as in high-speed steel.

Sandvik CTT's strategy is to invest more resources in research and development, and invest in existing plants for achieving cost advantages and even higher quality. Coordination between units in the manufacture of products that are not brand-unique will be continued as well as aggressive marketing and concentrating on a number of well-known, global brands. Sandvik CTT will also continue to take advantage of the opportunities to acquire further market channels via the multi-brand concept.

Dormer, Titex and Prototyp increased all their market shares in both high-speed steel tools and solid-carbide tools. Precision also increased its high-speed steel tool market shares in the US during the second half of the year.

During the year, sales were successfully introduced via the Internet in certain test markets. In pace with customers' requirements, a larger introduction will take place in 2001.

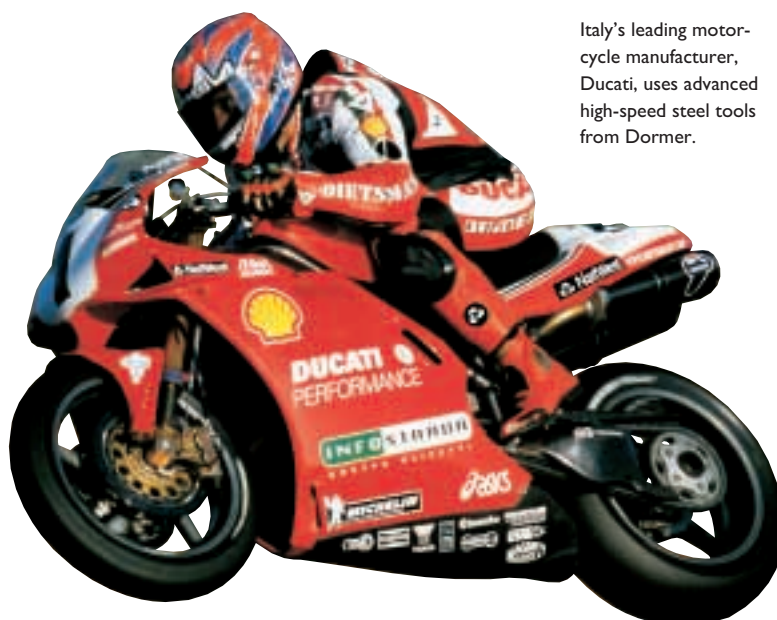
## INVESTMENTS

Production capacity for producing Dormer solid-carbide drills in Brazil was expanded during the year to meet growing demand from the home market.

The increased activities within Titex on regrinding of solid-carbide drills in Frankfurt, Germany, were successful and were expanded.

During the year, the former US agent, Titex Tools, Inc. was acquired, in order to intensify marketing of high-performance tools to qualified US industries.

Sandvik CTT has a broad assortment of drills, end mills and taps in high-speed steel and solid carbide for metalworking.



Italy's leading motorcycle manufacturer, Ducati, uses advanced high-speed steel tools from Dormer.

Prototyp's concentration on increasing market shares in Europe was successful, particularly in Italy and France. Production capacity for solid-carbide milling tools increased sharply during the year.

Precision carried out a reorganization and expanded its sales and marketing resources to better facilitate an increase in its market shares. R&D resources were also strengthened. The rationalization program to radically increase productivity continued during the year, and resulted in a reduction in the number of employees.



Production capacity for solid-carbide tools increased sharply within Prototyp during 2000.

### PRODUCT DEVELOPMENT

Dormer achieved a major sales success in the form of a top-coated standard drill in high-speed steel. Other new products introduced during the year included a solid-carbide drill, threading taps of high-speed steel for hardened steel, and new high-speed steel milling tools for rough machining.

Noteworthy new Titex products included carbide drills in the successful Alpha series and a new assortment for machining hardened material.

The most important Prototyp product innovations during the year were micro-milling tools of solid carbide in the range of 0.4 – 1 mm and diamond-coated solid-carbide end mills for machining graphite. By expanding the assortment of taps, Prototyp strengthened its leading position in the area. The taps are mainly made of high-speed steel since the properties of cemented carbide are not suitable for most threading applications.

Precision started service operations for regrinding and modification of drilling tools, and a new solid-carbide drill was introduced to the market.

Sandvik CTT has an extensive line of drills for metalworking.



## SANDVIK HARD MATERIALS

Sandvik Hard Materials is active in the entire hard-materials area, from cemented carbide to diamond, including special ceramics for applications in biotechnology. The business sector is the world leader in cemented-carbide blanks for tool manufacturers, components for the engineering industry and advanced cutting and forming tools for other industries.

Sales invoiced by Sandvik Hard Materials during the year increased by 19% to SEK 1,787 M (1,497). Investments amounted to SEK 152 M (152), and the number of employees was 1,421 (1,431).

Sandvik Hard Materials continued its successful strategy of focusing operations on customer segments having higher growth than the average for the industry. The priority products are used in consumer-oriented industries such as electronics, healthcare, dental technology and sanitary products. The strategy has also been to coordinate the production into large, cost-effective manufacturing units, for supply to the global market.

### MARKET AND BUSINESS CONDITIONS

The product areas in which Sandvik Hard Materials is active reported rapid growth in most cases during 2000. Production capacity was expanded to meet the increased demand.

Particularly strong growth was noted for products to the electronics industry, including cemented-carbide micro-drill blanks. Another area that recorded a very strong sales increase was our carbide rotary cutters for production of diapers and other sanitary products.

### NEW PRODUCTS AND PROCESSES

A third of sales are from products that were not part of the assortment five years ago. The pace in product renewal continued to be high in 2000. In the area of round cemented-carbide rods for drills and end mills, products and grades with new and improved performance were introduced.

Manufacturing technology for carbide rotary cutters proceeded even further, which involved substantial improvement in performance. Cemented-carbide tools used in the manufacturing of beverage cans was introduced in the product program a few years ago. Demand has increased strongly and Sandvik is now a world leader in this area.



Carbide rotary cutters for such products as diapers is a strongly growing product area for Sandvik Hard Materials.

During the year, major orders for carbide components for the automotive industry were secured. Sandvik Hard Materials' products meet the increasing demands that the automotive industry places on wear-resistant material in injection systems aimed at achieving lower fuel consumption in gasoline and diesel engines.

#### PROCERA-SANDVIK

High-technology production within Procera-Sandvik AB (Sandvik 50%) of individually-made ceramic dental crowns was a major success in the market, with sales rising sharply during 2000. The introduction of new dental products during the year as a complement to the dental crowns, for example, ceramic caps and bridges, increased the market potential to about SEK 25 billion. This provides excellent conditions for a continued quick expansion within this highly attractive growth area.

During the year, a renewal of a long-term contract with Nobel Biocare AB was signed pertaining to the jointly owned company Procera-Sandvik. The agreement provides conditions for the development of new products and processes, as well as more aggressive marketing, and thereby facilitates strong growth and profitability. The US is a primary market and, during the year, a new plant was inaugurated at the Sandvik facilities in Fair Lawn, New Jersey. These products have also achieved major market successes in Europe and Australia and, during 2001, will be introduced in several Asian markets.

#### STRUCTURAL CHANGES

To meet customer requirements for rapid regrinding of carbide rotary cutters, new regrinding stations were established during the year in the US and China.

The capacity for new production and regrinding was also expanded in France and in Spain.

Production resources for micro-drill blanks and solid-carbide rods increased, mainly in Mexico, to meet the rapid growth in the market.

In Coventry, in the UK, a plant was placed in operation for production of very fine-grain tungsten carbide for micro-drills, and capacity for production of ready-to-press cemented-carbide powder was expanded.

In line with the strategy of coordinating manufacturing, three small units were phased out simultaneously with capacity being increased at our global supply units. E-commerce was started up in the Nordic region, the US, Spain, Netherlands and Belgium. Additional countries will be linked to the e-commerce system during 2001 ●



Sandvik Hard Materials is the leading producer of blanks, components and tools of cemented carbide and other hard materials.

Cemented-carbide microdrills are used in the production of circuit boards in mobile telephones.



The capacity for producing carbide powder was increased significantly at the cemented-carbide plant in Coventry, UK.



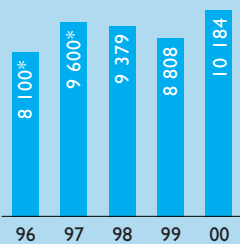


BUSINESS AREA

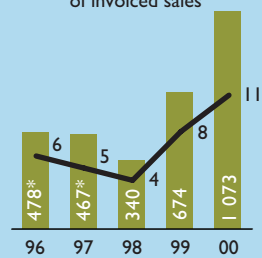
# Sandvik Mining and Construction

SANDVIK TAMROCK  
VA-EIMCO  
DRILTECH MISSION  
SANDVIK MATERIALS HANDLING

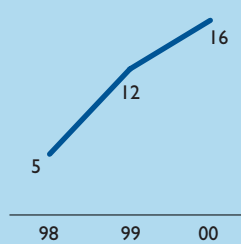
INVOICED SALES, SEK M



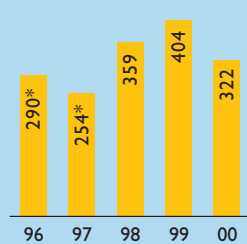
OPERATING PROFIT, SEK M  
— as a percentage of invoiced sales



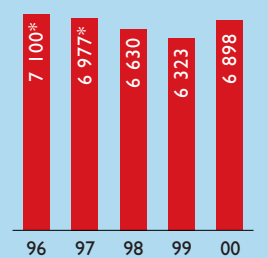
RETURN ON CAPITAL EMPLOYED, %



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



\* pro forma

Sandvik Mining and Construction is a world leader in special equipment, cemented-carbide tools and service for mechanical excavation of rock and minerals within the mining and construction industries. The business area offers the market's most extensive product program for drilling, excavation, loading and transportation of metals and minerals, for demolition and for the handling of bulk materials.

Invoiced sales of Sandvik Mining and Construction rose by 16%, to SEK 10,184 M (8,808). Operating profit was SEK 1,073 M (674) and the return on capital employed 16% (12). Including acquisitions, the business area's average increase in sales volume over the past three years (the business area was formed after the acquisition of Tamrock in 1997) has amounted to 1% annually, and the return on capital employed during the same period was 11%.

The market potential for Sandvik Mining and Construction's products is estimated to be over SEK 50 billion. The underlying average annual market growth amounts to 2–3% for machinery, tools and spare parts, while growth is considerably higher for certain service concepts. Trends that have a favorable impact on the potential of the business area include customers locating increasingly in remote sites, a higher proportion of production taking place underground, demands for operating reliability and automation, and increased focus on ergonomics, safety and the external environment.

Sandvik Mining and Construction possesses solid knowledge of traditional excavation methods such as drilling and blasting of hard rock. However, the company is also a leader in mechanical excavation methods for soft minerals. The business area has extensive expertise in both materials and process development in close cooperation with customers. The service-oriented global organization is well developed. Sandvik Mining and Construction is well-positioned to be the customers' obvious first choice for higher productivity and profitability.

The objective for organic growth of the business area is approximately 6% annually, excluding acquisitions, with further improvement of profitability. The strategy is based on expanding and refining the product portfolio, with the targeted share of tools, spare parts and service sales being 75% of the total business. This is to be achieved through investments in research and development. In addition, purchasing efficiency is to be enhanced, the capital tied up in inventory reduced and production resources concentrated. Acquisition opportunities will be utilized.

During the year, the business area's sales of spare parts and service to customers increased noticeably, which is a reflection of customers' efforts to increase their capacity – for instance, by better utilizing their existing machinery. The strongly expanded service operations have resulted in an increase in personnel. Currently, the business area has over 1,000 service technicians in more than 50 countries.

Sandvik Mining and Construction comprises four separate business sectors, which share the same customer base to a considerable extent, even identical customers in some cases. This implies a good potential for developing synergies in many areas – such as logistics, purchasing and service. Moreover, utilization of the Sandvik Group's combined advanced expertise in materials technology is increasing. The strategy creates good conditions for the business area to achieve the Group objectives for growth and profitability ●

*“The objective for organic growth of the business area is approximately 6% annually excluding acquisitions, with further improvement of profitability.”*



Anders Iltam, President of Sandvik Mining and Construction Business Area, Sandvik Tamrock Oy and VA-Eimco. Born 1941, A.E., employed since 1993.

Matti Kotola, Manager, Tools and Services within Sandvik Tamrock. Born 1950, M.Sc. Eng., employed since 1979.

Lasse Hakoaho, Manager, Equipment within Sandvik Tamrock. Born 1940, B.Sc. Eng., employed since 1970.

Jarmo Juntunen, Manager, Sandvik Materials Handling. Born 1956, M.Sc. Eng., employed since 1994.

Walter Maier, Manager, Driltech Mission. Born 1945, M.Sc. Mech. Eng., employed since 1969.

## SANDVIK TAMROCK

Sandvik Tamrock is a leading supplier of equipment, tools and service for rock excavation and demolition to the international mining and construction industry.

Sandvik Tamrock is the largest sector of the Sandvik Mining and Construction business area. Invoicing during the year rose to SEK 6,513 M (5,478). Investments amounted to SEK 227 M (267) and the number of employees was 4,080 (3,853).

### FOCUS OF OPERATIONS

Products include rigs for surface and underground drilling, loaders and trucks for loading and transport in underground mines, tunnels and quarries, as well as different machines for breaking, demolition and recycling of materials. This business sector includes such well-known brands as Sandvik, Tamrock, Toro, Rammer and EJC.

Sandvik Tamrock also develops, produces and markets rock-drilling tools equipped with cemented carbide for the mining and construction industry. The tools are based on the

High-production drilling rigs and advanced, cemented-carbide tipped tools from Sandvik Tamrock provide significantly reduced costs for mining and construction customers worldwide, such as this gold-mining operation in Ghana.

Sandvik Group's extensive expertise in materials technology, particularly in steel and cemented carbide.

The service range includes everything from basic break-down repair service to scheduled maintenance, machine audits, training programs, and tools, spare-parts and service contracts extending over several years. Centers for equipment repair and rebuilding are located in all major market areas.

Customers in the mining industry include operators of mines containing precious and base metals, as well as the contractors who work in these mines. Customers within the construction industry include local and international general contractors who specialize in drilling and blasting as well as customers who produce cement, limestone and aggregate, and companies that demolish buildings and recycle materials.

Production units for drilling equipment are located in Finland and France. Units for the production of loaders and underground trucks are located in Finland and Canada. Demolition and breaking tools are also produced in Finland, while rock-drilling tools are produced in Sweden, Brazil, South Africa, Zimbabwe and India.

The main competitors are Atlas Copco, Sweden, Ingersoll Rand, US, and Furukawa, Japan. Caterpillar Elphinstone, Australia and Boart, South Africa, are competitors in more specialized areas. Several acquisitions and reorganizations took place during the year.

### MARKET DEVELOPMENT

An increased demand for metals and, consequently, higher metal prices, resulted in rising production in the global mining industry in 2000. Growth for copper was estimated at 2%, whereas nickel production rose by nearly 8%.

The price of gold declined slowly, stabilizing somewhat toward year-end. The strengthening of the dollar, however, offset the price reduction for many gold producers. The price of platinum and palladium – key raw materials in the automotive and electronics industries – rose dramatically, reaching peak levels at year-end.

Mining companies in several countries benefited from the ongoing strengthening of the dollar. Consequently, many customers utilized their existing equipment fully. Demand for spare parts, tools and service increased sharply. A contributing factor to this was the strong activity in certain important construction markets, where the business situation improved markedly at the beginning of 2000 and demand remained strong throughout the year.







### BUSINESS CONDITIONS

Sales of equipment and tools reached record levels, causing a sharp increase in production. Spare-parts and service operations also performed well, with a strong increase in sales, to both old and new customers.

Sandvik Tamrock strengthened its market positions and obtained major orders in several markets worldwide. One of the largest, worth more than SEK 80 M, involves delivery of equipment for drilling and loading to a nickel mine in Russia. Another concerned a large order for loaders and trucks for Indonesia. The business sector also signed contracts for extensive machine deliveries to Australian customers and received a key follow-up order for a further large electrical Toro-loader, the largest of its type in the world, for LKAB in Sweden.

Market growth in the construction industry was less steady than in the mining industry. Demand was strong in Europe and the US, with the latter slowing, however, during the second half of the year. Orders were received for construction projects related to the construction of new transport networks in Central and Southern Europe. During the second half of the year, key projects in the transportation segment were launched in China and many other countries in Asia. Sandvik Tamrock delivered several large tunnel-drilling rigs to Japan and Korea, where demand was strong throughout the year.

Demand for the sector's cemented-carbide rock-drilling tools for underground mines was strong, increasing gradually during the year. Raise boring is a special niche in which the business sector strengthened its leading market position. Sales also increased for roller bits for blast-hole drilling and drilling tools for construction work. Sandvik Tamrock strengthened its position in Japan and obtained several contracts for delivery of drilling tools to Africa, Australia and North America.

### PRODUCT DEVELOPMENT

In underground drilling, expansion of the new generation of drill rigs for drifting and tunneling continued. Several new drilling rigs in the Axera series were brought to the market. A newly developed single-boom rig for mine operations and a new bolting rig attracted considerable interest at the year's major industry exhibition, MinExpo, held in Las Vegas, Nevada, US.

Sandvik Tamrock is leading with the Ranger and Pantera surface-drilling rig series, which have become the industry standard in many markets. Sales of the light surface drill rigs of the Commando series, a unique solution for small-scale construction drilling, were highly successful in Scandinavia.

The business sector's successful range of Rammer hydraulic hammers was supplemented by two new large hammers and a new universal machine for heavier demolition work.

Sandvik Tamrock's underground loaders and trucks, with the well-established brand names Toro and EJC, are constantly being renewed with respect to productivity, safety and operator working environment. Several new introductions strengthened the sector's world-leading position – for example, two new Toro loaders with lifting capacity of 10 and 21 tons, respectively.

A special low-profile drilling rig in the



Sandvik Tamrock received a major order during 2000 for drilling rigs and loaders from Russia's largest nickel producer. These rigs were destined for the mines in Norilsk in northern Siberia.

Rammer's hydraulic hammers are used for demolition and breaking by the construction and civil-engineering industries.

Axera series and a very low-slung EJC loader, that can work in ore bodies at heights as low as 1.6 meters, were developed in close cooperation with customers.

### NEW ROCK-DRILLING TOOLS

In the area of rock-drilling tools, Sandvik Tamrock introduced a new range of drill bits for top-hammer drilling with the name of CAPP™, where the latest process technology is used to achieve high flexibility and short lead times.

The unique heavy tool system, Sandvik Sixty for surface drilling, had its commercial breakthrough during the year, replacing conventional tool systems in France, Germany, the US and Africa. In rotary drilling, the new Sandvik Terra roller bits combine maximum drilling penetration with long economic life. The tools are accompanied by an extensive service program, which helps reduce customers' total drilling costs.

### AUTOMATED MINING

During the past few years, Sandvik Tamrock has developed a technology for automation of underground mines in cooperation with Nordic partners and international mining companies such as Canadian INCO. In October 2000, the world's first computer-controlled blasting operation was carried out in one of INCO's mines.

A further development of this technology is AutoMine™, the world's first commercial concept in automated mine operation. The technology is already applied in the LKAB iron-ore mine in Kiruna, Sweden, where one operator supervises up to three 25-ton loaders. In AutoMine, the driverless loader travels its pre-determined route in the mine while the operator,



Sandvik Tamrock has a substantial lead in the area of automation of underground mines. An operator stationed above-ground can remotely control unmanned loaders using new technology.

who may be located on the surface, only takes over and remote-controls the loader during loading and unloading.

### INVESTMENTS

Sandvik Tamrock's spare-parts service was supplemented during the year with a more efficient global distribution and logistics system. Distribution centers were established in three time zones: Lyon, France, Burlington, Canada and Singapore. The first e-commerce initiative was taken in Canada and the US, where customers that so desire may track their spare-parts orders and the availability of spare parts via the Internet.

The plant for breaking and demolition equipment in Lahti, Finland, was expanded, and new advanced production equipment was installed. At Sandviken, a completely new production line for drill bits was placed in operation resulting in reduced lead times and process costs. The expanded plant for roller bits in Köping, Sweden, is now in full use.

Advanced mine loaders are manufactured in Burlington, Ontario, Canada, for the world market.



## VA-EIMCO

The VA-Eimco business sector is the world leader in systems, equipment and tools for mechanical mining of coal and other soft minerals, and in road-headers for tunneling and the production of underground rock shelters.

Net sales were SEK 1,961 M (1,761). Investments amounted to SEK 56 M (83) and there were 1,299 employees (1,357).

### FOCUS OF OPERATIONS

VA-Eimco specializes in products for mechanical excavation of both soft minerals and hard rock. The product program includes road-headers, bolter-miners – machines for continuous coal mine excavation – and utility equipment for underground work. The program also includes carbide-tipped tools for mine excavation and specialized applications such as asphalt milling and road maintenance.

Customers are active in both the mining and construction industries. The first group consists of companies active in underground mining of coal, potash or salt and the contractors that serve these types of mines. Customers within the construction and engineering industries are primarily large contractors or specialized tunnel and road-building companies.

Well-established product names include Voest-Alpine, Eimco and Sandvik. The primary competitors are the American machinery and equipment companies Harnischfeger/Joy and Long Airdox and in the tool sector, Kennametal, also US-based.

The largest production units are located in Austria and the US, while tools and utility equipment are produced in the US, South Africa and Australia. VA-Eimco's extensive service and repair activities take place in specialized facilities in all key geographic markets.

### MARKET AND BUSINESS CONDITIONS

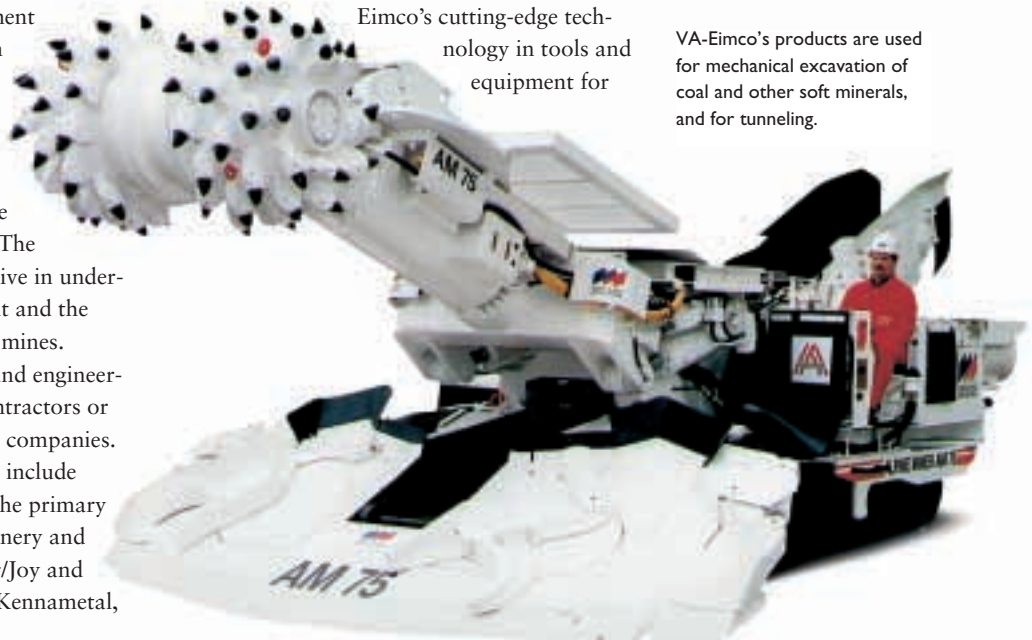
Activity in underground coal-mining continued to be weak at the beginning of the year, and production volumes declined in several areas. Despite the high price of crude oil, spot prices for coal did not show any significant improvement. Toward year-end there were certain signs of an increase in demand in several key markets. However, activity in the construction industry was higher during the year, particularly in the US and Europe.

VA-Eimco's operations were adapted to the difficult market situation, which in combination with a gradual recovery in the demand for coal, resulted in somewhat improved sales and profitability in most of the units.

Despite the weak business conditions, the sector obtained several large orders within the coal-mining operations. A specially built machine for coal mining was delivered to Germany. Major new orders were also received for bolter-miners for coal mines in the US and South Africa. During the year, sales of the business sector's advanced cemented-carbide excavation tools also increased, mainly based on the growth in the construction of highways and build-out of fiber-optic networks in the US.

The business sector increased its focus on mechanical excavation in construction and contracting projects, to exploit VA-Eimco's cutting-edge technology in tools and equipment for

VA-Eimco's products are used for mechanical excavation of coal and other soft minerals, and for tunneling.



mining harder rocks. At the same time, the business sector's intention is to reduce its exposure to the coal-mining industry. During the year, therefore, the sector strengthened its development in the Icutroc project, which enables mechanical excavation also of medium to hard rock.

### STRUCTURAL CHANGES

To enhance efficiency and better adapt production capacity in cemented-carbide tools, the plant in Viriat, France, with approximately 30 employees, was shut down. The manufacturing of the tools was concentrated to the US and South Africa.

Measures were launched to restructure manufacturing capacity for underground coal mining equipment in VA-Eimco in the US, as a result of the weakened business situation in the industry.



During 2000, Sandvik Mining and Construction acquired the drilling-rig business of BPI, an Austrian company.

### DRILTECH MISSION

Driltech Mission is a leading supplier of drilling rigs and tools for rotary surface drilling in open-pit mines, quarries and construction work, as well as for ground reinforcement and water-well drilling.

Driltech Mission posted sales of SEK 775 M (696). Investments amounted to SEK 22 M (13) and the number of employees was 504 (475).

### FOCUS OF OPERATIONS

The product range includes drilling rigs for rotary drilling and down-the-hole drilling, down-the-hole drill hammers, cemented-carbide tools, spare parts and service. The business sector's well-known brand names are Sandvik, Driltech, Drillmaster, Mission and BPI. Driltech Mission



Driltech Mission is a leading supplier of drilling rigs and tools for rotary and down-the-hole drilling.

manufactures equipment in Austria and the US. Down-the-hole drilling rigs and tools are produced in Sweden, the US, Mexico and India.

Mining of coal and metals in open-pit mines, large-scale infrastructure projects and drilling of water wells are the most important markets for Driltech Mission. The primary competitors are Ingersoll Rand in the US, Atlas Copco in Sweden and Svedala/Reedrill in the US, as well as various manufacturers of down-the-hole drilling tools.

### MARKET AND BUSINESS CONDITIONS

Global demand was generally favorable during the year. However, Driltech Mission's sales were essentially unchanged due to the weakness of the North American mining market, an important market for Driltech Mission. One large order was received, however, from a Canadian customer.

Activity in water-well drilling was high in both the US and Europe. Demand in Southeast Asia was generally weak in all product areas, which adversely affected sales of large down-the-hole drill hammers and drill bits in particular.

### STRUCTURAL CHANGES

A key step in the expansion of the product range was taken through the acquisition of the drilling-equipment business of the Austrian company Böhler Pneumatic International. The product area includes down-the-hole drilling rigs, hammers and related spare-parts sales and service, with a total sales of approximately SEK 120 M. The operations were taken over by Driltech Mission under the name of BPI and established at the VA-Eimco plant in Zeltweg, Austria. This creates opportunities for synergies in both administration and production.

### PRODUCT DEVELOPMENT

Driltech Mission has invested extensively in product development. A new drilling rig was introduced at the MinExpo exhibition in the US during the year. The rig is equipped with a completely new, unique control system for drilling. In future, all new rigs will be equipped with this system. The new technology also represents the first step toward a completely automated drilling rig for rotary drilling in open-pit mines and in large construction operations.

In the area of down-the-hole drilling, the newly developed Mission 6 hammer proved to be a successful concept, already achieving strong sales in the first year. Gradually, several hammers in other sizes, based on the same patented design, will be introduced.

## SANDVIK MATERIALS HANDLING

Sandvik Materials Handling is a leading engineering and service company that focuses on the handling of bulk materials and also manufactures components for conveyors.

At year-end 2000, the Roxon business sector was renamed Sandvik Materials Handling. Invoicing was SEK 935 M (873). Investments amounted to SEK 16 M (11) and the number of employees was 957 (544).

### FOCUS OF OPERATIONS

The most important customers are mines and quarries, harbors and terminals, as well as power plants for solid-fuel burning. Sandvik Materials Handling markets its products under the brand names of Roxon, Prok, Gurtec, Voest-Alpine and Beltreco.

Project and technology centers are located in Sweden, Finland, Austria and Australia. Production of conveyor components is carried out in Finland, Sweden, Germany and Australia. Comprehensive service operations are conducted in Scandinavia, Central Europe and Australia, and centers for service and component deliveries are also located in Indonesia and North and South America. Competitors include Krupp Fördertechnik and MAN Takraft in Germany, in project operations, and Continental, US, in conveyor technology.

### MARKET AND BUSINESS CONDITIONS

Sandvik Materials Handling delivers pulleys, rollers and other conveyor components to its own projects in materials handling, to external customers' projects and to the after-market. Therefore, the development of the business sector depends primarily on the global and regional project activity and the need for repairs and replacement equipment for existing plants.

Project activity in Europe, which was relatively low at the beginning of the year, did improve gradually. Demand concerned primarily the materials handling system for solid fuel in power plants and recycling projects, which meant that the individual projects were not particularly large. Demand for replacement equipment was strong, since most customers' capacity was fully in use. Sandvik Materials Handling maintained a strong, stable market position in conveyor components.

Operations in Southeast Asia and Australia focus on systems for coal and iron-ore handling in mines, terminals and harbors. At the begin-



Sandvik Materials Handling strengthened its market position during the year through the acquisition of Beltreco, the leading Australian conveyor service company.

ning of the year, demand regarding new projects was fairly weak, due mainly to the poor business conditions in the coal industry. Demand for components, replacement equipment and service for conveyors was also weak, initially. Toward year-end, project activity increased, and the market for replacement products improved. During the second half of the year, contracts were signed for two large projects in Australia, with a total order value of over SEK 300 M.

### STRUCTURAL CHANGES

Sandvik Materials Handling's goal is to increase its relative share of components, replacement equipment and service. An important step in this direction was the acquisition of Beltreco Ltd., in Perth. It is Australia's leading repair and service company for conveyors to mines and other bulk material handling customers. Net sales for the company were SEK 450 M, and the number of employees was approximately 400, of whom most are service specialists based at customer sites. Actions to integrate Beltreco with the business sector's Australian company, Prok, were initiated ●

During the year, Sandvik Mining and Construction landed its largest individual order ever. The order was for bulk materials handling equipment from an Australian mining company.



BUSINESS AREA

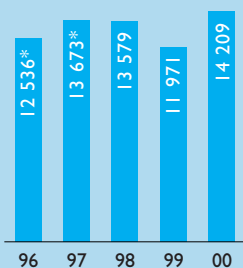
# Sandvik Specialty Steels

SANDVIK STEEL

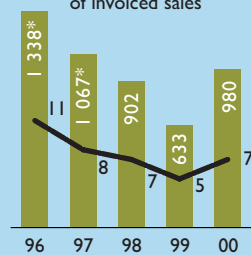
KANTHAL

SANDVIK PROCESS SYSTEMS

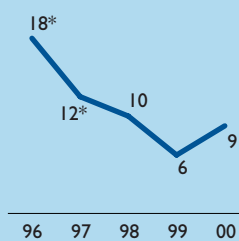
INVOICED SALES, SEK M



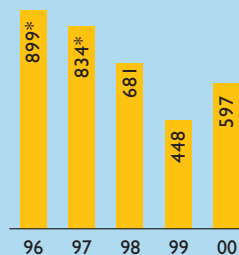
OPERATING PROFIT, SEK M  
— as a percentage of invoiced sales



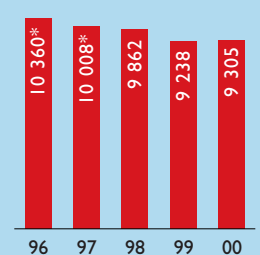
RETURN ON CAPITAL EMPLOYED, %



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



\* pro forma

The business area is a world-leading manufacturer of high value-added products made of stainless steels, special alloys and metallic and ceramic resistance materials as well as of steel belts and process plants based on steel conveyor belts and of sorting systems. Sandvik Specialty Steels is the only company in its areas of operation with truly global presence and strong market positions.

Invoiced sales by Sandvik Specialty Steels rose by 19% compared with the preceding year and amounted to SEK 14,209 M (11,971). Operating profit was SEK 980 M (633), or 7% (5). The return on capital employed increased to 10% (7). Including acquisitions, the average growth in sales volume of the business area's operations during the past five years amounted to 6% annually. The return on capital employed was 11% during the same period.

The market potential for the business area's products is in the range of SEK 80 billion, of which the world market for resistance materials accounts for approximately SEK 5 billion. The underlying annual market growth in stainless steels and special alloys amounts to 4-5%, with a considerable spread depending on area of application.

The customers are in most industrial segments, including chemicals, oil and gas, power, pulp and paper, and engineering, as well as in consumer-oriented sectors such as the automotive, white goods, food, and the electronics industries. Increased automation, energy-saving products and processes, coupled with a greater general environmental awareness create demand for increasingly advanced materials and products. The business area's strategy is based on close cooperation with key customers, extensive research and development resources, and efficient production and distribution. Sandvik Specialty Steels has the resources and the potential to be the customer's obvious first choice for higher productivity and profitability.

The objective of the business area is higher profitability, and the target is to achieve operating profit of 12-15% by year-end 2003. The objective for average annual sales growth is 4-5%, focusing on certain well-defined areas. The objective for return on capital employed is 15-20% by year-end 2003. It is expected that changing and developing the product portfolio toward a larger portion of products with higher-than-average growth, and a focus on more consumer-oriented customer segments such as electronics, medicine and energy, will have significant positive effects on profitability.

Sandvik Steel launched a major program of change during the year, which resulted in a charge against earnings of SEK 280 M. The purpose of the program is to raise the level of profit, ensure a sustainable satisfactory return and reduce cyclical effects. When fully implemented, the measures are expected to result in an annual improvement in earnings of approximately SEK 200 M by year-end 2002.

Further effort was devoted to identifying and developing synergies between the three business sectors. This involved increasing cooperation in production primarily, but also in research and development.

The launching of structural measures, greater focus on manufacturing productivity, more aggressive marketing of technically advanced products, more efficient organization and advanced research and development operations create good prospects for the long-term growth and strong profitability of the business area ●

*“The objective of the business area is higher profitability, and the target is to achieve operating profit of 12-15% by year-end 2003.”*



Svante Lindholm, President of Sandvik Process Systems. Born 1947, B.L., employed since 1981.



Lars Pettersson, President of Sandvik Specialty Steels Business Area and Sandvik Steel. Born 1954, M.Sc. Eng., employed since 1979.



Harry Furuberg, President of Kanthal. Born in 1951, M.Sc. Eng., employed since 1998.



At Sandvik's tube mill at Chomutov, in the Czech Republic, seamless coiled tubing is manufactured for the oil/gas industry – a product which achieved major sales successes during the year.

## SANDVIK STEEL

Sandvik Steel is a world-leading producer of seamless tube, strip, wire and bar for users with high demands on economy, reliability and performance. Products are manufactured mainly in stainless steels as well as in titanium, nickel and zirconium alloys. Operations are focused on product niches in which Sandvik Steel has leading positions in the market.

Sandvik Steel's invoicing rose by 20% compared with the preceding year to SEK 10,144 M (8,437). Investments amounted to SEK 420 M (343) and the number of employees was 6,879 (6,915). Profitability improved, primarily as a result of a strong increase in sales to consumption-oriented industries. Sales growth was strong in NAFTA and Asia, but lower in Europe.

The largest group of products are seamless tubes made of stainless and high-alloy steels. The customers are in the chemical and petrochemical industry, the power, oil and gas, automotive, aerospace and electronics industries – among others.

The advanced strip and wire products are used in the production of catalytic convert-

ers for cars, flapper valves for refrigerators and air-conditioning units, electric shavers, knives, saws, razor blades, springs, welding material, die-cutting rules for the packaging industry and products for the precision mechanics industry.

The competitive situation varies according to product area. Sandvik Steel is a world leader in the field of seamless stainless tubes, where there are three major competitors. In the wire and strip field there are a few individual competitors that, like Sandvik, are active in the entire production chain, as well as many small independent drawing plants and cold-rolling mills without their own metallurgy. The various competitors individually cover only between 5% and approximately 20% of Sandvik Steel's product program within wire and strip.

## MARKET AND BUSINESS CONDITIONS

In 2000, sales to consumption-oriented areas such as the automotive, electronics and white goods industries rose sharply. Toward year-end, these areas declined somewhat while demand for investment-related products – for example, in the oil and gas and the process industries – increased.

Capacity utilization was high in most production sectors. Strong productivity increases and larger volumes had a positive impact. Profitability was adversely affected, however, by continuing low prices. The program of change launched during the year includes measures designed to enhance efficiency and adapt product capacity. The program includes the discontinuation of certain manufacturing units and a personnel reduction of 600–700 persons.

Plans to phase out the tube manufacturing operations in the UK were announced in January 2001. This action affects about 250 employees. Production will be transferred to the main facilities in Sandviken and to other units of the Sandvik Group. The Swedish subsidiary Guldsmidshytte Bruks AB, with net sales of approximately SEK 90 M and about 80 employees, was divested at year-end.

The ongoing program of change includes the reviewing of the marketing organization, distribution and logistics, primarily in Europe. This work, which was launched at year-end, is based on a regional model established in NAFTA. The model involves the increasing centralization of support functions, to allow them to support the local sales organization efficiently.

During the year, efforts to increase sales to product and customer segments with higher-than-average growth, and where product requirements are extremely high, were intensi-

Sandvik Steel is the world's leading manufacturer of tube, strip, wire and bar in stainless steel and special alloys.





fed. Key industries include the electronics industry, the oil and gas industry, the energy and environmental areas, and medical applications. In these areas, refinement value is high and the demand for technical and commercial expertise substantial.

The program of change – involving a more cost-efficient organization, a larger portfolio of refined products, increased orientation toward growth areas and ongoing expansion in NAFTA and Asia – creates the conditions likely to result in satisfactory profitability.

### INVESTMENTS

At Sandvik Chomutov Precision Tubes in the Czech Republic, it was decided to expand capacity for coiled tubes for the oil and gas industry. This is expected to be completed during the first half of 2001.

During the year, investments were made in increased drawing capacity for welding and spring wire. A decision was also taken to invest in a new cold-rolling mill for flat rolled wire, a product area in which Sandvik is market-leading and where demand is growing rapidly. The wire is used in industries such as the automotive industry, in windshield wipers for example.

In the strip division a new cold-rolling mill was installed for thin strip steel for razor blades and catalytic converters for cars. Two highly automated production lines for finishing bar and billets were also placed in operation at the plants in Sandviken. It was further decided to invest in another cold-rolling mill for flapper-valve steel, a strip steel product used in the manufacture of components for air-conditioning units among other applications.

A new corrosion laboratory using the latest technology was placed in operation at the R&D

Center in Sandviken, which is one of Europe's largest research and development-centers for stainless steels and special alloys. This investment provides improved resources for developing new materials.

### PRODUCT AND MARKET DEVELOPMENT

At present, Sandvik Steel has over 800 distinct grades of steel, all specially adapted for various demanding purposes. To secure and further strengthen our leading position, the company continually invests in extensive research and development of new products and production methods. R&D operations

currently employ about 250 people, most of whom are very highly qualified.

Researchers, production personnel and customers work in close cooperation. New ideas are being developed and tested continually through computer simulation, standardized test methods, laboratory and production trials as well as practical tests in the customer's own environment.

A new double-tube system for transporting the toxic and corrosive gases used in semiconductor production was introduced during the year, and was well received by the market. The new system minimizes the risk of leakage.

Sandvik's unique maraging steel, originally developed for needles for eye surgery, found new areas of application – for example, shavers that can be cleaned and used in water, for which the exceptionally good corrosion properties of the steel are essential.

A completely new grade of steel for the oil and gas industry was introduced. The material

Sandvik's strip steel is used by the world's leading manufacturers of scissors and knives.



The process industries throughout the world use stainless-steel and special-alloy tubes from Sandvik Steel. Exact requirements are placed with respect to cost-effectiveness, safety and performance.



A new, high-purity steel grade for medical applications achieved major successes during the year and, among other applications, is used for implants.



Sandvik Calamo manufactures electropolished tubes and fittings for the semiconductor industry, among others.

combines excellent mechanical properties with strong corrosion resistance. It is used for wirelines – that is, wire up to several kilometers long, that is used in oil and gas extraction.

Sales of seamless coiled tubing for the offshore industry were very successful. The tubes, delivered joint-welded and coiled onto large reels in continuous lengths of up to 25 kilometers, are used for remote control of oil exploration at great depths.

Sales also increased for so-called composite tubes, both for the pulp and paper industry and for waste incineration plants. The tubes are used in the process whereby the heat energy in the waste is harnessed to produce electricity and district heating.

During the year, a cooperation between Sandvik Steel and the American company Swagelok Co., Solon, Ohio, which manufactures tube couplings, was launched. Both companies are world leaders in their particular areas, and as a result of the working relationship, advanced package solutions are offered involving tube systems and couplings used in the oil and gas industry.

The successful launch of a new generation of stainless steel with high machinability, in accordance with the Sanmac concept, continued. Included in this new generation is a new type of steel for hollow bars. The products are used in most industrial sectors where components are produced by chip-forming metalworking,

often using cemented-carbide tools from Sandvik Coromant.

For medical applications, primarily implants to replace worn bone and joints, Sandvik Steel expanded its selection with a new steel grade that is exceptionally well-adapted to human tissue and has very high strength and corrosion resistance.

#### IT DEVELOPMENT

To further improve its strong market position, Sandvik Steel is developing a particularly close cooperation with key customers through shared product development projects and IT supported communications. To this can be added increasingly efficient distribution of products from the company's central warehouses to the maintenance market within the various customer segments.

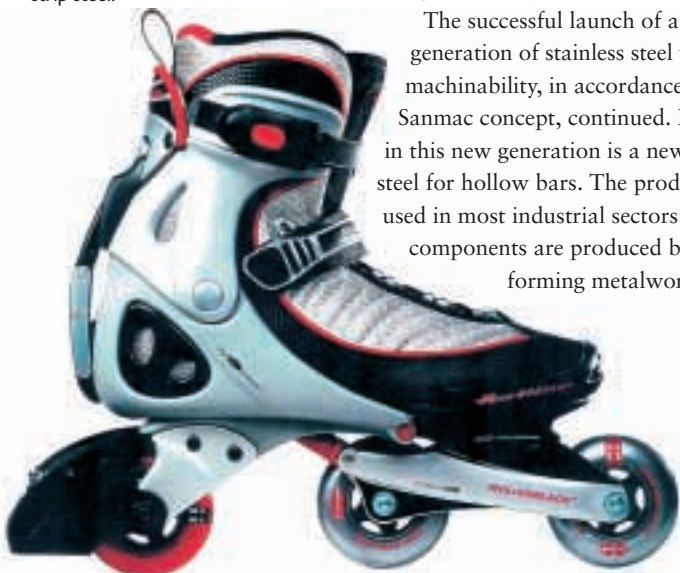
Web-based systems for electronic commerce and relationship creation marketing were developed and introduced during the year. Some hundred customers are now using these systems for daily contacts with Sandvik Steel's commercial and technical functions. Inventory and order information, as well as product and technical information and an open discussion forum ensure that these contacts are rational and fully satisfactory to all parties.

A new standardized sales support system, installed at almost all sales units throughout the world, is now also being introduced at the production units. In addition to noticeable efficiency gains in the organization, the system has also contributed to improved customer service.

Sandvik Steel delivers strip steel to several internationally known manufacturers of razors and electric shavers.



The brakes on inline skates feature springs made of Sandvik Steel's strip steel.



## KANTHAL

Kanthal is the leading global manufacturer of metallic and ceramic resistance materials in the form of wire, strip, electric heating elements and systems for heating household appliances, industrial furnaces and processing equipment within the electronics industry.

The year 2000 was the best in Kanthal's history. Demand was strong in essentially all markets and for all products. Invoicing rose 26%, to SEK 2,536 M (2,019). Investments amounted to SEK 140 M (64) and the number of employees was 1,680 (1,596).

Kanthal is the leading supplier in most markets. Competition for metallic resistance materials comes mainly from a few specialized steel mills and some local independent redrawers. In the segment for high-temperature elements in ceramic materials, competition consists primarily of one American company and a few Japanese companies.

### PRODUCT AREAS

The market for Kanthal's products can be divided into three segments: producers of household appliances, users and producers of industrial furnaces, and the electronics industry.

Household appliance producers are mainly supplied with heating wire, thin strip and thermostatic bimetal. Kanthal is the world leader in this segment and the strategy is to maintain a strong market presence, participate in technical cooperation with customers and, through ongoing rationalization, reduce production costs. High production volumes are necessary for a cost-efficient operation. Production is, therefore, being continuously concentrated to fewer and more efficient units.

Heavy wire, resistant strip and finished furnace elements, and to an increasing extent, complete heating systems, are supplied to the furnace industry. Customers consist of a limited number of furnace producers and a very large number of end-users. Competition centers mainly on the products' properties, economic life and quality. With Kanthal products, the furnaces become more reliable and have a longer operating life, which contributes to substantially increased productivity.

In recent years, Kanthal has strengthened its position in the electronics industry, through company acquisitions, among other actions. The electronics industry is supplied with heavy heating wire, furnace cassettes and complete furnace heating systems for the processing of

semi-conductors as well as heating elements for several other processes. Kanthal's precision wire in very thin dimensions is used in the production of various electronic components and in computers and loudspeakers. Bimetal, for example, is used in microswitches.

The use of Kanthal's products has become broader, now including large segments of the electronics industry – semi-conductors, electronics raw materials, and electronic, ceramic and optic components. The underlying trend of demand is highly favorable and dynamic. Closeness to the customer and sensitivity to industry requirements and trends are therefore essential.

### MARKET AND BUSINESS CONDITIONS

Sales increased in basically all markets in 2000. Toward year-end, however, signs began to suggest that order intake had culminated and that the growth rate was slowing. The long, strong economic expansion in the US, Kanthal's largest market, provided a particularly notable upswing for the Kanthal subsidiary MRL, which manufactures heating elements and furnaces for the semi-conductor industry. The largest sales increase for Kanthal, however, was reported in Asia – particularly in Japan, an extremely important market for Kanthal.

Demand for the largest product group, heating wire, remained stable on a high level throughout the year, with a particularly strong trend in heavy wire for industrial applications. Even the technically more advanced products for the furnace and electronics industries had strong sales growth.

The strong growth of the electronics industry was the primary driver of the increased sales



Kanthal is a world leading producer of resistance materials in the form of wire and strip, as well as heating elements and complete systems for electrical heating.

Heating elements from Kanthal are used in furnaces for firing such products as porcelain.





In Kanthal's US plant in Florida, precision wire is manufactured which is used, for example, in computers and loudspeakers, as well as in pacemakers and other medical equipment.

of wire, elements and furnace systems. The ongoing expansion in most industrialized countries of broadband using optic-fiber cable generated large orders for Kanthal of high-temperature elements, which are used in the manufacture of optic fiber. In strip and bimetal production, capacity utilization was very high. Delivery of starting materials for the new European coin, the euro, was launched.

#### RESTRUCTURING AND INVESTMENTS

The strategy of concentrating production to fewer units with larger volumes was continued in 2000 with the establishment of a center for precision technology at the Kanthal plant at Palm Coast, Florida, US. All manufacturing of precision wire was transferred from other locations, such as Spain, to this unit. As a result, Palm Coast has resources for more standard-focused production as well as for customized solutions. The customers in this expansive area of technology are in the computer, electronics, audio, automotive and medical industries.

In Italy, a plant within the previously acquired Driver-Harris company is being closed. Its operations are being transferred to Kanthal's plants in Hallstahammar, Sweden, and in Italy. The company's involvement in the jointly owned Chinese wire-drawing company in Beijing was concluded, bringing the number of wire-drawing mills from thirteen, three years ago, to six. All metallurgy involving melting and hot-rolling of rod is now concentrated in Hallstahammar.

Completed investments included a major capacity expansion at MRL in California, US, and the installation of a new melting furnace at Hallstahammar. In 2001, the wire drawing mill will be upgraded and strip and bimetal production will be expanded. In the interests of more efficient administration and logistics, and to further enhance customer service, Kanthal is introducing a common business system for the sector.

#### SANDVIK PROCESS SYSTEMS

Sandvik Process Systems is a world leader in process plants for the chemical and food industries and in complete systems for automatic goods sorting. The process plants are generally based on the special advantages offered by steel conveyor belts, which are also sold separately in the substantial after-market.

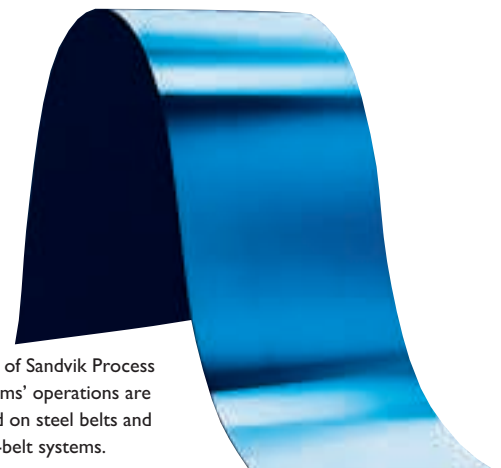
Invoiced sales of Sandvik Process Systems increased by approximately 1% to SEK 1,529 M (1,515). Investments amounted to SEK 37 M (41), and the number of employees was 746 (727). Steel belt sales increased, as did sales from the restructured sorting operations, whereas the sales of other process plant systems declined.

Sandvik Process Systems is a world-leading manufacturer in its product niches. There are a limited number of competitors in the area of steel belts. In the process plant sector Sandvik Process Systems is competing with many companies, as well as with processes based on other methods and materials than steel belts.

#### MARKET AND BUSINESS CONDITIONS

Traditional steel belt operations developed well. Demand for wide steel belts has risen during the past few years – for example, from manufacturers of so-called double-belt presses used to manufacture fiberboard for furniture, interior furnishings, etc. The quality of the steel belt is critical to the quality of the finished panelboard.

After extensive investments at the plants in Sandviken, Sandvik Process Systems is now able to manufacture very wide steel belts with extremely good surface finish and maximally narrow tolerances. During the year, the world's



Most of Sandvik Process Systems' operations are based on steel belts and steel-belt systems.

largest press belt – 134 meters long, over 4 meters wide and weighing 15 tons – was delivered to a Canadian manufacturer of very wide wood panels. Demand for wide steel belts, for manufacture of wood panels and for paper drying machines among other applications, is expected to continue to grow.

Invoicing for process plants for the chemicals industry declined sharply as a result of weak demand in the US, which did improve, however, toward year-end. Growth in other markets was slow. Plant sales rose in Eastern Europe, however, particularly Russia, where Sandvik benefited from an increased investment propensity in the oil and gas industry.

The restructuring of the sorting operations, which was concluded in 1999, resulted in a more stable and profitable trend. Japan continued to be the most significant market. The sales volume rose sharply during the year, and the expansion into related customer areas, such as distribution centers, was successful.

## RESTRUCTURING AND INVESTMENTS

The focus continued on plants that have steel belts as an essential component. The consequent overall reduction in market potential led to a reduction of resources for process plants. As previously, Sandvik carries out a very limited amount of manufacturing of process plants itself. Internal operations for design and product development have also been trimmed to correspond to direct market demand.

During the year, Sandvik Process Systems strengthened its leading market position in the steel-belt area by acquiring the German company



Hindrichs-Auffermann Metallverarbeitungs GmbH, with net sales of approximately SEK 130 M and 70 employees. The company has a strong position in the area of structured press plates and press belts of steel used in the manufacture of laminates and lamination of wood-based panels. The acquisition broadens our range toward more advanced products in this growth area.

The new business orientation within the sorting systems operations in the US, with its focus on technology, service, spare parts and components, was successful in the market and profitability improved considerably.

During the year, agreements were reached with several system suppliers in the US, which creates good conditions for increased sales.

The rationalization program implemented at the company in Italy, CML, improved its competitiveness. This contributed to our being awarded several strategically important orders for sorting plants, primarily in Europe, during the year ●

Sandvik Process Systems has made extensive investments in Sandviken, and is now able to manufacture very wide steel belts with particularly fine surface finish and close tolerances.

In modern bakeries, the baking takes place on conveyor lines – often on endless steel belts from Sandvik Process Systems.



Rotoform units from Sandvik Process Systems have become a sales success worldwide and, among other applications, are used in the handling of sulphur.

# A knowledge-based company

While Sandvik is a company that sells hard products, the fact remains that the company's "software", its human capital, plays a decisive role in the company's success. This kind of capital is not reported among asset items on the balance sheet. It is the people at Sandvik, and their extensive knowledge, that form the cornerstone of our operations and which will ensure that Sandvik remains strong in the future.

## KNOWLEDGE FROM WITHIN

One of Sandvik's principle ideas is to encourage, retain and develop employees that want to play an active role in the development of Sandvik. We want those employees to view Sandvik as a company of opportunity.

We strive to hire goal-oriented individuals who believe in a long-term commitment to our company. Those who share our values should also feel strong support from the company. Our philosophy is that it is much more profitable for Sandvik to develop good employees who already know the company, than to recruit people from outside who are not familiar with our culture. Consequently, there is a very large internal labor market within Sandvik. We strive consistently to utilize the expertise that exists within the Group worldwide.

*"Over the past five years, a total of 75% of the most senior managers at the company have changed positions."*

Eight times out of ten, recruitment for managerial and other key positions occurs internally. This not only creates continuity, it also ensures that knowledge, expertise and experience that has been successively built up, is used in an effective manner.

## KNOWLEDGE ACROSS BORDERS

Currently, Sandvik employs managers and specialists of 23 different nationalities, who are working in a country other than their native country, so-called expatriates. During 2000, a total of some 40 new expatriates were appointed, and about 15% of the senior managers changed positions. Over the past five years, a total of 75% of the most senior managers at the company have changed positions. By thinking in broad terms during internal recruitment, we are creating a culture without borders within the company. Not only are we spreading knowledge within the organization, we are also developing the qualifications of individual employees.

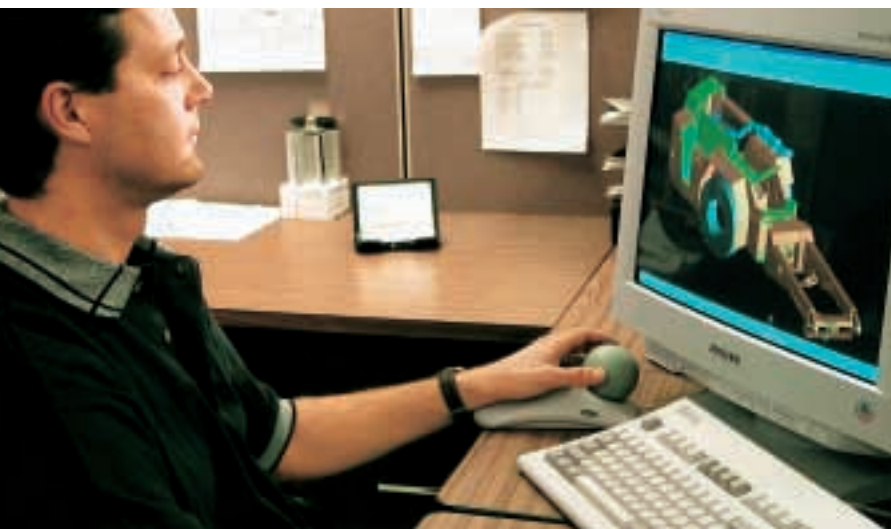
One advantage of operating in numerous countries is, of course, that we are able to compare different work methods through benchmarking. By combining ideas and methods from various markets, we are constantly finding new ways to make improvements and become more efficient. Even though cultural differences among various countries might be considerable, we have found a way to create a unified Sandvik spirit.

## KNOWLEDGE AND IT

Sandvik has extensive experience with IT and is considered by many to be an IT company, in the most positive sense. IT is a necessary prerequisite for the Group to achieve its objectives for growth and profitability.

Sandvik has more than 1,000 specialists around the world working in the IT field, and we have an extensive global IT network. Approximately SEK 1 billion is invested annually in development, maintenance and operation of systems solutions in order to increase customer benefit, improve productivity and reduce costs.

Long before most other companies, Sandvik began investing in its own global network during the 1970s. In the 1980s, a major campaign was implemented at Sandvik to move to direct distribution, rather than using local warehouses. This



was made possible using IT technology. Product development, production preparation and even production itself all became computer controlled. Using EDI, customer contact has been made more efficient. During the 1990s, IT became a tool used by all of our employees. Sales representatives out in the field could communicate directly with production units via laptop computers.



Now we are in the midst of an evolution towards electronic business. E-business means that we will be able to reach more customers in a simple, cost-effective manner, thereby increasing our sales. We have already made good progress in this regard and we are focused on continued efforts. Our strategy is to build on a very clear concept: it should be easy to conduct business with Sandvik!

#### KNOWLEDGE WITH FOCUS ON R&D

Sandvik's research and development activities extend across a broad range of areas, with an emphasis on materials technology. Over the past decade, concerted and increased efforts have been undertaken in this area, with SEK 1.6 billion being invested in R&D in 2000, including quality assurance. More than 1,200 highly trained researchers and specialists are employed within Sandvik's R&D.

The Sandvik Group has several R&D centers in Europe, the NAFTA region and Asia, usually integrated with everyday operations. A fundamental prerequisite for R&D work is close collaboration with customers. Our goal is to generate added value through product development, helping to increase our customers' productivity, profitability and competitiveness. Finding new applications is also an important part of development work for our products.

The products and processes we develop should preferably be patentable. Sandvik maintains an offensive patent strategy, with the Group currently holding some 3,500 valid patents. A significant increase in the number of patents

granted has been seen over the past decade, and Sandvik is consistently ranked among the top patent holders in Sweden.

#### KNOWLEDGE AND INCENTIVES

An important part of Sandvik's personnel policies, when it comes to attracting and especially retaining talented employees, is to create various forms of profit-sharing plans. This encourages the interest among employees in the company and in the development of Sandvik shares.

Sandvik has had a profit-sharing system in place since 1986, in the form of Sandvik shares. Transfers have occurred every year, except for the period 1991-93, when profits were lower than a predetermined goal. This means, for example, that every full-time Sandvik employee in Sweden who has been with the company since 1986, has received over SEK 90,000 in disbursements and, in addition, has a current balance of approximately SEK 70,000.

In order to further encourage employees, a number of other employee incentive programs are in place. A full 7,000 employees in Sweden signed up in 1999 for a shareholding program offering convertibles, allowing them to share in anticipated future value increases of the company. A five-year stock options plan has also been implemented for approximately 300 senior employees.

#### KNOWLEDGE AS AN INVESTMENT

Sandvik's employees are constantly being offered customized training programs from a broad selection of subject areas, including leadership, executive training, IT, project work and languages. Other areas where training and skill development occur include the introduction of new employees, cultural training prior to overseas assignments and trainee programs.

As a global company, increasing our investment in employee skill development is becoming an increasingly important competitive factor. One of the results of Sandvik Leadership 2000, an international management conference implemented last September, was to initiate the Sandvik University project. The goal of the project is to increase skill development across a broad front, regardless of time or location, by creating an interactive, web-based training program using the Sandvik intranet. With this strategy, we will be able to implement various individualized training programs around the world.

This focus on e-learning is also one aspect of business development and creation of a faster, more flexible company, which is able to meet new challenges. It is also an important condition for the increased internal pace that will be required to reach our new ambitious growth objectives ●

*"More than 1,200 highly trained researchers and specialists are employed within Sandvik's R&D."*



# Sandvik and the environment

Environmental awareness is a natural aspect of the Sandvik Group's overall business activities. Regard for the environment is always taken into consideration when making decisions that involve the development of new products, changes in processes or manufacturing methods, as well as investments and acquisitions.

The Group conducts operations that require permits according to Swedish environmental legislation at its main facilities in Sandviken, Gimo, Stockholm and Hallstahammar, as well as a number of other locations in Sweden included in the Swedish parent company, subsidiaries and jointly held companies. Even most of the larger foreign subsidiaries conduct operations that are covered by special environmental regulations.

For primary operations within Sweden, comprehensive public reports are submitted every year to supervisory authorities, with accounts about legislation acts and how requirements have been met. Similar reporting is conducted in other countries.

The greatest environmental impact occurs in conjunction with the energy-intensive conversion of raw materials into semi-finished goods in the form of steel and special-metal billets at Sandviken and Hallstahammar. A majority of the raw materials consist of recycled materials in the form of scrap steel. Other operations within the Group could be

best characterized as engineering industries that have a more limited environmental impact.

Sandvik Coromant's facility in Gimo received renewed permission in 2000 for expanded operations in accordance with the environmental code. Permit processes are under way at Kanthal in Hallstahammar and Gusab Stainless in Mjölby, while, as planned, preparations for an application for a new permit for Sandvik's operations in Sandviken have also started.

## ENERGY AND CARBON DIOXIDE

An overall goal of the Group is to increase energy efficiency in its processes and reduce its carbon dioxide emissions. Total electrical energy consumption and carbon dioxide emissions for the past three years are shown in a separate diagram. Key figures are provided in relation to the Group's total invoicing.

The bulk of electrical energy consumption occurs at facilities within Sandvik Specialty Steels. The Swedish units in Sandviken and Hallstahammar consumed about 700 million kWh during 2000.

The burning of oil and natural gas, including the burning of coal included in the metallurgical processes, as well as fuel for internal vehicles, resulted in only 90,000 tons of CO<sub>2</sub> emissions in Sweden. That figure is significantly less than in 1999.

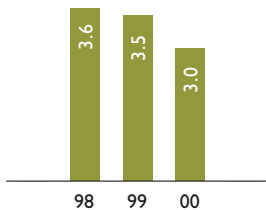
## THE ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM

The Sandvik Group is gradually implementing environmental management systems in accordance with ISO 14001 at all its production facilities. The system is based on management by objectives and continuous improvement, a process that fits well with Sandvik's work methods.

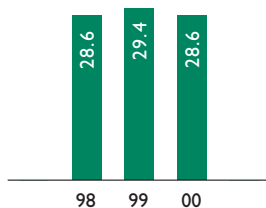
During 1999, Sandvik Steel in Sandviken, which is Sandvik's largest production unit with the greatest environmental effect, received ISO 14001 environmental certification. Also certified were Sandvik P&P in Germany and Sandvik Baildonit in Poland. During 2000, Sandvik Asia in India, Dormer Tools in England and Sandvik Calamo in Sweden were all certified. Additional units will receive certification during 2001.

Following a financial and environmental assessment conducted by Storebrand Kapitalförvaltning in 2000, Sandvik is now part of the international investment fund, Storebrand Principal Global Fund. Sandvik was found to be among

DISCHARGE OF CARBON DIOXIDE  
Sandvik Group,  
tons/SEK M in invoicing



ELECTRICITY CONSUMPTION  
Sandvik Group,  
MWh/SEK M in invoicing



Sandvik Tamrock has developed a unique method for automation of mining operations that greatly improves the working environment for employees in the mining and civil engineering industries.





the best in the industry in reducing its impact on the environment. The Group is judged to be far above average when it comes to environmental reporting, and work on ISO 14001 certification is considered to be important and promising.

### SANDVIK TOOLING

Sandvik's products actively contribute to a better environment for both customers and end-users around the world. At Sandvik Coromant, development of specialized cemented-carbide grades has made it possible to manufacture tools that do not require the use of any cutting fluids, which are difficult to handle from an environmental standpoint. Sandvik Hard Materials introduced a new cemented-carbide grade for the balls in ballpoint pens, which use water-based, more environment-friendly ink.

Work was started within the business area on a restructuring of the manufacture of cemented-carbide powder, which will also result in environmental improvements. Existing production at the facility in Stockholm will be shut down. Units in Coventry, England and Gimo, Sweden will be expanded, and modern, new technology for the cleaning of emissions into the air and water will be installed.

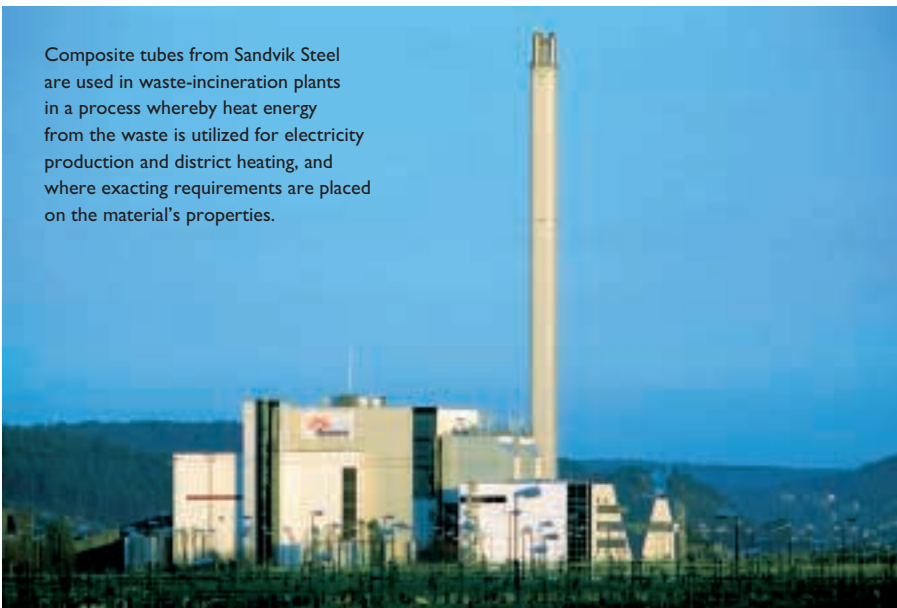
Currently, we have a well-developed system for recycling used products and material wastes from manufacturing. At Sandvik CTT, for example, there is a special system to recover raw materials from grinding sludge. For several years, Sandvik Coromant has offered customers the option of buying back worn out cemented carbide, which is then reworked into new powder or raw materials, forming a link in the recycling chain.

### SANDVIK MINING AND CONSTRUCTION

Operations within this business area have the same characteristics as the automotive and engineering industries, and have limited environmental impact. Environmental efforts are focused primarily on product development and the handling of cutting fluids, lubricants and chemicals.

Sandvik Mining and Construction has designed and manufactured several remote-controlled drilling rigs, loaders and trucks for automated underground work, which have resulted in significantly improved working conditions for mining company employees. All of the machines from Sandvik that use internal-combustion engines are standard equipped with catalytic converters. Customers who so desire can be largely supplied with electric motors. At facilities in Finland, several development projects are in progress to reduce noise and vibrations from drilling with our machines.

For the past several years, our drilling tools have been painted with environment-friendly paints. Such paints are now also used in the manufacture of drilling rigs in Tampere and will be



Composite tubes from Sandvik Steel are used in waste-incineration plants in a process whereby heat energy from the waste is utilized for electricity production and district heating, and where exacting requirements are placed on the material's properties.

successfully implemented at our other manufacturing units.

In the past year, following comprehensive efforts, we managed to develop an acceptable alternative to washing lifting tools with trichlorethylene during drill bit manufacturing in Sandviken, Sweden.

### SANDVIK SPECIALTY STEELS

Products made of steel are completely recyclable, are noted for their long lifetimes and can often help customers to improve the environment. Continued successes can be noted for Sandvik Steels' so-called composite tube, which is being used to a greater extent in incineration facilities. Another success has been thin strip steel, an important component in automobile catalytic converters. At Kanthal, a gas-burning radiant tube for furnaces has been developed, which results in very low nitrogen emissions and greater efficiency than for comparable products.

Air and water emissions at our primary facilities in Sweden continued to decrease. At the steel mill in Sandviken, a decision was made to move all cutting of scrap, which previously took place outside, into a new facility with high-grade dust filtration. Special measures were taken in order to reduce the spread of oil into the air, water and soil.

Work on replacing trichlorethylene with other solvents continued. At our tube mill in Arnprior, in Canada, consumption has been reduced by 40% since 1998, with additional reductions planned for 2001, once a new degreasing facility that operates without organic solvents, is placed in operation. Measures were also taken at Précitube's tube mill in France to minimize trichlorethylene during the degreasing of products, and a ground cleanup program is under way following the previous owner's operations at the site ●

### ENVIRONMENTAL POLICY

Matters pertaining to the exterior environment and the work environment are an integral part of the Group's overall approach to business operations. Decisions related to business activities that affect the environment are guided by considerations of what is ecologically justified, technically possible and economically reasonable.

Sandvik shall strive continuously to improve the exterior environment and work environment. The aim is to minimize consumption of energy and scarce resources and the use of materials that are harmful to humans and the environment.

A minimum requirement for all Group operations shall be to protect employees and eliminate risks that may impair their health or the health of others. Sandvik shall comply with applicable laws and agreements with respect to the exterior environment and the work environment, and follow good industrial practice in the countries where it operates.

In their dealings with Sandvik, suppliers shall be encouraged to adopt principles compatible with the Company's environmental policy. Sandvik believes that common environmental requirements and standards should be established internationally and will work with others to develop such requirements and standards.

The company will support employees in implementing the environmental policy.

# Report of the Directors

## Group review

Invoiced sales of the Sandvik Group in 2000 amounted to SEK 43,750 M (39,300), an increase of 11% in value and 12% for comparable units at fixed exchange rates. Markets outside Sweden accounted for 95% (94) of sales. The order intake rose to SEK 45,000 M (39,650), up 13% in value and 14% for comparable units at fixed exchange rates.

SANDVIK GROUP	2000	1999	Change, %
Order intake, SEK M	45 000	39 650	13
Invoiced sales, SEK M	43 750	39 300	11
Profit after financial items, SEK M	5 804	5 465	6

Consolidated profit after financial income and expenses totaled SEK 5,804 M (5,465), including items affecting comparability. Earnings per share amounted to SEK 14.20 (14.00). Excluding items affecting comparability, earnings per share were SEK 12.10 (9.00) and return on capital employed was 18.4% (15.1).

The Board of Directors proposes a dividend of SEK 9.00 (8.00) per share, corresponding to 63% of earnings per share and representing an increase of 13% from a year earlier.

### COMPANY ACQUISITIONS

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

Since March, Sandvik has been a joint-owner of a new venture-capital company, b-business partners B.V., together with the principal stakeholders ABB and Investor and a number of large Swedish industrial companies. b-business partners invests in and develops European companies focusing on e-commerce.

Sandvik Mining and Construction acquired the production of drilling rigs from two Austrian companies that were part of the Neuson Group. Annual sales are estimated at about SEK 120 M, with 30 employees. Operations are based in Zeltweg, Austria.

In August, Sandvik Tooling acquired the French company ARAF S.A., which is a leading niche company in the production of cemented-carbide tools for the die and mould industry. Annual sales amount to about SEK 30 M, with 30 employees.

In October, Sandvik Process Systems acquired the German company Hindrichs-Auffermann Metallverarbeitungs GmbH outside Wuppertal. The company produces patterned pressing plates and press belts of steel that are used in the production of laminate and in laminating of wood-based panels. Annual sales amount to about SEK 130 M, with 70 employees.

In November, Sandvik Mining and Construction acquired the Australian company Beltreco Ltd., a leading service company to the mining industry. Sales amount to approximately SEK 450 M, with about 400 employees. The head office is in Perth, Australia.

### OTHER STRUCTURAL CHANGES

The Group's captive insurance company was sold during the first quarter of 2000. The reinsurance

activities have been transferred to two newly formed companies.

In November, Sandvik Steel reached an agreement effective in 2001 covering the sale of the subsidiary Guldsmeshytte Bruks AB. Annual sales amount to about SEK 90 M, with about 80 employees.

In early January 2001, Sandvik Steel announced plans to shut down production of seamless tube at the Sterling Tubes subsidiary in the UK. The closure, which is scheduled for August 2001, affects about 250 employees and is part of the previously reported program of change within Sandvik Steel.

In mid-December, Sandvik Mining and Construction announced the closing of the plant in Viriat, France. The operations has sales of about SEK 45 M, with some 30 employees.

In mid-January 2001, Sandvik became part-owner in Endorsia.com International AB, an e-business site for industrial goods and services in Europe. The site, which was previously wholly owned by SKF, now has five owners and ownership is equally distributed among the five companies.

Sandvik AB's Special General Meeting in December approved the Board of Directors' proposal regarding the transfer of Sandvik Invest AB from Sandvik AB to Sandvik Finance B.V. Concurrently, the Board decided on the transfer of CTT Cutting Tool Technology B.V. from Sandvik AB to Sandvik Finance B.V. In total, these intra-Group transfers meant an increase of the retained earnings of the Parent Company by approximately SEK 9,450 M. The consolidated income statement was not affected. The decision increased the Parent Company's unrestricted shareholders' equity and, consequently, the possibility to buy back shares.

### EXPANSION OF GROUP EXECUTIVE MANAGEMENT

After the acquisitions in recent years and restructuring, Sandvik's operations are focused on three business areas: Sandvik Tooling, Sandvik Mining and Construction and Sandvik Specialty Steels. As from 2000, the presidents of the business areas and the Vice President Group Staff Personnel are included in Group Executive Management.

### BOARD PROCEDURES

The members of the Board of Directors are presented separately on pages 70-71. Five board meetings were held during the year, one of them in connection with a visit to Group subsidiaries in Finland.

The Board has adopted a written work procedure and instructions regarding division of work between the Board and the President and regarding financial reporting. The Board has internally established a committee to decide on the salaries of certain senior executives. The Board's work has involved issues regarding acquisitions, significant investments and review of the company's long-term objectives as well issues regarding share classes and dividend policy.

Certain matters in which the Board reserves its right to decision authority include:

- investments in amounts of SEK 15 M and higher
- acquisition and divestment of companies or operating units
- increases in share capital in the subsidiaries and associated companies
- the Group's financing policy and policy for trading in currencies and interest-rate instruments.

During the year, the business area presidents reported to the Board about strategic and other important matters within their business area.

Representatives of Sandvik's main shareholders, together with the Chairman of the Board, have formed a so called Nominating Committee.

#### IMPLEMENTATION OF A SINGLE SHARE CLASS

The Annual General Meeting in May resolved in accordance with the Board proposal to change the Articles of Association so that the Company in future has only one share class. The final day for quotation of the A and B shares was 10 May 2000.

#### NEW OBJECTIVES FOR THE GROUP

In August, new overall Group objectives were established for the period 2000-2003. The objectives mean that organic sales growth shall average 6% annually, compared with the earlier objective and result of 4%. Company acquisitions are added. The annual return on capital employed shall average 20%.

Moreover, the ambition was set to increase the net debt/equity ratio from 0.3 to the interval 0.6-0.8 to improve the capital structure before year-end 2003. This is to be achieved through organic growth, acquisitions, continued high dividend – at least 50% of earnings per share – and buying back of the company's own shares.

#### PROPOSAL TO BUY BACK SHARES

Against the above background, the Board has decided to propose that the Annual General Meeting on 7 May 2001 authorizes the Board to buy back 5% of the company's own shares, which currently corresponds to 12.9 million shares. The reacquiring shall be made on the Stockholm Exchange and the acquired shares will be purchased at the prevailing market price. A buy-back of 12.9 million shares at the price level in February, given the earnings level for 2000, would have a positive effect on Sandvik's return on shareholders' equity and on earnings per share and increase the net debt/equity ratio from 0.3 to 0.5.

#### MARKET CONDITIONS AND SALES

The world economy in 2000 was characterized by a very favorable business climate. Industrial production increased within the OECD by about 4.5%. The pace of growth was high in the US for the ninth consecutive

year. Strong export and high domestic demand resulted in increased growth in Europe. Developing countries in Eastern Europe and Asia had a favorable business climate and the economies in Southeast Asia regained their former strength. Growth in South America was high, with a few exceptions. Japan's economy improved. However, at the end of the year there were signs that the world economy weakened, mainly that the economy in the US slowed.

Many of the industrial sectors that are important to Sandvik showed favorable growth during most of the year. Higher prices for oil and metals increased activity in such areas as the oil and gas industry and mining industry.

The SEK weakened further against the USD during the year but strengthened against the EUR. In total, Sandvik's invoiced sales were 3% higher in 2000 than would have been the case at 1999 exchange rates.

Demand for Sandvik's products was favorable and order intake reached its highest quarterly rate ever in the third quarter of 2000. The increase for the full year was 14% in price and volume.

Invoicing rose at nearly the same pace as order intake. The increase for the full year was 12% in price and volume.

Invoiced sales by market area are presented in a separate table.

Group invoicing in the EU rose 10% in price and volume, with sharp rises for Sandvik Tooling and Sandvik Specialty Steels in France, Italy and Germany, among other countries. An even stronger increase was noted in Central and Eastern Europe, including Russia, Poland and Hungary, and mainly for Sandvik Tooling.

Invoicing was about 6% higher in NAFTA than a year earlier, despite weakened activity in the automotive and civil engineering and construction industries during the second half of the year. The increase was strongest for Sandvik Specialty Steels.

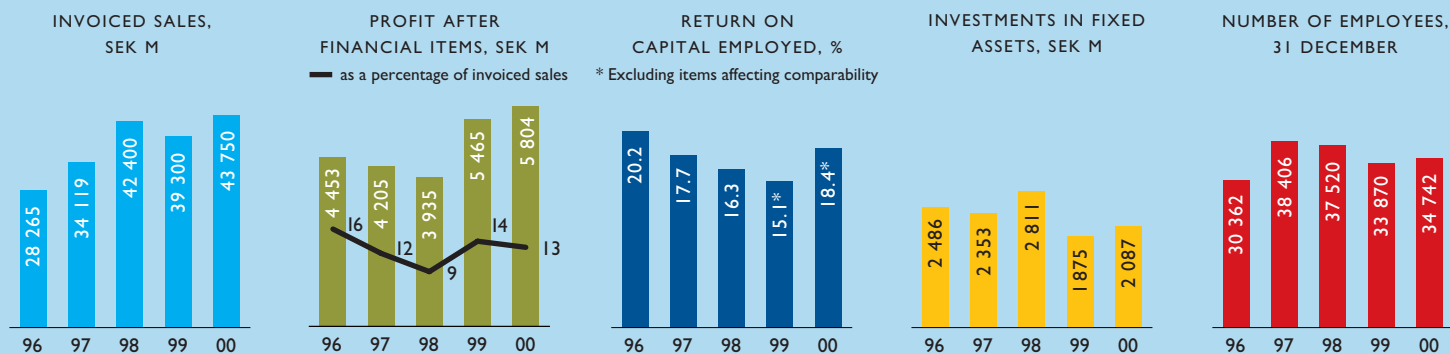
A favorable economic climate in Brazil and good demand in general for all business areas increased invoicing in South America by 19%. In Africa/Middle East, Sandvik Mining and Construction was the most important driving force behind the Group sales increase.

Development in Asia/Australia was particularly favorable in China, Korea and Southeast Asia.

#### RAW MATERIALS

Raw material prices were characterized by large fluctuations during the year. The nickel price rose at the beginning of the year from SEK 61/kg to a peak of about SEK 90/kg and then fell back to SEK 62/kg. The tungsten price rose sharply due to Chinese export restrictions and heavy demand. In contrast, the cobalt price fell.

At year-end 2000, Sandvik Specialty Steels had about 2,200 tons of nickel in raw materials at its largest



production units and about 7,500 tons of nickel in finished products. In assessing a value for inventories, raw materials are valued at the lower of historical costs and net realizable value. For 2000, this valuation differed only marginally compared with 1999. The metal content in finished products is valued at the average market value during the most recent six months. In this respect, the difference in the price for nickel was about SEK 20/kg between years. Accordingly, the year-end value of inventory of nickel in finished products was about SEK 150 M higher than at the beginning of the year, which affected earnings positively during the year.

#### EARNINGS AND RETURN

Operating profit amounted to SEK 6,327 M (6,050). Items affecting comparability had a positive impact on earnings of SEK 660 M (SEK 1,625 M in 1999, from divestment of Sandvik Saws and Tools), of which SEK 300 M in capital gains and SEK 360 M in repayment of SPP surplus funds after deduction for costs of early-retirement pensions with utilization of the funds.

Operating profit excluding items affecting comparability amounted to SEK 5,667 M (4,425), or 13% (11) of invoicing. The increase from 1999 was 28%. All business areas posted very favorable development, with sharply increased volumes and productivity. Positive currency effects affected earnings by about SEK 60 M. Operating profit was charged with more than SEK 500 M in restructuring costs. Most pertained to a provision of SEK 280 M for restructuring measures within Sandvik Steel.

Allocations to the profit-sharing plan for employees in wholly-owned companies in Sweden totaled SEK 150 M (150).

Net financial items amounted to an expense of SEK 523 M (expense: 585). Interest expenses were lower due to lower average lending rates and average net debt.

Profit after financial income and expenses was SEK 5,804 M (5,465). Excluding items affecting comparability, profit rose by 34% compared with a year earlier.

Income taxes totaled SEK 1,912 M (1,688), or 33% (31) of profit before taxes. Net profit was SEK 3,681 M (3,620). Earnings per share reached SEK 14.20 (14.00). Excluding items affecting comparability, net profit was SEK 3,122 M (2,340) and earnings per share SEK 12.10 (9.00).

Excluding items affecting comparability, return on capital employed increased to 18.4% (15.1) and return on shareholders' equity to 14.9% (12.4).

#### BUSINESS AREAS

The Group's invoiced sales by business area are presented in a separate table.

**Sandvik Tooling's** invoiced sales amounted to SEK 15,507 M (13,177), an increase compared with a year earlier of 11%, at fixed exchange rates for comparable units. Invoicing was high to the engineering and automotive industries and to such areas as medical technology, die and mould and electronics. Development was favorable in all markets and Sandvik Coromant sales in the NAFTA region continued to increase. Order intake was SEK 15,744 M, which was 13% higher than in the preceding year.

The remaining activities from Sandvik Saws and Tools were included in order intake and in invoiced sales at amounts of SEK 653 M and SEK 655 M, respectively.

Operating profit amounted to SEK 3,135 M (2,597), corresponding to 20% of invoiced sales. The improvement was due mainly to favorable volume development and productivity increases. Sandvik Tooling's costs rose as a result of the strongly increased marketing activities, including a large number of introductions of new products, expansion of the sales organization and increased trading over the Internet. Profit was also charged with provisions for restructuring costs, mainly for the transfer of the powder production in Stockholm to Gimo, Sweden.

**Sandvik Mining and Construction's** invoiced sales amounted to SEK 10,104 M (8,808), up 12% at fixed exchange rates for comparable units. The order intake continued to improve considerably compared with a year earlier and amounted to SEK 10,659 M, an increase of 14%. Demand from the mining industry continued to be favorable, particularly in Africa and Australia.

Operating profit amounted to SEK 1,073 M (674), or 11% of invoiced sales. The sharp earnings improvement was due mainly to high capacity utilization, high productivity and the effects of the restructuring program implemented in the preceding years. The share of sales attributable to tools, spare parts and service continued to increase as planned.

**Sandvik Specialty Steels'** invoiced sales amounted to SEK 14,209 M (11,971). The increase at fixed exchange rates for comparable units was 15%, of which 6% pertained to price increases, mainly through higher alloy surcharges. The positive trend in demand continued and order intake was SEK 14,732 M, or 18% higher than a year earlier. Sales were strong for consumer-oriented products. The demand from investment-related customer segments such as the oil and gas and process industries was weak at the beginning of the year, but increased toward the end of the year.

Operating profit amounted to SEK 980 M (633), or 7% of invoiced sales. The earnings improvement was due primarily to higher volumes and positive productivity development. Changes in nickel prices affected

#### INVOICED SALES BY BUSINESS AREA

	2000	1999	Change	
	SEK M	SEK M	%	*
Sandvik Tooling	15 507	13 177	18	11
Sandvik Mining and Construction	10 184	8 808	16	12
Sandvik Specialty Steels	14 209	11 971	19	15
Sandvik Saws and Tools	/	2 153	/	/
Seco Tools	3 785	3 128	21	11
Group activities	65	63	/	/
Group total	43 750	39 300	11	12

Seco Tools is a listed company and publishes its own Annual Report with comments on its operations.

#### INVOICED SALES BY MARKET AREA

	2000	Share	1999	Change	
	SEK M	%	SEK M	%	*
EU, excl. Sweden	15 559	36	15 271	2	10
Sweden	2 375	5	2 249	6	14
Rest of Europe	2 623	6	2 146	22	17
Europe, total	20 557	47	19 666	5	11
NAFTA	11 273	26	9 952	13	6
South America	1 888	4	1 548	22	19
Africa, Middle East	1 921	4	1 606	20	31
Asia, Australia	8 111	19	6 528	24	16
Group total	43 750	100	39 300	11	12

\* Change compared with the preceding year excluding currency effects and company acquisitions.

#### INVOICED SALES IN THE 10 LARGEST MARKETS

	2000	1999	Change
	SEK M	SEK M	%
US	9 465	8 336	14
Germany	4 141	3 965	4
Italy	2 927	2 775	5
France	2 457	2 476	-1
Sweden	2 375	2 249	6
Australia	2 296	2 079	10
Great Britain	2 183	2 151	1
Japan	2 167	1 668	30
Canada	1 328	1 134	17
South Africa	991	801	24

inventory valuation positively by about SEK 150 M. Profit was charged with restructuring costs, primarily SEK 280 M pertaining to a specific program of change within Sandvik Steel.

A major program of change was launched to raise the level of earnings and to secure a sustainable, satisfactory return. The program includes measures to enhance efficiency and to align production capacity. These measures entail a reduction in the number of employees by about 600-700 persons and is expected, when fully implemented, to yield an annual earnings improvement in the range of SEK 200 M.

Group activities include operating expenses for central administration and finance operations and other activities in the Group units worldwide not linked to the business areas.

## FINANCIAL POSITION

Cash flow from operating activities amounted to SEK 4,476 M. Cash flow after investments and divestments was SEK 1,785 M. Liquid funds at year-end amounted to SEK 2,097 M (2,369). Interest-bearing provisions and liabilities less liquid funds yielded a net debt of SEK 6,644 M (6,014).

The long-term credit facility that the company established in 1997 and which amounts to USD 650 M was unutilized at year-end. This facility secures the company's current liquidity needs. The Standard & Poor's international credit rating institute retained its A+ rating for Sandvik's long-term borrowing and A-1/K-1 for short-term.

The introduction of the new European currency, the euro, so far has proceeded problem-free for Sandvik. Many of the Group's companies in the European economic and monetary union, shifted their current recording of transactions at year-end 2000 from the various local currencies to the euro.

## INVENTORIES

The value of inventories amounted to SEK 11,508 M (10,040) at year-end, which was 26% (26) relative to invoiced sales.

## TRADE RECEIVABLES

Trade receivables at year-end totaled SEK 9,090 M (8,038), which was 19% (20) relative to annualized invoiced sales in the fourth quarter.

## SHAREHOLDERS' EQUITY

Shareholders' equity at year-end amounted to SEK 22,472 M (20,109), or SEK 86.90 (77.70) per share. The equity ratio was 53% (52).

## CAPITAL EXPENDITURES

	2000	1999
Investments in property, plant and equipment, SEK M	2 087	1 875
as a percentage of invoiced sales	4.8	4.8

Major investments in property, plant and equipment included:

- Doubling of production capacity for ready-to-press cemented-carbide powder and a new unit for manufacturing of tungsten carbide in Gimo, Sweden.
- Expanded capacity for production of solid carbide in Sweden, Germany and Brazil.
- Doubling of capacity for holding tools in the US.
- Increased capacity for production of Coromant tools in Germany.
- New distribution center in Singapore for tools to the Asia/Australia market.
- Distribution centers for Sandvik Tamrock's spare parts in Lyon, France, Burlington, Canada, and Singapore.

- New production line for drill bits in Sandviken.
- Expansion of the plant for demolition equipment in Finland.
- Increased drawing capacity for welding and spring wire.
- New rolling mill for production of strip steel for razorblades and automotive catalytic converters.
- Automation of bar and billet finishing in Sandviken.
- New corrosion laboratory in Sandviken with advanced equipment.

SEK 143 M (200) of total investments in property, plant and equipment was for Sandvik Mining and Construction's rental fleet.

Consideration paid for company acquisitions during the year amounted to SEK 583 M (358).

## RESEARCH, DEVELOPMENT AND QUALITY ASSURANCE

Group investments during 2000 in research and development and quality assurance amounted to SEK 1,615 M (1,593), corresponding to 4% of invoiced sales. The increase from a year earlier was 3% for comparable units.

Sandvik Tooling introduced additional tools in solid carbide, particularly drills and end mills, several new cemented-carbide grades for turning of steel, a totally new range of inserts for turning, an increased range of radial inserts and a new holding system based on a high-precision chuck. In the high-speed steel area, the range of taps and end mills was extended.

## QUARTERLY PROFIT TREND EXCL. ITEMS AFFECTING COMPARABILITY

		Invoiced sales	Profit after	Net
		SEK M	financial items	margin
			SEK M	%
1999	1st Quarter	9 630	810	8
	2nd Quarter	10 360	1 001	10
	3rd Quarter	9 280	824	9
	4th Quarter	10 030	1 205	12
2000	1st Quarter	10 320	1 260	12
	2nd Quarter	11 040	1 390	13
	3rd Quarter	10 450	1 075	10
	4th Quarter	11 940	1 419	12

## OPERATING PROFIT BY BUSINESS AREA

	2000		1999	
	SEK M*	% of sales	SEK M*	% of sales
Sandvik Tooling	3 135	20	2 597	20
Sandvik Mining and Construction	1 073	11	674	8
Sandvik Specialty Steels	980	7	633	5
Sandvik Saws and Tools	/	/	153	7
Seco Tools	740	20	572	18
Group activities	-261	/	-204	/
Operating profit	5 667	13	4 425	11

\*Excluding items affecting comparability

## EARNINGS AND RETURNS

	2000	1999
Operating profit before items affecting comparability, SEK M	5 667	4 425
as a percentage of invoiced sales	13.0	11.3
Items affecting comparability, SEK M	660	1 625
Operating profit, SEK M	6 327	6 050
as a percentage of invoiced sales	14.5	15.4
Profit after financial income and expenses, SEK M	5 804	5 465
as a percentage of invoiced sales	13.3	13.9
Return on capital employed before items affecting comparability, %	18.4	15.1
Return on shareholders' equity before items affecting comparability, %	14.9	12.4
Earnings per share before items affecting comparability, SEK	12.10	9.00
Earnings per share, SEK	14.20	14.00
Earnings per share after full dilution, SEK	14.00	13.90

Definitions, page 56.

New products within Sandvik Mining and Construction included drilling rigs for raise-boring and tunneling, hydraulic hammers, loaders, heavy rock-drilling tools and roller bits.

Sandvik Specialty Steels introduced a new double-tube system for the semiconductor industry, a new steel grade for wirelines used in oil and gas production and new applications for existing steel grades within consumer-related industries and medical technology.

#### PERSONNEL

	2000	1999
Number of employees, 31 Dec.*	34 742	33 870
Average number of employees		
Women	6 523	6 961
Men	27 783	28 734
Total	34 306	35 695

\* Part-time employees adjusted to reflect an equivalent number of full-time employees.

The number of employees at year-end was 34,742 (33,870). For comparable units, the number of employees increased by 129 (1999: decrease 2,233).

At 31 December 2000, the number of persons employed by the Group in Sweden was 9,728 (9,706).

Details regarding personnel costs and the average number of employees in Sweden and abroad are provided on pages 58-59.

#### EMPLOYEE PROFIT-SHARING AND BONUS PROGRAM

Since 1986, Sandvik has had a profit-sharing system for all employees in wholly owned companies in Sweden. The Group's return during 2000 means that the maximum amount, SEK 150 M, is allocated to the fund.

In accordance with the decision of the Annual General Meeting in 1999, employees in Sweden were offered to subscribe for convertible debentures in Sandvik AB in 1999. About 70% of the employees subscribed for convertibles totaling SEK 995 M. The term of the convertible debenture loan is from 2 July 1999 through 30 June 2004. Conversion to new Sandvik shares shall be made during the period 2 July 2001 through 31 May 2004. The conversion price is SEK 219. The convertible loan carries annual interest corresponding to STIBOR less 0.75 percentage points. Employees outside Sweden were issued 560,900 options, which at exercise yield the same number of shares. At full conversion and exercise of the options, a total of 4,921,050 shares will be issued, corresponding to a dilution of 1.9%.

In accordance with an earlier decision, a stock option plan was established in 2000 for senior executives in Sweden and abroad. The plan provides the possibility of an annual allocation of 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. In 2000, 1.4 million options with an exercise price of SEK 289 were allotted.

The Board decided in 2001 to allot 1.6 million options to about 300 senior executives in the Group, of which 44,000 to the President. The options have an exercise price of SEK 259. The program is based on existing shares. Accordingly, there is no dilution effect for the current shareholders.

#### PENSION SURPLUS

The SPP (Swedish Staff Pension) insurance company confirmed in May 2000 the announced amount of the surplus funds to be allotted to Sandvik. Concurrently, the rules were specified regarding how the funds could be utilized. In total, the net amount is SEK 360 M after deductions for the costs of early-retirement pensions of salaried employees that will take place in 2000-2001 using these funds.

#### ENVIRONMENT

The Group conducts licensed operations in accordance with the Environmental Protection Act at its main plants in Sandviken, Gimo, Stockholm and Hallstahammar and at a number of other locations in Sweden within the Swedish Parent Company and in a number of Swedish subsidiaries and associated companies. Most of the larger foreign subsidiaries also conduct operations that are covered by specific environmental regulations.

Annually, comprehensive environmental reports on the main Swedish operations are submitted to the supervisory authorities in which the license standards and compliance with all the various requirements are presented. Similar reporting is also required in other countries.

The environmental impact from the Sandvik Group's production facilities is linked mainly to the energy-demanding transformation of raw materials to semi-finished goods in the form of billets for steel and special metals in Sandviken and Hallstahammar. The main portion of the raw material is recovered steel scrap. Most of the operations in the Group are characteristic of the engineering industry, with limited emission to air and water.

Sandvik Coromant's plant in Gimo, Sweden, obtained a new, extended permit in accordance with the Environmental Act. Stricter requirements were placed on the emission of dust. The terms for discharge of metals to water and emission of ethanol to the air will be set after a trial period of one year. Applications for permit renewals are under way for Kanthal in Hallstahammar and Gusab Stainless in Mjölby. Preparations for a renewed permit were also initiated for Sandvik's operations in Sandviken.

#### PARENT COMPANY AND SUBSIDIARIES OPERATING ON COMMISSION FOR SANDVIK AB

Parent Company invoiced sales amounted to SEK 12,084 M (10,457) and operating profit was SEK 1,679 M (933). Capital expenditures in property, plant and equipment amounted to SEK 545 M (498).

The number of employees in the Parent Company and the subsidiaries operating on commission for Sandvik AB at 31 December 2000 was 7,257 (7,361).

In addition to Sweden, the Parent Company's operations are carried out in a number of countries, mainly through representative offices ●

#### FINANCIAL POSITION

	2000	1999
Cash flow from operating activities, SEK M	4 476	3 394
Cash flow after investments and divestments, SEK M	1 785	4 710
Net cash flow, SEK M	-334	577
Liquid assets and short-term investments, 31 Dec., SEK M	2 097	2 369
Loans, 31 Dec., SEK M	5 927	5 611
Net debt, SEK M	6 644	6 014
Net financial items, SEK M	-523	-585
Equity ratio, %	53	52
Net debt/equity ratio, times	0.3	0.3
Shareholders' equity, SEK M	22 472	20 109
Shareholders' equity per share, SEK	86.90	77.70

Definitions, page 56.

# Financial exposure

The centralized financial activities of the Sandvik Group shall contribute to create favorable conditions for the operations of the business areas. As the guidelines for these activities state, the financial risks to which the company is exposed as a consequence of its normal business operations should be minimized.

## CURRENCY MOVEMENTS

Foreign exchange movements affect the company's earnings and shareholders' equity in the following ways;

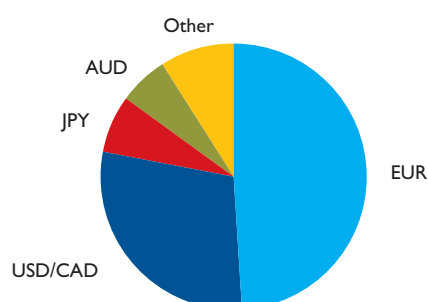
- Earnings are affected when sales and purchases are made in different currencies (transaction exposure).
- Earnings are affected when assets and liabilities are in different currencies (translation exposure).
- Earnings are affected when the earnings of subsidiaries are translated to Swedish kronor (translation exposure).
- Shareholders' equity is affected when net assets of subsidiaries are translated to Swedish kronor (translation exposure).

## TRANSACTIONS

In a company like Sandvik that is active internationally, it is important that customers be offered to pay in their own currencies. As a result, the Group is continuously exposed to currency risks in accounts receivable denominated in foreign currency and in future sales to foreign customers.

Since a large percentage of production takes place in Sweden, the company has a large surplus in the flow of foreign currency, which is exposed to transaction risks. The Group's net flows of payments in foreign currencies in 2000 amounted to approximately SEK 9,900 M. Currencies with the largest surpluses are shown in the chart and table.

GROUP'S NET FLOW IN FOREIGN CURRENCIES



	SEK M
EUR	4 900
USD/CAD	2 900
JPY	650
AUD	550
Other currencies	900
<b>Total</b>	<b>9 900</b>

Sandvik's guidelines prescribe that the flow of foreign currency must be hedged. The first hedging measure always involves using currency received to pay for purchases in the same currency. Further, all major project orders received are hedged to ensure the gross margin. In addition, the anticipated net flow of sales and purchases is hedged through sales on forward contracts. The hedging horizon varies from one Group business area to another. The hedging horizon for the Group as a whole is normally three months, but it may be extended to as much as nine months, depending on expectations with respect to foreign exchange movements. As of 31 December 2000, the hedging horizon was 4.5 months.

## TRANSLATIONS

The guidelines governing the Group's management of financial exposure state that subsidiaries normally should not have any translation risk in their balance sheets. Accordingly, a company's receivables and liabilities in foreign currency must be hedged.

As of 31 December 2000, the subsidiaries' net assets in foreign currencies amounted to approximately SEK 14,100 M. The amounts in the most important currencies are shown in the table below.

NET ASSETS IN FOREIGN CURRENCY

	SEK M	% of total
EUR	5 200	37
USD/CAD	4 400	31
GBP	1 000	7
JPY	650	5
AUD	450	3
Other currencies	2 400	17
<b>Total</b>	<b>14 100</b>	<b>100</b>

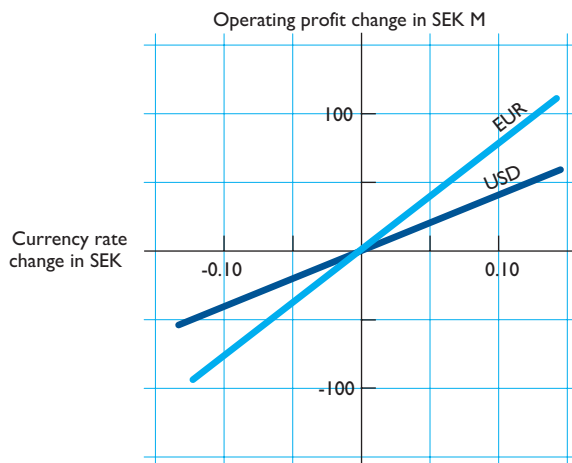
The subsidiaries' borrowing from the Parent Company, or from another holding company or financial operations within the Group, are transacted in the currency of the subsidiary. The subsidiaries net assets in foreign currency are translated to Swedish kronor at year-end exchange rates. Differences that then arise due to changes in exchange rates since the preceding year-end are transferred directly to shareholders' equity.

Earnings of foreign subsidiaries are translated to Swedish kronor each quarter at average exchange rates for the quarter.

### RULE OF THUMB FOR EVALUATING EXCHANGE-RATE SENSITIVITY

The most important impact of foreign exchange movements on the Group's operating profit occurs via transaction flows and the translation of the earnings of subsidiaries. As a rule of thumb it may be said that a change of plus or minus SEK 0.10 in the dollar rate is estimated to change Sandvik's operating profit by plus or minus SEK 40 M on an annual basis. A change of SEK 0.10 in the rate for the euro would have a comparable effect of SEK 75 M. The change in earnings occurs with a time-lag since a change in the exchange rates does not have an impact until the hedging horizon has been passed. Experience shows that foreign exchange movements often have other direct and indirect effects on earnings that can be difficult to foresee and analyze. The rule of thumb should therefore be used cautiously for a company like Sandvik that has global production and sales.

SENSITIVITY OF OPERATING PROFIT TO CHANGES IN THE EUR AND USD EXCHANGE RATES



### INTEREST-RATE AND FINANCIAL EXPOSURE

The company normally does not have any surplus liquidity other than that in short-term investments. Whenever possible, occasional liquidity surpluses are used to reduce loans.

Changes in interest rates affect primarily the cost of the company's borrowings. In accordance with Sandvik's guidelines, the company's average fixed-interest-rate period for loans – which was approximately seven months at 31 December 2000 – may vary from three months to three years.

As a basic liquidity reserve, the Group has a USD 650 M (approximately SEK 6,175 M) line of credit that has been granted by a group of banks and which expires in 2004. It is assessed that, with this line of credit, the company will be able to meet all normal liquidity needs during the year. As of 31 December 2000, the line of credit had not been utilized.

### FINANCIAL DERIVATIVES

Various financial derivatives such as futures contracts, options and swaps are used regularly to manage and control financial exposure. These derivatives make it possible for the company to reduce currency and interest-rate risks rapidly and efficiently.

### INTERNAL BANKS

For an international group of Sandvik's size, there are substantial advantages in managing financing and financial exposure centrally. Accordingly, Sandvik has for a long time had an internal bank, Sandvik Finance B.V., in the Netherlands. This unit is also Sandvik's international holding company.

The internal bank is responsible for supporting subsidiaries with loans, investment opportunities and currency transactions. Sandvik Finance takes over the greater part of all receivables that are created through intra-Group sales. The internal bank also conducts Sandvik's netting system and is responsible for the international cash management. Another internal bank, Sandvik Treasury Far East Pte. Ltd., was established in Singapore a few years ago to provide financial support for operations in the Asian time zone. Both internal banks are governed by guidelines formulated by the Group Executive Management. The level of allowable financial exposure is set by the Board of Directors ●



# Consolidated income statement

Amounts in SEK M		2000	1999
Invoiced sales	Notes 2, 3	43 750	39 300
Cost of goods sold	Note 5	-29 357	-26 297
<b>Gross profit</b>		14 393	13 003
Selling expenses		-6 991	-6 321
Administrative expenses		-2 038	-2 164
Other operating income		395	95
Other operating expenses		-92	-188
Items affecting comparability	Note 4	660	1 625
<b>Operating profit</b>	Notes 1, 6, 7, 8	6 327	6 050
Income from securities and loans held as fixed assets	Note 11	3	6
Other interest income and similar income	Note 12	58	-7
Interest expense and similar charges	Note 12	-584	-584
<b>Profit after financial items</b>	Note 32	5 804	5 465
Income taxes	Note 14	-1 912	-1 688
<b>Profit after tax</b>		3 892	3 777
Minority interests		-211	-157
<b>Net profit for the year</b>		3 681	3 620

# Consolidated balance sheet

Amounts in SEK M		2000	1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets			
Patents and other intangible assets	Note 15	71	175
Goodwill	Note 15	4 449	4 243
		4 520	4 418
Tangible fixed assets			
Land and buildings	Note 15	4 139	3 918
Plant and machinery	Note 15	7 892	7 622
Equipment, tools, fixtures and fittings	Note 15	1 096	1 003
Construction in progress and advance payments for tangible assets	Note 15	798	705
		13 925	13 248
Financial fixed assets			
Participations in associated companies	Note 18	330	311
Loans to associated companies		2	2
Other investments held as fixed assets	Note 19	41	54
Other long-term receivables		338	285
		711	652
<b>Total fixed assets</b>		19 156	18 318
<b>Current assets</b>			
Inventories	Note 20	11 508	10 040
Current receivables			
Trade receivables		9 090	8 038
Due from associated companies		97	123
Prepaid income taxes	Note 14	158	100
Other receivables		1 290	793
Prepaid expenses and accrued income		512	415
		11 147	9 469
Liquid assets	Note 21	2 097	2 369
<b>Total current assets</b>		24 752	21 878
<b>TOTAL ASSETS</b>		43 908	40 196
Assets pledged	Note 28	362	320

Amounts in SEK M		2000	1999
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Restricted equity			
Share capital	Note 22	1 552	1 552
Restricted reserves		6 824	9 065
		8 376	10 617
Unrestricted equity			
Unrestricted reserves		10 415	5 872
Net profit for the year		3 681	3 620
		14 096	9 492
<b>Total shareholders' equity</b>	Note 23	22 472	20 109
<b>Minority interests</b>		931	888
Provisions			
Provisions for pensions	Note 26	2 583	2 288
Provisions for taxes	Note 14	2 014	2 434
Other provisions	Note 27	1 219	1 250
		5 816	5 972
Interest-bearing liabilities			
Loans from financial institutions		4 903	4 587
Convertible debenture loans		1 024	1 024
Other long-term liabilities		231	483
	Note 28	6 158	6 094
Non-interest-bearing liabilities			
Advance payments from customers		333	307
Accounts payable		2 665	2 117
Bills payable		164	199
Due to associated companies		241	53
Income tax liabilities	Note 14	784	426
Other liabilities		994	1 191
Accrued expenses and deferred income	Note 30	3 350	2 840
	Note 29	8 531	7 133
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		43 908	40 196
Contingent liabilities	Note 31	624	629

# Consolidated cash-flow statement

Amounts in SEK M	2000	1999
<b>Cash flow from operating activities</b>		
Profit after financial income and expenses	5 804	5 465
Reversal of depreciation	2 336	2 273
Adjustment for items that do not require the use of cash	-871	-1 892
Taxes paid	-1 688	-1 524
<b>Cash flow from operations before changes in working capital</b>	<b>5 581</b>	<b>4 322</b>
<b>Cash flow from changes in working capital</b>		
Change in inventories	-859	-144
Change in current receivables	-651	-297
Change in current operating liabilities	405	-487
<b>Net cash flow from operating activities</b>	<b>4 476</b>	<b>3 394</b>
<b>Cash flow from investment activities</b>		
Acquisitions of companies and shares, net of cash acquired	-562	-344
Investments in tangible fixed assets	-2 087	-1 875
Sales of companies and shares, net of cash disposed of	-306	3 216
Sales of tangible fixed assets	264	319
Net cash flow used in investment activities	-2 691	1 316
<b>Net cash flow after investment activities</b>	<b>1 785</b>	<b>4 710</b>
<b>Cash flow from financing activities</b>		
Change in short-term loans	250	-2 862
Change in long-term loans	-103	904
Redemption of pension liabilities	-	-245
Dividends paid	-2 266	-1 930
Net cash flow from financing activities	-2 119	-4 133
<b>Cash flow for the year</b>	<b>-334</b>	<b>577</b>
Liquid funds at beginning of the year	2 369	1 800
Effects of exchange rate changes on liquid funds	62	-8
<b>Liquid funds at end of the year</b>	<b>2 097</b>	<b>2 369</b>
Supplementary information, Note 33		

# Parent Company

## income statement

Amounts in SEK M		2000	1999
Invoiced sales	Note 2	12 084	10 457
Cost of goods sold	Note 5	-9 193	-8 164
<b>Gross profit</b>		<b>2 891</b>	<b>2 293</b>
Selling expenses		-384	-380
Administrative expenses		-1 016	-1 018
Other operating income		69	46
Other operating expenses		-171	-8
Items affecting comparability	Note 4	290	-
<b>Operating profit</b>	Notes 1, 6, 7	<b>1 679</b>	<b>933</b>
<b>Result from financial items</b>			
Income from shares in Group companies	Note 9	10 430	1 641
Income from shares in associated companies	Note 10	235	308
Income from securities and loans held as fixed assets	Note 11	30	39
Other interest income and similar income	Note 12	299	192
Interest expense and similar charges	Note 12	-617	-463
<b>Profit after financial items</b>		<b>12 056</b>	<b>2 650</b>
Appropriations	Note 13	404	-109
Income taxes	Note 14	-630	-255
<b>Net profit for the year</b>		<b>11 830</b>	<b>2 286</b>

# Parent Company balance sheet

Amounts in SEK M		2000	1999
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets			
Patents and other intangible assets	Note 16	2	4
		2	4
Tangible fixed assets			
Land and buildings	Note 16	387	369
Plant and machinery	Note 16	2 680	2 656
Equipment, tools, fixtures and fittings	Note 16	258	218
Construction in progress and advance payments for tangible assets	Note 16	339	379
		3 664	3 622
Financial fixed assets			
Shares in Group companies	Note 17	6 317	6 565
Loans to Group companies		1 013	1 150
Shares in associated companies	Note 18	30	17
Loans to associated companies		2	2
Other investments held as fixed assets	Note 19	-	12
Other long-term receivables		27	20
		7 389	7 766
<b>Total fixed assets</b>		<b>11 055</b>	<b>11 392</b>
<b>Current assets</b>			
Inventories	Note 20	2 751	2 565
Current receivables			
Trade receivables		490	547
Due from Group companies		9 434	5 604
Due from associated companies		151	124
Other receivables		563	297
Prepaid expenses and accrued income		162	140
		10 801	6 712
Liquid assets	Note 21	377	432
<b>Total current assets</b>		<b>13 929</b>	<b>9 709</b>
<b>TOTAL ASSETS</b>		<b>24 984</b>	<b>21 101</b>
Assets pledged	Note 28	-	2

Amounts in SEK M		2000	1999
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Restricted equity			
Share capital	Note 22	1 552	1 552
Share premium reserve		20	20
Legal reserve		297	297
		1 869	1 869
Unrestricted equity			
Profit brought forward		685	651
Net profit for the year		11 830	2 286
		12 515	2 937
<b>Total shareholders' equity</b>	Note 23	14 384	4 806
Untaxed reserves			
Accumulated depreciation in excess of plan	Note 24	1 708	1 575
Tax allocation reserves	Note 25	1 213	1 666
Tax equalization reserve	Note 25	-	53
Other untaxed reserves	Note 25	8	39
		2 929	3 333
Provisions			
Provisions for pensions	Note 26	836	784
Provisions for taxes	Note 14	203	175
Other provisions	Note 27	59	31
		1 098	990
Interest-bearing liabilities			
Loans from financial institutions		640	675
Loans from Group companies		2 352	8 049
Convertible debenture loan		955	955
		3 947	9 679
Non-interest-bearing liabilities			
Advance payments from customers		10	65
Accounts payable		588	483
Due to Group companies		378	373
Due to associated companies		194	296
Income tax liabilities	Note 14	226	25
Other liabilities		89	85
Accrued expenses and deferred income	Note 30	1 141	966
		2 626	2 293
		24 984	21 101
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Contingent liabilities	Note 31	3 792	3 078

# Parent Company

## cash-flow statement

Amounts in SEK M	2000	1999
<b>Cash flow from operating activities</b>		
Profit after financial income and expenses	12 056	2 650
Reversal of depreciation	441	460
Adjustment for items that do not require the use of cash	-9 066	-48
Taxes paid	-401	-281
<b>Cash flow from operations before changes in working capital</b>	<b>3 030</b>	<b>2 781</b>
<b>Cash flow from changes in working capital</b>		
Change in inventories	-187	-176
Change in current receivables	-3 956	-957
Change in current operating liabilities	-52	-1 015
<b>Net cash flow from operating activities</b>	<b>-1 165</b>	<b>633</b>
<b>Cash flow used in investment activities</b>		
Acquisitions of companies and shares	-324	-215
Investments in tangible fixed assets	-545	-498
Sales of companies and shares, net of cash disposed of	9 765	12
Sales of tangible fixed assets	15	256
<b>Net cash flow from investment activities</b>	<b>8 911</b>	<b>-445</b>
<b>Net cash flow after investment activities</b>	<b>7 746</b>	<b>188</b>
<b>Cash flow from financing activities</b>		
Change in short-term loans	-5 626	1 276
Change in long-term loans	-105	887
Redemption of pension liabilities	-	-208
Dividends paid	-2 070	-1 811
<b>Net cash flow from financing activities</b>	<b>-7 801</b>	<b>144</b>
<b>Cash flow for the year</b>	<b>-55</b>	<b>332</b>
Liquid funds at beginning of the year	432	100
<b>Liquid funds at end of the year</b>	<b>377</b>	<b>432</b>



# Accounting principles

The same principles were applied in 2000 as in 1999, with the exception that the Swedish Financial Accounting Standards Council's new recommendation pertaining to leasing agreements has been applied.

## CONSOLIDATION PRINCIPLES

The consolidated accounts cover the Parent Company, all subsidiaries and associated companies. Subsidiaries are defined as companies in which the Parent Company directly or indirectly holds more than half the voting rights. Associated companies are companies connected to the Group's operations and in which the Parent Company has a direct or indirect long-term shareholding of not less than 20% and not more than 50% of the voting rights. The proportional consolidation method is applied for certain joint ventures.

The consolidated accounts are prepared in accordance with the principles stated in the Swedish Financial Accounting Standards Council's recommendation.

All acquisitions of companies are reported in accordance with the purchase method. Goodwill is determined in the local currency. While consolidated goodwill is normally amortized on a straight-line basis over 5 to 10 years, amortization periods of up to 20 years may be decided in cases of important strategic acquisitions. Amortization is reported as a selling expense. If goodwill is determined to have been permanently impaired, an extra write-down is made. Internal transactions have been eliminated.

Divested companies are included in the consolidated accounts until the time of the sale. Companies acquired during the current year are consolidated from the time of purchase.

The consolidated balance sheet and income statement are presented without untaxed reserves and appropriations. Untaxed reserves reported by individual companies within the Group have been apportioned so that deferred tax is reported under provisions for taxes, with the remainder included in the Group's shareholders' equity. Deferred tax, generally at the tax rate for the next fiscal year, has been calculated separately for each company. The tax attributable to current year's changes in the untaxed reserves of individual Group companies is included in Group tax expenses as estimated future taxes. The remaining portion is included in the Group's net profit for the year. In the event of a change in the tax rate, the change in tax liability is included in tax expenses for the year.

In classifying the shareholders' equity of the Group as unrestricted or restricted, the method proposed in the Swedish Financial Accounting Standards Council's recommendation is followed, but with net effects of any applicable withholding taxes also taken into account.

## FOREIGN CURRENCY

In preparing the consolidated financial statements, the accounts of foreign subsidiaries are translated in

accordance with the recommendation of the Swedish Financial Accounting Standards Council.

Most of the foreign subsidiaries are independent foreign entities and their financial statements are translated in accordance with the current-rate method. Changes in Group equity arising from variations in exchange rates prevailing on the balance sheet date, compared with rates at the preceding year-end, have been taken directly to Group equity.

The financial statements of companies operating in highly inflationary economies are initially translated into US dollars or euro in accordance with the temporal method. Translation differences that then arise have an effect on earnings for the year. In a second stage, the balance sheets and income statements of these companies are translated to SEK using the current-rate method.

Information on accumulated translation differences for each foreign operation is registered and pertains to exchange-rate changes as from fiscal year 1999.

Receivables and liabilities in foreign currencies are stated at the applicable rate of exchange on the balance sheet date. In cases where forward exchange contracts have been entered into, however, the forward rate of exchange is used in valuations of underlying receivables or liabilities.

Outstanding forward-exchange contracts relating to sales of currencies are not valued if the currency flow resulting from sales of goods is expected to cover the forward contracts.

## SHORT-TERM INVESTMENTS

Bonds and other short-term investments are valued at historical cost or market value on the balance sheet date, whichever is lower. In the process of valuation, this principle is applied to the portfolio as a whole, meaning that unrealized losses are offset against unrealized gains. Any remaining loss is deducted from interest income, whereas gains are not recognized.

## INVENTORIES

Inventories are valued at the lower of historical cost in accordance with the first-in/first-out cost formula and net realizable value, taken as replacement cost in the case of semi-finished goods and raw materials.

## DEPRECIATION OF TANGIBLE FIXED ASSETS

Depreciation charged in industrial operations is based on the historical cost of assets and their estimated economic lives. Straight-line depreciation is normally applied over 5-10 years for machinery and equipment, 10-50 years for buildings, and 20 years for site improvements. Declining balance depreciation over 3-5 years is applied to computer equipment. The difference between such depreciation and the depreciation claimed for tax purposes is shown by individual companies as accumulated depreciation in excess of plan under untaxed reserves.

**LEASING**

In the consolidated accounts, leases are classified as either finance leases or operating leases. In accounting for finance leases, a fixed asset is posted in the balance sheet with an offsetting liability.

Fixed assets are depreciated according to plan over the economic lifetime, while leasing payments are reported as interest expense and amortization of debt. For operating leases, no asset and liability items are reported in the balance sheet. The leasing fee is reported in the income statement as a current expense on a straight-line basis over the leasing period. The Group is also engaged in rental of machines under operating lease agreements.

**PROFIT RECOGNITION**

Sales are recognized at the time of delivery and are equal to sales price less deductions for value-added tax, discounts and returns. Income from contracts extending more than one year is reported in accordance with the percentage-of-completion method.

Estimated costs of product warranties are charged against operating income at the time of sale.

**RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are expensed against gross profit as incurred.

**TAXES**

Tax expense for the year includes taxes paid, deferred taxes and the share of taxes in associated companies. Taxes paid also include foreign withholding taxes paid in respect of dividends. Deferred tax includes tax effects taken into account in the consolidated accounts according to the Swedish Financial Accounting Standards Council's recommendation. This includes deferred tax in the untaxed reserves of individual Group companies, deferred tax when different values are assigned at Group and company level, including unrealized internal profits, as well as tax effects of purchase-accounting fair-value adjustments, including those attributed to acquired tax-loss carryforwards. Under deferred tax, Sandvik also includes any tax pertaining to participation in limited partnerships.

**CASH-FLOW STATEMENT**

The cash-flow statement is based on the recommendation of the Swedish Financial Accounting Standards Council. Receipts (inflow) and payments (outflow) are divided into categories: operating activities, investment activities and financing activities. The indirect method is used to report flows from operating activities.

Changes during the year in operating assets and operating liabilities are adjusted for the effects of exchange rate differences. Acquisitions and divestments are reported among investment activities. The assets and liabilities held by the divested and acquired companies at the transfer date are not included in the analysis of changes in working capital or net investments.

**DEFINITIONS****Earnings per share**

Net profit for the year divided by the average number of shares outstanding during the year.

**Equity ratio**

Shareholders' equity and minority interests in relation to total capital.

**Net debt/equity ratio**

Interest-bearing liabilities (including provisions for pensions) less liquid assets divided by the total of shareholders' equity and minority interests.

**Rate of capital turnover**

Invoiced sales divided by average total capital.

**Return on shareholders' equity**

Consolidated net profit for the year as a percentage of average shareholders' equity during the year.

**Return on capital employed**

Profit after financial income and expenses, plus interest expenses, as a percentage of average total capital, less non-interest-bearing liabilities.

# US GAAP information

The Sandvik Group's financial statements have been prepared in accordance with aforementioned Swedish accounting principles. The significant differences between these principles and generally accepted accounting principles in the US (US GAAP) as applicable to the Sandvik Group are described below.

## DEFERRED TAX

Sandvik reports deferred taxes to the extent promulgated by recommendations of the Swedish Financial Accounting Standards Council regarding Group accounts. Accordingly, reported deferred taxes include primarily deferred tax liabilities relating to untaxed reserves and to consolidating adjustments. The effects of tax-loss carryforwards are reported mainly as reduced tax expenses when they are utilized. Under US GAAP, deferred tax effects on all differences between book values and tax values of assets and liabilities, including operating loss carryforwards, are taken into account. The balance sheet carrying value of deferred tax assets, however, is subjected to a recoverability test. Overall, the value of certain tax-loss carryforwards is recognized earlier under US GAAP than under Swedish principles.

Additionally, tax effects arise from other differences between Swedish and US GAAP.

## ACQUISITIONS

Swedish principles for valuations of own shares issued in connection with acquisitions are less prescriptive than corresponding US principles. Because of such differences, the acquisition value of the CTT group is reported at a higher amount under US GAAP.

## REVALUATION OF ASSETS

As permitted under Swedish GAAP, certain fixed assets have been reported at values in excess of acquisition cost. Such revaluation of assets is not permitted under US GAAP.

## CAPITALIZATION OF INTEREST

In accordance with Swedish GAAP, interest expenses incurred to finance new buildings, machinery and equipment are charged against earnings. US GAAP requires that such interest expense be capitalized and depreciated with other acquisition costs over the lifetime of the asset.

## FOREIGN EXCHANGE

Under Swedish GAAP, unrealized gains and losses on forward exchange contracts to hedge anticipated future transactions are normally deferred and reported with the underlying transaction when it occurs. US GAAP allows such reporting only for specifically identified firm orders. In other cases, forward exchange contracts are marked to market and unrealized gains and losses are included in reported profit.

## PENSIONS

There is no comprehensive standard in Sweden for reporting of pension liabilities for all companies

operating within a multinational group. Although the Swedish principles have similar objectives for the accounting of pensions and other post-retirement benefits, the US rules are more prescriptive. US GAAP specifies certain methods for actuarial calculations, the determination of the discount rate, and for the accounting of actuarial gains and losses as well as plan changes. The actuarial assumptions used may also differ.

## GENERAL

Other areas in which the application of US GAAP to Sandvik Group accounts differ include mainly general provisions and restructuring reserves recorded when a company is acquired.

Under Swedish GAAP, the provision for costs for restructuring is made when the plan is prepared and the decision taken. US GAAP includes additional requirements for recording a provision. This means that the costs for these and similar measures are booked at a later date in accordance with US GAAP.

Shareholders' equity and net profit for the year in 2000 in accordance with Swedish GAAP includes reimbursement of SPP pension surplus funds that to a certain extent have not yet been disbursed. The unpaid portion of the SPP refund is not included in the US GAAP information.

The application of US GAAP would have the following approximate effect on the Sandvik Group's reported net profit, earnings per share and shareholders' equity:

(Amounts in SEK M, unless otherwise stated)	2000	1999
Net profit for the year according to the consolidated income statement	3 681	3 620
Increase/decrease related to		
Deferred tax	292	-266
Acquisitions	-4	-4
Revaluations of assets	1	45
Capitalization of interest	-5	-4
Foreign exchange	2	100
Pensions	30	-33
Other adjustments	-162	92
Tax effects of US GAAP adjustments	-2	14
Approximate net profit according to US GAAP	3 833	3 564
<b>Approximate earnings per share according to US GAAP, SEK</b>	<b>14.80</b>	<b>13.80</b>
Shareholders' equity according to the consolidated balance sheet	22 472	20 109
Increase/decrease related to		
Deferred tax	339	47
Acquisitions	49	53
Revaluations of assets	-313	-285
Capitalization of interest	127	132
Foreign exchange	-17	-19
Pensions	83	43
Other adjustments	132	294
Tax effects of US GAAP adjustments	-55	-53
Approximate shareholders' equity according to US GAAP	22 817	20 321
<b>Approximate earnings per share according to US GAAP, SEK</b>	<b>88.20</b>	<b>78.60</b>

# Notes to the accounts

## NOTES TO THE CONSOLIDATED AND PARENT COMPANY ACCOUNTS

(Amounts in SEK million, unless otherwise stated)

### NOTE I. PERSONNEL INFORMATION AND REMUNERATIONS TO MANAGEMENT AND AUDITORS

#### I.1 Average number of employees

	GROUP				PARENT COMPANY			
	2000		1999		2000		1999	
	Total	Women, %	Total	Women, %	Total	Women, %	Total	Women, %
EU (excl. Sweden)	10 294	17	10 691	17	10	48	74	16
Sweden	9 712	20	10 402	20	7 271	18	7 694	18
Rest of Europe	1 938	33	1 624	35	15	35	31	29
Europe, total	21 944	20	22 717	20	7 296	18	7 799	19
NAFTA region	5 880	20	6 452	22	-	-	-	-
South America	1 263	12	1 541	12	3	33	4	43
Africa, Middle East	1 151	13	996	14	2	25	3	60
Asia, Australia	4 068	15	3 989	16	2	33	24	35
Total, Group	34 306	19	35 695	19	7 303	18	7 830	19

#### I.2 Wages, salaries, other remunerations and social costs

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Wages, salaries and other remunerations	10 023	9 488	2 116	2 133
Social costs	3 158	3 187	1 066	964
(of which pension costs)	(761)	(740)	(315)	(229)
Employee profit sharing	150	150	134	120
Total	13 331	12 825	3 316	3 217

Of pension costs, SEK 27 M in the Group and SEK 2 M in the Parent Company relate to the Board of Directors and presidents. The outstanding pension commitments to these persons amounted to SEK 120 M at the Group level and SEK 39 M in the Parent Company.

#### I.3 Wages, salaries and other remunerations by market area\*

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
EU (excl. Sweden)	3 372	3 356	-	3
Sweden	2 815	2 984	2 112	2 118
Rest of Europe	214	168	0	6
Europe, total	6 401	6 508	2 112	2 127
NAFTA region	2 368	1 951	-	-
South America	195	181	0	0
Africa, Middle East	186	132	4	1
Asia, Australia	873	716	-	5
Total	10 023	9 488	2 116	2 133

\* Including provisions for bonuses to senior executives, see Note I.4

#### of which to Boards of Directors and presidents:

	GROUP				PARENT COMPANY			
	2000		1999		2000		1999	
	Salaries and remunerations	of which bonus	Salaries and remunerations	of which bonus	Salaries and remunerations	of which bonus	Salaries and remunerations	of which bonus
Total	236	34	312	93	19	10	17	9

#### 1.4 Information on benefits to senior executives in 2000

The Chairman of the Board, Percy Barnevik, received a fixed fee of SEK 450,000 and no other benefits were paid.

Chief Executive Officer and President Clas Åke Hedström received fixed salary, fees, and the value of free residence and company car totaling SEK 3,532,786. Bonus paid was SEK 6,450,363, including most of the bonus accumulated under the long-term bonus program of 1995-1999 that is now concluded.

There is a reciprocal 12-month notice of termination for the President. Should notice be served by the Company, or by the President in the event that significant structural changes have occurred, an annual pension of 75% of total average remunerations paid during the three most recent years is paid up to age 63 (that is, a maximum of one year). From age 63, an annual pension of 55% of pensionable income is paid.

There are agreements on reciprocal rights to request early retirement at age 62 for a limited number of other senior executives. The reciprocal notification period for these persons varies between 6 and 12 months. From age 62, they will receive lifetime pension benefits corresponding to the amounts that would have been paid if employment had lasted until ordinary pension age. An agreement was reached with other senior executives covering payment of severance pay in the event of notification of termination from the company. The severance pay amounts to 6-18 months of salary in addition to the notification period.

Sandvik's Board of Directors decided in 1999 to establish a stock option plan for senior executives in Sweden and abroad. The option plan provides the possibility of an annual allocation of 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 Board decided in February 2000 to allocate 1.4 million options with an exercise price of SEK 289. In February 2001, the Board decided to allocate an additional 1.6 million options with an exercise price of SEK 259 to about 300 senior executives. The President has been allotted 42,000 and 44,000 options, respectively.

#### 1.5 Audit fees

During 2000, Sandvik paid fees to the Group's auditors as follows:

	GROUP		PARENT COMPANY	
	Auditing	Other services	Auditing	Other services
KPMG	12.6	1.9	2.8	0.3
Arthur Andersen	22.6	6.9	0.3	0.6
Other auditors at Group companies	4.8	1.7	-	-
Total	40.0	10.5	3.1	0.9

#### NOTE 2. INVOICED SALES BY BUSINESS AREA

			Change	
	2000	1999	%	*
Sandvik Tooling	15 507	13 177	18	11
Sandvik Mining and Construction	10 184	8 808	16	12
Sandvik Specialty Steels	14 209	11 971	19	15
Sandvik Saws and Tools	/	2 153	/	/
Seco Tools	3 785	3 128	21	11
Group activities	65	63	/	/
Group total	43 750	39 300	11	12

\* Change compared with preceding year, excluding currency effects and company acquisitions.

#### Parent Company sales and purchases

Sales to Group companies from the Parent Company amounted to SEK 8,499 M (7,235), or 70% (69) of total sales. The share of exports was 83% (83). Parent Company purchases from Group companies amounted to SEK 987 M (808), or 15% (14) of total purchases.

#### NOTE 3. INVOICED SALES BY MARKET AREA

	Share,		Change	
	2000	%	1999	%
EU, excl. Sweden	15 559	36	15 271	2
Sweden	2 375	5	2 249	6
Rest of Europe	2 623	6	2 146	22
Europe, total	20 557	47	19 666	5
NAFTA region	11 273	26	9 952	13
South America	1 888	4	1 548	22
Africa, Middle East	1 921	4	1 606	20
Asia, Australia	8 111	19	6 528	24
Group total	43 750	100	39 300	11

\* Change compared with preceding year, excluding currency effects and company acquisitions.

#### NOTE 4. ITEMS AFFECTING COMPARABILITY

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Capital gains from sales of shares and companies	300	1 625	-	-
SPP pension plan surplus	530	-	457	-
Costs of early-retirement pensions with utilization of SPP funds	-170	-	-167	-
Total	660	1 625	290	-

**NOTE 5. RESEARCH, DEVELOPMENT AND QUALITY ASSURANCE**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Costs for				
research and development	1 158	1 114	617	602
quality assurance	457	479	209	217
Total	1 615	1 593	826	819

All research, development and quality assurance costs are expensed as incurred. The costs are shown among Cost of goods sold.

**NOTE 6. AMORTIZATION/DEPRECIATION OF INTANGIBLE AND TANGIBLE FIXED ASSETS**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Amortization/depreciation				
Goodwill	-424	-329	-	-
Other intangible assets	-22	-19	-2	-2
Land and buildings	-199	-200	-18	-19
Plant and machinery	-1 333	-1 363	-343	-361
Equipment, tools, fixtures and fittings	-358	-362	-78	-78
Total	-2 336	-2 273	-441	-460

**NOTE 7. FEES FOR FINANCE AND OPERATING LEASES**

The Group leases plant and machinery under finance lease agreements. At 31 December 2000, the net carrying amount of leased plant and machinery was SEK 61 M.

Leasing costs for premises, machinery and large computer and office equipment under operating leases are reported among operating expenses and amounted for the Group to SEK 230 M and for the Parent Company SEK 22 M (variable fees and revenues from subleasing were not significant).

Future minimum leasing fees in respect of noncancellable leasing contracts fall due as follows:

	GROUP		PARENT COMPANY	
	Finance leases Nominal (present value)	Operating leases	Operating leases	Operating leases
2001	15 (12)	245		37
2002–2005	36 (28)	382		56
2006 and later	23 (13)	183		-
Total	74 (53)	810		93

The net carrying value of machinery leased out under operating leases was SEK 136 M at 31 December 2000. The depreciation charge during the year amounts to SEK 114 M. Contractual future minimum leasing fees for noncancellable leasing contracts amounts to SEK 82 M, the major portion of which is due within one year. Variable fees are not significant.

**NOTE 8. OPERATING PROFIT BY BUSINESS AREA**

	2000*	% of sales	1999*	% of sales
Sandvik Tooling	3 135	20	2 597	20
Sandvik Mining and Construction	1 073	11	674	8
Sandvik Specialty Steels	980	7	633	5
Sandvik Saws and Tools	/	/	153	7
Seco Tools	740	20	572	18
Group activities	-261	/	-204	/
Operating profit	5 667	13	4 425	11

\* Excluding items affecting comparability

**NOTE 9. PARENT COMPANY INCOME FROM SHARES IN GROUP COMPANIES**

	2000	1999
Dividends	1 235	1 665
Capital gains from sale of shares and participations	9 444	5
Write-downs	-249	-29
Total	10 430	1 641

**NOTE 10. PARENT COMPANY INCOME FROM SHARES IN ASSOCIATED COMPANIES**

	2000	1999
Dividends	235	308
Total	235	308

**NOTE 11. INCOME FROM SECURITIES AND LOANS HELD AS FIXED ASSETS**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Interest income, Group companies	-	-	30	39
Other interest income	-	3	0	-
Dividends	1	1	0	-
Exchange rate differences	2	-	-	-
Capital gains on sale of shares	-	-	0	-
Other income	-	2	-	-
Total	3	6	30	39

**NOTE 12. OTHER INTEREST  
INCOME AND EXPENSE**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Interest income, Group companies	-	-	267	177
Other interest income	134	95	32	15
Exchange-rate differences	-76	-102	-	-
Total interest income	58	-7	299	192
Interest expense, Group companies	-	-	-502	-329
Other interest expense	-529	-532	-104	-128
Exchange-rate differences	-7	-9	-	-
Bank charges	-51	-44	-11	-6
Other expenses	3	1	-	-
Total interest expense	-584	-584	-617	-463

**NOTE 13. APPROPRIATIONS**

	PARENT COMPANY	
	2000	1999
Depreciation in excess of plan	-133	-99
Appropriation to tax allocation reserve	453	-61
Reversal of tax equalization reserve	53	54
Change in other untaxed reserves	31	-3
Total	404	-109

**NOTE 14. TAXES**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
<i>Income tax expense</i>				
Taxes paid	-1 733	-1 050	-559	-142
Tax effect of Group contributions, net			-71	-113
Estimated future taxes	-168	-634	-	-
Share in taxes of associated companies	-11	-4	-	-
Total	-1 912	-1 688	-630	-255
<i>Tax liabilities</i>				
Provisions for deferred taxes:				
– Untaxed reserves reported by Group companies	1 588	2 128	-	-
– Future taxes due to losses in limited partnerships, etc.	85	79	-	-
– Other Group reporting adjustments, tax-loss carryforwards, etc.	-337	-444	-	-
Total	1 336	1 763	-	-
Other tax provisions	678	671	203	175
Total provisions	2 014	2 434	203	175
Income tax liabilities	784	426	226	25
Prepaid income tax	-158	-100	-	-
Net	626	326	226	25
Tax liabilities, net	2 640	2 760	429	200

## NOTE 15. CONSOLIDATED INTANGIBLE AND TANGIBLE ASSETS

	Patents and similar rights	Goodwill	Buildings and land	Machinery	Equipment and tools	Construction in progress	Total
<i>Cost</i>							
At beginning of the year	285	5 483	6 207	17 909	3 107	705	33 696
Additions	7	250	145	699	280	1 013	2 394
Acquisitions of subsidiaries	13	77	26	123	63	2	304
Divestments and disposals	-14	-5	-144	-889	-266	-47	-1 365
Reclassifications	-89	-11	139	653	140	-906	-74
Advances paid during the year	-	-	-	-	-	11	11
Translation differences	9	329	285	680	114	20	1 437
	211	6 123	6 658	19 175	3 438	798	36 403
<i>Accumulated amortization/depreciation</i>							
At beginning of the year	110	1 240	2 575	10 286	2 104		16 315
Acquisitions of subsidiaries	13	-	9	80	37		139
Divestments and disposals	-10	-1	-78	-801	-234		-1 124
Reclassifications	-	-	5	-4	-		1
Amortization/depreciation for the year	22	424	199	1 333	358		2 336
Translation differences	5	11	114	397	77		604
	140	1 674	2 824	11 291	2 342		18 271
<i>Accumulated revaluations</i>							
At beginning of the year			286	-1			285
Depreciation for the year			-	-1			-1
Reclassifications			17	9			26
Translation differences			2	1			3
			305	8			313
Residual value at end of the year	71	4 449	4 139	7 892	1 096	798	18 445
Rateable values, buildings (in Sweden)			1 003				
Rateable values, land (in Sweden)			193				

## NOTE 16. PARENT COMPANY INTANGIBLE AND TANGIBLE ASSETS

	Patents and similar rights	Buildings and land	Machinery	Equipment and tools	Construction in progress	Total
<i>Cost</i>						
At beginning of the year		571	5 929	737	379	7 637
Additions	-	3	-	18	524	545
Divestments and disposals	-	-1	-112	-56	-17	-186
Reclassifications	-	33	375	106	-547	-33
	21	606	6 192	805	339	7 963
<i>Accumulated amortization/depreciation</i>						
At beginning of the year	17	242	3 273	519	-	4 051
Divestments and disposals	-	-1	-100	-54	-	-155
Reclassifications	-	-	-4	4	-	-
Amortization/depreciation for the year	2	18	343	78	-	441
	19	259	3 512	547	-	4 337
<i>Accumulated revaluations</i>						
At beginning of the year	-	40	-	-	-	40
Residual value at end of the year	2	387	2 680	258	339	3 666
Rateable values, buildings		199				
Rateable values, land		36				



## NOTE 17. SHARES IN GROUP COMPANIES

## Sandvik AB's holdings of shares and participations in subsidiaries

## Direct shareholdings

According to Balance Sheet of 31 December 2000, company, location	Corp. reg. no.	No. of shares	Holding, % <sup>2)</sup>	Book value SEK '000	
SWEDEN	Dormer Tools AB, Halmstad	556240-8210	80 000	100	25 145
	Edmeston AB, Göteborg	556238-7554	40 000	100	3 000
	Fragoso AB, Sandviken	556337-3710	1 000	100	160 850
	Guldsmedshytte Bruks AB, Lindesberg	556040-0854	100 000	100	11 950
	Gusab Holding AB, Sandviken	556001-9290	1 831 319	100	53 474
	Gusab Stainless AB, Mjölby	556012-1138	200 000	100	34 019
	AB Sandvik Antenn, Sandviken <sup>1)</sup>	556350-7895	1 000	100	100
	AB Sandvik Automation	556052-4315	1 000	100	50
	AB Sandvik Bruket	556028-5784	13 500	100	1 698
	AB Sandvik Calamo, Molkom	556190-2569	50 000	100	5 000
	AB Sandvik Coromant, Sandviken <sup>1)</sup>	556234-6865	1 000	100	50
	Sandvik Coromant Norden AB, Stockholm <sup>1)</sup>	556350-7846	1 000	100	100
	Sandvik Export Assistance AB	556061-3746	80 000	100	0
	AB Sandvik Falken, Sandviken	556330-7791	1 000	100	120
	Sandvik Försäkrings AB	516401-6742	15 000	100	15 000
	AB Sandvik Hard Materials, Stockholm <sup>1)</sup>	556234-6857	1 000	100	50
	Sandvik Hard Materials Norden AB, Stockholm <sup>1)</sup>	556069-1619	1 000	100	50
	AB Sandvik Information Systems, Sandviken <sup>1)</sup>	556235-3838	1 000	100	50
	AB Sandvik International, Sandviken <sup>1)</sup>	556147-2977	1 000	100	50
	AB Sandvik Process Systems, Sandviken <sup>1)</sup>	556312-2992	1 000	100	100
	AB Sandvik Service, Sandviken <sup>1)</sup>	556234-8010	1 000	100	50
	AB Sandvik Skogsfastigheter, Sandviken	556579-5464	1 000	100	100
	AB Sandvik Steel, Sandviken <sup>1)</sup>	556234-6832	1 000	100	50
	Sandvik Stål Försäljnings AB, Stockholm <sup>1)</sup>	556251-5386	1 000	100	50
	Sandvik Tamrock AB, Sandviken <sup>1)</sup>	556288-9443	1 000	100	50
	AB Sandvik Tamrock Tools, Sandviken <sup>1)</sup>	556234-7343	1 000	100	50
	AB Sandvik Teknik, Sandviken	556350-7929	30 000	100	10 000
	AB Sandvik Tranan, Sandviken	556330-7817	1 000	100	100
	AB Sandvik Vallhoven, Sandviken	556272-9680	6 840	100	1 800
	AB Sandvik Västberga Service, Stockholm <sup>1)</sup>	556356-6933	1 000	100	100
	Sandvik Örebro AB, Sandviken	556232-7949	10 000	100	306
	AB Sandvik Örnén, Sandviken	556330-7783	1 000	100	120
BRAZIL	Dormer Tools S.A.		2 137 623 140	100	200 000
	Sandvik do Brasil S.A.		1 894 797 190	100	46 072
BULGARIA	Sandvik Bulgaria Ltd.		-	100	0
CHINA	Sandvik China Ltd.		-	100	163 833
	Sandvik International Trading (Shanghai) Co. Ltd.		-	100	17 466
	Sandvik Process Systems (Shanghai) Ltd.		-	100	1 633
CZECH REPUBLIC	Sandvik CZ s.r.o.		-	100	0
GERMANY	Sandvik GmbH		-	1 <sup>3)</sup>	1 486
	Sandvik Holding GmbH		-	1 <sup>3)</sup>	367
GREECE	Sandvik A.E. Tools and Materials		5 599	100	1 567
HUNGARY	Sandvik KFT		-	100	3 258
INDIA	Sandvik Asia Ltd.		1 359 715	73	135 325
	Sandvik Choksi Ltd.		15 810 000	51	58 844
ITALY	CML Handling Technology S.p.A.		28 571	10 <sup>3)</sup>	13 907
JAPAN	Sandvik K.K.		2 600 000	100	180 000
KENYA	Sandvik Kenya Ltd.		35 000	96	0
KOREA	Sandvik Korea Ltd.		752 730	100	46 856
MEXICO	Sandvik Mexicana S.A. de C.V.		406 642 873	90 <sup>3)</sup>	71 000
MOROCCO	Sandvik Maroc SARL		1 000	94	1 825
NETHERLANDS	Sandvik Benelux B.V.		20 000	100	27 496
	Sandvik Finance B.V.		18 786	100	4 896 433
PERU	Sandvik del Perú S.A.		15 020 660	100	4 236
POLAND	Sandvik Baildonit S.A.		148 100	100	93 140
	Sandvik Polska Sp.z o.o.		3 211	100	57
PORTUGAL	Sandvik Portuguesa Lda		199 600	100	0
SLOVAKIA	Sandvik Slovakia s.r.o.		-	100	2 897
SPAIN	Minas y Metalurgia Española S.A.		59 999	50 <sup>3)</sup>	3 700
TURKEY	Sandvik Endüstriyel Mamüller Sanayi ve Ticaret A.S.		125 154 588	100	3 200
ZIMBABWE	Sandvik (Private) Ltd.		233 677	100	3 269
Other companies and dormant companies, wholly owned					15 933
					6 317 432

1) Subsidiaries operating on commission for Sandvik AB.

2) Refers to voting rights, which is also in agreement with share of capital.

3) Remaining shares are held by other Group companies.

## Sandvik AB's holdings of shares and participations in subsidiaries

## Indirect holdings in significant operating Group companies

		Group holding, % <sup>1)</sup>			Group holding, % <sup>1)</sup>			
SWEDEN	Kanthal AB	100	GERMANY cont.	Sandvik P&P GmbH	100			
	Kanthal Machinery AB	100		Sandvik Process Systems GmbH	100			
	KOPO AB	90		Tamrock GmbH	100			
	Roxon AB	100		GHANA	Tamrock Ghana Ltd.	100		
	Seco Tools AB	61 <sup>2)</sup>			HONG KONG	Kanthal Electroheat Hk Ltd.	100	
ARGENTINA	Sandvik Argentina S.A.	100		Sandvik Hongkong Ltd.	100			
	AUSTRALIA	Beltreco Ltd.	100		Sandvik Tamrock (Far East) Ltd.	100		
AUSTRIA	Prok Group Ltd.	100	INDIA	Kanthal India Ltd.	57			
	Sandvik Australia Pty. Ltd.	100		Titex India Pvt. Ltd.	100			
	Sandvik Hard Materials Pty. Ltd.	100	INDONESIA	PT Hakan Nusantara	80			
	Sandvik Tamrock Pty. Ltd.	100		PT Prok Indonesia	100			
	VA-Eimco Australia Pty. Ltd.	100	IRELAND	Sandvik Ireland Ltd.	100			
	Günther & Co. Ges.m.b.H.	100	ITALY	CML Handling Technology S.p.A.	100			
	Sandvik BPI Bohrtechnik GmbH & Co. KG	100		Dormer Italia S.p.A.	100			
Sandvik in Austria Ges.m.b.H.	100		Driver-Harris S.p.A.	100				
BELGIUM	Tamrock Voest-Alpine Bergtechnik Ges.m.b.H.	100		Impero S.p.A.	100			
	Voest-Alpine Materials Handling GmbH & Co. KG	100		Prototyp SRL	100			
	Dormer Tools N.V./S.A.	100		Sandvik Italia S.p.A.	100			
	BOLIVIA	Tamrock Bolivia S.R.L.	100		Sandvik Process Systems S.p.A.	100		
BRAZIL	CANADA	100	JAPAN	Kanthal K.K.	100			
				Sandvik Sorting Systems K.K.	100			
CHILE	CHINA	100	KAZAKHSTAN	Sandvik Tamrock Japan Co. Ltd.	100			
				Tamrock Loaders Inc.	100		Tamservice Ltd.	100
				Sandvik Chile S.A.	100	KOREA	Suh Jun Trading Co.	70
				Qingdao Sandvik Die Cutting Systems Co. Ltd.	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100
CZECH REPUBLIC	DENMARK	100	MEXICO	Sandvik de México S.A. de C.V.	100			
					Tamrock de México S.A. de C.V.	100		
FINLAND	FRANCE	100	NETHERLANDS	Dormer Tools B.V.	100			
					Sandvik Process Systems B.V.	100		
GERMANY	GERMANY	100	NEW ZEALAND	Sandvik New Zealand Ltd.	100			
					Sandvik Norge A/S	100		
GERMANY	GERMANY	100	NORWAY	Tamrock Norge A/S	100			
					Sandvik Philippines Inc.	100		
GERMANY	GERMANY	100	PHILIPPINES	Tamrock Philippines Inc.	100			
					Poland	Voest Alpine Technika Tunelowa i Górnicza Sp. z o.o.	100	
GERMANY	GERMANY	100	POLAND					
					ROMANIA	Sandvik SRL	100	
GERMANY	GERMANY	100	RUSSIA	Moskovskij Kombinat Tverdih Splavov	98			
					SINGAPORE	Kanthal Electroheat Pte. Ltd.	100	
GERMANY	GERMANY	100	SLOVENIA	Sandvik South East Asia Pte. Ltd.	100			
					SOUTH AFRICA	Sandvik Treasury (Far East) Pte. Ltd.	100	
GERMANY	GERMANY	100	SPAIN	Sandvik d.o.o.	100			
						Kanthal Southern Africa Pty. Ltd.	100	
GERMANY	GERMANY	100	SWITZERLAND	Sandvik (Pty) Ltd.	100			
						Tamrock Africa (Pty) Ltd.	100	
GERMANY	GERMANY	100	TAIWAN	Voest-Alpine Mining & Tunneling Pty. Ltd.	100			
						Safety Iberica Metal Duro S.A.	100	
GERMANY	GERMANY	100	THAILAND	Sandvik Española S.A.	100			
						Sandvik Handel (Schweiz) AG	100	
GERMANY	GERMANY	100	UKRAINE	Sandvik Holding (Schweiz) AG	100			
						Sansafe AG	100	
GERMANY	GERMANY	100	UNITED KINGDOM	Santrade Ltd.	100			
						Sandvik Hard Materials Taiwan Pty. Ltd.	100	
GERMANY	GERMANY	100	TANZANIA	Sandvik Taiwan Ltd.	100			
						Sandvik Tamrock Tanzania Ltd.	100	
GERMANY	GERMANY	100	THAILAND	Sandvik Thailand Ltd.	100			
						Sandvik Ukraine	100	
GERMANY	GERMANY	100	UKRAINE	Dormer Tools Ltd.	100			
						Dormer Tools (Sheffield) Ltd.	100	
GERMANY	GERMANY	100	UNITED KINGDOM	Eimco Great Britain Ltd.	100			
						Kanthal Ltd.	100	
GERMANY	GERMANY	100	UNITED KINGDOM	Osprey Metals Ltd.	100			
						Resist Alloy Intern. Ltd.	100	

**Note 17 (cont.). Parent Company shares in Group companies**

		Group holding, % <sup>1)</sup>	PARENT COMPANY	
UK cont.	RGB Stainless Ltd.	100	Cost	
	Safety Cutting Tools UK Ltd.	100	At beginning of the year	6 604
	Sandvik Ltd.	100	Additions	15
	Sandvik Process Systems Ltd.	100	Capital contributions	214
	Sandvik Steel Ltd.	100	New issues of shares	82
USA	Titex Tools Ltd.	100	Disposals	-310
	Dormer Tools Inc.	100		6 605
	Driltech Mission LLC	100	Accumulated write-downs	
	Eimco LLC	100	At beginning of the year	-39
	The Kanthal Corporation	100	Write-downs during the year	-249
	MRL Industries Inc.	100		-288
	Pennsylvania Extruded Tube Co.	70	Book value at end of the year	6 317
	Precision Twist Drill Co.	100		
	Sandvik Inc.	100		
	Sandvik Milford Corp.	100		
	Sandvik Process Systems Inc.	100		
	Sandvik Sorting Systems Inc.	100		
	Sandvik Special Metals Corp.	100		
	Sandvik Tamrock LLC	100		
	Titex Tools Inc.	100		
Union Butterfield Corp.	100			
ZAMBIA	Tamrock Zambia Ltd.	60		

1) Unless otherwise indicated, ownership percentage pertains to capital, which also corresponds to percentage of voting rights for the total number of shares.

2) Percentage of voting rights, 90%.

**NOTE 18. PARTICIPATIONS IN ASSOCIATED COMPANIES****Specification of Parent Company holdings of shares and participations in associated companies****Associated companies**

According to the Balance Sheet of 31 December 2000.

Company, location		Corp. reg. no.	Number of shares	Holding, % <sup>1)</sup>	Group share of equity, SEK M	Book value, SEK '000
<i>Owned directly by Sandvik AB</i>						
SWEDEN	Balzars Sandvik Coating AB, Stockholm	556098-1333	56 840	49	12.9	3 819
	Fasttrack Sweden Uthyrnings AB, Stockholm	556530-1180	940	48.5 <sup>2)</sup>	0.1	94
	G-Drill AB, Stockholm	556331-8566	5 000	25	2.0	4 000
	Procera-Sandvik AB, Stockholm	556350-7879	5 000	50	- <sup>3)</sup>	14 100
	QR Uthyrnings AB, Stockholm	556330-7775	4 700	48.5 <sup>2)</sup>	-	470
FRANCE	Eurotungstène Poudre S.A.		112 353	49	88.6	7 737
					103.6	30 220
<i>Owned indirectly by Sandvik AB</i>						
SWEDEN	Avesta Sandvik Tube AB, Fagersta	556057-8592	150 000	25	74.3	
	Fagersta Stainless AB, Fagersta	556051-6881	400 000	50	137.8	
	G-Drill AB, Stockholm	556331-8566	3 000	15	1.2	
	Associated companies owned by Seco Tools				4.6	
FINLAND	Caterpillar Impact Products Ltd.		400	40	8.7	
					226.6	
<b>Total</b>					<b>330.2</b>	

1) Pertains to share of votes, which also corresponds to share of capital unless otherwise stated.

2) Share of capital 90.4%.

3) Consolidated in accordance with the proportional method.

	GROUP	
	2000	1999
<i>Accumulated share of equity</i>		
At beginning of the year	311	371
Reclassifications	-	-1
Divestments	0	-35
Share of profits after net financial items of associated companies	54	0
Share of taxes of associated companies	-11	-4
Less dividends received	-32	-12
Translation differences	8	-8
Share of equity at end of the year	330	311

**NOTE 19. OTHER INVESTMENTS HELD AS FIXED ASSETS****Other companies**

According to the Balance Sheet of 31 December 2000	Holding, %	Book value, SEK M
<i>Owned indirectly</i>		
b-business partners B.V.	1	15
Eimco Elecon (India) Ltd.	25	4
Harvest Ventures	30	8
Thermia AB	5	4
Other shares and participations abroad	-	10
<b>Total</b>		<b>41</b>

**NOTE 20. INVENTORIES**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Raw materials and consumables	2 591	2 449	707	638
Work in progress	2 676	2 258	996	920
Finished goods	6 241	5 333	1 048	1 007
<b>Total</b>	<b>11 508</b>	<b>10 040</b>	<b>2 751</b>	<b>2 565</b>

**NOTE 23. CHANGES IN SHAREHOLDERS' EQUITY**

GROUP	Share capital	Restricted reserves	Unrestricted reserves	Consolidated net profit	Total
Reported at the end of 1999	1 552	9 065	5 872	3 620	20 109
Changes due to changed currency rates 2000	-	-	636	-	636
Appropriations of 1999 net profit	-	-	3 620	-3 620	0
Dividend paid	-	-	-2 070	-	-2 070
Transfer of retained earnings of associated companies	-	18	-18	-	0
Other movements between unrestricted and restricted shareholders' equity	-	-2 259	2 259	-	0
Translation differences	-	-	116	-	116
Net profit for the year	-	-	-	3 681	3 681
<b>Reported at the end of 2000</b>	<b>1 552</b>	<b>6 824</b>	<b>10 415</b>	<b>3 681</b>	<b>22 472</b>

Restricted reserves include profits retained in associated companies amounting to SEK 236 M.

Appropriations to restricted reserves, as proposed by subsidiary boards, reduce unrestricted Group equity by SEK 23 M.

PARENT COMPANY	Share capital	Share premium reserve	Legal reserve	Profit brought forward	Net profit	Total
Reported at the end of 1999	1 552	20	297	651	2 286	4 806
Appropriations of 1999 net profit	-	-	-	2 286	-2 286	0
Dividend paid	-	-	-	-2 070	-	-2 070
Group contributions, net	-	-	-	-253	-	-253
Tax effect of Group contributions	-	-	-	71	-	71
Net profit for the year	-	-	-	-	11 830	11 830
<b>Reported at the end of 2000</b>	<b>1 552</b>	<b>20</b>	<b>297</b>	<b>685</b>	<b>11 830</b>	<b>14 384</b>

**NOTE 21. LIQUID ASSETS AND SHORT-TERM INVESTMENTS**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Cash and bank balances	1 700	1 832	117	166
Short-term investments	397	537	260	266
<b>Total</b>	<b>2 097</b>	<b>2 369</b>	<b>377</b>	<b>432</b>

**NOTE 22. SHARE CAPITAL**

	2000	1999
Total number of shares at SEK 6 par value	258 696 000	258 696 000

It was decided at the Annual General Meeting held in May 2000 to switch from the earlier A and B shares to a single share class. All shares have one vote and carry equal rights to participate in the profits and net assets of the Company. With regard to convertibles, refer to the Report of the Directors.

The Sandvik share is listed on the Stockholm Exchange. Shares can also be traded in the US as American Depositary Receipts (ADR).

**NOTE 24. PARENT COMPANY ACCUMULATED DEPRECIATION IN EXCESS OF PLAN**

	Land and buildings	Plant and machinery	Equipment, tools, fittings and fixtures	Patents and similar rights	Total
Reported at the end of 1999	9	1 375	189	2	1 575
Current year's depreciation in excess of plan	1	121	11	-	133
Reported at the end of 2000	10	1 496	200	2	1 708

**NOTE 25. PARENT COMPANY OTHER UNTAXED RESERVES**

	Tax equalization reserve	Tax allocation reserve	Other untaxed reserves	Total
Reported at the end of 1999	53	1 666	39	1 758
Change during the year	-53	-453	-31	-537
Reported at the end of 2000	0	1 213	8	1 221

**NOTE 27. OTHER PROVISIONS**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Restructuring provisions	628	338	-	-
Warranty provisions	167	132	25	22
Personnel-related provisions	43	81	-	-
Other provisions	381	699	34	9
Total	1 219	1 250	59	31

**NOTE 26. PROVISION FOR PENSIONS**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Swedish PRI pension plan	992	916	787	730
Other pensions	1 591	1 372	49	54
Total	2 583	2 288	836	784

**NOTE 28. INTEREST-BEARING LIABILITIES**

Maturity after balance sheet date

	GROUP				PARENT COMPANY			
	Within one year	2-5 yrs	After five years	Total	Within one year	2-5 yrs	After five years	Total
Liabilities to financial institutions	3 836	728	339	4 903	30	447	163	640
Liabilities to Group companies	-	-	-	-	1 698	-	654	2 352
Convertible debenture loans	-	1 024	-	1 024	-	955	-	955
Other liabilities	65	102	64	231	-	-	-	-
Total	3 901	1 854	403	6 158	1 728	1 402	817	3 947

In addition, there is a long-term (maturity in 2004) credit facility amounting to SEK 6,175 M, which at year-end was unutilized. SEK 2,390 M of the available commercial paper program of SEK 4,209 M was utilized at year-end.

**Assets pledged for liabilities to financial institutions**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Real-estate mortgages	152	101	-	2
Chattel mortgages	210	219	-	-
Total	362	320	-	2

**NOTE 29. NON-INTEREST-BEARING LIABILITIES**

Maturity per balance sheet date

	GROUP		PARENT COMPANY	
Within one year	8 317		2 626	
Within 2-5 years	184		-	
After five years	30		-	
Total	8 531		2 626	

**NOTE 30. ACCRUED EXPENSES AND DEFERRED INCOME**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Personnel related	1 979	1 551	1 016	722
Other	1 371	1 289	125	244
Total	3 350	2 840	1 141	966

**NOTE 31. CONTINGENT LIABILITIES**

	GROUP		PARENT COMPANY	
	2000	1999	2000	1999
Bills discounted	102	96	-	-
Pension commitments not reported under provisions for pensions	39	33	-	-
Other surety undertakings and contingent liabilities	483	500	3 792	3 078
Total	624	629	3 792	3 078

of which, for subsidiaries 3 683 2 979

**NOTE 32. EXCHANGE-RATE DIFFERENCES AND CASH FLOW HEDGES**

	GROUP	
	2000	1999
Exchange rate differences in earnings		
Translations differences in operating profit	35	-37
Translations differences in financial items	-83	-111
Total	-48	-148

*Translation differences charged directly to shareholders' equity*

Accumulated translation differences for each foreign operation were not registered prior to 1999, nor was it considered practicable to produce them retroactively. Accordingly, accumulated translation differences pertain to currency movements from and including the 1999 fiscal year.

Translation differences charged directly to shareholders' equity	431	-321
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*Flow hedging*

Through buying and selling currencies forward, the Group to an extent hedges the value of future payments in foreign currencies. At the end of 2000, these hedging contracts covered the net flow for a period of 4.5 months, 40% of which pertained to contracted flow and 60% to forecasted flow of currencies.

At the close of 2000, the hedging of flows in relation to net flow of the most important currencies was as follows:

	No. of months' flow hedged
AUD	3
CAD	6
EUR	3
JPY	3
USD	9

Unrealized currency exchange gains, not included in reported profits, amounted to SEK 45 M.

**NOTE 33 SUPPLEMENTARY INFORMATION TO THE GROUP'S CASH-FLOW STATEMENT**

	GROUP	
<i>Adjustment for items not included in cash flow, etc.</i>		
Capital gains/losses	-344	
Provisions for pensions, etc.	279	
SPP surplus refunds	-454	
Other	-352	
	-871	
<i>Interest payments</i>		
Interest payments included in cash flow from operating activities		
Interest income	141	
Interest expense	-472	
<i>Acquisition and divestment of subsidiaries</i>		
Purchase consideration (paid in the form of liquid funds)		
Acquired subsidiaries	568	
Divested subsidiaries	-284	
Liquid funds		
Acquired subsidiaries	21	
Divested subsidiaries	46	
<i>Other more significant assets and liabilities</i>		
	Acquired subsidiaries	Divested subsidiaries
Fixed assets	326	-
Inventories	180	-
Operating receivables	184	9
Provisions	14	736
Operating liabilities	202	10
Other liabilities	93	-

# Proposed appropriation of profits

The Board of Directors and the President propose that the surplus brought forward from the preceding year	684 844 620
and the profit for the year	11 829 555 559
SEK	12 514 400 179
be appropriated as follows:	
a dividend of SEK 9.00 per share	2 328 264 000
carried forward	10 186 136 179
SEK	12 514 400 179

Sandviken, 15 February 2001

Percy Barnevik  
Chairman

Bo Boström

Georg Ehrnrooth

Per-Olof Eriksson

Göran Lindstedt

Arne Mårtensson

Lars Nyberg

Clas Reuterskiöld

Mauritz Sahlin

Clas Åke Hedström  
President

Our Audit Report was submitted on 7 March 2001

Bernhard Öhrn  
Authorized Public Accountant

Lars Svantemark  
Authorized Public Accountant

## Auditors' Report

**TO THE ANNUAL GENERAL MEETING OF SANDVIK AKTIEBOLAG; (PUBL)  
CORPORATE REGISTRATION NUMBER 556000-3468**

We have audited the annual accounts and the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Sandvik Aktiebolag for the year 2000. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant deci-

sions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act, and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and the balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Report of the Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Sandviken, 7 March 2001

Bernhard Öhrn  
Authorized Public Accountant

Lars Svantemark  
Authorized Public Accountant

Percy Barnevik



Per-Olof Eriksson



# Directors and Auditors

## DIRECTORS

**Percy Barnevik**, Chairman of the Board, London, England, b. 1941. Chairman of the Board of Investor AB, ABB Ltd. and AstraZeneca PLC. Director of General Motors, USA. Chairman of the Board of Sandvik AB since 1983. Sandvik shares: 150,000.

**Per-Olof Eriksson**, Sandviken, b. 1938. Chairman of the Board of Swedish National Grid, Thermia AB and Odlander, Fredrikson & Co. Director of Handelsbanken, Preem Petroleum AB, SSAB Svenskt Stål AB, AB Volvo, AB Custos, Skanska AB, Assa Abloy AB and the Federation of Swedish Industries. Member of the Royal Academy of Engineering Sciences (IVA). Director of Sandvik AB since 1984. Sandvik shares: 100,000.

**Mauritz Sahlin**, Gothenburg, b. 1935. Chairman of the Board of Air Liquide AB, FlexLink AB, IMEGO AB, Universeum AB and the Chamber of Commerce and Industry of Western Sweden. Director of Chalmers AB, Investor AB, BILLES AB, netMage AB, PayBox AG and the Federation of Swedish Industries. Director of Sandvik AB since 1993. Sandvik shares: 5,000.

**Clas Åke Hedström**, Sandviken, b. 1939. President and Chief Executive Officer of Sandvik AB. Director of Scania AB, AB SKF and the Association of Swedish Engineering Industries. Director of Sandvik AB since 1994. Sandvik shares: 25,616, options 86,000; convertible debentures corresponding to 750.

**Georg Ehrnrooth**, Helsinki, Finland, b. 1940. Chairman of the Board of Assa Abloy AB, Sanitec Oyj Abp and Pensionsförsäkringsbolaget Varma-Sampo. Director of Försäkringsaktiebolaget Sampo-Leonia Abp, Wärtsilä Oyj Abp, Oy Karl Fazer Ab, Nokia Oyj. Director of Sandvik AB since 1997. Sandvik shares: 6,000.

**Clas Reuterskiöld**, Stocksund, b. 1939. President and member of the Board of AB Industrivärden. Director of Telefon AB LM Ericsson, Handelsbanken, Skanska AB and SCA. Director of Sandvik AB since 1997. Sandvik shares: 2,000.



Clas Reuterskiöld



Arne Mårtensson



Lars Nyberg



Mauritz Sahlin



Clas Åke Hedström



Georg Ehrnrooth



**Arne Mårtensson**, Djursholm, b. 1951. President and CEO of Handelsbanken. Director of Handelsbanken, Holmen AB, V&S Vin & Sprit AB, Swedish ICC, Industry and Commerce Stock Exchange Committee, Council of World Economic Forum. Director of Sandvik AB since 1999. Sandvik shares: 500.

**Lars Nyberg**, Dayton, Ohio, USA, b 1951. Chairman of the Board and President of NCR Corporation, USA. Director of Sandvik AB since 1999. Sandvik shares: 1,000.

**Bo Boström**, Åshammar, b. 1949. Chairman, AB Sandvik Steel Union Committee, Metal Workers' Union, Sandviken. Director of Sandvik AB since 1988 (Employee representative). Sandvik shares: 710; convertible debentures corresponding to 500.

**Göran Lindstedt**, Sandviken, b. 1942. Chairman, Sandvik AB Union Committee, Industrial Salaried Employees' Association. Director of Sandvik AB since 1989 (Employee representative). Sandvik shares: 233; convertible debentures corresponding to 750.

## DEPUTY DIRECTORS

**Birgitta Karlsson**, Stocksund, b. 1952. Union Committee, Association of Graduate Engineers, Sandvik Västberga, Stockholm. Director of Sandvik AB since 1998 (Employee representative). Sandvik shares: 650; convertible debentures corresponding to 750.

**Bo Westin**, Köping, b. 1950. Chairman Union Committee, Metal Workers' Union, Sandvik Tamrock Tools, Köping. Director of Sandvik AB since 1999 (Employee representative). Sandvik shares: convertible debentures corresponding to 750.

## AUDITORS

**Bernhard Öhrn**, Stockholm, Authorized Public Accountant

**Lars Svantemark**, Stockholm, Authorized Public Accountant

## Deputies

**Åke Näsman**, Stockholm, Authorized Public Accountant

**Peter Markborn**, Stockholm, Authorized Public Accountant



Bo Boström



Göran Lindstedt



Birgitta Karlsson



Bo Westin



Clas Åke Hedström



Peter Larson



Lars Pettersson

## Group Executive Management

**Clas Åke Hedström**

President and Chief Executive Officer.  
B. 1939, M.Sc. Eng., employed since 1965.

**Peter Larson**

Executive Vice President. B. 1949, MBA,  
employed 1981-84 and since 1997.

**Lars Pettersson**

Executive Vice President. President of Sandvik  
Specialty Steels Business Area. B. 1954, M.Sc.  
Eng., employed since 1979.

**Anders Ilstam**

President of Sandvik Mining and Construction  
Business Area. B. 1941, A.E., employed since 1993.

**Anders Thelin**

President of Sandvik Tooling Business Area.  
B. 1950, M.Sc. Eng., employed since 1976.

**Rune Nyberg**

Vice President Group Staff Personnel.  
B.1949, MBA, employed 1983-1992  
and since 1996.

Leif Sunnermalm was Executive Vice President  
until 30 April 2000, and  
Gunnar Björklund was Executive Vice President,  
until 30 September 2000.

## Group Staffs and Service Companies

*Advertising and Identity:* Björn Jonson  
*Auditing and Special Projects:* Anders Vrethem  
*Communications:* Heléne Gunnarsson  
*Controller:* Ulf Åhman  
*Finance:* Gunnar Båtelsson  
*Intellectual Property:* Lennart Tåquist  
*IT:* Lars-Anders Nordqvist

*Legal Affairs:* Bo Severin  
*Personnel:* Rune Nyberg  
*Taxes and Financial Projects:* Thomas B. Hjelm  
*Technology:* Hans Mårtensson  
*AB Sandvik Information Systems:* Peter Lundh  
*AB Sandvik Service:* Åke Axelson



Anders Ilstam



Anders Thelin



Rune Nyberg

# Business units

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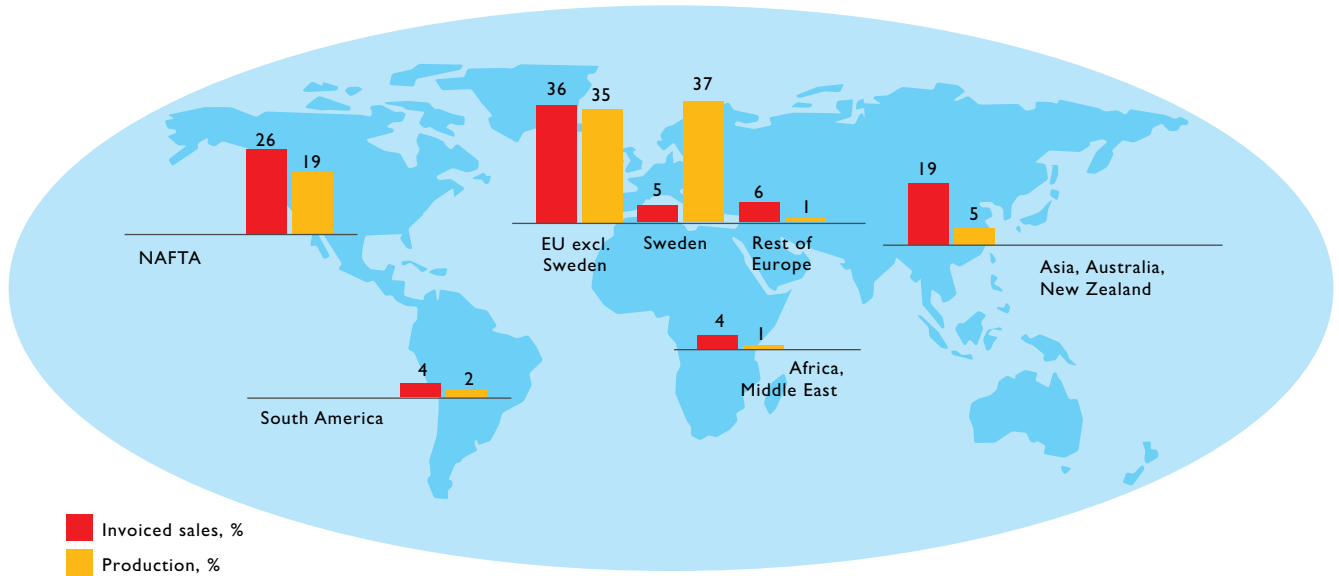
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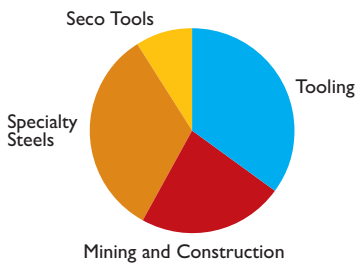
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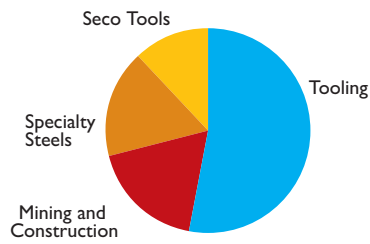
# Key figures



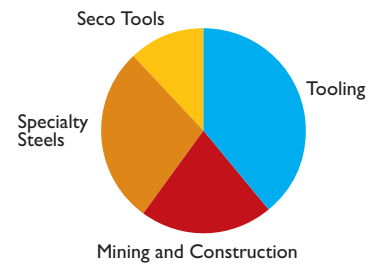
INVOICED SALES BY BUSINESS AREA



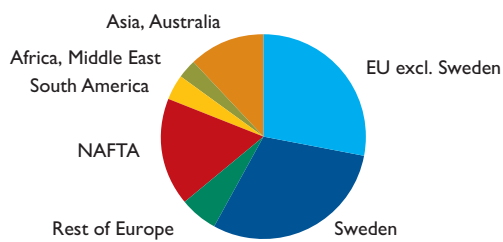
EARNINGS BY BUSINESS AREA



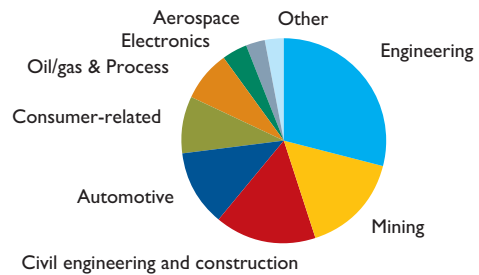
NUMBER OF EMPLOYEES BY BUSINESS AREA



NUMBER OF EMPLOYEES BY MARKET AREA



INVOICED SALES BY CUSTOMER AREA





## KEY FIGURES

	2000	1999	1998	1997	1996	1995	1994
Invoiced sales, SEK M	43 750	39 300	42 400	34 119	28 265	29 700	25 285
Profit after financial items, SEK M	5 804	5 465	3 935	4 205	4 453	5 620	3 811
as % of invoicing	13	14	9	12	16	19	15
Net profit for the year, SEK M	3 681	3 620	2 095	2 725	3 114	3 727	2 436
Shareholders' equity, SEK M	22 472	20 109	18 621	17 414	20 035	18 503	16 013
Equity ratio, %	53	52	47	47	64	64	59
Net debt/equity ratio, times	0.3	0.3	0.4	0.4	-0.1	-0.2	-0.2
Rate of capital turnover, %	104	95	104	96	86	101	95
Liquid assets, SEK M	2 097	2 369	1 800	2 494	5 557	6 893	6 591
Return on shareholders' equity, %	14.9**	12.4**	11.9	14.3	16.2	21.6	16.0
Return on capital employed, %	18.4**	15.1**	16.3	17.7	20.2	28.0	21.7
Investment in property, plant and equipment, SEK M	2 087	1 875	2 811	2 353	2 486	2 050	1 229
Total investments, SEK M	2 670	2 233	3 202	6 644	4 414	2 092	1 575
Cash flow from operating activities, SEK M	4 476*	3 394*	3 919*	4 984	3 866	984	1 400
Cash flow, SEK M	-334*	577*	-791*	-2 035	-1 682	164	1 215
Number of employees, 31 December	34 742	33 870	37 520	38 406	30 362	29 946	29 450

\* In accordance with new definition from 1998.

\*\* Excluding items affecting comparability.

## PER-SHARE DATA, SEK

	2000	1999	1998	1997	1996	1995	1994
Earnings <sup>1)</sup>	14.20	14.00	8.10	10.15	11.20	13.40	8.75
Earnings after dilution <sup>2)</sup>	14.00	13.90					
Shareholders' equity	86.90	77.70	72.00	67.30	72.00	66.40	57.50
Dividend (2000: proposed)	9.00	8.00	7.00	7.00	6.50	6.00	3.75
Direct return <sup>3)</sup> , %	4.0	3.0	5.0	3.1	3.5	5.2	3.1
Payout percentage <sup>4)</sup> , %	63	57	86	69	58	45	35
Quoted prices <sup>5)</sup> , highest	309	282	252	272	186	148	143
lowest	180	137	134	182	111	109	100
year-end	227	268	141	226	184	116	119
No. of shares at year-end (million)	258.7	258.7	258.7	258.7	278.5	278.5	278.5
Beta value <sup>6)</sup>	1.12	0.84	0.95	1.29	1.38	0.95	0.92
P/E ratio <sup>7)</sup>	16.0	19.1	17.4	22.3	16.4	8.7	13.6
Quoted price, % of shareholders' equity <sup>8)</sup>	261	344	196	336	262	175	207
Cash flow <sup>9)</sup>	17.30	13.10	15.15	19.30	13.90	3.50	5.00

Notes:

1) Net profit for the year per share.

2) Net profit for the year per share after dilution for outstanding convertible program.

3) Dividend divided by the quoted price at year-end.

4) Dividend divided by earnings per share.

5) Market prices before 11 May 2000 are weighted for Sandvik A and B shares.

6) Beta value shows the volatility of the share price compared with the entire market.

7) Market price of share at year-end in relation to earnings per share.

8) Market price of share at year-end, as a percentage of reported shareholders' equity per share.

9) Cash flow from operating activities divided by the number of shares at year-end.

Additional definitions, page 56.

## DEVELOPMENT BY BUSINESS AREA

	Invoiced sales			Operating profit					
	2000	1999	1998	2000		1999		1998	
	SEK M	SEK M	SEK M	SEK M	%	SEK M	%	SEK M	%
Sandvik Tooling	15 507	13 177	13 576	3 135	20	2 597	20	2 724	20
Sandvik Mining and Construction	10 184	8 808	9 379	1 073	11	674	8	340	4
Sandvik Specialty Steels	14 209	11 971	13 579	980	7	633	5	902	7
Sandvik Saws and Tools	/	2 153	2 694	/	/	153	7	205	8
Seco Tools	3 785	3 128	3 151	740	20	572	18	677	21

# Annual General Meeting

The Annual General Meeting will be held at Jernvallen in Sandviken on Monday, 7 May 2001, at 3:00 p.m.

Shareholders wishing to attend the Meeting must notify the Board either by letter addressed to Sandvik AB, Legal Affairs, SE-811 81 Sandviken, or by telefax +46(0)26-26 10 86, or by telephone +46(0)26-26 09 40 between 9:00 a.m. and 4:00 p.m. or via Internet on the Group's website ([www.sandvik.com](http://www.sandvik.com)). Notification must reach Sandvik AB not later than 3:00 p.m. on 2 May 2001. In order to qualify for attendance, shareholders must also have been entered in the Share Register kept by VPC AB

not later than 27 April 2001. Shareholders whose shares are registered as held in trust must have them temporarily re-registered with the VPC in their own names not later than 27 April 2001 to establish their right to attend the Meeting.

When making notification of intent to attend the Meeting, please state your name, personal or organization number, address and telephone number as well as information regarding any accompanying assistants. If you plan to be represented at the Meeting by proxy, such notice must be made known to Sandvik AB prior to the Meeting ●

## Payment of dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 9.00 per share for 2000.

The proposed record date is 10 May 2001. If this proposal is adopted by the Meeting, it is expected that dividends will be ready for remittance by 15 May 2001. Dividends will be sent to those who, on the record date, are entered in the Share Register or on the separate List of

Assignees, etc. Dividends will be remitted from VPC. To facilitate the distribution, shareholders who have moved should report their change of address to their bank in good time before the record date ●

### Financial information 2001/2002

First-Quarter Report	7 May 2001
Semi-Annual Report	8 August 2001
Third-Quarter Report	9 November 2001
Report on Operations in 2001	14 February 2002
Annual Report for 2001	April 2002
Annual General Meeting	7 May 2002

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