

**Sandvik**  
***Annual Report***  
**1995**



# SANDVIK AKTIEBOLAG; (publ) Annual Report 1995

Corporate identity number 556000-3468

## Contents

Highlights of 1995	1
Sandvik today	2
Sandvik share	4
Letter from the President and CEO	6
Report of the Directors	8
Sandvik Tooling Business Area	13
Sandvik Coromant	14
CTT Tools	17
Sandvik Rock Tools Business Area	18
Sandvik Hard Materials Business Area	20
Sandvik Steel Business Area	22
Sandvik Saws and Tools Business Area	26
Sandvik Process Systems Business Area	28
NAFTA – An important growth market	30
Consolidated income statement	32
Consolidated balance sheet	33
Consolidated funds statement	34
Parent Company financial statements	35
Accounting principles	38
Application of U.S. GAAP	40
Notes to the accounts	41
Shareholdings	46
Personnel	49
Appropriation of profits	50
Audit report	50
Directors, auditors and Group executive management	51
Group staffs and service companies	53
Business units	54
Annual General Meeting, dividend	57
Key figures	58

*Cover:*

*Sandvik is the world-leading manufacturer of tools and tooling systems for metalworking, which is represented by this steel chip from turning.*

# Highlights of 1995

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*1995 was another record year for the Group.*

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*Earnings per share rose 53%.*

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*Invoiced sales grew 17%.*

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*Proposed that the dividend be raised by  
60% to SEK 6.00.*

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	1995	1994
Order intake, SEK m.	29 892	27 087
Invoiced sales, SEK m.	29 700	25 285
of which, outside Sweden, %	92	93
Profit after financial income and expenses, SEK m.	5 620	3 811
Return on net assets, %	28.0	21.7
Return on equity capital after tax, %	21.6	16.0
Earnings per share, SEK	13.40	8.75
Dividend per share, SEK	6.00*	3.75
Number of employees, 31 Dec.	29 946	29 450

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\* Proposed

# Sandvik today

## SANDVIK AT A GLANCE

The Sandvik Group, headquartered in Sandviken, is one of Sweden's largest export companies, active worldwide, with 200 companies in 60 countries. The Group has 30,000 employees and annual sales of SEK 30 billion. More than 90% of the sales are to customers outside Sweden.

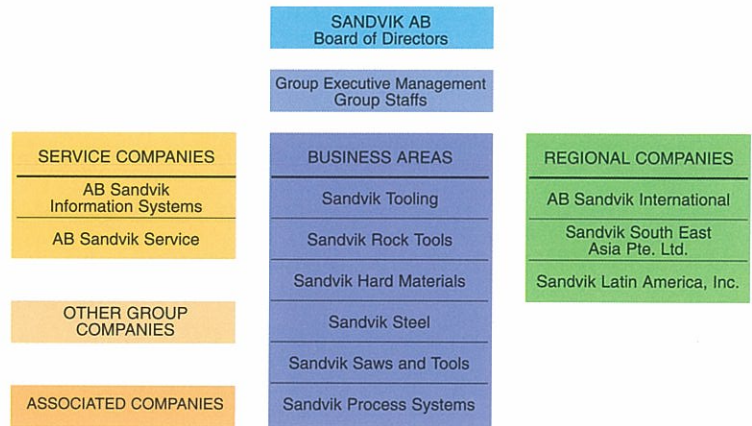
Since its founding in 1862, Sandvik has developed from a provincial Swedish steelworks into an international, materials technology engineering enterprise. Two factors that have contributed greatly to this development are intensive marketing in close cooperation with customers throughout the world and continuous product renewal focused on advanced technology. Approximately SEK 1 billion is invested annually in research and development related to new products and production methods.

Sandvik's operations comprise six separate business areas: Sandvik Tooling (Sandvik Coromant, CTT Tools and Sandvik Automation), Sandvik Rock Tools, Sandvik Hard Materials, Sandvik Steel, Sandvik Saws and Tools and Sandvik Process Systems. The Group also includes Seco Tools, an autonomous group of companies, whose shares are listed on the Stockholm Stock Exchange.

Sandvik is the world's largest manufacturer of cemented-carbide products. These are mainly of three types: tools for chip-forming metalworking, rockdrilling tools and wear parts and unmachined cemented-carbide blanks.

Sandvik is also a leading manufacturer of tube, strip, wire and bar in stainless steel and high-alloy special steels, high-speed steel tools, saws and other tools, and conveyor and process systems.

## ORGANIZATION



The basis of the Sandvik organization consists of six separate business areas that are responsible for development, production and sales of the Group's products. Each business area has subsidiaries, or divisions within joint Sandvik companies, in all major markets.

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

Two companies provide general services; their principal customers are the Sandvik units in Sweden but they also sell services

to subsidiaries outside Sweden and to external customers.

Sandvik's organization also comprises a number of associated companies whose operations generally pertain to one of the business areas. The other Group companies sector includes companies or groups of companies whose marketing strategies differ from those of the six business areas.

Sandvik's Board of Directors, Group Executive Management, Group Staff Managers and Service Company Presidents are presented on pages 51 through 53.

## SANDVIK AND THE ENVIRONMENT

Matters pertaining to the exterior environment and the work environment are an integral part of Sandvik's total operations. Decisions related to operations that affect the environment should be guided by considerations of what is ecologically justified, technically possible and economically feasible.

Sandvik shall strive continuously to improve with respects to the Company's impact on the exterior and work environments. The aim is to minimize the consumption of energy and scarce resources and the use of materials that are harmful to humans and the environment.

A minimum requirement is that the Company shall conduct its operations in a manner that does not harm the employees or 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.

Suppliers shall be encouraged, in their dealings with Sandvik, to adopt principles that are 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 the employees in implementing the environmental policy.

## BUSINESS CONCEPT AND STRATEGY

### Core areas

Sandvik's business concept is based on supplying the market with advanced products and services in four well-defined areas:

- Tools and tool systems for chip-forming machining of metals and composite materials, as well as for drilling in and working of rock and minerals.
- Components and materials that meet high demands in terms of wear-resistance, resistance to corrosion, high-temperature performance, fatigue characteristics and purity.
- Hand tools for professional users.
- Process systems and automatic sorting systems.

### Business concept

Within its core areas, Sandvik shall develop, manufacture and market highly processed products, made primarily of cemented carbide and other hard materials, as well as stainless steel and special alloys.

Operations shall be concentrated mainly in product niches where Sandvik already is – or has the opportunity to become – a world leader.

Sandvik shall contribute actively to improving the productivity and profitability of its customers. The products and the service we offer shall give the customer maximum value in terms of performance, quality, speed, safety, flexibility and total economy. Sandvik

shall be the obvious first choice for customers.

### Strategy

Sandvik shall conduct an advanced and broad-based research and development activity in order to achieve the benefits of improved productivity and quality, time savings and lower costs, on the part of our customers and in our own operations, in the following four areas:

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

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

Sandvik's products shall be produced mainly in Group plants. This will ensure the highest quality, availability and cost-effectiveness and will help in the Group's efforts to create a good environment.

Standardized production technology – and in some cases own production of strategically important manufacturing equipment –

guarantees uniform high quality wherever production takes place in the Group.

Sandvik shall take advantage of the synergies in R&D, production, marketing and administration inherent in the Group's different business areas and markets.

Sandvik shall attempt to create working conditions that stimulate employees to perform effectively, assume responsibility and develop personally. The Group shall also promote equality, regardless of gender, race, colour, religion, nationality or ethnic origin.

In its dealings with customers, suppliers, employees and others, Sandvik shall act in a highly ethical manner, and as a good citizen in all countries where the company operates.

### Future growth

One of the Group's most important objectives – and the basis for its financial targets – is a marked increase in growth. At the same time the Group's operations should be developed and adapted continuously to changes in the business environment.

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

Intensified efforts will be made in geographical markets where our shares are small and where the opportunities to grow appear especially attractive.

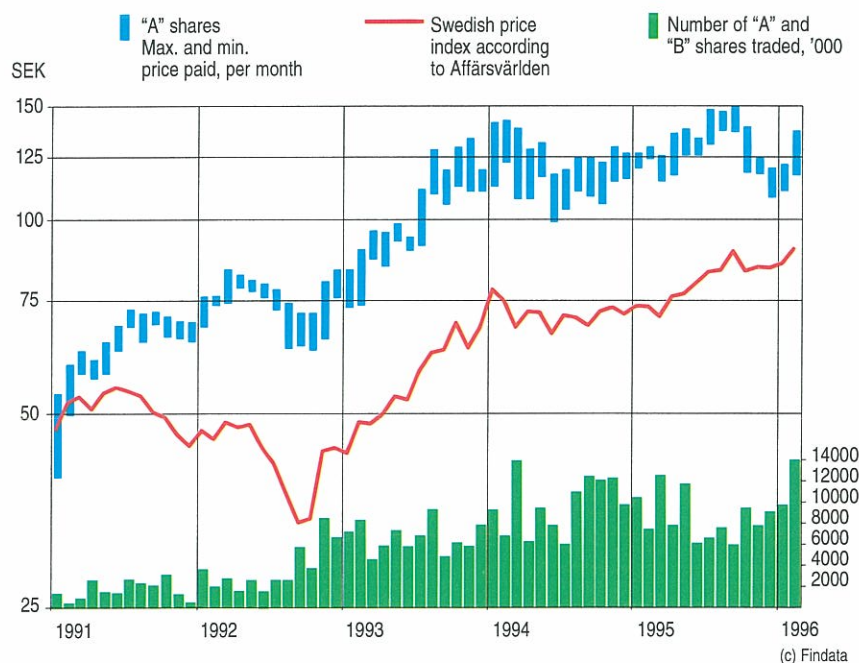
Growth will be achieved mainly through a combination of internally generated expansion, company acquisitions and joint ventures in our existing areas of operation. In addition, if appropriate opportunities arise, the company plans to acquire companies with operations outside our present areas of activity but within the framework of our business concept.



*Sandvik's head office and largest plants are located in Sandviken, Sweden.*

# The Sandvik share

## Price movements on the Stockholm Stock Exchange, Sandvik "A" shares



Per-share data, SEK	1995	1994	1993	1992	1991
Earnings <sup>1</sup>	13.40	8.75	3.85	4.05	4.55
Equity capital	66.40	57.50	51.60	49.50	46.40
Dividend (1995: as proposed)	6.00	3.75	2.25	1.90	1.80
Direct return <sup>2</sup> , %	5.2	3.1	1.9	2.3	2.6
Payout percentage <sup>3</sup> , %	45	35	58	47	40
Quoted prices, "A", year's highest	148	143	134	84	73
year's lowest	108	100	73	63	40
at year-end	116	119	116	82	68
Quoted prices, "B", year's highest	148	142	134	84	77
year's lowest	109	99	73	62	41
at year-end	116	119	115	83	69
P/E ratio <sup>4</sup>	8.7	13.6	30.1	20.2	14.9
Quoted price, % of equity capital <sup>5</sup>	175	207	225	166	147
Average number of shares traded per day on the Stockholm Stock Exchange, "A"	136 425	177 768	93 381	85 820	43 765
"B"	251 004	248 539	180 667	98 770	37 655
London Stock Exchange, "A"	50 774	41 878	92 229	-	-
"B"	178 555	164 235	208 346	178 970	99 010

Data regarding prior years has been changed as if the share split 5:1, which was effected in 1993, had already occurred. They have also been revised to reflect the changes in definitions made in 1995.

- 1 Consolidated net profit per share.
- 2 Dividend divided by price of "A" share at year's end.

3 Dividend divided by earnings per share.

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

5 Price of "A" share at year's end as percentage of equity capital per share.

For additional definitions, see page 39.

## Dividend policy

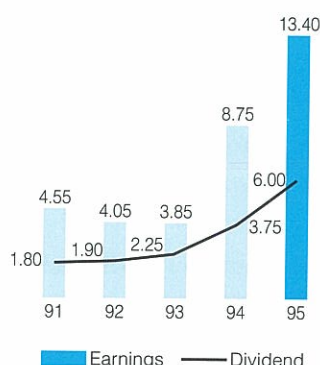
The principal financial goal for the Sandvik Group is to create an attractive return and value growth for those who invest in the Sandvik share.

The goal is that the dividend on the Sandvik share and value growth shall exceed the average for the industry and be clearly higher than risk-free, long-term financial investments and that the shareholders shall receive a dividend of at least 50% of net profit after tax – all calculated over a business cycle.

## Shareholders

The number of shareholders is about 48,400. The ten largest holders account for 54% of the shares and 65% of the votes. In all, it is estimated that listed cor-

## Earnings and dividend per share, SEK



porations, insurance companies, funds and foundations hold 78% of the shares.

## Options

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

## Analyses

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

ABB Aros Fondkommission  
 Alfred Berg  
 Barclays de Zoete Wedd (UK)  
 Carnegie Fondkommission  
 Den Danske Bank (Denmark)  
 Den norske Bank  
 Enskilda Corporate  
 Erik Penser Fondkommission  
 FIBA Nordic Securities  
 Fischer Partners  
 Fondkommission  
 Goldman, Sachs & Co. (UK)  
 Gudme Raaschou (Denmark)  
 Hagströmer & Qviberg  
 Fondkommission  
 Handelsbanken  
 James Capel & Co. (UK)  
 Jyske Bank (Denmark)  
 Kleinwort Benson  
 Securities (UK)  
 Matteus Fondkommission  
 Merrill Lynch (UK)  
 Morgan Stanley (UK)  
 Myrberg & Wiklund  
 NatWest Securities (UK)  
 Nordiska Fondkommission  
 Paribas Capital Markets (UK)  
 Sigeco Ltd. (UK)  
 Skandiabanken  
 Smith New Court (UK)  
 Société Générale Equities &  
 Derivatives (France)  
 Swedbank Fondkommission  
 UBS Global Research (UK)  
 E Öhman J:or Fondkommission

## The largest shareholders of Sandvik AB (December 1995)

	Percentage of voting rights	Percentage of shares
Skanska AB	26.1	20.3
Investment Funds of the Swedish Savings Banks	10.4	10.1
National Swedish Pension Insurance Fund, Fourth Fund Board	7.8	6.2
Svenska Handelsbanken's Pension Foundation	5.0	3.9
SPP The Swedish Staff Pension Society	3.9	3.6
Skandinaviska Enskilda Banken's Investment Funds	2.7	2.3
Folksam including AMF-s	2.4	1.9
National Swedish Pension Insurance Fund, Fifth Fund Board	2.3	1.8
Labour Market Insurance AB (AMF-p)	2.2	1.8
Skandia	1.9	1.8
Svenska Handelsbanken's Investment Funds	1.8	1.7
Nordbanken's Investment Funds	1.5	1.2

## Sandvik AB share ownership (December 1995)

Holding	Number of shareholders	As % of all shareholders	Total number of shares	% of share capital	Average number of shares per holder
to 500 shares	34 793	71.9	6 465 497	2.3	186
501-1 000	6 351	13.1	5 249 332	1.9	827
1 001-10 000	6 425	13.3	18 198 387	6.5	2 832
10 001-100 000	645	1.3	17 741 520	6.4	27 506
More than 100 000	179	0.4	230 821 644	82.9	1 289 506
	48 393	100.0	278 476 380	100.0	5 754

# Letter from the President and CEO

## Increased competitive capacity

*Nineteen ninety-five was a record year for the Sandvik Group in terms of sales and earnings. Following a very strong beginning, demand in a number of important product areas and markets softened toward the end of the year, at the same time that the Swedish krona strengthened. We expect more modest growth in demand in 1996. Despite this, earnings for 1996 will be at a high level.*

The world economy was highly favourable during the first half of 1995 and demand for Group products was strong. The trend of business was notably favourable in Europe, Southeast Asia and India. Beginning in the third quarter, the economy entered a quieter phase, particularly in Europe but there was continuing growth in the most important industrialized countries.

More than 90% of the Group's sales are to customers in markets outside Sweden, while about 60% of its production takes place within the country. The Swedish krona declined in value at the beginning of the year but then increased sharply late in the year. The translation of sales per market from local currency to the krona at the end of the year thus gave an impression of a lower rate of growth than was actually the case.

### Important programs

Despite the effects of a stronger Swedish krona, we expect earnings to continue to be good, in 1996 as well as over the long term. There are a number of reasons. We are continuously improving our competitive capacity and are implementing comprehensive rationalization and improvement programs in all of our business activities and we are expanding our sales organization:

- We have strengthened our already substantial research and development resources by recruiting a large number of qualified engineers. During the 1994-1995 period we hired 120 new graduates of technical universities in Sweden.

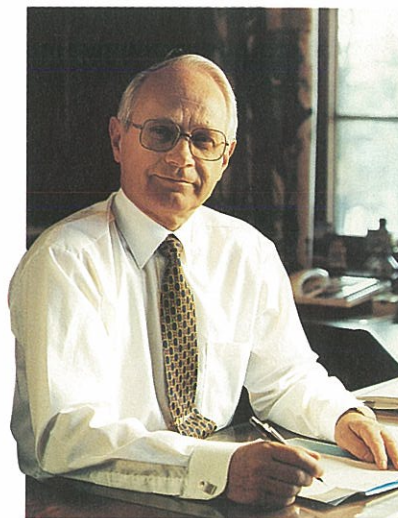
A large number of development projects were initiated, many of them in cooperation with other companies or with universities and research centres. Some of the projects are expected to result in successful product introductions already in 1996.

- We have substantially strengthened our marketing organization in a number of markets with future potential. We have increased our sales organization by 20% in the United States and our objective is to take additional shares of the market. In Asia and eastern Europe we have opened more than 20 new sales offices.

- At the same time we are expanding production capacity in the rapidly growing Asia and in eastern Europe, where there is a great need for modernization. This is being implemented in order to provide better local service, reduce costs and increase market shares. In addition, a larger portion of sales in these regions reduces our dependence on the economic cycles in the western world.

- We are generally increasing production capacity, notably in the steel and cemented-carbide areas. Steel production capacity in Sandviken is being increased and production of both cemented-carbide and tools is being expanded in Gimo. Group investments in property, plant and equipment rose 65%, to a total exceeding SEK 2 billion during the past year.

- Many important rationalization and restructuring programs, including increased product specialization, were completed during the year. A number of business areas



successfully implemented major improvements in quality and productivity. Most of our production and sales units are now certified in accordance with ISO 9000 quality standards. During 1995, we increased the number of employees by about 500, or just under 2%, while the increase in volume of business was slightly more than 10%.

### Strengthened market positions

Nineteen ninety-five was a year of high utilization of capacity, high productivity, strengthened market positions and substantial improvements in earnings for most of Sandvik's business areas.

*Sandvik Tooling* showed strong growth in sales and continuing growth in income. The business area was able to meet the heavy demand thanks to flexibility in production and distribution. Sandvik Coromant, the largest sector within the business area, continued its successful development



and was able to capitalize very effectively on its strong market position.

CTT Tools also continued to show improvement in income and its profitability is now at an acceptable level. With an increase in volume, the lower level of costs should result in further improvements.

*Sandvik Rock Tools'* income was virtually unchanged from the preceding year. Demand for rock-drilling products used in the mining industry was good, while activity in the civil engineering market, notably in Europe, was slow.

*Sandvik Hard Materials* successfully continued a major program of change and reported good growth in sales and income. Many of the business area's products are sold to companies in industries, such as electronics and mobile telephony, that are deemed to have a substantial growth potential.

*Sandvik Steel* was highly successful in taking advantage of opportunities offered during the recent upturn in the economy. Its sales rose 27% in 1995 and its profits rose to a record-high level. At the same time, the year was a turbulent one, with large changes in raw material prices, exchange rates and the trend of demand. Production in the new plants in the U.S. and the Czech Republic contributed to the higher sales.

The greater part of the products made by *Sandvik Saws and Tools* are used by skilled craftsmen within industry. The volume of sales of adjustable wrenches, pliers and hacksaw blades increased sharply. In contrast, activity in the construction industry was still low throughout virtually the entire world, resulting in small increases in sales of saws and other construction-related products.

*Sandvik Process Systems* could despite increased competition and a weaker investment climate, increase its market shares and sales volume, although capacity utiliza-

tion fluctuated. The acquisition of CML, an Italian company, in the beginning of 1996 broadened the range of systems used for high-speed sorting of postal packages, newspapers and magazines.

### **Objectives and strategy**

The basic financial objective of the Sandvik Group is to ensure an attractive return and growth in value for those who invest in the Group's shares. The objective is that Sandvik shares should provide a yield and growth in value which, taken together, are above the average for our industry and well above the rate of interest on "risk-free" long-term financial investments. This can only be achieved if we have satisfied customers and well-educated and motivated employees.

The dividend proposal for 1995 means that the dividend has been increased in two years from SEK 2.25 per share (about SEK 600 m.) to SEK 6.00 per share (SEK 1,640 m.). This is not only a reflection of our new higher profit level, but also a new dividend policy. With Sandvik's strong cash flow, large net cash holdings and distributable funds, the dividend share of profits will be higher than before, at least 50% over a business cycle. In our judgement, this higher dividend portion can be combined with our ambitious plans for volume expansion, including company acquisitions, in the years immediately ahead.

Our business concept and strategy is set forth in the section "Sandvik today" on page 3. I would like to note, at this point, that our operations are focused primarily on niches in which we are a world leader or have the opportunity to become one. The common goal of the business areas is also to contribute actively to improving the productivity and profitability of our customers. We want Sandvik to be the obvious first choice of customers.

I would also like to include

growth rate and yield requirement among the most important objectives. As I stated in last year's Annual Report, our objective is to achieve a significant increase in the rate of growth, primarily through sharply intensified efforts in Sandvik's present product and market areas. Our ambition is to increase the average rate of increase in volume to 6% per year during a ten-year period. This shall be done in a manner that does not jeopardize Sandvik's high yield. As before, the Group objective is to have, on average, a return of 20% on net assets over a business cycle.

### **Sandvik 1996**

It now appears that the world economy peaked in 1995 for this cycle. We foresee a significantly slower pace in growth of demand in 1996 in the western world, but continued strong growth in Asia. A strong Swedish krona will have an adverse impact on invoiced sales and earnings. Despite this, we expect that earnings will be at a high level as a result of the efforts noted above.

Our new strategy, which is based on generating our own growth, got off to a flying start last year. We have – to use automotive language – shifted into high gear. During 1996 we now have to accelerate in order to expand our positions in old markets and the new growth markets in developing countries and in eastern Europe. At the same time that we have to apply the brakes when the trend of costs so requires.

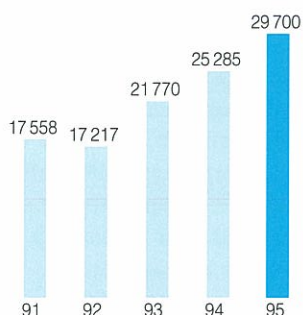
Sandviken, March 1996

Clas Åke Hedström  
President and  
Chief Executive Officer

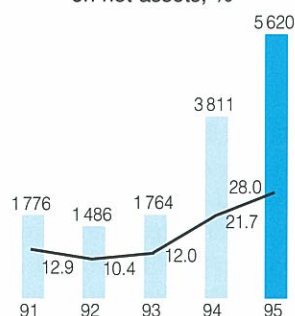
# Report of the Directors

## Group review

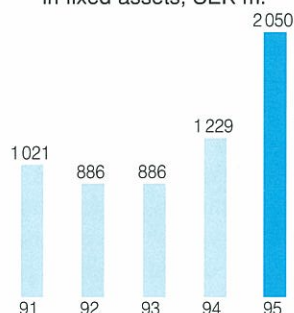
Invoiced sales, SEK m.



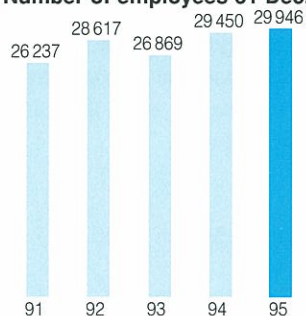
Profit after financial items, SEK m.  
Return on net assets, %



Investment in fixed assets, SEK m.



Number of employees 31 Dec.



Sandvik Group	1995	1994	Change, %
Order intake, SEK m.	29 892	27 087	+10
Invoiced sales, SEK m.	29 700	25 285	+17
Profit after financial items, SEK m.	5 620	3 811	+47

Invoiced sales of the Sandvik Group in 1995 amounted to SEK 29,700 m. (25,285), up 17%, which followed an increase of 16% in 1994. Markets outside Sweden accounted for 92% (93) of sales. The order intake rose during the year, totalling SEK 29,892 m. (27,087) at year-end, 10% higher than in the preceding year.

Profit after financial income and expenses rose 47% to SEK 5,620 m. (3,811), due mainly to very high capacity utilization and high productivity. Return on net assets was 28.0% (21.7%). Earnings per share were SEK 13.40 (8.75).

The Board of Directors proposes a dividend of SEK 6.00 (3.75) per share, corresponding to 45% of earnings per share and an increase of 60%.

### Structural changes

During the year, Sandvik Coromant acquired additional shares in the Russian cemented-carbide company MKTS and at year-end Sandvik's holding was 98%.

Sandvik increased its holding in the Sandvik Baildonit S.A. joint-venture company in Poland from 16% to 37%. The group has an option to acquire a majority holding.

Sandvik Coromant acquired the remaining 50% of Integrated Supply Inc. in the U.S., formerly a joint-venture company.

Sandvik Rock Tools acquired a 20% holding in Oy Winrock Technology Ltd. in Tampere, Finland, for the development and production of a new type of down-the-hole hammer.

Sandvik Steel acquired the Ovako Acciai S.p.A. sales company in Milan, Italy, in order to supplement its range of procured products on the Italian market.

Sandvik Saws and Tools participated in the formation of a company, Uirlis Torc Teoranta Ltd., Galway, Ireland, for the development and production of electronic torque wrenches. Sandvik owns 49% of the shares and holds the right to acquire an additional 11% within the next three years.

The following developments which occurred after the end of the fiscal year may also be mentioned:

In February, Sandvik Steel took over the operations for the electro-polishing of tubes for the electronics industry from Avesta Calamo AB in Molkom, Sweden. This business has 65 employees and sales of approximately SEK 65 m.

In February 1996, CML Handling Technology S.p.A. (CML), of Lonate Pozzolo, Italy was acquired. This company manufactures materials handling equipment and systems for the high-speed sorting of goods. It has annual revenues of approximately SEK 300 m. and about 200 employees. CML will be an independent unit in the Sandvik Process Systems business area, which has already been marketing CML's sorting systems in several markets.

Sandvik Rock Tools has entered into a partnership with LKAB in the Swedish G-Drill company to develop, produce and sell hydraulic hammers for down-the-hole drilling. Sandvik Rock Tools holds a 30% interest in this company.

### Market situation and sales

Fiscal 1995 began with a strong business climate. Order intake in the first six months increased by 21% compared with the same period a year earlier. In the autumn business conditions weakened and

order intake for the second half of the year was the same as in 1994.

The pattern of the business cycle was particularly evident in Europe, where for example Germany experienced a strong upturn at the beginning of the year, which subsequently subsided.

The business climate in eastern Europe was relatively favourable, except in Russia. Demand in the U.S. remained favourable although the rate of growth slowed. Market conditions in Argentina, Brazil and Mexico were, however, weak, especially in the autumn.

Business conditions in India and countries in Southeast Asia were highly favourable, but a weakening was also noted here toward year-end. A weak improvement in the economy in Japan could be noted.

#### Invoiced sales by market area

The sharp increase in Sweden was supported by a very strong business climate for steel, with large deliveries to other steel mills.

The increase in EU sales was particularly marked in the case of Sandvik Tooling, Sandvik Steel and Sandvik Hard Materials.

Invoicing in the rest of Europe was strong in Poland, the Czech Republic, Slovakia and Hungary. The recently acquired production units in Russia and the Czech Republic contributed to this growth.

The increase in the NAFTA region was 13% in unchanged U.S. dollars. The U.S. posted the best volume increase, while invoiced sales in Mexico declined. Sandvik Coromant, Sandvik Steel and Sandvik Process Systems reported strong increases in the NAFTA region.

Growth in South America was low, primarily due to economic restrictions in Argentina and Brazil.

In 1995, Sandvik continued to recapture market shares in South Africa and there was an increase in sales.

Invoiced sales by market area	1995		1994		Change	
	SEK m.	%	SEK m.	%	%	*
Sweden	2 370	8	1 807	7	+31	(+31)
EU, excl. Sweden	13 755	46	11 506	46	+20	(+19)
Rest of Europe	1 419	5	981	4	+45	(+35)
Total, Europe	17 544	59	14 294	57	+23	(+22)
NAFTA	5 626	19	5 361	21	+5	(+5)
South America	1 422	5	1 359	5	+5	(+3)
Africa, Middle East	763	3	641	3	+19	(+19)
Asia, Australia	4 345	14	3 630	14	+20	(+20)
Group total	29 700	100	25 285	100	+17	(+16)

\* Figures in parentheses show change excluding company acquisitions, etc.

Invoiced sales in the ten largest markets, SEK m.	1995	1994	Change %
U.S.	4 863	4 567	+6
Germany	4 016	3 453	+16
France	2 533	2 096	+21
Sweden	2 370	1 807	+31
Italy	2 193	1 658	+32
Great Britain	1 893	1 576	+20
Japan	1 510	1 307	+16
Brazil	831	752	+10
Australia	817	748	+9
Canada	620	587	+6

India, Korea and the Southeast Asia region posted growth exceeding 35%. The trend in Japan and Australia was satisfactory, but yielded significantly lower increases.

#### Invoiced sales by business area

Within Sandvik Tooling, volumes rose sharply for Sandvik Coromant as well as CTT Tools. Both units increased their market shares.

Sandvik Rock Tools noted con-

tinued weak demand in the construction industry, while demand in the mining sector was better.

The increase in Sandvik Hard Materials was primarily from growth in deliveries of cemented-carbide blanks, mainly to the electronics industry.

In the steel area, the peak of a strong business cycle was reached during the first half of the year. Sandvik Steel's invoiced sales, which had increased 20% in 1994,

Invoiced sales by business area	1995		1994		Change	
	SEK m.	%	SEK m.	%	%	*
Sandvik Tooling	9 576	32	8 178	32	+17	(+17)
Sandvik Rock Tools	2 015	7	1 955	8	+3	(+2)
Sandvik Hard Materials	1 224	4	1 029	4	+19	(+19)
Sandvik Steel	9 807	33	7 752	31	+27	(+27)
Sandvik Saws and Tools	2 674	9	2 583	10	+4	(+4)
Sandvik Process Systems	1 810	6	1 603	6	+13	(+13)
Seco Tools	2 555	9	2 159	9	+18	(+17)
Group conjoint activities	39	/	26	/	/	/
Group total	29 700	100	25 285	100	+17	(+16)

\* Figures in parentheses show change excluding company acquisitions, etc.

grew an additional 27% during 1995. Nevertheless, order intake levelled out during the second half of the year.

In relation to most of the other business areas, the increase in invoiced sales of Sandvik Saws and Tools was low. However, in certain markets, such as Italy, eastern Europe and Southeast Asia, growth was strong. Industrial sales rose 9%, but sales in the hardware-retail sector and in the building industry declined.

Sandvik Process Systems reported favourable order intake, particularly for sorting systems, and invoiced major project orders during the fourth quarter, to the U.S. and Japan, among other markets.

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

### Earnings and returns

Operating profit before depreciation totalled SEK 6,265 m., or 21.1% of invoiced sales including shares in profits of associated companies. The corresponding figure a year earlier was SEK 4,550 m., or 18.0%. The increase in margin was attributable mainly to higher prices, higher volumes and further increases in productivity. Earnings for 1995 also include a non-recurring item of SEK 67 m. resulting from the refunding by the U.S. authorities of funds deposited by Sandvik Steel in connection with a price-dumping case in 1988/89. Interest in profits of associated companies was SEK 196 m. (119), mainly from Fagersta Stainless AB, Avesta Sandvik Tube AB, Tamrock Oy and Eurotungstène Poudre S.A.

The profit-sharing allocation to the employees was SEK 150 m. (132).

Profit after financial income and expenses was SEK 5,620 m. (3,811).

Tax charges amounted to SEK 1,691 m. (1,256), or 30% (33) of profit before taxes. Consolidated

Earnings and returns	1995	1994
Operating profit before depreciation, SEK m.	6 265	4 550
as a percentage of invoiced sales	21.1	18.0
Profit after depreciation, SEK m.	5 194	3 547
as a percentage of invoiced sales	17.5	14.0
Profit after financial income and expenses, SEK m.	5 620	3 811
as a percentage of invoiced sales	18.9	15.1
Return on net assets, %	28.0	21.7
Return on equity capital after tax, %	21.6	16.0
Earnings per share, SEK	13.40	8.75

Definitions, page 39.

net profit, after tax and minority interests, amounted to SEK 3,727 m. (2,436)

Earnings per share were SEK 13.40, compared with SEK 8.75 a year earlier, an increase of 53%. As from 1995, Sandvik has changed to a calculation of earnings per share on the basis of the year's consolidated earnings after actual tax rather than estimated full tax.

Return on net assets increased to 28.0% from 21.7% a year earlier. Return on equity capital after tax was 21.6% (16.0). Return is calculated as consolidated net profit as a percentage of average reported equity capital.

### Profits after depreciation by business area

Within Sandvik Tooling, Sandvik Coromant's profits rose further due to volume increases and high productivity. The peak business climate was utilized to the fullest. CTT Tools also achieved favourable earnings in 1995 after several years of low volumes and major restructuring.

Despite intense competition, depressed prices and a weaker currency position, Sandvik Rock Tools sustained its profit level, mainly as a consequence of high productivity.

Sandvik Hard Materials posted favourable earnings and benefited from the restructuring measures undertaken in recent years as well as the strong growth in certain market segments.

The business climate was highly favourable in the steel industry and Sandvik Steel operated at full production in all plants. The high earnings were attributable mainly to the high volume, possibility to offset higher prices for alloys and strong productivity. Additionally, as stated above, a non-recurring item contributed to earnings.

Sandvik Saws and Tools did not report improved earnings due mainly to a low volume increase and to losses incurred in Argentina, where the business area has relatively large production and sales operations. A very strong austerity program in the country reduced sales potential sharply. However, several units in the business area posted higher earnings after restructuring measures were implemented.

Sandvik Process Systems earnings weakened due to an uneven utilization of capacity, among other factors.

Due to its majority holding in Seco Tools AB, Sandvik consolidates this company, which is also exchange-listed. Comments on earnings are provided in the company's annual report.

Group conjoint activities relate to financial, insurance and service operations as well as holding activities.

### Raw materials

Although there was considerable fluctuation during the year, on the whole the prices for Sandvik's most important raw materials tend-

## Quarterly trend

Quarterly figures are presented in the following table. Profit is shown after financial income and expenses and profit margin is calculated as a percentage of invoiced sales.

Quarterly trend	Invoiced sales SEK m.	Profit SEK m.	Net margin %
1994: 1st Quarter	5 788	626	11
2nd Quarter	6 210	852	14
3rd Quarter	6 095	986	16
4th Quarter	7 192	1 347	19
1995: 1st Quarter	7 496	1 427	19
2nd Quarter	7 738	1 564	20
3rd Quarter	6 769	1 315	19
4th Quarter	7 697	1 314	17

Distribution of profits after depreciation by business area, SEK m.	1995		1994	
	SEK m.	% of invoicing	SEK m.	% of invoicing
Sandvik Tooling	2 436	25	1 509	18
Sandvik Rock Tools	219	11	219	11
Sandvik Hard Materials	185	15	135	13
Sandvik Steel	1 623	17	1 014	13
Sandvik Saws and Tools	184	7	185	7
Sandvik Process Systems	101	6	156	10
Seco Tools	542	21	401	19
Group conjoint activities	-96	/	-72	/
Group total	5 194	17	3 547	14

ed to decline. In the cemented-carbide area, the price of tungsten remained at the very high level attained in the preceding year, but dropped by about 10% at the end of the year. On the other hand, the price of cobalt increased. In the steel industry, nickel prices were high at the beginning of the year and there was an acute shortage of molybdenum, a crucial alloying metal. The subsequent price trend,

with a return to normal levels at the end of the year, is shown in the diagram in the Sandvik Steel section.

## Financial position

Net financing from operations was SEK 2,172 m. (2,727), with cash flow amounting to SEK 164 m. (1,215). At the end of the year liquid funds amounted to SEK 6,893 m. (6,591). The net of liquid funds

Financial position	1995	1994
Cash flow, SEK m.	164	1 215
Liquid assets and short-term investments, 31 Dec, SEK m.	6 893	6 591
Loans, 31 Dec, SEK m.	854	1 228
Net financial items, SEK m.	426	264
Solidity, %	64	59
Debt-equity ratio, times	0.1	0.2
Equity capital, SEK m.	18 503	16 013
Equity capital per share, SEK	66.40	57.50

Definitions, page 39.

less loans increased by SEK 676 m.

Generally, Sandvik applies a conservative investment policy and invests the centrally pooled cash resources in the Swedish money market, mainly in Treasury bills, government bonds and other interest-bearing instruments guaranteed by the Kingdom of Sweden. The average remaining maturity at year-end was about 280 days.

At year-end, Sandvik had hedged the SEK value of its exports from Sweden for eight months ahead by means of forward contract sales of currency. This flow represents the largest transaction exposure in the company. The exchange-rate levels which were secured in this manner are higher than the levels at year-end for virtually all currencies.

The company's net flows in 1995 of foreign currencies into Sweden, denominated in SEK m. were:

DEM and closely related currencies	1 700
USD and CAD	1 250
ITL	1 050
FRF	900
GBP	700
JPY	500
Other currencies	1 200
Total	7 300

Sandvik also hedges its net investments in all its major subsidiaries.

## Inventories

The value of inventories for the Sandvik Group amounted to SEK 7,097 m. (6,141) at year-end. The relatively low level of capital tied up in inventories remained at 24% (24) of invoiced sales.

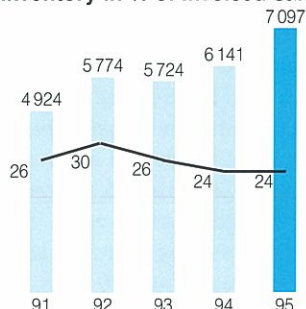
## Trade accounts receivable

Trade accounts receivable at year-end were SEK 5,867 m. (5,456). As a proportion of invoiced sales, receivables fell to 19% (21) on an annual basis during the fourth quarter.

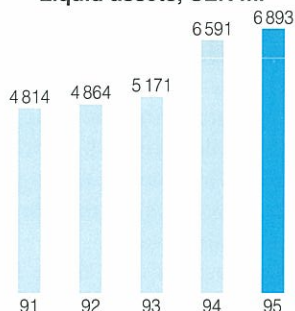
## Equity capital

Equity capital amounted at year-end to SEK 18,503 m. (16,013), or SEK 66.40 per share (57.50). Solidity was 64% (59).

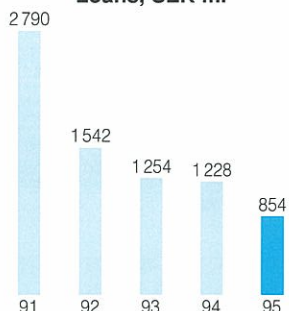
**Inventories, SEK m.**  
Inventory in % of invoiced sales



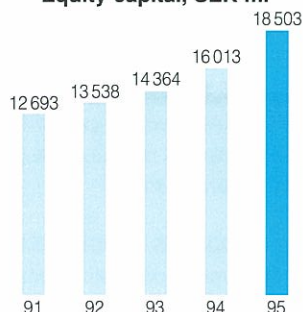
**Liquid assets, SEK m.**



**Loans, SEK m.**



**Equity capital, SEK m.**



## Capital expenditures

Capital expenditures	1995	1994
----------------------	------	------

Investments in plants, property and equipment, SEK m.	2 050	1 229
as a percentage of invoiced sales	6.9	4.9

Investments in plants, property and equipment rose by 67% to SEK 2,050 m. (1,229), of which SEK 1,081 m. (550) in Sweden.

The single largest investment project was Sandvik Coromant's expansion of tool production in Sweden, the U. K. and the U.S. and Sandvik Steel's increased capacity for the manufacture of semi-finished goods and seamless tubes in Sweden.

Sandvik Steel in Sandviken received permission from the environmental authorities to successively expand production from 200,000 to 280,000 tons per year.

The amount paid for the company's acquisitions during the year, which have already been described, was SEK 42 m. (346).

## Research, development and quality assurance

In 1995, the Group invested SEK 1,089 m. (980), in research and development and quality assurance. This corresponds to an increase of 11% compared with 1994. Examples of product developments which provided new business opportunities during the year include diamond-coated cemented-carbide inserts for the machining of light alloys, cemented-carbide drills (manufacturing previously only feasible in high-speed steel), the introduction of a new rock tools concept for drilling in overburden layers, new developments in the area of high-temperature materials and duplex steels for the petrochemical industry, seamless titanium tubes for the chemical industry, ultra-fine-grain cemented-carbide grades, ergonomic handles for files and pliers and improvements for pastillisation installations in the chemical industry.

## Personnel

Personnel	1995	1994
-----------	------	------

Number of employees, 31 Dec.*	29 946	29 450
Average number of employees		
Women	5 781	5 304
Men	24 081	22 277
Total	29 862	27 581

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

The number of employees at year-end was 29,946 (29,450). For comparable units, the number of employees increased by 452 (1994: an increase of 892), representing an increase of almost 2% compared to 1994.

At 31 December 1995 the average number of persons employed by the Group in Sweden was 10,372 (9,915).

Details regarding personnel costs and the average number of employees in Sweden and abroad are provided on page 49.

## Employee profit sharing

Since 1986, Sandvik has had a profit-sharing fund 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. This allocation is also restricted to a maximum of SEK 150 m. The Sandvik Group return in 1995 means that this maximum limit has been reached and SEK 150 m. was allocated.

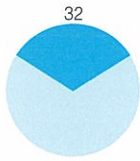
## Parent Company, including subsidiaries (Note 1)

The Parent Company's invoiced sales increased by 19% to SEK 12,609 m. (10,607). Profit after depreciation amounted to SEK 2,052 m. (1,904). Investments in property, plant and equipment amounted to SEK 710 m. (438).

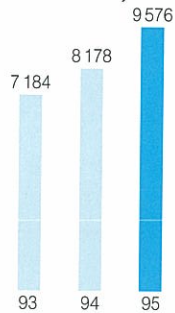
The number of employees in the Parent Company and subsidiaries at 31 December 1995 was 8,579 (8,219).

# Business Areas Sandvik Tooling

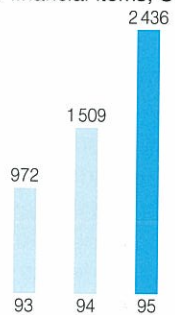
Share of total sales, %



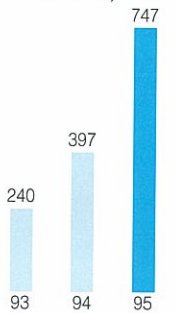
Invoiced sales, SEK m.



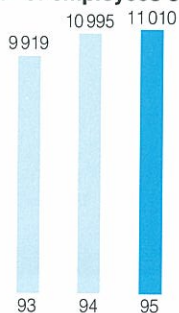
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



The Group's metalworking operations are organized in the Sandvik Tooling Business Area. Business sectors within the area include Sandvik Coromant, CTT Tools and Sandvik Automation.

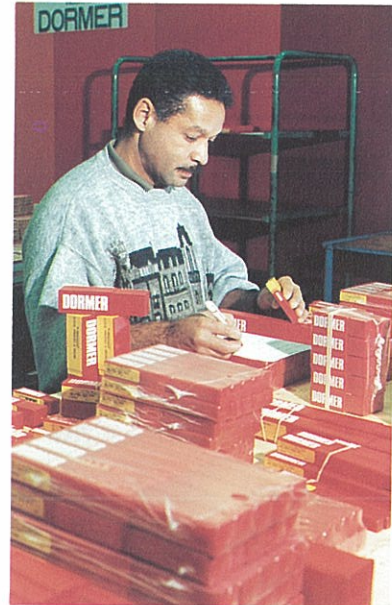
The market for cutting tools used in metalworking develops largely parallel with the economy in the international engineering industry.

As a result, 1995 was a year of strong demand for Sandvik Tooling's products. Larger investments in new machine tools in the engineering industry created favourable conditions for sales of tooling systems. The large number of new products offered by the business area helped to strengthen its market positions. Due mostly to great flexibility in production and distribution, Sandvik Tooling was able to fully satisfy the higher demand.

However, the rate of growth declined in the fourth quarter, primarily in North America and Japan. Export-oriented industries in Europe continued to operate on a high level, which largely compensated for the weaker demand in the business area's domestic markets. The increase in Southeast Asia remained high. Sandvik Tooling continued its major efforts in this region during the year. Marketing was strengthened considerably, both through the addition of personnel resources and a sales organiza-

tion that provided better coverage.

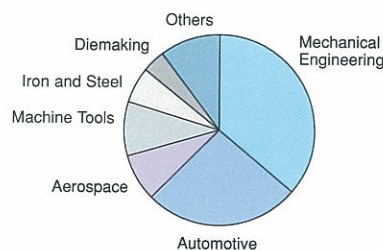
During the year, Sandvik Automation, which had moved its head office to Sandviken at



Sandvik Coromant's central warehouse in the Netherlands is now also used by CTT Tools.

the end of 1994, began a program to strengthen its product development and its international sales organization.

The sharp increase in demand, combined with a very favourable trend of productivity, resulted in a substantial improvement in earnings in 1995. The return on net assets exceeded the Group's minimum requirement of 20% by a wide margin.

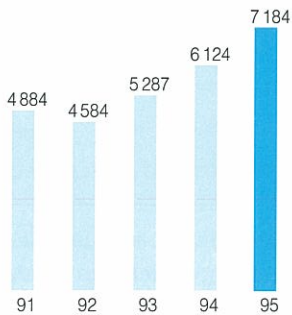


The world market for metalcutting tools amounts to SEK 70 billion annually.

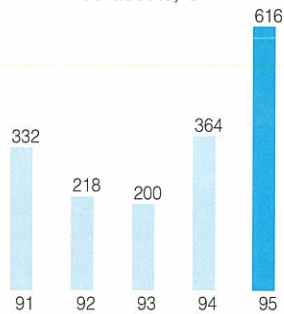
Sandvik Tooling's management team comprises Clas Åke Hedström, Leif Sunnermalm, Lars Pettersson and Holger Wiklund.

# Sandvik Coromant

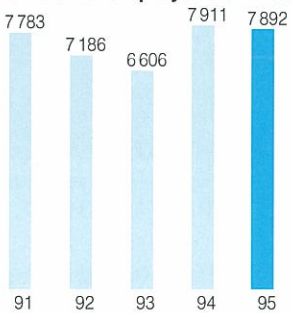
Invoiced sales, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



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

About ten large competing companies combined have slightly more than half of the world market in this field of operations. A large number of local or highly specialized companies account for the remaining portion.

Kennametal and Valenite are the largest competitors in the North American market. These companies have broadened their activities in Europe through acquisitions in recent years.

Sandvik Coromant is the leader in European markets. The largest suppliers in Asia are Mitsubishi, Sumitomo and Toshiba, all Japanese companies. Sandvik Coromant is the most solidly established non-Japanese company in Asian markets.

The very sharp increase in demand that began in 1994 continued up to mid-year of 1995. Demand then stabilized at a high level. Sales increased 17% (16) during the year.

The trend of business was especially favourable in Italy and India, among other countries. In

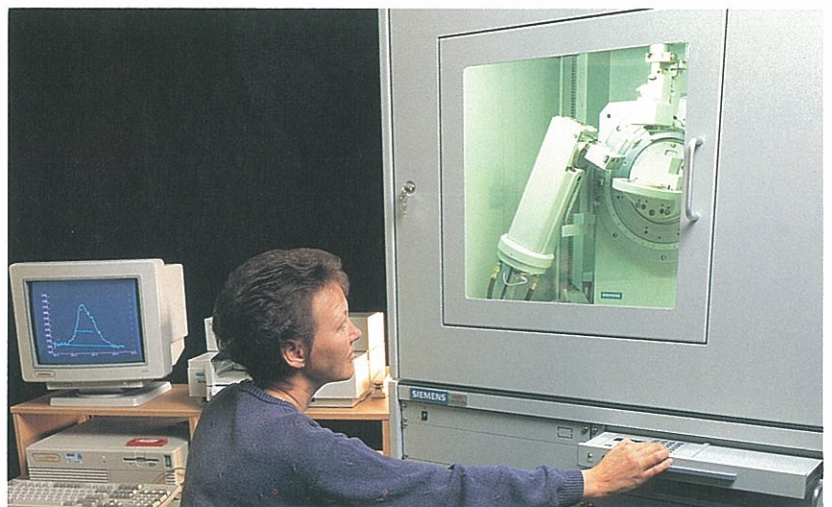


*Sandvik Coromant's management team, from top: Lars Pettersson (Pres.), Mats Carlerös (Exec. VP), Anders Thelin (Exec. VP), Holger Wiklund and Anders Karlsson.*

Italy, the foreign exchange situation favoured export companies and Sandvik Coromant was able to strengthen its market position. The market in India expanded greatly. Substantial sales successes were also recorded in Germany, England and the Nordic markets. Demand in the U.S. continued to be strong. A gratifying recovery was noted in the Japanese market.

## Comprehensive investments

A number of large investment



*Substantial investments during 1995 in equipment for R&D included new X-ray diffraction equipment in Stockholm.*



projects were begun during the year. An expansion of facilities to provide increased capacity and greater flexibility in the production of both cemented-carbide and tools in Sandvik Coromant's main plant in Gimo was begun during the year. An investment in a new plant for cemented-carbide powder in Gimo was approved. The new facility will supplement the existing plants in Stockholm and in England.

Modernization and expansion of the main American plant in Fair Lawn, New Jersey was begun in order to increase the local supply of standard indexable inserts in the NAFTA region. The production of special inserts in Featherstone, England was modernized and capacity there was increased.



*Cemented-carbide inserts are manufactured in the MKTS plant in Moscow for the Russian market.*

The investment projects that have been approved and those that have been implemented are significant in terms of capacity, ability to compete, and quality. By dividing the projects between plants in Sweden and a number of foreign companies, Sandvik Coromant is balancing the need to have local sources of supply as well as to distribute risk and produce efficiently.

A comprehensive program of corrective measures was initiated in MKTS, Sandvik's Russian cemented-carbide company that



*During 1995, Sandvik Coromant developed the world's smallest diameter drill with cemented-carbide indexable inserts.*

was acquired in 1994. The program is designed to give the plant more efficient and better-suited production resources.

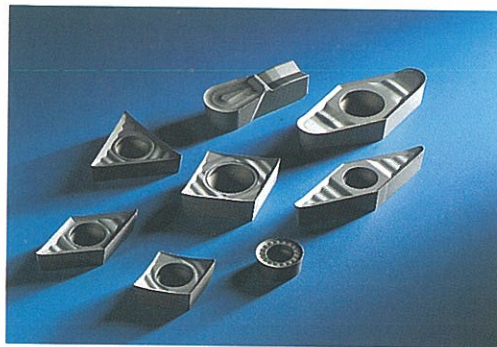
### **Major marketing programs**

There has been a substantial amount of outsourcing in sectors of the engineering industry in recent years. By specializing and employing modern technology, small and medium-size companies have proven to be highly competitive suppliers to the industry's large companies.

During the year Sandvik Coromant began a major campaign in all markets to make the choice of Coromant tools a simpler matter. This program, which is being conducted under the CoroKey™ name, includes a catalogue displaying a condensed product program, packaging with essential cutting data printed on the label, and coding and marking of the inserts to facilitate identification and ensure optimal use. The program has been very well received by retailers and customers throughout the world.

A substantial strengthening and build-up of the sales organization in Southeast Asia was begun during the year. The large investments being made in China by European, American and other car manufacturers involve to a large degree established technologies of the same type already being used in these companies' domestic plants. Sandvik Coromant is now in place in China with local production of tools to provide these customers with the service they require.

A large percentage of Sandvik Coromant's sales force in all parts of the world has been



*Sandvik Coromant was the first company in the world to introduce diamond-coated cemented-carbide inserts on an industrial scale.*

equipped with portable computers for some time. Major improvements in communications and customer service have been achieved through the ability to link sales personnel to Sandvik's international data network, using software programs specifically adapted to the salesperson's needs.

### More efficient distribution

Its very well developed distribution system is one of Sandvik Coromant's most important competitive advantages. The cornerstones of this system are four strategically located warehouses that are supervised centrally by means of a data system developed in-house.



*Tools are distributed to central and southern Europe from the central warehouse in the Netherlands.*

A change in the roles of the two European central warehouses – in Gimo, Sweden and Schiedam, the Netherlands – makes it possible to supply products faster and more reliably to customers in Continental Europe and the U.K. The central warehouses in Kentucky, in the U.S., and in Kobe, Japan, have also been upgraded to permit “overnight” deliveries to regional customers who wish to have this service.

### New products

The large investments in product development are resulting in a constant stream of new products.



*Sandvik's factory in China manufactures special tools for the rapidly growing Chinese market.*

Among other products, a standard program of diamond-coated cemented-carbide cutting inserts used in working with aluminium and light-alloy metals was introduced during this year.

Sandvik has been highly successful in its marketing of tools for short-hole drilling in recent years. Another important step in 1995 was the development of the world's smallest diameter drill with indexable inserts. This tool offers very large gains in productivity for our customers and essentially doubles the potential for sales of indexable-insert drills.

A significant part of the success in developing new products lies in advanced administrative systems and in continuous efforts to shorten through-put times in all phases of development work.

The favourable investment climate in the engineering industry resulted in the definitive breakthrough for the Coromant Capto modular tool system.

The greater part of Sandvik Coromant's research and devel-

opment takes place in Sweden. Large investments were made in new equipment during the year. More than 20 qualified graduate engineers were recruited for research, product development and the development of production technologies.

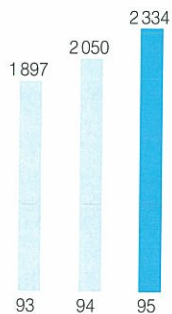
### Outlook for 1996

Sandvik Coromant continues to have a positive view of business conditions in 1996 but foresees a levelling off of the growth in volume during the year.

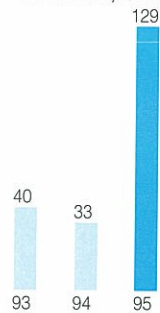


*The plant in Gimo, Sweden, is being expanded substantially.*

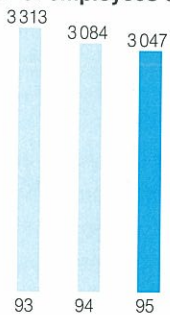
Invoiced sales, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



Anders Ilstam,  
President of CTT Tools.

*CTT Tools is the world's largest manufacturer of high-speed steel cutting tools and one of the leaders in solid cemented-carbide tools.*

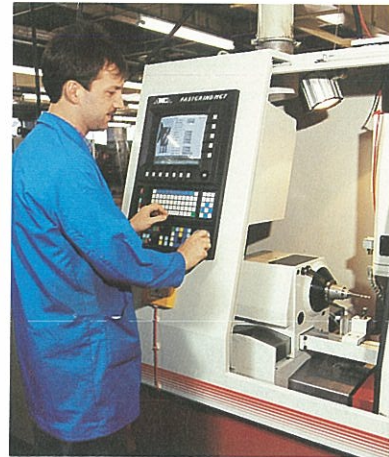
The Group has 13 production units and 12 sales companies. A partly owned sales company was started in Japan during the year. A separate company was also formed to market CTT Tools' products in Asia.

The world market for high-speed steel tools is nearly as large as the market for cemented-carbide tools. CTT Tools has approximately 10% of the global market, with special emphasis on Europe and South America, and with an increasing share of the North American market.

The product program includes drills, threading tools, milling cutters, and reamers made of high-speed steel. A complete program of rotating tools in solid cemented-carbide has also been developed, which increases the competitiveness of the CTT Group.

A number of product innovations presented under CTT Tools' trademarks – Titex, Dormer, Prototyp, Union Butterfield and Master, among others – strengthened the company's positions in all markets.

The development of information technology, electronic catalogues and other aids is making it



*Cemented-carbide blanks are ground to a unique cutting geometry in multi-spindled CNC machines.*

easier for customers to communicate with individual manufacturers. Dormer, in cooperation with Sandvik Coromant, has established a central warehouse in the Netherlands to serve customers in Europe.

Dormer developed a new, advanced drill, PFX. Titex and Prototyp developed a number of new cemented-carbide tools as well as tools used in metalworking without coolant.

The efficiency of the company's manufacturing plant was improved as a result of a major investment program in CNC grinding machines and other equipment that resulted in lower costs and substantial improvements in productivity.

The comprehensive program of rationalization and restructuring that was started several years ago was completed during the year. CTT Tools is now equipped to handle the increased demand that was noted in 1995 and which is expected to continue in 1996. The lower costs and larger volume in 1995 resulted in acceptable profitability for the group, and it is expected that this can be further improved in 1996.

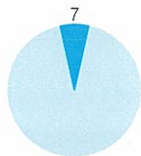


*Titanium-nitride coating of Titex drills in Frankfurt, Germany.*

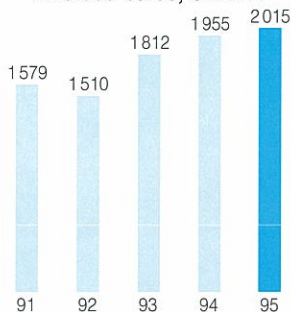
# Business Areas

## Sandvik Rock Tools

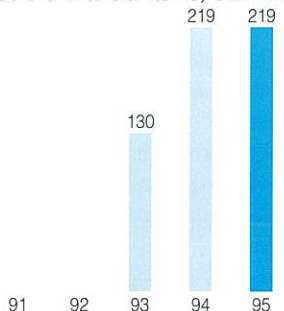
Share of total sales, %



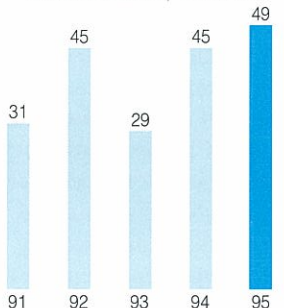
Invoiced sales, SEK m.



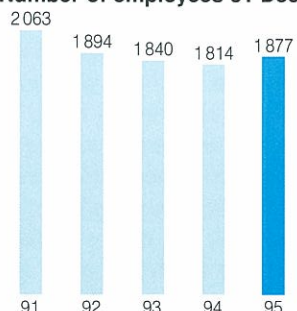
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



*Sandvik Rock Tools is one of the world's leading suppliers of cemented-carbide-tipped rockdrilling tools used in mining, civil engineering and water-well drilling. Its products include tools and tool systems for working of all types of rock and for all common drilling techniques. Operations are handled through four product divisions that specialize in different methods of rock excavation.*

The world market for rockdrilling products is divided roughly equally between mining and civil engineering applications. In the mining industry, demand for rockdrilling tools is related directly to the demand for minerals, while demand in the civil engineering industry is determined primarily by the number of construction, highway and hydro-power projects.

Products for top-hammer drilling offer the greatest market potential and the Top Hammer Product Division is the largest within Sandvik Rock Tools. Three companies dominate this market segment: Sandvik Rock Tools, Uniroc (Sweden) and Boart (South Africa) which, combined, have more than two thirds of the market. Around ten local companies and companies with limited product programs account for the remaining portion.

In addition to the Mineral Tools Division in Sandvik Rock Tools, the large manufacturers in the field are Kennametal and American Mine Tool. In the down-the-hole drilling segment, the competitors are Ingersoll Rand (U.S.), Atlas Copco (Sweden) and a large number of local suppliers. Several U.S. manufacturers are the largest competitors in the area of rotary products.

Sandvik Rock Tools has an important advantage over its competitors in that the Sandvik Group has substantial research,

development and production pertaining to both cemented-carbides and special steels, the materials from which the greater part of



*Management team. Back row, from left: Olle Bengtsson, Ingvar Svårdh, Ezio Fogliata, Anders Persson and Lars Liljebblad. Front row, from left: Sigvard Björk, Lars-Anders Nordqvist (Pres.) and Olof Lundblad.*

all rockworking tools are made. This provides unusually favourable opportunities to supply customers with products of high and uniform quality, and offering maximum performance.

### Market and business conditions

Demand for rockdrilling products was strong in 1995, with demand for certain products exceeding supply. The mining market developed favourably, notably in Australia and South America. Demand in the markets for civil engineering projects varied. Activity continued to be lower than expected in Europe but continued to increase in Asia.

Sandvik Rock Tools' business stabilized. The return on net assets exceeded the Group's minimum requirement of 20%.



*Sandvik's equipment for water-well drilling is used successfully around the world.*

### Investments and development projects

The Sandvik Rock Tools organization was expanded during the year in order to achieve better coverage of markets in Asia, eastern Europe and Latin America in particular. Major programs to improve the efficiency and quality of the business area's global production resources were also implemented. In addition, substantial investments in new production methods at the plants in Sweden were approved.

An ambitious product development program was begun. A number of projects are being conducted in co-operation with Tamrock, the Finnish producer of rock-excitation machinery, in which Sandvik has a financial interest. Some of the new projects will result in market introductions during 1996.

Sandvik Rock Tools is heavily involved in the development of new drilling and rock-cutting methods. The following examples may be noted:

- Up to now the power medium used in connection with down-the-hole drilling has been compressed air, with its serious limitations with respect to the transfer of energy. If the air is replaced by an hydraulic fluid,

the efficiency can be raised considerably. Through its part ownership in two development companies, G-Drill AB – which is active with LKAB in the water-powered hammer segment – and the Finnish company Oy Winrock Technology Ltd., which works with vegetable oils as the hydraulic fluid, the business area is able to participate actively in a major change in down-the-hole drilling.

- Sandvik Rock Tools' TUBEX method has been used for many years to alleviate problems in drilling through overburden. A supplementary concept, Centrex, has been introduced.

- There is increasing demand for a method that will enable the working of hard rock without blasting. The hard material in the tool will be a critical fac-



*Technical co-operation has been initiated with Voest-Alpine, a leading manufacturer of machines for working of rock.*

tor. Sandvik Rock Tools has concluded an agreement with Voest-Alpine Bergtechnik Ges.m.b.H., an Austrian company, covering a comprehensive program to develop a completely new concept.

- In the rotary drilling segment, Sandvik Rock Tools has achieved a leading position for tools used in raise-boring. By using a newly developed tool concept, the method can also be used for shaft-sinking. A project, started in South Africa, involves sinking a shaft with a diameter of seven meters to a depth of 800 meters.

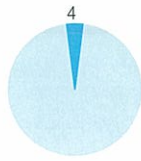
### Outlook for 1996

Sandvik Rock Tools anticipates good demand for its products but a strong Swedish krona will make it difficult to raise profits. New production methods and further rationalization measures will result in improvements in productivity that are expected to make continuing good earnings possible.

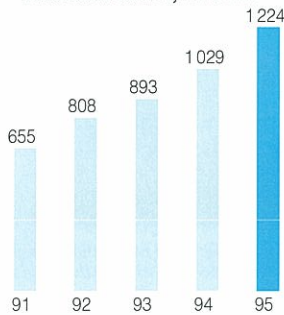
# Business Areas

## Sandvik Hard Materials

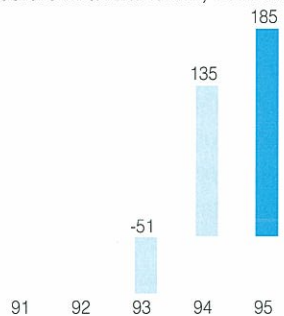
Share of total sales, %



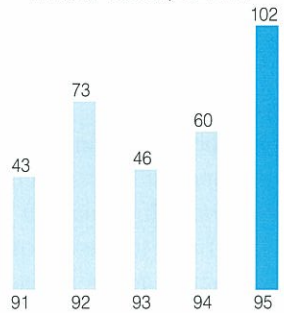
Invoiced sales, SEK m.



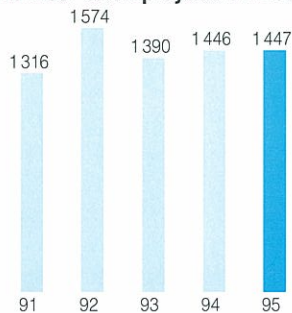
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



*Sandvik Hard Materials is active within the full spectrum of its field, from cemented carbide to diamond, including special ceramics for biotechnical applications. The business area manufactures and markets large volumes of unmachined carbide blanks that are used by tool manufacturers, as well as customized wear parts for the engineering industry and carbide hot rolls for the iron and steel industry.*

Sandvik Hard Materials has for some years been the world's largest company in its industry, and the only one with complete global coverage. Its competitors are mainly companies operating in a large domestic market, such as the U.S. or Japan, or companies that are active in a limited product niche. There are only a few large companies in the field. Most of the competitors are small local companies.

The industry was restructured to a large extent during the most recent recession. Since then the already large companies have grown stronger in the expanding market.

Sandvik Hard Materials has undergone major changes in recent years as a consequence of company acquisitions and restructurings. Manufacturing in the production units in Europe was organized on the basis of specialization in 1995.



*Demand for cemented-carbide blanks for drills and end mills is growing increasingly.*



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

Production facilities now comprise 12 units world-wide. The products are marketed in more than 25 countries through company sales units. Research and development is conducted in a number of sites within each main market area. The present corporate structure is expected to constitute a good foundation for future growth.

### Market and business conditions

During 1995 the industrial economy developed more favourably than had been foreseen at the beginning of the year. The upturn in demand for the business area's products that began in mid-1994 continued throughout 1995. The increase in sales was high, amounting to 19%.

There was very favourable growth in Europe, Sandvik Hard Materials' main market, in 1995. This was particularly true in Germany, Italy, the Benelux countries and eastern Europe. Outside Europe, there was especially good growth in the U.S.,

Japan, India and Taiwan. The trend of profits was favourable and the return on net assets exceeded the Group's minimum requirement of 20%.

### Products and development

Round homogeneous cemented-carbide rods are priority products. Other product areas in which we anticipate good growth are blanks used for metal forming, such as dies for wire drawing and cold-heading tools, seal rings and bushings for the pump industry, cemented-carbide parts for the automotive and aircraft industries and homogeneous cemented-carbide rolls and CIC rolls for the steel industry.

The cemented-carbide rods are used, among other applications, as the basic material in the production of spiral drills and end mills for industrial purposes. These products have traditionally been made of high-speed steel but there is a changeover to cemented-carbide in this segment; as a result, it is estimated that there will be strong long-term growth in this market. To ensure success in this area, Sandvik Hard Materials is investing substantial resources to develop both materials and process and production technologies. Other purchasers of cemented-carbide rods include compa-



*Seal rings for submersible pumps are manufactured at Sandvik Hard Materials' plant in Denmark.*

nies in the electronics industry, where these products constitute the basic material for drills for printed circuit-boards. Growth in this industry is high, notably in the mobile telephony sector where demand is rising rapidly. In this area Sandvik Hard Materials has developed new, ultra-fine-grain grades of cemented carbide that have been highly successful.

### Investments

Investments in 1995 were nearly twice as large as earlier in the 1990s. The production units in England and Denmark, in particular, were substantially enlarged. The available production capacity was not adequate to meet demand in 1995.

### Outlook for 1996

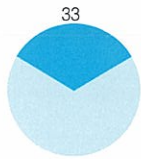
Business is expected to develop favourably in 1996, although at a somewhat slower rate than in 1995. Sales of priority products are expected to be high. The business area is continuing to expand manufacturing capacity to meet demand. The level of profits is expected to remain firm. The stronger Swedish krona is not expected to have a major impact on profits since more than 90% of the production is outside Sweden.



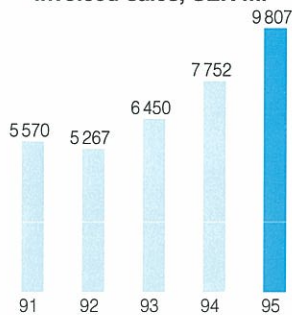
*Cemented-carbide nibs for dies used in the steel industry for cold drawing of wire.*

# Business Areas Sandvik Steel

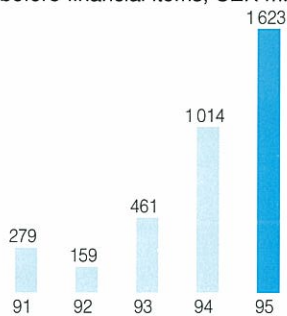
Share of total sales, %



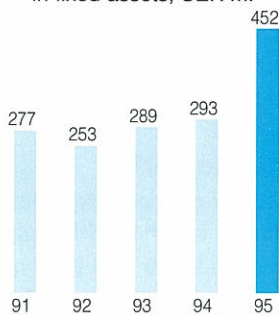
Invoiced sales, SEK m.



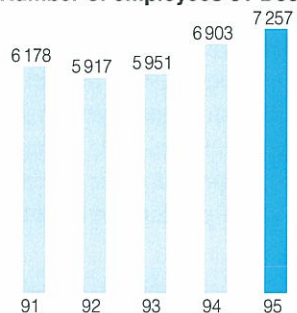
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



*Sandvik Steel manufactures tube, strip, wire and bar for users with exacting demands on economy and reliability. Operations are focused on product niches in which Sandvik holds a leading position in the world market. Products are produced in stainless and high-alloy steels and in titanium, nickel and zirconium alloys. On average, the value added is high relative to the raw material content.*



*Management team, from left: Lennart Ek, Per Ericson, Åke Axelson, Uno Blom, Gunnar Björklund (Pres.), Kenneth Josefsson, Gunnar Grünbaum (Exec. VP) and Jan-Éric Johansson.*

The competitive situation varies from one product area to another. The largest competitors in the seamless tube field are Sumitomo Metals, the integrated Japanese steel company, and DMV (Dalmine-Mannesmann-Vallourec), the European tube company.

In the wire and bar area, there are competitors such as Ugine which are fully integrated, as well as many smaller independent drawing mills. Hitachi Metals, Daido and Böhler-Uddeholm are important competitors in the strip field, along with several independent cold-rolling mills. Individually, the competitors cover only 5% to no more than 25% of Sandvik's product program.

Nineteen ninety-five was a record year for Sandvik Steel. Invoiced sales rose 27%, to SEK 9,807 m. Profit before financial items amounted to SEK 1,623 m. and the return on net assets exceeded the Group's minimum requirement of 20% by a good margin.

The year was also a turbulent one, with major changes in raw material prices, foreign exchange and demand. The order intake began to rise at the end of 1994 and peaked at a very high level during the first quarter of 1995 (Diagram 1). Demand substantially exceeded capacity, resulting in extended delivery times and rising order stocks. The order intake declined to a lower level at the end of the year, as distributors and customers began to draw down stock. There were large variations in prices of alloy metals during the year (Diagram 2).

Invoiced sales rose gradually during the year (Diagram 3). Increasing production from the new plants for extruded tubes at Pexco in the United States, and for cold-worked tubes at Chomutov in the Czech Republic, contributed to the rise.

In addition to being affected by volume and prices for alloys, the order intake and sales in Swedish kronor were also influenced by for-



## ORDER INTAKE

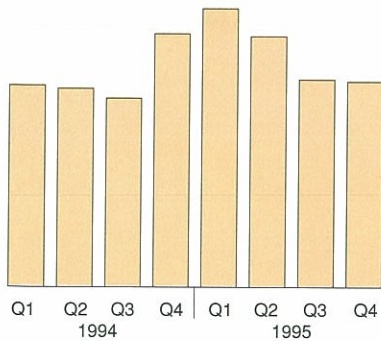


Diagram 1

eign exchange developments. The financial results were affected favourably by very high utilization of capacity, as well as by the price increases that were possible as a result of the strong demand. Profit during the first half of the year improved by SEK 67 m. as a result of a restitution of import duties in the U.S. after a price-dumping case against Sandvik dating from 1987 was dropped. The weak Swedish krona had a favourable impact on profits throughout the year since hedging could be effected at favourable exchange rates prevailing during the first half of the year.

## Markets

The volume of sales was higher in all markets. In the European market, the increase was above average in Sweden, U.K. and Italy. In North America, sales of stainless tubing manufactured in Arnprior (Canada) and in Scranton, Pennsylvania (U.S.) were notably higher. In Southeast Asia sales by all product areas rose more than the average. There was a sharp decline in the Brazilian market during the second half of 1995.

During the latter part of the year there was an increase in the order intake from Sandvik International, which markets Sandvik's products in eastern Europe, Russia and China, among other regions. A number of long-term contracts signed during the year covering deliveries of zirconium and titanium tubes will ensure large

## PRICE DEVELOPMENT

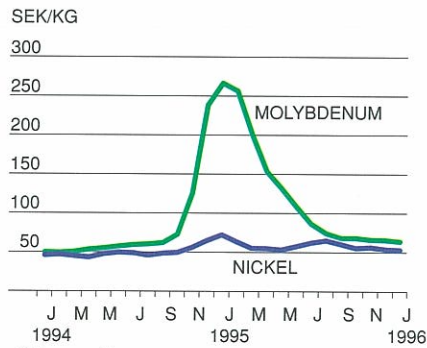


Diagram 2

volumes of shipments during the next few years. Good growth is expected in the aircraft industry, in particular, during the second half of the 1990s.

## Investments and acquisitions

Investments in 1995 increased to SEK 463 m., from the level of approximately SEK 300 m. that had been maintained during the 1991-1993 recession. A number of large investments were also approved during the year, with the result that it will gradually be possible to eliminate the shortage of capacity and reduce production costs at the same time.

The Semifinished Products Division received a permit from the environmental authorities to gradually increase production from 200,000 to 280,000 tons per year. The purchase of a new dedusting plant, to be installed at the Steel

## INVOICING

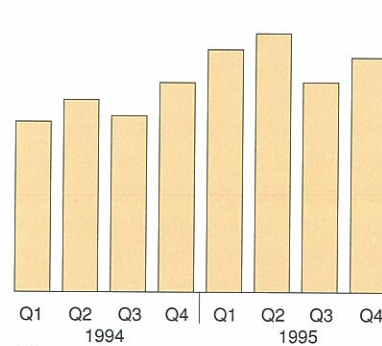
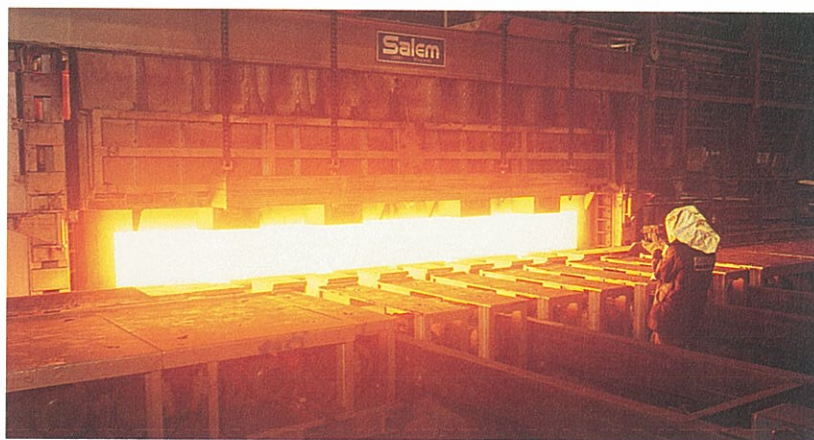


Diagram 3

Works in 1996, was approved. A new walking-beam furnace was placed in operation at the end of the year and it was decided to increase the capacity for tube billets and bar steel in large sizes through the installation of a new peeling machine.

In the Tube Division, it was decided to increase the capacity for extruded tubes in Sandviken by modernizing the extrusion presses and finishing equipment. Production at Pexco in the U.S. was doubled by increasing the number of shifts and improving productivity. Production of stainless cold-worked tubes in Chomutov increased 75% as a result of higher productivity and a number of investments.

A continuing very strong demand is expected in the market for instrumentation tubing. Production capacity in Sandviken was increased through installation of a new pilger



A new heating furnace for the blooming mill in Sandviken increases capacity while providing for better energy efficiency.

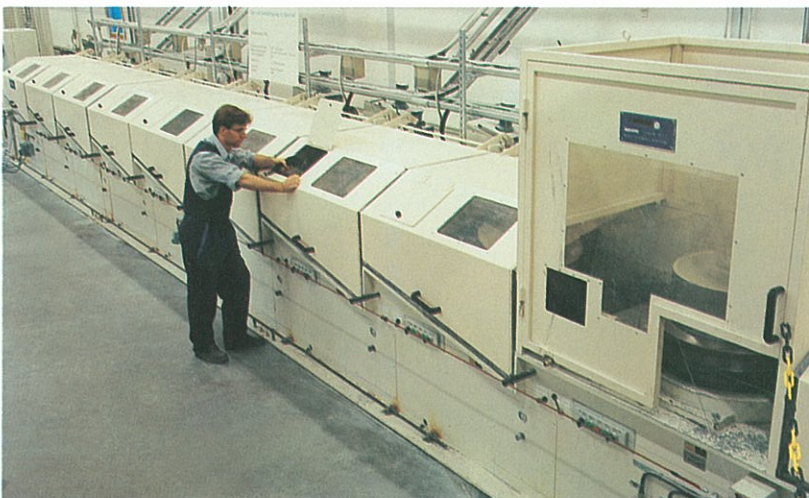
mill and it was decided to further increase capacity for instrumentation tubes and so-called electronics tubes at Arnprior in Canada.

In January 1996 an agreement was reached in principle whereby Sandvik Steel will take over Avesta Calamo's operations involving electropolishing of electronics tubes from Avesta Sheffield. Sandvik's plant in Arnprior has been the main supplier of basic material for the Avesta Calamo processing unit. The unit has 60 employees and annual sales of SEK 65 m.

A new cold-rolling mill for strip was placed in full operation during the year, making it possible to take a number of old rolling mills out of production. It was decided to invest in yet another cold-rolling mill for thin strip in the Strip Division. This mill will be placed in operation early in 1997.

The Wire Division increased its production of spring wire in the U.S., Spain and Sweden, while the production of welding wire in Sandviken rose appreciably. It was decided to expand the capacity for nickel-coated spring wire at Gusab Stainless in Sweden.

Supplementary investments were made in the Special Metals product area, mainly to expand capacity for titanium tubes



Capacity and flexibility has been increased in wire production in Sandviken, Spain and the U.S. through the installation of drawing benches based on state-of-the-art technology.



New bell furnaces double capacity for annealing of steel strip used in the manufacture of razorblades and knives, for example.

designed to be used in the chemical and aircraft industries.

#### Product development

A number of product development projects that are designed to meet higher performance requirements in the chemical and power industries are currently under way and are expected to result in product introductions in the near future. The international cooperation in research within the European organizations Brite Euram and ECSC is assuming increased importance. Researchers at Sandvik's R&D Centre are also serving as international experts for the European Union Commission within special areas of interest.

During the year three young researchers at Sandvik Steel received an international prize for the best scientific article published in *Scripta Metallurgica et Materialia*. The article dealt with the development of a new type of steel for surgical applications.

In Sweden, Sandvik participated in the formation of a national centre for expertise in the field of high-temperature corrosion, an important area for the future of a number of the group's products. As part of its development of expertise in the area, Sandvik Steel will systematically support Ph.D. studies at several technical universities through special research grants.

The cooperation with Sandvik Coromant in the development of materials and tools used in machining stainless steel was further intensified and resulted in considerable successes for both business areas.

#### Associated companies

Sandvik's associated companies Fagersta Stainless (50% holding) and Avesta Sandvik Tube (25%) developed very favourably during the year.

Sales invoiced by Fagersta Stainless rose 53%, to SEK 1,668 m., and its profit increased to SEK 172 m. (109). Nearly 100% of capacity was utilized in both the wire-rolling mill and the drawing

mill. Capacity is gradually being expanded, notably in the finishing area (annealing and pickling operations). Capacity in the drawing mill is being increased through the installation of new machinery.

Invoiced sales of Avesta Sandvik Tube rose 35%, to SEK 1,658 m., and profit increased to SEK 178 m. (97). The order intake and backlog of orders declined toward the end of the year as competition in the market intensified.

Sandvik's share of the profits of the two companies is included in the consolidated profit to the amount of SEK 123 m. Sandvik's sales of the two companies' products totalled approximately SEK 650 m.



The Sandviken steel researchers Ping Liu, Anna Hultin-Stigenberg and Jan-Olof Nilsson received the "Outstanding Paper Award for 1994."

### Continuous improvements in quality

The systematic quality improvement program was intensified through substantial investments in training and special projects. Among other achievements, the total internal and external costs attributable to quality defects were reduced both in Sweden and in the foreign subsidiaries. All production units, and most of Sandvik Steel's sales companies, now have ISO 9000 certification.

### Outlook for 1996

Sandvik Steel was highly successful in taking advantage of the opportunities offered by the upturn in economic conditions in 1994 and 1995. The volume of business for the business area as a whole

increased by 20% in two years, and the percentage increases were higher for the product divisions with the highest ratios of value-added operations: Tube, Strip and Wire. Sandvik Steel succeeded in improving its market positions in a number of respects. The solid profits in recent years made it possible to renew production equipment, expand capacity and both broaden and deepen expertise in the materials field.

The slowing in demand that we noted at the end of 1995 must be viewed as a natural recoil following the sharp upturn in 1994 and 1995. The underlying favourable trend for both stainless steel and other high-performance materials has not been broken. Increasing environmental requirements and the optimizing of life-cycle costs of both industrial processes and capital goods will result in demand for choices of more customized materials.

Sandvik Steel's profits, calculated in Swedish kronor, will be affected negatively during the latter part of the year by a stronger Swedish krona.

This impact will be reduced, however, by the higher production in the companies outside Sweden. On the other hand, a stronger krona should reduce fears with



Southeast Asia is a rapidly growing market for Sandvik Steel, including customers such as this tube wholesaler in Kaohsiung, Taiwan, a city with one million inhabitants.

respect to the trend of inflation in Sweden. Sandvik Steel continues to have a positive view of the opportunities to further develop its operations with solid profitability and cash flow.



A new pilger mill from Sandvik Special Metals (of the type for which the Haglund Medal was awarded in 1990) increases capacity by 70% in Tube Mill 87 in Sandviken.

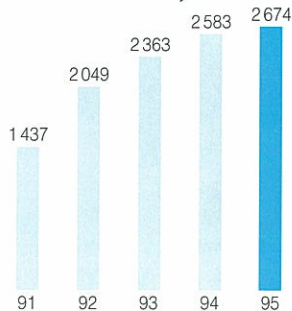
# Business Areas

## Sandvik Saws and Tools

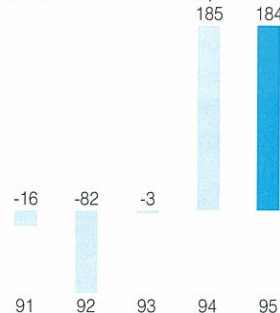
Share of total sales, %



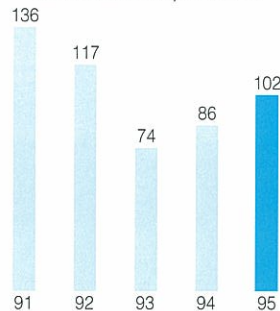
Invoiced sales, SEK m.



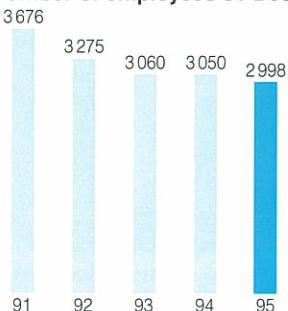
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



*Sandvik Saws and Tools, one of the world's largest manufacturers of handsaws and sawblades, also offers a wide range of other tools for engineering, construction, metal cut-off, forestry and horticulture. In addition to saws, products include wrenches, spanners, pliers, files, pruning tools as well as guide bars and saw chains for logging machines and chain saws. These products are used mainly by professionals.*

The structure of the tool market, which amounts to approximately SEK 100 billion, varies in different parts of the world. In North America, five major companies combined have more than 50% of the market. In Europe, Sandvik Saws and Tools and two other tool companies account for roughly 15% of the market. More than 500 small and 40 medium-size companies cover the rest of the European market.

The rationalization of the tool industry, notably with respect to the distribution system, continued during 1995. The trend toward fewer and larger industrial distributors continued as a result of purchases of companies in the distributor segment. This trend favours Sandvik Saws and Tools since its product program, data system and transport procedures were developed to serve large, computerized, efficient industrial distributors, preferably those with international branches.

### Increased sales

Invoiced sales rose 4% during the year. There were major differences between markets and product areas. Sales again rose strongly in Italy, eastern Europe, Japan and Southeast Asia. Growth was also achieved in the Nordic countries, Spain and New Zealand. Sales in other markets were on levels comparable with those in 1994. The major exception was



*Management team, from left: Anders Ågren, Per Ove Ehrling and Göran Gezelius (Pres.)*

Argentina, where a very sharp decline in the economy had a negative impact on sales volume.

There was a general trend during the year toward sales of products for industrial consumption. Double-digit percentage increases in volume were recorded for wrenches, pliers, spanners and hacksaw blades. Sales of bi-metal bandsaw blades and files were also higher. Sales of products used in forestry and horticulture – notably products for forest harvesters and wine growing – also increased. This success was, in part, the result of focused marketing programs in these growing professional sectors. In contrast, utilization of capacity in the construction industry continued to be low in virtually all markets, resulting in small increases in sales of such building-industry related products as handsaws.

### Unchanged profit

Sandvik Saws and Tools' profit amounted to SEK 184 m., unchanged from 1994. Larger

volumes and lower production costs for bi-metal bandsaw blades and mechanical tools had a positive impact. Profit was depressed by the low volume of sales and production in Argentina and by costs of reductions in production there. The return on net assets was 11%.

The program to obtain ISO 9000 certification continued. Fourteen of the business area's 16 production units, as well as its distribution centres, are now ISO-certified. The remaining units will qualify for certification in 1996. All European sales units were certified during the year, as were the sales units in the U.S., Canada, Colombia, Peru and Australia. Achieving ISO 9000 certification is an integral part of the business area's operations, and a key element in the strategy designed to deliver fault-free, high-quality products and services.

Delivery reliability continued to be high. A number of markets in eastern Europe were integrated in the distribution system during the year. As a result, customers in Hungary, Poland and the Czech Republic were able to gain direct access to Sandvik Saws and Tools' total line of more than 7,000 products for the first time. This service was supported through distribution of full-range catalogues in the local languages.



*A new ergonomically designed handle featuring a socket ratchet with one-hand-use facility was introduced during 1995.*



*Sandvik's coated handsaws with the patented XT-toothing are now available for many applications.*

### **New Ergo products**

Close contact with end-customers enabled the business area to expand the established program of ergonomic hand tools. Hand tools generally have a traditional design which is hard to change. But growing demands for ergonomic characteristics, and the increased need to reduce work-related injuries require new solutions. Certain files for industrial applications were delivered previously without handles. A new ergonomic handle for these types of files has attracted widespread interest. The pliers range was expanded through the addition of a number of products with Ergo handles. A new ergonomically designed socket ratchet with a "one-hand-use" facility was also introduced. A completely new line of electronics pliers was developed in close cooperation with operators in the demanding American electronics industry.

The successful line of coated handsaws with patented XT-toothing was broadened and now covers all professional areas of application. Continuing close

cooperation with professional users will result in the introduction of other performance-enhancing tools in the future.

### **Outlook for 1996**

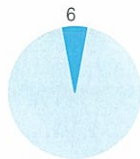
It is expected that the general trend of the market will offer a slightly lower rate of growth in 1996 than in 1995. Growth in Southeast Asia and in certain countries in eastern Europe should continue to be substantial, however.

Generally speaking, the volume trend should remain about the same as in 1995. The stronger Swedish krona and the costs for continued restructuring are having a negative impact on the business area's profit, but it should be possible to compensate for this through improvements anticipated in certain markets and product areas.

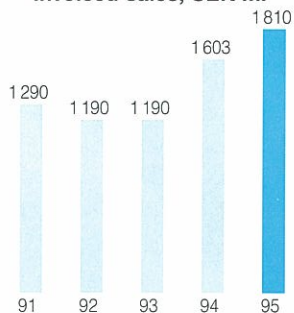
# Business Areas

## Sandvik Process Systems

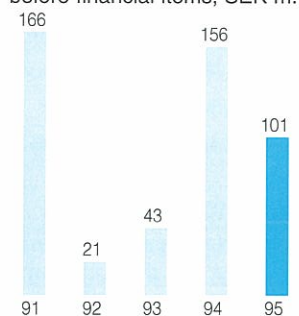
Share of total sales, %



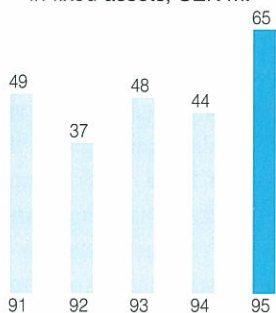
Invoiced sales, SEK m.



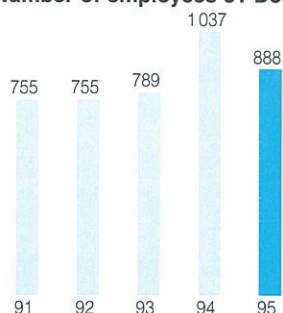
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



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

Sandvik Process Systems is a global leader in its product areas. Most of its competitors who manufacture steel belts are not as large and generally operate within limited product segments or geographical areas. The business area's plants compete primarily with processes based on other materials and other methods.

Business conditions during the past year varied greatly. Following a promising start, the investment climate weakened around mid-year. Despite increased competitive pressure, the business area was able to hold its market shares and increase some of them. It maintained its dominant position in the field of processes based on steel-belt technology.

There was a high rate of growth in business in China, Southeast Asia and Korea. The favourable trend in North America continued. Investments in Europe dropped to a low level during the second half of the year and the market in Japan continued to be weak.

The volume of sales was larger. The return on net assets, 15%, was lower than a year earlier.

### Steel belts

As a result of more aggressive marketing, the volume of steel belts sold was maintained at a high level and the business area's share of the market increased.

The quality improvement programs continued during the year. Despite the severe pressure required to maintain competitive delivery schedules, there was a striking improvement in productivity. Following the completion of planned investment projects, the business area was able to again increase its marketing activities for belts for pressing of decorative laminates and polished steel belts. The market for double-belt presses increased rapidly and the business area increased its share.

### Sorting systems

Based on a strong increase in sales in North America, Sandvik Process Systems was well able to defend its share of the market for automatic goods-sorting systems. The willingness to invest and demand for sorting systems in Europe and Japan continued to be low. Despite efforts to raise margins – in part through increased standardization – the trend of earnings was lower than the growth in volume.

The business area's largest order to date – involving the world's largest package-sorting system, United Parcel System's "super-hub" in Chicago – was delivered during the year. When operating at full capacity, the system, part of which was placed



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



More than 1,600 tons of gingerbread cookies annually are produced by Annas Pepparkakor on continuous steel belts from Sandvik Process Systems.

in service in 1995, will be able to sort 180,000 packages an hour.

The basic objective of the research and development projects is to continuously improve the cost-effectiveness of steel-belt-based sorting systems. Important achievements were recorded in this area. As an example, employees in this sector in 1995 received the Sandvik Group's "Wilhelm Haglund Medal" for their work as "product developers of the year."

CML Handling Technology S.p.A., a leading Italian manufacturer of materials handling equipment and systems for high-speed sorting of goods, was acquired in the beginning of January 1996. The acquisition of CML, with which the business area has cooperated productively for many years, broadens Sandvik Process Systems' market and its knowledge in the sorting field.

### Chemical processing plants

The chemical industry maintained its earlier patterns of investing. In Europe, North America and Japan, plants were generally built for specialty products, while in India, China, Korea and Southeast Asia investments were made primarily to be able to manufacture products in large volumes.

Based on a good order stock,

sales and earnings both improved considerably during the year and market shares were larger. To further strengthen its position, the business area established a new production centre in Korea for deliveries primarily to China and Southeast Asia.

Sandvik Process Systems' patented Rotoform system for the chemical industry is now well established throughout the world. At year-end 1995 more than 700 units had been delivered.

Sales of the Rotoform 3000®, a refinement of the business area's original drop-forming concept that offers higher performance, increased sharply. During the year the first order was received for the Rotoform Plus®, the most recent design within the Rotoform family, which has especially high capacity for demanding applications.

### Food processing plants

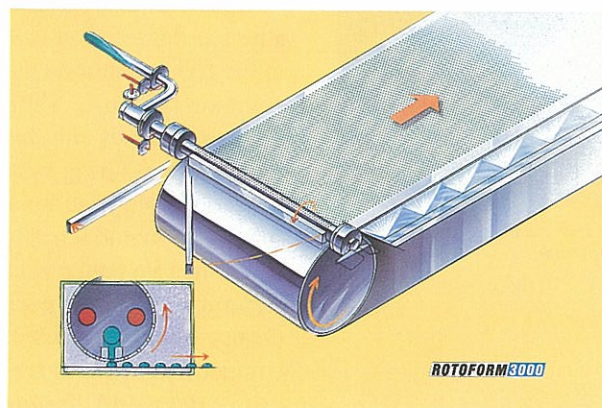
Many customers in the food industry in eastern Europe and China had difficulty in finding financing for their investment projects during the past year. Customers in other markets were cautious about investing. As a result, both sales and earnings were low.

The market introduction of a new steam cooker was completed and Sandvik was accepted as an established supplier in this field. A new type of dryer for use in food processing was developed and marketing was begun. The new processing plant for tobacco foil attracted a great deal of attention.

As a result of customers' substantial use of its test centre for food processing in Milan, the business area was able to initiate a number of interesting development projects with favourable future prospects.

### Outlook for 1996

Following some improvement in the investment climate during the past two years, a harsher environment is anticipated in 1996. Weaker demand will be countered with continuing rationalization measures designed to raise the level of profits.



Rotoform 3000®, featuring a further development of Sandvik Process Systems' successful drop-forming concept, is used in the chemical industry.

# NAFTA

## An important growth market

Since 1994 the United States, Canada and Mexico have constituted the North American Free Trade Area (NAFTA). This area has traditionally been important for Sandvik. In 1995 this market accounted for approximately 20% of the Group's sales, but holds the potential for much larger sales since Sandvik's share of this market is lower than the average in other markets. The combination of the market's size and the NAFTA Agreement offers the Group very fine opportunities for strong growth.

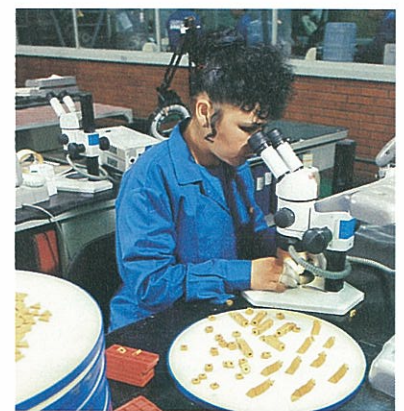
Canada's trade with the U.S., for example, has risen 50%.

### Sandvik well-positioned

All six Sandvik business areas are represented in the NAFTA market today. They have approximately 4,000 employees, 27 production facilities and total annual sales of SEK 5,600 m.

The Group has been active on the North American continent for more than 100 years. Products made of Sandvik steel were displayed at the Centennial Exhibition in Philadelphia in 1876. Sandvik formed its first U.S. subsidiary in New York in 1919, and its first in Canada in 1928. The Company had an agent in Mexico as early as 1905. The present Mexican subsidiary was established in 1962.

Operations were initially focused on steel and steel-based products. The marketing of cemented-carbide tools in the



Sandvik de México produces cemented-carbide products for the entire NAFTA area.



Sandvik Steel produces a substantial amount of stainless-steel tube in the U.S.

The NAFTA Agreement contains a large number of separate agreements between the U.S., Canadian and Mexican governments. A key point is that customs duties and other barriers to trade are to be gradually lifted by the year 2008. The NAFTA countries – with a total GNP of more than USD 7,000,000 m. today, a population of 370 million, and a surface area ten times larger than the European Union (EU) – represent an enormous free trade market.

The U.S. and Canada have, to a higher degree than is the case in the EU, a common culture and common language. Similar production methods and the use of the same measuring systems also help to simplify marketing and sales. The manufacturing industry in the two countries has undergone a clearly positive change that has increased its competitiveness relative to the rest of the world. Trading has increased significantly since NAFTA was formed in 1994.



The head office of the U.S. subsidiary Sandvik Inc. is located in Fair Lawn, New Jersey.



Sandvik Rock Tools' main plant in the U.S. is in Houston, Texas.





*Automatic package-sorting systems are a sharply growing market for Sandvik Process Systems in the U.S.*

U.S. began during the 1950s. Approximately 60% of the Sandvik products sold in North America are manufactured there. This factor, plus the NAFTA Agreement, offers substantial cost benefits in terms of customs tariffs and logistics.

Demand for Sandvik's products in Canada has increased as a result of NAFTA's favourable impact on business activity and investments. In Mexico, this particularly affected the smaller business units, Sandvik Saws and Tools and CTT Tools. The fast-growing mining industry – Mexico is the world's largest producer of silver – also offers a good potential for Sandvik Rock Tools to expand.

All Sandvik units in North America have been able to raise the level of their delivery service appreciably in recent years, primarily through simplified import procedures and improved delivery schedules attributable to central warehousing. There is a substantial amount of co-operation between the North American subsidiaries in the area of information technology. Sandvik is investing approximately SEK 150 m. annually in North America – with good results:

- Pexco, a joint-venture company owned by Sandvik Steel (70%) and Sumitomo Metals

(30%), was established in Scranton, Pennsylvania in 1993 and today employs state-of-the-art technology developed by the world's two leading tube manufacturers.

- Sandvik Coromant, in Fair Lawn, New Jersey, is increasing its capacity for production of cutting-tool inserts by 50% in 1996.

- Through its Mineral Tools Division, Sandvik Rock Tools is producing a resin that is used to strengthen mine ceilings – a product that has been sold very successfully on the American market.

- Sandvik Process Systems, which has special expertise in the field, shows strong growth in designing and installing sorting systems for the largest



*Forestry operations in Canada are being mechanized at a rapid pace. Sandvik Saws and Tools is the market leader in cutting equipment.*

package-delivery companies in the U.S.

- Sandvik Coromant in Canada is gaining market shares and has doubled its sales volume since 1990.

- Sandvik Steel in Canada has increased its exports of small-gauge tubes to the U.S. by nearly 400% since the early 1990s. At the same time it has begun to import ready-made products from Sandvik Steel in the U.S.

- Sandvik de México is manufacturing indexable inserts and rock-drilling products not only for the Mexican market but for cus-



*Sandvik Coromant increased capacity for indexable insert production in the U.S. by 50%.*

tomers in the other NAFTA countries and in other parts of the world.

### **Continuing strong expansion**

Sandvik is well represented geographically in all parts of North America. Its substantial experience in doing business in this part of the world, its investments in production, distribution, marketing and sales, plus its increased cost-effectiveness, are strengthening the prospects for continuing strong growth. The cooperation within NAFTA is a dynamic factor in this context.

The Group's basic objective for the next five-year period in North America is to significantly increase market share and take advantage of opportunities in the new combined markets.

# Consolidated income statement

Amounts in SEK million		1995	1994
Invoiced sales	Note 2	29 700	25 285
Costs of production, selling and administration	Note 3	-23 481	-20 722
Share of profits in associated companies	Note 7	196	119
Allocation to employee profit-sharing fund		-150	-132
<b>Operating profit before depreciation</b>	Note 8	6 265	4 550
Scheduled depreciation	Note 4	-1 071	-1 003
<b>Operating profit after depreciation</b>		5 194	3 547
Dividends		1	3
Interest received	Note 5	691	554
Interest paid	Note 5	-266	-287
Exchange differences on loans	Note 6	-	-6
<b>Profit after financial income and expenses</b>		5 620	3 811
Taxes	Note 21	-1 691	-1 256
<b>Profit after taxes</b>		3 929	2 555
Minority interest	Note 7	-202	-119
<b>Consolidated net profit</b>		3 727	2 436

# Consolidated balance sheet

Amounts in SEK million		1995	1994
<b>ASSETS</b>			
<b>Current assets</b>			
Liquid assets and short-term investments	Note 9	6 893	6 591
Customer bills and acceptances		736	726
Trade accounts receivable		5 131	4 730
Prepaid expenses and accrued income		249	296
Other current receivables		1 206	889
Inventories		7 097	6 141
		<u>21 312</u>	<u>19 373</u>
<b>Fixed assets</b>			
Shares and participations	Note 10	53	63
Equity interest in associated companies		825	709
Long-term receivables	Note 11	186	492
Goodwill and other intangible assets	Note 12	278	334
Construction in progress		465	258
Machinery and equipment	Note 13	4 771	4 348
Land and buildings	Note 13	2 672	2 791
		<u>9 250</u>	<u>8 995</u>
<b>Total assets</b>		<b>30 562</b>	<b>28 368</b>
Assets pledged	Note 14	466	686
<b>LIABILITIES AND EQUITY CAPITAL</b>			
<b>Current liabilities</b>			
Bills payable		174	177
Owed to suppliers		1 936	1 697
Taxes payable	Note 21	908	1 411
Accrued expenses and deferred income		2 171	2 357
Short-term loans	Note 16	699	993
Other current liabilities	Note 15	1 019	904
		<u>6 907</u>	<u>7 539</u>
<b>Long-term liabilities</b>			
Long-term loans	Note 16	155	235
Provision for pensions	Note 17	1 899	1 819
Deferred tax liability	Note 20	2 025	1 738
Other long-term liabilities		163	182
		<u>4 242</u>	<u>3 974</u>
<b>Convertible debenture loan</b>		-	16
<b>Minority interest in equity capital</b>		910	826
<b>Equity capital</b>			
Note 22			
Restricted equity capital:			
Share capital	Note 23	1 392	1 392
Restricted reserves		6 281	5 469
		<u>7 673</u>	<u>6 861</u>
Unrestricted equity capital:			
Unrestricted reserves		7 215	6 726
Translation difference		-112	-10
Consolidated net profit		3 727	2 436
		<u>10 830</u>	<u>9 152</u>
Total equity capital		18 503	16 013
<b>Total liabilities and equity capital</b>		<b>30 562</b>	<b>28 368</b>
Contingent liabilities	Note 24	292	334

# Consolidated funds statement

Amounts in SEK million	1995	1994
<b>Internal financing</b>		
Profit after financial income and expenses	5 620	3 811
Reversal of undistributed share of profits in associated companies	-176	-112
Reversal of depreciation charges	1 071	1 003
Reversal of capital gain/loss on shares and facilities sold	10	-47
Accrued taxes	-1 287	-1 406
Dividends	-1 083	-650
Total internal financing	4 155	2 599
<b>Change in working capital</b>		
Change in inventories	-936	-332
Change in current receivables	-648	-1 068
Change in non-interest-bearing operating liabilities	-399	1 528
Total change in working capital	-1 983	128
<b>Net financing from operations</b>	2 172	2 727
<b>Net investments</b>		
Acquisition of companies and shares	-60	-353
Less acquired liquid assets	8	9
Investment in fixed assets	-2 050	-1 229
Sale of companies and shares	1	21
Payment of dealings with divested companies	15	-65
Sale of fixed assets	78	105
Net investments	-2 008	-1 512
<b>Cash flow</b>	164	1 215
<b>External financing</b>		
Loans:		
Change in short-term loans	-296	56
Change in long-term loans	-80	-115
Change in convertible loan	-16	-9
Total loans	-392	-68
Other financing, net:		
Change in long-term receivables	306	48
Change in pension liability	77	64
Change in other long-term liabilities	-26	-9
Change of minority interest in equity capital	16	136
Total other financing, net	373	239
<b>Net external financing</b>	-19	171
Translation differences, including the effect of hedging the Group's net investments in subsidiaries outside Sweden	157	34
<b>Change in liquid assets and short-term investments</b>	302	1 420

# The Parent Company's income statement (Note 1)

Amounts in SEK million		1995	1994
Invoiced sales	Note 2	12 609	10 607
Costs of production, selling and administration	Note 3	-10 096	-8 253
Allocation to employee profit-sharing fund		-139	-132
<b>Operating profit before depreciation</b>	Note 8	<u>2 374</u>	<u>2 222</u>
Scheduled depreciation	Note 4	-322	-318
<b>Operating profit after depreciation</b>		<u>2 052</u>	<u>1 904</u>
Financial items:			
Dividends received from subsidiaries		180	73
Dividends received from other companies		5	4
Interest received from subsidiaries		84	33
Other interest received	Note 5	132	119
Interest paid to subsidiaries		-162	-108
Other interest paid	Note 5	-84	-74
Exchange differences on loans	Note 6	-	-25
<b>Profit after financial income and expenses</b>		<u>2 207</u>	<u>1 926</u>
Appropriations:			
Difference between book and scheduled depreciation	Note 18	-48	28
Change in tax equalization reserve (K)	Note 19	53	1 870
Change in tax deferral reserve	Note 19	-425	-890
Other appropriations	Note 19	4	-22
Group contributions		-110	115
<b>Pre-tax profit</b>		<u>1 681</u>	<u>3 027</u>
Taxes	Note 21	-427	-805
<b>Net profit</b>		<u>1 254</u>	<u>2 222</u>

# The Parent Company's balance sheet (Note 1)

Amounts in SEK million		1995	1994
<b>ASSETS</b>			
<b>Current assets</b>			
Liquid assets and short-term investments	Note 9	1 145	1 977
Receivables from subsidiaries		2 236	2 100
Trade accounts receivable		782	678
Prepaid expenses and accrued income		105	161
Other current receivables		304	173
Inventories		2 534	2 127
		<u>7 106</u>	<u>7 216</u>
<b>Fixed assets</b>			
Shares and participations in subsidiaries	Note 10	5 792	5 731
Shares and participations in other companies	Note 10	437	421
Receivables from subsidiaries		274	229
Other long-term receivables	Note 11	72	20
Construction in progress		216	104
Machinery and equipment	Note 13	1 973	1 762
Land and buildings	Note 13	299	294
		<u>9 063</u>	<u>8 561</u>
<b>Total assets</b>		<b>16 169</b>	<b>15 777</b>
Assets pledged	Note 14	101	111
<b>LIABILITIES AND EQUITY CAPITAL</b>			
<b>Current liabilities</b>			
Owed to suppliers		775	629
Taxes payable	Note 21	350	964
Accrued expenses and deferred income		749	631
Short-term loans	Note 16	149	112
Other current liabilities to subsidiaries		1 268	1 362
Other current liabilities	Note 15	270	135
		<u>3 561</u>	<u>3 833</u>
<b>Long-term liabilities</b>			
Long-term loans	Note 16	3	5
Provision for pensions	Note 17	854	842
Deferred tax liability	Note 20	0	0
Other long-term liabilities		9	-
		<u>866</u>	<u>847</u>
<b>Untaxed reserves</b>			
Accumulated depreciation above schedule	Note 18	1 149	1 101
Tax equalization reserve (K)	Note 19	267	320
Tax deferral reserve	Note 19	1 315	890
Other untaxed reserves	Note 19	26	30
		<u>2 757</u>	<u>2 341</u>
<b>Equity capital</b>			
Note 22			
Restricted equity capital:			
Share capital			
(278 476 380 shares of SEK 5 nominal)	Note 23	1 392	1 392
Statutory capital reserve		291	291
		<u>1 683</u>	<u>1 683</u>
Unrestricted equity capital:			
Retained earnings		6 048	4 851
Net profit		1 254	2 222
		<u>7 302</u>	<u>7 073</u>
Total equity capital		8 985	8 756
<b>Total liabilities and equity capital</b>		<b>16 169</b>	<b>15 777</b>
Contingent liabilities	Note 24	630	495

# The Parent Company's funds statement

Amounts in SEK million	1995	1994
<b>Internal financing</b>		
Profit after financial income and expenses	2 207	1 926
Reversal of depreciation charges	322	318
Reversal of capital gain/loss on shares and facilities sold	23	-134
Accrued taxes	-427	-818
Dividends	-1 025	-615
Group contributions	-110	115
Total internal financing	990	792
<b>Change in working capital</b>		
Change in inventories	-407	-221
Change in current receivables	-315	-903
Change in non-interest-bearing operating liabilities	-309	1 117
Total change in working capital	-1 031	-7
<b>Net financing from operations</b>	-41	785
<b>Net investments</b>		
Acquisition of companies and shares	-33	-44
Investment in fixed assets	-710	-438
Change in Parent Company's long-term commitments to subsidiaries	-107	-85
Sale of companies	1	147
Sale of fixed assets	54	14
Net investments	-795	-406
<b>Cash flow</b>	-836	379
<b>External financing</b>		
Loans:		
Change in short-term loans	37	106
Change in long-term loans	-2	-2
Total loans	35	104
Other financing, net:		
Change in long-term receivables	-52	-5
Change in pension liability	12	55
Change in long-term liabilities	9	-
Total other financing, net	-31	50
<b>Net external financing</b>	4	154
<b>Change in liquid assets and short-term investments</b>	-832	533

# Accounting principles

The same principles were applied in 1995 as in 1994. Certain key ratios have been changed, as stated in the definitions section.

## 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 which are linked to the Group's operations and in which the Parent Company has a direct or indirect long-term shareholding amounting to not less than 20% and not more than 50% of the voting rights.

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

All acquisitions of companies are reported in accordance with the purchase method. After 1991, goodwill is determined at acquisition in the local currency. While consolidated goodwill is normally depreciated linearly over a maximum of ten years, a depreciation period of up to 20 years may be applied in the case of important strategic acquisitions. If goodwill is determined to have declined permanently in value, extra amortization is applied. Negative goodwill is reported as a long-term liability and reversed in accordance with a plan established in each specific case. Internal transactions have been eliminated. When internal income results from a transaction involving a company in which the Parent Company has a minority shareholding, the portion of such income accruing to the Group is eliminated.

Companies that have been sold are included in the Consolidated Accounts until the time of the sale. Companies acquired during the current year are included in the Consolidated Accounts as from the time of the purchase.

The Consolidated Balance Sheet and Income Statement are presented without untaxed reserves and appropriations. Untaxed reserves reported by the individual companies within the Group have been apportioned such that the deferred tax is reported under long-term liabilities, while the remainder is included in the Group's equity capital. Deferred tax, generally at the tax rate applicable to the next fiscal year, has been calculated separately for each company. The tax attributable to changes in the untaxed reserves of individual Group companies in the course of the year is included in the Group's tax expenses as estimated future taxes. The remaining part is included in the Group's net earnings. In the event of a change in the tax rate, the change in tax liability is included in the tax expenses for the year.

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

Associated companies are reported in accordance with the equity method. Sandvik's 70 % holding in a U.S. joint-venture company (Pexco) is reported according to the proportional consolidation method.

## Foreign currency

In preparing the Consolidated Accounts, the accounts of foreign subsidiaries are translated in accordance with the draft recommendation of the Swedish Institute of Authorized Public Accountants.

Since the local currency is the "functional currency" for the majority of foreign subsidiaries, translation is by the current-rate method. The changes in Group equity arising from variations in the rates prevailing on the balance sheet date compared with the rates at the

preceding year-end have a direct effect on Group equity. The financial statements of companies operating in high-inflation countries are initially translated into U.S. dollars in accordance with the monetary/non-monetary method. The translation differences that arise have an effect on the income statement for the year. In a second stage, the balance sheets and income statements of these companies are translated from U.S. dollars to SEK using the current-rate method.

In the financial statements of both individual subsidiaries and the Group as a whole, receivables and liabilities in foreign currencies are assessed at the rate applicable on the balance sheet date. In cases where forward exchange contracts have been entered into, however, the forward rate of exchange is used in the valuation of underlying receivables or liabilities.

Exchange rate differences relating to loans and other financial instruments in foreign currencies that provide a currency hedge for the net assets in foreign subsidiaries and associated companies, are posted directly to equity capital, after taking tax effects into account, if less than or equal to the translation difference (in accordance with the current-rate method) arising from the translation of the balance sheets of the subsidiaries or associated companies.

Outstanding forward exchange contracts relating to the sale of currencies are not assigned a value if the currency flow resulting from the sale of goods will in all probability cover the forward contracts.

## Short-term placements

Bonds and other short-term placements are valued at their historical cost or at their market value on the balance sheet date, whichever is the lower. In the process of valuation, this principle is applied to the portfolio as a whole, meaning that unrealized losses have been offset against unrealized gains. Any remaining loss is deducted from



interest earnings, whereas a gain is not recognized.

### **Inventories**

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

### **Depreciation of tangible fixed assets**

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

### **Revenue accounting and entry of profits**

Sales revenues are recognized at the time of delivery and are equal to the sales price less deductions for value-added tax, discounts and returns. Revenues from long-term plant and equipment contracts are normally reported at the date of final invoicing.

Estimated costs of product guarantees are charged against operating costs in conjunction with the sale of products.

### **Research and development costs**

Research and development costs are charged against operating costs as they arise.

### **Taxes**

Tax expenses for the year include accrued (paid) taxes, future (deferred) taxes and a share of the taxes on associated companies. Accrued taxes also include foreign withholding taxes paid in respect of dividend payments. Deferred tax includes those tax effects that are to be 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 internal gains, as well as tax effects noted when analyzing acquisitions, including those attributable to acquired tax-loss carryforwards. Sandvik also includes under deferred tax any tax that is deferred in consequence of participation in net losses of partly owned limited partnerships.

### **Funds Statement**

The amounts paid or received for the shares of companies acquired or sold are shown in the Funds Statement. The assets and liabilities that these companies had at the time when they changed hands are not included in the sections of the Funds Statement dealing with changes in working capital, net investments and funds generated/used externally. Amounts shown in the Funds Statement are generally exclusive of unrealized exchange differences. Estimated future taxes and changes in deferred tax liability are not included.

## **DEFINITIONS**

### **Earnings per share**

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

### **Solidity**

Equity capital 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 equity capital plus minority interest.

### **Rate of capital turnover**

Invoiced sales in relation to average total capital.

### **Return on equity capital**

Consolidated net profit as a percentage of the average equity capital reported for the year.

### **Return on net assets**

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

### **Revised definitions**

The above definitions of earnings per share and return on equity capital were changed since 1994. Both are now based on consolidated net profit, that is, after tax and minority interest. Previously, they were based on profit after financial income and expenses, after deduction for estimated full tax and minority interest. In addition, return is now based on reported equity capital. Previously, a deduction for the proposed dividend was made.

# Application of U.S. GAAP

(American accounting principles)

The Financial Statements of the Sandvik Group have been drawn up in accordance with aforementioned Swedish accounting principles, which differ from American accounting principles (U.S. GAAP) in the following respects significant to the Sandvik Group.

## Deferred tax

Sandvik reports deferred taxes to the extent codified in the the recommendations of the Swedish Financial Accounting Standards Council regarding consolidation. Accordingly, the deferred taxes recognized primarily relate to untaxed reserves and only to a lesser extent deferred tax assets apart from those relating to unrealized profits and differing valuation of assets and liabilities in the consolidated accounts. The effects of tax-loss carryforwards are reported mainly as reduced tax expenses at the time of utilization. In accordance with American accounting practice, all deferred tax that is related to temporary differences between book values and tax values of assets and liabilities is taken into account as well as loss carryforwards for tax purposes. However, a test of the probability of utilizing deferred tax assets is made. Overall, the value of certain tax-loss carryforwards are recognized earlier under U.S. GAAP than in accordance with Swedish principles.

In addition, tax effects arise from other differences between Swedish and U.S. GAAP.

## Acquisitions

Swedish principles for valuation of own shares issued in conjunction with company acquisitions are not as detailed as the corresponding American principles. Because of such differences, the acquisition value of the CTT group is reported at a higher amount under U.S. GAAP.

## Revaluation of assets

Certain fixed assets have been revalued at amounts in excess of their historical costs, which is permitted in accordance with Swedish accounting principles. Such revaluations are not permitted under U.S. GAAP.

## Capitalization of interest expenses

In accordance with Swedish accounting principles, the interest expenses encountered in financing of new buildings, machinery and equipment are

expensed as incurred. American accounting principles require that interest expenses arising in connection with the financing of newly erected fixed assets be capitalized and amortized over the lifetime of the asset.

## Exchange-rate differences

In applying Swedish GAAP, unrealized currency exchange differences on forward contracts which hedge anticipated future transactions are generally reported when the underlying transaction occurs. U.S. GAAP only permits such reporting for specifically identified firm orders. Forward exchange contracts which do not meet such requirements have been marked to market and included in reported income.

Another difference arises from hedging of net investments in highly inflationary countries.

## Pensions

American and Swedish practice for the reporting of pension costs differ mainly in the choice of discount rate and

that the American calculation of capital value is based on calculated pay at the time of retirement. However, these differences have not been quantified, and are not included in the following reconciliation.

## General

Other areas in which the application of U.S. GAAP to the Sandvik Group would entail not insignificant differences are the valuation of general provisions.

Application of FAS 115 also results in adjustment for valuation and reporting of short-term investments, which in accordance with Swedish principles are reported by applying the lowest value principle. Accordingly, under U.S. GAAP, unrealized value changes in investments, after taking into account deferred tax, are transferred directly to equity capital in accordance with the rules applicable to investments classified as marketable assets.

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

Amounts in SEK m., except where otherwise stated	1995	1994
Net profit according to the consolidated income statement	3 727	2 436
Increase/decrease for		
Deferred tax	-359	485
Acquisitions	-4	-4
Revaluations	21	5
Capitalization of interest	9	1
Exchange-rate differences	218	10
Other adjustments	69	6
Tax effects of U.S. GAAP adjustments	-36	-3
Net profit based on U.S. GAAP	3 645	2 936
Earnings per share, based on U.S. GAAP, SEK	13.10	10.50
Equity capital according to the consolidated balance sheet	18 503	16 013
Increase/decrease for		
Deferred tax	400	759
Acquisitions	69	73
Revaluations	-293	-324
Capitalization of interest	134	125
Exchange-rate differences	230	27
Unrealized gains/losses on investments	86	2
Other adjustments	181	112
Tax effects of U.S. GAAP adjustments	-71	-36
Equity capital based on U.S. GAAP	19 239	16 751
Equity capital per share, based on U.S. GAAP, SEK	69.10	60.10

# Notes to the accounts

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

(Amounts in SEK million, except where otherwise stated)

## Note 1. Subsidiary companies and Parent Company

The Parent Company's business operations in Sweden are conducted largely through subsidiary companies. During 1995 the companies listed below did business under their own names, but solely on behalf of the Parent Company. In its Annual Accounts, the Parent Company reports - with the exception of some buildings - all assets and liabilities and all revenues and expenses pertaining to these subsidiary operations.

The following subsidiary companies conducted business in 1995 on behalf of the Parent Company:  
Guldsmeshytte Bruks AB, AB Sandvik Automation,

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

## Note 2. Invoiced sales and Parent Company's purchases

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

	Group		Parent Company	
	1995	1994	1995	1994
Other operating revenues	39	15	266	244

SEK 8,284 m. (7,230) or 66% (68) of the Parent Company's invoiced sales were to Group companies. The export share was 82% (85). SEK 851 m. (644), or 17% (14), of the Parent Company's purchasing, came from Group companies.

## Note 3. Research, development and quality assurance

	Group		Parent Company	
	1995	1994	1995	1994
Costs of				
Research and development	769	684	451	419
Quality assurance	320	296	121	109
Total	1 089	980	572	528

All outlays for research and development and for quality assurance are charged to income as incurred.

## Note 4. Depreciation

Group	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994
	Scheduled depreciation	-37	-36	-913	-839	-118	-125	-3	-3	-1 071

Parent Company	Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1995	1994	1995	1994	1995	1994	1995	1994
	Scheduled depreciation	-308	-300	-13	-18	-1	-	-322
Difference between book and scheduled depreciation	-46	15	-2	13	-	-	-48	28
Book depreciation	-354	-285	-15	-5	-1	-	-370	-290

### Note 5. Interest received and paid

	Group		Parent Company	
	1995	1994	1995	1994
Gross interest received on placements	579	473	132	119
Other interest received	112	81	-	-
Interest received	691	554	132	119
Interest paid on pension liability	-112	-114	-50	-60
Other interest paid, gross	-154	-173	-34	-14
Interest paid	-266	-287	-84	-74

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

### Note 6. Exchange differences on loans

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

	Group		Parent Company	
	1995	1994	1995	1994
Unrealized exchange difference on loans	-	-2	-	-2
Exchange difference on loans, amortizations	-	-4	-	-23
Total	-	-6	-	-25

### Note 7. Minority interest. Share in profits of associated companies

There are significant minority interests in the following companies: Acesita Sandvik Tubos Inox S.A. (minority 50%), Bodås Svamp AB (37%), Cermep S.A. (49%), MKTS (2%), MKTS Joint Venture (2%), Qingdao Sandvik Die Cutting Systems Co. Ltd. (40%), RGB Stainless Ltd. (45%), Sandvik Asia Ltd. (45%), Sandvik-Villares Wire Indústria e Comércio Ltda (50%) and Seco Tools AB (39%).

The Group classes the following as associated companies: Avesta Sandvik Tube AB (25%), Balzers Sandvik Coating AB (49%), Devillé S.A. (35%), Dormer Japan Ltd. (50%), Eurotungstène Poudre S.A. (49%), Fagersta-Seco AB (31%), Fagersta Stainless AB (50%), Procera-Sandvik AB (50%), QR Uthyrnings AB (49%), Sandvik Baildonit S.A. (37%), and Tamrock Oy (25%), Uirlis Torc Teoranta Ltd. (49%) and Oy Winrock Technology Ltd. (20%).

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

### Note 8. Operating profit before depreciation

Operating profit before depreciation includes the following non-recurring items.

	Group		Parent Company	
	1995	1994	1995	1994
Income				
Recovery of deposited funds pertaining to dumping case	67	-	-	-
Capital gain on sale of shares and companies	13	43	-	141
Total	80	43	-	141
Expenses				
Writedown of shares and other participations	-	-5	-	-7
Additional subscription to subsidiary companies	-	-	-33	-74
Cost for earthquake in Kobe, Japan	-2	-	-	-
Total	-2	-5	-33	-81

### Note 9. Liquid assets and short-term investments

	Group		Parent Company	
	1995	1994	1995	1994
Cash and bank balances	1 489	1 370	17	34
Short-term placements	3 676	4 283	768	1 731
Publicly traded shares, see page 47	203	-	203	-
Bonds with longer maturities than one year	1 525	938	157	212
Total	6 893	6 591	1 145	1 977

### Note 10. Shares and other participations

The Group's and the Parent Company's holdings of shares and other participations at the end of 1995 are set forth in the specification on page 46.

### Note 11. Other long-term receivables

	Group		Parent Company	
	1995	1994	1995	1994
Advances to suppliers	30	-	30	-
Other receivables	156	492	42	20
Total	186	492	72	20

### Note 12. Goodwill and other intangible assets

	Group	
	1995	1994
Patents and other intangible assets	19	7
Goodwill	259	327
Total	278	334

## Note 13. Fixed assets

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

Group	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1995	1994	1995	1994	1995	1994	1995	1994
Historical cost <sup>1)</sup>	12 521	12 214	3 579	3 628	1	1	520	547
Accumulated scheduled depreciation	-7 754	-7 871	-1 683	-1 669	-	-	-34	-35
Scheduled remaining values	4 767	4 343	1 896	1 959	1	1	486	512
Accumulated write-ups not yet written off	4	5	149	176	10	10	130	133
Remaining values	4 771	4 348	2 045	2 135	11	11	616	645
Assessed values <sup>2)</sup>	-	-	1 056	1 039	34	34	165	129
<b>Parent Company</b>								
Historical cost	5 045	4 766	431	416	1	1	26	26
Accumulated scheduled depreciation	-3 072	-3 004	-203	-193	-	-	-6	-6
Scheduled remaining values	1 973	1 762	228	223	1	1	20	20
Accumulated write-ups not yet written off	-	-	-	-	10	10	40	40
Remaining values	1 973	1 762	228	223	11	11	60	60
Accumulated depreciation above schedule	-1 135	-1 089	-8	-6	-	-	-6	-6
Book values	838	673	220	217	11	11	54	54
Assessed values	-	-	278	282	34	34	37	38

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

<sup>2)</sup> The figures apply to the Swedish part of the Group. The book value of real estate held by foreign subsidiaries amounted to SEK 1,610 m. (1,678).

## Note 14. Assets pledged

	Group		Parent Company	
	1995	1994	1995	1994
Real-estate mortgages	243	304	11	11
Chattel mortgages	133	292	-	10
Bonds and other short-term placements	90	90	90	90
Total	466	686	101	111
of which, for subsidiaries			90	90

## Note 15. Other current liabilities

	Group		Parent Company	
	1995	1994	1995	1994
Advances from customers	103	87	17	2
Other current liabilities	916	817	253	133
Total	1 019	904	270	135

## Note 16. External loans

	Group		Parent Company	
	1995	1994	1995	1994
Short-term loans				
Amortizations due within one year on long-term loans	44	74	1	2
Other short-term loans	654	919	148	110
Total short-term loans	699	993	149	112
Long-term loans				
Debenture loans	-	1	-	-
Other loans	155	234	3	5
Total long-term loans	155	235	3	5
Total, all loans	854	1 228	152	117

**Note 17. Provision for pensions**

	Group		Parent Company	
	1995	1994	1995	1994
For Pension Registration Institute pensions	972	904	803	785
For other pensions	927	915	51	57
Total	1 899	1 819	854	842

**Note 18. Parent Company's accumulated depreciation above schedule**

	Machinery and equipment	Industrial and residential buildings	Site improvements	Total
Reported at end of 1994	1 089	6	6	1 101
Difference between book and scheduled depreciation	46	2	-	48
Reported at end of 1995	1 135	8	6	1 149

**Note 19. Parent Company's other untaxed reserves**

	Tax equalization reserve (K)	Tax deferral reserve	Other untaxed reserves
Reported at end of 1994	320	890	30
Change during the year	-53	425	-4
Reported at end of 1995	267	1 315	26

**Note 20. Deferred tax liability**

	Group		Parent Company	
	1995	1994	1995	1994
Deferred tax liability in untaxed reserves at Group companies	1 771	1 538	-	-
Reservation for future tax due to losses at partly owned limited partnerships, etc.	323	331	-	-
Deferred tax liabilities and tax claims in untaxed reserves, and consolidated fair value apportionments, losses carried forward etc., net, taken into consideration upon acquisition	181	147	-	-
Deferred tax claims in internal profit reserve, and other adjustments	-250	-278	0	0
Total	2 025	1 738	0	0

**Note 21. Taxes**

	Group		Parent Company	
	1995	1994	1995	1994
Accrued taxes	-1 287	-1 406	-427	-818
Estimated future taxes				
Estimated future taxes attributable to changes in untaxed reserves in Group companies	-264	91	-	-
Change due to share of earnings in partly owned limited partnership companies and divestment of limited partnership companies	8	54	-	30
Tax attributable to changes in acquired untaxed reserve and consolidated fair value apportionments and unutilized loss carryforwards, net	-33	-47	-	-
Tax attributable to changes in internal profit reserve and other adjustments	-26	81	-	-17
Total estimated future taxes	-315	179	-	13
Share in taxes of associated companies	-89	-29	-	-
Total	-1 691	-1 256	-427	-805

**Ongoing tax proceedings**

In the Parent Company as well as in Swedish subsidiaries, Sandvik is involved in a number of proceedings with the tax authorities in Sweden. In the event that Sandvik were to lose all cases, the resulting tax charges would amount to about SEK 500 m. in excess of the provisions made in the year-end accounts. However, Sandvik has concluded that this is not probable and considers that the provisions for taxes made in the financial statements are adequate. This assessment is based on the opinions provided by external tax experts and the fact that several of the cases were settled in Sandvik's favour in the County Administrative Courts or the Administrative Court of Appeal, although these rulings have since been appealed by the tax authorities to higher courts.

## Note 22. Change in equity capital

### Group

	Share capital	Restricted reserves	Unrestricted reserves	Translation difference	Consolidated net profit	Total
Reported at end of 1994	1 392	5 469	6 726	-10	2 436	16 013
Change due to revised translation rates 1995	-	-	-100	-	-	-100
Carry-over of 1994 surplus and translation difference	-	-	2 426	10	-2 436	-
Transfer of share in profits of associated companies	-	87	-87	-	-	-
Other movements between unrestricted and restricted equity capital	-	725	-725	-	-	-
Dividend	-	-	-1 025	-	-	-1 025
Consolidated net profit 1995	-	-	-	-112	3 727	3 615
Reported at end of 1995	1 392	6 281	7 215	-112	3 727	18 503

Appropriations to restricted reserves, proposed by subsidiary boards, decrease the unrestricted Group equity by SEK 30 m.

### Parent Company

	Share capital	Statutory capital reserve	Retained earnings	Net profit	Total
Reported at end of 1994	1 392	291	4 851	2 222	8 756
Carry-over of 1994 surplus	-	-	2 222	-2 222	-
Dividend	-	-	-1 025	-	-1 025
Net profit for 1995	-	-	-	1 254	1 254
Reported at end of 1995	1 392	291	6 048	1 254	8 985

## Note 23. Share capital

### Number of shares

	1995	1994
"A" shares	209 225 815	209 225 815
"B" shares	64 038 065	64 038 065
"C" shares	5 212 500	5 212 500
Total number of shares of SEK 5 nominal	278 476 380	278 476 380

"A" shares each carry one vote, whereas "B" and "C" shares carry one-tenth of a vote. All shares carry equal rights to participate in the profits and assets of the Company, with the exception that the "C" shares do not carry dividend rights. The "C" shares will automatically be converted into "B" shares on 1 September 1996.

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

The number of shares entitled to dividends for 1995 is 273,263,880.

## Note 24. Contingent liabilities

	Group		Parent Company	
	1995	1994	1995	1994
Bills discounted	82	76	-	-
Pension commitments exceeding those entered under pension liabilities (capitalized value)	1	1	-	1
Other surety undertakings and contingent liabilities	209	257	630	494
Total	292	334	630	495
of which, for subsidiaries			482	337

# Shareholdings

## Sandvik AB's holdings of shares and participations in subsidiaries

According to the Balance Sheet of 31 December 1995

		Number of shares	Percentage holding	Nominal value local currency unit '000	Book value SEK '000
SWEDEN	Dormer Tools AB	80 000	100	8 000	35 000
	Edmeston AB	40 000	100	4 000	3 000
	Elasis Svenska AB	50 000	100	50	2 346
	Fragoso AB	500	100	50	0
	Guldsmedshytte Bruks AB <sup>1)</sup>	500	100	50	0
	Gusab Holding AB	1 831 319	100	45 783	53 474
	Gusab Stainless AB	200 000	100	34 019	34 019
	AB Sandvik Automation <sup>1)</sup>	500	100	50	0
	Sandvik Automation Norden AB <sup>1)</sup>	500	100	50	50
	AB Sandvik Bahco <sup>1)</sup>	200 000	100	20 000	35 000
	Sandvik Bahco Norden AB <sup>1)</sup>	500	100	50	0
	AB Sandvik Belts <sup>1)</sup>	500	100	50	50
	AB Sandvik Service <sup>1)</sup>	500	100	50	0
	Sandvik Communication AB	500	100	50	485
	AB Sandvik Coromant <sup>1)</sup>	500	100	50	0
	Sandvik Coromant Norden AB <sup>1)</sup>	500	100	50	50
	AB Sandvik Falken	500	100	50	50
	AB Sandvik Hand Tools <sup>1)</sup>	500	100	50	0
	AB Sandvik Hard Materials <sup>1)</sup>	500	100	50	0
	Sandvik Hard Materials Norden AB <sup>1)</sup>	500	100	50	0
	AB Sandvik Information Systems <sup>1)</sup>	500	100	50	0
	AB Sandvik International <sup>1)</sup>	500	100	50	0
	Sandvik Invest AB	1 772 068	100	44 302	181 654
	AB Sandvik Luftfartsintressenter	500	100	50	50
	AB Sandvik Metal Saws <sup>1)</sup>	500	100	50	0
	AB Sandvik Powders	30 000	100	3 000	7 000
	Sandvik PT AB	2 500	100	250	250
	AB Sandvik Rock Tools <sup>1)</sup>	500	100	50	0
	Sandvik Rock Tools Svenska Försäljnings AB <sup>1)</sup>	500	100	50	0
	AB Sandvik Saws and Tools <sup>1)</sup>	500	100	50	0
	AB Sandvik Steel <sup>1)</sup>	500	100	50	0
	AB Sandvik Steel Investment	500	100	50	50
	Sandvik Stål Försäljnings AB <sup>1)</sup>	500	100	50	0
	AB Sandvik Teknik	30 000	100	3 000	10 000
	AB Sandvik Tranan	500	100	50	50
	Sandvik Windsor AB <sup>1)</sup>	50 000	100	5 000	8 900
	AB Sandvik Västberga Service <sup>1)</sup>	500	100	50	50
	Sandvik Örebro AB	50 000	100	5 000	5 000
	AB Sandvik Örnen	500	100	50	50
	Sandvikens Brukspersonals Byggnadsförening upa	-	100	2 941	0
	Steebide International AB	15 000	100	1 500	1 000
	AB Swedish Metal Saws <sup>1)</sup>	500	100	50	50
	Trellbo AB	500	100	50	0
	Dormant companies, wholly owned <sup>2)</sup>			28 250	18 988
ARGENTINA	Sandvik Bahco Argentina S.A.	3 515 000	100	3 515	68 934
BRAZIL	Dormer Tools S.A.	2 137 623 140	100	31 567	237 098
	Sandvik do Brasil S.A.	1 894 797 192	100	24 474	46 072
BULGARIA	Sandvik-Bulgaria	-	100	34	112
CZECH REPUBLIC	Sandvik Czechoslovakia s.r.o.	-	100	2 000	0
CHINA	Sandvik China Ltd.	-	100	36 801	42 008
COLOMBIA	Sandvik Colombia S.A.	129 007	94 <sup>3)</sup>	129 007	0
FINLAND	Oy Bahco Työkalut	60	100	600	2 380
GERMANY	Sandvik GmbH	-	0.9 <sup>3)</sup>	400	1 486
	Sandvik Holding GmbH	-	1 <sup>3)</sup>	370	366
HUNGARY	Sandvik KFT	-	100	5 000	468
INDIA	Sandvik Asia Ltd.	1 013 760	55	101 376	5 500
JAPAN	Sandvik K.K.	2 600 000	100	2 600 000	180 000
KENYA	Sandvik Kenya Ltd.	35 000	96	700	0
KOREA	Sandvik Korea Ltd.	752 730	100	7 527 300	46 856
MEXICO	Sandvik Mexicana S.A. de C.V.	406 642 870	90 <sup>3)</sup>	40 664	80 000
MOROCCO	Sandvik Maroc S.A.	940	94	94	0
NETHERLANDS	Sandvik Finance B.V.	18 406	100	18 406	4 589 969
	Sandvik Benelux B.V.	20 000	100	10 000	27 496
	Cutting Tool Technology B.V.	150 000	100	150 000	16 197
PERU	Barrenas Sandvik Andina S.A.	482 608	100	483	59
	Sandvik del Perú S.A.	671 025	100	671	1 425
POLAND	Sandvik Polska Sp.z o.o.	211	100	21	57
PORTUGAL	Sandvik Obergue-Limas e Mecânica, Lda	-	100	829 980	20 000
	Sandvik Portuguesa Lda	-	100	199 600	8 300
SLOVAKIA	Sandvik Slovakia s.r.o.	-	100	100	23
SPAIN	Minas y Metalurgia Española S.A.	59 999	50 <sup>3)</sup>	59 999	3 700



### Sandvik AB's holdings of shares and participations in subsidiaries

According to the Balance Sheet of 31 December 1995

		Number of shares	Percentage holding	Nominal value local currency unit '000	Book value SEK '000
SWITZERLAND	Sanfinans AG	1 000	100	200	735
THAILAND	Sandvik Thailand Ltd.	744	99	504	0
TURKEY	Sandvik Ticaret A.S.	-	100	24 969 000	0
U.K.	Madison Tools Ltd.	274 999	100	275	6 000
VENEZUELA	Sandvik Venezuela C.A.	277 865	100	277 865	7 265
ZAMBIA	Sandvik (Zambia) Ltd.	5 000 000	100	10 000	0
ZIMBABWE	Sandvik (Pvt) Ltd.	233 678	100	467	3 269
					<u>5 792 391</u>

<sup>1)</sup> Subsidiary companies conducting business on behalf of Parent Company, see Note 1.

<sup>2)</sup> A specification of dormant companies is available from Sandvik's Head Office in Sandviken, Sweden.

<sup>3)</sup> Remaining shares are held by other Group companies.

### Change in book value of shares and participations in subsidiaries, SEK '000

Reported at the end of 1994	5 730 694	Certain write-ups and write-downs have been applied within the item "Shares and participations in subsidiaries."
Acquisitions	17 097	
New issues	61 508	
Divestitures, adjustments	-16 908	
Reported at the end of 1995	5 792 391	

### Sandvik AB's holdings of shares and participations in other companies

According to the Balance Sheet of 31 December 1995

		Number of shares	Percentage holding	Nominal value local currency unit '000	Book value SEK '000
ASSOCIATED COMPANIES					
SWEDEN	Balzers Sandvik Coating AB	28 420	49	2 842	3 416
	Procera-Sandvik AB	5 000	50	500	600
	QR Uthyrnings AB	4 700	90.4	470	470
FINLAND	Tamrock Oy	922 500	25	92 250	382 435
	Oy Winrock Technology Ltd.	20	20	25	2 200
FRANCE	Devillé S.A.	13 990	35	1 204	7 216
	Eurotungstène Poudre S.A.	112 353	49	11 235	7 737
IRELAND	Uirlis Torc Teoranta Ltd.	8 830	49	9	2 942
POLAND	Sandvik Baildonit S.A.	42 587	37	4 259	15 800
					<u>422 816</u>
OTHER COMPANIES					
	Corun DD	-	51	-	0
	Fastighetspartner NF AB	600 425	3	6 004	4 383
	Prevas AB	20 000	20	200	1 798
	Sandvik-Bisov	-	51	1 771	6 338
	Vidia Kereskedőház RT	21 600	4	21 600	0
	Other companies				2 097
					<u>14 616</u>
TOTAL					437 432
PUBLICLY TRADED SHARES					
	AB Custos, series A	1 563 234	3.3	39 081	203 209

### Change in book value of shares and participations in associated companies and other companies, SEK '000

Reported at end of 1994	421 348
Acquisitions	16 234
Divestitures	-150
Reported at end of 1995	437 432

## Shareholdings

### The Group's shareholdings

According to the Balance Sheet of 31 Dec. 1995		Number of shares	Percentage holding	Nominal value local currency unit '000	Book value SEK '000
<b>ASSOCIATED COMPANIES</b>					
SWEDEN	Avesta Sandvik Tube AB	150 000	25	15 000	30 460
	Fagersta-Seco AB	5 000	31	500	500
	Fagersta Stainless AB	400 000	50	40 000	40 000
JAPAN	Dormer Japan Ltd.	200	50		645
					<u>71 605</u>
<b>OTHER COMPANIES</b>					
SWEDEN	Other shares and participations				3 810
OTHER COUNTRIES	Other shares and participations				<u>34 412</u>
					<u>38 222</u>
<b>TOTAL</b>					
					109 827
	Sandvik AB holdings				<u>437 432</u>
	Group holdings				<u>547 259</u>
	Less associated companies				<u>-494 421</u>
	Shares and participations according to Balance Sheet				52 838

### Shares in significant operative Group companies owned indirectly by Sandvik AB at 31 Dec. 1995

		Group holding, %			Group holding, %
SWEDEN	Bodås Svamp AB	63	ITALY	Dormer Tools S.p.A.	100
	Seco Tools AB	61		Impero S.p.A.	100
AUSTRALIA	Sandvik Australia Pty. Ltd.	100		Master Tools S.p.A.	100
	Sandvik Hard Materials Pty. Ltd.	100		Ovako Acciai S.p.A.	100
AUSTRIA	Günther & Co. Ges.m.b.H.	100		Sandvik Italia S.p.A.	100
	Sandvik in Austria Ges.m.b.H.	100		Sandvik Process Systems S.p.A.	100
	Sandvik Process Systems Ges.m.b.H.	100	LUXEMBOURG	Sansafe S.A.	100
BELGIUM	Dormer Tools N.V./S.A.	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100
	Sandvik S.A. (Belgium) N.V.	100	MEXICO	Sandvik de Mexico S.A. de C.V.	100
BRAZIL	Acesita Sandvik Tubos Inox S.A.	50	NETHERLANDS	Dormer Tools B.V.	100
	Sandvik-Villares Wire Indústria e Comércio Ltda	50		Sandvik Process Systems B.V.	100
CANADA	Dormer Tools Inc.	100		Sandvik Saws and Tools Benelux B.V.	100
	Sandvik Canada Inc.	100	NORWAY	Sandvik Norge A/S	100
CHILE	Sandvik Chile S.A.	100	NEW ZEALAND	Sandvik New Zealand Ltd.	100
CHINA	Quingdao Sandvik Die Cutting Systems Co. Ltd.	60	PHILIPPINES	Sandvik Philippines Inc.	100
CZECH REPUBLIC	Sandvik Chomutov Precision Tubes s.r.o.	100	RUSSIA	Moskovskij Kombinat Tverdi Splavov	98
	Sandvik A/S	100		Moskovskij Kombinat Tverdi Splavov Joint Venture	98
DENMARK	Sandvik Bahco Norden A/S	100		Sandvik A/O	100
	Sandvik Hard Materials A/S	100	SINGAPORE	Sandvik South East Asia Pte. Ltd.	100
FINLAND	Suomen Sandvik Oy	100		Sandvik Treasury (Far East) Pte. Ltd.	100
	Viialan Viila Oy	100	SPAIN	Sandvik Española S.A.	100
FRANCE	Cermep S.A.	51		Sandvik Hard Materials S.A.	100
	Dormer Tools S.A.	100	SWITZERLAND	Sandvik AG	100
	Gunther S.A.	100		Santrade Ltd.	100
	Safety S.A.	100	U.K.	Dormer Tools Ltd.	100
	Sandvik Aciers S.N.C.	100		Dormer Tools (Sheffield) Ltd.	98
	Sandvik Bahco S.A.	100		Metinox Steel Ltd.	100
	Sandvik Coromant S.N.C.	100		Osprey Metals Ltd.	100
	Sandvik Hard Materials S.A.	100		RGB Stainless Ltd.	55
	Sandvik Outillage S.N.C.	100		Sandvik Band Saws Ltd.	100
	Sandvik Process Systems S.A.	100		Sandvik Hard Materials Ltd.	100
	Sandvik Rock Tools	100		Sandvik Ltd.	100
	Sandvik S.A.	100		Sandvik Process Systems Ltd.	100
	Sandvik Tobler S.A.	100		Sandvik Rock Tools Ltd.	100
GERMANY	Dormer Tools GmbH	100		Sterling Tubes Ltd.	100
	Günther & Co. GmbH & Co.	100	SOUTH AFRICA	Titex Tools Ltd.	100
	Prototyp-Werke GmbH	100	TAIWAN	Sandvik (Pty) Ltd.	100
	Sandvik Belzer GmbH	100		Sandvik Taiwan Ltd.	100
	Sandvik Belzer Produktion GmbH	100		Sandvik Titan Pty. Ltd.	100
	Sandvik GmbH	100	THAILAND	Svenska Trading Co. Ltd.	49
	Sandvik Hard Materials GmbH	100	U.S.A.	Dormer Tools Inc.	100
	Sandvik Kosta GmbH	100		Lindström America Inc.	100
	Sandvik Process Systems GmbH	100		Pennsylvania Extruded Tube Co.	70
	TOP Präzisionswerkzeuge GmbH	100		Sandvik Inc.	100
HONGKONG	Sandvik Hongkong Ltd.	100		Sandvik Latin America Inc.	100
IRELAND	Sandvik Ireland Ltd.	100		Sandvik Milford Corp.	100
				Sandvik Process Systems Inc.	100
				Sandvik Rock Tools Inc.	100
				Sandvik Sorting Systems Inc.	100
				Sandvik Special Metals Corp.	100
				Sandvik Windsor Corp.	100
				Union Butterfield Corporation	100

# Personnel

## Personnel costs, SEK m.

	Group		Parent Company and subsidiaries	
	1995	1994	1995	1994
Wages, salaries and remunerations:				
Directors				
in Sweden	29	30	25	27
outside Sweden	140	143	-	-
Other employees				
in Sweden	2 380	2 063	1 942	1 749
outside Sweden	4 401	4 068	39	16
Total	6 950	6 304	2 006	1 792
Other personnel costs	2 328	2 080	871	766
Employee profit-sharing fund	150	132	139	132
Total	9 428	8 516	3 016	2 690

## Information

### on benefits to senior executives in 1995

The Chairman of the Board Percy Barnevik received a fixed fee of SEK 200,000 and had no other benefits.

Chief Executive Officer and President Clas Åke Hedström received fixed salary, fees paid, the value of free residence and company car totalling SEK 1,774,618. Bonus paid was SEK 1,998,125.

Board member and former Chief Executive Officer Per-Olof Eriksson holds a contract which was reported in the 1993 Annual Report. His Board fee amounted to SEK 100,000. Salary and the value of free residence and company car was SEK 2,776,412 in 1995.

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 the total average remunerations paid during the most recent three years is paid up to age 62 (that is, a maximum of five years). From age 62, pension pursuant to the ITP plan without ceiling, that is, the actual pension-based salary, is paid.

There are agreements on reciprocal rights to request early retirement at age 62 for an additional number of senior executives. The reciprocal notification period for these persons varies between 6 and 12 months. The pension benefit is in the interval between the ITP plan and its extension without ceiling.

There is the possibility of a long-term bonus for Group management and approximately 250 other senior executives in Sweden and abroad based on the price trend of the Sandvik B share during the period 1995-1999, to be paid in 2000. If paid, this bonus will be based on multiplying 10% of one to two month's salary (1994 level) by the difference between the market price of the B share at year-end 1999 (plus addition of approved dividends during 1995-1999) and the base price of SEK 144.

## Average number of employees

	Group		Parent Company and subsidiaries	
	1995	1994	1995	1994
In Sweden				
Women	2 142	1 986	1 546	1 571
Men	8 070	7 525	6 698	6 558
Total in Sweden	10 212	9 511	8 244	8 129
Outside Sweden				
Women	3 639	3 318	23	32
Men	16 011	14 752	132	131
Total in Sweden	19 650	18 070	155	163
Total	29 862	27 581	8 399	8 292

## Average number of employees<sup>1)</sup> outside Sweden, by country

	1995			1994		
	Women	Men	Total	Women	Men	Total
The Parent Company and subsidiaries						
China	-	2	2	4	9	13
Hungary	-	1	1	3	3	6
Netherlands	15	98	113	10	80	90
Poland	3	5	8	5	8	13
Romania	2	6	8	2	4	6
Russia	-	5	5	3	9	12
Slovakia	2	3	5	1	-	1
Slovenia	-	5	5	3	5	8
Other countries <sup>2)</sup>	1	7	8	4	13	17
Outside Sweden, total	23	132	155	35	131	166

	1995			1994		
	Women	Men	Total	Women	Men	Total
The Group outside Sweden						
Argentina	11	338	349	16	445	461
Australia	69	356	425	68	324	392
Austria	35	55	90	35	59	94
Bangladesh	1	4	5	-	-	-
Belgium	14	43	57	16	66	82
Brazil	172	1 146	1 318	176	1 172	1 348
Bulgaria	4	6	10	3	5	8
Canada	69	301	370	66	292	358
Chile	14	70	84	15	63	78
China	20	63	83	10	27	37
Colombia	17	37	54	14	38	52
Czech Republic	213	344	557	101	168	269
Denmark	61	216	277	65	204	269
Finland	35	78	113	36	78	114
France	358	1 415	1 773	359	1 361	1 720
Germany	351	1 705	2 056	394	1 818	2 212
Hongkong	10	14	24	9	13	22
Hungary	10	11	21	10	11	21
India	20	1 044	1 064	20	1 056	1 076
Ireland	3	5	8	3	5	8
Italy	229	832	1 061	224	806	1 030
Japan	62	404	466	58	396	454
Kenya	3	12	15	3	11	14
Korea	19	76	95	19	67	86
Malaysia	19	36	55	15	29	44
Morocco	2	3	5	2	2	4
Mexico	46	220	266	46	209	255
Netherlands	46	274	320	37	224	261
New Zealand	10	37	47	10	32	42
Norway	7	31	38	7	31	38
Peru	5	29	34	4	26	30
Philippines	12	35	47	13	30	43
Poland	10	14	24	8	11	19
Portugal	72	239	311	69	224	293
Romania	2	7	9	2	4	6
Russia	404	534	938	8	20	28
Singapore	39	69	108	35	56	91
South Africa	56	327	383	54	322	376
Slovakia	2	3	5	1	1	2
Slovenia	1	5	6	1	2	3
Spain	50	382	432	53	383	436
Switzerland	47	87	134	46	86	132
Taiwan	61	94	155	58	87	145
Thailand	12	22	34	10	17	27
Turkey	8	31	39	6	30	36
United Kingdom	303	1 868	2 171	285	1 803	2 088
United States	598	2 739	3 337	584	2 602	3 186
Venezuela	5	34	39	4	28	32
Zambia	4	26	30	4	30	34
Zimbabwe	8	47	55	6	45	51
Other countries <sup>2)</sup>	12	44	56	10	27	37
	3 641	15 812	19 453	3 098	14 846	17 944

<sup>1)</sup> The average number of employees as given here is the average of the number on 31 December 1994 and on 31 December 1995. The average number of employees stated in the foregoing table and in the Report of the Directors is based on counts taken at several points in time during the year.

<sup>2)</sup> Countries with an average lower than five.

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

# Proposed appropriation of profits

The Board and the President propose that	
the surplus brought forward from the preceding year . . . .	6 047 762 021
and the profit for the year . . . . .	<u>1 253 854 636</u>
	SEK 7 301 616 657
be appropriated as follows:	
a dividend of SEK 6.00 per share . . . . .	1 639 583 280
carried forward . . . . .	<u>5 662 033 377</u>
	SEK 7 301 616 657

Sandviken, 8 March 1996

Percy Barnevik  
Chairman

Rune Andersson

Bo Boström

Per-Olof Eriksson

Lars-Ove Håkansson

Göran Lindstedt

Mauritz Sahlin

Sven Ågrup

Clas Åke Hedström  
President

Our Audit Report was submitted on 27 March 1996

Bernhard Öhrn  
Authorized Public Accountant

Lars Svantemark  
Authorized Public Accountant

## Audit report for Sandvik Aktiebolag; (publ)

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board and the President for 1995. The examination was made in accordance with generally accepted auditing standards.

### Parent Company

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

We recommend

that the income statement and the balance sheet be adopted,  
that the unappropriated earnings be dealt with in accordance with the proposal in the report of the directors and  
that the members of the Board and the President be discharged from liability for the financial year.

### Group

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

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

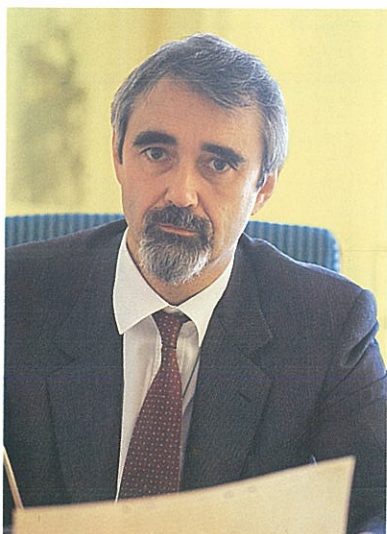
Sandviken, 27 March 1996

Bernhard Öhrn  
Authorized Public Accountant

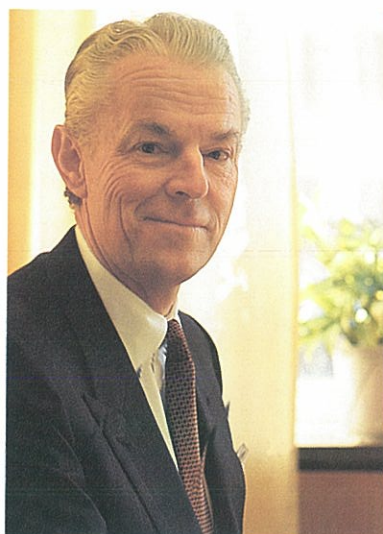
Lars Svantemark  
Authorized Public Accountant

# Directors, auditors and Group executive management

## DIRECTORS



Percy Barnevik, Chairman, Zurich, b. 1941.  
Chief Executive Officer of ABB Asea Brown Boveri Ltd.  
Chairman of the Board of Skanska AB.  
Director of E.I. du Pont de Nemours and Company and Investor AB.  
Chairman of the Board of Sandvik AB since 1983.  
Sandvik shares: 100,000 A, 50,000 B



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



Per-Olof Eriksson, Sandviken, b. 1938.  
Chairman of the Board of Swedish National Grid. Vice Chairman of OK Petroleum AB.  
Director of Handelsbanken, SSAB Svenskt Stål AB, AB SKF, AB Volvo, AB Custos, Skanska AB, N.V. Koninklijke Sphinx, the Royal Institute of Technology, Assa Abloy, Karlskoga Invest AB and the Federation of Swedish Industries.  
Member of the Royal Academy of Engineering Sciences and Chairman of its Industrial Council.  
Director of Sandvik AB since 1984.  
Sandvik shares: 100,000 B.



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



Mauritz Sahlin, Gothenburg, b. 1935.  
Chairman of the Board of Ovako AB, Brukens AB and Novare Kapital AB.  
Director of Scania AB, AB SKF, Investor AB, the Federation of Swedish Industries and the Swedish Employers' Confederation.  
Director of Sandvik AB since 1993.



Rune Andersson, Honorary Doctor of Technology, Trelleborg, b. 1944.  
Chairman of the Board of SSAB Svenskt Stål AB, Esselte AB, Scribona AB, Svedala Industri AB, AB Trelleborg, Akila AB and Getinge AB.  
Director of Skandinaviska Enskilda Banken and the Federation of Swedish Industries.  
Director of Sandvik AB since 1994.



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: 95 A, 15,154 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: 64 B



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

## DEPUTY DIRECTORS



Lars Ivar Hising,  
Gävle, b. 1927.  
Former County Governor, Special Government Expert.  
Chairman of the Board of Nordbanken Gävle, Gävle-Sandviken New Enterprise Agency and General Defence Association of Sweden.  
Director of FLC Innovation AB.  
Life Member of the Industrial Council of the Royal Academy of Engineering Sciences.  
Director of Sandvik AB since 1993.  
Sandvik shares: 6,600 B



Eino Honkamäki,  
Gimo, b. 1943.  
Director of Sandvik AB since 1974.  
(Employee representative)  
Sandvik shares: 385 A, 2,200 B



Per-Åke Franklind,  
Gävle b. 1963.  
Chairman Sandvik AB Union Committee, Association of Graduate Engineers.  
Director of Sandvik AB since 1995.  
(Employee representative)



Leif Sunnermalm  
Executive Vice President and  
Chief Financial Officer



Lars Östholm  
Executive Vice President

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## 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

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## GROUP STAFF AND SERVICE COMPANIES



Upper row, from left: Lennart Höög, Group Staff Personnel, Anders Vrethem, Controller, Björn Sköld, President, AB Sandvik Service, Peter Lundh, President, AB Sandvik Information Systems.  
Middle row, from left: Björn Jonson, Group Staff Information, Hans Mårtensson, Research and Development, Malcolm Falkman, Legal Affairs, Rune Nyberg, Personnel.  
Bottom row, from left, Carl Lindberg, Group Staff Public Affairs, Gunnar Båtelsson, Finance, Stig Åhlander, Taxes and Risk Management, Olof Gumaelius, Financial Projects.

# Business units

*Being close to the customer is an important element in Sandvik's philosophy. Local service, backed by the resources and experience of the international enterprise, is offered to customers in 60 countries through 200 companies. With computerized, efficient logistics systems Sandvik can guarantee customers fast delivery of products. In some countries, domestic manufacture is a precondition of staying in business. The more important operating business units are listed below:*

## Europe

### Austria

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

Günther & Co. Ges.m.b.H., Vienna  
Manager: Eckhard Planegger  
Tel. 1 402 72 73

Sandvik Process Systems Ges.m.b.H., Vienna  
Manager: Gerhard Schlosser  
Tel. 1 277 37

### Belarus

Sandvik Bisov, Minsk  
Manager: Lars Karman  
Tel. 0172 36 73 63

### Belgium

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

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

### Bulgaria

Sandvik-Bulgaria, Sofia  
Manager: Miroslav Markov  
Tel. 02 58 20 39

### Czech Republic

Sandvik Czechoslovakia s.r.o., Prague  
Manager: Otto Kames  
Tel. 02 25 55 51-3

Sandvik Chomutov  
Precision Tubes s.r.o., Chomutov  
Manager: Lars-Olof Skoog  
Tel. 0396 381 11

### Denmark

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

Sandvik Hard Materials, Espergaerde  
Manager: Roland V. Setterberg  
Tel. 49 17 49 00

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

### Finland

Suomen Sandvik Oy, Helsinki  
Manager: Kalevi Hellstén  
Tel. 90 87 06 61

### France

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

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

Dormer Tools S.A., Orléans  
Manager: Eric Lebobé  
Tel. 38 41 40 15

Gunther S.A., Soultz-sous-Fôrets  
Manager: Louis Blangenwitsch  
Tel. 88 80 20 00

Sandvik Tobler S.A., Paris  
Manager: Jean-Pierre Colombano  
Tel. 1 34 47 33 00

Sandvik Rock Tools S.A., Viriat  
Manager: Hans Gass  
Tel. 74 45 94 60

Sandvik Hard Materials S.A., Epinouze  
Manager: Hans Gass  
Tel. 75 31 38 00

Sandvik Aciers S.N.C., Orléans  
Manager: Alain Roussel  
Tel. 38 41 41 41

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

Sandvik Process Systems S.A., Paris  
Manager: Jean F. Benko  
Tel. 1 49 56 85 00

### Germany

Sandvik GmbH, Dusseldorf  
Manager: Johan Sörensen  
Tel. 0211 502 70

Sandvik Coromant, Dusseldorf  
Manager: Johan Sörensen  
Tel. 0211 502 70

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

Dormer Tools GmbH, Erkrath  
Manager: Dick Geerlings  
Tel. 0211 20 00 80

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

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

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

Sandvik Kosta GmbH, Renningen  
Manager: Johann Taps  
Tel. 07159 160 30

Sandvik Rock Tools, Dusseldorf  
Manager: Ulrich Fezer  
Tel. 0211 502 70

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

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

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

Sandvik Belzer Produktion GmbH,  
Wuppertal  
Manager: Åke Sundby  
Tel. 0202 479 70

Sandvik Process Systems GmbH, Fellbach  
Manager: Håkan Olofsson  
Tel. 0711 510 50

### Hungary

Sandvik Magyarorzágon KFT, Budapest  
Manager: Johann Sulak  
Tel. 1 269 63 91

### Ireland

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

### Italy

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

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

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

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

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

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

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

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

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

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

### Netherlands

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



Dormer Tools B.V., Veenendaal  
Manager: Ingemar Broström  
Tel. 0318 52 62 72

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

Sandvik Process Systems B.V., Breda  
Manager: Hans Mulders  
Tel. 76 572 08 20

#### Norway

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

#### Poland

Sandvik Polska Ltd., Warsaw  
Manager: Boguslaw Swiecki  
Tel. 22 43 21 51

#### Portugal

Sandvik Portuguesa Lda, Lisbon  
Manager: Lars Östholm  
Tel. 01 499 00 20

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

#### Romania

AB Sandvik International  
Representative Office Bucharest  
Manager: Octavian Balaban  
Tel. 1 312 00 67

#### Russia

Sandvik Russia A/O., Moscow  
Manager: Mats Andersson  
Tel. 502 221 50 20

#### MKTS, Mośców

Manager: Sergei I. Perin  
Tel. 095 289 70 74

#### Slovakia

Sandvik Slovakia s.r.o., Bratislava  
Manager: Otto Kames  
Tel. 07 5333 36 39

#### Slovenia

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

#### Spain

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

Sandvik Hard Materials S.A., Barcelona  
Manager: Björn von Malmberg  
Tel. 93 862 9400

#### Sweden

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

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

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

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

AB Sandvik Steel, Sandviken  
Manager: Gunnar Björklund  
Tel. 026 26 30 00

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

AB Sandvik International, Sandviken  
Manager: Svante Lindholm  
Tel. 026 26 26 00

Sandvik Coromant Norden AB, Kista  
Manager: Arnfinn Fredriksson  
Tel. 08 793 05 00

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

AB Sandvik Automation, Sandviken  
Manager: Paul W. Reach  
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### **Australia-New Zealand**

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This data refer to March 1996 unless  
otherwise stated.

# Annual General Meeting

The Annual General Meeting will be held at Jernvallen in Sandviken on Friday 10 May 1996, at 2 p.m.

Shareholders wishing to attend the Meeting must notify the Board thereof either by letter addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telefax +46(0)26-26 10 86, or by telephone +46(0)26-26 10 81. Notification must reach Sandvik AB by 3 p.m. on 6 May 1996 at the latest. In order to qualify for

attendance, shareholders must also have been entered in the Share Register kept by the Securities Register Centre (Värdepapperscentralen VPC AB) not later than 30 April 1996. A shareholder who has had his shares registered as held in trust must have them temporarily re-registered with the VPC in his own name not later than 30 April 1996 to establish his right to attend the Meeting.

## Payment of dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 6.00 per share for 1995: 15 May 1996 is proposed as the record day. If this proposal is adopted by the Meeting it is expected that dividends will be ready for remittance by 23 May 1996. Dividends will be sent to those who on the re-

cord day are entered in the Share Register or on the separate List of Assignees, etc. Dividends will be remitted from the Securities Register Centre. To facilitate the distribution, shareholders who have moved should report their change of address to their bank in good time before the record day.

## Financial information

Report on	
1996 Operations	March
Annual Report	April
First-Quarter Report	May
Semi-Annual Report	August
Third-Quarter Report	November

Financial information can be ordered from Sandvik AB  
Group Staff Information  
S-811 81 Sandviken, Sweden  
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# Key figures

	1995	1994	1993	1992	1991	1990	1989
Invoiced sales, SEK m.	29 700	25 285	21 770	17 217	17 558	18 256	18 769
Profit after financial income and expenses, SEK m.	5 620	3 811	1 764	1 486	1 776	2 842	3 066
Net profit for the year, SEK m.	3 727	2 436	1 069	1 112	1 248	2 380	2 807
Earnings per share, SEK	13.40	8.75	3.85	4.05	4.55	8.70	10.25
Dividend per share (1995: as proposed), SEK	6.00	3.75	2.25	1.90	1.80	1.70	1.50
Equity capital, SEK m.	18 503	16 013	14 364	13 538	12 693	11 928	9 919
Solidity, %	64	59	60	59	57	54	46
Debt/equity ratio, times	0.1	0.2	0.2	0.2	0.3	0.4	0.6
Rate of capital turnover, %	101	95	89	75	76	80	87
Liquid assets, SEK m.	6 893	6 591	5 171	4 864	4 814	5 251	4 896
Return on equity capital, %	21.6	16.0	7.7	8.5	10.1	21.8	32.5
Return on net assets, %	28.0	21.7	12.0	10.4	12.9	19.2	24.0
Investment in property, plant and equipment, SEK m.	2 050	1 229	886	886	1 021	1 161	1 116
Cash flow, SEK m.	164	1 215	1 142	1 645	882	1 486	652
Average number of employees	29 862	27 581	27 619	25 599	25 315	26 373	26 881

Key figures for 1994 and earlier have been changed to reflect the revised definitions that have been applied from 1995.

Additional per-share data are presented in the section on the Sandvik share, page 4.

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