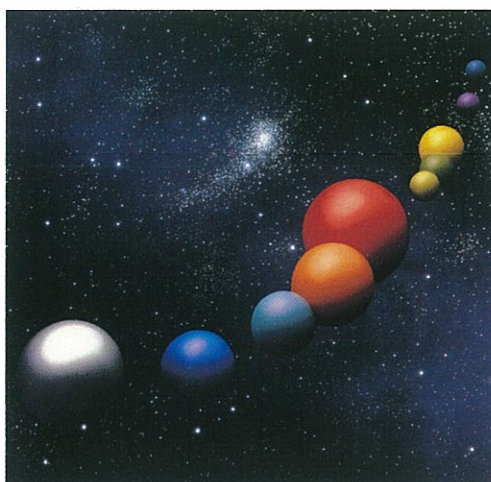


ANNUAL REPORT 1989



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THE COVER PICTURE

Within Sandvik we are on a voyage of discovery through the universe of materials.

For us it is a never-ending voyage. To develop and market new and existing materials in order to make them suit the customers' increasing demands. And therein we have been successful.

All the time, materials know-how is our guiding light.

Highlights of 1989

- *Sandvik's materials know-how reaps a harvest of success in a strong investment market that is continuing into 1990.*
- *The Group profit exceeded the record level of 1988 even though the variations in the price of nickel burdened the results of Sandvik Steel with a negative swing. The earnings per share rose by 16%.*
- *Adjusted equity capital grew by 34% to SEK 9,412m.*
- *Continued success in the marketplace for front-running Sandvik Coromant.*
- *Break-through by Sandvik Process Systems into new markets for vegetable dryers and sorting installations. Order books well filled for 1990 and beyond.*
- *Seco Tools admitted to the Stockholm Stock Exchange and now quoted on the "AI" list. Sandvik remains the majority owner.*

	1989	1988
Order intake, SEK m.	18,901	17,440
Invoiced sales, SEK m.	18,769	16,413
whereof outside Sweden, %.....	92	91
Profit after financial earnings and expenses, SEK m.	2,869	2,812
Return on investment, %	21.8	25.1
Return on adjusted equity capital after tax, %	22.8	24.7
Earnings per share, SEK	34:55	29:80
Dividend per share, SEK	7:50*	6:00
Number of employees, 31 Dec.....	26,779	26,501

* as recommended.

Sandvik at a Glance

The Sandvik Group is one of Sweden's largest exporting enterprises and is active all over the world through 160 companies in 50 countries. The Group has 27,000 employees and turns over about SEK 19bn. a year.

Since its foundation in 1862, Sandvik has developed from a provincial Swedish steelworks into a diversified materials-technology enterprise with a strongly international structure. Two factors that have done much to promote this development are ceaseless product renewal, featuring ever more advanced technology, and a purposeful commitment to international marketing in close contact with customers throughout the world.

The Group's operations comprise six separate business areas: Sandvik Coromant, Sandvik Rock Tools, Sandvik Hard Materials, Sandvik Steel, Sandvik Saws and Tools, and Sandvik Process Systems.

More than 90% of the sales volume is generated outside Sweden. With local production, warehousing, distribution and technical service and with efficient delivery systems, Sandvik can provide its customers with the on-the-spot service they demand.

Year by year, the Group ploughs about 4% of its aggregate turnover into research and the development of new products and production methods.

SANDVIK COROMANT

Sandvik Coromant is the world's leading supplier of cutting tools for turning, milling and drilling in most types of metalworking industry. Its operations are not concerned with tools alone but have developed in recent years towards a wider involvement in metalworking. Continuous expansion and renewal of the product range, backed by ever closer co-operation with customers and machine-tool makers all over the world, has also led to the development of complete systems and tooling setups for both manual and automated machining.

SANDVIK ROCK TOOLS

In rockdrilling techniques Sandvik has long been a world leader. Sandvik Rock Tools is the business area in which the relevant competence and know-how is concentrated.

Its products for percussive drilling include integral steels, extension drill-steel equipment and down-the-hole equipment, including hammers.

A speciality in the area of rotary crushing drilling is raiseboring equipment, used in civil engineering as well as in mining.

The product programme also comprises drill bits with diamond cutters, intended for oil drilling. For drilling in soft rock the company has developed a range of mineral and ground engineering tools that are used in coalmining for example, and also in road planing.

SANDVIK HARD MATERIALS

The basic idea of Sandvik Hard Materials is to exploit, in various applications, the unique properties of hardness,

toughness and wear resistance exhibited by cemented carbide.

Cemented-carbide blanks in large volumes for standardized cemented-carbide tools constitute one important area. Engineering components and forming tools make up another. The business area is also a major producer of cemented-carbide rolls for the hot-rolling of wire, bars and tubes.

Sandvik Hard Materials is a large producer of powder for the manufacture of cemented carbide, both for its own use and for sale to other consumers.

Its activities also extend to products made of new hard materials, e.g. engineering ceramics.

SANDVIK STEEL

Sandvik Steel has more than a century of tradition and experience as a producer of high-duty steels. The largest product group comprises tubes and stainless bar for industries that make heavy demands on dependability and safety, among them being chemicals and petrochemicals, power, and oil-and-gas extraction. Other Sandvik Steel specialities are alloys of nickel, titanium and zirconium for advanced purposes such as tubes for the nuclear power and aerospace industries.

Sandvik Steel's strip and wire products in high-alloy grades are used worldwide in various fields of application. Saws, razor-blades and stainless springs are familiar examples. The business area is also a major producer of strip and wire used to make precision parts in the automotive, electronics, telecommunications and power industries, and also for surgical purposes.

SANDVIK SAWS AND TOOLS

Sandvik Saws and Tools sells more than 500,000 saws, sawblades and other tools a day, making it one of the world's largest manufacturers in its field.

To tradesmen and hobbyists it offers a broad range of handtools and power-tool accessories. Its metalcutting saws, hole saws and files are used mainly in the engineering industry. Its shears, saws and other implements for pruning and general gardening tasks are bought by professionals and amateurs alike. It supplies the forestry industry with chains and guide bars for chain saws and processors, along with handtools and protective equipment.

SANDVIK PROCESS SYSTEMS

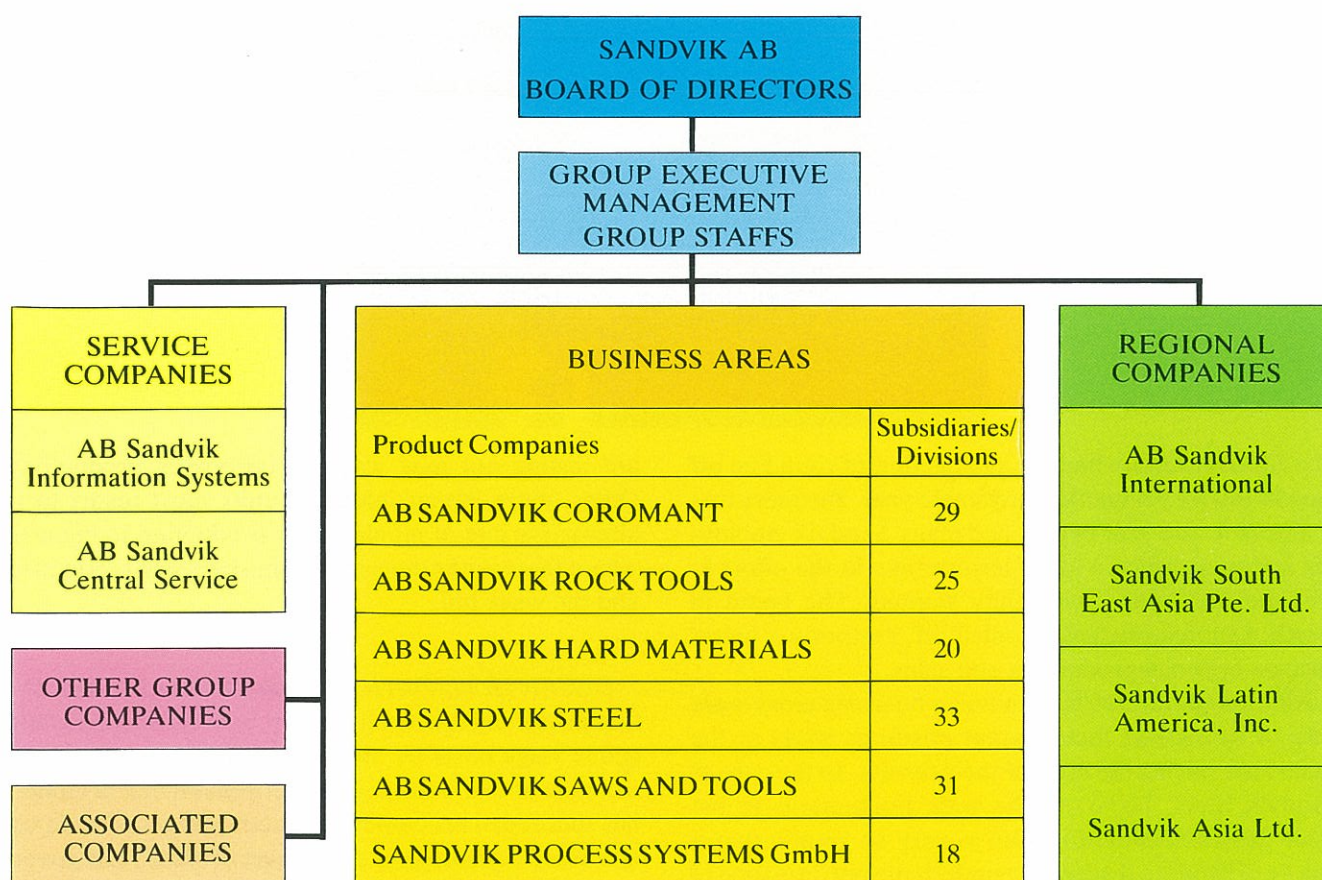
When the present century began, steel conveyor belts already had a place on the Sandvik Group's production programme.

High-quality steel belts remain the business area's core product today, being used in everything from plain conveyors to sophisticated process plants.

Sandvik Process Systems designs and markets process plants for the food and chemical industries and for the high-speed sorting of parcels.

Most of these installations feature steel conveyor or process belts, the key product of this business area.

Organization



BUSINESS AREAS

The basis of the Sandvik organization is provided by six separate business areas that answer for the development, production and sale of the Group's products. Each business area is handled by a product company. In each major market the product company maintains a subsidiary of its own or has a division of a conjoint Sandvik company.

REGIONAL COMPANIES

Outside the main markets, Sandvik's products are marketed by four regional companies:

AB Sandvik International, headquartered in Sandviken, is responsible for marketing in the Soviet Union, Eastern Europe, the People's Republic of China, the Middle East, and Africa apart from South Africa. It is also in charge of the selling and erection of construction projects, meaning turnkey factories and so on, within its market area.

Sandvik Latin America, Inc., located in Miami, U.S.A., is responsible for our marketing in Latin America other than Mexico, Argentina and Brazil. Operations within this region are conducted to a large extent through local subsidiary companies.

Sandvik South East Asia Pte. Ltd., which has its head office in Singapore, sees to the marketing of the Group's products in South East Asia through local subsidiary companies and agents.

Sandvik Asia Ltd., Poona, India, develops, produces and mar-

kets cemented-carbide products in India, Sri Lanka, Bhutan and Nepal through its own sales offices and agents.

SERVICE COMPANIES

There are two special companies, each responsible for its own profits, that provide the Group with conjoint services. Their biggest customers are the Sandvik units within Sweden, but they also sell their services to subsidiary companies outside Sweden and to external customers.

AB Sandvik Central Service is mainly active in the areas of logistics, personnel, accounting, real-estate management, and information and advertising.

AB Sandvik Information Systems provides services in the areas of systems development, computer technology, data processing, telecommunications, data communications and computer training.

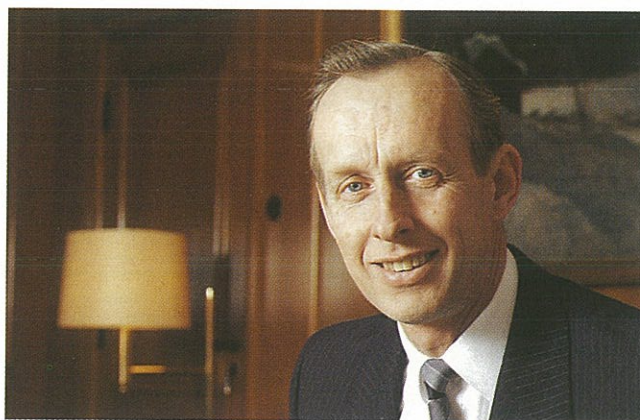
OTHER UNITS

Sandvik's organization also embraces a number of associated companies whose activities for the most part pertain to one of the business areas.

The term "Other Group Companies" covers companies or groups of companies which are under the direction of the Group Executive Management and have market strategies distinct from those of the six business areas.

Sandvik's Board of Directors, Group Executive Management, Group Staff Managers and Service Company Managers are presented on pages 42-43.

Sandvik, Sweden and Europe in a Global Perspective



The Sandvik Group had the satisfaction of rounding off the 1980s with yet another profitable year. Business was at a peak as the year began, and many Sandvik employees had to sacrifice a lot of leisure time in the effort to give our customers what they wanted. The boom in North America gradually cooled off, restoring a better balance between production and sales.

All through the 1980s, Sandvik's business areas were able to strengthen their market positions while at the same time raising the level of their results. In the case of Sandvik Steel, however, the wide fluctuations in the price of nickel caused results to vary so greatly that it can be difficult to discern the underlying performance of the company. Since supplies of the input stock nickel are purchased many months in advance of a finished production delivery to the customer, the 1988 rise in the prices of input stocks led to large inventory gains (about SEK 250m.). During 1989, as prices dropped, we incurred corresponding losses on inventories (about SEK 100m.). If we take the average for these two years we find that our engineering-oriented Sandvik Steel was yielding a return of about 23% on investment. An ever greater proportion of its earnings is being generated by operations outside Sweden. It has not proved possible to raise productivity sufficiently to offset the wage spiral that Sweden has seen in recent years. It is true that rising inflation produces short-term inflation gains on inventories, but this is of course accompanied by ever higher expectations as to yield.

ACTION PROGRAMME FOR INCREASED PRODUCTIVITY

The same effect was felt at Sandvik Saws and Tools, which carries on the bulk of its production at a number of small towns in Sweden. Its profitability fell in 1989, and its operations are yielding a return of 14% on investment. A programme of action has been mounted to restore profitability.

The world's largest saw factories, Lidköping producing metalcutting saws and Bollnäs producing handsaws,

are testing out new ways of improving productivity. Other, more labour-intensive units must resort to the alternative line of moving their production to countries where there is a better relationship between productivity and the wage bill.

DECENTRALIZATION AND SPECIALIZATION

Our prime endeavour, however, is to offset disadvantageous wage costs by stepped-up productivity. A good example of this is the Sandvik Coromant unit at Gimo. It has succeeded in combining the advantages of scale with increased commitment on the part of small, self-governing, specialized flow groups. Sandvik Coromant shows excellent profitability. The rest of Sandvik's cemented-carbide business has likewise been doing well, despite the fact that Sandvik Rock Tools is at present facing stiff competition in the market.

Thanks to a consistently pursued policy of specialization, Sandvik Process Systems, headquartered in Stuttgart, has developed along highly positive lines and reports outstandingly good results for 1989.

SWEDEN FACING THE 1990s

Even though only 8% of Sandvik's output is sold in Sweden, we still have about half of our production located there. In the short view, therefore, the course of events in Sweden is more important to us than it is in any other individual country. Regrettably, the prospects as we move into the nineties are not particularly bright:

- Sweden is entering on the decade with a gravely impaired balance of payments.
- The labour force in Sweden tends to spend fewer and fewer hours at work, with too many people employed in public-sector jobs.
- Competition for labour, both on the commercial side and among various parts of the public sector, has fostered an unhealthy wage spiral – even though employers, trade unions and Government are agreed that it *is* unhealthy.

The proposed tax reform offers a glimmer of hope, in that it might induce entrepreneurs to stay on in Sweden and that it makes it worth the individual's while to work more. If the reformers could combine it with further measures having an analogous effect they might succeed in activating a considerable pool of currently dormant labour for Sweden's export industry to draw on; at the same time we may hope that it will bring about a healthy degree of competition for jobs, and thereby put a brake on wage rises.

It ought to be self-evident that Swedish industry needs to be in a position to cover its power requirements at competitive prices. This cannot be achieved unless there is further expansion of electricity generation, since both productivity increases and environmental improvements bring with them a demand for more electricity.

In deciding questions of where to locate its production in Europe, Sandvik will be guided by how effectively its major units are able to function in Sweden.

THE GLOBAL PERSPECTIVE

In assessing the suitability of Sweden as a manufacturing country I have assumed that in one way or another it will eventually be a full member of a united Europe. Unless Sweden can export freely to Europe, then like most of the other big Swedish enterprises we shall be forced to make radical changes in our plans for investment in Sweden.

Europe can be regarded as a deutschmark-dominated currency zone, and our Swedish currency should as soon as possible be integrated more closely into European currency co-operation.

I believe, then, in a united Europe, but I can see a risk of clashes with the other big currency blocs, i.e. the dollar zone in North America and the yen zone in the Far East. For the time being, the remaining parts of the world will play a subordinate role in the global perspective. If antagonisms between the currency blocs were to lead to an increase in obstacles to trade it would be important for Sweden to belong to the European bloc.

Sandvik has compelling grounds for balancing its presence in these blocs. For example, our considerable upgrading in the U.S., ranging as high as 75%, has made us less sensitive to the fluctuations of the dollar. Another consideration is that there are still powerful psychological obstacles to trade that could set limits to our market shares if we do not have sufficient production within the zone in question. We shall endeavour to retain our relatively high proportion of production in North America. At the same time we propose to increase our proportion in the yen zone and to step up our marketing efforts in this fast-growing part of the world.

DEVELOPMENTS IN THE NEXT FEW YEARS

During the second half of the 1980s the world economy has shown relatively strong growth. There is reason to believe that the pace will slacken in the early 1990s, without in any way resembling the tribulations with which the 1980s began, which in their turn were caused by the inflationary economy of the 1970s.

I believe, therefore, that we shall see some years of moderately good growth for the mature industries in which Sandvik has its core business. In North America, growth during 1990 will be feeble, while investment-oriented industry, most notably in Germany and Japan, will continue to develop strongly.

The prices asked for takeover candidates have been steadily ratcheting upwards. During 1989 it was hard to find any of larger size that were profitable, but we did put through some purchases of smaller enterprises when we discerned prospects of worthwhile synergies. We are of course continuing to seek out such opportunities, bearing in mind that our growing cash resources and our strong balance sheet give us free hands to undertake such expenditures as we consider necessary to consolidate and advance our market position in a global perspective.

Sandvik's aim is to maintain the good level of profitability that was achieved in 1988-89, despite an expected slowdown in the growth of the economy. For 1990 we are counting on an invoicing upturn of about 5%. It is difficult to forecast results with any great accuracy, given the current uncertainties of Sweden's economic situation, but earnings should be on the same order of magnitude as in 1989.

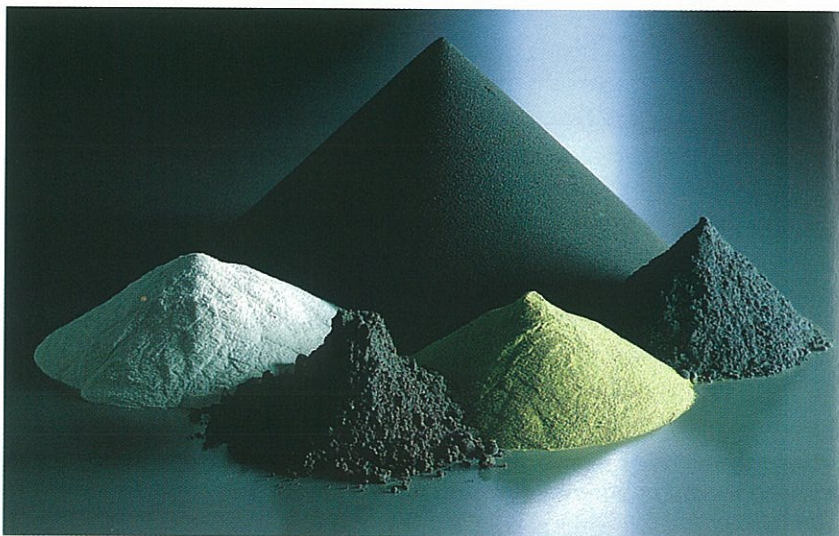
Sandviken, March 1990

Per-Olof Eriksson
Group President and Chief Executive Officer



The cemented-carbide products account for more than half the Sandvik Group's sales. Foremost among them are tools for the turning, drilling and milling of metals, along with rockdrilling tools, engineering components, etc.

Cemented carbide is made from a carefully formulated mixture of hard-wearing carbides and a tough binder metal in powder form.



Cemented Carbide



In the manufacture of cemented carbide the grains in the powder mixture must be spherical in shape and uniform in size.

	1989	1988
Invoiced sales, external, SEK m.	9,644	8,693
Result after financial items, SEK m.	1,773	1,562
Balance-sheet total, at 31 Dec., SEK m.	8,742	7,725
Solidity, %	51	52
Capital expenditures, SEK m.	698	881
Number of employees, 31 Dec.	14,447	14,248

Sandvik is the world's leading manufacturer of cemented-carbide products. This line of activity accounts for over half the Group's turnover.

In contrast to steel, for example, cemented carbide is a powder-metallurgical product. The starting stock from which it is manufactured is a carefully formulated powder consisting of wear-resistant carbides with a tough metal as a binder. Originally, tungsten carbide and cobalt were predominant as the hard component and the binding component respectively.

The composition of today's cemented carbide is more complex. Tungsten carbide has been joined by the carbides of titanium, tantalum and niobium. Cobalt remains the pre-eminent binding metal, but nickel and chromium are also used.

The powder is compacted under great pressure, sometimes to highly complicated shapes and close tolerances. During the subsequent sintering, which is carried out at around 1,500°C, the compact shrinks in volume by about 50%.

Sintering leaves the material extremely hard, yet at the same time tough. This unique combination of hardness and toughness is exploited in such products as cutting tools for metalworking, buttons for rockdrilling bits, and engineering components that are exposed to exceptional abrasion.

The cemented carbide can be made still more wear-resistant by coating the surface with a thin layer of ceramic-like materials. Tool inserts for metalworking are often so coated.

To complement its cemented carbide, Sandvik also has considerable resources for developing and manufacturing products in other hard materials, e.g. ceramics and diamond.

The Group's cemented-carbide operations are organized in three business areas: Sandvik Coromant, which makes cutting tools, Sandvik Rock Tools, specializing in rockdrilling tools, and Sandvik Hard Materials, which among other things makes engineering components. Also included is Seco Tools AB, an autonomous group of companies which since 1989 has had a stock-exchange listing and issues its own financial reports.

Sandvik Coromant

1989

1989 was another year of strong performance at Sandvik Coromant. Our return on investment exceeded the Group target of 20% by a wide margin. Invoicing rose by 11% (13) and volume by 9% (12). In practically all markets we were able to increase or hold our market shares, thereby further consolidating our position of world leadership. We moreover achieved an improvement in results from the record level of the previous year.

A continued strong increase in sales was reported from North America, coupled with a growing proportion of direct selling to the final user on the European pattern. In Europe, too, growth was good all along the line. Outside the European markets, development was particularly favourable in Japan and Mexico.

LEADING THE ADVANCE

A cornerstone of our commercial strategy is that we must be, and must be seen to be, the world leader in our industry. To that end, the leitmotiv in all parts of our operation is ceaseless innovation and development, this being the key to our strong position and to our continued success as we move into the nineties. Year by year we allocate something over 6% of our sales revenues to research and development, which in cash terms is several times more than any of our competitors spend.

The development of new products is of central importance, and our efforts in this direction range over a broad spectrum.

Our new turning programme, featuring entirely new grades of cemented carbide and new insert geometries, has proved to be a winner and represents technology at its highest in design and manufacture alike.

The new coated milling grade GC-A, in combination with a wholly new generation of milling inserts under the name "New Wave", is a good example of trailblazing innovation and has every prospect of achieving the same kind of success as coated turning inserts scored when



Management team: Standing l. to r.: Rune Nyberg, Mats Carlerös (Exec.V.P.), Lars-Anders Nordqvist (Exec.V.P.), Sten Jansson, Sven Blomberg.
Seated l. to r.: Leif Sunnermalm (Exec.V.P), Clas Åke Hedström (President).

	1989	1988
Invoiced sales, external, SEK m.	5,197	4,692
Balance-sheet total, at 31 Dec., SEK m.	4,382	3,806
Solidity, %	73	68
Capital expenditures, SEK m.	312	240
Number of employees, 31 Dec.	7,232	7,128

"AFFORDABLE AUTOMATION"

The expansion and development of our activities in the area of machine-shop automation continued according to plan. Our subsidiary company Sandvik Automation GmbH, based in West Germany, brought out a new product line on the theme of "Affordable Automation". Among other things it covers sophisticated PC- and VAX-based software packages, designated Coroplan® and Corotas® respectively, which are revolutionizing methods of production preparation and tooling management.

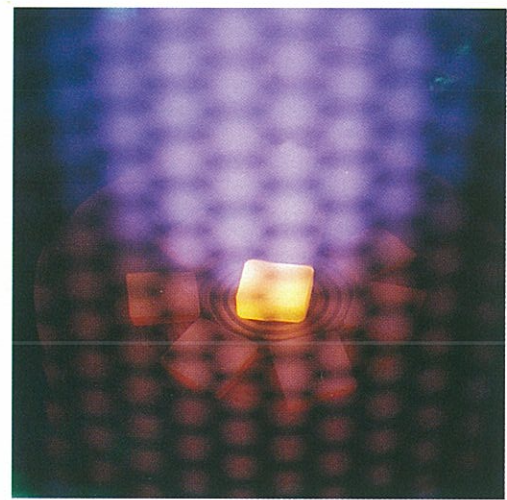
At the beginning of the year Sandvik Coromant acquired a minority holding in Automation Intelligence Inc., of Orlando, U.S.A. This company, which specializes in automation products and the provision of services mainly for the automotive and aerospace industries, turns over about SEK 75m. a year and employs some 155 specialists. Joint development and marketing activities are opening up some interesting perspectives.

FUTURE PROSPECTS

Consistent and goal-oriented development work, based on the needs of customers, and heavy commitments to stepped-up efficiency, productivity and motivation throughout the organization have put us into a good position to face the new decade. We have every prospect of further strengthening our relative competitiveness and our leadership, while at the same time maintaining our good profitability level.



Another generation of coated milling inserts has been successfully launched under the name "New Wave".



The diamond coating of carbide inserts is one example of new technology in course of development.



The Technology Centre in Gimo goes in for the further training of young people in a new industrial environment.



New automation products set the stage for more flexible production in the metalworking industry.

Sandvik Rock Tools

1989

The mining and civil-engineering industries both had a busy year in 1989. The products of Sandvik Rock Tools came in for brisk demand, helping to get our new market organization off to a good start. Our tools for percussion drilling, which account for about 60% of the turnover, used to be sold exclusively through a distributor. This arrangement was brought to an end on 1 August 1989, by which date we had built up a market organization of our own, based on the Sandvik Group's worldwide network of subsidiary companies. For Sandvik Rock Tools to run its own sales organization is wholly in line with Group strategy.

In our marketing we currently employ about 200 people – all of them with long experience of the industry. We also have agreements with a large number of distributors through whom we can reach medium-sized and small customers.

By the end of the year the rate of order intake in percussion drilling was already close to the level that would be required to maintain the market share we had previously captured. Growth in other product areas continued during 1989.

The costs of building up the new market organization were charged in full against the year's results. For the first seven months of 1989 the emergent organization worked in parallel with the former partner. Considerable expenses incurred in winding up the collaboration were likewise charged against the results, which in consequence were lower than in earlier years.

STRATEGY

Sandvik Rock Tools numbers among the world's leading manufacturers and suppliers of rockdrilling tools for all fields of application. As examples, our broad product programme covers tools for the mining industry, civil engineering, water-drilling, coal extraction, full-face drilling and oil-drilling.

The market is exhibiting strong development in the technology of breaking rock and of drilling holes in rock and through overburden. In many cases it is the tools that set the limits to technical innovation. Sandvik Rock Tools has the resources to play its part in the devel-



Management team: Standing l. to r.: Sigvard Björk, Lars Liljeblad, Göran Wijk, Hans Mårtensson, Sven-Olov Björkorp. Seated l. to r.: Ole Jakobsen (President 5 Mar. 1990), Lars Östholm (President).

	1989	1988
Invoiced sales, external, SEK m.	1,581	1,292
Balance-sheet total, at 31 Dec., SEK m.	1,399	1,276
Solidity, %	29	29
Capital expenditures, SEK m.	146	366
Number of employees, 31 Dec.	2,223	2,104

opment that is going on in all fields of technology and in all markets. Products must be turned out in rationalized plants and must reach the customers through a worldwide company-owned organization.

PRODUCT DEVELOPMENT

Our product development is carried on in close collaboration with our customers. In many cases there are great advantages to be gained by intimate co-operation with drill manufacturers. At the beginning of the year we signed an agreement with the Finnish company Tamrock, a member of the Tampella Group, providing for joint product development on a large scale.

This link-up is primarily concerned with percussion drilling, but could be extended to other areas as well.

By the acquisition at the end of 1988 of Sandvik Mission – a world leader in down-the-hole equipment – we have laid the foundation for intensive product development in this area as well.

Our own product development has been centred round our new patent invention DP carbide, which possesses greatly improved properties as regards wear and toughness. In the course of the year we launched a new bit programme, featuring three different grades of DP, which covers most of the drilling conditions met with today.

The combination of a renewed product programme and a new company-owned organization with which to serve the market puts us into a still better position to satisfy the needs of our customers. This is one factor in the success that is already beginning to shape up.

THE PROSPECTS FOR THE 1990s

Growth in the mining industry can be expected to slacken as a consequence of the fall-off in metal prices. At the same time, a strong upsurge is under way in the areas of infrastructure and building, so that overall we are counting on a substantially unchanged market in 1990. In view of the above-mentioned extra costs of a non-recurring nature with which 1989 was burdened we are expecting the year 1990 to bring a significant improvement in our profitability.

During the past year, Sandvik Rock Tools has built up its own worldwide organization to market our broad range of rockdrilling tools. We now have more than 200 people – sales engineers, technical service personnel and others – on station in most markets to handle the vital direct contacts with our customers. These pictures show just some of them.



Hongkong. Kent Chan (right) visits a contractor who is using our TUBEX method for a job of civil engineering.



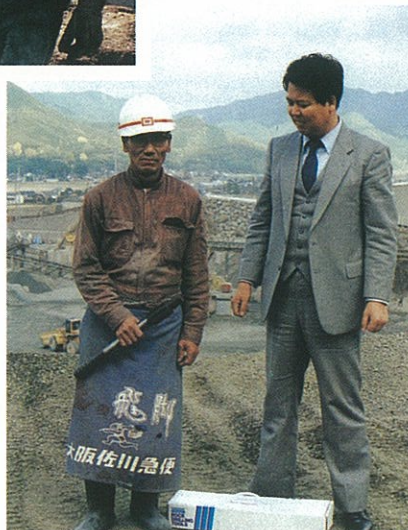
Canada. Claes Wikström takes part in drilling a hole for a cable under a motorway in British Columbia.



Sweden. Ronald Ericsson (white helmet) talks rockdrilling on a roadbuilding job outside Stockholm.



Brazil. Ataliba Ramalho Filho on site with Sandvik equipment for production drilling.



Japan. Kenji Funahashi (right) calls on a drill-steel grinder in a large Japanese quarry.



U.S.A. Lennart Johansson engaged on a water-drilling project in Pennsylvania.

Sandvik Hard Materials

CONTINUED CHANGE IN 1989

Sandvik Hard Materials (SHM) has undergone a transformation in recent years. Once essentially an intra-Group supplier, it is now a straight mercantile enterprise that does 81% of its business with customers external to Sandvik. Its dealings with other Sandvik companies are conducted wholly on market-oriented commercial terms and will account in the years ahead for 10–15% of its turnover.

As part of the restructuring process, SHM has in the last few years put through strategic company acquisitions designed to strengthen its standing within the EC and in Asia and Australia.

During 1989 the work of change involved SHM in substantial expenditures. All the essential structural measures in acquired undertakings have now been completed. Positive effects on productivity are expected to emerge during 1990.

Operative activities at the other subsidiary companies have developed along positive lines, and SHM has now achieved a strong position in most European countries, in Australia and also in Taiwan, giving it a bridgehead in the Asiatic market.

Since the beginning of 1990 two-thirds of SHM's production has been located within the European Community, while at the same time production in Sweden has been reduced to less than 15% of the total volume. This means that SHM is only to a limited extent affected by the unfavourable trend of costs in Sweden.

The return on investment has developed favourably and is now not far from the Group target of 20%.

MARKETS AND COMPETITORS

Roughly speaking, the market for SHM's products is equally divided between three areas: Europe, North America, and the rest of the world, with Japan and South-East Asia predominant in the last-mentioned.

Both in our European home territory and on the world market as a whole, SHM is the biggest player. The pattern of competition is highly fragmented; in each market area there are a few major players together with a large number of small local undertakings. Hardly any-



Management team: L. to r.: Lars Wahlqvist (President), Roland Setterberg, Jöran Bimer.

	1989	1988
Invoiced sales, external, SEK m.	744	703
Balance-sheet total, at 31 Dec., SEK m.	768	647
Solidity, %	38	43
Capital expenditures, SEK m.	117	34
Number of employees, 31 Dec.	1,530	1,399

one, apart from SHM, covers all market areas.

one, apart from SHM, covers all market areas.

In order to cope with the demands of customers and the pattern of competition, SHM operates two main strategies:

- Products with a certain degree of standardization are made in large volumes at a small number of production units for global marketing through SHM's own sales organization.
- Customized non-standard products, usually in relatively small volumes, are made in a number of local produc-

tion units and are marketed locally through SHM's own sales organization.

This approach enables us to face both the few big competitors and the local players in the market and to achieve efficient production and distribution. Fierce competition is the rule all along, and low production and distribution costs are crucial if good profitability is to be attained.

NEW PRODUCTS

The CIC rolls – hot-rolls in cast-in carbide – that were introduced at the end of 1988 have attracted keen interest. SHM has thereby staked a claim to a new market segment for cemented-carbide rolls that holds great potential.

SHM has launched some new, very fine-grained grades of carbide intended for drills in the electronic industry, and also a corrosion-resistant carbide for the teeth of circular sawblades. Market prospects in both these areas are highly promising.

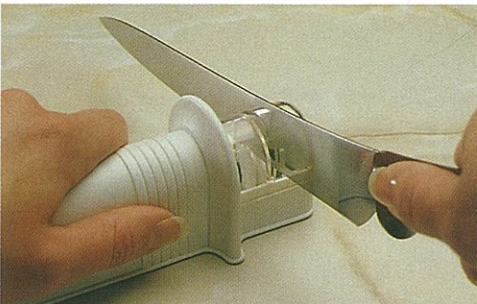
Ceramic dental crowns have been put through clinical testing, and the development of these and other advanced ceramic products is going ahead.

PROSPECTS FOR 1990

Economic and industrial activity is expected to decline during 1990 in most of SHM's market areas, with slower growth in consequence. However, the advent of new products and the effect of completed rationalization schemes should enable the company to increase its market shares in several product areas and thus to maintain its results at the 1989 level.



Many helicopters incorporate cemented-carbide parts supplied by Sandvik in the crucially important ball-joint between the rotor shaft and the rotor blades, as a safeguard against wind and weather and all the abrasive material that the swirling air picks up from the ground.



This knife-grinder, made by Fiskars, is very effective. The ceramic discs that whet the cutting edges are supplied by Sandvik.



Black & Decker's new electric saw, the Alligator™, has sawblades with carbide teeth from Sandvik. They are used for sawing in materials that subject the teeth to especially heavy abrasion.

At some fifteen factories around the world, like this one in Taiwan, Hard Materials turns out products that are adapted to suit the needs of the local customers.

Sandvik Steel

THE MARKET

Sandvik Steel's invoicing increased in 1989 by 20% to reach SEK 6,479m., on the heels of a 33% rise in 1988. The greater part of the 1989 increase was due to the rising prices of alloying metals, above all nickel (see the graph). The price of nickel, which peaked out in the first half, was lower by the end of the year than it had been at the end of 1988. Since there is a wide gap in time between the purchasing of the nickel and the selling of the final product the swings in the price of nickel cause inventory gains and losses that affect the reporting of Sandvik Steel's results.

In the 1988 result of SEK 677m., the inventory gains related to the prices of input stocks were reported at SEK 250m. The 1989 result, SEK 420m., was burdened by losses corresponding to about SEK 100m. If inventory gains and losses are stripped out, a better idea as to long-term development is obtained. The average return on investment for 1988-89 was 23%. When inflation is rising, this yield indicator has to meet higher requirements.

PRODUCTION - CAPITAL EXPENDITURES

Capacity was utilized very nearly to the full during the year. In Sweden, the labour shortage entailed severe problems in production and imposed limits on the pace of deliveries. The increase in production was greater outside Sweden than it was at the Parent Company. Capital expenditures continued to run at a high level and were directed towards capacity increases at bottlenecks and towards measures of rationalization and quality improvement.

- An electromagnetic stirrer was installed at the continuous-casting plant in Sandviken.
- The forging press and billet mill were modernized and another peeling machine was commissioned.
- At the Tube Division, a new pilger mill was installed. The capacity for zirconium and titanium tubes was increased both in Sandviken and in the U.S., as also was the heat-treatment capacity for thin strip in Sandviken.

In the course of the year, Sandvik Steel acquired Gunnebo's stainless-wire business with its wire-drawing



Management team: Standing l. to r.: Bo Jonsson, Henrik Widmark, Lennat Ek. Seated l. to r.: Gunnar Grünbaum, Gunnar Folke (Executive Vice President), Gunnar Björklund (President), Åke Axelsson.

	1989	1988
Invoiced sales, external, SEK m.	6,479	5,337
Result after financial items, SEK m.	420	677
Balance-sheet total, at 31 Dec., SEK m.	4,993	4,358
Solidity, %	40	36
Capital expenditures, SEK m.	382	164
Number of employees, 31 Dec.	6,813	6,543

works in Sweden, together with shares in the distribution company Amstek in the U.S. This purchase brought us an invoicing increment of SEK 160m. a year, at the same time creating the pre-conditions for the vigorous rationalization of our stainless-wire manufacture.

DISTRIBUTION - MARKETING

Within its product areas Sandvik Steel has an efficient distribution apparatus with its own warehouses at the subsidiary companies in all important industrial countries.

Sandvik Steel is well placed to exploit the increased freedom of action

offered by the European Common Market. The same applies to the North American market, where the U.S. and Canada are now successively reducing the internal obstacles to trade.

During the year we established a European warehouse for welding wire in Düsseldorf, giving us greater scope to provide a fast and efficient service in Europe. Backed by modern communications systems, direct distribution from central production stocks gives greater reliability in effecting deliveries.

STRATEGY AND PROSPECTS

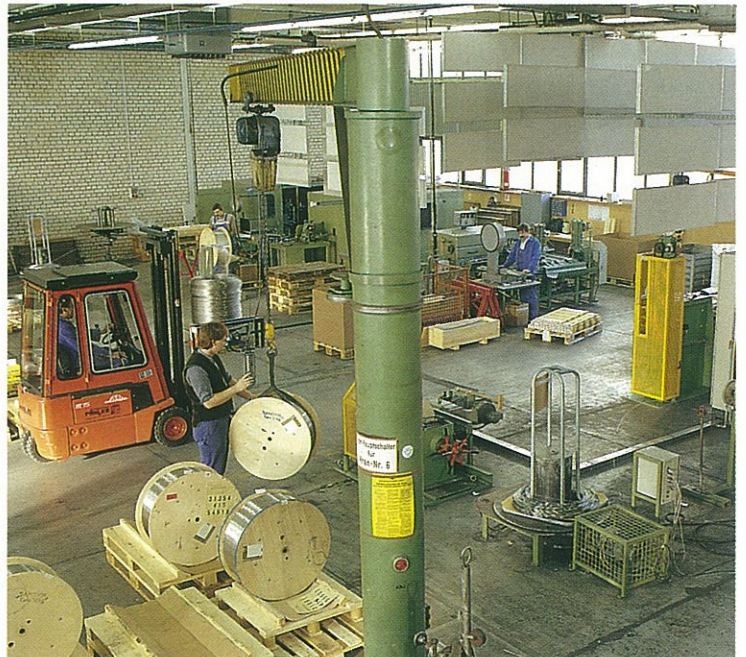
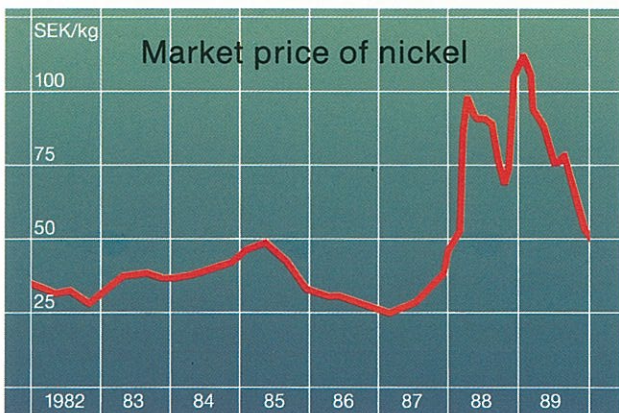
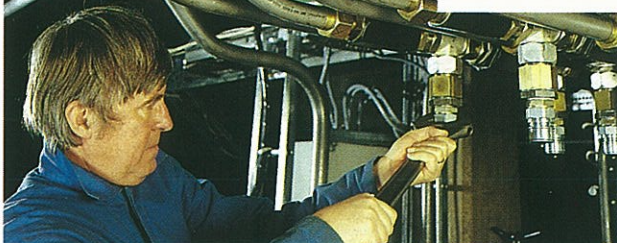
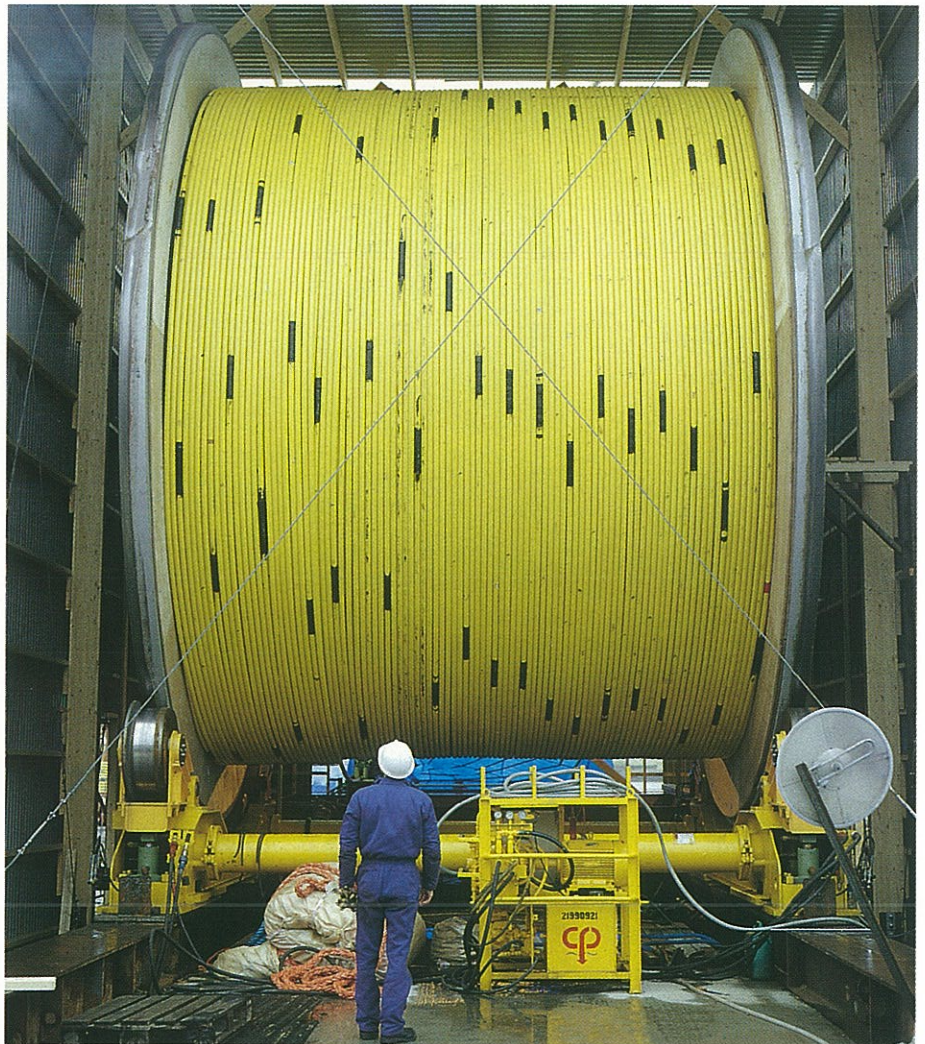
Sandvik Steel is staying with its strategic commitment to niches in which we can secure advantages in development, manufacture or distribution. By company acquisitions and forward integration, growth is to be generated in mature product areas as well. Direct contact with important end-users and distributors provides the foundation for active product development within new product areas.

In recent years, Sandvik Steel has established a stable level of profitability, yielding a return well above market rates of interest. As the company entered 1990 the order position was still strong as regards the investment-related tube products, albeit the more consumer-oriented strip and wire products were showing some signs of weakness. We therefore count on being able to continue developing Sandvik Steel as an important and highly viable part of the materials group Sandvik.

Researchers at Sandvik Steel won the 1989 Wilhelm Haglund Medal for their development of new duplex stainless steels that possess great resistance to corrosion combined with excellent strength properties.

Plastic-coated tubes of this type are used in lines for the remote control of regulatory equipment at very great depths in the extraction of North Sea oil. The lines are laid from coils containing 50,000 metres of tube (right).

Duplex tubes are also used in hydraulic systems as a way of enhancing safety.



The movements in the price of nickel over the past three years have powerfully affected the results of Sandvik Steel.

Sandvik Steel's new centre in Düsseldorf for the finishing and distribution of welding products is boosting our competitiveness on the European market.

Sandvik Saws and Tools



Management team: Standing l. to r.:
Peter Renwick, Nils Engström, Anders Ågren.
Seated: Göran Gezelius (President).

	1989	1988
Invoiced sales, external, SEK m.	1,475	1,458
Result after financial items, SEK m.	76	123
Balance-sheet total, at 31 Dec., SEK m.	945	882
Solidity, %	49	49
Capital expenditures, SEK m.	60	37
Number of employees, 31 Dec.	1,782	1,991

1989

The result fell by almost a half from the 1988 level, and represents a return of 14% on investment.

There were two main reasons for the sharp deterioration in earnings:

The first is that we have expanded our sales organization in the U.K., France and the U.S., and this has not yet paid off in increased sales volumes.

The second is that production costs, especially in Sweden, have been rising at a faster rate than our selling prices. Costs have been in a rising trend for several years, but until recently they were partly offset by increases in production volumes. In 1989, leaving structural changes out of account, our invoicing rose by 4%, whereas volume growth stagnated.

STRATEGY

The users of our products and our customers alike make two main demands: the products must be first class, and they must be to hand when wanted. Putting it in slogan form: "Performance tools – always available".

Our products are used chiefly by professionals: tradesmen in building and manufacturing, in repair and maintenance, in silviculture and horticulture. Many of our tools are also in demand among quality-minded hobbyists.

Each of our four product areas has its main channel of distribution, but is also sold through at least one other channel as well.

We reach the end-user through industrial distributors, hardware retailers, department stores, supermarkets and so on. The more differentiated distribution of forest-

ry and gardening products goes through the chain-saw trade, garden centres and farming - and - forestry co-operatives.

DIVESTMENTS AND ACQUISITIONS

In the course of the year, Sandvik Saws and Tools sold its bandsaw division to AB Sandvik Steel. This left it free to concentrate more fully on four product areas: metal-cutting saws and files, woodworking handtools, forestry tools, and gardening tools.

As regards forestry tools, we carried out the planned restructuring of Edsbyns Industri AB and our North American acquisition Windsor by co-ordinating range, production and marketing, the last-mentioned within the framework of Sandvik's international sales organization.

In the year under review, Sandvik Saws and Tools bought Viialan Viila of Finland and the file division from Stubs of Britain, which is expected to boost our 1990 file sales by about SEK 40m.

LOOKING AHEAD TO 1990

During the 1990s the battle for market shares will be fought on the field of distribution. With this in mind, Sandvik Saws and Tools initiated several wide-ranging projects in 1989 aimed at enhancing its ability to meet customer demands for reliable, fast and cost-effective distribution.

For 1990 we are counting on somewhat higher sales and, in particular, on a slowdown in cost increases as current rationalization projects take effect. The benefits to results will not come through in full during 1990, but we expect it to be a more profitable year than 1989.



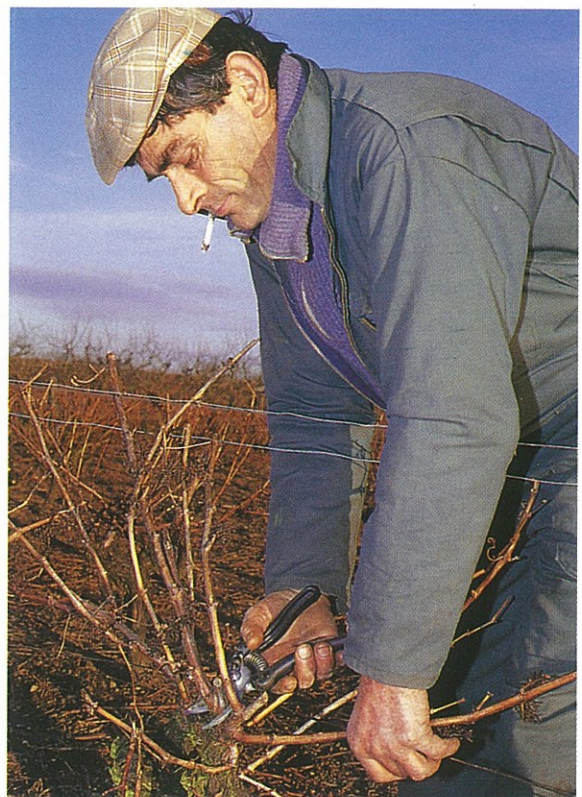
We are one of the world's largest manufacturers of saws and sawblades for metalcutting – a very common operation in many kinds of industry.



Every year we make more than five million saws for the performance of exacting tasks in the building industry, for repair and maintenance work and so on.



In the area of forestry tools the year 1989 saw a co-ordination of operations under the name of Sandvik Windsor. The products cover the entire silvicultural cycle – from the seedling to the stump.



We make a wide range of gardening tools. Many wine-growers, for example, use our secateurs for pruning their vines.

Sandvik Process Systems



Management team: L. to r.: Pier Giorgio Bottacin, Erhard Milewski, Håkan Olofsson (President), Herbert Würmseher, Rolf Hemlin.

1989

Process Systems, in its twentieth trading year, again showed good growth. The order intake rose by 28% and sales by 17%. The result represents a return on investment which exceeds the Group target of 20% by a wide margin.

Our three product areas remained in their uptrend. Steel belts, process plants for industry and sorting systems constitute the basis of our growth and will continue to do so during the 1990s.

The bulk of the business area's activities, 52% to be exact, was concerned with Europe, followed by Japan and North America. In the Far East, the Korean market developed very rapidly, prompting us to open a new production facility in Seoul in order to take advantage of this important potential.

The growing significance of the foodstuffs industry encouraged Process Systems to set up a fourth product centre specifically devoted to its needs, with effect from 1 January 1990.

STEEL BELTS

The steel belt is still the ideal solution to problems of conveying and processing in traditional fields of application, such as baking, cooling and the production of particle boards, and the new ones that are steadily being added to the list, such as the production of decorative laminates. The trend towards larger and more sophisticated belt conveyors resulted in strong growth during 1989.

A major investment in a new production line for wide strip, which has brought with it enhanced strip quality and shorter delivery times, has enabled Process Systems to meet the growing demand from the particle-board and laminate industry.

PROCESS PLANTS, CHEMICAL INDUSTRY

This product area includes solidification and cooling plants for transforming molten stock into flakes, grains, strips and pastilles. Our patented design and our ability to deliver turnkey plants mean that the Rotoform pro-

cess can be considered the ideal choice for substances such as sulphur, waxes and resins. A number of good-sized plants were installed during 1989. An order for 46 Rotoform units to handle sulphur, worth some fifty million kronor, was recently secured in the face of strong international competition.

A new generation of Rotoform pastillizing plants has been brought out. These units can handle both a broader viscosity spectrum and more corrosive pro-

ducts, products of higher melting-points and products with abrasive ingredients.

SORTING SYSTEMS

The market for sorting systems goes on growing. We were well able to defend our position of market leadership in Japan, with the very rapidly growing Japanese forwarding industry placing a number of orders. Among numerous important installations we may instance a matrix sorting system that can deal with 20,000 parcels an hour.

The ongoing close co-operation with courier companies in the U.S. is laying a foundation on which Process Systems will be able to compete for a big sales potential over the coming years.

PROCESS PLANTS, FOODSTUFFS INDUSTRY

The rapid development in recent years of our dehydration plants, especially those for drying fruit and vegetables, resulted in 1989 sales of SEK 92m. Encouraged by this we are establishing a separate product centre, devoted to process plants for the foodstuffs industry, in Milan, where a new testing centre for foodstuffs is also due to be opened in 1990.

OUTLOOK FOR 1990

We enter upon 1990 with our order-books well filled, and we are counting on rising sales and a further improvement in results.

	1989	1988
Invoiced sales, external, SEK m.	902	769
Result after financial items, SEK m.	194	162
Balance-sheet total, at 31 Dec., SEK m.	684	621
Solidity, %	56	47
Capital expenditures, SEK m.	31	15
Number of employees, 31 Dec.	581	543



A new surface-treatment line for wide steel belts has been installed at the facilities in Sandviken.



In Sandvik's belt cooling systems, molten materials such as sulphur, waxes and resins are transformed into pastilles, flakes, strips etc.



The drying of fruit and vegetables – in this case spinach – is a rapidly growing market for our process installations.



A goods terminal in Tokyo sorts 20,000 parcels an hour with the aid of an installation from Sandvik Process Systems.

Report of the Directors

MARKET SITUATION AND SALES

	1989		1988		Change %
	SEK m.	%	SEK m.	%	
Order intake, SEK m.	18,901		17,440		8
Invoiced sales, SEK m.	18,769		16,413		14

Boom conditions prevailed as 1989 came in, to be followed by a gradual cooling-off, especially in North America. The capital-equipment industry, with its main weight in Central Europe and Japan, continued to enjoy strong demand throughout 1989.

Industrial production within the OECD increased by about 3% and inflation reached about 6%.

Demand for Sandvik's products was good everywhere, except for certain markets facing internal economic difficulties, such as the greater part of Latin America, Britain, Norway and Korea.

Although the U.S. dollar began and ended the year at about the same level, it was on the whole stronger during 1989 than it had been in 1988. Since the Swedish krona was also relatively strong during the year, the consequence was that the European currencies on the average were weaker against the krona in 1989 than in 1988. This exerted a slight negative effect in krona terms on Sandvik's invoicing.

There follows a summary of invoiced sales by market area and by product area.

Invoiced sales by market area	1989		1988		Change %
	SEK m.	%	SEK m.	%	
Sweden	1,582	8	1,423	9	+9
EC	7,640	41	6,869	42	+11
Rest of Europe	1,750	9	1,359	8	+31
Totals, all Europe	10,972	58	9,651	59	+14
North America	3,354	18	2,988	18	+12
Latin America	1,114	6	1,033	6	+8
Africa, Asia and Australia	3,329	18	2,741	17	+21
Group totals	18,769	100	16,413	100	+14

Invoiced sales by product area	1989		1988		Change %
	SEK m.	%	SEK m.	%	
Cemented Carbide	9,644	51	8,693	53	+11
Steel	6,479	35	5,337	32	+21
Saws and Tools	1,475	8	1,458	9	+1
Process Systems	902	5	769	5	+17
Other	269	1	156	1	
Group totals	18,769	100	16,413	100	+14

The reviews of the business areas on pp. 6–19 deal in more detail with the business conditions and the sales trend.

The figures shown above include the effect of structural changes. After adjustment for businesses acquired and disposed of, the invoiced sales were up by 11% compared with 1988, while the order intake was up by 5%.

The invoiced sales in the ten largest markets were:

Invoiced sales per market SEK m.	1989		1988		Change %
	SEK m.	%	SEK m.	%	
United States	2,921		2,624		+11
West Germany	2,247		1,928		+17
Sweden	1,582		1,423		+11
France	1,555		1,525		+2
United Kingdom	1,273		1,199		+6
Italy	1,255		1,064		+18
Japan	1,042		884		+18
Australia	843		523		+61
Brazil	697		606		+15
Canada	433		363		+19

COMPANY ACQUISITIONS, STRUCTURAL CHANGES AND CO-OPERATION AGREEMENTS
On 11 May 1989 the A.G.M. resolved to invite Sandvik shareholders to buy one "B" share in Seco Tools at a price of SEK 60 for every five Sandvik shares that they

held. The subscription lists were open from 1 June to 10 July, resulting in the sale of 38% of the capital stock of Seco Tools by Sandvik's subsidiary company Sandvik Invest AB.

Sandvik Rock Tools built up an organization of its own to market tools for percussion drilling. The tools used to be exclusively sold through a distributor. The distributorship was terminated on 1 August 1989.

In January 1989, Sandvik Rock Tools and the Finnish company Oy Tampella Ab Tamrock entered into a contract providing for far-reaching technical co-operation and exchange of information.

Apart from this, the following important acquisitions and divestitures were put through during the year:

The remaining 50% of the shares in Titan (Taiwan) Pty. Ltd. were acquired at the beginning of the year from Broken Hill Proprietary, Australia. Possession of Titan, which turns over about SEK 40m. a year and employs some 120 people, affords Sandvik Hard Materials a chance of breaking into the South-East Asian market.

Shares in certain subsidiary companies were transferred to a company that had been acquired in January 1989 and renamed Sandvik Invest AB.

Sandvik Steel reached an agreement with the Gunab Group (now the Gunnebo Group) on the transfer of the Stainless Steel Business Area, comprising among other things Gunnebo Stainless AB, which has drawing-mills making stainless wire at Mjölby and Munkfors (50%).

The transfer also included Gunnebo's sales companies in the Netherlands and Austria, the spring-wire operation at Gunnebo's sales companies in Britain, West Germany and France, and Gunnebo's holding in the distribution undertaking Amstek in the U.S.

The stainless steel business had annual invoiced sales of about SEK 160m. and employed some 200 people. The transfer became effective on 1 January 1989. This acquisition significantly strengthens Sandvik Steel's standing as one of the world's dominant producers of stainless drawn wire.

In June 1989, Sandvik sold its 50% shareholding in Uddeholm Strip Steel AB (USAB), of Munkfors, to Uddeholm AB. USAB has not been consolidated by Sandvik. At the same time, the parties signed a contract whereby deliveries of hot-rolled strip from Sandvik to USAB will continue for several years to come.

Sandvik Rock Tools' subsidiary company Sandvik Mission Drilling Products, of Houston, U.S.A., sold off its Oil Field Products sector to National Oilwell. Mission Drilling Products was acquired in October 1988. Dis-

posing of this line of production, which is foreign to Sandvik Rock Tools, leaves Mission free to concentrate on down-the-hole drilling equipment.

In August 1989, Sandvik Saws and Tools sold the capital stock of its subsidiary H.K. Porter, of Mexico, to the company's management and an external buyer. A contract covering the distribution of Sandvik products was signed up with Porter.

In August 1989, Sandvik Coromant acquired a minority stake in Automation Intelligence, Florida, U.S.A. This enterprise, which specializes in equipment and systems for the computer control of production machinery, has an annual turnover of about SEK 75m.

As a step in developing the business concerned with work-holding equipment, Sandvik Coromant bought Gordon N. Cameron Co., U.S.A., with about 15 employees.

In November, Sandvik Saws and Tools concluded an agreement whereby it will acquire the assets of Viialan Viila Oy, of Finland. The acquisition was subject to approval by the Finnish authorities, which was granted in February 1990. Viialan, which manufactures and markets hand-files, reached a turnover of SEK 40m. in 1989 and employed about 150 people.

Sandvik Saws and Tools acquired the assets of Peter Stubs Ltd., of England. Peter Stubs markets hand-files with an annual turnover of about SEK 12m.

These two file-making units will be co-ordinated with the operations of Saws and Tools in Eskilstuna and Portugal.

RESULTS AND RETURNS

	1989	1988
Operating profit		
after depreciation, SEK m.	2,816	2,708
and as a percentage of invoiced sales	15.0	16.5
Profit after financial earnings and expenses, SEK m.	2,869	2,812
and as a percentage of invoiced sales	15.3	17.1
Return on investment, %	21.8	25.1
Return on adjusted equity capital after tax, %	22.8	24.7
Earnings per share, SEK	34:55	29:80

For definitions, see p. 30.

Quarterly changes in invoiced sales, stated in SEK m., and in profit after financial earnings and expenses stated in SEK m. and as a percentage of invoiced sales (net profit margin) were as shown in the following table:

	Invoiced sales SEK m.	Profit SEK m.	Net margin %
1988: 1st quarter	3,852	600	16
2nd quarter	4,031	635	16
3rd quarter	3,925	652	17
4th quarter	4,605	925	20
1989: 1st quarter	4,659	705	15
2nd quarter	4,833	781	16
3rd quarter	4,288	654	15
4th quarter	4,989	729	15

The valuation of the raw-material content (mainly nickel) in Sandvik Steel's inventory affected the results both in 1988 (SEK 250m. on the plus side) and in 1989 (SEK 100m. minus), with the greatest effect coming in the last quarter of the year.

The non-recurring earnings and expenses amounted to SEK 199m. net (-57). This figure includes capital gains on the sale of shares in Seco Tools AB and in USAB.

The profit before appropriations and taxes came to SEK 3,068m. (2,755).

The 1989 earnings per share after estimated full tax came to SEK 34:55 (29:80). Taking non-recurring earnings and expenses into account would raise the figure to SEK 37:90 (29:15). The earnings per share after estimated full tax including shares in associated companies and after full conversion of convertible loans would work out at SEK 34:10 (29:85). The earnings per share after tax payable came to SEK 39:20 (40:80). ("Tax payable" means the tax accrued during the income year.)

Accrued tax amounted to SEK 725m. (631), which was equivalent to 24% (23) of the profit before appropriations. Herein is included dividend tax, SEK 7m. (53) and temporary dividend tax, SEK 14m. The tax has been calculated using new tax rates as set forth under the heading Taxes in the Accounting Principles.

Estimated future taxes are entered among other long-term liabilities, and amounted to SEK 381m. (464).

By product area, profits after financial earnings and expenses came to:

	1989 SEK m.	1988 SEK m.	Change SEK m.
Cemented Carbide	1,773	1,562	211
Steel	420	677	-257
Saws and Tools	76	123	-47
Process Systems	194	162	32
Other activities	406	288	118
Group total	2,869	2,812	57

The heading "Other activities" covers on the one hand regional companies and minor units and on the other hand Group functions including the financial operation. The latter is concerned with lending to the product areas on commercial terms and with managing the Group's liquid assets.

FINANCE

	1989	1988
Cash flow, SEK m.	652	-686
Liquid assets, 31 Dec., SEK m.	4,896	4,767
Loans, 31 Dec., SEK m.	4,758	4,959
Net interest, SEK m.	53	32
Net financial items including exchange differences, SEK m.	53	104
Interest coverage	6.3	7.5
Solidity, %	43	36
Venture-capital ratio	52	45
Debt/equity ratio	0.6	0.8
Adjusted equity capital, SEK m.	9,412	7,018
Adjusted equity capital per share, SEK	173:00	130:95

For definitions and for new tax rates, see pp. 30-31.

Net financing by operations amounted to SEK 1,996 (1,892). This included the capital gain on the sale of shares in Seco Tools and in USAB and the liquidation of a promissory note for SEK 547m. that was received when the Company sold its shares in Krångede AB in 1983. The cash flow was SEK 652m. (-686).

The Group's liquid assets increased by SEK 129m. to SEK 4,896m. (increase in 1988: 522).

The Group's loans, excluding convertible loans, decreased by SEK 201m. (against an increase of 1,088 in 1988).

Reported exchange differences on loans amounted to a negative SEK 7m., which was realized in connection with amortizations. Unrealized exchange losses of SEK 13m. were offset against unrealized exchange gains. Unrealized exchange gains that have not been booked amounted on 31 Dec. 1989 to SEK 120m. (165).

Conversions of the 1985 convertible loan addressed to employees increased the number of shares outstanding by 804,854, bringing the total to 54,397,038 at year-end. This raised the equity capital by SEK 64m., of which SEK 20m. was share capital and SEK 44m. was in the statutory capital reserve.

CAPITAL EXPENDITURES

	1989	1988
Investments in facilities, SEK m.	1,116	775
and as a percentage of invoiced sales	5.9	4.7
Company acquisitions, SEK m.	343	517
Investments in leasing activities, SEK m.	715	1,450
Total investments, SEK m.	2,174	2,742
and as a percentage of invoiced sales	11.6	16.7

Capital expenditures within Sweden amounted to SEK 880m. (823), of which SEK 739m. (431) was spent at the Parent Company, including its subordinate companies.

By a government decision in May 1989, Sandvik's existing permit to use SEK 1,695m. from investment reserves was prolonged to the end of December 1991. By the end of 1989, SEK 1,105m. had been utilized.

RESEARCH, DEVELOPMENT AND QUALITY ASSURANCE

Sandvik maintains a large-scale, long-term commitment to basic materials research, to product and process development and to quality assurance. The resources allocated to R&D in 1989 were on the same high level as in earlier years.

The Group's outlays on research, development and quality assurance in 1989 totalled SEK 799m. (711), which works out at 4.3% (4.3) of the invoiced sales.

PERSONNEL

	1989	1988
Number of employees on 31 Dec.	26,779	26,501
Average number of employees	26,881	26,180

The net effect of the year's acquisitions and sales of companies was an increase of 49 employees. On the basis of comparable activities the number of people employed increased by 229 (against a decrease of 104 in 1988).

The number of people employed by the Parent Company and its subordinate companies as of 31 Dec. 1989 was 9,275 (9,223). Group employees in Sweden as of 31 Dec. 1989 numbered 10,717 (10,402).

The number of employees per business area will be found in the reviews of the individual business areas on pp. 6-19

Data on the personnel costs and on the average number of employees in Sweden and abroad will be found on p. 37.

Consolidated Income Statement

	1989	1988
Amounts in SEK million		
Invoiced sales Note 2	18,769	16,413
Costs of production, selling and administration Note 3	-15,199	-13,065
Provision for employee bonus	-60	-66
OPERATING PROFIT BEFORE DEPRECIATION	3,510	3,282
Scheduled depreciation Note 4	-694	-574
OPERATING PROFIT AFTER DEPRECIATION	2,816	2,708
Financial items:		
Dividends received.....	7	7
Interest received..... Note 5	588	527
Interest paid Note 5	-535	-495
Exchange differences on loans..... Note 6	-7	65
PROFIT AFTER FINANCIAL EARNINGS AND EXPENSES Note 7	2,869	2,812
Non-recurring earnings Note 8	293	16
Non-recurring expenses Note 8	-94	-73
PROFIT BEFORE APPROPRIATIONS AND TAXES	3,068	2,755
Appropriations:		
Difference between book and scheduled depreciation Notes 4, 19	-574	-537
Change in inventory reserves..... Note 20	203	-233
Change in investment reserves and development reserves Note 21	497	344
Other appropriations Note 22	-134	-36
PROFIT BEFORE TAXES	3,060	2,293
Accrued taxes	-725	-631
Estimated future taxes..... Note 27	+22	-369
PROFIT AFTER TAXES	2,357	1,293
Minority interest in profit	-53	-6
CONSOLIDATED NET PROFIT.....	2,304	1,287

Consolidated Funds Statement

	1989	1988
Amounts in SEK million		
INTERNAL FINANCING		
Profit before appropriations and taxes	3,068	2,755
Re-posting of depreciation	694	574
Re-posting of unrealized exchange differences on loans ..	-10	-36
Re-posting of capital gain/loss on shares and facilities sold	-157	55
Change on blocked accounts for fund allocations and liquidity account with Riksbank.....	-16	-53
Accrued taxes	-725	-631
Dividends	-324	-226
Total internal financing	<u>2,530</u>	<u>2,438</u>
CHANGE IN WORKING CAPITAL		
Change in inventories	-537	-704
Change in current receivables	382	-454
Change in non-interest-bearing operating liabilities	-379	612
Total change in working capital	<u>-534</u>	<u>-546</u>
Net financing from operations	1,996	1,892
NET INVESTMENTS		
Acquisition of companies	-414	-688
Acquisition of fixed assets	-1,760	-2,054
Sale of companies.....	746	39
Sale of fixed assets.....	84	125
Net investments	<u>-1,344</u>	<u>-2,578</u>
FINANCIAL SURPLUS (CASH FLOW).....	652	-686
FUNDS GENERATED/USED EXTERNALLY		
Equity capital:		
Change by conversion of loan	64	50
Loans:		
Change in short-term loans.....	-425	148
Change in long-term loans.....	158	961
Change in convertible loan	-64	-27
Total loans	<u>-331</u>	<u>1,082</u>
Other financing, net:		
Change in long-term receivables	-401	-13
Change in pension liability	106	109
Change in other long-term liabilities	5	49
Total other financing, net	<u>-290</u>	<u>145</u>
NET EXTERNAL FINANCING	-557	1,277
Translation differences, etc.	34	-69
INCREASE IN LIQUID ASSETS	<u>129</u>	<u>522</u>

Consolidated Balance Sheet

ASSETS	1989	1988
Amounts in SEK million		
CURRENT ASSETS		
Cash and bank balances	803	1,538
Bonds and other short-term placements..... Note 9	4,093	3,229
Bills receivable from customers.....	514	423
Other customer receivables	3,168	3,035
Prepaid expenses and accrued income	241	244
Other current receivables	901	824
Inventories	5,390	4,838
	15,110	14,131
BLOCKED ACCOUNTS		
FOR FUND ALLOCATIONS..... Note 10	25	15
FIXED ASSETS		
Shares and participations	696	707
Long-term receivables..... Note 12	214	280
Goodwill and other intangible assets..... Note 13	105	161
Construction in progress	206	236
Machinery and equipment	4,693	3,684
Land and buildings..... Note 14	1,526	1,435
	7,440	6,503
TOTAL ASSETS	22,575	20,649
Assets pledged..... Note 15	1,306	1,294

LIABILITIES AND EQUITY CAPITAL	1989	1988
Amounts in SEK million		
CURRENT LIABILITIES		
Bills payable	144	133
Owed to suppliers	1,138	1,236
Tax debts	406	508
Accrued expenses and prepaid income	1,397	1,319
Short-term loans	2,462	2,878
Other current liabilities	695	920
	6,242	6,994
LONG-TERM LIABILITIES		
Long-term loans	2,296	2,081
Provision for pensions	1,250	1,140
Other long-term liabilities	645	754
	4,191	3,975
CONVERTIBLE BOND LOAN	51	115
MINORITY INTEREST		
In equity capital	305	39
In untaxed reserves	224	15
UNTAXED RESERVES		
Accumulated depreciation above schedule	2,495	1,933
Inventory reserve	1,090	1,298
Investment and development reserves	480	959
Other untaxed reserves	291	153
	4,356	4,343
EQUITY CAPITAL		
Restricted equity capital:		
Share capital	1,360	1,340
Statutory capital reserves	1,206	959
	2,566	2,299
Unrestricted equity capital:		
Unrestricted reserves	2,335	1,589
Translation difference	1	-7
Consolidated net profit	2,304	1,287
	4,640	2,869
Total equity capital	7,206	5,168
TOTAL LIABILITIES AND EQUITY CAPITAL	22,575	20,649
Contingent liabilities	364	347

The Parent Company's Accounts

Income Statement	Amounts in SEK million		Funds Statement	1989	1988
	1989	1988			
Invoiced sales Note 2	7,488	6,836	INTERNAL FINANCING		
Costs of production, selling and administration Note 3	-6,497	-5,476	Profit before appropriations and taxes	827	1,290
Provision for employee bonus	-60	-66	Re-posting of depreciation	256	220
OPERATING PROFIT BEFORE DEPRECIATION	931	1,294	Re-posting of unrealized exchange differences on loans	-	-46
Scheduled depreciation Note 4	-256	-220	Re-posting of capital gain/loss on shares and facilities sold	27	65
OPERATING PROFIT AFTER DEPRECIATION	675	1,074	Change on blocked account for fund allocations and liquidity account with Riksbank	-21	-20
Financial items:			Accrued taxes	-82	-80
Dividends received from subsidiaries	290	227	Dividends	-322	-224
Dividends received from other companies	7	4	Group contributions	-618	-863
Interest received from subsidiaries	23	26	Total internal financing	67	342
Other interest received Note 5	261	357	CHANGE IN WORKING CAPITAL		
Interest paid to subsidiaries	-188	-32	Change in inventories	-108	-318
Other interest paid Note 5	-225	-297	Change in current receivables	1,170	-136
Exchange differences on loans . . . Note 6	-7	75	Change in non-interest-bearing operating liabilities	1,093	982
PROFIT AFTER FINANCIAL EARNINGS AND EXPENSES	836	1,434	Total change in working capital	2,155	528
Non-recurring earnings Note 8	7	1	Net financing from operations	2,222	870
Non-recurring expenses Note 8	-16	-145	NET INVESTMENTS		
PROFIT BEFORE APPROPRIATIONS AND TAXES	827	1,290	Acquisition of companies	-298	-116
Appropriations:			Acquisition of fixed assets	-441	-315
Difference between book and scheduled depreciation Notes 4, 19	-177	-82	Change in Parent Company's long-term commitments to subsidiary companies	-2,089	-505
Change in inventory reserve Note 20	193	-217	Sale of companies	514	2
Change in investment reserve Note 21	396	227	Sale of fixed assets	8	14
Change in development reserve Note 21	5	14	Net investments	-2,306	-920
Group contributions	-618	-863	FINANCIAL SURPLUS (CASH FLOW)	-84	-50
Change in internal-profit reserve	-43	23	FUNDS GENERATED/USED EXTERNALLY		
Other appropriations Note 22	-27	5	Equity capital:		
PROFIT BEFORE TAXES	556	397	Change by conversion of loan	64	50
Accrued taxes	-82	-80	Loans:		
Estimated future taxes Note 27	+92	-113	Change in short-term loans	-660	-609
NET PROFIT	566	204	Change in long-term loans	-44	-2
			Change in convertible loan	-64	-58
			Total loans	-768	-669
			Other financing, net:		
			Change in long-term receivables	6	576
			Change in pension liability	71	84
			Change in long-term liabilities	-10	52
			Total other financing, net	67	712
			TOTAL FUNDS GENERATED/USED EXTERNALLY	-637	93
			CHANGE IN LIQUID ASSETS	-721	43

Amounts in SEK million

Balance Sheet

	1989	1988		1989	1988
ASSETS			LIABILITIES AND EQUITY CAPITAL		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and bank balances	28	28	Owed to suppliers.....	419	479
Bonds and other short-term placements	2,100	2,821	Tax debts	80	138
Receivables from subsidiaries	234	816	Accrued expenses and prepaid income	571	536
Customer receivables	480	516	Short-term loans	725	1,385
Prepaid expenses and accrued income	149	141	Other current liabilities to subsidiaries	2,317	945
Other current receivables	117	648	Other current liabilities to others	207	403
Inventories	2,312	2,204		4,319	3,886
	5,420	7,174			
BLOCKED ACCOUNTS FOR FUND ALLOCATIONS	18	—	LONG-TERM LIABILITIES		
			Long-term loans	568	619
FIXED ASSETS			Provision for pensions.....	973	902
Shares and participations in subsidiaries	4,029	2,128	Liabilities to subsidiaries	41	9
Shares and participations in other companies.....	341	432	Other long-term liabilities	207	303
Receivables from subsidiaries	468	386		1,789	1,833
Other long-term receivables.....	43	75	CONVERTIBLE		
Intangible assets.....	1	—	BOND LOAN	20	84
Construction in progress.....	102	127			
Machinery and equipment	1,348	1,164	UNTAXED RESERVES		
Land and buildings.....	642	640	Accumulated depreciation above schedule	1,436	1,262
	6,974	4,952	Inventory reserve.....	973	1,166
TOTAL ASSETS	12,412	12,126	Investment reserve	462	858
Assets pledged	522	556	Development reserve.....	—	5
			Internal-profit reserve.....	235	192
			Other untaxed reserves.....	74	47
				3,180	3,530
			EQUITY CAPITAL		
			Restricted equity capital:		
			Share capital (54,397,038 shares of SEK 25 nominal)	1,360	1,340
			Statutory capital reserve.....	221	154
				1,581	1,494
			Unrestricted equity capital:		
			Retained earnings.....	957	1,095
			Net profit.....	566	204
				1,523	1,299
			Total equity capital	3,104	2,793
			TOTAL LIABILITIES AND EQUITY CAPITAL.....	12,412	12,126
			Contingent liabilities	210	281

Accounting Principles

GENERAL

In these financial statements, Sandvik follows in all essentials the guidelines promulgated by the IASC and, for internationally active enterprises, by the OECD.

REVISED ACCOUNTING PRINCIPLES

In the main, the accounting principles are unchanged from the previous year, but they have been revised in the following respects:

- The minority interest in the untaxed reserves, as well as that in the equity capital, is reported in the Balance Sheet for 1989 and, after amendment of the accounting of the preceding year, for 1988. In the Consolidated Income Statement, as in previous years, the minority share in net profit is shown. The minority interest in profit is reported, as in previous years, in the Income Statement.
- For the year 1989, unrealized exchange losses on long-term loans are recognized only after the deduction of long-term gains on such loans.
- Financial expenses pertaining to leasing items held by the wholly owned finance company are reported among the operating expenses.

CONSOLIDATED ACCOUNTING

The Accounts cover the Parent Company and those companies in which the Parent Company has more than half the votes or otherwise exercises a controlling influence.

The Accounts are made up by the purchase method, which implies that the surplus of subsidiaries are included in the Group's equity capital only insofar as they have accrued subsequent to the acquisition of the said subsidiaries by the Group.

The premium on the shares of acquired subsidiaries (the difference that arises because the price paid for them is greater than the acquired company's equity capital including a due proportion of untaxed reserves) is apportioned between fixed assets and goodwill. The premium on fixed assets is written off as described below under the heading "Fixed Assets". Goodwill is written off at the rate of at least 10% a year.

A discount on the shares of acquired companies (the difference that arises because the price paid for them is less than the acquired company's equity capital including a due proportion of untaxed reserves), so-called badwill, is carried on the Balance Sheet as a liability and is extinguished according to a plan drawn up in each specific case.

The balance sheets and income statements of the foreign subsidiary companies were translated into Swedish kronor in accordance with IAS 21 (International Accounting Standard 21, Accounting for the Effects of Changes in Foreign Exchange Rates) and FAS 52 (Financial Accounting Standard No. 52, Foreign Currency Translation).

For the majority of the foreign subsidiaries the local currency is the natural currency for their cash flows, and it is therefore treated as their "functional" currency. The balance sheets of these companies are translated at the rate ruling on the date when the accounts were closed, and the income statements at the year's average rate. The difference thereby arising between the year's profit in the balance sheet and the year's profit in the income statement is shown as a separate item under equity capital. The changes in the Group's untaxed reserves and equity capital that arise from variations in the rates ruling on the balance-sheet dates as compared with those of a year earlier have been posted directly to the relevant item in the balance sheet. The year's changes are specified in the pertinent note on the Group's Balance Sheet.

For the majority of the foreign companies operating in high-inflation countries a translation into Swedish kronor was carried out by a method that measures the results largely in the same way as if the said businesses had been carried on in Sweden. This means, in essentials, that these enterprises report their operations in Swedish kronor translated by the so-called monetary/non-monetary method. The translation differences thereby arising were carried in their entirety on the Income Statement. The financially related translation differences are included in financial earnings and expenses. The trading-related translation differences are included in the costs of production, selling and administration.

In the classification of the equity capital of the Group as unrestricted or restricted, unrestricted capital has been taken to be the capital that is available for distribution as dividend by the individual company, provided that the amount which the company contributes to the Group's equity capital is positive. The transfer to unrestricted capital, however, is never greater than the amount that the individual company contributes to the Group's equity capital. In assessing distributability, payment restrictions have been taken into account and a deduction has been made for the net effect of any coupon taxes. The remaining equity capital constitutes restricted capital.

Companies that were acquired in the course of the year are recognized in the Income Statement only for the period subsequent to the date of acquisition. Companies that were sold off during the year are recognized in the Income Statement up to the date of sale. The realization effect of such sales on the Group, which is shown as a non-recurring item, is adjusted to take account of the net profit up to the date of sale.

In the income statement of the wholly owned finance company Sandvik Leasing AB, financial expenses pertaining to leasing items are reported among the operating expenses. They are correspondingly accounted for in the Consolidated Income Statement.

FUNDS STATEMENT,

REPORTING ACQUISITION AND SALE OF SUBSIDIARIES

The amounts paid for the shares of acquired and sold companies are shown in the Funds Statement under the headings "Acquisition of companies" and "Sale of companies" respectively. The assets and liabilities that these

companies had at the time when they changed hands are not included in the sections of the Funds Statement dealing with change in working capital, net investments and funds generated/used externally.

VALUATION PRINCIPLES

Receivables and liabilities in foreign currencies at Swedish and foreign Group companies

Current receivables and liabilities in foreign currencies that are directly linked to trading are translated at the individual companies using the rates of exchange ruling on the date of the Balance Sheet. In cases where currency hedges were employed, the forward rate of exchange is used. Resulting exchange gains are offset against exchange losses regardless of currency, after which any remaining exchange loss is charged to the trading profit. Should a net exchange gain arise, it is not recognized in the Accounts until it has been realized.

Long-term receivables and liabilities, and loans which in formal terms constitute short-term borrowing but in intent and effect are long-term, are entered respectively at the lower and the higher of the rates ruling on the original date of transaction and the date of the Balance Sheet. Unrealized exchange gains emerging on long-term liabilities are deducted from unrealized exchange losses, after which any exchange loss that remains is reported in the Income Statement under the heading "Exchange differences on loans". Exchange differences that have been realized in the course of the year are reported at the same point.

Inventory

The inventory was valued at historical cost under the first-in/first-out principle, or at replacement cost, or at market value—whichever produced the lowest figure. Deductions for obsolescence were applied as appropriate.

Fixed assets

Fixed assets are shown in the Accounts after the deduction of accumulated scheduled depreciation. Scheduled depreciation charged in the industrial operations is based on the historical cost of the assets and their estimated economic lives; for machinery and equipment this means normally between five and fifteen years, for buildings between ten and fifty years, and for site improvements twenty years. Degressive depreciation based on a life of 3–5 years is applied to computer equipment. Scheduled depreciation charged in the leasing business by our subsidiary company Sandvik Leasing AB is based on the commercial construction of the relevant leasing contract, which means progressive depreciation on the annuity model. The difference between book and scheduled accumulated depreciation is shown as an untaxed reserve.

Depreciation on the undepreciated part of accumulated write-ups on buildings is charged at 2% of the original write-up.

Revenue accounting and entry of profits

Sales revenues are reported at the time of delivery, less deductions for value-added tax, discounts and returns. Invoiced sales and profit arising upon long-term contracts are entered when final invoicing has been effected.

Employee bonuses

Bonuses (including social-welfare costs) for employees in Sweden are entered as operating costs.

Appropriations and untaxed reserves

Tax legislation in Sweden and in some other countries allows for consolidation by allocations to untaxed reserves. Within certain limits, this enables undertakings to fund reported profits so that the latter remain in the business without being at once subject to taxation.

Of the untaxed reserves, a part may be regarded as deferred tax and a part as equity capital. If untaxed reserves are re-activated, the amount thereby returned to surplus becomes subject to income taxation.

Taxes

The various companies belonging to the Group calculate their income tax in accordance with the taxation rules applying in the countries where the profit arose. These taxes are normally based on the locally reported pre-tax profit, calculated according to accounting principles that may differ from those applied by the Group. These discrepancies are adjusted when the Consolidated Financial Statements are being drawn up. Deferred taxes – so-called latent taxes – are not included in the Group's tax charge. Included in the year's taxes are foreign coupon taxes paid on share dividends received by the Parent Company or other Group companies. Deferred tax pertaining to the untaxed reserves in acquired companies is reported among long-term liabilities.

That part of the tax that is deferred in consequence of participation in net losses of partly owned limited partnerships is reserved as a tax expense and carried among long-term liabilities. Thus the deferred tax will be included in the taxes shown in the Income Statement under the heading "Estimated future taxes" but is excluded from the tax payments and the change in the interest-free long-term liabilities in the Funds Statement.

Arising out of the proposal for the reform of Swedish business taxation that was put forward in the autumn of 1989, reservations against future taxes in the 1989 Accounts were calculated on the basis of a 30% tax rate. At the same time, the reservations of earlier years, calculated using a tax rate of 52%, were adjusted down to the 30% rate. In similar fashion, the deferred tax latent in acquired untaxed reserves was adjusted down to the 30% rate. The decrease in these earlier reservations is reported under the heading of tax in the Income Statement.

In the financial key figures for 1989, estimated full tax is based on the tax rates in force for the year, while in calculating equity capital/invested capital a deferred tax charge of 40% (1988: 50%) was applied to untaxed reserves.

DEFINITIONS

Earnings per share

Profit after financial earnings and expenses, after deduction for estimated tax and minority interest, divided by the average number of shares outstanding for the year in question. In calculating the tax charge, the current tax rates were implemented for the various Group companies. In these calculations, due allowance was made for known tax-free revenues and tax reliefs, as also for periodization differences between the accounts of individual companies and the Group Statements. The average tax rate applying to the Group for 1989, calculated from theoretical premisses, thereupon works out at 33% (1988: 43%).

Earnings per share inclusive of non-recurring earnings and expenses

This ratio is calculated in the same way as earnings per share, except that the profit before appropriations and taxes is taken as the starting-point.

Earnings per share including holdings in associated companies

Profit after financial earnings and expenses, after deduction for estimated tax and minority interest and after an addition to allow for interest in the undistributed profits of associated companies less estimated tax, divided by the average number of shares outstanding for the year in question.

Earnings per share after full conversion

Profit after financial earnings and expenses after re-posting interest expenses on convertible loans, after deduction for estimated tax and minority interest and after an addition to allow for interest in the undistributed profits of associated companies less estimated tax, divided by the average number of shares that would theoretically be outstanding for the year in question assuming full conversion.

Earnings per share after payment of tax

Profit after financial earnings and expenses, after deduction for minority interest according to the Income Statement and for accrued taxes according to the Funds Statement, divided by the average number of shares outstanding for the year in question.

Adjusted equity capital

Reported equity capital plus 60% (50% before 1989) of untaxed reserves, excluding the minority interest, minus recommended dividends.

Solidity

Reported equity capital plus 60% (50% before 1989) of untaxed reserves exclusive of minority interest in relation to total capital.

Venture-capital ratio

Equity capital less recommended dividend plus untaxed reserves and minority interests in relation to total capital.

Debt/equity ratio

Interest-bearing current and long-term liabilities (including pension liability) divided by reported equity capital with the addition of minority interest and 60% (50% before 1989) of untaxed reserves.

Interest coverage

Profit after financial earnings and expenses, plus interest paid and exchange differences on loans, divided by the sum of interest paid and exchange differences on loans.

Rate of capital turnover

Invoiced sales in relation to average total capital.

Return on adjusted equity capital, after taxes

Profit after financial earnings and expenses less estimated tax and minority interest as a percentage of the average adjusted equity capital.

To arrive at an approximate figure for the real return on adjusted equity capital the above-defined nominal return is reduced by the year's inflation, expressed as the change in the Swedish Consumer Price Index from the December of one year to the December of the next.

Return on investment

Profit after financial earnings and expenses plus outgoing interest and exchange differences on loans as a percentage of average total capital with short-term interest-free trading debts and 40% (50% before 1989) of untaxed reserves deducted.

Application of U.S. GAAP

(AMERICAN ACCOUNTING PRINCIPLES)

The Financial Statements of the Sandvik Group have been drawn up on Swedish accounting principles. The latter differ from American accounting principles in the following—to the Sandvik Group—important respects:

Untaxed reserves

Fiscal legislation in Sweden and certain other countries permits allocations to untaxed reserves. Such allocations are not permitted under American accounting principles.

Deferred tax

According to Swedish accounting practice, no provisions are made for deferred taxes. American principles require that taxes be charged in the year to which they refer. In the following reconciliation the deferred taxes have been calculated according to the "liability method" that is currently being introduced into American accounting practice.

Writing up assets

In certain situations, Swedish accounting principles permit fixed assets to be written up to values in excess of their historical costs. This in turn affects the depreciation that is charged on the said fixed assets. Such write-ups are not permitted under American accounting principles.

Capitalization of interest expenses

American accounting principles require that interest expenses arising in connection with the financing of newly erected fixed assets be capitalized, i.e. posted to the balance sheet as an asset, and depreciated according to a schedule, whereas interest expenses incurred in financing the manufacture of products for sale must not be included in the inventory value.

Shares and participations in associated companies

In Swedish accounting practice, shares and participations can be entered at their historical cost, and dividends can be included in the results for the year in which they were received. In American accounting practice, shares and participations in other companies that carry voting strength in the 20–50% bracket are reported by the equity method.

Pension costs, etc.

New rules for the reporting of pension costs were introduced in the U.S. during 1986. In a comparison with Swedish practice for the reporting of Pension Registration Institute pension costs the main differences are in the choice of discounting interest and in the circumstance that the calculation of capital value is based on calculated pay at the time of retirement. Generally speaking, it is a fair surmise that the annual pension cost calculated under the American rules would be substantially less than the annual cost of the PRI plan according to Swedish practice. However, the difference has not been quantified, and it is not included in the following reconciliation.

Entitlements that concern benefits other than pensions and that come into force at the time of retirement have so far, in line with American practice, not been carried as liabilities. It has not proved possible to quantify these entitlements and they have not been carried as liabilities in the Group's accounts either.

Various

Other areas in which the application of American accounting principles to the Sandvik Group would entail not insignificant differences are the treatment of unrealized exchange gains on loans, long-term receivables and liabilities with a return that is not in line with the market, general reservations, and minority interests.

The application of American accounting principles would entail the following approximate changes as regards the Sandvik Group's reported net profit, earnings per share and equity capital.

Amounts in SEK million, except where otherwise stated.

	1989	1988
Profit for the year according to Consolidated Income Statement.....	2,304	1,287
Increase/decrease for		
appropriations	8	462
deferred tax	350	-215
write-ups	6	23
capitalization of interest expenses	5	14
interest in results of associated companies	-15	49
unrealized exchange gains on loans	-45	-23
other adjustments	-2	35
Net profit as calculated on American accounting principles	2,611	1,632
Earnings per share as calculated on American accounting principles, SEK	48:30	30:65
Corresponding figure after full conversion of outstanding convertible loan, SEK	47:75	29:95
Equity capital according to Consolidated Balance Sheet	7,206	5,168
Increase/decrease for		
untaxed reserves	4,356	4,343
deferred tax	-1,758	-2,108
write-ups	-295	-275
capitalization of interest expenses	52	47
interest in results of associated companies	75	103
unrealized exchange gains on loans	120	165
other adjustments	113	115
Equity capital as calculated on American accounting principles	9,869	7,558
Equity capital per share as calculated on American accounting principles, SEK	181:45	141:05

The tax rate used in the calculation of deferred tax has been changed from 52% to 40%.

Notes to the Group's and Parent Company's Accounts

Amounts in SEK million, except where otherwise stated

NOTE 1. Subordinate companies and Parent Company

The Parent Company's business operations in Sweden are conducted largely through subordinate companies. During 1989 the companies listed below did business under their own names, but solely for the account of the Parent Company. In its Annual Accounts, the Parent Company reports all assets and liabilities and all revenues and outgoings pertaining to the subordinate operations.

The following subordinate companies conducted business in 1989 for the account of the Parent Company: AB Bushman,

Guldsmedshytte Bruks AB, AB Sandvik Belts, AB Sandvik Central Service, AB Sandvik Coromant, AB Sandvik Hand Tools, AB Sandvik Hard Materials, AB Sandvik Information Systems, AB Sandvik International, AB Sandvik Metal Saws, AB Sandvik Rock Tools, AB Sandvik Saws and Tools, AB Sandvik Steel, AB Sandvik Öberg, AB Swedish Metal Saws, Sandvik Coromant Skandinavien AB, Sandvik Hard Materials Norden AB, Sandvik Stål Försäljnings AB, Sandvik Sågar och Verktyg Skandinavien AB, Sandvik Windsor AB.

NOTE 2. Invoiced sales and Parent Company's purchases

The amounts shown for invoiced sales include "other operating revenues" as follows:

	Group		Parent Company	
	1989	1988	1989	1988
Other operating revenues	48	87	61	154

Of the Parent Company's invoiced sales, SEK 5,020m. (4,396), i.e. 67% (64), went to Group companies. The export share was 83% (82). Of the Parent Company's purchasing, SEK 251m. (163), i.e. 8% (6), came from Group companies.

NOTE 3. Research, development and quality assurance

	Group		Parent Company	
	1989	1988	1989	1988
Costs of				
research and development	587	530	418	374
quality assurance	212	181	103	86
Totals	799	711	521	460

All outlays for research and development and for quality assurance are reported as costs at the time when they arise.

NOTE 4. Depreciation

GROUP	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
	Scheduled depreciation	-25	-26	-605	-488	-63	-59	-1	-1	-694
Depreciation above schedule	-	-	-629	-515	-26	-23	-1	-1	-656	-539
Book depreciation	-25	-26	-1,234	-1,003	-89	-82	-2	-2	-1,350	-1,113
whereof against reserves	-	-	-442	-315	-28	-33	-2	-1	-472	-349

The difference between book and scheduled depreciation for 1989 that is shown in the Income Statement, SEK -574m., consists of the Group's depreciation above schedule, SEK -656m., dissolution of the Group's accumulated overdepreciation on account of incremental minority interest, SEK 90m., and the minority share in the 1989 overdepreciation, SEK -8m.

PARENT COMPANY

	Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1989	1988	1989	1988	1989	1988	1989	1988
Scheduled depreciation	-233	-199	-22	-20	-1	-1	-256	-220
Depreciation above schedule	-164	-78	-13	-4	-	-	-177	-82
Book depreciation	-397	-277	-35	-24	-1	-1	-433	-302
whereof against reserves	-371	-235	-24	-14	-1	-1	-396	-250

NOTE 5. Interest received and paid

	Group		Parent Company	
	1989	1988	1989	1988
Interest received, gross	657	666	261	357
Correction due to translation differences	-69	-139	-	-
Interest received	588	527	261	357
Interest paid on pension liability	-105	-101	-86	-82
Other interest paid, gross	-467	-404	-139	-215
Correction due to translation differences	+37	+10	-	-
Interest paid	-535	-495	-225	-297

Correction due to translation differences refers to the elimination of inflation losses on interest-generating monetary assets and inflation gains on interest-bearing monetary debts in countries with high inflation.

The interest paid by Sandvik Leasing AB in respect of leasing items is included among the Group's costs of production, selling and administration.

(The financial costs of Sandvik Leasing AB amounted to SEK -143m., and in 1988 to SEK -22m.)

NOTE 6. Exchange differences on loans

Reported under this heading are exchange differences on long-term loans and loans which in formal terms constitute short-term borrowing but in intent and effect are long-term. Other exchange differences are included in "Costs of production, selling and administration".

	Group		Parent Company	
	1989	1988	1989	1988
Change in unrealized exchange differences on loans	-	36	-	46
Exchange differences on loans, realized in connection with amortizations ..	-7	29	-7	29
	-7	65	-7	75

NOTE 7. Result excluding minority interest and including interest in profits of associated companies

	Group		Parent Company	
	1989	1988	1989	1988
Profit after financial earnings and expenses	2,869	2,812		
Minority interest therein	-80	-13		
Re-posting of dividend from associated companies ..	-7	-4		
Interest in profits of associated companies	4	97		
	2,786	2,892		

There are significant minority interests in the following companies: Seco Tools AB (minority 38% as from 10 July), Sandvik Asia Ltd. (45%), Sandvik Korea Co. Ltd. (51% 1989, 0% 1990), Barrenas Sandvik Andina S.A. (32%). The Group classifies the following as associated companies: ANSAB AB (50%), Avesta Sandvik Tube AB (25%), Balzers Sandvik Coating AB (49%), Devillé S.A. (35%), Diamant Boart Stratabit S.A. (50%), Eurotungstène Poudre S.A. (49%), Fagersta-Seco AB (31%), Fagersta Stainless AB (50%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50% up to 7 June).

NOTE 8. Non-recurring earnings and expenses

	Group		Parent Company	
	1989	1988	1989	1988
Non-recurring earnings				
Capital gain on sale of shares and companies	293	8	7	-
Capital gain on sale of real estate	-	8	-	-
Sundry items	-	-	-	1
	293	16	7	1

	Group		Parent Company	
	1989	1988	1989	1988
Non-recurring expenses				
Writedown on shares and other participations	-81	-68	-16	-52
Capital loss on sale of shares and companies	-6	-	-	-92
Capital loss on sale of real estate	-	-5	-	-1
Sundry items	-7	-	-	-
	-94	-73	-16	-145

NOTE 9. Bonds and other short-term placements

	Group		Parent Company	
	1989	1988	1989	1988
Bonds and other securities	1,504	914	1,425	861
Short-term placements	2,589	2,315	675	1,960
Totals	4,093	3,229	2,100	2,821

At the end of 1989 the Group had interest-arbitrage deals outstanding to the value of SEK 296m. (328). Of this amount, SEK 296m. (292) pertained to the Parent Company. These items have been reported net.

NOTE 10. Blocked accounts for fund allocations

	Group		Parent Company	
	1989	1988	1989	1988
Blocked accounts with the Riksbank				
for special investment reserves	23	11	18	-
for development reserves	-	2	-	-
Other blocked accounts	2	2	-	-
Totals	25	15	18	-

NOTE 11. Shares and other participations

The Group's and the Parent Company's holdings of shares and other interests at the end of 1989 are set forth in the specification on p. 38.

NOTE 12. Other long-term receivables

	Group		Parent Company	
	1989	1988	1989	1988
Advances to suppliers	3	3	2	2
Liquidity account with the Riksbank ..	-	56	-	26
Other receivables	211	221	41	47
Totals	214	280	43	75

Monies held on liquidity account with the Riksbank become repayable in the course of 1990 and are therefore reported among current receivables.

NOTE 13. Goodwill and other intangible assets

	Group		Parent Company	
	1989	1988	1989	1988
Patents and other intangible assets	33	45	1	-
Goodwill	72	116	-	-
Totals	105	161	1	-

NOTE 14. Fixed assets

Machinery, equipment, buildings, land, site improvements and agricultural and forest properties are entered at their net value after scheduled depreciation and after accumulated write-ups not yet writ-

ten off. The accumulated excess depreciation is entered among the untaxed reserves under the heading "Accumulated depreciation above schedule".

GROUP	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1989	1988	1989	1988	1989	1988	1989	1988
Historical cost	8,812	7,412	1,858	1,744	1	1	236	194
Accumulated scheduled depreciation	-4,119	-3,728	-797	-737	-	-	-15	-13
Scheduled remaining values	4,693	3,684	1,061	1,007	1	1	221	181
Accumulated write-ups not yet written off	-	-	117	120	10	10	116	116
Remaining values	4,693	3,684	1,178	1,127	11	11	337	297
Accumulated depreciation above schedule	-2,268	-1,710	-208	-205	-	-	-19	-18
Book values	2,425	1,974	970	922	11	11	318	279
Assessed valuations ¹	-	-	865	849	11	11	125	143

¹ The figures apply to the Swedish part of the Group.

The book value of real estate held by foreign subsidiaries amounted to SEK 754m. (681).

PARENT COMPANY	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1989	1988	1989	1988	1989	1988	1989	1988
Historical cost	3,258	2,936	721	696	1	1	40	39
Accumulated scheduled depreciation	-1,910	-1,772	-352	-332	-	-	-11	-10
Scheduled remaining values	1,348	1,164	369	364	1	1	29	29
Accumulated write-ups not yet written off	-	-	117	120	10	10	116	116
Remaining values	1,348	1,164	486	484	11	11	145	145
Accumulated excess depreciation	-1,263	-1,099	-156	-146	-	-	-17	-17
Book values	85	65	330	338	11	11	128	128
Assessed valuations ²	-	-	810	811	11	11	117	117

² Under current regulations the assessed valuation of industrial buildings includes industrial equipment.

NOTE 15. Assets pledged

	Group		Parent Company	
	1989	1988	1989	1988
Real-estate mortgages	687	714	89	121
Chattel mortgages	619	580	433	435
Totals	1,306	1,294	522	556

Additionally, receivables concerning interest-arbitrage deals have been pledged. See Note 9.

NOTE 16. Other current liabilities

	Group		Parent Company	
	1989	1988	1989	1988
Advances from customers	51	52	1	2
Other current liabilities	644	868	206	401
Totals	695	920	207	403

NOTE 17. Extra-Group loans

	Group		Parent Company	
	1989	1988	1989	1988
Short-term loans				
Euro Commercial Paper and EuroNotes	655	966	427	543
Amortizations due within one year on long-term loans	390	183	292	85
Other short-term loans	1,417	1,729	6	757
Total short-term loans	2,462	2,878	725	1,385
Long-term loans				
Bond loans	292	318	277	301
Debenture loans	24	30	5	10
Other loans	1,980	1,733	286	308
Total long-term loans	2,296	2,081	568	619
Totals, all loans	4,758	4,959	1,293	2,004

The Parent Company's borrowing in foreign currencies reflects the make-up of the Swedish currency basket. It follows from this that

Sandvik's currency risk is kept within bounds in the event of shifts in the values of the relevant currencies vis-à-vis the Swedish krona within the currency basket.

Loan amortizations

Loan amortizations by the Parent Company, required to accommodate agreed maturities per loan agreement (incl. renewal of short-term borrowings as they fall due), are tabulated below:

	1989	1988
Within one year	725	1,385
Year 2	271	269
3	191	26
4	94	186
5	7	90
Thereafter	5	48
	1,293	2,004

NOTE 18. Provision for pensions

	Group		Parent Company	
	1989	1988	1989	1988
For Pension Registration				
Institute pensions	1,014	919	930	848
For other pensions	236	221	43	54
Totals	1,250	1,140	973	902

NOTE 19. Accumulated depreciation above schedule

	GROUP				PARENT COMPANY			
	Machin- ery and equipment	Indus- trial and residential buildings	Site improve- ments	Total	Machin- ery and equipment	Indus- trial and residential buildings	Site improve- ments	Total
Reported at end of 1988	1,710	205	18	1,933	1,099	146	17	1,262
Change due to revised conversion rates 1989	1	-2	-	-1	-	-	-	-
Change due to minority interest	-72	-18	-	-90	-	-	-	-
1989 depreciation above schedule	629	26	1	656	164	13	-	177
Depreciation on write-up	-	-3	-	-3	-	-3	-	-3
Reported at end of 1989	2,268	208	19	2,495	1,263	156	17	1,436

The difference between book and scheduled depreciation that is shown in the Consolidated Income Statement contains the minority share in the 1989 overdepreciation as well as the items stated above.

NOTE 20. Inventory reserve

	Group	Parent Company
Reported at end of 1988	1,298	1,166
Change due to revised conversion rates 1989	-1	-
Change due to minority interest	-28	-
Change during 1989	-179	-193
Reported at end of 1989	1,090	973
Inventory reserve as percentage of inventory value at end of 1989	20	42

The change in inventory reserves shown in the Consolidated Income Statement contains the minority share in the inventory-reserve change as well as the items stated above.

NOTE 21. Investment and development reserves

	GROUP			PARENT COMPANY		
	General investment reserves	Develop-ment reserves	Total	General investment reserve	Develop-ment reserve	Total
Reported at end of 1988	951	8	959	858	5	863
Change due to revised conversion rates 1989	1	-	1	-	-	-
Change due to minority interest	-12	-	-12	-	-	-
Add:						
Appropriations during 1989	11	-	11	-	-	-
Less:						
Applied to investment in machinery and equipment	-442	-	-442	-371	-	-371
industrial and residential buildings	-28	-	-28	-24	-	-24
site improvements	-2	-	-2	-1	-	-1
For overheads	-	-7	-7	-	-5	-5
Net change reported in Income Statement	-473	-7	-480	-396	-5	-401
Reported at end of 1989	479	1	480	462	-	462

The change in investment reserves and development reserves shown in the Consolidated Income Statement contains the minority share in the investment-reserve change as well as the items stated above.

NOTE 22. Other untaxed reserves

	Group	Parent Company
Exchange-risk reserve, financial placements:		
Reported at end of 1988	38	38
Dissolution 1989	9	9
Reported at end of 1989	47	47
Other untaxed reserves:		
Reported at end of 1988	115	9
Change due to revised conversion rates 1989	4	-
Allocation 1989	125	18
Reported at end of 1989	244	27
Total reported at end of 1989	291	74

NOTE 23. Internal-profit reserve

PARENT COMPANY
The internal-profit reserve of Sandvik AB constitutes the difference between selling prices and Sandvik AB's aggregate costs for goods sold pertaining to those products, supplied by Sandvik AB, that on the day of the Balance Sheet are still held in stock by foreign subsidiary companies, after a deduction to allow for inventory writedowns applied by the subsidiary companies to the said products.

NOTE 24. Capital shares in associated companies

The Group's capital shares in associated companies are worth SEK 260m. (329), which exceeds the book value by SEK 75m. (103). For this purpose the capital shares have been valued according to what is known as the equity method, which means that they comprise Sandvik's interest in equity capital and the equity-capital part of untaxed reserves, along with adjustment for remaining goodwill and reservation for unrealized internal profits.

This calculation covers the following associated companies: AN-SAB AB (50%), Avesta Sandvik Tube AB (25%), Balzers Sandvik Coating AB (49%), Devillé S.A. (35%), Diamant Boart Stratabit S.A. (50%), Eurotungstène Poudre S.A. (49%), Fagersta-Seco AB (31%), Fagersta Stainless AB (50%), Rolltech International AB (50%).

NOTE 25. Change in equity capital

GROUP	Share capital	Restricted reserves	Unrestricted reserves	Translation difference	Group net profit for the year	Total
Reported at end of 1988	1,340	959	1,589	-7	1,287	5,168
Change due to revised conversion rates 1989	-	6	-25	-	-3	-22
Carry-over of 1988 surplus and translation difference	-	-	1,277	7	-1,284	-
Re-apportionment between unrestricted and restricted reserves	-	187	-187	-	-	-
New issues due to conversion	20	44	-	-	-	64
Proceeds from sale of reversionary bonus shares	-	3	-	-	-	3
Change due to write-up of fixed assets	-	6	-	-	-	6
Change due to acquisition and consolidation of formerly part-owned companies	-	1	3	-	-	4
Dividend	-	-	-322	-	-	-322
Group net profit 1989	-	-	-	1	2,304	2,305
Reported at end of 1989	1,360	1,206	2,335	1	2,304	7,206

Out of the unrestricted equity capital, reported in the Group Balance Sheet at SEK 4,640m., it is recommended by the boards of the companies that a total of SEK 75m. be appropriated to restricted reserves.

Particulars of share capital and conversion loans will be found in Note 26 below.

PARENT COMPANY

	Share capital	Statutory capital reserve	Retained earnings	Net profit for the year	Total
Reported at end of 1988	1,340	154	1,095	204	2,793
Carry-over of 1988 surplus	-	-	204	-204	-
Allocation to statutory capital reserve	-	20	-20	-	-
New issues due to conversion	20	44	-	-	64
Proceeds from sale of reversionary bonus shares	-	3	-	-	3
Dividend	-	-	-322	-	-322
Net profit for 1989	-	-	-	566	566
Reported at end of 1989	1,360	221	957	566	3,104

NOTE 26. Share capital

SHARE CAPITAL AND NUMBER OF SHARES

	1989	1988
"A" Restricted	41,170,069	41,170,069
"A" Unrestricted	675,094	675,094
"B" Unrestricted	12,551,875	11,747,021
	54,397,038	53,592,184

A restricted share may not be acquired by foreign nationals nor by certain legal persons, as specified in the Articles of Association, that are open to foreign influence. An unrestricted share, on the other hand, may be acquired by anybody. The "A" shares each carry one vote, whereas the "B" shares each carry one-tenth of a vote.

The Sandvik share is quoted on the Stockholm and London ("B" unrestricted) Stock Exchanges. It can also be traded in the U.S. by way of American Depositary Receipts (ADR).

The number of shares entitled to dividend for 1989 works out at 54,398,908. It exceeds the number given above for 31 Dec. in consequence of conversions during the period 1 Jan.-20 Feb. 1990.

CONVERTIBLE LOAN

In 1985 the Company took up a convertible debenture loan of SEK 102.8m. at 12% interest. This loan, which was addressed to all the employees of the Sandvik Group, can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. The convertible bonds have a face value of SEK 425 and integral multiples thereof. The conversion price, following the bonus issue and stock split of 1987, is SEK 79:50, and conversion is effected into "B" shares. Conversions to a nominal value of SEK 64.1m., effected during 1989, raised the share capital by SEK 20.1m. and the number of "B" shares by 804,854. Full conversion of the loan would increase the number of "B" shares by 256,055 as compared with the situation on 31 Dec. 1989. The share capital would increase by SEK 6.4m.

Full conversion of outstanding convertible loans would bring the number of shares to 54,653,093.

See also the section dealing with the Sandvik share on p. 46, which covers price movements, data per share, share ownership, etc.

NOTE 27. Estimated future taxes

	Group		Parent Company	
	1989	1988	1989	1988
Provision/reversal made during the year for future tax	-177	-369	20	-113
Change in provisions from earlier years owing to change in tax rate from 52% to 30%	199	-	72	-
Totals	22	-369	92	-113

NOTE 28. Contingent liabilities

	Group		Parent Company	
	1989	1988	1989	1988
Bills discounted	141	158	-	-
Pension commitments over and above those entered under pension liabilities (capitalized value)	19	21	1	1
Other surety undertakings and contingent liabilities	204	168	209	280
Totals	364	347	210	281
whereof for subsidiaries			101	155

Personnel

PERSONNEL COSTS, SEK M.

	Group		Parent Company and subordinate companies	
	1989	1988	1989	1988
Wages, salaries and emoluments:				
Directors				
in Sweden	18	16	14	13
outside Sweden	70	62	-	-
Other employees				
in Sweden	1,700	1,493	1,465	1,316
outside Sweden	2,398	2,160	4	4
Totals	4,186	3,731	1,483	1,333
Other personnel costs	1,560	1,343	787	675
Employee bonus (incl. social-welfare expenses)	60	66	60	66
Totals	5,806	5,140	2,330	2,074

AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company and subordinate companies	
	1989	1988	1989	1988
In Sweden	10,694	10,315	9,229	9,119
Outside Sweden	16,187	15,865	48	46
Totals	26,881	26,180	9,277	9,165

AVERAGE NUMBER OF EMPLOYEES' OUTSIDE SWEDEN BROKEN DOWN BY COUNTRIES

	Number of employees		Number of employees	
	1989	1988	1989	1988
The Parent Company and subordinate companies				
Bulgaria	5	3		
China	10	8		
Hungary	6	4		
Pakistan	6	6		
Soviet Union	7	6		
Other countries ²	15	18		
Outside Sweden, totals	49	45		
The Group outside Sweden				
Argentina	142	145		
Australia	524	428		
Austria	121	115		
Belgium	88	90		
Brazil	1,139	1,141		
Bulgaria	5	3		
Canada	402	402		
Chile	50	39		
China	10	8		
Colombia	55	49		
Denmark	325	341		
Finland	108	104		
France	1,528	1,676		
Haiti	43	59		
Hongkong	16	15		
Hungary	6	4		
India	1,207	1,217		
Indonesia	6	11		
Ireland	9	9		
Italy	890	920		
Japan	443	443		
Kenya	15	14		
Korea	62	48		
Malaysia	34	34		
Mexico	451	521		
Netherlands	184	175		
New Zealand			34	33
Norway			57	46
Pakistan			6	6
Peru			52	46
Philippines			34	32
Poland			6	6
Portugal			209	225
Singapore			70	67
South Africa			526	508
Soviet Union			7	6
Spain			379	368
Switzerland			150	142
Taiwan			142	14
Thailand			11	9
Turkey			11	8
United Kingdom			2,044	2,119
United States			3,288	3,181
Venezuela			30	32
West Germany			1,126	1,086
Zambia			46	42
Zimbabwe			48	45
Other countries ²			4	8
			16,143	16,040

¹ The average number of employees as given here is the average of the number on 31 Dec. 1989 and the number on 31 Dec. 1988. The average number of employees stated in the foregoing table and in the Report of the Directors is based on counts taken at several points in time during the year.

² Countries with an average lower than five.

Wages, salaries and emoluments outside Sweden have been converted to Swedish kronor using the mean exchange rate for the year. The statutory specification of the average number of employees per commune in Sweden and wages and salaries per country outside Sweden has been sent to the National Swedish Patent and Registration Office. This specification is available from Sandvik's Head Office in Sandviken.

Shareholdings

SANDVIK AB's HOLDINGS OF SHARES IN SUBSIDIARY COMPANIES		Number of shares	Percentage holding	Nominal value		Book value SEK '000	
According to the Balance Sheet of 31 Dec. 1989				local currency unit '000	Nominal value SEK '000		
SWEDEN	AB Bushman ¹	500	100	SEK	50	50	50
	Danit Hårdmetall AB	500	100	SEK	50	50	—
	Edmeston AB	40,000	100	SEK	4,000	4,000	3,000
	Fagersta Rostfria Applikationer AB	500	100	SEK	50	50	—
	Fragoso AB	500	100	SEK	50	50	—
	Guldsmeshytte Bruks AB ¹	500	100	SEK	50	50	—
	Gusab Holding AB	1,830,884	100	SEK	45,772	45,772	50,000
	Kapman AB	80,000	100	SEK	8,000	8,000	—
	Metals & Powders Trollhättan AB	30,000	100	SEK	3,000	3,000	10,000
	AB Sandvik Belts ¹	500	100	SEK	50	50	50
	AB Sandvik Central Service ¹	500	100	SEK	50	50	—
	AB Sandvik Coromant ¹	500	100	SEK	50	50	—
	Sandvik Coromant Skandinavien AB ¹	50,000	100	SEK	5,000	5,000	5,000
	AB Sandvik Duvan	500	100	SEK	50	50	50
	AB Sandvik Falken	500	100	SEK	50	50	50
	Sandvik Far East Ltd. AB	10,000	100	SEK	10,000	10,000	10,000
	Sandvik Fastighetsförvaltning AB	500	100	SEK	50	50	—
	AB Sandvik Hand Tools ¹	500	100	SEK	50	50	—
	AB Sandvik Hard Materials ¹	500	100	SEK	50	50	—
	Sandvik Hard Materials Norden AB ¹	500	100	SEK	50	50	—
	AB Sandvik Information Systems ¹	500	100	SEK	50	50	—
	AB Sandvik International ¹	500	100	SEK	50	50	—
	Sandvik Invest AB	1,711,068	97	SEK	42,777	42,777	157,202
	Sandvik Leasing AB	500,000	100	SEK	50,000	50,000	49,950
	AB Sandvik Luftfartsintressenter	500	100	SEK	50	50	50
	AB Sandvik Metal Saws ¹	500	100	SEK	50	50	—
	AB Sandvik Process Systems	25,000	100	SEK	2,500	2,500	2,500
	AB Sandvik Rock Tools ¹	500	100	SEK	50	50	—
	AB Sandvik Saws and Tools ¹	500	100	SEK	50	50	—
	AB Sandvik Steel ¹	500	100	SEK	50	50	—
	Sandvik Stål Försäljnings AB ¹	500	100	SEK	50	50	—
	AB Sandvik Svalan	500	100	SEK	50	50	50
	Sandvik Sågar och Verktyg Skandinavien AB ¹	500	100	SEK	50	50	—
	AB Sandvik Tranan	500	100	SEK	50	50	50
	Sandvik Windsor AB ¹	50,000	100	SEK	5,000	5,000	8,900
	AB Sandvik Öberg ¹	500	100	SEK	50	50	—
	AB Sandvik Örnen	500	100	SEK	50	50	50
	Sandvikens Brukspersonals Byggnadsförening upa	—	100	SEK	2,941	2,941	—
	Sandviks Aktiesparfondförvaltning AB	2,500	100	SEK	250	250	250
	Seco Tools AB ²	92,000	0,3	SEK	230	230	1,306
	Steebide International AB	15,000	100	SEK	1,500	1,500	1,000
	AB Swedish Metal Saws ¹	500	100	SEK	50	50	50
	Trellbo AB	500	100	SEK	50	50	—
	Dormant companies, wholly owned ³	—	—	SEK	1,110	1,110	550
ARGENTINA	Sandvik Argentina S.A.C. e I.	1,049,217	100	ARA	10,492	34	5,000
BRAZIL	Sandvik do Brasil S.A.	1,843,678	100	NCZ	11,062	5,752	46,072
CANADA	Sandco Ltd.	205	100	CAD	2	11	—
COLOMBIA	Sandvik Colombia S.A.	28,733	94 ⁴	COP	28,733	422	—
COSTA RICA	Sandvik Centroamérica S.A.	330	100	CRC	330	25	—
INDIA	Sandvik Asia Ltd.	316,800	55	INR	31,680	11,500	5,500
JAPAN	Sandvik K.K.	2,600,000	100	JPY	2,600,000	112,385	130,000
KENYA	Sandvik Kenya Ltd.	35,000	96	KES	700	196	—
KOREA	Sandvik Manufacturing Co. Ltd.	105,730	100	KRW	1,057,300	9,724	8,603
MALAYSIA	Sandvik Malaysia Sdn. Bhd.	7,500	100	MYR	750	1,710	1,442
MEXICO	Sandvik Mexicana S.A. de C.V.	130,071,374	75 ⁴	MXP	13,007,137	50,769	32,996
MOROCCO	Sandvik Maroc S.A.	93	100	MAD	9	8	—
NETHERLANDS	Sandvik Nederland B.V.	20,000	100	NLG	7,000	22,698	10,000
	Sandvik Finance B.V.	18,002	100	NLG	18,002	55,824	3,313,714
PERU	Sandvik del Perú S.A.	52,002,890	100	PEI	52,003	52	—
	Barrenas Sandvik Andina S.A.	273,295,216	68	PEI	273,295	273	2,200
PHILIPPINES	Sandvik Philippines, Inc.	81,066	100	PHP	8,107	2,229	2,500
PORTUGAL	Sandvik Portuguesa Lda	—	100	PTE	99,800	4,050	8,300
	Sandvik Obergue-Limas e Mecânica, Lda	—	100	PTE	99,995	4,085	8,770
SPAIN	Minas y Metalurgia Española S.A.	60,000	50 ⁴	ESP	60,000	3,390	3,700
SWITZERLAND	Sanfinanz AG	997	100	CHF	199	804	735
THAILAND	Sandvik Thailand Ltd.	744	99	THB	504	118	—

SANDVIK AB's HOLDINGS OF SHARES IN SUBSIDIARY COMPANIES		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000	
According to the Balance Sheet of 31 Dec. 1989							
TURKEY	Sandvik Istanbul Ticaret Ltd. Şti.	—	100	TRL	14,925	35	—
U.K.	Madison Tools Ltd.	274,999	100	GBP	275	2,735	6,000
VENEZUELA	Sandvik Venezuela C.A.	6,250	100	VEB	6,250	844	—
WEST GERMANY	Sandvik Automation GmbH	—	100	DEM	4,000	14,654	7,000
	Sandvik GmbH	—	100	DEM	35,000	128,233	130,000
	Sandvik Process Systems GmbH	—	38 ⁴	DEM	1,558	5,708	3,420
ZAMBIA	Sandvik (Zambia) Ltd.	499,999	100	ZMK	1,000	290	—
ZIMBABWE	Sandvik (Pvt) Ltd.	233,677	100	ZWD	467	1,280	3,269
							4,029,329

¹ Subordinate company

² A further 61.6% is held by other Group companies. Seco Tools has subsidiaries in 15 countries

³ A specification of dormant companies is available from Sandvik's Head Office in Sandviken

⁴ Remaining shares are held by other Group companies

CHANGE IN BOOK VALUE OF SHARES AND PARTICIPATIONS IN SUBSIDIARIES, SEK '000

Reported at end of 1988	2,128,165	
Acquisitions	266,038	
New issues and capital contribution	2,038,520	
Divestitures	-403,391	
Writedown of share capital	-3	Certain write-ups and writedowns, which cancel each other out, have been applied within the item "Shares and participations in subsidiaries".
Reported at end of 1989	4,029,329	

SANDVIK AB's SHARES IN OTHER COMPANIES

According to the Balance Sheet of 31 Dec. 1989

ASSOCIATED COMPANIES

		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000
SWEDEN	ANSAB AB	5,000	50	SEK	500	500
	Balzars Sandvik Coating AB	28,420	49	SEK	2,842	2,842
	Rolltech International AB	250	50	SEK	25	25
	Svenska Charterintressenter AB	330	33	SEK	17	17
BELGIUM	Diamant Boart Stratabit S.A.	574,575	50	BEC	574,575	100,436
FRANCE	Eurotungstène Poudre S.A.	112,353	49	FRF	11,235	12,032
	Deville S.A.	14,000	35	FRF	1,204	1,289
U.K.	Rolltechnology Ltd.	2,500	50	GBP	3	27
YUGOSLAVIA	WO Tools-PP-Corun		30			18,926
						133,527

OTHER COMPANIES

ABB-Cerama AB	1,585	12	SEK	793	793	2,048
Bruksinvest AB	24,000	15	SEK	2,400	2,400	15,000
Fastighetspartner AB	20,000	4	SEK	5,500	5,500	5,500
Nemo Offshore AB & Co KB ¹						67
Nord Bay KB ¹						21,596
Prevas AB	20,000	20	SEK	1,780	1,780	1,797
AB Programator	1,000,000	8.6	SEK	75,750	75,750	75,750
Svenska Charterintressenter KB ¹						27,678
Stena Danicas Intressenter KB ¹						20,810
Swedish Aircraft ONE KB ¹						18,354
Swedish Airlease KB ¹						16,551
Miscellaneous						1,936
						340,614

¹ Sandvik AB is a limited partner

CHANGE IN BOOK VALUE OF SHARES IN ASSOCIATED AND OTHER COMPANIES, SEK '000

Reported at end of 1988	431,555	
Acquisitions	33,378	
New issues	107	
Divestitures	-106,560	
Writedowns	-17,866	The writedowns were charged against the year's results and are entered under the heading "Non-recurring expenses".
Reported at end of 1989	340,614	

THE GROUP'S SHAREHOLDINGS

		Number	Percentage	Nominal value		Nominal	Book
According to the Balance Sheet of 31 Dec. 1989		of shares	holding	local	currency	value	value
				unit	'000	SEK '000	SEK '000
ASSOCIATED COMPANIES							
SWEDEN	Avesta Sandvik Tube AB.....	150,000	25	SEK	15,000	15,000	30,460
	Fagersta Stainless AB.....	400,000	50	SEK	40,000	40,000	40,000
	Fagersta-Seco AB.....	5,000	50	SEK	500	500	500
	Property-managing limited partnerships ¹						120,270
ITALY	Impero S.p.A.....	25,450	20	ITL	254,500	1,242	7,088
TURKEY	Seco Kestak A.S.....	49,000	49	TRL	49,000	113	-
U.K.	Metinox Steels Ltd.....	2,505	25.1	GBP	3	25	1,492
USA	Amstek Metals.....		48				17,031
							216,841
OTHER COMPANIES							
SWEDEN	KB Flygplanet 1 ¹						13,120
	Epsilon Air Services KB ¹						16,669
	KB Metroflyg ¹						32,815
	Mega Carrier KB ¹						36,746
	Skandinaviska Luftfartsintressenter Nr 3 KB ¹						11,295
BRAZIL	Sociedade Tecnica de Ferramentas Ltda.....	320,000	20	BRC	320	2	1,026
SPAIN	Industrias Bonastre, S.A.....	2,500	10	ESP	5,000	283	1,182
U.S.A	Harvest Ventures Limited Partnership.....		30				12,078
	Automation Intelligence.....	395,648	12	USD	1,333	8,271	8,271
	Other shares and participations.....						5,243
							355,286
							Sandvik AB's holdings 340,614
							The Group's holdings 695,900

¹ The Sandvik companies are involved as limited partners.

SHARES IN SIGNIFICANT OPERATIVE GROUP COMPANIES OWNED INDIRECTLY BY SANDVIK AB AT 31 DEC. 1989

		Group holding, %			Group holding, %
AUSTRALIA	Sandvik Australia Pty. Ltd.....	100	NETHERLANDS	Sandvik Process Systems B.V.....	100
	Sandvik Hard Materials Pty. Ltd.....	100	NEW ZEALAND	Sandvik New Zealand Ltd.....	100
AUSTRIA	Gusab AWS Ges.m.b.H.....	80	NORWAY	Sandvik Norge A/S.....	100
	Sandvik in Austria Ges.m.b.H.....	100		Sandvik Rock Tools A/S.....	100
	Sandvik Process Systems Ges.m.b.H.....	100		Stavangerbor A/S.....	95
BELGIUM	Sandvik S.A. (Belgium) N.V.....	100	SINGAPORE	Sandvik South East Asia Private Ltd. ...	100
CANADA	Sandvik Canada Inc.....	100		Sandvik Trading Singapore Private Ltd.	100
	Sandvik Process Systems Canada Ltd. .	100	SOUTH AFRICA	Sandvik (Pty) Ltd.....	100
	Sandvik Tube Inc.....	100	SPAIN	Sandvik Española S.A.....	100
CHILE	Sandvik Chilena Ltda.....	100	SWEDEN	Gusab Stainless AB.....	100
DENMARK	A/S Sandviken.....	100		Munkfors Tråd AB.....	100
	Danit A/S.....	100	SWITZERLAND	Sandvik AG.....	100
FINLAND	Suomen Sandvik Oy.....	100		Santrade Ltd.....	100
FRANCE	CERMEP S.A.....	51	TAIWAN	Sandvik Taiwan Ltd.....	100
	Frodistri S.A.....	100		Titan (Taiwan) Pty. Ltd.....	100
	Le Burin S.A.....	100	THAILAND	Svenska Trading Co. Ltd.....	49
	Morgon S.A.....	100	U.K.	Osprey Metals Ltd.....	100
	Safety S.A.....	100		Sandvik Band Saws Ltd.....	100
	Sandvik Aciers S.N.C.....	100		Sandvik Hard Materials Ltd.....	100
	Sandvik Coromant S.N.C.....	100		Sandvik Ltd.....	100
	Sandvik Hard Materials S.A.....	100		Sandvik Rock Tools Ltd.....	100
	Sandvik Outillage S.N.C.....	100		Sandvik Process Systems Ltd.....	100
	Sandvik Process Systems S.A.....	100		Sandvik Process Systems Ltd.....	100
	Sandvik Rock Tools S.N.C.....	100		Sterling Tubes Ltd.....	100
	Sandvik S.A.....	100	U.S.A.	Sandvik Inc.....	100
	Sandvik Tobler S.A.....	100		Sandvik Latin America Inc.....	100
HAITI	Windsor Caribe S.A.....	100		Sandvik Process Systems Inc.....	100
HONGKONG	Sandvik Hongkong Ltd.....	100		Sandvik Rhenium Alloys Inc.....	100
IRELAND	Sandvik Ireland Ltd.....	100		Sandvik Rock Tools Inc.....	100
ITALY	Sandvik Italia S.p.A.....	100		Sandvik Special Metals Corp.....	100
	Sandvik Process Systems S.p.A.....	100		Sandvik Windsor Corp.....	100
JAPAN	Steebide International K.K.....	100	WEST	The Gordon N. Cameron Co.....	100
KOREA	Sandvik Korea Co. Ltd.....	49	GERMANY	Gusab Federdraht Vertriebs GmbH	100
LUXEMBOURG	Sansafe S.A.....	100		Sandvik Hard Materials GmbH.....	100
MEXICO	Sandvik de México S.A. de C.V.....	100		Sandvik Kosta GmbH.....	100
	Tungstemex S.A. de C.V.....	100			

Appropriation of Profits

RECOMMENDED APPROPRIATION OF PROFITS

The Board and the President recommend that

the surplus brought forward from the previous year	956,963,217
together with the profit for 1989	<u>566,253,170</u>
	SEK 1,523,216,387

be appropriated as follows:

a dividend of SEK 7:50 per share	407,991,810
an appropriation to the statutory capital reserve	51,574,416
carried forward to the next account	<u>1,063,650,161</u>
	SEK 1,523,216,387

Sandviken, 8 March 1990

Percy Barnevik
Chairman

Bo Boström

Lars-Ove Håkansson

Göran Lindstedt

Lars Malmros

Hans-Eric Ovin

Sven Ågrup

Per-Olof Eriksson
President

Our Audit Report was submitted on 28 March 1990

Bo Fridman
Authorized Public Accountant

Nils-Axel Frisk

Audit Report

TO THE SHAREHOLDERS OF SANDVIK AKTIEBOLAG

We have examined the Annual Report and the Company's and the Group's statements of account and their bookkeeping documents, and have reviewed the administration of the Company's affairs by the Board and the President during the year 1989. Our examination has been conducted in accordance with recognized auditing practice.

THE PARENT COMPANY

The statements of account have been drawn up in accordance with the Companies Act.

We recommend

that the Income Statement and the Balance Sheet be adopted,
that the surplus be applied as proposed in the Directors' Report, and
that the conduct of the Company's affairs by the Board and the President during the fiscal year be approved.

THE GROUP

The consolidated statements of account have been prepared in conformity with the Companies Act.

We recommend that the Consolidated Income Statement and the Consolidated Balance Sheet be adopted.

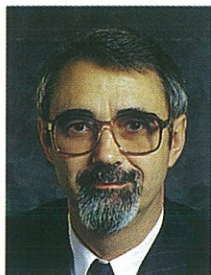
Sandviken, 28 March 1990

Bo Fridman
Authorized Public Accountant

Nils-Axel Frisk

Directors and Auditors

BOARD OF DIRECTORS



Percy Barnevik, Chairman, Zurich, b. 1941. President and Chief Executive Officer of ABB Asea Brown Boveri Ltd. Director of Fläkt AB, Skanska AB and Förvaltnings AB Providentia. Director of Sandvik AB since 1983. Sandvik shares: 10,000



Hans-Eric Ovin, Malmö, b. 1928. Chairman of the Boards of Beijer Industries, Bra Böcker AB, HDF-Bolagen AB, Scan Coin AB, AB Stafsjö Bruk and Stena AB. Director of AGA AB, Stena Metall AB and AB Volvo Penta. Board appointments with Kjell and Märtha Beijer's Foundation and Industri AB Österlen. Director of Sandvik AB since 1976.



Bo Boström, Åshammar, b. 1949. Chairman, AB Sandvik Steel Union Committee, Metal Workers' Union, Sandviken. Director of Sandvik AB since 1988. (Employee representative)



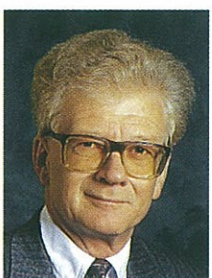
Lars-Ove Håkansson, Danderyd, b. 1937. President and Chief Executive Officer of Skanska AB. Director of Skanska AB, Banister Continental Ltd, Canada, Graningeverkens AB, Handelsbanken, Industri AB Euroc, Investment AB Cardo, JM Byggnads och Fastighets AB, Selmer-Sande Entreprenør A/S, Norway, Stockholms Läns Stadshypoteksförening, Swedish Employers' Confederation (deputy). Director of Sandvik AB since 1989.



Sven Ågrup, Lidingö, b. 1930. Chairman of the Board of AGA AB. Director of AB Volvo, Telefon AB L M Ericsson, Handelsbanken, Nobel Industrier Sverige AB and Gamlestaden AB. Director of Sandvik AB since 1983. Sandvik shares: 2,000



Göran Lindstedt, Sandviken, b. 1942. Deputy Chairman, Sandvik AB Union Committee, Industrial Salaried Employees' Association. Director of Sandvik AB since 1989. (Employee representative) Sandvik shares: 70



Lars Malmros, Hon. Doctor of Technology, Deurle, Belgium, b. 1927. President of Techman NV, Deurle, Belgium. Chairman of the Board of the Swedish Institute of Production Engineering Research. Director of Perstorp AB, Kalmar Industries AB, ASG AB, VME Group NV, IBEL, Antwerp, and BBL, Ghent. Director of Sandvik AB since 1983.



Per-Olof Eriksson, Sandviken, b. 1938. President and Chief Executive Officer of Sandvik AB. Director of the Federation of Swedish Industries, Handelsbanken, SSAB Svenskt Stål AB and AB SKF. Director of Sandvik AB since 1984. Sandvik shares: 4,300, and convertible debentures corresponding to a further 26,408

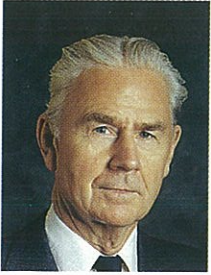
AUDITORS

Bo Fridman, Stockholm,
Authorized Public Accountant
Nils-Axel Frisk, Stockholm

Deputies

Magnus Schiller, Stockholm
Bernhard Öhrn, Stockholm,
Authorized Public Accountant

DEPUTY MEMBERS



Lennart Ollén, Sandviken, b. 1921.
Director of Sandvik AB since 1979.



Eino Honkamäki, Gimo, b. 1943.
Director of Sandvik AB since 1974.
(Employee representative)
Sandvik shares: 698



Stig Lennart Nyström, Sandviken, b. 1944.
Chairman, Sandvik AB Union Committee,
Foremen's and Supervisors' Association.
Director of Sandvik AB since 1986.
(Employee representative)
Sandvik shares: 498

Group Executive Management, Group Staffs and Service Companies



*Ebbe Bengtsson (left) and
Lars Östholm,
Executive Vice Presidents.*



*(Left to right:) Olle Cederlund, Group Staff Finance; Carl Martinsson, Auditing;
Stig Åhlander, Taxes and Risk Management; Anders Vrethem, Controller.
(Bertil Aronsson, Research and Development, is stationed in France.)*



*(Left to right:) Lennart Höög, Group Staff Personnel; Malcolm Falkman, Legal
Affairs; Carl Lindberg, Public Affairs; Björn Jonson, Market Communication.*



*(Left to right:) Peter Lundh, AB Sandvik
Information Systems, Börje Andréasson,
AB Sandvik Central Service (Presidents).*

Business Units

Being close to the customer is an important element in Sandvik's philosophy. Local service, backed by the resources and experience of the international concern, is available to customers in fifty countries through one hundred and sixty companies. To ensure that customers will receive fast deliveries of products according to national standard, many of these units have their own production facilities. In some countries, domestic manufacture is a precondition of staying in business. The schedule below lists the more important operating business units.

EUROPE

AUSTRIA

Sandvik in Austria Ges.m.b.H., Vienna
Manager: Helmut Stix

Sandvik Process Systems Ges.m.b.H., Vienna

Manager: Otto Weinhold

BELGIUM

Sandvik S.A. (Belgium) N.V., Brussels
Manager: Georges Verhoeven

Diamant Boart Stratabit S.A., Brussels (50%)

Manager: Staffan Paues

BULGARIA

AB Sandvik International
Representative Office, Sofia
Manager: Robert Hartinger

CZECHOSLOVAKIA

AB Sandvik International
Representative Office, Prague
Manager: Otto Kames

DENMARK

A/S Sandviken, Copenhagen
Manager: Jens Aage Jensen

Sandvik Danit A/S, Espergaerde
Manager: Roland Setterberg

FEDERAL REPUBLIC OF GERMANY

Sandvik GmbH, Düsseldorf
Manager: Johan Sörensen

Sandvik Coromant, Düsseldorf
Manager: Johan Sörensen

Sandvik Automation GmbH, Viernheim
Manager: Arne Cederqvist

Sandvik Kosta GmbH, Renningen
Manager: Johann Taps

Sandvik Rock Tools, Düsseldorf
Manager: Ulrich Fezer

Sandvik Hard Materials GmbH, Cologne
Manager: Manfred Winterhager

Sandvik Steel, Düsseldorf
Manager: Roland Grosse

Sandvik Saws and Tools, Düsseldorf
Manager: Björn Hedlund

Sandvik Process Systems GmbH,
Fellbach

Manager: Håkan Olofsson

FINLAND

Suomen Sandvik Oy, Helsinki
Manager: Erik Nylund

FRANCE

Sandvik S.A., Orléans

Manager: André Baron

Sandvik Coromant, Orléans

Manager: André Baron

Sandvik Tobler S.A., Paris

Manager: Jacques Garih

Sandvik Rock Tools S.N.C., Nanterre

Manager: Jean-Louis Meyer

Morgon S.A., Bourg-en-Bresse

Manager: Ole Jakobsen

Sandvik Hard Materials S.A., Epinouze

Manager: Hans Gass

Sandvik Aciers, Orléans

Manager: Udo Vogt

Sandvik Outillage, Orléans

Manager: Jean Brisson

Sandvik Process Systems S.A., Paris

Manager: Jean Benko

GERMAN DEMOCRATIC REPUBLIC

AB Sandvik International

Representative Office, Berlin, GDR

Manager: Göran Wretås

HUNGARY

AB Sandvik International

Representative Office, Budapest

Manager: Johann Sulak

IRELAND

Sandvik Ireland Limited, Dublin

Manager: H. William Beck

ITALY

Sandvik Italia S.p.A., Milan

Manager: Jan Eric Sandgren

Sandvik Process Systems S.p.A., Milan

Manager: Pier Giorgio Bottacin

NETHERLANDS

Sandvik Nederland B.V., Schiedam

Manager: Louis Cuppens

Sandvik Process Systems B.V.,

Raamsdonksveer

Manager: Antoine Sluysmans

NORWAY

Sandvik Norge A/S, Oslo

Manager: Jon Ambur

Sandvik Rock Tools A/S, Oslo

Manager: Torhild Rud

POLAND

Sandvik Biuro w Warszawie, Warsaw

Manager: Boguslaw Swiecki

PORTUGAL

Sandvik Portuguesa Lda, Lisbon

Manager: Berndt Wijkander

ROMANIA

AB Sandvik International

Representative Office, Bucharest

Manager: Edith Neuhardt

SOVIET UNION

Sandvik Moscow

Representative Office, Moscow

Manager: Olof Axell

SPAIN

Sandvik Española S.A., Madrid

Manager: Bo Linell

SWEDEN

Sandvik AB, Sandviken

Group CEO: Per-Olof Eriksson

AB Sandvik Coromant, Sandviken

Manager: Clas Åke Hedström

AB Sandvik Rock Tools, Sandviken

Manager: Ole Jakobsen

AB Sandvik Hard Materials, Stockholm

Manager: Lars Wahlqvist

AB Sandvik Steel, Sandviken

Manager: Gunnar Björklund

AB Sandvik Saws and Tools, Sandviken

Manager: Göran Gezelius

AB Sandvik International, Sandviken

Manager: Hans Åhman

Sandvik Coromant Skandinavien AB,

Spånga

Manager: Sven Flodmark

Sandvik Hard Materials Norden AB,

Örebro

Manager: Staffan Frondell

Gunnar Frisk (1 August 1990)

Sandvik Stål Försäljnings AB, Spånga

Manager: Åke Landblom

Sandvik Sågar och Verktyg

Skandinavien AB, Spånga

Manager: Per Törnell

AB Sandvik Belts, Sandviken

Manager: Rolf Hemlin

AB Sandvik Process Systems,

Sandviken

Manager: Svante Lindholm

Sandvik Carbide Production AB,

Stockholm

Manager: Staffan Frondell

Guldsmedshytte Bruks AB, Storå

Manager: Åke Martinson

Gusab Stainless AB, Mjölby

Manager: Torbjörn Hedestad

Metals & Powders Trollhättan AB,

Trollhättan

Manager: Jan Wallén

AB Sandvik Hand Tools, Bollnäs

Manager: Åke Sundby

AB Sandvik Metal Saws, Lidköping

Manager: Staffan Larsson

Sandvik Windsor AB, Edsbyn

Manager: Sture Lestander

AB Sandvik Öberg, Eskilstuna

Manager: Nils Engström

AB Sandvik Central Service, Sandviken

Manager: Börje Andréasson

AB Sandvik Information Systems,

Sandviken

Manager: Peter Lundh

SWITZERLAND

Sandvik AG, Zurich
Manager: Mikael Mott
Santrade Ltd., Lucerne
Manager: Mikael Mott

UNITED KINGDOM

Sandvik Ltd., Birmingham
Manager: David Shail
Sandvik Coromant U.K., Birmingham
Manager: David Shail
Sandvik Rock Tools Ltd., Nuneaton
Manager: Anders Hågglund

Sandvik Hard Materials Ltd., Coventry
Manager: Malcolm Clegg

Sandvik Steel U.K., Birmingham
Manager: Ludvig Åkerhielm

Sterling Tubes Ltd., Walsall
Manager: W.M. Good

Sandvik Saws and Tools U.K.,
Birmingham
Manager: Dianne Thompson

Sandvik Process Systems Ltd.,
Birmingham
Manager: Martin Samuelson

YUGOSLAVIA

AB Sandvik International Representa-
tive Office, Beograd
Manager: Nils Östblom

NORTH AMERICA

CANADA

Sandvik Canada, Inc., Mississauga, Ont.
Manager: Gunnar Anell

Sandvik Rock Tools North America Co.,
Montreal, Que.
Manager: Gunnar Anell

Sandvik Tube, Inc., Arnprior, Ont.
Manager: Tom Moylan

Sandvik Process Systems Canada Ltd.,
Guelph, Ont.
Manager: Colin Crane

UNITED STATES

Sandvik, Inc., Fair Lawn, NJ
Manager: Bengt Nelson

Sandvik Coromant Company,
Fair Lawn, NJ
Manager: James Baker

Sandvik Rock Tools, Co., Bristol, VA
Manager: Dale Whitman

Sandvik Mission Drilling Products Co.,
Houston, TX
Manager: A.R. Schultz

Sandvik Steel Company, Scranton, PA
Manager: Edward Nuzzaci

Sandvik Rhenium Alloys, Inc.,
Elyria, OH
Manager: Jan C. Carlén

Sandvik Special Metals Corp.,
Kennewick, WA
Manager: Eugene R. Astley

Sandvik Saws and Tools Company,
Scranton, PA
Manager: Bill Lavelle

Sandvik Windsor Corp., Milan, TN
Manager: Sture Lestander

Sandvik Process Systems, Inc.,
Totowa, NJ
Manager: Edward Scott

Diamant Boart Stratabit, Inc.,
Houston, TX (50%)
Manager: Ed Williams

Sandvik Latin America, Inc.,
Coral Gables, FL
Manager: Bertil von Essen

LATIN AMERICA

ARGENTINA

Sandvik Argentina S.A.C. e I.,
Buenos Aires
Manager: Björn Karlsson

BRAZIL

Sandvik do Brasil S.A., São Paulo
Manager: Giancarlo Tazzioli

CHILE

Sandvik Chilena Ltda, Santiago
Manager: Jorge Durney

COLOMBIA

Sandvik Colombia S.A., Bogotá
Manager: Victor Manuel Angel

CUBA

AB Sandvik International
Representative Office, Havana
Manager: Gunnel Källström

MEXICO

Sandvik de México S.A. de C.V.,
Mexico City
Manager: Björn von Malmborg
Tungstemex S.A. de C.V., Mexico City
Manager: Ruben Hernandez

PERU

Sandvik del Perú S.A., Lima
Manager: Juan Retamozo
Barrenas Sandvik Andina S.A.,
Arequipa
Manager: Hanns Knorr

VENEZUELA

Sandvik Venezuela C.A., Caracas
Manager: Faustino Menendez

AFRICA

ALGERIA

Sandvik S.A. Bureau de Liaison, Algiers
Manager: Michel Brand

KENYA

Sandvik Kenya Ltd., Nairobi
Manager: Jan Nord

SOUTH AFRICA

Sandvik (Pty) Ltd., Benoni
Manager: Tore Lundberg

ZAMBIA

Sandvik (Zambia) Ltd., Ndola
Manager: Stig Svensson

ZIMBABWE

Sandvik (Pvt) Ltd., Harare
Manager: James C. MacGregor-Sim

ASIA

CHINA

AB Sandvik International
Representative Office, Beijing
Manager: George Jones

HONGKONG

Sandvik Hongkong Ltd., Hongkong
Manager: Warren Rees

INDIA

Sandvik Asia Ltd., Poona
Manager: Wilhelm Sebardt

JAPAN

Sandvik K.K., Kobe
Manager: Anders Wallin
Steebide International K.K., Yokohama
Manager: Isao Yamamoto

KOREA

Sandvik Korea Ltd., Seoul
Manager: Rolf Palmen

MALAYSIA

Sandvik Malaysia Sdn. Bhd.,
Kuala Lumpur
Manager: Krister Brobeck

PAKISTAN

AB Sandvik International
Liaison Office, Karachi
Manager: Ahmad Shabir

PHILIPPINES

Sandvik Philippines, Inc., Manila
Manager: Tan Kian Hoe

SINGAPORE

Sandvik South East Asia Pte. Ltd.,
Singapore
Manager: Åke Friberg

TAIWAN

Sandvik Taiwan Ltd., Taipei
Manager: Wendell Wang

Titan (Taiwan) Pty Ltd., Chung Li
Manager: Rudy Lu

THAILAND

Sandvik Thailand Ltd., Bangkok
Manager: Anucha Kittanamongkolchai

TURKEY

Sandvik Istanbul Ticaret Ltd., Şti.,
Istanbul
Manager: Sune Persson

AUSTRALASIA

AUSTRALIA

Sandvik Australia Pty. Ltd., Sydney
Manager: Alan S. Bellis

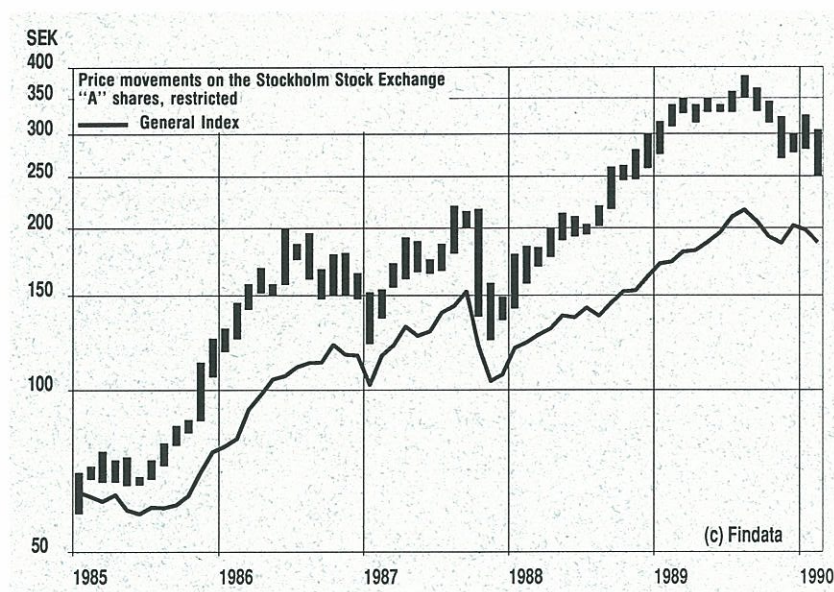
Sandvik Hard Materials Pty. Ltd.,
Newcastle
Manager: Colin Waugh

NEW ZEALAND

Sandvik New Zealand Ltd., Pakuranga
Manager: Pentti Jähi

These data are valid as of April 1990.

The Sandvik Share



PER-SHARE DATA¹, SEK

	1989	1988	1987	1986	1985
Earnings ²	34:55	29:80	19:60	16:30	15:40
Earnings ² incl. shares in associated companies.....	34:45	30:55	19:80	16:60	15:60
Earnings ² after full conversion.....	34:10	29:85	19:10	15:85	14:90
Earnings after payment of tax	39:20	40:80	25:90	22:30	23:15
Adjusted equity capital	173:00	130:95	110:60	95:50	82:85
Adjusted equity capital after full conversion.....	172:60	130:50	108:85	93:95	81:20
Dividend (1989: as recommended).....	7:50	6:00	4:25	3:50	2:62
Direct return ³ , %	2.5	2.1	3.0	2.3	2.2
Payout percentage ⁴	22	20	22	21	17
Quoted prices "A" restricted, year's highest	385	300	220	200	125
year's lowest	270	142	122	118	59
at year's end.....	295	292	140	150	117
Quoted prices "B" unrestricted, year's highest.....	385	299	220	205	133
year's lowest	280	143	119	124	59
at year's end	295	298	140	148	124
P/E ratio ⁵	8.5	9.8	7.1	9.1	7.6
Quoted price, % of adjusted equity capital ⁶	171	223	127	157	141
Average number of shares traded per day on the Stockholm Stock Exchange, "A" restricted.....	5,421	9,818	12,008	20,627	35,017
"B" unrestricted	5,032	7,455	15,128	10,555	14,166
London Stock Exchange, "B" unrestricted	15,250	14,718 ⁷			

1 The figures have been calculated using Swedish corporate-tax rates of 40 % for 1989 and 52 % before 1989.

The figures for 1985 have been adjusted for the stock split and bonus issue of 1986

2 Earnings after estimated full taxation

3 Dividend divided by price of "A" share at year's end

4 Dividend divided by earnings per share after estimated full tax

5 Price of "A" share at year's end in relation to earnings per share

6 Price of "A" share at year's end as percentage of adjusted equity capital per share

7 Based on the period October–December

For additional definitions, see p. 31.

THE LARGEST SHAREHOLDERS OF SANDVIK AB (MARCH 1990)

	Percentage of voting strength	Percentage of shares
Skanska AB	26.4	21.5
Investment Funds of the Swedish Saving Banks	11.7	12.7
National Swedish Pension Insurance Fund	5.6	5.7
Swedish Staff Pension Society	5.0	5.0
Svenska Handelsbanken's Pension Foundation	5.0	4.0
Skandia	4.2	4.2
AB Custos	2.5	2.4
Labour Market Insurance AB (AMF-p)	2.1	2.5
PKbanken's Investment Funds	2.0	1.8
Trygg-Hansa	1.8	2.4
Skandinaviska Banken's Pension Foundation	1.4	1.1
Pension Fund SHB Insurance Society	1.3	1.0

SANDVIK AB SHARE OWNERSHIP (MARCH 1990)

Holding	Number of share-holders	As % of all share-holders	Total number of shares	% of share capital	Average number of shares per holder
to 500 shares	19,697	84.2	2,354,286	4.3	120
500-1,000	1,908	8.2	1,287,016	2.4	675
1,001-10,000	1,578	6.8	3,686,137	6.8	2,336
10,001-100,000	142	0.6	3,754,237	6.9	26,438
More than 100,000	56	0.2	43,317,232	79.6	773,522
	23,381	100.0	54,398,908	100.0	2,327

CONVERTIBLE LOAN

In 1985 the Company floated a convertible debenture loan of SEK 103m. at 12% interest, addressed to the employees. This loan can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. Full conversion of the loan would increase the number of shares by 256,055 as compared with the situation on 31 Dec. 1989. The share capital would increase by SEK 6m.

See also Note 26 p. 36.

ANALYSES

The following firms have produced analyses of Sandvik during the past two years:

ABB Aros Fondkommission
 Barclays de Zoete Wedd (UK)
 Carnegie Fondkommission AB
 Carnegie International Limited (UK)
 Enskilda
 Goldman, Sachs & Co. (UK)
 Handelsbanken
 Hägglöf & Ponsbach Fondkommission AB
 James Capel & Co. (UK)
 Kleinwort Grieveson Securities (UK)
 Nordberg Capital Inc. (US)
 Phillips & Drew (UK)
 PKbanken
 Robur Capitalförvaltning AB
 Stockholm Fondkommission AB
 Swiss Bank Corporation (UK)
 Warburg Securities (UK)
 E Öhman J:or Fondkommission AB

Annual General Meeting

The Annual General Meeting will be held at Folkets Hus in Sandviken on Thursday, 10 May 1990, at 2 p.m.

Shareholders wishing to attend the Meeting must notify the Board thereof either by letter addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telephone +46 (0) 26-26 10 81. Notification must reach Sandvik AB by 3 p.m. on 7 May at the latest. In order to qualify for attendance, shareholders must also have been entered in the Share Register kept by the Securities Register Centre (Värdepapperscentralen VPC AB) not later than 30 April 1990. A shareholder who has had his shares registered as held in trust ("förvaltarregistrering") must have them temporarily re-registered in his own name not later than 30 April 1990 to establish his right to attend the Meeting.

Payment of Dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 7:50 per share for 1989.

15 May 1990 is proposed as the "record day" ("avstämningsdag"). If this proposal is adopted by the Meeting it is expected that dividends will be ready for remittance by 22 May 1990. Dividends will be sent to those who on the record day are entered in the Share Register or in the separate List of Assignees, etc.

Dividends will be remitted from the Securities Register Centre. To facilitate the distribution, shareholders who have moved should report their change of address to their bank or to Värdepapperscentralen VPC AB, S-171 18 Solna, in good time before the record day.

Five Years in Brief

	1989	1988	1987	1986	1985
Invoiced sales, SEK m.	18,769	16,413	13,241	12,721	12,518
Result after financial earnings and expenses, SEK m.	2,869	2,812	1,871	1,708	1,610
Result before appropriations and taxes, SEK m.	3,068	2,755	1,893	1,678	1,609
Earnings per share, SEK	34:55	29:80	19:60	16:30	15:40
Dividend per share (1989: as recommended), SEK	7:50	6:00	4:25	3:50	2:62
Adjusted equity capital, SEK m.	9,412	7,018	5,809	4,978	4,248
Solidity, %	43	36	36	34	33
Venture-capital ratio, %	52	45	46	44	43
Debt/equity ratio	0.6	0.8	0.8	1.0	1.1
Interest coverage	6.3	7.5	5.1	4.4	4.6
Rate of capital turnover, %	87	87	82	87	93
Liquid assets, SEK m.	4,896	4,767	4,245	3,776	2,866
Return on adjusted equity capital after tax, %	22.8	24.7	19.0	18.3	20.5
Return on adjusted equity capital after tax, after inflation, %	15.3	17.7	13.1	14.5	14.1
Return on investment, %	21.8	25.1	21.3	21.8	21.3
Investment:					
– in property, plant and equipment, SEK m.	1,116	775	675	669	548
– in all, SEK m.	2,174	2,742	1,422	1,099	552
Cash flow, SEK m.	652	–686	553	1,099	1,185
Average number of employees	26,881	26,180	24,380	24,033	23,905

For definitions of the above concepts, see p. 31.

Additional per-share data will be found in the section on the Sandvik share, p. 46.

FINANCIAL INFORMATION

Results Communiqué	March
Annual Report	April
First-Quarter Report	May
Semi-Annual Report	August
Third-Quarter Report	November

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S-81181 Sandviken
Tel +462626 1041

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