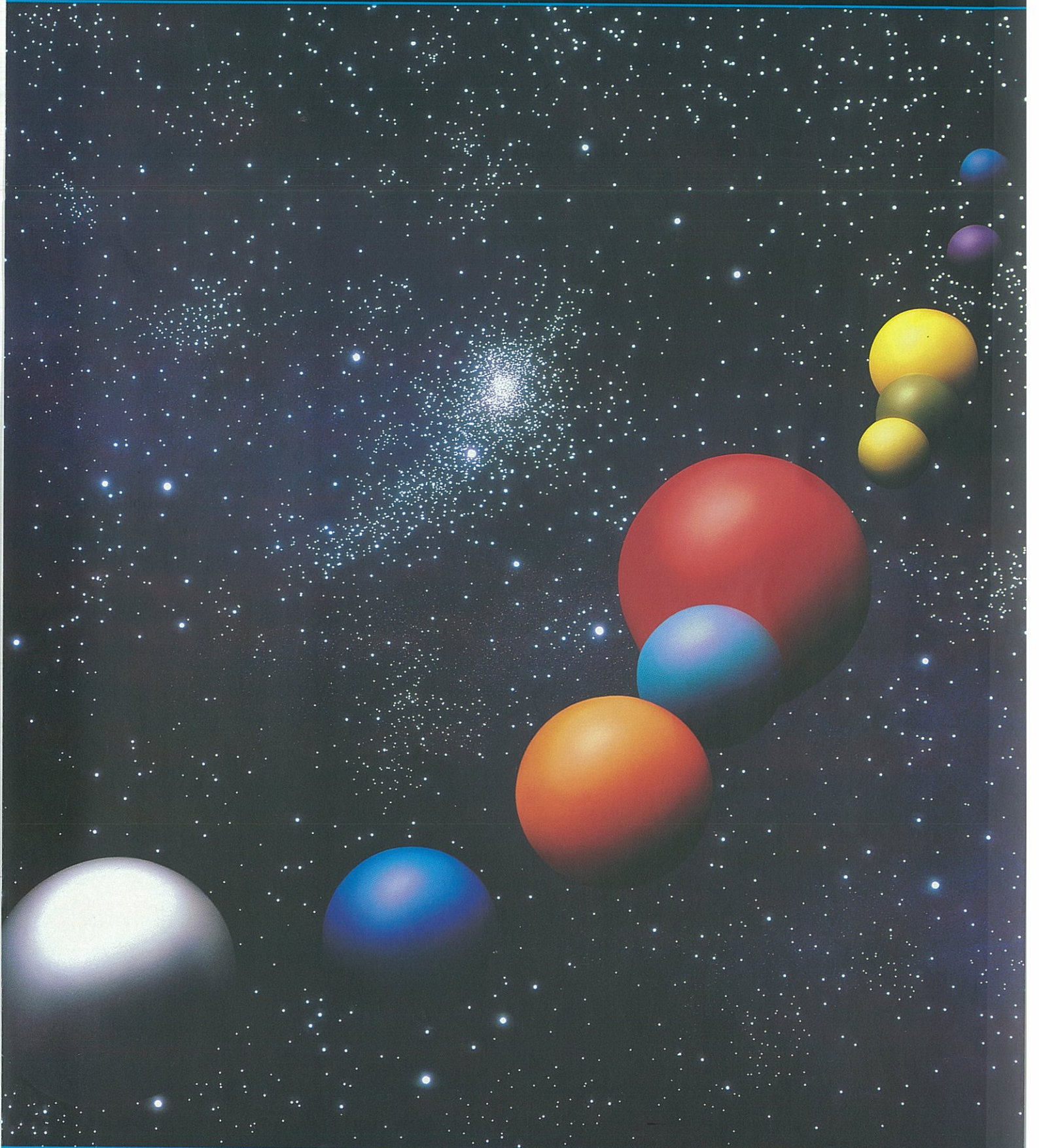


ANNUAL REPORT 1993



SANDVIK

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COVER

LEADERS IN MATERIALS TECHNOLOGY _____

*At Sandvik we are on a ceaseless voyage of
discovery through the universe of materials.*

*Our broad competence in materials technology
covers stainless steel and special alloys,
high-speed steels, tough hard materials,
cemented carbide, ceramics, cubic boron nitride
and diamond.*

HIGHLIGHTS OF 1993

Sales increased 26 % despite lower volumes for all business areas, with the exception of Sandvik Steel.

Demand improved towards the end of the year.

Profit, after financial items, rose 30% to SEK 1,985 m. Operating profit after depreciation was up 67%.

Unchanged high solidity (60%) and strong cash position.

Further profit improvement foreseen in 1994.

Dividend increase to SEK 2.25 proposed.

	1993	1992
Order intake, SEK m.	22,128	17,335
Invoiced sales, SEK m.	21,770	17,217
of which outside Sweden, %	93	93
Profit after financial income and expenses, SEK m.	1,985	1,521
Return on capital employed, %	12.8	10.3
Return on equity capital after tax, %	10.0	9.3
Earnings per share, SEK	4.90	4.20
Dividend per share, SEK	2.25*	1.90
Number of employees, 31 Dec.	26,869	28,617

* Proposed

NOW WE HAVE TO CAPITALIZE ON OUR POTENTIALS IN SWEDEN!

In this my tenth and last introduction to the Sandvik Annual Report, I cannot, despite the ongoing EU debate, refrain from thinking a bit nationalistically. The challenge in the headline is not just aimed at Sandvik's shareholders and employees, but to the entire population of Sweden.

Sweden's prosperity has been based on the availability of such important raw materials as iron ore and forests, but we have also had an unusually large number of successful companies that are active internationally. Sweden gained such a lead during the postwar period that a majority of the Swedish people took it for granted that the extent to which the Swedish welfare society could be expanded was unlimited. But the additional charges increasingly impaired the competitiveness of our industries to the extent that only the very strongest could survive. At the same time, a looming unemployment problem was solved by permitting the public sector to expand.

It is clearly apparent that such a trend could not continue unabated. The imbalance was already obvious during the 1970s, but now the situation is acute. Despite record deficits in the public sector, unemployment is exceptionally high. The world has witnessed this development and forced us to float the krona so that our industry can be competitive and as a result expand again. We must now capitalize on this opportunity so that jobs in competitively hard-hit sectors rise again, while at the same time the public sector shrinks, until we achieve a balance in our economy again.

SWEDEN'S 1993/94 COMPETITIVE POSITION

How good, then, is Sweden's competitive position following the sharp weakening of the krona? One yardstick is the cost of an hour of industrial work in various countries. A study undertaken by a number of Swedish industrial companies that are active internationally shows that only Japan and Germany are much more expensive than Sweden. On the other hand, as a result of the substantial "leveling" of incomes in Sweden, our engineering salaries are highly competitive, compared with those in the most expensive European countries. The study shows that Sweden again has an advantageous position, but only if we work at least as effectively as our main competitive countries.

The new foreign exchange/payroll relationship is creating good opportunities for Sandvik, which already has large-scale, severely rationalized units in Sweden. We currently have about 50% of our total added-value and a large part of



our research and development based in Sweden. Now when demand turns upward, the Swedish sector of our business will be the first to increase.

SWEDEN AND EUROPE

Investments in industry will have to increase substantially if the Swedish industrial base is to resume its growth. While the EES agreement gives Sweden the most important benefits of affiliation with Europe, this is not enough to attract foreign investors. Without membership in the European Union, Sweden will continue to be a small country on the outskirts of Europe.

The signings of the NAFTA and GATT agreements at the end of 1993 were very positive signals for the preservation and development of free trade throughout the world. We should note, however, that GATT's ability to apply and enforce sanctions is relatively limited. When important issues are involved, the three large blocs of nations safeguard their own interests. Sandvik, for example, has been forced to pay anti-dumping fees in the United States despite the fact that a GATT panel declared that the U.S. decision violated the GATT agreement. If we are to be able to maintain our position forcefully, Sweden must be part of a bloc – the European Union.

SANDVIK IN 1993

Nineteen ninety-three was an unusual year for Sandvik. We were able to increase our earnings despite the fact that we were forced to again record declining volumes of business. Our products are sold largely on the basis of their performance. Although cost levels of Swedish-made products are very favorable compared with those of our most important competitors in such countries as Germany, Japan or the United States, new customers will not begin to purchase our products until they have tested them to a sufficient extent.

Our competitors are in many cases reporting losses but are still prepared to cut prices to protect their market shares.

They may even elect to sell off their excessive inventories as a means of improving their financial positions. As a result, especially in the case of our hard metal products, increases in market shares will come slowly.

Customers in Europe, where demand is declining, account for 55 percent of our sales. We have not been able to offset this decline through marginally larger market shares. Neither is our expansion in such growth regions as America, Asia (except for Japan) and Australia adequate to be able to compensate for the weak business climate in Europe.

The situation described above applies most closely to Sandvik Tooling. This newly formed business area, which now includes Coromant, once again produced satisfactory earnings, despite the fact that the newly acquired CTT Tools still did not provide any contribution. Sandvik Rock Tools succeeded in improving its results under difficult market conditions. Income from Sandvik Hard Metals remained weak, due mainly to large losses in some companies. In addition, the business area was able to benefit only marginally from depreciation of the krona since a large percentage of its production is outside Sweden.

Sandvik Steel, which in addition to its products in special niches can offer traditional stainless steel products, was able to take advantage of its newly gained competitiveness and achieved an increase in volume. Margins on other products also improved as a result of the weak krona. The trend of prices in local currencies, which was affected by the substantial excess capacity in the steel industry, was generally negative, however.

Although demand in Europe was very weak, Sandvik Saws and Tools showed improvement. But newly acquired Bahco – its unit in Germany, in particular – and Milford in the U.S. pulled total earnings down to an unsatisfactory level.

Sandvik Process Systems was affected adversely by the globally weak investment climate, as well by continuing costs in connection with the introduction of sorting systems in the U.S. Order intake during the year was relatively strong, however, and this provides a base for stronger sales in 1994.

Viewed as a whole, 1993 appeared to be a turning point in this difficult recession. Our reductions in personnel, which have been under way since the end of 1989, no longer have to be implemented as aggressively as before. Some business areas have already begun to rehire. Generally speaking, there is still some excess capacity, which should be utilized now when demand requires. Our inventories, which have been trimmed continuously to prevent relative increases in tied-up capital, now need to be replenished. This in itself will result in the need for some increase in production.

We have taken advantage of our newly won competitiveness to further expand our field organization – mainly in Asia but also in eastern Europe and America. We have again begun to sell Swedish-made products in South Africa.

SANDVIK IN 1994

While I certainly do not believe that the problems facing Europe in 1994 have been solved, the circumstances described above should enable Sandvik to once again experience the rising spiral that larger volumes of business make possible.

Meanwhile, we are employing our financial resources to invest in strategic units for the future. I have in mind, for example, the investments in CTT Tools and in PEXCO in the U.S. We are building a factory in China and we are negotiating the purchase of facilities in eastern Europe and Russia. Investments of this type do not pay off immediately, but they help us to ensure our leading market positions. In this context, the negotiations under way on the acquisition of the world's oldest company in the cemented-carbide industry, Krupp Widia, is also notable. In addition to a strong position in its domestic market in Germany, Krupp Widia is also internationally renowned.

We have some acquired companies that are still unprofitable, but to an ever lesser degree. Carbology, which was acquired by Seco Tools in 1987, showed a profit for the first time in 1993. This is gratifying, but it shows how long it takes to become established in the U.S. It may be noted in this respect that many of Sandvik's businesses in the U.S. have been built up from nil, and that it has often taken even longer to achieve positive results.

On the whole, we in Sandvik can look forward to brighter days in 1994 than those we experienced in 1993. The NAFTA and GATT agreements strengthen our confidence that we will not see a repetition of mistakes made in the 1930s when protectionism caused a sharp reduction in world trade, with a resulting very severe world depression. The difficult problems in Germany and Japan, combined with large deficits in the U.S. and other countries, will probably limit the strength of the economic upturn. But even a small increase in volume, together with our rationalization programs and a weak Swedish currency, should have a favourable impact on Sandvik's earnings in 1994.

THANK YOU AND THE BEST OF LUCK

In conclusion, I wish to extend my heartfelt thanks and appreciation to all Sandvik employees. During the past ten years you have been part of reshaping a shaken Sandvik into one of Sweden's strongest companies. All indications now are that we can look forward to several years of fruitful harvest, when production must run at full pace. Continue at the same high pace and the competition will never be able to catch up! I will be watching developments with great interest even though I am now turning the helm over to the new captain, Clas Åke Hedström. Best of Luck!

Sandviken, March 1994

Per-Olof Eriksson
President and Chief Executive Officer

SANDVIK AT A GLANCE



The Sandvik Group, one of Sweden's largest exporting enterprises, is active worldwide, with 200 companies in 60 countries. The Group has annual sales of approximately SEK 22 billion, with 27,000 employees.

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

A WORLD LEADER

Sandvik is the world's largest manufacturer of cemented-carbide products, mainly tools for chipforming metalwork-

ing, rockdrilling tools, and wear parts and unmachined cemented-carbide blanks. Sandvik is also a leading producer of tubes, strip, wire and bar in stainless and high-alloy special steels, high-speed steel tools, saws and other tools, and conveyor and process systems.

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

LARGE-SCALE R&D ACTIVITIES

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

The Sandvik Group is heavily committed to research. Annually, it reinvests more than 4% of its aggregate sales into research and the development of new products and production methods.

SANDVIK AND THE ENVIRONMENT

The Sandvik Group has signed The International Chamber of Commerce Business Charter for Sustainable Development. Our facilities comply with the demands put forward by the authorities regarding emission into air and water, as well as regarding the occupational health environment but, additionally, we attempt to use the best-proven technology. A substantial amount of work is continuously being done in order to improve our products from an environmental viewpoint. There are possibilities for an almost complete recycling of the main products based on steel and cemented carbide.

CEMENTED-CARBIDE OPERATIONS

	1993	1992
Invoiced sales, external, SEK m.	11,742	8,526 *
Income after depreciation, including associated companies, SEK m.	1,283	879 *
Capital expenditures, SEK m.	398	394
Number of employees, 31 Dec.	14,451	15,933

* Excl. CTT Tools, which was acquired on 30 December 1992.

Cemented-Carbide Operations is the common name for the business areas Sandvik Tooling (including Sandvik Coromant, CTT Tools and Sandvik Automation), Sandvik Rock Tools and Sandvik Hard Materials. Cemented-Carbide Operations also include Seco Tools, an autonomous group of companies listed separately on the Stockholm Stock Exchange. Operations in this field account for more than half of the Group's sales.

Cemented carbide is a powder-metallurgical product, in contrast to steel, for example, and is extremely hard but nevertheless tough. The starting stock is a carefully formulated powder consisting of wear-resistant carbides with a tough metal as a binder.

The powder is formed, compacted under great pressure, and sintered at around 1,500°C, sometimes to highly complicated shapes and close tolerances. Cemented-carbide products can be made still stronger by adding a thin surface-coating of a ceramic-like material.

As a complement to cemented-carbide, Sandvik has considerable resources for the development and manufacture of products in other hard materials, such as ceramics.

SANDVIK TOOLING

	1993	1992
Invoiced sales, external, SEK m.	7,184	4,584 *
Capital expenditures, SEK m.	240	218 *
Number of employees, 31 Dec.	9,097	10,084
Results included in those shown for Cemented-Carbide Operations on page 4		

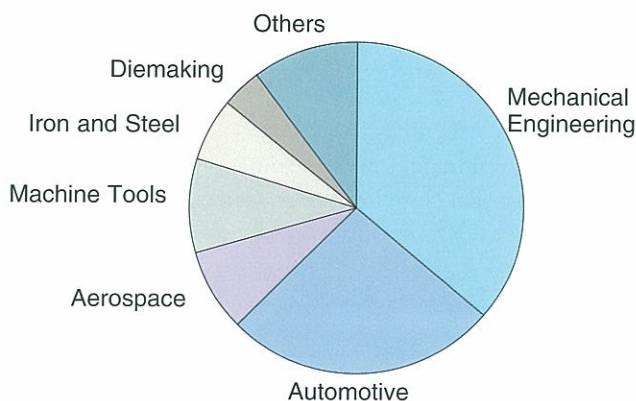
* Excl. CTT Tools

Sandvik Tooling is a world leader in cutting tools, tooling systems and support systems for metalworking. Sandvik Tooling is organized into separate business sectors: Sandvik Coromant, CTT Tools and Sandvik Automation.

At present, machining of metals constitutes 75% of all metalworking. Machining should continue to be the most flexible and economical method. Through the acquisition of CTT Tools at year-end 1992, and the formation of Sandvik Tooling, Sandvik has further bolstered its strategic potential to continue developing in this area.

In the manufacturing industry, there is a general trend away from specialized multi-purpose machines for turning, milling and drilling, to machines that enable components to be produced from the beginning to end, in one set-up. In general, these machines consume as many cemented-carbide tools as high-speed steel tools. Optimizing the process requires a support system to control the machining and to administrate the handling of tools used.

Although the boundaries between various types of cutting-tool materials are constantly changing, Sandvik Tooling will be able to offer customers the tools and systems that optimize their production even in the future. Sandvik



The world market for metalcutting tools amounts to SEK 60 billion annually.



Management team, from left: Clas Åke Hedström (Pres.), Leif Sunnermalm, (Exec. V.P.) and Holger Wiklund. Also shown are, from left: Lars Pettersson (Exec. V.P. Sandvik Coromant), Mats Carlerös (Exec. V.P. Sandvik Coromant), and Anders Ilstam (Pres. CTT Tools).

Tooling invests more than twice as much in research and development as its largest competitors and continually introduces new products.

The world market for cutting tools amounts to approximately SEK 60 billion annually, divided more or less equally between cemented-carbide and high-speed steel tools. In both fields, Sandvik is now the market leader. The chart shows how the total market is divided. The use of tools in industry coincides with fluctuations in the general business cycle.

MARKET TRENDS

The North American and certain Latin American markets clearly benefited from expansion in 1993, as did Australia, New Zealand and parts of Asia. During the final quarter of 1993, some favorable indications were noted in Sweden and England. However, these improvements could not completely compensate for reduced demand in Japan and Germany. In addition, the German market influenced a number of other European markets adversely.

During the year, CTT Tools and Sandvik Coromant entered into cooperation. The potential synergy effects are substantial in areas such as inventory management and physical distribution. Sandvik Coromant's unique cemented-carbide material Coronite is expected to be able to expand even more in fields which traditionally use high-speed steel tools.

Sandvik Automation is responsible for support systems for metalcutting, that is, computer systems for tool monitoring, tool administration and following up production. Sandvik Automation helps the manufacturing industry better utilize machine tools, reduce throughput time and reduce production costs. These systems can benefit users of cemented-carbide tools as well as high-speed steel tools.

SANDVIK COROMANT

	1993	1992
Invoiced sales, external, SEK m.	5,287	4,584
Capital expenditures, SEK m.	200	218
Number of employees, 31 Dec.	5,784	6,333
Results included in those shown for Cemented-Carbide Operations on page 4		

Sandvik Coromant specializes in cemented-carbide tools and tooling systems for metalworking, products for which it is the world leader.

Volume continued to subside during 1993, falling 8% from the preceding year. Sales by volume decreased chiefly in Germany and Japan, while North America, South America, Australia and other markets reported some increases in volume.

Despite the reduced volume of sales, profit improved compared with 1992, mainly owing to the weakened Swedish krona. The return on capital employed surpassed the Group's minimum requirement of 20%.

During the past three years, volume has fallen a total of 25%. However, Sandvik Coromant been able to retain its market shares during this period. A variety of measures to maintain profitability have been implemented, without losing competitiveness or reducing our pace of innovation. To restrict capacity and simultaneously retain skills within



Sandvik Coromant's head office in Sandviken, Sweden.

the organization, the majority of employees active in production in Sweden have observed a four-day work week.

COMPREHENSIVE PRODUCT DEVELOPMENT

Efforts to create new products continue unabated. Slightly more than 6% of sales is invested in research and development, and the result is a continuous stream of new product introductions. Half of the more than 15,000 products sold by Sandvik Coromant today were added during the past five years.

In Coromant's business, most new products increase productivity and efficiency for customers. For turning, a new generation of indexable inserts, for example, were intro-



Operations at the Volvo Car Corporation plant in Floby, Sweden, include production of connecting rods for the new Volvo five- and six-cylinder engines. The hole in the rod is turned in special machines. With Coromant's new GC 4035 cemented-carbide grade, production per cutting edge has more than doubled, compared with the edges used previously.

CTT TOOLS



Sandvik Coromant's new milling cutter T-Max 290 offers features that are ideal for machine shops producing short series and, accordingly, need to reduce set-up times.

duced. It is not uncommon for customers to achieve performance gains of 50% by using these inserts.

Another example is the T-Max 290, a new square-shoulder facemill, which has enjoyed international success. With the T-Max 290, customers can increase production considerably with their existing equipment, which reduces costs and raises capacity.

NEW INITIATIVES IN THE MARKET

During the year, Coromant began construction of a local production unit for tools in Langfang City, China. The investment is wholly managed by Sandvik, and the tools are intended for the Chinese market. The machines imported from western countries and put into operation in Chinese industry can now be fitted from the start with Coromant tools, as the unit can guarantee customers local service and supply of tools.

In the U.S. market, Sandvik Coromant and the major industrial supply distributor DoALL Company formed a company in January 1994 that will be able to offer the metalworking industry a comprehensive range of industrial supplies, including cemented-carbide tools.

PROSPECTS FOR 1994

Sandvik Coromant expects a gradual improvement in business conditions during 1994. This will enable additional improvements in operating results.

	1993	1992
Invoiced sales, external, SEK m.	1,897	-
Capital expenditures, SEK m.	40	-
Number of employees, 31 Dec.	3,313	3,751
Results included in those shown for Cemented-Carbide Operations on page 4		

CTT Tools, acquired from AB SKF at year-end 1992, is the world's largest manufacturer of high-speed steel tools for metalworking. The product range includes drills, thread-cutting tools, milling cutters and reamers. The company was formed in 1990 through a merger of SKF Tools and Günther & Co, of Germany.

There are a large number of more or less specialized suppliers in the high-speed tool industry. CTT Tools serves as a co-ordinating unit for a group of units with their own production and distribution of a number of well-established, solid trademarks. Accordingly, products can be adapted to various market segments. CTT Tools comprises such prominent trademarks as Prototyp, Titex, Dormer, Master and Union Butterfield.

The comprehensive rationalization and restructuring program, initiated before the acquisition, continued and accelerated in 1993. During the year, CTT Tools also began expanding marketing efforts in Southeast Asia.

Demand in a number of markets weakened during 1993. CTT Tools was especially sensitive to the decline in Germany, since that market accounts for a large portion of CTT Tool's business. The total volume decline was 11%.

Diminished sales and the costs of restructuring resulted in a loss in 1993. Costs for restructuring will also be incurred during 1994, but operating results should improve.



Dormer Tools in Halmstad, Sweden, is equipped with a highly sophisticated plant for manufacture of such products as threading cutters in high-speed steel.

SANDVIK ROCK TOOLS

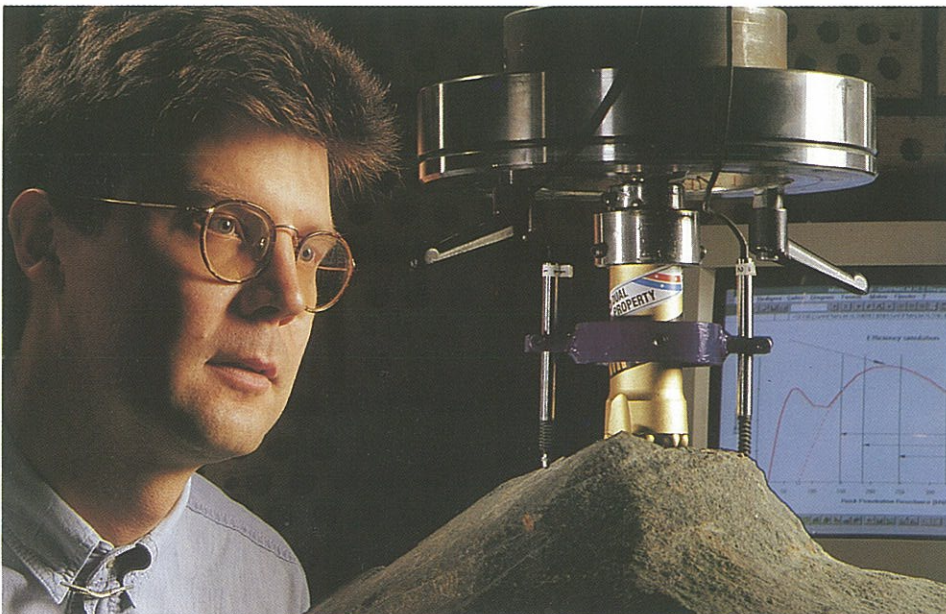
	1993	1992
Invoiced sales, external, SEK m.	1,812	1,510
Capital expenditures, SEK m.	29	45
Number of employees, 31 Dec.	1,677	1,725

Results included in those shown for Cemented-Carbide Operations on page 4



Management team, from left: Lars Liljeblad, Olle Bengtsson, Göran Wijk, Ingvar Svårdh, Sigvard Björk, Lars-Anders Nordqvist (Pres.), and Anders Häglund.

Sandvik Rock Tools is a world leader in the area of cemented-carbide tipped rockdrilling tools for mining, civil engineering and water-well drilling. Its products include tools and tool systems for the treatment of all types of rock and for all current drilling techniques.



With the CASE computer simulation program, Sandvik Rock Tools can optimize the selection of the percussive drilling tools for its customers.

During 1993, the market for rockdrilling tools continued to be characterized by weak business activity. Low metal prices and the postponement of civil engineering projects led to reduced market potential and fiercer competition. However, a certain increase in order intake was noted in Southeast Asia, Australia and Latin America, while the European market continued to stagnate. The belief is that the business cycle reached bottom during 1993 and that it has now leveled out.

Sales in 1993 increased 20% compared with 1992, due mainly to the depreciation of the Swedish krona. In terms of volume, invoicing declined 4%.

IMPROVED RESULTS

Sandvik Rock Tools is confident that it defended its market position during the year, while rationalization measures contributed substantially to an improvement in earnings. The return on capital employed was 14%.

South Africa is the world's largest market for rockdrilling. The lifting of trade sanctions that occurred in 1993 has led to increased invoicing through sales of products manufactured in Sweden.

During the year, co-operation with Tamrock Oy, a Finnish producer of rockdrilling equipment in which Sandvik is a part owner, was intensified in the areas of product development and marketing.

NEW ORGANIZATION

The business operations are conducted through a new organizational structure consisting of four product divisions, each of which acts as a profit centre.

The largest production units for the Top Hammer Products and Rotary Products Divisions are located in Sandviken and Köping, Sweden, respectively. The management teams for these product divisions are based in



Two new down-the-hole hammers were introduced during the year. Prodril is used for well drilling and Explorer for exploration drilling.

Sandvik. The DTH Products Division is based in Houston, Texas, where the division's management and most production facilities are situated. The management of the Mineral Tools Division is located in Nuneaton, England, while production takes place in the United States, South Africa, Australia and England.

All divisions are active in well-established markets. The greatest potential for growth is found in Mineral Tools, because of the economic upswing expected in civil engineering when infrastructural projects previously planned are launched. The traditional field of application for mineral tools is chiefly coal mining and the mining of other soft minerals. Thanks to development of cemented-carbide technology, the tools are also used increasingly in work performed on harder materials.

COMPREHENSIVE PRODUCT DEVELOPMENT

During the year, Sandvik Rock Tools launched new products for all rockdrilling methods. In the field of percussive drilling, a particular highlight was the introduction of CASE, a computer simulation program. The program calculates the best choice of rockdrilling tools based on the prerequisites of individual customers, such as rock conditions and drilling machinery.

In the field of down-the-hole drilling, the company introduced new hammers and bits for well drilling (Prodril) and exploration drilling (Explorer). Efforts focused on products for drilling large-diameter holes continued. During the year, the market's largest down-the-hole hammer was delivered to a major dam restoration project in the U.S. By using the Hammerdril XL 24, customers can drill holes greater than one metre in diameter. The company also introduced the TUBEX 510-610 products, equipment for drilling large holes through overburden.



Cooperation with Tamrock of Finland, one of the world's leading manufacturers of rockdrilling equipment, was further intensified.



The Hammerdril XL 24, one of the largest and most powerful down-the-hole hammers in the world, can drill holes more than one meter in diameter.

Sandvik Rock Tools holds a strong position in the market for raise-boring and during 1993 collaborated on the design and production of new raise-boring methods for terminal storage of highly radioactive waste fuel from nuclear reactors.

The company focused work on materials on the further development of the dual-property (DP) cemented carbide, which made possible successful ventures into new fields of application.

OUTLOOK FOR 1994

The market potential for Sandvik Rock Tools' products is not expected to change substantially during 1994. The mining industry will probably continue to suffer from the recession. Some improvement is expected, however, in the contracting industry.

The conditions for successfully defending market position are expected to be favourable. In addition, enhanced productivity in manufacturing and administration is expected to yield an earnings improvement during 1994.

SANDVIK HARD MATERIALS

	1993	1992
Invoiced sales, external, SEK m.	893	808
Capital expenditures, SEK m.	46	73
Number of employees, 31 Dec.	1,262	1,441
Results included in those shown for Cemented-Carbide Operations on page 4		

Sandvik Hard Materials is active within the full spectrum of its field, from cemented carbide to industrial and biocompatible ceramics. The business area markets and manufactures unmachined carbide blanks in large volumes, sophisticated, customized and finished wear parts as well as carbide hot-rolls.

Industrial production declined during 1993 in practically all markets in which Sandvik Hard Materials is active. However, signs of recovery were discernible in England, the U.S. and parts of Southeast Asia.

Despite the apparently strong 11% increase in invoiced sales, there was an overall volume decline of about 12%, when corrected for currency-exchange and restructuring changes. Nonetheless, Sandvik probably captured market



Management team, from left: Lars Wahlqvist (Pres.), Roland Setterberg and Krister Berinder.

shares in many areas. Earnings performance was unsatisfactory due to such factors as restructuring costs of a non-recurring nature.

MARKETS AND COMPETITION

Weakening demand in the key European market has, of course, also affected competitors. Several are mired in financial difficulties, resulting in restructuring and attendant reductions in operations, with a corresponding decline in the existing over-capacity.

Sandvik Hard Materials has participated in this restructuring through the acquisition, in Spain, of a former competitor's cemented-carbide operations and combining them with those of a subsidiary, thereby increasing competitiveness.

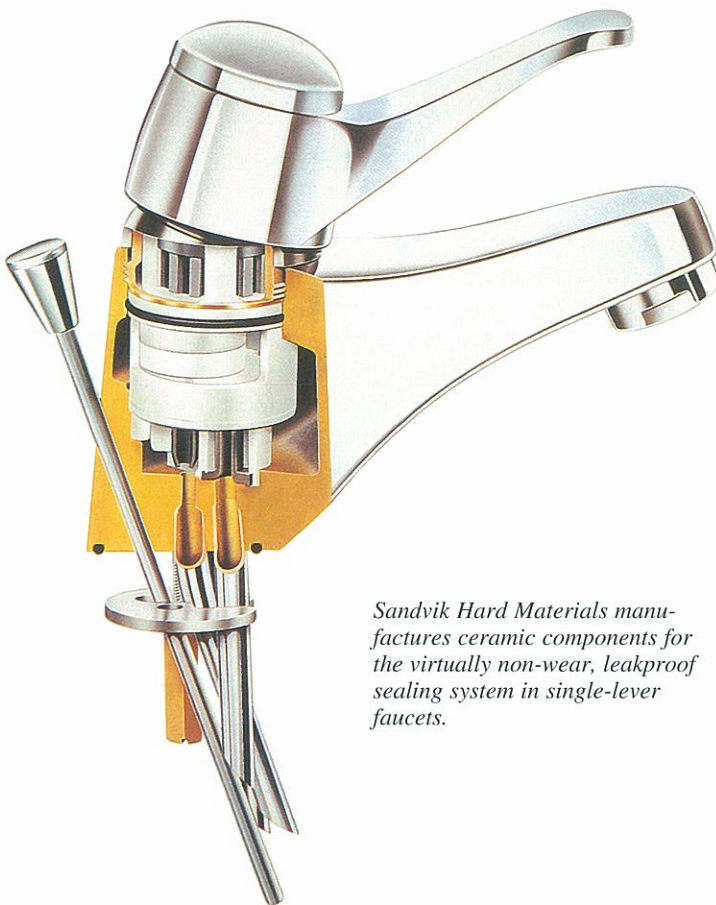
The structure of the market continues to change. Further developments are anticipated, particularly in countries with strong currencies.

Currency-exchange fluctuations during the past year were large in scale, contributing significantly to a new competitive situation in Europe. Sandvik Hard Materials' manufacturing units in Sweden, the U.K., Spain and Italy benefited from this development by increasing their export shares, while the unit in France was adversely affected. As a whole, currency-exchange fluctuations were advantageous during 1993.

SUCCESSFUL NEW PRODUCTS

Some years ago, a venture was initiated at the manufacturing unit in Coventry, England, involving the development and manufacture of homogeneous cemented-carbide rods. These are used, for example, as basic blanks in the manufacture of various types of spiral drills and are sold mainly for export, largely to the U.S. Volume increased almost two-fold during 1993. There is a continuing focus on new markets and customer segments during 1994 based on an increasingly more complete product program.

A few years ago, the Sandvik Hard Materials company in France developed highly advanced cemented-carbide tools for rotary cutting of such products as diapers and sani-



Sandvik Hard Materials manufactures ceramic components for the virtually non-wear, leakproof sealing system in single-lever faucets.

tary products made of non-textile materials. These tools replace traditional steel tools and have demonstrated superior service lives and have reduced customer costs. This product has major potential and has already achieved significant commercial success.

Corrosion-resistant grades of cemented carbide developed at the company in Denmark have contributed significantly to the favourable volume trend for products such as cutting teeth for circular saws used in wood cutting.

A long-term program at the plant in Stockholm that focuses on ceramics for industrial applications resulted in a major order for sealing devices. This production program encompasses fully automatic 100% inspection, enabling customer quality requirements to be met with a high level of reliability.



Cemented-carbide tools for rotary cutting of such products as diapers is an advanced product from Sandvik Hard Materials in France.



Homogeneous cemented-carbide rods for spiral drills are produced at the company's facilities in Coventry, England. The drill blanks, which have double cooling channels, are carefully checked during manufacture.

The joint Sandvik-Nobelpharma project for the development of individual dental caps in dense-sintered ceramic, progressed to the extent justifying a limited commercial introduction during the year. There are high expectations for this product, despite the likelihood of a relatively long period of introduction.

RATIONALIZATION MEASURES AND COMPETITIVENESS

To cope successfully with volume declines, Sandvik introduced far-reaching rationalization measures at practically all the European companies. The volume production units in Denmark and England are now under joint management, while the work force at the company in Spain having been reduced by one third. Total reductions amounted to 180 employees. Despite the loss in volume, overall productivity was maintained.

Developments in productivity, combined with currency-exchange fluctuations, strengthened the competitiveness of Sandvik Hard Material companies in Europe. The units in Australia and on Taiwan reported a continuation of the comparatively favourable market situation prevailing there. Earnings are strong and growth is satisfactory. The same applies to operations in South Africa.

OUTLOOK FOR 1994

The negative trend in Europe is expected to stabilise at a low level, with the fortunate exceptions of Sweden and England. The upturn continues in the U.S. and Southeast Asia. Overall, this means an unchanged market situation compared with 1993.

The improved competitive situation is expected to result in a modest increase in volume which, combined with the rationalization measures implemented, will result in improved earnings.

SANDVIK STEEL

	1993	1992
Invoiced sales, external, SEK m.	6,450	5,267
Profit after depreciation, including associated companies, SEK m.	461	159
Capital expenditures, SEK m.	289	253
Number of employees, 31 Dec.	5,833	5,794

Sandvik Steel is a world leader in the manufacture of tubes, strip, wire and bar for users with exacting demands on economy and reliability. Products are produced in stainless and high-alloy steels and in titanium, nickel and zirconium alloys. On average, the added value is high in relation to the raw material content.

During 1993, Sandvik Steel's order intake and invoiced sales were up 22%, measured in Swedish kronor. Of this increase, 20% is attributable to currency-exchange fluctuations. Due to the continued weakness in the steel market, and falling raw material prices, product prices declined, mainly in the hard-currency countries. This was compensated, however, by increased production volumes in all product areas.

Profit after depreciation increased by more than SEK 300 m. as a result of the Swedish units' improved cost situa-

tion, but due also to improved productivity in distribution and production. Manning levels were reduced by about 100 persons for comparable units.

There are wide variations in the trends in Sandvik Steel's markets. In Scandinavia, North and South America, Southeast Asia and China, demand increased, while central and eastern Europe experienced a steep decline.

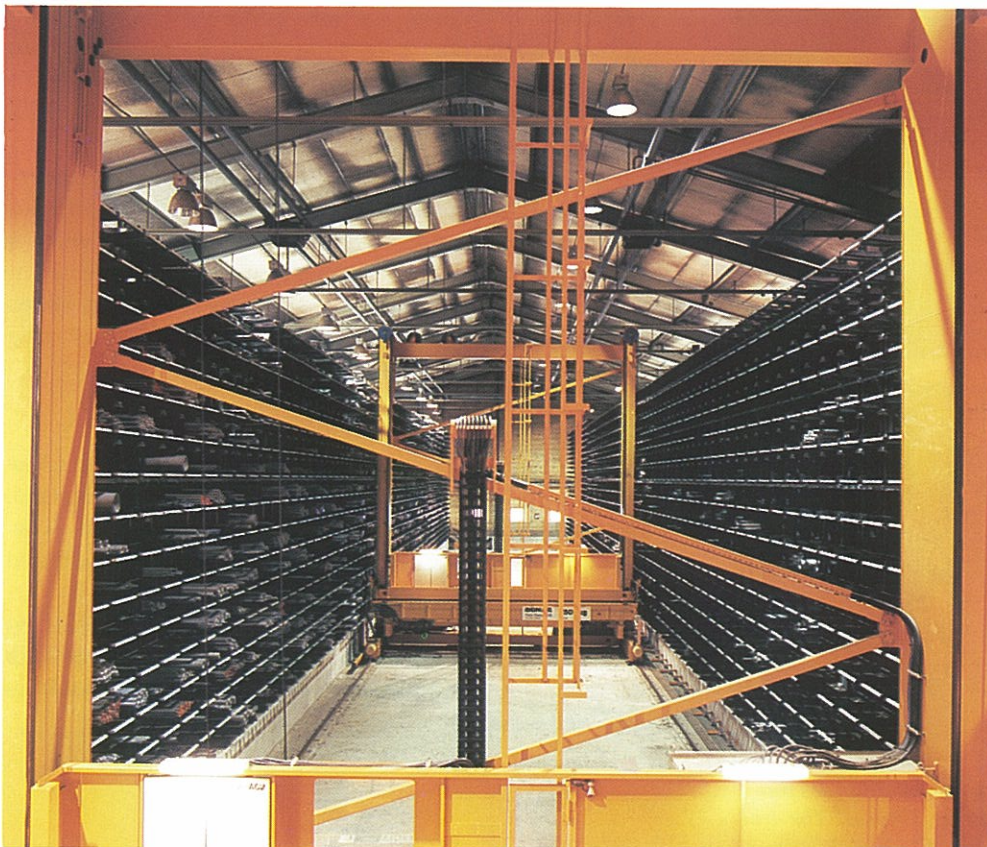
The relative level of tied-up capital declined, with return on capital employed increasing to 12%. Despite the investments amounting to SEK 289 m., the business area's cash flow was positive.

INVESTMENTS AND RESTRUCTURING MEASURES

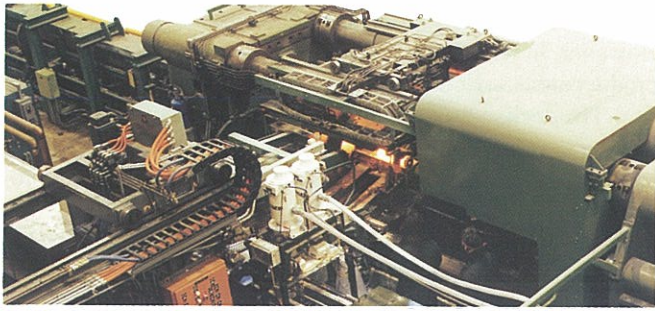
At Sandviken, a new, computerized central storage facility for stainless, seamless tubes and bar was placed in operation. More than 1,500 separate tube and bar items, cut to specified length, can be delivered each day direct to customers in Europe from this facility.

Because of this investment, Sandvik Steel is able to provide improved service at a lower cost while, at the same time, reducing tied-up capital. Overall, this investment amounted to SEK 60 m., including handling equipment, computer systems and cutting-to-length equipment. Centralised storage systems have also been developed for spring wire and welding wire.

In the U.S., a new extrusion press was placed in operation during the autumn. This investment of USD 40 m. was made in a company owned jointly with Sumitomo Metals



Tube and bar is delivered to customers throughout Europe from Sandvik Steel's new computerized and fully automated central warehouse in Sandviken.



The new extrusion press at PEXCO in Scranton, Pennsylvania, makes Sandvik the dominant manufacturer of stainless, seamless tube and pipe in North America.

called PEXCO, Pennsylvania Extruded Tube Co, in which Sandvik holds a 70% interest.

This investment establishes Sandvik as the largest producer of extruded stainless, seamless tubes in North America. The new facility will produce tubes directly for end-customers, but will also be the main supplier of tube blanks for Sandvik's U.S. and Canadian producers of stainless tubes.

During the year, the decision was also made to invest SEK 70 m. in a new cold-rolling facility in Sandviken to produce thin-gauge strip in the 0.02-0.10 mm thickness range. This facility will significantly increase Sandvik's capacity for producing very thin strip such as for metal catalyzers in automotive exhaust emission systems and other thin, high-alloy strips. At the same time, production costs are being reduced through increasing strip widths and shortening the process sequence.

In Brazil, Sandvik and Villares S.A. formed a new company, Sandvik Villares Wire (Sandvik 50%, Villares 50%), through combining their stainless wire production facilities. For this product, the company is now South America's largest drawing mill for this product. This consolidation will result in additional rationalization gains.

Additional investments of about SEK 100 m. were made in the plants in Sandviken during the year to increase productivity and to improve yield and quality.

A comprehensive quality-improvement program, "Quality Is Our Concern", was introduced at both the Sandviken production units and the production and sales subsidiaries. The activities encompass training programs, revised plant organizations and an emphasis on eliminating

all defect causes in production and administration. The goal is to become the customers' preferred supplier by providing the highest possible product and service quality on all occasions.



RAPID GLOBAL RESTRUCTURING WITHIN THE SPECIAL STEEL INDUSTRY

The world-wide special steel industry is no exception to the need for continued renewal and specialization brought on by the rapid pace of technological development and more exacting product requirements. Companies that formerly were government-subsidised are being privatised, and markets in developing countries, long protected by tariff barriers, are being opened increasingly to international competition. A growing number of special-steel producers are becoming global operators within more narrowly specialised areas.

The pace of restructuring in Europe and elsewhere in the world has quickened noticeably during the past year. During the years ahead, this development will, in all likelihood, also affect the former state-trading economies in the East. In the long-term, this should favour Sandvik Steel, which at an early stage became highly specialised, while at the same time becoming firmly established in manufacturing and sales world-wide.

OUTLOOK FOR 1994

World industrial production is expected to rebound in 1994, following two years of decline. For the more consumer-oriented products, strip and wire, this should result in increased volume growth during 1994. The level of industrial investment continues to be regarded as low, which hampers growth in tubular products. National and regional differences remain large.

Sandvik Steel is well-positioned to benefit from a growing market through its solid financial position, a global market organization, rational facilities and successful product development in close co-operation with our customers. Profits in 1994 should be higher than for 1993.



*Management team, from left:
Uno Blom, Bo Jonsson,
Gunnar Grünbaum, Henrik Widmark,
Kenneth Josefsson,
Gunnar Björklund (Pres.), Åke Axelsson,
Lennart Ek, Per Ericson
and Jan-Eric Johansson.*

SANDVIK SAWS AND TOOLS

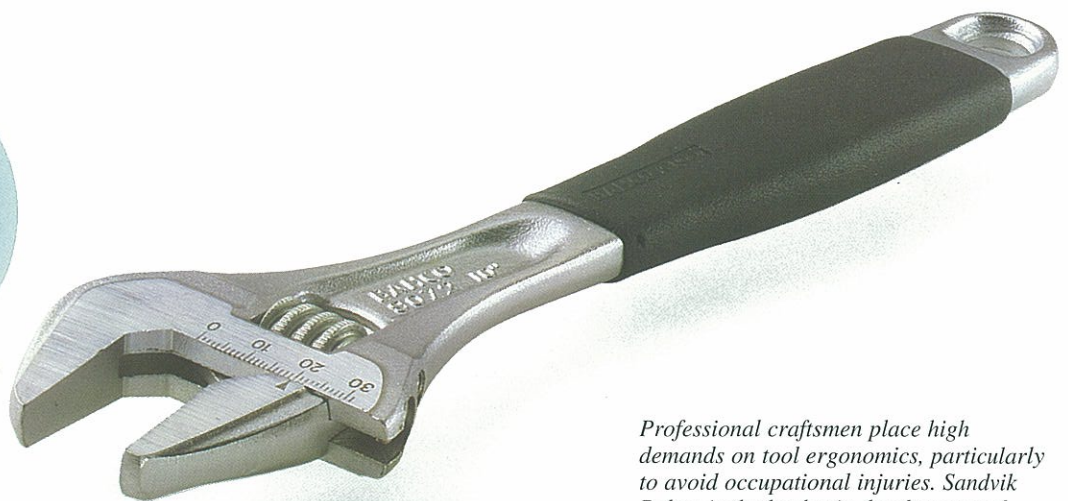
	1993	1992
Invoiced sales, external, SEK m.	2,363	2,049
Loss after depreciation, including associated companies, SEK m.	-3	-82
Capital expenditures, SEK m.	74	117
Number of employees, 31 Dec.	2,972	3,184



Management team, from left: Anders Ågren, P O Ehrling and Göran Gezelius (Pres.).

Sandvik Saws and Tools, one of the world's largest manufacturers of saws and sawblades, also offers a wide range of other tools for industry, the manual trades, forestry and gardening, including pliers, adjustable wrenches, screwdrivers, pruning shears and guide bars and chains for logging machines and chain saws.

The 15% increase in sales for Sandvik Saws and Tools in 1993 was a result of the depreciation of the Swedish krona.



Professional craftsmen place high demands on tool ergonomics, particularly to avoid occupational injuries. Sandvik Bahco is the leader in development of ergonomically designed tools.

Calculated at 1992 exchange rates, sales declined 4%. However, in terms of sales volumes, the performance of the product areas varied widely.

The decline was primarily attributable to central Europe and Japan, while other markets achieved stable or greater sales volumes. Toward the end of the year, business conditions in the Nordic countries improved.

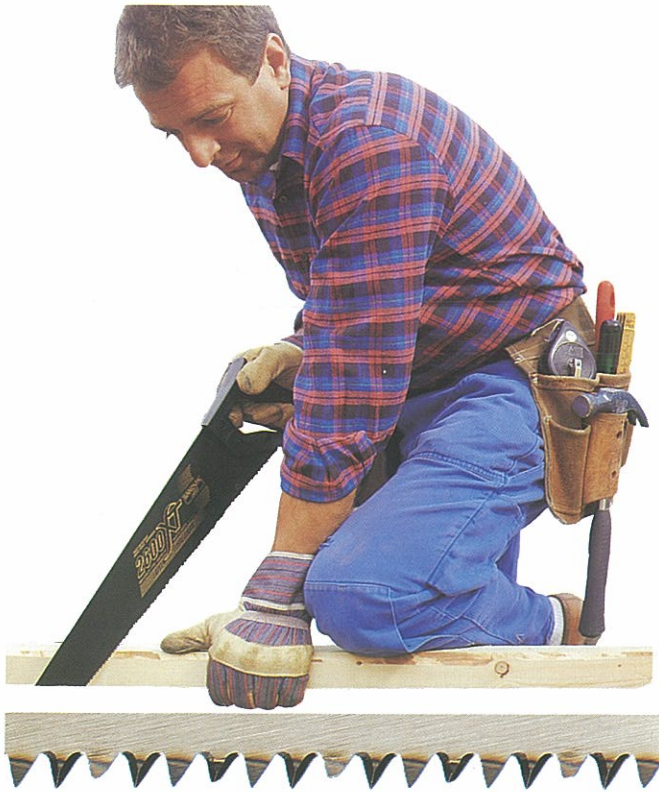
Many competitors in Europe also experienced weak sales. Almost the entire German industry for hand tools, for example, cut back on operations in one way or another during 1993.

Operating profit improved for all of our product areas except screwdrivers and tools for nut-running, which are produced by Sandvik Belzer, in Germany. Weak sales and substantial inventory adjustment resulted in low capacity utilization in manufacturing, despite a reduction of capacity during the year. Sandvik Belzer's operations reported a substantial loss, including the costs of reducing the work force.

Four of the eight manufacturing companies are now certified in accordance with ISO 9000. The other companies are expected to be approved during 1994. New work organizations in product workshops and flow groups that had been implemented previously were followed-up in 1993 with an investment in training and other types of skills development.

NEW DISTRIBUTION SYSTEM

During 1993, the newly acquired companies Sandvik Bahco and Sandvik Belzer were integrated into the European distribution system, placed in operation in 1992. A total of 20,000 customers throughout western Europe are now served from two distribution centres in The Netherlands and Sweden with an inventory of 8,000 tools. The heart of the system is an integrated, on-line computer system that is unique for the industry, handling orders, deliveries and invoicing. It has been adapted for various languages, currencies, levels of value-added tax and other local conditions. The system is now fine-tuned and provides a higher degree of access to stock than the minimum requirement of 95%.



The 1993 Wilhelm Haglund Medal for the best product development was awarded for the new handsaw with XT-toothing.

EXTENSIVE PRODUCT DEVELOPMENT

The majority of Sandvik tools are used by skilled craftsmen in industry and the manual trades. These people usually place much higher demands on the performance, durability and practicality of the tools than do-it-yourself or infrequent users.

Product development is greatly influenced by increased requirements on the productivity of mechanics, electricians and repairmen, as well as insight into the importance of the design and use of the tools to avoid work-related injuries.

Sandvik Bahco leads its industry in designing and producing ergonomic tools. During the year, these tools attracted a great deal of attention among occupational healthcare experts, insurance companies and trade unions in the United States. This concept of ergonomic design is now being applied to most other hand tools in the business area.

At present, 80% of all logging in Scandinavian forests is done with processors equipped with saw chains and guide bars similar to those on chain saws. This technique is also making increasing inroads in North America. Sandvik is the world's leading supplier of such equipment, and a new product for 1993, a chain tightener, increases the productivity of the entire processor by preventing the chain from derailing and reducing the risk for breaks.

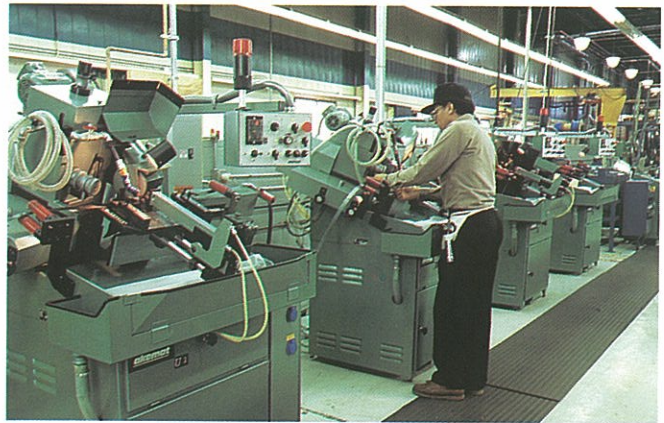
During the year, a new production line was put into operation at Sandvik Milford, in the United States, for carbide-tipped sawblades for bandsaws. The plant produces a unique tooth-set "Triple-Chip" blade which has excellent cutting characteristics for cutting light metals to length.

Even the handsaw, a product with a solid market base, has been rejuvenated by the addition of a new, more effective toothing called XT-toothing, and by a coating on the sawblade that reduces friction. The new saw has become a sales success, and the product's inventors were awarded the 1993 Wilhelm Haglund Medal for the year's best product innovation in the Sandvik Group.

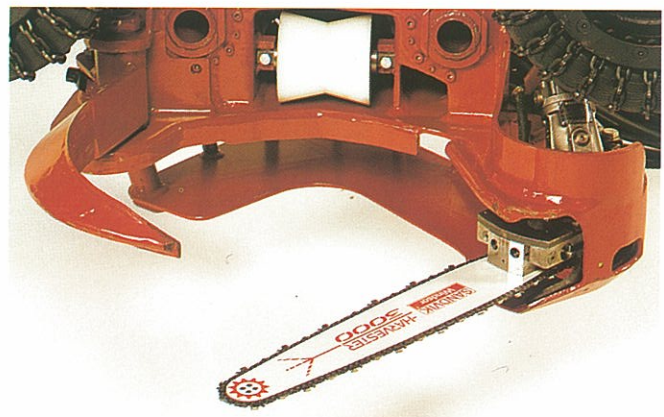
OUTLOOK FOR 1994

Demand is expected to be about the same in 1994 as it was in 1993 weak in Europe but rising somewhat in most other markets.

It is anticipated that volumes will be maintained or increased slightly during 1994. If exchange rates stabilize at the levels in effect at the end of 1993, the results for 1994 will be substantially better.



A new carbide-tipped band sawblade is being manufactured at Sandvik's Milford plant in the U.S.



Sandvik's new chain tightener for forest processors has contributed to increased productivity by preventing the chain from derailing and reducing the risk of breaks.

SANDVIK PROCESS SYSTEMS

	1993	1992
Invoiced sales, external, SEK m.	1,190	1,190
Profit after depreciation, SEK m.	43	21
Capital expenditures, SEK m.	48	37
Number of employees, 31 Dec.	781	747

Sandvik Process Systems produces and markets complete units for automatic sorting of goods and process plants for the chemical and food-processing industries. These plants are based principally on steel conveyor belts, which are also sold separately.



Management team, from left: Herbert Würmseher, Rolf Hemlin, Håkan Olofsson (Pres.), Roberto Cosentino and Giancarlo Tazzioli.

The results of Sandvik Process Systems continued to be unsatisfactory during 1993, chiefly because of uncertain conditions for capital investment. At the same time, demand in the most important markets, Europe, North America and Japan, is beginning to improve. The situation varies dramatically, though, depending on the product centre.

During the year a new service centre for process equipment was inaugurated in Guangzhou, China, to be able to effectively serve this fast-growing market.

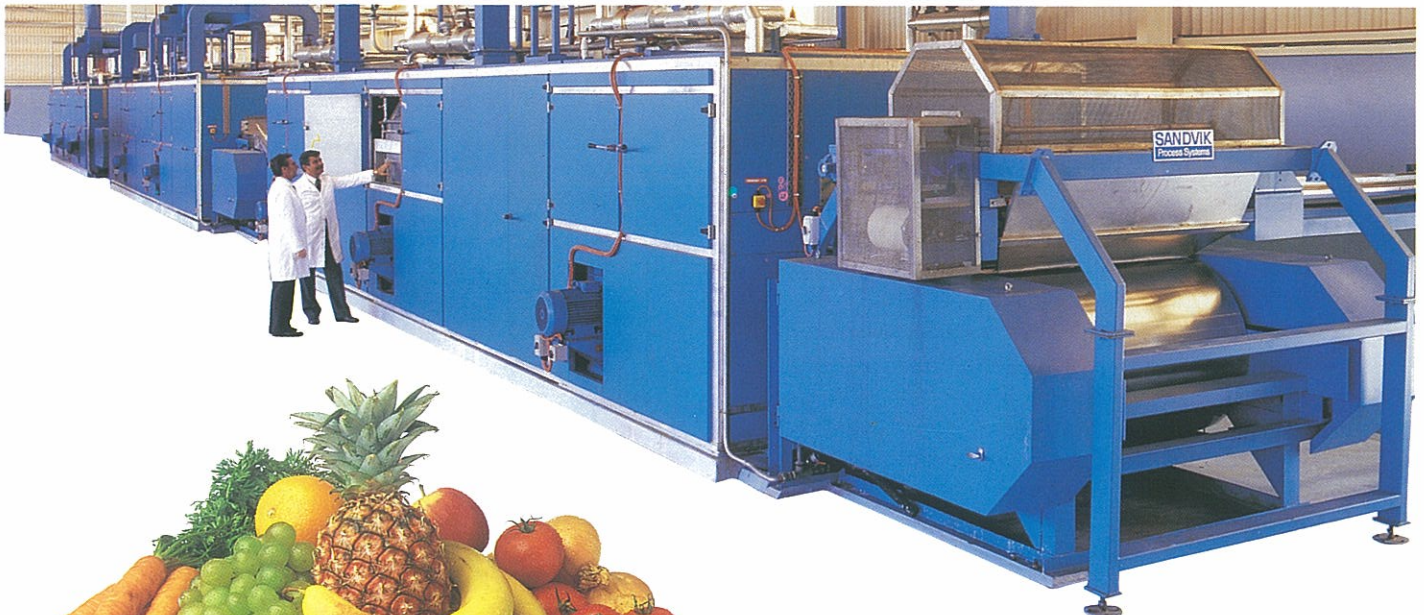
As a result of an extremely short backlog of orders at the beginning of 1993, and despite the weaker Swedish krona, sales in 1993 only reached the year-earlier level, which means that volumes decreased significantly. Efforts toward streamlining and cost savings continued, but the return on capital employed stagnated at the low level of 7%.

STEEL BELTS

Sales of steel belts were limited by weak investment by industry. Despite increased competition in the general recession, market shares were defended successfully. Demand was particularly strong for belts for presses in the particle-board industry, which is an important customer base.

The extensive investment program at the plants and facilities in Sandviken continued according to plan. A flexible, advanced plant for the production of wide belts of high quality was placed in operation as was sophisticated test equipment for testing fatigue.

During the year, deliveries of belts for an automatic parcel sorting facility to a customer in the United States were begun – the largest installation by Sandvik Process Systems of this type to date. Deliveries will continue during the greater part of 1994.



Based on the steel-belt conveyor, Sandvik Process Systems has developed plants for drying fruit, vegetables and similar products.



World-wide, more than 15 million packages are distributed on Sandvik steel-belt sorting systems.

SORTING SYSTEMS

In all, Sandvik has supplied more than 300 plants for automatic parcel sorting to customers throughout the world, chiefly in Japan, the United States and Europe. During 1993, sales in the United States increased. Europe and the Far East were strongly influenced by industries' hesitation in deciding on new investments. However, the rising order intake in North America offset weak development in other regions, such that overall there is a good backlog of orders for 1994.

Research and development efforts continued as planned. The results of R&D included a number of extremely promising improvements in automatic sorting systems.

Profit for the year was charged with a loss in connection with the first installation of a baggage sorting system at an international airport in the United States.

CHEMICAL PROCESS PLANTS

The problematic situation that characterized 1992 continued during 1993. However, the product centre was able to arrest falling volume. Despite the world-wide scarcity of investment projects, Sandvik Process Systems achieved a relatively



An advanced production line for the manufacture of wide steel belts was placed in operation in Sandviken during 1993.

good level of new orders and an improvement of the situation in preparation for 1994.

Rotoform plants are now in use throughout the world. The number of units at year-end amounted to almost 600. The second generation of this very successful processing plant has been launched in the market.

A prototype for a new granulation plant was designed that was successfully tested for its first important application. The Rotocoat process for coating of microgranulates, introduced in 1992, has proved its effectiveness and industrial utility. The process was tested by a producer of accelerators for washing detergents. These new processes are expected to contribute to more positive development of business.

FOOD PROCESSING PLANTS

Nineteen ninety-three was another difficult year for the world's food-processing industry. Uncertainty in the face of investment continued to be great in most markets. Under these circumstances, though, the inflow of new orders was very encouraging, chiefly with respect to deliveries to be made during 1994.

Intensified sales efforts in Southeast Asia and the installation of drying and freezing plants in China bolstered Sandvik Process System's position in that market. The successful development of a new technique for producing thin tobacco films on a steel belt resulted in a new, growing market potential.

OUTLOOK FOR 1994

There are still extremely few signs of genuine improvement in conditions for capital investment during 1994. Japan and Germany, markets representing major sales potential, will continue to be weak.

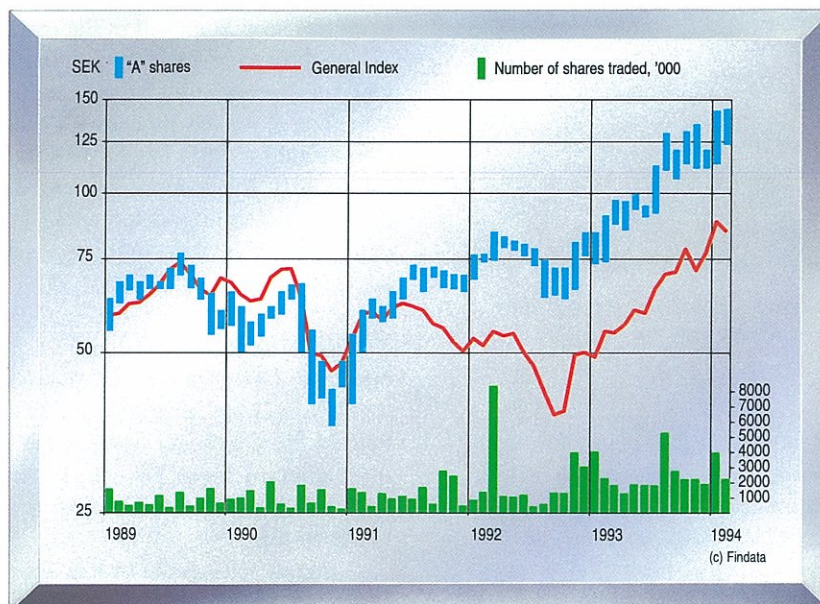
However, continued cost cutting combined with the introduction of new technology and an already full backlog of orders will considerably raise profitability in 1994 compared with 1993.



The world's largest facility for converting sulphur into easily handled pastilles, at Shell Canada, contains 46 Rotoform units.

THE SANDVIK SHARE

PRICE MOVEMENTS ON THE STOCKHOLM STOCK EXCHANGE, SANDVIK "A" SHARES



PER-SHARE DATA, SEK

	1993	1992	1991	1990	1989
Earnings ¹⁾	4.90	4.20	5.30	6.90	6.80
Earnings after accrued taxes	5.60	4.50	5.60	7.40	7.80
Equity capital after proposed dividend	49.40	46.90	44.80	42.40	35.50
Dividend (1993, as proposed)	2.25	1.90	1.80	1.70	1.50
Direct return ²⁾ , %	1.9	2.3	2.6	3.8	2.5
Payout percentage ³⁾ , %	46	45	34	25	22
Quoted prices, "A", year's highest	134	84	73	67	77
year's lowest	73	63	40	36	54
at year's end	116	82	68	45	59
Quoted prices, "B", year's highest	134	84	77	71	77
year's lowest	73	62	41	37	56
at year's end	115	83	69	45	59
P/E ratio ⁴⁾	23.7	19.3	12.8	6.6	8.6
Quoted price, % of equity capital after proposed dividend ⁵⁾	236	174	153	107	166
Average number of shares traded per day on the Stockholm Stock Exchange, "A"	93,381	85,820	43,765	31,820	27,105
"B"	180,667	98,770	37,655	22,360	25,160
London Stock Exchange, "A"	92,229	-	-	-	-
"B"	208,346	178,970	99,010	62,090	76,250

Data regarding prior years have been changed as if the share split 5:1, which was effected in 1993, had already occurred.

- 1) Earnings after estimated full taxation, and full conversion
- 2) Dividend divided by price of "A" share at year's end
- 3) Dividend divided by earnings per share after estimated full tax
- 4) Price of "A" share at year's end in relation to earnings per share
- 5) Price of "A" share at year's end as percentage of equity capital after recommended dividend per share

For additional definitions, see page 30.

SHAREHOLDERS

The number of shareholders is about 32,600. The ten largest holders account for 57% of the shares and 66% of the votes. In all, it is estimated that listed corporations, insurance companies, funds and foundations hold 85% of the shares.

THE LARGEST SHAREHOLDERS OF SANDVIK AB (DECEMBER 1993)

	Percentage of voting rights	Percentage of shares
Skanska AB	26.1	20.2
Investment Funds of the Swedish Savings Banks.....	10.5	10.4
National Swedish Pension Insurance Fund, Fourth Fund Board	7.8	6.2
Svenska Handelsbanken's Pension Foundation	5.0	3.9
SPP.....	3.9	3.5
Skandinaviska Enskilda Banken's Investment Funds	2.6	2.3
Skandia	2.4	2.1
Svenska Handelsbanken's Investment Funds.....	2.3	2.0
Labour Market Insurance AB (AMF-p) ..	2.3	2.0
Folksam, including AMF-s.....	1.7	2.3
National Swedish Pension Insurance Fund, Fifth Fund Board	1.6	1.2
Nordbanken's Investment Funds	1.4	1.4

SANDVIK AB SHARE OWNERSHIP (DECEMBER 1993)

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	21,202	65.1	3,937,629	1.4	186
501-1,000.....	4,191	12.9	3,329,155	1.2	794
1,001-10,000	6,292	19.3	18,079,224	6.5	2,873
10,001-100,000....	717	2.2	20,240,256	7.3	28,229
More than 100,000	166	0.5	232,890,116	83.6	1,402,953
	32,568	100.0	278,476,380	100.0	8,551

OPTIONS

Standardized options on the Sandvik "B" share were introduced for trading in May 1993.

ANALYSES

The following firms have prepared analyses of Sandvik during the past two years.

ABB Aros Fondkommission
ABN-AMRO Securities Scandinavia
Alfred Berg
Barclays de Zoete Wedd (UK)
Carnegie Fondkommission
Danska Securities, Danske Börs
Enskilda Corporate
Goldman, Sachs & Co (UK)
Handelsbanken
Hägglöf & Ponsbach Fondkommission
James Capel & Co (UK)
Kleinwort Benson Securities (UK)
Merchant Grundström & Partners Fondkommission
Merril Lynch (UK)
Morgan Stanley (UK)
NatWest Securities
Smith New Court
Swedbank Fondkommission
Swiss Bank Corporation (UK)
UBS Global Research
Warburg Securities (UK)
E Öhman J:or Fondkommission

REPORT OF THE DIRECTORS

1. MARKET SITUATION AND SALES

	1993	1992	Change, %
Order intake, SEK m.	22,128	17,335	+28
Invoiced sales, SEK m.	21,770	17,217	+26

The world market for industrial products was marked by continued weakness in demand during 1993, with an altered competitive and earnings situation in Sweden due to the decline in the Swedish krona.

Business conditions in North and South America improved gradually during the year while, at the same time, the bottom was probably reached in western Europe. In Asia, demand was strong the entire year, with the important exception of Japan, where there was no sign of recovery. In its entirety, world-wide demand for industrial products began to rise at year-end 1993 following four years of decline.

Measured as a basket of currencies, corresponding to Sandvik's external invoiced sales in various countries, the value of the Swedish krona declined an average of 22% from 1992 to 1993.

Invoiced sales by product area:

	1993		1992		Change
	SEK m.	%	SEK m.	%	%*
Cemented Carbide	11,742	54	8,526	49	+38 (+14)
Steel	6,450	30	5,267	31	+22 (+22)
Saws and Tools ...	2,363	11	2,049	12	+15 (+15)
Process Systems ..	1,190	5	1,190	7	0 (0)
Group conjoint activities.....	25	/	185	1	/
Group total.....	21,770	100	17,217	100	+26 (+16)

* Figures in parentheses show change excluding company acquisitions and divestments.

Invoiced sales by market area:

	1993		1992		Change
	SEK m.	%	SEK m.	%	%*
Sweden	1,494	7	1,291	7	+16 (+6)
EU.....	9,110	42	7,518	44	+21 (+6)
Rest of Europe.....	1,428	7	1,287	7	+11 (+7)
Total, Europe.....	12,032	56	10,096	58	+19 (+6)
North America.....	4,415	20	3,003	18	+47 (+34)
Latin America.....	1,394	6	926	5	+51 (+40)
Africa, Asia and Australia	3,929	18	3,192	19	+23 (+24)
Group total.....	21,770	100	17,217	100	+26 (+16)

* Figures in parentheses show change excluding company acquisitions and divestments.

Invoiced sales in the ten largest markets, SEK m.:

	1993	1992	Change %
United States.....	3,872	2,677	+45
Germany.....	3,015	2,451	+23
France.....	1,857	1,506	+23
Sweden.....	1,494	1,291	+16
Italy	1,332	1,160	+15
Japan	1,309	1,107	+18
United Kingdom	1,263	956	+32
Brazil.....	682	391	+74
Australia.....	623	563	+11
Canada	543	326	+67

2. COMPANY ACQUISITIONS, STRUCTURAL CHANGES AND CO-OPERATION AGREEMENTS

Effective 1 January 1992, Sandvik acquired the remaining 20% shareholding in Cutting Tool Technology B.V., the parent company of the tool group, CTT Tools. Effective

1 January, 1993, this group formed, together with Sandvik Coromant and Sandvik Automation, a new business area called Sandvik Tooling.

Sandvik, through its subsidiary in Brazil, formed a joint 50/50 owned company with Aços Villares S.A. called Sandvik Villares Wire, for producing stainless drawn wire. The new company is the largest in South America within this area. Annual invoiced sales amount to about SEK 100 m., with about 170 employees.

Sandvik International, together with a privatised Latvian company, formed a 50/50 joint-venture company, Latsin SiA, Riga, for harvesting and selling of timber. The company's export sales contribute to increasing the balance of trade between Latvia and Sweden.

The Sandvik Coromant subsidiary, Safety, bought 82.5% of the Italian cemented-carbide products company, Impero S.p.A., with invoiced sales of about SEK 100 m. and 130 employees.

Sandvik Coromant in the U.S. sold its operations based in Rhode Island for manufacturing of tool holders of the Madison Cameron brand.

Sandvik formed a wholly owned company in China, Sandvik China Ltd., which initiated the construction of a factory for cemented-carbide tools in Langfang City. The factory is projected to begin operations by year-end 1994 and will employ 90 persons.

During the fourth quarter, production began of extruded stainless, seamless tube at Pexco, in Pennsylvania, U.S. The plant is owned 70 % by Sandvik and 30% by Sumitomo. Sandvik's share of capital expenditures amounted to SEK 181 m. at year-end 1993.

The Swedish Government decided in March to once again permit trade with South Africa, allowing Sandvik to resume a build-up of exports to this country from Sweden.

3. EARNINGS AND RETURNS

	1993	1992
Operating profit after depreciation, SEK m.	1,726	1,030
as a percentage of invoiced sales	7.9	6.0
Profit after financial income and expenses, SEK m.....	1,985	1,521
as a percentage of invoiced sales	9.1	8.9
Return on capital employed, %	12.8	10.3
Return on equity capital after tax, %	10.0	9.3
Earnings per share, SEK	4.90	4.20

Definitions, page 30.

Quarterly trends are presented in the following table. Profit

is shown after financial income and expenses and net margin calculated as a percentage of invoiced sales.

	Invoiced sales SEK m.	Profit SEK m.	Net margin %
1992: 1st Quarter	4,165	472	11
2nd Quarter	4,416	431	10
3rd Quarter	3,896	267	7
4th Quarter	4,740	351	7
1993: 1st Quarter	5,273	486	9
2nd Quarter	5,414	508	9
3rd Quarter	5,113	447	9
4th Quarter	5,970	544	9

The net of non-recurring income and expenses amounted to an expense of SEK 221 m. (expense: SEK 35 m.) and pertained largely to write-downs in shareholdings in non-Group companies.

Profit after non-recurring income and expenses was SEK 1,764 m. (1,486).

Earnings per share in 1993, after estimated full tax, were SEK 4.90 (4.20), and after non-recurring income and expenses SEK 4.50 (4.20). Calculated theoretically, the average tax rate for the Group was 27 (20) %. Earnings per share, including non-recurring income and expenses, were SEK 4.50 (4.20). After payment of taxes accruing during the income year, earnings per share were SEK 5.60 (4.50).

Accrued taxes amounted to SEK 327 m. (235), corresponding to 19% (16) of profit after non-recurring income and expenses.

Latent tax liability includes tax liabilities in untaxed reserves and in consolidated adjustments to the year-end accounts as well as taxes deferred for future payment as a result of participation in the net losses of partly owned limited partnerships. This item, amounting to SEK 2,024 m. (1,645), is reported separately.

Distribution of profits, after depreciation and including associated companies, by product area, SEK m.:

	1993	1992	Change
Cemented Carbide.....	1,283	879	404
Steel.....	461	159	302
Saws and Tools	-3	-82	79
Process Systems	43	21	22
Group conjoint activities...	-13	21	-34
Group total	1,771	998	773

Group conjoint activities relate to holding company and service operations. Also reported here is a reserve for restructuring costs incurred by the German company, Sandvik Belzer.

4. FINANCING

	1993	1992
Cash flow, SEK m.....	1,142	1,645
Liquid assets, 31 Dec., SEK m.....	5,171	4,864
Loans, 31 Dec., SEK m.....	1,254	1,542
Net interest, SEK m.....	223	540
Net financial items, incl. exchange differences, SEK m.....	214	523
Solidity, %.....	60	59
Debt-equity ratio	0.2	0.2
Equity capital after proposed dividend, SEK m.....	13,749	13,019
Equity capital per share after proposed dividend, SEK	49.40	46.90

Definitions, page 30.

Net financing from operations was SEK 1,892 m. (2,123), with cash flow amounting to SEK 1,142 m. (1,645).

During 1993 Sandvik also hedged its net assets in all major subsidiaries. Accordingly, currency-exchange fluctuations had only a marginal effect on equity capital.

During 1993, Sandvik hedged most of its 1994 invoiced sales flow from Sweden to other countries through sales based on forward contracts.

5. CAPITAL EXPENDITURES

	1993	1992
Investments in plants, property and equipment, SEK m.....	886	886
as a percentage of invoiced sales	4.1	5.1

Capital expenditures in Sweden amounted to SEK 329 m. (442), of which SEK 307 m. (354) relates to the Parent Company, including subordinate companies. Large, individual investments are covered in the comments pertaining to the respective business areas.

**6. RESEARCH AND DEVELOPMENT
AND QUALITY ASSURANCE**

In 1993, the Group invested SEK 932 m. (884), corresponding to 4.3% (5.1) of invoiced sales, in research and development and quality assurance. The year's significant advances are described in the respective business area sections.

7. PERSONNEL

	1993	1992
Number of employees, 31 Dec.	26,869	28,617
Average number of employees		
Women.....	5,116	4,774
Men	22,503	20,825
Total.....	27,619	25,599

For comparable units, the number of employees decreased by 1,899 (1992: decrease of 1,754).

At 31 December the number of employees in the Parent Company and subordinate companies was 8,034 (8,027). The total was 7,730, excluding new subordinate companies. The number of persons employed by the Group in Sweden on the same date was 9,160 (9,648).

The number of employees in each business area is shown in reviews presented on pages 4-17.

Details regarding personnel costs and the average number of employees in Sweden and abroad is provided on page 37.

8. PARENT COMPANY

The Parent Company's invoiced sales increased 16% to SEK 8,197 m. (7,047). Profit after depreciation amounted to SEK 922 m. (344).

The Annual General Meeting held in May 1992 revised the Articles of Association as follows:

- The share's nominal value is changed from SEK 25 to SEK 5 through a 5:1 split.
- In addition to the Series A and Series B shares, Series C shares shall be issued in an amount not to exceed SEK 30 m.

The Annual General Meeting approved the Board of Directors proposal of a new issue of Series C shares in a nominal amount of SEK 26,062,500. AB SKF subscribed for all shares as payment for the sale of CTT Tools to Sandvik.

A 5:1 share split was implemented on 16 June 1993.

CONSOLIDATED INCOME STATEMENT

Amounts in SEK million	1993	1992
Invoiced sales Note 2	21,770	17,217
Costs of production, selling and administration Note 3	-18,940	-15,310
OPERATING PROFIT BEFORE DEPRECIATION	2,830	1,907
Scheduled depreciation Note 4	-1,104	-877
OPERATING PROFIT AFTER DEPRECIATION	1,726	1,030
Interest in profits of associated companies Note 7	45	-32
Interest received Note 5	571	837
Interest paid Note 5	-348	-297
Exchange differences on loans Note 6	-9	-17
PROFIT AFTER FINANCIAL INCOME AND EXPENSES	1,985	1,521
Non-recurring income Note 8	8	107
Non-recurring expenses Note 8	-229	-142
PROFIT AFTER NON-RECURRING INCOME AND EXPENSES	1,764	1,486
Accrued taxes Note 21	-327	-235
Estimated future taxes Note 21	-248	-114
Participation in taxes of associated companies	-12	11
PROFIT AFTER TAXES	1,177	1,148
Minority interest Note 7	-108	-36
CONSOLIDATED NET PROFIT	1,069	1,112

CONSOLIDATED BALANCE SHEET

Amounts in SEK million	1993	1992
ASSETS		
CURRENT ASSETS		
Cash and bank balances	1,049	909
Short-term placements..... Note 9	4,122	3,955
Customer bills and acceptances	683	599
Trade account receivables.....	3,914	3,453
Prepaid expenses and accrued income	322	354
Other current receivables	961	790
Inventories	5,724	5,774
	<u>16,775</u>	<u>15,834</u>
FIXED ASSETS		
Shares and participations	83	336
Equity interest in associated companies.....	607	558
Long-term receivables..... Note 11	157	174
Goodwill and other intangible assets	323	344
Construction in progress.....	157	200
Machinery and equipment..... Note 13	4,219	4,057
Buildings	2,806	2,507
	<u>8,352</u>	<u>8,176</u>
TOTAL ASSETS.....	25,127	24,010
Assets pledged..... Note 14	1,646	1,654

Amounts in SEK million	1993	1992
LIABILITIES AND EQUITY CAPITAL		
CURRENT LIABILITIES		
Bills payable	189	227
Owed to suppliers	1,191	1,056
Tax debts	381	327
Accrued expenses and prepaid income.....	2,100	2,120
Short-term loans	902	1,087
Other current liabilities	1,064	1,006
	<u>5,827</u>	<u>5,823</u>
LONG-TERM LIABILITIES		
Long-term loans	352	455
Provision for pensions.....	1,755	1,772
Latent tax liability	2,024	1,645
Other long-term liabilities.....	168	200
	<u>4,299</u>	<u>4,072</u>
CONVERTIBLE DEBENTURE LOAN.....	25	30
MINORITY INTEREST IN EQUITY CAPITAL	612	547
EQUITY CAPITAL.....		
Restricted equity capital:		
Share capital.....	1,392	1,366
Statutory capital reserves.....	5,601	3,945
Proposed new issue.....	-	25
	<u>6,993</u>	<u>5,336</u>
Unrestricted equity capital:		
Unrestricted reserves.....	6,267	7,099
Translation difference	35	-9
Consolidated net profit	1,069	1,112
	<u>7,371</u>	<u>8,202</u>
Total equity capital	14,364	13,538
TOTAL LIABILITIES AND EQUITY CAPITAL.....	25,127	24,010
Contingent liabilities	521	791

CONSOLIDATED FUNDS STATEMENT

Amounts in SEK million	1993	1992
INTERNAL FINANCING		
Profit after financial earnings and expenses.....	1,985	1,521
Reversal of undistributed interest in earnings of associated companies.....	-45	33
Reversal of depreciation charges.....	1,104	877
Non-recurring income and expenses.....	-221	-35
Reversal of capital gain/loss on shares and facilities sold.....	279	109
Accrued taxes.....	-327	-235
Dividends.....	-549	-519
Total internal financing.....	2,226	1,751
CHANGE IN WORKING CAPITAL		
Change in inventories.....	76	-141
Change in current receivables.....	-538	-126
Change in non-interest-bearing operating liabilities.....	128	639
Total change in working capital.....	-334	372
NET FINANCING FROM OPERATIONS.....	1,892	2,123
NET INVESTMENTS		
Acquisition of companies and shares.....	-78	-425
Less acquisitions financed by issue of shares.....	54	216
Less acquired liquid assets.....	5	89
Investment in fixed assets.....	-886	-886
Sale of companies and shares.....	21	1,384
Payment of dealings with divested companies.....	-	-937
Sale of fixed assets.....	134	81
Net investments.....	-750	-478
FINANCIAL SURPLUS (CASH FLOW).....	1,142	1,645
EXTERNAL FINANCING		
Equity capital:		
Change through conversion of loan.....	-	14
Loans:		
Change in short-term loans.....	-204	-529
Change in long-term loans.....	-94	-960
Change in convertible loan.....	-5	-15
Total loans.....	-303	-1,504
Other financing, net:		
Change in long-term receivables.....	-103	171
Change in pension liability.....	-4	161
Change in other long-term liabilities.....	-80	5
Change of minority interest in equity capital.....	17	1
Total other financing, net.....	-170	338
NET EXTERNAL FINANCING.....	-473	-1,152
Translation differences, including the effect of hedging the Group's net investments in subsidiaries outside Sweden.....	-362	-443
CHANGE IN LIQUID ASSETS.....	307	50

THE PARENT COMPANY'S ACCOUNTS

INCOME STATEMENT (NOTE 1)

Amounts in SEK million	1993	1992
Invoiced sales..... Note 2	8,197	7,047
Costs of production, selling and administration..... Note 3	-6,932	-6,403
OPERATING PROFIT BEFORE DEPRECIATION.....	1,265	644
Scheduled depreciation Note 4	-343	-300
OPERATING PROFIT AFTER DEPRECIATION	922	344
Financial items:		
Dividends received from subsidiaries	603	2,972
Interest received from subsidiaries.....	19	13
Other interest received Note 5	128	171
Interest paid to subsidiaries	-120	-235
Other interest paid..... Note 5	-84	-99
Exchange differences on loans .. Note 6	-10	-78
PROFIT AFTER FINANCIAL INCOME AND EXPENSES.....	1,458	3,088
Non-recurring earnings Note 8	7	1,017
Non-recurring expenses Note 8	-128	-256
PROFIT BEFORE APPROPRIATIONS AND TAXES.....	1,337	3,849
Appropriations:		
Difference between book and scheduled depreciation..... Note 18	104	124
Change in transitional reserve for inventory reserve, etc..... Note 19	600	300
Change in tax equalization reserve (K)..... Note 19	-1,790	-400
Other appropriations Note 19	-3	14
Group contributions.....	-33	-115
PRE-TAX PROFIT	215	3,772
Accrued taxes..... Note 21	-75	0
Estimated future taxes..... Note 21	79	39
NET PROFIT	219	3,811

FUNDS STATEMENT

Amounts in SEK million	1993	1992
INTERNAL FINANCING		
Profit before appropriations and taxes ...	1,337	3,849
Reversal of depreciation charges.....	343	300
Reversal of capital gain/loss on shares and facilities sold.....	48	-912
Accrued taxes	-75	0
Dividends.....	-519	-490
Group contributions.....	-33	-115
Total internal financing	1,101	2,632
CHANGE IN WORKING CAPITAL		
Change in inventories.....	30	73
Change in current receivables	-129	-976
Change in non-interest-bearing operating liabilities	349	-1,372
Total change in working capital.....	250	-2,275
NET FINANCING FROM OPERATIONS.....		
	1,351	357
NET INVESTMENTS		
Acquisition of companies and shares.....	-364	-243
Less acquisitions financed by the issue of shares.....	6	25
Acquisition of fixed assets	-307	-354
Change in Parent Company's long-term commitments to subsidiary companies ..	-33	-889
Sale of companies.....	20	1,481
Sale of fixed assets	9	3
Net investments	-669	23
FINANCIAL SURPLUS (CASH FLOW)	682	380
EXTERNAL FINANCING		
Equity capital:		
Change through conversion of loan	-	14
Loans:		
Change in short-term loans	-88	-129
Change in long-term loans	-13	-58
Change in convertible loan.....	-	-14
Total loans	-101	-201
Other financing, net:		
Change in long-term receivables.....	-	101
Change in pension liability.....	-111	45
Change in long-term liabilities.....	-42	-
Acquired liquid assets	4	-
Total other financing, net	-149	146
TOTAL EXTERNAL FINANCING.....	-250	-41
CHANGE IN LIQUID ASSETS.....	432	339

THE PARENT COMPANY'S ACCOUNTS

BALANCE SHEET (NOTE 1)

Amounts in SEK million	1993	1992	Amounts in SEK million	1993	1992
ASSETS			LIABILITIES AND EQUITY CAPITAL		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and bank balances.....	70	77	Owed to suppliers.....	423	315
Short-term placements Note 9	1,374	935	Tax debts	152	96
Receivables from subsidiaries.....	1,395	1,320	Accrued expenses and prepaid income ..	672	559
Trade accounts receivable	498	394	Short-term loans..... Note 16	6	93
Prepaid expenses and accrued income ...	177	210	Other current liabilities to subsidiaries ..	1,189	1,035
Other current receivables.....	139	118	Other current liabilities..... Note 15	168	133
Inventories	1,906	1,864		<u>2,610</u>	<u>2,231</u>
	5,559	4,918			
FIXED ASSETS			LONG-TERM LIABILITIES		
Shares and participations			Long-term loans..... Note 16	7	13
in subsidiaries Note 10	5,675	5,288	Provision for pensions Note 17	787	858
Shares and participations			Latent tax liability..... Note 20	12	91
in other companies..... Note 10	419	461	Other long-term liabilities	-	42
Receivables from subsidiaries.....	171	171		<u>806</u>	<u>1,004</u>
Other long-term receivables Note 11	15	15			
Construction in progress.....	78	63	UNTAXED RESERVES		
Machinery and equipment Note 13	1,671	1,688	Accumulated depreciation above		
Buildings..... Note 13	304	312	schedule Note 18	1,129	1,233
	8,333	7,998	Tax equalization reserve (K) ... Note 19	2,190	400
			Transitional reserve		
TOTAL ASSETS	13,892	12,916	for inventory reserve, etc..... Note 19	-	600
			Other untaxed reserves Note 19	8	5
Assets pledged..... Note 14	596	581		<u>3,327</u>	<u>2,238</u>
			EQUITY CAPITAL..... Note 22		
			Restricted equity capital:		
			Share capital (278,476,380 shares		
			of SEK 5 nominal)..... Note 23		
			1,392	1,366	
			291	286	
			-	25	
			<u>1,683</u>	<u>1,677</u>	
			Unrestricted equity capital:		
			Retained earnings	5,247	1,955
			Net profit	219	3,811
				<u>5,466</u>	<u>5,766</u>
			Total equity capital.....	7,149	7,443
			TOTAL LIABILITIES AND		
			EQUITY CAPITAL		
			13,892	12,916	
			Contingent liabilities..... Note 24		
			629	1,005	

ACCOUNTING PRINCIPLES

GENERAL AND CHANGES FROM PRECEDING YEAR

In all essential respects, Sandvik observes the guidelines issued by the IASC, valid in 1993, in preparing this Annual Report.

During 1993, Sandvik adopted principles in accordance with FAS 106 for employers' accounting, primarily in the American subsidiaries, for post-retirement benefits other than pensions, principally health care benefits. The Group also adopted the Swedish Financial Accounting Standards Council's newly issued recommendation for valuation of inventories. Both changes in principles have been applied retroactively from 1992 and resulted in a reduction of the Group's equity capital by SEK 140 m. The Parent Company's equity capital has decreased by SEK 45 m., respectively.

The Income Statement and Balance Sheet for 1992 have been adjusted in all comparisons in the Annual Report and in the calculation of the key figures.

The following changes have also been made:

- Any goodwill arising in acquisition from and including 1992 is specified in the local currency.
- From and including 1993, calculation of the earnings of those companies active in high-inflation countries is in U.S. dollars and not in Swedish kronor as previously.
- All participations in limited partnership companies have been valued at zero.
- The tax rate in calculating latent tax liabilities in Swedish Group Companies' untaxed reserves has been changed from 30% to 28%. The reduction in liabilities has affected the future taxes in the consolidated income statements.

CONSOLIDATED ACCOUNTING

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

The Accounts are prepared in accordance with the purchase method, which implies that the surpluses of subsidiaries are included in the Group's equity capital only insofar as they have accrued subsequent to the acquisition of the said subsidiaries.

In the acquisition of subsidiaries, assets and liabilities are valued at the market value prevailing at the date of acquisition. The difference between the acquisition value for the shares in the subsidiary and the market value of acquired assets and assumed liabilities, after taking into account tax effects, is shown as consolidated goodwill. After 1991, goodwill is determined at acquisition in the local currency. Goodwill is amortized at a rate of at least 10% annually, with the exception of goodwill attributable to long-term strategic acquisitions, which is amortized by 5% per year. Negative goodwill is reported as a long-term liability and eliminated in accordance with a plan prepared in each specific case.

The balance sheets and income statements of the foreign subsidiaries are 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 prevailing on the dates when the accounts were closed, and the income statements at the year's average rate. The difference thereby arising between

the net profit in the balance sheet and the net profit in the income statement is shown as a separate item under "Equity capital".

Changes in the Group's equity capital that arise from differences in the closing-date exchange rates since the preceding year and, after due allowance for the taxation effects, exchange gains and losses on the forward contracts and loans that serve as currency hedges for the Group's net investments in foreign subsidiaries, have been posted to "Equity capital". Sandvik has employed such hedging throughout 1993 for all major companies.

For the majority of the foreign companies operating in high-inflation countries a translation into U.S. dollars was carried out so that the results are measured largely in the same way as if their business had been conducted in a dollar-based economy. Essentially, this means that the operations of these companies are reported in U.S. dollars with translation in accordance with the monetary/non-monetary method. The translation differences that arise are carried in their entirety on the Income Statement. The financially related translation differences are included in financial income and expenses. The trading-related translation differences are included in the costs of production, selling and administration.

The equity method is used in the reporting of significant shareholdings in "associated companies", these being enterprises that have links with the business of the Group and in which the Parent Company, directly or indirectly, holds at least 20% and at most 50% of the voting rights. The historical cost of shares, increased or decreased by a due share in profits and with a deduction to cover goodwill amortization and dividend received, is reported in the Balance Sheet under the heading "Equity interest in associated companies". An adjustment is also applied for internal profit, if any. The Group's interest in the profits of associated companies is reported in the Income Statement. Accordingly dividends received from associated companies are not included under the heading of "Dividend". If non-recurring items are significant in the calculation of interest in profits they are reported as non-recurring items at associated companies. In one case, Sandvik's 70% interest in a joint venture is reported in accordance with the proportional consolidation method.

The Group reports its equity capital under a single heading, which thus includes the proportion of equity capital in untaxed reserves. The tax incident upon the latter is included under the heading "Latent tax charge". This tax element is calculated using an individual tax rate for each country in which the Group has companies, which in the case of Sweden is 28%. In calculating latent tax liability in allocations to tax equalization reserves, it is taken into account that half of the allocations made through 1992 may be reversed under certain conditions without any tax effect. In the Consolidated Income Statement, the change in untaxed reserves is divided into two parts, one of which is reported among estimated future taxes and the other in the consolidated net profit.

In the classification of the equity capital of the Group as unrestricted or restricted, capital that is available for distribution as dividend by any given individual company has been regarded as unrestricted, 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 by which the individual company is represented in 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 during the year are recognized in the Income Statement up to the date of sale. In the realization effect of such sales on the Group, which is shown as a non-recurring item, the net profit up to the date of sale is included.

FUNDS STATEMENT. REPORTING ACQUISITION AND SALE OF SUBSIDIARIES

The amounts paid and received for the shares of companies acquired and sold 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

Short-term placements

Bonds and other short-term placements have been valued either at the lower of their historical cost or their market value on the Balance Sheet date. In the process of valuation this principle has been applied to the portfolio as a whole, which means that unrealized losses have been offset against unrealized gains. Any remaining loss is then deducted from interest earnings; a gain, on the other hand, would not be recognized.

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

Receivables and liabilities in foreign currencies are translated at the individual companies using the rates of exchange prevailing on the the Balance Sheet date. In cases where currency hedges have been employed, the forward rate of exchange is used.

Exchange gains or losses on current receivables and liabilities are included in the operating profit, while exchange gains or losses on long-term receivables and liabilities and on the Parent Company's current loan debts are reported in the Income Statement under the heading "Exchange differences".

Unrealized exchange gains on long-term receivables and liabilities are set aside at the Parent Company in an exchange-rate reserve among untaxed reserves.

Forward contracts for the sale of currencies, which most probably will be received in future currency flows, are not assigned a value.

Inventories

Inventories are valued at the lower of historical cost in accordance with the first-in/first-out principle, replacement cost or net sale value, respectively.

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 from three to five years is applied to comput-

er equipment. The difference between book and scheduled accumulated depreciation is shown as an untaxed reserve at the individual company.

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

Revenue accounting and entry of profits

Sales revenues are recognized at the time of delivery, less deductions for value-added tax, discounts and returns. Invoiced sales and profits arising from long-term contracts are entered upon final invoicing.

TAXES

Accrued taxes in the Income Statement are income taxes accruing at the Group's various companies during the accounting year, calculated in accordance with the fiscal rules and the accounting principles that apply in the countries where the profits arose.

Accrued taxes include foreign coupon taxes paid in respect of dividend disbursed to the Parent Company or to other Group companies.

The item "Estimated future taxes" is mainly attributed to allocation to untaxed reserves and participation in the deficits of partly owned limited partnerships.

The heading "Latent tax liability" in the Balance Sheet covers the following tax debts:

- Tax debt that is latent in untaxed reserves set aside at the Group.
- Tax debt that is latent in acquired untaxed reserves.
- Tax that is deferred in consequence of participation in net losses of partly owned limited partnerships.
- The net amount of latent tax liabilities and latent tax claims in consolidated accounting adjustments. Latent tax claims for acquired losses carried forward have also been deducted.

The tax liability is calculated using an individual tax rate for each company that has set aside untaxed reserves.

The Funds Statement does not contain any estimated future taxes, nor any change in the latent tax charge.

DEFINITIONS

Earnings per share

Profit after financial income and expenses, after deduction for estimated tax and minority interest, divided by the average number of shares outstanding during the year. In calculating the tax charge the current taxation rates were applied, to positive and negative items alike, for the various Group companies.

Earnings per share including non-recurring earnings and expenses

Profit after non-recurring income and expenses, less deductions for estimated tax, divided by the average number of shares outstanding during the year.

Earnings per share after accrued tax

Profit after financial earnings and expenses, less deductions for minority interest and for accrued taxes, divided by the average number of shares outstanding during the year.

Solidity

Equity capital including minority interests in relation to total capital.

Debt-equity ratio

Interest-bearing current and long-term liabilities (including pension liability) divided by equity capital with the addition of minority interest.

Rate of capital turnover

Invoiced sales in relation to average total capital.

Return on equity capital after tax

Profit after financial earnings and expenses, after deduction of estimated tax and minority interest, as a percentage of the average equity capital after deduction of proposed dividend.

Return on capital employed

Profit after financial earnings and expenses plus outgoing interest, plus exchange losses on loans but minus exchange gains on loans, as a percentage of average total capital less deductions for short-term interest-free trading debts and that portion of the latent tax charge that pertains to untaxed reserves in the Group's companies.

APPLICATION OF U.S. GAAP

(AMERICAN ACCOUNTING PRINCIPLES)

The Financial Statements of the Sandvik Group have been drawn up in accordance with the accounting principles set forth earlier, which differ from American accounting principles in the following - to the Sandvik Group - important respects:

Latent tax

In accordance with American accounting practice, latent tax is calculated for significant differences between reported income and expenses and corresponding items that are taxed. Since the recommendations of the Swedish Financial Accounting Standards Council regarding consolidation have been applied, the most significant items that give rise to latent taxes have already been taken into account. However, there are still some differences. For example, the American accounting rules to a certain extent also permit taking into account the effects of loss carryforwards.

Writing up assets

In certain circumstances, 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 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, and depreciated according to schedule.

Acquisitions

Acquisition of certain subsidiaries is accounted for in different ways, according to Sandvik's accounting principles and U.S. GAAP, respectively. The differences are related to the valuation of payment in the form of own shares.

Pension costs, etc.

American and Swedish practice for the reporting of pension costs differ mainly in the choice of discounting interest and in the circumstance that the American calculation of capital value is based on calculated pay at the time of retirement which is not the case with the Swedish calculation. However, the difference has not been quantified, and is not included in the following reconciliation.

Beginning 1993, costs for obligations regarding the retired persons' benefits over and above pension are also set aside.

Various

Other areas in which the application of American accounting principles to the Sandvik Group would entail not insignificant

differences are the valuation of forward contracts and general reservations.

In accordance with Swedish rules, revisions in accounting principles have retroactively changed profit and equity capital in the consolidated accounts for 1992. This is contrary to American practice. Accordingly, profit and equity capital for 1992 are shown in the original amounts.

In the application of American accounting principles the change of accounting of retired persons' benefits over and above pensions, amounts to a change of principle, which in its entirety is charged to the 1993 profit.

The application of American accounting principles would have the following approximate effect on the Sandvik Group's reported net profit, earnings per share and equity capital:

(Amounts in SEK m., except where otherwise stated)	1993	1992
Net profit according to the Consolidated Income Statement	1,069	1,112
Changes due to revisions in accounting principles in the Swedish accounting	-	6
The year's profit before revision of principles	1,069	1,118
Increase/decrease for		
Latent tax	198	-10
Write-ups	9	8
Capitalization of interest expenses	24	21
Acquisitions	-4	-
Other adjustments	-32	4
Net profit as calculated based on American accounting principles, before changes due to revision in accounting principles	1,264	1,141
Accumulated effect due to changes due to revisions in accounting principles	-85	-
Net profit as calculated based on American accounting principles	1,179	1,141
Earnings per share, as calculated based on American accounting principles, before revision in accounting principles, SEK	4.55	4.15
Net profit per share, calculated after the accumulated effect of revised accounting principles, SEK	4.25	-
Equity capital according to the Consolidated Balance Sheet	14,364	13,538
Changes due to revisions in accounting principles in the Swedish accounting	-	140
Equity capital 1992 before changes due to revisions in accounting principles	14,364	13,678
Increase/decrease for		
Latent tax	247	49
Write-ups	-459	-358
Capitalization of interest expenses	119	95
Acquisitions	77	-
Other adjustments	80	112
Equity capital as based on American accounting principles	14,428	13,576
Equity capital per share as calculated based on American accounting principles, SEK.....	49.60	47.05

NOTES TO THE ACCOUNTS

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 1993 the companies listed below conducted business under their own names, but solely for the account of the Parent Company. In its Annual Accounts, the Parent Company reports - with the exception of some buildings - all assets and liabilities and all revenues and expenses pertaining to the subordinate operations.

The following subordinate companies conducted business in 1993 for the account of the Parent Company: Guldsmedshytte Bruks AB, Sandvik Automation Norden AB, AB Sandvik Bahco, AB Sandvik Belts, AB

Sandvik Central Service, AB Sandvik Coromant, Sandvik Coromant Norden AB, AB Sandvik Hand Tools, AB Sandvik Hard Materials, Sandvik Hard Materials Norden AB, AB Sandvik Information Systems, AB Sandvik International, AB Sandvik Metal Saws, AB Sandvik Rock Tools, Sandvik Rock Tools Svenska Försäljnings AB, AB Sandvik Saws and Tools, AB Sandvik Steel, Sandvik Stål Försäljnings AB, Sandvik Bahco Norden AB, Sandvik Windsor AB, AB Sandvik Västberga Service and, AB Swedish Metal Saws.

NOTE 2. Invoiced sales and Parent Company's purchases

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

	Group		Parent Company	
	1993	1992	1993	1992
Other operating revenues	14	23	194	220

SEK 5,107 m. (4,516), or 62% (64) of the Parent Company's invoiced sales were to Group companies.

The export share was 82% (81). SEK 462 m. (334), or 13% (10), of the Parent Company's purchasing, came from Group companies.

NOTE 3. Research, development and quality assurance

	Group		Parent Company	
	1993	1992	1993	1992
Costs of				
research and development	659	649	411	433
quality assurance	273	235	117	118
Total	932	884	528	551

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	
	1993	1992	1993	1992	1993	1992	1993	1992	1993	1992
	Scheduled depreciation	-82	-48	-874	-741	-146	-86	-2	-2	-1,104

PARENT COMPANY	Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1993	1992	1993	1992	1993	1992	1993	1992
	Scheduled depreciation	-327	-286	-15	-13	-1	-1	-343
Difference between book and scheduled depreciation	93	115	11	9	-	-	104	124
Book depreciation	-234	-171	-4	-4	-1	-1	-239	-176

NOTE 5. Interest received and paid

	Group		Parent Company	
	1993	1992	1993	1992
Gross interest received on placements	504	772	128	171
Correction due to translation difference	-26	-16	-	-
Other interest received	93	81	-	-
Interest received	571	837	128	171
Interest on pension liability	-102	-97	-55	-66
Other interest paid, gross	-251	-205	-29	-33
Correction due to translation differences.....	+5	+5	-	-
Interest paid	-348	-297	-84	-99

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

The interest paid by Sandvik Leasing AB, sold in 1992, in respect of leasing items related to leasing objects, has been included among the Group's costs of production, selling and administration. (Sandvik Leasing AB's interest payments amounted in 1992 to SEK 118 m.)

Other interest received covers the accrued premium on forward contracts that serve as hedging on the Group's net assets in foreign companies.

NOTE 6. Exchange differences on loans

Reported under this heading are exchange differences on long-term receivables and liabilities and on the Parent Company's current loan debts.

	Group		Parent Company	
	1993	1992	1993	1992
Unrealized exchange difference on loans	-	-17	-	-19
Exchange difference on loans, amortizations	-9	-	-10	-59
	-9	-17	-10	-78

NOTE 7. Minority interest.

Interest in profits of associated companies

There are significant minority interests in the following companies: Seco Tools AB (minority 38%), CERMEP S.A. (49%), Impero S.p.A. (18%), Sandvik Asia Ltd. (45%), Sandvik Villares Wire S.A. (50%).

The Group classifies the following as associated companies: Avesta Sandvik Tube AB (25%), Balzers Sandvik Coating AB (49%), Devillé S.A. (35%), Eurotungstène Poudre S.A. (49%), Fagersta-Seco AB (31%), Fagersta Stainless AB (50%), Procera-Sandvik AB (50%), and Tamrock Oy (25%).

The Group's 70% share of Pennsylvania Extruded Tube Company (Pexco) has been accounted for according to the proportional consolidation method.

NOTE 8. Non-recurring earnings and expenses

	Group		Parent Company	
	1993	1992	1993	1992
Non-recurring earnings				
Capital gain on sale of shares and companies	8	97	5	1,013
Sundry items	-	10	2	4
	8	107	7	1,017
Non-recurring expenses				
Writedown on shares and other participations	-215	-57	-14	-14
Capital loss on sale of shares and participations	-8	-18	-9	-18
Additional subscription to subsidiaries	-	-	-105	-157
Capital loss on redemption of convertible debenture loan	-	-66	-	-66
Sundry items	-6	-1	-	-1
	-229	-142	-128	-256

NOTE 9. Short-term placements

	Group		Parent Company	
	1993	1992	1993	1992
Bonds	485	467	116	137
Short-term placements	3,637	3,488	1,258	798
Total	4,122	3,955	1,374	935

At closing 1992 there were also short-term placements and debts amounting to SEK 133 m. at the Group and the Parent Company, which constituted positions in interest-arbitrage transactions. These were netted against one another. On the 1993 closing date, there were no such interest-arbitrage positions.

NOTE 10. Shares and other participations

The Group's and the Parent Company's holdings of shares and other participations at the end of 1993 are set forth in the specification on page 38.

NOTE 11. Other long-term receivables

	Group		Parent Company	
	1993	1992	1993	1992
Blocked accounts for fund allocations	3	3	-	-
Advances to suppliers	2	-	1	-
Other receivables	152	171	14	15
Total	157	174	15	15

NOTE 12. Goodwill and other intangible assets

	Group	
	1993	1992
Patents and other intangible assets	12	27
Goodwill	311	317
Total	323	344

NOTE 13. 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 written off. Accumulated excess depreciation reported by the individual companies is entered among 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	
	1993	1992	1993	1992	1993	1992	1993	1992
Historical cost ¹⁾	11,689	10,601	3,545	3,031	1	1	548	466
Accumulated scheduled depreciation	-7,475	-6,552	-1,583	-1,289	-	-	-34	-28
Scheduled remaining values	4,214	4,049	1,962	1,742	1	1	514	438
Accumulated write-ups not yet written off.....	5	8	187	186	10	10	132	130
Remaining values	4,219	4,057	2,149	1,928	11	11	646	568
Assessed valuations ²⁾	-	-	916	913	34	34	135	134

PARENT COMPANY

Historical cost	4,465	4,166	408	403	1	1	27	27
Accumulated scheduled depreciation	-2,794	-2,478	-177	-164	-	-	-5	-5
Scheduled remaining values.....	1,671	1,688	231	239	1	1	22	22
Accumulated write-ups not yet written off.....	-	-	-	-	10	10	40	40
Remaining values	1,671	1,688	231	239	11	11	62	62
Accumulated depreciation above schedule	-1,104	-1,198	-19	-29	-	-	-6	-6
Book values.....	567	490	212	210	11	11	56	56
Assessed valuations.....	-	-	197	198	34	34	42	43

¹⁾ The acquisition value of assets in acquired companies is based on the company's historical cost, regardless of whether the assets were acquired before or after the date when consolidation arose.

²⁾ The figures apply to the Swedish part of the Group. The book value of real estate held by foreign subsidiaries amounted to SEK 1,716 m. (1,658).

NOTE 14. Assets pledged

	Group		Parent Company	
	1993	1992	1993	1992
Real-estate mortgages.....	957	1,000	75	75
Chattel mortgages	594	575	430	430
Bonds and other short-term placements.....	90	75	90	75
Shares in subsidiaries	5	4	1	1
Total	1,646	1,654	596	581
of which, for subsidiaries			90	75

NOTE 15. Other current liabilities

	Group		Parent Company	
	1993	1992	1993	1992
Advances from customers	183	48	6	5
Other current liabilities.....	881	958	162	128
Total	1,064	1,006	168	133

NOTE 16. External loans

	Group		Parent Company	
	1993	1992	1993	1992
Short-term loans				
Euro Commercial Paper	-	72	-	-
Amortizations due within one year on long-term loans.....	87	182	6	93
Other short-term loans.....	815	833	-	-
Total short-term loans.....	902	1,087	6	93
Long-term loans				
Bond loans	2	6	-	-
Debenture loans	1	1	-	-
Other loans	349	448	7	13
Total long-term loans	352	455	7	13
Total, all loans	1,254	1,542	13	106

NOTE 17. Provision for pensions

	Group		Parent Company	
	1993	1992	1993	1992
For Pension Registration				
Institute pensions	842	996	733	812
For other pensions	913	776	54	46
Total	1,755	1,772	787	858

NOTE 18. Parent Company's accumulated depreciation above schedule

	Machinery and equipment	Industrial and residential buildings	Site improve- ments	Total
Reported at end of 1992.....	1,198	29	6	1,233
Difference between book and scheduled depreciation	-94	-10	-	-104
Reported at end of 1993.....	1,104	19	6	1,129

NOTE 19. Parent Company's other untaxed reserves

	Tax equalization reserve (K)	Transitional reserve for inventory reserve, etc.	Other untaxed reserves
Reported at end of 1992.....	400	600	5
Change during the year	1,790	-600	3
Reported at end of 1993.....	2,190	-	8

In compliance with a legal enactment concerning the reversal of untaxed reserves an allocation was made in 1991 to a transitional reserve for inventory reserve, etc. During 1993 the amount outstanding has been reversed to taxation.

NOTE 20. Latent tax liability

	Group		Parent Company	
	1993	1992	1993	1992
Latent tax liability in untaxed reserves at Group companies	1,651	1,349	-	-
Reservation for future tax due to losses at partly owned limited partnerships, etc.....	409	500	30	110
Latent tax liabilities and tax claims in untaxed reserves, and consolidated fair value apportionments, losses carried forward, etc., net, taken into consideration upon acquisitions.....	152	61	-	-
Latent tax claims in internal profit reserve, and other adjustments.....	-188	-265	-18	-19
Total.....	2,024	1,645	12	91

NOTE 21. Taxes

ESTIMATED FUTURE TAXES

	Group		Parent Company	
	1993	1992	1993	1992
Estimated future taxes attributable to changes in untaxed reserves in Group companies.....	-303	-72	-	-
Change due share of earnings in partly owned limited partnerships and divestment of limited partnerships	80	-13	80	41
Tax attributable to changes in acquired untaxed reserve and consolidated fair value apportionments and unutilized losses carried forward, net.....	10	5	-	-
Tax attributable to changes internal profit reserve and other adjustments	-35	-35	-1	-2
Total estimated future taxes	-248	-114	79	39

ONGOING TAX PROCEEDINGS

The tax authorities have challenged depreciation deductions in fiscal years 1988-1991 totalling SEK 620 m. on three investments in leasing operations made by partly owned partnerships. Two of the cases regarding fiscal years 1988 and 1989 have been settled in the Stockholm Administrative Court of Appeal in Sandvik's favour. The other cases are under consideration in County Administrative Courts of Stockholm and Gävleborg. The cases that were settled by the Stockholm Administrative Court of Appeal have been challenged by the tax authorities. Based on the findings of the Stockholm Administrative Court of Appeal and two rulings by the Supreme Administrative Court in January 1992 and the opinions provided by external tax experts, Sandvik has concluded that there is no need to make any provision for increased taxes in 1988-1991 other than the provisions already made for estimated future taxes.

In the case of one subsidiary, the tax authorities have appealed the tax declarations for 1989, 1990 and 1992 with respect to utilization of capital losses in the years 1987 and 1988 totalling SEK 267 m. The County Court in Stockholm has ruled an increase in the Company's taxes in the amount of SEK 145 m. The ruling has been appealed by Sandvik as well as the tax authorities.

As a result of appeal rulings the tax authorities have increased taxation for several subsidiaries by SEK 155 m. by not approving the companies' allocations to tax equalization reserves. The tax charges have been appealed by Sandvik.

Accrued taxes include reservation for additional taxes in the Parent Company for the years 1990 and 1991 according to appeal decisions received. The tax charges have been appealed by Sandvik.

Sandvik has concluded that the provisions for taxes made in the financial statements are adequate to cover any future taxes.

NOTE 22. Change in equity capital

GROUP

	Share capital	Restricted reserves	Proposed new issue	Un-restricted reserves	Translation difference	Group net profit	Total
Reported at end of 1992	1,366	3,945	25	7,232	-8	1,118	13,678
Adjustment due to revised accounting principles	-	-	-	-133	-1	-6	-140
Reported at end of 1992 according to revised method	1,366	3,945	25	7,099	-9	1,112	13,538
Change due to revised conversion rates 1993.....	-	-	-	183	-	-	183
Carry-over of 1992 surplus and translation difference	-	-	-	1,103	9	-1,112	-
Reversal of share in profits of associated companies	-	33	-	-33	-	-	-
Other movements between unrestricted and restricted equity capital .	-	1,566	-	-1,566	-	-	-
New issue	26	5	-25	-	-	-	6
Difference between Group acquisition value and Parent Company purchase costs for acquired subsidiaries	-	48	-	-	-	-	48
Change due to write-up of fixed assets	-	4	-	-	-	-	4
Dividend	-	-	-	-519	-	-	-519
Group net profit 1993.....	-	-	-	-	35	1,069	1,104
Reported at end of 1993	1,392	5,601	-	6,267	35	1,069	14,364

Appropriations to restricted reserves, proposed by subsidiary boards, decrease the unrestricted Group equity by SEK 17 m. Information regarding share capital and new issue is provided in Note 23 below.

PARENT COMPANY

	Share capital	Statutory capital reserve	Proposed new issue	Retained earnings	Net profit	Total
Reported at end of 1992	1,366	286	25	2,002	3,809	7,488
Adjustment due to changed accounting principles	-	-	-	-47	2	-45
Reported at the end of 1992 due to change in method	1,366	286	25	1,955	3,811	7,443
Carry-over of 1992 surplus	-	-	-	3,811	-3,811	-
New issue	26	5	-25	-	-	6
Dividend	-	-	-	-519	-	-519
Net profit for 1993	-	-	-	-	219	219
Reported at end of 1993	1,392	291	-	5,247	219	7,149

NOTE 23. Share capital

NUMBER OF SHARES

	1993	1992
"A" shares	209,225,815	41,845,163
"B" shares	64,038,065	12,807,613
"C" shares	5,212,500	-
Total number of shares of SEK 5 nominal (1992: 25 SEK).....	278,476,380	54,652,776

"A" shares each carry one vote, whereas "B" and "C" shares carry one-tenth of a vote. All shares carry equal rights to participate in the profits and assets of the Company, with the exception that the "C" shares do not carry dividend rights.

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

The number of shares entitled to dividends for 1993 is 273,263,880.

NEW ISSUE

The Annual General Meeting on 13 May 1993 resolved to carry out a directed issue for financing of the acquisition of Cutting Tool Technology B.V.

The new issue was effected through the issue of 1,042,500 "C" shares with a nominal value of SEK 25 per share. The shares were subscribed by the former owners of the shares in Cutting Tool Technology B.V. The "C" shares carry one-tenth of a vote and are not entitled to dividends. The shares will be automatically converted to "B" shares on 1 September 1996.

SHARE SPLIT

On 16 June 1993 a share split of five new shares for each old share held was implemented through a change in the nominal value per share from SEK 25 to SEK 5.

NOTE 24. Contingent liabilities

	Group		Parent Company	
	1993	1992	1993	1992
Bills discounted	104	91	-	-
Pension commitments over and above those entered under pension liabilities (capitalized value)	-	14	1	1
Other surety undertakings and contingent liabilities	417	686	628	1,004
Total	521	791	629	1,005
of which, for subsidiaries.....			289	379

PERSONNEL

PERSONNEL COSTS, SEK m.	Group		Parent Company and subordinate companies	
	1993	1992	1993	1992
Wages, salaries and remunerations:				
Board of Directors and President				
in Sweden	20	20	18	18
outside Sweden	135	90	-	-
Other employees				
in Sweden	1,908	1,934	1,632	1,627
outside Sweden	3,911	2,709	29	19
Total	5,974	4,753	1,679	1,664
Other personnel costs	1,959	1,697	711	798
Total	7,933	6,450	2,390	2,462

Information on benefits to senior executives in 1993

The Chairman of the Board Percy Barnevik received a fixed fee of SEK 175,000 and had no other benefits.

Chief Executive Officer and President Per-Olof Eriksson:

- Value of fixed salary, fees and free residence was SEK 2,315,000.
- Bonus paid was SEK 1,780,000.
- At the beginning of 1994, P-O Eriksson requested to resign from the position as president and chief executive officer, which was approved from 17 May, 1994. P-O Eriksson has reached a new agreement in which he will serve part time within the Sandvik Group until 60 years of age when he retires with pension as contracted. The total remuneration during this period (3 years and 9 months) amounts to SEK 7.5 m., plus free company car and residence.
- Pension benefits are pursuant to the ITP plan with a higher so-called ITP ceiling.

There are agreements on reciprocal rights to request early retirement at age 62 for an additional number of senior executives.

AVERAGE NUMBER OF EMPLOYEES	Group		Parent Company and subordinate companies	
	1993	1992	1993	1992
In Sweden				
Women	1,995	2,094	1,600	1,637
Men	7,358	7,474	6,420	6,435
Total in Sweden	9,353	9,568	8,020	8,072
Outside Sweden				
Women	3,121	2,680	35	24
Men	15,145	13,351	135	102
Total outside Sweden	18,266	16,031	170	126
Total	27,619	25,599	8,190	8,198

AVERAGE NUMBER OF EMPLOYEES¹⁾ OUTSIDE SWEDEN, BY COUNTRY

	Number of employees					
	1993			1992		
	Women	Men	Total	Women	Men	Total
The Parent Company and subordinate companies						
Bulgaria	3	4	7	2	5	7
China	6	13	19	5	10	15
Czech Republic	5	8	13	4	8	12
Hungary	5	6	11	4	7	11
Netherlands	6	72	78	1	46	47
Poland	4	7	11	3	7	10
Russia	4	14	18	3	9	12
Serbia	1	5	6	1	5	6
Other countries ²⁾	4	7	11	3	6	9
Outside Sweden,						
Total	38	136	174	26	103	129

	1993			1992		
	Women	Men	Total	Women	Men	Total
The Group outside Sweden						
Argentina	20	519	539	21	652	673
Australia	71	307	378	76	310	386
Austria	38	69	107	37	72	109
Belgium	16	73	89	14	75	89
Brazil	182	1,170	1,352	133	653	786
Bulgaria	3	4	7	2	5	7
Canada	66	300	366	53	291	344
Chile	13	63	76	12	62	74
China	6	13	19	5	10	15
Colombia	14	41	55	16	39	55
Czech Republic	5	8	13	4	9	13
Denmark	62	196	258	69	206	275
Finland	33	76	109	37	93	130
France	368	1,348	1,716	266	1,228	1,494
Germany	444	1,927	2,371	317	1,325	1,642
Hongkong	7	11	18	7	9	16
Hungary	10	10	20	6	8	14
India	20	1,097	1,117	21	1,136	1,157
Ireland	3	5	8	4	5	9
Italy	217	810	1,027	178	584	762
Japan	58	405	463	59	412	471
Kenya	3	11	14	3	11	14
Korea	18	65	83	18	67	85
Malaysia	14	26	40	14	25	39
Mexico	51	215	266	54	232	286
Netherlands	32	214	246	26	201	227
New Zealand	8	31	39	7	30	37
Norway	8	33	41	10	38	48
Peru	6	27	33	8	37	45
Philippines	12	29	41	11	28	39
Poland	6	8	14	4	9	13
Portugal	65	204	269	61	196	257
Russia	5	15	20	4	11	15
Serbia	1	5	6	1	5	6
Singapore	32	48	80	31	41	72
South Africa	53	312	365	54	328	382
Spain	61	443	504	61	418	479
Switzerland	47	88	135	50	95	145
Taiwan	56	86	142	58	89	147
Thailand	8	13	21	7	12	19
Turkey	4	25	29	2	13	15
United Kingdom	290	1,821	2,111	215	1,391	1,606
United States	617	2,483	3,100	578	2,509	3,087
Venezuela	5	27	32	6	28	34
Zambia	4	33	37	3	35	38
Zimbabwe	6	44	50	6	45	51
Other countries ²⁾	-	16	16	-	-	-
	3,068	14,774	17,842	2,629	13,078	15,707

¹⁾ The average number of employees as shown here is the average of the number on 31 Dec. 1993 and on 31 Dec. 1992. 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 remunerations outside Sweden have been translated to Swedish kronor using the average exchange rate for the year. The statutory specification of the average number of employees per municipality 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 AND PARTICIPATIONS IN SUBSIDIARY COMPANIES

According to the Balance Sheet of 31 Dec. 1993

		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000	
SWEDEN	Edmeston AB	40,000	100	SEK 4,000	4,000	3,000	
	Guldsmedshytte Bruks AB ¹⁾	500	100	SEK 50	50	0	
	Gusab Holding AB	1,830,919	100	SEK 45,773	45,773	53,474	
	Gusab Stainless AB	200,000	100	SEK 34,019	34,019	34,019	
	Malcus AB	50,000	100	SEK 5,000	5,000	0	
	Sandvik Automation Norden AB ¹⁾	500	100	SEK 50	50	50	
	AB Sandvik Bahco ¹⁾	200,000	100	SEK 20,000	20,000	35,000	
	Sandvik Bahco Norden AB ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Belts ¹⁾	500	100	SEK 50	50	50	
	AB Sandvik Central Service ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Coromant ¹⁾	500	100	SEK 50	50	0	
	Sandvik Coromant Norden AB ¹⁾	500	100	SEK 50	50	50	
	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	
	AB Sandvik Hand Tools ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Hard Materials ¹⁾	500	100	SEK 50	50	0	
	Sandvik Hard Materials Norden AB ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Information Systems ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik International ¹⁾	500	100	SEK 50	50	0	
	Sandvik Invest AB	1,772,068	100	SEK 44,302	44,302	181,654	
	AB Sandvik Luftfartsintressenter	500	100	SEK 50	50	50	
	AB Sandvik Metal Saws ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Powders	30,000	100	SEK 3,000	3,000	7,000	
	AB Sandvik Process Systems	25,000	100	SEK 2,500	2,500	2,500	
	AB Sandvik Rock Tools ¹⁾	500	100	SEK 50	50	0	
	Sandvik Rock Tools Svenska Försäljnings AB ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Saws and Tools ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Steel ¹⁾	500	100	SEK 50	50	0	
	Sandvik Stål Försäljnings AB ¹⁾	500	100	SEK 50	50	0	
	AB Sandvik Teknik	30,000	100	SEK 3,000	3,000	10,000	
	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 Västberga Service ¹⁾	500	100	SEK 50	50	60	
	Sandvik Örebro AB	50,000	100	SEK 5,000	5,000	5,000	
	AB Sandvik Örnen	500	100	SEK 50	50	50	
	Sandvikens Brukspersonals Byggnadsförening upa	-	100	SEK 2,941	2,941	0	
	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	0	
	Dormant companies, wholly owned ³⁾	-	-	SEK 10,760	10,760	5,517	
	ARGENTINA	Sandvik Bahco Argentina S.A.C. e I.	3,515,000	100	ARS 3,515	28,401	30,000
	BRAZIL	Sandvik do Brasil S.A.	1,894,797,192	100	BRC 1,136,878	45,475	46,072
		SKF & Dormer Tools S.A.	2,137,623,140	100	BRC 314,998	12,600	237,098
BULGARIA	Sandvik-Bulgaria	-	100	BGL 34	112	112	
CZECH REPUBLIC	Sandvik Czechoslovakia spol. s r.o.	-	100	CZK 2,000	427	0	
CHINA	Sandvik China Ltd.	-	100	USD 525	4,364	3,959	
COLOMBIA	Sandvik Colombia S.A.	129,007	94 ⁴⁾	COP 129,007	1,277	0	
DENMARK	Sandvik Bahco Norden A/S	20	100	DKK 2,000	2,465	188	
FINLAND	Oy Bahco Työkalut	50	100	FIM 500	720	2,380	
GERMANY	Sandvik GmbH	-	0.9 ⁴⁾	DEM 400	1,925	1,486	
	Sandvik Belzer GmbH	-	1 ⁴⁾	DEM 370	1,780	366	
HUNGARY	Sandvik KFT	-	100	HUF 5,000	468	468	
INDIA	Sandvik Asia Ltd.	633,600	55	INR 63,360	16,379	5,500	
JAPAN	Sandvik K.K.	2,600,000	100	JPY 2,600,000	193,440	180,000	
KENYA	Sandvik Kenya Ltd.	35,000	96	KES 700	81	0	
KOREA	Sandvik Korea Ltd.	752,730	100	KRW 7,527,300	78,281	46,856	
MEXICO	Sandvik Mexicana S.A. de C.V.	406,642,870	90 ⁴⁾	MXN 40,664	106,515	87,600	
MOROCCO	Sandvik Maroc S.A.	940	94	MAD 94	84	0	
NETHERLANDS	Sandvik Finance B.V.	18,404	100	NLG 18,404	79,110	4,584,991	
	Sandvik Benelux B.V.	20,000	100	NLG 10,000	42,985	11,393	
	Cutting Tool Technology B.V.	150,000	100	NLG 150,000	644,775	29,905	

SANDVIK AB'S HOLDINGS OF SHARES AND PARTICIPATIONS IN SUBSIDIARY COMPANIES

According to the Balance Sheet of 31 Dec. 1993

		Number of shares	Percentage holding		Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000
PERU	Barrenas Sandvik Andina S.A.....	482,608	100	PEN	483	1,797	54
	Sandvik del Perú S.A.	44,964	100	PEN	45	167	0
PORTUGAL	Sandvik Obergue-Limas e						
	Mecânica, Lda	-	100	PTE	829,980	39,176	20,000
	Sandvik Portuguesa Lda.....	-	100	PTE	199,600	9,440	8,300
SPAIN	Minas y Metalurgia Española S.A.	59,999	50 ¹⁾	ESP	59,999	3,504	3,700
SWITZERLAND	Sanfinanz AG	1,000	100	CHF	200	1,134	735
THAILAND	Sandvik Thailand Ltd.	744	99	THB	504	164	0
TURKEY	Sandvik Ticaret A.S.	-	100	TRL	3,781,000	1,512	2,999
UNITED KINGDOM	Madison Tools Ltd.	274,999	100	GBP	275	3,391	6,000
VENEZUELA	Sandvik Venezuela C.A.	95,865	100	VEB	95,865	8,484	2,484
ZAMBIA	Sandvik (Zambia) Ltd.	5,000,000	100	ZMK	10,000	147	0
ZIMBABWE	Sandvik (Pvt) Ltd.	233,678	100	ZWD	467	556	3,269
							<u>5,674,795</u>

¹⁾ Subordinate company

²⁾ A further 61.5% is held by another Group company. Seco Tools has subsidiaries in 19 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

Certain write-ups and writedowns, which cancel each other out, have been applied within the item "Shares and participations in subsidiaries". Writedowns have been applied mainly on shares in SKF & Dormer Tools S.A., which have been acquired during the year from another Group company.

Reported at the end of 1992	5,287,801
Acquisitions	354,930
New issues	33,484
Divestments	-1,420
Reported at the end of 1993	<u>5,674,795</u>

SANDVIK AB'S SHARES AND PARTICIPATIONS IN OTHER COMPANIES

According to the Balance Sheet of 31 Dec. 1993

		Number of shares	Percentage holding		Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000
ASSOCIATED COMPANIES							
SWEDEN	Balzars Sandvik Coating AB	28,420	49	SEK	2,842	2,842	3,417
	Procera-Sandvik AB	5,000	50	SEK	500	500	600
FINLAND	Tamrock Oy	922,500	25	FIM	92,250	132,886	382,435
FRANCE	Devillé S.A.	14,000	35	FRF	1,204	1,707	7,216
	Eurotungstène Poudre S.A.	112,353	49	FRF	11,235	15,926	<u>7,737</u>
							401,405
OTHER COMPANIES							
	Corun DD	-	51			18,926	0
	Fastighetspartner NF AB	240,170	3	SEK	2,402	2,402	4,803
	Latsin SiA	-	50	LVL	11	153	100
	Prevas AB	20,000	20	SEK	200	200	1,798
	Rolltech International AB	250	50	SEK	25	25	0
	Sandvik-Bisov	-	51	BRB	1,771	2	6,338
	Svenska Charterintressenter AB	330	33	SEK	17	17	142
	Svenska Charterintressenter KB ¹⁾	-	33	SEK	-	-	0
	Swedish Airlease KB ¹⁾	-	50	SEK	-	-	0
	Vidia Kereskedöház RT	21,600	4	HUF	21,600	1,814	2,010
	Miscellaneous						<u>2,202</u>
							17,393
TOTAL						<u>418,798</u>

¹⁾ Sandvik AB is a limited partner

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

Reported at the end of 1992	461,480
Acquisitions	8,822
Divestments	-20,159
Writedowns	-31,345
Reported at the end of 1993	<u>418,798</u>

SHAREHOLDINGS

THE GROUP'S SHAREHOLDINGS		Number	Percentage	Nominal value	Nominal value	Book value
According to the Balance Sheet of 31 Dec. 1993		of shares	holding	local currency unit '000	SEK '000	SEK '000
ASSOCIATED COMPANIES						
SWEDEN	Avesta Sandvik Tube AB	150,000	25	SEK 15,000	15,000	30,460
	Fagersta-Seco AB	5,000	50	SEK 500	500	500
	Fagersta Stainless AB	400,000	50	SEK 40,000	40,000	40,000
						70,960
OTHER COMPANIES						
SWEDEN	Other shares and participations					5,000
OTHER COUNTRIES	Other shares and participations					60,924
						65,924
TOTAL					136,884
	Sandvik AB's holdings					418,798
	The Group's holdings					555,682
	Less associated companies					-472,364
	Shares and participations according to the Balance Sheet					83,318

SHARES AND PARTICIPATIONS IN SIGNIFICANT OPERATIVE GROUP COMPANIES OWNED INDIRECTLY BY SANDVIK AB AT 31 DEC. 1993

		Group holding, %			Group holding, %
SWEDEN	Dormer Tools AB	100		Master Tools S.p.A.	100
AUSTRALIA	Sandvik Australia Pty. Ltd.	100		Sandvik Italia S.p.A.	100
	Sandvik Hard Materials Pty. Ltd.	100		Sandvik Process Systems S.p.A.	100
AUSTRIA	Günther & Co. Ges.m.b.H.	100	JAPAN	Sandvik Saws and Tools K.K.	100
	Sandvik in Austria Ges.m.b.H.	100	LUXEMBOURG	Sansafe S.A.	100
	Sandvik Process Systems Ges.m.b.H. ..	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100
BELGIUM	Dormer Tools N.V./S.A.	100	MEXICO	Sandvik de Mexico S.A. de C.V.	100
	Sandvik S.A. (Belgium) N.V.	100	NETHERLANDS	Sandvik Process Systems B.V.	100
CANADA	Dormer Tools Inc.	100		Sandvik Saws and Tools Benelux B.V.	100
	Sandvik Canada Inc.	100		SKF Tools B.V.	100
CHILE	Sandvik Chile S.A.	100	NEW ZEALAND	Sandvik New Zealand Ltd.	100
DENMARK	Sandvik A/S	100	NORWAY	Sandvik Norge A/S	100
	Sandvik Hard Materials A/S	100	PHILIPPINES	Sandvik Philippines Inc.	100
FINLAND	Suomen Sandvik Oy	100	SINGAPORE	Sandvik South East Asia Pte. Ltd.	100
	Viialan Viila Oy	100	SOUTH AFRICA	Sandvik (Pty) Ltd.	100
FRANCE	CERMEP S.A.	51	SPAIN	Bonastre S.A.	100
	Dormer Tools S.A.	100		Sandvik Española S.A.	100
	Gunther S.A.	100	SWITZERLAND	Sandvik AG	100
	Le Burin S.A.	100		Santrade Ltd.	100
	Morgon S.A.	100	TAIWAN	Sandvik Taiwan Ltd.	100
	Safety S.A.	100		Titan (Taiwan) Pty. Ltd.	100
	Sandvik Aciers S.N.C.	100	THAILAND	Svenska Trading Co. Ltd.	49
	Sandvik Bahco S.A.	100	UNITED		
	Sandvik Coromant S.N.C.	100	KINGDOM	Dormer Tools Ltd.	100
	Sandvik Hard Materials S.A.	100		Dormer Tools (Sheffield) Ltd.	98
	Sandvik Outillage S.N.C.	100		Metinox Steel Ltd.	100
	Sandvik Process Systems S.A.	100		Osprey Metals Ltd.	100
	Sandvik Rock Tools S.N.C.	100		Sandvik Band Saws Ltd.	100
	Sandvik S.A.	100		Sandvik Hard Materials Ltd.	100
	Sandvik Tobler S.A.	100		Sandvik Ltd.	100
	Ugicarb S.N.C.	100		Sandvik Process Systems Ltd.	100
GERMANY	Dormer Tools GmbH	100		Sandvik Rock Tools Ltd.	100
	Gusab Federdraht Vertriebsges.m.b.H.	100		Sterling Tubes Ltd.	100
	Günther & Co. GmbH & Co.	100		Titex Tools Ltd.	100
	Ilix Präzisionswerkzeuge GmbH	100	U.S.A.	Dormer Tools Inc.	100
	Prototyp-Werke GmbH	100		Lindström America Inc.	100
	Sandvik Automation GmbH	100		Pennsylvania Extruded Tube Co.	70
	Sandvik Belzer GmbH	100		Sandvik Inc.	100
	Sandvik Hard Materials GmbH	100		Sandvik Latin America Inc.	100
	Sandvik Kosta GmbH	100		Sandvik Milford Corp.	100
	Sandvik Process Systems GmbH	100		Sandvik Process Systems Inc.	100
	TOP Präzisionswerkzeuge GmbH	100		Sandvik Rhenium Alloys Inc.	100
	Widia Bergbauwerkzeuge GmbH	100		Sandvik Rock Tools Inc.	100
HONGKONG	Sandvik Hongkong Ltd.	100		Sandvik Seamco Inc.	100
IRELAND	Sandvik Ireland Ltd.	100		Sandvik Special Metals Corp.	100
ITALY	Dormer Tools S.p.A.	100		Sandvik Windsor Corp.	100
	Impero S.p.A.	83		Union Butterfield Corporation	100

RECOMMENDED APPROPRIATION OF PROFITS

The Board and the President propose that	
the surplus brought forward from the preceding year	5,247,171,857
and the profit for 1993	<u>219,018,887</u>
	SEK 5,466,190,744

be appropriated as follows:

a dividend of SEK 2.25 per share	614,843,730
carried forward to the next account	<u>4,851,347,014</u>
	SEK 5,466,190,744

Sandviken, 8 March 1994

Percy Barnevik
Chairman

Bo Boström

Lars-Ove Håkansson

Göran Lindstedt

Lars Malmros

Hans-Eric Ovin

Mauritz Sahlin

Sven Ågrup

Per-Olof Eriksson
President

Our Audit Report was submitted on 23 March 1994

Bo Fridman
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

AUDIT REPORT

AUDIT REPORT FOR SANDVIK AKTIEBOLAG

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board and the President for 1993. The examination was carried out in accordance with generally accepted auditing standards.

PARENT COMPANY

The annual report has been prepared in accordance with the Companies Act.

We recommend

that the income statement and the balance sheet be adopted,

that the unappropriated earnings be dealt with in accordance with the proposal
in the Directors' Report, and

that the members of the Board and the President be discharged from liability for
the financial year.

GROUP

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

We recommend that the consolidated income statement and the consolidated
balance sheet be adopted.

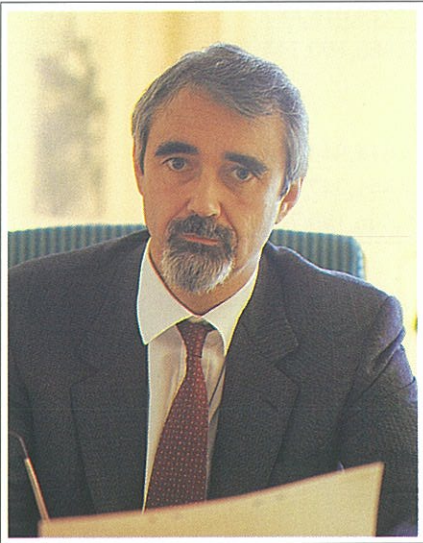
Sandviken, 23 March 1994

Bo Fridman
Authorized Public Accountant

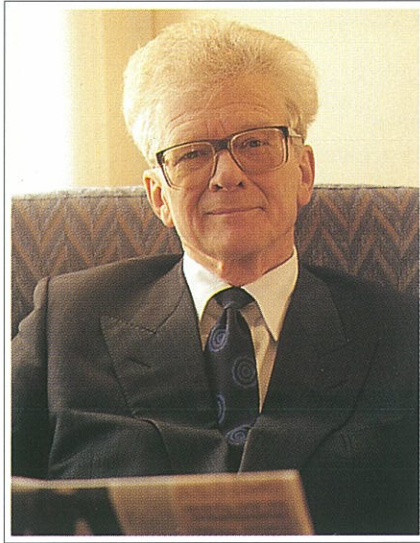
Lars Svantemark
Authorized Public Accountant

DIRECTORS AND AUDITORS

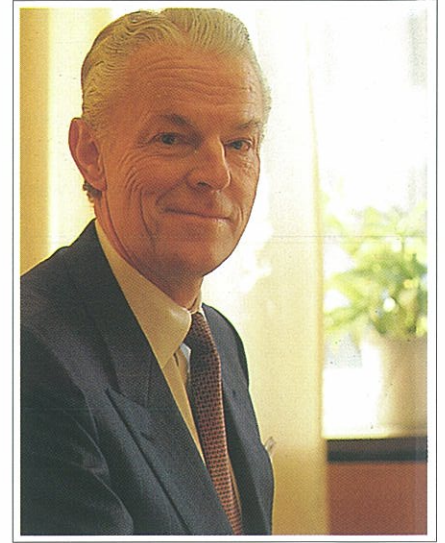
BOARD OF DIRECTORS



Percy Barnevik, Chairman, Zurich, b. 1941. President and Chief Executive Officer of ABB Asea Brown Boveri Ltd. Chairman of the Board of Skanska AB. Director of E.I. du Pont de Nemours and Company and Investor AB. Chairman of the Board of Sandvik AB since 1983.
Sandvik shares: 50,000



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, ASG AB, VME Group NV, IBEL, Antwerp, and BBL, Ghent.
Director of Sandvik AB since 1983.



Sven Ågrup, Lidingö, b. 1930. Chairman of the Board of AGA AB. Director of Telefon AB L M Ericsson, Handelsbanken and Tetra Laval Group. Director of Sandvik AB since 1983.



Lars-Ove Håkansson, Danderyd, b. 1937. Chairman of the Board of Graningeverkens AB and SveaTornet AB. Deputy Chairman of the Board of Industri AB Euroc and JM Byggnads och Fastighets AB. Director of Investment AB Cardo. Director of Sandvik AB since 1989.



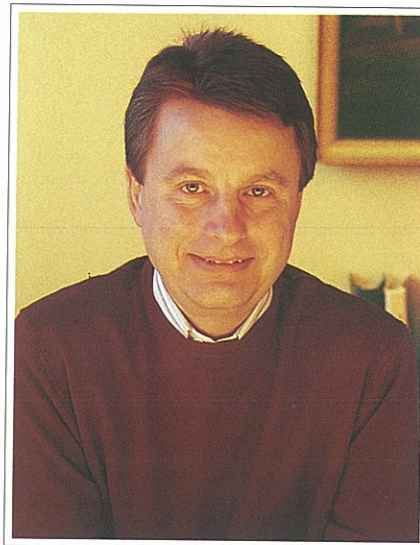
Hans-Eric Ovin, Malmö, b. 1928. Chairman of the Boards of Bra Böcker AB, Stena AB, Stenasfären, Scan Coin and AB IRO. Director of AGA AB, Stena Metall AB, AB Volvo Penta, AB Enterprise and AB Handel och Industri. Director of Sandvik AB since 1976.



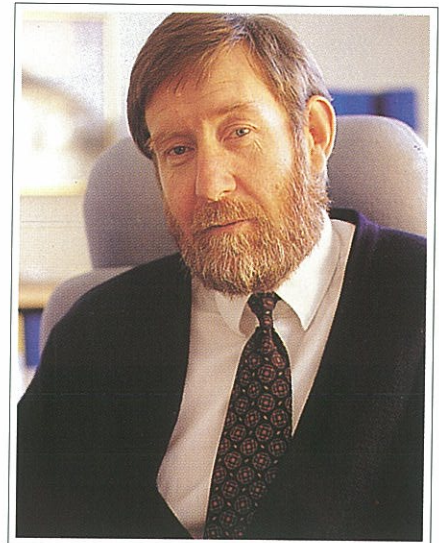
Mauritz Sahlén, Gothenburg, b. 1935. President and Chief Executive Officer of AB SKF. Chairman of the Board of the Federation of European Bearing Manufacturers' Associations (FEBMA) and Ovako AB. Director of AB Export-Invest, Saab-Scania AB, Investor AB, Chalmers Industriteknik (CIT), the Federation of Swedish Industries and The Swedish Employers' Confederation. Director of Sandvik AB since 1993.



Per-Olof Eriksson, Sandviken, b. 1938.
 President and Chief Executive Officer of Sandvik AB.
 Chairman of the Board of Swedish National Grid.
 Director of Handelsbanken, SSAB Svenskt Stål AB, AB SKF, AB Volvo and the Federation of Swedish Industries.
 Director of Sandvik AB since 1984.
 Sandvik shares: 100,000



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



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: 245

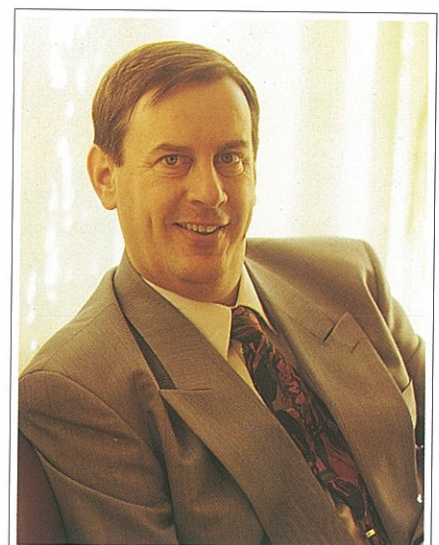
DEPUTY MEMBERS



Lars Ivar Hising, Gävle, b. 1927
 Regional Director of Civil Defence.
 Member of The Swedish Defence Council.
 Chairman of the Board of Nordbanken Gävle, Gävle-Sandviken New Enterprise Agency and General Defence Association of Sweden.
 Director of Sandvik AB since 1993.
 Sandvik shares: 6,600



Eino Honkamäki, Gimo, b. 1943.
 Director of Sandvik AB since 1974.
 (Employee representative)
 Sandvik shares: 2,490



Anders Sjöden, Sandviken, b. 1947.
 Director of Sandvik AB since 1992.
 (Employee representative)
 Sandvik shares: 390

AUDITORS

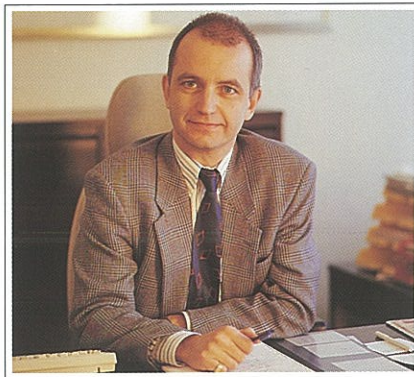
Bo Fridman, Stockholm,
 Authorized Public Accountant
 Lars Svantemark, Stockholm
 Authorized Public Accountant

Deputies
 Nils-Axel Frisk, Stockholm
 Bernhard Öhrn, Stockholm,
 Authorized Public Accountant

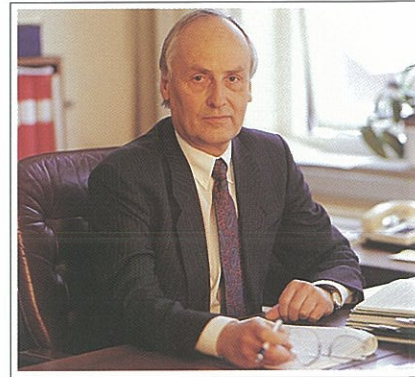
GROUP EXECUTIVE MANAGEMENT, GROUP STAFFS AND SERVICE COMPANIES



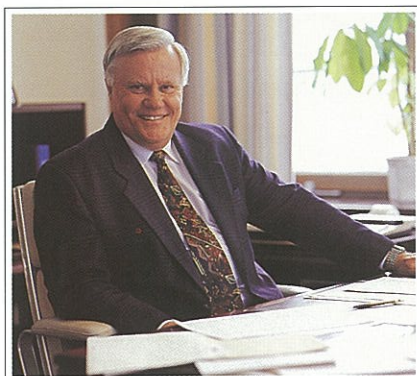
*Lars Östholm
Executive Vice President*



*Gunnar Båtelsson
Finance*



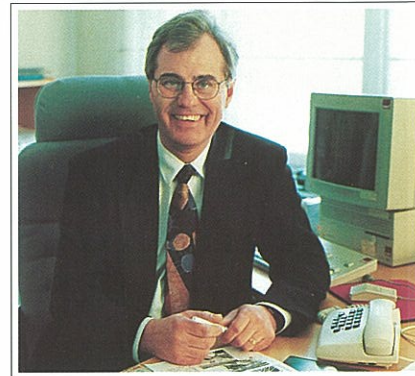
*Malcolm Falkman
Legal Affairs*



*Olof Gumaelius
Subsidiary Affairs*



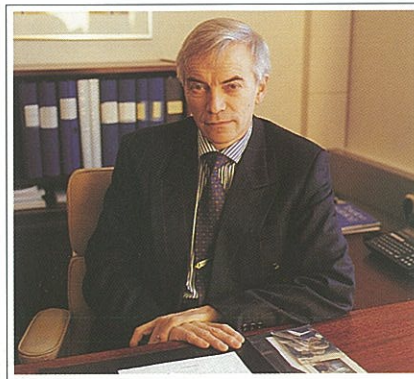
*Lennart Höög
Personnel*



*Björn Jonson
Market Communications*



*Carl Lindberg
Public Affairs*



*Hans Mårtensson
Research and Development*



*Anders Vrethem
Controller*



*Stig Åhlander
Taxes and Risk Management*

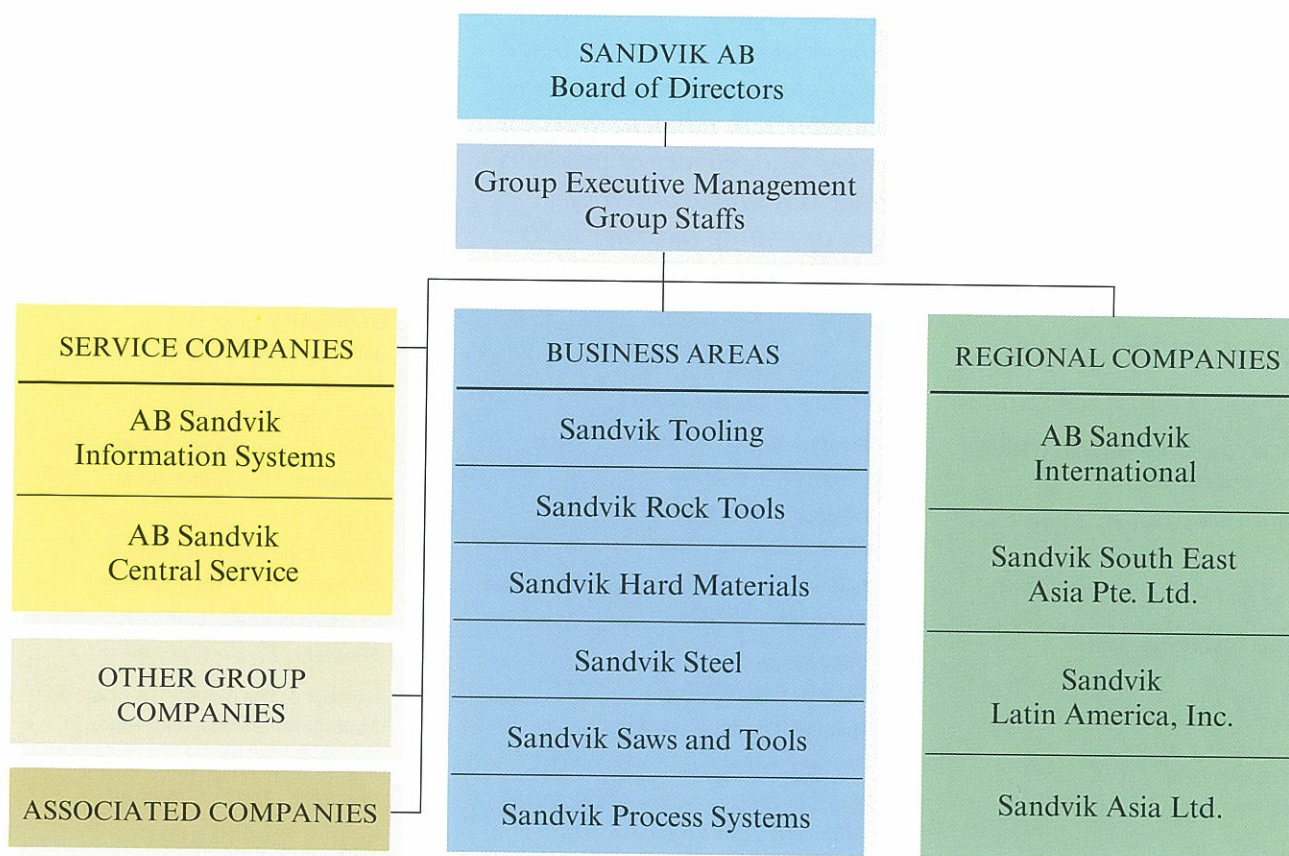


*Peter Lundh
President, AB Sandvik Information Systems*



*Björn Sköld
President, AB Sandvik Central Service*

ORGANIZATION



BUSINESS AREAS

The basis of the Sandvik organization is provided by six separate business areas that are responsible for the development, production and sale of the Group's products. Each business area maintains subsidiaries of its own or has divisions of a conjoint Sandvik company in each major market. Sandvik Tooling is divided into Business Sectors: Sandvik Coromant, CTT Tools and Sandvik Automation.

REGIONAL COMPANIES

Outside the main markets, Sandvik's products are marketed by four regional companies which operate through local subsidiaries, sales offices and agents.

AB SANDVIK INTERNATIONAL, headquartered in Sandviken, is responsible for marketing in newly independent states of the former Soviet Union, eastern Europe, the People's Republic of China, the Middle East, and Africa apart from South Africa.

SANDVIK LATIN AMERICA, INC., located in Miami, U.S.A., is responsible for marketing in Latin America other than Mexico, Argentina, Brazil and Chile.

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.

SANDVIK ASIA LTD., POONA, INDIA, develops and produces cemented-carbide products and markets these and steel products in India, Sri Lanka, Bhutan and Nepal.

SERVICE COMPANIES

There are two companies, that provide the Group with joint 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 company groupings that are under the direction of the Group Executive Management and have market strategies distinct from those of the six business area.

Sandvik's Board of Directors, Group Executive Management, Group Staff Managers and Service Company Presidents are presented on pages 42-44.

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 offered to customers in sixty countries through 200 companies. With computerized, efficient logistics systems Sandvik can guarantee customers fast delivery of products. In some countries, domestic manufacture is a precondition of staying in business. The more important operating business units are listed below.

EUROPE

AUSTRIA

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

Günther & Co Ges.m.b.H., Vienna
Manager: *Eckhard Planegger*

Sandvik Process Systems Ges.m.b.H., Vienna
Manager: *Otto Weinhold*

BELARUS

Sandvik-Bisov, Minsk
Manager: *Roger Alfredsson*
until 30 April 1994
Lars Karman from 1 May 1994

BELGIUM

Sandvik Benelux, Brussels
Manager: *Georges Verhoeven*

Dormer Tools N.V./S.A., Mortsel
Manager: *Ben Luyckx*

BULGARIA

AB Sandvik International
Representative Office, Sofia
Manager: *Miroslav Markov*

CZECH REPUBLIC

Sandvik Czechoslovakia Ltd., Prague
Manager: *Otto Kames*

DENMARK

Sandvik A/S, Copenhagen
Manager: *Jens Aage Jensen*

Sandvik Hard Materials A/S,
Espergaerde
Manager: *Roland Setterberg*

FINLAND

Suomen Sandvik Oy, Helsinki
Manager: *Kalevi Hellstén*

FRANCE

Sandvik S.A., Orléans
Manager: *André Baron*

Sandvik Coromant, Orléans
Manager: *André Baron*

Dormer Tools S.A., Orléans
Manager: *Fabio Giadrossi*

Gunther S.A., Soultz-sous-Forets
Manager: *Louis Blangenwitsch*

Sandvik Tobler S.A., Paris
Manager: *Corado Ponta*

Sandvik Rock Tools S.N.C., Viriat
Manager: *Hans Gass*

Morgon S.A., Viriat
Manager: *Hans Gass*

Sandvik Hard Materials S.A., Epinouze
Manager: *Hans Gass*

Sandvik Aciers, Orléans
Manager: *Udo Vogt*

Sandvik Outillage, Orléans
Manager: *Dominique van Straelen*

Sandvik Process Systems S.A., Paris
Manager: *Jean Benko*

GERMANY

Sandvik GmbH, Düsseldorf
Manager: *Johan Sörensen*

Sandvik Coromant, Düsseldorf
Manager: *Johan Sörensen*

CTT Management GmbH,
Frankfurt/Main
Manager: *Anders Ilstam*

Dormer Tools GmbH, Erkrath
Manager: *Dick Geerlings*

Günther & Co GmbH & Co,
Frankfurt/Main
Manager: *Klaus Scholl*

Prototyp-Werke GmbH,
Zell-Harmersbach
Manager: *Mats Christenson*

TOP Präzisionswerkzeuge GmbH,
Frankfurt/Main
Manager: *Klaus Dreisbach*

Sandvik Automation GmbH, Viernheim
Manager: *Paul Reach*

Sandvik Kosta GmbH, Renningen
Manager: *Johann Taps*

Sandvik Rock Tools, Düsseldorf
Manager: *Ulrich Fezer*

Sandvik Hard Materials GmbH,
Düsseldorf
Manager: *Wit Horsten*

Sandvik Steel, Düsseldorf
Manager: *Roland Grosse*

Sandvik Belzer, Wuppertal
Manager: *Åke Sundby*

Sandvik Belzer Vertrieb, Wuppertal
Manager: *Frank Schweitzer*

Sandvik Process Systems GmbH,
Fellbach
Manager: *Håkan Olofsson*

HUNGARY

Sandvik in Hungary Ltd., Budapest
Manager: *Johann Sulak*

IRELAND

Sandvik Ireland Ltd., Dublin
Manager: *H. William Beck*

ITALY

Sandvik Italia S.p.A., Milan
Manager: *Jan Eric Sandgren*

Sandvik Coromant, Milan
Manager: *Pietro Caligari*

Dormer Tools S.p.A., Trezzano S/N
Manager: *Fabrizio Resmini*

Master Tools S.p.A., Rovereto
Manager: *Fabrizio Resmini*

Sandvik Rock Tools, Milan
Manager: *Ezio Fogliata*

Sandvik Hard Materials, Milan
Manager: *Giorgio Morani*

Sandvik Steel, Milan
Manager: *Pier Giorgio Martellozzo*

Sandvik Saws and Tools, Milan
Manager: *Marco Schirinzi*

Sandvik Process Systems S.p.A., Milan
Manager: *Roberto de Gasperin*

NETHERLANDS

Sandvik Benelux B.V., Schiedam
Manager: *George Verhoeven*

SKF Tools B.V., Veenendaal
(Dormer Tools B.V.*)
Manager: *Ingemar Broström*

Sandvik Saws and Tools Benelux B.V.,
Helmond
Manager: *Louis Cuppens*

Sandvik Process Systems B.V.,
Raamsdonksveer
Manager: *Antoine Sluysmans*

NORWAY

Sandvik Norge A/S, Oslo
Manager: *Jon Ambur*

POLAND

Sandvik Biuro w Warszawie, Warsaw
Manager: *Boguslaw Swiecki*

*Effective 1 Jan. 1995

PORTUGAL

Sandvik Portuguesa Lda, Lisbon
Manager: Lars Östholm

Sandvik Obergue-Limas e Mecânica
Lda, Porto
Manager: Michael Hermansson

ROMANIA

AB Sandvik International
Representative Office Bucharest
Manager: Edith Neuhardt

RUSSIA

Sandvik Russia Ltd., Moscow
Manager: Mats Andersson

SLOVAKIA

AB Sandvik International Representative
Office, Bratislava
Manager: Otto Kames

SLOVENIA

Sandvik International Representative
Office, Kranj
Manager: Nils Östblom

SPAIN

Sandvik Española S.A., Madrid
Manager: Björn von Malmborg

Bonastre S.A., Barcelona
Manager: Björn von Malmborg

SWEDEN

Sandvik AB, Sandviken
Group CEO: Per-Olof Eriksson
until 16 May 1994
Clas Åke Hedström from 17 May 1994

AB Sandvik Coromant, Sandviken
Manager: Clas Åke Hedström
until 30 April 1994
Lars Pettersson from 1 May 1994

AB Sandvik Rock Tools, Sandviken
Manager: Lars-Anders Nordqvist

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: Svante Lindholm

Sandvik Coromant Norden AB,
Kista
Manager: Sven Flodmark

Dormer Tools AB, Halmstad
Manager: Håkan Larsson

Sandvik Automation Norden AB,
Västerås
Manager: Sven Flodmark

Sandvik Rock Tools Svenska
Försäljnings AB, Sandviken
Manager: Gunnar Anell

Sandvik Hard Materials Norden AB,
Örebro
Manager: Anders Busch

Sandvik Stål Försäljnings AB, Kista
Manager: Åke Landblom

Edmeston AB, Gothenburg
Manager: Christer Andersson

Guldsmedshytte Bruks AB,
Guldsmedshyttan
Manager: Åke Martinson

Gusab Stainless AB, Mjölby
Manager: Åke Axelson

AB Sandvik Bahco, Enköping
Manager: Sture Lestander

Sandvik Bahco Norden AB, Enköping
Manager: Per Törnell

AB Sandvik Hand Tools, Bollnäs
Manager: Karl Erik Forsberg

AB Sandvik Metal Saws, Lidköping
Manager: Staffan Larsson

AB Sandvik Belts, Sandviken
Manager: Rolf Hemlin

AB Sandvik Central Service, Sandviken
Manager: Björn Sköld

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

Dormer Tools Ltd., Sheffield
Manager: Rob Knol

Dormer Tools (Sheffield) Ltd., Sheffield
Manager: Göran Hjertstedt

Titex Tools Ltd., Halesowen
Manager: Frank Oak

Sandvik Rock Tools Ltd., Nuneaton
Manager: Anders Hägglund

Sandvik Hard Materials Ltd., Coventry
Manager: Roland Setterberg

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

Sterling Tubes Ltd., Walsall
Manager: Bill Good

Metinox Steel Ltd., Sheffield
Manager: Hugh C. Firth

Sandvik Saws and Tools U.K.,
Birmingham
Manager: Björn Carlsson

Sandvik Process Systems Ltd.,
Birmingham
Manager: Gerald Garbett

NORTH AMERICA

CANADA

Sandvik Canada, Inc., Mississauga, Ont.
Manager: Per-Olof Eriksson

Dormer Tools Inc., Mississauga, Ont.
Manager: Richard Tunstill

Sandvik Steel Canada, Arnprior, Ont.
Manager: Tom Moylan

Sandvik Process Systems Canada,
Guelph, Ont.
Manager: Colin Crane
until 30 March 1994
Brian Spalding from 1 April 1994

UNITED STATES

Sandvik, Inc., Fair Lawn, NJ
Manager: James T. Baker

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

Dormer Tools, Inc., Asheville, NC
Manager: Richard Tunstill

Union Butterfield Corporation,
Asheville, NC
Manager: Adrian Waple

Sandvik Rock Tools, Inc., Houston, TX
Manager: Olof A. Lundblad

Sandvik Hard Materials Company,
Detroit, MI
Manager: Gunnar Frisk

Sandvik Steel Company, Scranton, PA
Manager: Edward R. Nuzzaci

Pennsylvania Extruded Tube Co.,
Scranton, PA
Manager: A.J. Puza

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

Sandvik Special Metals Corp.,
Kennewick, WA
Manager: Kirk P. Galbraith

BUSINESS UNITS

Sandvik Saws and Tools Company,
Scranton, PA

Manager: William M. Lavelle, Jr.

Sandvik Milford Corp., Branford, CT

Manager: Peter Renwick

Sandvik Windsor Corp., Milan, TN

Manager: Rob Payne

Sandvik Process Systems, Inc.,

Totowa, NJ

Manager: Giancarlo Tazzioli

Sandvik Seamco Systems, Louisville,

KY

Manager: Herman Miedel

Sandvik Latin America, Inc.,

Coral Gables, FL

Manager: José V. Parra

LATIN AMERICA

ARGENTINA

Sandvik Bahco Argentina S.A.,

Buenos Aires

Manager: Björn Karlsson

BRAZIL

Sandvik do Brasil S.A., São Paulo

Manager: Nils Miholich

Sandvik Villares Wire Indústria e

Comércio Ltda, São Paulo

Manager: Flávio Benedini

SKF & Dormer Tools S.A., São Paulo

(Dormer Tools S.A.*)

Manager: Antonio Altobello

CHILE

Sandvik Chile S.A., Santiago

Manager: Hanns Knorr

COLOMBIA

Sandvik Colombia S.A., Bogotá

Manager: Victor Manuel Angel

CUBA

Sandvik International Representative

Office, Havana

Manager: Heine Johansson

MEXICO

Sandvik de México S.A. de C.V.,

Mexico, D.F.

Manager: José V. Parra

PERU

Sandvik del Perú S.A., Lima

Manager: Gonzalo Sobrino

VENEZUELA

Sandvik Venezuela C.A., Caracas

Manager: Juan Retamozo

AFRICA

ALGERIA

Sandvik S.A., Bureau de Liaison, Algiers

Manager: Michel Brand

KENYA

Sandvik Kenya Ltd., Nairobi

Manager: Jan Nord

MOROCCO

Sandvik Maroc S.A., Mohammédia

Manager: Thierry Proner

SOUTH AFRICA

Sandvik (Pty) Ltd., Benoni

Manager: Tore Lundberg

until 30 June 1994

Göran Wijk from 1 July 1994

ZAMBIA

Sandvik (Zambia) Ltd., Ndola

Manager: Stig Svensson

ZIMBABWE

Sandvik (Pvt) Ltd., Harare

Manager: James C. MacGregor-Sim

ASIA

CHINA

Sandvik China Ltd., Beijing

Manager: Jim Stevenson

HONGKONG

Sandvik Hongkong Ltd., Hongkong

Manager: Lawrence Kwok

INDIA

Sandvik Asia Ltd., Poona

Manager: Wilhelm Sebardt

JAPAN

Sandvik K.K., Kobe

Manager: Anders Wallin

KOREA

Sandvik Korea Ltd., Seoul

Manager: Åke Friberg

MALAYSIA

Sandvik Malaysia Sdn. Bhd.,

Kuala Lumpur

Manager: Krister Brobeck

PHILIPPINES

Sandvik Philippines, Inc., Manila

Manager: Tan Kian Hoe

SINGAPORE

Sandvik South East Asia Pte. Ltd.,

Singapore

Manager: Rolf Palmén

TAIWAN

Sandvik Taiwan Ltd., Taipei

Manager: Wendell Wang

Sandvik Titan Pty Ltd., Chung Li

Manager: Rudy Lu

THAILAND

Svenska Trading Co. Ltd., Bangkok

Manager: Jan Rosin

TURKEY

Sandvik Tiçaret A.S., Istanbul

Manager: Göran Wretås

AUSTRALASIA

AUSTRALIA

Sandvik Australia Pty. Ltd., Sydney

Manager: Peter Edwards

Sandvik Hard Materials Pty. Ltd.,

Newcastle

Manager: David MacDonald

NEW ZEALAND

Sandvik New Zealand Ltd., Pakuranga

Manager: Mark Thompson

These data refer to March 1994 unless

otherwise stated.

Annual General Meeting

The Annual General Meeting will be held at Folkets Hus in Sandviken on Monday, 16 May 1994, at 2 p.m.

Shareholders wishing to attend the Meeting must notify the Board 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 11 May 1994 at the latest. In order to qualify for attendance, shareholders must also have been entered in the Share Register maintained by the Securities Register Centre (Värdepapperscentralen VPC AB) not later than 6 May 1994. Shareholders whose shares are registered as held in trust ("förvaltarregistrering") must have them temporarily re-registered with the VPC in their own name not later than 6 May 1994 to establish the right to attend the Meeting.

New President and Chief Executive Officer

Per-Olof Eriksson, who has served as President and Chief Executive Officer of Sandvik for ten years, has expressed his desire to resign and will leave his position at the Annual General Meeting. The Board of Directors has appointed Clas Åke Hedström, President of the Sandvik Tooling Business Area, as the new President and Chief Executive Officer, effective 17 May 1994.

Payment of Dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 2.25 per share for 1993. 19 May 1994 is proposed as the "record day" ("avstämningsdag"). If this proposal is adopted by the Meeting it is expected that dividends will be paid on or about 27 May 1994. Dividends will be sent to those who on the record day are entered in the Share Register or on 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 adequate time before the record day.

Financial Information

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

Financial information can be ordered from Sandvik AB Group Staff Public Affairs, S-811 81 Sandviken
Tel. +46(0)26-26 10 41.

KEY FIGURES

	1993	1992	1991	1990	1989	1988	1987	1986
Invoiced sales, SEK m.	21,770	17,217	17,558	18,256	18,769	16,413	13,241	12,721
Profit after financial income and expenses, SEK m.	1,985	1,521	1,920	2,693	2,863	2,905	1,893	1,740
Profit after non-recurring earnings and expenses, SEK m.	1,764	1,486	1,776	2,836	3,065	2,848	1,915	1,710
Earnings per share, SEK	4.90	4.20	5.30	6.90	6.80	6.00	3.80	3.20
Dividend per share (1993: as proposed, SEK)	2.25	1.90	1.80	1.70	1.50	1.20	0.85	0.70
Equity capital after dividend, SEK m.	13,749	13,019	12,203	11,537	9,657	7,220	5,973	5,119
Solidity, %	60	59	57	54	46	37	37	35
Debt/equity ratio	0.2	0.2	0.3	0.4	0.6	0.8	0.8	1.0
Rate of capital turnover, %	89	75	76	80	87	87	82	87
Liquid assets, SEK m.	5,171	4,864	4,814	5,251	4,896	4,767	4,245	3,776
Return on equity capital after tax, %	10.0	9.3	12.3	17.8	22.1	24.7	18.7	18.1
Return on capital employed, %	12.8	10.3	13.1	17.6	21.7	25.1	21.3	21.8
Investment in property, plant and equipment, SEK m.	886	886	1,021	1,161	1,116	775	675	669
Cash flow, SEK m.	1,142	1,645	882	1,486	652	-686	553	1,099
Average number of employees	27,619	25,599	25,315	26,373	26,881	26,180	24,380	24,033

Key figures for 1992 have been revised to reflect the changes of principle, which have been applied retroactively from 1992. The effect on key figures 1986-91 has been considered small enough not to motivate any corresponding revision. The share split 5:1 in 1993 has, however, been taken into account.

Earnings per share have been calculated assuming full conversion.

Additional per-share data are presented in the section on the Sandvik share, page 18