

SANDVIK AB ANNUAL REPORT 1987



Contents

1987 in brief	1
The President's letter	2
Cemented Carbide	4
Sandvik Hard Materials	4
Sandvik Coromant	5
Sandvik Rock Tools	6
Sandvik Steel	7
Sandvik Saws and Tools	8
Sandvik Process Systems	9
Report of the directors	10
Group profit and loss account	14
Group funds statement	15
Group balance sheet	16
The Parent Company's accounts	18
Accounting principles	20
Application of U.S. GAAP	21
Notes on the accounts	22
Personnel	27
Shareholdings	28
Appropriation of profits	31
Audit report	31
Directors and auditors	32
Group executive management and staff units	32
Organization	33
Business units	34
The Sandvik share	36
Five years in brief	38

Concentrated accounting

The presentation of these annual accounts differs from that of earlier years. On this occasion we have opted for a relatively strict format.

A more general treatment of our various fields of activity will be found in a special issue of our company magazine Sandvik Focus.

It is our hope that this arrangement will be better suited to the varying information needs of different interest groups.

Further copies of the Annual Report and of Sandvik Focus can be ordered from Sandvik AB, Group Staff Public Affairs, S-811 81 Sandviken.

Annual general meeting

The Annual General Meeting will be held at Folkets Hus in Sandviken on Tuesday, 17 May, 1988, at 2 p.m.

Shareholders wishing to attend the Meeting must notify the Board thereof either by letter addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telephone +46(0)26-26 10 81. Notification must reach Sandvik AB by 3 p.m. on 13 May at the latest. In order to qualify for attendance, shareholders must also have been entered in the Share Register kept by the Securities Register Centre (Värdepapperscentralen VPC AB) not later than 6 May 1988. A shareholder who has had his shares registered as held in trust ("förvaltarregistrering") must have them temporarily re-registered in his own name not later than 6 May 1988 to establish his right to attend the Meeting.

Payment of dividend

The Board and the President recommend that the Meeting declare a dividend of Skr 4:25 per share for 1987.

20 May 1988 is proposed as the "record day" ("avstämningdag"). If this proposal is adopted by the Meeting it is expected that dividends will be ready for remittance by 30 May 1988. Dividends will be sent to those who on the record day are entered in the Share Register or in the separate List of Assignees, etc.

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

Sandvik in brief

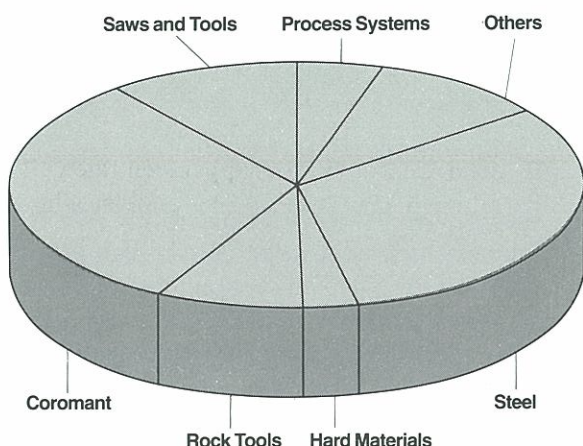
The Sandvik Group is one of Sweden's largest exporting enterprises and is active all over the world through one hundred and sixty companies in fifty countries. The Group currently has 26,000 employees and turns over more than 13 billion Swedish kronor a year.

Sandvik is the world's largest maker of cemented-carbide products, among them tools for metalworking and rockdrilling, besides being a leading producer of tubes, strip and wire made of stainless and high-alloy special steels, saws and other tools, and conveyor and process systems.

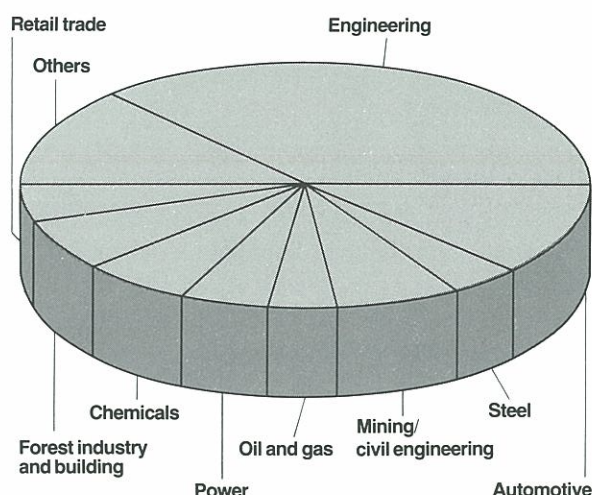
Sandvik's operations comprise six separate business areas: Sandvik Coromant, Sandvik Rock Tools, Sandvik Hard Materials, Sandvik Steel, Sandvik Saws and Tools and Sandvik Process Systems.

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

1987 in brief



Group sales per business area



Group sales per customer sector

- A new peak year. All product areas showed further improvements in profits.
- Several strategically important company acquisitions. Seco Tools bought its American competitor Carboloy, Steel and Hard Materials acquired producing companies within the EC.
- Increased liquidity despite acquisitions that absorbed about Skr 1,000m. and investments in fixed assets costing Skr 700m. The Group's liquidity is now higher than the sum of its loans.
- A strong finish to the year inspires faith in 1988.

	1987	1986
Order intake, Skr m.	13,425	12,975
Invoiced sales, Skr m.	13,241	12,721
whereof outside Sweden, %.....	92	92
Profit after financial earnings and expenses, Skr m.	1,895	1,724
Return on investment, %	21.5	21.9
Return on adjusted equity capital after tax, %	19.2	18.4
Earnings per share, Skr	19:80	16:45
Dividend per share, Skr*	4:25	3:50
Number of employees, 31 Dec.....	26,256	24,032

*1987 as recommended.

A jubilee year — A banner year

Jubilee manifestations set the tone of 1987. 125 years had passed since Sandvik launched its business, based on its own exclusive insight into the industrial exploitation of the Bessemer process. The events that were arranged to mark the anniversary were numerous and all-pervading, and they were focussed mainly on the Company's customers, employees and other interested parties in Sweden. Probably the most memorable of them all was the Jubilee Exhibition. The local sports facility, Jernvallen, was transformed into a grand presentation of Sandvik the materials-technology enterprise and its know-how. The same site was chosen for the Annual General Meeting of Shareholders, which attracted a record attendance. The King and Queen of Sweden visited the exhibition, as did nearly 26,000 others over a five-month period.

IMPROVING BUSINESS CLIMATE

The year was also a good one from the business standpoint. Following a slow start, owing among other things to delayed investments in the area of oil and energy, a wave of increases in private consumption spread steadily over the Western world. The surge in demand showed up first in our handtool orders, one-third of which comes from private consumers, e.g. through the hardware trade. Sandvik Saws and Tools adroitly took advantage of the situation and greatly increased its sales. In due course our industrial customers likewise benefited and stepped up their purchasing. The outcome of the year for the Sandvik Group as a whole was that total sales rose by 4% to Skr 13,241m.

EARNINGS UP

All product areas were able to achieve further improvements in their earnings, which brought the Group results for 1987 to a new high: Skr 1,895m. (1,724) after net financial items. Sandvik Process Systems announced the biggest percentage increase, while Sandvik Coromant and Seco Tools were the top earners in absolute terms.

Even though a total of about Skr 1,700m. was laid out on company acquisitions and investments in fixed assets the Group's liquid assets rose by Skr 470m. to Skr 4,245m., which is greater than the sum of the Group's

borrowings. Towards the end of the year the loan portfolio was reconstituted so as to bring it substantially into line with the Swedish currency basket, so that it would no longer be sensitive to shifts in the dollar exchange rate. There was a hidden exchange reserve in the dollar loans which at year's end was equivalent to Skr 188m.

INVESTMENT IN TECHNOLOGY AND RESEARCH

During 1987 the Group invested about Skr 700m. in new technology and additions to its production capacity. Of this total, Skr 286m. formed part of a capital programme under which a total of Skr 1,700m. is being invested over the period 1987–1990 at units in Bergslagen and southern Norrland. Sandvik also ploughed back about 4% of the year's turnover into research, development and quality assurance.

These moves were based on our firm belief that systematic investments in R&D and technology, without regard to cyclical ups and downs, bear fruit in the steady, long-term development of the Company and its products. Working in these areas moreover provides excellent initiation for key personnel within the Group.

STRATEGIC COMPANY ACQUISITIONS

The goal of the Sandvik Group is to achieve a position of global leadership in a number of chosen market niches. In pursuit thereof, acquisitions and strategic alliances are natural complements to the Company's own product development and marketing.

There were a number of such acquisitions during 1987, among which the biggest single deal was put through by Seco Tools when it bought from General Electric the Carboloy Systems Product Operation in the U.S., with units in Australia, Britain, Canada, France, Germany and Italy. The transaction gave a powerful boost to market shares in the U.S. and will in 1988 bring the turnover of Seco Tools within striking distance of Skr 2,000m. Among the competitors of Seco Tools, the only ones in the same size bracket are Kennametal, U.S.A., with an aggregate annual turnover equivalent to Skr 2,500m., of which 2,000m. comes from chipforming machining, and Sandvik Coromant, with an annual turnover of more than Skr 4,000m.

Seco Tools, which works quite independently and in competition with Sandvik Coromant, would thereby appear to have attained the kind of size and strength that merits a stock-exchange listing. In view of last autumn's turmoil in the stock markets the company is now planning on an application some time in 1989.

Sandvik Rock Tools, which has long led the field in percussive drilling, among other things by virtue of its forty-year market collaboration with Atlas Copco, has established itself over the past two decades in new niches:

- soft-rock drilling (coalmining, etc., and road planing)
- oil-and-gas drilling

Interesting advances were made in these two areas. In the U.S. the company acquired Hughes Mining Tools, and as a result Sandvik Rock Tools is now one of the three biggest suppliers—and often *the* biggest supplier—of coalmining tools in all major markets of the Western world.

The purchase of the Stratabit business in Houston brought Sandvik at an early stage into contact with modern diamond-drilling technology, which it was able to exploit in capturing market shares in oil-and-gas-drilling. In 1986–87 an opportunity presented itself to collaborate with Europe's largest undertaking in the field of diamond tools: Diamant Boart. The combination of Sandvik's and Diamant Boart's assets in oil-and-gas drilling to form a new specialist undertaking, Diamant Boart Stratabit (DBS), gave Sandvik a 50% stake in a company which is set to assume the leadership in this area of technology. Only Eastman-Christensen, another newly formed joint venture, has a comparable market standing in the field of diamond drilling. At the beginning of 1988, DBS has further strengthened its hand in core drilling by buying Reed-Dowdco Coring Services, an enterprise turning over Skr 50m. a year, from Camco Inc., Houston.

Sandvik Hard Materials, which works in a number of powder-metallurgical application fields, bases its operations on the sale of cemented carbide to customers outside the business areas of Sandvik Coromant and Sandvik Rock Tools. Hard Materials increased its external sales in 1987 by close on 50%, thereby greatly strength-

ening its market position in Europe, through two company acquisitions:

- Danit A/S of Denmark, with subsidiary companies in Britain, Germany, Italy, Sweden and the U.S., and
- Carboloy Limited's European business in large-volume carbide blanks and in carbide wear parts.

Sandvik Steel specializes in the manufacture of seamless tubes, wire and narrow strip for advanced applications in special steels and in titanium, nickel and zirconium alloys. By its purchase of T.I. Stainless Tubes in Britain the company was able to strengthen its leading position in Europe as regards seamless tubes and to move into the same bracket as the world's largest manufacturer, Sumitomo of Japan. Standing firm on its facilities in Sweden, in the European Community, in the U.S. and Canada and in South America, Sandvik Steel is now well placed to supply the world market with high-duty stainless-steel tube products. Out of Sandvik Steel's annual turnover, totalling some Skr 4,100m., more than half is in fact generated by tube products.

Sandvik Saws and Tools pressed ahead successfully during the year with its concentration on handtools both for industry and for hobbies and crafts. It gained further strength in the field of metal cut-off tools by its acquisition of Kapman AB, Sweden.

FUTURE PROSPECTS

Even if the Sandvik Group's business is going well and the cyclical trends are at present positive, we cannot in the longer perspective disregard the imbalances that are present in the world economy, the consequences of which are difficult to comprehend in advance. We believe, however, that 1988 will for some time keep up the rapid tempo with which it began, and that the results of some important elections will serve to buttress business confidence, thus enhancing the prospects of a comparatively good year, but even so it would be no great surprise to begin seeing signs of a cyclical downturn in the making for 1989–90.

Sandviken, March 1988

Per-Olof Eriksson
Group President and Chief Executive Officer

Cemented Carbide

Sandvik is the world's largest producer of cemented carbide, a powder-metallurgical product. The input stock is a powder, a carefully composed mixture of hard carbide particles, chiefly tungsten carbide, and a soft, tough metal, usually cobalt.

The input powder is compacted under high pressure to the desired form, then it is sintered at high temperatures to yield cemented-carbide products that are extremely hard and yet still tough.

This unique combination of wear resistance and toughness is exploited in the manufacture of cutting tools for metalworking, buttons for rockdrilling bits, or constructional parts that are exposed to extremely heavy wear.

Sandvik's cemented-carbide operations are organized in three business areas: Sandvik Coromant, which makes cutting tools, Sandvik Rock Tools, specializing in rockdrilling tools, and Sandvik Hard Materials, whose products include constructional parts. Also included is the discrete group of companies known as Seco Tools AB, which issues its own financial statements.

	1987	1986
Invoiced sales, external, Skr m.	7,109	6,693
Result after financial items, Skr m.	1,321	1,225
Balance-sheet total, Skr m.	6,719	5,735
Solidity, %	49	51
Capital expenditures, Skr m.	1,009	804
Number of employees, 31 Dec.	13,839	13,082

Sandvik Hard Materials

Sandvik Hard Materials is active over the whole field of hard materials, from cemented carbide to industrial ceramics and diamond. It makes and markets high-quality carbide blanks and complicated carbide wear parts.

President: Lars Wahlqvist

During 1987, Sandvik Hard Materials—or SHM for short—set itself to work up its external selling, as one element in a long-term strategic plan. Early on in the year, its formerly large internal deliveries of cemented-carbide powder and part of its R&D services were transferred in organizational terms to Coromant.

The external invoiced sales amounted to Skr 512m. (514), as against total invoicing of Skr 633m. (999), which means that the proportion of external business increased from 51 % of total invoicing to 81 %.

The elimination of the greater part of the internal business in Stockholm enabled SHM to concentrate more fully on its external operations, as regards both carbide blanks in large volumes and carbide for wear-part products.

COMPANY ACQUISITIONS

Our position in the market for high-quality carbide

blanks in large volumes, e.g. for the woodworking industry and for the manufacture of homogeneous cemented-carbide tools, was strengthened by the acquisition of Danit A/S in Denmark and Carboloy Ltd. in Britain. These take-overs increased SHM's external invoicing by about 50 %, while at the same time rounding out our product range. The acquisitions made Sandvik Hard Materials the world leader in its sector of the market.

During 1988 the acquired companies are to be integrated into SHM, which will produce substantial rationalization gains both on the production side and in marketing and sales.

MARKET AND FUTURE PROSPECTS

For our future work within SHM's essentially mature market we shall endeavour to enlarge our market for high-quality carbide blanks in large volumes with a view to further increasing the quantity of cemented carbide. This should give SHM a more favourable cost trend than its competitors have, thereby making it more competitive.

We are not expecting any appreciable growth in the overall market during 1988, but the acquisitions of last year are leading to bigger market shares and a positive course of development for Sandvik Hard Materials.

Sandvik Coromant

Sandvik Coromant holds a position of international leadership in cemented-carbide tools and tooling systems for metalworking: turning, milling and drilling.

President: Clas Åke Hedström

The 1987 invoiced sales amounted to Skr 4,137m., an increase of 4% (3) on the previous year. In volume terms, sales were substantially unchanged. The result represents a return on investment that exceeds by a comfortable margin the Group's target of 20%.

The number of employees at year's end was 6,964 (7,304). The capital expenditures during 1987 amounted to Skr 228m. (235).

CONCENTRATED THRUST IN THE U.S. MARKET

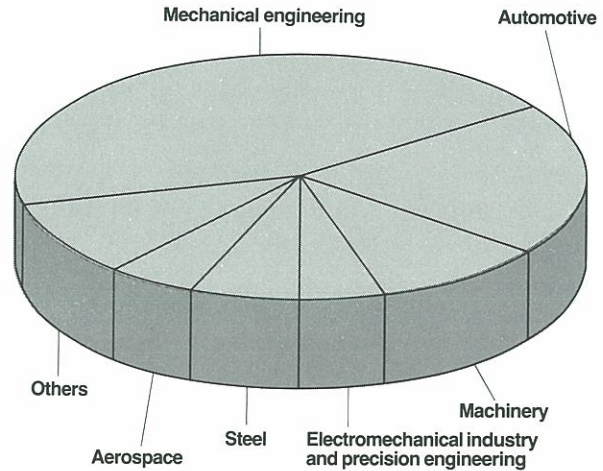
Our sales increased in the important North American market, with bigger market shares in consequence. In three industrial regions of the north-eastern U.S., which between them represent about one-half of our market potential, our own salespeople and specialists mounted a vigorous campaign targeted directly on major customers. At the same time we overhauled our network of distributors, who will continue to be an important sales channel.

The markets that exhibited the most vigorous growth during 1987 were Australia, South Korea, Spain and Portugal. The negative trend in Japan bottomed out, followed by an increase in sales during the second half of the year.

The downturn in West Germany worsened in the early part of 1987, and this continued throughout the year. Benelux, Austria and Switzerland likewise showed an unfavourable trend. The Coromant companies in Britain and France retained their strong market positions, and the positive development in Italy continued.

IMPROVED CUSTOMER SERVICE

Coromant Value, a wide-ranging customer-oriented service programme, has strengthened our international competitiveness. The programme includes delivery service, technical service and counselling on production economics.



Sandvik Coromant, customer-sectors

For the second year in succession, the British car-maker Jaguar has conferred upon Sandvik Coromant a prestigious prize, the "In Pursuit of Excellence Supplier Award", for its service performance and for its high product quality.

NEW PRODUCTS

Sandvik Coromant's unique standing on the market is the outcome of intensive and long-continued research and development. During 1987 we invested more than Skr 200m. in this activity. The company has pressed ahead with the development and introduction of a broad range of new cemented carbides, insert geometries and tool designs, and the new products are showing a steeply rising sales curve.

At EMO, the international tool fair in Milan, Sandvik Coromant unveiled a concrete application in the area of Tool Management. This new concept from Sandvik Coromant features a modular tooling system provided with code-carriers, which, via data communication, provides a link-up between planning work, tools and machines. The concept aroused keen interest across the board.

TOTALLY INTEGRATED INSERT MANUFACTURE

Now that it has taken over large parts of the R&D and production operations from Sandvik Hard Materials in Stockholm, Sandvik Coromant has integrated development and production of carbide inserts within one and the same organizational unit. This will enable us to produce inserts at lower cost and with higher performance.

PROSPECTS FOR 1988

We are expecting 1988 to be a good year for Sandvik Coromant, even though the general pace of business can be expected to slacken towards the end of the year within sectors that are of importance to us.

Sandvik Rock Tools

Sandvik Rock Tools is the world's leading enterprise in the area of cemented-carbide rock-drilling tools for mining and civil engineering. President: Lars Östholm

Invoiced sales amounted in 1987 to Skr 1,093m. (1,116). The number of employees at year's end was 1,657 (1,760). Capital expenditure on fixed assets and company acquisitions totalled Skr 166m. (45).

The downturn in sales must be viewed in the light of the structural changes that were put through when the formerly wholly owned Strata Bit Corporation, of the U.S., was incorporated into a joint venture with Diamant Boart S.A., of Belgium. The 1987 invoicing volume of Sandvik Rock Tools as such was on the same level as in 1986. The return on investment exceeds the Group target of 20%.

STRATEGY

The strategy that Sandvik Rock Tools pursues is to market a range of tools that cover all conceivable applications as regards drilling in rock and through overburden and to achieve a position of leadership in every such segment of the market. During 1987, Sandvik Rock Tools took the following steps to strengthen its positions:

TOOLS FOR PERCUSSION DRILLING

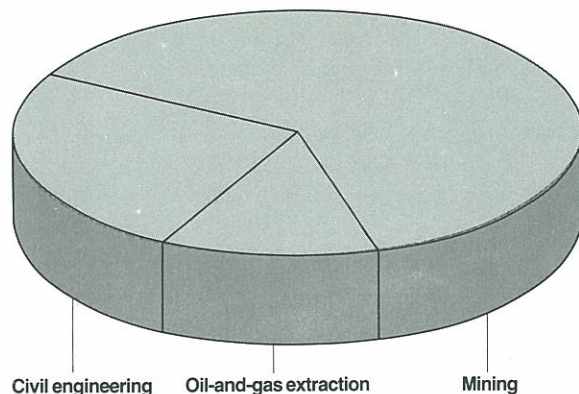
Tools of this type are used mainly for hard and medium-hard rock, with applications in mining and in civil engineering.

The forty-year-old collaboration with the Atlas Copco organization in this product sector has been renewed and revitalized in a way that has benefited efficiency on both sides.

The 1986 Annual Report made reference to a new, patent-protected grade of carbide that has made it possible to improve toughness and wear resistance at the same time. In the course of 1987 a new programme of benching bits and down-the-hole bits armed with this new carbide was released to the market together with the already existing drifter bits. Other tools were also evolved, among them guide rods for straight-hole drilling and a new generation of drifter rods. The production facilities were going through an extensive refurbishment, due to be completed in 1988.

TOOLS FOR DRILLING IN SOFT ROCK

These tools, known as mineral and ground engineering tools, are used in such operations as coalmining and road planing. Sandvik Rock Tools has had a strong standing on this market in Europe, Africa and Australia but has not previously had a presence in the U.S., which is the largest market for these products. In November



Sandvik Rock Tools, customer-sectors

1987, Sandvik Rock Tools acquired Hughes Mining Tools, a division of Baker Hughes Inc. This unit, Sandvik Rock Tools Inc., turning over about U.S.\$25m. a year, is one of the three leading companies of the U.S. in this area. Added to the existing units in Europe and on other continents, this puts Sandvik Rock Tools into a leading position in the Western world as regards these products.

TOOLS FOR ROTARY CRUSHING DRILLING

This group of products embraces raiseboring equipment and roller bits for use both in mining and in civil engineering. Considerable successes were achieved during the year, especially as regards raiseboring equipment, where the product programme now comprises drilling heads ranging in diameter from 0.6 to 6.1 metres.

OIL-DRILLING TOOLS

Under this heading, Sandvik Rock Tools has chosen to concentrate on a new product area: drill bits with diamond cutters. Since the market in general is characterized by pronounced recession it was considered important to concentrate our activities on a product group offering the prospect of increased market shares. Drill bits with diamond cutters are well suited for the sedimentary rocks in which oil and gas are found, and they are taking more and more of the market from the roller bits that have been used up to now. Strata Bit Corporation and Diamant Boart stood for two different and complementary types of diamond bit. Uniting the two firms in a 50/50 joint venture created a new enterprise, Diamant Boart Stratabit, headquartered in Brussels and represented in all the major oil-drilling markets, which is one of the two leading contenders in this field.

FUTURE PROSPECTS

The rockdrilling market has undergone sweeping changes during the 1980s, and brisk technological progress will remain its keynote in the future. New types of drill and new methods of extraction are being tried out. A decisive role in the introduction of novel technology is played by the tools involved. Sandvik Rock Tools is well placed to continue playing a leading role in these developments.

Sandvik Steel

Sandvik Steel is one of the world's leading producers of tubes, strip and wire for advanced applications in special steels and in nickel, titanium, and zirconium alloys.

President: Gunnar Björklund

	1987	1986
Invoiced sales, external, Skr m.	4,066	4,058
Result after financial items, Skr m.	291	247
Balance-sheet total, Skr m.	3,606	3,473
Solidity, %	35	34
Capital expenditures, Skr m.	179 ¹	120
Number of employees, 31 Dec.	6,365 ²	5,736

¹ Whereof for company acquisitions about Skr 30m.

² Whereof about 600 at acquired companies

THE MARKET

The market for Sandvik Steel's products was affected during the year by a number of factors, both negative and positive.

The demand for seamless stainless steel tubes was very feeble at the end of 1986 and during the first half of 1987. The 11% fall in the U.S. dollar lopped nearly Skr 100m. off the converted value of invoiced sales on the important North American market.

Prices were also in a weak trend at the beginning of the year by reason of the fall in the prices of raw materials. Later on in the year, it proved possible to get prices moving upwards again following a strong rebound by raw materials.

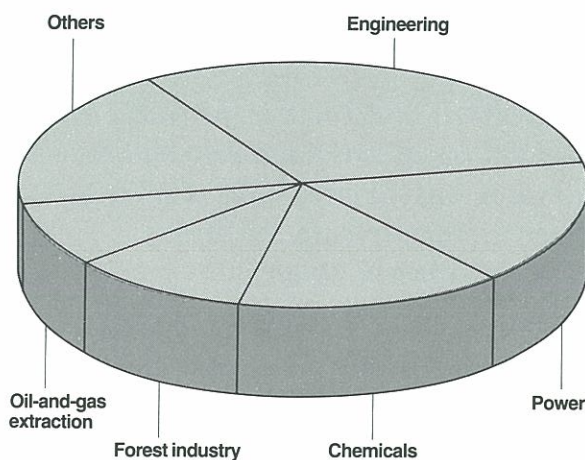
Demand for products closely tied to consumption, most notably strip products, was very good in a number of markets. Manufacture and delivery of steam-generator tubes for nuclear power plants ran at a very high level, and there was also a marked upturn in the output of titanium tubes and titanium golf-club shafts.

As the year drew to its close the production departments were notably busier than they had been at the end of 1986.

CAPITAL EXPENDITURES AND COMPANY ACQUISITIONS

After some years of consolidation the company was able to step up its investments in facilities. Considerable capital projects were adopted within all sectors of production at Sandviken.

In the course of the year the company acquired the remaining 50% of the shares in the Canadian tube mill Nor-Sand, which specializes in light-gauge tubes made to high purity specifications for such industries as electronics and aerospace.



Sandvik Steel, customer-sectors

On 30 November 1987, Sandvik Steel acquired the British firm of T.I. Stainless Tubes, with about 500 employees and an annual turnover of Skr 250m. This company has a very strong standing in the British market for high-duty stainless tubes to be used in the chemical, nuclear power, coal power and oil-and-gas industries. By this acquisition, Sandvik has strengthened its position as a leading producer of seamless tubes on the world market. The calculation is that considerable rationalization advantages will come within reach in due course.

The strategically important point is that Sandvik now has a production unit within the highly significant EC market.

With its large production operation in the U.S. (800 employees), and with the dollar exchange rate on the decline, Sandvik is very well placed to defend its positions on the North American market.

Exports from Sweden to the U.S. account for only 40% of our sales in that country. We are therefore counting on continued growth in the U.S., despite growing obstacles to trade in the form of quotas and extra duties.

RESULTS AND FUTURE PROSPECTS

The results after interest payments showed an improvement, despite the poor capacity utilization with which the year began and the return on investment worked out at 16.1% (15.3). During 1986, however, results had suffered to some extent through losses of Skr 96m. stemming from a writedown on raw-material inventories, whereas the 1987 results include a minor price gain. For 1988 the company expects to be able to maintain its earnings and its rate of return at the 1987 level.

Sandvik Saws and Tools

Sandvik Saws and Tools is the world's largest manufacturer of saws and saw blades; it also makes a broad range of other quality tools for industry, craftsmen and hobbyists.

President: Hans Norman

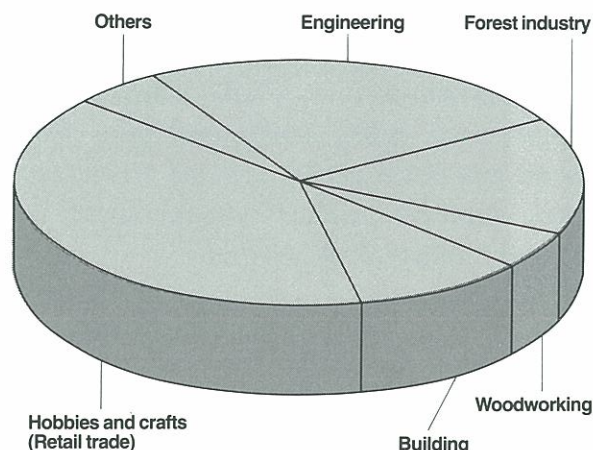
	1987	1986
Invoiced sales, external, Skr m.	1,375	1,216
Result after financial items, Skr m.	104	103
Balance-sheet total, Skr m.	872	811
Solidity, %	41	39
Capital expenditures, Skr m.	34	53
Number of employees, 31 Dec.	2,241	2,197

SUCCESES IN EUROPE

With invoiced sales of our products worth 980 million kronor, Western Europe is our self-evident basic market. The lion's share of this invoicing is generated by exports from our producing units in Sweden. In cyclical terms, 1987 turned out to be a better year than we had been expecting. Both in the craft-and-hobby market and in the engineering industry the demand for tools was good. Overall, however, demand in these sectors is in retreat, and overcapacity in production is leading to fierce competition. We acquitted ourselves well on the market, raising our invoiced sales by 13%. Structural changes within the various product areas are in prospect, as regards both manufacture and distribution, and Sandvik Saws and Tools will take an active part in this process. We are concentrating on tools for wood- and metalworking, for forestry and for gardening. At the same time, by raising brand-consciousness among our customer-categories, developing and broadening our range, we shall boost our share of total tool distribution.

ACQUISITIONS AND DIVESTITURES

In the course of the year, Saws and Tools sold off Micor AB, of Laholm in Sweden, and also divested itself of its business in South Africa. The sale of Micor was one stage in our withdrawal from the area of heavy tools for the woodworking industry. Our operation in South Africa was on a small scale and was unprofitable, and it was therefore disposed of to a major local company. Conversely, we purchased Kapman AB, which makes and sells metalcutting saws. Kapman turns over about Skr 30m. a year and has its facilities in Veddige, Sweden. Taken together, these changes did not have any appreciable effect on the year's invoicing.



Sandvik Saws and Tools, customer-sectors

Some thoroughgoing and costly restructuring was carried out at Windsor Corp., which was acquired in 1986. Windsor is concentrating its business within the U.S. and is phasing out its own producing units and sales companies in other countries.

The organization of Sandvik Saws and Tools is characterized by decentralized decision-making in order to promote drive and flexibility. As a further step in the same direction, the firm's producing units in Sweden were reconstituted as discrete companies.

IMPROVED PRODUCTIVITY AND PROFIT

Good growth in sales and production had the effect of improving our productivity and thus raising our profitability. During recent years we have been investing heavily in order to attune our production to the market and step up its efficiency. The desired effects are not confined to lower production costs and reduced capital tie-up; they also extend to an improvement in service level.

Within several product areas we are the world's largest manufacturer, and this gives us a cost advantage over our competitors. On the distribution side, too, we increased our productivity by handling larger volumes with substantially unchanged resources. We are helped by increasingly advanced computer systems for logistics and order processing. Our profit, solidity and liquidity gives us the financial strength we need to continue our expansion and make ourselves more competitive. The return on investment exceeds the Group target of 20%.

OUTLOOK FOR 1988

The prospects for 1988 are pretty much the same as they were for 1987, although world trade is expected to turn weaker towards the end of the year. However, we are well placed to continue increasing our market shares and we therefore look forward to a further small increase in volume.

Sandvik Process Systems

Sandvik Process Systems designs and markets process plants for various categories of industry along with installations for the automatic handling and sorting of goods. Most of these facilities incorporate steel conveyor or process belts, the most important component in this business area.

President: Håkan Olofsson

	1987	1986
Invoiced sales, external, Skr m.	638	713
Result after financial items, Skr m.	132	100
Balance-sheet total, Skr m.	524	422
Solidity, %	43	41
Capital expenditures, Skr m.	16	9
Number of employees, 31 Dec.	521	557

THE MARKET

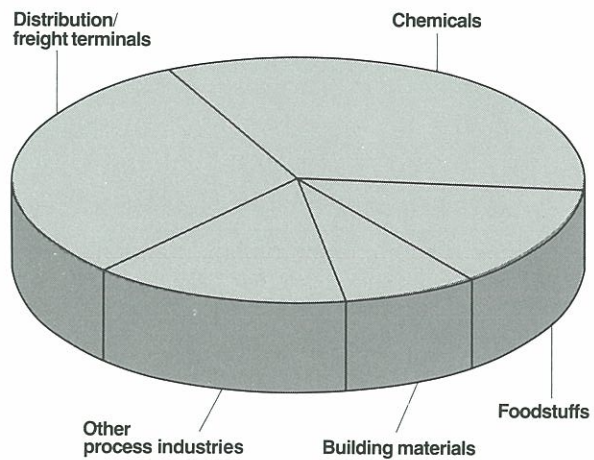
The tone of 1987 was set by continued positive development in all important product areas and markets. We pressed ahead with the rationalization both of our organization and of our resource utilization, a scheme that was already in progress, with the intention of concentrating our marketing activities to Europe, Japan/Korea and North America. The product range was accommodated to the three primary areas of steel belts, automated sorting systems, and industrial processes in which molten material is made to assume the solid state. These areas showed good growth and partly compensated for the divestiture of the Spooner Group, which took place at the end of 1986. Above all, the new approach resulted in a significant upturn in profits.

STEEL BELTS

The trend towards high-quality steel belts in sophisticated facilities remained in force, yielding some increase in volume. So as to take advantage of the growing market potential, major efforts were put into the areas of new materials and surface treatment, and this called for some increase in our specialist staff. We were likewise able to defend our positions with good effect in the area of traditional steel belts, thanks to an improved organization for marketing and service.

AUTOMATED SORTING SYSTEMS

During 1987, Process Systems recorded its largest-ever



Sandvik Process Systems, customer-sectors

volume increase within this area. Growth was particularly vigorous in Japan, although Europe also did well. In the course of the year the first facility in North America was commissioned. Our all-time-biggest order was secured in Japan, with delivery due during 1988; it will be able to handle 30,000 parcels an hour. The combination of a consolidated operation in Japan, brisk growth in Europe and positive indications in North America gives firm grounds for optimism as to our potential for further development in this field.

PROCESS INSTALLATIONS FOR INDUSTRY

Our concentration on the Rotoform process for stock solidification continued during the year. The process was further developed to render it capable of dealing with high-viscosity materials and of producing pastilles in a variety of forms. For the first time, too, the Rotoform process was applied in a freezer installation.

The development of our own processes within well-defined areas led to a higher average order value. Our moves towards concentration, in turn, brought about improved profitability and competitiveness through more effective utilization of our own know-how.

FUTURE PROSPECTS

A review of the current situation reveals that the accommodation of Process Systems to a more rational organization with clearly defined product areas and applications has been crowned with success. This fact, taken together with heavier investments in the selected working areas, has left us well positioned on the market. We intend to abide by our basic business philosophy, carried forward by the efforts of highly qualified staff and the development of niche products. This should enable Process Systems to continue its successful advance.

Report of the directors

MARKET SITUATION AND SALES

	1987	1986	Change %
Order intake, Skr m.	13,425	12,975	+3
Invoiced sales, Skr m.	13,241	12,721	+4

As the year 1987 began, industrial markets were slack. West Germany and Japan, in particular, were hit by falling export demand which could not be sufficiently offset by domestic demand. During the second half of the year the cyclical pattern showed an improvement in Japan and in several West European countries thanks to an upturn in domestic consumption. The same applied to the U.S., which was also able to record a very welcome increase in exports. Production facilities in the major industrial countries were thus kept busy during the latter part of the year. The turbulence in the financial markets during the autumn added to the uncertainty. The imbalances in the American economy attracted much more attention than before. It is possible that the stock-market crash helped to bring forward what was in any case a necessary check to American overconsumption.

As for the other markets that are important to Sandvik, the state of trade improved in most of those with dollar-related currencies, especially Australia, Korea and South-East Asia. In Brazil, the situation underwent a drastic deterioration during the spring and then stabilized again. Brazil, however, is faced with some stubborn problems. The markets of the Eastern bloc were generally slack.

During 1987, there were again considerable swings in exchange rates. The average dollar rate fell by 11% while the German and Japanese currencies rose by 7% and 4% respectively against the Swedish krona.

Invoiced sales per market area and per product area are summed up in the tables below.

Invoiced sales per market area	1987		1986		Change %
	Skr m.	Percent- age	Skr m.	Percent- age	
Europe	8,113	61	7,949	63	+2
(whereof Sweden)	(1,130)	(8)	(1,069)	(8)	(+6)
North America	1,994	15	1,777	14	+12
Latin America	913	7	908	7	+1
Africa, Asia, and Australia	2,221	17	2,087	16	+6
	13,241	100	12,721	100	+4

Invoiced sales per product area	1987		1986		Change %
	Skr m.	Percent- age	Skr m.	Percent- age	
Cemented Carbide	7,109	54	6,693	53	+6
Steel	4,066	31	4,058	32	+0
Saws and Tools	1,375	10	1,216	10	+13
Process Systems	638	5	713	5	-11
Other	53	-	41	-	+29
	13,241	100	12,721	100	+4

Business conditions and the trend of sales are dealt with in more detail in the reviews of the individual business areas beginning on page 4.

The year-on-year developments tabulated above include the effects of structural changes. After allowing for businesses acquired and sold off, invoicing showed an increase of 3% on the 1986 figure, while the order intake was up by 2%.

Invoiced sales in the ten largest markets:

Invoiced sales per market Skr m.	1987	1986	Change %
U.S.A.	1,694	1,487	+14
West Germany	1,640	1,591	+3
France	1,350	1,284	+5
Sweden	1,130	1,069	+6
Italy	893	832	+7
Great Britain	850	938	-9
Japan	700	668	+5
Brazil	548	555	-1
Australia	392	342	+15
Spain	307	309	-1

COMPANY ACQUISITIONS AND OTHER CHANGES

During the autumn, in connection with a financial reconstruction, Sandvik Coromant acquired the remaining part of the Mexican company Tungstemex S.A. de C.V. Tungstemex, which makes carbide powder, has a turnover just short of Skr 10m. a year and employs 40 people.

A shift in the line of demarcation between Sandvik Coromant and Sandvik Hard Materials was implemented at the beginning of the year. The effect of it was

that all business concerned with insert manufacture, beginning with the powder production, is brought together within Sandvik Coromant. The change made it possible for Sandvik Hard Materials to concentrate more fully on working up an external market within its main fields. At the same time, the business carried on in the Nordic market by Sandvik Hard Materials was concentrated to a separate company, Sandvik Hard Materials Norden AB, based in Örebro, Sweden.

Sandvik Hard Materials acquired Carboloy Ltd. of Britain on 25 September and Danit A/S of Denmark, with its subsidiaries, on 1 October. Carboloy Ltd., has carbide rods and carbide wear parts as its main products. The company turns over about Skr 110m. a year, and at the time of the take-over it had about 240 employees. A programme of rationalization and restructuring of the business was put in hand. The company is due to be co-ordinated with Sandvik Hard Materials Ltd. Danit A/S makes carbide products for the woodworking industry, pins for tyre studs, installation drilling templates and carbide wear parts. The Danit Group turns over close on Skr 200m. a year and had about 350 employees at the time of the take-over. Rationalization and restructuring of the group was put in hand, the intention being to co-ordinate it with existing Sandvik companies in the U.S., Britain, Germany and Italy.

On 25 September Seco Tools acquired Carboloy Systems Product Operation from the General Electric Company, U.S.A., with units in Canada, Australia, France, Germany, Italy and Britain. Carboloy, not counting the part in Britain that was acquired by Sandvik Hard Materials, turns over about Skr 600m. a year and employs about 1,250 people. The product programme is mainly concerned with carbide tools for chipforming machining.

On 30 June, in partnership with the Belgian company Diamant Boart, Sandvik Rock Tools launched a 50/50 jointly owned group of companies under the name of Diamant Boart Stratabit S.A., active in the area of drill bits with diamond cutters for oil-and-gas prospecting. Sandvik's earlier operation in this field, which was run by its subsidiary Strata Bit Corporation in Houston, Texas, with subsidiaries of its own in a number of countries, was transferred to the new company.

On 19 November, Sandvik Rock Tools acquired Hughes Mining Tools, of Virginia and Ohio, from Baker Hughes Inc., U.S.A. Hughes Mining Tools is one of the leading U.S. manufacturers of tools for work in soft rocks. The company turns over about Skr 150m. a year and employs about 170 people. Its name was changed to Sandvik Rock Tools Inc.

The production carried on by Sandvik Rock Tools at its French subsidiary Le Burin was moved in June to Bourg and Sandviken.

On 20 August, Sandvik Steel acquired the remaining 50% of Nor-Sand Metals Inc., Canada, which makes high-duty stainless seamless tubes and also nickel-alloy

tubes. The company turns over about Skr 75m. a year and has about 100 employees. Its name was changed to Sandvik Tube Inc.

On 30 November, Sandvik Steel acquired T.I. Stainless Tubes, Ltd., of Britain, from the T.I. Group. T.I. Stainless Tubes is one of Europe's major producers of seamless stainless tubes. The company turns over about Skr 250m. a year and employs about 500 persons. Its name was changed to Sandvik Stainless Tubes Ltd.

In the course of the summer Sandvik Steel also acquired the remaining 25% of Edmeston AB. Edmeston designs and supplies plants for the process industry in which corrosion-resistant steel is used in important components.

On 1 January, Sandvik Saws and Tools disposed of Micor AB and Nordland AB to Kurdiagruppen AB but will continue to sell the products of the said companies. On 20 March it bought Kapman AB, of Veddige, Sweden, from Rang Invest. Kapman makes metalcutting bandsaws along with hacksaw and power-saw blades. Its annual turnover is about Skr 30m., and its personnel strength at the time of the take-over was just short of 60. Its manufacture was thereafter transferred to AB Sandvik Metal Saws, Lidköping. On 1 August, Saws and Tools disposed of its operation in South Africa.

The situation of AB Sandvik Electronics was reviewed during the spring, after which parts of the business were transferred to Sandvik Steel and Sandvik Coromant while other parts were phased out. At the beginning of 1988, the subsidiary company AB Sandvik Bergstrand, of Östersund, Sweden, was sold to Danieli International Holding S.A.

On 17 December, Ferrolegeringar Trollhätteverken AB was acquired from Metallurg Inc., U.S.A. The business is concerned with the roasting of molybdenum ore concentrates and the grinding of powder for welding electrodes, and employs about 50 people in Trollhättan.

On 30 December, Fagersta Energetics AB was acquired. This company, which was earlier a member of the Celsius Group (formerly Svenska Varv), among other things builds and installs flue-gas heat-recovery equipment in district heating centres, based on a patented flue-gas cooler made of high-duty stainless steel. The business employs eight people.

At the beginning of the year a re-insurance company, Sansafe S.A., of Luxembourg, was acquired. The use of this company made possible a more rational handling of the Group's insurances.

With the intention of achieving a better co-ordination of payment flows and international borrowing and liquidity management it was resolved to establish a wholly owned finance company, Sandvik Finance b.v., in the Netherlands with a branch office in Lucerne, Switzerland. The business will be successively brought into operation during 1988.

In December, three property-management companies were formed jointly with NF Fastighetspartner AB and

will be charged with managing and developing Sandvik's stock of properties in the Västberga and Kista districts of Greater Stockholm. The said properties were thereupon sold to these companies.

Sweden's new "South Africa Act" prohibited trade between Swedish firms and South Africa and Namibia with effect from 1 October 1987. Sandvik's remaining business in South Africa, which is based on the local manufacture of carbide products, is to be retained.

The President's letter deals on page 2 with the strategic background to the year's major acquisitions.

RESULTS AND RETURNS

	1987	1986
Operating profit after depreciation, Skr m.	1,994	1,786
and as a percentage of invoiced sales	15.1	14.0
Profit after financial earnings and expenses, Skr m.	1,895	1,724
and as a percentage of invoiced sales	14.3	13.6
Return on investment, %	21.5	21.9
Return on adjusted equity capital after tax, %	19.2	18.4
Earnings per share, Skr	19:80	16:45

For definitions, see p. 21.

The operating margin (operating profit after depreciation as a percentage of invoiced sales) showed an improvement despite the negative effect of the newly acquired companies. Factors contributing thereto were rationalization measures, price gains on inventories and a more favourable price structure.

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

	Invoiced sales Skr m.	Profit Skr m.	Net margin %
1986: 1st quarter	3,141	433	14
2nd quarter	3,226	488	15
3rd quarter	2,994	400	13
4th quarter	3,360	403	12
1987: 1st quarter	3,070	438	14
2nd quarter	3,228	475	15
3rd quarter	3,034	449	15
4th quarter	3,909	533	14

The results were charged with Skr 24m. (16) to be set aside under the profit-sharing scheme for employees in Sweden.

The non-recurring earnings and expenses amounted to a net figure of Skr 22m. (-30). The sale of the properties in Stockholm to the newly formed, partly owned property companies realized a capital gain of Skr 41m.

The profit before appropriations and taxes came to Skr 1,893m. (1,678).

The 1987 earnings per share after estimated full tax came to Skr 19:80 (16:45). The earnings per share after estimated full tax including shares in associated companies and after full conversion of outstanding convertible loans would work out at Skr 19:45 (16:05). Supplementary per-share data will be found in the section devoted to the Sandvik share on p. 36.

Reported tax outgoings amounted to Skr 573m. (514) for the Group and Skr 287m. (93) for the Parent Company. No profit-sharing tax was payable for 1987, as against 1986 charges of Skr 24m. for the Group whereof Skr 18m. for the Parent Company.

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

Profit after financial earnings and expenses	1987 Skr m.	1986 Skr m.	Change Skr m.
Cemented Carbide	1,321	1,225	+96
Steel	291	247	+44
Saws and Tools	104	103	+1
Process Systems	132	100	+32
Other activities	47	49	-2
Group totals	1,895	1,724	+171

"Other activities" include regional companies, service companies, Group functions and the central finance business.

Supplementary key ratios and comments upon the course of development are given in the reviews per business area on p. 4.

FINANCE

	1987	1986
Cash flow, Skr m.	553	1,099
Liquid assets, 31 Dec., Skr m.	4,245	3,776
Net interest expense, Skr m.	-106	-99
Net financial items including exchange differences, Skr m.	-99	-62
Interest, times covered	5.1	4.4
Solidity, %	36	34
Venture-capital percentage	46	44
Debt/equity ratio	0.8	1.0
Adjusted equity capital, Skr m.	5,809	4,978
Adjusted equity capital per share, Skr	110:60	95:50

For definitions, see p. 21.

Net finance generated by operations amounted to Skr 1,798m. (2,103). The very high level of investments in 1987, including the company acquisitions, held the financial surplus after investments (cash flow) down to Skr 553m. (1,099).

The Group's loans were reduced during the year by Skr 285m. (353). (Exclusive of loans coming to the Group through acquisitions and exclusive of the increase due to unrealized exchange losses.) The loan portfolio was reconstituted during the second half of the year to render it more neutral vis-à-vis variations in the dollar exchange rate. The Group's liquid assets rose by Skr 469m. to Skr 4,245m. (against a 1986 increase of Skr 910m. to Skr 3,776m.).

The net interest figure deteriorated by Skr 7m. owing to a less favourable interest situation and to inflation losses in Brazil. The net figure on financial account, defined as the net interest items plus the exchange differences on loans and dividends on shares, deteriorated from a deficit of Skr 62m. in 1986 to one of Skr 99m. in 1987. These figures include interest outgoings for pension liabilities.

Reported exchange differences on loans amounted to Skr 3m. net (33), of which a gain of Skr 49m. (79) was realized in connection with amortizations and a loss of Skr 46m. (46) was unrealized. Unrealized exchange gains are reported only insofar as the exchange rate is not below the original rate at the time when the loan was taken up. If the rate declines below its original level, these effects are not recognized in the books until the loan is amortized. On 31 Dec. 1987, unrealized and unbooked exchange gains of this kind stood at Skr 188m. (125).

Conversions of the 1977 convertible loan increased the equity capital by Skr 15m., of which Skr 10m. was share capital and Skr 5m. was in the statutory capital reserve.

CAPITAL EXPENDITURES

	1987	1986
Investments in facilities, Skr m.	675	669
and as a percentage of invoiced sales	5.1	5.3
Company acquisitions, Skr m.	747	430
Total capital expenditures, Skr m.	1,422	1,099
and as a percentage of invoiced sales	10.7	8.6

Capital expenditures within Sweden came to Skr 512m. (819), of which Skr 428m. (744) was spent at the Parent Company, including its subordinate companies.

The breakdown by product areas was as follows:

	1987 Skr m.	1986 Skr m.
Cemented Carbide	1,009	804
Steel	179	120
Saws and Tools	34	53
Process Systems	16	9
Regional companies, service companies and collective functions	184	113
Group totals	1,422	1,099

In December 1986 Sandvik received the Government's permission to use, during the period 1 April 1987–31 December 1990, Skr 1,695m. out of investment-reserve monies for building and machinery investments in Bergslagen and southern Norrland. Of this amount, Skr 286m. was utilized during 1987.

PERSONNEL

	1987	1986
Number of employees on 31 Dec.	26,256	24,032
Average number of employees	25,144	24,033

The net effect of the year's acquisitions and sales of companies was an increase of 2,643 employees. On the basis of comparable activities the number of people employed declined by 419 (1986: a decrease of 141).

The number of people employed by the Parent Company and its subordinate companies as of 31 Dec. 1987 was 9,159 (9,543). Group employees in Sweden as of 31 Dec. 1987 numbered 10,276 (10,567).

The number of employees per business area will be found in the reviews of the individual business areas beginning on page 4.

Data on the personnel costs and on the average number of employees in Sweden and abroad will be found on page 27.

Group's profit and loss account

	1987	1986
Amounts in Skr million		
Invoiced sales Note 2	13,241	12,721
Costs of production, sales and administration	<u>-10,733</u>	<u>-10,472</u>
TRADING PROFIT BEFORE DEPRECIATION	2,508	2,249
Scheduled depreciation Note 3	<u>-514</u>	<u>-463</u>
TRADING PROFIT AFTER DEPRECIATION	1,994	1,786
Financial items:		
Dividends received	4	4
Interest received Note 4	356	444
Interest paid Note 4	<u>-462</u>	<u>-543</u>
Exchange differences on loans Note 5	3	33
PROFIT AFTER FINANCIAL EARNINGS AND EXPENSES Note 6	1,895	1,724
Employees' share of profits	<u>-24</u>	<u>-16</u>
Non-recurring earnings and expenses Note 7	22	-30
PROFIT BEFORE APPROPRIATIONS AND TAXES	1,893	1,678
Appropriations:		
Difference between book and scheduled depreciation Notes 3, 18	<u>-158</u>	<u>-263</u>
Change in inventory reserves Note 19	54	-36
Change in investment reserves and renewal reserves Note 20	<u>-452</u>	<u>-202</u>
Other appropriations Note 21	-2	-96
PROFIT BEFORE TAXES	1,335	1,081
Taxes	<u>-573</u>	<u>-514</u>
PROFIT AFTER TAXES	762	567
Minority interest in profit	<u>-6</u>	<u>-50</u>
GROUP NET PROFIT FOR THE YEAR	756	517

Group funds statement

	1987	1986
Amounts in Skr million		
FUNDS GENERATED INTERNALLY		
Result before appropriations and taxes	1,893	1,678
Re-posting of depreciation	514	463
Re-posting of unrealized exchange differences on loans	46	46
Re-posting of capital gain/loss on shares and facilities sold	-79	-19
Decrease/increase on blocked accounts for fund allocations.....	267	-126
Taxes	-508	-484
Dividends	-185	-143
Total funds generated internally.....	<u>1,948</u>	<u>1,415</u>
CHANGE IN WORKING CAPITAL		
Decrease/increase in inventory	94	-91
Increase in current receivables	-243	-109
Decrease/increase in interest-free trading debts	-1	888
Total change in working capital	<u>-150</u>	<u>688</u>
Net finance derived from operations.....	1,798	2,103
NET INVESTMENTS		
Acquisition of companies	-747	-430
Acquisition of fixed assets	-675	-669
Sale of companies.....	118	63
Sale of fixed assets.....	59	32
Net investments	<u>-1,245</u>	<u>-1,004</u>
FINANCIAL SURPLUS (CASH FLOW).....	553	1,099
FUNDS USED/GENERATED EXTERNALLY		
Equity capital:		
Increase by conversion of loan	15	33
Loans:		
Increase in short-term loans	30	757
Decrease in long-term loans	-300	-1,077
Decrease in convertible loan	-15	-33
Total loans	<u>-285</u>	<u>-353</u>
Other financing, net:		
Decrease/increase in long-term receivables.....	125	-8
Increase in pension liability	74	91
Decrease in other long-term debts.....	-45	-5
Total other financing, net	<u>154</u>	<u>78</u>
TOTAL FUNDS USED EXTERNALLY	<u>-116</u>	<u>-242</u>
Translation differences, etc.....	42	53
INCREASE IN LIQUID ASSETS	<u>469</u>	<u>910</u>

Group balance sheet

ASSETS	1987	1986
Amounts in Skr million		
CURRENT ASSETS		
Cash in hand and at banks	860	923
Bonds and other short-term securities Note 8	3,385	2,853
Bills receivable from customers	394	485
Other customer receivables	2,531	2,099
Prepaid costs and accrued revenues	186	159
Other current receivables	361	264
Inventory	4,008	3,706
	11,725	10,489
BLOCKED ACCOUNTS		
FOR FUND ALLOCATIONS..... Note 9	19	286
FIXED ASSETS		
Shares Note 10	490	227
Long-term receivables..... Note 11	733	856
Goodwill and other intangible assets..... Note 12	123	148
Construction in progress	141	81
Machinery and equipment Note 13	2,229	1,874
Land and buildings..... Note 13	1,431	1,423
	5,147	4,609
TOTAL ASSETS	16,891	15,384
Pledged assets..... Note 14	1,484	1,375

LIABILITIES AND EQUITY CAPITAL	1987	1986
Amounts in Skr million		
CURRENT LIABILITIES		
Bills payable	444	105
Owed to suppliers.....	571	813
Tax debts	386	346
Accrued expenses and prepaid revenues	1,137	981
Short-term loans.....Note 16	2,731	2,609
Other current liabilities.....Note 15	932	1,001
	<u>6,201</u>	<u>5,855</u>
LONG-TERM LIABILITIES		
Long-term loans.....Note 16	1,140	1,270
Provision for pensions.....Note 17	1,029	933
Other long-term liabilities	346	279
	<u>2,515</u>	<u>2,482</u>
CONVERTIBLE BOND LOANS.....Notes 5, 25	142	157
UNTAXED RESERVES		
Accumulated depreciation above schedule.....Note 18	1,407	1,257
Inventory reserve.....Note 19	1,082	1,134
Investment and renewal reserves.....Note 20	1,304	852
Other untaxed reserves.....Note 21	120	118
	<u>3,913</u>	<u>3,361</u>
MINORITY INTEREST		
IN EQUITY CAPITAL.....Note 23	36	40
EQUITY CAPITAL.....Note 24		
Restricted equity capital:		
Share capital	1,313	1,303
Statutory capital reserves	783	669
	<u>2,096</u>	<u>1,972</u>
Unrestricted equity capital:		
Unrestricted reserves.....	1,228	996
Translation difference	4	4
Group net profit for the year	756	517
	<u>1,988</u>	<u>1,517</u>
Total equity capital.....	4,084	3,489
TOTAL LIABILITIES AND EQUITY CAPITAL	16,891	15,384
Contingent liabilities.....Note 26	396	364

The Parent Company's accounts

Amounts in Skr million

Profit and loss account			Funds statement		
	1987	1986		1987	1986
Invoiced sales Note 2	5,899	5,675	FUNDS GENERATED INTERNALLY		
Costs of production, sales and administration	-4,904	-4,769	Result before appropriations and taxes . .	1,292	979
TRADING PROFIT BEFORE DEPRECIATION	995	906	Re-posting of depreciation	219	214
Scheduled depreciation Note 3	-219	-214	Re-posting of unrealized exchange differences on loans	46	46
TRADING PROFIT AFTER DEPRECIATION	776	692	Re-posting of capital gain/loss on shares and facilities sold	-40	-30
Financial items:			Change in blocked account for fund allocations	86	-91
Dividends received from subsidiaries	531	267	Taxes	-222	-63
Dividends received from other companies	1	1	Dividends	-183	-136
Interest received from subsidiaries	12	16	Group contribution	253	-
Other interest received	288	328	Total funds generated internally	1,451	919
Interest paid to subsidiaries	-13	-13	CHANGE IN WORKING CAPITAL		
Other interest paid Note 4	-321	-357	Decrease/increase in inventory	111	-193
Exchange differences on loans . . . Note 5	3	33	Increase in current receivables	-479	-90
PROFIT AFTER FINANCIAL EARNINGS AND EXPENSES	1,277	967	Decrease/increase in interest-free trading debts	-61	605
Employees' share of profits	-24	-16	Total change in working capital	-429	322
Non-recurring earnings and expenses Note 7	39	28	Net finance derived from operations	1,022	1,241
PROFIT BEFORE APPROPRIATIONS AND TAXES	1,292	979	NET INVESTMENTS		
Appropriations:			Acquisition of companies	-240	-443
Difference between book and scheduled depreciation Notes 3, 18	-71	-194	Acquisition of fixed assets	-324	-346
Change in inventory reserve Note 19	69	-110	Change in Parent Company's long-term commitment to subsidiary companies . . .	-184	42
Change in investment reserves . . Note 20	-544	-199	Sale of companies	8	51
Change in renewal reserve Note 20	32	39	Sale of fixed assets	126	10
Group contribution	253	-	Net investments	-614	-686
Change in internal-profit reserve	4	2	FINANCIAL SURPLUS (CASH FLOW)	408	555
Other appropriations Note 21	3	-55	FUNDS USED/GENERATED EXTERNALLY		
PROFIT BEFORE TAXES	1,038	462	Equity capital:		
Taxes	-287	-93	Increase by conversion of loan	15	33
NET PROFIT FOR THE YEAR	751	369	Loans:		
			Increase in short-term loans	108	929
			Decrease in long-term loans	-166	-987
			Decrease in convertible loan	-15	-33
			Total loans	-73	-91
			Other financing, net:		
			Decrease in long-term receivables	101	2
			Increase in pension liability	63	48
			Decrease in long-term debts	-1	-16
			Total other financing, net	163	34
			TOTAL FUNDS GENERATED/USED EXTERNALLY	105	-24
			INCREASE IN LIQUID ASSETS	513	531

Balance sheet		1987	1986	1987	1986
ASSETS			LIABILITIES AND EQUITY CAPITAL		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash in hand and at banks	79	51	Bills payable	—	—
Bonds and other short-term securities	2,727	2,242	Owed to suppliers	321	416
Bills receivable from customers	6	106	Tax debts	225	57
Bills receivable from subsidiaries	330	293	Accrued expenses and prepaid revenues	470	372
Other receivables from subsidiaries	860	471	Short-term loans	1,994	1,886
Other customer receivables	468	374	Other current liabilities to subsidiaries	82	65
Prepaid costs and accrued revenues	101	101	Other current liabilities to other firms	421	670
Other current receivables	220	161		3,513	3,466
Inventory	1,886	1,997			
	6,677	5,796			
BLOCKED ACCOUNTS FOR FUND ALLOCATIONS			LONG-TERM LIABILITIES		
	6	92	Long-term loans	667	787
FIXED ASSETS			Provision for pensions	818	755
Shares in subsidiaries	1,892	1,763	Liabilities to subsidiaries	9	9
Shares in other companies	370	188	Other long-term liabilities	138	74
Accounts receivable from subsidiaries	117	10		1,632	1,625
Other long-term receivables	625	726	CONVERTIBLE BOND LOANS		
Intangible assets	1	2		142	157
Construction in progress	74	46	UNTAXED RESERVES		
Machinery and equipment	1,142	1,078	Accumulated depreciation above schedule	1,183	1,122
Land and buildings	649	733	Inventory reserve	949	1,018
	4,870	4,546	Investment reserves	1,085	541
TOTAL ASSETS	11,553	10,434	Renewal reserve	19	51
Pledged assets	1,054	1,086	Internal-profit reserve	215	219
			Other untaxed reserves	52	55
				3,503	3,006
			EQUITY CAPITAL		
			Restricted equity capital:		
			Share capital (52,518,378 shares of Skr 25 nominal)		
			1,313	1,303	
			56	14	
			1,369	1,317	
			Unrestricted equity capital:		
			Surplus brought forward		
			643	494	
			Net profit for the year		
			751	369	
			1,394	863	
			Total equity capital		
			2,763	2,180	
			TOTAL LIABILITIES AND EQUITY CAPITAL		
			11,553	10,434	
			Contingent liabilities		
			388	560	

Accounting principles

GENERAL

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

CONSOLIDATED ACCOUNTING

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

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

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

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

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

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

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

In the case of the smaller foreign companies operating in high-inflation countries, translation into Swedish kronor was effected using the rate ruling on the date of the balance sheet and, in respect of profit and loss, an average rate based on locally inflation-adjusted accounting.

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

FUNDS STATEMENT, REPORTING ACQUISITION AND SALE OF SUBSIDIARIES

The amounts paid for the shares of acquired and sold companies are shown in the funds statement under the headings "Acquisition of shares" and "Sale of shares" respectively. The assets and liabilities that these companies had at the time when they changed hands are not

included in the sections of the funds statement dealing with change in working capital, net investments and funds used/generated externally.

VALUATION PRINCIPLES

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

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

Long-term receivables and liabilities, excluding convertible loans, and loans, which in formal terms constitute short-term borrowing but in intent and effect are long-term, are entered respectively at the lower and the higher of the rates ruling on the original date of purchase and the date of the balance sheet. Any exchange differences arising thereupon are entered in the profit and loss account under the heading "Exchange differences on loans".

Inventory

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

Fixed assets

Fixed assets are shown in the Accounts after the deduction of accumulated scheduled depreciation. Scheduled depreciation is based on the historical cost of the assets and their estimated economic lives; for machinery and equipment this means normally between five and fifteen years, for buildings between ten and fifty years, and for site improvements twenty years. The difference between book and scheduled accumulated depreciation is shown as an untaxed reserve.

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

Revenue accounting and entry of profits

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

Appropriations and untaxed reserves

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

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

Taxes

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

That part of the tax incident upon the Parent Company that is deferred in consequence of participation in net losses of partly owned limited partnerships engaged in businesses that are outside Sandvik's purview is reserved as a tax expense and carried among long-term liabilities. Thus the deferred tax will be included in the taxes shown on the Profit and Loss Account but is excluded from the tax payments in the Funds Statement and the change in the interest-free long-term liabilities, respectively.

DEFINITIONS

Earnings per share

Profit after financial earnings and expenses, after deduction for estimated tax and minority interest, divided by the average number of shares outstanding for the year in question after adjustment for the 1986 bonus issue and stock split. In estimating the tax the current tax rates were implemented for the various Group companies. In these calculations, due allowance was made for known tax-free revenues and tax reliefs, as also for periodization differences between the accounts of individual companies and the Group Statements. The average tax rate applying to the Group for 1987, calculated from theoretical premisses, thereupon works out at 45% (1986: 47%).

Earnings per share including holdings in associated companies

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

Earnings per share after full conversion

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

Earnings per share after payment of tax

Profit after financial earnings and expenses, after deduction for minority interest according to the Profit and Loss Account and for tax paid according to the Funds Statement, divided by the average number of shares outstanding for the year in question.

Adjusted equity capital

Reported equity capital plus 50% of untaxed reserves, after deduction for the minority interest therein, minus recommended dividends.

Solidity

Reported equity capital plus 50% of untaxed reserves in relation to total capital.

Venture-capital ratio

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

Debt/equity ratio

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

Interest coverage

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

Rate of capital turnover

Invoicing in relation to average total capital.

Return on adjusted equity capital, after taxes

Profit after financial earnings and expenses less estimated tax and minority interest as a percentage of the average equity capital including 50% of untaxed reserves after deduction for the minority interest therein, less recommended dividends. To arrive at an approximate figure for the real return on equity capital the above-defined nominal return is reduced by the year's inflation, expressed as the change in the Swedish Consumer Price Index from the December of one year to the December of the next.

Return on investment

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

Application of U.S. GAAP (AMERICAN ACCOUNTING PRINCIPLES)

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

Untaxed reserves

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

Deferred tax

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

Writing up assets

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

Capitalization of interest expenses

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

Shares and participations in associated companies

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

Pension costs

New rules for the reporting of pension costs were introduced in the U.S. during 1986. In a comparison with Swedish practice for the reporting of Pension Registration Institute pension costs the main differences are in the choice of discounting interest and in the circumstance that the calculation of capital value is based on calculated pay at the time of retirement. Generally speaking, it is a fair surmise that the

annual pension cost calculated under the American rules would be substantially less than the annual cost of the PRI plan according to Swedish practice. However, it has not proved possible to quantify the difference, and it is not included in the following reconciliation.

Various

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

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

Amounts in Skr million, except where otherwise stated.

	1987		
Profit for the year according to Group Profit and Loss Account	756		
Increase/decrease in			
Appropriations	558		
Deferred tax	-274		
Write-ups	31		
Capitalization of interest expenses as assets	44		
Interest in results of associated companies	11		
Other adjustments	135		
Net profit as calculated on American accounting principles	1,261		
Earnings per share as calculated on American accounting principles, Skr	24:10		
Corresponding figure after full conversion of outstanding convertible loan, Skr	23:20		
	1987	1986	
Equity capital according to			
Group Balance Sheet	4,084	3,489	
Increase/decrease in			
Untaxed reserves	3,913	3,361	
Deferred tax	-1,891	-1,650	
Write-ups	-279	-299	
Capitalization of interest expenses as assets	33	-11	
Interest in results of associated companies	51	40	
Other adjustments	261	126	
Equity capital as calculated on			
American accounting principles	6,172	5,056	
Equity capital per share as calculated on			
American accounting principles, Skr	117:50	97:00	

Notes on the accounts

Amounts in Skr million, except where otherwise stated

NOTE 1. Subordinate companies and parent company

The Parent Company's business operations in Sweden are conducted largely through subordinate companies. During 1987 the companies listed below did business under their own names, but solely for the account of the Parent Company. In its Annual Accounts, the Parent Company reports all assets and liabilities and all revenues and outgoings pertaining to the subordinate operations.

Companies whose business is conducted for the account of the

Parent Company: Edsbyns Industri AB, Guldsmedshytte Bruks AB, AB Sandvik Central Service, AB Sandvik Coromant, AB Sandvik Electronics, AB Sandvik Hand Tools, AB Sandvik Hard Materials, AB Sandvik Information Systems, AB Sandvik International, AB Sandvik Metal Saws, AB Sandvik Rock Tools, AB Sandvik Saws and Tools, AB Sandvik Steel, AB Sandvik Öberg, Sandvik Coromant Skandinavien AB, Sandvik Hard Materials Norden AB, Sandvik Stål Försäljnings AB, Sandvik Sågar och Verktyg Skandinavien AB.

NOTE 2. Invoiced sales and parent company's purchases

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

	Group		Parent Company	
	1987	1986	1987	1986
Other operating revenues	28	26	108	63

Of the Parent Company's invoiced sales, Skr 3,803m. (3,663), i.e. 64% (65) went to Group companies. The export share was 83% (83). Of the Parent Company's purchasing, Skr 189m. (183), i.e. 9% (8), came from Group companies.

NOTE 3. Depreciation

GROUP	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
	Scheduled depreciation	-22	-8	-427	-398	-64	-56	-1	-1	-514
Depreciation above schedule	-	-	-180	-241	-31	-22	1	-	-210	-263
Book depreciation	-22	-8	-607	-639	-95	-78	-	-1	-724	-726
whereof against reserves	-	-	-294	-307	-36	-42	-	-	-330	-349

The difference between book and scheduled depreciation according to the Profit and Loss Account, Skr -158m., consists of depreciation above schedule, Skr -210m., and re-posted overdepreciation upon disposal, Skr 52m.

PARENT COMPANY

	Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1987	1986	1987	1986	1987	1986	1987	1986
	Scheduled depreciation	-189	-190	-29	-23	-1	-1	-219
Depreciation above schedule	-107	-183	-11	-11	1	-	-117	-194
Book depreciation	-296	-373	-40	-34	-	-1	-336	-408
whereof against reserves	-225	-242	-29	-23	-	-	-254	-265

The difference between book and scheduled depreciation according to the Profit and Loss Account, Skr -71m., consists of depreciation above schedule, Skr -117m., and re-posted overdepreciation upon disposal, Skr 46m.

NOTE 4. Interest received and paid

	Group		Parent Company	
	1987	1986	1987	1986
Interest received, gross	474	492	288	328
Correction due to translation differences	-118	-48	-	-
Interest received	356	444	288	328
Interest paid on pension liability	-97	-92	-82	-79
Other interest paid, gross	-412	-473	-239	-278
Correction due to translation differences	+47	+22	-	-
Interest paid	-462	-543	-321	-357

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

NOTE 5. Exchange differences on loans

The year's exchange differences on loans consist of the year's change in unrealized exchange losses, Skr -46m. (-46) and of the exchange differences on long-term loans, which in formal terms constitute short-term borrowing but in intent and effect are long term, that have been realized in connection with amortizations, Skr 49m. (79).

The Parent Company's foreign-currency convertible loan, currently standing at U.S.\$ 6,716,000 (see Note 25), is expected to be converted into shares during its remaining life, so that no correction to the rate of exchange ruling on the date of the Balance Sheet has been applied.

NOTE 6. Result excluding minority interest but including interest in profits of associated companies

The profit after financial earnings and expenses, exclusive of minority interests and dividends from associated companies but inclusive of interest in the profits of associated companies, amounts to Skr 1,925m. (1,647).

This calculation includes the following associated companies:

Avesta Sandvik Tube AB (25%), Diamant Boart Stratabit S.A. (50%) (w.e.f. 30 June), Fagersta Stainless AB (50%), ANSAB AB (50%), Fagersta-Seco AB (50%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50%), Devillé S.A. (35%), Nor-Sand Metals Inc. (50%) (up to 19 Aug.), Eurotungstène Poudre S.A. (49%).

NOTE 7. Non-recurring earnings and expenses

	Group		Parent Company		Group		Parent Company	
	1987	1986	1987	1986	1987	1986	1987	1986
Non-recurring earnings								
Capital gain on sale of shares	7	21	8	36				
Capital gain on sale of real estate	41	7	41	7				
Sundry items	7	—	—	—				
	55	28	49	43				
Non-recurring expenses								
Writedown on shares and other participations	—	—	—	—	-10	-6	-10	-6
Expenses of share issue	—	—	—	—	—	-9	—	-9
Sundry items	—	—	—	—	-23	-43	—	—
	—	—	—	—	-33	-58	-10	-15
Totals					22	-30	39	28

NOTE 8. Bonds and other short-term placements

	Group		Parent Company	
	1987	1986	1987	1986
Bonds and other securities	1,177	1,413	1,054	1,136
Short-term placements	2,208	1,440	1,673	1,106
Totals	3,385	2,853	2,727	2,242

At the end of 1987 Sandvik AB had interest-arbitrage deals outstanding to the value of Skr 559m. (439). Of this amount, Skr 486m. (300) pertained to the Parent Company. These items have been reported net.

NOTE 9. Blocked accounts for fund allocations

	Group		Parent Company	
	1987	1986	1987	1986
Blocked accounts with the Riksbank for special investment reserves	—	20	—	—
for general investment reserves	3	224	—	60
for renewal reserves	14	40	6	32
Other blocked accounts	2	2	—	—
Totals	19	286	6	92

NOTE 10. Shares and other participations

The Group's and the Parent Company's holdings of shares and other interests at the end of 1987 are set forth in the specification on p. 28.

NOTE 11. Other long-term receivables

	Group		Parent Company	
	1987	1986	1987	1986
Advances to suppliers	4	8	3	7
Promissory note pertaining to 1983 sale of Krångede shares	547	547	547	547
Other receivables	182	301	75	172
Totals	733	856	625	726

NOTE 12. Goodwill and other intangible assets

	Group		Parent Company	
	1987	1986	1987	1986
Patents and other intangible assets	29	24	1	2
Goodwill	94	124	—	—
Totals	123	148	1	2

NOTE 13. Fixed assets

Machinery, equipment, buildings, land, site improvements and agricultural and forest properties are entered at their net value after scheduled depreciation and after accumulated write-ups not yet written off. The accumulated excess depreciation is entered among the untaxed reserves under the heading "Accumulated depreciation above schedule".

GROUP	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1987	1986	1987	1986	1987	1986	1987	1986
Historical cost	5,723	4,867	1,751	1,636	1	1	188	173
Accumulated scheduled depreciation	-3,494	-2,993	-744	-634	—	—	-14	-15
Scheduled remaining values	2,229	1,874	1,007	1,002	1	1	174	158
Accumulated write-ups not yet written off	—	—	123	136	10	10	116	116
Remaining values	2,229	1,874	1,130	1,138	11	11	290	274
Accumulated depreciation above schedule	-1,199	-1,012	-191	-234	—	—	-17	-11
Book values	1,030	862	939	904	11	11	273	263
Fire-insurance values	11,704	10,007	3,834	3,639	11	11	—	—
Assessed valuations ¹	—	—	1,340	1,291	11	12	126	137

¹ The figures apply to the Swedish part of the Group. The book value of real estate held by foreign subsidiaries amounted to Skr 663m. (461).

PARENT COMPANY

	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1987	1986	1987	1986	1987	1986	1987	1986
Historical cost	2,827	2,680	683	731	1	1	38	39
Accumulated scheduled depreciation	-1,685	-1,602	-313	-287	-	-	-9	-13
Scheduled remaining values	1,142	1,078	370	444	1	1	29	26
Accumulated write-ups not yet written off.....	-	-	123	136	10	10	116	116
Remaining values	1,142	1,078	493	580	11	11	145	142
Accumulated excess depreciation	-1,021	-900	-145	-211	-	-	-17	-11
Book values	121	178	348	369	11	11	128	131
Fire-insurance values.....	7,246	7,085	2,045	2,178	11 ³	10 ³	-	-
Assessed valuations ²	-	-	1,191	1,242	11	12	106	131

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

³ The figures given here cover buildings and equipment. Forest-fire insurances are additional thereto.

NOTE 14. Pledged assets

	Group		Parent Company	
	1987	1986	1987	1986
Real-estate mortgages	738	746	1,484	656
Chattel mortgages.....	746	578	432	430
Totals	1,484	1,375	1,054	1,086

Additionally, receivables concerning interest-arbitrage deals have been pledged. See Note 8.

NOTE 15. Other current liabilities

	Group		Parent Company	
	1987	1986	1987	1986
Advances from customers.....	57	46	4	6
Other current liabilities	875	955	417	664
Totals	932	1,001	421	670

NOTE 16. Loans

	Group		Parent Company	
	1987	1986	1987	1986
Short-term loans				
Euro Commercial Paper and Euronotes	927	1,206	927	1,206
Amortizations due within one year on long-term loans	284	262	192	150
Other short-term loans.....	1,520	1,141	875	530
Total short-term loans	2,731	2,609	1,994	1,886
Long-term loans				
Bond loans.....	349	370	333	358
Debenture loans	37	45	15	20
Other loans	754	855	319	409
Total long-term loans.....	1,140	1,270	667	787
Totals, all loans.....	3,871	3,879	2,661	2,673

The Parent Company's long-term borrowing, including loans which in formal terms constitute short-term borrowing, but in intent and effect are long-term, and the 1988 amortizations, breaks down as follows among the major currencies (amounts in millions). The amounts are stated in the currency in which Sandvik runs a potential currency risk.

Currency	1987	1986
Swedish kronor.....	190	239
U.S. dollars	111	181
West German marks.....	84	17
British pounds.....	22	12
French francs	215	-
Swiss francs.....	61	65
Luxembourg francs	525	475
Japanese yen.....	-	295

Loan amortizations

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

	1987	1986
Within one year	1,994	1,886
Year 2.....	74	186
3.....	279	69
4.....	27	277
5.....	229	26
Thereafter	58	229
	2,661	2,673

NOTE 17. Provision for pensions

	Group		Parent Company	
	1987	1986	1987	1986
For Pension Registration				
Institute pensions	829	739	764	701
For other pensions	200	194	54	54
Totals	1,029	933	818	755

NOTE 18. Accumulated depreciation above schedule

	GROUP				PARENT COMPANY			
	Machinery and equipment	Industrial and residential buildings	Site improvements	Total	Machinery and equipment	Industrial and residential buildings	Site improvements	Total
Reported at end of 1986	1,012	234	11	1,257	900	211	11	1,122
Change due to revised conversion rates 1987	-1	3	-	2	-	-	-	-
1987 depreciation above schedule	180	31	-1	210	107	11	-1	117
Depreciation on write-up	-	-3	-	-3	-	-3	-	-3
Adjustment of fixed-asset accounting	14	-28	7	-7	14	-28	7	-7
Re-posted overdepreciation upon disposal	-6	-46	-	-52	-	-46	-	-46
Reported at end of 1987	1,199	191	17	1,407	1,021	145	17	1,183

NOTE 19. Inventory reserve

	Group	Parent Company
Reported at end of 1986	1,134	1,018
Change due to revised conversion rates 1987	2	-
Change during 1987	-54	-69
Reported at end of 1987	1,082	949
Inventory reserve as percentage of inventory value at end of 1987	27	50

NOTE 20. Investment and renewal reserves

	GROUP				PARENT COMPANY		
	Special investment reserves	General investment reserves	Renewal reserves	Total	General investment reserve	Renewal reserve	Total
Reported at end of 1986	10	780	62	852	541	51	592
Add:							
Appropriations during 1987	-	815	-	815	795	-	795
Less:							
Applied to investment in machinery and equipment	-10	-281	-3	-294	-222	-3	-225
Industrial and residential buildings	-	-36	-	-36	-29	-	-29
For overheads	-	-1	-32	-33	-	-29	-29
Net change	-10	497	-35	452	544	-32	512
Reported at end of 1987	-	1,277	27	1,304	1,085	19	1,104

NOTE 21. Other untaxed reserves

	Group	Parent Company
Exchange-risk reserve, financial placements:		
Reported at end of 1986	55	55
Dissolution 1987	-3	-3
Reported at end of 1987	52	52
Other untaxed reserves:*		
Reported at end of 1986	63	-
Allocation 1987	5	-
Reported at end of 1987	68	-

* Refers to untaxed reserves in foreign subsidiary companies other than depreciation above schedule, inventory reserves or investment reserves.

NOTE 22. Internal-profit reserve

PARENT COMPANY

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

NOTE 23. Minority interest in untaxed reserves and capital shares in associated companies

The minority interest in untaxed reserves totals Skr 16m. (18).

The interest in the equity capital and untaxed reserves of the associated companies is Skr 221m. (149) and 121m. (99) respectively.

This calculation includes the following associated companies: Avesta Sandvik Tube AB (25%), Diamant Boart Stratabit S.A. (50%), Fagersta Stainless AB (50%), ANSAB AB (50%), Fagersta-Seco AB (50%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50%), Devillé S.A. (35%), Eurotungstène Poudre S.A. (49%).

NOTE 24. Change in equity capital

GROUP	Share capital	Restricted reserves	Unrestricted reserves	Translation difference	Group net profit for the year	Total
Reported at end of 1986	1,303	669	996	4	517	3,489
Change due to revised conversion rates 1987	—	-35	13	1	4	-17
Carry-over of 1986 surplus and translation difference	—	—	526	-5	-521	—
Appropriation to restricted reserves	—	138	-138	—	—	—
New issues due to conversion	10	5	—	—	—	15
Change due to write-up of fixed assets	—	5	—	—	—	5
Change due to acquisition and consolidation of formerly part-owned companies	—	1	14	—	—	15
Dividend	—	—	-183	—	—	-183
Group net profit for 1987	—	—	—	4	756	760
Reported at end of 1987	1,313	783	1,228	4	756	4,084

In judging the Group's net profit for the year and the state of the unrestricted reserves it should be borne in mind that some part thereof pertains to subsidiary companies outside Sweden. In considering profit repatriation to the Parent Company, allowance should be made for the fact that it in some cases entails tax exposure and that it is subject to exchange restrictions. No provision has been made for taxes on

future dividends accruing to the Parent Company. Out of the unrestricted equity capital, reported in the Group Balance Sheet at Skr 1,988m., it is recommended by the boards of the companies that a total of Skr 142m. be appropriated to restricted reserves.

Particulars of share capital and conversion loans will be found in Note 25 below.

PARENT COMPANY

	Share capital	Statutory capital reserve	Retained earnings	Net profit for the year	Total
Reported at end of 1986	1,303	14	494	369	2,180
Carry-over of 1986 surplus	—	—	369	-369	—
Allocation to statutory capital reserve	—	37	-37	—	—
New issues due to conversion	10	5	—	—	15
Dividend	—	—	-183	—	-183
Net profit for 1987	—	—	—	751	751
Reported at end of 1987	1,313	56	643	751	2,763

NOTE 25. Share capital

SHARE CAPITAL AND NUMBER OF SHARES

	1987	1986
"A" Restricted	41,170,069	41,170,069
"A" Unrestricted	681,508	1,395,590
"B" Unrestricted	10,666,801	9,566,512
	52,518,378	52,132,171

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

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

At the 1986 A.G.M. it was resolved to invite holders of unrestricted "A" shares to exchange them for unrestricted "B" shares. This offer, which was originally valid until 15 May 1987, was prolonged to 15 May 1988. By 31 Dec. 1987, 968,364 shares, or 59% of the original number of outstanding unrestricted "A" shares, had been exchanged.

The number of shares entitled to dividend for 1987 works out at 52,665,006. It exceeds the number given above for 31 Dec. in consequence of conversions during the period 1 Jan. - 29 Feb. 1988.

CONVERTIBLE LOANS

In 1977 the Company took up a convertible loan of U.S.\$35m. carrying interest at 6 1/4%, which is convertible between 2 January 1978 and 8 March 1988, both dates inclusive. At the current conversion rate,

one bond of U.S.\$ 1,000 nominal can be exchanged for 126.6284 Sandvik "B" shares. By 31 December 1987, bonds to an amount of U.S.\$28,284,000 had been converted. The conversions during 1987 had the effect of increasing the share capital by Skr 9,655,175 and the number of "B" shares outstanding by 386,207. Full conversion of the loan would raise the number of "B" shares by 850,436 as compared with the situation on 31 December 1987. The share capital would increase by Skr 21,260,900.

In 1985 the Company took up a convertible debenture loan of Skr 102.8m. at 12% interest. This loan, which was addressed to all the employees of the Sandvik Group, can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. The convertible bonds are denominated in a nominal amount of Skr 425 and in integral multiples thereof. The conversion price, following the bonus issue and stock split of 1986, is Skr 79:50, and conversion is effected into "B" shares. Full conversion of the loan would increase the number of "B" shares by 1,292,609 as compared with the situation on 31 Dec. 1987. The share capital would increase by Skr 32,315,225.

Full conversion of both convertible loans would bring the number of shares to 54,661,423.

THE SANDVIK INVESTMENT FUND

During the period from January 1981 to December 1983, all employees of the Sandvik Group's Swedish companies were invited to make use of the Sandvik Investment Fund as a savings vehicle. At the end of 1987, about 1,600 employees remained on the register of the Fund.

The Fund represented about 300,000 shares, equivalent to about 0.6% of the share capital.

See also the section dealing with the Sandvik share on p. 36, which covers price movements, data per share, share ownership, etc.

NOTE 26. Contingent liabilities

	Group		Parent Company	
	1987	1986	1987	1986
Bills discounted	133	151	—	—
Pension commitments over and above those entered under pension liabilities (capitalized value)	4	4	1	2
Other surety undertakings and contingent liabilities	259	209	387	558
Totals	396	364	388	560
whereof for subsidiaries			180	405

Personnel

PERSONNEL COSTS, SKR M.

	Group		Parent Company*	
	1987	1986	1987	1986
Wages, salaries and emoluments:				
Directors				
in Sweden	14	13	12	11
outside Sweden	61	62	-	-
Other employees				
in Sweden	1,399	1,366	1,246	1,237
outside Sweden	1,742	1,622	7	8
Totals	3,216	3,063	1,265	1,256
Other personnel costs	1,174	1,134	623	624
Totals	4,390	4,197	1,888	1,880

* incl. subordinate companies

AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company*	
	1987	1986	1987	1986
In Sweden	10,421	10,584	9,301	9,540
Outside Sweden	14,723	13,449	50	50
Totals	25,144	24,033	9,351	9,590

AVERAGE NUMBER OF EMPLOYEES OUTSIDE SWEDEN BROKEN DOWN BY COUNTRIES

	Number of employees		Number of employees	
	1987	1986	1987	1986
The Parent Company*				
Austria	5	5	46	42
Soviet Union	6	6	34	36
U.S.A.	5	7	5	5
Other countries ¹	34	32	216	214
Outside Sweden totals	50	50	60	64
The Group outside Sweden			538	580
Argentina	146	143	42	39
Australia	315	321	6	6
Austria	114	114	367	379
Belgium	96	96	134	132
Brazil	1,153	1,095	13	12
Canada	305	214	8	6
Chile	30	24	6	6
Colombia	43	36	1,791	1,597
Denmark	215	78	2,399	1,631
Finland	101	100	32	32
France	1,864	1,928	1,071	1,058
Haiti	68	37	42	34
Hongkong	15	15	45	45
India	1,232	1,242	25	22
Indonesia	13	23	14,723	13,449
Ireland	9	9		
Italy	855	760		
Japan	487	523		
Kenya	15	15		
Malaysia	35	37		
Mexico	480	447		
Netherlands	169	165		
New Zealand	34	34		
Norway	49	53		
Peru				
Philippines				
Poland				
Portugal				
Singapore				
South Africa				
South Korea				
Soviet Union				
Spain				
Switzerland				
Taiwan				
Thailand				
Turkey				
United Kingdom				
U.S.A.				
Venezuela				
West Germany				
Zambia				
Zimbabwe				
Other countries ¹				

¹ Countries with an average lower than five.

* incl. subordinate companies

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

Shareholdings

SANDVIK AB'S HOLDINGS OF SHARES IN SUBSIDIARY COMPANIES

According to the Balance Sheet of 31 Dec. 1987

		Number	Percentage	Nominal value	Nominal	Book
		of shares	holding	local currency	value	value
				unit '000	Skr '000	Skr '000
SWEDEN	AB Bushman	500	100	SEK	50	50
	AB Dubbman ⁵	500	100	SEK	50	—
	Edmeston AB	40,000	100	SEK	4,000	3,000
	Edsbyns Industri AB ¹	50,000	100	SEK	5,000	8,925
	Fagersta Energetics AB	500	100	SEK	50	655
	Ferrolegeringar Trollhätteverken AB ⁶	30,000	100	SEK	3,000	12,857
	Guldsmedshytte Bruks AB ¹	500	100	SEK	50	—
	Sandvik Hard Materials Norden AB ¹	500	100	SEK	50	—
	Kapman AB	80,000	100	SEK	8,000	8,000
	AB Sandvik Belts ¹	500	100	SEK	50	50
	AB Sandvik Bergstrand	500	100	SEK	50	—
	AB Sandvik Central Service ¹	500	100	SEK	50	—
	AB Sandvik Coromant ¹	500	100	SEK	50	—
	Sandvik Coromant Skandinavien AB ¹	50,000	100	SEK	5,000	5,000
	AB Sandvik Electronics ¹	60	100	SEK	60	—
	Sandvik Far East Ltd. AB	10,000	100	SEK	10,000	10,000
	AB Sandvik Hand Tools ¹	500	100	SEK	50	—
	AB Sandvik Hard Materials ¹	500	100	SEK	50	—
	AB Sandvik Information Systems ¹	500	100	SEK	50	—
	AB Sandvik International ¹	500	100	SEK	50	—
	AB Sandvik Metal Saws ¹	500	100	SEK	50	50
	AB Sandvik Process Systems	25,000	100	SEK	2,500	2,500
	AB Sandvik Rock Tools ¹	500	100	SEK	50	—
	AB Sandvik Saws and Tools ¹	500	100	SEK	50	—
	AB Sandvik Steel ¹	500	100	SEK	50	—
	AB Sandvik Öberg ¹	500	100	SEK	50	—
	Sandvik Stål Försäljnings AB ¹	500	100	SEK	50	—
	Sandvik Sågar och Verktyg Skandinavien AB ¹	500	100	SEK	50	—
	Sandviks Aktiesparfondförvaltning AB	2,500	100	SEK	250	250
	Sandvikens Brukspersonals Byggnadsförening upa	—	100	SEK	2,941	2,941
	Seco Tools AB ²	710,000	100	SEK	71,000	71,000
	Steebide International AB	15,000	100	SEK	1,500	1,500
	AB Swedish Metal Saws	500	100	SEK	50	—
	Trellbo AB	500	100	SEK	50	—
	Dormant companies wholly owned ³	—	—	SEK	550	550
ARGENTINA	Sandvik Argentina S.A.C. e I.	600,202	100	ARA	600	990
AUSTRIA	Sandvik in Austria Ges.m.b.H.	—	100	ATS	15,000	7,790
BELGIUM	Sandvik S.A. (Belgium) N.V.	—	100	BEC	80,000	13,984
BRAZIL	Sandvik do Brasil S.A.	45,921,096	73.6 ⁴	BRC	275,527	90,445
CANADA	Sandco Ltd.	205	100	CAD	2	9
	Sandvik Canada, Inc.	2,317,564	100	CAD	11,000	49,170
	Windsor Machine Company Ltd.	5,100,000	77 ⁴	CAD	5,100	22,797
CHILE	Sandvik Chilena Ltda.	—	100	CLP	8,263	248
COLOMBIA	Sandvik Colombia S.A.	28,733	94 ⁴	COP	28,733	575
COSTA RICA	Sandvik Centroamérica S.A.	330	100	CRC	330	30
DENMARK	A/S Sandviken	—	100	DKK	30,000	28,440
FINLAND	Suomen Sandvik Oy	400,000	100	FIM	10,000	14,675
FRANCE	Sandvik S.A.	1,249,994	100	FRF	125,000	135,125
	Ugicarb Morgon S.A.	272,000	100	FRF	27,200	29,403
HONGKONG	Sandvik Hongkong Ltd.	39,999	100	HKD	400	298
INDIA	Sandvik Asia Ltd.	316,800	55	INR	31,680	14,319
ITALY	Sandvik Italia S.p.A.	11,999,832	100	ITL	11,999,832	59,399
	Sandvik Process Systems S.p.A.	199,943	100	ITL	199,943	990
JAPAN	Sandvik K.K.	2,600,000	100	JPY	2,600,000	122,980
KENYA	Sandvik Kenya Ltd.	34,999	96	KES	700	249
KOREA	Sandvik Manufacturing Co. Ltd.	62,101	100	KRW	621,010	4,627
LUXEMBOURG	Sansafe S.A.	100	100	LUF	100	17
MALAYSIA	Sandvik Malaysia Sdn. Bhd.	7,500	100	MYR	750	1,748
MEXICO	Sandvik de México S.A. de C.V.	5,329,996	100	MXP	533,000	1,333
	H.K. Porter de México C.A.	2,496	100	MXP	2,496	6
	Tungstemex S.A. de C.V.	53,453,902	99	MXP	5,345,390	13,363
MOROCCO	Sandvik Maroc S.A.	93	100	MAD	9	8
NETHERLANDS	Sandvik Nederland b.v.	—	100	NLG	6,000	19,512
	Sandvik Finance b.v.	—	100	NLG	10,000	32,520

SANDVIK AB'S HOLDINGS OF SHARES IN SUBSIDIARY COMPANIES			Number	Percentage	Nominal value	Nominal	Book
According to the Balance Sheet of 31 Dec. 1987			of shares	holding	local currency unit '000	value Skr '000	value Skr '000
NORWAY	Sandvik Norge A/S.....	80,000	100	NOK	8,000	7,444	4,790
PERU	Sandvik del Perú S.A.	2,253,632	100	PEI	2,254	327	—
	Barrenas Sandvik Andina S.A.	8,780,120	68	PEI	8,780	1,272	2,200
PHILIPPINES	Sandvik Philippines, Inc.	81,065	100	PHP	8,107	2,189	2,526
PORTUGAL	Sandvik Portuguesa Lda	—	100	PTE	99,800	4,361	4,461
	Sandvik Obergue-Limas e Mecânica, Lda.....	—	100	PTE	99,995	4,370	8,770
SINGAPORE	Sandvik South East Asia Pte. Ltd.	2,700,000	100	SGD	2,700	7,884	7,055
SPAIN	Sandvik Española S.A.	70,000	100	ESP	700,000	37,520	45,000
	Minas y Metalurgia Española S.A.	60,000	50 ⁴	ESP	60,000	3,216	3,700
SWITZERLAND	Sandvik A.G.	60,000	100	CHF	6,000	27,108	50,000
	Sanfinanz A.G.	997	100	CHF	200	904	735
	Santrade Ltd.....	1,275	21 ⁴	CHF	1,275	5,760	16,199
TAIWAN	Sandvik Taiwan Ltd.	9,994	100	TWD	9,994	1,949	—
THAILAND	Sandvik Thailand Ltd.	744	99	THB	504	118	—
TURKEY	Sandvik Istanbul Tiçaret Ltd. Şti	14,925	100	TRL	14,925	82	—
U.K.	Madison Tools Ltd.	274,999	100	GBP	275	2,982	6,000
	Sandvik Ltd.	7,999,998	100	GBP	8,000	86,760	200,000
U.S.A.	Sandvik, Inc.	800,000	100	USD	20,000	116,650	400,000
VENEZUELA	Sandvik Venezuela C.A.	6,250	100	VEB	6,250	1,156	—
WEST GERMANY	Sandvik Automation GmbH	—	100	DEM	4,000	14,636	10,000
	Sandvik GmbH	—	100	DEM	35,000	128,065	100,000
	Sandvik Process Systems GmbH.....	—	38 ⁴	DEM	1,558	5,701	3,420
ZAMBIA	Sandvik (Zambia) Ltd.....	499,999	100	ZMK	1,000	750	—
ZIMBABWE	Sandvik (Pvt) Ltd.	233,677	100	ZWD	467	1,672	3,269
							1,891,753

¹ Subordinate company. ² Seco Tools has subsidiaries in 15 countries. ³ A specification of dormant companies is available from Sandvik's Head Office in Sandviken. ⁴ Remaining shares are held by other Group companies. ⁵ Name being changed to Sandvik Fastighetsförvaltning AB. ⁶ Name being changed to Metals & Powders Trollhättan AB.

CHANGE IN BOOK VALUE OF SHARES IN SUBSIDIARIES, SKR'000

Reported at end of 1986	1,762,519	
Acquisitions.....	52,460	
New issues.....	76,774	
Reported at end of 1987	1,891,753	Certain write-ups and writedowns, which balance each other out, have been applied within the item "Shares in subsidiaries".

SANDVIK AB'S SHARES IN OTHER COMPANIES

According to the Balance Sheet of 31 Dec. 1987

ASSOCIATED COMPANIES

		Number	Percentage	Nominal value	Nominal	Book
		of shares	holding	local currency unit '000	value Skr '000	value Skr '000
SWEDEN	ANSAB AB	5,000	50	SEK	500	500
	ASEA-Cerama AB	1,125	10	SEK	563	563
	Avesta Sandvik Tube AB	150,000	25	SEK	15,000	15,000
	Bruksinvest AB.....	24,000	15	SEK	2,400	2,400
	Fagersta Stainless AB	400,000	50	SEK	40,000	40,000
	Norbergs Grufaktiebolag	13,244	27	SEK	662	662
	Rolltech Internationl AB	250	50	SEK	25	25
	Uddeholm Strip Steel AB	28,409	50	SEK	28,409	28,409
BELGIUM	Diamant Boart Stratabit S.A.....	574,575	50	BEC	574,575	100,436
FRANCE	Eurotungstène Poudre S.A.	112,353	49	FRF	11,235	11,859
	Société Minière d'Anglade	13,245	15	FRF	1,325	1,399
	Devillé S.A.....	14,000	35	FRF	7,000	7,389
YUGOSLAVIA	WO Tools-PP-Corun		30			18,926
						248,400

OTHER COMPANIES

Nemo Offshore AB & Co KB ¹					—	—
Scandinavian Link KB ¹					—	—
Stena Danica Intressenter KB ¹					21,933	21,933
Svenska Charterintressenter AB	330	33	SEK	17	17	142
Svenska Charterintressenter KB ¹					35,313	35,313
Swedish Aircraft ONE KB ¹					16,755	16,755
Swedish Airlease KB ¹					33,588	33,588
Swedish Liners KB ¹					14,303	14,303
Miscellaneous						47
						370,481

¹ Sandvik AB is a limited partner.

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

	Reported at end of 1986	188,175
New issues		187,632
Writedowns		-5,326
	Reported at end of 1987	370,481

The writedowns were charged against the year's results and are entered under the heading "Non-recurring items".

THE GROUP'S SHAREHOLDINGS

According to the Balance Sheet of 31 Dec. 1987		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000
ASSOCIATED COMPANIES						
SWEDEN	Real-estate-management limited partnerships ¹ .			SEK	105,270	105,270
	Fagersta-Seco AB	5,000	50	SEK	500	500
AUSTRALIA	Seco Titan Pty. Ltd.	1,050,000	50	AUD	1,050	4,389
BRAZIL	Sociedade Tecnica de Ferramentas Ltda	320,000	20	BRC	320	29
SPAIN	Industrias Bonastre, S.A.	2,500	10	ESP	5,000	268
TURKEY	Seco Kestak A.S.	49,000	49	TRL	49,000	270
U.K.	R.O. Speciality Metals Ltd.	180,000	15	GBP	180	1,952
						117,254
OTHER COMPANIES						
	Miscellaneous					2,579
						119,833
						Sandvik AB's holding 370,481
						The Group's holding 490,314

¹ Sandvik is a limited partner

SHARES IN SIGNIFICANT OPERATIVE GROUP COMPANIES OWNED INDIRECTLY BY SANDVIK AB AT 31 DEC. 1987

		Group holding, %			Group holding, %
SWEDEN	Danit Hårdmetall AB	100	SINGAPORE	Sandvik Trading Singapore Pte. Ltd. ...	100
AUSTRALIA	Sandvik Australia Pty. Ltd.	100	SOUTH AFRICA	Sandvik (Pty) Ltd.	100
	Sandvik Process Systems Pty. Ltd.	100	SPAIN	Resistel S.A.	100
AUSTRIA	Sandvik Process Systems Ges.m.b.H. ...	100	THAILAND	Svenska Trading Co. Ltd.	49
CANADA	Sandvik Process Systems Canada Ltd. .	100	U.K.	Carboloy Ltd.	100
	Sandvik Tube Inc.	100		Osprey Metals Ltd.	100
DENMARK	Danit A/S	100		Sandvik Band Saws Ltd.	100
FRANCE	Frodistri S.A.	100		Sandvik Hard Materials Ltd.	100
	Le Burin S.A.	100		Sandvik Process Systems Ltd.	100
	Safety S.A.	100		Sandvik Stainless Tubes Ltd.	100
	Sandvik Broussaud S.A.	100		Wimet Mining Ltd.	100
	Sandvik Coromant & Cie	100		Wimet Wear Parts Ltd.	100
	Sandvik Hard Materials, France	100	U.S.A.	Breton Corp.	67
	Sandvik Process Systems S.A.	100		Sandvik Latin America, Inc.	100
	Sandvik Saws and Tools & Cie	100		Sandvik Process Systems, Inc.	100
	Sandvik Steel & Cie	100		Sandvik Rock Tools, Inc.	100
	Sandvik Tobler S.A.	100		Sandvik Special Metals Corp.	100
HAITI	Windsor Caribe S.A.	100		Windsor Corp.	100
IRELAND	Sandvik Ireland Ltd.	100		Triangle Grinding, Inc.	100
KOREA	Sandvik Korea Co. Ltd.	49	WEST GERMANY	Sandvik Hard Materials GmbH	100
NETHERLANDS	Sandvik Process Systems b.v.	100		Sandvik Kosta GmbH	100
NEW ZEALAND	Sandvik New Zealand Ltd.	100	ZIMBABWE	Sancor (Private) Ltd.	100
NORWAY	Stavangerbor A/S	95			

Appropriation of profits

RECOMMENDED APPROPRIATION OF PROFITS

The Board and the President recommend that

the surplus brought forward from the previous year	643,297,662
together with the profit for 1987	<u>750,864,284</u>
	Skr 1,394,161,946

be appropriated as follows:

a dividend of Skr 4:25	223,826,276
an appropriation to the statutory capital reserve	75,087,000
carried forward to the next account	<u>1,095,248,670</u>
	Skr 1,394,161,946

Sandviken, 10 March 1988

Percy Barnevik
Chairman

Hans Karlsson

Birger Löwhagen

Lars Malmros

Hans-Eric Ovin

Thore Svärdström

Sven Ågrup

Per-Olof Eriksson
President

Our audit report was submitted on 30 March 1988

Bo Fridman
Authorized public accountant

Nils-Axel Frisk

Audit report

TO THE SHAREHOLDERS OF SANDVIK AKTIEBOLAG

We have examined the Company's and the Group's statements of account and their bookkeeping documents, and have reviewed the administration of the Company's affairs by the Board and the President during the year 1987. Our examination has been conducted in accordance with recognized auditing practice.

THE PARENT COMPANY

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

We recommend

that the Profit and Loss Account and the Balance Sheet be adopted,

that the surplus be applied as proposed in the Directors' Report, and

that the conduct of the Company's affairs by the Board and the President during the fiscal year be approved.

THE GROUP

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

We recommend that the Consolidated Profit and Loss Account and the Consolidated Balance Sheet be adopted.

Sandviken, 30 March 1988

Bo Fridman
Authorized public accountant

Nils-Axel Frisk

Directors and auditors

BOARD OF DIRECTORS

Members

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

Birger Löwhagen, Malmö, b. 1924.
Senior Vice President of Skanska AB.
Director of Industri AB Euroc.
Director of Sandvik AB since 1983.
Sandvik shares: 2,034

Lars Malmros, Dr. Tech. h.c., Ghent, Belgium, b. 1927.
President of the Volvo Europa Companies, Ghent, Belgium.
Chairman of the Board of the Swedish Institute of Production Engineering Research. Director of Perstorp AB, Kalmar Industries AB, IBEL, Antwerp, and BBL, Ghent.
Director of Sandvik AB since 1983.

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

Sven Ågrup, Lidingö, b. 1930.
Chairman of the Board of AGA AB.
Director of AB Volvo, Telefon AB L M Ericsson, Svenska Handelsbanken, Investment AB Asken, AB Opus, Nobel Industrier Sverige AB, and Tetra Pak Rausing S.A.
Director of Sandvik AB since 1983.
Sandvik shares: 2,000

Per-Olof Eriksson, Sandviken, b. 1938.
President and Chief Executive Officer of Sandvik AB.
Director of the Federation of Swedish Industries, Svenska Handelsbanken, SSAB Swedish Steel Corporation and AB SKF.
Director of Sandvik AB since 1984.
Sandvik shares: 28,265, whereof 26,665 in the form of convertible debentures

Hans Karlsson, Forsbacka, b. 1933.
President, AB Sandvik Steel Union Committee, Metal Workers' Union.
Director of Sandvik AB since 1984.
(Employee representative)
Sandvik shares: 352, whereof 320 in the form of convertible debentures

Thore Svärdström, Sandviken, b. 1924.
President, Sandvik AB Union Committee, Industrial Salaried Employees' Association.
Director of Sandvik AB since 1986.
(Employee representative)
Sandvik shares: 353, whereof 320 in the form of convertible debentures

Deputy Members

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

Eino Honkamäki, Gimo, b. 1943.
Director of Sandvik AB since 1974.
(Employee representative)
Sandvik shares: 673, whereof 640 in the form of convertible debentures

Stig Lennart Nyström, Sandviken, b. 1944.
President, Sandvik AB Union Committee, Foremen's and Supervisors' Association.
Director of Sandvik AB since 1986.
(Employee representative)
Sandvik shares: 449, whereof 427 in the form of convertible debentures

AUDITORS

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

Deputies

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

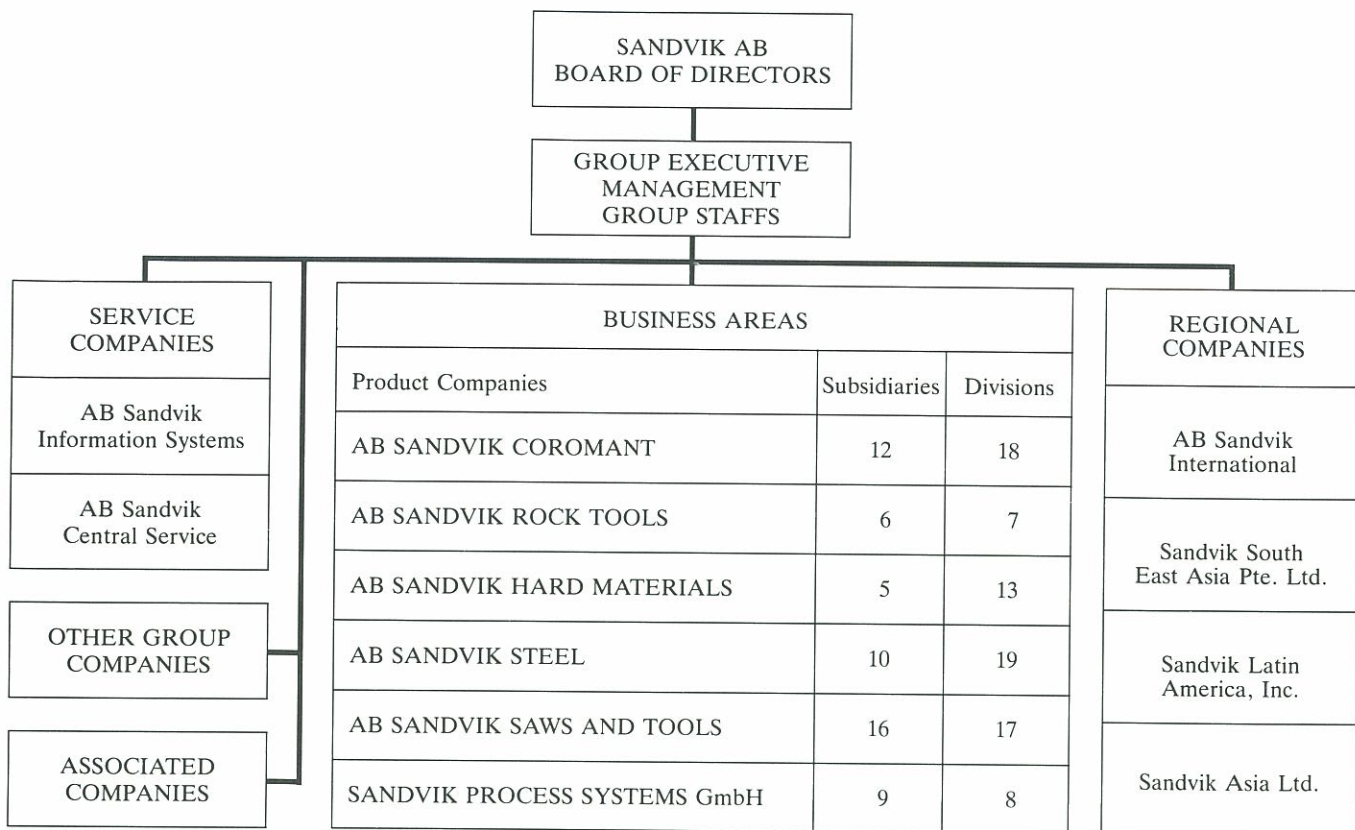
GROUP EXECUTIVE MANAGEMENT AND GROUP STAFF UNITS

Per-Olof Eriksson, President and Chief Executive Officer

Ebbe Bengtsson, Executive Vice President

Controller:	Thomas Hjelm
Finance:	Olle Cederlund
Internal Auditing:	Lars Ernman
	Carl Martinsson (1 Aug. 1988)
Legal Affairs:	Malcolm Falkman
Market and Technology:	Olle Hedebrant
Market Communication:	Björn Jonson
Personnel:	Lennart Höög
Public Affairs:	Carl Lindberg
Research and Development:	Bertil Aronsson
Taxes and Risk Management:	Stig Åhlander

Organization



BUSINESS AREAS

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

REGIONAL COMPANIES

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

AB Sandvik International, headquartered in Sandviken, is responsible for marketing in the Soviet Union, Eastern Europe, the People's Republic of China, the Middle East, Africa apart from South Africa, and some other territories. It is also in charge of the selling and erection of construction projects, meaning turnkey factories and so on, mainly in the state-trading countries.

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

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

Sandvik Asia Ltd., Poona, India, develops, produces and markets cemented-carbide products in India, Sri Lanka, Bhutan and Nepal through its own sales offices and agents.

SERVICE COMPANIES

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

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

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

OTHER UNITS

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

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

Sandvik's Board of Directors, Group Executive Management and Group Staff Managers are presented on page 32.

Business units

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

EUROPE

AUSTRIA

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

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

BELGIUM

Sandvik S.A. (Belgium) N.V., Brussels
Manager: Jean Beitz

Diamant Boart Stratabit S.A., Brussels (50%)
Manager: Staffan Paues

BULGARIA

AB Sandvik International Representative Office, Sofia
Manager: Robert Hartinger

DENMARK

A/S Sandviken, Copenhagen
Manager: Jens Aage Jensen

Danit A/S, Espergaerde
Manager: Roland Setterberg

FEDERAL REPUBLIC OF GERMANY

Sandvik GmbH, Düsseldorf
Manager: Johan Sörensen

Sandvik Coromant, Düsseldorf
Manager: Johan Sörensen

Sandvik Hard Materials GmbH, Cologne
Manager: Manfred Winterhager

Sandvik Steel, Düsseldorf
Manager: Roland Grosse

Sandvik Saws and Tools, Düsseldorf
Manager: Björn Hedlund

Sandvik Process Systems GmbH, Fellbach
Manager: Håkan Olofsson

Sandvik Automation GmbH, Viernheim
Manager: Arne Cederqvist

Sandvik Kosta GmbH, Renningen
Manager: Johann Taps

FINLAND

Suomen Sandvik Oy, Helsinki
Manager: Erik Nylund

FRANCE

Sandvik S.A., Orléans
Manager: André Baron

Sandvik Coromant, Orléans
Manager: André Baron

Sandvik Aciers, Orléans
Manager: Udo Vogt

Sandvik Outillage, Orléans
Manager: Jean Brisson

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

Sandvik Broussaud S.A., Limoges
Manager: Michel Desthomas

Sandvik Tobler S.A., Paris
Manager: Jacques Garih

Ugicarb Morgon S.A., Grenoble
Manager: Pascal Destremau

GERMAN DEMOCRATIC REPUBLIC
AB Sandvik International Representative Office, Berlin
Manager: Göran Wretås

HUNGARY

AB Sandvik International Representative Office, Budapest
Manager: Johann Sulak

IRELAND

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

ITALY

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

Sandvik Process Systems S.p.A., Milan
Manager: Pier Giorgio Bottacin

NETHERLANDS

Sandvik Nederland b.v., Schiedam
Manager: Louis Cuppens

Sandvik Process Systems b.v., Raamsdonksveer
Manager: Antoine Sluysmans

NORWAY

Sandvik Norge A/S, Oslo
Manager: Jon Ambur

POLAND

Sandvik Biuro w Warszawie, Warsaw
Manager: Boguslaw Swiecki

PORTUGAL

Sandvik Portuguesa Lda, Lisbon
Manager: Berndt Wijkander

ROMANIA

AB Sandvik International Representative Office, Bucharest
Manager: Edith Neuhardt

SOVIET UNION

Sandvik Moscow Representative Office, Moscow
Manager: Olof Axell

SPAIN

Sandvik Española S.A., Madrid
Manager: Bo Linell

SWEDEN

Sandvik AB, Sandviken
Group CEO: Per-Olof Eriksson

AB Sandvik Coromant, Sandviken
Manager: Clas Åke Hedström

AB Sandvik Rock Tools, Sandviken
Manager: Lars Östholm

AB Sandvik Hard Materials, Stockholm
Manager: Lars Wahlqvist

AB Sandvik Steel, Sandviken
Manager: Gunnar Björklund

AB Sandvik Saws and Tools, Sandviken
Manager: Hans Norman

AB Sandvik International, Sandviken
Manager: Hans Forsberg

Sandvik Coromant Skandinavien AB, Spånga
Manager: Sven Flodmark

Sandvik Hard Materials Norden AB, Örebro
Manager: Staffan Frondell

Sandvik Stål Försäljnings AB, Spånga
Manager: Staffan Englund

Sandvik Sågar och Verktyg Skandinavien AB, Spånga
Manager: Thomas Lindstedt

AB Sandvik Belts, Sandviken
Manager: Rolf Hemlin

AB Sandvik Process Systems, Sandviken
Manager: Claes Brofelth

Edsbyns Industri AB, Edsbyn
Manager: Sture Lestander

Guldsmedshytte Bruks AB, Storå
Manager: Åke Martinson

AB Sandvik Hand Tools, Bollnäs
Manager: Åke Sundby

AB Sandvik Metal Saws, Lidköping
Manager: Staffan Larsson

AB Sandvik Öberg, Eskilstuna
Manager: Sven Wigerblad

AB Sandvik Central Service, Sandviken
Manager: Börje Andréasson

AB Sandvik Information Systems, Sandviken
Manager: Peter Lundh

SWITZERLAND
Sandvik AG, Zurich
Manager: Mikael Mott

Santrade Ltd., Lucerne
Manager: Mikael Mott

UNITED KINGDOM
Sandvik Ltd., Birmingham
Manager: David Shail

Sandvik Coromant U.K., Birmingham
Manager: David Shail

Sandvik Rock Tools Ltd., Nuneaton
Manager: Malcolm Clegg
Sandvik Hard Materials Ltd., Coventry
Manager: Anders Hägglund
Sandvik Steel U.K., Birmingham
Manager: Ludvig Åkerhielm
Sandvik Stainless Tubes Ltd., Walsall
Manager: W.M. Good
Sandvik Saws and Tools U.K.,
Birmingham
Manager: Peter Renwick
Sandvik Process Systems Ltd.,
Birmingham
Manager: Martin Samuelson

NORTH AMERICA

CANADA
Sandvik Canada, Inc., Mississauga, Ont.
Manager: Steve Boneham
Sandvik Process Systems Canada Ltd.,
Guelph, Ont.
Manager: Colin Crane
Sandvik Tube, Inc., Arnprior, Ont.
Manager: Steve Boneham
UNITED STATES
Sandvik, Inc., Fair Lawn, NJ
Manager: Bert A. Fernaeus
Sandvik Coromant Company,
Fair Lawn, NJ
Manager: Bert A. Fernaeus
Sandvik Rock Tools, Inc., Bristol, VA
Manager: Bruce Belden
Sandvik Steel Company, Scranton, PA
Manager: Bengt Nelson
Sandvik Saws and Tools Company,
Scranton, PA
Manager: Hans Norman
Sandvik Process Systems, Inc.,
Totowa, NJ
Manager: Edward Scott
Triangle Grinding, Inc., Houston, TX
Manager: Lewis Humke
Diamant Boart Stratabit, Inc.,
Houston, TX (50%)
Manager: Ed Williams
Sandvik Special Metals Corp.,
Kennewick, WA
Manager: Eugene R. Astley
Windsor Corp., Milan, TN
Manager: Steve Boneham
Sandvik Latin America, Inc.,
Coral Gables, FL
Manager: Bertil von Essen

LATIN AMERICA

ARGENTINA
Sandvik Argentina S.A.C. e I.,
Buenos Aires
Manager: Björn Karlsson
BRAZIL
Sandvik do Brasil S.A., São Paulo
Manager: Giancarlo Tazzioli
CHILE
Sandvik Chilena Ltda, Santiago
Manager: Jorge Durney
COLOMBIA
Sandvik Colombia S.A., Bogotá
Manager: Victor Manuel Angel
CUBA
AB Sandvik International
Representative Office, Havana
Manager: Gunnel Källström
MEXICO
Sandvik de México S.A. de C.V.,
Mexico City
Manager: Björn von Malmborg
Tungstemex S.A. de C.V., Mexico City
Manager: Ruben Hernandez
HK Porter Company de México S.A.,
Mexico City
Manager: Jorge Rodino
PERU
Sandvik del Perú S.A., Lima
Manager: Hanns Knorr
Barrenas Sandvik Andina S.A.,
Arequipa
Manager: Hanns Knorr
VENEZUELA
Sandvik Venezuela C.A., Caracas
Manager: Faustino Menendez

AFRICA

ALGERIA
Sandvik S.A. Bureau de Liaison, Algiers
Manager: Michel Brand
KENYA
Sandvik Kenya Ltd., Nairobi
Manager: Bengt Karlsson
SOUTH AFRICA
Sandvik (Pty) Ltd., Benoni
Manager: Tore Lundberg
ZAMBIA
Sandvik (Zambia) Ltd., Ndola
Manager: Hans Lundström
ZIMBABWE
Sandvik (Pvt) Ltd., Harare
Manager: James C. MacGregor-Sim

ASIA

CHINA
AB Sandvik International
Representative Office, Beijing
Manager: George Jones

HONGKONG

Sandvik Hongkong Ltd., Hongkong
Manager: Ivo Oja

INDIA

Sandvik Asia Ltd., Poona
Manager: Åke Janson

JAPAN

Sandvik K.K., Kobe
Manager: Börje Skog
Anders Wallin (1 July 1988)

Steebide International AB, Tokyo
Manager: Isao Yamamoto

KOREA

Sandvik Korea Co. Ltd., Seoul (49%)
Manager: Rolf Palmén

MALAYSIA

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

PAKISTAN

AB Sandvik International
Liaison Office, Karachi
Manager: Ahmad Shabir

PHILIPPINES

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

SINGAPORE

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

TAIWAN

Sandvik Taiwan Ltd., Taipei
Manager: Ivo Oja

THAILAND

Sandvik Thailand Ltd., Bangkok
Manager: Anucha Kittanamongkolchai

TURKEY

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

AUSTRALASIA

AUSTRALIA

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

NEW ZEALAND

Sandvik New Zealand Ltd., Pakuranga
Manager: Peter Wells

These data are valid as of April 1988.

The Sandvik share



PER-SHARE DATA¹, SKR

	1987	1986	1985	1984	1983
Earnings ²	19:80	16:45	15:40	9:70	-1:-
Earnings ² incl. shares in associated companies.....	20:15	16:85	15:85	10:05	-0:80
Earnings ² after full conversion.....	19:45	16:05	15:10	9:70	-0:65
Earnings after payment of tax	26:35	22:65	23:15	14:10	-7:10
Adjusted equity capital	110:60	95:50	82:85	67:45	58:50
Adjusted equity capital after full conversion.....	108:85	93:95	81:20	66:40	57:75
Dividend (1987: as recommended).....	4:25	3:50	2:62	1:88	1:50
Direct return ³ , %	3.0	2.3	2.2	3.1	2.5
Payout percentage ⁴	21	21	17	19	/
Quoted prices "A" restricted, year's highest.....	220	200	125	81	80
year's lowest	122	118	59	58	33
at year's end.....	140	150	117	60	61
Quoted prices "B" unrestricted, year's highest.....	220	205	133	82	76
year's lowest	119	124	59	58	34
at year's end	140	148	124	60	58
P/E ratio ⁵	7.1	9.1	7.6	6.2	/
Quoted price, % of adjusted equity capital ⁶	127	157	141	89	104
Average number of shares traded per day on the Stockholm Stock Exchange, "A" restricted.....	12,008	20,627	35,017	15,581	24,996
"B" unrestricted	15,128	10,555	14,166	14,753	7,908

1 The figures for 1983-1985 have been adjusted for the stock split and bonus issue of 1986

2 Earnings after estimated full taxation

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

4 Dividend divided by earnings per share after estimated full tax

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

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

For additional definitions, see p. 21.

THE LARGEST SHAREHOLDERS OF
SANDVIK AB (MARCH 1988)

	Percentage of voting strength	Per- centage of shares
Skanska AB.....	25.4	21.1
Investment Funds of the Swedish Savings Banks.....	10.3	11.3
National Swedish Pension Insurance Fund.....	5.6	5.7
Svenska Handelsbanken's Pension Foundation.....	5.0	4.1
Swedish Staff Pension Society.....	4.9	4.1
Skandia.....	4.1	4.2
PKbanken's Investment Fund.....	3.5	3.1
Skandinaviska Banken's Pension Foundation.....	2.3	1.9
AB Custos.....	1.7	1.8
Trygg-Hansa.....	1.3	2.0
Pension Fund SHB Insurance Society.....	1.3	1.0
Labour Market Insurance (AMF) ...	1.2	1.0

SANDVIK AB SHARE OWNERSHIP (MARCH 1988)

Holding	Num- ber of share ow- ners	In % of all share owners	Total number of shares	% of share ca- pital	Average number of shares
to 500 shares	18,548	82.9	2,166,880	4.1	117
500-1,000	1,866	8.3	1,269,468	2.4	680
1,001-10,000	1,748	7.8	4,163,274	7.9	2,382
10,001-100,000	175	0.8	4,572,710	8.7	26,130
More than 100,000	49	0.2	40,440,127	76.9	825,309
	22,386	100.0	52,612,459	100.0	2,350

CONVERTIBLE LOANS

Sandvik has issued two convertible loans:

In 1977 the Company took up a convertible loan of U.S. \$35m. carrying interest at 6 1/4%, which is convertible between 2 January 1978 and 8 March 1988, both dates inclusive. Full conversion of the loan would raise the number of shares by 850,436, or by 1.6%, as compared with the situation on 31 Dec. 1987. The share capital would increase by Skr 21m.

In 1985 the Company floated a convertible debenture loan of Skr 103m. at 12% interest, addressed to the employees. This loan can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. Full conversion of the loan would increase the number

of shares by 1,292,609, or by 2.5%, as compared with the situation on 31 Dec. 1986. The share capital would increase by Skr 32m.

Full conversion of both the convertible loans would increase the number of shares by 2,143,045, or by 4.1% as compared with the situation on 31 Dec. 1987.

See also Note 25 on p. 26.

ANALYSES

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

Aktiv Placering
Aros Fondkommission
Carnegie
Enskilda Securities (UK)
Goldman, Sachs & Co (UK)
James Capel & Co (UK)
Kleinwort Grieseson Securities (UK)
Svenska Handelsbanken
Hägglöf & Ponsbach Fondkommission AB
Phillips & Drew (UK)
Reinheimer Nordberg (US)
Investment Funds of the Swedish Savings Banks
Warburg Securities (UK)
Öhman Investkonsult

Five years in brief

	1987	1986	1985	1984	1983
Invoiced sales, Skr m.	13,241	12,721	12,518	11,299	10,119
Result after financial earnings and expenses, Skr m.	1,895	1,724	1,610	1,013	-179
Result before appropriations and taxes Skr m.	1,893	1,678	1,609	940	-776
Earnings per share, Skr	19:80	16:45	15:40	9:70	-1:-
Dividend per share (1987: as recommended), Skr	4:25	3:50	2:62	1:88	1:50
Adjusted equity capital, Skr m.	5,809	4,978	4,248	3,455	2,986
Solidity, %	36	34	33	28	26
Venture-capital ratio, %	46	44	43	38	36
Debt/equity ratio	0.8	1.0	1.1	1.5	1.7
Interest coverage	5.1	4.4	4.6	2.2	0.8
Rate of capital turnover, %	82	87	93	89	80
Liquid assets, Skr m.	4,245	3,776	2,866	2,198	1,050
Return on adjusted equity capital after tax, %	19.2	18.4	20.5	15.4	-1.6
Return on adjusted equity capital after tax, after inflation, %	13.3	14.7	14.1	6.6	-9.9
Return on investment, %	21.5	21.9	21.3	19.9	6.8
Investments in property, plant and equipment, Skr m.	675	669	548	362	295
Cash flow, Skr m.	553	1,099	1,185	1,383	804
Average number of employees	25,144	24,033	23,905	23,994	25,687

For definitions of the above concepts, see p. 21.

Additional per-share data will be found in the section on the Sandvik share, p. 36.

FINANCIAL INFORMATION

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

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