

Sandvik
Annual Report
1999



Cover

Sandvik – A knowledge-based company

Sandvik's advanced products are the result of extensive expertise in many areas. More than 1,200 highly qualified specialists of various nationalities are engaged in research, development and quality assurance operations. The cover illustration shows three representatives of the knowledge-based company Sandvik, from left:

Rainer Beccu, 39, Ph.D in solid mechanics. Head of research and development at Driltech Mission in the US, a business sector of Sandvik Mining and Construction. Employee of Sandvik since 1989.

Anna-Lena Nyström, 36, M.Sc. in Physics and Chemistry. Senior Project leader for product development of stainless steels, tube products, at Sandvik Steels' R&D Center in Sandviken, Sweden. Employee of Sandvik since 1989.

Daniel Duan, 36, head of technical support and training at Sandvik Coromant in China. Employee of Sandvik since 1989.

Sandvik

Annual Report 1999

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

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Highlights of 1999

- Successive improvement in order intake and profit.
- Profit for the year before tax totaled SEK 5,465 M (3,935).
- Continued improvement in business conditions.
- Divestment of the Sandvik Saws and Tools business area; capital gain of SEK 1,625 M.
- New Group structure – focusing on core operations.
- Proposal regarding single share class.



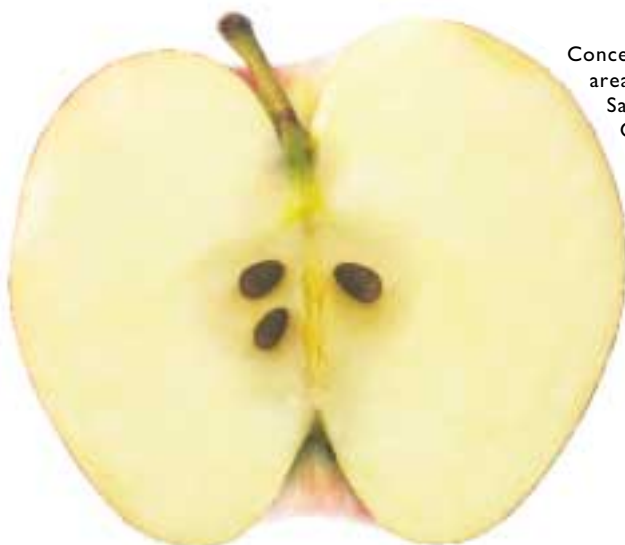
One of the major events of 1999 was the sale of the Saws and Tools business area.

	1999	1998
Order intake, SEK M	39 650	41 700
Invoiced sales, SEK M	39 300	42 400
of which, outside Sweden, %	94	94
Profit after financial income and expenses, SEK M	5 465	3 935
Return on net assets, %	15.1	16.3
Return on shareholders' equity, %	12.4	11.9
Earnings per share, SEK	14.00	8.10
Dividend per share, SEK	8.00 *	7.00
Number of employees, 31 Dec.	33 870	37 520

* Proposed



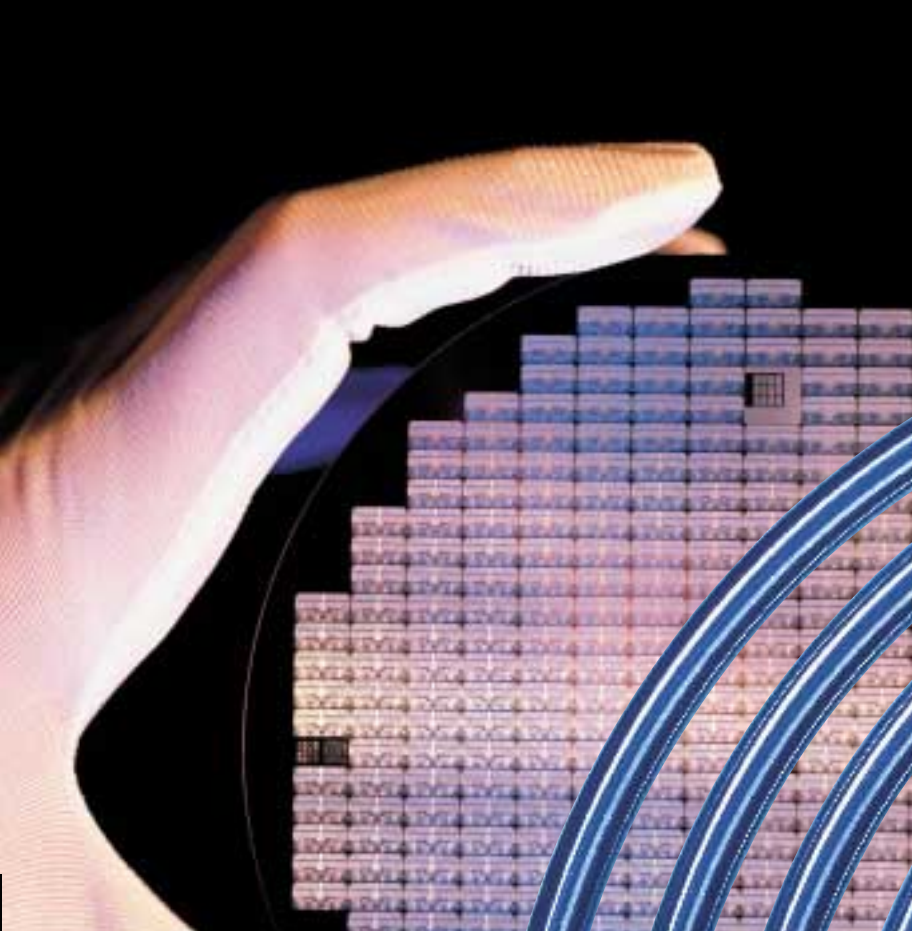
In Sandvik Mining and Construction, production of roller bits in Köping, Sweden, was expanded.



Concentration in three core areas: Sandvik Tooling, Sandvik Mining and Construction, and Sandvik Specialty Steels.

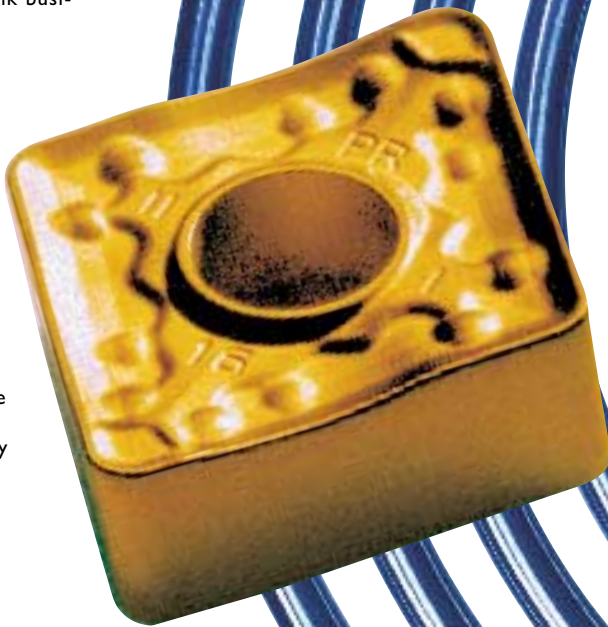
S@ndvik

An increasingly large proportion of Sandvik's sales are transacted on the Internet.



The expansive electronics industry is highly significant for several Sandvik business operations.

Sales of Sandvik Coromant's new generation of cemented-carbide inserts for steel turning were very strong.

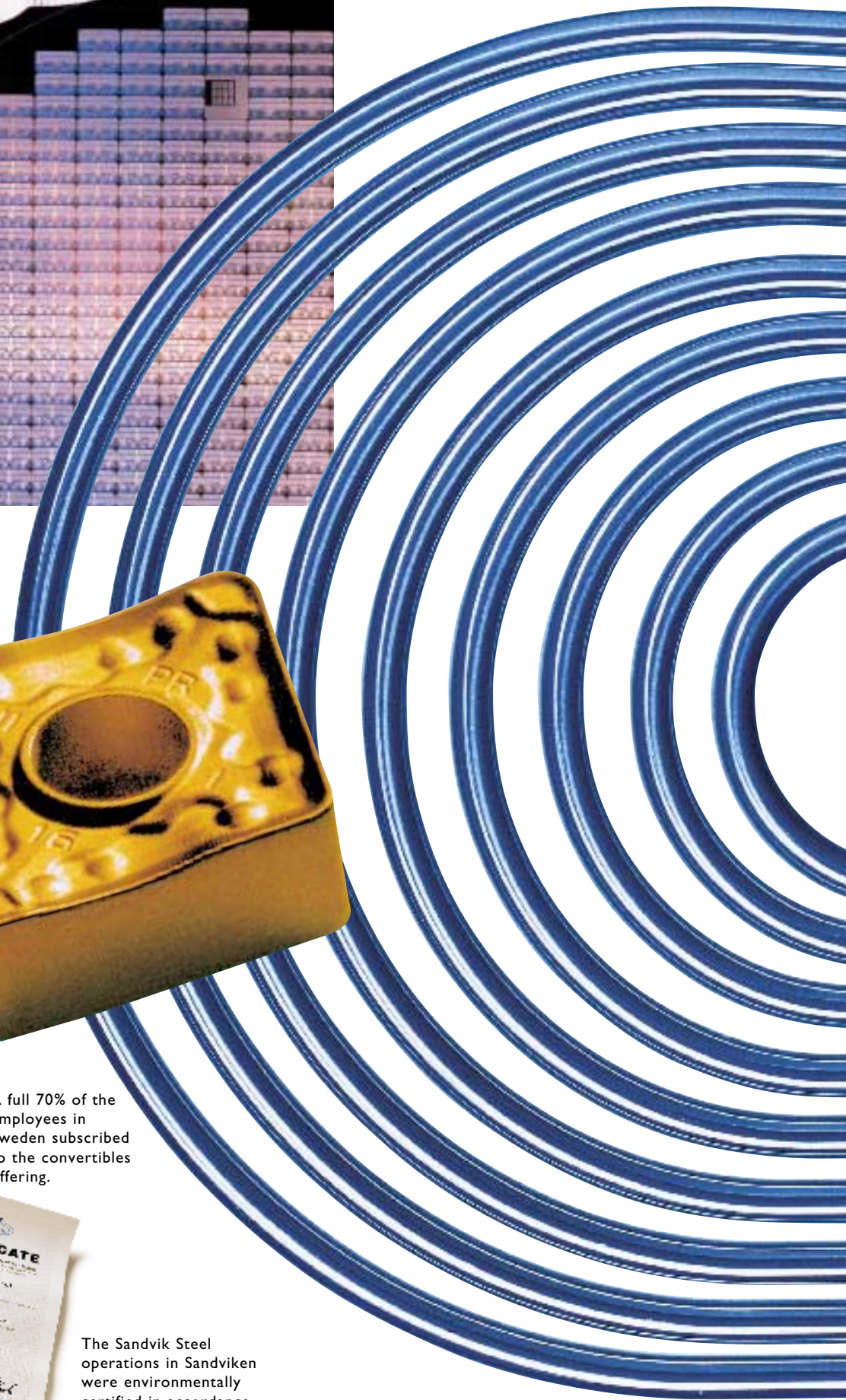


A full 70% of the employees in Sweden subscribed to the convertibles offering.



The Sandvik Steel operations in Sandviken were environmentally certified in accordance with ISO 14001.

During the year, Sandvik Steel was awarded major contracts for advanced steam-generator tubes for nuclear-power plants in the US.



This is Sandvik

Sandvik is a high-technology engineering Group with advanced products and a world-leading position within selected niches – tools for metalworking, machinery and tools for rock-excitation, products in stainless steel, special alloys and high-temperature materials. World-wide business activities are conducted through 300 companies and representation in 130 countries. The Group has 34,000 employees and annual sales of approximately SEK 40 billion.

Two factors that have contributed greatly to Sandvik’s business development are the determined marketing efforts in close cooperation with customers throughout the world and continuous product renewal, with particularly strong focus on advanced technology. Group investments in research and development (R&D) and quality assurance of new products and production technology

amount annually to more than 4% of sales and totaled SEK 1.6 billion in 1999.

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

Customers operate in many different industrial sectors, including automotive and aerospace industries, mining and civil engineering, chemicals, oil and gas, power, pulp and paper, household appliances, electronics, medical technology, pharmaceuticals and other engineering industries. Sandvik’s objective is to increase its focus on operations in areas that offer greater growth potential than overall industrial growth.

The Sandvik Group consists of three separate business areas responsible

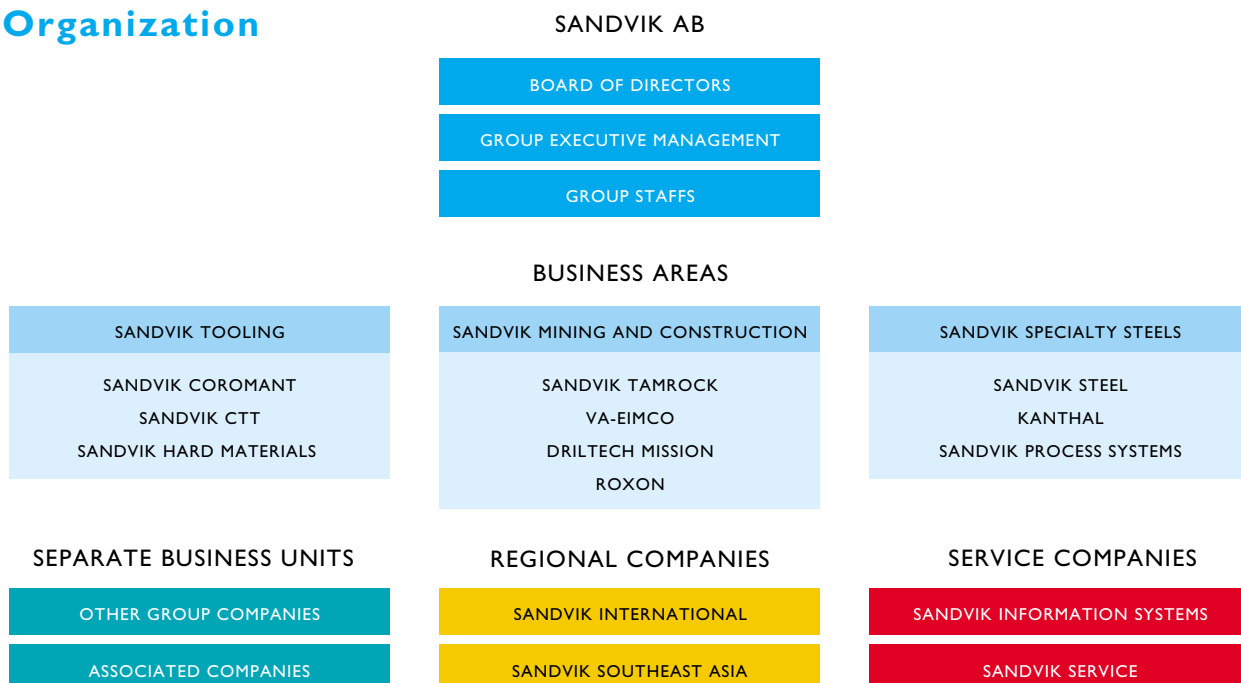
for research and development (R&D), production and sales of their respective products. Seco Tools, an independent, publicly listed company, is also included in the Group.

Business concept

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

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

Organization



Strategy

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

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

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

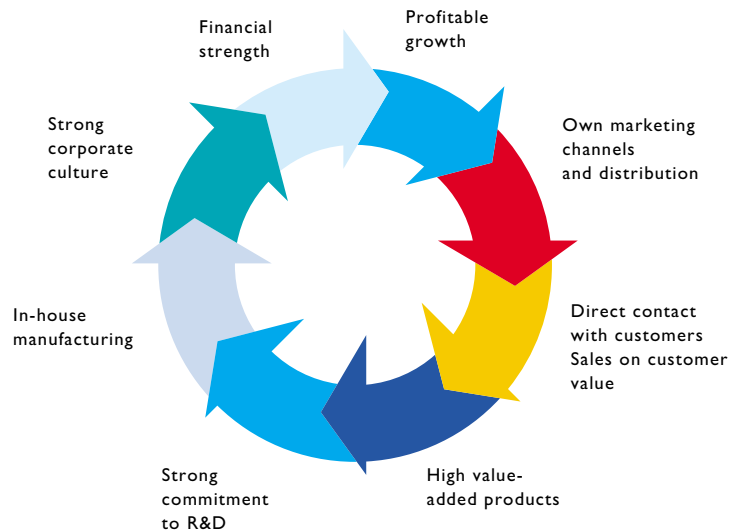
Sandvik products shall be manufactured mainly in the Group's own production plants. The coordination of product development with production technology developed by Sandvik ensures maximum quality, availability and cost efficiency and also contributes to Sandvik's determined efforts to create a favorable environment.

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

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

Sandvik shall strive to create working conditions that stimulate employees to perform effectively, assume responsibility and continue

The Sandvik Group's successful strategy is based on the interaction of a number of value drivers.



to develop in their personal and professional pursuits. The Group shall also promote equality, regardless of gender, race, color, religion, nationality or ethnic origin.

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

Financial goals

The goal since 1994 is an average volume growth, including acquisitions, of 6%, with an average return on net assets for the Group of 20%.

Shareholders shall receive a dividend of at least 50% of earnings per share and the dividend plus value growth of the Sandvik share shall exceed the average for the industry, all measured over a business cycle.

The Group shall have the financial strength that ensures commercial freedom of action while maintaining a well-balanced capital structure over the long term.

Future growth

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

The Group's strong profitability provides scope for increased R&D programs and investments in production, marketing and supplementary company acquisitions as a means of achieving a higher rate of growth.

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

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

Business Areas

Focus

Strategy

Sandvik Tooling



- Cemented-carbide tools and tooling systems for metalworking applications
- Drills, end mills and taps in high-speed steel and solid carbide for metalworking applications
- Blanks, components and tools made of cemented carbide and other hard materials
- Technical service, advice and training within the product areas

- Close cooperation with customers in developing their production processes
- Extensive investment in research and development of new products and processes
- Focus on increasing customers' productivity and profitability
- Most cost-efficient within development, production and marketing
- Advanced training of customers and own staff throughout the world

Sandvik Mining and Construction



- Machinery, tools and services for drilling, loading, transporting, breaking of rock and ore, and demolition in the mining and construction industries
- Machinery, tools and services for mechanical mining of coal and other soft minerals
- Drill rigs, tools and services for down-the-hole and rotary drilling for blast-hole drilling, well drilling and ground reinforcement
- Conveyor components, systems and services for bulk materials handling within mines, ports, etc.

- Offer innovative technology, products and services with high customer value
- Leading supplier within selected product and market niches
- Highly advanced differentiation of products, marketing and distribution within business sectors
- Continued development of globally recognized trademarks

Sandvik Specialty Steels



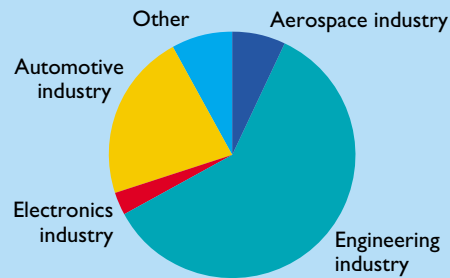
- Tube, strip, wire and bar made of stainless steels and of alloys based on titanium, nickel and zirconium
- Metallic and ceramic resistance materials
- Steel belts and steel-belt based processing plants and sorting systems
- Technical expertise and service for customers with high demands on cost-efficiency, security and performance

- Global market leader within prioritized niches
- Produce high value-added products based on own technology
- Develop products and processes in close cooperation with key customers
- Contribute to customers' increased competitiveness and profitability
- Develop new fields of application for existing products
- Distribute own products as well as complementary products in a fast and cost-efficient manner

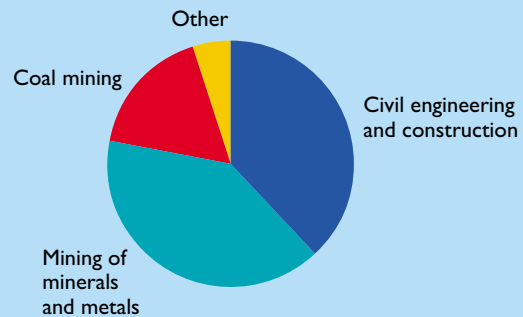
Value drivers

- World leader within specific product areas
- Leading position in materials technology, product and process development
- Complete in-house, cemented-carbide production – from raw materials to finished product
- Worldwide production and distribution systems
- Efficient market coverage supported by modern information technology and advanced logistics

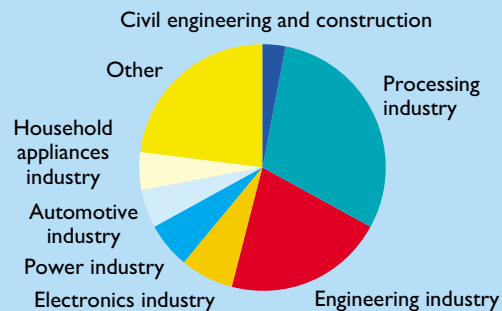
Customers



- Market's most extensive product program for drilling, mining, demolition, loading and transport of rocks and minerals
- Worldwide marketing organization
- A unique combination of high materials-technology expertise and advanced applications know-how within drill-and- blast, as well as mechanical mining methods
- International leader within the development of products and production methods for the mining and construction industry, especially for underground mines



- Internationally well-established trademarks
- Fully-integrated manufacturing process that ensures highest quality
- Strategically localized manufacturing resources
- Extensive knowledge about materials, processes and applications
- Worldwide marketing organization supported by advanced information technology and efficient logistics systems



The Sandvik share

The price of the Sandvik share rose 90% in 1999, compared with an average increase of 65% for the engineering industry (excluding telecom shares), and 66% for the General Index.

During the most recent ten-year period, the total return, including dividend, rose an average of 20% annually. The General Index total return rose 19%, including dividends, during the same period. The total number of Sandvik shares is 258,696,000, of which 189,450,259 are A shares and 69,245,741 are B shares.

The beta value for the Sandvik share measured against the OM Stockholm Exchange rolling 48-month index was 0.84 (0.95). The beta value is a risk measurement showing the volatility of stock prices compared with the entire market over a given period. The value 0.84 means that the Sandvik share price is 16% less sensitive than the market as a whole over the 48 months.

Sandvik shares ranked fourteenth among most actively traded shares on the OM Stockholm Exchange in 1999. A total of 199 million Sandvik shares were traded, of which 85 million were A shares. The turnover was 75% (74), compared with 94% (76) for the entire OM Stockholm Exchange.

Sandvik's market capitalization at year-end 1999 was SEK 69 billion (36), and Sandvik ranked as the eleventh largest company on the OM Stockholm Exchange.

Dividend policy

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

The goal is that the dividend and value growth shall exceed the engineering industry's average and be clearly higher than the yield on risk-free, long-term financial investments and that shareholders shall

receive a dividend of at least 50% of earnings per share – all measured over a business cycle.

With the proposed dividend in 1999 (SEK 8.00 per share), the increase in dividends has averaged 16% annually since 1994. The dividend comprises 57% of earnings per share in 1999. The average payout ratio during the past five years amounts to 63%.

Shareholders

The number of shareholders is about 45,000. The ten largest shareholders in Sandvik account for 55% of the number of shares and 60% of voting rights. In total, publicly listed corporations, insurance companies, funds and foundations hold 91% (74) of all Sandvik shares. Shares owned by foreign investors amount to 25% (18) of all shares and 15% of the voting rights.

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

Proposal for a single share class

Sandvik's Board of Directors has assessed that a transition from the current A class and B class to a single class of shares would benefit the Sandvik share's liquidity and valuation. Therefore, the Board will propose to the Annual General Meeting that a decision be made concerning changing the Articles of Association so that the company will only have one class of share.

American Depositary Receipts

Sandvik B shares can also be traded in the US in the form of ADRs (American Depositary Receipts) on the OTC (over-the-counter) market. There were 426,994 outstanding ADRs at the end of 1999.

Convertibles and options

At the Annual General Meeting held on 29 April, 1999, it was decided to carry out a part-ownership program directed to employees of the Sandvik Group, with the exception of those within the Seco Tools Group. The offer was partially directed towards Sandvik employees in Sweden, with the right to subscribe for convertible debentures, and partially to employees of Sandvik outside Sweden, with the right to subscribe for warrants.

The direct issue of convertible debentures to personnel in Sweden attracted a great deal of attention and was oversubscribed. Approximately 70% of the employees applied for allotment. The total convertible amount is SEK 955 M, corresponding to 4,360,150 shares if fully converted. Some 560,900 warrants were issued to employees outside Sweden, which, if exercised, will amount to a corresponding number of shares. Full conversion and exercise will result in 4,921,050 shares, which gives a dilution of 1.9%. The term of the convertible debenture loan is from 2 July, 1999 through 30 June, 2004. The conversion price is SEK 219. Conversion to the new B shares in Sandvik will occur during the period 2 July, 2001 – 31 May, 2004.

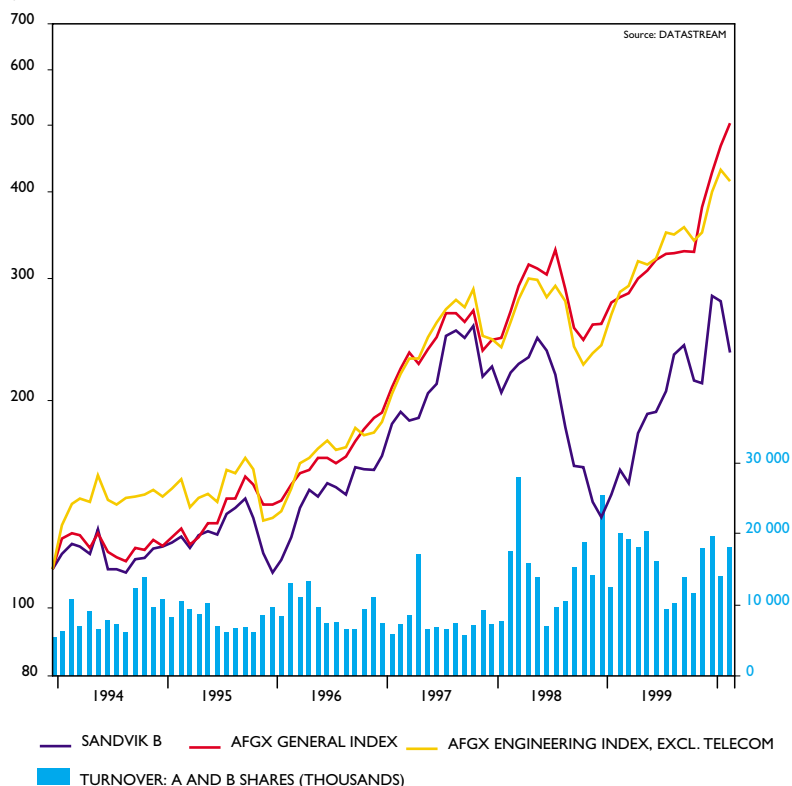
Options

Standardized options in Sandvik B shares were introduced for trading in May 1993. Warburg Dillon Read has issued covered warrants on Sandvik shares ●

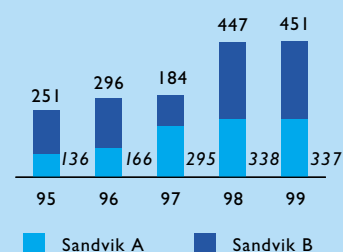
DISTRIBUTION OF SHARES AND VOTING RIGHTS

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

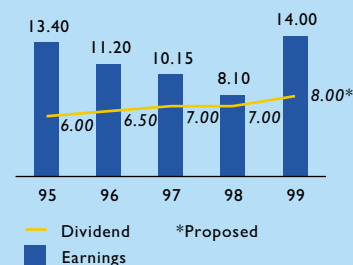
SEK PRICE TRENDS ON THE OM STOCKHOLM EXCHANGE, SANDVIK B SHARES Number



AVERAGE DAILY NUMBER OF SHARES TRADED ON THE OM STOCKHOLM EXCHANGE (THOUSANDS)



EARNINGS AND DIVIDEND PER SHARE, SEK



PER-SHARE DATA, SEK

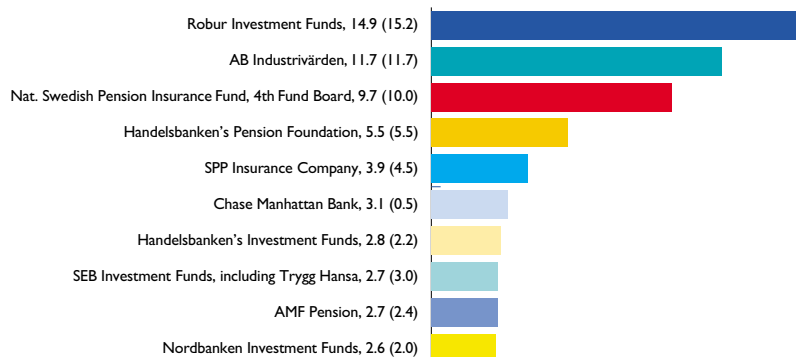
	1999	1998	1997	1996	1995
Earnings ¹⁾	14.00	8.10	10.15	11.20	13.40
Shareholders' equity	77.70	72.00	67.30	72.00	66.40
Dividend (1999: proposed)	8.00	7.00	7.00	6.50	6.00
Direct return ²⁾ , %	3.0	5.0	3.1	3.5	5.2
Payout percentage ³⁾ , %	57	86	69	58	45
Quoted prices, A,					
highest	281	252	272	186	148
lowest	138	134	182	111	108
year-end	267	141	226	184	116
Quoted prices, B,					
highest	285	251	274	187	148
lowest	137	134	182	111	109
year-end	271	140	227	185	116
P/E ratio ⁴⁾	19.1	17.4	22.3	16.4	8.7
Quoted price, % of shareholders' equity ⁵⁾	344	196	336	262	175

Notes:

- 1) Net profit for the year per share.
- 2) Dividend divided by quoted price for A shares at year-end.
- 3) Dividend divided by earnings per share.
- 4) Market price of A shares at year-end in relation to earnings per share.
- 5) Market price of A shares at year-end, as a percentage of reported shareholders' equity per share.

Additional definitions are presented on page 50.

LARGEST SHAREHOLDERS IN SANDVIK AB
Votes (shares) in %, December 1999



RESEARCH

The following companies published research on Sandvik during 1999:

- ABG Securities
- Alfred Berg Research
- Aros Securities
- CAI Cheuvreux
- Carnegie
- Collins Stewart
- Credit Lyonnais Securities
- Deutsche Bank Research
- Dresdner Kleinwort Benson Securities
- Enskilda Securities
- Fischer Partners Fondkommission
- Goldman Sachs International
- Hagströmer & Qviberg
- Handelsbanken Markets
- HSBC Securities
- J. P. Morgan Securities Ltd.
- Lehman Brothers
- MeritaNordbanken
- Merrill Lynch
- Morgan Stanley Dean Witter
- Orkla Securities
- Paribas
- Swedbank Fondkommission
- Warburg Dillon Read
- Öhman Equities

Sharper focus for continuing success

The past year was another eventful year for the Sandvik Group. One of the most important events was the sale of the Saws and Tools business area, as a result of which we consolidated operations into areas in which we hold a world-leading position. This sharpened focus is expected to result in enhanced efficiency, strengthened competitiveness and improved profitability. The business climate during the year was subdued, with weak demand for investment-related products and low prices for raw materials. The situation improved gradually during the second half of the year and the Group's earnings, including the capital gain from the sale of Saws and Tools, were the second highest ever.

The business decline that began during the second half of 1998 continued during the first quarters of 1999. The situation improved gradually during the second half of the year, with industrial production in the OECD countries rising in the last quarter by 2.5% on an annual basis.

The cyclical upturn applied particularly to Europe. In the US, favorable growth continued throughout the year, despite varying conditions in sectors of key significance for Sandvik. In Asia, particularly Korea and Southeast Asia, demand improved markedly in several customer segments. Demand also increased in Japan. During the Asian crisis, the strategy of maintaining local marketing organizations gave us a clear competitive advantage.

Despite the more restrictive business climate, the Sandvik Tooling business area, Sandvik Coromant in particular, were once again able to deliver highly favorable results due to strengthened market positions and cost savings.

Sandvik Mining and Construction was affected by the continuing low mineral prices and consequent weak demand from the mining

industry. Due primarily to an extensive structural program launched in 1998, the business area succeeded in improving its results. Structural measures implemented are expected to yield further rationalization and coordination benefits during the next few years.

Within the Sandvik Specialty Steels business area, earnings for Sandvik Steel declined as a result of lower demand and falling prices for investment-related products. Demand for consumption-based products was favorable.

A niche company

During the year, the Saws and Tools business area was sold to the US company Snap-On Incorporated. Despite a broad product range, Sandvik Saws and Tools has been a small company internationally and profitability has not measured up to Group requirements. Snap-On is considerably larger in this field and offers excellent possibilities for the future development of Saws and Tools.

The sale consolidated Sandvik's ongoing operations into three core areas – Tooling, Mining and Construction, and Specialty Steels – in

which the technology content is high and we are world-leading in selected niches. At the same time, the Tooling business area has changed.

In addition to Sandvik Coromant and Sandvik CTT, the Tooling business area now includes Sandvik Hard Materials – that is, three successful companies, all world-leading in their respective product areas. Opportunities have been created within the business area to further exploit the companies' shared strengths and synergies to enhance efficiency and growth.

Specialty Steels comprises Sandvik Steel, Kanthal and Sandvik Process Systems. Sandvik Process Systems intensified its focus on steel belts and steel-belt based processes. A planned divestment of the Sorting Systems operations could not be concluded, since the purchaser defaulted on the transaction despite a binding contract. The Sorting Systems operations were subsequently completely restructured in the US and now focus on service and sales of components and technology.

During 1999, the number of Group employees in comparable units decreased by more than 2,000, following implementation of structural and rationalization measures.

A knowledge-based company

Sandvik is often described as a high-technology engineering company offering sophisticated products. Sandvik is also a modern knowledge-based company in an ongoing process of renewal. Behind our products lies advanced expertise in materials, processes and information technology. Our leading position in materials technology is based on access to both world-class laboratories and the internationally foremost researchers in the area. Through close long-term cooperation with larger customers, we have also accu-



mulated extensive knowledge of applications. During the year, the business areas intensified their focus on service and the after-market.

SEK 1.6 billion, or 4%, of net sales in 1999 was invested in research, development and quality assurance. The primary aim is to develop products and processes of particularly promising growth potential. Powder metallurgy, special alloys, biocompatible materials and new rock-excavation techniques are examples of future growth areas.

Increasingly extensive IT support in all aspects of operations – from product development, production technology, process control and logistics to sales, service and other customer contacts – is characteristic of Sandvik today. We have more than 1,000 specialists worldwide working in an innovative IT environment and a comprehensive global IT network. Information technology is a strategic requirement to achieve our goals in growth and profitability.

Internet commerce is a rapidly growing interactive sales channel, through which information is communicated between the company and the customer in the form of graphics, product data, etc. Sandvik Coromant introduced Internet commerce in Sweden in the summer of 1999. After only half a year, 17% of the company's orders were being received via the Internet, and this

business is expected to grow substantially in the long term. A more developed system was introduced in the US in the beginning of 2000, and other countries will soon be able to offer the same possibilities in all areas of Group operations, in pace with customer preferences and requirements.

Environmental considerations are an integral aspect of our operations. During the year, the entire Sandvik Steel operations in Sandviken were certified in accordance with the ISO 14001 international environmental-management system. This quality certification represents an extensive investment in developing environmental expertise.

Convertibles and employee share options

In order to demonstrate more clearly its appreciation of employees' performance, to further stimulate employees' involvement in the Group and to further team spirit, Sandvik's Annual General Meeting in 1999 voted to offer all employees in Sweden an ownership-sharing program based on convertible debentures. Employees in certain other countries were offered share options on financially equivalent terms. The convertibles offer was widely appreciated, and it was oversubscribed. Approximately 70% of the employees in Sweden applied to participate in the offer.

Sandvik's Board of Directors decided to implement a share-option scheme as of 2000 for approximately 300 key employees worldwide. The share-option scheme replaces the long-term incentive plan that was concluded in 1999.

Continued financial strength

Since our financial goals were established in 1994, Group sales have grown by an average of 10% annually. This is clearly in excess of the target 6% over a full business cycle. In 1999, return on net assets remained at a favorable level (15% excluding capital gain), amounting to an average of 19% over the past five years.

Cash flow from operations has been strong throughout 1994-1999. A large portion has been applied to

an aggressive program of investment in plants and machinery, a substantial increase in R&D, 25 acquisitions – three of which were very large – as well as share redemption and dividends to shareholders. The sale of Sandvik Saws and Tools strengthened the Group's financial position further, and equity/assets amounted to 52% at year-end.

An important aspect of the goals established in 1994 was the new dividend policy, whereby the dividend would amount to not less than 50% of average net earnings over a full business cycle. The actual proportion has amounted to 63% during the past five years.

When the possibility of repurchasing the company's own shares is introduced, the Board will discuss a new dividend policy involving a combination of recurring share repurchasing and dividend distribution.

To promote the liquidity and the valuation of the Sandvik share, the board will propose that the Annual General Meeting adopt a transition to one share class only instead of the current division into A and B shares.

A future-oriented company

As indicated by the historical summary in this annual report, Sandvik has undergone an enormous transformation during the twentieth century. The company's business philosophy has remained the same over the years, however, and it is also a winning concept for the twenty-first century. As a result of this, combined with the measures implemented, we are well positioned to expand and further improve profitability ●

Sandviken, March 2000



Clas Åke Hedström

President and Chief Executive Officer

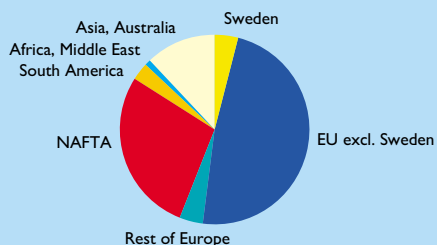
B U S I N E S S A R E A

Sandvik Tooling

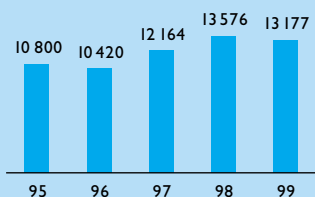
The business area comprises tools and tooling systems for metalworking applications as well as blanks and components. Sandvik Coromant specializes in tools made of cemented carbide and other hard materials. Sandvik CTT specializes in rotating tools in high-speed steel and cemented carbide. Sandvik Hard Materials, a part of Sandvik Tooling as of 1999, manufactures blanks, components and tools and operates within the entire area of hard materials, from cemented carbide to diamond.

The total world market potential for the business area is approximately SEK 80 billion. Sales in the business area amounted to SEK 13,177 M and operating profit was SEK 2,597 M. Return on net assets exceeded the Group's minimum requirement of 20% by a broad margin. Including acquisitions, the average annual increase in the volume of business over the past six years has amounted to 9%.

INVOICED SALES PER MARKET AREA

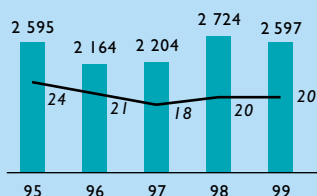


INVOICED SALES, SEK M

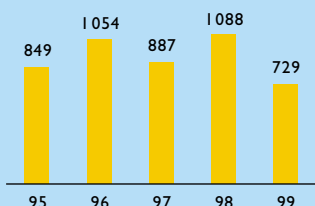


OPERATING PROFIT, SEK M

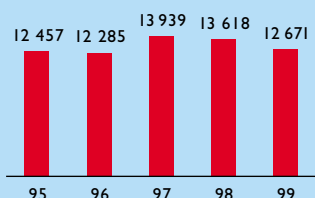
— AS A PERCENTAGE OF INVOICED SALES



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



Sandvik

Coromant

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

Sales invoiced by Sandvik Coromant declined by 2% in 1999 to SEK 8,358 M as a result of a weak business climate at the beginning of the year.

Customers include companies that use metalworking to upgrade products made of various materials – cast iron, steel, stainless steel, aluminum and composite materials – into finished components. Leading companies in the aerospace, steel and other engineering industries, as well as most of the large manufacturers of cars, trucks, buses, construction equipment, motorcycles and forming tools use Sandvik Coromant's products to improve their productivity and profitability.

Globalization of industries is causing structural shifts in the tooling area as well. About eight large manufacturers control approximately two thirds of the world market for cemented-carbide tools. A large number of local or highly specialized companies account for remaining market shares. Sandvik Coromant is the leader in

the European and South American markets. In the North American market, Kennametal is Sandvik Coromant's largest competitor. In Asia, several Japanese companies are large competitors. Sandvik Coromant is the most well-established non-Japanese company in the Asian markets, with production of cemented-carbide tools in India as well as Japan and China.

Market and business conditions

In the NAFTA region – the United States, Canada and Mexico –

Sandvik Coromant is the world's leading manufacturer of cemented-carbide tools for turning, drilling and milling.

the weakening that began at the end of 1998 was replaced by a modest upswing, which varied, however, in different industries.

Sales in Europe declined slightly in most markets. In the UK, however, sales declined sharply due to the effect of the strong British pound on domestic industry. In Germany, demand increased during the latter part of the year following a weak beginning. The business

climate in the growth markets of Eastern Europe was favorable, except in Russia.

A clear improvement could be observed in Asia, particularly in Korea and Southeast Asia. The strategy of maintaining the local sales organizations proved correct. Sandvik Coromant is now in a position to quickly take advantage of the improved business opportunities. The optimistic assessment of the sales potential in the region remains unchanged.

Investments

During the year, a decision was taken regarding the expansion and modernization of the production of cemented-carbide powder within the Group. Most of the investment, totaling approximately SEK 200 M, will concern Sandvik Coromant's plants in Gimo, Sweden. The current powder production in Stockholm will gradually be transferred to Gimo and to Coventry, UK.

In 1999, Sandvik Coromant inaugurated a production plant in Stafford outside Houston, Texas, in the US. The new plant doubles capacity in manufacturing of tools in cemented carbide, ceramics and other advanced materials, product areas considered to have great potential. The plant site also includes an advanced Training Center, the second in the US, for training customers and company personnel.

During the year, several production units were certified in accordance with the ISO 9001 quality standard – for example, Sandvik Coromant's



Anders Thelin,
President of Sandvik
Coromant
(from 24 March 2000).
Born 1950,
M.Sc. Eng.,
employed
since 1976.



plant in China, Sandvik MKTC in Moscow, Russia and Sandvik Baildonit in Poland. All Sandvik Coromant production plants worldwide are now quality certified. Sandvik Baildonit was environmentally certified in accordance with ISO 14001 at the same time.

Research and development

Development of new products, services and production methods is critical to the company's ongoing competitiveness. Of net sales, 6% – that is slightly more than SEK 500 M in 1999 – is invested annually in research and development. This has resulted in a constant flow of new products and systems. More than 1,000 new products or product variants are introduced each year. During the past few years, approximately 50% of sales have come from products younger than 5 years. The company's ongoing extensive focus on research and development has made Sandvik Coromant the technological leader in its field.

Development work within Sandvik Coromant focuses primarily on three main areas: new cutting materials, coatings and tooling systems to increase customer productivity. The work is carried out in close cooperation with customers and it is based



Sandvik Coromant operates some 20 Training Centers for training of employees and customers.

on their need for newer, lighter and stronger component materials, faster machine tools, and more automated processes. Research is conducted in own laboratories, at customer facilities or at universities and colleges.

Customers are increasingly interested in solutions that eliminate the use of cutting fluids, which is expensive and causes environmental impact. Over the past few years, Sandvik Coromant has introduced several products that permit dry machining in both turning and milling operations, and which have brought major improvements to customers, for example, in the automotive industry.

Technology for increasingly automated production is continually being developed at the main plant in

Gimo. The methods and systems developed in Gimo are applied in other units of Sandvik Coromant.

Sandvik Coromant's production is carried out at some 40 plants worldwide. All manufacturing is based on identical raw materials, equipment and processes, as well as the application of common quality standards.

Every larger market region contains one or more production plants that can quickly satisfy local customers' requirements of special tools. These units are currently interconnected in a global network so that specialist expertise established in the markets can be available to all customers.

New products

A large number of product innovations were introduced in 1999. Several of them represent technological breakthroughs, consolidating Sandvik Coromant's leading position as a supplier of highly productive tools.

The innovations include a new tool concept for parting and grooving, CoroCut, which can create major efficiency gains. Tests have shown a doubling in productivity through use of the new CoroCut tools.

Turning of steel is one of the most common metalworking operations. In this area, Sandvik has developed a new type of cemented carbide that delivers up to 20% higher cutting speed, resulting in considerable productivity gains. Particularly high performance can be achieved with dry machining due to the properties

A new tool concept for parting and grooving, CoroCut, was introduced during the year.



of the cutting edge and the excellent capacity to resist plastic deformation.

A completely new cutting material in the form of a nickel-free cermet for steel machining was launched during the year. The new material has excellent toughness and combines the properties of traditional cermet and cemented carbide. It is particularly suitable for mass production of components requiring top-quality surface finish and high productivity while maintaining metalworking precision. The new nickel-free cermet is both user and environment-friendly, since it is recyclable and can be used both with and without cutting fluid.

In the milling segment, new standardized inserts optimized for stainless-steel machining were presented. Sandvik Coromant's introduction of the new generation of end mills, CoroMill 390, was a major success. The program was extended with the addition of mills equipped with Coromant Capto coupling to further enhance precision and productivity.

The growth in sales of the Coromant Capto modular tool system continued. Many manufacturers

Sandvik Coromant developed a new cutting material in the form of nickel-free cermet.

Daishowa Seiki, a leading Japanese manufacturer of precision tools for such machines, was signed during the year. The agreement will create a broader market base for Coromant Capto.

Electronic commerce and increased globalization

Sandvik Coromant's customers increasingly have their production facilities spread over several locations throughout the world. This is particularly apparent in the automotive industry. The Volkswagen Group, for example, has expanded vigorously in several countries during the past few years, and it has chosen Sandvik Coromant as tool supplier to all of its plants. The cooperation has been worthwhile, and during the year Sandvik Coromant



processing of an extremely large number of small customer orders every working day. The internally developed business, production and inventory-management systems used since the mid-1980s have gradually been modernized and coordinated. During the year, a completely new order-handling system was implemented in all central warehouses, with the result that Sandvik Coromant now has a highly modern routine for transferring customer orders directly into the system.

Internet sales were launched on the Swedish market in the spring. After slightly more than half a year, Internet sales already accounted for 17% of orders. Several other markets are now preparing to launch electronic commerce in the near future, in pace with customer requirements.

The ongoing aggressive focus on research and development, production and marketing – for instance, of electronic commerce – and service, will further strengthen its leading position ●



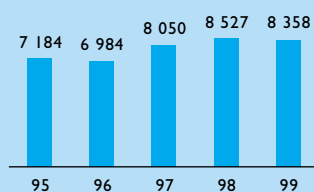
During 1999, a new production plant for advanced tools was inaugurated in Stafford, TX, in the US.

of the latest generation of multi-operation machine tools are now integrating Coromant Capto in their equipment right from the start. A licensing agreement with Big

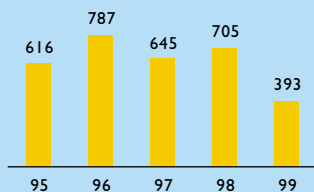
was named "Leading Edge Supplier," as one of Volkswagen's most important international suppliers.

Sandvik Coromant's business operations are based on the rational

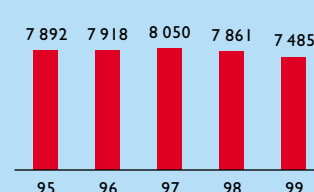
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER





Sandvik CTT is the world-leader in high-speed steel tools.

Sandvik CTT

Sandvik CTT is the world's largest manufacturer of high-speed steel tools for metalworking applications and is rapidly expanding operations in rotating solid-carbide tools. Sandvik CTT's primary markets are the EU, NAFTA and Latin America. Sandvik CTT is now entering the Asian market with a plant in India. Global brand names are Dormer, Titex, Prototyp and Precision.

Sales invoiced by Sandvik CTT in 1999 decreased by 8% to SEK 3,322 M.

Demand in the United States was clearly lower than in the preceding year in most customer segments, particularly the aerospace industry. In Europe as well, demand was lower in the most important markets and for most customer groups. In Latin America, too, the business climate was weaker. Brazil, however, recovered somewhat toward the end of the year. Demand in Asia showed a clear improvement in most markets.

Market and business conditions

Dormer, Titex and Prototyp increased their market shares in high-speed steel tools. The market share for Precision declined, however, in



Prototyp delivers tools in high-speed steel and solid carbide to the American aerospace industry.

1999. The world market for high-speed steel tools amounts to between SEK 25 billion and SEK 30 billion, but it is gradually shrinking, declining during the year by approximately 10%. The industry is highly fragmented, with several hundred producers, many of which have profitability problems. Sandvik CTT's growth in the product area will be generated mainly through organic growth, but also through acquisitions of niche companies with specialist expertise.

In contrast, the market for rotating solid-carbide tools, estimated at approximately SEK 10 billion, is growing and increased by nearly 10% in 1999. There is no clear market leader in this sector, but rather many small and medium-size competitors. The proportion of special tools is large. Sandvik CTT has expanded sharply within the sector in recent years, its objective being to become a world leader here as well.

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



Sandvik CTT's strategy is to invest more resources in research and development, fulfill the investment program begun and exploit the synergies between own brand names and other segments of the Sandvik Tooling business area. Sandvik CTT will also continue to take advantage of opportunities to further market channels via a multibrand concept, and increase the focus on the strongest brand names.

Dormer

Dormer increased its market shares in Europe, the US and Brazil. The restructuring of the company's manufacturing resources continued and a small drill plant in the UK was sold.

During the year, several new products were launched – for example, a top-coated standard drill, a complete program of fluteless taps, a long solid cemented-carbide drill, multilayer coating for end mills and a new range of cobalt end mills.

Titex

Titex maintained its focus on solid-carbide products, strengthening its position in this area. The new factory in India recorded strong demand, particularly for solid-carbide products.



During the year, all production of special tools in high-speed steel was transferred from Germany to France.

Titex started manufacturing and marketing of a new solid-carbide drill for deep holes, as well as drills with improved chip removal for drilling deep holes, based on a new coating technology.

At the beginning of 2000, Titex acquired a former agent in the US, Titex Tools Inc., to enable the company to intensify its marketing of Titex application tools to qualified US industries.

Prototyp

The company has a large proportion of sales of special tools. This segment continued to grow strongly due to a well-functioning organization and high-



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

quality product range. Prototyp strengthened its position both in high-speed steel and solid-carbide products, and the new sales companies in Italy and France also developed favorably.

The most important products introduced during the year were a new tap range for dry machining and new solid-carbide end mills for high-speed machining. Prototyp's tools for the medical segment and tools for production of implants are growing



During 1999, Titex strengthened its position in the area of solid-carbide tools.

rapidly, and several new products were developed during the year.

Precision

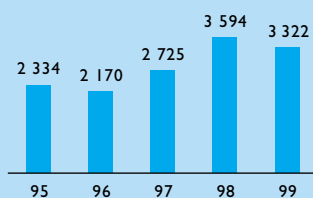
In 1999, US-based Precision suffered from falling demand from the aerospace industry. The goal has been to quickly recover service levels after the far-reaching investments and relocations of machinery that occurred in the plants over the past few years.

By expanding and rationalizing the logistics center, among other measures, service levels were restored.

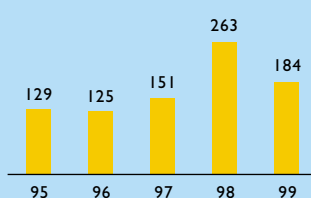
The workforce was reduced sharply to adjust expenses and raise productivity. As part of the restructuring, a plant for manufacturing high-speed steel drills was shut down at year-end. Measures implemented after the acquisition will improve productivity and profitability.

Given the rational production resources, high productivity, excellent service levels and strong market positions, the various Sandvik CTT brand names are well positioned for further expansion ●

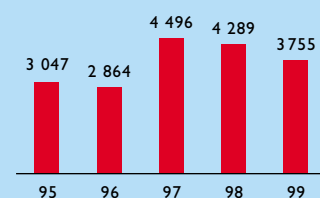
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



Sandvik

Hard Materials

Sandvik Hard Materials is the world's largest enterprise in its industry and is active in the full spectrum of its field, ranging from cemented carbide to diamond, including special ceramics for applications in biotechnology. The business sector develops, manufactures and markets cemented-carbide blanks for tool manufacturers, components for the engineering industry and advanced cutting and forming tools for other industries.



Blanks in extremely fine-grain cemented carbide are necessary for the manufacture of microtools for the electronics industry.



The operations of Sandvik Hard Materials focus on areas of high growth, such as cemented-carbide components for the automotive industry.

Sales invoiced by Sandvik Hard Materials during the year increased by 3% to SEK 1,497 M.

Sandvik Hard Materials has production units in eleven countries and is represented on more than 50 markets. It is the only company in the industry with truly global cover-

age. Competitors are mainly active in individual large domestic markets or within limited product niches. However, there are still

Lars Wahlqvist, President of Sandvik Hard Materials. Born 1938, M.Sc. Eng., employed 1969–1975 and since 1981.



30–40 small and medium-size competitors in Europe, nearly as many in NAFTA and well over 100 in Asia. The number of major competitors is very small.

The company's strategy involves concentrating operations on products, market segments and customers with expected high growth. This strategy should produce a favorable sales trend, long-term high profitability and reduced cyclical sensitivity.

Market and business conditions

The total world market potential for cemented-carbide products is considered to have declined somewhat in 1999. The product orientation of Sandvik Hard Materials, however, resulted in volume growth during the year, which in combination with increased capacity provides the basis for further expansion when the business cycle begins to rise again.

New products

The pace of product renewal is high. Over a third of the company's product portfolio consists of products or cemented-carbide grades that were not part of the range five years ago. A good example of such new products is composite drill blanks for microdrills used in the manufacturing of mobile telephones and computers. The com-

posite blanks are considerably smaller than the traditional microdrill blanks, substantially reducing the need for raw materials, lowering the customer's costs and creating a relatively higher added value for Sandvik.

Development is ongoing within the area of round cemented-carbide rods for drills and end mills to produce new products, both with and without helical internal cooling channels.

Carbide rotary cutters used for the production of diapers and sanitary products are additional examples of advanced product development. In 1999, the developers of the tool, Gérard Romagnolo and Daniel Tartavez, received the Wilhelm Haglund medal as product developers of the year within the Sandvik Group.

Cemented-carbide tools for manufacturing beverage cans are a new product with excellent growth. Approximately 250 billion cans are manufactured per year in the world, which is why the tools' market potential is considerable.

Individually-made ceramic dental crowns have been manufactured and sold by Procera Sandvik AB (Sandvik 50% and Nobel Biocare 50%) for the past few years. Sales of the dental crowns rose by 65% during the year. The US is a primary market. The product is also being sold throughout Europe and Australia, and in 2000 it will be introduced in several markets in Asia. A new plant for Procera products was started at the end of 1999. The plant is located at the Sandvik facilities in Fair Lawn, NJ, in the US. The introduction of new

dental products such as bridges and caps has increased the market potential to SEK 25 billion and assures long-term growth. In 1999, the product was recognized by the Royal Swedish Academy of Engineering Sciences (IVA) as one of the major innovations in Sweden in recent years.

Structural changes

The new plant in Mexico started in 1998 primarily to facilitate expansion in NAFTA was extended in 1999. The plant is now the second-largest after Coventry, UK, in terms of volume.

Due to the country's high import tariffs, manufacturing of ready-to-press cemented-carbide powder was launched in India during the year to make the cemented-carbide manufacturing operations more competitive. The cobalt powder used in the cemented carbide is also taken from a proprietary



Sandvik Hard Materials is a globally leading manufacturer of blanks, components and tools in cemented carbide and other hard materials.

local manufacturing unit.

During the year Sandvik decided to concentrate the Group's European manufacturing of cemented-carbide powder to Sandvik Coromant in Gimo, Sweden, and the Sandvik Hard Materials plant in Coventry,



Custom-made ceramic dental crowns is an expanding product area.

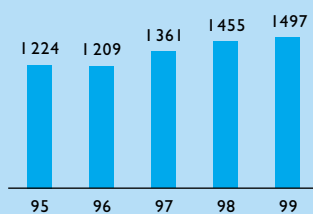
UK. As a result of the decision, the powder plant in Coventry will undergo substantial expansion. Semi-finished tungsten carbide will be supplied essentially from company facilities in Coventry, where major investments were undertaken in 1999.

This ensures a supply of the extrafine-grain tungsten carbide used in the manufacturing of the company's foremost specialty, ultrafine-grain cemented carbide.

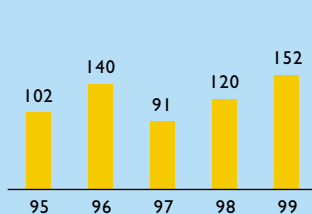
During the year an extensive project was concluded to concentrate all sales and production warehouses for stocked products in Europe in a single location – Schiedam in the Netherlands.

The company's strategic focus on growth areas, complete product programs, high product quality, advanced research, and rapid and reliable delivery is a sound foundation for ongoing long-term volume growth and increasing profitability ●

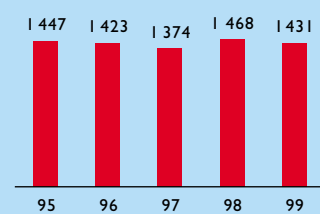
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



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

Sandvik Mining and Construction

Sandvik Mining and Construction offers the market's most extensive product program for drilling, excavation, loading and transportation of rock and minerals, for demolition and for bulk-materials handling within the mining and construction industries.

The total market potential for the business area is estimated to be around SEK 50 billion. Sandvik Mining and Construction possesses solid knowledge of both drilling and blasting as well as mechanical excavation methods. Sandvik's advanced knowledge of materials provides substantial added value for customers. Sandvik Mining and Construction supplies innovative technology, products and solutions, to assist customers to increase their capacity and productivity and to lower their costs.

Invoiced sales of Sandvik Mining and Construction declined by 6%, compared with 1998 sales, to SEK 8,808 M. Extensive restructuring resulted in considerable cost savings, which improved the result despite lower business volumes. Operating profit was 8% (4) and return on net assets was 12% (5).

Sandvik Mining and Construction comprises four separate business sectors: Sandvik Tamrock, VA-Eimco, Driltech Mission and Roxon, which have different competitors. Sandvik Tamrock and Driltech Mission compete with Atlas Copco (Sweden), Ingersoll-Rand (US) and Furukawa (Japan), all within several product areas. Other, more specialized competitors are Caterpillar/

Anders Ilstam, President of Sandvik Mining and Construction and President of Sandvik Tamrock. Born 1941, A.E., employed since 1993.

Elphinstone, Australia, in the area of underground loaders and trucks, Boart, South Africa, is a competitor in drilling tools and Krupp, Germany, and Nippon Pneumatic, Japan, compete in the demolition area.

Joy and Long-Airdox, both based in the US, are main competitors of VA-Eimco. US-based Kennametal and South African Boart compete in offering mineral-mining tools. Roxon's major competitors for conveyor components and systems are US-based Continental and Krupp Fördertechnik, Germany.

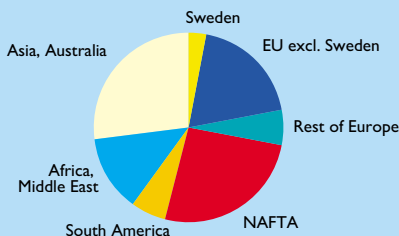
Sandvik Tamrock

Sandvik Tamrock is the largest sector in the business area. Sales totaled SEK 5,478 M in 1999 and the number of employees was 3,853.

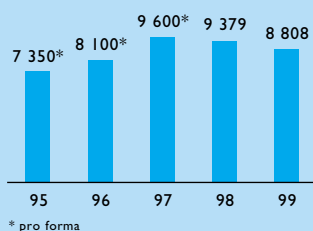
The company is a world-leading supplier of equipment,



INVOICED SALES PER MARKET AREA



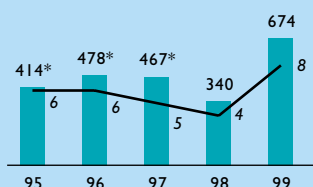
INVOICED SALES, SEK M



* pro forma

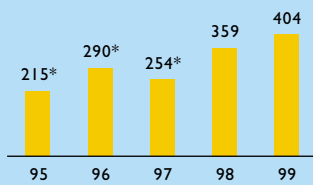
OPERATING PROFIT, SEK M

— AS A PERCENTAGE OF INVOICED SALES



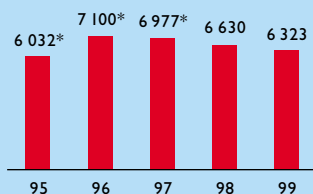
* pro forma

INVESTMENTS IN FIXED ASSETS, SEK M



* pro forma

NUMBER OF EMPLOYEES, 31 DECEMBER



* pro forma



Sandvik Mining and Construction is the world-leading manufacturer of rock-excitation products.

TAMROCK



VA-EIMCO



tools and services to the mining and construction industries. Products include rigs for surface and underground drilling, loaders and trucks used in underground mines and tunneling, hydraulic hammers and other tools for demolition and breaking of materials, and cemented-carbide rock-drilling tools.

Customers in the mining industry include operators of mines containing precious metals and base metals, as well as the contractors who work in these mines. Customers within the construction industry include local and international general contractors and others who specialize in drilling and blasting as

well as customers who produce cement and aggregate, etc., and companies that demolish buildings and recycle materials.

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

This business sector includes such well-known trademarks as Tamrock, Toro, EJC, Brøyt, Rammer, Sandvik Rock Tools and Morgon.

VA-Eimco
VA-Eimco, which had sales of SEK 1,761 M

and 1,357 employees in 1999, supplies a large number of products and services for mechanical rock excavation. The company's products are used for the mining of coal and other soft minerals, for tunneling and the production of underground spaces in loose and fragmented rock as well as for highway maintenance and asphalt milling.

Customers are active in both the mining and construction industries. The first group consists of customers that use tools for the underground mining of coal, potash or salt and the contractors that

serve these kinds of mines.

Customers within the construction and engineering industries



Sandvik Tamrock delivers cemented-carbide tools for percussive and rotary drilling in all types of rock.



The Sandvik Tamrock plant in Tampere, Finland, develops and manufactures advanced rock-drilling rigs.

are primarily large contractors or specialized tunnel and road-building companies.

The largest production units are located in Austria and the US, while production resources for tools are located in France, the US, South Africa and Australia. VA-Eimco includes the product names Voest-Alpine, Eimco and Sandvik MGT.

Driltech Mission

In 1999, Driltech Mission had sales of SEK 696 M and 475 employees. The company's product range consists of drilling rigs for rotary and down-the-hole drilling and cemented-carbide tools used in open-pit mines, exploration drilling and other large-scale surface excavation, and also in water-well drilling.

Drilling rigs are manufactured in the US. Down-the-hole drilling tools are produced in Sweden, Mexico, the United States and India. The company's products are marketed under the names Driltech, Mission and Drillmaster.

Roxon

Roxon had sales of SEK 873 M in 1999 and 544 employees. Roxon is an engineering company with a focus on the handling of bulk materials. The company supplies conveyor components, complete conveyors and systems for warehousing and bulk material handling equipment for coal and metal mines, quarries and the construction industry. Its most important customers are operators of mines, quarries, harbors, terminals and solid-fuel power plants. Trademarks include Roxon, Prok, Voest-Alpine, Kopo, Gurtec and Rox'n Roll.

Production of conveyor components is located in Finland, Sweden, Germany and Australia. Small, flexible workshops are located close to customers in many markets in order to provide fast service in an expanding after-market.

Market conditions

Sandvik Mining and Construction's main markets varied considerably during 1999. Activity in the mining market was generally weak, where

coal mining was especially characterized by a global recession. In the infrastructure markets, conditions varied substantially. The construction industry was strong in several primary markets but continued to be weak in others.

At the beginning of the year, prices for base metals were at their lowest levels since 1993/1994. Many mining companies showed a loss. The already declining prospecting activity decreased further and customers focused on reducing operating costs.

Metal prices improved during the year and at year-end the price of copper and zinc had reached a satisfactory level at the same time that the nickel price increased dramatically. The profitability of mining companies improved but there was still hesitation regarding further development of mines and entirely new projects. One exception was the African mining industry, which initiated several interesting expansion projects. Overall, production of base metals was unchanged, which affected after-market business positively.

There was a great deal of turbulence in gold mining during the year. Gold prices, which have been falling since 1996, continued to fall during the first six months of the year. Gold prices turned upward in September after fifteen European central banks decided to create a ceiling for the sale of gold for the next five years. Prices stabilized around USD 280 per ounce. The situation is particularly uncertain and the industry is



A new Toro loader offers a safer and more comfortable work environment.



Roxon signed a major project contract for equipment for loading and unloading of coal in Australia.

awaiting further developments. Despite all these changes, gold consumption and production increased somewhat.

The market for coal was very weak during the year due to continuing low prices for crude oil. The situation remained unchanged during the year, despite increased oil prices. The underground coal mines in the Eastern US and Australia were particularly affected. Coal mining in Europe continued to decrease, even faster than expected.

The demand for products and services within the construction and civil engineering areas continued to be strong in the US as a result of investment in highway construction and was also relatively high in many European countries. It now seems that the tunnel construction that has been planned for a long time in Central and Southern Europe will begin, primarily because of environmental considerations and increased traffic congestion. Two large tunnel fires led to discussions concerning increased safety and the planning of additional Alp tunnels in proximity to several existing tunnels.

Conditions for the construction market improved somewhat in Asia, with a noticeable recovery in Korea and an improvement in Japan. Total business activity in the area was, however, still rather low.

Business development

Sandvik Tamrock was affected by the low investment activity within the mining industry and deliveries declined. This was offset to some extent by a strong contractor

market in the US, Europe and some countries in Asia. Sales of spare parts, tools and service increased.

The newly introduced surface-drilling rigs, Ranger and Pantera, were successful in the markets for construction work and quarrying. Sandvik Tamrock received several orders for large projects from European contractors and a larger order for tunnel drilling rigs from Japan. Deliveries to a gold mining project in Tanzania as well as Supra underground trucks in the US and Australia were among the most interesting orders. At the end of the year,

Sandvik Tamrock obtained a substantial order for drilling rigs and loaders for a nickel mine in Russia.

The weak underground market for coal had a negative impact on VA-Eimco's business. Sales of machinery to customers outside the coal area increased, however, and new customer segments developed in North America and Japan. A large follow-up order for so-called bolter-miners came from an important American coal-mining customer. This production method is now firmly established in the US market. VA-Eimco also delivered a jet boring system to a Canadian uranium mine and signed a large order for a so-called full-area boring rig for the subway in St. Petersburg, Russia.

Driltech Mission's sales gradually improved during the year. The demand for blast-hole drilling equipment was relatively low, but successes were achieved in the US and Russia. The market for water-well drilling in the US developed satisfactorily. Sales of hammers and tools for down-the-hole drilling were weak in Asia but better in Europe and the US.

Roxon's sales of conveyor components were good in the Nordic countries and Central Europe, while

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





VA-Eimco specializes in products for mining of coal and other soft minerals, as well as tunneling road headers.

demand in Australia decreased noticeably. Project activities were concentrated to Scandinavia and several Asian countries. Demand for service increased within all areas. Roxon delivered underground belt conveyors to LKAB's iron-ore mine in Sweden and a system for the storage and transport of sulfur to Taiwan. At the end of the year, Roxon finalized a large project for equipment for loading and unloading coal in Australia.

Investments

The most significant measures for improving profitability and strengthening Sandvik Mining and Construction's competitiveness were the new operative organization, which took effect at the beginning of 1999, and large personnel reductions, particularly among staff personnel. The reduction, which totaled more than 1,000 employees, was largely completed during the year. At the same time, the number of project-based employees within service and specific project deliveries increased.

Within the new corporate structure, Sandvik Tamrock created a new unit with a focus on rentals and used equipment.

Special emphasis was placed on developing the after-market business. Sandvik Tamrock established central warehouses for spare parts in Lyon, France and Burlington, Ont., Canada, which will mean better logistics and faster access to components. Within the service sector, focus was on expanded training and service contracts. A project was initiated for electronic commerce in the after-market.

Driltech Mission closed its plant for down-the-hole drilling tools in Houston, Texas in the US. Production of small drilling bits and hammer parts was relocated to Mexico and the assembly of hammers to Mansfield, Texas, US. Technology, marketing and customer support for down-the-hole (DTH) drilling tools are concentrated to Driltech's plant in Alachua, FL, in the US.

Larger investments were carried out at the breaker plant in Lahti, Finland. In Köping, Sweden, production of roller bits was expanded and in São Paulo, Brazil, production of top hammer tools was modernized.

In September, Sandvik Mining and Construction acquired the Norwegian company, Brøyt's, production of hydraulic loaders. These machines are specially adapted for tunnels and quarries and mean a strong complement to Sandvik Tamrock's offering to this customer segment. Production has moved to Sandvik Tamrock's plant for loaders in Turku, Finland.

A new service and sales company was established in Tanzania, where Sandvik Tamrock supplies equipment to a large gold mine.

New products

Sandvik Mining and Construction is placing increasingly heavy emphasis on developing new products and processes. Investments in research and development correspond to over 2% of invoiced sales and that proportion is expected to increase to

During the year, sales of the new Ranger surface drilling rig were strong.



3% during the coming years through development of electronics and automation to meet customer demands for better safety and increased productivity.

During the year, Sandvik Tamrock introduced the new underground drilling rig, Tamrock Axera DO 6, which is specially designed for operations in confined spaces. The patented concept provides especially good maneuverability and stability. New Toro loaders are being developed to work safely and comfortably in temperatures as high as +55° C.

Sandvik Tamrock continued to invest considerable resources in the development of automated equipment. A system is being developed for a project in Canada, together with the mining company Inco, for the complete remote control of drilling, charging, loading and transport. Another project has made it possible for LKAB's iron-ore mine in Kiruna, Sweden, to work with several unmanned Toro loaders.

Sandvik Tamrock's tool divisions launched many new and improved products on the market. New raise-boring heads require substantially less torque and provide more even drilling. The Top Hammer division introduced a spool-shaped bit that provides higher production.

VA-Eimco continued investing in the Icacutroc concept for mechanical excavation of medium to hard rock. The new concept has also yielded several positive spin-off effects to improve conventional road header equipment.

Driltech Mission's new 6-inch hammer contains patented technology that makes it possible to increase performance by 30% compared with conventional tools. Additional hammer models based on the new technology are being developed.

Product development within Roxon focused largely on the handling of waste products as well as recycling. Roxon has considerable experience in producing heavy-duty shredding machines, and many such machines were delivered during the year.

Rising prices for base metals and gold have improved the outlook within the mining industry. Signs



New raise-boring heads from Sandvik Tamrock enhance customers' drilling efficiency and profitability.

of increasing investments can be detected even though the industry still focuses on productivity and cost savings and is hesitant to expand. Coal mining is expected to remain weak despite the continuing price increases in crude oil. Development in the construction area is expected to be generally positive, although a certain degree of uncertainty does exist.

The new organization and the structural measures that have been implemented, together with an aggressive development program, are expected to lead to improved competitiveness and increased profitability ●

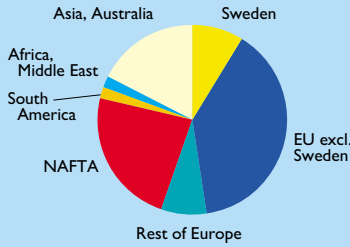


Rammer's hydraulic hammers are used in breaking and demolition, primarily in the construction industry.

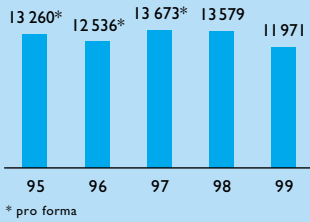
B U S I N E S S A R E A

Sandvik Specialty Steels

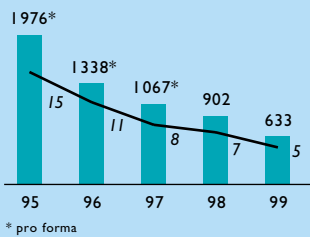
INVOICED SALES PER MARKET AREA



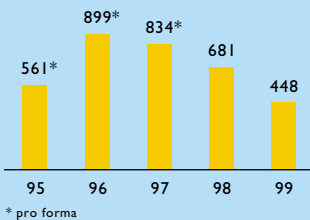
INVOICED SALES, SEK M



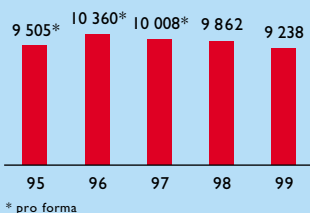
OPERATING PROFIT, SEK M
— AS A PERCENTAGE OF INVOICED SALES



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



The business area includes the Sandvik Steel and Kanthal companies, and from 1999, Sandvik Process Systems. Sandvik Steel is a world-leading manufacturer of high value-added products made of stainless steels and special alloys. Kanthal is the world leader in producing metallic and ceramic resistance materials. Sandvik Process Systems has a leading position in regard to steel belts and process plants based on steel conveyor belts and systems for automatic package sorting.

The world market for the business area's products is in the range of SEK 80 billion. Customers are found in most industrial segments, including chemicals, oil and gas, power, pulp and paper and engineering, as well as in consumer-oriented sectors such as the automotive, household appliances, food and electronics industries.

Sandvik Specialty Steels' invoicing in 1999 amounted to SEK 11,971 M with operating profit of SEK 633 M. The return on net assets was 7%. Including acquisitions, the average growth in volume of the business area's operations during the past six years amounted to 9% annually.

Sandvik Steel

Sandvik Steel manufactures tube, strip, wire and bar for users with high demands on economy, reliability and performance. Products are produced mainly in stainless steels as well as titanium, nickel and zirconium alloys. Average value-added is high relative to raw material content. Operations are focused on product niches in which Sandvik Steel has leading positions in the market.

Sandvik Steel's invoicing dropped by 14% compared with the preceding year to SEK 8,437 M. Profits decreased as a result of continued shrinking volumes and falling prices, especially for tube products. Demand was very weak in Eastern Europe and South America. Invoicing increased somewhat in Asia, despite lower prices. At the end of the year, order intake improved notably in several markets.

The largest group of products are seamless tubes made of stainless and high-alloy steels and special metals for users with high demands on performance, reliability, corrosion-resistance and precision. The customers are in the chemical and petrochemical industry, the power, oil and gas, automotive, aerospace and electronics industries – among others.

Strip and wire products are used in the production of saws, razor blades, knives, electric shavers, catalysts for cars, flapper valves for refrigerator compressors, springs, welding material and other products for the precision mechanics industry.

Lars Pettersson,
President of Sandvik Steel
(from 24 March 2000).
F 1954, M.Sc.Eng.,
employed since 1979.



The competitive situation varies according to product area. Sandvik Steel is a world leader in the field of seamless stainless steel tubes, where there



Sandvik Steel is a world-leading manufacturer of tube, strip, wire and bar in stainless steel and special alloys.

are three major competitors: Sumitomo Metals (Japan), DMV (Europe) and Tubacex (Spain). In the wire and strip field there are a few individual competitors that, like Sandvik, are active in the entire production chain such as the Japanese company Hitachi

and the French company Ugine, as well as many small independent drawing plants and cold-rolling mills without own metallurgy. The various competitors individually cover only between 5% and approximately 20% of Sandvik Steel's product program.

Market and business conditions

The reduction in invoiced sales for Sandvik Steel in 1999 was a result of a generally weaker business climate with a receding demand as a result of reduced investments within several of Sandvik's important industrial clients.

Falling oil prices in 1998 resulted in reduced investment within

both oil and gas exploration and production, as well as in the refinement phase that follows. The activity and investment levels for Sandvik Steel's important nuclear power, aerospace and fertilizer industries also declined. Together, this resulted in a very dramatic reduction in demand and a profit deterioration for Sandvik Steel's seamless tubes in stainless steel and titanium. Demand from such consumer-oriented sectors as the automotive, electronics and

household appliance industries continued to be strong during most of the year. This particularly favored the sales of strip and wire products. Capacity utilization varied considerably, from a very high utilization, primarily within strip and wire areas, to a very weak level within steel manufacturing and in tube products associated with the power and chemical industry. Capacity utilization for precision tubes, however, continued to be high.

One of the associated companies of Sandvik Steel, Avesta Sandvik Tube AB (Sandvik 25%), had improved earnings in 1999 compared with 1998 and affected Sandvik Steel's result by SEK 7 M (loss: 27). The other associated company, Fagersta Stainless AB (Sandvik 50%), which manufactures wire rod, had invoiced sales totaling SEK 1,098 M (1,246), which was a decrease from 1998 and burdened Sandvik Steel's earnings by a loss of SEK 39 M (loss: 13). Problems during the start-up operations of new equipment caused extensive delivery disturbances during the autumn.

Sandvik Steel's comprehensive goal is to be a global market leader within prioritized niches. In 1999,

more than half of invoiced sales were generated from areas where the world market share exceeds 20%. To further strengthen this favorable market position Sandvik Steel is cooperating very closely with key customers through joint product development projects and IT-supported communication. In addition, there is an increasingly efficient distribution of products from the central warehouse for the maintenance market within the various customer segments.

Investments

During the year, a number of new investments were put into operation, which collectively accounted for a significant portion of Sandvik Steel's comprehensive investment program for the years 1996-1999 totaling more than SEK 2,000 M.

The new heat-treatment facility for large-size bar steel in Sandviken made it possible for this product group to continue to grow and, through that, become an increasingly important product for Sandvik Steel.

At the end of the year, a new control system for continuous casting was put into operation. The

Photo: Alcatel



Stainless steel tubes from Sandvik Steel are used for electro-hydraulic control lines, so-called umbilicals, for remote control in subsea oil and gas production. The umbilicals are deployed using special ships.

new system, together with the introduction of so-called sequence casting, will increase the yield and efficiency in steel manufacturing.

Thanks to the installation of a new hardening and tempering line, production capacity for strip steel was increased. Through that, invoicing of flapper-valve steel and other precision strip products could increase.

A decision was made concerning an investment in a new cold-rolling mill for thin strip steel in Sandviken. The rolling mill will be placed into operation at the beginning of 2001 and will primarily be used for the production of thin strip for catalytic converters and razor blades.

The concentration of warehouse storage and distribution of tube and bar products to regional centers continued during the year. The warehouse for welded tubes in Düsseldorf, Germany, was transformed into a regional warehouse for Central Europe. The warehouse in Singapore was developed into a logistics center for Asia.

Product development

To ensure Sandvik Steel's world-leading position within prioritized product niches, the business area is continually investing in research and development of new products as well as production methods.

The efficiency of distribution of tube and bar products were enhanced through the establishment of regional logistics centers in Europe and Asia.



This is carried out through both long-term development work and through daily contact with customers and various industry groups.

The launch of a new generation of stainless steels with improved machinability, in accordance with the Sanmac concept, was initiated at the end of the year. Sanmac is the result of close cooperation between Sandvik Steel and Sandvik Coromant. The products, which are in the form of billets, bar steel and hollow bar, are used within the majority of industrial sectors where components are produced by metalworking. Customer advantages include higher productivity, lower tool costs and reduced downtime for machinery. The new products can advantageously be used together with Sandvik Coromant's new series of cemented-carbide inserts for the processing of stainless steel.



Sandvik Steel is world-leading in flapper-valve steel which is used for air-conditioning units in cars, for example.

Sandvik's unique so-called maraging steel, which combines toughness, strength and hardness, has found several areas of application within the medical and automotive industries, and cutting applications where the grade's special mechanical properties can be fully utilized. Patent protection has been developed for this type of steel and for the most important usage areas.

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

For applications within the power industry, a new steel grade for superheaters was patented. The material is

now being tested for use in the next generation of power plants. Development work is being carried out in close cooperation with the manufacturer as part of the pan-European research program, Thermie.

IT development

Sandvik Steel's IT development is concentrated on areas that increase customer benefits, improve productivity and lower costs.

System solutions shall provide us with clearly defined competitive advantages. In order to limit costs, hardware, software and applications are standardized. Web-based systems for electronic commerce and relationship creation marketing were developed and introduced during the year. A large number of customers are now using this to have daily contact with Sandvik Steel's commercial and technical functions.

Intranet and document databases are being used to a continually increasing extent for internal information, knowledge transfer, management by objectives, project work, etc. This has resulted in large changes and improvements, both for employees and for efficiency within the organization.

A standardized sales support system was installed at around twenty sales units throughout the world. In addition to noticeable efficiency gains in the organization, the system has also contributed to improved customer service.

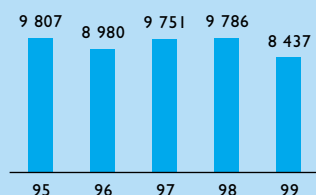
Advanced products, extensive research and development, efficient organization and logistics as well as a customer-oriented way of working, especially through increased utiliza-



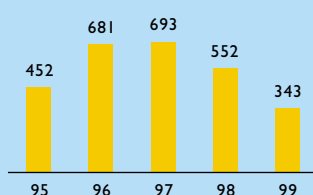
At the Sandviken plant, several investments in increased capacity and productivity were made in 1999 – for instance, a new bell furnace for annealing of strip steel.

tion of modern information technology, is improving Sandvik Steel's competitive situation and is creating continuing good conditions for long-term growth ●

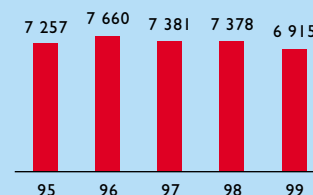
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER





Development of heating elements for radiant tubes for industrial furnaces at the Kanthal Technical Center in Hallstahammar, Sweden.

Kanthal

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

Kanthal's invoiced sales increased by 6%, to SEK 2,019 M, including company acquisitions. Development for metallic resistance materials, the largest product group, was positive. There was a noticeable recovery in Asia, where sales reached the same levels that were in force before the financial crisis in the area. The technologically most advanced products for the furnace and electronics industries also had good growth, resulting in a sales increase of approximately 10%. The semiconductor industry began to grow again after two weak years, which gave rise to a strongly increasing order intake for wire, heating elements and furnace systems. Invoiced sales decreased for a number of less profitable products, such as stainless steel wire. These products are now gradually being phased out of the product range. Demand for gold-coated wire from HP Reid decreased dramatically due to altered technological solutions among customers.

The world market for resistance materials is estimated at approximately SEK 5 billion. A few specialized steel mills and independent redrawers that refine purchased starting materials, such as the

German company VDM and the French company Rescal comprise Kanthal's major competition for metallic resistance materials. In the segment for high-temperature elements in ceramic materials, competition consists primarily of the American company I²R and the Japanese companies, Riken and Tokai Konetsu.

Product areas

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

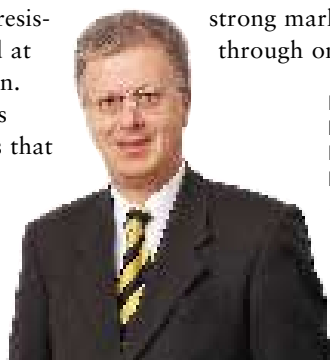
Household appliance producers are mainly supplied with heating wire, thin strip and thermostatic bimetal. The customers are large, well-known appliance manufacturers or their suppliers and sales are characterized by strong competition and price pressure from suppliers. Kanthal is the world leader in this segment and the strategy is to maintain a strong market presence, and through ongoing rationaliza-

tion, lower production costs. High production volumes are necessary for a cost-efficient operation. Production is, therefore, concentrated to fewer and more efficient units. Resources within R&D and the ability to offer customer-adapted development projects and materials are important competitive advantages. The furnace industry requires heavy wire, strip, and heating elements,



The new, thin Kanthal strip attracted great interest from manufacturers of glass-top stoves.

and to an increasing extent, complete heating systems. Customers consist of a limited number of furnace producers and a very large number of end-users. Competition centers mainly on the products' properties, economic life and quality – and there is somewhat less sensitivity to prices than in the consumer-product field. Kanthal is focusing aggressively on both products and application developments and is currently carrying out long-term studies of new combustion systems for natural gas, using Kanthal's patented high-temperature alloys.



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

The electronics industry is supplied with heavy heating wire, furnace cassettes and complete furnace heating systems for the processing of semiconductors as well as heating elements for other processes such as ferrite sintering. Kanthal's precision wire in very thin dimensions is used in the production of different electronic components and in computers and loudspeakers. Demand is cyclical, with an underlying, clearly positive trend. The segment has grown and today accounts for approximately 25% of total sales. The electronics industry is expected to enter a new period of strong growth, and sales potential is substantial.

Market and business conditions

Sales had strong growth in for example, Southeast Asia and South Korea. Japan, Kanthal's largest and most important market in Asia, also showed a gradual improvement in the business situation during the year and interest for more advanced system products continued to increase.

In Europe, which accounts for around half of sales, Germany, in particular, had continued positive growth. One contributing factor is the sales success for the new thin Kanthal strips among the largest German producers of hot plates for modern glass-topped stoves. The strips are produced in cooperation with Sandvik Steel. In the rest of Europe and the US, sales were moderate. A number of orders for furnace systems were obtained in the US from semiconductor producers.

Investments in products for the industrial furnace industry yielded results. The largest order ever received for a single furnace was signed for delivery of Tubothal heating elements and tubes to the Czech Republic for a value of over SEK 7 M. Kanthal also received large orders from Japan and Romania for Kanthal Super



Kanthal is the leading manufacturer of resistance materials in the form of wire, strip, heating elements and complete systems for electrical heating.

elements. With Kanthal products, the furnaces become more reliable and have a longer operating life, which contributes to substantially increased productivity within the glass, steel, aluminum, heat-treatment and other industries. The American company MRL Industries, which was acquired in early 1999 and produces equipment for the semiconductor industry, had positive development during the year with gradually increasing order intake.

Restructuring

At the beginning of the year, a comprehensive reorganization was car-

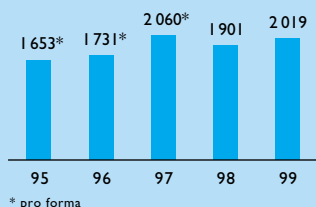
ried out to reduce costs and increase the focus on profitability. Business operations are now carried out in four divisions, each with individual financial responsibility: Wire, Strip and Bimetal, System Products, and Ceramics. Research and development operations were also adapted to the new organization.

The strategy to concentrate production to fewer units with increased volumes continued through the shutdown of drawing mills in Australia and Brazil as well as the termination of a joint venture in China for the production of silicon-carbide elements.

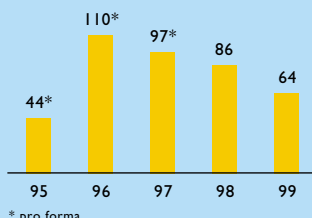
A decision was made regarding the closing of a plant in Italy within the previously acquired company, Driver-Harris. These structural changes, in combination with increased demand, led to production at the drawing plant in Hallstahammar reaching its highest level during the autumn. The number of employees in Kanthal decreased during the year by 143 persons to 1,476 for comparable units. Investments included a new scanning-electron microscope for the central laboratory in Hallstahammar. In addition, a decision was made concerning a major expansion of MRL's production capacity.

Production rationalization and customer adaptation, combined with continued expansive product development, will further improve profitability and secure Kanthal's world-leading position ●

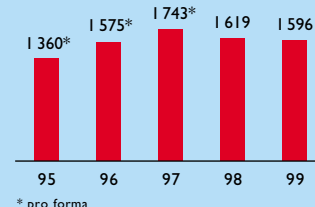
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



Sandvik

Process Systems

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

Invoiced sales of Sandvik Process Systems decreased by 20% in 1999, while earnings improved substantially as a result of a comprehensive restructuring program.

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



Rotoform equipment for granulating has many applications – for example, in the chemicals industry.

The work of creating regional market and sales organizations was completed and yielded major coordination benefits, especially in Europe. Sales are led from three centers: Fellbach, Germany, Totowa, NJ, in the US and Nishinomiya, Japan for the respective markets, Europe, NAFTA and Asia.

A new global IT system that includes active sales support, order management and customer databases was installed during the year and

will be fully implemented during the first six months of 2000. Administrative costs will be reduced at the same time that sales work is given considerably more support.

Steel Belts

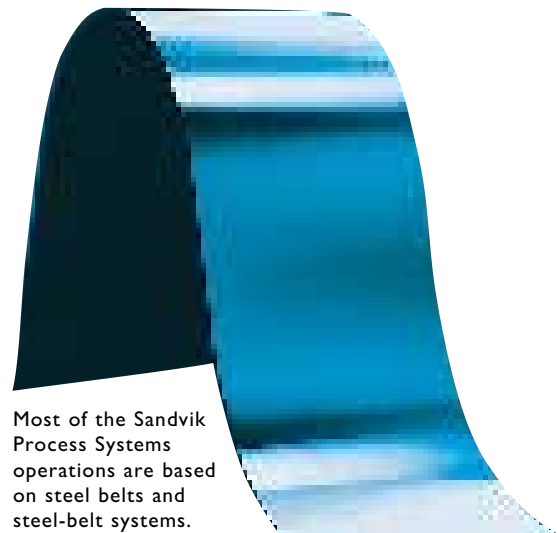
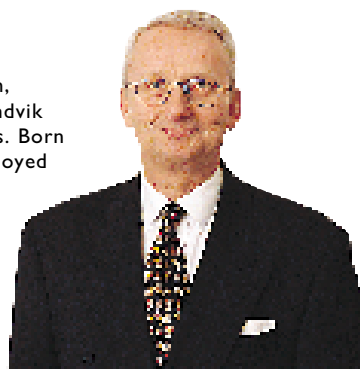
Development continued towards increased volumes in larger special belts while the demand for standard belts was unchanged for the year.

Sandvik entered an agreement with the German machine manufacturer, Berstorff, concerning the takeover of its belt production for stationary presses and concerning cooperation in marketing.

A new grinding and leveling line was installed at the production plant in Sandviken that makes possible the production of very wide belts (up to a width of 4,500 mm). The plant is the largest of its type in the world and makes it possible to supply customers' increased demands for large special belts.

The Finnish engineering company, Valmet, has developed an entirely new concept for paper drying. Sandvik Process Systems entered an agreement in 1999 concerning the development and supply of steel belts for this new process. Market potential for the new paper dryer with steel belts is considered

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



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

quite large.

Processing Equipment

Processing Equipment mainly serving the chemical industry, reported a lower order intake at the beginning of 1999 compared with the preceding year, particularly in Europe. An improvement occurred at the end of the year and invoiced sales reached 1998 levels.

The new strategy is to focus on plants that have steel belts as an essential component, as well as prioritizing plants for granulation and manufacturing of foils and panels. Through this concentration within core areas, it will be possible to achieve a higher degree of standardization and through that, improved profitability. The development of a granulation process for high temperatures can be extremely important within growth areas for Processing Equipment. The pastille technology, Rotoform Plus, achieved additional sales successes in 1999.

An order for five plants for the granulation of sulfur was finalized with the Russian oil and gas ministry, Gasprom.

The world's largest grinding and leveling line for extremely wide steel belts was placed in operation in Sandviken, during the year.



Servicing the equipment will become an increasingly important competitive factor. The service organization was expanded and became a global operation during the year. Very fast reaction times as well as a high level of competence among service personnel constitutes a very important source of support for sales.

Sorting Systems

Despite a binding contract, the American investment company Advent International did not complete its purchase of the operations within Sorting Systems and Sandvik, consequently, sued Advent in the US.

Because of the failed sale, operations were restructured, primarily in the US, but also in Europe. Operations in the US were assigned a new direction, with a focus on the sale of technology, service, spare parts and components. Accordingly, Sorting Systems no longer assumes overall responsibility for larger projects. Restructuring was completed in the autumn.



Japan is the most important market for Sandvik Process Systems' sorting systems,

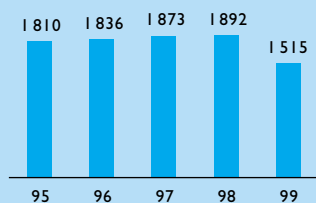
Equipment from Sandvik Process Systems is used in the production of semi-finished products for the rubber industry.

which are based on steel-belt technology. Operations in Japan are now conducted through an independent Sandvik company. Upgrading and modernization of the 300 installations in Japan strongly contributed to Sandvik Process System's good profitability in the country.

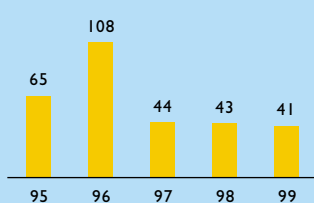
To further increase competitiveness within the European operation, a rationalization program was implemented during the latter part of the year at the CML company in Italy.

After the changed business focus in the US, new opportunities arose to sell strategic components to various system suppliers. Cooperation agreements were concluded with these companies for larger projects for the US Postal Service. After continued investments in more efficient production equipment, the creation of regional sales organizations, completed restructuring and reinforced focus on service, the foundation has been laid for a more stable and profitable business operation ●

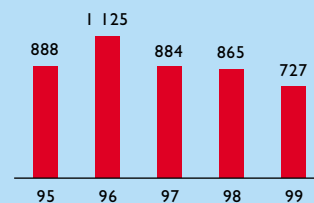
INVOICED SALES, SEK M



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



Sandvik and the environment

All of the Sandvik Steel operations in Sandviken, Sweden, were environmentally certified in accordance with ISO 14001 during 1999.

Environmental awareness is integrated as a natural element in Sandvik's total business operations. Environmental consideration is always included in the development of new products, changes in processes and production methods and in assessments of investments and acquisitions.

The Group conducts licensed operations in accordance with the Environmental Protection Act at its main plants in Sandviken, Gimo, Stockholm and Hallstahammar and at a number of other locations in Sweden, in the Swedish parent company, subsidiaries and in partly owned companies. Most of the large foreign subsidiaries also conduct operations that are covered by specific environmental legislation.



The environmental aspects are an important element of Sandvik's extensive research and development.

Extensive annual environmental reports are submitted for the main operations in Sweden to the environmental authorities in which statutory license decisions and compliance with their conditions are reported. Similar reports are submitted in other countries. In conjunction with an ongoing investment program, applications for expansion permits are being sought for Kanthal's facilities in Hallstahammar, Gusab Stainless in Mjölby and Sandvik Coromant in Gimo. Reconsideration is also being given to a plan for Guldsmedshytte Bruk in Guldsmedshyttan.

Environmental impact

The environmental impact resulting

from the Sandvik Group's production facilities is linked primarily to the energy-intensive conversion of raw materials into semi-finished goods in the form of steel billets in Sandviken and Hallstahammar and the production of cemented-carbide powder in Gimo, Stockholm and Coventry, UK. These activities account for only a small portion of Sandvik's total value-added.

Most of the operations are more characteristic of the engineering industry, with limited air and water emissions. Here, environmental measures are aimed primarily at controlling heat treatment facilities and dealing with cutting fluids, lubricants and chemicals.

The metallurgical units in Sandviken and Hallstahammar are both self-contained and connected to modern filtering systems, eliminating 99% of the lime and metallic oxide dust emissions into the air. Metallic content recovered from the filter dust is recycled after remelting. Other metallic dusts are also formed into briquettes and reused in steel production. The entire Sandvik industrial area in Sandviken, one of Sweden's largest, is connected to a self-contained recirculation system for cooling water, with a purifying plant for various kinds of contaminated water.

Numerous safety regulations pertaining to the manufacture of cemented-carbide powder regulate emissions into the environment, as well as set limits for allowable levels of powder in the air within the plants. Cemented-carbide powder, which consists partially of cobalt powder and tungsten-carbide powder, can cause allergies and is poisonous if inhaled, which is why certain parts of the manufacturing process are self-contained. Over the

past year, comprehensive measures have been taken to further improve interior environments at facilities and to inform employees about the risks.

Energy and CO₂

Sandvik consumed approximately 450 million kWh of electrical power, not including electric boiler power, at its facilities in Sandviken, and another 147 million kWh at its facilities in Gimo, Stockholm and Hallstahammar. Together, they account for more than 75% of the total electrical power consumption within the Group.

Combustion of oil and natural gas at Sandvik's facilities around the world, including the combustion of carbon in certain alloys, along with fuel for trucks and cars, generated approximately 125,000 tons of CO₂ emissions. During 1999, that amount was reduced, due partly to an economic downturn, but also to increased utilization of electric boilers at

Environmental policy

- Matters pertaining to the exterior environment and the work environment are an integral part of the Group's overall approach to business operations. Decisions related to business activities that affect the environment are guided by considerations of what is ecologically justified, technically possible and economically reasonable.
- Sandvik shall strive continuously to improve the exterior environment and work environment. The aim is to minimize consumption of energy and scarce resources and the use of materials that are harmful to humans and the environment.
- A minimum requirement for all Group operations shall be to protect employees and eliminate risks that may impair their health or the health of others. Sandvik shall comply with applicable laws and agreements with respect to the exterior environment and the work environment, and follow good industrial practice in the countries where it operates.
- In their dealings with Sandvik, suppliers shall be encouraged to adopt principles compatible with the Company's environmental policy. Sandvik believes that common environmental requirements and standards should be established internationally and will work with others to develop such requirements and standards.
- The company will support employees in implementing the environmental policy.



Sandviken, the result of plentiful, inexpensive hydroelectric power.

Environmental management system in accordance with ISO 14001

The Sandvik Group has decided to successively establish environmental management systems in its production facilities in accordance with ISO 14001. The system is based on goal-oriented control and continuous improvement. Accordingly, it is well suited to Sandvik's work methods in accordance with its environmental policy.

During 1999, all of Sandvik Steel in Sandviken, which is Sandvik's largest and most influential production unit in terms of energy consumption and environmental impact, received environmental certification in accordance with ISO 14001. Other units to receive certification include the Sandvik P&P tube facility in Werther, Germany and the Sandvik Baildonit cemented-carbide plant in Katowice, Poland. Several more units are expected to receive certification during the year 2000. The facilities in Gimo will be certified during 2001.

Significant events during 1999

Emissions into the water at the main Swedish facilities in Sandviken, Gimo and Stockholm, were reduced during the year and were well below stipulations for metals. Dust emissions from metallurgical operations were also below stipulations. Emissions of nitrogen compounds from the pickling facilities in Sandviken diminished somewhat, due mainly to less activity as a result of decreased economic activity. Dust emissions from slag handling are under review. Noise measurements taken in Sandviken show that an investment of SEK 2.5 M in noise suppression measures is necessary. Starting in the year 2000, the new

Swedish refuse tax will result in increased annual costs of SEK 2.5 M at Sandviken. A majority of the waste is stored on-site in approved landfills. A new disposal area for metal-hydroxide sludge was put into operation during 1999.

A comprehensive cleanup of the soil and groundwater at the tube plant in Chomutov, in the Czech Republic, contaminated by organic chlorine compounds, was completed as agreed to in the acquisition. The work was paid for with funds reserved by the seller.

At the tube plant in Scranton, PA, in the US, soil cleanup was completed for an old solvent spill, at a cost of SEK 8 M. Soil cleanup is also currently under way at Precision in the US, financed by the previous owner.

A program was started to eliminate trichloroethylene as a cleaning solution at Sandvik P&P in Germany and at Sandvik Steel's tube plant in Arnprior, Ont., Canada. Improvements to the water cleaning plant at Sandvik Steel's tube plant in Kennewick, WA, in the US, were made at a cost of approximately SEK 5 M.

Development for the environment

Environmental considerations are a natural element of the Group's work in developing both new processes and products. Approximately 85% of the raw materials for steel manu-

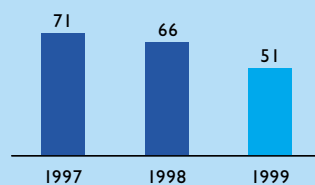
facturing at Sandviken come from recycled materials, that is, scrap. As for metalworking, manufacturing is increasingly being accomplished without the use of cutting fluid, thanks to Sandvik's recently developed cemented-carbide inserts.

Many of Sandvik's products help customers improve the environment. The worldwide automotive industry is one example. The manufacturing of lighter, more fuel-efficient cars, which continues to increase, is based partly on new tools and components from Sandvik that were specially designed for working the new, lightweight materials.

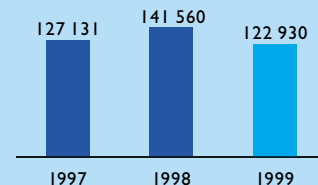
Sandvik's extremely thin strip steel is increasingly being utilized in automotive catalytic converters, resulting in considerably lower emissions released into the environment.

Another area where Sandvik products are having a positive effect on the environment is energy recovery in the burning of refuse. Sandvik has developed advanced, stainless steel heat-exchanger tubes that can withstand the highly corrosive environment found in waste incineration facilities, resulting in increased operational stability for heat and electricity production, while providing considerable cost savings to the customer ●

DISCHARGE OF CHROME (KG), SANDVIK PRODUCTION PLANTS



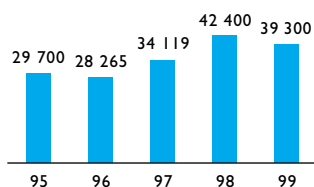
DISCHARGE OF CARBON DIOXIDE (TONS), SANDVIK PRODUCTION PLANTS



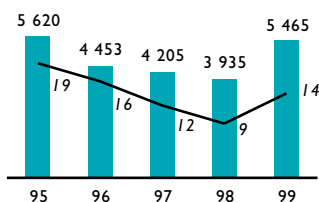
Report of the Directors

Group review

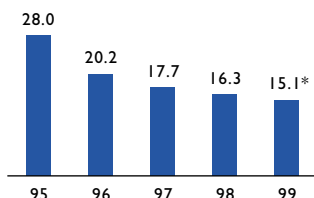
INVOICED SALES, SEK M



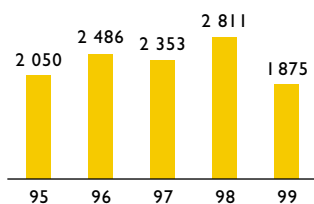
OPERATING PROFIT AFTER FINANCIAL ITEMS, SEK M
— AS A PERCENTAGE OF INVOICED SALES



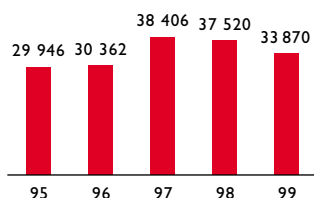
RETURN ON NET ASSETS, %



INVESTMENTS IN FIXED ASSETS, SEK M



NUMBER OF EMPLOYEES, 31 DECEMBER



* Excluding capital gain

Invoiced sales of the Sandvik Group in 1999 amounted to SEK 39,300 M (42,400), a decline of 7% in value and 8% for comparable Group units at fixed exchange rates. Markets outside Sweden accounted for 94% (94) of sales. The order intake declined to SEK 39,650 M (41,700), down 5% in value and 6% for comparable Group units at fixed exchange rates.

Profit after financial income and expenses totaled SEK 5,465 M (3,935), including a capital gain of SEK 1,625 M on the sale of Sandvik Saws and Tools. Earnings per share amounted to SEK 14.00 (8.10). Excluding the capital gain, earnings per share amounted to SEK 9.00 and return on net assets was 15.1% (16.3).

The Board of Directors proposes a dividend of SEK 8.00 (7.00) per share, corresponding to 57% of earnings per share.

Sale of Sandvik Saws and Tools

In April, Sandvik signed an agreement with the American company Snap-on Incorporated covering the sale of the Sandvik Saws and Tools business area, with annual sales of about SEK 2,700 M. The sale was concluded on 30 September. The selling price for the operations, cash and debt free, was about SEK 3,300 M, resulting in a capital gain of SEK 1,625 M. Snap-on has formed the transferred units into an independent operation, Bahco.

During a transition period, Sandvik will continue to sell and distribute Bahco products in certain markets. Sales are estimated at about SEK 500 M annually and will be included in the Sandvik Tooling business area as of 2000.

Other structural changes

In January 1999, Sandvik's subsidiary Kanthal AB acquired the US company MRL Industries Inc., based in California. MRL is one of the world's largest manufacturers of heating cassettes for the electronics industry. MRL posted sales of SEK 182 M in 1999.

In September, Sandvik Tamrock Oy acquired the Norwegian Brøyt Group's production of hydraulic loaders, representing annual sales of about SEK 50 M.

In February 1999, Sandvik reached an agreement with the US investment company Advent International covering the sale of operations within Sorting

Systems. The divestment would have marginal effects on Sandvik's earnings. Despite a binding agreement, the investment company did not complete the transaction and, accordingly, Sandvik sued the company in the US. Sorting Systems was restructured during the autumn and, as previously, is part of the Sandvik Process Systems business sector.

Major acquisitions in recent years

Sandvik has carried out three major company acquisitions in recent years: Tamrock, Kanthal and the American company Precision Twist Drill.

Strong measures were undertaken in the past two years to integrate the acquisitions into the Sandvik Group.

An extensive restructuring and rationalization program was carried out within Sandvik Mining and Construction business area, in which Tamrock and former Sandvik units have been integrated and reorganized. This program resulted in a reduction of more than 1,000 employees and a significant earnings improvement.

The entire production process within Precision Twist Drill was realigned and rationalized. One of the three production units in the US was closed. The number of employees was reduced by about 600 since the acquisition. The restructuring measures adversely affected earnings in 1998 and 1999 due to a weakened service level, concurrent with a decline in demand. The service level was improved at the end of 1999.

Extensive reorganization was carried out in Kanthal to reduce costs. At the same time, production was concentrated to fewer units through the shutdown of plants in Italy, Brazil, China and Australia. Since the acquisition, the number of employees has declined by about 250.

Concentration to three business areas

After the aforementioned acquisitions and sales, Sandvik's operations are concentrated on three core areas: Sandvik Tooling, Sandvik Mining and Construction and Sandvik Specialty Steels. The new organization was applied for reporting as of 1999.

Board procedures

The members of the Board of Directors

are presented separately on page 66-67.

The Board met five times during the year, of which once in conjunction with a visit to Group subsidiaries in Italy.

The Board has adopted a written work procedure and instructions regarding division of work between the Board and the President and for financial reporting. The Board established internally a committee to decide on the salaries of certain senior executives. The Board's work has involved issues regarding acquisitions and their integration, significant investments and review of the company's long-term goals as well as the sale of the Sandvik Saws and Tools business area.

Certain matters in which the Board retains decision authority include:

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

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

Market conditions and sales

The business climate in 1999 improved successively from a weak start. At its lowest, the growth in industrial production within the OECD was about 1%, but rose to 2.5% at year-end. The increase during the autumn was attributable to continued strong economic conditions in the US, improvement within the EU, an upturn in Japan and strong recoveries in Southeast Asia and Korea. The prospects for Russia and South America brightened.

However, development within several industrial sectors of importance to Sandvik was considerably weaker than the average. The prices of oil and base metals rose during the year, however, which will have an effect through a higher willingness to invest in these sectors.

The SEK continued to weaken against the USD during the year, but remained unchanged on average against the EUR. The currency rates in Japan, Korea and

	SANDVIK GROUP		
	1999	1998	Change, %
Order intake, SEK M	39 650	41 700	-5
Invoiced sales, SEK M	39 300	42 400	-7
Profit after financial items, SEK M	5 465	3 935	+39

	INVOICED SALES BY MARKET AREA					
	1999 SEK M	Share %	1998 SEK M	Change % *		
EU, excl. Sweden	15 271	39	16 777	-9	-7	
Sweden	2 249	6	2 375	-5	-3	
Rest of Europe	2 146	5	2 401	-11	-12	
Total, Europe	19 666	50	21 553	-9	-7	
NAFTA	9 952	25	10 626	-6	-9	
South America	1 548	4	1 978	-22	-21	
Africa, Middle East	1 606	4	1 916	-16	-11	
Asia, Australia	6 528	17	6 327	3	-5	
Group total	39 300	100	42 400	-7	-8	

* Change excluding currency effects and company acquisitions.

	INVOICED SALES IN THE 10 LARGEST MARKETS		
	1999 SEK M	1998 SEK M	Change %
USA	8 336	8 943	-7
Germany	3 965	4 443	-11
Italy	2 775	3 010	-8
France	2 476	2 631	-6
Sweden	2 249	2 375	-5
UK	2 151	2 543	-15
Australia	2 079	2 323	-11
Japan	1 668	1 654	1
Canada	1 134	1 231	-8
Spain	964	1 028	-6

	INVOICED SALES BY BUSINESS AREA**			
	1999 MSEK	1998 MSEK	Change % *	
Sandvik Tooling	13 177	13 576	-3	-5
Sandvik Mining and Construction	8 808	9 379	-6	-9
Sandvik Specialty Steels	11 971	13 579	-12	-16
Sandvik Saws and Tools	2 153	2 694	-20	1
Seco Tools	3 128	3 151	-1	-4
Group activities	63	21	/	/
Group total	39 300	42 400	-7	-8

* Change excluding currency effects and company acquisitions.

** Values in 1998 adjusted to apply to new business area organization

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

Southeast Asia strengthened sharply, particularly at the end of the year. In total, Sandvik's invoiced sales were 2% higher in 1999 than would have been the case at 1998 exchange rates.

Demand was low for Sandvik's products at the beginning of the year, but rose during the year and at year-end was at a significantly higher level than at the same time in 1998 for comparable units. The upward trend was evident for all business areas and particularly for Sandvik Specialty Steels.

Invoicing declined during the year for comparable units. However, the trend was positive also for invoicing and the highest quarterly rate was achieved in the fourth quarter.

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

Invoicing declined in the EU and NAFTA. South America was affected highly adversely by the devaluation in Brazil at the beginning of 1999. The increase in China, Southeast Asia and Korea was sharp, while invoicing declined in Japan and Australia.

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

Sandvik Tooling's invoiced sales declined 3% to SEK 13,177 M (13,576). Order intake was SEK 13,155 M. A sharp improvement occurred in the fourth quarter, with increases in Germany and Asia, among other areas. Sandvik Coromant developed well in NAFTA while Sandvik CTT continued to be affected by the

restructuring of Precision Twist Drill in the US.

Sandvik Mining and Construction's invoiced sales amounted to SEK 8,808 M (9,379), down 6%. The order intake was SEK 9,039 M, 1% lower than a year earlier. The rise in metals prices meant that demand for machinery to the mining industry increased somewhat at the end of the year. The mining industry's recovery of metals was largely constant during the year, which resulted in favorable demand for tools and spare parts. The construction industry showed high activity while the business climate for coal mines remained weak.

Sandvik Specialty Steels' invoiced sales amounted to SEK 11,971 M (13,579). The decline was 12% and pertained mainly to investment-related tube products for the oil/gas, chemical and petrochemical industries. Sales were considerably better for consumer-oriented steel products. Order intake was SEK 12,084 M, or 8% lower than a year earlier. The trend was positive toward year-end, with a strong increase in NAFTA and Asia. Prices declined 7% for Sandvik Steel during the year, but increased at year-end.

Earnings and returns

Operating profit before capital gain improved successively during the year and, as in 1998, was 11% of invoiced sales. Lower volumes in all business areas

resulted in low capacity utilization during most of the year, which to a large extent was offset by rationalization measures and cost reductions. Lower prices for Sandvik Specialty Steels had a negative effect on earnings of about SEK 500 M. Positive currency effects improved earnings by about SEK 300 M. Operating profit improved at the end of the year through higher volumes than earlier in the year, better productivity and higher raw material prices in inventory valuation.

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

Net financial items amounted to an expense of SEK 585 M (expense: 660). Profit after financial income and expenses increased to SEK 5,465 M (3,935). Tax expenses totaled SEK 1,688 M (1,675), or 31% (43) of profit before taxes. Net profit was SEK 3,620 M (2,095). Earnings per share amounted to SEK 14.00 (8.10). Excluding capital gain, net profit was SEK 2,340 M (2,095) and earnings per share SEK 9.00.

Return on net assets excluding the capital gain declined to 15.1% (16.3) and return on shareholders' equity was 12.4% (11.9).

Operating profit by business area

Sandvik Tooling's operating profit amounted to SEK 2,597 M (2,724), that is, unchanged at 20% of invoiced sales. Sandvik Coromant successively increased its margin during the year mainly as a result of cost reductions. Sandvik CTT's earnings were affected by continued low results for Precision Twist Drill in the US.

Sandvik Mining and Construction's operating profit amounted to SEK 674 M (340), corresponding to 8% of invoiced sales. The significant improvement during the year was attributable to a higher portion of profitable products, effects of the implemented restructuring program and rising capacity utilization at the business area's main units.

Sandvik Specialty Steels' operating profit improved gradually during the year and for the full year was SEK 633 M (902), 5% of invoiced sales. Lower sales volume and low prices were the main reasons for the decline in profit for the year. Nevertheless, the program to reduce expenses and align operations to volumes had positive effects as well as a higher inventory valuation of about SEK 150 M in the fourth quarter due to rising prices for raw materials.

Sandvik Saws and Tools' operating profit of SEK 153 M included operations through the divestment date as well as Sandvik's remaining distribution operations for Saws and Tools products on certain markets.

EARNINGS AND RETURNS

	1999	1998
Operating profit before capital gain, SEK M	4 425	4 595
as a percentage of invoiced sales	11.3	10.8
Capital gain on sale of Sandvik Saws and Tools, SEK M	1 625	-
Operating profit, SEK M	6 050	4 595
as a percentage of invoiced sales	15.4	10.8
Profit after financial income and expenses, SEK M	5 465	3 935
as a percentage of invoiced sales	13.9	9.3
Return on net assets before capital gain, %	15.1	16.3
Return on shareholders' equity before capital gain, %	12.4	11.9
Earnings per share before capital gain, SEK	9.00	8.10
Earnings per share, SEK	14.00	8.10

Definitions, page 50.

QUARTERLY TREND OF PROFIT AFTER NET FINANCIAL ITEMS, EXCLUDING CAPITAL GAIN

		Invoiced sales SEK M	Profit after financial items SEK M	Net margin %
1998:	1st Quarter	10 770	1 140	11
	2nd Quarter	10 480	1 135	11
	3rd Quarter	10 020	827	8
	4th Quarter	11 130	833	7
1999:	1st Quarter	9 630	810	8
	2nd Quarter	10 360	1 001	10
	3rd Quarter	9 280	824	9
	4th Quarter	10 030	1 205	12

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

Raw materials

The raw material prices rose during the year. The repurchasing price for nickel doubled. The change in raw material prices was less significant for the cemented-carbide products, with a slight increase in the price of tungsten.

Financial position

Cash flow from operating activities amounted to SEK 3,394 M. Cash flow after investments and sale of Sandvik Saws and Tools was SEK 4,710 M. Liquid funds at year-end amounted to SEK 2,369 M (1,800). Interest-bearing provisions and liabilities less liquid funds yielded a net debt of SEK 6,014 M (8,412).

The company's fixed-interest term is slightly less than one year. A portion of the company's financing, directly or indirectly, was made in currencies in high interest-rate countries to fund and hedge working capital in these countries. As a result, the company's financing costs were higher than if all financing had been carried out in Swedish kronor.

In accordance with the decision at the Annual General Meeting, all employees in Sweden were offered to subscribe for convertible debentures in Sandvik AB during the year. Interest was very high and the allotment was reduced by 25% for all those who applied for a maximum share. A total of about 7,000 employees utilized this opportunity to share in the expected future increase in the value of the company. In total, convertibles were subscribed for SEK 955 M. If the entire loan is converted to shares, the number would increase by 4,360,150. Concurrently, employees outside Sweden were offered the opportunity to acquire warrants, each carrying the right to purchase a B share. A total of 560,900 warrants were issued.

During the year, Sandvik signed a financing agreement amounting to SEK 750 M with the European Investment Bank regarding current investments in Sandviken. The long-term credit facility that the company established in 1997 amounting to USD 650 M was unutilized at year-end. This facility secures the company's current liquidity needs. The Standard & Poor's international credit rating institute retained its A+ rating for Sandvik's long-term borrowing and A-1/K-1 for short-term.

The introduction of the new European currency, the euro, proceeded problem-

OPERATING PROFIT BY BUSINESS AREA

	1999		1998	
	SEK M	% of sales	SEK M	% of sales
Sandvik Tooling	2 597	20	2 724	20
Sandvik Mining and Construction	674	8	340	4
Sandvik Specialty Steels	633	5	902	7
Sandvik Saws and Tools	153	7	205	8
Seco Tools	572	18	677	21
Group activities	-204	/	-253	/
Operating profit	4 425 *	11	4 595	11

*Excluding capital gain

FINANCIAL POSITION

	1999	1998
Cash flow from operating activities, SEK M	3 394	3 919
Cash flow after investments and divestments	4 710	963
Net cash flow, SEK M	577	-791
Liquid assets and short-term investments, 31 Dec., SEK M	2 369	1 800
Loans, 31 Dec., SEK M	5 611	7 529
Net debt, SEK M	6 014	8 412
Net financial items, SEK M	-585	-660
Equity ratio, %	52	47
Debt/equity ratio, times	0.4	0.5
Shareholders' equity, SEK M	20 109	18 621
Shareholders' equity per share, SEK	77.70	72.00

Definitions, page 50.

free for Sandvik. Group companies in the European economic and monetary union, EMU, are now preparing for a shift from the various local currencies to the euro as their accounting currency.

At year-end, Sandvik had hedged the SEK value of exports from Sweden for about two months through forward contract sales of currency. This flow represents the company's largest transaction exposure.

Sandvik's net inflows of currencies, for the largest producing companies, denominated in SEK M were:

	1999	Share
Euro currencies	5 583	50 %
USD and CAD	2 877	26 %
GBP	681	6 %
AUD	498	5 %
JPY	459	4 %
Other currencies	952	9 %
Total	11 050	100 %

Inventories

The value of inventories amounted to SEK 10,040 M (10,350) at year-end, which was 26% (24) relative to invoiced sales.

Trade receivables

Trade receivables at year-end totaled SEK 8,038 M (8,629). In relation to invoiced sales in the fourth quarter, receivables amounted to 20% (19) on an annual basis.

Shareholders' equity

Shareholders' equity at year-end amounted to SEK 20,109 M (18,621), or SEK 77.70 (72.00) per share. The equity ratio was 52% (47).

Capital expenditures

	1999	1998
Investments in property, plants and equipment, SEK M	1 875	2 811
As a percentage of invoiced sales, %	4.8	6.6

Major investments included:

- Increase in capacity for production of solid-carbide rotating tools in Gimo, Sweden.
- New production facility for Sandvik Coromant in Texas, US, for tools in cemented carbide, ceramics and other advanced materials.
- Production unit in India for cemented-carbide powder.
- Increase in production for Sandvik Hard Materials in Mexico.
- Sandvik Mining and Construction's investments in rental equipment and central warehouses.
- Expansion of Sandvik Mining and Construction's production resources in Finland, Sweden and Brazil.
- A new heat-treatment plant for heavy steel bar and a new annealing line for flapper-valve steel and other precision strip products at Sandvik Steel in Sandviken.
- New grinding and leveling line for wide belts at Sandvik Process System's plant in Sandviken.

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

Total purchase prices for companies acquired during the year amounted to SEK 358 M (391).

Research, development and quality assurance

Group investments during 1999 in research and development and quality assurance amounted to SEK 1,593 M (1,568), corresponding to 4% of invoiced sales.

Examples of new products within Sandvik Tooling include a new tool concept for parting and grooving, new cemented-carbide grades for turning of steel, totally new insert material in the form of nickel-free cermet, an increased range of end mills, new cemented-carbide drills for deep holes and composite blanks for microdrills.

Sandvik Mining and Construction's introductions included a drilling rig, technology and equipment for automation of mining processes, new raise-boring heads and a down-the-hole drilling hammer.

Sandvik Specialty Steels introduced a new generation of stainless steel with improved machinability, a new steel grade for implants and new applications for high-temperature alloys.

Personnel

The number of employees at year-end was 33,870 (37,520). For comparable units, the number of employees declined by 2,233 (1998: decrease of 995).

	1999	1998
Number of employees, 31 Dec.*	33 870	37 520
Average number of employees		
Women	6 961	7 331
Men	28 734	30 632
Total	35 695	37 963

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

At 31 December 1999, the number of persons employed by the Group in Sweden was 9,706 (11,112).

Details regarding personnel costs and the average number of employees in Sweden and abroad are provided on page 52.

Employee profit-sharing and bonus program

Sandvik adopted a profit-sharing fund in 1986 for employees at the Parent Company and wholly owned subsidiaries in Sweden. Under the rules for this fund, a minimum return requirement must be met before an allocation is made from profits. The allocation is restricted to a maximum of SEK 150 M. The Sandvik Group return in 1999 meant that the maximum requirement was achieved and that SEK 150 M was allocated to the fund.

The possibility of a long-term bonus was provided to Group executive management and about 250 senior executives in Sweden and abroad, which was based on price trends for Sandvik Series B

shares during the five-year period from 1995 to 1999, and was paid at year-end 1999 or in the beginning of 2000. The terms are described in Note 1.4. After the increase in the Sandvik shares during the autumn of 1999, the total bonus amount was SEK 209 M. Through hedging of the bonus amount's changes in recent years, the actual cost of the Group was SEK 136 M distributed over the years 1995-1999.

Sandvik's Board of Directors decided in 1999 to establish a stock option plan for about 300 senior executives in Sweden and abroad, which replaces a five-year incentive program concluded during the year. The option plan provides the possibility of an annual allocation of so-called personnel options on Sandvik shares with a lifetime of five years and the right to exercise after three years, conditional upon continued employment. The allocation, which is consideration-free, is based on Sandvik's return on net assets in the preceding year.

The program is based on existing shares. Accordingly there is no dilution effect for the current shareholders. The option plan is secured financially so that future increases in the price of the Sandvik share will not affect the company's costs. The Board decided in February 2000 to allocate 1.4 million options to about 300 senior executives in the Group, of which 42,000 options to the President. The option has an exercise price of SEK 289.

Pension surplus

The SPP (Swedish Staff Pension) insurance company announced in October that, based on certain specified conditions, an amount of about SEK 500 M has been allotted to the Sandvik Group for pension purposes. The amount represents a surplus earned on pension funds paid previously by Sandvik in recent years. In December SPP decided to postpone the possibilities for companies to utilize the funds. Accordingly, these have not been included in Sandvik's income statement and balance sheet for 1999. Information is expected from SPP in the first half of 2000 regarding how the funds can be utilized.

Environment

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

Annually, comprehensive environmental reports on the main Swedish operations are submitted to the supervisory authorities in which the license standards and compliance with all the various requirements are presented. Similar reporting is also required in other countries. In conjunction with the ongoing investment program, applications for extended permits are being considered for Kanthal's plant in Hallstahammar, Gusab Stainless in Gimo. A reappraisal is also under way regarding Guldsmedshytte Bruk in Guldsmedshyttan.

The environmental impact from the Sandvik Group's production facilities is linked mainly to the energy-demanding transformation of raw materials to semi-finished goods in the form of steel billets in Sandviken and Hallstahammar and production of cemented-carbide powder in Gimo, Stockholm, and Coventry, UK. These activities account for a minor portion of Sandvik's total added value.

Through closed loops and external treatment processes, the impact is minimized on the external environment from emission to water and air of dust and nitrogen compounds, from the handling of slag and waste and from noise.

Most of the operations are characteristic of the engineering industry, with limited emission to air and water. Environmental improvement efforts are aimed mainly at chemical substances.

Year 2000 project

The millennium shift occurred without incident for Sandvik. The estimated costs for the Groupwide project for preparation and readiness was SEK 200 M, most of which was expended prior to 1999.

Parent Company

Parent Company invoiced sales amounted to SEK 10,457 M (12,491) and operating profit was SEK 933 M (1,182). Capital expenditures in property, plant and equipment amounted to SEK 498 M (841).

The number of employees in the Parent Company and subsidiaries at 31 December 1999 was 7,361 (8,309).

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

Consolidated income statement

Amounts in SEK M		1999	1998
Invoiced sales	Notes 2, 3	39 300	42 400
Cost of goods sold	Note 5	-26 297	-28 817
Gross profit		13 003	13 583
Selling expenses		-6 321	-6 675
Administrative expenses		-2 164	-2 080
Other operating income		95	279
Other operating expenses		-188	-512
Capital gain		1 625	-
Operating profit	Notes 1, 6, 7, 8	6 050	4 595
Income from securities and loans held as fixed assets	Note 11	6	17
Other interest income and similar income	Note 12	-7	113
Interest expense and similar charges	Note 12	-584	-790
Profit after financial items	Note 4	5 465	3 935
Income taxes	Note 14	-1 688	-1 675
Profit after tax		3 777	2 260
Minority interests		-157	-165
Net profit for the year		3 620	2 095

Consolidated balance sheet

Amounts in SEK M		1999	1998
ASSETS			
Fixed assets			
Intangible fixed assets			
Patents and other intangible assets	Note 15	175	140
Goodwill	Note 15	4 243	4 462
		4 418	4 602
Tangible fixed assets			
Land and buildings	Note 15	3 918	4 179
Plant and machinery	Note 15	7 622	7 656
Equipment, tools, fixtures and fittings	Note 15	1 003	1 135
Construction in progress and advance payments for tangible assets	Note 15	705	1 172
		13 248	14 142
Financial fixed assets			
Participations in associated companies	Note 18	311	371
Loans to associated companies		2	3
Other investments held as fixed assets	Note 19	54	64
Other long-term receivables		285	279
		652	717
Total fixed assets		18 318	19 461
Current assets			
Inventories	Note 20	10 040	10 350
Current receivables			
Trade receivables		8 038	8 629
Due from associated companies		123	97
Prepaid income taxes		100	89
Other receivables		793	765
Prepaid expenses and accrued income		415	415
		9 469	9 995
Liquid assets	Note 21	2 369	1 800
Total current assets		21 878	22 145
TOTAL ASSETS		40 196	41 606
Assets pledged	Note 28	320	692

Amounts in SEK M		1999	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	Note 22	1 552	1 552
Restricted reserves		9 065	9 436
		10 617	10 988
Unrestricted equity			
Unrestricted reserves		5 872	5 538
Net profit for the year		3 620	2 095
		9 492	7 633
Total shareholders' equity	Note 23	20 109	18 621
Minority interests		888	872
Provisions			
Provisions for pensions	Note 26	2 288	2 463
Provisions for taxes	Note 14	2 434	2 236
Other provisions	Note 27	1 250	1 649
		5 972	6 348
Interest-bearing liabilities			
Bond loans		-	194
Loans from financial institutions		4 587	7 335
Convertible debenture loan		1 024	-
Other long-term liabilities		483	220
	Note 28	6 094	7 749
Non-interest-bearing liabilities			
Advance payments from customers		307	286
Trade payables		2 117	2 323
Bills payable		199	288
Due to associated companies		53	50
Income tax liabilities		426	560
Other liabilities		1 191	1 408
Accrued expenses and deferred income	Note 30	2 840	3 101
	Note 29	7 133	8 016
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		40 196	41 606
Contingent liabilities	Note 31	629	866

Consolidated cash-flow statement

Amounts in SEK M	1999	1998
Cash flow from operating activities		
Profit after financial income and expenses	5 465	3 935
Reversal of depreciation	2 273	2 099
Adjustment for items that do not require the use of cash	-2 049	-73
Taxes paid	-1 524	-759
Cash flow from operations before changes in working capital	4 165	5 202
Cash flow from changes in working capital:		
Change in inventories	-144	25
Change in current receivables	-297	-205
Change in current operating liabilities	-330	-1 103
Net cash flow from operating activities	3 394	3 919
Cash flow used in investment activities		
Acquisitions of companies and shares, net of cash acquired	-344	-386
Investments in tangible fixed assets	-1 875	-2 811
Sales of companies and shares, net of cash disposed of	3 216	44
Proceeds from sale of tangible fixed assets	319	197
Net cash flow used in investment activities	1 316	-2 956
Net cash flow after investment activities	4 710	963
Cash flow from financing activities		
Change in short-term loans	-2 862	864
Change in long-term loans	904	-419
Redemption of pension liabilities	-245	-
Dividends paid	-1 930	-2 199
Net cash flow from financing activities	-4 133	-1 754
Cash flow for the year	577	-791
Liquid funds at beginning of the year	1 800	2 494
Effects of exchange rate changes on liquid funds	-8	97
Liquid funds at end of the year	2 369	1 800

Supplementary information, Note 33

Parent Company

income statement

Amounts in SEK M		1999	1998
Invoiced sales	Note 2	10 457	12 491
Cost of goods sold	Note 5	-8 164	-9 902
Gross profit		2 293	2 589
Selling expenses		-380	-458
Administrative expenses		-1 018	-881
Other operating income		46	132
Other operating expenses		-8	-200
Operating profit	Notes 1, 6, 7	933	1 182
Result from financial items			
Income from shares in Group companies	Note 9	1 641	1 120
Income from shares in associated companies	Note 10	308	397
Income from securities and loans held as fixed assets	Note 11	39	70
Other interest income and similar income	Note 12	192	147
Interest expense and similar charges or expenses	Note 12	-463	-455
Profit after financial items	Note 4	2 650	2 461
Appropriations			
Other appropriations	Note 13	-109	-83
Profit before tax		2 541	2 378
Income taxes	Note 14	-255	-334
Net profit for the year		2 286	2 044

Parent Company

balance sheet

Amounts in SEK M		1999	1998
ASSETS			
Fixed assets			
Intangible fixed assets			
Patents and other intangible assets	Note 16	4	6
		4	6
Tangible fixed assets			
Land and buildings	Note 16	369	376
Plant and machinery	Note 16	2 656	2 416
Equipment, tools, fixtures and fittings	Note 16	218	266
Construction in progress and advance payments for tangible assets	Note 16	379	763
		3 622	3 821
Financial fixed assets			
Shares in Group companies	Note 17	6 565	6 398
Loans to Group companies		1 150	1 046
Shares in associated companies	Note 18	17	17
Loans to associated companies		2	3
Other investments held as fixed assets	Note 19	12	0
Other long-term receivables		20	21
		7 766	7 485
Total fixed assets		11 392	11 312
Current assets			
Inventories	Note 20	2 565	2 389
Current receivables			
Trade receivables		547	621
Due from Group companies		5 604	4 830
Due from associated companies		124	99
Other receivables		297	198
Prepaid expenses and accrued income		140	109
		6 712	5 857
Liquid assets	Note 21	432	100
Total current assets		9 709	8 346
TOTAL ASSETS		21 101	19 658
Assets pledged	Note 28	2	4

Amounts in SEK M		1999	1998
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	Note 22	1 552	1 552
Share premium reserve		20	20
Legal reserve		297	297
		1 869	1 869
Unrestricted equity			
Profit brought forward		651	708
Net profit for the year		2 286	2 044
		2 937	2 752
Total shareholders' equity	Note 23	4 806	4 621
Untaxed reserves			
Accelerated depreciation above schedule	Note 24	1 575	1 476
Tax allocation reserves	Note 25	1 666	1 605
Tax equalization reserve	Note 25	53	107
Other untaxed reserves	Note 25	39	36
		3 333	3 224
Provisions			
Provisions for pensions	Note 26	784	1 029
Provisions for taxes	Note 14	175	175
Other provisions	Note 27	31	49
		990	1 253
Interest-bearing liabilities			
Bond loans		0	194
Loans from financial institutions		675	2 075
Loans from Group companies		8 049	5 247
Convertible debenture loan		955	-
	Note 28	9 679	7 516
Non-interest-bearing liabilities			
Advance payments from customers		65	12
Trade payables		483	517
Due to Group companies		373	976
Due to associated companies		296	394
Income tax liabilities		25	164
Other liabilities		85	105
Accrued expenses and deferred income	Note 30	966	876
	Note 29	2 293	3 044
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		21 101	19 658
Contingent liabilities			
	Note 31	3 078	3 304

Parent Company

cash-flow statement

Amounts in SEK M	1999	1998
Cash flow from operating activities		
Profit after financial income and expenses	2 650	2 461
Reversal of depreciation	460	401
Adjustment for items that do not require the use of cash	-48	-593
Taxes paid	-281	-126
Cash flow from operations before changes in working capital	2 781	2 143
Cash flow from changes in working capital:		
Change in inventories	-176	-161
Change in current receivables	-957	-1 815
Change in current operating liabilities	-1 015	492
Net cash flow from operating activities	633	659
Cash flow used in investment activities		
Acquisitions of companies and shares, net of cash acquired	-215	-334
Investments in tangible fixed assets	-498	-841
Sales of companies and shares, net of cash disposed of	12	97
Proceeds from sale of tangible fixed assets	256	15
Net cash flow used in investment activities	-445	-1 063
Net cash flow after investment activities	188	-404
Cash flow from financing activities		
Change in short-term loans	1 276	989
Change in long-term loans	887	861
Redemption of pension liabilities	-208	-
Dividends paid	-1 811	-1 811
Net cash flow from financing activities	144	39
Cash flow for the year	332	-365
Liquid funds at beginning of the year	100	465
Liquid funds at end of the year	432	100

Accounting principles

The same principles were applied in 1999 as in 1998, with the exception of the cash-flow statement which has been prepared in accordance with the new recommendation of the Swedish Financial Accounting Standards Council.

Consolidation principles

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

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

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

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

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

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

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

Foreign currency

In preparing the consolidated financial statements, the accounts of foreign subsidiaries are translated in accordance with the recommendation of the Swedish Financial Accounting Standards Council.

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

Accumulated translation differences for each foreign operation was not registered previously. The Company has not considered that it was practically possible to secure this information retroactively. Accordingly, information about accumulated translation differences will pertain to exchange-rate changes as of the 1999 fiscal year.

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

Outstanding forward-exchange contracts relating to sales of currencies are not assigned values if the currency flow

resulting from sales of goods is expected to cover the forward contracts.

Short-term investments

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

Inventories

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

Depreciation of tangible fixed assets

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

Profit recognition

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

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

Research and development costs

Research and development costs are expensed as incurred.

Taxes

Tax expense for the year includes taxes paid, deferred taxes and the share of

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

Cash-flow statement

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

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

DEFINITIONS

Earnings per share

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

Equity ratio

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

Debt/equity ratio

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

Rate of capital turnover

Invoiced sales divided by average total capital.

Return on shareholders' equity

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

Return on net assets

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

US GAAP information

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

Deferred tax

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

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

Acquisitions

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

Revaluation of assets

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

Capitalization of interest

In accordance with Swedish GAAP, interest expenses incurred to finance new buildings, machinery and equipment are charged against earnings.

US GAAP requires that such interest expense be capitalized and depreciated with other acquisition costs over the useful life of the asset.

Foreign exchange

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

Pensions

There is no comprehensive standard in Sweden for reporting of pension liabilities for all companies operating within a multinational group. Although the Swedish principles have similar objectives for accounting for pensions and other post-retirement benefits, the US rules are more prescriptive. US GAAP specifies certain methods for actuarial calculations,

the projected unit method, and calculations of the discount interest rate, as well as differences in accounting for actuarial gains and losses as well as plan changes. The actuarial assumptions used may also differ.

General

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

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

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

(Amounts in SEK M, unless otherwise stated)	1999	1998
Net profit for the year according to the consolidated income statement	3 620	2 095
Increase/decrease in		
Deferred tax	-266	-146
Acquisitions	-4	-4
Revaluations of assets	45	7
Capitalization of interest	-4	-5
Foreign exchange	100	-103
Pensions	-33	-
Other adjustments	92	15
Tax effects of US GAAP adjustments	14	-11
Approximate net profit according to US GAAP	3 564	1 848
Approximate earnings per share according to US GAAP, SEK	13.80	7.10
Shareholders' equity according to consolidated balance sheet	20 109	18 621
Increase/decrease in		
Deferred tax	47	313
Acquisitions	53	57
Revaluations of assets	-285	-336
Capitalization of interest	132	137
Foreign exchange	-19	-119
Pensions	43	54
Other adjustments	294	197
Tax effects of US GAAP adjustments	-53	-67
Approximate shareholders' equity according to US GAAP	20 321	18 857
Approximate equity per share according to US GAAP, SEK	78.60	72.90

Notes to the accounts

Notes to the Consolidated and Parent Company accounts

(Amounts in SEK million, unless otherwise stated)

Note I. Personnel information and remunerations to management and auditors

I.1 Average number of employees

	Group				Parent Company			
	1999		1998		1999		1998	
	Total	women %	Total	women %	Total	women %	Total	women %
Sweden	10 402	20	11 048	20	7 694	18	7 995	19
EU (excl. Sweden)	10 691	17	11 367	18	74	16	136	15
Rest of Europe	1 624	35	1 424	36	31	29	32	19
Total, Europe	22 717	20	23 839	20	7 799	19	8 163	19
NAFTA region	6 452	22	7 124	23	-	-	-	-
South America	1 541	12	1 891	11	4	43	3	40
Africa, Middle East	996	14	929	14	3	60	2	50
Asia, Australia	3 989	16	4 180	14	24	35	37	36
Total	35 695	19	37 963	19	7 830	19	8 205	19

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

	Group		Parent Company	
	1999	1998	1999	1998
Wages, salaries and other remunerations	9 488	9 950	2 133	2 202
Social costs	3 187	3 186	964	989
(of which, pension costs)	(740)	(715)	(229)	(233)
Employee profit sharing	150	150	120	122
Total	12 825	13 286	3 217	3 313

Of pension costs, SEK 36 M and SEK 1 M relate to the Board of Directors and the President in the Group and Parent Company, respectively. The outstanding pension commitment to these persons amounted to SEK 112 M at the Group level and SEK 21 M in the Parent Company

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

	Group		Parent Company	
	1999	1998	1999	1998
Sweden	2 984	2 975	2 118	2 157
EU (excl. Sweden)	3 356	3 466	3	30
Rest of Europe	168	174	6	6
Total, Europe	6 508	6 615	2 127	2 193
NAFTA region	1 951	2 170	-	-
South America	181	284	0	0
Africa, Middle East	132	115	1	1
Asia, Australia	716	766	5	8
Total	9 488	9 950	2 133	2 202

of which, to Boards of Directors and Presidents:

	Group				Parent Company			
	1999		1998		1999		1998	
	Salaries and remunerations	of which, bonus	Salaries and remunerations	of which, bonus	Salaries and remunerations	of which, bonus	Salaries and remunerations	of which, bonus
Total	312	93	252	24	17	9	10	4

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

1.4 Information on benefits to senior executives in 1999

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

Chief Executive Officer and President Clas Åke Hedström received fixed salary, portion of long-term bonus and fees, the value of free residence and company car totaling SEK 3,450,367. Bonus paid was SEK 2,415,000.

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

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

There was the possibility of a long-term bonus for Group management and approximately 250 other senior executives in Sweden and abroad based on price development for Sandvik B shares during the period 1995-1999. It was paid at the end of 1999 or in early 2000. The bonus was based on multiplying 10% of one-two month's salary (1994 level) by the difference between market price of the B share at year-end 1999, plus addition of declared dividends during 1995-1999, and a base price of SEK 144. The market price in September to November 1999 averaged SEK 223 and yielded a total bonus of SEK 209 M. Through hedging of the bonus amount's changes in recent years, the actual cost of the Group was SEK 136 M, distributed among the years 1995-1999.

Sandvik's Board of Directors decided in 1999 to establish a stock option plan for senior executives in Sweden and abroad, which replaces a five-year incentive program concluded during the year. The option plan provides the possibility of an annual allocation of so-called personnel options on Sandvik shares with a lifetime of five years and the right to exercise after three years, conditional upon continued employment. The allocation, which is consideration-free, is based on Sandvik's return on net assets in the preceding year.

The program is based on existing shares. Accordingly there is no dilution effect for the current shareholders. The option plan is secured financially so that future increases in the price of the Sandvik share will not affect the Company's costs. The Board decided in February 2000 to allocate 1.4 million options to 300 senior executives in the Group, of which 42,000 options to the President. The option has an exercise price of SEK 289.

1.5 Auditor fees

During 1999, Sandvik paid fees to the Group's auditors as follows:

	Group		Parent Company	
	Auditing	Other services	Auditing	Other services
KPMG	12.1	3.7	4.2	0.4
Arthur Andersen & Co	19.7	10.9	0.2	2.3
Other auditors at Group companies	4.4	1.1	-	-
Total	36.2	15.7	4.4	2.7

Note 2. Invoiced sales by business area**

	1999 SEK M	1998 SEK M	Change %	*
Sandvik Tooling	13 177	13 576	-3	-5
Sandvik Mining and Construction	8 808	9 379	-6	-9
Sandvik Specialty Steels	11 971	13 579	-12	-16
Sandvik Saws and Tools	2 153	2 694	-20	1
Seco Tools	3 128	3 151	-1	-4
Group activities	63	21	/	/
Group total	39 300	42 400	-7	-8

* Change excluding currency effects and company acquisitions.

** Values in 1998 adjusted to apply to new business area organization.

Parent Company sales and purchases

Sales to Group companies from the Parent Company amounted to SEK 7,235 M (8,683), or 69% (70) of total sales to Group companies. The share of exports was 83% (83). Parent Company purchases from Group companies amounted to SEK 808 M (865), 14% (11) of total purchases.

Note 3. Invoiced sales by market area

	1999 SEK M	Share %	1998 SEK M	Change %	*
EU, excl. Sweden	15 271	39	16 777	-9	-7
Sweden	2 249	6	2 375	-5	-3
Rest of Europe	2 146	5	2 401	-11	-12
Total, Europe	19 666	50	21 553	-9	-7
NAFTA region	9 952	25	10 626	-6	-9
South America	1 548	4	1 978	-22	-21
Africa, Middle East	1 606	4	1 916	-16	-11
Asia, Australia	6 528	17	6 327	3	-5
Group total	39 300	100	42 400	-7	-8

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

Note 4. Noncomparable items

	Group		Parent Company	
	1999	1998	1999	1998
Capitals gains from sales of shares and companies	1 625	54	5	59
Write-downs of shares	-	-	-29	-17
	1 625	54	-24	42

Note 5. Research, development and quality assurance

	Group		Parent Company	
	1999	1998	1999	1998
Costs for research and development	1 114	1 070	602	588
quality assurance	479	498	217	197
Total	1 593	1 568	819	785

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

Note 6. Depreciation of tangible and intangible fixed assets

	Group		Parent Company	
	1999	1998	1999	1998
<i>Scheduled depreciation</i>				
Goodwill	-329	-285	-	-
Other intangible assets	-19	-20	-2	-3
Land and buildings	-200	-186	-19	-19
Plant and machinery	-1 363	-1 247	-361	-295
Equipment, tools, fixtures and fittings	-362	-361	-78	-85
	-2 273	-2 099	-460	-402

Note 7. Leasing costs for operational leasing

	Group		Parent Company	
	1999	1998	1999	1998
Leasing costs	204	224	9	11
Contracted future leasing fees due thereafter				
2000	174	113	5	4
2001	124	70	5	2
2002	74	45	0	-
2003	44	30	-	-
2004 and later	144	68	-	-
Total	560	326	10	6

Note 8. Operating profit by business area

	1999		1998	
	% of sales		% of sales	
Sandvik Tooling	2 597	20	2 724	20
Sandvik Mining and Construction	674	8	340	4
Sandvik Specialty Steels	633	5	902	7
Sandvik Saws and Tools	153	7	205	8
Seco Tools	572	18	677	21
Group activities	-204	/	-253	/
Operating profit	4 425*	11	4 595	11

* Excluding capital gain

Note 9. Parent Company income from Group companies

	1999	1998
Dividends	1 665	1 125
Gains from sale of shares	5	5
Write-downs	-29	-10
	1 641	1 120

Note 10. Parent Company income from associated companies

	1999	1998
Dividends	308	399
Gains from sale of participations	-	-2
	308	397

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

	Group		Parent Company	
	1999	1998	1999	1998
Interest income, Group companies	-	-	39	19
Other interest income	3	-	-	-
Dividends	1	4	-	1
Exchange rate differences	-	6	-	-
Gains from sale of shares	-	-	-	56
Other income	2	7	-	-6
	6	17	39	70

Note 12. Other interest income and expense

	Group		Parent Company	
	1999	1998	1999	1998
Interest income, Group companies	-	-	177	139
Other interest income	95	113	15	8
Translation differences	-102	-	-	-
Total interest income	-7	113	192	147
Interest expenses, Group companies	-	-	-329	-281
Other interest expenses	-532	-676	-128	-166
Translation differences	-9	-69	-	-
Bank charges	-44	-44	-6	-8
Other expenses	1	-1	-	-
Total interest expense	-584	-790	-463	-455

Note 13. Other appropriations

	Parent Company	
	1999	1998
Accelerated depreciation	-99	-114
Appropriation to tax allocation reserve	-61	-43
Reversal of tax equalization reserve	54	53
Change in foreign exchange reserve	-	12
Change in other untaxed reserves	-3	9
	-109	-83

Note 14. Taxes

	Group		Parent Company	
	1999	1998	1999	1998
<i>Income tax expense</i>				
Current taxes	-1 050	-1 358	-142	-126
Tax effect of Group contributions, net			-113	-208
Estimated future taxes	-634	-304	-	-
Share in taxes of associated companies	-4	-13	-	-
Total	-1 688	-1 675	-255	-334
<i>Tax liabilities</i>				
Provisions for deferred taxes:				
- Untaxed reserves reported by Group companies	2 128	2 158	-	-
- Future taxes due to losses in partly owned limited partnerships	79	172	-	-
- Other Group reporting adjustments, loss carryforwards, internal profits, etc.	-444	-631	-	-
Total	1 763	1 699	-	-
Other tax provisions	671	537	175	175
Total provisions	2 434	2 236	175	175
Income tax liabilities	426	560	25	164
Prepaid income tax	-100	-89	-	-
Net	326	471	25	164
Total tax liabilities	2 760	2 707	200	339

Note 15. Consolidated intangible and tangible assets

	Patents, licenses trademarks	Goodwill	Buildings and land	Machinery	Equipment and tools	Construction in progress	Total
<i>Cost</i>							
At beginning of the year	277	5 412	6 410	17 702	3 318	1 172	34 291
Additions	20	2	120	646	252	886	1 926
Acquisitions of subsidiaries	32	168	56	70	18	7	351
Divestments and disposals	-38	-11	-269	-693	-389	-	-1 400
Divestment of subsidiaries	-2	-84	-295	-829	-122	-85	-1 417
Reclassifications	3	-3	217	1 001	66	-1 289	-5
Advances paid during the year	-	-	-	-	-	8	8
Translation differences	-7	-1	-32	12	-36	6	-58
	285	5 483	6 207	17 909	3 107	705	33 696
<i>Accumulated amortization/depreciation</i>							
At beginning of the year	137	950	2 556	10 057	2 183	-	15 883
Acquisitions of subsidiaries	-	-	3	23	6	-	32
Divestments and disposals	-37	-46	-101	-609	-356	-	-1 149
Divestment of subsidiaries	-2	-22	-94	-508	-71	-	-697
Reclassifications	-	26	35	-17	3	-	47
Amortization/depreciation for the year	19	329	200	1 363	362	-	2 273
Translation differences	-7	3	-24	-23	-23	-	-74
	110	1 240	2 575	10 286	2 104	-	16 315
<i>Accumulated revaluations</i>							
At beginning of the year	-	-	325	11	-	-	336
Divestment of subsidiaries	-	-	-34	-11	-	-	-45
Translation differences during the year	-	-	-5	-1	-	-	-6
	-	-	286	-1	-	-	285
Planned residual value at the end of the year	175	4 243	3 918	7 622	1 003	705	17 666
Fixed assets held under financial lease agreements are included in the following amounts:							
Cost	-	-	44	13	9	-	-
Accumulated revaluations	-	-	2	4	4	-	-
Rateable values, buildings (in Sweden)	-	-	1 020	-	-	-	-
Rateable values, land (in Sweden)	-	-	155	-	-	-	-

Note 16. Parent Company intangible and tangible assets

	Patents, licenses trademarks	Buildings and land	Machinery	Equipment and tools	Construction in progress	Total
<i>Cost</i>						
At beginning of the year	21	549	5 521	807	763	7 661
Purchases	-	1	2	18	477	498
Divestments and disposals	-	-3	-276	-105	-138	-522
Reclassifications	-	24	682	17	-723	0
	21	571	5 929	737	379	7 637
<i>Accumulated amortization/depreciation</i>						
At beginning of the year	15	224	3 105	541	-	3 885
Divestments and disposals	-	-1	-193	-100	-	-294
Depreciation for the year	2	19	361	78	-	460
	17	242	3 273	519	-	4 051
<i>Accumulated revaluations</i>						
At beginning of the year	-	51	-	-	-	51
Divestments and disposals	-	-11	-	-	-	-11
	-	40	-	-	-	40
Planned residual value at the end of the year	4	369	2 656	218	379	3 626
Rateable values, buildings		212				
Rateable values, land		36				

Note 17. Shares in subsidiaries

	Parent Company
<i>Cost</i>	
At beginning of the year	6 408
Purchases	2
Capital contributions	164
New capital stock issues	37
Disposals	-7
	6 604
<i>Accumulated write-downs</i>	
At beginning of the year	-10
Write-downs during the year	-29
	-39
Book value at end of the year	6 565

Sandvik AB's holdings of shares and participations in subsidiaries

Direct shareholdings

According to Balance Sheet of 31 December 1999, company, location	Corp. ID no.	No. of shares	Holding, % ³⁾	Book value SEK '000	
SWEDEN	Dormer Tools AB, Halmstad	556240-8210	80 000	100	25 145
	Ecocat AB, Sandviken	556272-9680	6 840	100	1 800
	Edmeston AB, Göteborg	556238-7554	40 000	100	3 000
	Fragoso AB, Sandviken	556337-3710	1 000	100	160 850
	Guldsmedshytte Bruks AB, Lindesberg	556040-0854	100 000	100	11 950
	Gusab Holding AB, Sandviken	556001-9290	1 831 319	100	53 474
	Gusab Stainless AB, Mjölby	556012-1138	200 000	100	34 019
	AB Sandvik Antenn, Sandviken ¹⁾	556350-7895	1 000	100	100
	AB Sandvik Calamo, Molkom	556190-2569	50 000	100	5 000
	AB Sandvik Coromant, Sandviken ¹⁾	556234-6865	1 000	100	50
	Sandvik Coromant Norden AB, Stockholm ¹⁾	556350-7846	1 000	100	100
	AB Sandvik Falken, Sandviken	556330-7791	1 000	100	100
	AB Sandvik Hard Materials, Stockholm ¹⁾	556234-6857	1 000	100	50
	Sandvik Hard Materials Norden AB, Stockholm ¹⁾	556069-1619	1 000	100	50
	AB Sandvik Information Systems, Sandviken ¹⁾	556235-3838	1 000	100	50
	AB Sandvik International, Sandviken ¹⁾	556147-2977	1 000	100	50
	Sandvik Invest AB, Sandviken	556020-6517	1 772 068	100	181 654
	AB Sandvik Process Systems, Sandviken ¹⁾	556312-2992	1 000	100	100
	AB Sandvik Service, Sandviken ¹⁾	556234-8010	1 000	100	50
	AB Sandvik Skogsfastigheter, Sandviken	556579-5464	1 000	100	100
	AB Sandvik Steel, Sandviken ¹⁾	556234-6832	1 000	100	50
	Sandvik Stål Försäljnings AB, Stockholm ¹⁾	556251-5386	1 000	100	50
	Sandvik Tamrock AB, Sandviken ¹⁾	556288-9443	1 000	100	50
	AB Sandvik Tamrock Tools, Sandviken ¹⁾	556234-7343	1 000	100	50
	AB Sandvik Teknik, Sandviken	556350-7929	30 000	100	10 000
	AB Sandvik Tranan, Sandviken	556330-7817	1 000	100	100
	AB Sandvik Västberga Service, Stockholm ¹⁾	556356-6933	1 000	100	100
	Sandvik Örebro AB, Sandviken	556232-7949	10 000	100	306
	AB Sandvik Örnen, Sandviken	556330-7783	1 000	100	100
BELARUS	ZP Sandvik		-	100	137
BRAZIL	Dormer Tools S.A.		2 137 623 140	100	200 000
	Sandvik do Brasil S.A.		1 894 797 190	100	46 072
BULGARIA	Sandvik Bulgaria Ltd.		-	100	0
CHINA	Sandvik China Ltd.		-	100	120 776
	Sandvik International Trading (Shanghai) Co. Ltd.		-	100	17 466
	Sandvik Process Systems (Shanghai) Ltd.		-	100	1 633
COLOMBIA	Sandvik Colombia S.A.		30 958	94 ³⁾	0
CZECH REPUBLIC	Sandvik CZ s.r.o.		-	100	0
GERMANY	Sandvik GmbH		-	1 ³⁾	1 486
	Sandvik Holding GmbH		-	1 ³⁾	367
GREECE	Sandvik A.E. Tools and Materials		5 599	100	1 567
HUNGARY	Sandvik KFT		-	100	3 258
INDIA	Sandvik Asia Ltd.		1 359 715	73	135 325
	Sandvik Choksi Ltd.		15 810 000	51	58 844
ITALY	CML Handling Technology S.p.A.		28 571	10 ³⁾	13 907
JAPAN	Sandvik K.K.		2 600 000	100	180 000
KENYA	Sandvik Kenya Ltd.		35 000	96	0
KOREA	Sandvik Korea Ltd.		752 730	100	46 856
MEXICO	Sandvik Mexicana S.A. de C.V.		406 642 873	90 ³⁾	71 000
MOROCCO	Sandvik Maroc S.A.		940	94	1 825

Direct shareholdings

According to Balance Sheet of 31 December 1999, company, location		No. of shares	Holding, % ²⁾	Book value SEK '000
NETHERLANDS	CTT Cutting Tool Technology B.V.	220 000	100	122 216
	Sandvik Benelux B.V.	20 000	100	27 496
	Sandvik Finance B.V.	18 786	100	4 896 433
PERU	Sandvik del Perú S.A.	777 718	100	1 425
POLAND	Sandvik Baildonit S.A.	148 100	100	93 140
	Sandvik Polska Sp.z o.o.	3 211	100	57
PORTUGAL	Sandvik Portuguesa Lda	199 600	100	0
SLOVAKIA	Sandvik Slovakia s.r.o.	-	100	1 378
SPAIN	Minas y Metalurgia Española S.A.	59 999	50 ³⁾	3 700
TURKEY	Sandvik Endüstriyel Mamüller Sanayi ve Ticaret A.S.	125 154 588	100	3 200
ZIMBABWE	Sandvik (Private) Ltd.	233 677	100	3 269
Other companies and dormant companies, wholly owned				23 681
				6 565 012

1) Subsidiaries conducting business on behalf of the Parent Company.

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

3) Remaining shares are held by other Group companies.

Indirect holdings in significant operating Group companies

		Group holding, % ¹⁾			Group holding, % ¹⁾
SWEDEN	Kanthal AB	100	COLOMBIA	Sandvik Colombia S.A.	100
	Kanthal Machinery AB	100	CZECH REPUBLIC	Sandvik Chomutov Precision Tubes s.r.o.	100
	KOPO AB	90	DENMARK	Sandvik A/S	100
	Rammer Svenska AB	100	FINLAND	Bet-Mec Oy	100
	Roxon AB	100		Roxon Oy	100
	Seco Tools AB	61 ²⁾		Suomen Sandvik Oy	100
ARGENTINA	Sandvik Argentina S.A.	100		Tamrock Oy	100
AUSTRALIA	Driver Harris Australia Pty. Ltd.	100	FRANCE	Cermep S.A.	51
	Kanthal Australia Pty. Ltd.	100		Dormer Tools S.A.	100
	Prok Group Ltd.	100		Gunther S.A.	100
	Roxon Pty. Ltd.	100		Gunther Tools S.A.	100
	Sandvik Australia Pty. Ltd.	100		Kanthal S.A.	100
	Sandvik Hard Materials Pty. Ltd.	100		Prototyp S.A.	100
	Tamrock Coal Australia Pty. Ltd.	100		Safety S.A.	100
	Tamrock Pty. Ltd.	100		Sandvik Aciers S.N.C.	100
AUSTRIA	Günther & Co. Ges.m.b.H.	100		Sandvik Coromant S.N.C.	100
	Sandvik in Austria Ges.m.b.H.	100		Sandvik Hard Materials S.A.	100
	Tamrock Voest Alpine Bergtechnik Ges.m.b.H.	100		Sandvik Précitube S.A.	100
BELGIUM	Dormer Tools N.V./S.A.	100		Sandvik Process Systems S.A.	100
BOLIVIA	Tamrock Bolivia S.R.L.	100		Sandvik Rock Tools S.A.	100
BRAZIL	Kanthal Brasil Ltda.	100		Sandvik S.A.	100
CANADA	Dormer Tools Inc.	100		Sandvik Tamrock S.A.	100
	Prok Int. Canada Inc.	100		Sandvik Tamrock Secoma S.A.	100
	Sandvik Canada Inc.	100	GERMANY	Sandvik Tobler S.A.	100
	Tamrock Canada Ltd.	100		Alpine Westfalia GmbH	100
	Tamrock Loaders Inc.	100		CTT Management GmbH	100
CHILE	Sandvik Chile S.A.	100		Dormer Tools GmbH	100
	Tamrock Chile S.A.	100		Edmeston GmbH	100
CHINA	Qingdao Sandvik			Gurtec GmbH	100
	Die Cutting Systems Co. Ltd.	80		Günther & Co. GmbH	100
	Tamrock Louyang Machinery Co. Ltd.	60		Kanthal GmbH	99

Group holding, % ¹⁾			Group holding, % ¹⁾			
GERMANY	Prototyp-Werke GmbH	100	SPAIN	Safety Iberica Metal Duro S.A.	100	
	Sandvik GmbH	100			Sandvik Española S.A.	100
	Sandvik Kosta GmbH	100	SWITZERLAND	Sandvik AG	100	
	Sandvik P&P GmbH	100			Santrade Ltd.	100
	Sandvik Process Systems GmbH	100	TAIWAN	Sandvik Hard Materials Taiwan Pty. Ltd.	100	
	Tamrock GmbH	100			Sandvik Taiwan Ltd.	100
	TOP Präzisionswerkzeuge GmbH	100	TANZANIA	Sandvik Tamrock Tanzania Ltd.	100	
GHANA	Tamrock Ghana Ltd.	100	THAILAND	Sandvik Thailand Ltd.	100	
HONG KONG	Kanthal Electroheat HK Ltd.	100	UK	Dormer Tools Ltd.	100	
	Sandvik Hongkong Ltd.	100		Dormer Tools (Sheffield) Ltd.	100	
	Tamrock Far East Ltd.	100		Eimco Great Britain Ltd.	100	
INDIA	Kanthal India Ltd.	57			Kanthal Ltd.	100
	Titex India Pvt. Ltd.	100			Kanthal Ribbon Ltd.	100
INDONESIA	PT Prok Indonesia	70			Osprey Metals Ltd.	100
IRELAND	Sandvik Ireland Ltd.	100			Resist Alloy Intern. Ltd.	100
ITALY	CML Handling Technology S.p.A.	100			RGB Stainless Ltd.	100
	Dormer Tools S.p.A.	100			Safety Cutting Tools UK Ltd.	100
	Driver-Harris S.p.A.	100			Sandvik Ltd.	100
	Impero S.p.A.	100		Sandvik Metinox Ltd.	100	
	Master Tools S.p.A.	100		Sandvik Process Systems Ltd.	100	
	Prototyp SRL	100		Sandvik Rock Tools Ltd.	100	
	Sandvik Italia S.p.A.	100		Saxon Blades Ltd.	100	
	Sandvik Process Systems S.p.A.	100		Sterling Tubes Ltd.	100	
	Società Italiana Kanthal S.p.A.	100		Titex Tools Ltd.	100	
				USA	Dormer Tools Inc.	100
JAPAN	Kanthal K.K.	100			Driltech Mission LLC	100
	Sandvik Sorting Systems K.K.	100			Eimco LLC	100
KAZAKHSTAN	Tamservice Ltd.	100			H. P. Reid Co. Inc.	100
KOREA	Kanthal Korea Ltd.	100			The Kanthal Corporation	100
	Suh Jun Trading Co.	70			Kanthal Global Inc.	100
	Tamrock Service Korea Ltd.	100			MRL Industries Inc.	100
LUXEMBOURG	Sansafe S.A.	100			Pennsylvania Extruded Tube Co.	70
MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100			Precision Twist Drill Co.	100
MEXICO	Sandvik de México S.A. de C.V.	100			Sandvik Inc.	100
	Tamrock de México S.A. de C.V.	100		Sandvik Milford Corp.	100	
NETHERLANDS	Dormer Tools B.V.	100		Sandvik Process Systems Inc.	100	
	Sandvik Process Systems B.V.	100		Sandvik Sorting Systems Inc.	100	
NEW ZEALAND	Kanthal Trading Australasia Ltd.	100		Sandvik Special Metals Corp.	100	
	Sandvik New Zealand Ltd.	100		Sandvik Tamrock LLC	100	
NORWAY	Sandvik Norge A/S	100		Union Butterfield Corp.	100	
	Tamrock Norge A/S	100	VENEZUELA	Sandvik Venezuela C.A.	100	
PERU	Sandvik Forestal S.A.	100	ZAMBIA	Tamrock Zambia Ltd.	60	
	Sandvik Tamrock del Perú	100	ZIMBABWE	Tamrock Zimbabwe (Pvt.) Ltd.	100	
PHILIPPINES	Sandvik Philippines Inc.	100				
	Tamrock Philippines Inc.	100				
POLAND	Voest Alpine Technika Tunelowa i Górnicza Sp. z o.o.	100				
ROMANIA	Sandvik SRL	100				
RUSSIA	Moskovskij Kombinat Tverdih Splavov	98				
	ZAO Sandvik	100				
SINGAPORE	Kanthal Electroheat Pte. Ltd.	100				
	Sandvik South East Asia Pte. Ltd.	100				
	Sandvik Treasury (Far East) Pte. Ltd.	100				
SOUTH AFRICA	Sandvik (Pty) Ltd.	100				
	Tamrock Africa (Pty) Ltd.	100				
	Voest-Alpine Mining & Tunneling Pty. Ltd.	100				

1) Pertains to share capital, which also corresponds to share of votes unless otherwise stated.
2) Percentage of voting rights, 90%.

Note 18. Participations in associated companies

	Group
<i>Accumulated participations</i>	
At beginning of the year	371
Reclassifications	-1
Divestments	-35
Share in profits after net financial items of associated companies	0
Share in taxes of associated companies	-4
Less dividends received	-12
Translation differences	-8
Participations in equity at end of the year	311

Specification of Parent Company and Group holdings of shares and participations in associated companies

Associated companies

According to the Balance Sheet of 31 December 1999	Corp. ID no.	Number of shares	Holding, % ¹⁾	Group proportion of equity, SEK	Book value, SEK '000	
<i>Owned directly by Sandvik AB</i>						
SWEDEN	Balzars Sandvik Coating AB, Stockholm	556098-1333	56 840	49	19.7	3 819
	Fasttrack Sweden Uthyrnings AB, Stockholm	556530-1180	940	48.5 ²⁾	0.1	94
	G-Drill AB, Stockholm	556331-8566	6 000	30	2.3	4 000
	Procera-Sandvik AB, Stockholm	556350-7879	5 000	50	- ³⁾	600
	QR Uthyrnings AB, Stockholm	556330-7775	4 700	48.5 ²⁾	0.5	470
FRANCE	Eurotungstène Poudre S.A.		112 353	49	82.7	7 737
					105.3	16 720
<i>Owned indirectly by Sandvik AB</i>						
SWEDEN	Avesta Sandvik Tube AB, Fagersta	556057-8592	150 000	25	59.6	
	Fagersta Stainless AB, Fagersta	556051-6881	400 000	50	129.7	
	G-Drill AB, Stockholm	556331-8566	3 000	15	1.1	
	Associated companies owned by Seco Tools				3.4	
FINLAND	Caterpillar Impact Products Ltd.		400	40	11.6	
					205.4	
TOTAL					310.7	

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

2) Share of capital 90.4%

3) Consolidated in accordance with the proportional method

Note 19. Other investments held as fixed assets Other companies

According to the Balance Sheet of 31 December 1999	Holding, as %	Book value SEK M
<i>Owned directly</i>		
Other shares and participations		12
<i>Owned indirectly</i>		
Amstek Inc.	48	7
Eimco Elecon (India) Ltd.	25	4
Harvest Ventures	30	14
Shougang Kanthal CL	50	2
Thermia AB	5	4
Other shares and participations abroad		11
		42
Total		54

Note 20. Inventories

	Group		Parent Company	
	1999	1998	1999	1998
Raw materials and consumables	2 449	2 430	638	591
Work in progress	2 258	1 820	920	765
Finished goods	5 333	6 100	1 007	1 033
	10 040	10 350	2 565	2 389

Note 23. Changes in shareholders' equity

Group	Share capital	Restricted reserves	Unrestricted reserves	Consolidated net profit	Total
Reported at the end of 1998	1 552	9 436	5 538	2 095	18 621
Changes due to changed currency rates 1999	-	-	-252	-	-252
Appropriations of 1998 net profit	-	-	2 095	-2 095	-
Dividend paid	-	-	-1 811	-	-1 811
Transfer of retained earnings of associated companies	-	-10	10	-	-
Other movements between unrestricted and restricted shareholders' equity	-	-361	361	-	-
Translation differences for the year	-	-	-69	-	-69
Net profit for the year	-	-	-	3 620	3 620
Reported at the end of 1999	1 552	9 065	5 872	3 620	20 109

Restricted reserves include profits retained in associated companies amounting to SEK 218 M.

Appropriations to restricted reserves, as proposed by subsidiary boards, reduce unrestricted Group equity by SEK 32 M.

Parent Company	Share capital	Share premium reserve	Legal reserve	Profit brought forward	Net profit	Total
Reported at the end of 1998	1 552	20	297	708	2 044	4 621
Appropriations of 1998 net profit	-	-	-	2 044	-2 044	0
Dividends	-	-	-	-1 811	-	-1 811
Group contributions paid	-	-	-	-403	-	-403
Tax effect of Group contributions paid	-	-	-	113	-	113
Net profit for the year	-	-	-	-	2 286	2 286
Reported at the end 1999	1 552	20	297	651	2 286	4 806

Note 21. Liquid assets and short-term investments

	Group		Parent Company	
	1999	1998	1999	1998
Cash and bank balances	1 832	1 555	166	100
Short-term investments	537	188	266	-
Bonds with longer maturity than one year	-	57	-	-
Total	2 369	1 800	432	100

Note 22. Share capital

	1999	1998
A shares	189 450 259	189 450 259
B shares	69 245 741	69 245 741
Total number of shares at SEK 6 par value	258 696 000	258 696 000

A shares each carry one vote, whereas B shares carry one-tenth of a vote. All shares carry equal rights to participate in the profits and net assets of the Company.

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

Note 24. Parent Company accelerated depreciation

	Land and buildings	Plant and machinery	Equipment tools, fittings and fixtures	Patents and similar rights	Total
Reported at the end of 1998	17	1 276	181	2	1 476
Accelerated depreciation for the year	-8	99	8	-	99
Reported at the end of 1999	9	1 375	189	2	1 575

Note 25. Parent Company other untaxed reserves

	Tax equalization reserve	Tax allocation reserve	Other untaxed reserves
Reported at the end of 1998	107	1 605	36
Change during the year	-54	61	3
Reported at the end of 1999	53	1 666	39

Note 27. Other provisions

	Group		Parent Company	
	1999	1998	1999	1998
Restructuring provisions	338	516	-	-
Guarantees	132	198	22	24
Personnel-related provisions	81	283	-	16
Other provisions	699	652	9	9
	1 250	1 649	31	49

Note 26. Provision for pensions

	Group		Parent Company	
	1999	1998	1999	1998
Swedish PRI pension plan	916	1 223	730	955
Other pensions	1 372	1 240	54	74
Total	2 288	2 463	784	1 029

At 31 December 1999, the Group's provisions for restructuring, in conjunction with the major acquisitions in 1997, were as follows:

	Total
Pertaining to Tamrock	126
Pertaining to Kanthal	9
Pertaining to Precision Twist Drill	18
Total	153

Note 28. Interest-bearing liabilities

Maturity after balance sheet date

	Group				Parent Company			
	Within one year	2-5 yrs	After five years	Total	Within one year	2-5 yrs	After five years	Total
Financial institutions	3 474	897	216	4 587	27	485	163	675
Group companies	-	-	-	-	7 328	30	691	8 049
Convertible debenture loan	-	1 024	-	1 024	-	955	-	955
Other liabilities	338	86	59	483	-	-	-	-
	3 812	2 007	275	6 094	7 355	1 470	854	9 679

In addition, there is a long-term (maturity in 2004) credit facility amounting to SEK 5,500 M, which at year-end was unutilized. SEK 1,274 M of the available commercial paper program of SEK 4,100 M was utilized at year-end. The Group's liabilities related to financing lease agreements amount to SEK 55 M. Payments due in 2000 of SEK 2 M are reported with current liabilities. Subsequent payments amount to SEK 5 M in 2001, SEK 9 M in 2002 and SEK 7 M in 2003.

Assets pledged for liabilities to financial institutions

	Group		Parent Company	
	1999	1998	1999	1998
Real-estate mortgages	101	546	2	4
Chattel mortgages	219	146	-	-
	320	692	2	4

Note 29. Non-interest-bearing liabilities

Maturity after balance sheet date

	Group	Parent Company
Within one year	6 947	2 293
Within 2-5 years	139	-
After five years	47	-
	7 133	2 293

Note 30. Accrued expenses and prepaid income

	Group		Parent Company	
	1999	1998	1999	1998
Personnel related	1 551	1 617	722	715
Other	1 289	1 484	244	161
Total	2 840	3 101	966	876

Note 31. Contingent liabilities

	Group		Parent Company	
	1999	1998	1999	1998
Bills discounted	96	84	-	-
Other surety undertakings and contingent liabilities	533	782	3 078	3 304
Total	629	866	3 078	3 304
of which, for subsidiaries			2 979	3 111

Note 32. Translation differences and flow hedging

	Group
<i>Translation differences in earnings</i>	
Translation differences in operating profit	-37
Translation differences in financial items	-111
Total	-148

Translation differences charged directly to shareholders' equity

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

Translation differences in 1999 charged directly to shareholder' equity	-321
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Flow hedging

Through buying and selling currencies forward, the Group to an extent hedges the value of future payments in foreign currencies. Depending on the currency, hedging corresponds to 1-4 months of net flows. For specific orders with long delivery times, the hedging period was longer.

Gains and losses on forward contracts are reported in the same period as the corresponding flow arises. At year-end 1999, unrealized currency losses amounted to SEK 90 M, of which SEK 71 M was attributable to contracted orders.

Note 33. Supplementary information to the Group's cash-flow statement

	Group	
<i>Interest payments</i>		
Interest payments included in cash flow from operating activities		
Interest income	102	
Interest expense	-622	
<i>Acquisition and divestment of subsidiaries</i>		
Purchase consideration (paid in the form of liquid funds)		
Acquired subsidiaries	342	
Divested subsidiaries	3 321	
<i>Liquid funds</i>		
Acquired subsidiaries	14	
Divested subsidiaries	127	
<i>Other more significant assets and liabilities</i>		
	Acquired subsidiaries	Divested subsidiaries
Fixed assets	192	760
Inventories	78	602
Operating receivables	44	841
Provisions	11	128
Operating liabilities	46	1 376
Other liabilities	52	137

Proposed appropriation of profits

The Board of Directors and President propose that the surplus brought forward from the preceding year and the profit for the year	651 008 471
	2 285 738 761
	SEK 2 936 747 232

be appropriated as follows:	
a dividend of SEK 8.00 per share	2 069 568 000
carried forward	867 179 232
	SEK 2 936 747 232

Sandviken, 17 February 2000

Percy Barnevik
Chairman

Bo Boström
Göran Lindstedt
Clas Reuterskiöld

Georg Ehrnrooth
Arne Mårtensson
Mauritz Sahlin

Per-Olof Eriksson
Lars Nyberg
Clas Åke Hedström
President

Our Audit Report was submitted on 8 March 2000

Bernhard Öhrn
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of Sandvik Aktiebolag; (publ)
Corporate identity number 556000-3468

We have audited the annual accounts and the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Sandvik Aktiebolag for the year 1999. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the

consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. As a basis for our opinion regarding discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the possible liability to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Annual Accounts

Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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

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

Sandviken, 8 March 2000

Bernhard Öhrn
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

Directors and Auditors



Georg Ehrnrooth

Clas Reuterskiöld

Per-Olof Eriksson

Percy Barnevik

Clas Åke Hedström

Mauritz Sahlin

DIRECTORS

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

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

Mauritz Sahlin, Gothenburg, b. 1935. Chairman of the Board of Air Liquide AB, CHAMPS, FlexLink AB, IMEGO AB, IRO AB, Korsvägen AB, Novare Kapital AB and the Chamber of Commerce of Western Sweden. Director of Chalmers AB, Investor AB, BILLES AB and the Federation of Swedish Industries. Director of Sandvik AB since 1993. Sandvik shares: 3,000 A.

Clas Åke Hedström, Sandviken, b. 1939. President and Chief Executive Officer of Sandvik AB. Director of Scania AB, the Federation of Swedish Industries and the Association of Swedish Engineering Industries. Director of Sandvik AB since 1994. Sandvik shares: 382 A, 18,154 B, convertible debentures corresponding to 750 B.

Georg Ehrnrooth, Helsinki, b. 1940. President and Chief Executive Officer of Metra Oyj Abp. Chairman of the Board of Assa Abloy AB, Sanitec Oyj Abp and Pensionsförsäkringsbolaget Varma-Sampo. Director of Försäkringsaktiebolaget Sampo and Oy Karl Fazer Ab. Director of Sandvik AB since 1997. Sandvik shares: 6,000 B.

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



Lars Nyberg

Arne Mårtensson

Birgitta Karlsson

Göran Lindstedt

Bo Westin

Bo Boström

Arne Mårtensson,

Djursholm, b. 1951.
 President and CEO of Svenska Handelsbanken. Deputy Chairman of the Board of the Swedish Bank Association and KSSS. Director of Svenska Handelsbanken, Mo och Domsjö AB, V&S Vin & Sprit AB, OM Gruppen AB, Swedish ICC, Industry and Commerce Stock Exchange Committee and Council of World Economic Forum.
 Director of Sandvik AB since 1999.
 Sandvik shares: 500 A.

Lars Nyberg,

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

Bo Boström, Åshammar, b. 1949.

Chairman, AB Sandvik Steel Union Committee, Metal Workers' Union, Sandviken. Director of Sandvik AB since 1988. (Employee representative)
 Sandvik shares: 630 B, convertible debentures corresponding to 500 B.

Göran Lindstedt,

Sandviken, b. 1942.
 Chairman, Sandvik AB Union Committee, Industrial Salaried Employees' Association.
 Director of Sandvik AB since 1989. (Employee representative)
 Sandvik shares: 193 A, convertible debentures corresponding to 750 B.

Deputy Directors

Birgitta Karlsson,

Stocksund, b. 1952.
 Union Committee, Association of Graduate Engineers, Sandvik Västberga, Stockholm.
 Director of Sandvik AB since 1998. (Employee representative)
 Sandvik shares: 401 A, 169 B, convertible debentures corresponding to 750 B.

Bo Westin, Köping, b. 1950.

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

AUDITORS

Bernhard Öhrn, Stockholm
 Authorized Public Accountant

Lars Svantemark, Stockholm
 Authorized Public Accountant

Deputies

Åke Näsman, Stockholm,
 Authorized Public Accountant

Peter Markborn, Stockholm
 Authorized Public Accountant

Group Executive Management



Leif Sunnermalm

Clas Åke Hedström

Gunnar Björklund



Anders Ilstam

Peter Larson

Lars Pettersson

Clas Åke Hedström

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

Leif Sunnermalm

Executive Vice President
(through 30 April 2000)
b. 1938, M.Sc. Econ.,
employed since 1971

Gunnar Björklund

(through 30 September 2000)
Executive Vice President
b. 1935, M.Sc. Eng.,
employed since 1959

Peter Larson

Executive Vice President
(from 1 May 2000)
b. 1949, MBA,
employed 1981-84, from 1997

Lars Pettersson

Executive Vice President
(from 24 March 2000)
b. 1954, M.Sc. Eng.,
employed since 1979

As of 1 May 2000, Executive
Management also includes

Anders Ilstam

President of Sandvik Mining
and Construction Business Area

GROUP STAFFS AND SERVICE COMPANIES

Auditing and Special Projects:	Anders Vrethem*
Controllor:	Ulf Åhman*
Finance:	Gunnar Båtelsson
Information:	Björn Jonson
Intellectual Property:	Lennart Tåquist
Investor Relations:	Heléne Gunnarson
IT:	Lars-Anders Nordqvist
Legal Affairs:	Malcolm Falkman
Personnel:	Rune Nyberg
Research and Development:	Hans Mårtensson
Taxes and Financial Projects:	Thomas B. Hjelm
AB Sandvik	
Information Systems:	Peter Lundh
AB Sandvik Service:	Björn Sköld

Business units

Major operating business units are listed below:

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Peter Putz (from 1 May 2000)
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**Sweden**

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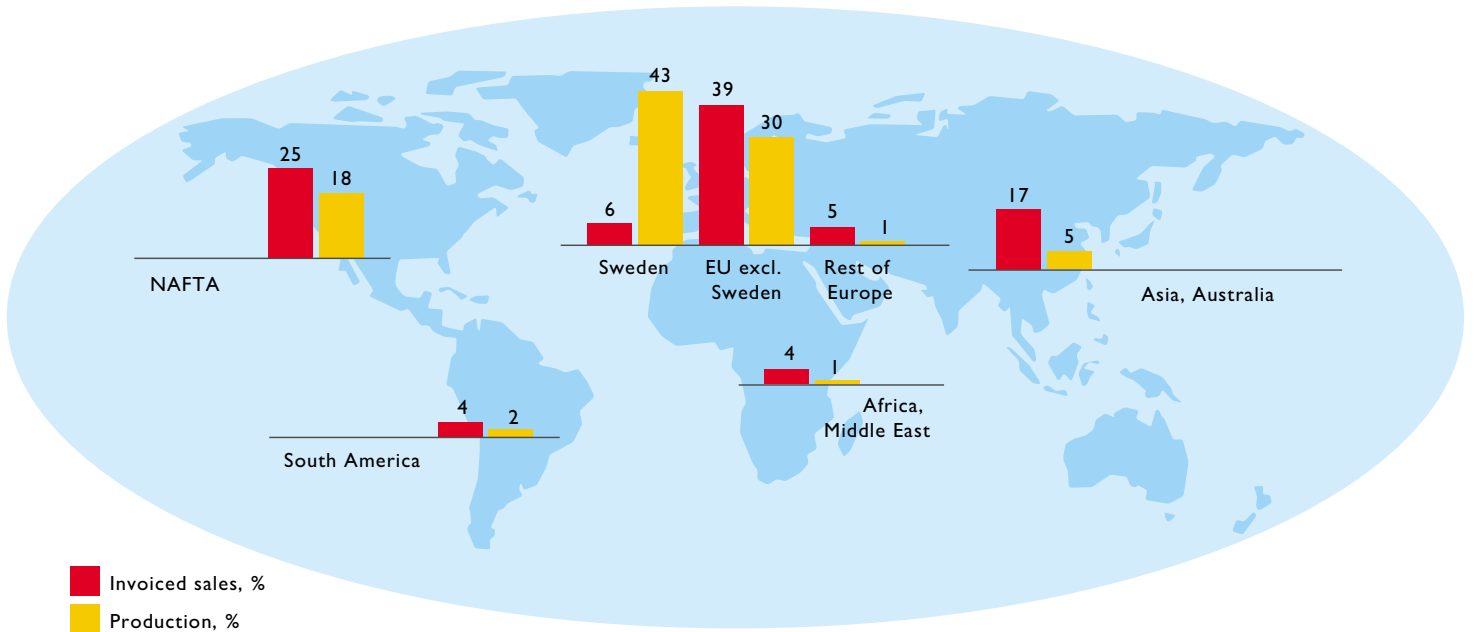


New Zealand

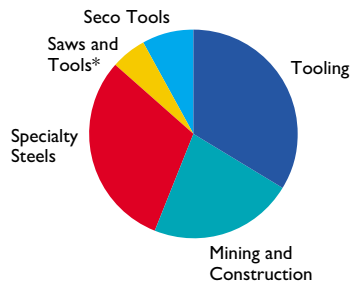
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This data refers to March 2000.

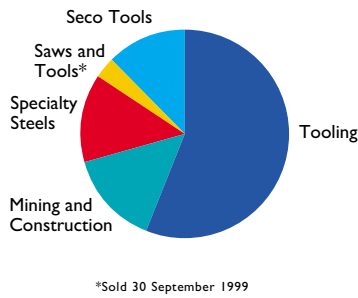
Key Figures



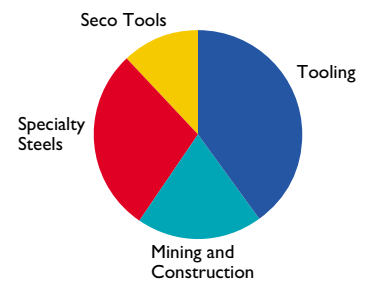
INVOICED SALES PER BUSINESS AREA



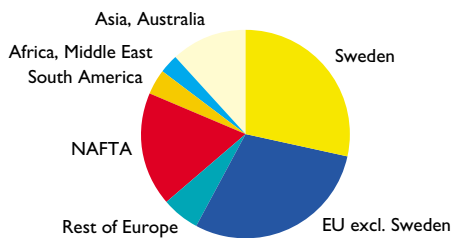
EARNINGS PER BUSINESS AREA



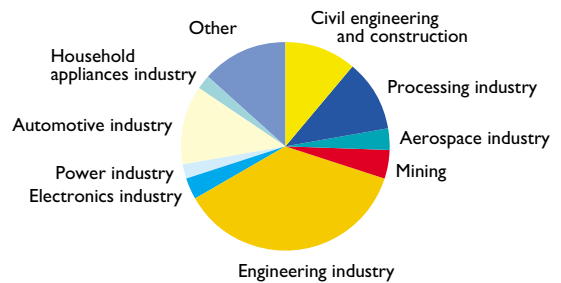
NUMBER OF EMPLOYEES PER BUSINESS AREA



NUMBER OF EMPLOYEES BY MARKET AREA



INVOICED SALES BY CUSTOMER AREA



	1999	1998	1997	1996	1995	1994	1993
Invoiced sales, SEK M	39 300	42 400	34 119	28 265	29 700	25 285	21 770
Profit after financial items, SEK M	5 465	3 935	4 205	4 453	5 620	3 811	1 764
as % of invoicing	14	9	12	16	19	15	8
Net profit for the year, SEK M	3 620	2 095	2 725	3 114	3 727	2 436	1 069
Earnings per share, SEK	14.00	8.10	10.15	11.20	13.40	8.75	3.85
Dividend per share (1999: proposed), SEK	8.00	7.00	7.00	6.50	6.00	3.75	2.25
Pay-out ratio, %	57	86	69	58	45	40	58
Shareholders' equity, SEK M	20 109	18 621	17 414	20 035	18 503	16 013	14 364
Equity ratio, %	52	47	47	64	64	59	60
Debt/equity ratio, times	0.4	0.5	0.5	0.2	0.1	0.2	0.2
Rate of capital turnover, %	95	104	96	86	101	95	89
Liquid assets, SEK M	2 369	1 800	2 494	5 557	6 893	6 591	5 171
Return on shareholders' equity, %	12.4	11.9	14.3	16.2	21.6	16.0	7.7
Return on net assets, %	15.1**	16.3	17.7	20.2	28.0	21.7	12.0
Investment in property, plant and equipment, SEK M	1 875	2 811	2 353	2 486	2 050	1 229	886
Total investments, SEK M	2 233	3 202	6 644	4 414	2 092	1 575	964
Cash flow from operating activities, SEK M	3 394*	3 919*	4 984	3 866	984	1 400	2 441
Cash flow, SEK M	577*	-791*	-2 035	-1 682	164	1 215	1 142
Number of employees, 31 Dec.	33 870	37 520	38 406	30 362	29 946	29 450	26 869

* In accordance with new definition from 1998

** Excluding capital gain

Additional per-share data is presented in the section on the Sandvik share, page 8.

DEVELOPMENT BY BUSINESS AREA

	Invoiced sales			Operating profit					
	1999	1998	1997	1999		1998		1997	
	SEK M	SEK M	SEK M	SEK M	%	SEK M	%	SEK M	%
Sandvik Tooling	13 177	13 576	12 164	2 597	20	2 724	20	2 242	18
Sandvik Mining and Construction	8 808	9 379	3 582	674	8	340	4	234	7
Sandvik Specialty Steels	11 971	13 579	12 653	633	5	902	7	1 001	8
Sandvik Saws and Tools	2 153	2 694	2 787	153	7	205	8	239	9
Seco Tools	3 128	3 151	2 889	572	18	677	21	575	20

Annual General Meeting

The Annual General Meeting will be held at Jernvallen in Sandviken on Thursday, 4 May 2000, at 3:00 p.m.

Shareholders wishing to attend the Meeting must notify the Board either by letter addressed to Sandvik AB, Legal Affairs, SE-811 81 Sandviken, or by telefax +46(0)26-26 10 86, or by telephone +46(0)26-26 10 81. Notification must reach Sandvik AB

not later than 3:00 p.m. on 27 April 2000. In order to qualify for attendance, shareholders must also have been entered in the Share Register kept by the Securities Register Center (VPC AB) not later than 20 April 2000. Shareholders whose shares are registered as held in trust must have them temporarily re-registered with the VPC AB in their own names not later than

20 April 2000 to establish their right to attend the Meeting.

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

Payment of dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 8.00 per share for 1999.

The proposed record date is 9 May 2000. If this proposal is adopted by the Meeting, it is

expected that dividends will be ready for remittance by 12 May 2000. Dividends will be sent to those who, on the record date, are entered in the Share Register or on the separate List of Assignees, etc. Dividends will be remitted from

VPC AB. To facilitate the distribution, shareholders who have moved should report their change of address to their bank in good time before the record day ●

Financial information 2000/2001

First-Quarter Report	4 May 2000
Semi-Annual Report	9 August 2000
Third-Quarter Report	2 November 2000
Report on Operations in 2000	16 February 2001 (proposed)
Annual Report for 2000	April 2001
Annual General Meeting	7 May 2001 (proposed)

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Sandvik

during the 1900s

Sandvik was founded in 1862 by Göran Fredrik Göransson, who was the first in the world to succeed in producing steel on an industrial scale using the Bessemer method. Operations were focused at an early stage on high quality, added value, investment in R&D, close contact with customers and export. This was a successful strategy that has largely been the same throughout the years. The following is a selection of the most significant Sandvik events during the past century.

- 1900** Founder Göran Fredrik Göransson died.
- 1901** Sandvik introduced on the Stockholm Stock Exchange as one of the first companies listed.
- 1902** Sandvik started to deliver steel conveyor belts.
- 1907** Production of hollow drill steel for rock-drilling applications was started.
- 1914** The first subsidiary established, in the UK.
- 1919** First subsidiary in the US established.
- 1921** First electric-arc furnace for production of steel. Production of stainless steel started.
- 1924** First seamless, stainless steel tubes sold.
- 1934** First pilger mill taken into operation in Sandviken.
- 1942** Coromant trademark established. Cemented-carbide tipped rock drills developed.
- 1943** First cemented-carbide tools for metalworking produced.
- 1947** Production of Bessemer steel discontinued in Sandviken.
- 1948** Plant opened in South Africa for the production of integral drill steels.
- 1951** Production of cemented-carbide products was started in Gimo, Sweden. Plant and offices inaugurated in the US.
- 1953** Cemented-carbide plant started at Västberga, Stockholm, Sweden.
- 1957** Insert holder T-max premiered in US.
- 1958** Indexable technique with exchangeable cemented-carbide inserts introduced in Europe.
- 1960** Comprehensive investment activity started in Sandviken.
- 1961** Plants opened in India and Mexico.
- 1962** Plant inaugurated in Brazil and 100-year anniversary celebrated in Sandviken.
- 1968** Group's annual sales passed SEK 1 billion and regional warehouse established in Singapore.
- 1969** First in the world with coated cemented-carbide inserts.
- 1971** Plants opened in US and Canada.
- 1972** The company name changed to Sandvik AB from Sandvikens Jernverks AB.
- 1973** Sandvik acquired 65% of all shares in Seco Tools AB.
- 1976** Production of cemented carbide started in Japan.
- 1980** First Rotoform equipment developed.
- 1981** Open-hearth production discontinued in Sandviken, thereby also all ore-based steel production.
- 1983** Percy Barnevik appointed new Chairman of the Board.
- 1984** Incorporation and decentralized organization with independent business areas.
- 1985** Representative office opened in Beijing, China.
- 1990** Acquisition of 25% of Tamrock, the Finnish producer of rock-drilling equipment.
- 1992** World's largest producer of high-speed steel tools, CTT Tools, acquired.
- 1994** Largest cemented-carbide plant in Russia acquired. Plant for cemented-carbide tools opened in China.
- 1997** Kanthal, all of Tamrock and the American high-speed steel producer Precision Twist Drill acquired.
- 1999** Sale of Saws and Tools business area and concentration to three core areas.

