

Sandvik
Annual Report
1997

Sandvik Aktiebolag; (publ) CORPORATE IDENTITY NUMBER 556000-3468
Annual Report 1997

Contents

Highlights of 1997	2	Sandvik and the employees	36
This is Sandvik	4	Report of the Directors.....	38
The Sandvik share.....	8	Consolidated income statement	43
Letter from the President and CEO	10	Consolidated balance sheet	44
		Consolidated funds statement	46
Business Areas		Parent Company financial statements	47
Sandvik Tooling.....	12	Accounting principles	51
Sandvik Coromant.....	12	Application of US GAAP	53
CTT Tools.....	16	Notes to the accounts.....	54
Sandvik Mining and Construction	18	Appropriation of profits.....	67
Tamrock.....	18	Audit report.....	67
Sandvik Rock Tools.....	22	Directors and Auditors	68
Sandvik Specialty Steels.....	24	Group executive management,	
Sandvik Steel.....	24	Group staffs and service companies	70
Kanthal.....	28	Business units.....	71
Sandvik Hard Materials.....	30	Annual General Meeting	76
Sandvik Saws and Tools	32	Payment of dividend.....	76
Sandvik Process Systems.....	34	Key figures	78

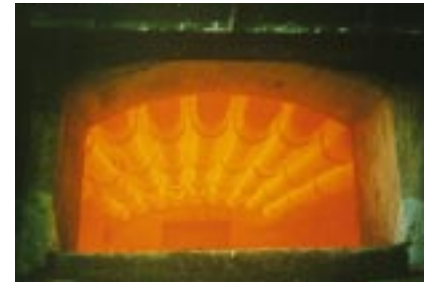
COVER:
SANDVIK IS ONE OF THE WORLD'S
LEADING MANUFACTURERS OF
TOOLS AND TOOLING SYSTEMS
FOR METALWORKING, WHICH IS
REPRESENTED BY THESE STEEL
CHIPS FROM TURNING.

Highlights of 1997

- Strong demand. Sales up 21%.
- Three major acquisitions: Tamrock, Kanthal and Precision Twist Drill. After acquisitions, annual sales amount to more than SEK 40,000 M.
- Redemption of shares for SEK 4,000 M.
- Industrivärden succeeds Skanska as new, major owner.
- Improved operating profit compared with 1996.
- Proposed dividend (SEK 7.00 per share) equal to approximately 70% of earnings per share.

	1997	1996
Order intake, SEK M	34 603	27 543
Invoiced sales, SEK M	34 119	28 265
of which, outside Sweden, %	93	93
Profit after financial income and expenses, SEK M	4 205	4 453
Return on net assets, %	17.7	20.2
Return on shareholders' equity after tax, %	14.3	16.2
Earnings per share, SEK	10.15	11.20
Dividend per share, SEK	7.00 *	6.50
Number of employees, 31 Dec.	38 406	30 362

* Proposed



KANTHAL SPECIALIZES IN RESISTANCE MATERIALS FOR ELECTRIC HEATING OF INDUSTRIAL FURNACES, FOR EXAMPLE.



PRECISION TWIST DRILL IS THE LEADING AMERICAN MANUFACTURER OF HIGH-SPEED STEEL TWIST DRILLS.

TAMROCK IS ONE OF THE WORLD'S LEADING SUPPLIERS OF DRILLING MACHINERY FOR MINING OPERATIONS.



SALES OF ROLLER BITS FROM SANDVIK ROCK TOOLS INCREASED SHARPLY DURING THE YEAR.



PERCY BARNEVIK, CHAIRMAN OF SANDVIK, MEETS WITH CLAS REUTERSKIÖLD (L), PRESIDENT OF INDUSTRIVÄRDEN AND A NEW MEMBER OF SANDVIK'S BOARD OF DIRECTORS.



SANDVIK COROMANT HAS INCREASED PRODUCTION CAPACITY FOR CEMENTED-CARBIDE TOOLS IN CHINA.

This is Sandvik

The Sandvik Group, with headquarters in Sandviken, is one of Sweden's largest export companies, with worldwide business activities conducted through 300 companies and representation in 130 countries. After acquisitions in 1997, the Group has 38,000 employees and annual sales of more than SEK 40 billion.

Since it was founded in 1862, Sandvik has developed from a provincial Swedish steelworks into an international, materials technology engineering enterprise.

Two major factors that have contributed greatly to Sandvik's business development are the determined marketing efforts in close cooperation with customers throughout the world and continuous product renewal, with particularly strong focus on advanced technology. Group investments in research and development of new products and production methods amount to more than SEK 1 billion annually.

The market consists of industrial customers that use Sandvik products as integral components in their production processes. Industrial consumables account for about two thirds of the Group's portfolio, with capital goods accounting for one third.

Customers operate in many different industrial sectors, including automotive and aerospace industries, mining and civil engineering, chemicals, oil and gas, power, pulp and paper, household appliances, electronics, medical technology, pharmaceuticals and other engineering industries. One of Sandvik's major objectives is to

increase the Group's focus on operations in areas that offer greater growth potential than overall industrial growth.

Organization

The Sandvik Group consists of six separate business areas responsible for research and development (R&D), production and sales of their respective products:

Sandvik Tooling (Sandvik Coromant and CTT Tools): Tools and tooling systems for metalworking applications.

Sandvik Mining and Construction (Tamrock and Sandvik Rock Tools): Drilling rigs, loaders, rock-excitation equipment and tools.

Sandvik Specialty Steels (Sandvik Steel and Kanthal): Stainless steel tube, strip, wire and bar as well as high-alloy steel, specialty metals and resistance heating materials.

Sandvik Hard Materials: Cemented-carbide blanks, components and rolls.

Sandvik Saws and Tools: Hand saws, metal sawblades, wrenches, files and other hand tools.

Sandvik Process Systems: Steel belts, process systems and automatic sorting systems.

Seco Tools, an independent, publicly listed company, is also included in the Group.

Two other Group companies provide general services. Their principal customers are Sandvik units in Sweden, but services are also sold to subsidiaries outside Sweden and to external customers.

Sandvik's organization also includes several associated companies whose operations generally pertain to one of

the business areas. "Other Group Companies," includes companies or groups of companies whose marketing strategies differ from those of Sandvik's six business areas.

Sandvik's Board of Directors and the Group's Executive Management are presented on page 68-70.

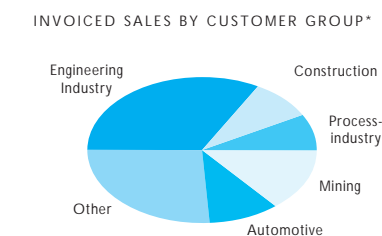
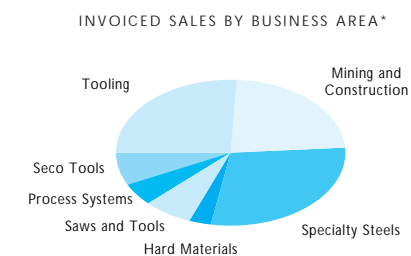
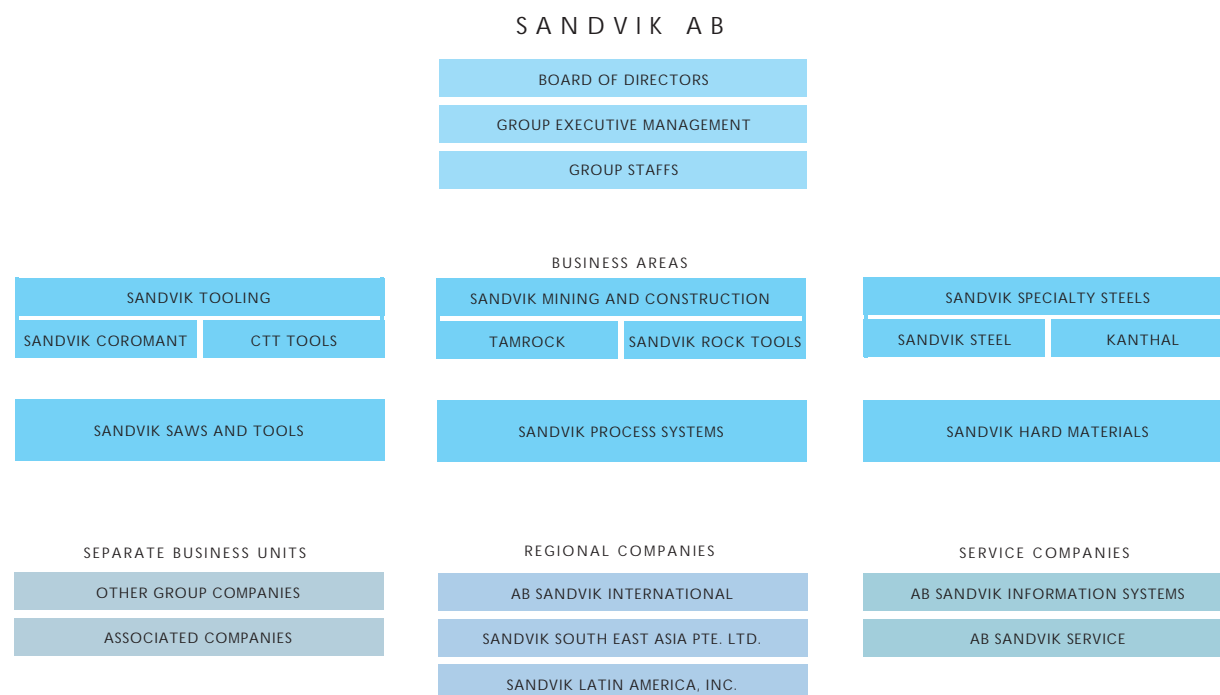
Core areas

Sandvik's business concept is based on supplying the market with sophisticated products and services in the following core areas:

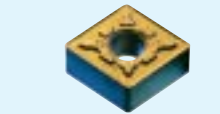
- Tools and tooling systems for chip-forming machining of metals and composite materials.
- Equipment and tools used in mining and civil engineering.
- Components and materials that meet high demands on wear-resistance, corrosion resistance, high-temperature performance, fatigue characteristics and purity.
- Hand tools for professional use.
- Process systems and automatic sorting systems.

Business concept

Within its core areas, Sandvik shall develop, manufacture and market highly processed products, made primarily of cemented carbide and



* ANNUAL BASIS AFTER ACQUISITIONS IN 1997.



SANDVIK COROMANT: CEMENTED-CARBIDE TOOLS



CTT TOOLS: HIGH-SPEED STEEL TOOLS



TAMROCK: ROCK-EXCAVATION EQUIPMENT



SANDVIK ROCK TOOLS: ROCK-DRILLING TOOLS



SANDVIK STEEL: STAINLESS STEEL AND SPECIAL ALLOYS



KANTHAL: RESISTANCE HEATING MATERIALS



SANDVIK HARD MATERIALS: CEMENTED-CARBIDE BLANKS AND COMPONENTS



SANDVIK SAWS AND TOOLS: SAWS AND OTHER HAND TOOLS



SANDVIK PROCESS SYSTEMS: STEEL BELTS AND PROCESS SYSTEMS

other hard materials as well as stainless steel and special alloys.

Operations shall be concentrated primarily in niche sectors where Sandvik is – or has the potential to become – a world leader.

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

Strategy

Sandvik shall conduct sophisticated and comprehensive research and development to improve productivity and quality, create time savings and reduce costs for customers and the Group's own operations in the following four areas:

- Materials and surface-coating technology.
- Product and application solutions.
- Production and process technology.
- Information, communications and logistics systems.

To ensure the best products supply and support for Sandvik customers,

marketing operations shall be conducted primarily by Sandvik Group employees, but also in cooperation with a number of selected industrial distributors. Direct contact with the market is also essential to adapt R&D programs to customer needs.

Sandvik products shall be manufactured mainly in the Group's own production plants. This ensures maximum quality, availability and cost efficiency and also contributes to Sandvik's determined efforts to create a favorable environment.

Standardized production technologies and, in some cases, own production of strategically important manufacturing equipment, guarantee uniform high quality wherever products are manufactured in the world.

Sandvik shall capitalize on inherent synergy effects in R&D, production, marketing and administration in the Group's various business areas and markets.

Sandvik shall also strive to create working conditions that stimulate employees to perform effectively, assume responsibility and continue to develop in their personal and professional pursuits. The Group shall also promote equality, regardless of gender, race, color, religion, nationality or ethnic origin.

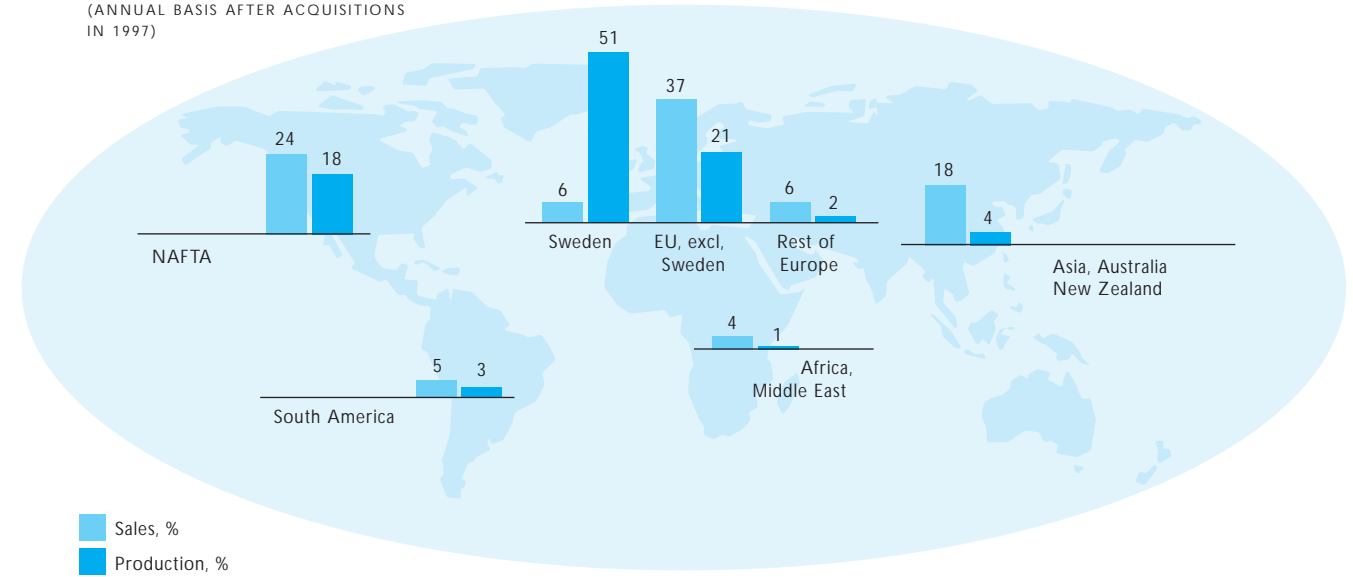
In dealing with customers, suppliers, employees and other interests, Sandvik shall act in a highly ethical manner, and as a good citizen in all countries where the Group operates.

Future growth

One of Sandvik's most important objectives – and a fundamental principle for the achievement of financial goals – is continued business growth. Concurrently, Group operations should be developed and adapted continuously to changes in the business environment.

The Group's strong profitability provides scope for increased R&D programs and investments in production, marketing and supplementary

GROUP SALES AND PRODUCTION, DISTRIBUTED BY MARKET AREA. (ANNUAL BASIS AFTER ACQUISITIONS IN 1997)



company acquisitions as a means of achieving a higher rate of growth.

Intensified efforts will be made in geographical market regions where the Group has small market shares and where the opportunities for growth appear particularly attractive.

Growth will be achieved mainly through a combination of internally generated expansion, acquisitions and the establishment of joint ventures in existing areas of operation.

Sandvik and the environment

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

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

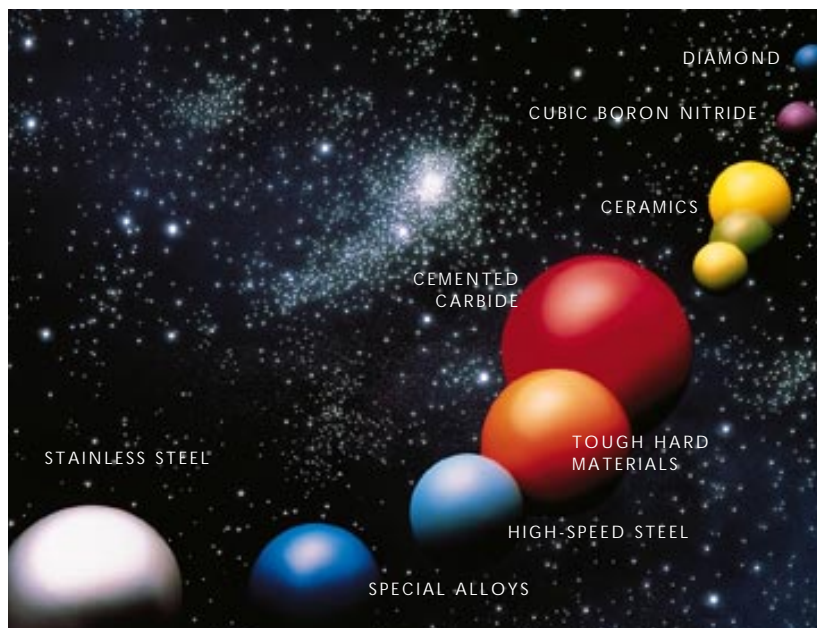
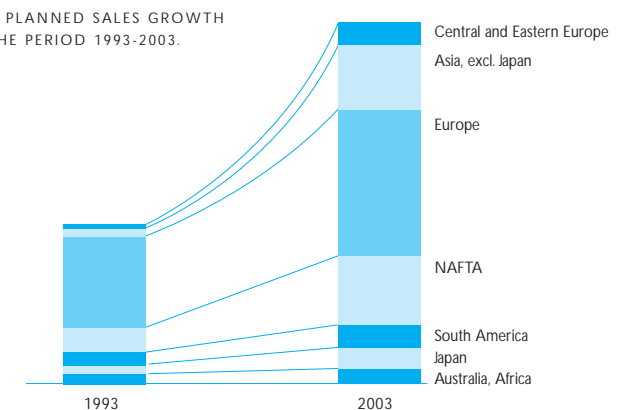
A minimum requirement for all Group operations shall be to protect employees and eliminate risks that may impair their health or the health

of others. Sandvik shall comply with applicable laws and agreements with respect to the exterior environment and the work environment, and follow good industrial practice in the countries where it operates.

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

The company will support employees in implementing the environmental policy ●

SANDVIK'S PLANNED SALES GROWTH DURING THE PERIOD 1993-2003.



OUR MATERIALS KNOW-HOW COVERS A BROAD RANGE OF EXPERTISE.

The Sandvik share

The price of Sandvik's A share rose 23% during 1997, compared with an average increase of 30% for engineering industry shares and 24% for the general index. During the most recent two-year period, the price including dividend rose 45%. The General Index including dividends rose 35% during the same period.

Sandvik shares ranked 13th among most actively traded shares on the Stockholm Stock Exchange in 1997. A total of 119 million Sandvik shares were traded, of which 73 million were A shares. The turnover rate for Sandvik shares was 46% (42), compared with 66% (66) for the entire Stockholm

Stock Exchange.

Sandvik's market capitalization at year-end 1997 was SEK 59 billion (51), and Sandvik ranked as the ninth largest company on the Stockholm Stock Exchange.

Dividend policy

The principal financial goal of the Sandvik Group is to create attractive capital return and value growth for those who invest in the Sandvik share.

The goal is that the dividend and value growth shall exceed the engineering industry's average dividend and be clearly higher than the yield on risk-

in dividends has been slightly more than 33% annually since 1993. The dividend comprises 69% of earnings per share in 1997. The average dividend portion during the past five years amounts to 54%.

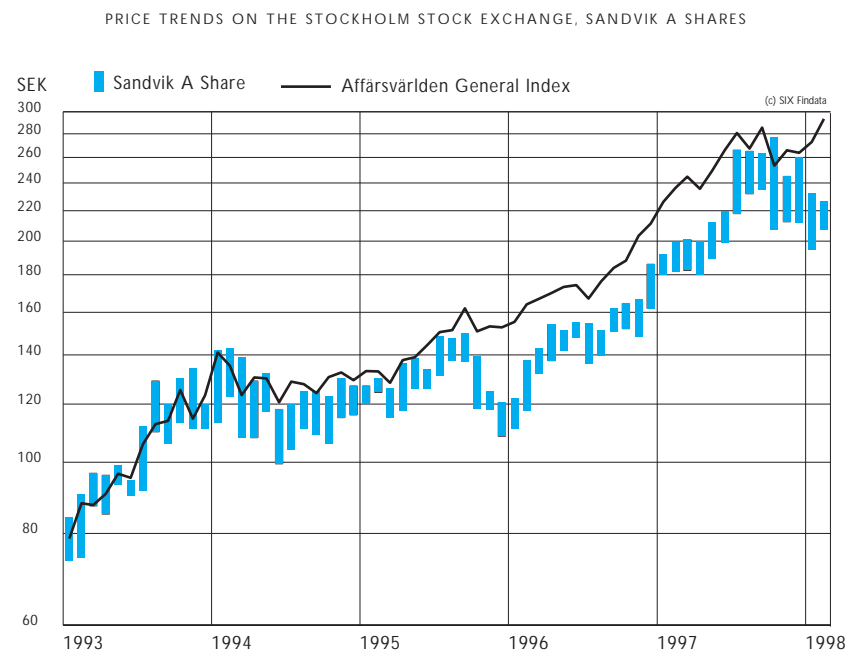
During recent years, Sandvik has made determined efforts to increase the flow of information to financial market interests and established a special function for investor relations.

Shareholders

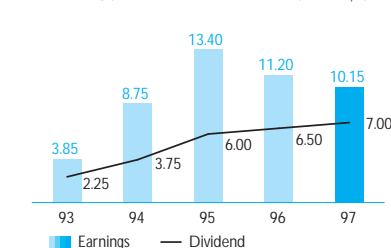
The number of shareholders is about 46,000. The 10 largest shareholders in Sandvik account for 50% of all shares and 58% of voting rights. In total, publicly listed corporations, insurance companies, funds and foundations hold 71% (74) of all Sandvik shares. Shares owned by foreign investors amount to 21% (18) of all shares and 9% of voting rights.

Options

Standardized options in Sandvik B shares were introduced for trading in May 1993.



EARNINGS AND DIVIDEND PER SHARE, SEK



free, long-term financial investments and that shareholders shall receive a dividend of at least 50% of earnings per share – calculated over a business cycle.

With the proposed dividend in 1997 (SEK 7.00 per share), the increase

Distribution of shares and voting rights

Share series	No. of shares	% of shares	% of votes
Series A	189 450 259	73	96
Series B	69 245 741	27	4
Total	258 696 000	100	100

Largest shareholders in Sandvik AB (December 1997)

	Percentage of voting rights	Percentage of shares
FöreningsSparbanken Mutual Funds	15.1	14.4
AB Industrivärden	11.2	8.5
National Swedish Pension Insurance Fund, Fourth Fund Board	9.7	7.4
Svenska Handelsbanken's Pension Foundation	5.5	4.2
The Swedish Staff Pension Society (SPP)	4.0	3.2
Labor Market Insurance AB (AMF-p)	3.5	3.2
National Swedish Pension Insurance Fund, Fifth Fund Board	2.5	1.9
Skandia	2.3	1.8
Trygg-Hansa	2.2	2.1
Svenska Handelsbanken Investment Funds	2.0	1.6

Distribution of Sandvik AB share ownership (December 1997)

Holding	Number of shareholders	As % of all shareholders	Total number of shares	% of share capital	Average number of shares per holder
Maximum 500 shares	34 292	75	5 866 747	2	171
501-1 000	5 228	12	4 215 031	2	806
1 001-10 000	5 382	12	15 111 485	6	2 808
10 001-100 000	563	1	16 715 993	6	29 691
More than 100 000	178	0	216 786 744	84	1 217 903
	45 643	100	258 696 000	100	5 668

Per-share data, SEK

	1997	1996	1995	1994	1993
Earnings ¹⁾	10.15	11.20	13.40	8.75	3.85
Shareholders' equity	67.30	72.00	66.40	57.50	51.60
Dividend (1997: proposed)	7.00	6.50	6.00	3.75	2.25
Direct return ²⁾ , %	3.1	3.5	5.2	3.1	1.9
Payout percentage ³⁾ , %	69	58	45	35	58
Quoted prices, A,	highest	272	186	148	143
	lowest	182	111	108	100
	year-end	226	184	116	119
Quoted prices, B,	highest	274	187	148	142
	lowest	182	111	109	99
	year-end	227	185	116	119
P/E ratio ⁴⁾	22.3	16.4	8.7	13.6	30.1
Quoted price, % of shareholders' equity ⁵⁾	336	262	175	207	225

Average number of shares traded daily

	1997	1996	1995	1994	1993
Stockholm Stock Exchange A	294 655	166 337	136 425	177 768	93 381
B	183 824	295 718	251 004	248 539	180 667
London Stock Exchange A	72 781	77 550	50 774	41 878	92 229
B	220 707	215 816	178 555	164 235	208 346

Notes:

¹⁾ Consolidated net profit for the year per share.

²⁾ Dividend divided by quoted price for A shares at year-end.

³⁾ Dividend divided by earnings per share.

⁴⁾ Market price of A shares at year-end in relation to earnings per share.

⁵⁾ Market price of A shares at year-end, as a percentage of reported shareholders' equity per share.

Additional definitions are presented on page 52.

Analyses

The following companies prepared analyses of Sandvik during 1997:

ABN AMRO GOVETT

ALFRED BERG FONDKOMMISSION

ARAGON FONDKOMMISSION

AROS SECURITIES

BZW EUROPE LIMITED

CARNEGIE FONDKOMMISSION

CAZENOVE & CO.

CHEUVREUX DE VIRIEU NORDIC AB

DEN DANSKE BANK

DEN NORSKE BANK

DEUTSCHE MORGAN GRENFELL

ENSKILDA SECURITIES

ERIK PENSER FONDKOMMISSION

FISCHER PARTNERS FONDKOMMISSION

FORENINGSBANKEN FONDKOMMISSION

GOLDMAN SACHS INTERNATIONAL

HAGSTRÖMER & QVIBERG FONDKOMMISSION

HANDELSBANKEN MARKETS

JAMES CAPEL & CO.

J.P. MORGAN SECURITIES LTD.

LEHMAN BROTHERS

MATTEUS FONDKOMMISSION

MORGAN STANLEY

MYRBERG FONDKOMMISSION

NOMURA EQUITY RESEARCH

NORDBANKEN TRADING

NORDISKA FONDKOMMISSION

PARIBAS

SBC WARBURG

SOCIÉTÉ GÉNÉRALE EQUITIES

SPARBANKEN SWEDBANK FONDKOMMISSION

UBS, UNION BANK OF SWITZERLAND

OHMAN J:OR FONDKOMMISSION

A successful strategy

The year 1997 was an eventful and another favorable year for the Sandvik Group, characterized by substantial marketing successes, continued high earnings, major strategic acquisitions and a new capital structure after the share redemption. Sales on an annual basis rose nearly 40%, including acquisitions during the year. Our expansion strategy has proved successful.

Based on our position in 1993, we formulated an aggressive expansion strategy for the ensuing 10-year period. It was based mainly on organic growth in existing product areas, but also included supplementary acquisitions.

We established the Group's goal for volume growth, raising our target level to 6% annually compared with the 4% we had applied during the preceding 10 years, a relative increase of 50%. Today, after four years, it is unequivocally clear that we shall meet and surpass our goal. Sandvik's annual sales are now more than SEK 40,000 M, compared with slightly less than SEK 22,000 M in 1993. Our strong expansion is attributable to both organic growth and acquisitions.

Intensive and continued investments in research and development comprise one of the most important success factors in the Group's organic growth. Constant flows of sophisticated new products have created compact pressure on the market. We have positioned ourselves at the top of Sweden's patent statistics.

Our definition of R&D embraces much more than development of new products, materials, grades and qualities. It also involves efforts to improve, change and renew techniques, processes and systems in production, logistics, marketing and other administrative functions. During the past years,

for example, we reduced time requirements for the development of new cemented-carbide tools by 50%. The higher rate of development has created new opportunities to generate increased sales and market shares.

Markets with substantial potential

Our expansion strategy is based on assumptions of increased sales in emerging new markets and more mature markets. NAFTA is Sandvik's second largest market block, accounting for nearly 25% of Group sales. During recent years, Sandvik has increased its market shares and sales in parallel with higher earnings. Today, there are no signs of reversal in the Group's highly favorable business development.

EU will continue to be Sandvik's largest market region, driven primarily by Germany's production industry. We have substantial resources in Europe for production and marketing, and the market still offers excellent opportunity for stronger market positions.

General economic growth in Asia over the past several years has created strong potential for Sandvik's various products. Although growth was slowed by the increasing currency concerns in the autumn of 1997, Sandvik reported increased sales last year in the Asian market. Because of the present economic situation in Southeast Asia, operations in the

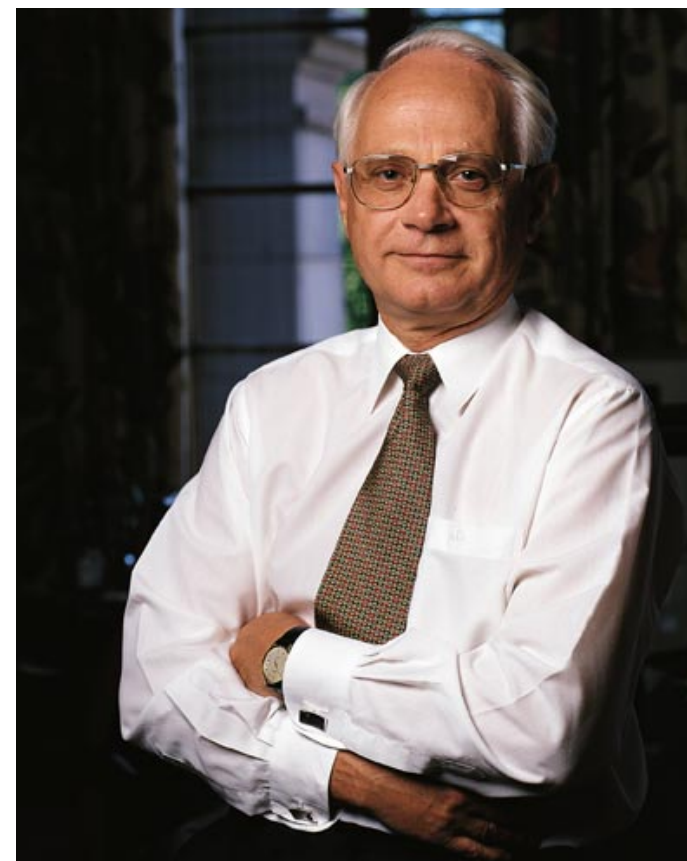
region are being consolidated with a view toward the future growth potential this market area can offer.

The Group has been strongly represented in Japan for many years. We also have been in India for a long time, where we are increasing the ownership share in our subsidiary and at the same time broadening our product range. In China, we have carried out a major expansion of our production and marketing resources in recent years, which has already yielded good results.

In so-called conversion markets, we have established a strong platform for the future through strategic acquisitions, local production and expansion of the marketing organization. Industrial development in Eastern Europe has created new opportunities for Sandvik's sophisticated products, and Group sales have increased sharply in several countries in the region.

Substantial investments

Sales growth is dependent on increased investments in production and marketing. Most investments are focused on cutting-edge technologies for higher production of more sophisticated products. In addition to higher production capacities, however, investments also focus on improved quality, shorter lead-times, better work environments, lower costs and higher productivity.



Substantial investments have been made in the areas of steel and cemented carbide. During recent years, for example, capacity at the Group's steel mills in Sandviken has been increased by 40% and, in Gimo, production facilities for inserts and tools have been expanded in parallel with the construction of a new factory for production of cemented-carbide powder. We have also increased local production capacity in several markets through expansion of existing factories and acquisitions. In the past three years, Sandvik has invested more than SEK 13,000 M in plants and company acquisitions.

Through supplementary acquisitions, a cornerstone in our expansion strategy, we have added 14 new companies with combined annual sales of more than SEK 11,000 M to the Sandvik Group. The two largest and most publicized acquisitions were Tamrock of Finland and Kanthal of Sweden. Tamrock, one of the world's leading manufacturers of rock-drilling machinery, has been partly owned by Sandvik since 1989. The Group purchased all shares outstanding in Tamrock in two acquisition phases implemented during 1996 and 1997. Tamrock offers considerable synergy

benefits in coordination with Sandvik Rock Tools.

The acquisition of Kanthal was also implemented in two phases during recent years. Kanthal is the world's leading manufacturer of high-temperature materials with strong ties to Sandvik Steel operations. Another strategic acquisition was made in Tooling last year when Sandvik acquired Precision Twist Drill, an American company that ranks as one of the world's leading manufac-

steel twist drills. Substantial resources are now being concentrated to integrate the new companies in Group operations. Utilization of synergies will generate additional improvements in business growth and earnings.

Skilled employees who are highly motivated and are provided opportunities for personal and professional development represent a key issue in future operations. Following recent acquisitions, the Sandvik Group has slightly more than 38,000 employees. In view of the Group's rapid expansion, we have recruited many young, new employees during recent years. In the Parent Company in Sweden, the oldest Group unit, about 30% of all employees are younger than 35, a strong asset for future expansion.

New capital structure

Our intention is that Sandvik shares shall be an attractive investment. When we established our strategy for the Group's future expansion, we also laid the groundwork for a more aggressive dividend policy. Dividends have averaged more than 50% of net earnings per share during the past five years.

Sandvik's strong earnings growth and cash flow during recent years created a certain overcapitalization.

To improve the Group's capital structure, a share redemption program was implemented totaling SEK 4,000 M. Skanska, the Group's main owner since 1983, exercised its redemption option and also sold Sandvik shares in almost the same amount. Industrivärden, a publicly listed Swedish investment company, became a new, major owner.

Share redemption, increased dividends and acquisitions have created a new financial structure. Net cash assets have changed to net debt. Solidity has declined, but is still at a high level. Combined with the strong operations, this provides for continued great freedom of action.

Our strategy is based on Sandvik being the obvious first choice of customers. We will accomplish this by contributing actively to increasing the customer's productivity and profitability with technically competitive products. Sandvik products and systems are sold on the strength of economic arguments, which we believe is the only way to generate strong, long-term capital return on resources invested by customers, shareholders and our employees ●

Sandviken, March 1998

Clas Åke Hedström

President and Chief Executive Officer

B U S I N E S S A R E A

Sandvik Tooling

The business area comprises tools and tooling systems for metalworking applications. Sandvik Coromant is the world's leading manufacturer of cemented-carbide tools, and CTT Tools has a corresponding position in the market for high-speed steel tools.

The market for cutting tools used in metalworking applications generally follows business trends for the international engineering industry. The world market for metalworking tools amounts to approximately SEK 70 billion per year. Customers include automotive and aerospace industries, steel and other engineering industries.

Sandvik Automation, formerly a separate unit of Sandvik Tooling, was restructured in 1997. Systems for tool administration and supervision are now integrated as part of Sandvik Coromant.

Sales of the business area amounted to SEK 10,803 M and operating profit was SEK 2,094 M. Return on net assets exceeded the Group's minimum requirement of 20% by a broad margin.

Sandvik Coromant

Sandvik Coromant is the market leader in development, production and marketing of tools using cemented-carbide, ceramics and extremely hard materials such as diamond and cubic boron nitride for metalcutting applications.

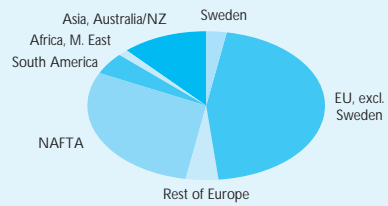
Sales invoiced by Sandvik Coromant improved sharply in 1997 as a result of higher demand and favorable currency trends. The increase amounted to 15% (7% in fixed currencies and for comparable units).

Customers include companies that use metalworking to upgrade products made of various materials, for example, steel, aluminum and composite materials, mainly in the automotive and steel industries, aero-

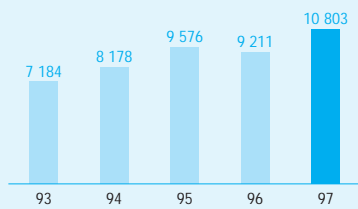
space and other engineering industries.

About 10 competing companies control slightly more than half of the world market for metalworking. A large number of local or highly specialized companies account for remaining market shares. Sandvik Coromant is the leader in European and South American markets. In the North American market, Kennametal is Sandvik Coromant's largest competitor. In Asia, several Japanese companies

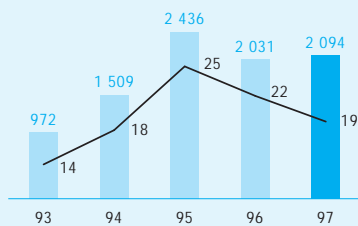
INVOICED SALES BY MARKET AREA



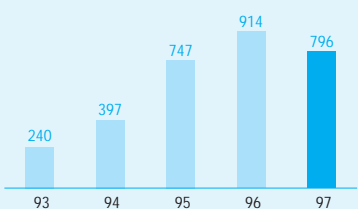
INVOICED SALES, SEK M



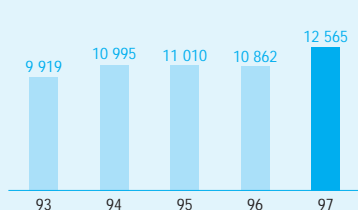
OPERATING PROFIT, SEK M
— AS A PERCENTAGE OF INVOICED SALES



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



AIRCRAFT MANUFACTURERS IN ALL PARTS OF THE WORLD USE CEMENTED-CARBIDE TOOLS FROM SANDVIK COROMANT FOR DRILLING, TURNING AND MILLING APPLICATIONS IN MATERIALS THAT ARE EXTREMELY DIFFICULT TO PROCESS.

the year for investments in new laboratory equipment for continued development of analysis and testing methods.

Sandvik Coromant's development work is concentrated mainly on new cutting materials, coating materials and tooling systems that provide customers greater performance, improved tolerance levels and higher flexibility. Research work is conducted in Sandvik's own laboratories and in cooperation with customers, universities and colleges. For many years, Sandvik has been one of the Swedish companies that have the most applied for and approved patents in Sweden.

New products

For turning of cast-iron and steel, the most common materials used in the automotive industry, Sandvik Coromant introduced a complete range of insert geometries and grades in 1997. A new cemented-carbide grade was also developed for milling operations. It offers a broad range of application areas through a sophisticated combination of multilayer coatings and an extremely tough substrate.

At the large EMO Fair in Hanover, Sandvik Coromant unveiled a completely new drill for stainless, austenitic and duplex steel grades generally considered difficult to machine. The new TwinGrade™ drill is based on two different cemented-carbide grades and is developed, designed and manufactured in cooperation with CTT Tools and Sandvik Hard Materials.

The modular Coromant Capto tooling system showed continued strong sales growth. Additional licens-

are large suppliers. Sandvik Coromant is the most solidly established non-Japanese company in Asian markets, with production of cemented-carbide tools in Japan, China and India.

Market and business conditions

Sales in the NAFTA region and South America were strong throughout all of 1997. Invoicing in Europe was weak early in the year, followed by gradual improvement. Highly favorable development characterized growth markets in Eastern Europe. Uncertainty over currencies in Asia led to lower demand during the second half of 1997 in the entire region, with the exception of Japan and China.

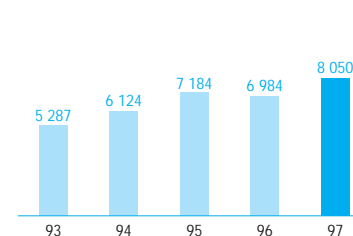
Productivity in the engineering industry has been increased by a factor of about 100 this century on the strength of development in cemented-carbide tools and machine tools. Cutting tools account for only 2-4% of total costs for finished components

but, utilized correctly, they often provide customers with savings of 10-30%. With growing global competition and higher quality awareness, focus on productivity has been sharpened, creating more stringent demands on cutting tools. By choosing the right tool, customers can quickly increase productivity without substantial capital investments.

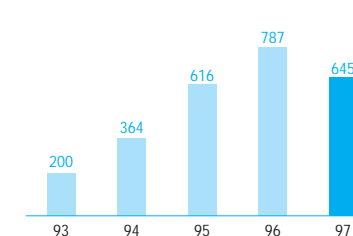
Development of new products and production methods, accordingly, is an important element in Sandvik Coromant's continued competitiveness. About 6% of sales, or SEK 490 M, was invested in research and development in 1997, by far the industry's highest R&D investment level. Substantial expenditures were allocated during



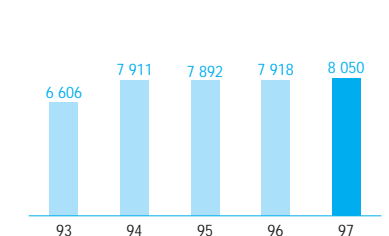
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



ing agreements were signed, which entail broader distribution of the system and allow customers greater freedom of choice in terms of suppliers. Today's modern metalworking machine tools are capable of producing short series of high-quality components under highly flexible working conditions induced by rapid and effective exchanges of tools. With Coromant Capto, customers can turn, mill and drill using the same machine and achieve maximum quality and precision.

Cooperation with large machine-tool manufacturers was intensified in 1997, and several new development projects were started. Traditionally, machine tools and metalworking tools were developed separately. Today, more and more machine tools are adapted to opportunities offered by tooling systems, creating good potential for continued improvement in degree of utilization, versatility and productivity in the engineering industry.

Development and sales of AutoTAS systems for tool administration were integrated in Sandvik Coromant in conjunction with the restructuring of Sandvik Automation. AutoTAS is an important system for development of so-called Partnership Sourcing, which means that Sandvik becomes a supplier of all cutting tools to the customer. Several highly interesting agreements were reached with leading international companies in 1997.

For the past several years, Sandvik Coromant has conducted active efforts to reduce consumption of limited natural resources. A program has been established, for example, involving collection of used cemented-carbide inserts from customers for the recycling of such raw materials as tungsten, cobalt and tantalum. Originally started in Europe, the program has also been introduced

in Brazil and the U.S., where there is strong interest. The program will be established in 1998 in Japan and Canada. Environmental concern is also reflected in a system for recovery and recycling of plastic packaging materials for Sandvik products which has been introduced in a number of markets.

Investments

Sandvik Coromant today has some 40 production units in all parts of the world. Production operations are based on a common raw material base, standardized equipment and processes as well as uniform standards of quality. At least one production plant is located in all major market areas to meet local customer demand for special tools.

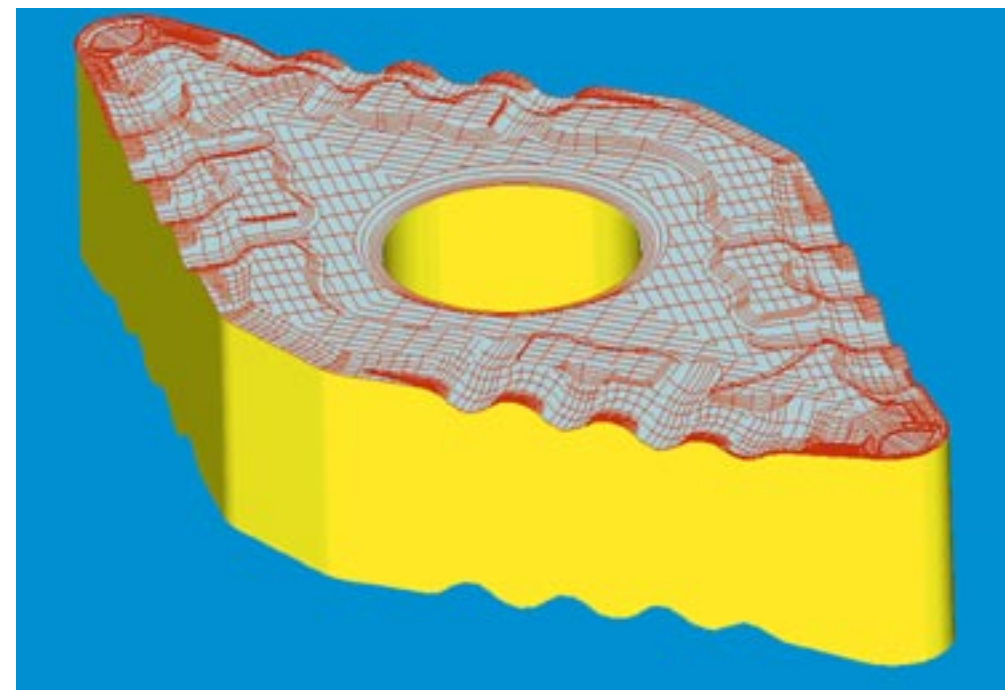
The rate of investments in higher production capacity and establishment of production facilities in new markets has been particularly intensive over the past three years. Capacity for cemented-carbide inserts and tools has been increased at the main production plant in Gimo, Sweden, where a new plant was also opened for production of cemented-carbide powder. Localization of powder production operations adjacent to the manufacturing plant for cemented-carbide inserts will increase potential for improved quality and operating efficiency.

Substantial investments were also made outside Sweden in 1997, including new facilities in China, Russia and the US. Expansion of the cemented-carbide production plant in Langfang City, near Beijing, was completed on schedule. The expanded facility is the most modern production plant in China, and the additional capacity is adapted to meet anticipated growth in the Chinese market. A three-year investment project was also completed at MKTC, the Group's wholly owned subsidiary in Moscow.

LARS PETTERSSON,
PRESIDENT OF
SANDVIK COROMANT



A NEW PLANT FOR PRODUCTION OF CEMENTED-CARBIDE POWDER WAS OPENED AT SANDVIK COROMANT'S MAIN INSTALLATION IN GIMO.



SOPHISTICATED COMPUTER TECHNOLOGY IS A PREREQUISITE FOR SANDVIK COROMANT'S DEVELOPMENT OF NEW CEMENTED-CARBIDE INSERTS.

In 1997, Sandvik Coromant acquired a majority shareholding in Sandvik Baildonit S.A. in Katowice, Poland, the country's largest manufacturer of cemented-carbide tools. Products are sold under the Baildonit brand name, primarily in the Polish market. Since cooperation was started in 1994, new technologies and production equipment have been gradually transferred to the Polish company, contributing to higher quality and increased competitiveness.

Logistics

Sandvik Coromant's product range includes approximately 25,000 standard items, and inventories of about 20,000 are available in central warehouses situated in Gimo, Sweden, and Schiedam in the Netherlands as well as Erlanger, Kentucky, in the US. Production units in all parts of the world are linked to central warehouses through a joint control system to guarantee delivery capabilities and optimize global capacity utilization.

Customers of Sandvik Coromant in all parts of the world have been provided access to fast and effective delivery service for the past several years, regardless of whether deliveries were provided by local warehouse units in various markets or central warehouse facilities.

Marketing

Markets outside Sweden account for 97% of sales invoiced by Sandvik Coromant. Most sales are booked directly by large and medium-sized customers, with distributors and retailers handling sales to smaller customers. Close contact between manufacturers and customers is a basic prerequisite for detecting new market needs quickly and developing new products and service to satisfy emerging demands. Although some sales are managed through distributors, Sandvik Coromant maintains close contacts with customers through comprehensive sales and technical support services. The marketing organization has been expanded sharply during recent years, particularly in Asia and Eastern Europe.

Marketing via the Internet is gaining greater importance, with special emphasis on product information and technical service. More than 6,000 CAD blueprints of tools are offered electronically to engineering companies in all parts of the world. By entering a product code, customers can quickly access blueprints they need whenever production of a new component is about to begin.

Training programs in cutting applications and metalworking economy are an important part of customer services offered by Sandvik Coromant. Customers need additional competence

to capitalize on productivity gains offered by new tools and machines. Sandvik Coromant offers on-site training programs at customer facilities and at the Group's 17 training centers in various parts of the world.

Based on its highly competitive marketing organization, sophisticated products, high technical expertise and its high-tech equipment for research, development and production, Sandvik Coromant is fully prepared to meet anticipated strong demand in the future ●



SANDVIK COROMANT HAS EXPANDED ITS PRODUCTION PLANT FOR CEMENTED-CARBIDE TOOLS IN CHINA.

CTT Tools

CTT Tools is the world's largest manufacturer of high-speed steel tools for metalworking applications and is now expanding operations in solid cemented-carbide tools, a sector characterized by rapid growth. CTT Tools markets the following trademarks: Dormer, Prototyp, Titex, Master, Union Butterfield, Precision and Triumph.



PRODUCTION OF HIGH-SPEED STEEL TOOLS AT PRECISION TWIST DRILL IN THE US.

Sales invoiced by CTT Tools in 1997 increased 26% (4% in fixed currencies and for comparable units). Demand was much weaker than anticipated in Europe during the early part of 1997, but conditions improved sharply in the second quarter. The strong British pound had negative effects on British export industries which, eventually, may also be felt in the domestic market. Most of the upswing in Germany was attributable to growth in export industries.

Market and business conditions

The world market for high-speed steel is estimated at about SEK 30 billion, comprising approximately 1,000 manufacturers. The market for high-speed tools is mature, and CTT growth is achieved chiefly through increased market shares and structural changes in the industry.

In contrast, demand for solid, rotary cemented-carbide tools is growing sharply, with market value estimated at approximately SEK 10 billion. Many companies compete in the sector, but there is no clear market leader. Solid cemented-carbide tools are manufactured in designs similar to high-speed steel tools, but are produced from pressed, cemented-carbide rods manufactured primarily by Sandvik Hard Materials. Solid cemented-carbide tools are able to operate at higher machining speeds and

offer greater durability than corresponding high-speed tools, but they require vibration-free machines adapted to particular work conditions.

CTT has expanded strongly in the solid cemented-carbide sector during recent years, and ranks as one of the leading manufacturers in Europe today. Market shares are increasing, and CTT is striving to establish a position of leadership similar to its standing in high-speed steel within the next three years.

Most sales by CTT Tools are invoiced via industrial distributors, working in close contact with CTT Tool's technical experts. Major changes are now taking place in distribution channels, characterized by increased sales through catalogue companies and the emergence of larger distribution companies as well as single-sourcing concepts.

Investments

Precision Twist Drill Co. (PTD), an American company based in Crystal Lake, Illinois, near Chicago, was acquired by CTT Tools in 1997. PTD is one of the leading US manufacturers of high-speed steel tools, with sales in 1997 of USD 120 M and about 1,600 employees.

The acquisition has strengthened CTT's leadership position in high-speed steel tools



ANDERS ILSTAM, PRESIDENT OF CTT TOOLS



SOPHISTICATED HIGH-SPEED STEEL TOOLS FROM CTT TOOLS ARE USED IN MODERN MEDICAL TECHNOLOGY.

Dormer introduced a new twist drill with a self-centering point. The product has met strong demand from

engineering industries. Prototyp supplemented its range of threading tools for the aerospace industry, among other users, by adding several new types of surface coatings.

A new cemented-carbide product was developed in cooperation with Sandvik Coromant and Sandvik Hard Materials, whereby two cemented-carbide grades are sintered together to achieve a new cutting edge and core properties. Titex introduced a large number of new cemented-carbide drills. A new surface coating introduced for dry machining offers sharply reduced total processing costs for customers.

Demand is expected to remain strong in CTT Tool's main markets in 1998, creating favorable conditions for increased growth ●



and increased annual sales by about 50%. PTD has a highly developed and efficient distribution system that will provide a strong platform for anticipated expansion in the US. Structural changes in PTD initiated in the autumn are expected to yield favorable effects on profitability already in 1998.

Continued aggressive investments were made last year in CNC machines and equipment to increase production automation at CTT's various plants. A conversion to vacuum hardening was completed at several production units to eliminate the environmental hazards of salt-bath hardening. New grinding machines for higher capacity and flexibility were also developed in cooperation with machine suppliers.

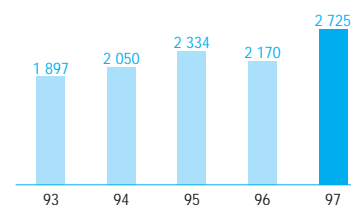
One production unit in England was closed, and most of the operations were transferred to Sweden. Prototyp established a wholly owned

sales company in France and acquired the operations of its former agent in Italy. A decision was made by Titex to invest in a new factory for production of threading tools in India.

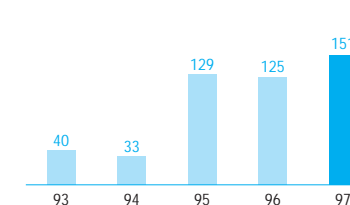
Continued development

Large tool users are intensifying efforts to limit their number of suppliers. New purchasing channels are being created, many integrated with other operations in purchasing and inventory management. In cooperation with Sandvik Coromant and certain major distributors, CTT Tools participated actively as a supplier in this conversion process.

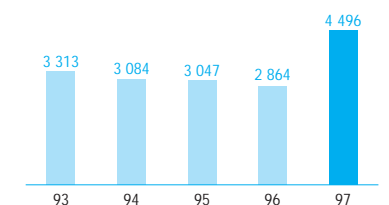
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



B U S I N E S S A R E A

Sandvik Mining and Construction

The business area, comprising Tamrock and Sandvik Rock Tools, has the market's most comprehensive range of products for rock-working operations in mining and civil engineering. Tamrock is one of the world's leading manufacturers of equipment for drilling, excavation, demolition and transport of rock and minerals. Sandvik Rock Tools is a leading global supplier of rock-drilling tools.

Tamrock has been an associated company of the Sandvik Group since 1989. During 1997, Sandvik fully acquired Tamrock, creating substantial synergy opportunities with Sandvik Rock Tools as well as Sandvik in general. Combined, the two companies can offer customers maximum productivity through total system solutions including machinery, service and tools.

Invoiced sales of Sandvik Mining and Construction in 1997 amounted to SEK 3,582 M and operating profit to SEK 234 M. This includes Tamrock's figures from 1 November 1997.

Tamrock

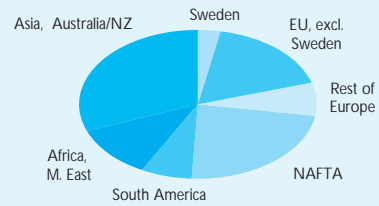
Tamrock is one of the world's leading suppliers of drilling machinery, loaders and equipment for rock-excitation operations in mining, civil engineering and related industries. Based in Tampere, Finland, Tamrock was founded in 1856 and became part of the Sandvik Group in 1997.

Tamrock's sales in 1997 rose 20% to SEK 7,560 M (6,300). Profit improved compared with the preceding year despite losses incurred in coal-mining equipment operations. Tamrock was consolidated in the Sandvik Group from November 1997. For the first 10 months of 1997, Tamrock's earnings are included as share in earnings of associated companies.

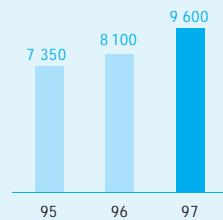
Products and customer groups
Tamrock provides sophisticated products, qualified service, innovative technology and solutions for rock excavation, demolition and transport of hard rock, coal, soft minerals and other bulk materials.

Tamrock's products and equipment are capital goods which are often part of a large service-intensive customer

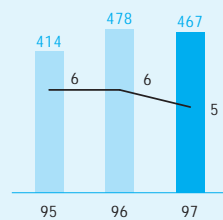
INVOICED SALES BY MARKET AREA*



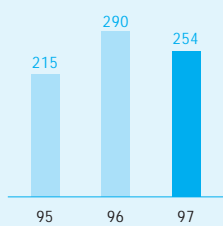
INVOICED SALES, SEK M*



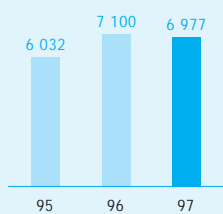
OPERATING PROFIT, SEK M*
— AS A PERCENTAGE OF INVOICED SALES



INVESTMENTS IN FIXED ASSETS, SEK M*



NUMBER OF EMPLOYEES, 31 DEC*



* FIGURES AS IF TAMROCK WAS OWNED FOR THE FULL YEAR. OPERATING PROFIT PARTLY ESTIMATED.



TAMROCK IS ONE OF THE WORLD'S LEADING MANUFACTURERS OF ROCK-EXCAVATION TOOLS FOR MINING OPERATIONS. THE COMPANY'S LARGEST AREA OF OPERATIONS.

system. Operating efficiency is contingent on regularly scheduled service including wear components and other consumables.

Tamrock's largest area of operations is hard-rock mining, that is, for production of base and precious metals. Customers comprise mining companies and contractors working in mines. Part of Tamrock's activities depends on capital investments in new mining projects and expansion of existing mines. A substantial part is also attributable to replacement and utilization of equipment. Mining investments are influenced by metal prices and long-term expectations of mining companies.

Tamrock's construction operations serve customers working with infrastructure projects: construction of

roads, railways, hydropower plants, production of cement and aggregate, well drilling as well as demolishing and recycling of buildings and other structures. Customers include international and local, general and specialized contractors. Business development is linked closely with public investments in civil engineering and infrastructure development, with strong dependence on overall economic growth.

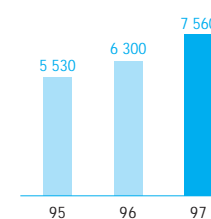
Tamrock is also a supplier to the world's coal and soft-mineral mining industries. World coal mining is growing steadily but slowly in relation to consumption and energy production.

Other soft minerals are primarily raw material for the chemical industry.

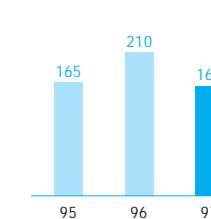
The Tamrock company Roxon supplies conveyor components and other bulk materials-handling equipment and systems, primarily to mining and construction industry customers. Roxon products and services are used throughout the entire materials handling chain, from mines and quarries to transport, loading and unloading to the end-user, such as solid-fuel power plants.

Competition varies between different areas of business activity. Atlas Copco of Sweden, Ingersoll-Rand of the US and Furukawa of Japan are Tamrock's major competitors in rock-drilling and loading equipment. Major competitors in the coal-mining sector are Joy and Long-Airbox, both based in the US.

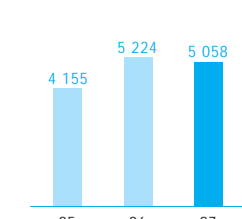
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC





TAMROCK IS INVOLVED IN COMPREHENSIVE INFRASTRUCTURE PROJECTS IN ALL PARTS OF THE WORLD.

Market and business conditions

Metal prices fluctuated sharply during 1997. The price of gold fell drastically, depressed by real and anticipated sales of central bank gold reserves. The lowest gold price in 18 years was noted during the year, before weak recovery toward year-end. Price increases for base metals during the first half of 1997 were short-lived, although zinc reached its highest price level of the 1990s. The outlook deteriorated toward year-end due to the financial crises in some East Asian countries.

Demand in hard-rock mining fluctuated less than metal prices, but activity declined during the second half of the year. The outlook in the Canadian and Australian mining industries was bleak, with many small and medium-sized gold mines hurt by low gold prices. Business development in Latin America and Africa was favorable throughout all of 1997.

Demand in construction operations was strong in the US and certain European countries. Investment activity in civil-engineering projects in East Asia was hesitant even early in the year. Business growth in China remained strong.

Coal-mining operations varied during 1997. In the US, production was lower than anticipated, but it remained strong in South Africa. Favorable market conditions in Australia began to weaken toward year-end.

Australian coal mines, which are highly dependent on exports to Japan and other Asian countries, suffered from the present economic climate in Asia.

Roxon reported favorable business growth during the year, highlighted by several large orders. Despite the economic problems of East Asia, projects continued, but uncertainties mounted and investment decisions were postponed.

Sales from hard-rock mining operations were strong in 1997, but the order backlog at year-end was clearly lower than at the beginning of the year. The construction operations and Roxon were also characterized by strong volume growth, with larger order backlogs at year-end than 12 months earlier. Coal-mining operations reported weak revenues and low capacity utilization throughout the year. Earnings were clearly negative, and additional restructuring measures were initiated. An improvement in order intake during the last month of the year resulted in an acceptable order backlog for 1998.

Future development

Cooperation between Tamrock and Rauma Nordberg, another Finnish company, has been favorable for both parties.



JOUKO M. JAAKKOLA,
PRESIDENT OF TAMROCK

The cooperation agreement was extended in conjunction with Sandvik's acquisition of the Rauma Group's shares in Tamrock late in 1997.

The most important investment project during 1997 was the modernization of drilling equipment production lines at the factory in Tampere. The first phase was completed in early 1998.

Tamrock divested business activities and assets in 1997 that lacked clear links with core operations. Oy Tamrotor Ab, a manufacturer of industrial compressors, was one of the divested units. The company is now focused exclusively on mining and construction operations.

Tamrock's product development programs continued to be comprehensive. Several new products were introduced, including a continuous bolter miner for sharply improved productivity in coal-mining operations. Roxon's new dust-control system based on particle ionization provides significant environmental advantages for customers handling bulk materials.

The Pantera 800, a new drilling rig for quarry operations in the construction sector became a great success. A new system for loader maintenance and production control provides increased productivity in underground hard rock-mining operations.

Tamrock is also participating in several technical development programs to increase customer profitability. These include an interesting project to



TAMROCK IS A LEADING MANUFACTURER OF LOADERS.

facilitate more economical mining of harder formations using so-called road-headers. Another project focuses on increased automation to improve productivity in underground hard-rock mining.

Cooperation between Tamrock and Sandvik Rock Tools was intensified gradually during 1997. Particular focus was placed on integrated marketing and sales as well as synergies in research and development. The consolidation of Tamrock as a wholly owned Sandvik company created several opportunities for further cooperation and synergies ●



TAMROCK'S PLANT FOR PRODUCTION OF ROCK-DRILLING EQUIPMENT IN TAMPERE, FINLAND.

Sandvik Rock Tools

Sandvik Rock Tools is one of the world's leading suppliers of rock-drilling tools used in mining, civil engineering and water-well drilling. The product range includes tools and tooling systems for working all types of rock and for all conventional drilling techniques. Operations are conducted through four product divisions specializing in different rock excavation methods.

Business conditions for Sandvik Rock Tools were stable in 1997. Sales increased 11% (2% in fixed currencies and for comparable units). Financial results for the year include Texas-based Drillmaster, an American manufacturer of down-the-hole drilling equipment acquired by Sandvik in the summer. Due to restructuring costs, particularly in the US, earnings declined. Return on net assets amounted to 12%.

The world market for rock-drilling



PRODUCTION AT THE KÖPING PLANT OF SANDVIK ROCK TOOLS HAS BEEN INCREASED TO MEET GROWING DEMAND FOR ROLLER BITS.

products is divided evenly between mining and civil engineering applications. Mining industry demand for rock-drilling tools is largely dependent on market demand for minerals, while civil-engineering industry operations are controlled primarily by the number of construction, road and hydroelectric power projects.

The market for rock-drilling products was strong in 1997, highlighted

by increased activity in the mining industry. Demand in the civil engineering sector was fragmented, and activity in Europe was weaker than expected.

Sandvik Rock Tools, Atlas Copco of Sweden and Boart of South Africa dominate the top-hammer drilling sector, accounting for more than two-thirds of world market sales. About 10 local manufacturers with limited product ranges account for the remaining one-third. Major competitors in mineral excavation, defined as mechanical cutting operations in softer rocks and minerals, are Kennametal and American Mine Tool of the US. In down-the-hole drilling operations, major competitors include Atlas Copco (Sweden), Ingersoll Rand (US) and a large number of local suppliers. A few American manufacturers are the largest competitors for rotary products.

Sandvik Rock Tools has several important advantages over the competition. It has the market's most comprehensive product portfolio and access to the Sandvik Group's collective resources for research and development in cemented

carbides and specialty steels, materials used in virtually all rock-drilling tools. Group resources provide excellent potential for Sandvik Rock Tools to develop and manufacture products characterized by uniform quality and excellent performance standards. The acquisition of Tamrock has added further strength in rock drilling market positions.

Production and marketing

Ongoing integration of Tamrock and Sandvik Rock Tools marketing organizations continued. Joint marketing organizations have already been established in Germany, Spain, Russia and other CIS nations, and corresponding coordination has been started in several other markets.

Structural changes in the production resources of Sandvik Rock Tools continued according to plan. All production in Spain was terminated

last year, and various parts of production operations in the US were transferred to Mexico and Sweden. Production units in Sandviken and Köping received quality certification in accordance with ISO 9001. Comprehensive training programs for sales and service personnel, which started in 1996,



LARS-ANDERS NORDQVIST, PRESIDENT OF SANDVIK ROCK TOOLS



SANDVIK ROCK TOOLS' ROCK-DRILLING TOOLS CONTRIBUTE TO HIGHER PRODUCTIVITY IN MINES WORLDWIDE.



were conducted in North and South America, Australia and Southeast Asia.

Product areas

Top-hammer drilling tools offer the greatest market potential of all product groups. The new Formula 1 tool system, which offers optimal precision in drifting and tunneling, was received with great interest by mining and civil engineering customers in Europe, South America and Australia during 1997. R&D resources were concentrated on development of new production processes in order to provide greater flexibility in selecting materials and material properties and in the development of products and product versions in close cooperation with customers.

Structural changes in production of mineral tools was completed in accordance with plan during the year. Technical cooperation with Voest-Alpine Bergtechnik, a subsidiary of Tamrock, has resulted in several new

products for mechanical working of considerably harder rock than was earlier possible. Cooperation with Tamrock's marketing organization was also intensified.

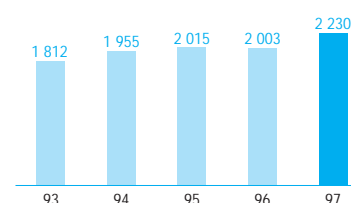
Structural changes in down-the-hole production operations were also implemented last year. Demand declined due to financial concerns in Southeast Asia, where several major civil engineering projects were stopped. Low gold prices reduced activities in exploration drilling operations. The acquisition of Drillmaster in the US will enable Sandvik Rock Tools to cultivate new markets.

Iron, copper and zinc excavated from open-pit mines increased in 1997, creating stronger demand for roller bits. Improved product performance and subsequent greater competitive power contributed to strong growth in sales volumes. A new product line was created to meet the growing demand.

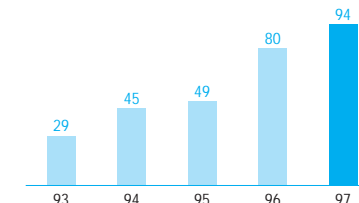
A new generation of large raise-boring heads introduced in 1997 provide increased productivity and reduced total costs for customers, thereby stimulating more widespread utilization and increased sales potential for the drilling method. Sandvik Rock Tools received the world's largest order for raise boring in the history of mining last year from LKAB's mine in Kiruna, Sweden.

Sandvik's acquisition of Tamrock has strengthened the market position of Sandvik Rock Tools, enhancing the ability to meet customer demand for accessibility and delivery reliability. By capitalizing on synergies in marketing and distribution, Sandvik Rock Tools will be able to offer high-quality products and services more cost-efficiently. Coordinated skills and expertise will also be utilized to develop new generations of rock-drilling equipment

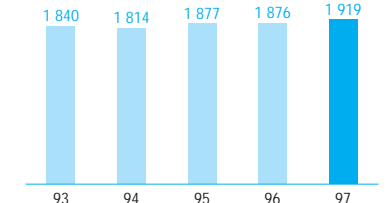
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



B U S I N E S S A R E A

Sandvik Specialty Steels

The business area consists of Sandvik Steel and Kanthal. Sandvik Steel is a world-leading manufacturer of certain products in stainless steel and special-alloys. Kanthal, also a global market leader, manufactures metallic and ceramic resistance materials.

The world market for business area's products is estimated at SEK 75 billion. Customers are found in most industry segments, including chemicals, oil and gas, power, pulp and paper, engineering as well as various consumer product sectors, such as the automotive, household appliance and the electronics sectors.

Kanthal was acquired in two stages during 1996 and 1997 and is now a wholly owned Sandvik subsidiary. Its business operations are linked strongly with Sandvik Steel, and the acquisition offers substantial synergy advantages.

Sales of Sandvik Specialty Steel in 1997 amounted to SEK 10,780 M and operating profit to SEK 921 M. Kanthal's sales and operating profit are included from 1 July 1997. The share in earnings of Kanthal as an associated company were included for the first half of the year.

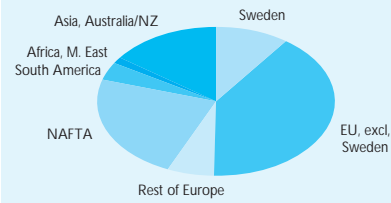
Sandvik Steel

Sandvik Steel manufactures tube, strip, wire and bar for users with exacting demands on economy, reliability and performance. Products are produced in stainless steel as well as titanium, nickel and zirconium alloys. Average value added is high in relation to raw material content. Tube products account for about 50% of sales. Operations are focused on product niches in which Sandvik Steel has leading positions in the world market.

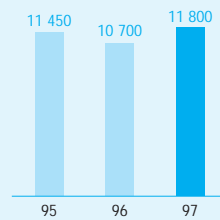
Sandvik Steel's order intake improved steadily in 1997. Invoiced sales rose 9% (3% in fixed currencies and for comparable units). Markets in the NAFTA region were particularly strong.

Earnings declined, however, despite higher demand, as a result of a sharp decline in prices in 1996. Prices in 1997 were largely unchanged. Return on net assets amounted to 12%.

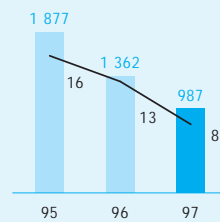
INVOICED SALES BY MARKET AREA*



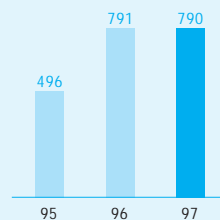
INVOICED SALES, SEK M*



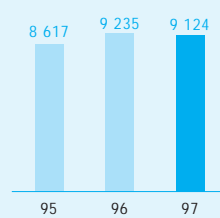
OPERATING PROFIT, SEK M*
— AS A PERCENTAGE OF INVOICED SALES



INVESTMENTS IN FIXED ASSETS, SEK M*



NUMBER OF EMPLOYEES, 31 DEC*



* FIGURES AS IF KANTHAL WAS OWNED FOR THE FULL YEAR. OPERATING PROFIT PARTLY ESTIMATED.

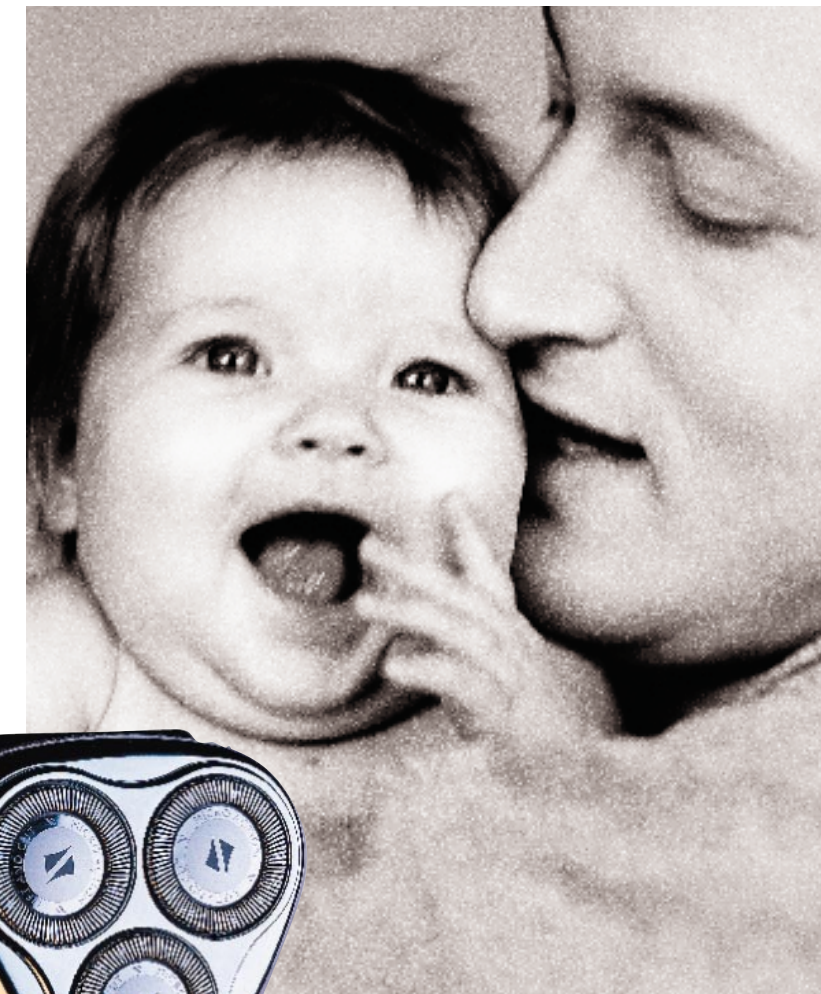
Competitive conditions vary between different product groups. Sandvik Steel is a global market leader in seamless stainless steel tube, in competition with two other major manufacturers. In the strip and wire sector, only a few companies can match Sandvik's complete product portfolio, but the market also features many small, independent drawing mills and cold-rolling mills. Any single competitor matches only a minimum 5% up to a maximum 25% of Sandvik Steel's product range.

Consumption of stainless steel shows an annual growth trend of about 5%, expressed in volume, while growth in consumption of conventional steel is lower than the GDP index. The difference lies in market demand for longer economic life and higher performance standards, generating a trend toward products with higher alloy content and value added. The trend favors Sandvik Steel, which develops precision products for demanding applications in close cooperation with customers.

Market and business conditions

Demand from industrial sectors with strong emphasis on consumer products, such as the automotive, household appliance and electronics industries, increased sharply from a very low level in 1996. Sales of strip and wire products in Europe and the US enjoyed particularly strong benefits from the upswing. Demand for tube and welding products for chemical, power and pulp industries, however, is traditionally positioned later in the economic cycle, with higher order

STEEL STRIP FROM SANDVIK STEEL IS USED IN RAZORBLADES AND CUTTING HEADS OF SHAVERS THAT PLACE STRINGENT DEMANDS ON SHARPNESS.



intake to the second half of the year. The strong improvement in order bookings resulted in higher capacity utilization at most production plants and favorable growth in productivity.

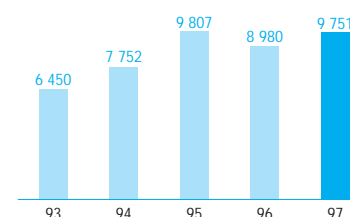
Capacity utilization was high for cold-worked tube used in heat exchangers and instrumentation, including so-called umbilical tubing as well as for titanium tube for the aerospace and chemical industries. Units acquired in 1996, however, reported unsatisfactory order intake. Sandvik Calamo in Sweden suffered negative effects from a sharp decline in

demand from the semiconductor industry. In India, Sandvik Choski was hurt by weak domestic market demand, and the company was unable to meet quality requirements of export markets. A comprehensive action program has been started.

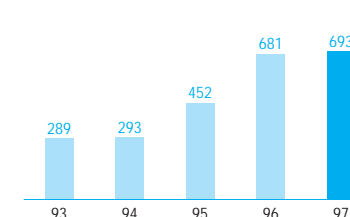
Sales of supplementary products such as tube fittings and welded tube were down due to continued weak prices for flat stainless steel products and welded tubes in 1997. Welded tube products are supplied primarily by Avesta Sandvik Tube (AST), an associated company (Sandvik owns 25%). AST reported improved earnings in 1997. Sandvik Steel earnings in 1997 include AST with SEK 10 M.

Fagersta Stainless, a partly owned (50%) producer of stainless wire rod,

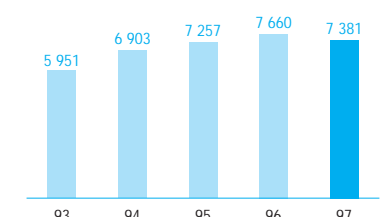
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



TUBE PRODUCTS ACCOUNT FOR 50% OF ALL SALES BY SANDVIK STEEL.



TITANIUM TUBE FROM SANDVIK IS USED IN A GROWING NUMBER OF APPLICATIONS IN THE AEROSPACE AND CHEMICALS INDUSTRIES.

reported a sharp increase in sales, from SEK 1,174 M in 1996 to SEK 1,316 M, but earnings were down due to lower prices. Sandvik Steel's earnings in 1997 include SEK 4 M from its share in the earnings of Fagersta Stainless.

Order intake rose sharply for cold-rolled strip products and capacity utilization was high during the year. The order intake for wire products was very favorable, particularly for stainless spring wire rod and welding products.

Structural changes

Sandvik acquired Kanthal, a Swedish materials engineering company, during the summer. Kanthal is a world leader among manufacturers of resistance materials used to produce heating elements in household appliances and in industrial and laboratory furnaces. Opportunities to capitalize on synergies from the acquisition are very substantial, and extensive cooperation between Kanthal and Sandvik has been started in research and development, for example, focused on exchanges of expertise and involvement in various development projects.

Several business operations with limited long-term strategic importance were sold in 1997. Acesita Sandvik Tubos Inox S.A. of Brazil, a partly owned Group company (Sandvik 50%) that manufactures stainless welded tube, was sold. Sandvik Special Metals of the US sold its titanium tube processing operations for sporting goods. At year-end, Sandvik Chomutov Precision Tubes sold the drawing mill for

carbon steel tubes. In total, these sales affected about 240 employees.

To strengthen positions in the British market, Sandvik Steel acquired all shares outstanding (45%) in RGB Stainless Ltd. The British company works mainly with distribution of stainless tube, flanges and bar used in the chemical, processing and oil and gas industries. Sandvik also acquired Saxon Blades Ltd., Great Britain's leading manufacturer and distributor of die-cutting steel for the packaging industry.

Investments

Sandvik Steel is implementing a comprehensive investment program during the period 1996-1998 to increase production capacity and competitiveness.

A new distribution center was opened in the US to supply tube products for all markets in the NAFTA region. In the Czech Republic and Canada, investments were made in new equipment to accommodate deliveries of so-called umbilical tube in lengths up to 20 km on coils. Sterling Tubes, a subsidiary in England, opened a new pilger mill based on a Sandvik design mainly for production of seamless tube used in power generation applications. Sandvik Calamo increased its production capacity for electro-polished tube by adding a new electro-polishing machine and a new so-called clean room.

An investment program was completed in Sandviken with



PER ERICSON,
PRESIDENT OF SANDVIK STEEL

installation of two finishing lines for seamless tube that will provide potential to meet product requirements in Japan and other Asian markets. A heat-treatment plant for titanium and zirconium products was also placed in operation. Also, a new peeling machine was placed on-line toward year-end to increase production capacity and broaden dimension ranges for peeled and polished bar.

A new cold-rolling mill for intermediate rolling of strip products was opened in Sandviken. Operations are concentrated on products for catalytic emission control, razor blades and spring applications. Capacity for flat-rolled wire for applications mainly in the automotive industry was also increased.

New production capacity created by Sandvik Steel's comprehensive investment program will lead to cost savings and greater competitiveness.

Product development

In the face of extremely tough competition, Sandvik Steel increased its market share for seamless tube products in the power generation sector. Close cooperation with customers continued in development of cladding tubes for nuclear fuel. Determined efforts were also made to improve production processes and properties for titanium and zirconium tube. The products are used mainly by the aerospace and chemical industries.

Work with strip products continued to focus on new applications for thin strip foil used in environmental and electronic application areas. Multishift™, a new product concept

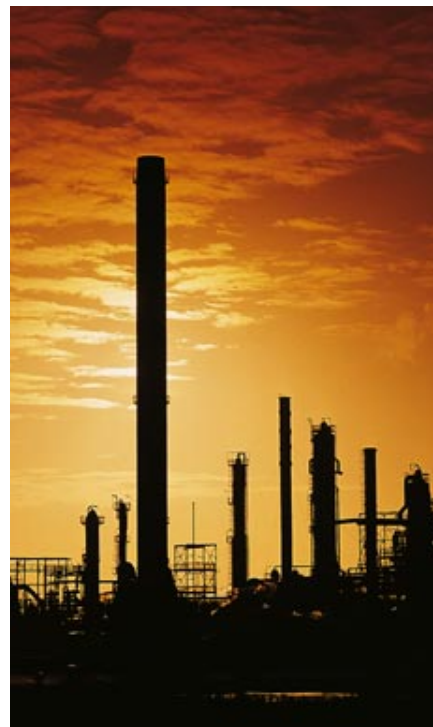


A SOPHISTICATED NEW SCANNING-ELECTRON MICROSCOPE WAS INSTALLED AT THE SANDVIK STEEL R&D CENTER IN SANDVIKEN.

for bandsaw cutting, was introduced. The new concept will increase effective production hours of sawmills and improve the yield of timber produced.

Resources in wire operations were concentrated on process development and the exchange of technologies between the various Sandvik units. One major project in Brazil focused on increasing wire drawing productivity.

The new super-duplex steel grades developed and patented by Sandvik Steel found new application areas in refineries and the petrochemical industry. Development of a new composite tube for refuse and waste incineration was completed in 1997. The product has already achieved commercial success and continued favorable business development is expected. A new steel grade for tube products used in the electronics industry in production of micro-chips was introduced during the autumn. A new, sophisticated scanning-electron microscope was installed at Sandvik Steel's R&D Center in Sandviken to enhance user-friendliness and flexibility ●



SANDVIK STEEL MANUFACTURES PRODUCTS FOR REFINERIES AND THE PETROCHEMICAL INDUSTRY THAT PLACE HIGH DEMANDS ON ECONOMY, RELIABILITY AND PERFORMANCE.

Kanthal

Kanthal is a leading global manufacturer of metallic and ceramic resistance materials in the form of wire, strip and electric heating elements for household appliances and industrial furnaces.

Kanthal posted invoiced sales in 1997 of SEK 2,060 M, an increase of 19%. Excluding acquired companies, the increase was 7%. Sandvik increased its ownership in Kanthal to more than 90% of shares outstanding and voting rights in June, and the company was



KANTHAL'S SYSTEMS FOR INFRARED DRYING HAVE SUBSTANTIAL MARKET POTENTIAL IN INDUSTRY.

consolidated from that point in time. At year-end, Sandvik owned 100% of Kanthal.

The world market for resistance materials is estimated at approximately SEK 5 billion. A few large steel mills and independent drawing mills that upgrade purchased starting materials comprise Kanthal's major competition for metallic resistance materials. Competition in the ceramic resistance materials sector consists of one American and two Japanese companies. Kanthal has the market's most complete range of resistance materials.

Kanthal was founded in 1931 by Hans von Kantzow. The company

name is a combination of von Kantzow's surname and Hallstahammar, the Swedish community where Kanthal's head office is situated. Markets outside Sweden account for 98% of sales and Kanthal has subsidiaries and agents in a large number of countries worldwide. By tradition, operations are concentrated on electric heating, more specifically, electric heating with metallic resistance materials and, for higher temperatures, ceramics. The product range has been expanded through the years to include bimetals to measure, control and regulate temperatures. Because of their ability to resist high temperatures, the products are used widely as construction materials in gas-fired industrial furnaces, for example.

Market and business conditions

Kanthal's business activities are concentrated on consumer and industrial product sectors. Higher living standards have created growing demand for consumer products. New household appliances are developed continuously, which increases demand for Kanthal products.

Kanthal delivers highly sophisticated products to industries and a large portion of its customers are end-users. Sales of industrial products are related to general economic trends. The potential for products used in heat treatment of micro-chips, semiconductors and other components in today's highly

expansive electronics industry is very substantial.

General market demand declined in the early part of 1997. The downward trend was broken during the second quarter and sales started to increase. Growth in several markets was strong during the year, with the exception of Brazil, India and Southeast Asia. Despite strong price competition in Europe for household appliance wire products, Kanthal's operating margin rose in 1997, and market shares rose further for bimetal and metallic resistance materials.

Investment and acquisitions

In July 1997, Kanthal acquired all shares in H.P. Reid Co. Inc., a Florida-based American manufacturer of coated wire with diameters as small as 0.010 mm for various electronic applications. HP Reid is the leader in the rapid-growth market for precision wire used in personal computer hard disks. Sales increased 28%, compared with invoicing in 1996, and profitability was highly satisfactory. The company's products will now be introduced in markets outside the US through Kanthal's and Sandvik's sales organization.

Driver-Harris, an American company acquired by Kanthal in 1996, reported a return to profit-



OLA ROLLEN, PRESIDENT OF KANTHAL

ability in 1997, marking the conclusion of structural work initiated in conjunction with the acquisition. Driver-Harris is the world's oldest supplier of resistance wire; the present product range also includes supplementary nickel alloys with substantial potential.

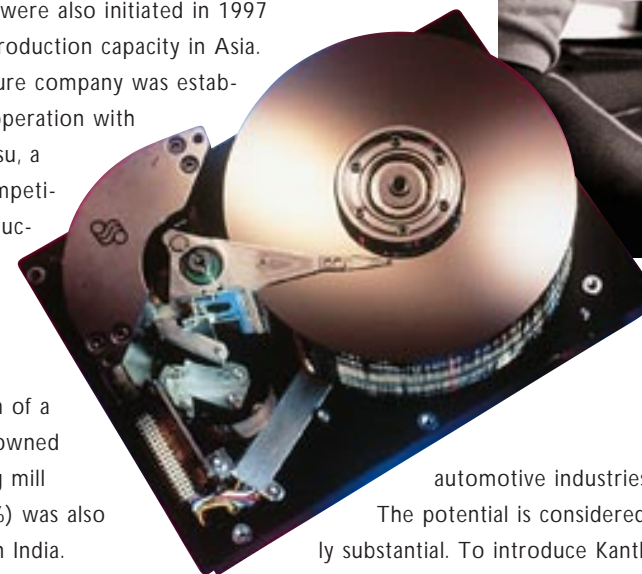
Kanthal's operations for construction materials were sold last summer to St. Gobain in France. In parallel, Kanthal acquired St. Gobain's silicon-carbide element production in Brazil, establishing Kanthal as the South American leader in this field. Investments were also initiated in 1997 to expand production capacity in Asia. A joint-venture company was established in cooperation with Tokai Konetsu, a Japanese competitor, for production of silicon-carbide elements in China.

Construction of a new, partly owned wire drawing mill (Kanthal 51%) was also completed in India.

In January 1997, Kanthal acquired 25% of the shares in OptiCat AB, a Swedish development company. OptiCat has sales and production rights to a new, patented catalyzer that uses Kanthal's high-temperature wire as a construction material. In the initial stages of cooperation, OptiCat will concentrate on industrial applications, ships and motorcycles.

Kanthal's system for drying with infrared radiation provides significant energy and cost savings in the steel and mining industries, for example, as well as in the paper, packaging and

KANTHAL IS THE WORLD LEADER IN THE RAPIDLY EXPANDING MARKET FOR GOLD-PLATED PRECISION WIRE USED IN PERSONAL COMPUTER HARD DISKS.



automotive industries.

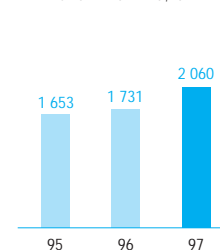
The potential is considered highly substantial. To introduce Kanthal's new high-temperature "Super Excel" ceramic material, a strategic alliance was established with Solaronics SA, a French company that develops and markets radiation equipment for the paper industry.

A separate development project started last year by Kanthal is designed to introduce a complete range of heating systems for gas-fired industrial furnaces that yield exceptionally high thermal efficiency, withstand higher temperatures and considerably reduce emissions of environmentally harmful exhaust gases.

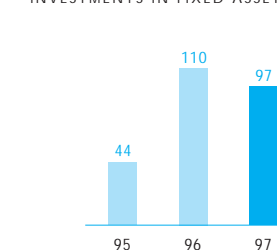
Synergies with Sandvik

To capitalize on short and long-term synergies with Sandvik and Sandvik Steel, in particular, a program was initiated during the summer in such areas as raw material purchases, research and development, production and market representation. Furthermore, Kanthal had already started to capitalize on Sandvik's infrastructure and resources during the second half of 1997 in such areas as financing, logistics and EDP ●

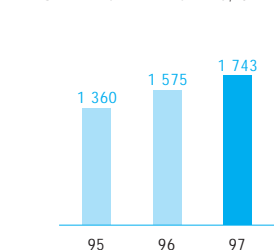
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



B U S I N E S S A R E A

Sandvik Hard Materials

Sandvik Hard Materials is active in the full spectrum of its field, ranging from cemented carbide to diamond, including special ceramics for biotechnical applications. The business area manufactures and markets large volumes of cemented-carbide blanks for tool manufacturers, components for the engineering industry and carbide rolls for the iron and steel industry.

Sales invoiced by Sandvik Hard Materials in 1997 increased 13% (7% in fixed currencies and for comparable units). Excluding currency effects, average volumes have increased more than 10% annually over the past four years, a growth rate matched by the business area's productivity increase. Concentration on specialized production continues in parallel with improvements in sales operating efficiency. Return on net assets in 1997 amounted to 15%.

Products and customers

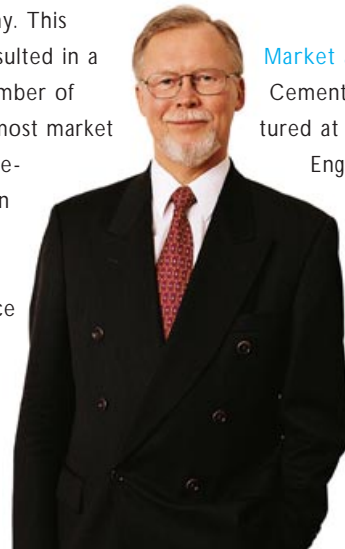
The competitiveness of Sandvik Hard Materials has increased during recent years through a focus on fast-growing product groups and customer areas. A smaller number of products are now manufactured in larger volumes, resulting in improved production and distribution economy. This strategy has also resulted in a reduction in the number of small customers in most market regions, which has reduced administration expenses, increased focus on customers and improved service offered to priority customer groups.

Sandvik Hard Materials has developed into a global industrial enterprise with specialized production units in 11 countries and sales through an international marketing organization. The business area established a position of leadership in the European market a few years ago and commands strong positions in the NAFTA region and Asian markets. Sandvik is the only manufacturer in the industry today able to offer global market coverage, with representation in more than 50 countries.

Competitors are mostly companies operating primarily in large domestic markets, such as the US or Japan, or companies focused on limited product niches. Competitive conditions are similar in Europe, the NAFTA region and Asia, with only a few large companies and several small, local competitors in each area.

Market and business conditions

Cemented-carbide rods manufactured at the plant in Coventry, England, showed continued strong growth. Particularly favorable sales growth was noted for micro-drill blanks used in the elec-



LARS WAHLQVIST, PRESIDENT OF SANDVIK HARD MATERIALS



THE MARKET FOR MICRO-DRILL BLANKS USED IN THE ELECTRONICS INDUSTRY SHOWS CONTINUED GROWTH.



tronics industry, an area in which producers of mobile telephones comprise a major group of end-users. Sales of cemented-carbide rotary cutters used in production of diapers and sanitary products increased sharply. The tools offer much longer economic lives than corresponding steel products and provide customers with higher productivity. Sandvik's production technique reduces waste in diaper manufacturing processes by 5 mm per diaper, generating annual savings of up to 500 kilometers of material per machine.

Demand in 1997 for Sandvik's cast-in-carbide integral rolls, so-called CIC rolls, for the steel industry was weaker than anticipated, but improvement in sales was noted toward year-end, and the product's potential is substantial. Manufacturing in Denmark for the woodworking industry was restructured during the year, with greater concentration on sophisticated metallurgical products. Metalforming tools for drawing and cold-forming applications are manufactured in Spain and Taiwan. Demand was strong and, following the completion of investments, production of drawing die blanks in Spain has become highly

competitive. The business area's factory in the US was closed during the year, and production was transferred to Mexico.

New products

Sales of polycrystalline diamond (PCD) and polycrystalline boron nitride (PCBN) blanks showed strong growth. PCD is used in tools for woodworking applications or machining of metals such as aluminum and copper. PCBN is used in turning tools used to process tempered steel. The growth rate for both products is strong and expected to remain so for some time. New products are introduced constantly.

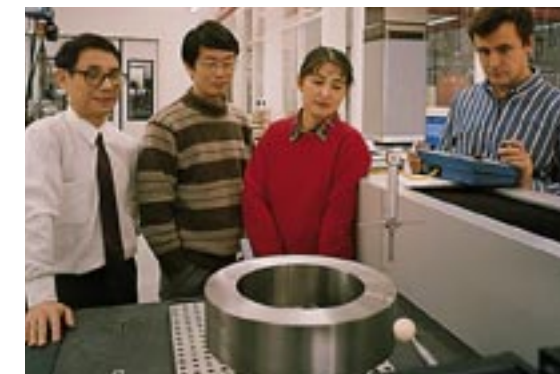
Production of so-called micro-balls, used primarily in ballpoint pens, was transferred from the US to Mexico in 1997. Concurrently, a new production technique was introduced that offers highly improved product quality and greater competitiveness.

An extremely fine-grained, new grade of cemented carbide was intro-

duced toward year-end 1997. Developed for micro-drills, the tungsten carbide's grain size is about 0.0002 mm, or 0.2 thousandths of a millimeter. The new carbide grade will strengthen Sandvik's position of world leadership in ultra-fine-grain cemented carbide. Sandvik is the only manufacturer that markets this new high-performance cemented carbide.

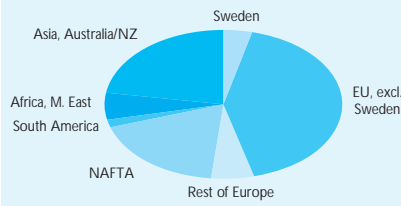
Individually-made ceramic dental crowns made by Procera Sandvik AB, a company owned jointly by Sandvik (50%) and Nobel Biocare (50%), showed highly favorable development in 1997. As a result of production improvements last year, the product can now be delivered to customers within 24 hours from receipt of an order, with high delivery reliability.

Investments remained high in 1997. The largest single investment was made in production of cemented-carbide rolls in Stockholm, including installation of a fully robot-controlled assembly unit to increase productivity and product quality. Strong market positions and the anticipation of strong future sales in priority product areas offer potential for favorable, sustained business growth ●

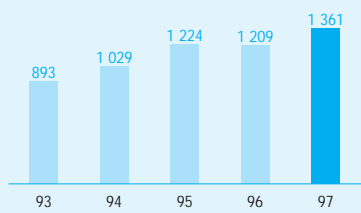


SANDVIK HARD MATERIALS IS A MAJOR SUPPLIER OF CEMENTED-CARBIDE ROLLS FOR STEEL MILLS IN ALL PARTS OF THE WORLD.

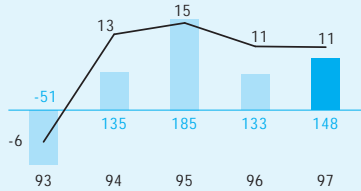
INVOICED SALES BY MARKET AREA



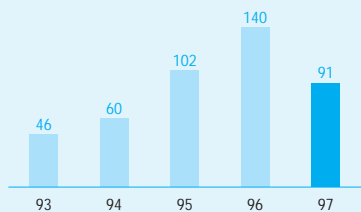
INVOICED SALES, SEK M



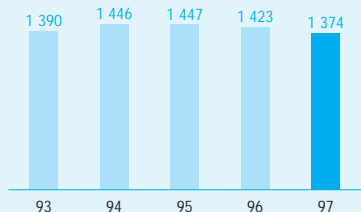
OPERATING PROFIT, SEK M
— AS A PERCENTAGE OF INVOICED SALES



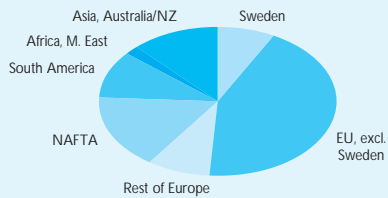
INVESTMENTS IN FIXED ASSETS, SEK M



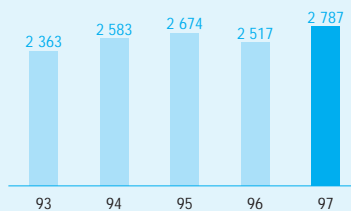
NUMBER OF EMPLOYEES, 31 DEC



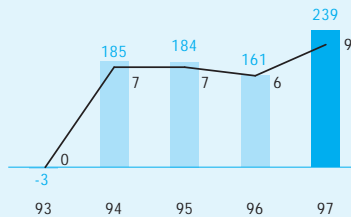
INVOICED SALES BY MARKET AREA



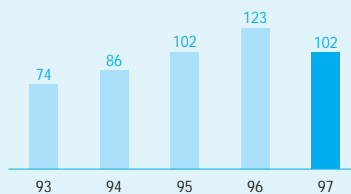
INVOICED SALES, SEK M



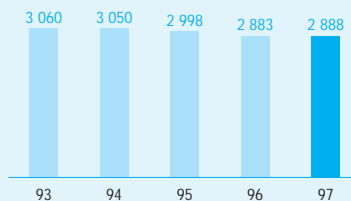
OPERATING PROFIT, SEK M
— AS A PERCENTAGE OF INVOICED SALES



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



B U S I N E S S A R E A

Sandvik Saws and Tools

Sandvik Saws and Tools, one of the world's largest manufacturers of handsaws and metalsaw blades, also has strong market positions for other products such as wrenches, spanners, pliers, files, pruning tools as well as guide bars and saw chains for logging machines and chain saws. The tools are purchased largely by professional users.

Demand for products manufactured by Sandvik Saws and Tools increased gradually during 1997, before declining in the fourth quarter as a result of reduced sales in East Asia. Sales invoiced for the full year rose 11% (6% in fixed currencies and for comparable units).

Earnings improved compared with the preceding year, attributable to several factors such as increased sales and production volumes and generally lower operating costs due to implemented structural changes. Currency trends had some negative effects on earnings, compared with the preceding year. Return on net assets amounted to 15%.

Total market potential for the product range of Sandvik Saws and Tools is estimated at approximately SEK 100 billion annually, distributed in equal shares of one-third in Europe, North and South America and the rest of the world. The market is brand-conscious, with specialized production and distribution, bonded strongly by tradition. Current trends show a shift toward fewer manufacturers and distributors, reflected mainly in acquisitions and mergers.

In the NAFTA region, five major manu-

facturers have a combined share of more than 50% of sales. In Europe, Sandvik Saws and Tools and two other tool companies account for about 15% of the market. The remaining tool market is covered by 40 medium-sized manufacturers and several hundred small companies.

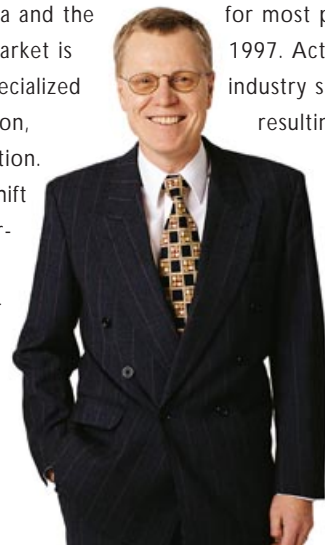
Growing structural consolidation favors Sandvik Saws and Tools, since operations are focused on large distributors, many of which conduct activities in several markets and prefer tool suppliers with strong brands and the ability to support local activities in different markets.

Market and business conditions

Nearly all markets showed improvement, compared with 1996, and sales rose by double-digit percentages in several countries. Sales volume rose for most product areas during 1997. Activities in the forestry industry showed strong recovery, resulting in higher deliveries of guide bars and saw chains for logging machines. Strong sales were also noted for bandsaw blades for metal cut-



A TWO-HANDED LOPPER FOR FRUIT FARMERS.



GORAN GEZELIUS, PRESIDENT OF SANDVIK SAWS AND TOOLS

ting, files and metal saws. Despite continued weak activity in construction, sales of hand tools used in building operations increased. Continued strong growth was also reported for pruning tools used in fruit orchards and vineyards.

The program of rationalization measures started in 1996 was completed last year with the closing of a production plant in Germany and a small factory in Argentina. Production of tools for forestry operations was transferred from Sweden to a larger unit in the US. At year-end 1997, Sandvik Saws and Tools had 12 production units, compared with 17 in the beginning of 1996. Rationalization measures have reduced the number of employees by about 100 persons to date.

New products

Development of ergonomic hand tools continued in 1997, with the product range expanded to include 265 tools – the largest range of its kind on the market. Demand for such tools remained stronger than standard tool market growth, based on heightened awareness of potential injuries caused by less user-friendly tool designs and shapes.

A new blade type was introduced to supplement the highly successful range of cemented-carbide-tipped bandsaw blades in 1997. The new blade is designed for materials typically difficult to cut, stainless steel, for example, and offers much higher bandsaw performance standards than other blades.

A new solid guide bar that offers much longer product life was introduced in logging operations. Also, new two-handed loppers designed specially for fruit farmers were introduced. Designed in close cooperation with professional fruit farmers, the new tool was an immediate success in the marketplace.



A NEW WELDING PLANT FOR BANDSAW BLADES WAS OPENED IN CHINA IN 1997.



DEMAND FOR SANDVIK'S ERGONOMIC HAND TOOLS IS CHARACTERIZED BY STRONG GROWTH.



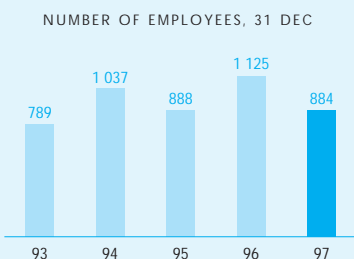
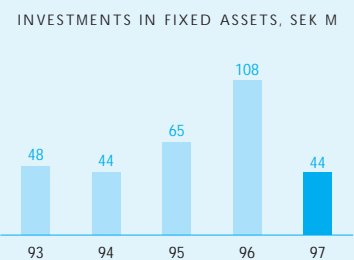
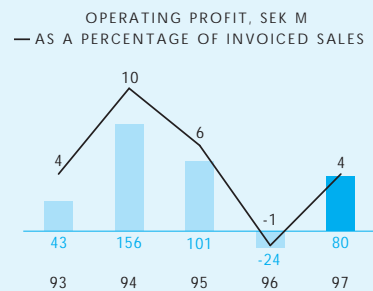
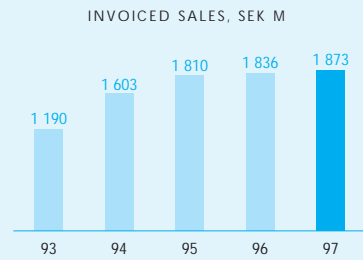
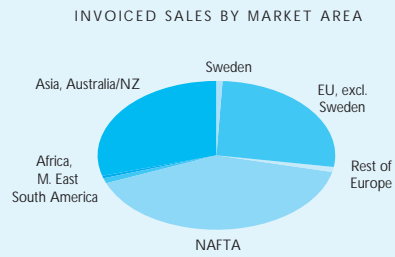
Sandvik Saws and Tools continued to focus on efficient and reliable logistics and distribution through investments in the Southeast Asian central warehouse in Singapore to improve delivery reliability and service to customers in the region.

Local welding of bandsaw blades is an important part of the service rendered to customers in the metalcutting industry. New bandsaw welding plants were established during 1997 in Beijing, China and Pune, India. Another plant will be opened soon in Shanghai, China.

Concerted efforts to meet increased demand from professional users on ergonomics, quality and performance

remains a major objective of Sandvik Saws and Tools. Sales to professional users account for more than 75% of total sales.

Even if sales decline short-term in Southeast Asia due to generally weak economic conditions, stronger demand and higher sales are anticipated in several other major markets. Combined with a higher production rate and structural changes implemented during recent years, Sandvik Saws and Tools sees good potential for improved profitability ●



B U S I N E S S A R E A

Sandvik Process Systems

Sandvik Process Systems manufactures and markets complete systems for automatic goods sorting and process plants for chemical and food processing industries. The process plants are generally based on steel conveyor belts, which are also sold separately.

Sales invoiced by Sandvik Process Systems in 1997 increased 5% (declined 5% in fixed currencies and for comparable units). Despite a strong earnings improvement compared with 1996, earnings remained weak. Return on net assets amounted to 9%.



MORE THAN 270 AUTOMATIC SORTING SYSTEMS FROM SANDVIK ARE INSTALLED IN JAPAN.

Sandvik Process Systems is a world leader in its product niches. In the area of steel conveyor belts, competition is limited to a small number of manufacturers. For process plants, the business area competes with many different companies and processes based on other methods and materials.

The increasingly international character of Sandvik Process Systems requires continuous improvement in order processing and project control. A comprehensive project was initiated to develop skills and expertise in these areas to secure maximum efficiency, from offer to installation and commissioning.

The market in Europe continued to be affected adversely by a low investment activity. In the US, anticipated sales

levels were not reached, due partly to a widespread strike at one of the business area's largest customers for sorting systems. The situation necessitated further cost savings. In Japan, favorable sales growth continued for sorting systems, but the market for steel belts and industrial processing weakened. Recently started marketing

operations in China will create new opportunities for business expansion by all product areas.

Steel belts

Despite price pressure from the market, 1997 was another excellent year for steel conveyor belts. The new leveling line installed in Sandviken during the year provides for considerably shorter delivery times and facilitates further expansion, particularly for press belts used in production of particle-board and laminates. These belts account for about 50% of all steel conveyor belt sales.

Cooperation with system manufacturers was intensified in 1997 to develop and introduce new applications areas of particular impor-



SVANTE LINDHOLM, PRESIDENT OF SANDVIK PROCESS SYSTEMS



A NEW LEVELING LINE FOR STRIP STEEL WAS INSTALLED DURING THE YEAR IN SANDVIKEN.

tance to future growth. One example is the Condebelt process, in which Sandvik Process Systems in partnership with a Finnish company developed a new, more efficient method for drying paperboard in paper mills.

Sorting systems

Cooperation between units in Japan, North America and Europe to enhance the efficiency of global marketing is beginning to yield positive results. The know-how within the product group is now being used more effectively in the various markets throughout the world. A revised method for the procurement of components has proved highly successful, providing improved customer support at lower costs.

Japan is the most important market for Sandvik's sorting systems. More than 270 automatic sorting systems from Sandvik Process Systems are installed in virtually all major Japanese forwarding companies. The marketing organization in Japan is also responsible for sales in the other Asian markets.

To reverse business development in North America, several changes have been introduced in the Sorting Systems product area. A new management group is working to develop a broader customer base. Integration of the product range marketed by Sandvik's Italian subsidiary CML has also created new opportunities for sales to mail order companies, courier companies, distribution centers and postal services.

On the European market, CML now handles all business operations for sorting systems. A new demonstration facility for all types of sorting systems was installed last year at CML's main plant outside Milan. In the sorting

systems area, orders were received in 1997 from several large European banks for document sorting systems.

Industrial Processing

The former Food Processing and Chemicals Divisions were merged in 1997 to form a single unit, Industrial Processing. Food processing operations were transferred from Italy to Germany and the US. A demo center was opened in Germany.

The earnings of Industrial Processing improved in 1997, but remained unsatisfactory. Continued restructuring is expected to be completed in 1998 and enable the product group to reach an acceptable level of earnings. Operations are now concentrated exclusively on applications for steel conveyor belts. One area with substantial potential is plants for production of artificial marble used in sanitary rooms and for flooring.

Granulation, the processing of chemicals into pastilles, remains an extremely important market sector. The new Rotoform Plus system with doubled capacity attracted widespread market interest. The first nine systems were installed in the Netherlands during 1997.

Outlook

A comprehensive restructuring program was initiated and partly completed during the year. The aim was to concentrate operations, increase efficiency, reduce costs and achieve flexibility. These measures established the foundation for more profitable and stable business activities. Special emphasis is being placed on the delivery of complete solutions and development of partnerships with customers ●

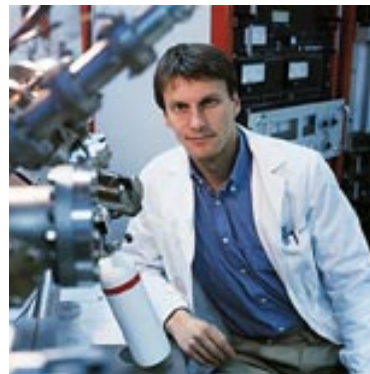
SANDVIK PROCESS SYSTEMS IS A MAJOR MANUFACTURER OF COMPLETE UNITS FOR AUTOMATIC PACKAGE SORTING.



Sandvik's human capital

Sandvik currently has approximately 38,000 employees worldwide. Their collective expertise is of strategic importance to the Group's development. This human capital is not reflected among assets listed in the balance sheet. Compared with the other capital employed in the company, it is also more difficult to describe, as well as to manage, develop and evaluate, since it is wholly owned by the employees.

Sandvik values and respects all employees as equals and offers equal opportunities. We invest substantial resources in personnel recruitment and development programs. In return, all employees are expected to do their best so that the company achieves its objectives. This partnership benefits all parties associated with Sandvik.



SANDVIK COOPERATES CLOSELY IN RESEARCH WITH SWEDISH COLLEGES AND UNIVERSITIES. DANIEL WALLINDER IS A SANDVIK DOCTORAL CANDIDATE AT THE ROYAL INSTITUTE OF TECHNOLOGY IN STOCKHOLM. HIS STUDIES FOCUS ON CORROSION-RESISTANT STAINLESS STEELS.

Family company

Sandvik's fundamental philosophy is simple: we believe people make the most of their creative skills by working together in environments characterized by widespread candor. As a result, they feel a greater sense of commitment and willingness to make the little extra effort. Despite the size and international character of

Sandvik, we strive to maintain and develop a strong sense of family and the entrepreneurial spirit of a small company. In this manner, we can create a working climate in which it is natural that everyone shares the responsibility for customers, costs, productivity and continuous improvements in our products and processes. The approach leads, in turn, to greater success for our customers – a decisive purpose of our joint efforts and an unconditional condition for achieving our ultimate objectives for business growth, profitability and other key factors.

At Sandvik, high performance standards, rewards and job satisfaction are interactive elements. Consequently,

results are achieved that instill pride and provide the motivation needed for continued progress, while self-satisfaction is never allowed to gain an upper hand.

Our personnel policy is based on encouraging, retaining and developing employees who wish to play an active role in Sandvik's development. We place high demands on employees, and our efforts to recruit new personnel are based on attracting people who will meet our requirements. We look for dedicated individuals with clearly defined goals, people who believe in long-term commitment and regard Sandvik as a company that offers opportunity for personal development. Those who share these values will also feel the strong support of the company.

Building from the bottom up

Our vision is for Sandvik to be a large internal job market, and we strive consistently to utilize the skills and expertise available in all parts of our worldwide organization. Through taking a



SANDVIK'S RECRUITMENT EFFORTS INCLUDE ADVERTISEMENTS IN VARIOUS STUDENT PUBLICATIONS. ANNA HEDBERG, A YOUNG GRADUATE ENGINEER WORKING IN SANDVIK COROMANT'S DEVELOPMENT DEPARTMENT, WAS FEATURED IN A 1997 ADVERTISING CAMPAIGN CALLED "CUBIQUE TECHNIQUE."

borderless approach to internal recruiting, we are able to effectively distribute skills throughout the organization and gradually develop individual qualifications of our employees more naturally.

A uniform system is used throughout the Group to identify candidates for managerial and key positions. We also post vacancies in senior executive positions worldwide.

Eight of ten management positions are filled through internal recruitment. This creates continuity, and helps to capitalize effectively on the knowledge, skills and experience developed successively in the Group. Complementary external recruiting is also conducted to meet the need for impulses from sources outside the Group.

We have managers and specialists who represent 23 nationalities working in countries other than their home countries, so-called expatriates. About 20% of senior managers changed jobs in 1997, and 75 new expatriates were appointed.

Sandvik offers good opportunities for development, variation and promotion. We regard the Group's average external personnel turnover of less

than 5% as confirmation that our employees are satisfied with the company and their jobs.

Independent work assignments

Sandvik is the market and technological leader in most of the Group's product niches, a standing that creates an attractive environment with motivating assignments. As a result, the opportunities for individual employees to enhance their knowledge and develop in their fields of specialized expertise are extremely favorable.

Work is organized in line with the natural value-added processes. For example, more than two-thirds of employees work in flow groups within production, an organizational concept of self-directed teams which was introduced as early as 1985 and successively implemented in most units. In the areas of research and development, employees are continuously shifting between various assignments, often in parallel projects.

We put major importance in establishing clearly defined objectives for everyone in the organization. We are result oriented and our approach,

accordingly, is based on performance-related pay.

10% of time for learning

To maintain our position of world leadership, Sandvik invests continuously in advanced technologies and further development of our employees. Acquiring new knowledge is highly prioritized. On average, we devote 10% of working time to various training activities, such as testing new tasks and job assignments, work group meetings, exchanges of experiences, formal and informal training courses, study visits, management training and other related programs.

Modern organization

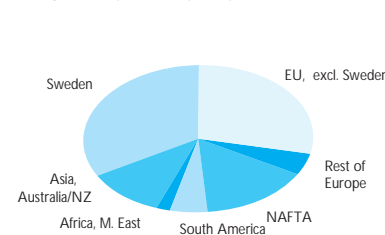
Sandvik's organization is changed constantly in pace with operational development. The Group's rapid expansion has resulted in recruitment of many new young employees in recent years. At the Parent Company in Sweden, the Group's oldest organizational unit, for example, about 30% of all employees today are 35 years of age or younger.

Collectively, Sandvik's human capital make us well-prepared to meet the future ●

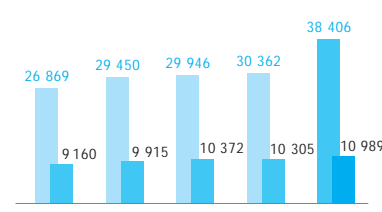


SANDVIK RECRUITED SEVERAL COMPUTER SCIENCE POST GRADUATES IN 1997 TO DEVELOP IT SOLUTIONS FOR EMERGING MARKETS. KARL NORMAN IS ONE OF THE SO-CALLED "COSMOPOLITANS."

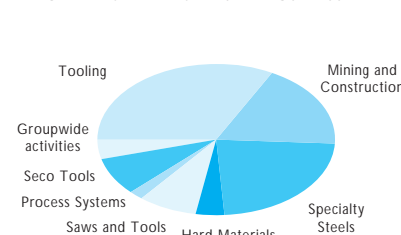
NUMBER OF EMPLOYEES BY MARKET AREA



TOTAL NUMBER OF EMPLOYEES, OF WHICH SWEDEN



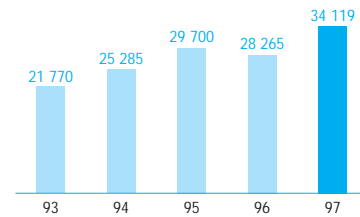
NUMBER OF EMPLOYEES BY BUSINESS AREA



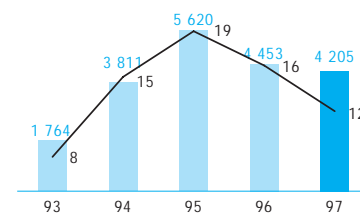
Report of the directors

Group review

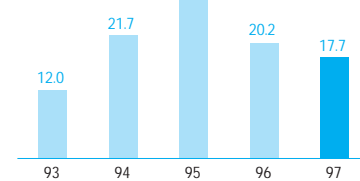
INVOICED SALES, SEK M



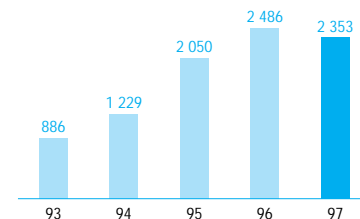
PROFIT AFTER FINANCIAL ITEMS, SEK M
— AS PERCENTAGE OF INVOICED SALES



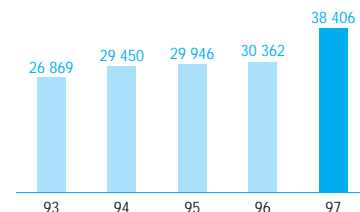
RETURN ON NET ASSETS, %



INVESTMENT IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DEC



Invoiced sales of the Sandvik Group in 1997 amounted to SEK 34,119 M (28,265), an increase of 21% in value and 4% for comparable Group units at fixed exchange rates. Markets outside Sweden accounted for 93% (93) of sales. The order intake at year-end rose to SEK 34,603 (27,543), an increase of 26%, with a 9% increase for comparable Group units at fixed exchange rates.

Profit after financial income and expenses totaled SEK 4,205 M (4,453). Return on net assets amounted to 17.7% (20.2), with earnings per share of SEK 10.15 (11.20). A pro forma calculation of earnings per share in 1997 (see below) amounted to SEK 10.25, or SEK 0.10 higher.

The Board of Directors proposes a dividend of SEK 7.00 (6.50) per share, corresponding to almost 70% of earnings per share.

Structural changes

In April, Sandvik acquired a majority shareholding (51%) in Sandvik Baildonit S.A., the partly owned Polish cemented-carbide company in Katowice. With annual sales of approximately SEK 80 M and 175 employees, Sandvik Baildonit is Poland's largest manufacturer of cemented-carbide tools for metalworking applications.

In the beginning of 1997, Sandvik owned 47.3% of the shares in Kanthal AB. Additional shares were acquired in June 1997 from several institutional owners and thereafter all shares and warrants in Kanthal AB held by the former majority owner. After additional purchases on the stock market and a decision by arbitrators for compulsory redemption of all shares outstanding, Sandvik owned all shares in Kanthal AB as of 31 December 1997.

The purchase price for the Kanthal shares was about SEK 2,100 M, including goodwill of about SEK 1,500 M. Kanthal is a world leader in its field, a company with technically sophisticated products and highly skilled personnel. The acquisition is of substantial strategic importance to the Sandvik Group since Kanthal's operations are closely related to Sandvik Steel's business activities and there are distinct areas of common interest and synergy opportunities between the companies. Sandvik Specialty Steels, a new business area comprising Sandvik Steel and Kanthal, was established in conjunction with the acquisition.

In July 1997, Sandvik acquired the produc-

tion and sales organization of Drillmaster, an American company based in Arlington, Texas. Drillmaster has annual sales of approximately SEK 60 M and about 50 employees. Operations comprise production and marketing of drill bits and other down-the-hole products for well drilling, mining and construction operations.

On 1 September 1997, Sandvik acquired the American company Precision Twist Drill Co., Crystal Lake, Illinois, which is one of the world's leading manufacturers of high-speed steel twist drills. The company is part of CTT Tools within the Sandvik Tooling Business Area. Annual sales of Precision Twist Drill amount to nearly SEK 1 billion, with 1,600 employees at two production plants in the US. The acquisition is of considerable strategic importance for the Sandvik Group, since it will strengthen the position of CTT Tools in the American market for high-speed steel and provide access to an effective US distribution organization for products from units in Europe. The purchase price for Precision Twist Drill was SEK 1,055 M, including goodwill amounting to approximately SEK 750 M.

During the autumn, Sandvik sold various steel units in the Czech Republic, US and Brazil whose operations were outside Sandvik Steel's core area. Approximately 240 employees were affected.

At the beginning of 1997, Sandvik was the principal owner of Tamrock, with 48.9% of the capital and votes. Through purchases in November Sandvik increased its holding to 76%. The company then made a public offer to all shareholders in Tamrock to sell their shares to Sandvik. Sandvik owned 92.7% of the number of shares in Tamrock at 31 December 1997 and 99.7% in February 1998. Sandvik fully consolidated Tamrock from 1 November.

The purchase price for Sandvik's acquisition of Tamrock shares amounted to SEK 2,600 M, plus SEK 250 M in 1998 to acquire all remaining shares. Goodwill of about SEK 1,400 M was included. The acquisition is strategically important and was carried out to further develop cooperation between Sandvik and Tamrock and further strengthen the companies' market-leading positions in equipment for mining and construction. Sandvik Mining and Construction, a new business area comprising Tamrock and Sandvik Rock Tools, was established in conjunction with the acquisition.

Share redemption

In March 1997, the Board of Directors resolved to propose that the company redeem Series A and Series B shares in an amount totaling SEK 4,000 M to improve the company's capital structure and thereby create conditions for a higher value for shareholders. Skanska had pledged to redeem such a large number of shares that the redemption program was secured regardless of the acceptance by other shareholders. In April 1997, Skanska had also reached an agreement with Industrivärden concerning the sale of 22 million Series A shares in Sandvik. After the sale and share redemption, Skanska relinquished its position as a major shareholder in Sandvik in mid-1997. Industrivärden became a new, major owner.

At a Special General Meeting in Sandvik AB on 9 June 1997, a decision was made to reduce the shareholders' equity through redemption of 20,288,090 shares. The amount of compensation paid to shareholders for shares redeemed totaled SEK 4,000 M, and shareholders' equity was reduced by SEK 102 M. A special issue of new shares was made in June to restore the company's share capital, followed by a bonus issue. The new shares were issued on market terms and were subscribed by Stiftelsen Sandvik Resultatandel. The par value of all Sandvik shares was increased from SEK 5 to SEK 6 per share in conjunction with the bonus issue.

Market conditions and sales

The business climate continued to improve in virtually the entire OECD area during the fourth quarter of 1997. Industrial production rose about 3.5% on a 12-month basis. Growth in the US remained strong, and a sharp increase was noted in Europe. The only exceptions in OECD markets were Japan and Australia, where the rate of industrial production declined.

In other parts of the world, growth was generally favorable, including Eastern Europe, South America and China, for example. Signs of improvement were also seen in Russia. A dramatic decline occurred in Southeast Asia and Korea during the second half of 1997.

The USD and GBP were stronger against most currencies in 1997, including the Swedish krona. As a result, sales invoiced by Sandvik in 1997 were 6% higher than the level that which would have prevailed at 1996 exchange rates.

	Sandvik Group		
	1997	1996	Change, %
Order intake, SEK M	34 603	27 543	+26
Invoiced sales, SEK M	34 119	28 265	+21
Profit after financial items, SEK M	4 205	4 453	-6

	Invoiced sales by market area			
	1997 SEK M	%	1996 SEK M	Change % *
Sweden	2 231	7	2 036	+10 +8
EU, excl. Sweden	13 799	40	12 780	+8 0
Rest of Europe	1 888	6	1 485	+27 +8
Total, Europe	17 918	53	16 301	+10 +2
NAFTA	8 195	24	5 769	+42 +8
South America	1 703	5	1 293	+32 +11
Africa, Middle East	987	3	705	+41 +10
Asia, Australia	5 316	15	4 197	+27 +7
Group total	34 119	100	28 265	+21 +4

* Change excluding currency effects and company acquisitions.

	Invoiced sales in the 10 largest markets, SEK M			
	1997	1996	Change % *	
U.S.A.	7 050	4 948	+42	+25
Germany	3 454	3 428	+1	+2
Italy	2 547	2 442	+4	0
France	2 328	2 231	+4	+4
Great Britain	2 239	1 832	+22	+2
Sweden	2 229	2 036	+9	+9
Japan	1 605	1 296	+24	+21
Australia	1 335	888	+50	+39
Brazil	925	713	+30	+20
Canada	830	608	+37	+20

* Change excluding currency effects

	Invoiced sales by business area			
	1997 SEK M	1996 SEK M	Change % *	
Sandvik Tooling	10 803	9 211	+17	+6
Sandvik Mining and Construction**	3 582	2 003	+79	+2
Sandvik Specialty Steels***	10 780	8 980	+20	+3
Sandvik Hard Materials	1 361	1 209	+13	+7
Sandvik Saws and Tools	2 787	2 517	+11	+6
Sandvik Process Systems	1 873	1 836	+2	-5
Seco Tools	2 889	2 475	+17	+10
Group activities	44	34	/	
Group total	34 119	28 265	+21	+4

* Change excluding currency effects and company acquisitions.

** Including Sandvik Rock Tools (full year) and Tamrock (November-December).

*** Including Sandvik Steel (full year) and Kanthal (second half of year).

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

Sales invoiced in Sweden during 1997 increased on higher deliveries of semi-finished goods and improved domestic market demand for industrial consumption goods. Sales in EU countries declined in price and volume in the beginning of 1997, but recovered strongly toward year-end, primarily on the strength of improved demand in Germany and the rest of Continental Europe. Among countries in the rest of Europe, favorable development was noted in Poland and the Czech Republic.

In the NAFTA region, the Sandvik Group continued its trend of marketing successes, capitalizing on strong economic conditions.

Business development was also highly favorable in Japan and China. The currency crisis in Southeast Asia had negative effects on order intake toward year-end, but not on sales.

Within Sandvik Tooling, Sandvik Coromant and CTT Tools developed favorably, Sandvik Coromant's development in Europe and NAFTA was good throughout the year and the trend was reinforced in the fourth quarter. Sales were also favorable in Eastern Europe and China. Demand was weak in Russia, but accelerated toward year-end. Sandvik Coromant's sales in Southeast Asia continued to be high throughout the year. CTT Tools increased its market coverage sharply through acquisition of Precision Twist Drill and posted a very favorable development in the US as well as in Europe.

Quarterly trend of profit after net financial items

	Invoiced sales SEK M	Profit after financial items SEK M	Net margin %
1996: 1st Quarter	7 422	1 325	18
2nd Quarter	7 167	1 230	17
3rd Quarter	6 445	985	15
4th Quarter	7 231	913	13
1997: 1st Quarter	7 327	941	13
2nd Quarter	8 155	1 164	14
3rd Quarter	7 958	1 045	13
4th Quarter	10 679	1 055	10

Operating profit by business area

	1997		1996	
	SEK M	% of sales	SEK M	% of sales
Sandvik Tooling	2 094	19	2 031	22
Sandvik Mining and Construction*	234	7	220	11
Sandvik Specialty Steels**	921	9	1 203	13
Sandvik Hard Materials	148	11	133	11
Sandvik Saws and Tools	239	9	161	6
Sandvik Process Systems	80	4	-24	-1
Seco Tools	575	20	402	16
Group activities***	79	/	-31	/
Operating profit	4 370	13	4 095	14

** Including Tamrock for November and December.

** Including Kanthal as associated company in first half and consolidated in second half year.

*** Including share of profits in Tamrock as associated company, January - October 1997.

In Sandvik Mining and Construction, Sandvik Rock Tools' invoicing was high, in the US, Brazil and Australia among other markets. Demand from the contracting industry in Europe and Southeast Asia was weak. In contrast, demand for Tamrock from the contracting sector was strong in certain European countries and the US. Falling metals prices affected the new business area's invoicing adversely toward the end of 1997.

Invoiced sales of Sandvik Steel rose about 9% by volume during the year, while prices declined by approximately 6%. Order intake for consumer-related products such as strip and spring steel showed the strongest growth. Sales of Kanthal's products were favorable in most markets, particularly in the US, Germany and Japan. The rate of increase was highest for products for industrial applications.

A very favorable development was noted within Sandvik Hard Materials, including cemented-carbide rods to the electronics industry.

Sandvik Saws and Tools reported high invoiced sales, mainly in Europe, during 1997. Sales declined toward year-end to Southeast Asia, among other markets.

Sales invoiced by Sandvik Process Systems were lower in volume in 1997 compared with the preceding year, due in part to weaker demand from the European chemical industry.

Seco Tools is an exchange-listed company and publishes its own annual report with comments regarding the trend of invoiced sales and earnings.

Operating profit in 1997 amounted to SEK 4,370 M (4,095), an increase of 7% compared with 1996. Earnings benefited from strong volume growth for most business areas in 1997 and from the profits of Kanthal and Tamrock, initially as associated companies and, later, as subsidiaries. Precision Twist Drill also contributed to earnings.

In contrast, earnings were affected adversely at the beginning of the year by currency effects which, however, became positive during the second half of the year. The total effect was an expense of about SEK 100 M for full-year 1997. Steel prices were low throughout 1997, which is estimated to have reduced earnings by approximately SEK 500 M. The crises in Southeast Asia and Korea resulted in an earnings decline of about SEK 60 M during the second half of the year, mainly due to currency and bad debt losses.

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

Net financial items declined to an expense of SEK 165 M (income: 358) due to changes in the Group's financial structure and major acquisitions. Profit after financial income and expenses was SEK 4,205 M (4,453). Tax charges amounted to SEK 1,283 M (1,204), or 30% (27) of profit before taxes. Consolidated net profit, after tax and minority interests, totaled

SEK 2,725 M (3,114). Earnings per share declined to SEK 10.15, compared with SEK 11.20 a year earlier, down 9%.

Return on net assets fell to 17.7% from 20.2% a year earlier. Return on shareholders' equity was 14.3% (16.2).

Pro forma earnings per share

Following the share redemption program implemented by Sandvik AB in June, the Group has a changed financial structure. This did not have an immediate effect on such key ratios as earnings per share and return, since the ratios are calculated over a retrogressive, rolling 12-month period. A pro forma calculation based on the assumption that the share redemption was completed at the beginning of the year yields the following key ratios for Q1-4 1997:

Earnings per share, SEK	10.25
Return on net assets	19.7%
Return on shareholders' equity	15.9%

Profitability in Europe and NAFTA was generally high in 1997, with very high earnings for Sandvik Tooling. The operating profit of Sandvik Tooling was affected negatively by nonrecurring costs during the second half of 1997, including structural changes in Sandvik Automation, costs for the new activities in Russia and Asia as well as high costs incurred for start-up of new production operations and new equipment.

Sandvik Rock Tools' profit was lower than 1996 due to intense price competition and restructuring costs, primarily in the US. Combined with the earnings of Tamrock for two months, Sandvik Mining and Construction reported profits of SEK 234 M for 1997.

Sandvik Specialty Steels' operating profit was down, compared with 1996, due to lower prices. Volume and productivity were high throughout the year and particularly toward year-end. A decline in raw materials prices at the end of 1997 had short-term negative effects caused by revaluation of inventories.

Sandvik Hard Materials improved profits strongly in Europe.

The improvement in Sandvik Saws and Tools profit was attributable to high volumes and high productivity.

Sandvik Process Systems improved its earnings by about SEK 100 M, despite continued restructuring costs during 1997 and low capacity utilization in some European production units.

Group activities included capital gains of SEK 81 M from sales of subsidiaries and the share in Tamrock's earnings as an associated company during January-October 1997.

Raw materials

The price of nickel in USD increased early in 1997, but declined from March to December. Prices quoted in SEK/kg were higher than 1996 prices, however, due to the stronger USD,

averaging SEK 53.50 compared with SEK 50.70 in 1996. Prices for tungsten followed a similar pattern and, quoted in USD, the year-end price was unchanged compared with year-end 1996.

Financial position

Net financing from operations totaled SEK 3,054 M (2,130), with cash flow amounting to a net outflow SEK 2,035 M (outflow: 1,682). Liquid funds at year-end amounted to SEK 2,494 M (5,557). Liquid funds less all interest-bearing liabilities including pension liabilities yielded net debt totaling SEK 7,160, compared with net cash assets of SEK 1,969 M at 31 December 1996. The decline was attributed to the share redemption and acquisitions, among other factors.

Sandvik established a long-term credit facility in 1997 amounting to USD 650 M (about SEK 5,100 M) over seven years. The credit facility provides Sandvik with a continued favorable liquidity reserve that will be used as required. All borrowing under the terms of the credit facility is at a fixed marginal rate.

In December, Sandvik established a commercial paper program in Sweden that entitles the company to borrow up to SEK 2,000 M in the Swedish money market. The company's fixed interest rate is short-term, whereby borrowing consists of short-term loans with variable rates.

Standard & Poor's, the international credit rating institute, conducted a credit evaluation of Sandvik in the autumn and granted the company an A+ rating for long-term and A-1/K-1 for short-term borrowing. The high credit rating

provides Sandvik with strong possibilities for receiving favorable financing terms in the international capital market.

At year-end, Sandvik had hedged the SEK value of exports from Sweden for 5.3 months (4.5) through forward contract sales of currency. The flow represents the company's largest transaction exposure. Exchange rates secured through hedging were the same as current rates at year-end 1997 for most currencies. Lower hedged exchange rates applied for GBP and USD since the two currencies are strong against SEK.

The company's net flows of currencies, based on exports from and imports to Sweden, in the most significant foreign currencies, denominated in SEK M were:

	1997	1996
Euro currencies	4 600	3 900
USD and CAD	1 600	1 750
GBP	960	740
JPY	600	430
Other currencies	1 040	680
Total	8 800	7 500

Inventories

The value of inventories amounted to SEK 10,039 M (7,306) at year-end. Relative capital tied up in inventories declined to 24% (26) of invoiced sales.

Trade receivables

Trade receivables at year-end totaled SEK 8,350 M (5,872). In relation to invoiced sales in the fourth quarter, receivables amounted to 20% (20) on an annual basis.

Earnings and returns

	1997	1996
Operating profit, SEK M	4 370	4 095
as a percentage of invoiced sales	12.8	14.5
Profit after financial income and expenses, SEK M	4 205	4 453
as a percentage of invoiced sales	12.3	15.8
Return on net assets, %	17.7	20.2
Return on shareholders' equity, %	14.3	16.2
Earnings per share, SEK	10.15	11.20

Definitions, page 52.

Financial position

	1997	1996
Cash flow, SEK M	-2 035	-1 682
Liquid assets and short-term investments, 31 Dec., SEK M	2 494	5 557
Loans, 31 Dec., SEK M	-6 976	-1 360
Net debt (net cash in hand), SEK M	-7 160	1 969
Net financial items, SEK M	-165	358
Equity ratio, %	47	64
Debt/equity ratio, times	0.5	0.2
Shareholders' equity, SEK M	17 414	20 035
Shareholders' equity per share, SEK	67.30	72.00

Definitions, page 52.

Consolidated income statement

Amounts in SEK M		1997	1996
Invoiced sales	Note 2, 3	34 119	28 265
Cost of goods sold	Note 5	-22 926	-18 427
Gross profit		11 193	9 838
Selling expenses		-5 408	-4 440
Administrative expenses		-1 703	-1 534
Share of profits in associated companies	Note 19	300	172
Other operating income		326	90
Other operating expenses		-338	-31
Operating profit	Note 1, 6, 7, 8	4 370	4 095
Income from securities and loans held as fixed assets	Note 11	29	25
Other interest income and similar income	Note 12	224	589
Interest expense and similar charges	Note 12	-418	-256
Profit after financial items	Note 4	4 205	4 453
Income taxes	Note 14	-1 283	-1 204
Profit after tax		2 922	3 249
Minority interests		-197	-135
Net profit for the year		2 725	3 114

Shareholders' equity

Shareholders' equity at year-end amounted to SEK 17,414 M (20,035), or SEK 67.30 (72.00) per share. The equity ratio was 47% (64).

Capital expenditures

	1997	1996
Investments in plants, property and equipment, SEK M	2 353	2 486
as a percentage of invoiced sales	6.8	8.8

Investments in plants, property and equipment declined 5% to SEK 2,353 M. Major investments included the following:

Sandvik Coromant started up a new production plant for cemented-carbide powder in Gimo, Sweden.

Expansion of the cemented-carbide production plant in Langfang City, China was completed.

CTT Tools increased automation at several production units and converted to vacuum-hardening.

Sandvik Hard Materials installed a completely robot-controlled finishing unit for production of cemented-carbide rolls in Stockholm.

Sandvik Steel opened a new distribution center in the US, invested in a new pilger mill in England and equipment in the Czech Republic and Canada to be able to deliver tubes in coils.

Investments in Sandviken included two finishing lines for seamless tube and a new peeling machine. A new cold-rolling mill was also inaugurated.

Sandvik Saws and Tools established new welding plants for bandsaw blades in China and India.

Sandvik Process Systems placed a new leveling line for steel strip on-line in Sandviken.

Total purchase prices for companies acquired in 1997 amounted to SEK 4,291 M (1,928), of which the clearly dominant portion was for Tamrock, Kanthal and Precision Twist Drill.

Research, development and quality assurance

Group investments during 1997 in research and development and quality assurance amounted to SEK 1,350 M (1,182), an increase of 14% compared with 1996. Costs amounted to 4% of invoiced sales. Examples of new products

are: the TwinGrade™ drill based on two cemented-carbide grades intended for difficult-to-process materials stainless austenite and duplex steel grades; a new twist drill with a self-centering bit; a new generation of large raise-boring drills for mining operations; an extremely fine-grained cemented-carbide grade; a new composite tube for waste combustion applications; a new steel grade for tube products used in the electronics industry; a system from Kanthal for drying using infrared radiation; a new type of cemented-carbide-tipped bandsaw blade and a new steel conveyor belt process for more effective paperboard drying in paper mills.

Personnel

	1997	1996
Number of employees, 31 Dec.*	38 406	30 362
Average number of employees		
Women	6 217	5 736
Men	26 214	24 513
Total	32 431	30 249

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

The number of employees at year-end was 38,406 (30,362). For comparable units, the number of employees declined by 553 (1996: a decline of 242).

At 31 December 1997, the number of persons employed by the Group in Sweden was 10,989 (10,305).

Details regarding personnel costs and the average number of employees in Sweden and abroad are provided on page 54.

Employee profit sharing and bonus program

Sandvik adopted a profit-sharing fund in 1986 for employees at the Parent Company and wholly owned subsidiaries in Sweden. Under the rules for this fund, a minimum return requirement must be met before an allocation is made from profits. The allocation is restricted to a maximum of SEK 150 M. The Sandvik Group return in 1996 means the maximum requirement was achieved and SEK 150 M was allocated to the fund.

The possibility of a long-term bonus has been provided to Group executive management and about 250 senior executives in Sweden and abroad which is based on price trends for

Sandvik Series B shares during the five-year period from 1995 to 1999, and is to be paid in the year 2000. The terms are described in Note 1. To provide for the accrued portion of the bonus that would fall due if the price at year-end 1997 applied at year-end 1999, SEK 114 M was allocated in the 1997 accounts.

Year 2000 project

Since January 1997, Sandvik has been carrying out a Groupwide project aimed at ensuring that operations, without disturbances, will transition smoothly into the new millennium. The project involves all business areas and all companies in the Group. It covers all proprietary IT systems as well as microprocess systems, so-called embedded systems. Mostly all systems are to be dealt with, tested and verified not later than in December 1998.

Parent Company

Sales invoiced by the Parent Company increased 2% to SEK 12,318 M (12,047 for comparable units). Profit after depreciation amounted to SEK 1,107 M (1,414 for comparable units). Investments in property, plant and equipment amounted to SEK 861 M (998).

The number of employees in the Parent Company and subsidiaries at 31 December 1997 was 8,187 (8,076 for comparable units at 31 December 1996).

Consolidated balance sheet

Amounts in SEK M		1997	1996
ASSETS			
Fixed assets			
Intangible fixed assets			
Patents and other intangible assets	Note 15	141	35
Goodwill	Note 15	3 964	287
		4 105	322
Tangible fixed assets			
Land and buildings	Note 16	3 821	2 923
Plant and machinery	Note 16	6 889	5 005
Equipment, tools, fixtures and fittings	Note 16	944	725
Construction in progress and advance payments for tangible assets	Note 17	1 082	916
		12 736	9 569
Financial fixed assets			
Participations in associated companies	Note 19	386	2 102
Loans to associated companies		3	534
Other investments held as fixed assets	Note 20	72	55
Other long-term receivables		179	112
		640	2 803
Total fixed assets		17 481	12 694
Current assets			
Inventories			
	Note 21	10 039	7 306
Current receivables			
Trade receivables		8 350	5 805
Due from associated companies		127	73
Prepaid income tax		299	281
Other receivables		786	747
Prepaid expenses and accrued income		485	446
		10 047	7 352
Liquid assets	Note 22	2 494	5 557
Total current assets		22 580	20 215
TOTAL ASSETS		40 061	32 909
Assets pledged	Note 29	774	485

Amounts in SEK M		1997	1996
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	Note 23	1 552	1 392
Restricted reserves		8 263	7 047
		9 815	8 439
Unrestricted equity			
Unrestricted reserves		4 874	8 482
Net profit for the year		2 725	3 114
		7 599	11 596
Total shareholders' equity	Note 24	17 414	20 035
Minority interests		1 169	1 076
Provisions			
Provisions for pensions	Note 27	2 386	2 101
Provisions for taxes	Note 14	2 267	2 702
Other provisions	Note 28	957	625
		5 610	5 428
Interest-bearing liabilities			
Bond loans		94	-
Loans from financial institutions		6 882	1 360
Other liabilities		292	127
	Note 29	7 268	1 487
Non-interest-bearing liabilities			
Advance payments from customers		338	65
Trade payables		2 490	1 570
Bills payable		183	129
Owed to associated companies		226	143
Income tax liabilities		312	323
Other liabilities		2 120	902
Accrued expenses and deferred income	Note 31	2 931	1 751
	Note 30	8 600	4 883
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		40 061	32 909
Contingent liabilities	Note 32	830	292

Consolidated funds statement

Amounts in SEK M	1997	1996
Funds supplied from operations		
Profit after financial items	4 205	4 453
Profits retained in associated companies	-251	-137
Depreciation	1 486	1 159
Gain/loss on sale of fixed assets	-7	4
Taxes paid	-905	-799
Dividends paid	-1 930	-1 736
Total funds from operations	2 598	2 944
Change in working capital		
Change in inventories	104	-138
Change in current receivables	-399	-84
Change in current operating liabilities and provisions	751	-592
Total change in working capital	456	-814
Net financing from operations	3 054	2 130
Net investments		
Acquisitions of companies and shares	-4 291	-1 928
Less acquired liquid assets	1 464	74
Investments in tangible fixed assets	-2 353	-2 486
Sales of companies and shares, excl. liquid assets	136	478
Settlement of balances with sold companies	-148	-
Sale of tangible fixed assets	103	50
Net investments	-5 089	-3 812
Cash flow	-2 035	-1 682
External financing		
Shareholders' equity:		
Redemption of shares	-4 000	
Rights issue	102	
Total shareholders' equity	-3 898	
Loans:		
Change in short-term loans	3 486	161
Change in long-term loans	-349	127
Total loans	3 137	288
Other financing, net:		
Change in long-term receivables	54	-24
Change in pension liability	117	71
Change in other long-term liabilities	-357	46
Change of minority interests	-	-
Total other financing, net	-186	93
Net external financing	-947	381
Translation differences, etc.	-81	-35
Change in liquid assets	-3 063	-1 336

Parent Company income statement

Amounts in SEK M		1997	1996
Invoiced sales	Note 2	12 318	12 047
Cost of goods sold	Note 5	-9 816	-9 330
Gross profit		2 502	2 717
Selling expenses		-391	-409
Administrative expenses		-883	-824
Other operating income		105	30
Other operating expenses		-226	-100
Operating profit	Note 1, 6, 7	1 107	1 414
Result from financial items			
Income from shares in Group companies	Note 9	1 735	461
Income from shares in associated companies	Note 10	398	108
Income from securities and loans held as fixed assets	Note 11	17	20
Other interest income and similar income items	Note 12	169	167
Interest expense and similar charges	Note 12	-314	-264
Profit after financial items	Note 4	3 112	1 906
Shareholders' contribution		-1	-48
Appropriations			
Group contributions received		60	76
Group contributions given		-632	-535
Other appropriations	Note 13	-150	-234
Profit before tax		2 389	1 165
Income taxes	Note 14	-103	-170
Net profit for the year		2 286	995

Parent Company balance sheet

Amounts in SEK M		1997	1996
ASSETS			
Fixed assets			
Intangible fixed assets			
Patents and other intangible assets	Note 15	9	14
		9	14
Tangible fixed assets			
Land and buildings	Note 16	404	361
Plant and machinery	Note 16	2 183	1 868
Equipment, tools, fixtures and fittings	Note 16	312	271
Construction in progress and advance payments for tangible assets	Note 17	567	524
		3 466	3 024
Financial fixed assets			
Shares in Group companies	Note 18	6 010	5 830
Loans to Group companies		834	343
Shares in associated companies	Note 19	26	48
Loans to associated companies		3	534
Other investments held as fixed assets	Note 20	8	7
Other long-term receivables		20	23
		6 901	6 785
Total fixed assets		10 376	9 823
Current assets			
Inventories			
	Note 21	2 228	2 310
Current receivables			
Trade receivables		683	495
Due from Group companies		3 014	1 777
Due from associated companies		126	73
Prepaid income tax	Note 14	177	135
Other receivables		218	198
Prepaid expenses and accrued income		118	218
		4 336	2 896
Liquid assets	Note 22	465	667
Total current assets		7 029	5 873
TOTAL ASSETS		17 405	15 696
Assets pledged	Note 29	10	101

Amounts in SEK M		1997	1996
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	Note 23	1 552	1 392
Share premium reserve		20	-
Legal reserve		291	291
		1 863	1 683
Unrestricted equity			
Profit brought forward		769	5 662
Net profit for the year		2 286	995
		3 055	6 657
Total shareholders' equity	Note 24	4 918	8 340
Untaxed reserves			
Accelerated depreciation	Note 25	1 362	1 239
Tax allocation reserve	Note 26	1 562	1 475
Tax equalization reserve	Note 26	160	214
Foreign exchange reserve	Note 26	11	24
Other untaxed reserves	Note 26	45	39
		3 140	2 991
Provisions			
Provisions for pensions and similar obligations	Note 27	959	885
Provisions for taxes	Note 14	318	305
Other provisions	Note 28	70	32
		1 347	1 222
Interest-bearing liabilities			
Bond loans		94	-
Loans from credit institutions		956	182
Loans from Group companies		4 616	-
	Note 29	5 666	182
Non-interest-bearing liabilities			
Advance payments from customers		11	18
Trade payables		650	522
Due to Group companies		203	1 152
Due to associated companies		528	533
Other liabilities		141	95
Accrued expenses and deferred income	Note 31	801	641
	Note 30	2 334	2 961
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		17 405	15 696
Contingent liabilities	Note 32	4 024	660

Parent Company funds statement

Amounts in SEK M	1997	1996
Funds provided from operations		
Profit after financial items	3 112	1 858
Depreciation	380	340
Gain/loss on sale of fixed assets	-21	-50
Taxes paid	-103	-170
Dividends paid	-1 810	-1 640
Shareholders' contributions	-1	-
Group contributions	-572	-459
Total funds provided from operations	985	-121
Change in working capital		
Change in inventories	82	224
Change in current receivables	-1 440	666
Change in current operating liabilities and provisions	-576	-257
Total change in working capital	-1 934	633
Net financing from operations	-949	512
Net investments		
Acquisitions of companies and shares	-126	-80
Investment in tangible fixed assets	-861	-998
Change in long-term loans to subsidiaries	-532	-139
Sale of companies	44	555
Sale of tangible fixed assets	28	107
Net investments	-1 447	-555
Cash flow	-2 396	-43
External financing		
Shareholders' equity:		
Redemption of shares	-4 000	-
Rights issue	102	-
Total shareholders' equity	-3 898	-
Loans:		
Change in short-term loans	4 908	-106
Change in long-term loans	576	135
Total loans	5 484	29
Other financing, net:		
Change in long-term receivables	534	-495
Change in pension liability	74	31
Change in other long-term liabilities	0	0
Total other financing, net	608	-464
Net external financing	2 194	-435
Change in liquid assets	-202	-478

Accounting principles

The same principles were applied in 1997 as in 1996. Adjustments were made, however, to comply with the new Swedish Annual Accounts Act that took effect in 1997. In addition, as of 1997 in the consolidated accounts, the Swedish Financial Accounting Standards Council's recommendation RR6 "Reporting of leasing agreements" is applied to financial leasing contracts entered into after 1 January 1997.

Consolidation principles

The consolidated accounts cover the Parent Company, all subsidiaries and associated companies. Subsidiaries are defined as companies in which the Parent Company directly or indirectly holds more than half the votes. Associated companies are companies linked to the Group's operations and in which the Parent Company has a direct or indirect long-term shareholding amounting to not less than 20% and not more than 50% of voting rights.

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

All acquisitions of companies are reported in accordance with the purchase method. After 1991, goodwill is determined at acquisition in the local currency. While goodwill is normally amortized linearly over a maximum of 10 years, amortization periods up to 20 years may be decided in cases of important strategic acquisitions. Amortization is reported as cost of goods sold. If goodwill is determined to have declined permanently in value, extra amortization is applied. Negative goodwill is reported as a long-term liability and recognized as income in accordance with a plan established in each specific case. Internal transactions are eliminated.

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

The consolidated balance sheet and income statement are presented without untaxed reserves and appropriations. Untaxed reserves reported by individual companies within the Group have been apportioned so that deferred tax is reported under long-term liabilities, with the remainder included in the Group's shareholders' equity. Deferred tax, generally at the tax rate for the next fiscal year, has been calculated separately for each company. The tax attributable to changes in

the untaxed reserves of individual Group companies in the course of the year is included in Group tax expenses as estimated future taxes. The remaining portion is included in the Group's net earnings. In the event of a change in the tax rate, the change in tax liability is included in tax expenses for the year.

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

Foreign currency

In preparing the consolidated financial statements, the accounts of foreign subsidiaries are translated in accordance with the recommendation of the Swedish Institute of Authorized Public Accountants.

Since the local currency is the "functional currency" for most foreign subsidiaries, the current-rate method is used in translations. Changes in Group equity arising from variations in exchange rates prevailing on the balance sheet date, compared with rates at the preceding year-end, have direct effects on Group equity. The financial statements of companies operating in high-inflation countries are initially translated into US dollars in accordance with the monetary/non-monetary method. Translation differences that arise have an effect on earnings for the year. In a second stage, the balance sheets and income statements of these companies are translated from US dollars to SEK using the current-rate method.

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

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

Short-term investments

Bonds and other short-term investments are valued at historical cost or market value on

the balance sheet date, whichever is lower. In the process of valuation, this principle is applied to the portfolio as a whole, meaning that unrealized losses are offset against unrealized gains. Any remaining loss is deducted from interest income, whereas gains are not recognized.

Inventories

Inventories are valued at the lower of historical cost in accordance with the first-in/first-out principle and actual value, taken as replacement cost in the case of semifinished goods and raw materials.

Depreciation of tangible fixed assets

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

Profit recognition

Sales are recognized at the time of delivery and are equal to sales price less deductions for value-added tax, discounts and returns. Income from contracts extending more than one year is reported in accordance with the percentage of completion method. If projected costs for completion of such projects exceed remaining revenues, a provision is made for the calculated losses.

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

Research and development costs

Research and development costs are expensed as incurred.

Taxes

Tax expense for the year includes accrued (paid) taxes, future (deferred) taxes and the

Application of US GAAP

(Generally accepted accounting principles in the US)

share of taxes due in associated companies. Accrued taxes also include foreign withholding taxes paid in respect of dividends. Deferred tax includes tax effects taken into account in the Consolidated Accounts according to the Swedish Financial Accounting Standards Council's recommendation. This includes deferred tax in the untaxed reserves of individual Group companies, deferred tax when different values are assigned at Group and company level, including unrealized internal profits, as well as tax effects on purchase-accounting fair-value adjustments, including those attributed to acquired tax-loss carryforwards. Under deferred tax, Sandvik also includes any tax deferred in consequence of participation in net losses of partly owned limited partnerships.

Funds statement

Purchase prices paid or received for shares in companies acquired or sold are shown in the funds statement. Assets and liabilities in the companies when they were bought or sold are not included in the sections of the funds statement dealing with changes in working capital, net investments and internal financing/net investments. Amounts shown in the funds statement are generally exclusive unrealized exchange differences. Estimated future taxes and changes in deferred tax liability are not included.

DEFINITIONS

Earnings per share

Consolidated net profit divided by the average number of shares outstanding during the year.

Equity ratio

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

Debt/equity ratio

Interest-bearing current and long-term debts (including pension liability) divided by the total of shareholders' equity and minority interests.

Rate of capital turnover

Invoiced sales divided by average total capital.

Return on shareholders' equity

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

Return on net assets

Profit after financial income and expenses, plus interest expenses and translation differences on loans, as a percentage of average total capital, less non-interest-bearing debts.

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

Deferred tax

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

Additionally, tax effects arise from other differences between Swedish and US GAAP, as shown in the reconciliation below.

Acquisitions

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

Revaluation of assets

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

Capitalization of interest

In accordance with Swedish GAAP, interest expenses incurred to finance new buildings,

machinery and equipment are charged against earnings. US GAAP requires that such interest expense be capitalized and depreciated with other acquisition costs over the lifetime of the asset.

Foreign exchange

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

Pensions

Differences between Swedish and US GAAP in pension accounting pertain mainly to the choice of discount rate and the US practice of basing the calculation of capital value on projected salary

at the time of retirement rather than actual salary at the time of calculation. The differences have not been quantified, however, and are not included in the following reconciliation.

General

Other areas in which the application of US GAAP to Sandvik Group accounts would entail not insignificant differences include mainly provisions and, in acquisition of companies, restructuring reserves which pertain to the acquired company.

Application of FAS 115 also results in adjustments of the valuation and reporting of short-term investments. Such investments under Swedish GAAP are valued at the lower of cost and market value. Under US GAAP, after-tax value adjustments of securities classified as available for sale are transferred directly to equity.

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

(Amounts in SEK M, unless otherwise stated)	1997	1996
Net profit for the year according to the consolidated income statement	2 725	3 114
Increase/decrease in		
Deferred taxation	124	-66
Acquisitions	-4	-4
Revaluations of assets	2	6
Capitalization of interest	-11	19
Foreign exchange	-1	-245
Other adjustments	11	-10
Tax effects of US GAAP adjustments	21	7
Net profit based on US GAAP	2 867	2 821
Earnings per share based on US GAAP, SEK	10.70	10.10
Shareholders' equity according to the consolidated balance sheet	17 414	20 035
Increase/decrease in		
Deferred taxation	459	335
Acquisitions	61	65
Revaluations of assets	-309	-307
Capitalization of interest	142	153
Foreign exchange	-16	-15
Unrealized gains/losses on securities available for sale	-	33
Other adjustments	182	171
Tax effects of US GAAP adjustments	-43	-64
Shareholders' equity based on US GAAP	17 890	20 406
Earnings per share based on US GAAP, SEK	69.20	73.30

Notes to the accounts

The Consolidated and Parent Company accounts

(Amounts in SEK million, unless otherwise stated)

Note 1. Employees and personnel costs

1.1 Average number of employees

	Group				Parent Company			
	1997		1996		1997		1996	
	Total	women %	Total	women %	Total	women %	Total	women %
Sweden	10 658	20	10 381	20	7 913	18	7 909	18
EU, excl. Sweden	9 350	18	8 952	18	132	15	135	15
Rest of Europe	1 469	37	1 585	39	37	14	35	20
Total, Europe	21 477	20	20 918	20	8 082	18	8 079	18
NAFTA region	5 027	21	4 010	18	-	-	-	-
South America	1 658	11	1 797	12	5	20	5	20
Africa, Middle East	642	14	534	15	2	50	2	50
Asia, Australia	3 627	14	2 990	14	13	38	-	-
Group total	32 431	19	30 249	19	8 102	18	8 086	18

1.2 Wages, salaries, other remunerations and social costs

	Group		Parent Company	
	1997	1996	1997	1996
Wages, salaries and other remunerations	8 156	6 851	2 107	2 010
Social costs	2 622	2 355	930	904
(of which, pension costs)	(535)	(480)	(216)	(189)
Employee profit sharing	150	150	131	132
Total	10 928	9 356	3 168	3 046

Of pension costs, SEK 23 M and SEK 4 M relate to the Board of Directors and presidents in the Group and Parent Company, respectively.

The outstanding pension commitment to these persons amounted to SEK 96 M at the Group level and SEK 31 M in the Parent Company.

(1.3) of which, to Boards of Directors and presidents:

	Group				Parent Company			
	1997		1996		1997		1996	
	Salaries and remunerations	of which, bonus	Salaries and remunerations	of which, bonus	Salaries and remunerations	of which, bonus	Salaries and remunerations	of which, bonus
Sweden	33	5	31	24	5	25	-	-
EU, excl. Sweden	76	6	67	-	-	-	-	-
Rest of Europe	10	-	6	-	-	-	-	-
Total, Europe	119	11	104	24	5	25	-	-
NAFTA region	44	7	27	-	-	-	-	-
South America	17	2	11	-	-	-	-	-
Africa, Middle East	3	-	2	-	-	-	-	-
Asia, Australia	25	1	21	-	-	-	-	-
Group total	208	21	165	24	5	25	-	-

* In addition there are provisions for bonuses to senior executives, see Note 1.4

1.3 Wages, salaries and other remunerations by market area*

	Group		Parent Company	
	1997	1996	1997	1996
Sweden	2 770	2 564	2 065	1 966
EU, excl. Sweden	2 667	2 316	30	30
Rest of Europe	176	143	6	10
Total, Europe	5 613	5 023	2 101	2 006
NAFTA region	1 580	1 074	-	-
South America	265	226	0	0
Africa, Middle East	81	58	1	1
Asia, Australia	617	470	5	3
Group total	8 156	6 851	2 107	2 010

1.4 Information on benefits to senior executives in 1997

The Chairman of the Board, Percy Barnevik, received a fixed fee of SEK 300,000 and had no other benefits.

Chief Executive Officer and President Clas Åke Hedström received fixed salary, Board fees, the value of free residence and company car totaling SEK 3,314,800. Bonus paid was SEK 1,580,000.

Board member and former Chief Executive Officer Per-Olof Eriksson holds a contract which was reported in the 1993 Annual Report. His Board fee amounted to SEK 150,000. Salary and the value of free residence and company car was SEK 1,321,766 in 1997.

There is a reciprocal 12-month notice of termination for the President. Should notice be served by the Company, or by the President in the event that significant structural changes have occurred, an annual pension of 75% of total average remunerations paid during the three most recent years is paid up to age 62 (that is, a maximum of three years). From age 62, pension pursuant to the ITP plan without ceiling, that is, the actual pension-based salary, is paid.

There are agreements on reciprocal rights to request early retirement at age 62 for several other senior executives. The reciprocal notification period for these persons varies between 6 and 12 months. From age 62, they will receive lifetime pension benefits corresponding to the amounts that would have been paid if employed until ordinary pension age.

There is the possibility of a long-term bonus for Group management and approximately 250 other senior executives in Sweden and abroad based on price development for Sandvik B shares during the period 1995-1999 and payable in the year 2000. If paid, this bonus will be based on multiplying 10% of one to two month's salary (1994 level) by the difference between market price of B shares at year-end 1999 (plus addition of declared dividends during 1995-1999) and a base price of SEK 144. A provision has been made for the accrued portion of this bonus, which would fall due for payment if the price at year-end 1997 would also apply at year-end 1999, in the amount of SEK 114 M.

Note 2. Invoiced sales by business area

	1997		1996		Change %	*
	SEK M	SEK M	SEK M	SEK M		
Sandvik Tooling	10 803	9 211	+17	+6		
Sandvik Mining and Construction**	3 582	2 003	+79	+2		
Sandvik Specialty Steels***	10 780	8 980	+20	+3		
Sandvik Hard Materials	1 361	1 209	+13	+7		
Sandvik Saws and Tools	2 787	2 517	+11	+6		
Sandvik Process Systems	1 873	1 836	+2	-5		
Seco Tools	2 889	2 475	+17	+10		
Group activities	44	34	/			
Group total	34 119	28 265	+21	+4		

* Change excluding currency effects and company acquisitions.

** Including Sandvik Rock Tools (full year) and Tamrock (November-December).

*** Including Sandvik Steel (full year) and Kanthal (second half of 1997).

Parent Company sales and purchases

Sales to Group companies from the Parent Company amounted to SEK 8,572 M (8,439), or 70% (70) of total sales. The share of exports was 83% (83). Parent Company purchases from Group companies amounted to SEK 851 M (679), 11% (13) of total purchases.

Note 3. Invoiced sales by market area

	1997		1996		Change %	*
	SEK M	%	SEK M	%		
Sweden	2 231	7	2 036	+10	+8	
EU, excl. Sweden	13 799	40	12 780	+8	0	
Rest of Europe	1 888	6	1 485	+27	+8	
Total, Europe	17 918	53	16 301	+10	+2	
NAFTA region	8 195	24	5 769	+42	+8	
South America	1 703	5	1 293	+32	+11	
Africa, Middle East	987	3	705	+41	+10	
Asia, Australia	5 316	15	4 197	+27	+7	
Group total	34 119	100	28 265	+21	+4	

* Change excluding currency effects and company acquisitions.

Note 4. Noncomparable items

	Group		Parent Company	
	1997	1996	1997	1996
Capitals gains from sales of shares and companies	81	19	27	73
Recovery of deposits for dumping case	-	16	-	-
Write-downs of shares	-	-	-	-12
	81	35	27	61

Note 5. Research, development and quality assurance

	Group		Parent Company	
	1997	1996	1997	1996
Costs for research and development	985	849	596	528
quality assurance	365	333	122	133
Total	1 350	1 182	718	661

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

Note 6. Depreciation of tangible and intangible fixed assets

	Group		Parent Company	
	1997	1996	1997	1996
<i>Scheduled depreciation</i>				
Goodwill	-110	-45	-	-
Other intangible assets	-16	-	-2	-
Land and buildings	-142	-127	-17	-15
Plant and machinery	-906	-770	-249	-224
Equipment, tools, fixtures and fittings	-312	-217	-112	-101
	-1 486	-1 159	-380	-340

Note 7. Leasing costs for operational leasing

	Group	Parent Company
Leasing costs	78	0
Future committed leasing fees	224	1

Note 8. Operating profit by business area

	1997		1996	
	SEK M	% of sales	SEK M	% of sales
Sandvik Tooling	2 094	19	2 031	22
Sandvik Mining and Construction*	234	7	220	11
Sandvik Specialty Steels**	921	9	1 203	13
Sandvik Hard Materials	148	11	133	11
Sandvik Saws and Tools	239	9	161	6
Sandvik Process Systems	80	4	-24	-1
Seco Tools	575	20	402	16
Group activities***	79	/	-31	/
Operating profit	4 370	13	4 095	14

* Tamrock included for November -December

** Incl. Kanthal as an associated company for the first half of 1997 and as a subsidiary in the second half

*** Incl. share of profits in Tamrock as an associated company January-October 1997.

Note 9. Parent Company income from Group companies

	1997	1996
Dividends	1 709	403
Gains on sale of shares	26	69
Write-downs	-	-11
	1 735	461

Note 10. Parent Company income from associated companies

	1997	1996
Dividends	400	109
Gains on sale of shares	-	-1
Write-downs	-2	-
	398	108

Note 11. Income from securities and loans held as fixed assets

	Group		Parent Company	
	1997	1996	1997	1996
Interest income, Group companies	-	-	9	2
Other interest income	6	6	6	6
Dividends	4	14	1	7
Exchange rate differences	10	-	-	-
Gain on sale of shares	1	5	1	5
Other income	8	-	-	-
	29	25	17	20

Note 12. Other interest income and expenses

	Group		Parent Company	
	1997	1996	1997	1996
Interest income, Group companies	-	-	104	88
Other interest income	224	575	65	79
Exchange rate differences	-	14	-	-
Total interest income	224	589	169	167
Interest expenses, Group companies	-	-	-240	-193
Other interest expenses	-344	-227	-67	-65
Exchange rate differences	-34	-	-	-
Bank charges	-37	-29	-7	-6
Other expenses	-3	-	-	-
Total interest expenses	-418	-256	-314	-264

Note 13. Other appropriations

	Parent Company	
	1997	1996
Accelerated depreciation	123	90
Appropriation to tax allocation reserve	87	160
Reversal of tax equalization reserve	-53	-53
Change in foreign exchange reserve	-13	24
Change in other untaxed reserves	6	13
	150	234

Note 14. Taxes

Income taxes	Group		Parent Company	
	1997	1996	1997	1996
Current taxes	-905	-799	-103	-170
Estimated future taxes				
- Current year appropriations to/from untaxed reserves	-121	-191	-	-
- Income from partly owned limited partnerships, etc.	-140	-122	-	-
- Other	-55	-5	-	-
Total estimated future taxes	-316	-318	-	-
Share in taxes of associated companies	-62	-87	-	-
Total	-1 283	-1 204	-103	-170
Tax liabilities and payments	Group		Parent Company	
	1997	1996	1997	1996
Provisions for deferred taxes:				
- Untaxed reserves reported by Group companies	2 103	1 965	-	-
- Future taxes due to losses in partly owned limited partnerships	177	304	-	-
- Other Group reporting adjustments, tax-loss carryforwards, unrealized internal profits, etc.	-513	-53	-	-
Total	1 767	2 216	-	-
Other tax provisions	500	486	318	305
Total provisions	2 267	2 702	318	305
Income tax liability	312	323	-	-
Prepaid income tax	-299	-281	-177	-135
Net	13	42	-177	-135
Total tax liabilities	2 280	2 744	141	170

Ongoing tax proceedings

The Parent Company and some Swedish subsidiaries are involved in a number of proceedings with tax authorities in Sweden. In the opinion of Sandvik, any additional tax expenses, including tax surcharges, fees and interest, are covered by existing reserves and provisions. Cases involving losses in conjunction with liquidation of foreign subsidiaries have been decided in Sandvik's favor in the County Administrative Court. Cases involving depreciation allowances in aircraft leasing operations have been ruled in Sandvik's favor in the County Administrative Court and the Administrative Court of Appeal.

The rulings have been appealed by tax authorities to higher courts. Based on the opinion of tax experts and the fact that the cases to date

have been decided in favor of Sandvik, Sandvik assesses the risk of additional tax charges as remote. In the event that rulings in the final instance would nevertheless be in favor of the tax authorities, resulting tax charges, including fees and interest, would amount to some SEK 500 M.

With regard to other cases, which as yet have not been decided in County Administrative Courts, Sandvik, under advisement of tax experts, also assesses the risk of additional taxes as remote. In the hypothetical case that all disputes would result in additional taxes as claimed by the tax authorities, resulting in additional tax charges, including tax surcharges, fees and interest, would be in the range of SEK 600 M.

Note 15. Patents and licenses, goodwill, etc.

	Patents, licenses, trademarks		Goodwill	
	Group	Parent Company	Group	Parent Company
<i>Cost</i>				
At beginning of the year	79	24	698	-
Additions	11	-	44	-
Acquisitions of subsidiaries	127	-	3 912	-
Disposals	-8	-3	-2	-
Reclassifications	24	-	5	-
Translation differences	3	-	-3	-
	236	21	4 654	-
<i>Accumulated depreciation/amortization</i>				
At beginning of the year	44	10	411	-
Acquisitions of subsidiaries	21	-	171	-
Disposals	-5	-	-1	-
Reclassifications	17	-	-	-
Amortization for the year	16	2	110	-
Translation differences	2	-	-1	-
	95	12	690	-
Residual value at end of the year	141	9	3 964	-

Note 16. Fixed assets

	Land and buildings		Plant and machinery		Equipment, tools, etc	
	Group	Parent Company	Group	Parent Company	Group	Parent Company
<i>Cost</i>						
At beginning of the year	4 461	533	12 118	4 625	1 991	666
Purchases	272	60	1 360	565	614	153
Acquisitions of subsidiaries	1 161	-	2 721	-	163	-
Disposals	-53	-	-548	-75	-177	-25
Translation differences	129	-	476	-	28	-
	5 970	593	16 127	5 115	2 619	794
<i>Accumulated depreciation</i>						
At beginning of the year	1 826	222	7 117	2 757	1 266	395
Acquisitions of subsidiaries	454	-	1 590	-	97	-
Disposals	-16	-	-469	-74	-155	-25
Reclassifications	-	-	-150	-	150	-
Depreciation for the year	140	17	906	249	312	112
Translation differences	44	-	254	-	5	-
	2 448	239	9 248	2 932	1 675	482
<i>Accumulated revaluations</i>						
At beginning of the year	288	50	4	-	-	-
Acquisitions of subsidiaries	9	-	6	-	-	-
Scheduled depreciation for the year of revalued amounts	-2	-	-	-	-	-
Revaluations during the year	5	-	-	-	-	-
Translation differences	-1	-	-	-	-	-
	299	50	10	-	-	-
Residual value at end of the year	3 821	404	6 889	2 183	944	312
Fixed assets held under financing lease agreements are included in the following amounts						
Cost			15		1	
Accumulated depreciation			1		-	
Rateable values, buildings (in Sweden)	1 162	281				
Rateable values, land (in Sweden)	107	84				

Note 17. Construction in progress and advance payments for tangible fixed assets

	Group	Parent Company
At the beginning of the year	916	524
Acquisitions of subsidiaries	177	-
Reclassifications	-30	-
Investments	-	83
Disposals	-46	-30
Advances paid during the year	32	-10
Translation differences	33	-
	1 082	567

Note 18. Shares in subsidiaries

	Parent Company
<i>Cost</i>	
At beginning of the year	5 830
Acquisitions	126
Issues for non-cash consideration	98
New capital stock issues	44
Disposals	-103
Reclassifications	15
Book value at end of the year	6 010

Sandvik AB's holdings of shares and participations in subsidiaries

Direct shareholdings

According to Balance Sheet of 31 December 1997; company, location	Corp. ID no.	No. of shares	Holding, % ¹⁾	Book value SEK '000
SWEDEN				
Dormer Tools AB, Halmstad	556240-8210	80 000	100	35 000
Ecocat AB, Sandviken	556272-9680	6 840	100	1 800
Edmeston AB, Gothenburg	556238-7554	40 000	100	3 000
Fragoso AB, Sandviken	556337-3710	1 000	100	50
Guldsmeshytte Bruks AB, Lindesberg ¹⁾	556040-0854	1 000	100	50
Gusab Holding AB, Sandviken	556001-9290	1 831 319	100	53 474
Gusab Stainless AB, Mjölby	556012-1138	200 000	100	34 019
AB Sandvik Automation, Sandviken ¹⁾	556052-4315	1 000	100	50
Sandvik Automation Norden AB, Stockholm ¹⁾	556407-4184	1 000	100	100
AB Sandvik Bahco, Enköping	556060-0214	200 000	100	35 000
Sandvik Bahco Norden AB, Enköping	556251-0114	50 000	100	4 950
AB Sandvik Belts, Sandviken ¹⁾	556312-2992	1 000	100	100
AB Sandvik Calamo, Molkom	556190-2569	50 000	100	5 000
Sandvik Communication AB, Sandviken	556257-5752	1 000	100	535
AB Sandvik Coromant, Sandviken ¹⁾	556234-6865	1 000	100	50
Sandvik Coromant Norden AB, Stockholm ¹⁾	556350-7846	1 000	100	100
AB Sandvik Falken, Sandviken	556330-7791	1 000	100	100
Sandvik Far East Ltd. AB, Sandviken	556043-7781	10 000	100	10 000
AB Sandvik Hand Tools, Bollnäs ¹⁾	556289-4302	1 000	100	50
AB Sandvik Hard Materials, Stockholm ¹⁾	556234-6857	1 000	100	50
Sandvik Hard Materials Norden AB, Stockholm ¹⁾	556069-1619	1 000	100	50
AB Sandvik Information Systems, Sandviken ¹⁾	556235-3838	1 000	100	50
AB Sandvik International, Sandviken ¹⁾	556147-2977	1 000	100	50
Sandvik Invest AB, Sandviken	556020-6517	1 772 068	100	181 654
AB Sandvik Metal Saws, Lidköping	556289-4294	400 000	100	74 950
AB Sandvik Powders, Sandviken	556011-3911	30 000	100	7 000
AB Sandvik Process Systems, Sandviken	556041-9680	25 000	100	2 500
AB Sandvik Rock Tools, Sandviken ¹⁾	556234-7343	1 000	100	50
Sandvik Rock Tools Svenska Försäljnings AB, Sandviken ¹⁾	556288-9443	1 000	100	50
AB Sandvik Saws and Tools, Sandviken ¹⁾	556234-7848	1 000	100	50
AB Sandvik Service, Sandviken ¹⁾	556234-8010	1 000	100	50
AB Sandvik Steel, Sandviken ¹⁾	556234-6832	1 000	100	50
AB Sandvik Steel Investment, Sandviken	556350-7853	1 000	100	100
Sandvik Stål Försäljnings AB, Stockholm ¹⁾	556251-5386	1 000	100	50
AB Sandvik Teknik, Sandviken	556350-7929	30 000	100	10 000
AB Sandvik Tranan, Sandviken	556330-7817	1 000	100	100
Sandvik Windsor AB, Edsbyn	556027-6544	150 000	100	18 900
AB Sandvik Västberga Service, Stockholm ¹⁾	556356-6933	1 000	100	100
Sandvik Örebro AB, Sandviken	556181-5571	10 000	100	13 262
AB Sandvik Örnen, Sandviken	556330-7783	1 000	100	100
Sandvikens Brukspersonals Byggnadsförening upa, Sandviken	785500-1686	-	100	0
Steebide International AB, Sandviken	556048-3405	15 000	100	1 000
AB Trelbo, Sandviken	556251-6780	1 000	100	50
Dormant companies, wholly owned ²⁾			100	3 458

Direct shareholdings

According to Balance Sheet of 31 December 1997; company, location	No. of shares	Holding, % ¹⁾	Book value SEK '000	
BELARUS	ZP Sandvik	-	100	129
BRAZIL	Dormer Tools S.A.	2 137 623 140	100	200 000
	Sandvik do Brasil S.A.	1 894 797 190	100	46 072
BULGARIA	Sandvik Bulgaria	-	100	0
CHINA	Sandvik China Ltd.	-	100	38 875
	Sandvik International Trading (Shanghai) Co. Ltd.	-	100	1 552
COLOMBIA	Sandvik Colombia S.A.	129 007	94 ³⁾	0
CZECH REPUBLIC	Sandvik CZ s.r.o.	-	100	0
FINLAND	Oy Bahco Työkalut	60	100	2 380
GERMANY	Sandvik GmbH	-	1 ³⁾	1 486
	Sandvik Holding GmbH	-	1 ³⁾	367
GREECE	Sandvik A.E. Tools and Materials	999	100	277
HUNGARY	Sandvik KFT	-	100	3 258
INDIA	Sandvik Asia Ltd.	1 013 760	55	5 500
	Sandvik Choksi Ltd.	15 810 000	51	58 844
ITALY	CML Handling Technology S.p.A.	28 571	10 ³⁾	13 907
JAPAN	Sandvik K.K.	2 600 000	100	180 000
KENYA	Sandvik Kenya Ltd.	35 000	96	0
KOREA	Sandvik Korea Ltd.	752 730	100	46 856
MOROCCO	Sandvik Maroc S.A.	940	94	2 250
MEXICO	Sandvik Mexicana S.A. de C.V.	406 642 873	90 ³⁾	71 000
NETHERLANDS	Cutting Tool Technology B.V.	150 000	100	0
	Sandvik Benelux B.V.	20 000	100	27 496
	Sandvik Finance B.V.	18 406	100	4 759 433
PERU	Barrenas Sandvik Andina S.A.	482 608	100	59
	Sandvik del Perú S.A.	777 718	100	1 425
POLAND	Sandvik Baildonit S.A.	75 587	51	28 000
	Sandvik Polska Sp.z o.o.	211	100	57
PORTUGAL	Sandvik Portuguesa Lda	199 600	100	8 300
SLOVAKIA	Sandvik Slovakia s.r.o.	-	100	1 378
SPAIN	Minas y Metalurgia Española S.A.	59 999	50 ³⁾	3 700
SWITZERLAND	Sanfinanz AG	1 000	100	735
TURKEY	Sandvik Endüstriyel Mamüller Sanayi ve Ticaret A.S.	46 242 588	100	0
UK	Madison Tools Ltd.	274 999	100	6 000
ZAMBIA	Sandvik (Zambia) Ltd.	4 999 999	100	0
ZIMBABWE	Sandvik (Pvt) Ltd.	233 673	100	3 269

1) Subsidiaries conducting business on behalf of the Parent Company

2) Refers to percentage of votes, which also corresponds to percentage of share capital.

3) Remaining shares are held by other Group companies.

6 009 707

Indirect shareholdings

Shares in significant operating Group companies owned indirectly by Sandvik AB

		Group holding, % ¹⁾			Group holding, % ¹⁾			Group holding, % ¹⁾			Group holding, % ¹⁾		
SWEDEN	Kanthal AB	100	FRANCE	Gunther Tools S.A.	100	MEXICO	Sandvik de Mexico S.A. de C.V.	100	UK	Sterling Tubes Ltd.	100		
	Kanthal Machinery AB	100		Kanthal S.A.	100		Tamrock de Mexico S.A. de C.V.	100		Titex Tools Ltd.	100		
	KOPO AB	90		Precitube S.A.	100		NETHERLANDS	Dormer Tools International B.V.		100	USA	Cesiwid Inc.	100
	Rammer Svenska AB	100		Prototyp S.A.	100			Dormer Tools B.V.		100	Dormer Tools Inc.	100	
	Roxon AB	100		Safety S.A.	100			Sandvik Process Systems B.V.		100	Driltech Inc.	100	
Seco Tools AB	61	Sandvik Aciers S.N.C.	100	Sandvik Saws and Tools Benelux B.V.	100	Eimco Coal Machinery Inc.	100						
ARGENTINA	Sandvik Bahco Argentina S.A.	100	Sandvik Coromant S.N.C.	100	NORWAY	Sandvik Norge A/S	100	H. P. Reid Co. Inc.	100				
	Tamrock Argentina S.A.	100	Sandvik Hard Materials S.A.	100		Tamrock Norge A/S	100	The Kanthal Corporation	100				
AUSTRALIA	Driver Harris Australia Pty.	100	Sandvik Outillage S.N.C.	100	NYA ZEALAND	Kanthal Trading Australasia Ltd.	100	Lindström America Inc.	100				
	Kanthal Australia Pty. Ltd.	100	Sandvik Process Systems S.A.	100		Sandvik New Zealand Ltd.	100	Pennsylvania Extruded Tube Co.	70				
	Prok Group Limited	100	Sandvik Rock Tools S.A.	100	PERU	Sandvik Forestal S.A.	100	Precision Export Co.	100				
	Sandvik Australia Pty. Ltd.	100	Sandvik S.A.	100		Tamrock World Corporation	100	Precision Twist Drill Co.	100				
	Sandvik Hard Materials Pty. Ltd.	100	Sandvik Tobler S.A.	100	B.V. Sucursal del Peru	100	Prok International (USA) Inc.	100					
	Tamrock Coal Australia Pty. Ltd.	100	Tamrock S.A.	100	PHILIPPINES	Tamrock Philippines Inc.	100	Sandvik Inc.	100				
	Tamrock Pty. Ltd.	100	Tamrock Loaders S.A.	100		Sandvik Philippines Inc.	100	Sandvik Milford Corp.	100				
Vost Alpine Control System Pty. Ltd.	100	Tamrock Secoma S.A.	100	POLAND	Voest Alpine Technika Górnicza, Tunelova Spolka z.o.o.	100	Sandvik Process Systems Inc.	100					
AUSTRIA	Günther & Co. Ges.m.b.H.	100	GERMANY		CTT Management GmbH	100	PORTUGAL	Sandvik Obergue-Limas o Mécânica Lda	100	Sandvik Rock Tools Inc.	100		
	Sandvik in Austria Ges.m.b.H.	100		Dormer Tools GmbH	100	RUSSIA		Moskovskij Kombinat Tverdi Splyavov	98	Sandvik Sorting Systems Inc.	100		
	Tamrock Voest Alpine Bergtechnik Ges.m.b.H.	100		Edmeston GmbH	100		Moskovskij Kombinat Tverdi Splyavov Joint Venture	98	Sandvik Special Metals Corp.	100			
BELGIUM	Dormer Tools N.V./S.A.	100		Günther & Co. GmbH	100	SINGAPORE	ZAO Sandvik	100	Sandvik Windsor Corp.	100			
	Sandvik Benelux	100		Gurtec GmbH	100		Kanthal Electroheat Pte.	100	Tamrock HRM Western Hemisphere Inc.	100			
BOLIVIA	Tamrock Bolivia S.R.L.	100		Joba Kunststofftechnik GmbH	100	SOUTH AFRICA	Sandvik South East Asia Pte. Ltd	100	Tamrock USA Inc.	100			
BRAZIL	Eimco do Brasil Ltda	100		Kanthal GmbH	99		Sandvik Treasury (Far East) Pte. Ltd	100	Triumph Twist Drill Co.	100			
	Globar Brasil Ltda	100		Prototyp-Werke GmbH	100	Sandvik (Pty) Ltd.	100	Union Butterfield Corporation	100				
	Kanthal Brasil Ltda	100		Sandvik Belzer GmbH	100	Tamrock Africa (Pty) Ltd.	100	Sandvik Venezuela C.A.	100				
CANADA	Sandvik-Villares Wire Indústria e Comércio Ltda	100		Sandvik Belzer Produktion GmbH	100	SPAIN	Impero SAIE	100	ZAMBIA	Tamrock Zambia Ltd.	60		
	Dormer Tools Inc.	100		Sandvik GmbH	99		Kanthal SP S.A.	99	ZIMBABWE	Tamrock Zimbabwe (Pvt.) Ltd.	100		
	Prok International (Canada) Inc.	100		Sandvik Kosta GmbH	100	Minas y Metalurgia Española S.A.	100						
	Sandvik Canada Inc.	100		Sandvik Process Systems GmbH	100	Sandvik Española S.A.	100						
	Sandvik Process Systems Canada	100	Tamrock GmbH	100	Sandvik AG	100							
	Tamrock Canada Ltd.	100	TOP Präzisionswerkzeuge GmbH	100	Santrade Ltd.	100							
	Tamrock Loaders Inc.	100	Kanthal Electroheat, HK Ltd.	100	TAIWAN	Sandvik Taiwan Ltd.	100						
CHILE	Sandvik Chile S.A.	100	Sandvik Hongkong Ltd.	100		Sandvik Titan Pty. Ltd.	100						
	Tamrock Chile S.A.	100	Tamrock Far East Ltd.	100	Sandvik Thailand Ltd.	100							
CHINA	Tamrock (China) Ltd.	100	Kanthal India Ltd.	51	THAILAND	Alloy Wire Ltd.	100						
	Qingdao Sandvik Die Cutting Systems Co. Ltd.	60	PT Prok Indonesia	70		CTT Tools UK	100						
COLOMBIA	Sandvik Colombia S.A.	100	IRELAND	Sandvik Ireland Ltd.	100	Dormer Tools Ltd.	100						
	Sandvik Chomutov Precision Tubes s.r.o.	100		CML Handling Technology S.p.A.	100	Dormer Tools (Sheffield) Ltd.	100						
CZECH REPUBLIC	Sandvik A/S	100	ITALY	Dormer Tools S.p.A.	100	Eimco Great Britain Ltd.	100						
	Sandvik Bahco Norden A/S	100		Impero S.p.A.	100	Kanthal Ltd.	100						
DENMARK	Sandvik A/S	100	JAPAN	Master Tools S.p.A.	100	Osprey Metals Ltd.	100						
	Sandvik A/S	100		Sandvik Italia S.p.A.	100	RGB Stainless Ltd.	100						
	Sandvik A/S	100	Sandvik Process Systems S.p.A.	100	Sandvik Band Saws Ltd.	100							
FINLAND	Bet-Mec Oy	100	Soc. Ital. Kanthal S.p.A.	100	Sandvik Ltd.	100							
	Roxon Oy	100	KOREA	Dormer Japan Ltd.	100	Sandvik Metinox Ltd.	100						
	Suomen Sandvik Oy	100		Kanthal K.K.	100	Sandvik Process Systems Ltd.	100						
FRANCE	Tamrock Oy	100	LUXEMBOURG	Kanthal Korea Ltd.	100	Sandvik Rock Tools Ltd.	100						
	Cermep S.A.	51		Sansafe S.A.	100	Saxon Blades Ltd.	100						
	Dormer Tools S.A.	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100								
	Gunther S.A.	100											

¹⁾ Ownership percentage pertains to capital, which also corresponds to percentage of voting rights for the total number of shares.

Note 19. Participations in associated companies

	Group
<i>Proportion of equity in associated companies</i>	
At beginning of the year	2 102
Reclassifications	-1 918
Share in profits after net financial items of associated companies	300
Share in taxes of associated companies	-62
Less dividends received	-49
Translation differences	13
Proportion of equity at end of the year	386

Sandvik AB's holdings of shares and participations in associated companies

Associated companies

According to the Balance Sheet of 31 December 1997	Corp. ID no.	Number of shares	Holding, % ¹⁾	Proportion of equity, SEK M	Book value, SEK '000	
<i>Owned directly by Sandvik AB</i>						
SWEDEN	Fasttrack Sweden Uthyrnings AB, Stockholm	556330-1180	940	48.5 ²⁾	0.1	94
	G-Drill AB, Stockholm	556331-8566	6 000	30	3.6	4 000
	Nordiska Balzers AB, Stockholm	556098-1333	28 420	49	15.3	3 819
	Procera-Sandvik AB, Stockholm	556350-7879	5 000	50	0.6	600
	QR Uthyrnings AB, Stockholm	556330-7775	4 700	48.5 ²⁾	0.5	470
FINLAND	Oy Winrock Technology Ltd.		20	20	-	-
FRANCE	Devillé S.A.		13 990	35	24.8	7 216
	Eurotungstène Poudre S.A.		112 353	49	71.7	7 737
IRELAND	Uirlis Torc Teoranta Ltd.		8 830	49	2.2	1 842
					118.8	25 778
<i>Owned indirectly by Sandvik AB</i>						
SWEDEN	Avesta Sandvik Tube AB, Fagersta	556057-8592	150 000	25	77.0	
	Fagersta Stainless AB, Fagersta	556051-6881	400 000	50	186.3	
	Associated companies owned by Seco Tools				3.8	
					267.1	
TOTAL					385.9	

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

²⁾ Share of capital 90.4%

Note 20. Other investments held as fixed assets

Other companies

According to the Balance Sheet of 31 December 1997	Holding, as %	Book value SEK M
<i>Owned directly</i>		
Prevas AB	20	2
Sandvik-Bisov	51	6
		8
<i>Owned indirectly</i>		
Amstek Inc.	48	12
Harvest Ventures	30	16
Karlskoga Invest	9	4
OptiCat AB	25	5
Stc Shanghai Tokan	50	9
Miscellaneous holdings in Tamrock Group		10
Other shares and participations in Sweden		3
Other shares and participations abroad		5
		64
TOTAL		72

Note 21. Inventories

	Group		Parent Company	
	1997	1996	1997	1996
Raw materials and consumables	2 281	1 678	526	601
Work in progress	1 836	1 541	847	833
Finished goods	5 922	4 087	855	876
	10 039	7 306	2 228	2 310

Note 22. Liquid assets and short-term investments

	Group		Parent Company	
	1997	1996	1997	1996
Cash and bank balances	1 724	1 121	75	51
Short-term investments	742	4 279	390	459
Bonds with longer maturity than one year	28	157	-	157
Total	2 494	5 557	465	667

Note 23. Share capital

	1997		1996	
	A shares	189 450 259	209 225 815	
B shares	69 245 741	69 250 565		
Total number of shares at SEK 6 par value (1996: 5)	258 696 000	278 476 380		

A shares each carry one vote, whereas B shares carry one-tenth of a vote. All shares carry equal rights to participate in the profits and net assets of the company. The Sandvik share is listed on the Stockholm and London Stock Exchanges. Shares can also be traded in the US as American Depositary Receipts (ADR). In March 1997, the Board of Directors resolved to propose that Sandvik redeem Series A and Series B shares for a total value of SEK 4,000 M to provide the Group with a different capital structure and a more normal debt/equity ratio. At a Special General Meeting of shareholders in Sandvik AB on 9 June 1997, a decision was made to reduce the shareholders' equity by redemption of 20,288,090 shares. The amount of compensation paid to shareholders for shares redeemed was SEK 4,000 M, and shareholders' equity was reduced by SEK 102 M. A special issue of new shares was floated in June to restore the company's share capital, followed by a bonus issue. The new shares were issued at market value and were subscribed by Stiftelsen Sandvik Resultatandel. The par value of all Sandvik shares was increased from SEK 5 to SEK 6 per share in conjunction with the bonus issue.

Note 24. Changes in shareholders' equity

Group	Share capital	Restricted reserves	Unrestricted reserves	Consolidated net profit	Total
Reported at the end of 1996	1 392	7 047	8 482	3 114	20 035
Changes in translation rates 1997	-	-	334	-	334
Appropriations of 1996 net profit and translation differences	-	-	3 114	-3 114	0
Dividend paid	-	-	-1 810	-	-1 810
Redemption of share capital	-102	-	-3 898	-	-4 000
Rights issue	3	99	-	-	102
Bonus issue	259	-79	-180	-	0
Transfer of participations in profits of associated companies	-	-51	51	-	0
Other movements between unrestricted and restricted shareholders' equity	-	1 247	-1 247	-	0
Translation differences for the year	-	-	28	-	28
Consolidated net profit for the year	-	-	-	2 725	2 725
Reported at the end of 1997	1 552	8 263	4 874	2 725	17 414

Equity participation reserves amounting to SEK 289 M are included in restricted reserves.

Appropriations to restricted reserves, as proposed by subsidiary boards, reduce unrestricted Group equity by SEK 16 M.

Parent Company	Share capital	Share premium reserve	Legal reserve	Profit brought forward	Net profit	Total
Reported at the end of 1996	1 392	-	291	5 662	995	8 340
Appropriations of 1996 net profit	-	-	-	995	-995	0
Dividends	-	-	-	-1 810	-	-1 810
Redemption of share capital	-102	-	-	-3 898	-	-4 000
Rights issue	3	99	-	-	-	102
Bonus issue	259	-79	-	-180	-	0
Net profit for the year	-	-	-	-	2 286	2 286
Reported at the end of 1997	1 552	20	291	769	2 286	4 918

Note 25. Parent Company accelerated depreciation

	Land and buildings	Plant, and machinery	Equipment tools, fittings and fixtures	Patents and similar rights	Total
Reported at the end of 1996	34	1 052	153	0	1 239
Accelerated depreciation for the year	-7	113	16	1	123
Reported at the end of 1997	27	1 165	169	1	1 362

Note 26. Parent Company's other untaxed reserves

	Tax equalization reserve	Tax allocation reserve	Foreign exchange reserve	Other untaxed reserves
Reported at the end of 1996	214	1 475	24	39
Change during the year	-54	87	-13	6
Reported at the end of 1997	160	1 562	11	45

Note 27. Provision for pensions

	Group		Parent Company	
	1997	1996	1997	1996
Swedish PRI pension plan	1 148	1 046	885	836
Other pensions	1 238	1 055	74	49
Total	2 386	2 101	959	885

Note 28. Other provisions

	Group	Parent Company
Restructuring provisions	192	-
Guarantees	65	23
Personnel-related provisions	114	38
Other provisions	586	9
Total	957	70

At 31 December 1997, the Group's provisions for restructuring, in conjunction with the major transactions in 1997, were as follows:

Pertaining to Tamrock	80
Pertaining to Kanthal	0
Pertaining to Precision Twist Drill	40
Total	120

Note 29. Interest-bearing liabilities

Maturity after balance sheet date

	Group			Total	Parent Company			Total
	Within one year	2-5 yrs	After five years		Within one year	2-5 yrs	After five years	
Bond loans	-	94	-	94	-	94	-	94
Credit institutions	6 289	198	395	6 882	560	31	365	956
Group companies	0	0	0	0	4 530	86	-	4 616
Other liabilities	160	131	1	292	-	-	-	-
	6 449	423	396	7 268	5 090	211	365	5 666

Liabilities to credit institutions pertain to SEK 3,016 M in loans assumed under a long-term credit facility, due 2004. The Group's liabilities related to financing lease agreements amount to SEK 14 M. Payments due in 1998 of SEK 5 M are reported with current liabilities. Subsequent payments amount to SEK 5 M in 1999, SEK 3 M in 2000, and SEK 1 M in 2001.

Assets pledged for liabilities

	Group	Parent Company
Real-estate mortgages	328	10
Chattel mortgages	446	-
	774	10

Note 30. Non-interest-bearing liabilities

Maturity after balance sheet date

	Group	Parent Company
Within one year	8 371	2 334
Within 2-5 years	181	-
After five years	48	-
	8 600	2 334

Note 31. Accrued expenses and prepaid income

	Group	Parent Company
Personnel related	1 545	689
Other	1 386	112
Total	2 931	801

Note 32. Contingent liabilities

	Group		Parent Company	
	1997	1996	1997	1996
Bills discounted	115	82	-	-
Other surety undertakings and contingent liabilities	715	210	4 024	660
Total	830	292	4 024	660
of which, for subsidiaries			3 853	512

Proposed appropriation of profits

The Board of Directors and President propose that the surplus brought forward from the preceding year	768 603 432
and the profit for the year	2 285 848 756
SEK	3 054 452 188

be appropriated as follows:

a dividend of SEK 7.00 per share	1 810 872 000
carried forward	1 243 580 188
SEK	3 054 452 188

Sandviken, 23 February 1998

Percy Barnevik
Chairman

Bo Boström

Lars Ivar Hising

Mauritz Sahlin

Georg Ehrnrooth

Göran Lindstedt

Sven Ågrup

Per-Olof Eriksson

Clas Reuterskiöld

Clas Åke Hedström
President

Our Audit Report was submitted on 11 March 1998

Bernhard Öhrn
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Sandvik Aktiebolag: (publ)
Corporate identity no. 556000-3468

We have examined the Annual Report, the financial statements, and the administration of the Board of Directors and President of Sandvik Aktiebolag for fiscal year 1997. The Board of Directors and President are responsible for the accounting records and administration. Our responsibility is to comment on the Annual Report and administration based on our audit.

The audit was conducted in accordance with generally accepted accounting practices. This means we planned and conducted the audit in order to gain reasonable assurance that the Annual Report and the consolidated accounts did not contain significant errors. An audit invol-

ves examining a selection of underlying material in terms of figures and other information in the accounting records. It also involves examinations of the accounting principles and their application by the Board of Directors and President and appraisals of information presented in the Annual Report and consolidated accounts. We have examined important decisions, measures adopted and the situation in the company in order to be able to assess whether any member of the Board of Directors or President is liable to compensate the company or is in any other way in breach of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. We believe our audit has provided a reasonable basis for our statements below.

The Annual Report has been prepared in accordance with the Annual Accounts Act, accordingly, we recommend:
that the consolidated and parent company income statements and balance sheets be approved, and
that the profit reported by the parent company be disposed of in accordance with the proposal in the Board of Directors' Report.

Members of the Board of Directors have not adopted any measures or been neglectful in a manner which, in our opinion, can lead to liability to compensate the company, and thus we recommend:

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

Sandviken, 11 March 1998

Bernhard Öhrn
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

Directors and Auditors

SANDVIK'S BOARD OF DIRECTORS, (L-R):

GEORG EHRNROOTH,
CLAS REUTERSKIÖLD,
PER-OLOF ERIKSSON,
PERCY BARNEVIK,
CLAS ÅKE HEDSTRÖM,
SVEN ÅGRUP,
PER-ÅKE FRANKLIND,
GÖRAN LINDSTEDT,
JAN BROBERG,
BO BOSTRÖM,
MAURITZ SAHLIN
AND
LARS IVAR HISING.



DIRECTORS

Percy Barnevik,

Chairman, London, b. 1941. Chairman of the Board of Investor AB and ABB Asea Brown Boveri Ltd. Director of du Pont, U.S.A. and General Motors, U.S.A. Chairman of the Board of Sandvik AB since 1983. Sandvik shares: 150,000 A.

Sven Ågrup,

Lidingö, b. 1930. Chairman of the Board of AGA AB. Director of Telefon AB L M Ericsson, Handelsbanken and Tetra Laval. Director of Sandvik AB since 1983. Sandvik shares: 3,000 B.

Per-Olof Eriksson,

Sandviken, b. 1938. Chairman of the Board of Swedish National Grid, Bergslagsinvest AB and Odlander, Fredrikson & Co. Director of Handelsbanken, Preem Petroleum AB, SSAB Svenskt Stål AB, AB SKF, AB Volvo, AB Custos, Skanska

AB, N.V. Koninklijke Sphinx, the Royal Institute of Technology, Assa Abloy AB and the Federation of Swedish Industries. Member of the Royal Academy of Engineering Sciences (IVA). Director of Sandvik AB since 1984. Sandvik shares: 100,000 B.

Mauritz Sahlin,

Gothenburg, b. 1935. Chairman of the Board of Air Liquide AB, CHAMPS, Elga AB, FlexLink AB, Novare Kapital AB, Ovako AB and the Chamber of Commerce of Western Sweden. Director of Investor AB, Scania AB, AB SKF, Statoil (Norway) and the Federation of Swedish Industries. Director of Sandvik AB since 1993.

Lars Ivar Hising,

Uppsala, b. 1927. Former County Governor. Chairman of the Board of Nordbanken Gävle and the Gävle-Sandviken New Enterprise Agency. Executive Director of the Swedish

Inventors' Association. Life Member of the Industrial Council of the Royal Academy of Engineering Sciences (IVA). Director of Sandvik AB since 1993. Sandvik shares: 5,500 B.

Clas Åke Hedström,

Sandviken, b. 1939. President and Chief Executive Officer of Sandvik AB. Director of Scania AB, the Federation of Swedish Industries and the Association of Swedish Engineering Industries. Director of Sandvik AB since 1994. Sandvik Shares: 119 A, 15,154 B and 3,000 B options.

Georg Ehrnrooth,

Helsinki, b. 1940. President and Chief Executive Officer of Metra Oy Ab. Chairman of the Board of Assa Abloy AB and Pensions-Varma. Director of Försäkringsaktiebolaget Sampo, Oy Karl Fazer Ab and the Central Association of Finnish Industry and Employers. Director of Sandvik AB since 1997.

Clas Reuterskiöld,

Stocksund, b. 1939. Chairman of the Board of PLM AB. Director of AGA AB, Telefon AB L M Ericsson, Handelsbanken, AB Industrivärden and SCA. Director of Sandvik AB since 1997.

Bo Boström,

Åshammar, b. 1949. Chairman, AB Sandvik Steel Union Committee, Metal Workers' Union, Sandviken. Director of Sandvik AB since 1988. (Employee representative) Sandvik shares: 200 B

Göran Lindstedt,

Sandviken, b. 1942. Chairman, Sandvik AB Union Committee, Industrial Salaried Employees' Association. Director of Sandvik AB since 1989. (Employee representative)

Deputy Directors

Jan Broberg,

Bollnäs, b. 1963. Chairman, AB Sandvik Hand Tools Union Committee, Metal Workers' Union, Bollnäs. Director of Sandvik AB since 1996. (Employee representative)

Per-Åke Franklind,

Gävle b. 1963. Chairman Sandvik AB Union Committee, Association of Graduate Engineers. Director of the Industrial Development Center of Sandviken AB. Director of Sandvik AB since 1995. (Employee representative) Sandvik shares: 2,000 B options.

AUDITORS

Bernhard Öhrn, Stockholm
Authorized Public Accountant

Lars Svantemark, Stockholm
Authorized Public Accountant

Deputies

Åke Näsman, Stockholm,
Authorized Public Accountant

Peter Markborn, Stockholm
Authorized Public Accountant

Group Executive Management



Clas Åke Hedström
President and Chief Executive Officer



Leif Sunnermalm
Executive Vice President



Gunnar Björklund
Executive Vice President

Group Staff and Service Companies, Managers

Controller:.....Anders Vrethem
Finance:Gunnar Båtelsson
Research and Development:.....Hans Mårtensson
Information:Björn Jonson
Investor Relations:Heléne Gunnarson

Legal Affairs:Malcolm Falkman
Personnel:Rune Nyberg
Taxes and Financial Projects:Thomas B. Hjelm
AB Sandvik Information Systems:Peter Lundh
AB Sandvik Service:Björn Sköld

Business units

Major operating business units are listed below:

EUROPE

Austria
Sandvik in Austria Ges.m.b.H., Vienna
Manager: Helmut Stix
Tel. 1 277 37

Günther & Co. Ges.m.b.H., Vienna
Manager: Eckhard Planegger
Tel. 1 270 60 70

Tamrock Coal, Zeltweg
Manager: Ilkka Hakala
Tel. 3577 75 50

Tamrock Voest-Alpine Bergtechnik Ges.m.b.H., Zeltweg
Manager: Heinz Gach
Tel. 3577 75 50

Belarus
Sandvik Bisov, Minsk
Manager: Lars Karman
Tel. 17 236 20 46

Belgium
Sandvik Benelux, Brussels
Manager: Georges Verhoeven
Tel. 02 702 98 00

Dormer Tools N.V./S.A., Mortsel
Manager: Ben Luyckx
Tel. 03 440 59 01

Bosnia-Herzegovina
AB Sandvik International
Representative Office, Sarajevo
Manager: Jim Stevenson
Tel. 71 20 52 61

Bulgaria
Sandvik Bulgaria Ltd., Sofia
Manager: Miroslav Markov
Tel. 02 958 12 31

Kanthal Bulgaria, Sofia
Manager: Hans Södervall
Tel. 02 946 07 95

Czech Republic
Sandvik CZ s.r.o., Prague
Manager: Roger Jansson
Tel. 02 24 25 33 11

Sandvik Chomutov Precision Tubes s.r.o., Chomutov
Manager: Lars-Olof Skoog
Tel. 0396 615 111

Denmark
Sandvik A/S, Copenhagen
Manager: Jens Aage Jensen
Tel. 43 46 51 00

Sandvik Hard Materials, Espergaerde
Manager: Peter Lorentzen
Tel. 49 17 49 00

Sandvik Bahco Norden A/S, Copenhagen
Manager: Esben Brandstrup
Tel. 43 63 03 30

Finland
Suomen Sandvik Oy, Helsinki
Manager: Kalevi Hellstén
Tel. 09 87 06 61

Tamrock Corp.
Head Office, Tampere
Manager: Jouko M. Jaakkola
Tel. 0205 44 111

Tamrock Corp.
Product Companies, Tampere
Manager: Matti Kotola
Tel. 0205 44 121

Tamrock Corp.
Construction, Tampere
Manager: Pekka Heikkonen
Tel. 0205 44 121

Tamrock Corp.
Tampere plant, Tampere
Manager: Pekka Huuhka
Tel. 0205 44 121

Tamrock Corp.
Turku plant, Turku
Manager: Olavi Rantala
Tel. 0205 44 131

Tamrock Corp.
Lahtis plant, Lahtis
Manager: Ilkka Järvinen
Tel. 0205 44 151

Tamrock Corp.
Crushing mill, Lahtis
Manager: Veikko Janhunen
Tel. 0205 44 151

Tamrock Corp.
Region CIS, Tampere
Manager: Veikko Heikkilä
Tel. 0205 44 121

Roxon Oy, Hollola
Manager: Jarmo Juntunen
Tel. 0205 44 181

France
Sandvik S.A., Orléans
Manager: André Baron
Tel. 02 38 41 41 41

Sandvik Coromant S.N.C., Orléans
Manager: André Baron
Tel. 02 38 41 41 41

Dormer Tools S.A., Orléans
Manager: Ben Luyckx
Tel. 02 38 41 40 15

Gunther S.A., Soultz-sous-Fôrets
Manager: Claude Leray
Tel. 03 88 80 20 00

Gunther Tools S.A., Soultz-sous-Fôrets
Manager: Bernard Finantz
Tel. 03 88 80 20 05

Prototyp S.A., Orléans
Manager: Mats Christenson
Tel. 02 38 41 46 50

Sandvik Tobler S.A., Paris
Manager: Jean-Pierre Colombano
Tel. 01 34 47 33 00

Tamrock Secoma S.A., Meyzieu
Manager: Gerard Bellement
Tel. 04 72 45 22 00

Sandvik Rock Tools S.A., Viriat
Manager: Ezio Fogliata
Tel. 04 74 45 94 60

Sandvik Hard Materials S.A., Epinouze
Manager: Björn von Malmberg
Tel. 04 75 31 38 00

Sandvik Aciers S.N.C., Orléans
Manager: Georges Verhoeven
Tel. 02 38 41 41 41

Precitube S.A., Charost
Manager: Patrick Champion
Tel. 02 48 26 20 12

Kanthal S.A., Paris
Manager: Franck Vilenstein
Tel. 01 47 86 56 60

Sandvik Outillage S.N.C., Orléans
Manager: Dominique van Straelen
Tel. 02 38 41 41 41

Sandvik Process Systems S.A., Orléans
Manager: André Baron
Tel. 02 38 41 41 41

Germany
Sandvik GmbH, Dusseldorf
Manager: Ulrich Fezer
Tel. 0211 502 70

Sandvik Coromant, Dusseldorf
Manager: Mats Carlerös
Tel. 0211 502 70

CTT Management GmbH, Frankfurt/Main
Manager: Anders Ilstam
Tel. 069 78 90 23 00

Dormer Tools GmbH, Dusseldorf
Manager: Dick Geerlings
Tel. 0211 95 09 00

Günther & Co. GmbH & Co., Frankfurt/Main
Manager: Klaus Scholl
Tel. 069 78 90 20

Prototyp-Werke GmbH, Zell-Harmersbach
Manager: Mats Christenson
Tel. 07835 770

TOP Präzisionswerkzeuge GmbH,
Frankfurt/Main
Manager: Horst Mack
Tel. 069 78 90 26 17

Sandvik Kosta GmbH, Renningen
Manager: Jens Orbanke
Tel. 07159 160 30

Tamrock Region Europe, Essen
Manager: Seppo Kivimäki
Tel. 201 178 53 00

Tamrock GmbH, Essen
Manager: Wolfgang Gruber
Tel. 201 178 53 00

Gurtec GmbH, Schöppenstedt
Manager: Aarre Viiala
Tel. 5332 93 090

Sandvik Hard Materials, Dusseldorf
Manager: Wit Horsten
Tel. 0211 502 75 57

Sandvik Steel, Dusseldorf
Manager: Udo Vogt
Tel. 0211 502 70

Kanthal GmbH, Mörfelden-Walldorf
Manager: Hilmar Linder
Tel. 06105 400 10

Sandvik Belzer GmbH, Wuppertal
Manager: Frank Schweitzer
Tel. 0202 479 70

Sandvik Process Systems GmbH, Fellbach
Manager: Johann Taps
Tel. 0711 510 50

Greece
Sandvik A.E., Athens
Manager: T. Wulffraat
Tel. 1 898 28 80

Hungary
Sandvik in Hungary Ltd., Budapest
Manager: Göran Wretäs
Tel. 1 431 27 00

Ireland
Sandvik Ireland Ltd., Dublin
Manager: Mary Healy
Tel. 01 295 20 52

Tamrock Irish Branch, Galmoy
Manager: Tuomo Lecklin
Tel. 563 71 85

Italy
Sandvik Italia S.p.A., Milan
Manager: Marco Schirinzi
Tel. 02 30 70 51

Sandvik Coromant, Milan
Manager: Pietro Calegari
Tel. 02 30 70 51

Dormer Tools S.p.A., Milan
Manager: Fabrizio Resmini
Tel. 02 38 04 51

Master Tools S.p.A., Rovereto
Manager: Fabrizio Resmini
Tel. 0464 42 11 47

Sandvik Rock Tools, Milan
Manager: Ezio Fogliata
Tel. 02 30 70 51

Sandvik Hard Materials, Milan
Manager: Giorgio Morani
Tel. 02 30 70 51

Sandvik Steel, Milan
Manager: Pier Giorgio Martellozzo
Tel. 02 30 70 51

Società Italiana Kanthal S.p.A., Milan
Manager: Lelio Segre
Tel. 02 66 04 91 77

Driver-Harris S.p.A., Terrazano di Rho
Manager: Lelio Segre
Tel. 02 93 90 19 34

Sandvik Saws and Tools, Milan
Manager: Marco Schirinzi
Tel. 02 30 70 51

Sandvik Process Systems S.p.A., Milan
Manager: Giancarlo Tazzioli
Tel. 02 38 01 06 00

CML Handling Technology S.p.A., Lonate
Pozzolo
Manager: Giorgio Saranga
Tel. 0331 66 51 11

Netherlands
Sandvik Benelux B.V., Schiedam
Manager: Georges Verhoeven
Tel. 010 208 02 08

Dormer Tools B.V., Veenendaal
Manager: Ingemar Broström
Tel. 0318 52 62 75

Dormer Tools International B.V., Veenendaal
Manager: Ingemar Broström
Tel. 0318 52 62 75

Sandvik Saws and Tools Benelux B.V.,
Helmond
Manager: Louis Cuppens
Tel. 0492 58 23 33

Sandvik Process Systems B.V., Breda
Manager: Hans Mulders
Tel. 076 572 08 20

Norway
Sandvik Norge A/S, Oslo
Manager: Jon Ambur
Tel. 67 13 27 40

Tamrock Norge A/S, Oslo
Manager: Trond Kaasa
Tel. 22 72 40 24

Poland
Sandvik Polska Ltd., Warsaw
Manager: Christer Evans
Tel. 22 647 38 80

Sandvik Baildonit S.A., Katowice
Manager: Adam Ratuszny
Tel. 32 57 10 61

Voest Alpine Technika Górnica I
Tunelowa, Katowice Szopienice
Manager: Andreas Jagiello
Tel. 32 256 80 20

Kanthal Information Office, Warsaw
Manager: Hans Södervall
Tel. 22 624 94 73

Portugal
Sandvik Portuguesa Lda, Lisbon
Manager: Nuno Batalha
Tel. 01 499 00 20

Sandvik Obergue-Limas e Mecânica Lda,
Vila do Conde
Manager: Björn Karlsson
Tel. 052 65 01 50

Romania
AB Sandvik International
Representative Office, Bucharest
Manager: Octavian Balaban
Tel. 1 330 54 43

Russia
ZAO Sandvik, Moscow
Manager: Mats Andersson
Tel. 095 956 50 80

MKTC, Moscow
Manager: Robert Hartinger
Tel. 095 289 70 74

Tamrock Corp.
Representative Office, Moscow
Manager: Seppo Häyrynen
Tel. 095 203 16 11

Slovakia
Sandvik Slovakia s.r.o., Bratislava
Manager: Otto Kames
Tel. 07 531 24 97

Slovenia
Sandvik International
Representative Office, Kranj
Manager: Jim Stevenson
Tel. 64 21 15 44

Spain
Sandvik Española S.A., Madrid
Manager: Björn von Malmborg
Tel. 91 660 51 00

Sandvik Hard Materials, Barcelona
Manager: Björn von Malmborg
Tel. 93 862 94 00

Kanthal SP S.A., Barcelona
Manager: Jan Setterberg
Tel. 93 680 28 24

Sweden
Sandvik AB, Sandviken
Group CEO: Clas Åke Hedström
Tel. 026 26 00 00

AB Sandvik Coromant, Sandviken
Manager: Lars Pettersson
Tel. 026 26 60 00

AB Sandvik Rock Tools, Sandviken
Manager: Lars-Anders Nordqvist
Tel. 026 26 20 00

AB Sandvik Hard Materials, Stockholm
Manager: Lars Wahlqvist
Tel. 08 726 63 00

AB Sandvik Steel, Sandviken
Manager: Per Ericson
Tel. 026 26 30 00

AB Sandvik Saws and Tools, Sandviken
Manager: Göran Gezelius
Tel. 026 26 57 00

AB Sandvik Process Systems, Sandviken
Manager: Svante Lindholm
Tel. 026 26 50 00

AB Sandvik International, Sandviken
Manager: Roland Setterberg
Tel. 026 26 26 00

Sandvik Coromant Norden AB, Kista
Manager: Lennart Lindgren
Tel. 08 793 05 00

Dormer Tools AB, Halmstad
Manager: Håkan Larsson
Tel. 035 16 52 00

KOPO AB, Haparanda
Manager: Leif Tiensuu
Tel. 0922 298 00

Sandvik Rock Tools Svenska Försäljnings AB,
Sandviken
Manager: Gunnar Anell
Tel. 026 26 20 00

Sandvik Hard Materials Norden AB, Stockholm
Manager: Johan Holm
Tel. 08 726 63 00

Sandvik Stål Försäljnings AB, Kista
Manager: Björn Jonsson
Tel. 08 793 05 00

Edmeston AB, Gothenburg
Manager: Christer Andersson
Tel. 031 335 63 50

Guldsmedshytte Bruks AB, Guldsmedshyttan
Manager: Åke Haglund
Tel. 0581 451 00

Gusab Stainless AB, Mjölby
Manager: Åke Axelson
Tel. 0142 822 00

AB Sandvik Calamo, Molkom
Manager: Göran Gustafsson
Tel. 0553 313 00

Kanthal AB, Hallstahammar
Manager: Ola Rollén
Tel. 0220 210 00

Kanthal Machinery AB, Hallstahammar
Manager: Magnus Bergman
Tel. 0220 210 00

Kanthal Norden AB, Hallstahammar
Manager: Hans Södervall
Tel. 0220 210 00

AB Sandvik Bahco, Enköping
Manager: Åke Sundby
Tel. 0171 227 00

Sandvik Bahco Norden AB, Enköping
Manager: Per Törnell
Tel. 0171 782 00

AB Sandvik Hand Tools, Bollnäs
Manager: Karl-Erik Forsberg
Tel. 0278 321 00

AB Sandvik Metal Saws, Lidköping
Manager: Staffan Larsson
Tel. 0510 827 00

AB Sandvik Belts, Sandviken
Manager: Rolf Hemlin
Tel. 026 26 56 00

AB Sandvik Service, Sandviken
Manager: Björn Sköld
Tel. 026 26 11 00

AB Sandvik Information Systems, Sandviken
Manager: Peter Lundh
Tel. 026 26 17 00

Switzerland
Sandvik AG, Spreitenbach
Manager: Mikael Mott
Tel. 056 417 61 11

Santrade Ltd., Lucerne
Manager: Mikael Mott
Tel. 041 368 33 33

United Kingdom
Sandvik Ltd., Birmingham
Manager: Kenneth Sundh
Tel. 0121 504 50 00

Sandvik Coromant U.K., Birmingham
Manager: Kenneth Sundh
Tel. 0121 504 54 00

Dormer Tools Ltd., Sheffield
Manager: Mike Walker
Tel. 0114 251 26 00

Dormer Tools (Sheffield) Ltd., Sheffield
Manager: Tony Elfström
Tel. 0114 251 27 00

Titex Tools Ltd., Halesowen
Manager: Frank Oak
Tel. 0121 504 20 00

Eimco (Great Britain) Ltd., Gateshead
Manager: John Hill
Tel. 0191 487 72 41

Sandvik Rock Tools Ltd., Leicestershire
Manager: Bo Söderlund
Tel. 01530 27 56 00

Sandvik Hard Materials U.K., Coventry
Manager: Derek Stradling
Tel. 01203 85 69 00

S.H.M. Production U.K., Coventry,
Manager: Ernst-Åke Nylander
Tel: 01203 85 69 00

Sandvik Steel U.K., Birmingham
Manager: Bill Good
Tel. 0121 504 51 00

RGB Stainless Ltd., Birmingham
Manager: Peter Rose
Tel. 0121 558 31 11

Sterling Tubes Ltd., Walsall
Manager: Bill Good
Tel. 01922 62 12 22

Sandvik Metinox Ltd., Sheffield
Manager: Hugh C. Firth
Tel. 0114 275 57 99

Osprey Metals Ltd., Neath
Manager: Gwyn Brooks
Tel. 01639 63 41 21

Kanthal Ltd., Perth
Manager: Richard Fareham
Tel. 01738 49 33 00

Kanthal Ltd., Stoke
Manager: Richard Fareham
Tel. 01782 22 48 00

Sandvik Saws and Tools U.K., Birmingham
Manager: Björn Carlsson
Tel. 0121 504 52 00

Sandvik Process Systems Ltd., Birmingham
Manager: Gerald S. Garbett
Tel. 0121 550 76 71

Yugoslavia, FR
AB Sandvik International
Representative Office, Belgrade
Manager: Jim Stevenson
Tel. 11 64 44 53

NORTH AMERICA

Canada
Sandvik Canada, Inc., Mississauga, Ont.
Manager: James T. Baker
Tel. 905 826 89 00

Dormer Tools, Inc., Mississauga, Ont.
Manager: Richard Tunstill
Tel. 905 542 30 00

Tamrock Region Canada
Tamrock Canada Ltd., Lively
Manager: Jean-Guy Coulombe
Tel. 705 692 58 81

Tamrock Loaders Inc., Burlington
Manager: Hannu Lautamäki
Tel. 905 632 49 40

Sandvik Steel Canada, Arnprior, Ont.
Manager: Tom M. Moylan
Tel. 613 623 65 01

Sandvik Process Systems Canada, Guelph, Ont.
Manager: Brian Spalding
Tel. 519 836 43 22

United States
Sandvik, Inc., Fair Lawn, NJ
Manager: James T. Baker
Tel. 201 794 50 00

Sandvik Coromant Company, Fair Lawn, NJ
Manager: James T. Baker
Tel. 201 794 50 00

Dormer Tools, Inc., Asheville, NC
Manager: Richard Tunstill
Tel. 704 274 60 78

Union Butterfield Corporation, Asheville, NC
Manager: Adrian Waple
Tel. 704 274 60 70

Precision Twist Drill Manufacturing Co.,
Crystal Lake, IL
Manager: Anders Ilstam
Tel. 815 459 20 40

Precision Twist Drill Sales Co., Crystal Lake, IL
Manager: Art Beck
Tel. 815 459 20 40

Triumph Twist Drill Co., Rhinelander, WI
Manager: Anders Iltam
Tel. 715 369 47 63

Tamrock Region USA and Mexico,
Tamrock USA Inc., Atlanta, GA
Manager: James L. Ropp
Tel. 404 505 00 05

Tamrock Hard Rock Mining, Miami, FL
Manager: Åke Annamatz
Tel. 305 567 90 86

Driltech Inc., Alachua, FL
Manager: John Walsh
Tel. 904 462 41 00

Tamrock Coal,
EIMCO Coal Machinery, Inc.
Voest Alpine Mining and Tunneling Corp.,
Bluefield, WV
Manager: Garry Marsden
Tel. 304 327 02 60

Sandvik Rock Tools Inc., Houston, TX
Manager: Olof A. Lundblad
Tel. 713 460 62 00

Sandvik Hard Materials Company, Troy, MI
Manager: Garry Davies
Tel. 248 458 41 00

Sandvik Steel Company, Scranton, PA
Manager: Edward R. Nuzzaci
Tel. 717 587 51 91

Pennsylvania Extruded Tube Co. (PEXCO),
Scranton, PA
Manager: William P. Moore
Tel. 717 586 55 55

Sandvik Special Metals Corp., Kennewick, WA
Manager: Kirk P. Galbraith
Tel. 509 586 41 31

The Kanthal Corp., Bethel, CT
Manager: Jack Beagley
Tel. 203 744 14 40

H.P. Reid Co. Inc., Palm Coast, FL
Manager: Valden Lichter
Tel. 904 445 20 00

Cesiwid Inc., Niagara Falls, NY
Manager: Jack Beagley
Tel. 716 286 76 00

Sandvik Saws and Tools Company,
Scranton, PA
Manager: Peter Renwick
Tel. 717 341 95 00

Sandvik Milford Corp., Branford, CT
Manager: William B. Lavelle Jr
Tel. 203 481 42 81

Sandvik Windsor Corp., Milan, TN
Manager: Rob Payne
Tel. 901 686 40 00

Sandvik Process Systems, Inc., Totowa, NJ
Manager: Walter Miller
Tel. 973 790 16 00

Sandvik Sorting Systems, Inc., Louisville, KY
Manager: Walter Maier
Tel. 502 636 14 14

LATIN AMERICA

Argentina
Sandvik Bahco Argentina S.A., Buenos Aires
Manager: Michael Hermansson
Tel. 01 484 32 41

Tamrock Argentina S.A., Buenos Aires
Manager: Carlos P. Calvo
Tel. 01 918 34 96

Bolivia
Tamrock Bolivia S.R.L., La Paz
Manager: Marcelo Clavijo
Tel. 2 368 271

Brazil
Sandvik do Brasil S.A., São Paulo
Manager: José V. Parra
Tel. 011 525 26 11

Sandvik-Villares Wire Indústria e Comércio
Ltda., São Paulo
Manager: Flávio Benedini
Tel. 019 861 98 00

Dormer Tools S.A., São Paulo
Manager: Antonio Altobello Neto
Tel. 011 56 67 55 22

Eimco do Brasil Ltda., Belo Horizonte
Manager: Matti Aalto
Tel. 31 378 19 62

Kanthal Brasil Ltda., São Paulo
Manager: Ariberto Palladini
Tel. 011 445 38 11

Chile
Sandvik Chile S.A., Santiago
Manager: Hanns Knorr
Tel. 2 623 54 43

Tamrock Region Latin America
Tamrock Chile S.A., Santiago
Manager: Luis Florit
Tel. 2 623 83 31

Colombia
Sandvik Colombia S.A., Bogota
Manager: Alejandro Quintanilla
Tel. 1 262 56 00

Cuba
AB Sandvik International
Representative Office, Havana
Manager: José F. Recio Pando
Tel. 7 24 74 00

Mexico
Sandvik de México S.A. de C.V., Mexico, D.F.
Manager: Åke Nyberg
Tel. 5 729 39 00

Tamrock de México S.A. de C.V., Guadalajara
Manager: Arrien Westhuis
Tel. 3 635 97 21

Peru
Sandvik del Perú S.A., Lima
Manager: Juan Retamozo
Tel. 1 221 75 60

Tamrock World Corp. B.V., Lima
Manager: Hans Neumann
Tel. 14 37 62 97

Venezuela
Sandvik Venezuela C.A., Caracas
Manager: Jean-Pierre Maire
Tel. 02 93 09 22

AFRICA

Algeria
Sandvik S.A., Bureau de Liaison, Algiers
Manager: Thierry Proner
Tel. 2 60 75 17

Ivory Coast
AB Sandvik International, Bureau de Liaison,
Abidjan
Manager: Thierry Proner
Tel. 41 77 60

Kenya
Sandvik Kenya Ltd., Nairobi
Manager: Aileen Nkiria
Tel. 2 53 28 66

Morocco
Sandvik Maroc S.A., Mohammedia
Manager: Thierry Proner
Tel. 03 32 53 16

South Africa
Sandvik (Pty) Ltd., Benoni
Manager: Göran Wijk
Tel. 011 914 34 00

Tamrock Region Africa, Johannesburg
Manager: Chris Brindley
Tel. 011 392 49 90

Zambia
Sandvik (Zambia) Ltd., Ndola
Manager: Göran Wijk
Tel. 02 65 09 29

Tamrock Zambia Ltd., Ndola
Manager: Gary Hughes
Tel. 02 21 03 55

Zimbabwe
Sandvik (Private) Ltd., Harare
Manager: James C. MacGregor-Sim
Tel. 4 62 10 95

Tamrock Zimbabwe (Pvt.) Ltd., Harare
Manager: Marc Wiggill
Tel. 4 75 70 74

ASIA

China
Sandvik China Ltd., Beijing
Manager: Anders Hägglund
Tel. 10 65 90 86 00

Tamrock (China) Ltd., Beijing
Manager: Jorma Kalliomäki
Tel. 10 68 51 62 53

Hong Kong SAR
Sandvik Hongkong Ltd., Hong Kong
Manager: Anders Hägglund
Tel. 2 743 33 31

Tamrock Region Far East,
Tamrock (Far East) Ltd., Hong Kong
Manager: Björn Johansson
Tel. 2 811 26 89

Kanthal Electroheat HK Ltd., Hong Kong
Manager: Rolf Berthelius
Tel. 2 735 09 33

India
Sandvik Asia Ltd., Pune
Manager: Hans Gass
Tel. 0212 79 64 91-3

Tamrock (Far East) Ltd.,
India Liaison Office, New Delhi
Manager: Paul Tonk
Tel. 011 645 27 71

Eimco Elecon (India) Ltd., Gujarat
Manager: B.I. Patel
Tel. 2692 30 602

Sandvik Choksi Private Limited, Ahmedabad
Manager: Patrick Henderson
Tel. 027 648 33 13

Kanthal India Ltd., Hosur
Manager: Per Gelang
Tel. 4344 760 45

Indonesia
PT Prok Indonesia, Jakarta
Manager: Mark Min Oo
Tel. 021 390 07 33

PT Prok Indonesia, Cilegon
Manager: Greg Smith
Tel. 254 380 374

Japan
Sandvik K.K., Kobe
Manager: Bo Zetterlund
Tel. 078 992 09 92

Rammer Japan Office, Yokohama
Manager: Hiroshi Andoh
Tel. 045 476 41 11

Mitsui Zosen Eimco Inc., Tokyo
Manager: K. Niiro
Tel. 03 34 51 33 02

Sandvik Process Systems, Nishinomiya
Manager: Goro Okada
Tel. 0798 43 10 01

Dormer Japan Ltd., Yokohama
Manager: Bo Zetterlund
Tel. 045 547 87 74

Kanthal K.K., Tokyo
Manager: Åke Nilsson
Tel. 03 34 43 18 23

Kazakhstan
Tamrock Corp.,
Representative Office, Alma-Ata
Manager: Gennadi Sokolov
Tel. 3272 32 02 29

Korea
Sandvik Korea Ltd., Seoul
Manager: Sören Wikström
Tel. 02 785 17 61-8

Tamrock Service Korea Ltd., Seoul
Manager: Beau Brookes
Tel. 02 3461 6031

Kanthal Korea Ltd., Seoul
Manager: Rolf Berthelius
Tel. 02 515 14 31

Malaysia
Sandvik Malaysia Sdn. Bhd., Kuala Lumpur
Manager: Lawrence Kwok
Tel. 03 756 21 36

Tamrock (Far East) Ltd.,
South East Asian Regional Office, Kuala Lumpur
Manager: Timo Laitinen
Tel. 03 254 88 76

Philippines
Sandvik Philippines, Inc., Manila
Manager: Emmanuel C. Malolos
Tel. 02 807 63 72-74

Singapore
Sandvik South East Asia Pte. Ltd., Singapore
Manager: Sven Flodmark
Tel. 265 22 77

Kanthal Electroheat (S.E.A.) Pte. Ltd., Singapore
Manager: Rolf Berthelius
Tel. 778 55 33

Taiwan
Sandvik Taiwan Ltd., Taipei
Manager: Wendell Wang
Tel. 02 22 99 34 27

Sandvik Titan Pty Ltd., Chung Li
Manager: Rudy Lu
Tel. 03 452 31 72

Thailand
Sandvik Thailand Ltd., Bangkok
Manager: Pisuth Tantivejsak
Tel. 02 379 46 61-5

Turkey
Sandvik Ticaret A.S., Istanbul
Manager: Piet-Heyn van Benthem
Tel. 216 309 15 15

Kanthal Representative Office, Istanbul
Manager: Hans Södervall
Tel. 216 330 02 98

United Arab Emirates
Tamrock Middle East, Dubai
Manager: Arto Metsänen
Tel. 4 31 83 00

AUSTRALIA-NEW ZEALAND

Australia
Sandvik Australia Pty. Ltd., Sydney
Manager: Peter Edwards
Tel. 02 98 28 05 00

Tamrock Region Australia,
Tamrock Pty. Ltd., Brisbane
Manager: Jack Thomson
Tel. 07 38 32 03 00

Prok Group Limited, Perth
Manager: Roger Meredith
Tel. 089 347 85 00

Prok Group Limited, Mackay
Manager: George Nuttall
Tel. 079 52 14 00

Sandvik Hard Materials Pty. Ltd., Newcastle
Manager: David MacDonald
Tel. 049 24 21 00

Kanthal Australia Pty. Ltd., Victoria
Manager: Cesare Colaluca
Tel. 03 94 01 12 22

New Zealand
Sandvik New Zealand Ltd., Pakuranga
Manager: Mark Thompson
Tel. 9 367 21 07

Kanthal Trading Australasia Ltd., Auckland
Manager: Peter D. Turner
Tel. 9 626 41 51

This data refers to March 1998.

Annual General Meeting

The Annual General Meeting will be held at Jernvallen in Sandviken on Wednesday, 6 May 1998, at 3:00 p.m.

Shareholders wishing to attend the Meeting must notify the Board thereof either by letter addressed to Sandvik AB, Legal Affairs, SE-811 81 Sandviken, or by telefax +46(0)26-26 10 86, or by telephone +46(0)26-26 10 81. Notification must reach Sandvik AB by 3:00 p.m. on 4 May 1998 at the latest. In order to qualify for attendance, shareholders must also have been entered in the Share Register kept by the Swedish Securities Register Center

(Värdepapperscentralen VPC AB) not later than 24 April 1998. Shareholders whose shares are registered as held in trust must have them temporarily re-registered with the VPC in their own names not later than 24 April 1998 to establish his/her right to attend the Meeting.

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

Payment of dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 7.00 per share for 1997.

The proposed record date is 11 May 1998. If this proposal is adopted by the Meeting, it is expected that dividends will be ready for remittance by 18 May 1998. Dividends will be sent to those who,

on the record date, are entered in the Share Register or on the separate List of Assignees, etc. Dividends will be remitted from the Securities Register Center. To facilitate the distribution, shareholders who have moved should report their change of address to their bank in good time before the record day ●

Financial information

First-Quarter Report	6 May 1998
Semi-Annual Report	11 August 1998
Third-Quarter Report	3 November 1998
Report on Operations 1998	February 1999
Annual Report 1998	April 1999

Financial information can be ordered from Sandvik AB, Group Information
SE-811 81 Sandviken, Sweden
Tel. +46 (0)26-26 10 47
Fax. +46 (0)26-26 10 43
or from
Sandvik AB, Investor Relations,
SE-811 81 Sandviken, Sweden
Tel. +46 (0)26-26 10 25
Fax. +46 (0)26-26 10 45
www.sandvik.com

Key figures

	1997	1996	1995	1994	1993	1992	1991
Invoiced sales, SEK M	34 119	28 265	29 700	25 285	21 770	17 217	17 558
Profit after financial income and expenses, SEK M	4 205	4 453	5 620	3 811	1 764	1 486	1 776
as % of invoicing	12	16	19	15	8	9	10
Net profit for the year, SEK M	2 725	3 114	3 727	2 436	1 069	1 112	1 248
Earnings per share, SEK	10.15	11.20	13.40	8.75	3.85	4.05	4.55
Dividend per share (1997: as proposed), SEK	7.00	6.50	6.00	3.75	2.25	1.90	1.80
Pay-out ratio, %	69	58	45	40	58	47	40
Shareholders' equity, SEK M	17 414	20 035	18 503	16 013	14 364	13 538	12 693
Equity ratio, %	47	64	64	59	60	59	57
Debt/equity ratio, times	0.5	0.2	0.1	0.2	0.2	0.2	0.3
Rate of capital turnover, %	96	86	101	95	89	75	76
Liquid assets, SEK M	2 494	5 557	6 893	6 591	5 171	4 864	4 814
Return on shareholders' equity, %	14.3	16.2	21.6	16.0	7.7	8.5	10.1
Return on net assets, %	17.7	20.2	28.0	21.7	12.0	10.4	12.9
Investment in property, plant and equipment, SEK M	2 353	2 486	2 050	1 229	886	886	1 021
Total investments, SEK M	6 644	4 414	2 092	1 575	964	1 311	1 761
Cash flow, SEK M	-2 035	-1 682	164	1 215	1 142	1 645	882
Number of employees, 31 Dec.	38 406	30 362	29 946	29 450	26 869	28 617	26 237

Additional per-share data is presented in the section on the Sandvik share, page 8-9.

Development by business area

	Invoiced sales			Operating profit					
	1997	1996	1995	1997		1996		1995	
	SEK M	SEK M	SEK M	SEK M	%	SEK M	%	SEK M	%
Sandvik Tooling	10 803	9 211	9 576	2 094	19	2 031	22	2 436	25
Sandvik Mining and Construction*	3 582	2 003	2 015	234	7	220	11	219	11
Sandvik Specialty Steels**	10 780	8 980	9 807	921	9	1 203	13	1 623	17
Sandvik Hard Materials	1 361	1 209	1 224	148	11	133	11	185	15
Sandvik Saws and Tools	2 787	2 517	2 674	239	9	161	6	184	7
Sandvik Process Systems	1 873	1 836	1 810	80	4	-24	-1	101	6
Seco Tools	2 889	2 475	2 555	575	20	402	16	542	21

* Including Sandvik Rock Tools (full year) and Tamrock (November-December).

** Including Sandvik Steel (full year) and Kanthal (second half of year).

