

Annual Report  
1985

**SANDVIK**

# Contents

The President's Letter .....	2
Organization .....	4
Cemented Carbide .....	5
Sandvik Hard Materials .....	5
Sandvik Coromant .....	6
Sandvik Rock Tools .....	7
Sandvik Steel .....	8
Sandvik Saws and Tools .....	9
Sandvik Process Systems .....	10
Sandvik Electronics .....	11
Group Executive Management, Group Staff Units and Service Companies .....	11
Sandvik's Research and Development .....	12
Report of the Directors .....	14
Accounting Principles .....	18
The Group's Accounts .....	20
The Parent Company's Accounts .....	24
Notes on the Accounts .....	26
Personnel .....	30
Shareholdings .....	31
Appropriation of Profits .....	34
Audit Report .....	34
Directors and Auditors .....	35
Business Units .....	36
The Sandvik Share .....	38
Five Years in Brief .....	40

# Sandvik in Brief

The Sandvik Group is one of Sweden's largest exporting enterprises and is active all over the world through more than a hundred companies in over forty countries. The Group currently has 24,000 employees and turns over rather more than 12 billion Swedish kronor a year.

Since it was founded in 1862, Sandvik has developed from a provincial Swedish steelworks to an international industrial group. Two factors that have done much to promote this development are ceaseless product renewal, featuring ever more advanced technology, and a purposeful commitment to international marketing in close contact with customers throughout the world.

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

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

A good 90% of the Group's sales is generated outside Sweden. With local production, warehousing, distribution, technical service and efficient delivery systems, Sandvik can provide its customers with the on-the-spot service they demand.

Year by year, the Group ploughs about 4% of its aggregate turnover into research and the development of new products and production methods. More than 1,300 metallurgists, chemists, engineers and other researchers are occupied in these activities at the development units of the various Sandvik enterprises.

## Financial Information

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

Financial Information can  
be ordered from

Sandvik AB  
Group Information  
S-811 81 SANDVIKEN  
Tel +46-(0) 26-26 42 65

## Annual General Meeting

The Annual General Meeting will be held at Folkets Hus in Sandviken on Thursday, 15 May, 1986, at 2 p.m.

Shareholders wishing to attend the Meeting must notify the Board thereof either by letter addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telephone (+46(0)26 26 52 70). Notification must reach Sandvik AB by 3 p.m. on 12 May at the latest. In order to qualify for attendance, shareholders must also have been entered in the Share Register kept by the Securities Register Centre (Värdepapperscentralen VPC AB) not later than 5 May 1986. A shareholder who has had his shares registered as held in trust ("förvaltarregistrering") must have them temporarily re-registered in his own name not later than 5 May 1986 to establish his right to attend the Meeting.

## Payment of Dividend

The Board and the President recommend that the Meeting declare a dividend of Skr 14 per share for 1985.

21 May 1986 is proposed as the "record day" ("avstämningsdag"). If this proposal is adopted by the Meeting it is expected that dividends will be ready for remittance by 28 May 1986. Dividends will be sent to those who on the record day are entered in the Share Register or in the separate List of Assignees, etc.

Dividends will be remitted from the Securities Register Centre. To facilitate the distribution, shareholders who have moved should report their change of address to their bank or to Värdepapperscentralen VPC AB, Box 7444, S-10391 Stockholm, in good time before the record day.

# 1985

---

- Continued improvement in results. Profit up by 60% to Skr 1,610m.
- All sectors are now returning satisfactory results. Cemented Carbide is showing the best profitability.
- Solvency and net figure on financial account are sharply up.
- Return on equity capital climbs to 20%.
- Proposal for a 4:1 stock split and a 1:3 bonus issue.
- Sales growth easing off, but level of earnings expected to hold up during 1986.

	1985	1984
Order intake, Skr m.	12,927	11,868
Invoiced sales, Skr m.	12,560	11,299
whereof outside Sweden, %	92	92
Profit before non-recurring items, Skr m.	1,610	1,013
Return on investment, %	21.3	20.0
Return on adjusted equity capital after tax, %	20.5	15.4
Earnings per share, Skr	82:–	52:–
Dividend per share, Skr*	14:–	10:–
Number of employees, 31 Dec.	24,033	23,777

\* 1985: as recommended

# Sandvik on the Right Course Again— and Out in Front



In the year 1985, Sandvik AB achieved its best results ever. That being so, it is reasonable to ask how it comes about that an enterprise the size of Sandvik could so quickly turn the apparently disastrous situation of 1982–83 around into a highly satisfactory position for 1984–85.

One cannot just switch into another industry in the space of a couple of years; still less can one work up into a winning market position. Such tasks often take a very long time. In the case of Sandvik, new business areas have been developed step by step in the course of half a century. The one-time Sandvik Steel Works, a small-scale Swedish enterprise, has been able, by well-considered research and development efforts and an internationalization of its marketing, to attain a position from which it dominates the market in a number of business areas.

## Strategy and Decentralization

As long as the underlying realities are right, a crisis can be overcome relatively quickly, especially if cyclical factors lend a helping hand. A crisis creates greater understanding among the employees, and makes it easier to put across information on the firm's problems and prospects, and that in turn means that one can get back faster onto the right course.

An important task for Sandvik was to bring in a new organization in which initiative and responsibility would be decentral-

ized so that every business unit would be able to choose the optimum strategy and tactics by which to conduct its activities.

The co-operation between our units is based on voluntary agreements rather than on central directives. This has enabled us, in short order, to achieve a substantial improvement in the way we utilize both human and financial resources. In this connection the elimination of strategically unimportant, loss-making units was significant.

Since the new organization calls for a new way of thinking, everybody from the Group management to the supervisors has returned to the schoolbench. The training scheme was preceded by questionnaires to the employees, analyzing problems and potentials. The business areas' own top managers have served as instructors for most parts of the course.

This approach has made it possible to agree on aggressive but realistic goals and to make them widely known, failing which there would be no point in having decentralized responsibility.

## The Long-Term Goals

Most of our units achieved their short-term goals in 1985, but nobody is resting content with that. Our next task is to demonstrate that Sandvik's successes have not merely been due to boom conditions. During 1986, and even more so in 1987, we are counting on having to show that

we can also make headway when the wind is against us. Each business unit will decide its own course of action according to its own circumstances—depending on the local state of trade, the local market position and the moves made by local competitors.

Generally speaking, however, after the restructuring of recent years and our concentration on certain strong areas, there is little risk that Sandvik will find itself drawn into the price wars that break out in unstructured trades in times of recession. Another of our strong points is that our important business areas are now showing better profitability than their competitors. This applies most particularly to the product areas Cemented Carbide and Steel. Having drastically cut back our overheads we are also less vulnerable to passing dips in volume.

The importance of this aspect of the matter is well known within the organization, and during 1985 all Sandvik people have exerted themselves to get their jobs done without calling for additional resources, despite a considerable upturn in volume.

It is even more important to make the point that there is a line of long-term thinking within Sandvik which rises above adverse periods. Each unit has defined the niches in which it proposes to defend, consolidate or achieve a dominant market position. Product and market develop-

ment is being directed methodically towards these goals. Company acquisitions are likewise envisaged in our planning.

The foundation on which Sandvik builds its long-term success is to be found in the systematic emphasis on research and development, guided by impulses from our own technicians who work together with our customers. To encourage our product developers in their vital work we have instituted a prize for the Product Developer of the Year. To be known as the Wilhelm Haglund Medal, the distinction will be awarded for the first time at this year's General Meeting of Shareholders.

Summing it up, our goal is to earn, as an average over a given business cycle, an after-tax return on our equity capital that would be substantially higher than the concurrent rate of bank interest. In pursuing it, our strategy is to go in for continued international expansion within the selected product niches, both through our own development efforts and through company acquisitions. No diversification is envisaged at present, but a tie-up with product areas that mesh synergistically with those we already have might be considered in connection with company acquisitions. Our improved financial position is an important prerequisite for this strategy.

### **Sandvik is now Attractive**

With the sharp improvement in our results, Sandvik's shareholders have been rewarded for their faith in us. The 1985 return after estimated tax was 20%, calculated on our adjusted equity capital. The share value nearly doubled during 1985 and can now be used as a means of payment if a major company acquisition should require more capital.

I also think it is a good thing that so many of our employees can share in Sandvik's rising fortunes.

In May 1985 the Annual General Meeting empowered Sandvik to take up a convertible loan addressed to the Group's employees. Two-thirds of all our salaried employees and virtually all our managers availed themselves of the offer—more than 3,600 people in all. Rather more than 200 of them subscribed sums larger than Skr 25,500, the highest amount for which Sandvik has arranged loan facilities. All the applicants were able to subscribe the sum they had themselves specified and there was no need for any quotas.

There is plenty of evidence to show that it is attractive to work for Sandvik. Despite the serious shortage of technicians in Sweden, 600 college students competed for the year's twenty trainee slots. This, too, is a foundation stone for our continued successes.

### **Off to a Good Start in 1986**

As is apparent from the Report of the Directors and the accounts rendered by the various companies, 1985 passed without anything dramatic occurring in our operations. Even so, all major business areas have improved their profitability and shown that they can generate a good return on the capital staked in them, thus creating an environment of job security for their employees.

- Sandvik Coromant has made another contribution to greater efficiency and automation in manufacturing industry with its Block Tool System. And there are others to come.
- Sandvik Rock Tools is broadening its range to include tools for cutting coal and for drilling in quest of oil and gas, based in part on new technology. This opens up new potential outside the traditional confines of mining and civil engineering.
- Sandvik Hard Materials, which has primarily been an internal supplier, is turning its know-how to commercial account. Its sales to external customers already provide half its turnover.
- Sandvik Steel has demonstrated that by concentrating on highly upgraded niche products it can compete with manufacturing industry in point of profitability.
- Sandvik Saws and Tools, too, is achieving an impressive return on its capital by a strategy of concentration and dominance. It is the world's largest manufacturer of saws and sawblades.
- Sandvik Process Systems has concentrated its attention on four basic areas. This has very quickly had a strongly positive effect on its profitability.

Even after the sweeping rundown of inventories that we put through in 1983–84 we carried out further reductions in 1985. Among the things that made this possible were the new logistics that were introduced, with fast direct deliveries to points

all round the world, and less double stocking. It is particularly gratifying to note that we were able to achieve this slimming of inventories while retaining the reliability of our deliveries.

The reduction in capital tie-up has contributed to a substantial improvement in the net figure on financial account, which should prove to be lasting. Movements of exchange rates during the year were favourable from our point of view.

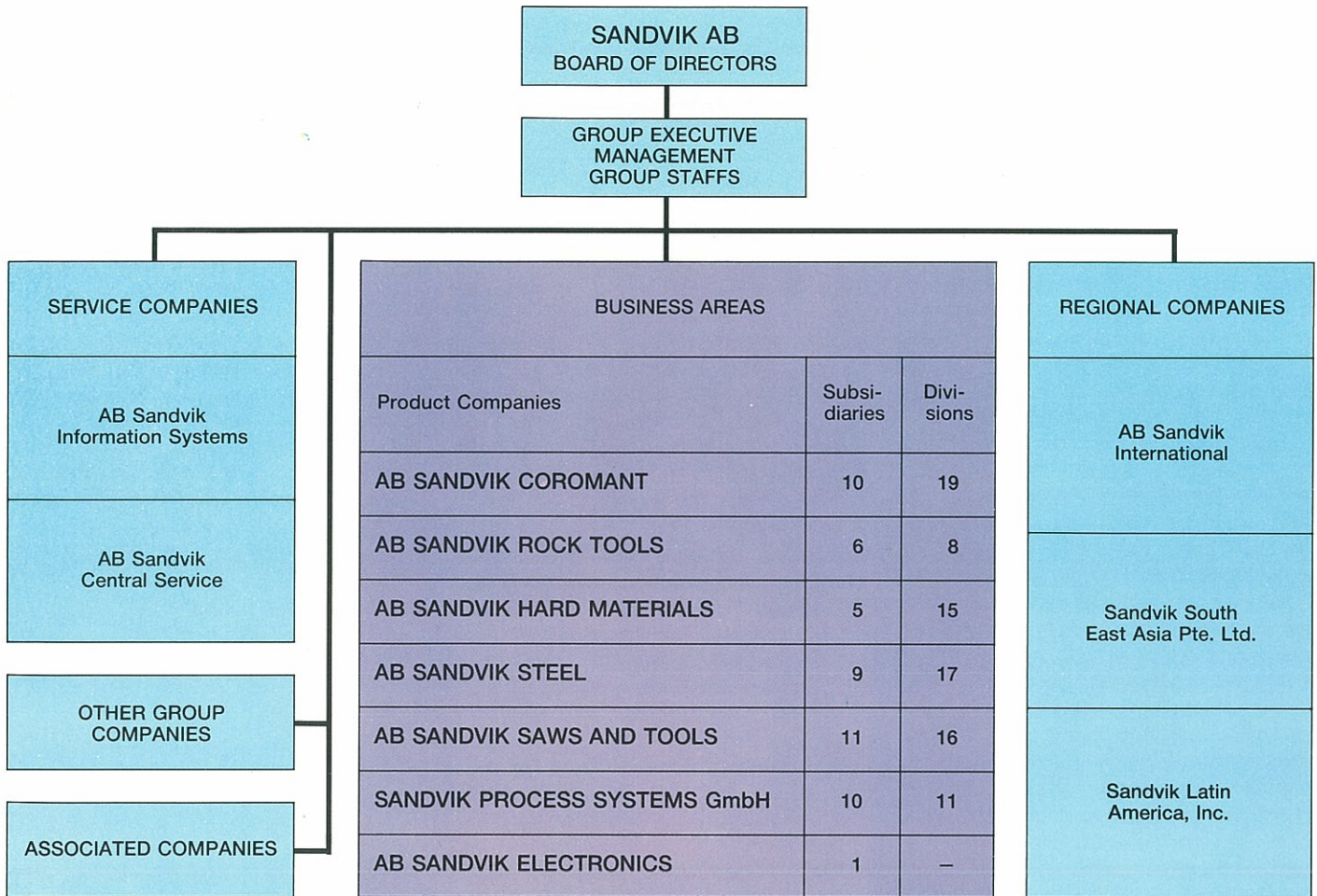
At the time of writing, 1986 is still an uncertain card. We believe that the business cycle has peaked out and that harder times lie ahead. My view, however, is that Sandvik is now in such good shape that even if the rising sales curve should flatten off during the year we shall still achieve the same level of results as in 1985.

That is the challenge of 1986!

Sandviken, March 1986

Per-Olof Eriksson  
Group President and Chief Executive Officer

# Organization



## Business Areas

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

A fuller description of the product areas and the business areas included therein will be found on pages 5-11.

## Regional Companies

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

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

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

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

## Service Companies

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

*AB Sandvik Central Service* is mainly active in the areas of Logistics, Personnel, Accounting, Real-Estate Management, and Information and Advertising.

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

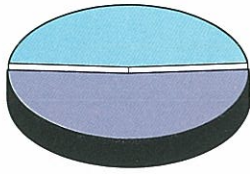
## Other Units

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

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

Sandvik's Board of Directors is presented on page 35, and its Group Executive Management, Group Staff Managers and Service-Company Presidents on page 11.

# Cemented Carbide



Proportion of Group's turnover

	1985	1984
Invoiced sales, external, Skr m.	<b>6,646</b>	5,898
Profit before non-recurring items, Skr m.	<b>1,103</b>	795
Return on capital employed, %	<b>31.1</b>	23.2
Capital expenditures, Skr m.	<b>340</b>	188
Number of employees, 31 Dec.	<b>12,929</b>	12,606

Sandvik is the world's largest maker of cemented carbide, a powder-metallurgical product that is characterized by great hardness, extreme wear resistance and good toughness. It is used in many industrial contexts and is of decisive importance to the performance of numerous products.

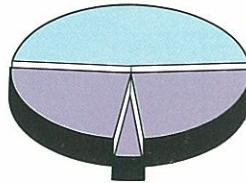
Sandvik's wholly owned cemented-carbide business is organized in three business areas: Sandvik Coromant, Sandvik Rock Tools and Sandvik Hard Materials.

These activities are interdependent at a number of vital points. For example, Hard Materials is the largest supplier of materials both to Coromant and to Rock Tools. Certain heavy research and development projects are conducted jointly by the three business areas.

# Sandvik Hard Materials



Lars Wahlqvist



Proportion of Group's turnover

Sandvik Hard Materials develops, makes and markets carbide powder and powder semi-manufactures together with finished carbide for wear parts and engineering applications. During 1985 we continued our business development towards increased external sales of our traditional main products, while at the same time the new product areas—ceramics, superhard materials and hard titanium-nitride coatings—progressed towards commercialization on a broader footing.

Hard Materials' external invoiced sales increased during the year by 18% to Skr 536m. out of total invoicing amounting to Skr 1,105m. Thus external deliveries accounted for 49% of the billings at Hard Materials.

## Sales and Market Development

The products of Hard Materials were in good demand. This was particularly true of those made at our subsidiary companies in Europe. The operations in Britain and France outdid the previous year's performance by an ample margin. Hot rolls for rolling wire, which are made in Stockholm and which have been facing an adverse market for several years, also exceeded expectations.

## Research and Development

The efforts that we put into R&D were on an unchanged scale both at our main development centre in Stockholm and at our research centres in Britain, France and India. There was a further focussing of our resources onto projects that appear to have sales potential in the short or medium run.

We have strengthened our organization in the ceramic field and have signed collaboration and licensing contracts with other undertakings so as to step up the pace in the area of these interesting materials.

Both in Sweden and in India we have evolved methods for processing low-grade raw materials and carbide scrap into high-grade input stocks that can then be used in powder production.

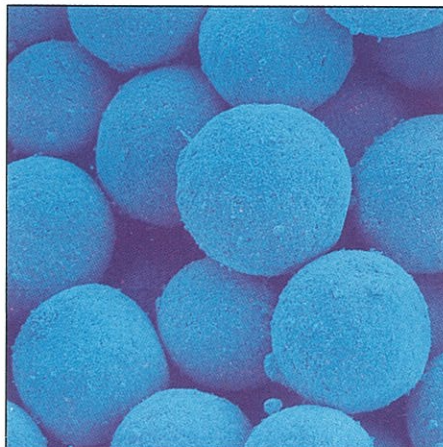
## Results

The trend of results during the year was very satisfactory. All units made a positive contribution to the business, including Wimet in Britain and Eurotungstène (now Ugicarb) in France, which were reconstructed in 1982-83.

## Outlook for 1986

During 1985 there was an improvement in the relative cost situation at most Hard Materials facilities, putting them in a better position to compete. Even though industry as a whole is expected to reduce its demand in the product areas of Hard Materials during 1986 we are counting on maintaining a virtually unchanged volume within our traditional product areas: carbide powder and cemented carbide.

The new product areas, hard and superhard materials, are expected to continue growing during 1986.

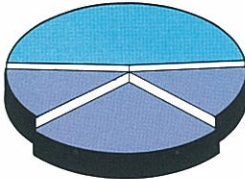


*The ongoing development of its process technology enables Sandvik Hard Materials to make and supply cemented-carbide powder of very high and consistent quality. This picture shows powder agglomerates enlarged a hundred diameters. They are spherical and of uniform size, giving excellent flow and press properties.*

# Sandvik Coromant



Clas Åke Hedström



Proportion of Group's turnover

Sandvik Coromant develops, makes and markets cemented-carbide tools for metalworking and is the world leader in this field.

Our business idea is to offer our customers not merely first-class tools but also the machining know-how that is needed if they are to achieve better production economy, higher productivity and consequently greater competitiveness.

Our product programme is founded on a basis of chipforming tools for turning, milling and drilling. We round it out with the sort of equipment that is needed for holding and changing both tool and work-piece, and for controlling or monitoring machining processes.

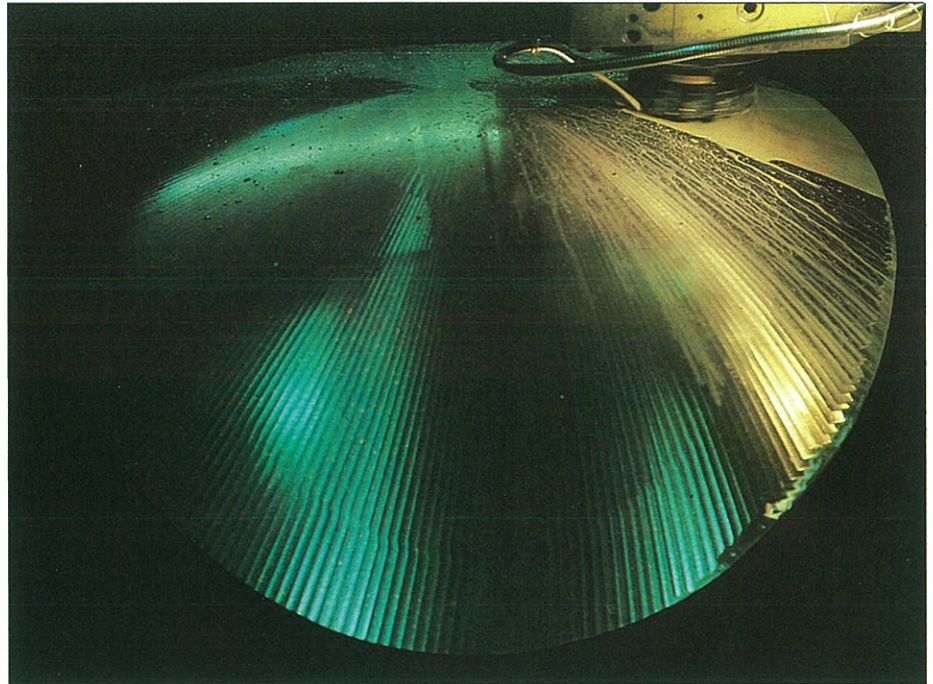
## Positive Market Development

We were able to record good growth in virtually all markets during the year. The major markets that have gone forward most vigorously are West Germany, Italy, France, Brazil, Mexico and Australia. Despite some generalized slackening in North American manufacturing we also boosted our sales volume in the important U.S. market.

Demand for our Block Tool System for automatic tool changing was on the increase. To date, it has been installed on nearly 1,500 lathes around the world. About three-quarters of all newly installed CNC lathes with modular tool systems have been equipped with Block Tools.

The year saw the introduction of several new product programmes with greatly improved performance, among other things for threading tools, parting-off tools and milling cutters in the smaller sizes.

Our external sales during 1985 were worth Skr 3,904m., an increase of 11% on the previous year. 97% of our selling is done on the export markets.



*Sandvik Coromant is a world leader among suppliers of cemented-carbide tools for advanced metalworking in high-tech production, such as in the aerospace industry. Modulmill cutters and inserts supplied by Coromant are among the tools used in producing dish-antenna moulds for communication satellites.*

## High Capacity Utilization

Coromant has 35 producing units around the world. During 1985 our aggregate production volume rose by 14%. Capacity utilization was very high. By organizational changes, rationalization and other measures we shortened floor-to-floor times while at the same time further raising product quality. Our investments during 1985, Skr 160m., and those that are planned for 1986, are primarily directed towards enhancing the efficiency of our production.

## Continued Decentralization and Personal Development

Every market and every industry has its own specific needs. Our strength lies in the fact that we can furnish the solution to the problems of every individual customer. This calls for a sales organization attuned to each particular market, with high technical competence and with specialist resources directly available for customer counselling. We strengthened our market organization during 1985, while at the same time putting through far-reaching delegation of responsibility to the Coromant companies in Scandinavia, Britain, France, West Germany, the U.S. and Japan. In other parts of the organization, too, steps have been taken to promote greater decentralization and goal-oriented control.

During the year we concluded a large-scale development and training pro-

gramme for about 350 managers and other key people in the Swedish organization. This scheme is now being followed up in other countries where Sandvik is active.

## Research and Development

Each year, Coromant puts about 5% of its turnover into developing new products. These resources are directed primarily towards evolving inserts with elevated performance and with the capacity to machine new, hard-to-work materials. Tool systems and monitoring systems are being developed to meet the growing demand in the field of unsupervised machining processes. We intend to intensify our efforts in these areas over the next few years and we shall thus play an important role in the change that is taking place in manufacturing industry, involving greater use of computer technology and an ever higher degree of automation.

## Outlook for 1986

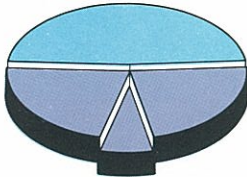
Even though the state of trade and the business climate will probably deteriorate towards the end of the year we foresee a continuing high level of activity and full capacity utilization. We are counting on being able to raise our sales volume still further and on maintaining our results at the same level as in 1985.



# Sandvik Rock Tools



Lars Östholm



Proportion of Group's turnover

Sandvik Rock Tools develops, makes and markets tools for the working of rock and overburden. Our aim is to equip our customers with the best tools and thus to give them the best production economy.

Our external sales in 1985 amounted to Skr 1,216m.

## Percussive Drilling

We are the world's largest manufacturer of tools for percussive drilling, and we have the broadest product range on the market. For over forty years our products have been marketed in the main by Atlas Copco.

Intensive further development of existing products, in combination with the evolution of new concepts, is giving us a stable base from which to meet the demands that new technology and ever more effective drills are making on the tools.

Rockdrilling tools work under extremely high stresses. Higher precision in design and manufacture thus comes across clearly in the form of enhanced performance and longer life. For the customer, this means a lower cost per drilled metre.

Our production was modernized during the year in quest of still higher product quality and at the same time to keep the production costs down to a reasonable level.

During 1985 we introduced a new generation of down-the-hole bits, a broader range of button bits and a modification of our Odex earth-auger equipment. Resources were also allocated to the development of drill rods, such as the Speedrod for drilling both below and above ground.



*Drill bits for the oil and gas industry are among the new fields that Sandvik Rock Tools has moved into. Our American subsidiary company Strata Bit has developed a special bit armed with industrial diamonds.*

## Oil Drilling

We had great sales successes with our drill bits featuring inserts of sintered diamond for the oil and gas industry. In some kinds of rock these "PDC" bits have a penetration rate three times that of conventional drill bits, to the considerable benefit of drilling economy. The market for the PDC bits is to be found above all in the oilfields of the U.S. and the North Sea, but we have also launched them successfully in South East Asia and South America. Manufacture is located to our subsidiary company Strata Bit Corp. in Houston, U.S.A.

## Rotary Crushing Drilling

The market for roller bits in blasthole drilling, which seen overall is in retreat, is characterized by fierce competition and depressed prices. Despite this, we have succeeded in defending our market position as one of the leading manufacturers. Our products in this sector have a considerable quality lead over the competition.

The same applies to our rigs for full-face drilling. This type of equipment is used for example in the direct drilling of full-sized communication tunnels in mines. The method has good growth potential. In order to meet growing demand we are planning for the production of carbide-armed tools for tunnel-driving.

## Mineral-Extraction Tools

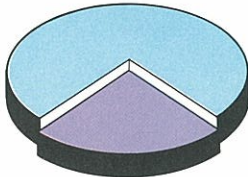
This area showed positive development during the year. Volume growth was good at about 25% and indicates that we have consolidated our position on the market. Production of tools for mineral extraction is carried on mainly at our units in Britain and France.

By the co-ordination of both production and product ranges we have stepped up our competitiveness and have been able to introduce mineral-extraction tools into new markets, e.g. South East Asia, South America and the Middle East. We have also developed new systems, e.g. the Shearmaster, a tool system for coal extraction, and the System 2000 for road grading and ice cutting.

# Sandvik Steel



Gunnar Björklund



Proportion of Group's turnover

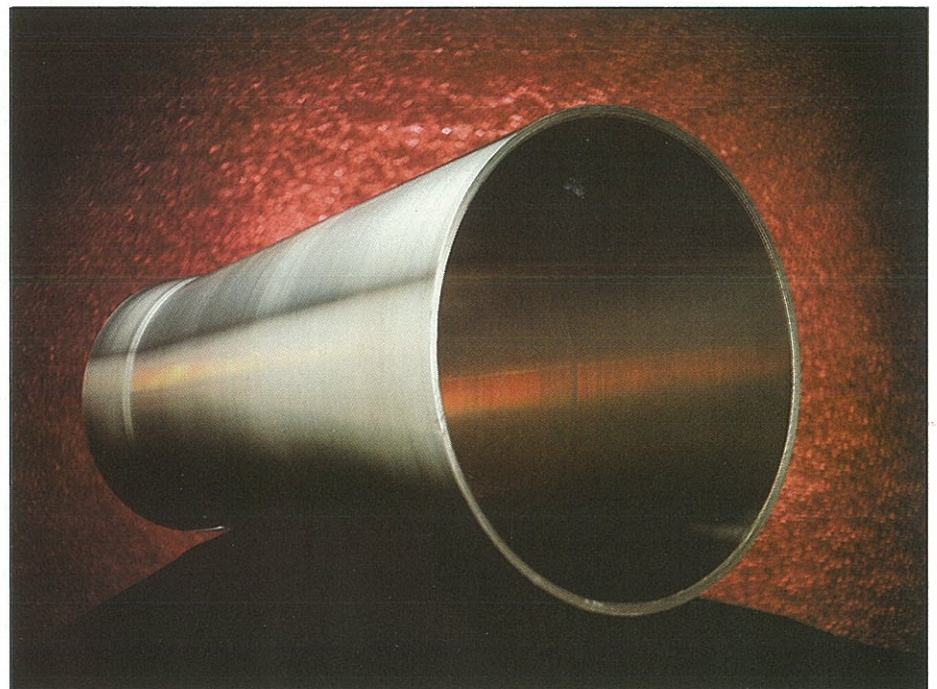
	1985	1984
Invoiced sales, external, Skr m.	<b>4,096</b>	3,473
Profit before non-recurring items, Skr m.	<b>255</b>	239
Return on capital employed, %	<b>14.7</b>	15.6
Capital expenditures, Skr m.	<b>118</b>	113
Number of employees, 31 Dec.	<b>5,784</b>	5,585

The business concept of Sandvik Steel is to develop, make and market highly upgraded steel products and special metals. Our aim is to achieve a leading position on the world market within interesting product niches. Our most important products are:

- Stainless steel tubes for the process, power, and oil and gas industries, among others, along with supplementary products for these industries in the form of tube fittings, sheet, bar stock and welding consumables.
- Tubes made of zirconium and titanium for canning nuclear fuels and for hydraulic lines in aircraft.
- Cold-rolled and hardened strip steel and drawn wire for manufacturing parts of precision mechanisms.

## Continued Improvement in Results

Sandvik Steel's invoiced sales in 1985 amounted to Skr 4,096m., an increase of 18% on the 1984 figure. Demand expanded, especially so for tubes and wire products, on the European market. The upturn in the U.S. lost a little of its momentum.



*Sandvik Steel has developed a new method for making heavy-gauge tubes in high-alloy steels. This picture shows a cone used in the production of highly concentrated sulphuric acid.*

The result showed a slight improvement to Skr 255m. The deterioration in the cost situation as compared with other countries was offset by higher capacity utilization, an improved product mix and the completion of rationalization projects.

## Research and Development

Our traditionally strong commitment to research and development was intensified. Research resources at our R&D centre in Sandviken were augmented as regards both personnel and matériel.

A start was made on the construction of a new plant to manufacture heavy-gauge tubes in high-alloy steels. These tubes are to be produced using a method developed by our research enterprise Osprey Metals Ltd. The new facility will enable us to make new alloys and to broaden our present dimensional range.

## Production and Market

Our largest production units are located in Sandviken and are concerned with all stages of manufacture from the melting to the cold-working of highly upgraded end-products. Outside Sweden there are major units for further upgrading in such countries as the U.S., Canada, Brazil and Spain.

During the year we commenced deliveries of semis to the partly owned company Fagersta Stainless AB, which has enabled us to utilize the capacity of our steelworks and continuous-casting plant to the full. Investments in upgrading facilities continued on the same high level as before.

By the use of integrated data networks we have achieved still more efficient distribution through local and regional warehouses in more than forty countries. This raised our rate of capital turnover while at the same time enhancing our service. There was a notable increase in sales of supplementary products.

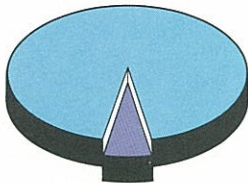
## Future Potential

Restructuring, rationalization and the renewal of our product range have greatly strengthened our standing in the market. The good results of the past two years have permitted considerable financial consolidation. Continued efforts in the direction of upgraded products will put us into a good position to maintain satisfactory profitability well into the future.

# Sandvik Saws and Tools

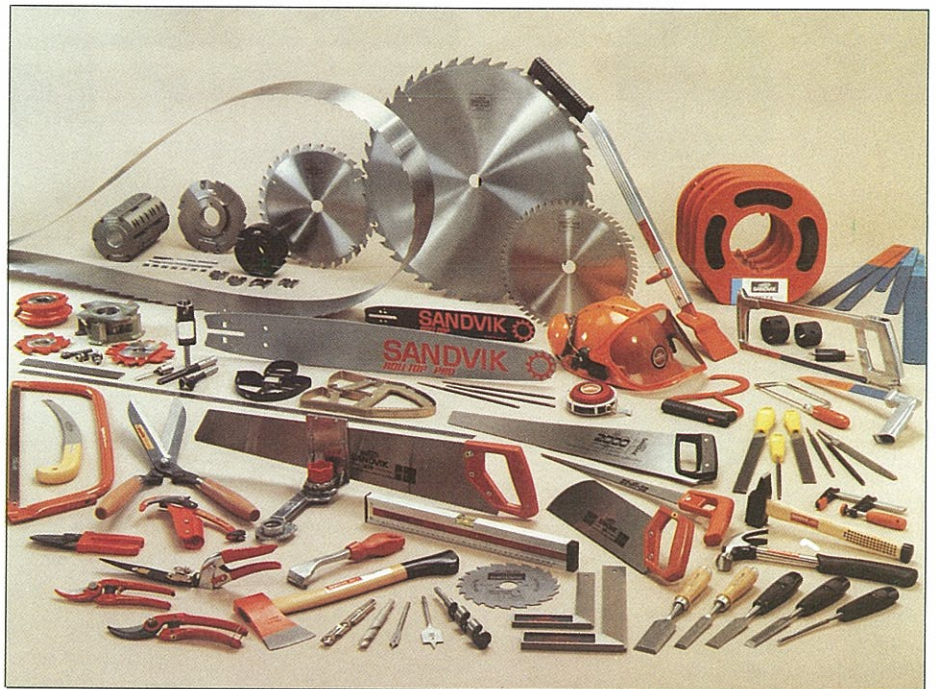


Hans Norman



Proportion of Group's turnover

	1985	1984
Invoiced sales, external, Skr m.	<b>1,069</b>	1,039
Profit before non-recurring items, Skr m.	<b>95</b>	65
Return on capital employed, %	<b>23.0</b>	18.4
Capital expenditures, Skr m.	<b>25</b>	18
Number of employees, 31 Dec.	<b>1,941</b>	1,938



*Sandvik Saws and Tools is the world's largest manufacturer of saws and sawblades and makes a broad range of tools for woodworking, metalworking and gardening.*

Sandvik Saws and Tools makes and markets saws and other tools for woodworking and metalworking and also for gardening. Its tools are used in industry, crafts and hobbies. In 1985, countries in Western Europe accounted for 70% of our sales figure of Skr 1,069m. Other important market areas are North America and South East Asia.

For the most part the products are sold through wholesalers and retailers. A smaller proportion is sold direct to the wood and metal industries.

## Successful Strategy

The restructuring of Saws and Tools at the beginning of the 1980s involved a concentration on those product lines in which we already enjoyed a position of strength. Lossmaking or incompatible activities were phased out and manufacture was concentrated to fewer units. The company is now divided into product- and distribution-oriented centres with far-reaching delegation of responsibility for production, development and marketing. The new organization has demonstrated its effectiveness and has materially contributed to the improvement in our results.

Also part of the strategy is a concentration on the important markets in Western Europe.

## Profitable Partnership

During 1985 we cultivated an idea to which we gave the name "Profitable Partnership". The partners with whom we sought to establish an even closer collaboration were the distributors of our products.

It is a fundamental requirement that these products must be of a technical quality that is well up to the expectations and needs of the consumer. To this end, we engage in ceaseless development work to enhance the cutting ability, edge keenness and wear resistance of our saws and other tools, making full use of new materials and new production technology.

The commercial qualities of the products, such as their form, colour and packaging, are often the things that decide the consumer's choice. Saws and Tools is recognized in the trade for the excellence of its performance in this respect.

Of great importance to the distributor are our systems for ensuring reliable delivery, efficient ordering routines and attractive display. Our packs are carefully designed for optimal handling and exposure in warehouses and shops.

Our co-operation with distributors also extends to the training of sales personnel, advertising back-up and on-the-spot technical service for industrial customers. Reference groups, set up jointly with our distributors, plan marketing activities and the launching of new products.

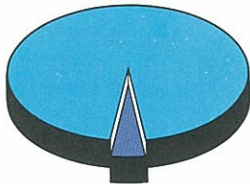
## A Springboard for Expansion

Ongoing consolidation of the business and consistent application of our strategies have given us a strong standing in the international tool market. From this position we are well placed to cope with shifts in the market situation while retaining satisfactory profitability. At the same time we have a firm basis from which we can move to take advantage of any openings for expansion that the cyclical situation and the structural changes in the tool trade may provide.

# Sandvik Process Systems



Staffan Paues



Proportion of Group's turnover

	1985	1984
Invoiced sales, external, Skr m.	<b>647</b>	675
Profit before non-recurring items, Skr m.	<b>62</b>	-7
Return on capital employed, %	<b>36.1</b>	4.3
Capital expenditures, Skr m.	<b>11</b>	29
Number of employees, 31 Dec.	<b>884</b>	1,046



The fine results achieved by Sandvik Process Systems in 1985 were largely due to increased deliveries of Rotoform installations. This picture shows a plant for cooling and pelletizing wax, which the company supplied to a customer in Britain.

Sandvik Process Systems, headquartered in Stuttgart, West Germany, has concentrated its activities to steel belts and machinery for the process industry. Engineering assignments constitute a growing proportion of its business.

Following upon major organizational changes that were implemented towards the end of 1984 and in the early part of 1985 we are now showing satisfactory results after a number of loss-making years. With profitability developing well and plenty of orders in hand we feel that we can look with optimism to the future.

Besides the changes just mentioned, our British subsidiary Garnett-Bywater Ltd., which makes textile-recycling machines, has been sold off. Spooner Industries Ltd., also in Britain, has established a subsidiary in Williamsville, U.S.A., to effectivize its cultivation of the American market for bakery machines.

Our operation is now organized under four product centres, each responsible for the totality of business activities within its sphere:

## Steel Belts

This product centre makes and markets steel belts that find a broad range of uses as conveyors and in industrial processes.

Its main unit is located in Sandviken and is supplemented by a production unit in the U.S. that was acquired on 1 January 1985. The remaining parts of our American subsidiary company in York, Pennsylvania, were relocated to this latter unit after the bakery and freezer sectors had been sold off during 1984 and at the beginning of 1985.

## Industrial Process Equipment

This product centre is located in Stuttgart. Ranged under it is Spooner Industries' Industrial Division in Britain.

Rotoform, our unique process for pelletizing intermediate products in the chemical and food industries, has been rendered still more effective by the use of microprocessor control. Since it was introduced, nearly 200 facilities have been installed.

During the past year the industrial division of Spooner Industries doubled the sales of its main product, high-speed dryers using air-cushion technology. These items are used in coating lines for paper and for the production of plastic foils.

## Sorting Systems

The selling of goods-sorting systems is directed from Sandvik's subsidiary company in Japan. Sales have developed well in that country and also in Australia.

A rapidly growing market is opening up for equipment to sort large quantities of small parcels in such businesses as wholesaling and courier postal services. To provide it with better service we have signed an agency agreement with the Italian firm of CML (Costruzioni Meccaniche Lonatesi) covering Japan, Australia, New Zealand and South Korea.

## Equipment for the Food Industry

The product centre dealing with food-industry equipment is Spooner Industries in Britain.

The main products are ovens, fermentation machines and coolers for baking biscuits and bread. A number of major orders, notably from the U.S., have led to a strong improvement in the results of this unit.

# Sandvik Electronics



Jörgen Wiklund

The foundation of our business is qualified service to other Group companies. It comprises the design and manufacture of special equipment for process control, materials handling, measuring technology and materials control. We have developed laboratory instruments for the metalworking industry and monitoring instruments for automated production, which are now being marketed externally as well.

The manufacture and marketing of equipment for non-destructive materials testing is handled by our subsidiary company Sandvik Bergstrand, of Östersund, Sweden.

During 1985, our second trading year, we began introducing the first products that were of our own development. They are marketed in Scandinavia directly from Sandviken, with some assistance from the Group's subsidiary companies. Contacts have been established in similar fashion on some European markets and in the U.S. Some specialist firms have been appointed to represent us as regards equipment for non-destructive testing.

Our invoiced sales for the year amounted to Skr 18m. A considerable increase in turnover is foreseen for 1986.

## Group Executive Management, Group Staff Units and Service Companies



*Per-Olof Eriksson, President and Chief Executive Officer, flanked by Lars Ivar Hising, Executive Vice President (left) and Olle Hedebrant, Head of the Group Staff Unit Market and Technology.*

*Standing, l. to r.: Olle Cederlund, Finance; Stig Åhlander, Taxes and Risk Management; Thomas Hjelm, Controller; Peter Lundh, President of AB Sandvik Information Systems; Lennart Höög, Personnel; Börje Andréasson, President of AB Sandvik Central Service; Malcolm Falkman, Legal Affairs; Henrik Jakenberg, Internal Auditing and Carl Lindberg, Information.*

# Sandvik's Research & Development

A clear-eyed commitment to research and development has been one of the marks of Sandvik ever since the firm was founded. Quite early on, new research findings and inventions were being turned to account in product development and production. The work of development has always been carried on in close concert with the customers, and this has been a significant point—notably so when Sandvik was moving into new product areas.

To take just one example, the technical collaboration with users of high-duty rock-drilling steels and tool steels played a large part in Sandvik's decision to put its money on cemented carbide. Once the firm had directed its attention to a new field of materials, a field quite distinct from the original steel, new technology and a new marketing philosophy entered into the picture. This crucial decision was the turning point in Sandvik's transformation from a steelworks to a manufacturing enterprise.

The list of the successful products that have come from Sandvik's laboratories is a long one. Cold-rolled strip steel, which has made Sandvik saws world-famous; stainless steels, which can withstand fiercely corrosive environments; cemented carbide, which has made metalworking and rockdrilling tools so much more effective; these are just some of the examples.

The Company's activities, which were traditionally concerned with the development of new and improved materials and production methods, have in recent years come to focus more and more on complete systems. This is true of all the Sandvik sectors, but it applies in particular to process equipment and tool systems.

The importance of R&D to Sandvik's position in the market can be illustrated by an example. The technique of coating cemented-carbide inserts with thin layers of friction-reducing and heat-dissipating oxides and nitrides was developed by Sandvik towards the end of the 1960s. At one bound, these coated inserts brought about a substantial increase in the productivity of manufacturing industry. Since then the growth of the market has been very vigorous, and nowadays more than half of the 300-odd million inserts that the world buys annually are coated. Sandvik has strong patents on this product and has in recent years sold licence rights to most other manufacturers.



*Sandvik's Steel Research Centre in Sandviken has a new transmission electron microscope that can magnify up to 850,000 diameters and is augmented with up-to-date facilities for chemical analysis.*

## The Organization

On the average, 4% of the Group's revenue from invoiced sales is devoted to R&D. The figure is regarded as high in a comparison with other manufacturing enterprises having a product mix resembling that of Sandvik.

The present-day R&D organization is entirely sited in the various business areas in order to facilitate the vital contacts with markets and production. About 1,300 people are employed at Sandvik's R&D units.

The bulk of this activity is located to Sweden, but in recent years well-equipped laboratories have been set up abroad as well. The cemented-carbide business has labs in Britain, France and India, while the steel business has a research unit concerned with powder metallurgy in Britain. Process Systems conducts the bulk of its development work in West Germany, with application centres scattered round the world. This approach brings the researchers into closer contact not only with our numerous customers but also with international research at large.

## Making Sure of Quality

An important task for the R&D units is to safeguard the quality of Sandvik products. High and rising standards in this respect are demanded in energy production, in the offshore industry, in automated manufacturing and in other fields of endeavour where safety and pollution con-

trol are of special importance. A substantial proportion of our research personnel is engaged in the monitoring of quality, which explains why Sandvik can steadily strengthen its position as a supplier of high-duty products.

It was a highly competent quality organization that enabled Sandvik Steel, for example, to win the sanction of the well-regarded American organization ASME to supply tubes and welding materials to nuclear power plants—making it one of the first European steelmakers to clear this hurdle.

The development of new inspection methods has been a very important element in our work on quality, and it now enters upon a broader application through Sandvik Electronics. Increasingly, electronics and computer technology are being harnessed to the needs of materials testing, process control and production monitoring.

## Ongoing Research

Cemented carbide and steel products still possess great development potential, and they absorb the bulk of Sandvik's R&D resources. New needs, as they arise among our customers, call for new types of steel and cemented carbide in new product forms. And Sandvik supplies them—one after the other. A great advantage possessed by Sandvik is that it can

meet the customer's requirements by making the necessary adjustments at any and all points in the sequence of manufacture, from the raw material to the end-product.

To a growing extent, our products are incorporated into more complex systems, which in the final analysis means better overall production economy for the customer. Examples are Coromant's Block Tool System for automatic tool-changing and Varilock holding tools for machining centres.

In recent years, Sandvik Coromant has developed and introduced more than a thousand new product variants a year. The reference here is to new grades of carbide and cutting materials, new types of tool and entirely new tool systems. This has entailed a thoroughgoing modernization of the product range, so that Coromant is well set to face the future, and it has brought about worthwhile increases in productivity for the metalworking industry.

Sandvik Rock Tools possesses a unique body of know-how founded on the combination of steel and cemented carbide. This generates a constant flow of new products and techniques for drilling various kinds of rock. In recent years, for example, the company has developed roller bits armed with cemented carbide for the oil and gas market and also large raise-boring heads for drilling vertical shafts in mines. New tools for mineral extraction and for drilling through soft overburden have likewise been evolved. And

very soon now, Rock Tools will begin introducing newly developed tools for tunnel-driving using a technique known as full-face drilling.

Notable among the products that have been developed in recent years by Sandvik Steel are stainless heat-resistant strip for exhaust purifiers, canning tubes in zirconium alloys, nickel-based steam-generator tubes, welding strip and wire for overlay welding on reactor vessels, and new steels for the manufacture of sulphuric acid, phosphoric acid and urea. Stainless tubes for deep oil and gas wells, demanding both high strength and good corrosion resistance, have been evolved in collaboration with the customers and assimilated to Sandvik's up-to-date production equipment.

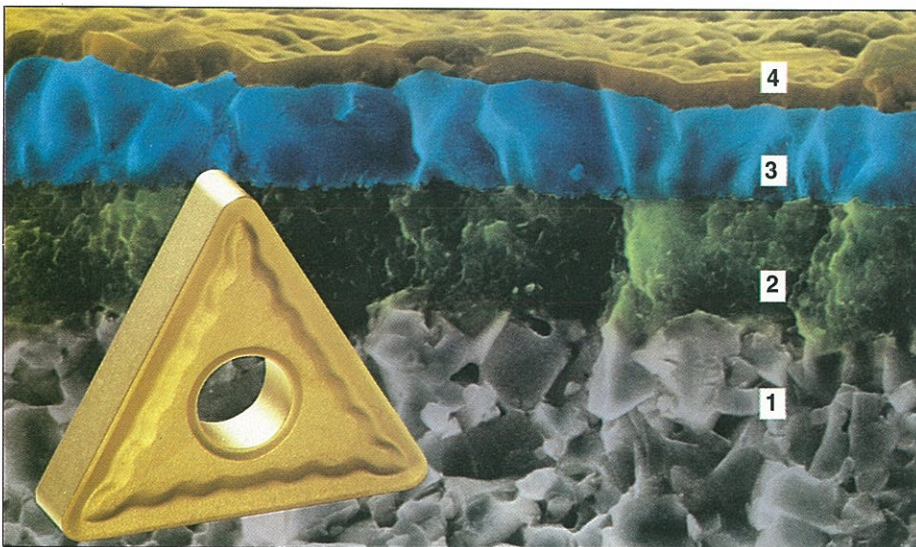
In both the steel and the cemented-carbide areas, new processes for semi-manufactures are being developed. The benefits are shorter production paths and higher productivity, which in turn lead to a considerable reduction in the volume of material being processed—and thus in interest outgoings.

#### The Technology of the Future

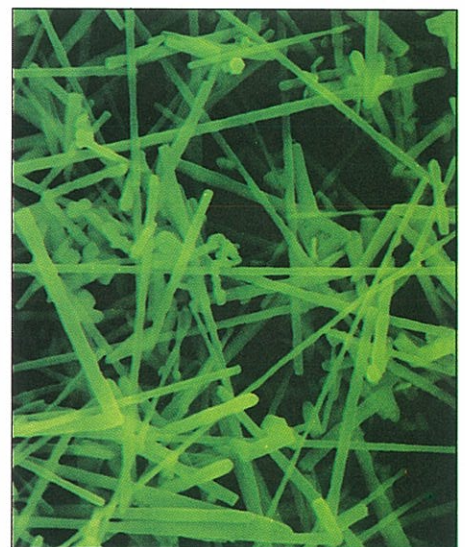
All along the line, the Sandvik companies have set themselves to lead the world in their fields. Accordingly, our R&D people have to keep a close watch on developments in the rest of the world so that they will be well prepared to handle new technology, new materials, new processes and new customer requirements. The energy production, the cars and the aircraft

of the future will call increasingly for new materials, manufactured by new methods. Our R&D units are developing not only the steel and cemented-carbide products that will be required by the manufacturing industry of the future but also the semi-manufactures, tools and systems in which new materials, such as special ceramics and hard materials with properties between those of high-speed steel and cemented carbide, will play an ever greater role. This also opens up scope for new areas of activity.

Sandvik's numerous well-trained R&D staffers enjoy good contacts with technical research everywhere in the world. Many of them will continue their careers in production and marketing units, thereby further enhancing the firm's competence when it comes to "the management of technology"—the art of exploiting the business opportunities created by technical progress.



Modern carbide inserts are complicated both in their geometry and in their chemical composition. The background to this picture is a greatly enlarged micrograph of the surface zone on an insert. At the bottom we see the cemented-carbide substrate (1), which consists 90% of hard carbide grains and 10% of cobalt. The substrate has been coated with a layer of very hard titanium carbide (2), thickness 0.005 mm, then with aluminium oxide (3), which possesses great chemical resistance, and finally with a thin topcoat of titanium nitride (4).



An important new field of research for Sandvik is provided by tough, fibre-reinforced ceramics. The technicians refer to the very thin fibres as "whiskers". The picture shows, in an enlargement of 3,000 diameters, the silicon-carbide whiskers in our most recently developed ceramic.

# Report of the Directors

## Market Situation and Sales

	1985	1984	Change %
Order intake, Skr m.	12,927	11,868	+9
Invoiced sales, Skr m.	12,560	11,299	+11

Industrial trade lost a good deal of momentum in North America during 1985, but it remained strong in Europe, where some of the most important markets displayed an increased rate of growth. Inflation continued to subside. The dollar rate reached a peak in March, since when it has steadily lost ground. On the average, however, the dollar was somewhat higher in 1985 than it had been in 1984. At the same time, the appreciation of several important European currencies against the Swedish krona during the latter half of the year made us steadily more competitive. On the whole, however, 1985 was not much different from 1984 in this respect.

For the Sandvik Group this means a continued expansion of sales, although the rate of growth was lower in North America and Latin America, whereas in Europe it was if anything even higher than before. Other markets likewise showed favourable development, with the exception of South Africa and certain of the state-trading countries.

The order intake amounted to Skr 12,927m., an increase of 9% on 1984. Invoiced sales showed somewhat faster growth, rising 11% from the 1984 level to reach Skr 12,560m. This represented a marked increase in volume. The rate of growth peaked in the spring, easing down during the second half of the year.

Invoiced sales per market area	1985 Skr m.	1984 Skr m.	Change %
Europe	7,298	6,372	+15
(whereof Sweden)	(1,054)	(949)	(+11)
North America	2,195	2,011	+9
Latin America	943	796	+18
Africa, Asia and Australia	2,124	2,120	0
	12,560	11,299	+11

In Europe business developed well on most markets of importance to the Group, notably in West Germany, France and Britain.

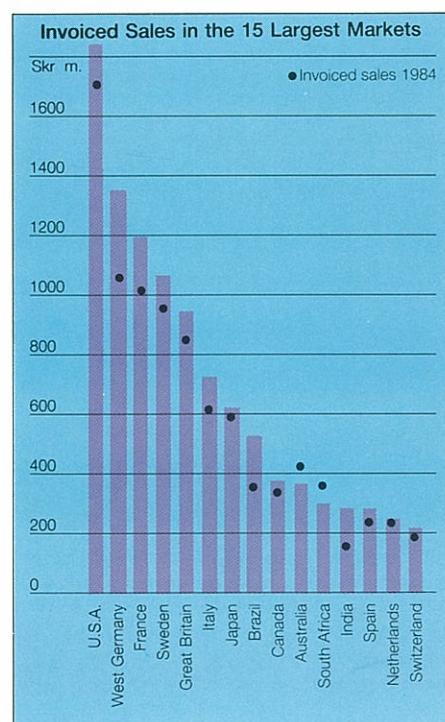
In North America the pace of growth slackened in all product areas. The dollar rate, on the average, was 4% higher in 1985 than in 1984, which means that the sales increase for 1985, measured in local currency, was 5%.

In Latin America, Brazil showed strong growth, whereas Argentina and Mexico did not do so well.

Among the other major markets outside Europe, South Africa showed feeble development except as regards rockdrilling steels. The heavy devaluations of the South African currency served to accentuate the negative outturn, and for the second year in succession the invoiced sales showed a marked drop when converted to Swedish kronor. In Japan, Steel and Process Systems suffered declines. In India, which was affected in 1984 by a protracted labour conflict, sales once again turned strongly upward. Korea and Australia likewise developed along positive lines. Project and margin deals with certain of the state-trading countries underwent a decrease.

Invoiced sales per product area	1985 Skr m.	1984 Skr m.	Change %
Cemented Carbide	6,646	5,898	+13
Steel	4,096	3,473	+18
Saws and Tools	1,069	1,039	+3
Process Systems	647	675	-4
Other	102	214	-52
	12,560	11,299	+11

The strongest growth in the Cemented Carbide area was shown by cutting tools, mainly owing to the rising production and ever greater automation of manufacturing industry. Sales of rockdrilling products were held back by the subdued state of the mining industry. Even so, the sales volume was pushed higher by the efforts being devoted to new products for oil drilling and mineral extraction. External sales of powder semi-manufactures and finished cemented carbide underwent vigorous expansion.



The growth in sales of steel products was very good, especially as regards tubes and wire products. External deliveries of semi-manufactures rose when Sandvik Steel began supplying billets to the partly owned company Fagersta Stainless AB.

Saws and Tools showed overall a relatively slow rate of growth, but there were wide differences from one product category to another, with considerably higher rates of growth for the most profitable products and with a declining volume of margin deals through the regional companies.

The decline for Process Systems was apparent only, since parts of its operation had been sold off. In comparable terms its sales increased by 6%.

## Restructuring

The sweeping process of restructuring through which the Group had been passing in recent years was essentially completed by the end of 1984. One of the last elements therein was formalized in 1985 by the liquidation of three subsidiary companies: Eurotungstène S.A. in France, Neva Tools Ltd. in Britain and Madison Industries GmbH in West Germany. This did not entail any expenses in the 1985 results.

The further rationalization and restructuring of the activities at Sandvik Process Systems that was resolved upon in 1984 was carried out around the end of that year and during the first half of 1985. The aim of this restructuring is to concentrate the operation to those areas in which the prospects of long-term and lasting profitability are adjudged to be best. At the beginning of the year the part of the business in the bakery-equipment sector that had been located in the U.S. was sold off. At the end of 1984 the company acquired the American firm of Handy & Harman Metalsmiths Systems Inc. This undertaking manufactures stainless steel belts for conveyor and process installations. During 1985 the bulk of the remaining business of Process Systems in the U.S. was merged with Metalsmiths Systems. The facilities and offices were moved from York, Pennsylvania, to Metalsmiths' plant in Totowa, New Jersey. A new subsidiary company, Spooner Inc., was formed in Williamsville, New York. This enterprise answers for the selling in the U.S. of bakery products made by the British firm of Spooner Industries. Besides this, the company sold off Garnett-Bywater Ltd., of Britain, a business producing machinery for textile recycling.

In order to enhance the efficiency of the Hard Materials operation in Britain the two companies Carbide Products Ltd. and



Sandvik Hard Materials Ltd. were amalgamated.

The following changes took place as regards involvements in companies outside the Sandvik Group:

- AB Sandvik Steel bought a 50% stake in ANSAB AB, of Storfors, Sweden, a subcontractor supplying tube products. It also increased its holding in Uddeholm Strip Steel AB from 48% to 50%.
- AB Sandvik Hard Materials acquired 10% of ASEA-Cerama AB, of Robertsfors, Sweden, which develops ceramic structural materials.
- AB Sandvik Saws and Tools concluded an agreement to buy a 35% stake in Devillé S.A., a French manufacturer of garden tools and a longstanding Sandvik supplier.

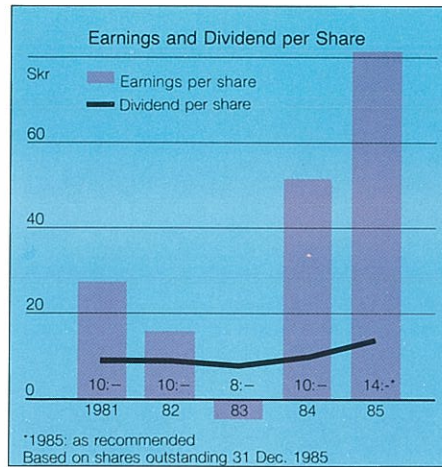
### The Group's Results and Returns

	1985	1984
Profit before non-recurring items, Skr m.	1,610	1,013
and as a percentage of invoiced sales	12.8	9.0
Return on investment, %	21.3	20.0
Return on adjusted equity capital after tax, %	20.5	15.4
Earnings per share, Skr	82	52

For definitions, see p. 19.

The profit after scheduled depreciation and financial items but before non-recurring items worked out at Skr 1,610m. (1,013). The sharp improvement was attributable to a high capacity utilization and increased productivity and to an improvement in the net figure on financial account and favourable exchange-rate differences. Also significant was the fact that the Group no longer has any appreciable sources of loss.

The downturn in the prices of raw materials that set in during the latter part of the year had a negative effect on the value of the stocks in hand, which from considerations of prudence were revalued to their replacement cost in the Accounts. The revaluation led to a charge of Skr 178m. being imposed on the trading profit before depreciation.



The method of calculating the reservation for unrealized internal gains on intra-Group deliveries was refined during the year. This entailed a once-for-all charge of about Skr 40m. on the trading profit before depreciation.

The scheduled depreciation, which amounted to Skr 474m. (425), was affected by once-for-all writedowns totalling about Skr 30m.

The exchange-rate differences on long-term loans worked out in our favour owing to the decline of the U.S. dollar. They totalled Skr 142m. (-190), of which Skr 34m. was realized in connection with amortizations while Skr 108m. was unrealized. Unrealized exchange gains are recognized in the Accounts only insofar as the rate is not below the original rate as it was when the loan was taken up. If the rate falls below the original level these effects are not booked until the loan is amortized. Unrealized and unrecognized exchange gains of this type amounted on 31 Dec. 1985 to Skr 75m.

Quarterly changes in invoiced sales, results before non-recurring items and profit margin (i.e. the results before non-recurring items as a percentage of invoiced

sales) were as shown in the following table:

	Invoiced sales Skr m.	Results Skr m.	Profit margin %
<b>1984</b>			
1st quarter	2,729	210	8
2nd quarter	2,782	251	9
3rd quarter	2,663	225	8
4th quarter	3,125	327	10
<b>1985</b>			
1st quarter	3,104	362	12
2nd quarter	3,175	489	15
3rd quarter	2,953	400	14
4th quarter	3,328	359	11

The above-mentioned adverse effects on results when stocks in hand were revalued to their replacement cost fell mainly on the fourth quarter and therefore exerted a negative influence on the profit margin for this quarter.

The profit before appropriations and taxes came to Skr 1,609m. (940).

A deduction for the losses of earlier years served to limit the tax burden to 27% in 1985 (32).

The return on investment was 21.3% in 1985 (20.0).

The return on adjusted equity capital after the full estimated tax was 20.5% in 1985 (15.4).

The 1985 earnings per share came to Skr 82 (52). Supplementary per-share data will be found in the section on the Sandvik share on p. 38.

### Results and Returns per Product Area

	Profit before non-recurring items		Return on capital employed	
	1985	1984	1985	1984
	Skr m.	Skr m.	%	%
Cemented Carbide	1,103	795	31.1	23.2
Steel	255	239	14.7	15.6
Saws and Tools	95	65	23.0	18.4
Process Systems	62	-7	36.1	4.3
Other activities	95	-79	-	-
Group totals	1,610	1,013	18.6	17.5

"Return on capital employed" works out lower than the figure used in the foregoing paragraph, "return on investment", since it is calculated without reducing the capital base by 50% of the untaxed reserves. (These concepts are defined on p. 19.)

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

The sizable increase in the results of Cemented Carbide came mainly from the metalworking area, whereas earnings on rockdrilling products fell off owing to weak sales of the main products and heavy expenses in connection with new products.

Steel increased its results by achieving good growth of sales, which permitted high capacity utilization.

Saws and Tools and Process Systems showed improvements in results, unprofitable operations having been reduced or eliminated while at the same time the strong products were developed.

Earnings on other activities are dominated by the finance business.

## Finance

	1985	1984
Cash flow, Skr m.	1,185	1,383
Liquid assets, 31 Dec., Skr m.	2,866	2,198
Net interest earnings, Skr m.	-212	-349
Net financial earnings, incl. exchange differences, Skr m.	-58	-538
Interest, times covered	3.5	2.9

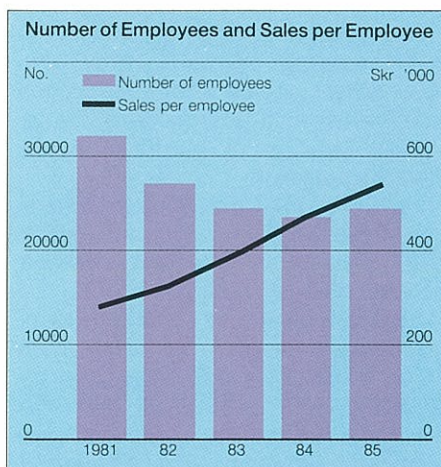
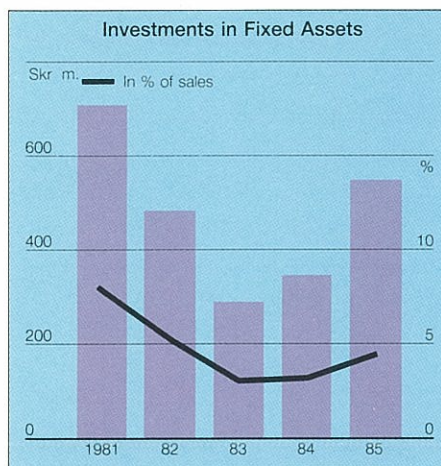
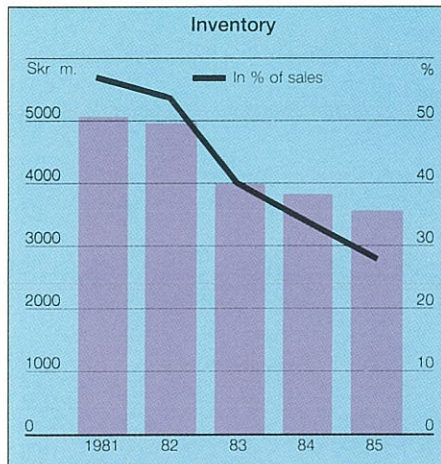
For definitions, see p. 19.

The cash flow from operations during the year came to Skr 1,647m. (1,672). Reduced working capital (excluding liquid assets and bills) accounted for Skr 158m. thereof (against a decrease of Skr 535m. in 1984).

For the fourth year in succession the Group was able to reduce its inventory, the 1985 decrease being Skr 258m. This was achieved by a concentration of production and warehousing locations in combination with increased direct distribution. During 1985, moreover, the movements of exchange rates and the price trend on raw materials led to a reduction of inventory values expressed in Swedish kronor.

The financial surplus after capital expenditures (cash flow) came to Skr 1,185m. (against a surplus of 1,383 in 1984).

The Group's loans were reduced during the year by Skr 324m. (against a 1984 decrease of 293). One of the reasons why Sandvik did not amortize its loans to an even greater extent, in view of its high liquidity, was that the bulk of the Parent Company's loans are in foreign currencies and that, in accordance with Riksbank stipulations, they must not be repaid until later. See also Note 16 on p. 28.



In accordance with a resolution passed at the Annual General Meeting the Group's employees were invited to subscribe convertible debentures in Sandvik AB. About 30% of the employees in Sweden availed themselves of the opportunity, the subscribed amount being Skr 103m. Full conversion of these debentures would raise the Company's share capital by Skr 24m. See Note 25 on p. 29.

The combined effect of the financial surplus and the limited amortizations was that the Group's liquid assets rose by Skr 668m. to Skr 2,866m. (2,198).

The net interest outgoings improved by Skr 137m. The net deficit on financial account, defined as the net interest outgoings, exchange-rate differences on long-term loans and dividends on shares, improved by Skr 480m., going from Skr 538m. in 1984 to Skr 58m. in 1985.

	1985	1984
Solvency, %	33	28
Venture-capital ratio, %	43	38
Adjusted equity capital, Skr m.	4,249	3,456
Adjusted equity capital per share, Skr	442	360

For definitions, see p. 19.

The solvency and the venture-capital ratio showed a marked gain in strength during the year.

The entered equity capital rose from Skr 2,315m. to Skr 3,004m. The shifts in exchange rates had a negative effect of Skr 94m. on the opening equity capital. Adjusted equity capital per share increased from Skr 360 to Skr 442, or by 23%.

## Stock Split, Bonus Issue and Exchange of Unrestricted "A" Shares against Unrestricted "B" Shares to be Proposed at 1986 A.G.M.

The Board of Directors recommends that the nominal value of the Company's shares be reduced from Skr 100 to Skr 25 by a stock split.

In order to bring about a better relationship between the share capital and the balance-sheet total the Board recommends that the share capital be raised by a bonus issue, entitling each shareholder to receive one new share of Series "A" for every three old "A" shares (nom. Skr 25) and one new share of Series "B" for every three old "B" shares (nom. Skr 25). Restricted shares entitle the holder to new restricted shares, and unrestricted shares to new unrestricted shares. It is calculated that this will increase the share capital by about Skr 325m., involving a capitalization of Skr 200m. from the statutory capital reserve, with the remainder coming from disposable surpluses. It is proposed that the new shares should carry dividend rights as from the beginning of the 1986 trading year.

In view of the growing interest which the Sandvik share is attracting abroad it is generally considered desirable to increase the number of unrestricted "B" shares, which are quoted on the London Stock Exchange. Accordingly, the Board proposes to invite holders of unrestricted "A" shares to exchange them for unrestricted "B" shares during the period up to the next Annual General Meeting at a time to be fixed by the Board in due course.

#### Capital Expenditures

	1985	1984
Capital expenditures, Skr m. and as a percentage of invoiced sales	552 4.4	419 3.7

Capital expenditures in 1985 amounted to Skr 552m. (419). Of this total, Skr 4m. was spent on share purchases (57). Investment in Sweden amounted to Skr 338m. (256), of which Skr 296m. (231) was spent at the Parent Company, including its subordinate companies. The breakdown by product areas was as follows:

	1985 Skr m.	1984 Skr m.
Cemented Carbide	340	188
Steel	118	113
Saws and Tools	25	18
Process Systems	11	29
Regional companies, service companies and collective functions	58	71
Group totals	552	419

#### Personnel

	1985	1984
Number of employees on 31 Dec.	24,033	23,777
Average number of employees	23,905	23,994

The number of people employed by the Group increased in 1985 by 256 to a total of 24,033 (against a decrease of 434 to 23,777 in 1984). The average number of employees eased down between 1984 and 1985 (from 23,994 to 23,905).

The number of people employed by the Parent Company and its subordinate companies as of 31 Dec. 1985 was 9,637 (9,308).

Data on the personnel costs and on the average number of employees will be found on p. 30.

The number of employees per product area was as follows:

	31 Dec. 1985	31 Dec. 1984	Change
Cemented Carbide	12,929	12,606	+323
Steel	5,784	5,585	+199
Saws and Tools	1,941	1,938	+3
Process Systems	884	1,046	-162
Regional companies, service companies and collective functions	2,495	2,602	-107
Group totals	24,033	23,777	+256

#### Outlook for 1986

Expectations are that 1986 will turn out to be a relatively good year on the whole, with continued growth in the more important industrial countries. The trend in the U.S. and in markets linked to the American economy has entered upon a more subdued phase, but it is hard to judge which way it will go. European markets that are important to Sandvik, which were booming in 1985, have as yet shown no signs of slackening.

The rate of inflation in Sweden is still a couple of percentage points higher than in our most important competitor-countries. There is great uncertainty as regards the current round of collective bargaining in the Swedish labour market. This makes the trend of costs in Sweden a critical factor.

Competition is fierce, and there is very little room for price increases, but Sandvik expects to maintain profits at the 1985 level even if the growth of sales in 1986 slows down as expected.

# Accounting Principles

## General

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

Sandvik also takes a positive view of the "ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy".

## Consolidated Accounting

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

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

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

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

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

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

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

## Valuation Principles

### *Receivables and Liabilities in Foreign Currencies at Swedish and Foreign Group Companies*

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

Long-term receivables and liabilities, excluding convertible loans, are entered respectively at the lower and the higher of the rates ruling on the date of purchase and the date of the balance sheet.

### *Inventory*

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

## Fixed Assets

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

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

## Research and Development

The costs of research and development are charged off in their entirety as overheads during the accounting year.

## Principles for the Entry of Profits

Profits on contracted orders are normally entered only after an order has been completed and fully invoiced. Only in the case of very large factory projects with long completion times does the Group employ proportional entry of profits against invoicing and degree of progress.

## Appropriations and Untaxed Reserves

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

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

## Taxes

The various companies belonging to the Group calculate their income taxes in accordance with the taxation rules applying in those countries where the profit arose. These taxes are normally based on the locally reported pre-tax profit, calculated according to accounting principles that may differ from those of the Group. Since these differences are adjusted in the drawing-up of the Group's Accounts, deferred taxes are not included in the Group's tax outgoing. The 1985 tax outgoing includes foreign coupon taxes paid on dividends going to the Parent Company or to other Group companies. Deferred taxes pertaining to untaxed reserves in acquired companies are shown among long-term liabilities.

---

## Definitions

### *Earnings per Share*

Profit before non-recurring items, after deduction for estimated tax and minority interest, divided by the number of shares outstanding on 31 Dec. In estimating the tax the current tax rates were implemented for the various Group companies. In these calculations, due allowance was made for known tax-free revenues and tax reliefs, as also for periodization differences between the accounts of individual companies and the Group Statements. The average tax rate applying to the Group for 1985, calculated from theoretical premisses, thereupon works out at 47%. Thus the calculation of the Group's tax charge would appear to accord closely with the so-called "full-tax" method recommended by the Swedish Industry and Commerce Stock Exchange Committee.

### *Earnings per Share including Holdings in Associated Companies*

Profit before non-recurring items, after deduction for estimated tax and minority interest and after adding interest in the undistributed profits of associated companies as reduced by estimated tax, divided by the number of shares outstanding on 31 Dec. See also the foregoing definition, Earnings per Share.

### *Earnings per Share after Full Conversion*

Profit before non-recurring items, after reposting interest expenses on convertible loans, after deduction for estimated tax and minority interest and after adding interest in the undistributed profits of associated companies as reduced by estimated tax, divided by the number of shares that would theoretically be outstanding on 31 Dec. assuming full conversion. See also the above definition of Earnings per Share.

### *Earnings per Share after Payment of Tax*

Profit before non-recurring items, after deduction for minority interest and taxes paid according to the Profit and Loss Account, divided by the number of shares outstanding on 31 Dec.

### *Adjusted Equity Capital*

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

### *Solvency*

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

### *Venture-Capital Ratio*

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

### *Interest Coverage*

Profit after financial earnings and expenses, but before exchange-rate differences on long-term loans, plus interest expenses, divided by the interest expenses.

### *Rate of Capital Turnover*

Invoicing in relation to average total capital.

### *Return on Adjusted Equity Capital, After Taxes*

Profit before non-recurring items less estimated tax and minority interest as a percentage of the average equity capital including 50% of untaxed reserves after deduction for the minority interest therein, less recommended dividends.

### *Return on Investment*

Profit before non-recurring items plus outgoing interest and exchange differences on long-term loans as a percentage of average total capital with short-term interest-free trading debts and 50% of untaxed reserves deducted. This yardstick is applied only to the Group as a whole. (This definition conforms to that recommended by the Swedish Industry and Commerce Stock Exchange Committee.)

### *Return on Capital Employed*

Profit before non-recurring items plus outgoing interest and exchange differences on long-term loans as a percentage of average total capital with short-term interest-free trading debts deducted. This yardstick is used in calculating the return per product area and for the Group overall.

# Group's Profit and Loss Account

Amounts in Skr million

	1985	1984
Invoiced sales ..... Note 2	12,560	11,299
Costs of production, sales and administration .....	<u>-10,418</u>	<u>-9,323</u>
Trading profit before depreciation .....	2,142	1,976
Scheduled depreciation ..... Note 3	<u>-474</u>	<u>-425</u>
Trading profit after depreciation .....	1,668	1,551
Financial items:		
Dividends received .....	12	1
Interest received ..... Note 4	377	284
Interest paid ..... Note 4	<u>-589</u>	<u>-633</u>
Exchange differences on long-term loans ..... Note 5	142	<u>-190</u>
Profit before non-recurring items ..... Note 6	1,610	1,013
Non-recurring earnings and expenses ..... Note 7	<u>-1</u>	<u>-73</u>
Profit before appropriations and taxes .....	1,609	940
Appropriations:		
Difference between book and scheduled depreciation ..... Notes 3, 18	<u>-127</u>	<u>-154</u>
Change in inventory reserves ..... Note 19	171	185
Change in investment reserves and allocation to renewal reserve ..... Note 20	<u>-350</u>	<u>-242</u>
Other appropriations ..... Note 21	<u>-21</u>	<u>-</u>
Profit before taxes .....	1,282	729
Taxes .....	<u>-344</u>	<u>-236</u>
Profit after taxes .....	938	493
Minority interest in profit .....	<u>-40</u>	<u>-21</u>
Group net profit for the year .....	898	472

# Group Funds Statement

Amounts in Skr million

	1985	1984
<b>Funds generated/used internally</b>		
Result before appropriations and taxes .....	1,609	940
Depreciation .....	517	425
Re-posting of unrealized exchange differences on long-term loans .....	-108	173
Capital gain/loss on shares and facilities sold .....	14	-37
Increase on blocked accounts for fund allocations .....	-97	-46
Taxes .....	-344	-236
Dividends .....	-102	-82
Total funds generated internally .....	1,489	1,137
<b>Change in working capital</b>		
Decrease in inventory .....	258	169
Increase/decrease in current receivables .....	-147	88
Increase in interest-free trading debts .....	47	278
Total change in working capital .....	158	535
Net funds derived from operations .....	1,647	1,672
<b>Net investments</b>		
Acquisition of shares .....	-4	-57
Acquisition of fixed assets and goodwill .....	-548	-362
Sale of shares .....	7	20
Sale of fixed assets .....	83	110
Net investments .....	-462	-289
Financial surplus (cash flow) .....	1,185	1,383
<b>Funds used/generated externally</b>		
Equity capital		
Increase by conversion of loan .....	2	7
Loans		
Increase in short-term loans .....	527	40
Decrease in long-term loans .....	-952	-326
Increase/decrease in convertible loan .....	101	-7
Total loans .....	-324	-293
Other financing, net		
Increase in long-term receivables .....	-124	-50
Decrease/increase in interest-free long-term debts .....	-9	112
Total other financing, net .....	-133	62
Total funds used externally .....	-455	-224
Translation differences, etc. ....	-62	-11
Increase in liquid assets .....	668	1,148

# Group Balance Sheet

Amounts in Skr million

	1985	1984
<b>Assets</b>		
<b>Current assets</b>		
Cash in hand and at banks .....	698	666
Bonds and other short-term securities ..... Note 8	2,168	1,532
Bills receivable from customers .....	415	386
Other customer receivables .....	1,998	1,981
Prepaid costs and accrued revenues .....	210	193
Other current receivables .....	295	211
Inventory .....	<u>3,572</u>	<u>3,830</u>
	9,356	8,799
Blocked accounts for fund allocations ..... Note 9	160	63
<b>Fixed assets</b>		
Shares ..... Note 10	181	189
Long-term receivables ..... Note 11	860	736
Goodwill and other intangible assets ..... Note 12	46	103
Construction in progress .....	84	47
Machinery and equipment ..... Note 13	1,664	1,687
Land and buildings ..... Note 13	<u>1,413</u>	<u>1,494</u>
	4,248	4,256
<b>Total assets</b> .....	<b>13,764</b>	<b>13,118</b>
Pledged assets ..... Note 14	1,426	1,634



	1985	1984
<b>Liabilities and Equity Capital</b>		
<b>Current liabilities:</b>		
Bills payable .....	90	92
Owed to suppliers .....	717	681
Tax debts .....	213	163
Accrued expenses and prepaid revenues .....	843	831
Other current liabilities ..... Note 15	<u>2,321</u>	<u>1,843</u>
	4,184	3,610
<b>Long-term liabilities</b>		
Long-term loans ..... Note 16	2,291	3,351
Provision for pensions ..... Note 17	842	832
Other long-term liabilities .....	<u>145</u>	<u>164</u>
	3,278	4,347
Convertible bond loans ..... Notes 5, 25	190	89
<b>Untaxed reserves</b>		
Accumulated depreciation above schedule ..... Note 18	1,055	933
Inventory reserve ..... Note 19	1,121	1,294
Investment and renewal reserves ..... Note 20	780	430
Other untaxed reserves ..... Note 21	<u>21</u>	<u>—</u>
	2,977	2,657
Minority interest in equity capital ..... Note 23	131	100
<b>Equity capital</b> ..... Note 24		
<b>Restricted equity capital:</b>		
Share capital .....	961	960
Statutory capital reserves .....	<u>781</u>	<u>727</u>
	1,742	1,687
<b>Unrestricted equity capital:</b>		
Unrestricted reserves .....	388	152
Translation difference .....	-24	4
Group net profit for the year .....	<u>898</u>	<u>472</u>
	1,262	628
Total equity capital .....	3,004	2,315
Total liabilities and equity capital .....	13,764	13,118
Contingent liabilities ..... Note 26	426	334

# The Parent Company's Accounts

Amounts in Skr million

Profit and Loss Account			Funds Statement		
	1985	1984		1985	1984
Invoiced sales ..... Note 2	5,808	5,239	<b>Funds generated/used internally</b>		
Costs of production, sales and administration .....	-4,972	-4,376	Result before appropriations and taxes ....	757	360
Trading profit before depreciation .....	836	863	Depreciation .....	206	185
Scheduled depreciation ..... Note 3	-206	-185	Re-posting of unrealized exchange differences on long-term loans .....	-108	173
Trading profit after depreciation .....	630	678	Capital gain/loss on shares and facilities sold .....	16	-10
Financial items:			Increase/decrease on blocked accounts for fund allocations .....	-1	2
Dividends received from subsidiaries .....	103	75	Taxes .....	-2	-7
Dividends received from other companies .....	12	1	Dividends .....	-96	-77
Interest received from subsidiaries .....	36	40	Total funds generated internally .....	772	626
Other interest received .....	271	190	<b>Change in working capital</b>		
Interest paid to subsidiaries .....	-20	-25	Decrease/increase in inventory .....	13	-1
Other interest paid ..... Note 4	-390	-419	Decrease in current receivables .....	104	247
Exchange differences on long-term loans ..... Note 5	142	-190	Decrease/increase in interest-free trading debts .....	-53	268
Profit before non-recurring items .....	784	350	Total change in working capital .....	64	514
Non-recurring earnings and expenses ..... Note 7	-27	10	Net funds derived from operations .....	836	1,140
Profit before appropriations and taxes .....	757	360	<b>Net investments</b>		
Appropriations:			Acquisition of shares .....	-12	-56
Difference between book and scheduled depreciation ..... Notes 3, 18	-100	-145	Acquisition of fixed assets .....	-284	-175
Change in inventory reserve ..... Note 19	125	76	Decrease in Parent Company's long-term commitment to subsidiary companies .....	34	57
Change in investment reserves .... Note 20	-174	-118	Sale of shares .....	1	8
Change in renewal reserve ..... Note 20	-90	-	Sale of fixed assets .....	10	5
Group contribution .....	2	2	Net investments .....	-251	-161
Change in internal-profit reserve .....	-32	-63	<b>Financial surplus (cash flow)</b> .....	585	979
Profit before taxes .....	488	112	<b>Funds used/generated externally</b>		
Taxes .....	-2	-7	Equity capital:		
Net profit for the year .....	486	105	Increase by conversion of loan .....	2	7
			<b>Loans:</b>		
			Increase in short-term loans .....	449	88
			Decrease in long-term loans .....	-619	-209
			Increase/decrease in convertible loan .....	101	-7
			Total loans .....	-69	-128
			<b>Other financing, net:</b>		
			Increase in long-term receivables .....	-106	-16
			Increase in interest-free long-term debts ..	25	46
			Decrease in write-up fund .....	-	-46
			Total other financing, net .....	-81	-16
			<b>Total funds used externally</b> .....	-148	-137
			Net effect of changes in Parent Company structure, etc. ....	-	28
			<b>Increase in liquid assets</b> .....	437	870

## Balance Sheet

	1985	1984		1985	1984
<b>Assets</b>			<b>Liabilities and equity capital</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash in hand and at banks .....	45	135	Bills payable .....	2	3
Bonds and other short-term securities .....	1,717	1,190	Owed to suppliers .....	290	293
Bills receivable from customers .....	91	106	Accrued expenses and prepaid revenues .....	441	380
Bills receivable from subsidiaries .....	323	452	Other current liabilities to subsidiaries .....	95	161
Other receivables from subsidiaries .....	418	472	Other current liabilities to other firms .....	1,103	698
Other customer receivables .....	321	304		<u>1,931</u>	<u>1,535</u>
Prepaid costs and accrued revenues .....	128	106			
Other current receivables .....	135	80	<b>Long-term liabilities</b>		
Inventory .....	<u>1,804</u>	<u>1,817</u>	Long-term loans .....	1,728	2,455
	4,982	4,662	Provision for pensions .....	707	678
			Liabilities to subsidiaries .....	8	24
			Other long-term liabilities .....	<u>60</u>	<u>64</u>
				2,503	3,221
<b>Blocked accounts for fund allocations .....</b>	<b>1</b>	<b>-</b>			
			Convertible bond loans .....	190	89
<b>Fixed assets</b>			<b>Untaxed reserves</b>		
Shares in subsidiaries .....	1,418	1,382	Accumulated depreciation above schedule .....	931	834
Shares in other companies .....	143	133	Inventory reserve .....	908	1,033
Accounts receivable from subsidiaries .....	19	105	Investment reserves .....	342	168
Other long-term receivables .....	728	622	Renewal reserve .....	90	-
Construction in progress .....	52	27	Internal profit reserve .....	<u>221</u>	<u>189</u>
Machinery and equipment .....	951	924		2,492	2,224
Land and buildings .....	<u>737</u>	<u>737</u>			
	4,048	3,930	<b>Equity capital .....</b>		
			Note 24		
<b>Total assets .....</b>	<b>9,031</b>	<b>8,592</b>	Restricted equity capital:		
			Share capital (9,613,130 shares of Skr 100) .....		
			Note 25		
			Statutory capital reserve .....		
			<u>200</u>		
			1,161		
			1,159		
			Unrestricted equity capital:		
			Surplus brought forward .....		
			268		
			Net profit for the year .....		
			486		
			<u>754</u>		
			364		
			Total equity capital .....		
			1,915		
			1,523		
			<b>Total liabilities and equity capital .....</b>		
			9,031		
			8,592		
			Contingent liabilities .....		
			Note 26		
			721		
			1,060		

# Notes on the Accounts

Amounts in Skr million, except where otherwise stated

## Note 1. Subordinate Companies and Parent Company

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

Companies whose business is conducted for the account of the Parent Company:

Edsbyns Industri AB, Guldsmidshytte Bruks AB, Micor AB, AB Sandvik Central Service, AB Sandvik Coromant, AB Sandvik Electronics, AB Sandvik Hard Materials, AB Sandvik Information Systems, AB Sandvik International, AB Sandvik Rock Tools, AB Sandvik Saws and Tools, AB Sandvik Steel, Sandvik Coromant Skandinavien AB, Sandvik Stål Försäljnings AB, Sandvik Sågar och Verktyg Skandinavien AB, AB Sandvik SSV.

## Note 2. Invoiced Sales and Parent Company's Purchases

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

	Group		Parent Company	
	1985	1984	1985	1984
Other operating revenues .....	66	83	126	126

Of the Parent Company's invoiced sales, Skr 3,778m. (3,325), i.e. 65% (63) went to Group companies. The export share was 79% (78). Of the Parent Company's purchasing, Skr 161m. (138), i.e. 7% (6), came from Group companies.

## Note 3. Depreciation

Group	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		1985	Total 1984
	1985	1984	1985	1984	1985	1984	1985	1984		
Scheduled depreciation .....	-14	-16	-398	-350	-61	-58	-1	-1	-474	-425
Once-for-all depreciation upon premiums and goodwill .....	-43	-	-	-	-	-	-	-	-43	-
Depreciation above schedule .....	-	-	-127	-155	-	1	-	-	-127	-154
Book depreciation .....	-57	-16	-525	-505	-61	-57	-1	-1	-644	-579
whereof against reserves .....	-	-	-188	-59	-13	-8	-	-	-201	-67

Parent Company	Machinery and equipment		Industrial and residential buildings		Site improvements		1985	Total 1984
	1985	1984	1985	1984	1985	1984		
Scheduled depreciation .....	-183	-159	-22	-25	-1	-1	-206	-185
Extra scheduled depreciation upon sale and write down .....	-	-	-	-	-	-	-	-
Depreciation above schedule .....	-100	-147	-	2	-	-	-100	-145
Book depreciation .....	-283	-306	-22	-23	-1	-1	-306	-330
whereof against reserves .....	-151	-42	-11	-8	-	-	-162	-50

## Note 4. Interest Received and Paid

	Group		Parent Company	
	1985	1984	1985	1984
Interest received, gross .....	488	356	271	190
Correction of translation differences .....	-111	-72	-	-
Interest received .....	377	284	271	190
Interest paid on pension liability .....	-85	-89	-76	-71
Other interest paid, gross .....	-551	-556	-314	-348
Correction of translation differences .....	+47	+12	-	-
Interest paid .....	-589	-633	-390	-419

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

## Note 5. Exchange Differences on Long-Term Loans

The year's exchange differences on long-term loans consist of the year's change in unrealized exchange losses, Skr 108m. (-173) and, out of the exchange differences on long-term loans that have been realized in connection with amortizations, Skr 34m. (-17).

The Parent Company's foreign-currency convertible loan, currently standing at U.S.\$ 16,575,000 (see Note 25), is expected to be converted into shares during the remaining life of the loan, so that no correction to the rate of exchange ruling on the date of the Balance Sheet has been applied.

## Note 6. Result excluding Minority Interests but including Interest in Profits of Associated Companies

The profit before non-recurring items exclusive of minority shares and dividends from associated companies but inclusive of interest in the profits of associated companies amounts to Skr 1,533m. (975). The calculation includes the following associated companies: Avesta Sandvik Tube AB (25%), Fagersta Stainless AB (50%), Fagersta-Seco AB (32.5%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50%), Nor-Sand Metals Inc. (50%), Eurotungstène Poudre S.A. (49%).

## Note 7. Non-Recurring Earnings and Expenses

	Group		Parent Company	
	1985	1984	1985	1984
Non-recurring earnings:				
Capital gain on sale of shares .....	4	13	1	7
Capital loss/gain on sale of real estate .....	-5	15	-	3
Re-posting or reclassification of earlier reservations and effect on Group of liquidations during year .....	36	-	-	-
	35	28	1	10
Non-recurring expenses:				
Once-for-all writedown on goodwill and premiums .....	-36	-	-	-
Sundry items .....	-	-	-28	-
Closure expenses .....	-	-101	-	-
	-36	-101	-28	-
Totals .....	-1	-73	-27	10

The Parent Company's sundry non-recurring expenses of Skr 28m. relate to guarantee undertakings in connection with the termination of an earlier involvement in a mining company in Australia. A reservation to cover this was set aside by the Group in 1983, so that the Group's Profit and Loss Statement does not show any corresponding cost.

## Note 8. Bonds and Other Short-Term Securities

	Group		Parent Company	
	1985	1984	1985	1984
Bonds and other securities .....	455	34	444	23
Short-term placements .....	1,713	1,498	1,273	1,167
Totals .....	2,168	1,532	1,717	1,190

The Group data for 1984 have been reclassified.

At the end of 1985 Sandvik AB had interest-arbitrage deals outstanding to the value of Skr 526m. (171). Of this amount, Skr 376m. (106) pertained to the Parent Company. These items have been reported net.

**Note 9. Blocked Accounts for Fund Allocations**

	Group		Parent Company	
	1985	1984	1985	1984
Blocked accounts with the Riksbank for special investment reserves .....	47	18	—	—
for general investment reserves .....	112	45	1	—
Other blocked accounts .....	1	—	—	—
Totals .....	160	63	1	—

During 1986 the Group will pay Skr 445m. to the Riksbank, this sum constituting 75% of the 1985 appropriations to general investment reserves and 100% of the 1985 appropriations to renewal reserves. The Parent Company's inpayments to the Riksbank in 1986 work out at Skr 342m.

**Note 10. Shares**

The Group's and the Parent Company's shareholdings at the end of 1985 are set forth in the specification on p. 31.

**Note 13. Fixed Assets**

Machinery, equipment, buildings, land, site improvements and agricultural and forest properties are entered at their net value after scheduled depreciation and after accumulated

Group	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1985	1984	1985	1984	1985	1984	1985	1984
	Historical cost .....	4,352	4,246	1,588	1,601	1	1	160
Accumulated scheduled depreciation .....	-2,688	-2,559	-587	-529	—	—	-15	-14
Scheduled remaining values .....	1,664	1,687	1,001	1,072	1	1	145	152
Accumulated write-ups not yet written off .....	—	—	140	143	10	10	116	116
Remaining values .....	1,664	1,687	1,141	1,215	11	11	261	268
Accumulated depreciation above schedule .....	-824	-700	-220	-222	—	—	-11	-11
Book values .....	840	987	921	993	11	11	250	257
Fire-insurance values .....	9,305	8,978	3,557	3,513	10	9 <sup>3</sup>	—	—
Assessed valuations <sup>1</sup> .....	—	—	1,289	1,285	12	12	143	138

<sup>1</sup> The figures apply to the Swedish part of the Group. The book value of real estate held by foreign subsidiaries amounted to Skr 638m. (604).

**Parent Company**

Parent Company	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1985	1984	1985	1984	1985	1984	1985	1984
	Historical cost .....	2,422	2,304	710	684	1	1	38
Accumulated scheduled depreciation .....	-1,471	-1,380	-266	-243	—	—	-12	-12
Scheduled remaining values .....	951	924	444	441	1	1	26	25
Accumulated write-ups not yet written off .....	—	—	140	143	10	10	116	116
Remaining values .....	951	924	584	584	11	11	142	141
Accumulated depreciation above schedule .....	-717	-616	-203	-207	—	—	-11	-11
Book values .....	234	308	381	377	11	11	131	130
Fire-insurance values .....	6,506	6,184	2,124	1,933	10	9 <sup>3</sup>	—	—
Assessed valuations <sup>2</sup> .....	—	—	1,244	1,241	12	12	133	132

<sup>2</sup> Under current regulations the assessed valuation of industrial buildings includes industrial equipment.

**Note 11. Other Long-Term Receivables**

	Group		Parent Company	
	1985	1984	1985	1984
Advances to suppliers .....	11	9	9	8
Promissory note pertaining to 1983 sale of Krångede shares .....	547	547	547	547
Other receivables .....	302	180	172	67
Totals .....	860	736	728	622

**Note 12. Goodwill and other Intangible Assets**

	Group	
	1985	1984
Patents and other intangible assets .....	29	45
Goodwill .....	17	58
Totals .....	46	103

write-ups not yet written off. The accumulated excess depreciation is entered among the untaxed reserves under the heading "Accumulated depreciation above schedule".

Parent Company	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1985	1984	1985	1984	1985	1984	1985	1984
	Historical cost .....	2,422	2,304	710	684	1	1	38
Accumulated scheduled depreciation .....	-1,471	-1,380	-266	-243	—	—	-12	-12
Scheduled remaining values .....	951	924	444	441	1	1	26	25
Accumulated write-ups not yet written off .....	—	—	140	143	10	10	116	116
Remaining values .....	951	924	584	584	11	11	142	141
Accumulated depreciation above schedule .....	-717	-616	-203	-207	—	—	-11	-11
Book values .....	234	308	381	377	11	11	131	130
Fire-insurance values .....	6,506	6,184	2,124	1,933	10	9 <sup>3</sup>	—	—
Assessed valuations <sup>2</sup> .....	—	—	1,244	1,241	12	12	133	132

<sup>3</sup> The figures given here cover buildings and equipment. Forest-fire insurances are additional hereto.

**Note 14. Pledged Assets**

	Group		Parent Company	
	1985	1984	1985	1984
Real-estate mortgages .....	810	966	663	661
Chattel mortgages .....	616	668	465	465
Totals .....	1,426	1,634	1,128	1,126

**Note 15. Other Current Liabilities**

	Group		Parent Company	
	1985	1984	1985	1984
Short-term loans .....	1,808	1,280	957	508
Advances from customers .....	52	88	1	49
Other current liabilities .....	461	475	145	141
Totals .....	2,321	1,843	1,103	698

## Note 16. Long-Term Loans

	Group		Parent Company	
	1985	1984	1985	1984
Bond loans .....	389	509	367	481
Debenture loans .....	50	64	33	45
Other loans .....	1,852	2,778	1,328	1,929
Totals .....	2,291	3,351	1,728	2,455

Securities have been lodged for Skr 354m. (747)

The Parent Company's long-term borrowing inclusive of the 1986 amortizations breaks down among the major currencies as follows (amounts in millions).

Currency	1985	1984
	Swedish kronor .....	327
U.S. dollars .....	172	178
West German marks .....	15	29
Swiss francs .....	69	73
French francs .....	—	23
Luxembourg francs .....	475	550
British pounds .....	12	10
Japanese yen .....	3,560	3,737

The amortizations required from the Group under loan agreements are stated below. In many cases it is permissible for the borrowing company, at its own option, to repay larger amounts. In the case of the Parent Company, however, Riksbank rules impose a limitation. Amortizations as thus maximized are stated below, subject to the assumption that other amortizations are unchanged.

	Amortizations on loans	
	Required under loan agreements	Maximum under Riksbank rules
1986 .....	741*	964
1987 .....	337	393
1988 .....	395	474
1989 .....	166	269
1990 .....	574	638
1991 .....	76	76
1992 and later .....	743	218
Total inclusive of 1986 amortizations .....	3,032	3,032

\* Entered among current liabilities.

## Note 17. Provision for Pensions

	Group		Parent Company	
	1985	1984	1985	1984
For Pension Registration Institute pensions .....	740	662	658	629
For other pensions .....	102	170	49	49
Totals .....	842	832	707	678

## Note 18. Accumulated Depreciation Above Schedule

	Group				Parent Company			
	Machinery and equipment	Industrial and residential buildings	Site improvements	Total	Machinery and equipment	Industrial and residential buildings	Site improvements	Total
Reported at end of 1984 .....	700	222	11	933	617	206	11	834
Change due to revised conversion rates 1985 .....	-3	1	—	-2	—	—	—	—
1985 depreciation above schedule .....	127	—	—	127	100	—	—	100
Depreciation on write-up .....	—	-3	—	-3	—	-3	—	-3
Reported at end of 1985 .....	824	220	11	1,055	717	203	11	931

## Note 19. Inventory Reserve

	Group	Parent Company
Reported at end of 1984 .....	1,294	1,033
Change due to revised conversion rates 1985 .....	-2	—
Reactivation during 1985 .....	-171	-125
Reported at end of 1985 .....	1,121	908
Inventory reserve as percentage of inventory value at end of 1985 .....	31	50

## Note 20. Investment and Renewal Reserves

	Group				Parent Company			
	Special investment reserves	General investment reserves	Renewal reserves	Total	Special investment reserve	General investment reserve	Renewal reserve	Total
Reported at end of 1984 .....	116	314	—	430	59	109	—	168
Change due to revised conversion rates 1985 .....	—	—	—	—	—	—	—	—
Add:								
Further appropriations during 1985 .....	—	441	115	556	—	336	90	426
Less:								
Applied to investment in machinery and equipment .....	-67	-121	—	-188	-53	-98	—	-151
Industrial and residential buildings .....	—	-13	—	-13	—	-11	—	-11
For overheads .....	—	-5	—	-5	—	—	—	—
Net change .....	-67	302	115	350	-53	227	90	264
Reported at end of 1985 .....	49	616	115	780	6	336	90	432

## Note 21. Other Untaxed Reserves

Refers to untaxed reserves in foreign subsidiary companies other than accumulated depreciation above schedule, inventory reserves or investment reserves. The reporting of other untaxed reserves of this kind was modified at the beginning of 1985. Formerly, all such reserves were dealt with in the trading accounts. Since the beginning of 1985, those reserves that are purely of an appropriation character are treated as untaxed reserves.

## Note 22. Internal-Profit Reserve

### Parent Company

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

## Note 23. Minority Interest in Untaxed Reserves and Capital Shares in Associated Companies

The minority interest in untaxed reserves totals Skr 217m. (184).

The interest in the equity capital and untaxed reserves of the associated companies is Skr 138m. (145) and 80m. (62) respectively. The calculation includes the following associated

companies: Avesta Sandvik Tube AB (25%), Fagersta Stainless AB (50%), Fagersta-Seco AB (32.5%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50%), Nor-Sand Metals Inc. (50%), Eurotungstène Poudre S.A. (49%).

## Note 24. Change in Equity Capital

Group	Share capital	Restricted reserves	Unrestricted reserves	Translation difference	Group net profit for the year	Total
Reported at end of 1984	960	727	152	4	472	2,315
Change due to revised conversion rates 1985		-12	-61	-	-21	-94
Carry-over of 1984 surplus and translation difference		4	451	-4	-451	-
Appropriation to restricted reserves		58	-58			-
New issues due to conversion	1	1				2
Change due to write-up of fixed assets		3				3
Dividend			-96			-96
Group net profit for 1985				-24	898	874
Reported at end of 1985	961	781	388	-24	898	3,004

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

388m., it is recommended by the Boards of the companies that Skr 15m. be appropriated to restricted reserves. Over and above this, the Board of the Parent Company recommends that about Skr 125m. be transferred from unrestricted equity capital to share capital in connection with the Parent Company's proposed bonus issue of about Skr 325m.

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

### Parent Company

	Share capital	Statutory capital reserve	Retained earnings	Net profit for the year	Total
Reported at end of 1984	960	199	259	105	1,523
Carry-over of 1984 surplus			105	-105	-
New issues due to conversion	1	1			2
Dividend			-96		-96
Net profit for 1985				486	486
Reported at end of 1985	961	200	268	486	1,915

## Note 25. Share Capital

Share Capital and Number of Shares		1985	1984
"A" Restricted		7,719,388	7,719,388
"A" Unrestricted		309,351	309,351
"B" Unrestricted		1,584,391	1,575,895
		9,613,130	9,604,634

A restricted share may not be acquired by foreign nationals nor by certain legal persons, as specified in the Articles of Association, that are open to foreign influence. An unrestricted share, on the other hand, may be acquired by anybody.

The "A" shares each carry one vote, whereas the "B" shares each carry one-tenth of a vote.

The Sandvik share is quoted on the Stockholm and London ("B" unrestricted) Stock Exchanges.

The number of shares entitled to dividend for 1985 works out at 9,694,464. It exceeds the number given above for 31 Dec. in consequence of conversions during the period 1 Jan. - 28 Feb. 1986.

## Note 26. Contingent Liabilities

	Group		Parent Company	
	1985	1984	1985	1984
Bills discounted	164	131	-	-
Pension commitments over and above those entered under pension liabilities (capitalized value)	14	8	7	6
Other surety undertakings and contingent liabilities	248	195	714	1,054
Totals	426	334	721	1,060
whereof for subsidiaries	-	-	522	902

## Convertible Loans

In 1977 the Company took up a convertible loan of U.S. \$ 35m. carrying interest at 6¼%. The loan is convertible between 2 January 1978 and 8 March 1988, both dates inclusive. Sandvik has the right to call the bonds at any time after 15 March 1983. At the current conversion rate, one bond of U.S. \$ 1,000 nominal can be exchanged for 23.7428 Sandvik "B" shares.

By 31 December 1985, bonds to an amount of U.S.\$ 18,425,000 had been converted. The conversions during 1985 had the effect of increasing the share capital by Skr 849,600 and the number of "B" shares outstanding by 8,496. Full conversion of the loan would raise the number of "B" shares by 393,536 as compared with the situation on 31 December 1985. The share capital would increase by Skr 39,353,600.

In 1985 the Company took up a convertible debenture loan of Skr 102.8m. at 12% interest. This loan, which was addressed to all the employees of the Sandvik Group, can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. The convertible bonds are denominated in a nominal amount of Skr 425 and in integral multiples thereof. The conversion price is Skr 425, and conversion is effected into "B" shares. Full conversion of the loan would increase the number of "B" shares by 241,794 as compared with the situation on 31 Dec. 1985. The share capital would increase by Skr 24,179,400.

## The Sandvik Investment Fund

As from the beginning of 1981, all employees of the Sandvik Group's Swedish companies were invited to make use of the Sandvik Investment Fund as a savings vehicle. By the end of 1985 some 1,730 employees were enrolled with the Fund.

The Fund represented about 92,000 shares, equivalent to about 1% of the share capital. By the end of the year, loans furnished to employees in connection with share purchases stood at Skr 1.7m. The necessary dispensation has been obtained from the County Council.

See also the section dealing with the Sandvik share on p. 38, which covers price movements, data per share, share ownership, etc.

# Personnel

## Personnel Costs, Skr m.

	Group		Parent Company	
	1985	1984	1985	1984
Wages, salaries and emoluments:				
Directors				
In Sweden .....	5	4	3	2
Outside Sweden .....	53	48	—	—
Other employees				
In Sweden .....	1,227	1,114	1,107	1,002
Outside Sweden .....	1,597	1,521	9	8
Totals .....	2,882	2,687	1,119	1,012
Other personnel costs .....	1,045	966	562	511
Totals .....	3,927	3,653	1,681	1,523

## Average Number of Employees

	Group		Parent Company	
	1985	1984	1985	1984
In Sweden .....	10,399	10,204	9,420	9,172
Outside Sweden .....	13,506	13,790	53	50
Totals .....	23,905	23,994	9,473	9,222

## Average Number of Employees Outside Sweden Broken Down by Countries

	Number of employees		Number of employees	
	1985	1984	1985	1984
The Parent Company				
Austria .....	10	7	Japan .....	529 543
Greece .....	6	12	Kenya .....	15 13
Soviet Union ...	5	6	Malaysia .....	37 36
West Germany	7	6	Mexico .....	435 361
U.S.A. ....	5	2	Netherlands ....	157 142
Other countries <sup>1</sup>	20	17	New Zealand ...	32 26
Outside Sweden,			Norway .....	53 55
totals .....	53	50	Peru .....	44 52
			Philippines .....	37 40
The Group outside Sweden			Poland .....	5 5
Argentina .....	137	123	Portugal .....	240 241
Australia .....	330	329	Singapore .....	85 97
Austria .....	113	129	South Africa ...	647 752
Belgium .....	80	80	South Korea ...	18 —
Brazil .....	941	829	Soviet Union ...	5 6
Canada .....	216	217	Spain .....	402 412
Chile .....	22	21	Switzerland .....	135 137
Colombia .....	31	32	Taiwan .....	13 14
Denmark .....	76	77	Thailand .....	6 5
Finland .....	104	102	Turkey .....	5 5
France .....	2,012	2,205	United Kingdom	1,739 1,726
Greece .....	7	12	U.S.A. ....	1,564 1,608
Hongkong .....	15	15	Venezuela .....	31 30
India .....	1,249	1,255	West Germany	1,050 1,139
Indonesia .....	31	32	Zambia .....	21 20
Ireland .....	10	10	Zimbabwe .....	47 49
Italy .....	767	794	Other countries <sup>1</sup>	13 14
				13,506 13,790

<sup>1</sup> Countries with an average lower than five.

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



# Shareholdings

## Sandvik AB's Holdings of Shares in Subsidiary Companies

According to the Balance Sheet of 31 Dec. 1985

		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000
Sweden	C O Öberg & Co:s AB .....	2,000	100	SEK 200	200	—
	AB Dubbman .....	500	100	SEK 50	50	—
	Edmeston AB .....	30,000	75	SEK 3,000	3,000	3,000
	Edsbyns Industri AB <sup>1</sup> .....	50,000	100	SEK 5,000	5,000	8,925
	Guldsmedshytte Bruks AB <sup>1</sup> .....	500	100	SEK 50	50	—
	Industri AB Skomab .....	1,000	100	SEK 50	50	—
	Micor AB <sup>1</sup> .....	600	100	SEK 60	60	—
	AB Orsa Sågbladsfabrik .....	500	100	SEK 50	50	—
	AB Sandvik Bergstrand .....	500	100	SEK 50	50	—
	AB Sandvik Central Service <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik Coromant <sup>1</sup> .....	500	100	SEK 50	50	—
	Sandvik Coromant Skandinavien AB <sup>1</sup> .....	50,000	100	SEK 5,000	5,000	5,000
	AB Sandvik Electronics <sup>1</sup> .....	60	100	SEK 60	60	—
	Sandvik Far East Ltd. AB .....	10,000	100	SEK 10,000	10,000	10,000
	AB Sandvik Hard Materials <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik Information Systems <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik International <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik Process Systems .....	25,000	100	SEK 2,500	2,500	2,500
	AB Sandvik Rock Tools <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik Saws and Tools <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik SSV <sup>1</sup> .....	500	100	SEK 50	50	—
	AB Sandvik Steel <sup>1</sup> .....	500	100	SEK 50	50	—
	Sandvik Stål Försäljnings AB <sup>1</sup> .....	500	100	SEK 50	50	—
	Sandvik Sågar och Verktyg Skandinavien AB <sup>1</sup> .....	500	100	SEK 50	50	—
	Sandviks Aktiesparfondförvaltning AB .....	2,500	100	SEK 250	250	250
	Sandvikens Brukspersonals Byggnadsförening upa .....	—	100	SEK 2,941	2,941	—
	Scandinavian Handtools AB .....	500	100	SEK 50	50	—
	Seco Tools AB <sup>2</sup> .....	461,500	65	SEK 46,150	46,150	49,647
	Steebide International AB .....	15,000	100	SEK 1,500	1,500	1,450
	AB Svenska Specialverktyg .....	500	100	SEK 50	50	—
Trellbo AB .....	500	100	SEK 50	50	—	
Argentina	Sandvik Argentina S.A.C. e I. ....	808,000	100	ARA 296	2,783	5,000
Austria	Sandvik in Austria Ges.m.b.H. ....	—	100	ATS 10,000	4,389	810
Belgium	Sandvik S.A. (Belgium) N.V. ....	2,394	100	BEC 60,000	9,060	4,000
Brazil	Sandvik do Brasil S.A. ....	8,887,168,799	100	BRC 53,323,013	38,393	55,308
Canada	Sandco Ltd. ....	205	100	CAD 2	11	—
	Sandvik Canada, Inc. ....	2,085,814	100	CAD 7,812	42,497	53,080
Chile	Sandvik Chilena Ltda .....	—	100	CLP 8,263	330	—
Colombia	Sandvik Colombia S.A. ....	28,733	94 <sup>3</sup>	COP 28,733	1,149	—
Costa Rica	Sandvik Centroamérica S.A. ....	330	100	CRC 330	50	—
Denmark	A/S Sandviken .....	203	100	DKK 4,000	3,384	2,070
Finland	Suomen Sandvik Oy .....	400,000	100	FIM 10,000	14,010	4,247
France	Sandvik S.A. ....	1,249,994	100	FRF 125,000	125,688	100,000
	Ugicarb Morgon S.A. ....	352,494	100	FRF 35,250	35,444	20,910
Hongkong	Sandvik Hongkong Ltd. ....	39,999	100	HKD 400	388	—
India	Sandvik Asia Ltd. ....	316,800	55	INR 31,680	19,800	5,500
Italy	Sandvik Italia S.p.A. ....	11,999,832	100	ITL 12,000,000	54,120	65,000
	Sandvik Process Systems S.p.A. ....	199,943	100	ITL 200,000	902	340
Japan	Sandvik K.K. ....	2,600,000	100	JPY 2,600,000	98,345	100,000
Kenya	Sandvik Kenya Ltd. ....	34,999	100	KES 700	315	—
Malaysia	Sandvik Malaysia Sdn. Bhd. ....	1,500	100	MYR 250	778	—
Mexico	Sandvik de México S.A. de C.V. ....	5,329,996	100	MXP 533,000	8,262	60,000
Morocco	Sandvik Maroc S.A. ....	93	100	MAD 9	8	—
Netherlands	Sandvik Nederland b.v. ....	—	100	NLG 6,000	16,428	8,371
Norway	Sandvik Norge A/S .....	80,000	100	NOK 8,000	8,024	4,790
	EIA A/S Norge .....	500	100	NOK 500	502	—
Peru	Sandvik del Perú S.A. ....	199,998	100	PES 1,000,000	400	—
	Barrenas Sandvik Andina S.A. ....	1,937,402	68	PES 3,325,432	1,330	2,200

		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000
Philippines	Sandvik Philippines, Inc. ....	81,065	100	PHP 8,107	3,243	3,540
Portugal	Sandvik Portuguesa Lda .....	–	100	PTE 99,800	4,720	4,461
	Sandvik Obergue-Limas e Mecânica, Lda .....	–	100	PTE 100,852	4,760	8,770
Singapore	Sandvik South East Asia Pte. Ltd. ....	2,700,000	100	SGD 2,700	9,720	7,055
Spain	Sandvik Española S.A. ....	70,000	100	ESP 700,000	34,440	43,940
	Minas y Metalurgia Española S.A. ....	60,000	50 <sup>4</sup>	ESP 60,000	2,952	3,700
Switzerland	Sandvik AG .....	60,000	100	CHF 6,000	21,984	40,000
	Sanfinanz AG .....	997	100	CHF 200	733	735
	Santrade Ltd. ....	600	10 <sup>5</sup>	CHF 600	2,198	520
Taiwan	Sandvik Taiwan Ltd. ....	9,994	100	TWD 10,000	1,800	–
Thailand	Sandvik Thailand Ltd. ....	744	100	THB 504	141	–
Turkey	Sandvik Istanbul Tiçaret Ltd. Şti .....	14,925	100	TRL 14,925	180	–
U.K.	Madison Tools Ltd. ....	274,999	100	GBP 275	3,018	7,095
	Sandvik Ltd. ....	7,999,998	100	GBP 8,000	87,800	170,000
U.S.A.	Sandvik, Inc. ....	800,000	100	USD 20,000	152,150	400,000
Venezuela	Sandvik Venezuela C.A. ....	6,250	100	VEB 6,250	3,063	5,000
West Germany	Num Engineering GmbH .....	–	100	DEM 10,000	30,850	20,000
	Micor GmbH .....	–	100	DEM 20	62	–
	Sandvik Automation GmbH .....	–	100	DEM 8,000	24,680	24,387
	Sandvik GmbH .....	–	100	DEM 35,000	107,975	100,000
	Sandvik Process Systems GmbH .....	–	38 <sup>6</sup>	DEM 1,558	4,806	3,420
Zambia	Sandvik (Zambia) Ltd. ....	399,999	100	ZMK 800	1,056	–
Zimbabwe	Sandvik (Pvt) Ltd. ....	233,677	100	ZWD 467	2,116	3,269
						1,418,290

#### Change in Book Value of Shares in Subsidiaries, Skr '000

	Opening balance	1,382,044
New issues .....		60,673
Reduction of share capital .....		–24,427
	Closing balance	1,418,290

<sup>1</sup> Subordinate companies

<sup>2</sup> Seco Tools AB has subsidiary companies in 13 countries

<sup>3</sup> Remaining 6% held by AB Sandvik Process Systems

<sup>4</sup> Remaining 50% held by Sandvik Española S.A.

<sup>5</sup> Remaining 90% held by other Group companies

<sup>6</sup> Remaining 62% held by Sandvik GmbH

Certain write-ups and writedowns, which balance each other out, have been applied within the item "Shares in Subsidiaries".

#### Sandvik AB's Shares in Other Companies

According to the Balance Sheet of 31 Dec. 1985

		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000	
<b>Associated companies</b>							
Sweden	ANSAB AB .....	5,000	50	SEK 500	500	500	
	ASEA-Cerama AB .....	1,125	10	SEK 563	563	1,448	
	Avesta Sandvik Tube AB .....	150,000	25	SEK 15,000	15,000	30,460	
	Bruksinvest AB .....	12,000	15	SEK 1,200	1,200	6,000	
	Fagersta Stainless AB .....	400,000	50	SEK 40,000	40,000	40,000	
	Norbergs Grufaktiebolag .....	13,244	27	SEK 662	662	–	
	Rolltech International AB .....	250	50	SEK 25	25	–	
France	Uddeholm Strip Steel AB .....	27,500	50	SEK 28,409	28,409	34,600	
	Eurotungstène Poudre S.A. ....	112,353	49	FRF 11,235	11,297	7,737	
Mexico	Société Minière d'Anglade .....	13,245	15	FRF 1,325	1,332	3,000	
	Micor de México S.A. de C.V. ....	135	45	MXP 135	2	–	
Yugoslavia	Tungstemex S.A. de C.V. ....	1,813,500	39	MXP 74,588	1,156	–	
	WO Tools-PP-Corun .....		30		18,926	18,926	
						142,671	
<b>Other companies</b>							
Miscellaneous .....							–

#### Change in Book Value of Shares in Associated and Other Companies, Skr '000

	Opening balance	133,260
New issues .....		2,596
Acquisitions .....		9,685
Sell-offs .....		–
Writedowns .....		–2,870
	Closing balance	142,671

The writedowns were charged against the year's results and are entered under the heading "Costs of production, sales and administration".

## The Group's Shareholdings

According to the Balance Sheet of 31 Dec. 1985

		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000
<b>Associated companies</b>						
Sweden	Fagersta-Seco AB .....	500	33	SEK 500	500	500
Australia	Seco Titan Pty. Ltd. ....	1,050,000	33	AUD 1,050	5,428	5,216
Brazil	Sotefe Soc Tec Ferramentas Ltda .....	320,000,000	20	BRC 320,000	230	1,026
Canada	Nor-Sand Metals, Inc. ....	500,000	50	CAD 5,000	27,200	27,200
Spain	Industrias Bonastre .....	2,500	10	ESP 5,000	246	1,091
Turkey	Seco Kestak A.S. ....	49,000	32	TRL 49,000	588	1,319
						<u>36,352</u>
					Sandvik AB's holding	<u>142,671</u>
					Total	<u>179,023</u>
					Miscellaneous shares	<u>1,848</u>
					Total	<u>180,871</u>

## Shares in Operative Group Companies Owned Indirectly by Sandvik AB

		Group holding, %
Australia	Sandvik Australia Pty. Ltd. ....	100
	Sandvik Process Systems Pty. Ltd. ....	100
Austria	Sandvik Process Systems Ges.m.b.H. ....	100
Canada	Sandvik Process Systems Canada Ltd. ....	100
France	Le Burin S.A. ....	100
	Safety S.A. ....	100
	Sandvik Broussaud S.A. ....	100
	AB Sandvik Central Service et Compagnie .....	100
	AB Sandvik Coromant et Compagnie .....	100
	Sandvik Process Systems S.A. ....	100
	AB Sandvik Saws and Tools et Compagnie .....	100
	Sandvik Siametir S.A. ....	100
	AB Sandvik Steel et Compagnie .....	100
	Sandvik Tobler S.A. ....	100
Indonesia	P.T. Sandvik Indonesia .....	80
Ireland	Sandvik Ireland Ltd. ....	100
Korea	Sandvik Korea Co. Ltd. ....	49
Mexico	H.K. Porter de México S.A. ....	100
Netherlands	Sandvik Process Systems b.v. ....	100
New Zealand	Sandvik New Zealand Ltd. ....	100
Norway	Stavangerbor A/S .....	95
Singapore	Sandvik Trading Singapore Pte. Ltd. ....	100
South Africa	Sandvik (Pty) Ltd. ....	100
Spain	Resistel S.A. ....	100
U.K.	Asser Engineering Ltd. ....	100
	Osprey Metals Ltd. ....	100
	Sandvik Bandsaws Ltd. ....	100
	Sandvik Hard Materials Ltd. ....	100
	Sandvik Process Systems Ltd. ....	100
	Spooner Española Ltd. ....	100
	Spooner Industries Ltd. ....	100
	Strata Bit Ltd. ....	100
	Strata Bit Co. Ltd. ....	100
	Wimet Ltd. ....	100
	Wimet Mining Ltd. ....	100
	Wimet Wear Parts Ltd. ....	100
U.S.A.	Breton Corporation .....	67
	Sandvik Latin America, Inc. ....	100
	Sandvik Process Systems, Inc. ....	100
	Sandvik Special Metals Corp. ....	100
	Spooner, Inc. ....	100
	Strata Bit Corp. ....	100
West Germany	Sandvik Kosta GmbH .....	100
Zimbabwe	Sandcor (Private) Ltd. ....	100

# Appropriation of Profits

---

## Recommended Appropriation of Profits

The Board and the President recommend that  
the surplus brought forward from the previous year ..... 267,478,548  
together with the profit for 1985 ..... 486,127,015

Skr 753,605,563

be appropriated as follows:

a dividend of Skr 14 per share ..... 135,722,496  
carried forward to the next Account ..... 617,883,067

Skr 753,605,563

Sandviken, 13 March 1986

Percy Barnevik  
Chairman

Axel Isaksson

Hans Karlsson

Birger Löwhagen

Lars Malmros

Hans-Eric Ovin

Sven Ågrup

Per-Olof Eriksson  
President

Our Audit Report was submitted on 21 March 1986

Bo Fridman  
Authorized Public Accountant

Nils-Axel Frisk

# Audit Report

---

## to the Shareholders of Sandvik Aktiebolag

We have examined the Company's and the Group's statements of account and their bookkeeping documents, and have reviewed the administration of the Company's affairs by the Board and the President during the year 1985. Our examination has been conducted in accordance with recognized auditing practice.

### The Parent Company

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

We recommend

that the Profit and Loss Account and the Balance Sheet be adopted,  
that the surplus be applied as proposed in the Directors' Report, and  
that the conduct of the Company's affairs by the Board and the President  
during the fiscal year be approved.

### The Group

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

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

Sandviken, 21 March 1986

Bo Fridman  
Authorized Public Accountant

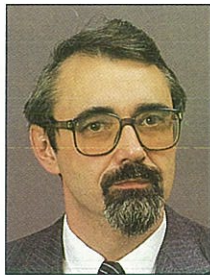
Nils-Axel Frisk

# Directors and Auditors

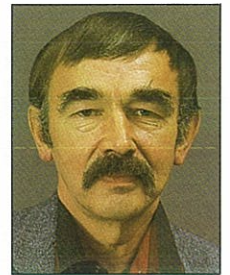
## BOARD OF DIRECTORS

### Members

Percy Barnevik, Chairman,  
Västerås, b. 1941  
Group President of ASEA AB.  
Director of ASEA AB and Fläkt AB.  
Director of Sandvik AB since 1983.



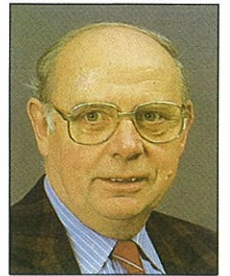
Hans Karlsson,  
Forsbacka, b. 1933  
Chairman of Metallklubben, AB Sandvik  
Steel, Sandviken.  
Director of Sandvik AB since 1984.  
(Employees' representative)



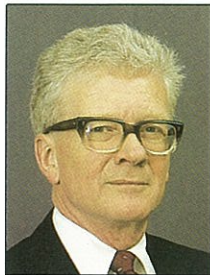
Birger Löwhagen,  
Malmö, b. 1924  
President of Skanska AB. Director of  
Skanska AB, Wilh. Sonesson AB,  
Svenska Byggnadsentreprenörförening-  
en, the Federation of Swedish Building  
Employers, the Federation of Swedish In-  
dustries, the Swedish Employers' Con-  
federation, Euroc Industri AB and  
Svenska Handelsbanken.  
Director of Sandvik AB since 1983.



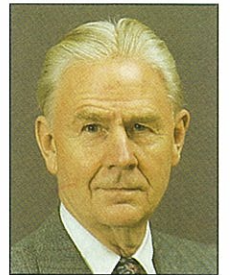
Börje Kvarfordh,  
Sandviken, b. 1921, deceased 17 Feb.  
1986  
Chairman of the Sandvik AB local of the  
SIF.  
Director of Sandvik AB since 1976.  
(Employees' representative)  
(To be succeeded on 15 May 1986 by  
Thore Svärdström)



Lars Malmros,  
Gothenburg, b. 1927  
President of Volvo Europa Car N.V. &  
Volvo Europa Truck N.V.,  
Ghent, Belgium.  
Chairman of Institutet för Verkstadstek-  
nisk Forskning,  
Board appointments with Perstorp AB  
and Balken Invest AB.  
Director of Sandvik AB since 1983.



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



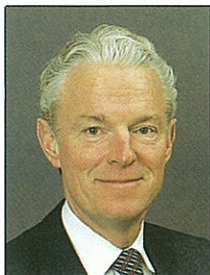
Hans-Eric Ovin,  
Malmö, b. 1928  
Board appointments with AGA AB, In-  
vestment AB Argentus, Kjell and Märtha  
Beijer's Foundation and AB Volvo.  
Director of Sandvik AB since 1976.



Eino Honkamäki,  
Gimo, b. 1943  
Director of Sandvik AB since 1974.  
(Employees' representative)



Sven Ågrup,  
Lidingö, b. 1930  
Chairman of AGA AB and Pharos AB.  
Director of AB Volvo, Telefon AB  
L M Ericsson, Wilh. Sonesson AB,  
Svenska Handelsbanken, Investment AB  
Asken, Scandinavian Trading Co. AB,  
Volvo Personvagnar AB, Volvo Energi AB  
and AB Opus.  
Director of Sandvik AB since 1983.



Axel Isaksson,  
Älvsjö, b. 1934  
Director of Sandvik AB since 1982.  
(Employees' representative)  
(To be succeeded on 15 May 1986 by  
Stig Lennart Nyström)



Per-Olof Eriksson,  
Sandviken, b. 1938  
President and Chief Executive  
Officer of Sandvik AB.  
Director of the Federation of Swedish In-  
dustries, the General Export Association  
of Sweden, Svenska Handelsbanken and  
FFV Norma AB.  
Director of Sandvik AB since 1984.



## AUDITORS

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

## Alternates

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

## GROUP EXECUTIVE MANAGEMENT

Per-Olof Eriksson,  
President and Chief Executive Officer

Lars Ivar Hising,  
Executive Vice President  
(To be succeeded on 1 July 1986 by Ebbe Bengtsson)

# Business Units



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

## EUROPE

### Austria

Sandvik in Austria Ges.m.b.H., Vienna

Manager: *Helmut Stix*

Sandvik Process Systems Ges.m.b.H., Vienna

Manager: *Otto Weinhold*

### Belgium

Sandvik S.A. (Belgium) N.V., Brussels

Manager: *Jean Beitz*

### Denmark

A/S Sandviken, Copenhagen

Manager: *Jens Aage Jensen*

### Finland

Suomen Sandvik Oy, Helsinki

Manager: *Erik Nylund*

### France

Sandvik S.A., Orléans

Manager: *André Baron*

Sandvik Coromant, Orléans

Manager: *André Baron*

Sandvik Aciers, Orléans

Manager: *Udo Vogt*

Sandvik Outillage, Orléans

Manager: *Jean Brisson*

Sandvik Process Systems S.A., Paris

Manager: *Jean Lamy*

Sandvik Broussaud S.A., Limoges

Manager: *Michel Desthomas*

Sandvik Siametir S.A., Paris

Manager: *Lennart Söderberg*

Sandvik Tobler S.A., Paris

Manager: *Jacques Garih*

Ugicarb Morgon S.A., Grenoble

Manager: *Pascal Destremau*

### Ireland

Sandvik Ireland Limited, Dublin

Manager: *Roy Hilton*

### Italy

Sandvik Italia S.p.A., Milan

Manager: *Jan Eric Sandgren*

Sandvik Process Systems S.p.A., Milan

Manager: *Pier Giorgio Bottacin*

### Netherlands

Sandvik Nederland b.v., Schiedam

Manager: *Louis Cuppens*

Sandvik Process Systems b.v.,

Raamsdonksveer

Manager: *Antoine Sluysmans*

### Norway

Sandvik Norge A/S, Oslo

Manager: *Jon Ambur*

### Portugal

Sandvik Portuguesa Lda, Lisbon

Manager: *Bengt Bryngelsson*

Sandvik Obergue-Limas e Mecânica

Lda, Vila do Conde

Manager: *Kalervo Kärppä*

### Spain

Sandvik Española S.A., Madrid

Manager: *Bo Linell*

### Sweden

Sandvik AB, Sandviken

Group CEO: *Per-Olof Eriksson*

AB Sandvik Coromant, Sandviken

Manager: *Clas Åke Hedström*

AB Sandvik Rock Tools, Sandviken

Manager: *Lars Östholm*

AB Sandvik Hard Materials, Stockholm

Manager: *Lars Wahlqvist*

AB Sandvik Steel, Sandviken

Manager: *Gunnar Björklund*

AB Sandvik Saws and Tools, Sandviken

Manager: *Hans Norman*

AB Sandvik Electronics, Sandviken

Manager: *Jörgen Wiklund*

AB Sandvik International, Sandviken

Manager: *Hans Forsberg*

Sandvik Coromant Skandinavien AB,

Spånga

Manager: *Anders Wallin*

Sandvik Stål Försäljnings AB, Spånga

Manager: *Staffan Englund*

Sandvik Sågar och Verktyg Skandinavien AB, Spånga

Manager: *Thomas Lindstedt*

Guldsmedshytte Bruks AB, Storå

Manager: *Åke Martinson*

Edmeston AB, Sandviken

Manager: *Jacques le Grand*

Edsbyns Industri AB, Edsbyn

Manager: *Sture Lestander*

Micor AB, Laholm

Manager: *Anders Ågren*

AB Sandvik Process Systems, Sandviken

Manager: *Claes Brofelth*

AB Sandvik SSV, Örebro

Manager: *Bertil Nordström*

AB Sandvik Central Service, Sandviken

Manager: *Börje Andréasson*

AB Sandvik Information Systems, Sandviken

Manager: *Peter Lundh*

Manager: *Peter Lundh*

#### Switzerland

Sandvik AG, Zürich

Manager: *Mikael Mott*

Santrade Ltd., Lucerne

Manager: *Mikael Mott*

#### United Kingdom

Sandvik Ltd., Birmingham

Manager: *David Shail*

Sandvik Coromant U.K., Birmingham

Manager: *David Shail*

Sandvik Hard Materials Ltd., Coventry

Manager: *Anders Hägglund*

Sandvik Steel U.K., Birmingham

Manager: *Ludvig Åkerhielm*

Sandvik Saws and Tools U.K., Birmingham

Manager: *Peter Renwick*

Sandvik Process Systems Ltd., Birmingham

Manager: *Martin Samuelson*

Sandvik Bandsaws Ltd., Maltby

Manager: *Gösta Hellstrand*

Spooner Industries Ltd., Ilkley

Manager: *Timothy J. Bowdler*

Wimet Ltd., Coventry

Manager: *Geoffrey Whitehouse*

Wimet Mining Ltd., Nuneaton

Manager: *Malcolm Clegg*

Wimet Wear Parts Ltd., Coventry

Manager: *John Powell*

#### West Germany

Sandvik GmbH, Düsseldorf

Manager: *Ingemar Kallenbach*

Sandvik Coromant, Düsseldorf

Manager: *Kurt Breuckmann*

Sandvik Steel, Düsseldorf

Manager: *Roland Grosse*

Sandvik Saws and Tools, Düsseldorf

Manager: *Ingemar Kallenbach*

Sandvik Process Systems GmbH, Fellbach

Manager: *Staffan Paues*

Sandvik Automation GmbH, Laudenbach

Manager: *Lars-Anders Nordqvist*

Sandvik Kosta GmbH, Renningen

Manager: *Johann Taps*

## NORTH AMERICA

### Canada

Sandvik Canada, Inc., Mississauga, Ont

Manager: *Steve Boneham*

Sandvik Process Systems Canada Ltd., Guelph, Ont

Manager: *Colin Crane*

Nor-Sand Metals, Inc., Arnprior, Ont

(50%)

Manager: *W.B. Ferguson*

### United States

Sandvik, Inc., Fair Lawn, NJ

Manager: *Bert A. Fernaeus*

Sandvik Coromant Company, Fair Lawn, NJ

Manager: *Bert A. Fernaeus*

Sandvik Steel Company, Scranton, PA

Manager: *Bengt Nelson*

Sandvik Saws and Tools Company, Scranton, PA

Manager: *Per-Erik Forslund*

Sandvik Process Systems, Inc., Totowa, NJ

Manager: *Edward Scott*

Sandvik Special Metals Corp., Kennewick, WA

Manager: *Eugene R. Astley*

Strata Bit Corporation, Houston, TX

Manager: *Bengt Nelson*

Sandvik Latin America, Inc., Coral Gables, FL

Manager: *Bertil von Essen*

## LATIN AMERICA

### Argentina

Sandvik Argentina S.A.C. e I., Buenos Aires

Manager: *Giancarlo Tazzioli*

### Brazil

Sandvik do Brasil S.A., São Paulo

Manager: *Johan Sörensen*

### Chile

Sandvik Chilena Ltda, Santiago

Manager: *Jorge Durney*

### Colombia

Sandvik Colombia S.A., Bogotá

Manager: *Victor Manuel Angel*

### Costa Rica

Sandvik Centroamérica S.A., San José

Manager: *Edilberto Camacho*

### Mexico

Sandvik de México S.A. de C.V., Mexico City

Manager: *Björn von Malmberg*

HK Porter Company de México S.A., Mexico City

Manager: *Jorge Rodino (a.i.)*

### Peru

Sandvik del Perú S.A., Lima

Manager: *Hanns Knorr*

Barrenas Sandvik Andina S.A., Arequipa

Manager: *Hanns Knorr*

### Venezuela

Sandvik Venezuela C.A., Caracas

Manager: *Faustino Menendez*

## AFRICA

### Kenya

Sandvik Kenya Ltd., Nairobi

Manager: *Sune Persson*

### South Africa

Sandvik (Pty) Ltd., Benoni

Manager: *Tore Lundberg*

### Zambia

Sandvik (Zambia) Ltd., Ndola

Manager: *Tord Wielbass*

### Zimbabwe

Sandvik (Pvt) Ltd., Harare

Manager: *James C. MacGregor-Sim*

## ASIA

### Philippines

Sandvik Philippines, Inc., Manila

Manager: *Krister Brobeck*

### Hongkong

Sandvik Hongkong Ltd., Hongkong

Manager: *Ivo Oja*

### India

Sandvik Asia Ltd., Poona

Manager: *Åke Janson*

### Indonesia

P.T. Sandvik Indonesia, Jakarta

Manager: *Sören Lönnberg (until 31 May, 1986)*

### Japan

Sandvik K.K., Kobe

Manager: *Anders Bohlin*

Steebide International AB, Tokyo

Manager: *Isao Yamamoto*

### Korea

Sandvik Korea Co. Ltd., Seoul (49%)

Manager: *Rolf Palmén*

### Malaysia

Sandvik Malaysia Sdn. Bhd., Kuala Lumpur

Manager: *Ong Fang Woh*

### Singapore

Sandvik South East Asia Pte. Ltd., Singapore

Manager: *Åke Friberg*

Sandvik Trading Singapore Pte. Ltd., Singapore

Manager: *Åke Friberg*

### Taiwan

Sandvik Taiwan Ltd., Taiwan

Manager: *Ivo Oja*

### Thailand

Sandvik Thailand Ltd., Bangkok

Manager: *Åke Friberg*

### Turkey

Sandvik Istanbul Ticaret Ltd. Şti., Istanbul

Manager: *Bülent Tasman*

## AUSTRALASIA

### Australia

Sandvik Australia Pty. Ltd., Smithfield

Manager: *Alan S. Bellis*

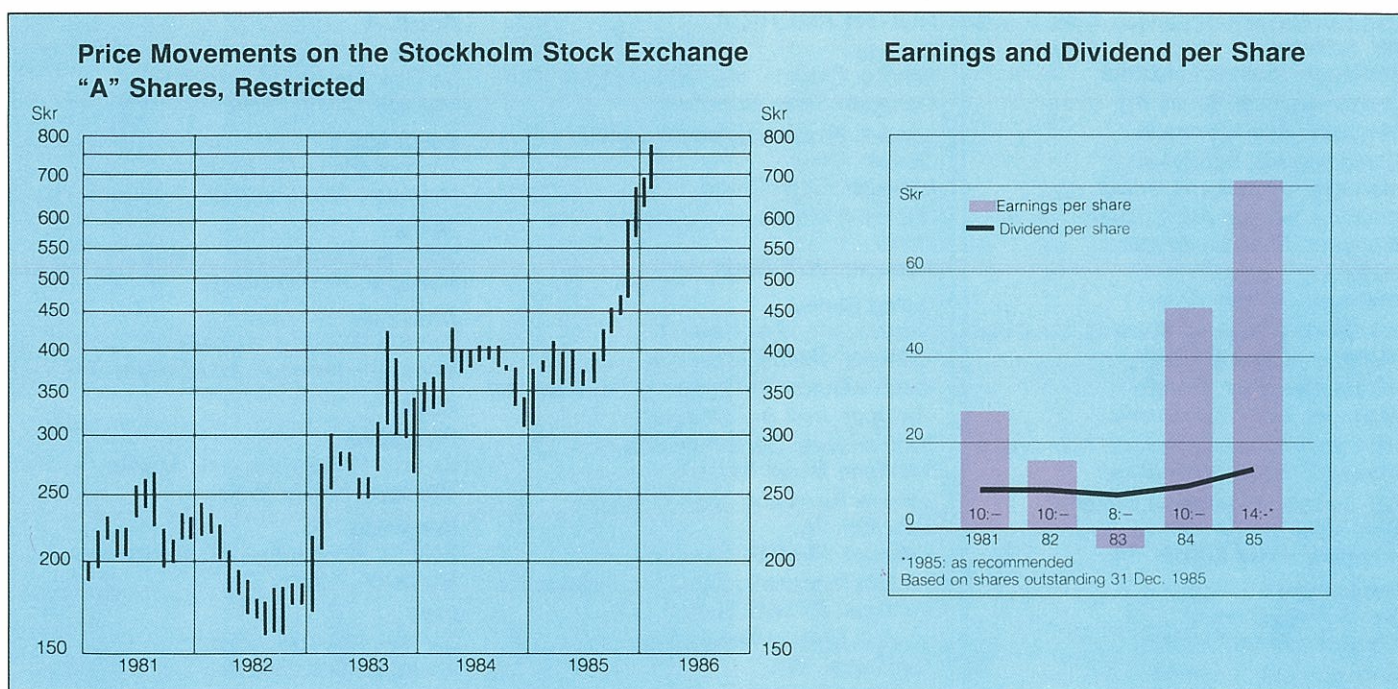
### New Zealand

Sandvik New Zealand Ltd., Pakuranga

Manager: *Peter Wells*

*These data are valid as of April 1986*

# The Sandvik Share



## Per-Share Data, Skr

Calculated on the number of shares outstanding on 31 Dec. 1985

	1985	1984	1983	1982	1981
Earnings <sup>1</sup> .....	82	52	-5	16	27
Earnings <sup>1</sup> incl. shares in associated companies .....	84	53	-4	15	28
Earnings <sup>1</sup> after full conversion .....	80	51	-3	15	26
Earnings after payment of tax .....	124	75	-38	18	38
Adjusted equity capital .....	442	360	311	312	338
Dividend (1985: as recommended) .....	14	10	8	10	10
Direct return <sup>2</sup> , % .....	2.3	3.1	2.5	5.7	4.5
Percentage distributed <sup>3</sup> .....	17	19	/	63	36
Quoted prices "A" restricted, year's highest .....	665	430	425	245	270
year's lowest .....	315	310	175	158	188
at year's end .....	625	320	325	175	218
Quoted prices "B" unrestricted, year's highest .....	710	435	405	243	280
year's lowest .....	315	310	180	159	186
at year's end .....	660	320	310	175	215
P/E ratio <sup>4</sup> .....	8	6	/	11	8
Quoted price, % of adjusted equity capital <sup>5</sup> .....	141	89	105	56	64
Average number of shares traded per day					
"A" restricted .....	6,566	2,921	4,687	4,913	2,817
"B" unrestricted .....	2,656	2,766	1,483	1,569	1,497

<sup>1</sup> Earnings after estimated full taxation.

<sup>2</sup> Dividend divided by price of "A" shares at year's end.

<sup>3</sup> Dividend divided by earnings per share after estimated full taxation.

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

<sup>5</sup> Price of "A" share at year's end as percentage of adjusted equity capital per share.



### The Largest Shareholders of Sandvik AB (March 1986)

	Percentage of voting strength	Percentage of shares
Skanska AB .....	25.4	21.5
Investment Funds of the Swedish Savings Banks .....	8.1	8.2
National Swedish Pension Insurance Fund, Managing Board of the Fourth National Pension Insurance Fund .....	7.4	6.3
Swedish Staff Pension Society .....	5.3	4.5
Svenska Handelsbanken's Pension Foundation .....	4.9	4.1
Skandia .....	4.2	3.5
PKbanken's Investment Funds .....	3.0	2.6
Skandinaviska Banken's Pension Foundation .....	2.3	2.0
Trygg-Hansa .....	1.2	1.6
Labour Market Insurance (AMF) .....	1.2	1.0
Sandvik Investment Fund .....	1.1	1.0

### Convertible Loans

Sandvik has issued two convertible loans:

In 1977 the Company took up a convertible loan of U.S.\$ 35m. carrying interest at 6 1/4%. The loan is convertible between 2 January 1978 and 8 March 1988, both dates inclusive. Full conversion of the loan would raise the number of shares by 393,536, or by 4.1%, as compared with the situation on 31 December 1985. The share capital would increase by Skr 39m.

In 1985 the Company floated a convertible debenture loan of Skr 103m. at 12% interest, addressed to the employees. This loan can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. Full conversion of the loan would increase the number of shares by 241,794, or by 2.5%, as compared with the situation on 31 December 1985. The share capital would increase by Skr 24m.

See also Note 25 on p. 29.

### Sandvik AB Share Ownership (March 1986)

Holding	Number of share owners	In % of all share owners	Total number of shares	% of share capital	Average number of shares
to 500 shares ..	17,103	96.2	1,089,917	11.2	64
500-1,000 .....	355	2.0	276,720	2.9	779
1,001-10,000	262	1.4	855,049	8.8	3,264
10,001- 100,000 .....	48	0.3	2,095,672	21.6	43,660
More than 100,000 .....	12	0.1	5,377,106	55.5	448,092
	17,780	100.0	9,694,464	100.0	545

### Analyses

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

Aktiv Placering  
Carnegie  
Enskilda Securities (U.K.)  
Grieverson Grant (U.K.)  
Svenska Handelsbanken  
Jacobson & Ponsbach  
PKbanken  
Reinheimer Nordberg (U.S.)  
Salomon Brothers (U.S.)  
Investment Funds of the Swedish Savings Banks  
Öhman Investkonsult

### Proposed Stock Split, Bonus Issue and Exchange of Unrestricted "A" Shares for Unrestricted "B" Shares

At the A.G.M. the Board intends to move that a 4:1 stock split be put through, that the share capital be raised by a 1:3 bonus issue, and that holders of unrestricted "A" shares be invited to exchange them for unrestricted "B" shares. See the Report of the Directors, p. 14.

## Five Years in Brief

	1985	1984	1983	1982	1981
Invoiced sales, Skr m. ....	12,560	11,299	10,119	9,312	8,868
Profit before non-recurring items, Skr m. ....	1,610	1,013	-179	310	519
Profit before appropriations and taxes, Skr m. ....	1,609	940	-776	68	530
Earnings per share*, Skr	82	52	-5	16	27
Dividend per share*, Skr (1985: as recommended) .....	14	10	8	10	10
Adjusted equity capital, Skr m. ....	4,248	3,456	2,986	2,998	3,252
Solvency, % .....	33	28	26	25	28
Venture-capital ratio, % .....	43	38	36	36	40
Rate of capital turnover, % .....	93	89	80	75	78
Return on adjusted equity capital after tax, % .....	20.5	15.4	-1.6	4.9	8.4
Return on investment, % .....	21.3	20.0	6.8	14.0	16.9
Investments in property, plant and equipment, Skr m. ....	548	362	295	480	712
Cash flow, Skr m. ....	1,185	1,383	804	44	-939
Average number of employees ....	23,905	23,994	25,670	28,608	31,720

\* Calculated on the number of shares outstanding at the end of 1985.

The figures given in the table for the years 1983–1985 were obtained by translating the accounts of foreign subsidiary companies to Swedish kronor using current rates of exchange. The figures for the years 1981–1982 were obtained by translating according to the monetary/non-monetary method.

For definitions of the above concepts, see p. 19.

Additional per-share data will be found in the section on the Sandvik share, p. 38.





Sandvik AB, S-811 81 Sandviken, Sweden, telephone +4626260000