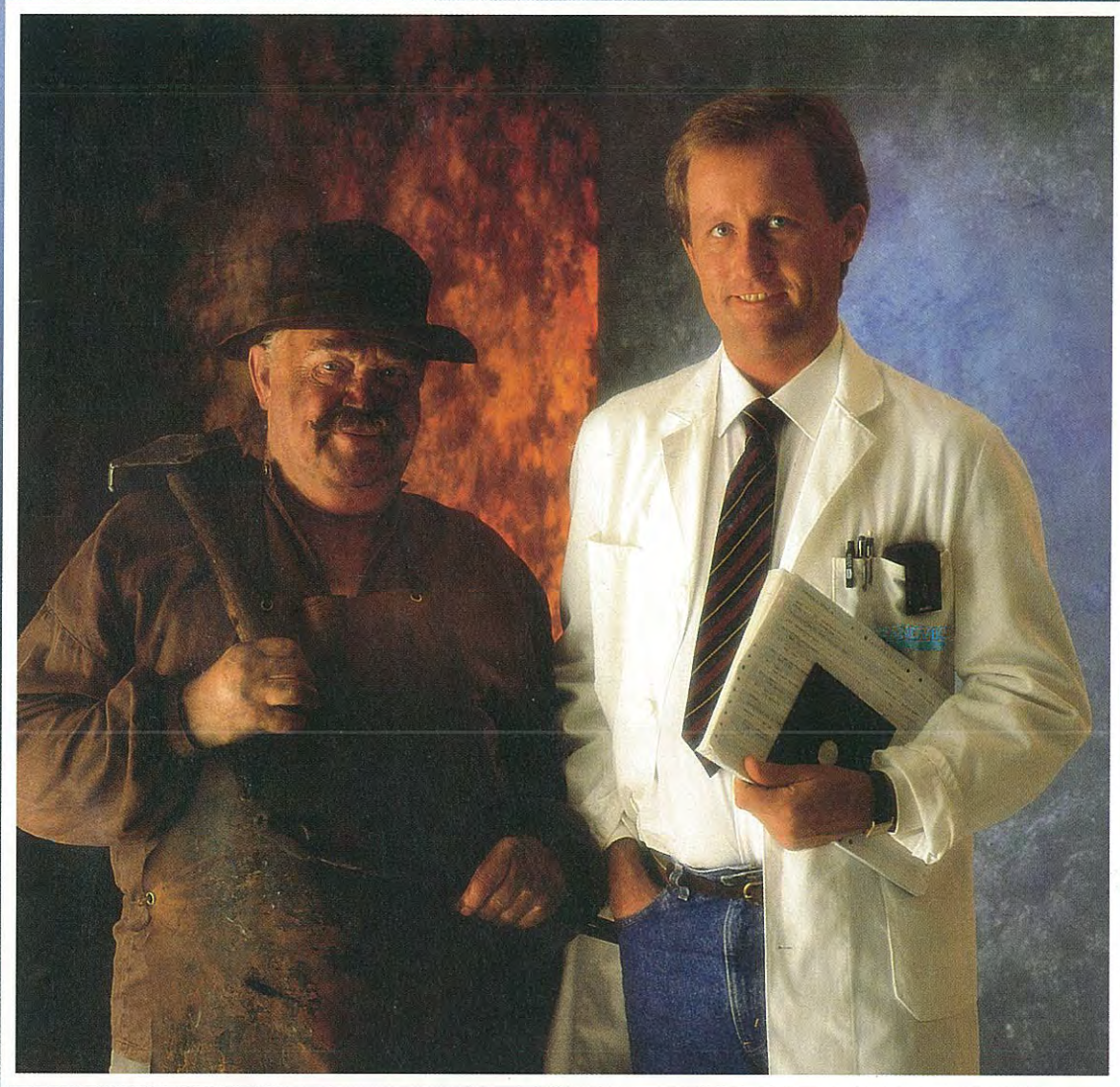


# Annual Report 1986



**SANDVIK**



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## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Jernvallen in Sandviken on Friday, 15 May, 1987, at 2 p.m.

Shareholders wishing to attend the Meeting must notify the Board thereof either by letter addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, or by telephone +46 (0)26-26 10 81. Notification must reach Sandvik AB by 3 p.m. on 11 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 1987. 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 1987 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 3:50 per share for 1986.

20 May 1987 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 27 May 1987. Dividends will be sent to those who on the record day are entered in the Share Register or in the separate List of Pledgees, etc.

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

# Sandvik in brief

*The Sandvik Group is one of Sweden's largest exporting enterprises and is active all over the world through more than a hundred companies in over forty countries. The Group currently has 24,000 employees and turns over about 13 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.*

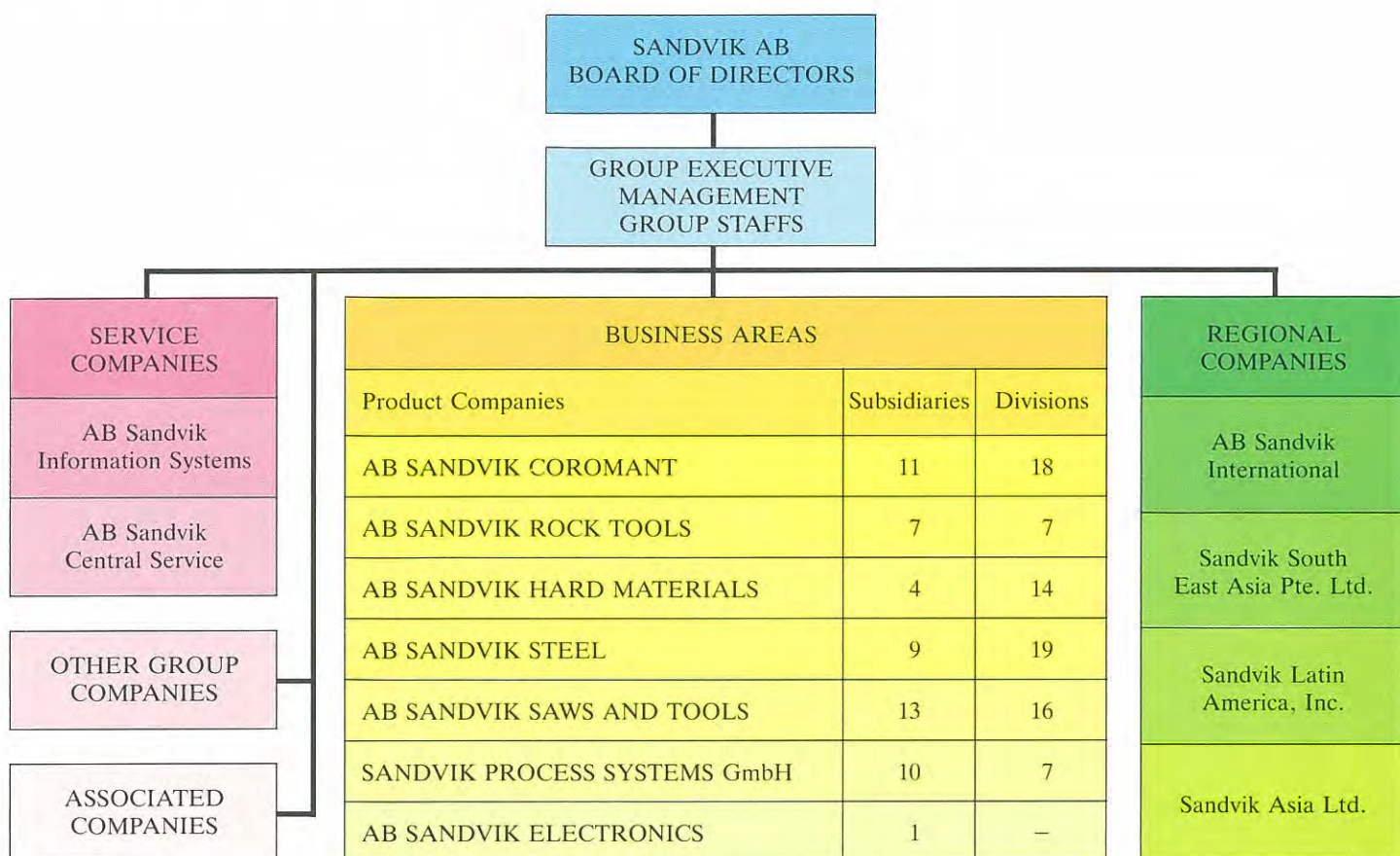
*Year by year, the Group ploughs about 4% of its aggregate turnover into research and the development of new products and production methods.*



*This year, Sandvik celebrates its 125th anniversary. Since the founding of the Company, in 1862, it has grown from a plain, straightforward steelworks into a high-tech engineering group.*



# 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 12–30.

## REGIONAL COMPANIES

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

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

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

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

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

## SERVICE COMPANIES

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

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

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

## OTHER UNITS

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

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

Sandvik's Board of Directors is presented on page 54, and its Group Executive Management, Group Staff Managers and Service-Company Presidents on page 55.



# 1986 in brief

- *Continued improvement in results, despite cyclical downturn.*
- *All major business areas achieved a satisfactory rate of return.*
- *Liquidity increased and loans decreased. Net figure on financial account close to zero.*
- *Seco Tools now a wholly owned subsidiary company and being readied for stock-exchange listing in 1988.*
- *Joint venture in oil-drilling tools to be formed with Diamant Boart of Belgium.*

---

	1986	1985
Order intake, Skr m. ....	<b>12,975</b>	12,927
Invoiced sales, Skr m.....	<b>12,721</b>	12,518
whereof outside Sweden, %.....	<b>92</b>	92
Profit before non-recurring items, Skr m. ....	<b>1,724</b>	1,610
Return on investment, % .....	<b>21.9</b>	21.3
Return on adjusted equity capital after tax, % ....	<b>18.4</b>	20.5
Earnings per share, Skr .....	<b>16:30</b>	15:15
Dividend per share, Skr* .....	<b>3:50</b>	2:62
Number of employees, 31 Dec.....	<b>24,032</b>	24,033

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\*1986: as recommended



# 125 years on which to build the future



## 1986—FURTHER IMPROVEMENTS IN RESULTS

It gives me great satisfaction to be able to report to you that Sandvik can celebrate its 125th anniversary by announcing another earnings record. The increase in our invoiced sales, it is true, was no more than a modest 2%, which was bound up with a fall-off in the demand for industry products on the North American market during 1986. Towards the end of the year there was a setback in

Japan as well. However, most of the European markets, led by West Germany, were marked by strong demand, especially as regards consumer products. Low prices for oil and for minerals, coming in conjunction, have entailed deflationary tendencies in many markets.

Against this background, the Sandvik Group succeeded in improving its results after financial items to Skr 1,724m. (1,610), which corresponds to a return of 21.9% (21.3) on investment. This puts Sandvik well up in





the list of major Swedish companies and is a source of encouragement to all who work for the Group.

Many factors have contributed to these fine results:

- *a better mix of products, markets and currencies*
- *an improved net interest figure, thanks to a strongly positive cash flow*
- *continued cost rationalization*

## HIGH LEVEL OF INVESTMENTS

We have been able to keep the cash flow positive, at Skr 1,069m., even though the level of our investments has doubled since 1984, the figure for 1986 being Skr 669m. Our purchase of the remaining 35% of Seco Tools' stock has not influenced the 1986 cash flow and must be seen as a temporary investment intended to get the ownership structure of that company finally settled by means of a Stock Exchange listing. Even though Sandvik intends to retain a majority holding, Seco Tools will continue operating as an autonomous group of companies just as it has done hitherto.

For some years to come, the pace of investment will remain at a high level. By virtue of the Group's far-reaching involvement in the district of Bergslagen we have received the Government's permission to use Skr 1,700m. out of our investment funds during the years 1987–90.

Going ahead with these investments presupposes a belief that Sweden will maintain the kind of policy that makes Swedish exporters competitive on the world market. I am thinking here both of labour-market policy and of taxation and energy policy, and, in consequence thereof, currency policy as well.

Growth by the acquisition of suitable companies forms part of our strategy. A number of exploratory talks were conducted during 1986, culminating in firm agreements as regards two companies in North America. The positive trend of the stock market in the U.S. is pushing up price expectations, and really sizable synergistic advantages are called for in order to make such purchases worth while.

## JUSTIFICATION FOR A HIGHER DIVIDEND

The gratifying trend of Sandvik's results has been duly noted by our shareholders. The price of the Sandvik share soared during 1985 and at the beginning of 1986, breaking through the thousand-kronor level, so that in due course the shareholders in General Meeting resolved upon a split (4:1) and a bonus issue (1:3). Despite the 40% rise in the dividend last year the payout for 1985 was still only 17% of the earnings per share, and it is therefore logical to recommend another sharp increase in the light of the good results for 1986.

Our employees, too, will find these fine results extra gratifying. According to an agreed model, about Skr 16m. is being set aside in a foundation in which the stake of every full-time employee in Sweden amounts to about Skr 1,900. 1986 was the first trial year for this form of saving. The monies will become individually available after five years, and in the meantime they will be invested in Sandvik shares.

As from the New Year of 1987, Sandvik stock has been traded in the U.S. through the ADR scheme. The stock has also been introduced in Tokyo, where, as an initial move, about half a million shares were placed without going through the stock exchanges.



## PROFITABLE BUSINESS ORIENTATION

The business orientation and intended development of the Sandvik Group is firmly settled:

- *Taking our stand on the know-how we have worked up over the years as regards metallic and ceramic materials we intend to develop advanced products for exacting customers.*
- *We regard the whole world as our market.*
- *In order to be sure that our research and development work is attuned to customers' wishes we intend to have our products marketed by our own personnel in all important regions. Given their familiarity with our industry, they are the people best placed to assist the customer in deriving the greatest possible benefit from our products, which should result in the best possible price.*
- *In selecting our product areas we should certainly feel free to make them narrow and specialized, but they must hold out the promise of a leading position on the world market. We discern an unmistakably positive relationship between profitability and market standing.*

The above guidelines have been in force throughout most of our 125-year existence, and have merely been accentuated by the 1983-84 reorganization.



THE WILHELM HAGLUND MEDAL FOR THE PRODUCT DEVELOPER OF THE YEAR WAS AWARDED FOR THE FIRST TIME AT THE 1986 ANNUAL GENERAL MEETING. THE WINNERS WERE JÖRGEN WIMAN (LEFT) AND LARS PETTERSSON, OF SANDVIK COROMANT.

in particular, is endeavouring to play its part in bringing about the kind of standardization that would be beneficial and indeed is indispensable to manufacturing industry.

Rock Tools, which in collaboration with Atlas Copco was an early pioneer in the area of percussive drilling, has in recent years developed products for softer rocks as well. Some drastic restructuring is currently going on in the field of oil and gas drilling, and Rock Tools has found it expedient to strengthen its positions by having its subsidiary company Strata Bit Corporation enter into a joint venture with the Belgian enterprise Diamant Boart S.A. The new company thereby arising will assume the lead in the application of diamond-armed tools to oil and gas drilling.

Sandvik Hard Materials has an important part to play when it comes to seeking out and developing new applications for cemented carbide outside Coromant and Rock Tools—besides working up new hard materials based on powder metallurgy and high-pressure technology. Business of the first-mentioned kind will often be local and based on a close collaboration with special customers. For this purpose, Hard Materials has producing units at its disposal in most of the major industrial countries.

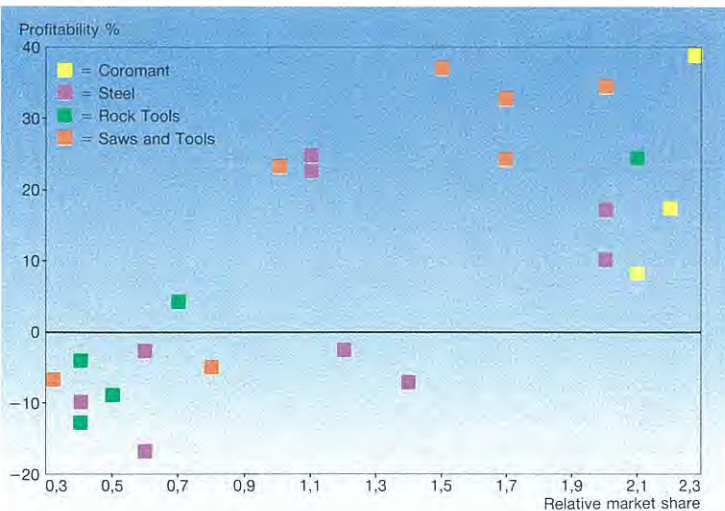
## A SUCCESSFUL STEEL STRATEGY

By a successful exploitation of niche strategy the Steel business area has largely managed to avoid the traditional competition within a branch of industry plagued by overcapacity that is due in part to political manipulation. It should be observed in passing that the name Sandvik Steel is somewhat misleading, since a significant proportion of the company's products is now made up of nickel, titanium and zirconium alloys.

Materials development, then, is an important factor in the progress of Sandvik Steel too. In line with this, the company's R&D unit has been overhauled and refurbished with the most modern instrumentation that money can buy for the purpose in hand. The market organization's need of complementary products is catered for through partly owned companies and other forms of collaboration.

## THE SANDVIK SAW: A CENTENARIAN

The making of saws was one of the earliest ways in which Sandvik's strip steel was turned to account, and



EXAMPLES OF PRODUCTS FROM VARIOUS BUSINESS AREAS WHICH SHOW THAT BIGGER MARKET SHARES GIVE INCREASED PROFITABILITY.

## CEMENTED CARBIDE—A WINNER

We have already achieved a clear lead in several of our business areas, providing a stable base for further development. Coromant and Rock Tools are in this position on the world market as a whole, but there remain some important countries, such as the U.S. and Japan, where our market shares are still unsatisfactorily small. The most promising line of advance, however, is to work with the customer in identifying new ways of further improving his productivity. The powerful trend towards fully automatic production is a source of inspiration for many new product-development ideas, and Coromant,



in 1986 Sandvik Saws and Tools was able to celebrate the passage of a hundred years since the first Sandvik saw was sold. We made good use of that century to build up a leading position in virtually all saw applications, whether the material to be cut was wood, metal or anything else.

In contrast to the other Sandvik products our saws are best sold through chains of distributors in order to get them right out to the numerous and often small customers. Using modern logistics systems, the distributors are served from specialized, large-scale production units. These systems have reached an advanced state in Europe and can be exploited for complementary products having analogous patterns of distribution, and this is in fact being done on a growing scale through acquisitions and collaboration arrangements. Beyond the confines of Europe, marketing becomes more selective and is attuned to the competitive situation.

### CONCENTRATION ON THE STEEL BELT

During 1985-86, Process Systems streamlined its image and concentrated on producing high-class steel conveyor belts. This is a field in which Sandvik has long held a leading position. We can furnish our customers with steel belts that satisfy their exacting demands as to strength, flatness, surface characteristics and so on. Besides this, Process Systems develops and sells complete installations for the chemical industry and also for the food industry. Within these areas we have built up a plenitude of experience, as evidenced by a string of patents on steel-belt applications. This extends to the field of sorting systems, where for the past decade or so Sandvik has been helping to modernize the handling of Japan's voluminous traffic in parcels. The know-how thus accumulated is now being applied in Australia, Europe and North America.

The concentration that has been put through has led to highly satisfactory profitability, confirming the doctrine that we should devote ourselves to what we do best and leave to others the fields in which we lack natural competence.

### THE WORLD IS OUR MARKET

It is my view that the above-mentioned business areas provide us with a sufficient base on which to do a controlled job of building up new bridgeheads and identifying new niches where our inherited fund of experience puts us into a good position to meet and beat the competition.

In our world-embracing organization we have learned to co-operate with peoples of all kinds, irrespective of religion, culture or pigmentation. In so doing we have made it a principle never to involve ourselves with the political or religious standpoints of this or that country but to adapt as far as we can to the local circumstances.

South Africa has emerged as an exception. For one thing, the country's problems have become a political issue at global level. For another, the apartheid system offends against the universal principles of humanity. Over several years now, we have systematically eliminated all formal traces of the apartheid system in our facilities, and it is our belief that the best way to keep things moving in the right direction is to retain control of our plants, which would still be there in the country

irrespective of who owned them. We therefore propose to retain title to our facilities as long as there are any legal and practical possibilities of taking responsibility for the development of our South African company.

In this context I should like to make the point that all the 24,000 employees of Sandvik, of whom 14,000 work in our highly developed subsidiary organization, must be able to feel that we recognize the same responsibility for them no matter what country they live in. Without its devoted personnel, Sandvik would never have achieved the kind of results set forth in this Report.



### OUTLOOK FOR 1987

For the year ahead, the economic indicators are mixed. There are positive signs of higher consumption in oil-using countries, whereas investments in oil-producing countries have dropped back sharply. On top of this, the wide swings in the exchange rates are having their effects on the competitiveness of individual countries; the expansiveness of Japan's economy in particular has received a check, while the U.S. economy has not yet recovered any growth momentum.

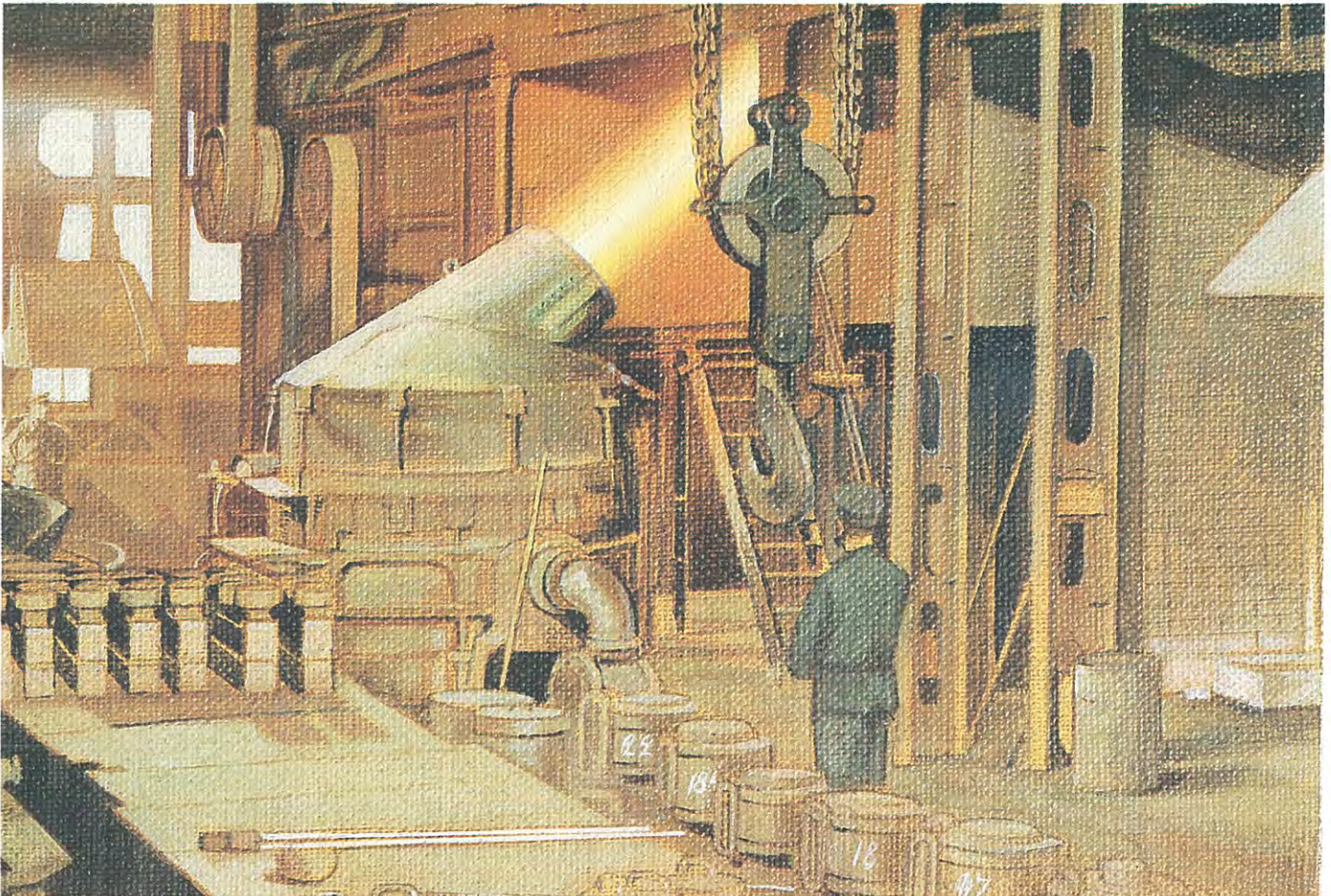
Taken all round, I surmise that 1987 will be much like 1986, meaning yet another year of meagre growth. Based upon this, Sandvik should be able to hold its earnings at about the same level. At times when revenues are showing slow growth it is especially important to remain keenly cost-conscious, and our organization has set itself to see that results are not allowed to slip.

Sandviken, March 1987  
Per-Olof Eriksson  
Group President and Chief Executive Officer



# 125 years of progress

*During the 125 years of its existence, Sandvik has evolved from a steelworks pure and simple into a high-tech engineering enterprise. The one-time provincial Swedish mill has grown to be a worldwide Group of companies.*



THE FOUNDING OF SANDVIK MARKED THE BIRTH OF THE MODERN STEEL AGE.

With their experience, their know-how and their commitment, Sandvik employees in the field, on the factory floor, in the laboratories and in the offices have built up a thriving and future-oriented business, which this year passes another milestone in its history.

These developments have proceeded in steady succession and in close co-operation with the customers. Strategically important decisions have been taken at the right point in time, so that Sandvik has often been in the forefront of the fields in which it is active.

## WE WERE THE PEOPLE WHO DEVELOPED MODERN STEEL

Sandvik traces its origin to the occasion when Göran Fredrik Göransson, ahead of anyone else in the world, succeeded in producing a new, malleable steel on the industrial scale by the Bessemer method.

It was an epoch-making advance, the echoes of which were heard far beyond the borders of Sweden. In due course it came to be spoken of as "the birth of the modern Steel Age".

The construction of industrial facilities in Sandviken commenced in 1862. The early years of the business were hard going, but Sandvik was helped on its way by the industrialization that was in progress and the build-up of communication networks around and about in Europe. Sandvik grew to be a big supplier of the forged and hot-rolled products that the new era demanded.

STEEL FOR UMBRELLA RIBS WAS AN EARLY SANDVIK SPECIALITY.

**Sandvikstålet**

1810 1928

**Ö höstrusket**

kommer paraplyet åter till heders, och det kan då vara på sin plats att erinra om en av Sandvikens tillverknings- och ständigen allmänna intresse, nämligen tillverknings- och paragon eller paraplyspår.

Sandvikens paragon är tunn och lätt men ändå stark och elastisk. Lätthet och styrka äro därför utmärkande egenskaper för paraplyställningar tillverkade därav.

I själva verket räknas Sandviken bland de äldsta och största paragonfabrikerna i världen.

**Sandvik Paragon**

SANDVIKENS JERNVERKS AKTIEBOLAG  
SANDVIKEN - SVERIGE



**E**ARLY ACCOMMODATION TO THE MARKET Industry was soon crying out for new types of steel products—more highly refined, with better surfaces, and with greater resilience and elasticity. Sandvik attuned its manufacture accordingly.

The cold-rolled products made their entry: wire, strip and tubing. Sandvik listened to the market and tailored its products to suit the customers. The modern term for it is accommodation to the market, but in those days it was simply a way to survive.

The feminine fashions of the late 19th century—the crinoline and the wasp-waist—gave the impulse to one of Sandvik's star products: corset-spring steel. Profiled flat steel wire for umbrella ribs and steel strip for gramophone drive-springs and watch- and clocksprings were also among the early specialties.

As industrialization went ahead, ever more steels were evolved for office machines, cars and aeroplanes. Razor-blade steel, hollow drill steel and tubes for the power industry soon became big-volume products.

**S**ANDVIK MADE ITS NAME WITH ITS SAWS Forestry and the timber industry were likewise burgeoning. Taking its cue, Sandvik began making saws in 1886.

Frame-saw blades, forestry saws and two-man log saws were brought out. But it was the bow-saws and the carpenter's saws that made Sandvik's name.

Over the years, Sandvik has developed a broad range of saws for craftwork and industry. The technology has gone ahead with giant strides. The introduction of tooth-point hardening, for example, extended the life of saws many times over.

A considerable market has been built up in recent years for bimetallic hacksaw blades and machine-saw blades in the area of cross-cutting.

Sandvik Saws and Tools is currently producing more than 500,000 saws and saw blades every day.



IN THE UNIQUE ROTOFORM PROCESS, MOLTEN MATERIAL RIDING A STEEL BAND IS TRANSFORMED INTO EASILY HANDLED PASTILLES.

## **T**HE STEEL BELT THAT GREW INTO A PROCESS

During the early years of the 20th century Sandvik began making conveyor belts of cold-rolled and hardened strip steel.

To begin with, the belts were used for the conveyance of raw materials such as gravel, charcoal and raw sugar. When stainless belts were introduced in the 1930s the food industry and the chemical industry became important customer categories.

With the passing years the belts have been incorporated to a growing extent into continuous industrial processes and into highly mechanized sorting installations. In this way, the belt has become the basic unit in complicated turnkey plants supplied by Sandvik Process Systems.



OVER MORE THAN A HUNDRED YEARS, MILLIONS UPON MILLIONS OF HANDSAWS HAVE CARRIED THE NAME AND FAME OF SANDVIK FAR AND WIDE.



## SPECIALIZATION ON SPECIAL STEELS

Ever since the early days, Sandvik's steel business has set itself to lead the market in special, advanced fields of application. The current programme comprises tubes, strip and wire, primarily in stainless and high-alloy special steels, and tubes made of special metals

such as zirconium and titanium. Among Sandvik products featuring high precision and a high technology content we may mention tubes for nuclear power reactors and supersonic aircraft, strip for catalytic exhaust purifiers and data printers, and wire for reed relays and surgical needles.

SANDVIK'S DECISION TO GO IN FOR TOOLHOLDERS WITH REPLACEABLE CEMENTED-CARBIDE INSERTS PROVED A WINNER!





**B**REAKTHROUGH FOR CEMENTED CARBIDE 1942 was a crucial date in Sandvik's history. It was the year when Sandvik—with a world war raging on all sides—took the decision to go in for cemented carbide. The Company's resources were concentrated from the start on two areas: metalcutting tools and rockdrilling tools.

It was in the latter field that the first results were achieved. It emerged early on that drill steels armed with cemented carbide could stay on the job up to thirty times longer between regrinds than ordinary plain steels.

From a modest start, the business soon took off. New types of rockdrilling tools were developed. Another decisive step came in 1947 when Sandvik signed a global collaboration agreement with Atlas Copco, whereby the latter company was to market Sandvik's rockdrilling tools in combination with its own drills.

It has been a very successful collaboration for both parties. Sandvik Rock Tools is today the world's leading manufacturer of rockdrilling tools.

### SUCCESS WITH INDEXABLE INSERTS

Sandvik's carbide-tipped tools for chipforming metalworking—turning, milling and drilling—had to wait for the late 1950s before they scored their decisive breakthrough. Today they constitute Sandvik's largest business area.

Much of this success came because Sandvik introduced the right product at the right time. While most of its competitors were devoting their resources to conventional inserts and tools, Sandvik went in vigorously for the development of indexable-insert technology—the first entry being the T-Max toolholder with its replaceable inserts. It was an immediate success.

### COATING ENHANCES PERFORMANCE

Another decisive step was the introduction of coated inserts in 1969.

Indexable inserts made of carbide are coated with hard substances in layers a few thousandths of a millimetre thick. This greatly increases their performance and effective life. A turning operation that used to take a hundred minutes at the turn of the century, with the tools of those days, can now be performed in one minute using coated carbide inserts.

Sandvik Coromant is incontestably the world leader today when it comes to carbide tools for metalworking and to tooling systems for automated production in manufacturing.

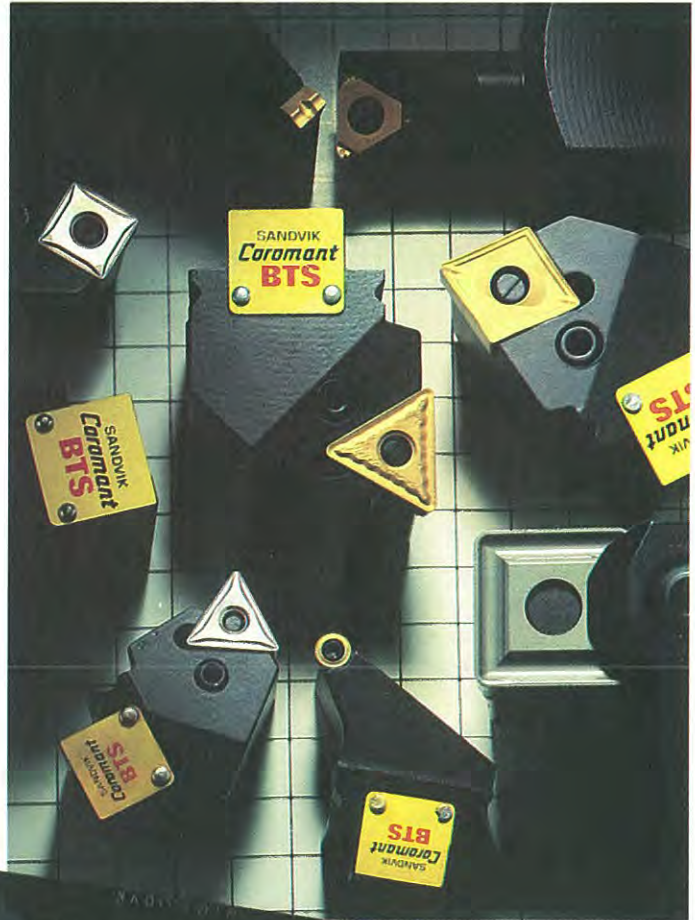
ROCKDRILLING TOOLS EQUIPPED WITH CEMENTED CARBIDE WERE ABLE TO DO THIRTY TIMES MORE DRILLING BETWEEN REGRINDINGS THAN ORDINARY TOOLS MADE OF PLAIN STEEL.

### HIGH TECHNOLOGY FOR THE FUTURE

Sandvik's operations are focussing increasingly on areas that call for a high level of technology. In such pursuits we have attained to a position of leadership by ceaselessly striving for improvement.

The foundation that has been laid during the past 125 years is good and solid, and our gaze is fixed on the future in order to meet the demands that are to come.

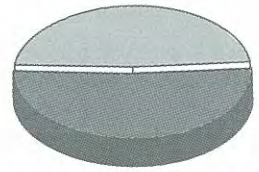
SANDVIK COROMANT'S PROGRAMMABLE BLOCK TOOL UNITS ARE THE LATEST STAGE IN THE DEVELOPMENT OF MODERN TOOLING SYSTEMS.





# Cemented Carbide

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



PROPORTION OF GROUP'S TURNOVER

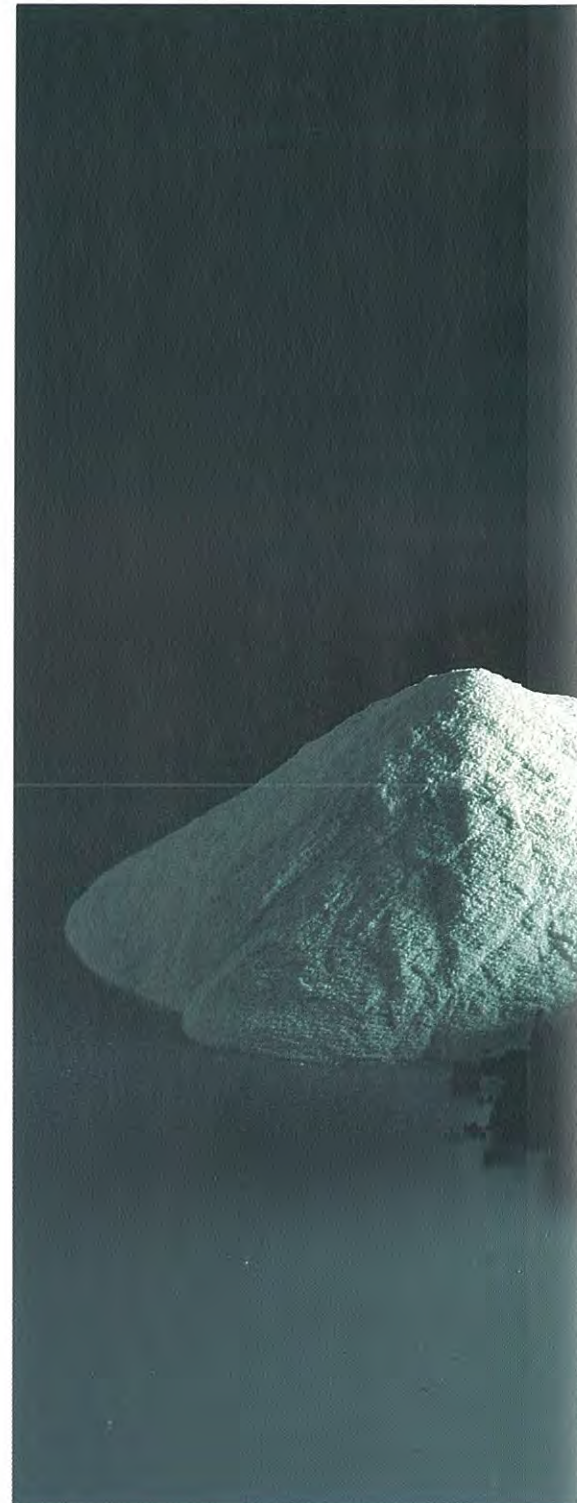
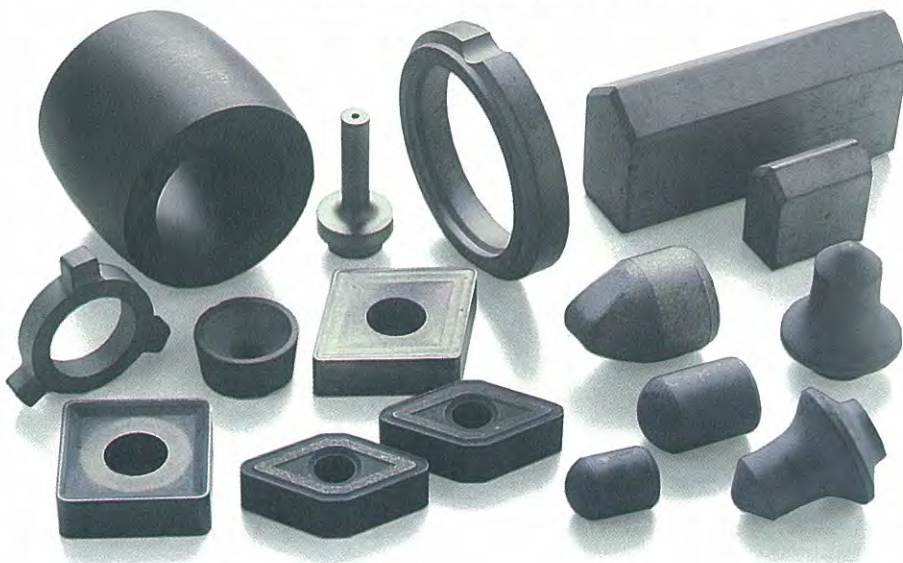
	1986	1985
Invoiced sales, external, Skr m.	6,693	6,604
Result before non-recurring items, Skr m.	1,225	1,103
Return on capital employed, %	29.9	29.4
Capital expenditures, Skr m.	804	340
Number of employees, 31 Dec.	13,082	12,929

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

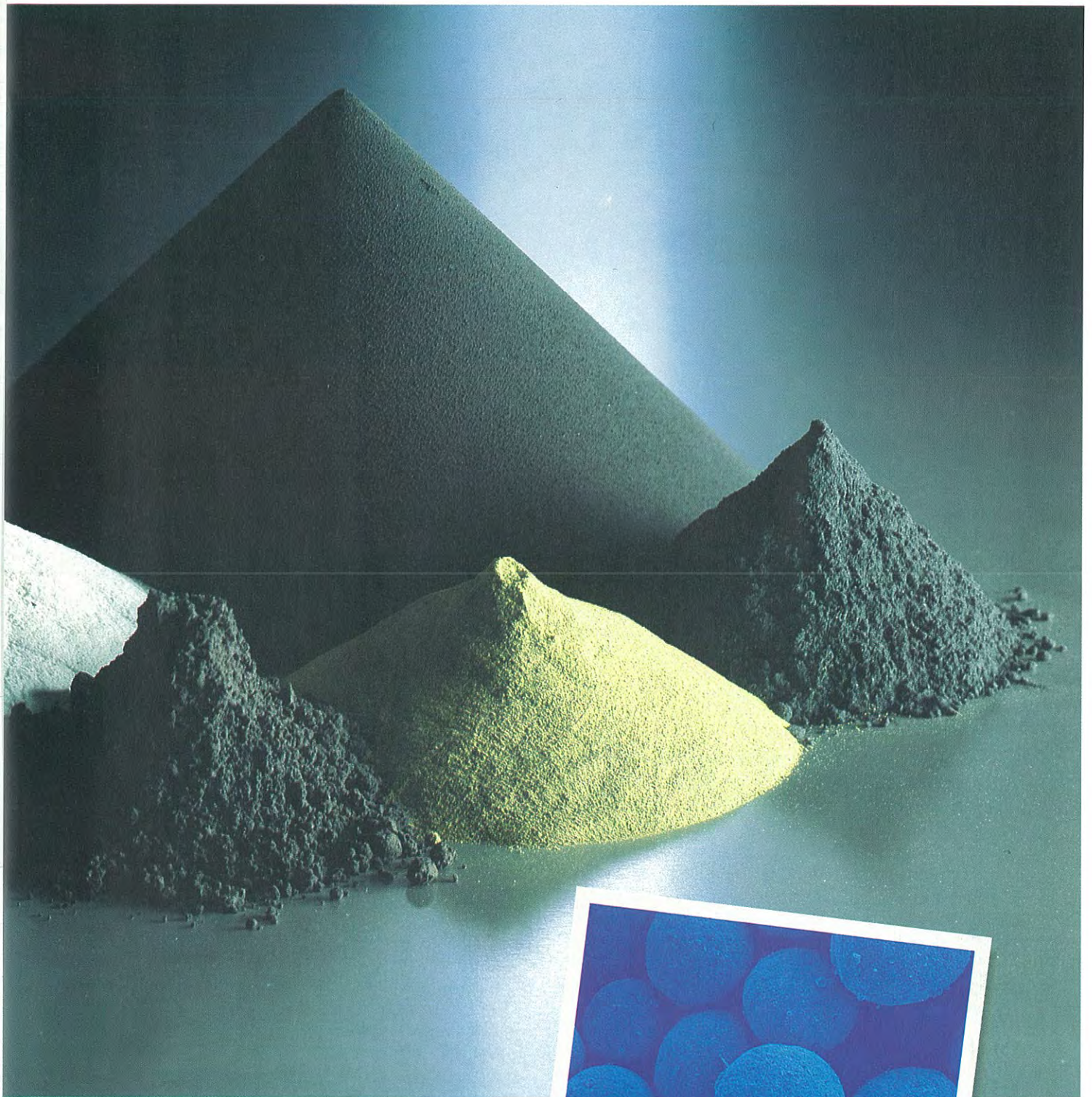
This unique combination of wear resistance and toughness is exploited in the manufacture of cutting tools for metalworking, buttons for rockdrilling bits, or constructional parts that are exposed to exceptional wear.

Sandvik's cemented-carbide operations are organized in three business areas: Sandvik Coromant, which makes cutting tools, Sandvik Rock Tools, specializing in rockdrilling tools, and Sandvik Hard Materials, whose products include constructional parts. Also included is the discrete group of companies known as Seco Tools AB, which issues its own financial statements. The operations in the rest of the cemented-carbide business are interdependent at several essential points, which precludes any meaningful reporting of their individual results.

THE UNIQUE PROPERTIES OF CEMENTED CARBIDE ARE TURNED TO ACCOUNT IN THE MANUFACTURE OF INSERTS FOR TOOLS, BUTTONS FOR ROCKDRILLING BITS AND WEAR PARTS.

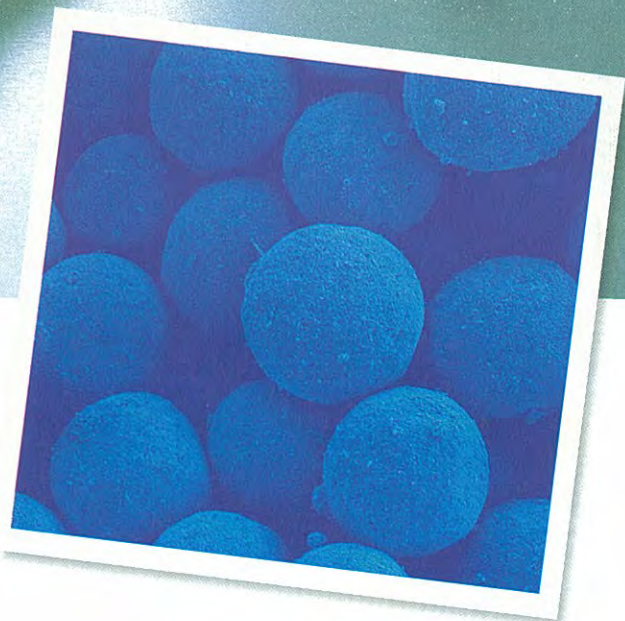






CEMENTED CARBIDE IS MADE FROM A PRECISELY FORMULATED POWDER COMPOSED OF HARD CARBIDE PARTICLES AND A TOUGH BINDER METAL.

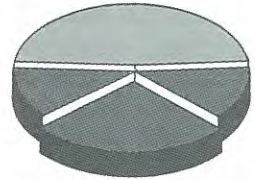
TO ENSURE SMOOTH-RUNNING MANUFACTURE THE GRAINS IN THE POWDER MIX MUST BE SPHERICAL IN SHAPE AND UNIFORM IN SIZE.





# Sandvik Coromant

*Sandvik Coromant develops, makes and markets carbide tools for metalworking.*



PROPORTION OF GROUP'S TURNOVER



CLAS ÅKE HEDSTRÖM, PRESIDENT.

Our business idea is to offer our customers the first-class tools and the machining know-how that will enable them to achieve better production economy, higher productivity and consequently greater competitiveness.

We base our product programme on chipforming tools for turning, milling and drilling. We round out this programme with the sort of equipment that is needed for holding and changing tools and workpieces, and for controlling or monitoring machining processes.

Our most important customer categories are the manufacturing and machine-building industry, car and tractor makers and the aircraft industry.

## **B**BETTER RESULTS DESPITE POOR GROWTH IN VOLUME

1986 invoiced sales were worth Skr 3,970m. (3,862), an increase of 3% (10) on the previous year. The number of employees at year's end was 7,304 (7,103). Capital expenditures came to Skr 235m. (172).

The favourable business climate of 1984-85 failed to hold up during 1986. Nevertheless, even though the

increase in volume was no more than marginal, we were able to achieve a result that outdid the record year 1985.

By and large, the whole of Western Europe showed growth of a kind favourable to Sandvik Coromant—West Germany and Italy being particularly successful.

Our vigorous growth in Brazil continued for the third year in a row, whereas in Mexico, in consequence of the country's economic problems, we had to record a fall-off in sales. Receding demand in industrial segments of importance to us in North America, and a strong yen, which hampered Japan's export industry, caused the curve of sales to turn down in these markets.

The many years of effort that have gone into the marketing organization and into product development have given us a strong position with more than a 20% share of the global market and a sales volume which is about twice that of our nearest competitor. We have a considerably larger market share in Western Europe and Latin America. In the U.S. and Japan, which between them make up more than half the world market, our market shares are smaller. Our characteristic strengths





SANDVIK COROMANT FIELDS THE MARKET'S BROADEST RANGE OF PRODUCTS FOR CHIPFORMING MACHINING.

are that we have a broader product range and a notably larger international market coverage than any of our competitors. 96% of our sales in 1986 went to markets outside Sweden. Sandvik Coromant was the winner of the 1986 "Export Lift", the export-boosting competition put on jointly by the magazine Svensk Export and SAS.

### CAPITAL RATIONALIZATION —FOR THE CUSTOMER AND FOR US

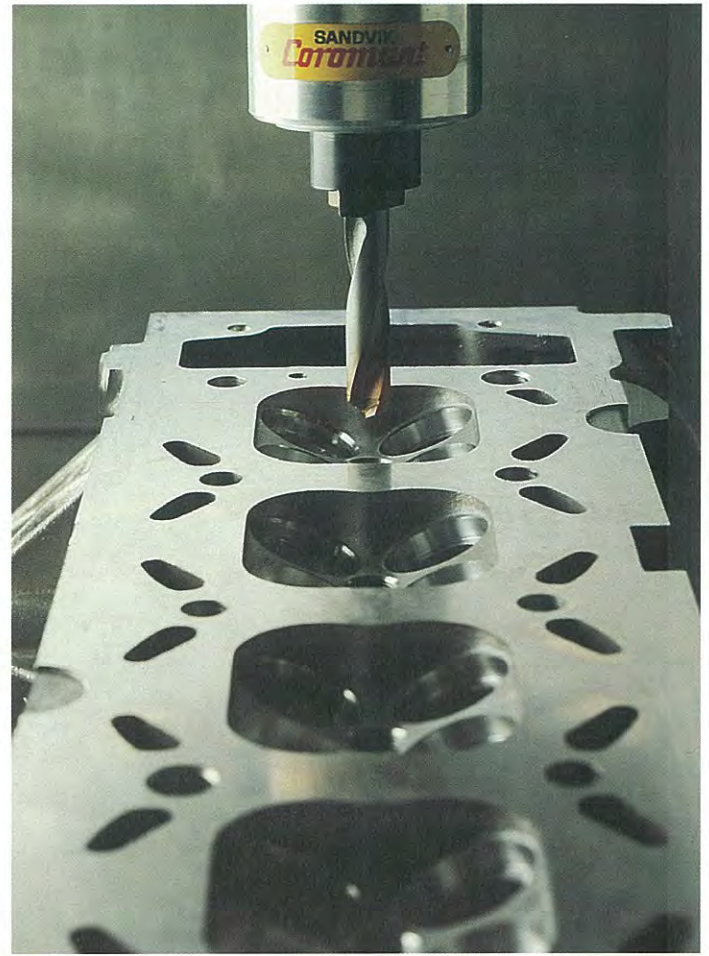
In order to improve our delivery service, and thus to enable our customers to reduce their tool inventories, we have in recent years developed what we call the direct-distribution system.



This scheme has been successively extended since 1982 and now embraces all markets where product supply is based on import. Its key feature is well-developed collaboration and data communication between subsidiary companies, central warehouses and producing units and between airlines and forwarding agents. A customer in Europe gets his tools the day after we receive the order. For customers outside Europe it takes another day or two. The customers now get this service from a central-warehouse range about three times as large as the range that is normally on offer from national warehouses.

At the same time we have introduced new coated grades of carbide and new insert geometries, which, with a smaller number of variants, cover a broader range of applications. In combination with direct distribution this gives the individual customer a better chance of selecting precisely the range that will cover his specific needs. Within this range the customer can also operate with a substantially reduced inventory volume. By fielding this combination of service development and product development we have made a significant contribution to the capital rationalization of our customers—besides stepping up our own capital turnover.

**I**NTENSIVE RESEARCH AND DEVELOPMENT  
Year by year, Sandvik Coromant commits substantial resources to research and development. In the course of 1986 we invested about Skr 200m. with the aim of giving the customers tools and tooling systems that, besides improving price/performance relationships, are contributing to increased automation within manufacturing in-



COROMANT DELTA DRILLS HAVE ENABLED SAAB TO ACHIEVE RATIONAL MANUFACTURE OF THE CYLINDER HEADS FOR ITS 16-VALVE ENGINES.



IT IS PART OF OUR SERVICE TO OFFER OUR CUSTOMERS COMPUTERIZED SYSTEMS TO AID IN THE SELECTION OF TOOL AND INSERT DATA.



THE BLOCK TOOL SYSTEM IS USED IN COMPUTER-CONTROLLED MACHINES AND IN AUTOMATED METALWORKING.



“Q” INSERTS ARE THE MODERN GENERATION OF LATHE TOOLS WITH ENTIRELY NEW GEOMETRIES.



VARILOCK FRONT CLAMPING IS A NEW SYSTEM FOR SIMPLIFYING THE MOUNTING OF TOOLS IN MACHINING CENTRES.

dustry. As a measure of the rapidity of product development it may be observed that close on half our sales volume is made up of products that have been introduced within the last five years.

In our work of product development we seek improved performance, broader fields of application and faster and safer tool changes. An ever-growing proportion of our development effort is aimed at meeting the requirements posed by automated machining processes. During 1986 we brought out a new generation of insert geometries combined with new coated grades of cemented carbide. Concurrently, we introduced new holders and inserts for parting-off and new toolholding products. Within the Block Tool system the enlargement of the range continued, along with the development of the automation potential inherent in the system. Each individual tool, for example, can be provided with a programmable data carrier which supplies information to the control system of the CNC machine.

The company's product development also extends to microcomputer-based software for the selection of the right tool arrangement. So far, two systems have been released to the market. Corocut™ helps the user to choose the right tool and the optimal cutting data and to calculate machining times and costs in turning operations. Varicat is a system for putting together combinations of tools to be used in machining centres.

## NEW PRODUCTION TECHNOLOGY

In production, too, a vigorous effort is going into new technology and new equipment, whereby we are achieving greater productivity and greater flexibility.

The predominant part of our machine park is now numerically controlled. A large number of production cells operate unmanned for long periods. Computer-aided design and manufacture (CAD/CAM) is undergoing further development both at the product company and at the subsidiary companies.



# Sandvik Rock Tools

*Sandvik Rock Tools concentrates its activities on the development, production and marketing of tools for work in rock and overburden. The operative part of our tools consists of a hard material, usually cemented carbide up to now, although other materials such as diamond are also used.*

Invoiced sales amounted in 1986 to Skr 1,116m. (1,216). The number of employees at year's end was 1,760 (1,874). Capital expenditures came to Skr 45m. (48).

Sandvik Rock Tools has substantial billings in the dollar markets—the U.S., Canada and Australia—and in South Africa. The shifts in exchange rates are the main reasons for the downturn in billings, aggravated by reduced activity in the oil market. Otherwise our volume has held up well, and so, in consequence, have our market shares.

1986 was a difficult year for the customers of Sandvik

Rock Tools. The mines, our largest single category of customers, have been squeezed hard by the low prices to which metals and minerals have fallen. The oil-drilling market has stagnated by reason of depressed oil prices. A ray of hope, however, has come from the contracting industry on some markets within the industrialized world.



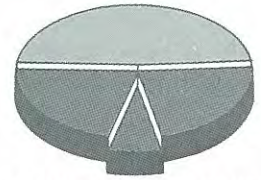
A NEW TYPE OF EXTENSION ROD WITH AN INTEGRATED COUPLING AND A ROCK BIT FOR DRILLING STRAIGHT HOLES.

## BROAD PRODUCT RANGE— NEW TECHNOLOGY

Sandvik Rock Tools has the market's broadest range of rockdrilling tools armed with hard materials. We work in close contact with our customers, who are to be found in the civil-engineering industry, e.g. in roadbuilding and power-plant construction, in all forms of extractive industry, and in drilling for oil and gas.

Besides this, we have our intimate development collaboration of forty years' standing with Atlas Copco. It has given us a unique means of keeping in touch with developments on the market. In the early days, rock-breaking was concentrated to the drill-and-blast method, but new techniques are constantly being developed, such as rotary crushing drilling, used by tunnelling machines for example, or cutting penetration using diamond inserts, a method that is making great strides in long-hole drilling.

This comprehensive overview of events on the market



PROPORTION OF GROUP'S TURNOVER



LARS ÖSTHOLM, PRESIDENT.



SANDVIK ROCK TOOLS HAS A COMPLETE RANGE OF TOOL



is combined with a thoroughgoing knowledge of materials and of what can be done with and to them, developed through in-depth collaboration with other Sandvik companies.

Our strategy is to give the customer a cost-effective tool capable of superior performance. The successful development work of recent years, backed up by the modernization of our production equipment and the adoption of entirely new CNC techniques, ensures that we shall be able to consolidate our leadership as a producer of high-performance tools.

## NEW CARBIDE GRADE OFFERS UNIQUE POTENTIAL

In the course of 1986 we introduced tools based on an epoch-making invention in the cemented-carbide field that has sprung from our collaboration with Sandvik Hard Materials. The new grade of carbide, launched under the name Dual Properties, is built up of several layers which interact to raise both hardness and toughness at one and the same time. It is patent-protected and will give us an unmatched opportunity to raise performance and competitiveness to still higher levels throughout our range of drill bits.

As regards percussive drilling in hard rock, we have developed tools that are helping our customers to drill straight, to the considerable benefit of their production economy. We have also introduced extension rods with fixed sleeves, thereby facilitating mechanization and raising penetration rates.

For breaking soft rocks, our product development has been concentrated on putting together complete tool systems for the various types of rigs used in coal-mining and other soft-rock drilling.



DRILL BITS WITH BUTTONS MADE FROM THE NEW GENERATION OF CEMENTED CARBIDE.

## STEPPED-UP DRIVE IN OIL DRILLING

Sandvik has resolved to expand its commitment to the use of diamonds in the oil-drilling area. Strata Bit Corporation, which has been Sandvik Rock Tool's outpost in the U.S. with a leading position in the oil-drilling market, is joining hands with the Belgian firm of Diamant Boart S.A., of Brussels.

The new venture has set itself to achieve world leadership as regards all types of diamond-armed bits needed by the oil- and gas-drilling industry, both for hard and soft rocks and for core drilling.

## IMPROVED MARKET POSITION

We do not foresee any growth of demand in our market segments during 1987. Nevertheless, the vigorous drive that has gone into product development, in combination with the modernization and rationalization of our production apparatus, makes it reasonable to hope that our market position can be gradually improved.



FOR DRILLING IN ROCK AND THROUGH OVERBURDEN.

A COMPUTERIZED DRILLING RIG, THE ATLAS COPCO ROBOT BOOMER, FOR THE UNMANNED DRILLING OF BLAST-HOLES IN TUNNELLING.



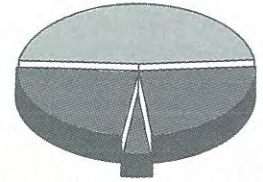


# Sandvik Hard Materials

*The business philosophy of Sandvik Hard Materials, founded on its wide-ranging competence within its chosen field, is to conduct and develop external business in the product areas represented by ready-to-press cemented-carbide powder and semi-manufactures, finished carbide products (wear parts) and cemented-carbide compacts, together with new products, especially in ceramics, for all applications in manufacturing industry and for surgical implants.*

The company's total invoicing in 1986 amounted to Skr 1,024m. (1,111), of which external business accounted for Skr 514m. (536). The number of employees at year's end was 1,952 (1,990). Capital expenditures came to Skr 51m. (46).

The trend of invoiced volume in current prices between 1985 and 1986 has been affected by a stagnating overall market with steeply falling raw-material prices, which have come through in the form of lower product prices, especially as regards cemented-carbide powder.



PROPORTION OF GROUP'S TURNOVER



LARS WAHLQVIST, PRESIDENT.



DESIGN PARTS AND FORMING TOOLS THAT HAVE TO MEET SEVERE DEMANDS AS TO WEAR RESISTANCE AND TOUGHNESS ARE MADE OF CEMENTED CARBIDE. CERAMICS ARE ALSO FINDING INCREASING USE.





SURGICAL IMPLANTS MADE OF CERAMICS CONSTITUTE AN INTERESTING FIELD OF DEVELOPMENT.

### INTERESTING GROWTH PRODUCTS

Sandvik Hard Materials has a business portfolio that comprises mature products and growth products alike.

Our objective is to increase the external sales of powder over the next two years. The number of competitors in the powder business is relatively small, and most of them are in Europe and the U.S. The powder market became harder to work in 1986 as a certain amount of overcapacity began to make itself felt.

With the aid of several small and medium-sized production units we intend to make finished wear parts for local markets. In this way we can offer an excellent level of service.

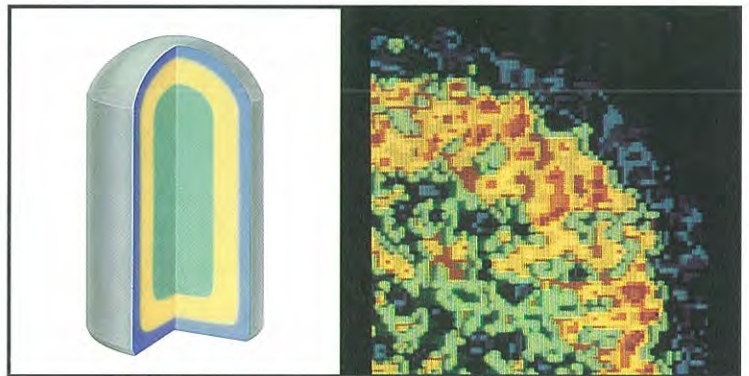
Thanks to the combined weight of our resources in this area we can more than hold our own against our competitors, most of whom only do a local business.

In order to work the Nordic market better we formed a new company, Sandvik Hard Materials Norden AB, at the beginning of 1987. Based in Örebro, it also conducts operations in Stockholm.

Our development products, ceramics and superhard materials, cover areas in which a considerable future market can be foreseen. Special interest attaches to ceramic products such as sealing rings for pumps, nozzles, and surgical implants.

### CONCENTRATION FOR GREATER PROFITABILITY

We are expecting the state of industrial trade to remain



AN ENTIRELY NEW TYPE OF CEMENTED CARBIDE FOR SUCH THINGS AS BUTTONS FOR ROCKDRILLING BITS. DIFFERENT ZONES WITH VARYING COBALT CONTENTS GIVE A CONSIDERABLE IMPROVEMENT IN PERFORMANCE.

slack in 1987. In order to compensate for general rises in costs and to strengthen our profitability we are conducting a sweeping rationalization project at our largest single unit, the one in Stockholm. Among other things this will lead to a reduction in the number of people employed.

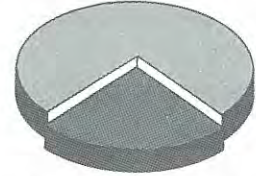
Some of the operations formerly carried on by AB Sandvik Hard Materials at the Stockholm unit have been transferred to AB Sandvik Coromant so as to eliminate as far as possible internal dealings between the companies.

The effect of this restructuring will be to give Sandvik Hard Materials freer hands to concentrate on external business within its own product areas.



# Sandvik Steel

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



PROPORTION OF GROUP'S TURNOVER



GUNNAR BJÖRKLUND, PRESIDENT.

	1986	1985
Invoiced sales, external, Skr m.	4,058	4,096
Profit before non-recurring items, Skr m.	247	255
Return on capital employed, %	12.8	14.7
Capital expenditures, Skr m.	120	118
Number of employees, 31 Dec.	5,736	5,784

Our most important products are:

- *Stainless steel tubes for the process, power, oil-and-gas and chemical industries, among others. The tube range is rounded out by supplementary products in the form of tube fittings, sheet, bar stock and welding materials.*
- *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.*
- *Semi-manufactures in the form of billets, blooms, hot-rolled strip and hollow drill steel for rock-tool manufacture.*

## EXTENSIVE OPERATIONS OUTSIDE SWEDEN

Of Sandvik Steel's 5,700-odd employees, 1,800 work abroad, 900 of them in sales and distribution.

The subsidiary companies in all significant industrial countries and the Sandvik Group's regional companies give Sandvik Steel a unique network of contacts with markets all over the world. This is of decisive importance both to product development and to the prospects of working up sufficient volumes in production, even when it comes to highly specialized products.

Production facilities for further upgrading in the U.S., Canada, Brazil and Spain enable the company to give its customers a good delivery service, even in remote markets. The geographical spread of production also renders Sandvik less vulnerable to trade restrictions.

The company plans a continued drive to build up supplementary production outside Sweden.

The partly owned undertakings Avesta Sandvik Tube and Fagersta Stainless, backed up by agreements with other suppliers, serve to broaden the product programme with the aim of strengthening our overall market position.



## LEVEL OF EARNINGS MAINTAINED

In the face of a general slackening in the market for Sandvik's steel products the company was able to keep earnings up to the level of the two preceding years. The profit worked out at Skr 247m. (255). The return on capital employed came to 12.8%.

Invoiced sales amounted to Skr 4,058m. (4,096), a decline of 1% (+18) as compared with the previous year. In terms of Swedish kronor, sales rose in Europe and Japan but were down in North America by reason of the falling dollar rate. Large orders were received for tubes made of nickel alloys for the conversion of steam generators in nuclear power plants. Deliveries of canning tubes continued to increase.

Taken all round, the operations at the partly owned but unconsolidated undertakings Avesta Sandvik Tube (25%), Fagersta Stainless (50%), Uddeholm Strip Steel (50%) and Nor-Sand in Canada (50%) yielded a satisfactory result.

## PRODUCTION AND MARKET

At the facilities in Sandviken, which account for about 75% of output, the implementation of a comprehensive rationalization programme continued.

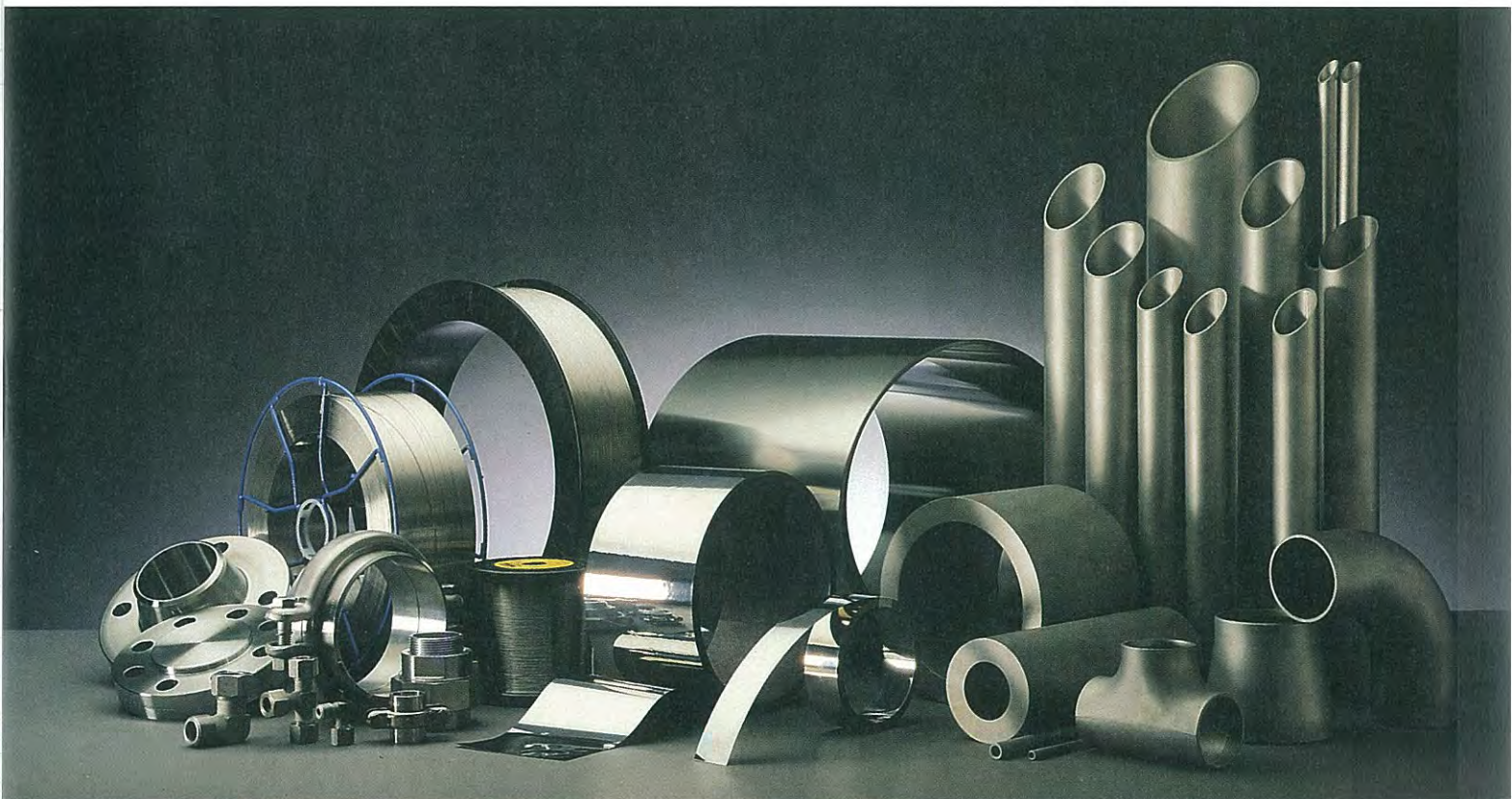
The bulk of capital expenditure was channelled to the upgrading stage in the manufacture of tubes, strip and wire. In the Steelworks, a scrap-preheating plant was installed, while forging and extrusion presses were modernized. Production capacity for stainless spring wire was expanded, as also was the production of thin stainless strip. The finishing department in the tube-making facility underwent alterations.

Decisions were taken to rationalize and relocate the manufacture of light-gauge stainless tubes and to enlarge the capacity for flat rolled wire.

At the producing subsidiary companies in Spain, the U.S. and Brazil, capital projects likewise continued at an unchanged pace.



STEAM-GENERATOR TUBES FOR NUCLEAR POWER PLANTS MAKE HEAVY DEMANDS ON THE PROPERTIES OF THE STAINLESS STEEL.



SANDVIK STEEL MAKES TUBES, STRIP, WIRE AND BAR IN STAINLESS SPECIAL STEELS AND IN SPECIAL METALS.





SANDVIK'S STEEL PRODUCTS ARE USED IN VARIOUS FORMS OF POWER PRODUCTION.

## RESEARCH AND DEVELOPMENT

The advanced equipment of Steel Research in the area of metal physics underwent extensive renewal. New purchases included an electron microscope, an electron-probe microanalyser and x-ray instruments.

A new facility was completed for the manufacture of heavy-gauge tubes outside the dimensional range that was previously possible. Production is carried on using a new method developed by our research enterprise Osprey Metals Ltd. The gist of the process is that a steel melt is transformed into a thick-walled tube in a single operation by causing gas-atomized droplets of molten metal to solidify directly on a rotating thin-walled receiver. It is envisaged that the method will come to assume very great importance in making high-alloy heavy-gauge tubes for high-temperature applications in the process industry. New materials are on test with a number of our customers.

In the tube area the company brought out a new stainless steel of the "duplex" type, designated Sandvik SAF 2304. It has a number of attractive characteristics to offer the mechanical and chemical industries, even though the alloying

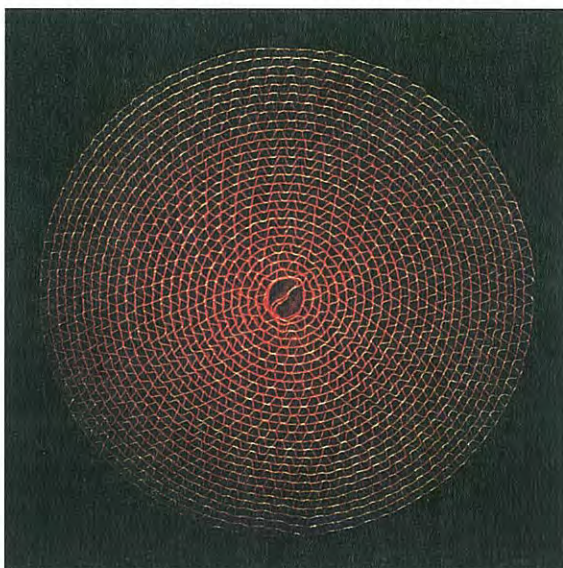
content is less than that of ordinary stainless steels.

Great exertions were made to develop and start production of thin foils (0.05 mm) for the manufacture of metallic exhaust purifiers, a product that is expected to come in for sharply increased demand within the next few years.

## THE COMPETITIVE SITUATION—FUTURE POSSIBILITIES

Following the restructuring of its product programme and production in the past few years, Sandvik Steel is

well placed to go in on an increasing scale for long-term projects in the area of further upgrading. In many product niches we already hold a position of world leadership, which confers volume advantages in production, marketing and development alike. Our broadly based presence on the world market also gives us unique opportunities of finding new niches to match the pace of technical development and good prospects of achieving a satisfactory and well-maintained return on the capital we put in.



CATALYTIC EXHAUST PURIFICATION FOR THE SAKE OF THE ENVIRONMENT IS A NEW FIELD OF APPLICATION FOR SANDVIK STRIP STEEL.





SURGICAL NEEDLES AND INSTRUMENTS FOR MEDICAL APPLICATIONS ARE AMONG THE PRODUCTS MADE FROM OUR STAINLESS WIRE.

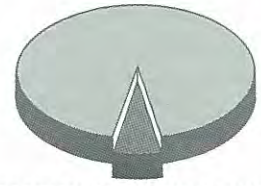


A NEW PLANT FOR THE MANUFACTURE OF HIGH-ALLOY HEAVY-GAUGE TUBES HAS BEEN COMPLETED IN SANDVIKEN.



# Sandvik Saws and Tools

*Sandvik Saws and Tools markets saws and other tools for woodworking and metalworking and also for forestry and gardening. Its products are sold mainly through distributors to consumers in industry, crafts and the hobby sector.*



PROPORTION OF GROUP'S TURNOVER



HANS NORMAN, PRESIDENT.

	1986	1985
Invoiced sales, external, Skr m.	1,216	1,069
Result before non-recurring items, Skr m.	103	95
Return on capital employed, %	20.4	23.0
Capital expenditures, Skr m.	53	25
Number of employees, 31 Dec.	2,197	1,941

Western Europe, which is our basic market, accounted for 75% of our invoicing in 1986. We are the market leaders in this territory as regards saws.

The profitability in our business area is good. Earnings are doing well in consequence of a volume increase and improved productivity.

## IMPROVED PRODUCTIVITY

In 1986 Saws and Tools celebrated its centenary as a saw manufacturer. Much of the initial success of our saws was due to the unique qualities of the Sandvik steel used in them.

Many of our tools now belong to "mature" product categories, where there is very little room for technical differences between competing brands. We have therefore made it our aim to lead the pack in respect of cost-effectiveness.

We have built up a modern machine park with a high degree of automation, and we have a force of skilled workpeople. In terms of sales per employee, productivity has more than doubled over the past five years. In 1986 it went up by 13%.

## MARKETING—SOFTWARE IN FOCUS

In most countries the tool market is dominated by one or a few local manufacturers. Only a handful of producers, among them Sandvik Saws and Tools, can truly be said to run an international operation.

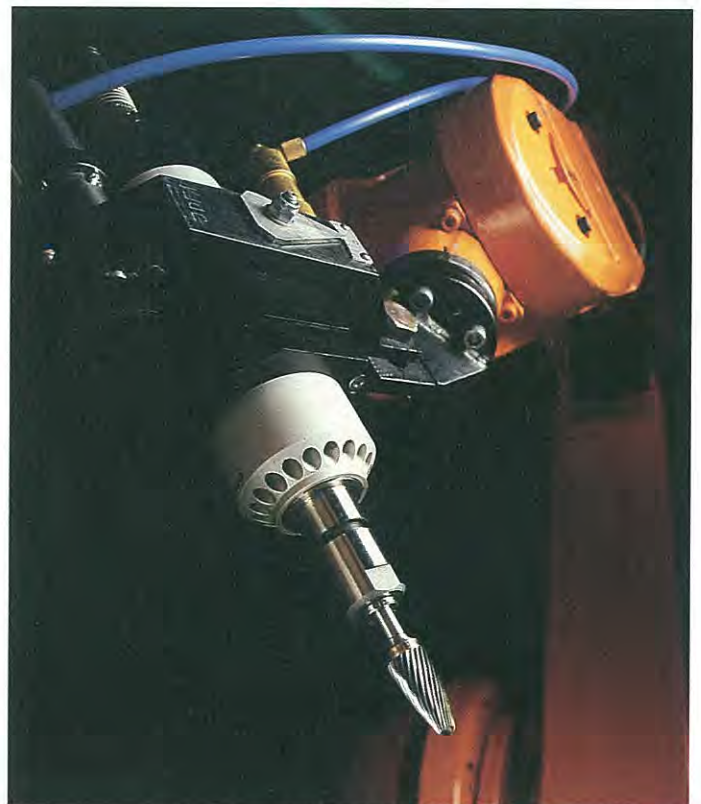
Distribution is being developed and concentrated to ever more powerful buying organizations and chain stores. This makes it all the more important for the manufacturer to be able to co-operate actively with the distributors.

To a large extent our exertions have therefore been focussed on the "software" side of our marketing. This covers such things as product design, packaging and assortment. Special importance attaches to our commercial collaboration with the distributors in the areas of goods flow, communications and sales-support measures. Using computer-based logistics systems we can give the customers fast and dependable deliveries.

## EXPANSION BY COMPANY ACQUISITIONS

In order to strengthen our standing on the North American market as regards forestry tools we bought the Windsor Machine Company Ltd. in Canada. This enterprise has producing units and sales offices in the U.S. as well as in Canada.

Through our subsidiary company Micor AB we ac-



ROTARY BURS FOR INDUSTRIAL ROBOTS ARE PRODUCTS WITH A FUTURE.







# Sandvik Process Systems

*The product range of Sandvik Process Systems comprises steel belts and belt conveyors, process plants for the chemical and food industries, and automated goods-sorting installations.*



PROPORTION OF GROUP'S TURNOVER

	1986	1985
Invoiced sales, external, Skr m.	713	647
Result before non-recurring items, Skr m.	100	62
Return on capital employed, %	45.4	36.1
Capital expenditures, Skr m.	9	11
Number of employees, 31 Dec.	557	884

The satisfactory results of 1985 have been followed by a further upturn in results during 1986. The company's return on capital employed is now among the highest in the Sandvik Group.

Sandvik Process Systems has 85% of its employees and 97% of its sales in markets outside Sweden. Certain of our sales companies also serve as agents for the products of other manufacturers that are complementary to our own range.

Through its subsidiary companies, Sandvik Process Systems is on hand in all industrial countries. Its most important markets are Western Europe, North America and Japan. Its research and development efforts have in large measure been directed towards enabling the company to supply turnkey plants.

## STEEL BELTS

The steel belt is a vital component in most of the installations that Sandvik Process Systems delivers—and not only there, since other manufacturers, too, incorporate it into their products.

We intend to maintain our leading position in the steel-belt sector. We also have the products and the know-how needed to meet new demands in respect of high-strength materials, surface treatment and surface coatings.

## PROCESS INSTALLATIONS FOR THE CHEMICAL AND FOOD INDUSTRIES

During 1986 we delivered complete process installations for such operations as cooling and shaping sulphur, paraffin, resins and anti-oxidants. We supply our various units not only with the basic design but also with ancillary equipment, e.g. for feeding, piping systems, instrumentation and inspection, packaging systems and such other components as may be needed for any particular project.

The Rotoform process, which makes pelletized final products, continued to notch up successes during 1986.



STAFFAN PAUES, PRESIDENT.

It was the year in which we installed the first plants of this type for the food industry, designed to process such products as chocolate, chewing-gum base and frying-fat.

Another of the year's highlights was an important order for a double-belt press to be used in making glass-fibre-reinforced laminates.

## SORTING SYSTEMS

Japan has long been a trailblazer as regards modern automated sorting plants for handling large goods flows, and the country is Sandvik Process Systems' biggest market in this sector. It was in Britain, however, that we installed our largest sorting system to date, a plant with a capacity of 20,000 parcels an hour.

During the past year our contract with CML (Costruzioni Meccaniche Lonatesi S.p.A.) was extended to the European market. CML's system makes an interesting complement to our own range and is specially intended for the high-speed sorting of small items, such as mail-order consignments, newspapers and courier post.

## CONCENTRATION—THE KEY TO SUCCESS

The restructuring of the business area, one result of which has been a substantial cutback in the number of its employees, continued during 1986. The most significant step in the rationalization programme came at the end of the year, when the Spooner Group, based in Ilkley, England, was sold off.





THE WORLD'S LARGEST PLANT MAKING STEEL BANDS FOR CONVEYANCE AND PROCESS SYSTEMS IS IN SANDVIKEN.

This leaves us well equipped to concentrate our product development and our marketing activities to the many fields of application for steel belts in which we possess unique experience.

Looking to the future, the areas in which we see especially interesting development potential are sorting systems, Rotoform and high-quality steel belts.



A DEMONSTRATION SET-UP FEATURING CML'S SYSTEM FOR SORTING SMALL PARCELS.



THE ROTOFORM PROCESS GOES FROM SUCCESS TO SUCCESS. ONCE CONFINED TO THE CHEMICAL INDUSTRY, IT HAS NOW BEEN ADOPTED FOR FOODSTUFFS AS WELL.



ple to combine their activities within the area of tools for oil and gas drilling into one company where in the parties are to hold equal ownership interests. The new enterprise will have an annual turnover of around U.S.\$ 75m. and will employ 300–400 people. At present, Sandvik's activities in this area are being conducted by its subsidiary company Strata Bit Corporation, of Houston, Texas, which has subsidiaries of its own in a number of countries.

Sandvik Hard Materials' British subsidiary Wimet Ltd. was merged with the British company R.O. Speciality Metals Ltd., with Sandvik taking a 15% stake in the new entity.

In connection with a current scheme of overhaul and rationalization at Sandvik Hard Materials it was decided to adjust the dividing-line between Sandvik Coromant and Sandvik Hard Materials in such a way as to allow all operations concerning insert manufacture, beginning with the powder production, to be coordinated within Sandvik Coromant. The change leaves Sandvik Hard Materials free to concentrate more fully on developing an external market within its main areas. In another decision, operations in the Nordic market were concentrated under a separate company.

In the autumn, Sandvik Saws and Tools acquired the Windsor Machine Company Ltd., of Canada, and Nordland-Wematic AB, of Mjölby, Sweden. Windsor makes and sells equipment for power saws. The firm employs some 335 people and turns over about Skr 125m. a year. A scheme to restructure and rationalize the business was put in hand and is to be carried through during 1987. The acquisition rounds out the Sandvik company's own activities in forestry tools. Nordland makes and sells circular saws and carbide inserts intended for the woodworking industry. Its operations were meshed with those of Saws and Tools' subsidiary company Micor AB, of Laholm, Sweden. In further moves, Saws and Tools' manufacture and selling of tools for the heavy woodworking industry in Scandinavia was sold off, and the agreement mentioned in the 1985 Report to acquire a 35% stake in Devillé S.A., a French manufacturer of

gardening tools and a longstanding Sandvik supplier, was put through.

In December, with the aim of further concentrating its activities on the basic areas in which the prospects of long-term sustained profitability are adjudged to be best, Sandvik Process Systems sold the Spooner Group, headquartered in Ilkley, England, to the Thomas Robinson Group, of Derby, England, a firm that is well established in the field of bakery equipment. Further, the 1985 collaboration agreement with the Italian firm of Construzioni Meccaniche Lonatesi S.p.A. was extended in 1986 to embrace Europe, thereby broadening Process Systems' product programme and market coverage in the field of sorting systems.

During 1986, as part of the restructuring process of recent years, the formal liquidations of EIA A/S Norge, of Norway, Carbide Products Ltd., of Great Britain, and Num Engineering GmbH and Micor GmbH, of West Germany, were finalized. This imposed no more than insignificant charges on the 1986 Group results.

In December Sandvik bought the remaining 35% of the shares of Seco Tools AB from Industriförvaltning AB Kinnevik, in accordance with the first-option provisions of the Articles of Association of Seco Tools. The Seco Tools Group, which has a complete worldwide organization for the development, production and marketing of carbide tools, works quite independently of other Sandvik companies. It is the intention of the Board to inquire into the prospects of broadening and further expanding the business of Seco Tools. Moreover, the Articles of Association are to be amended to permit the introduction of Seco Tools onto the A1 list of the Stockholm Stock Exchange. The ultimate intention is that Sandvik shareholders and the employees of Seco Tools will be given an opportunity to subscribe shares in connection with the listing.

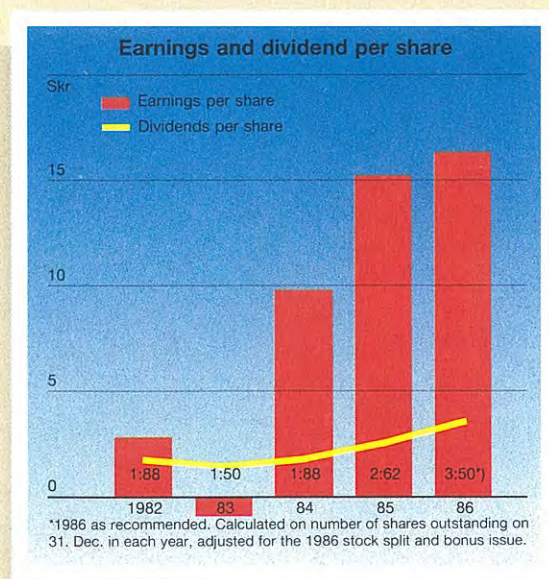
#### THE GROUP'S RESULTS AND RETURNS

	1986	1985
Profit before non-recurring items, Skr m.	1,724	1,610
and as a percentage of invoiced sales	13.6	12.9
Return on investment, %	21.9	21.3
Return on adjusted equity capital after tax, %	18.4	20.5
Earnings per share, Skr	16:30	15:15

For definitions, see p. 43.

Although the increase in its invoiced sales was small the Group was able to improve its trading profit, owing mainly to cheaper raw materials and a better mix of products, currencies and countries. At the same time there was an improvement in the net interest figure, the reason being that cash flow remained positive, while recognized exchange gains on loans were considerably less than in the previous year.

The downturn in raw-material prices that set in during the latter part of 1985 continued into 1986 and exerted a negative effect as regards stocks in hand,





which were revalued in the 1986 Accounts to reflect current replacement costs. This revaluation imposed a charge of Skr 95m. on the trading profit before depreciation.

The principle for evaluating the Parent Company's holdings of bonds was revised. Under the new rules, each individual holding is valued at historical cost or market, whichever is the lower. Previously, the bond portfolio was assessed as a whole. Certain loans in foreign currencies were renegotiated so as to reduce the interest outgoings during the remaining life of the loans, a step that entailed once-for-all costs in 1986. The non-recurring costs of these two operations, which were charged in their entirety to the interest account for the fourth quarter, came to Skr 45m.

Reported exchange differences on loans totalled Skr 33m. (142), of which Skr 79m. (34) was realized in connection with amortizations while Skr -46m. (108) 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. 1986 to Skr 125m. (75).

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	Results	Profit margin
	Skr m.	Skr m.	%
1985: 1st quarter	3,097	362	12
2nd quarter	3,175	489	15
3rd quarter	2,945	400	14
4th quarter	3,301	359	11
1986: 1st quarter	3,141	433	14
2nd quarter	3,226	488	15
3rd quarter	2,994	400	13
4th quarter	3,360	403	12

The non-recurring costs amounted to a net figure of Skr 30m. (1). See Note 7, p. 45.

The results were also charged with Skr 16m. to be set aside under the profit-sharing scheme for employees in Sweden. See below.

The profit before appropriations and taxes came to Skr 1,678m. (1,609).

The 1986 earnings per share after estimated full taxation came to Skr 16:30 (15:15). The earnings per share after estimated full taxation including shares in associated companies and after full conversion of outstanding convertible loans would work out at Skr 16:05 (14:95). Supplementary per-share data will be found in the section on the Sandvik share on p. 58.

Reported tax outgoings amounted to Skr 514m. (344) for the Group and Skr 93m. (2) for the Parent Company. Of these amounts, profit-sharing tax accounted for Skr 24m. (3) at the Group and for Skr 18m. (0) at the Parent Company.

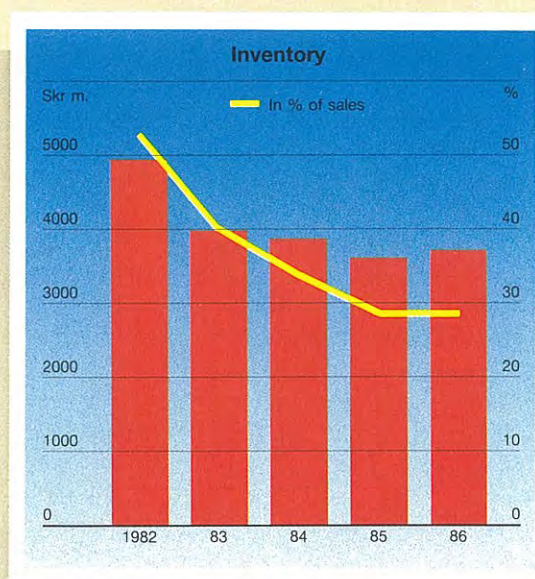
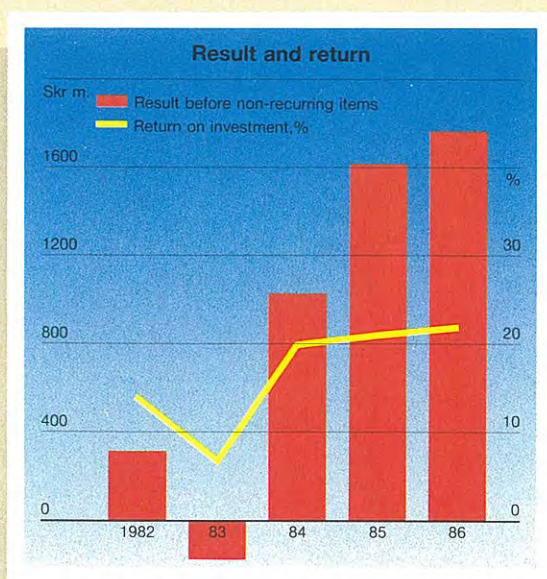
## RESULTS AND RETURNS PER PRODUCT AREA

	Result before non-recurring items		Return on capital employed	
	1986	1985	1986	1985
	Skr m.	Skr m.	%	%
Cemented Carbide	1,225	1,103	29.9	29.4
Steel	247	255	12.8	14.7
Saws and Tools	103	95	20.4	23.0
Process Systems	100	62	45.4	36.1
Other activities	49	95	-	-
Group totals	1,724	1,610	19.0	18.6

"Return on capital employed" works out lower than the figure used in the previous section, "return on investment", since it is calculated without reducing the capital base by 50% of the untaxed reserves. (These concepts are defined on p. 43.)

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

The improvement in the results of Cemented Carbide was attributable to the metalworking area, while earnings on rockdrilling products deteriorated by rea-





son of the slack state of the mining market and the difficulties facing companies that supply the oil industry.

Despite the negative effect of low capital spending in the context of chemicals and oil, Steel was able to keep its results up to the level of the previous year.

Process Systems achieved a further increase in results, thanks to the concentration process of recent years and the focussing of its main effort on its basic business.

Earnings of other activities are dominated by the finance business. The downturn from 1985 was due to lower exchange gains on loans.

#### PROFIT-SHARING FOR THE EMPLOYEES IN SWEDEN

To encourage our employees still more in their positive attitude to the Company and to provide for their participation in a satisfactory profitability, Sandvik and the trade-union organizations agreed on a profit-sharing plan. It gives the Group employees in Sweden a certain proportion of earnings in excess of a specified return on capital employed.

These shares in profit are disbursed to a foundation in which every employee is issued with individual shares. The monies are invested in Sandvik stock or, up to not more than 25 % at any one time, in interest-bearing government securities, bank deposits or stocks listed on the Stockholm Stock Exchange. The foundation manages the funds for five years, followed by disbursement to the individual employees.

The profit-sharing plan was introduced in 1986, the intention being to prolong it unless new taxation is brought in on this form of saving.

#### FINANCE

	1986	1985
Cash flow, Skr m.	1,069	1,185
Liquid assets, 31 Dec., Skr m.	3,776	2,866
Net interest earnings, Skr m.	-99	-212
Net financial earnings, incl. exchange differences, Skr m.	-62	-58
Interest, times covered	4.1	3.5

For definitions, see p. 43.

The cash flow from operations during the year came to Skr 2,073 (1,647). Reduced working capital (excluding liquid assets and bills) accounted for Skr 688m. thereof (against a decrease of Skr 158m. in 1985). If short-term debts carried over the turn of the year pertaining to the purchase of shares in Seco Tools and the repurchase of rockdrilling-tool stocks from Atlas Copco are disregarded, the decline in the working capital was Skr 237m.

The financial surplus after capital expenditures (cash flow) came to Skr 1,069m. (against a surplus of Skr 1,185m. in 1985). The Group's loans were reduced during the year by Skr 353m. (against a reduction of Skr 324m. in 1985). (The loan reduction is calculated exclusive of forthcoming loans net through purchase/sale of companies Skr 54m. and

exclusive of increase through unrealized exchange losses Skr 46m.) The Group's liquid assets rose by Skr 910m. to Skr 3,776m. (1985: increase of Skr 668m. to Skr 2,866 m.).

During the year a Euro Commercial Paper programme was started, an arrangement that gives lower loan costs than earlier forms of borrowing. The programme is long-term in intent, but in formal terms it involves a roll-over of loans from long-term to short-term borrowing. As of 31 December 1986, Sandvik's borrowing under the Euro Commercial Paper programme stood at Skr 780m.

The net interest figure was improved by Skr 113m. The net figure on financial account, defined as the net interest earnings, the exchange differences on loans and dividends on shares, underwent a marginal deterioration from a deficit of Skr 58m. in 1985 to one of Skr 62m. in 1986.

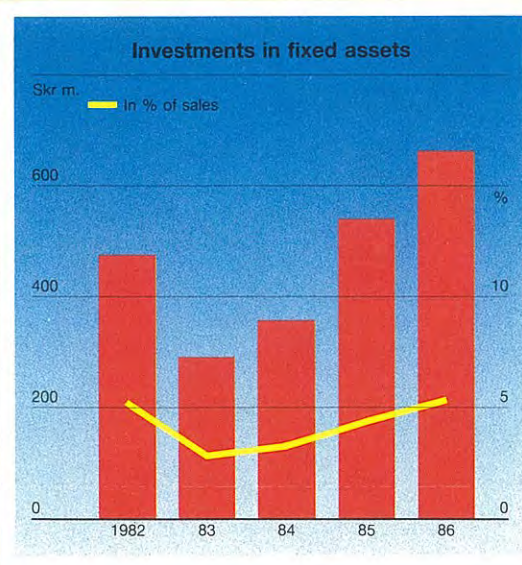
	1986	1985
Solvency, %	34	33
Venture-capital ratio, %	44	43
Debt/equity ratio	1.0	1.1
Adjusted equity capital, Skr m.	4,978	4,248
Adjusted equity capital per share, Skr	95:50	81:50

For definitions, see p. 43.

Sandvik's solvency, venture-capital ratio and debt/equity ratio all firmed up during the year. The solvency and the venture-capital ratio as of 31 Dec. 1986 were negatively affected by short-term debts extending across the turn of the year and pertaining to the purchase of shares in Seco Tools and the repurchase of rockdrilling-tool stocks from Atlas Copco. Adjusted for these effects, the solvency was 35 % and the venture-capital ratio 45 %.

Conversions of the 1977 convertible loan increased the equity capital by Skr 33m., of which Skr 19m. was share capital and Skr 14m. was in the statutory capital reserve.

The stock split and bonus issue resolved upon by





the Annual General Meeting of 1986 were put through. The bonus issue increased the share capital by Skr 323m., of which Skr 200m. was capitalized from the statutory capital reserve and the balance of Skr 123m. from disposable surplus.

Holders of unrestricted "A" shares were invited to exchange them for unrestricted "B" shares. By 31 Dec. 1986, 254,282 shares had been exchanged, representing 15% of the outstanding unrestricted "A" shares. The offer is open until 15 May 1987.

The entered equity capital rose from Skr 3,004m. to Skr 3,489m. The shifts in exchange rates had a positive effect of Skr 57m. on the opening equity capital (-94).

Adjusted equity capital per share increased from Skr 81:50 to Skr 95:50, or by 17%. Adjusted equity capital per share after full conversion of the outstanding convertible loans increased from Skr 81:20 to Skr 93:95.

In order to facilitate trading and to increase the spread of the Sandvik share abroad, preparations were made in 1986 for a quotation in the U.S. through American Depositary Receipts (ADR). The programme was started in January 1987. In Japan, too, the Sandvik share was introduced through the Japanese investment bank Yamaichi.

#### RESEARCH AND DEVELOPMENT

The amount allocated to research, development and quality control remained unchanged at a level corresponding to about 4% of Group invoiced sales. All outlays under this title are charged against the year's results. For details, see the reports from the business areas and the 125-year review.

#### CAPITAL EXPENDITURES

	1986	1985
Investments in facilities, Skr m.	669	548
and as a percentage of invoiced sales	5.3	4.4
Investments in shares, etc., Skr m.	430	4
Total capital expenditures, Skr m.	1,099	552
and as a percentage of invoiced sales	8.6	4.4

The 1986 capital expenditures amounted to Skr 1,099m. (552). Of this total, Skr 430m. (4) went on purchases of shares and other interests, the predominant element therein being the acquisition of the remaining 35% of Seco Tools. The capital expenditures within Sweden came to Skr 819m. (338), of which Skr 744m. (296) was spent at the Parent Company, including its subordinate companies. The breakdown by product areas was as follows:

	1986	1985
	Skr m.	Skr m.
Cemented Carbide	804	340
Steel	120	118
Saws and Tools	53	25
Process Systems	9	11
Regional companies, service companies and collective functions	113	58
Group totals	1,099	552

In December Sandvik received the Government's permission to use, during the period 1 April 1987-31 December 1990, Skr 1,695m. out of investment-reserve monies for building and machinery investments in Bergslagen and other areas where unemployment is a problem and where Sandvik units are already located.

#### PERSONNEL

	1986	1985
Number of employees on 31 Dec.	24,032	24,033
Average number of employees	24,033	23,905

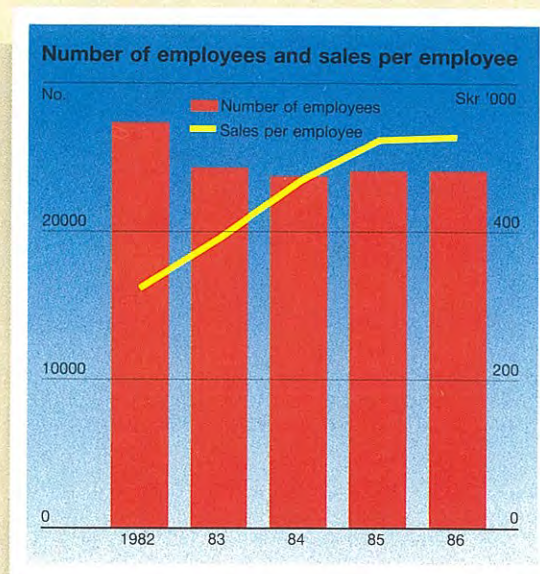
The number of people employed by the Group did not change during 1986 (in 1985 there was an increase of 256). The net effect of the year's acquisitions and sales of companies was an increase of 140 employees. On the basis of comparable activities the number of people employed declined by 141. The average number of employees increased slightly between 1985 and 1986 (from 23,905 to 24,033, or by 0.5%).

The number of people employed by the Parent Company and its subordinate companies as of 31 Dec. 1986 was 9,543 (9,637).

Data on the personnel costs and on the average number of employees will be found on p. 49.

The number of employees per product area was as follows:

	31 Dec. 1986	31 Dec. 1985	Change
Cemented Carbide	13,082	12,929	+153
Steel	5,736	5,784	-48
Saws and Tools	2,197	1,941	+256
Process Systems	557	884	-327
Regional companies, service companies and collective functions	2,460	2,495	-35
Group totals	24,032	24,033	-1





# Group's profit and loss account

	1986	1985
Amounts in Skr million		
Invoiced sales ..... Note 2	12,721	12,518
Costs of production, sales and administration.....	<u>-10,472</u>	<u>-10,376</u>
TRADING PROFIT BEFORE DEPRECIATION.....	2,249	2,142
Scheduled depreciation..... Note 3	<u>-463</u>	<u>-474</u>
TRADING PROFIT AFTER DEPRECIATION .....	1,786	1,668
Financial items:		
Dividends received.....	4	12
Interest received..... Note 4	444	377
Interest paid ..... Note 4	<u>-543</u>	<u>-589</u>
Exchange differences on loans..... Note 5	33	142
PROFIT BEFORE NON-RECURRING ITEMS.. Note 6	<u>1,724</u>	<u>1,610</u>
Non-recurring earnings and expenses..... Note 7	<u>-30</u>	<u>-1</u>
Employees' share of profits .....	<u>-16</u>	<u>-</u>
PROFIT BEFORE APPROPRIATIONS AND TAXES ..	1,678	1,609
Appropriations:		
Difference between book and scheduled depreciation..... Notes 3, 18	<u>-263</u>	<u>-127</u>
Change in inventory reserve..... Note 19	<u>-36</u>	<u>171</u>
Change in investment reserves and renewal reserves..... Note 20	<u>-202</u>	<u>-350</u>
Other appropriations ..... Note 21	<u>-96</u>	<u>-21</u>
PROFIT BEFORE TAXES .....	1,081	1,282
Taxes .....	<u>-514</u>	<u>-344</u>
PROFIT AFTER TAXES .....	567	938
Minority interest in profit .....	<u>-50</u>	<u>-40</u>
GROUP NET PROFIT FOR THE YEAR.....	<u>517</u>	<u>898</u>



# Group funds statement

	1986	1985
Amounts in Skr million		
<b>FUNDS GENERATED/USED INTERNALLY</b>		
Result before appropriations and taxes .....	1,678	1,609
Depreciation .....	463	517
Re-posting of unrealized exchange differences on loans ..	46	-108
Capital gain/loss on shares and facilities sold .....	-19	14
Increase on blocked accounts for fund allocations .....	-126	-97
Taxes .....	-514	-344
Dividends .....	-143	-102
Total funds generated internally .....	1,385	1,489
<b>CHANGE IN WORKING CAPITAL</b>		
Increase/decrease in inventory .....	-91	258
Increase in current receivables .....	-109	-147
Increase in interest-free trading debts .....	888	47
Total change in working capital .....	688	158
Net funds derived from operations .....	2,073	1,647
<b>NET INVESTMENTS</b>		
Acquisition of shares and other interests .....	-430	-4
Acquisition of fixed assets .....	-669	-548
Sale of shares .....	63	7
Sale of fixed assets .....	32	83
Net investments .....	-1,004	-462
FINANCIAL SURPLUS (CASH FLOW) .....	1,069	1,185
<b>FUNDS USED/GENERATED EXTERNALLY</b>		
Equity capital:		
Increase by conversion of loan .....	33	2
Loans:		
Increase in short-term loans .....	757	527
Decrease in long-term loans .....	-1,077	-952
Decrease/increase in convertible loan .....	-33	101
Total loans .....	-353	-324
Other financing, net:		
Increase in long-term receivables .....	-8	-124
Increase in pension liability .....	91	10
Increase/decrease in interest-free long-term debts .....	25	-19
Total other financing, net .....	108	-133
TOTAL FUNDS USED EXTERNALLY .....	-212	-455
Translation differences, etc. ....	53	-62
INCREASE IN LIQUID ASSETS .....	910	668



# Group balance sheet

ASSETS	1986	1985
Amounts in Skr million		
<b>CURRENT ASSETS</b>		
Cash in hand and at banks .....	923	698
Bonds and other short-term placements..... Note 8	2,853	2,168
Bills receivable from customers.....	485	415
Other customer receivables .....	2,099	1,998
Prepaid costs and accrued revenues .....	159	210
Other current receivables .....	264	295
Inventory .....	3,706	3,572
	<b>10,489</b>	<b>9,356</b>
<b>BLOCKED ACCOUNTS FOR FUND ALLOCATIONS</b> .....		
..... Note 9	286	160
<b>FIXED ASSETS</b>		
Shares .....	227	181
Long-term receivables..... Note 11	856	860
Goodwill and other intangible assets..... Note 12	148	46
Construction in progress .....	81	84
Machinery and equipment .....	1,874	1,664
Land and buildings..... Note 13	1,423	1,413
	<b>4,609</b>	<b>4,248</b>
<b>TOTAL ASSETS</b> .....	<b>15,384</b>	<b>13,764</b>
Pledged assets..... Note 14	1,375	1,426



LIABILITIES AND EQUITY CAPITAL	1986	1985
Amounts in Skr million		
<b>CURRENT LIABILITIES:</b>		
Bills payable .....	105	90
Owed to suppliers .....	813	717
Tax debts .....	346	213
Accrued expenses and prepaid revenues .....	981	843
Short-term loans .....	2,609	1,808
Other current liabilities .....	1,001	513
	<u>5,855</u>	<u>4,184</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term loans .....	1,270	2,291
Provision for pensions .....	933	842
Other long-term liabilities .....	279	145
	<u>2,482</u>	<u>3,278</u>
CONVERTIBLE BOND LOANS .....	157	190
<b>UNTAXED RESERVES</b>		
Accumulated depreciation above schedule .....	1,257	1,055
Inventory reserve .....	1,134	1,121
Investment and renewal reserves .....	852	780
Other untaxed reserves .....	118	21
	<u>3,361</u>	<u>2,977</u>
<b>MINORITY INTEREST IN EQUITY CAPITAL</b> .....		
	40	131
<b>EQUITY CAPITAL</b> .....		
Restricted equity capital:		
Share capital .....	1,303	961
Statutory capital reserves .....	669	781
	<u>1,972</u>	<u>1,742</u>
Unrestricted equity capital:		
Unrestricted reserves .....	996	388
Translation difference .....	4	-24
Group net profit for the year .....	517	898
	<u>1,517</u>	<u>1,262</u>
Total equity capital .....	3,489	3,004
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b> .....	<b>15,384</b>	<b>13,764</b>
Contingent liabilities .....	364	426



# The Parent Company's accounts

Amounts in Skr million

Profit and loss account			Funds statement		
	1986	1985		1986	1985
Invoiced sales . . . . . Note 2	5,675	5,766	<b>FUNDS GENERATED/USED INTERNALLY</b>		
Costs of production, sales and administration . . . . .	-4,769	-4,930	Result before appropriations and taxes . . . . .	979	757
<b>TRADING PROFIT BEFORE DEPRECIATION . . . . .</b>	<b>906</b>	<b>836</b>	Depreciation . . . . .	214	206
Scheduled depreciation . . . . . Note 3	-214	-206	Re-posting of unrealized exchange differences on loans . . . . .	46	-108
<b>TRADING PROFIT AFTER DEPRECIATION . . . . .</b>	<b>692</b>	<b>630</b>	Capital gain/loss on shares and facilities sold . . . . .	-30	16
Financial items:			Increase on blocked accounts for fund allocations . . . . .	-91	-1
Dividends received from subsidiaries	267	103	Taxes . . . . .	-93	-2
Dividends received from other companies . . . . .	1	12	Dividends . . . . .	-136	-96
Interest received from subsidiaries . . . . .	16	36	<b>Total funds generated internally . . . . .</b>	<b>889</b>	<b>772</b>
Other interest received . . . . .	328	271	<b>CHANGE IN WORKING CAPITAL</b>		
Interest paid to subsidiaries . . . . .	-13	-20	Increase/decrease in inventory . . . . .	-193	13
Other interest paid . . . . . Note 4	-357	-390	Increase/decrease in current receivables . . . . .	-90	104
Exchange differences on loans. Note 5	33	142	Increase/decrease in interest-free trading debts . . . . .	605	-53
<b>PROFIT BEFORE NON-RECURRING ITEMS . . . . .</b>	<b>967</b>	<b>784</b>	<b>Total change in working capital . . . . .</b>	<b>322</b>	<b>64</b>
Non-recurring earnings and expenses . . . . . Note 7	28	-27	Net funds derived from operations . . . . .	1,211	836
Employees' share of profits . . . . .	-16	-	<b>NET INVESTMENTS</b>		
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES . . . . .</b>	<b>979</b>	<b>757</b>	Acquisition of shares and other interests . . . . .	-443	-12
Appropriations:			Acquisition of fixed assets . . . . .	-346	-284
Difference between book and scheduled depreciation . . . . . Notes 3, 18	-194	-100	Decrease in Parent Company's long-term commitment to subsidiary companies . . . . .	42	34
Change in inventory reserve. Note 19	-110	125	Sale of shares . . . . .	51	1
Change in investment reserves . . . . . Note 20	-199	-174	Sale of fixed assets . . . . .	10	10
Change in renewal reserve . . . . . Note 20	39	-90	<b>Net investments . . . . .</b>	<b>-686</b>	<b>-251</b>
Group contribution . . . . .	-	2	<b>FINANCIAL SURPLUS (CASH FLOW) . . . . .</b>	<b>525</b>	<b>585</b>
Change in internal-profit reserve . . . . .	2	-32	<b>FUNDS USED/GENERATED EXTERNALLY</b>		
Other appropriations . . . . . Note 21	-55	-	Equity capital:		
<b>PROFIT BEFORE TAXES . . . . .</b>	<b>462</b>	<b>488</b>	Increase by conversion of loan . . . . .	33	2
Taxes . . . . .	-93	-2	Loans:		
<b>NET PROFIT FOR THE YEAR . . . . .</b>	<b>369</b>	<b>486</b>	Increase in short-term loans . . . . .	929	449
			Decrease in long-term loans . . . . .	-987	-619
			Decrease/increase in convertible loan . . . . .	-33	101
			<b>Total loans . . . . .</b>	<b>-91</b>	<b>-69</b>
			Other financing, net:		
			Decrease/increase in long-term receivables . . . . .	2	-106
			Increase in pension liability . . . . .	48	29
			Increase/decrease in long-term debts . . . . .	14	-4
			<b>Total other financing, net . . . . .</b>	<b>64</b>	<b>-81</b>
			<b>TOTAL FUNDS GENERATED/USED EXTERNALLY . . . . .</b>	<b>6</b>	<b>-148</b>
			<b>INCREASE IN LIQUID ASSETS . . . . .</b>	<b>531</b>	<b>437</b>



## Balance sheet

	1986	1985		1986	1985
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY CAPITAL</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash in hand and at banks .....	51	45	Bills payable .....	—	2
Bonds and other short-term placements .....	2,242	1,717	Owed to suppliers.....	416	290
Bills receivable from customers.....	106	91	Tax debts .....	57	4
Bills receivable from subsidiaries .....	293	323	Accrued expenses and prepaid revenues.....	372	438
Other receivables from subsidiaries ..	471	418	Short-term loans..... Note 16	1,886	957
Other customer receivables .....	374	321	Other current liabilities to subsidiaries .....	65	95
Prepaid costs and accrued revenues ..	101	128	Other current liabilities to other firms..... Note 15	670	146
Other current receivables .....	161	135			
Inventory .....	1,997	1,804			
	<b>5,796</b>	<b>4,982</b>		<b>3,466</b>	<b>1,932</b>
<b>BLOCKED ACCOUNTS FOR FUND ALLOCATIONS Note 9</b>			<b>LONG-TERM LIABILITIES</b>		
	92	1	Long-term loans .....	787	1,728
<b>FIXED ASSETS</b>			Provision for pensions .....	755	707
Shares in subsidiaries .....	1,763	1,418	Liabilities to subsidiaries.....	9	8
Shares in other companies ... Note 10	188	143	Other long-term liabilities .....	74	60
Accounts receivable from subsidiaries .....	10	19		<b>1,625</b>	<b>2,503</b>
Other long-term receivables .. Note 11	726	728	<b>CONVERTIBLE BOND LOANS .....</b>		
Intangible assets .....	2	—	..... Note 25	157	190
Construction in progress .....	46	52	<b>UNTAXED RESERVES</b>		
Machinery and equipment ... Note 13	1,078	951	Accumulated depreciation		
Land and buildings .....	733	737	above schedule .....	1,122	931
	<b>4,546</b>	<b>4,048</b>	Inventory reserve .....	1,018	908
<b>TOTAL ASSETS .....</b>			Investment reserves.....	541	342
	<b>10,434</b>	<b>9,031</b>	Renewal reserve .....	51	90
<b>Pledged assets .....</b>			Internal profit reserve .....	219	221
	<b>1,086</b>	<b>1,128</b>	Other untaxed reserves .....	55	—
				<b>3,006</b>	<b>2,492</b>
			<b>EQUITY CAPITAL..... Note 24</b>		
			Restricted equity capital:		
			Share capital (52,132,171 shares of Skr 25) .....		
				1,303	961
			Statutory capital reserve .....		
				14	200
				<b>1,317</b>	<b>1,161</b>
			Unrestricted equity capital:		
			Surplus brought forward .....		
				494	267
			Net profit for the year .....		
				369	486
				<b>863</b>	<b>753</b>
			Total equity capital .....		
				<b>2,180</b>	<b>1,914</b>
			<b>TOTAL LIABILITIES AND EQUITY CAPITAL.....</b>		
				<b>10,434</b>	<b>9,031</b>
			Contingent liabilities .....		
				560	721



# 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.

Companies that were acquired in the course of the year

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

In the course of 1986, Sandvik acquired the remaining 35% of Seco Tools, which brought about a considerable reduction of the minority interest in untaxed reserves (see Note 23). The acquired equity-capital proportion of untaxed reserves is eliminated according to the purchase method. The acquired tax liability inherent in the untaxed reserves is carried as a long-term liability. Since the minority interest is shown in the balance sheet at the level of minority interest in equity capital there arose considerable once-for-all effects through the change in the Group's untaxed reserves. These once-for-all changes are reported separately in the appropriate notes.

## FUNDS STATEMENT. REPORTING ACQUISITION AND SALE OF SUBSIDIARIES

The amounts paid for the shares of acquired and sold companies are shown in the funds statement under the headings "Acquisition of shares" and "Sale of shares" respectively. The assets and liabilities that these companies had at the time when they changed hands are not included in the sections of the funds statement dealing with change in working capital, net investments and funds used/generated externally.

## VALUATION PRINCIPLES

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

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

Long-term receivables and liabilities, excluding convertible loans, and loans under the Euro Commercial Paper programme launched in 1986, which in formal terms constitute short-term borrowing but in intent and effect are long-term, are entered respectively at the lower and the higher of the rates ruling on the date of purchase and the date of the balance sheet. Any exchange differences arising thereupon are entered in the profit and loss account under the heading "Exchange differences on loans".

The above-described valuation of loans under the Euro Commercial Paper programme means that reported exchange differences on loans are fully comparable with the "Exchange differences on long-term loans" of earlier years.

## *Inventory*

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



#### *Fixed assets*

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

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

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

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

#### *Appropriations and untaxed reserves*

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

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

#### *Taxes*

The year's tax charge is calculated according to the tax rules in the respective countries. Included in the year's taxes are foreign coupon taxes paid on share dividends received by the Parent Company. Deferred taxes pertaining to untaxed reserves in acquired companies are shown among long-term liabilities.

That part of the tax incident upon the Parent Company that is deferred in consequence of participation in net losses of partly owned limited partnerships engaged in businesses that are outside Sandvik's purview is reserved as a tax expense and carried among long-term liabilities.

### 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. 1986. 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 1986, calculated from theoretical premisses, thereupon works out at 47% (1985: 47%).

#### *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. 1986. See also the foregoing definition, Earnings per share.

#### *Earnings per share after full conversion*

Profit before non-recurring items, after re-posting 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. 1986, 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. 1986.

#### *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 recommended dividend plus untaxed reserves and minority interests in relation to total capital.

#### *Debt/equity ratio*

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

#### *Interest coverage*

Profit after financial earnings and expenses, but before exchange-rate differences on 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. To arrive at an approximate figure for the real return on equity capital the above-defined nominal return is reduced by the year's inflation, expressed as the change in the Swedish Consumer Price Index from the December of one year to the December of the next.

#### *Return on investment*

Profit before non-recurring items plus outgoing interest and exchange differences on loans as a percentage of average total capital with short-term interest-free trading debts and 50% of untaxed reserves deducted. This yardstick is applied only to the Group as a whole.

#### *Return on capital employed*

Profit before non-recurring items plus outgoing interest and exchange differences on 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.



# Notes on the accounts

Amounts in Skr million, except where otherwise stated.

## Note 1. Subordinate companies and parent company

The Parent Company's business operations in Sweden are conducted largely through subordinate companies. During 1986 the companies listed below operated 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 companies.

Companies whose business during 1986 was conducted on behalf of the Parent Company: Edsbyns Industri AB, Guldsmedshytte

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	
	1986	1985	1986	1985
Other operating revenues . . . . .	26	66	63	126

Of the Parent Company's invoiced sales, Skr 3,663m. (3,778), i.e. 65% (66), went to Group companies. The export share was 83% (80). Of the goods purchased by the Parent Company, 8% (7), worth Skr 183m. (161), came from Group companies.

## Note 3. Depreciation

GROUP	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
Scheduled depreciation . . . . .	-8	-14	-398	-398	-56	-61	-1	-1	-463	-474
Once-for-all depreciation on premiums and goodwill . . . . .	-	-43	-	-	-	-	-	-	-	-43
Depreciation above schedule . . . . .	-	-	-241	-127	-22	-	-	-	-263	-127
Book depreciation . . . . .	-8	-57	-639	-525	-78	-61	-1	-1	-726	-644
whereof against reserves . . . . .	-	-	-307	-188	-42	-13	-	-	-349	-201
PARENT COMPANY										
			Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
			1986	1985	1986	1985	1986	1985	1986	1985
Scheduled depreciation . . . . .			-190	-183	-23	-22	-1	-1	-214	-206
Depreciation above schedule . . . . .			-183	-100	-11	-	-	-	-194	-100
Book depreciation . . . . .			-373	-283	-34	-22	-1	-1	-408	-306
whereof against reserves . . . . .			-242	-151	-23	-11	-	-	-265	-162

## Note 4. Interest received and paid

	Group		Parent Company	
	1986	1985	1986	1985
Interest received, gross . . . . .	492	488	328	271
Correction of translation differences	-48	-111	-	-
Interest received . . . . .	444	377	328	271
Interest paid on pension liability . . . . .	-92	-85	-79	-76
Other interest paid, gross . . . . .	-473	-551	-278	-314
Correction of translation differences	+22	+47	-	-
Interest paid . . . . .	-543	-589	-357	-390

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

## Note 5. Exchange differences on loans

The year's exchange differences on loans consist of the year's change in unrealized exchange losses, an increase of Skr 46m. (against a decrease of 108m. in 1985), and of the exchange differences on long loans (including Euro Commercial Papers and Euronotes) that have been realized in connection with amortizations, Skr 79m. (34).

The Parent Company's foreign-currency convertible loan, currently standing at U.S.\$ 9,766,000 (see Note 25), is expected to be converted into shares during its remaining life, so that no correction to the rate of exchange ruling on the date of the Balance Sheet has been applied.

## Note 6. Result excluding minority interests but including interest in profits of associated companies

The profit before non-recurring items, exclusive of minority interests and dividends from associated companies but inclusive of interest in the profits of associated companies, amounts to Skr 1,647m. (1,533). The calculation includes the following associated companies: Avesta Sandvik Tube AB (25%), Fagersta Stainless

AB (50%), ANSAB (50%), Fagersta-Seco AB (50%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50%), Devillé S.A. (35%), Nor-Sand Metals Inc. (50%), Eurotungstène Poudre S.A. (49%).



## Note 7. Non-recurring earnings and expenses

	Group		Parent Company		Group		Parent Company	
	1986	1985	1986	1985	1986	1985	1986	1985
Non-recurring earnings								
Capital gain on sale of shares .....	21	4	36	1				
Capital gain on sale of real estate ..	7	-	7	-				
Re-posting or reclassification of earlier reservations and effect on Group of liquidations during year ..	-	36	-	-				
	28	40	43	1				
Non-recurring expenses								
Writedown on shares and other interests .....	-6	-	-6	-				
Capital loss on sale of real estate ..	-	-5	-	-				
Once-for-all writedown on goodwill and premiums .....	-	-36	-	-				
Expenses of share issue .....	-9	-	-9	-				
Sundry items .....	-43	-	-	-28				
	-58	-41	-15	-28				
Totals .....	-30	-1	28	-27				

## Note 8. Bonds and other short-term placements

	Group		Parent Company	
	1986	1985	1986	1985
Bonds and other securities .....	1,413	455	1,136	444
Short-term placements .....	1,440	1,713	1,106	1,273
Totals .....	2,853	2,168	2,242	1,717

At the end of 1986 the Group had interest-arbitrage deals outstanding to the value of Skr 439m. (526). Of this amount, Skr 300m. (376) pertained to the Parent Company. These items have been reported net.

## Note 9. Blocked accounts for fund allocations

	Group		Parent Company	
	1986	1985	1986	1985
Blocked accounts with the Riksbank for special investment reserves .....	20	47	-	-
for general investment reserves .....	224	112	60	1
for renewal reserves .....	40	-	32	-
Other blocked accounts .....	2	1	-	-
Totals .....	286	160	92	1

## Note 10. Shares and other interests

The Group's and the Parent Company's holdings of shares and other interests at the end of 1986 are set forth in the specification on p. 50.

## Note 11. Other long-term receivables

	Group		Parent Company	
	1986	1985	1986	1985
Advances to suppliers .....	8	11	7	9
Promissory note pertaining to 1983 sale of Krångede shares ...	547	547	547	547
Other receivables .....	301	302	172	172
Totals .....	856	860	726	728

## Note 12. Goodwill and other intangible assets

	Group		Parent Company	
	1986	1985	1986	1985
Patents and other intangible assets .....	24	29	2	-
Goodwill .....	124	17	-	-
Totals .....	148	46	2	-

## Note 13. Fixed assets

Machinery, equipment, buildings, land, site improvements and agricultural and forest properties are entered at their net value after scheduled depreciation and after accumulated write-ups not yet

written off. The accumulated excess depreciation is entered among the untaxed reserves under the heading "Accumulated depreciation above schedule".

GROUP	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1986	1985	1986	1985	1986	1985	1986	1985
	Historical cost .....	4,867	4,352	1,636	1,588	1	1	173
Accumulated scheduled depreciation .....	-2,993	-2,688	-634	-587	-	-	-15	-15
Scheduled remaining values .....	1,874	1,664	1,002	1,001	1	1	158	145
Accumulated write-ups not yet written off .....	-	-	136	140	10	10	116	116
Remaining values .....	1,874	1,664	1,138	1,141	11	11	274	261
Accumulated depreciation above schedule .....	-1,012	-824	-234	-220	-	-	-11	-11
Book values .....	862	840	904	921	11	11	263	250
Fire-insurance values .....	10,007	9,305	3,639	3,557	11	10	-	-
Assessed valuations <sup>1</sup> .....	-	-	1,281	1,289	12	12	137	143

<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 461m. (638).



## PARENT COMPANY

	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1986	1985	1986	1985	1986	1985	1986	1985
Historical cost .....	2,680	2,422	731	710	1	1	39	38
Accumulated scheduled depreciation .....	-1,602	-1,471	-287	-266	-	-	-13	-12
Scheduled remaining values .....	1,078	951	444	444	1	1	26	26
Accumulated write-ups not yet written off .....	-	-	136	140	10	10	116	116
Remaining values .....	1,078	951	580	584	11	11	142	142
Accumulated depreciation above schedule .....	-900	-717	-211	-203	-	-	-11	-11
Book values .....	178	234	369	381	11	11	131	131
Fire-insurance values .....	7,085	6,506	2,178	2,124	10 <sup>3</sup>	10 <sup>3</sup>	-	-
Assessed valuations <sup>2</sup> .....	-	-	1,242	1,244	12	12	131	133

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

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

## Note 14. Pledged assets

	Group		Parent Company	
	1986	1985	1986	1985
Real-estate mortgages .....	797	810	656	663
Chattel mortgages .....	578	616	430	465
Totals .....	1,375	1,426	1,086	1,128

## Note 15. Other current liabilities

	Group		Parent Company	
	1986	1985	1986	1985
Advances from customers .....	46	52	6	1
Other current liabilities .....	955	461	664	145
Totals .....	1,001	513	670	146

## Note 16. Loans

	Group		Parent Company		Currency	1986	1985
	1986	1985	1986	1985			
Short-term loans							
Euro Commercial Paper .....	780	-	780	-	Swedish kronor .....	239	327
Amortizations due within one year on long-term loans .....	262	206	150	93	U.S. dollars .....	181	172
Other short-term loans .....	1,567	1,602	956	864	West German marks .....	17	15
Total short-term loans .....	2,609	1,808	1,886	957	Swiss francs .....	65	69
Long-term loans					Luxembourg francs .....	475	475
Bond loans .....	370	389	358	367	British pounds .....	12	12
Debenture loans .....	45	50	20	33	Japanese yen .....	295	3,560
Other loans .....	855	1,852	409	1,328	Loan amortizations		
Total long-term loans .....	1,270	2,291	787	1,728	Loan amortizations by the Parent Company, required to accommodate agreed maturities per loan agreement, are tabulated below:		
Totals, all loans .....	3,879	4,099	2,673	2,685		1986	1985
					Within one year .....	1,886	957
					Year 2 .....	186	217
					3 .....	69	384
					4 .....	277	97
					5 .....	26	504
					Thereafter .....	229	526
						2,673	2,685

The Parent Company's long-term borrowing, inclusive of loans under the Euro Commercial Paper programme and of the 1987 amortizations, breaks down as follows among the major currencies (amounts in millions). The amounts are stated in the currency in which Sandvik runs a potential currency risk.

## Note 17. Provision for pensions

	Group		Parent Company	
	1986	1985	1986	1985
For Pension Registration				
Institute pensions .....	739	691	701	658
For other pensions .....	194	151	54	49
Totals .....	933	842	755	707



## 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 1985	824	220	11	1,055	717	203	11	931
1986 depreciation above schedule	241	22	—	263	183	11	—	194
Depreciation on write-up	—	-3	—	-3	—	-3	—	-3
Change due to altered composition of minority	-53	-5	—	-58	—	—	—	—
Reported at end of 1986	1,012	234	11	1,257	900	211	11	1,122

## Note 19. Inventory reserve

	Group	Parent Company
Reported at end of 1985	1,121	908
Change due to revised conversion rates 1986	4	—
Allocation during 1986	36	110
Change due to altered composition of minority	-27	—
Reported at end of 1986	1,134	1,018
Inventory reserve as percentage of inventory value at end of 1986	31	51

## 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 1985	49	616	115	780	6	336	90	432
Change due to revised conversion rates 1986	—	1	—	1	—	—	—	—
Add:								
Appropriations during 1986	—	599	—	599	—	461	—	461
Less:								
Applied to investment in machinery and equipment	-29	-272	-6	-307	-1	-230	-6	-237
industrial and residential buildings	-5	-37	—	-42	-5	-23	—	-28
For overheads	—	-1	-47	-48	—	—	-33	-33
Transfer to subsidiaries	—	—	—	—	—	-3	—	-3
Net change	-34	289	-53	202	-6	205	-39	160
Change due to altered composition of minority	-5	-126	—	-131	—	—	—	—
Reported at end of 1986	10	780	62	852	—	541	51	592

## Note 21. Other untaxed reserves

	Group	Parent Company
Exchange-risk reserve financial placements:		
Allocation 1986	55	55
Reported at end of 1986	55	55
Other untaxed reserves:*		
Reported at end of 1985	21	—
Change due to revised conversion rates 1986	1	—
Allocation 1986	41	—
Reported at end of 1986	63	—

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

## Note 22. Internal-profit reserve

### PARENT COMPANY

The internal-profit reserve of Sandvik AB constitutes the difference between selling prices and Sandvik AB's aggregate costs for the goods sold pertaining to those products, supplied by Sandvik AB, that on the day of the Balance Sheet are still held in stock

by foreign subsidiary companies, after a deduction to allow for inventory writedowns applied by the subsidiary companies to the said products.

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

The minority interest in untaxed reserves totals Skr 18m. (217).

The Group's interest in the equity capital and untaxed reserves of the associated companies is Skr 149m. (138) and 99m. (80) respectively. The calculation includes the following associated companies: Avesta Sandvik Tube AB (25%), Fagersta Stainless

AB (50%), ANSAB (50%), Fagersta-Seco AB (50%), Rolltech International AB (50%), Uddeholm Strip Steel AB (50%), Devillé S.A. (35%), 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 1985	961	781	388	-24	898	3,004
Change due to revised conversion rates 1986	-	26	26	5	-	57
Carry-over of 1985 surplus and translation difference	-	2	877	19	-898	-
Capitalization by bonus issue	323	-200	-123	-	-	-
Appropriation to restricted reserves	-	36	-36	-	-	-
New issues due to conversion	19	14	-	-	-	33
Change due to write-up of fixed assets	-	10	-	-	-	10
Dividend	-	-	-136	-	-	-136
Group net profit for 1986	-	-	-	4	517	521
Reported at end of 1986	1,303	669	996	4	517	3,489

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

Parent Company. Out of the unrestricted equity capital, reported in the Group Balance Sheet at Skr 1,517m., it is recommended by the Boards of the companies that a total of Skr 104m. be appropriated to restricted reserves.

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

### PARENT COMPANY

	Share capital	Statutory capital reserve	Retained earnings	Net profit	Total
Reported at end of 1986	961	200	267	486	1,914
Carry-over of 1985 surplus	-	-	486	-486	-
Capitalization by bonus issue	323	-200	-123	-	-
New issues due to conversion	19	14	-	-	33
Dividend	-	-	-136	-	-136
Net profit for 1986	-	-	-	369	369
Reported at end of 1986	1,303	14	494	369	2,180

## Note 25. Share capital

### SHARE CAPITAL AND NUMBER OF SHARES

	Recalculated <sup>1</sup>		
	1986	1985	1985
A Restricted	41,170,069	41,170,069	7,719,388
A Unrestricted	1,395,590	1,649,872	309,351
B Unrestricted	9,566,512	8,450,086	1,584,391
	52,132,171	51,270,027	9,613,130

<sup>1</sup> To allow for the bonus issue and stock split of 1986.

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. "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. Since the beginning of January 1987 it has also been possible to trade Sandvik shares in the U.S. by way of American Depositary Receipts (ADR).

The number of shares entitled to dividend for 1986 works out at 52,135,336. It exceeds the number given above for 31 Dec. in consequence of conversions during the period 1 Jan.-28 Feb. 1987.

### 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. 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 126.6284 Sandvik "B" shares.

By 31 December 1986, bonds to an amount of U.S.\$ 25,234,000 had been converted. The conversions during 1986 had the effect of

increasing the share capital by Skr 18,627,275 and the number of "B" shares outstanding by 862,144, calculated after the bonus issue and stock split of 1986. Full conversion of the loan would raise the number of "B" shares by 1,236,652 as compared with the situation on 31 December 1986. The share capital would increase by Skr 30,916,300.

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 debentures are denominated in a nominal amount of Skr 425 and in integral multiples thereof. The conversion price is Skr 79:50 after the 1986 bonus issue and stock split, and conversion is effected into "B" shares. Full conversion of the loan would increase the number of "B" shares by 1,292,609 as compared with the situation on 31 Dec. 1986. The share capital would increase by Skr 32,315,225.

Full conversion of both convertible loans would raise the total number of Sandvik shares to 54,661,432.

### THE SANDVIK INVESTMENT FUND

During the period from January 1981 to December 1983, all employees of the Sandvik Group's Swedish companies were invited to make use of the Sandvik Investment Fund as a savings vehicle. At the end of 1986, about 1,725 employees remained on the register of the Fund.

The Fund represented about 429,000 shares, equivalent to about 0.8% of the share capital.

See also the section dealing with the Sandvik share on p. 58, which covers price movements, data per share, share ownership, etc.

## Note 26. Contingent liabilities

	Group		Parent Company	
	1986	1985	1986	1985
Bills discounted	151	164	-	-
Pension commitments over and above those entered under pension liabilities (capitalized value)	4	14	2	7
Other surety undertakings and contingent liabilities	209	248	558	714
Totals	364	426	560	721
whereof for subsidiaries			405	522



# Personnel

## PERSONNEL COSTS, SKR M.

	Group		Parent Company	
	1986	1985	1986	1985
Wages, salaries and emoluments:				
Directors				
in Sweden .....	6	5	4	3
outside Sweden .....	62	53	—	—
Other employees				
in Sweden .....	1,373	1,227	1,244	1,107
outside Sweden .....	1,622	1,597	8	9
Totals .....	3,063	2,882	1,256	1,119
Other personnel costs ...	1,134	1,045	624	562
Totals .....	4,197	3,927	1,880	1,681

## AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company	
	1986	1985	1986	1985
In Sweden .....	10,584	10,399	9,540	9,420
Outside Sweden .....	13,449	13,506	50	53
Totals .....	24,033	23,905	9,590	9,473

## AVERAGE NUMBER OF EMPLOYEES OUTSIDE SWEDEN BROKEN DOWN BY COUNTRIES

	Number of employees		Number of employees	
	1986	1985	1986	1985
<b>The Parent Company</b>				
Austria .....	5	10		
Soviet Union .....	6	5		
U.S.A. ....	7	5		
Other countries <sup>1</sup> .....	32	33		
Outside Sweden totals .....	50	53		
<b>The Group outside Sweden</b>				
Argentina .....	143	137		
Australia .....	321	330		
Austria .....	114	113		
Belgium .....	96	80		
Brazil .....	1,095	941		
Canada .....	214	216		
Chile .....	24	22		
Colombia .....	36	31		
Denmark .....	78	76		
Finland .....	100	104		
France .....	1,928	2,012		
Haiti .....	37	—		
Hongkong .....	15	15		
India .....	1,242	1,249		
Indonesia .....	23	31		
Ireland .....	9	10		
Italy .....	760	767		
Japan .....	523	529		
Kenya .....	15	15		
Malaysia .....	37	37		
Mexico .....	447	435		
Netherlands .....	165	157		
New Zealand .....	34	32		
Norway .....	53	53		
Peru .....			42	44
Philippines .....			36	37
Poland .....			5	5
Portugal .....			214	240
Singapore .....			64	85
South Africa .....			580	647
South Korea .....			39	18
Soviet Union .....			6	5
Spain .....			379	402
Switzerland .....			132	135
Taiwan .....			12	13
Thailand .....			6	6
Turkey .....			6	5
United Kingdom .....			1,597	1,739
U.S.A. ....			1,631	1,564
Venezuela .....			32	31
West Germany .....			1,058	1,050
Zambia .....			34	21
Zimbabwe .....			45	47
Other countries <sup>1</sup> .....			22	20
			13,449	13,506

<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		Number of shares	Percentage holding	Nominal value		Book value Skr '000	
According to the Balance Sheet of 31 Dec. 1986				local currency unit '000	Nominal value Skr '000		
SWEDEN	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
	Guldmedshytte Bruks AB <sup>1</sup> .....	500	100	SEK	50	50	—
	Micor AB <sup>1</sup> .....	600	100	SEK	60	60	—
	Nordland-Wematic AB .....	4,000	100	SEK	400	400	—
	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 Hand Tools .....	500	100	SEK	50	50	—
	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 Metal Saws .....	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	—
	AB Sandvik Öberg .....	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 Aktiesparfond- förvaltning AB .....	2,500	100	SEK	250	250	250
	Sandvikens Brukspersonals Byggnadsförening upa .....	—	100	SEK	2,941	2,941	—
	Seco Tools AB <sup>2</sup> .....	710,000	100	SEK	71,000	71,000	403,147
	Steebide International AB .....	15,000	100	SEK	1,500	1,500	1,000
	Trellbo AB .....	500	100	SEK	50	50	—
	Dormant companies wholly owned <sup>3</sup> .....	—	—	SEK	600	600	—
ARGENTINA	Sandvik Argentina S.A.C. e I. ....	296,034	100	ARA	296	1,613	5,000
AUSTRIA	Sandvik in Austria Ges.m.b.H. ....	—	100	ATS	10,000	4,967	810
BELGIUM	Sandvik S.A. (Belgium) N.V. ....	—	100	BEC	80,000	13,408	4,000
BRAZIL	Sandvik do Brasil S.A. ....	16,049,575	73.6 <sup>4</sup>	BRC	96,297,450	42,371	40,712
CANADA	Sandco Ltd. ....	205	100	CAD	2	10	—
	Sandvik Canada, Inc. ....	2,317,564	100	CAD	7,212	35,627	53,080
	Windsor Machine Company Ltd. ....	5,100,000	77 <sup>4</sup>	CAD	5,100	25,194	—
CHILE	Sandvik Chilena Ltda. ....	—	100	CLP	8,263	289	—
COLOMBIA	Sandvik Colombia S.A. ....	28,733	94 <sup>4</sup>	COP	28,733	718	—
COSTA RICA	Sandvik Centroamérica S.A. ....	330	100	CRC	330	36	—
DENMARK	A/S Sandviken. ....	—	100	DKK	4,000	3,686	2,070
FINLAND	Suomen Sandvik Oy. ....	400,000	100	FIM	10,000	14,115	4,247
FRANCE	Sandvik S.A. ....	1,249,994	100	FRF	125,000	131,938	100,000
	Ugicarb Morgon S.A. ....	352,494	100	FRF	35,250	37,206	20,910
	Sandvik Siametir S.A. ....	44,994	100	FRF	4,500	4,750	—
HONGKONG	Sandvik Hongkong Ltd. ....	39,999	100	HKD	400	350	—
INDIA	Sandvik Asia Ltd. ....	316,800	55	INR	31,680	16,442	5,500
INDONESIA	P.T. Sandvik Indonesia .....	6,400	80	USD	640	4,362	—
ITALY	Sandvik Italia S.p.A. ....	11,999,832	100	ITL	11,999,832	60,119	75,000
	Sandvik Process Systems S.p.A. ....	199,943	100	ITL	199,943	1,002	340
JAPAN	Sandvik K.K. ....	2,600,000	100	JPY	2,600,000	110,695	100,000
KENYA	Sandvik Kenya Ltd. ....	34,999	96	KES	700	298	—
KOREA	Sandvik Manufacturing Co. Ltd. ....	5,000	100	KRW	50,000	390	400
MALAYSIA	Sandvik Malaysia Sdn. Bhd. ....	7,500	100	MYR	750	1,965	664
MEXICO	Sandvik de México S.A. de C.V. ....	5,329,996	100	MXP	533,000	3,998	50,000
MOROCCO	Sandvik Maroc S.A. ....	93	100	MAD	9	8	—
NETHER- LANDS	Sandvik Nederland b.v. ....	—	100	NLG	6,000	18,540	10,000
NORWAY	Sandvik Norge A/S. ....	80,000	100	NOK	8,000	7,336	4,790
PERU	Sandvik del Perú S.A. ....	999,998	100	PEI	999,998	470	—
	Barrenas Sandvik Andina S.A. ....	6,997,540	68	PEI	6,997,540	3,289	2,200



SANDVIK AB's HOLDINGS OF SHARES IN SUBSIDIARY COMPANIES		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000	
According to the Balance Sheet of 31 Dec. 1986							
PHILIPPINES	Sandvik Philippines, Inc. ....	81,065	100	PHP	8,107	2,675	3,517
PORTUGAL	Sandvik Portuguesa Lda .....	—	100	PTE	99,995	4,580	4,461
	Sandvik Obergue-Limas e Mecânica, Lda .....	—	100	PTE	99,995	4,580	8,770
SINGAPORE	Sandvik South East Asia Pte. Ltd. ....	2,700,000	100	SGD	2,700	8,424	7,055
SPAIN	Sandvik Española S.A. ....	70,000	100	ESP	700,000	35,980	45,000
	Minas y Metalurgia Española S.A. ....	60,000	50 <sup>4</sup>	ESP	60,000	3,084	3,700
SWITZERLAND	Sandvik A.G. ....	60,000	100	CHF	6,000	25,053	50,000
	Sanfinanz A.G. ....	997	100	CHF	200	835	735
	Santrade Ltd. ....	600	10 <sup>4</sup>	CHF	600	2,505	1,000
TAIWAN	Sandvik Taiwan Ltd. ....	9,994	100	TWD	9,994	1,799	—
THAILAND	Sandvik Thailand Ltd. ....	744	100	THB	504	131	—
TURKEY	Sandvik Istanbul Tiçaret Ltd. Şti .....	14,925	100	TRL	14,925	142	—
U.K.	Madison Tools Ltd. ....	274,999	100	GBP	275	2,747	6,000
	Sandvik Ltd. ....	7,999,998	100	GBP	8,000	79,920	200,000
U.S.A.	Sandvik, Inc. ....	800,000	100	USD	20,000	136,300	400,000
VENEZUELA	Sandvik Venezuela C.A. ....	6,250	100	VEB	6,250	1,813	—
WEST GERMANY	Sandvik Automation GmbH .....	—	100	DEM	4,000	13,974	12,047
	Sandvik GmbH .....	—	100	DEM	35,000	122,273	100,000
	Sandvik Process Systems GmbH .....	—	38 <sup>4</sup>	DEM	1,558	5,443	3,420
ZAMBIA	Sandvik (Zambia) Ltd. ....	399,999	100	ZMK	800	488	—
ZIMBABWE	Sandvik (Pvt) Ltd. ....	233,677	100	ZWD	467	1,887	3,269
						1,762,519	

<sup>1</sup> Subordinate company

<sup>2</sup> Seco Tools has subsidiaries in 13 countries

<sup>3</sup> A specification of dormant companies is available from Sandvik's Head Office in Sandviken

<sup>4</sup> Remaining shares are held by other Group companies

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

Opening balance	1,418,290	
Acquisitions .....	389,802	
New issues .....	1,344	
Sell-offs .....	—14,596	
Reduction of share capital .....	—32,321	
Closing balance	1,762,519	

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. 1986		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value Skr '000	Book value Skr '000	
ASSOCIATED COMPANIES							
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 .....	24,000	15	SEK	2,400	2,400	12,000
	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 .....	28,409	50	SEK	28,409	28,409	34,600
	Eurotungstène Poudre S.A. ....	112,353	49	FRF	11,235	11,859	7,737
	Société Minière d'Anglade .....	13,245	15	FRF	1,325	1,399	—
MEXICO	Devillé S.A. ....	14,000	35	FRF	7,000	7,389	7,216
	Micor de México S.A. de C.V. ....	135	45	MXP	135	1	—
YUGOSLAVIA	Tungstemex S.A. de C.V. ....	3,046,680	39	MXP	304,668	2,285	—
	WO Tools-PP-Corun .....		30			18,926	18,926
OTHER COMPANIES						152,887	
	Swedish Aircraft ONE KB .....	—	20	SEK		16,211	16,211
	Swedish Liners KB .....	—	18	SEK		19,068	19,068
	Miscellaneous .....						9
						188,175	



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

	Opening balance	142,671	
New issues.....		6,000	
Acquisitions		45,471	
Sell-offs.....		—	
Writedowns .....		-5,967	The writedowns were charged against the year's results and are entered under the heading "Costs of production, sales and administration".
	Closing balance	188,175	

THE GROUP'S SHAREHOLDINGS

According to the Balance Sheet of 31 Dec. 1986		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.....	5,000	50	SEK 500	500	500
AUSTRALIA	Seco Titan Pty. Ltd.....	1,050,000	50	AUD 1,050	4,736	5,216
BRAZIL	Sociedade Tecnica de Ferramentas Ltda.....	320,000	20	BRC 320	141	1,026
CANADA	Nor-Sand Metals, Inc.....	500,000	50	CAD 5,000	24,700	24,700
SPAIN	Industrias Bonastre, S.A.....	2,500	10	ESP 5,000	257	1,145
U.K.	R.O. Speciality Metals Ltd.....	180,000	15	GBP 180	1,798	2,398
TURKEY	Seco Kestak A.S.....	49,000	49	TRL 49,000	466	1,369
						36,354
					Sandvik AB's holding	188,175
					Total	224,529
					Miscellaneous shares	2,236
					Total	226,765

SHARES IN SIGNIFICANT OPERATIVE GROUP COMPANIES OWNED INDIRECTLY BY SANDVIK AB AT 31 DEC. 1986.

		Group holding, %			Group holding, %
ARGENTINA	Strata Bit Corporation Argentina....	100	SINGAPORE	Sandvik Trading Singapore Private Ltd.....	100
AUSTRALIA	Sandvik Australia Pty. Ltd.....	100	SOUTH AFRICA	Sandvik (Pty) Ltd.....	100
	Sandvik Process Systems Pty. Ltd. .	100	SPAIN	Resistel S.A.....	100
AUSTRIA	Sandvik Process Systems Ges.m.b.H.	100	THAILAND	Svenska Trading Co. Ltd.....	49
BELGIUM	Windsor Industries S.A.....	100	U.K.	Nordic Saws U.K. Ltd.....	100
CANADA	Sandvik Process Systems Canada Ltd.....	100		Osprey Metals Ltd.....	100
FRANCE	Le Burin S.A.....	100		Sandvik Bandsaws Ltd.....	100
	Outils PAM Distribution S.A.....	100		Sandvik Hard Materials Ltd.....	100
	Safety S.A.....	100		Sandvik Process Systems Ltd.....	100
	Sandvik Acier SNC.....	100		Strata Bit Company Ltd.....	100
	Sandvik Broussaud S.A.....	100		Strata Bit Limited.....	100
	Sandvik Coromant SNC.....	100		Wimet Mining Ltd.....	100
	Sandvik Outillage SNC.....	100		Wimet Wear Parts Ltd.....	100
	Sandvik Process Systems S.A.....	100	U.S.A.	Breton Corporation.....	67
	Sandvik Tobler S.A.....	100		Sandvik Latin America, Inc.....	100
HAITI	Windsor Caribe S.A.....	100		Sandvik Process Systems, Inc.....	100
IRELAND	Sandvik Ireland Ltd.....	100		Sandvik Special Metals Corporation.	100
KOREA	Sandvik Korea Co. Ltd.....	49		Strata Bit Corporation.....	100
MEXICO	HK Porter de México S.A.....	100		The Windsor Corporation of America	100
NETHERLANDS	Sandvik Process Systems b.v.....	100		Triangle Grinding, Inc.....	100
	Strata Bit Holland b.v.....	100		Windsor America, Inc.....	100
NEW ZEALAND	Sandvik New Zealand Ltd.....	100	WEST-GERMANY	Sandvik Kosta GmbH.....	100
NORWAY	Stavangerbor A/S.....	95	ZIMBABWE	Sancor (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 . . . . .	494,034,881
together with the profit for 1986 . . . . .	<u>368,596,457</u>
	Skr 862,631,338

be appropriated as follows:

a dividend of Skr 3:50 . . . . .	182,473,676
an appropriation to the statutory capital reserve . . . . .	36,860,000
carried forward to the next account . . . . .	<u>643,297,662</u>
	Skr 862,631,338

Sandviken, 12 March 1987

Percy Barnevik  
Chairman

Hans Karlsson

Birger Löwhagen

Lars Malmros

Hans-Eric Ovin

Thore Svärdström

Sven Ågrup

Per-Olof Eriksson  
President

Our audit report was submitted on 27 March 1987

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 1986. 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, 27 March 1987

Bo Fridman  
Authorized public accountant

Nils-Axel Frisk



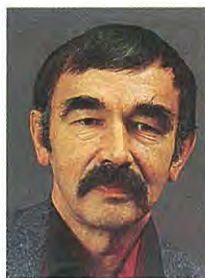
# Directors and auditors

## BOARD OF DIRECTORS



### Members

Percy Barnevik, Chairman,  
Västerås, b. 1941  
Group President of ASEA AB.  
Director of ASEA AB, Fläkt AB and  
Skanska 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  
Senior Vice President of Skanska AB.  
Director of Euroc Industri AB and  
Svenska Handelsbanken, Deputy  
Director of the Swedish Employers'  
Confederation.  
Director of Sandvik AB since 1983.



Thore Svärdröm,  
Sandviken, b. 1924  
Chairman of the Sandvik AB local of the  
SIF.  
Director of Sandvik AB since 1986.  
(Employees' representative)



Lars Malmros, Dr. Tech. h.c.,  
Ghent, Belgium, b. 1927  
President of the Volvo Europe  
Companies, Ghent, Belgium.  
Chairman of the Institute for  
Engineering Research, (IVF).  
Board appointments with Perstorp AB  
and Kalmar Industries 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,  
Investment AB Argentus, Kjell and  
Märtha Beijer's Foundation, AB Dacke,  
Stena AB and AB Volvo Penta.  
Chairman of HDF Companies AB,  
AB Stafsjö Bruk, Bra Böcker AB and  
Scan Coin AB.  
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.  
Director of AB Volvo, Telefon AB L M  
Ericsson, Svenska Handelsbanken,  
Investment AB Asken, Scandinavian  
Trading Co. AB, AB Opus, Nobel  
Industrier Sverige AB and Tetra Pak  
Rausing S.A.  
Director of Sandvik AB since 1983.



Stig Lennart Nyström,  
Sandviken, b. 1944  
Director of Sandvik AB since 1986.  
(Employees' representative)



Per-Olof Eriksson,  
Sandviken, b. 1938  
President and Chief Executive Officer of  
Sandvik AB.  
Director of Svenska Handelsbanken,  
Svenskt Stål AB and the Federation  
of Swedish Industries.  
Director of Sandvik AB since 1984.

## AUDITORS

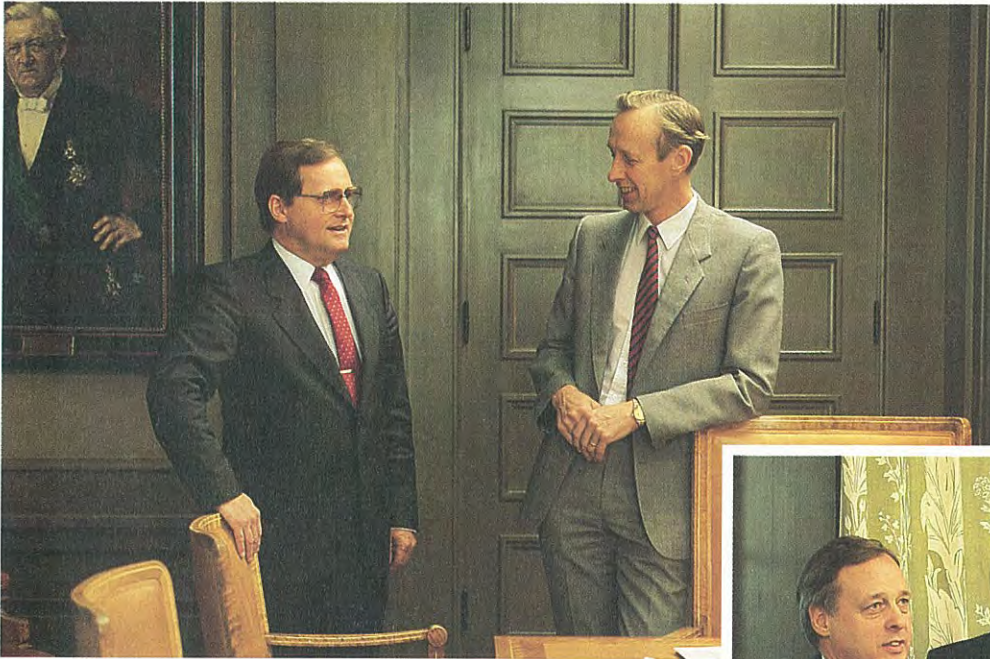
Bo Fridman, Stockholm,  
Authorized public accountant  
Nils-Axel Frisk, Stockholm

### Alternates

Magnus Schiller, Stockholm  
Bernhard Öhrn, Stockholm,  
Authorized public accountant



# Group executive management, Group staff units and service companies



Ebbe Bengtsson, (left)  
Executive Vice President  
Per-Olof Eriksson,  
Group President and Chief Executive Officer



(L. to r.) Lennart Höög, Group Staff Personnel,  
Carl Lindberg, Public Affairs, and  
Björn Jonson, Market Communication



(L. to r.) Olle Cederlund, Group Staff Finance,  
Henrik Jakenberg, Internal Auditing, and  
Olle Hedebrant, Market and Technology



(L. to r.) Stig Åhländer, Group Staff Taxes and Risk Management,  
Malcolm Falkman, Legal Affairs, Thomas Hjelm, Controller

*From 1 Jan. 1987: Bertil Aronsson,  
Group Staff Research and Development*



(L. to r.) Börje Andréasson, President of AB Sandvik Central Service,  
and Peter Lundh, President of AB Sandvik Information Systems



# 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*

### BULGARIA

AB Sandvik International Representative Office, Sofia  
*Manager: Robert Hartinger*

### 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 Hard Materials (France), Paris  
*Manager: Lennart Söderberg*

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

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

### HUNGARY

AB Sandvik International Representative Office, Budapest  
*Manager: Johann Sulak*

### IRELAND

Sandvik Ireland Limited, Dublin  
*Manager: H. William Beck*

### ITALY

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

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

### NETHERLANDS

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

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

### NORWAY

Sandvik Norge A/S, Oslo  
*Manager: Jon Ambur*

### POLAND

Sandvik Biuro w Warszawie, Warsaw  
*Manager: Boguslaw Swiecki*

### PORTUGAL

Sandvik Portuguesa Lda, Lisbon  
*Manager: Bengt Bryngelsson*

Sandvik Obergue-Limas e Mecânica Lda, Vila do Conde  
*Manager: Kalervo Kärppä*

### SOVIET UNION

Sandvik Moscow Representative Office, Moscow  
*Manager: Olof Axell*

### SPAIN

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

### SWEDEN

Sandvik AB, Sandviken  
*Group CEO: Per-Olof Eriksson*

AB Sandvik Coromant, Sandviken  
*Manager: Clas Åke Hedström*

AB Sandvik Rock Tools, Sandviken  
*Manager: Lars Östholm*

AB Sandvik Hard Materials, Stockholm  
*Manager: Lars Wahlqvist*

AB Sandvik Steel, Sandviken  
*Manager: Gunnar Björklund*

AB Sandvik Saws and Tools, Sandviken  
*Manager: Hans Norman*

AB Sandvik Electronics, Sandviken  
*Manager: Göran Norrby*

AB Sandvik International, Sandviken  
*Manager: Hans Forsberg*

Sandvik Coromant Skandinavien AB, Spånga  
*Manager: Anders Wallin*

Sandvik Hard Materials Norden AB, Örebro  
*Manager: Staffan Frondell*

Sandvik Stål Försäljnings AB, Spånga  
*Manager: Staffan Englund*

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

AB Sandvik Process Systems, Sandviken  
*Manager: Claes Brofelth*

Edmeston AB, Sandviken  
*Manager: Jacques le Grand*

Edsbyns Industri AB, Edsbyn  
*Manager: Sture Lestander*

Guldsmedshytte Bruks AB, Storå  
*Manager: Åke Martinson*

Micor AB, Laholm  
*Manager: Anders Ågren*

AB Sandvik Hand Tools, Bollnäs  
*Manager: Staffan Larsson*

AB Sandvik Metal Saws, Lidköping  
*Manager: Enar Nilsson*

AB Sandvik Öberg, Eskilstuna  
*Manager: Sven Wigerblad*

AB Sandvik Central Service, Sandviken  
*Manager: Börje Andréasson*

AB Sandvik Information Systems, Sandviken  
*Manager: Peter Lundh*

### SWITZERLAND

Sandvik AG, 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*

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, Viernheim  
*Manager: Arne Cederqvist*  
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*

Windsor Machine Comp. Ltd.,  
Vancouver, B.C.

*Manager: Bryon Hodges*

### 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*

Triangle Grinding, Inc., Houston, TX  
*Manager: Lewis Humke*

Strata Bit Corporation, Houston, TX  
*Manager:*

*(Currently being reorganized)*

Sandvik Special Metals Corp.,  
Kennewick, WA

*Manager: Eugene R. Astley*

Windsor, Inc., Milan, TN  
*Manager: Bryon Hodges*

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*

### CUBA

AB Sandvik International  
Representative Office, Havana  
*Manager: Gunnel Källström*

### MEXICO

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

*Manager: Björn von Malmborg*

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

*Manager: Jorge Rodino*

### PERU

Sandvik del Perú S.A., Lima  
*Manager: Hanns Knorr*

Barrenas Sandvik Andina S.A.,  
Arequipa

*Manager: Hanns Knorr*

### VENEZUELA

Sandvik Venezuela C.A., Caracas  
*Manager: Faustino Menendez*

## AFRICA

### ALGERIA

Sandvik S.A. Bureau de Liaison, Alger  
*Manager: Michel Brand*

### KENYA

Sandvik Kenya Ltd., Nairobi  
*Manager: Sune Persson*

### SOUTH AFRICA

Sandvik (Pty) Ltd., Benoni  
*Manager: Tore Lundberg*

### ZAMBIA

Sandvik (Zambia) Ltd., Ndola  
*Manager: Hans Lundström*

### ZIMBABWE

Sandvik (Pvt) Ltd., Harare  
*Manager: James C. MacGregor-Sim*

## ASIA

### CHINA

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

### HONGKONG

Sandvik Hongkong Ltd., Hongkong  
*Manager: Ivo Oja*

### INDIA

Sandvik Asia Ltd., Poona  
*Manager: Åke Janson*

### INDONESIA

P.T. Sandvik Indonesia, Jakarta  
*Acting Manager: Tan Kian Hoe*

### JAPAN

Sandvik K.K., Kobe  
*Manager: Börje Skog*

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*

### PAKISTAN

AB Sandvik International  
Liaison Office, Karachi  
*Manager: Ahmad Shabir*

### PHILIPPINES

Sandvik Philippines, Inc., Manila  
*Manager: Krister Brobeck*

### SINGAPORE

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

Sandvik Trading Singapore Pte. Ltd.,  
Singapore  
*Manager: Åke Friberg*

### TAIWAN

Sandvik Taiwan Ltd., Taipei  
*Manager: Ivo Oja*

### THAILAND

Sandvik Thailand Ltd., Bangkok  
*Manager: Åke Friberg*

### TURKEY

Sandvik Istanbul Tiçaret Ltd., Şti.,  
Istanbul  
*Manager: Bülent Tasman*

## AUSTRALASIA

### AUSTRALIA

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

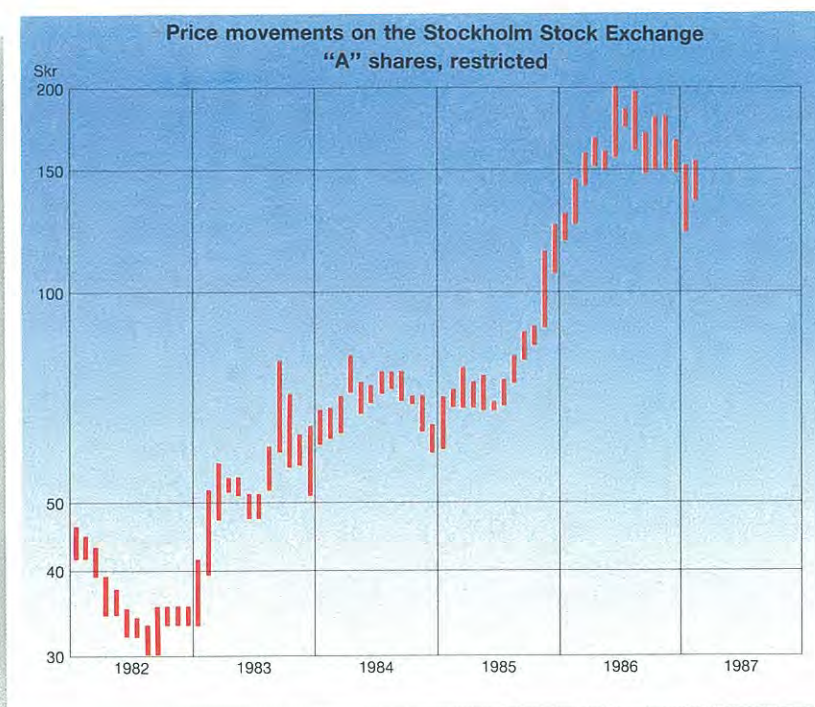
### NEW ZEALAND

Sandvik New Zealand Ltd., Pakuranga  
*Manager: Peter Wells*

These data are valid as of April 1987



# The Sandvik share



## PER-SHARE DATA, SKR

Calculated on the number of shares  
outstanding on 31 Dec. 1986

	1986	1985	1984	1983	1982
Earnings <sup>1</sup> .....	16:30	15:15	9:50	-0:95	2:90
Earnings <sup>1</sup> incl. shares in associated companies.....	16:70	15:55	9:85	-0:75	2:80
Earnings <sup>1</sup> after full conversion.....	16:05	14:95	9:50	-0:65	2:75
Earnings after payment of tax .....	21:85	22:75	13:85	-6:90	3:40
Adjusted equity capital .....	95:50	81:50	66:30	57:30	57:50
Adjusted equity capital after full conversion.....	93:95	81:20	64:85	56:40	56:75
Dividend <sup>2</sup> (1986: as recommended).....	3:50	2:62	1:88	1:50	1:88
Direct return <sup>3</sup> , % .....	2.3	2.2	3.1	2.5	5.7
Payout percentage <sup>4</sup> .....	21	17	20	/	63
Quoted prices "A" restricted, year's highest .....	200	125	81	80	46
year's lowest .....	118	59	58	33	30
at year's end.....	150	117	60	61	33
Quoted prices "B" unrestricted, year's highest .....	205	133	82	76	46
year's lowest .....	124	59	58	34	30
at year's end.....	148	124	60	58	33
P/E ratio <sup>5</sup> .....	9	8	6	/	11
Quoted price, % of adjusted equity capital <sup>6</sup> .....	157	144	91	106	56
Average number of shares traded per day on the Stockholm Stock Exchange, "A" restricted.....	20,627	35,017	15,581	24,996	26,203
"B" unrestricted.....	10,555	14,166	14,753	7,908	8,366

1 Earnings after estimated full taxation

2 Calculated on number of shares outstanding on 31 Dec. in each year but adjusted for the 1986 stock split and bonus issue

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

4 Dividend divided by earnings per share after estimated full tax

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

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

For additional definitions, see p. 43.



## THE LARGEST SHAREHOLDERS OF SANDVIK AB (MARCH 1987)

	Percentage of voting strength	Percentage of shares
Skanska AB.....	25.6	21.3
Investment Funds of the Swedish Savings Banks.....	8.9	8.8
National Swedish Pension Insurance Fund.....	6.2	6.1
Swedish Staff Pension Society.....	4.9	4.1
Svenska Handelsbanken's Pension Foundation.....	4.9	4.1
Skandia.....	4.0	3.8
PKbanken's Investment Fund.....	3.2	2.6
Skandinaviska Banken's Pension Foundation.....	2.4	2.0
Trygg-Hansa.....	1.2	1.5
Labour Market Insurance (AMF) ...	1.1	0.9
Investment AB Cardo.....	1.0	1.0
AB Custos.....	0.9	1.0
Sandvik Investment Fund.....	0.9	0.8

## SANDVIK AB SHARE OWNERSHIP (MARCH 1987)

Holding	Number of share owners	In %		Total number of shares	% of share capital	Average number of shares
		of all share owners	of shares			
to 500 shares	16,743	80.5	2,005,059	3.9	120	
500-1,000	1,956	9.4	1,310,824	2.5	670	
1,001-10,000	1,858	8.9	4,501,034	8.6	2,423	
10,001-100,000	184	0.9	5,181,414	9.9	28,160	
More than 100,000	52	0.3	39,137,005	75.1	752,635	
	20,793	100.0	52,135,336	100.0	2,507	

## 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 1,236,652 or by 2.4%, as compared with the situation on 31 December 1986. The share capital would increase by Skr 31m.

In 1985 the Company floated a convertible debenture loan of Skr 103m. at 12% interest, addressed to the employees. This loan can be converted between 1 March 1988 and 15 March 1992, both dates inclusive. Full conversion of the loan would increase the number of shares by 1,292,609, or by 2.5%, as compared with the situation on 31 Dec. 1986. The share capital would increase by Skr 32m.

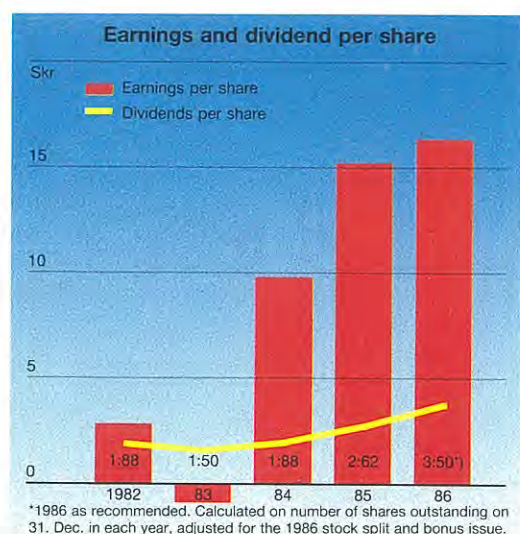
Full conversion of both the convertible loans would increase the number of shares by 2,529,261, or by 4.9%, as compared with the situation on 31 Dec. 1986.

See also Note 25 on p. 48.

## ANALYSES

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

Aktiv Placering  
Carnegie  
Enskilda Securities (U.K.)  
Kleinwort Grieveson Securities (U.K.)  
Svenska Handelsbanken  
Richard Hägglöf Fondkommission AB  
Jacobson & Ponsbach  
Phillips & Drew (U.K.)  
PKbanken  
Reinheimer Nordberg (U.S.)  
Investment Funds of the Swedish Savings Banks  
Öhman Investkonsult





# Five years in brief

	1986	1985	1984	1983	1982
Invoiced sales, Skr m. ....	12,721	12,518	11,299	10,119	9,312
Profit before non-recurring items, Skr m. ....	1,724	1,610	1,013	-179	310
Profit before appropriations and taxes, Skr m. ....	1,678	1,609	940	-776	68
Earnings per share, Skr ....	16:30	15:15	9:50	-0:95	2:90
Dividend per share (1986 as recommended), Skr ....	3:50	2:62	1:88	1:50	1:88
Adjusted equity capital, Skr m. ....	4,978	4,248	3,455	2,986	2,998
Solvency, % ....	34	33	28	26	25
Venture-capital ratio, % ....	44	43	38	36	36
Debt/equity ratio ....	1.0	1.1	1.5	1.7	1.7
Rate of capital turnover, % ....	87	93	89	80	75
Return on adjusted equity capital after tax, % ....	18.4	20.5	15.4	-1.6	4.9
Return on adjusted equity capital after tax, after inflation, % ....	14.7	14.1	6.6	-9.9	-4.3
Return on investment, % ....	21.9	21.3	19.9	6.8	14.0
Investments in property, plant and equipment, Skr m. ....	669	548	362	295	480
Cash flow, Skr m. ....	1,069	1,185	1,383	804	44
Average number of employees ....	24,033	23,905	23,994	25,687	28,608

The figures given in the table for the years 1983-1986 were obtained by translating the accounts of foreign subsidiary companies to Swedish kronor using current rates of exchange. The figures for 1982 were obtained by translating according to the monetary/non-monetary method.

For definitions of the above concepts, see p. 43.

Additional per-share data will be found in the section on the Sandvik share, p. 58.

## FINANCIAL INFORMATION

Results Communiqué	March	Financial information can be ordered from Sandvik AB Group Staff Public Affairs S-811 81 SANDVIKEN Tel +46-(0)26-26 10 41
Annual Report	April	
First-Quarter Report	May	
Semi-Annual Report	August	
Third-Quarter Report	November	









Sandvik AB, S-811 81 Sandviken, Sweden, telephone +46 26 26 00 00