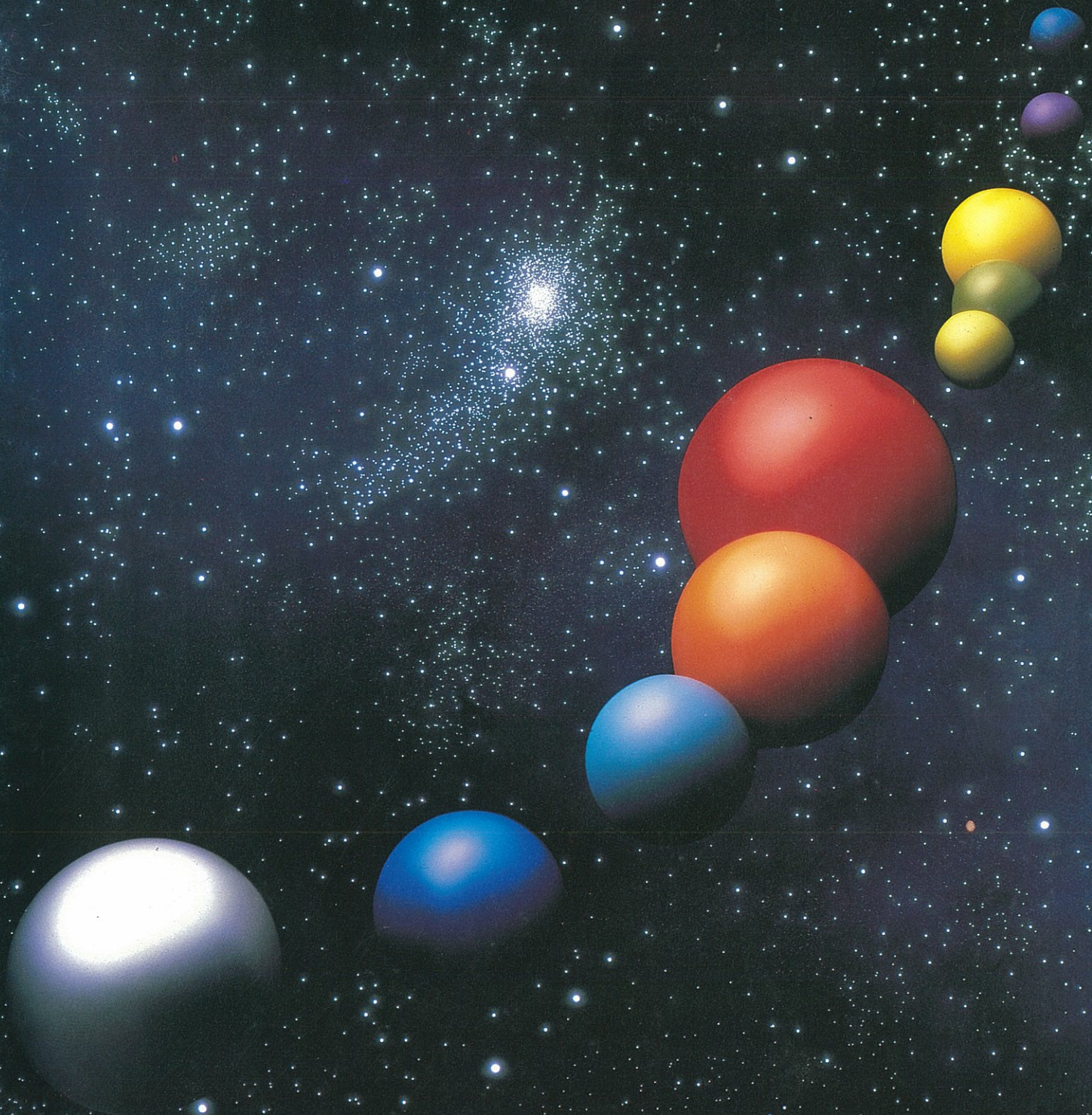


# ANNUAL REPORT 1992



**SANDVIK**

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## THE COVER PICTURE

*LEADERS IN MATERIALS TECHNOLOGY* \_\_\_\_\_  
*At Sandvik we are on a ceaseless voyage of discovery through the universe of materials. Our broad competence in materials technology covers stainless steel and special alloys, tough hard materials, cemented carbide, ceramics, cubic boron nitride and diamond.*

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# HIGHLIGHTS OF 1992

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- Sales volume declined for the third successive year. This trend is expected to continue in 1993.
- Profit maintained due to sustained productivity and strong net financial items.
- Continued strong cash flow (approx. SEK 1,650 m.), high solidity (59%), and about SEK 5,000 m. in liquid funds provide high freedom of action.
- CTT Tools, largest in the world in high-speed steel tools, was acquired and combined with Sandvik Coromant to form the Sandvik Tooling Business Area.
- Profit forecast to increase in 1993. Dividend increase to SEK 9.50 proposed. A 5:1 share split also proposed.

	1992	1991
Order intake, SEK m. ....	<b>17,335</b>	17,375
Invoiced sales, SEK m. ....	<b>17,217</b>	17,558
of which outside Sweden, % .....	<b>93</b>	94
Profit after financial income and expenses, SEK m. ....	<b>1,532</b>	1,920
Return on capital employed, % .....	<b>10.3</b>	13.1
Return on equity capital after tax, % .....	<b>9.3</b>	12.3
Earnings per share, SEK .....	<b>21.30</b>	26.70
Dividend per share, SEK .....	<b>9.50 *</b>	9.00
Number of employees, 31 Dec. ....	<b>28,617</b>	26,237

\* Proposed

# TOUGH TIMES FORCE CHANGES

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**F**or many, it may be difficult to accentuate anything positive about 1992, a year characterized by a recession in most parts of the world. The economy has now been weak for the third successive year, since the first indications of a decline were noted in 1989. During 1992, the economies of Germany and Japan also slid into a recession, and the fact that Latin America and to an extent North America began to show signs of a recovery was of no avail.

Naturally, this trend has had a heavy impact on Sandvik, which nevertheless has succeeded in improving its financial strength. We did not over-invest in the boom period and now have resources to contribute to the necessary restructuring of the industries in which we operate.

In slowly growing industrial segments, each expansion with modern production technology forces the closing of some older unit. If not, over-capacity arises which results in devastating price wars in which no one can afford to invest in product development and production renewal. As a result of global logistics systems, fewer companies are required in each industry to maintain an optimal competitive environment in all the world's markets. These companies can then use their most efficient production units and close their older factories.

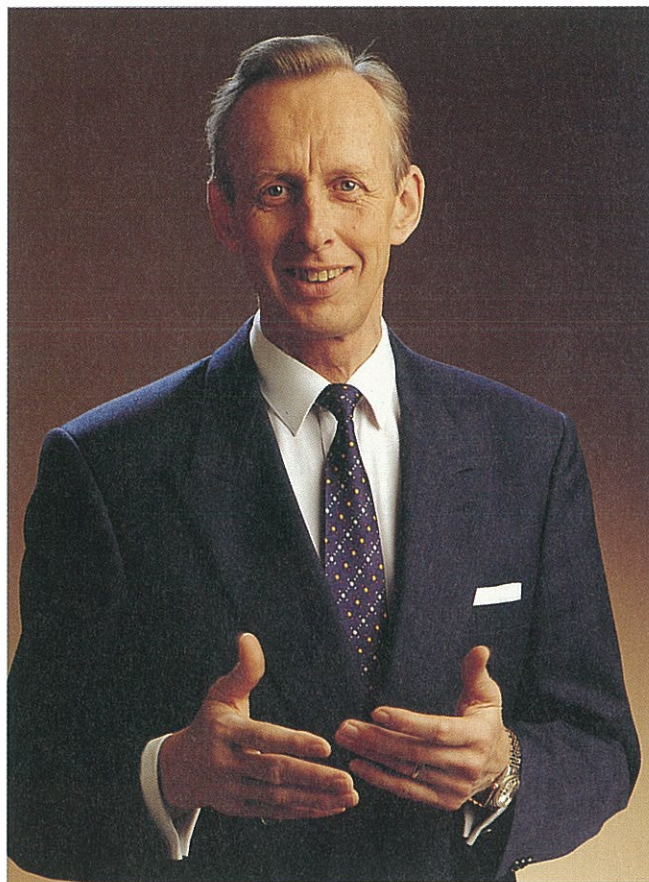
Weak companies that do not have the resources and market base to build modern factories cannot capitalize on a strong business climate, nor can they survive a recession. However, certain companies may be worth saving, if there are clear signs that there is a potential for improvement. This is accomplished most easily by transferring production to more efficient units and by utilizing existing logistics systems.

In this manner, changes are forced to occur that globally result in more effective systems. This is a natural and sound development, which should not be hindered by subsidies and local policies. Viewed in the long-term perspective, a recession can lead to something good.

## *OPTIMAL COMPETITION*

Theoretically, in many industries, *one* company could supply the entire world with its need for products. However, there is a risk that the fruits of rationalization would not be passed on to the customer, but would be retained by the shareholders and employees of the company, or that they would not be realized due to a lack of competitive pressure. Legislation against monopolies has existed for years. Enforcement has been strictest in the U.S., and is now tending to be the model for Europe.

In this respect, there is reason to warn about the risk of carrying restrictions too far. Free world trade with modern communications means that there is no need for a particularly large number of competitors to ensure that the customer's needs are fulfilled. Obsolete competitive models applied incorrectly can hinder many sound company rationalizations.



One or two competitors from each currency zone (DEM, USD, JPY) is often adequate to ensure satisfactory competition.

## *COMPETITIVE SITUATION IN SANDVIK BUSINESS AREAS*

Without exception, Sandvik operates in slow growing industry segments, and to provide satisfactory stability for the company we have sought out niches in which we have the prerequisites for becoming leaders.

The platform is our know-how in cemented carbides, high-alloy special steels and similar alloys. The most important application for cemented carbides is in the machining of metals. In this area, cemented carbide and high-speed steel are the totally predominant tool materials. The industry is characterized by intensive competition.

Despite holding probably not more than 10-15% of the world market in the area of machine tools, **Sandvik Coromant** is more than twice as large as its closest competitor. They have effectively capitalized on economies of scale in research and development, production, logistics and marketing, and they continue to show – at the bottom of the deepest recession – a return on capital employed that exceeds 20%, at the same time as many competitors are reporting unsatisfactory results. Several are seeking new equity capital – new owners.

There is no doubt that fewer and larger competitors would make the industry more efficient and more stable.

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We are prepared to participate in such a restructuring where synergies can be created.

An example of an area in which there is no need for many participants in order to maintain competition is cemented-carbide tools for rockdrilling, where **Sandvik Rock Tools** is one of the leading companies. Approximately 75% of the world market is supplied by three global companies, while a number of small, more or less local, manufacturers account for the remaining 25%.

Mining and civil engineering companies world-wide can testify that competition is razor-sharp, while at the same time the three companies, as a result of their size, can still bear the costs of conducting product development, which has been so effective that the need for products has in fact declined during the past decade.

Other applications for cemented carbide have been integrated in the Group under **Sandvik Hard Materials**, which can be said operates a number of locally adapted companies with the same basic knowledge, raw material and business concept. There is a large number of small competitors, which are now being closed down or being purchased by larger and more stable companies. During the past five years, Sandvik Hard Materials has acquired some ten companies. At the moment there are many more up for sale, several of which probably would fit into our frame of operations.

Since this segment is far from homogeneous, it is difficult to ascertain market shares. Despite the business area only having sales amounting to about SEK 800 million, it is probably the largest in its market niche.

**Sandvik Steel** does not attempt to compete with the world's steel giants. Instead, they specialize in products with very high added value and in unique production processes. In this manner, they have become leaders in their market niches. An example is seamless tube in stainless-steel alloys, where they are competing for first place with Sumitomo of Japan, and hold a market share world-wide of about 20%. There are European competitors in this niche in each country and, as a result, they have not been able to achieve sufficient size, resulting in major profitability problems.

In an effort to survive, three competitors, in Germany, Italy and France, have announced their intentions of merging.

**Sandvik Saws and Tools** works mainly with various types of hand tools. In this area, the European market is a prime example of how irrational and fragmented an industry can be, with unreasonably high production, marketing and distribution costs. In Europe, you have to combine the shares of the 50 largest companies to reach a market share of 50%.

In the U.S., the structuring of the industry has proceeded much further, and in this market the four largest companies account for a total market share of 50%.

In addition, these companies show stable profitability, while the European competitors, with a few exceptions, have major problems with their profitability. Consequently, in a new "United Europe" 11 of 12 companies in the hand tool industry should disappear through merger or liquidation, if an American structure is to be achieved.

Of course, this will not occur in a recession, but many companies will disappear, and Sandvik Saws and Tools has assumed some of this restructuring effort. They are already among the largest in Europe and have made major investments to be able to capitalize on their economies of scale.

**Sandvik Process Systems** has nearly a century of experience in the manufacture and sales of steel-belt conveyors, where they are by a wide margin the largest in the world. With the steel conveyor belt as the central unit, they have also accumulated a technical know-how about processes for the chemical and food-processing industries and for large parcel-sorting systems. Since the niches are very narrow, the world cannot afford too many manufacturers. Each market segment only offers room for a few competing companies.

#### *1993 AND BEYOND*

The world economy has slid into such a sharp negative spiral that similarities can only be found in the 1920s and 30s. As a result, it is difficult to apply normal business cycles to forecast the future. In all likelihood, the bottom of this business cycle should be hit during 1993 so that from 1994 we can see growth in the world economy. However, it should take some time before new investment requirements create new overheating.

During this business downturn, Sandvik will have streamlined its organization and reduced personnel by about 20% (excluding company acquisitions). Still, the Group has a certain overcapacity, which should be adequate to cope with the upturn that we foresee in 1994-95. Under these conditions, the Group's profits should also rise significantly compared with 1992. An improvement is expected already in 1993, since competitiveness is strengthened for the Swedish production units through the weakening of the krona.

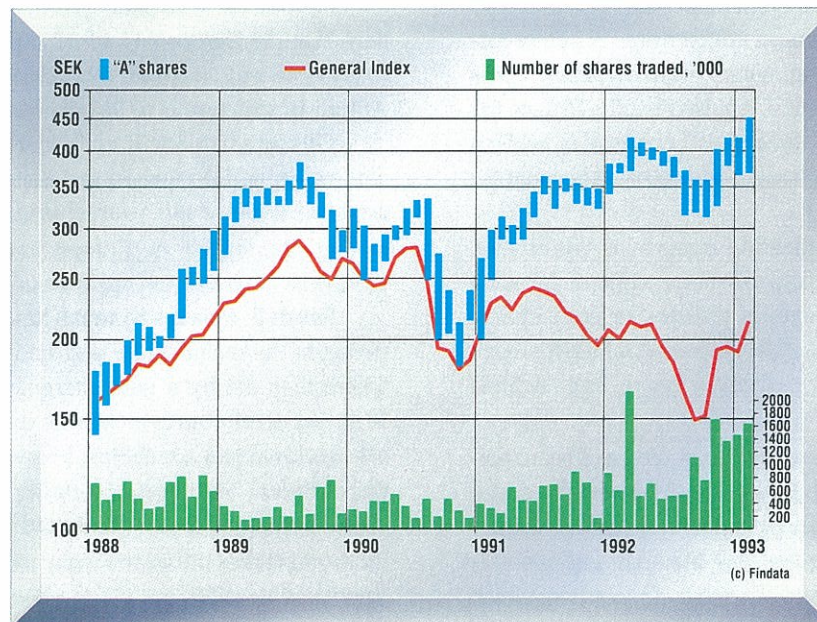
I extend my thanks to all the employees who earnestly contributed to the process of continued rationalization of the company, even though during a recession it could be viewed as only resulting in higher unemployment. It is only through the strength of industrial operations and through sound finances that we can create the possibilities for future growth and stability.

Sandviken, March 1993

Per-Olof Eriksson  
Group President and Chief Executive Officer

# THE SANDVIK SHARE

PRICE MOVEMENTS ON THE STOCKHOLM STOCK EXCHANGE, SANDVIK "A" SHARES, RESTRICTED/UNRESTRICTED<sup>4</sup>



## PER-SHARE DATA, SEK

	1992	1991	1990	1989	1988
Earnings <sup>1</sup> .....	21.30	26.70	34.50	34.15	29.85
Earnings after taxes paid .....	22.75	28.00	36.85	38.80	41.55
Equity capital after proposed dividend .....	237.20	224.00	211.90	177.50	134.70
Dividend (1992: as proposed) .....	9.50	9.00	8.50	7.50	6.00
Direct return <sup>2</sup> , % .....	2.3	2.6	3.8	2.5	2.1
Payout percentage <sup>3</sup> .....	45	34	25	22	20
Quoted prices, "A" restricted/unrestricted <sup>4</sup>					
year's highest .....	421	365	337	385	300
year's lowest .....	315	200	182	270	142
at year's end .....	412	342	226	295	292
Quoted prices, "B" unrestricted,					
year's highest .....	420	385	356	385	299
year's lowest .....	312	205	184	280	143
at year's end .....	413	345	226	295	298
P/E ratio <sup>5</sup> .....	19.3	12.8	6.6	8.6	9.8
Quoted price, % of equity capital after proposed dividend <sup>6</sup> .....	174	153	107	166	217
Average number of shares traded per day on the Stockholm Stock					
Exchange, "A" restricted/unrestricted <sup>4</sup> .....	17,164	8,753	6,364	5,421	9,818
"B" unrestricted .....	19,754	7,531	4,472	5,032	7,455
London Stock Exchange, "B" unrestricted .....	35,794	19,802	12,418	15,250	14,718 <sup>7</sup>

- 1) Earnings after estimated full tax and full conversion
- 2) Dividend divided by price of "A" share at year's end
- 3) Dividend divided by earnings per share after estimated full tax
- 4) From 24 June 1992, all shares are unrestricted
- 5) Price of "A" share at year's end in relation to earnings per share
- 6) Price of "A" share at year's end as percentage of equity capital after proposed dividend per share
- 7) Based on the period October-December

For additional definitions, see p. 30.

## SHAREHOLDERS

The number of shareholders is slightly less than 26,000. The ten largest holders account for 61% of the shares and 69% of the votes. In all, it is estimated that listed corporations, insurance companies, funds and foundations hold 88% of the shares.

### THE LARGEST SHAREHOLDERS OF SANDVIK AB (FEBRUARY 1993)

	Percentage of voting rights	Percentage of shares
Skanska AB .....	26.4	21.4
Investment Funds of the Swedish Savings Banks .....	11.2	11.4
National Swedish Pension Insurance Fund, Fourth Fund Board .....	7.4	6.3
Trygg-Hansa SPP Group .....	5.4	6.0
Handelsbanken's Pension Foundation ....	5.0	3.9
Skandinaviska Enskilda Banken's Investment Funds .....	3.5	3.1
Skandia .....	3.1	2.9
Labour Market Insurance AB (AMF-p) .	2.6	2.4
Handelsbanken's Investment Funds .....	2.2	1.9
Nordbanken's Investment Funds .....	2.1	1.7
Föreningsbanken's Investment Funds ....	1.7	1.5
Folksam, including AMF-s .....	1.4	2.1

### SANDVIK AB SHARE OWNERSHIP (FEBRUARY 1993)

Holding	Number of share- holders	As % of all share- holders	Total number of shares	% of share capital	Average number of shares per holder
Up to 500	22,747	87.9	2,253,865	4.1	99
501-1,000	1,603	6.2	1,160,996	2.1	724
1,001-10,000	1,318	5.1	3,521,739	6.5	2,672
10,001-100,000	154	0.6	4,479,751	8.2	29,089
More than 100,000	63	0.2	43,236,425	79.1	686,293
	25,885	100.0	54,652,776	100.0	2,111

## CONVERTIBLE LOAN

In 1985 the Company floated a convertible loan of SEK 103 m. at 12% interest, for subscription by the employees. This loan was converted in full during 1992, which increased the number of shares by 181,816, as compared with the situation on 31 Dec. 1991. The share capital increased by SEK 5 m.

See also Note 24 on p. 36.

## ANALYSES

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

ABB Aros Fondkommission  
Alfred Berg  
Barclays de Zoete Wedd (UK)  
Baring Securities Limited (UK)  
Carnegie Fondkommission  
Enskilda Research  
Goldman, Sachs & Co (UK)  
Göteborgs Fondkommission  
Handelsbanken  
Hoare Govett Limited (UK)  
Hägglöf & Ponsbach Fondkommission  
James Capel & Co (UK)  
Kleinwort Benson Securities (UK)  
Merchant Grundström & Partners Fondkommission  
Merril Lynch (UK)  
Morgan Stanley (UK)  
Nordbanken  
Nordiska Fondkommission  
Phillips & Drew (UK)  
Swedbank Fondkommission  
Warburg Securities (UK)  
E Öhman J:or Fondkommission

## RATING

Sandvik's USD 200 million Euro Commercial Paper programme has been rated A-1 by Standard & Poor's and Prime-1 by Moody's.

# SANDVIK AT A GLANCE

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*The Sandvik Group, one of Sweden's largest exporting enterprises, is active worldwide, with 200 companies in 60 countries. The Group has annual sales of more than SEK 17 billion, with 28,000 employees.*

Since its founding in 1862, Sandvik has developed from a provincial Swedish steelworks into a diversified materials technology enterprise with a strongly international focus. Two factors that have done much to promote this development are ceaseless product renewal, featuring increasingly advanced technology, and a purposeful commitment to international marketing in close contact with customers throughout the world.

## *A WORLD LEADER*

Sandvik is the world's largest manufacturer of cemented-carbide products, mainly tools for chipforming metalworking, rockdrilling tools, and wear parts and unmachined cemented-carbide blanks. Sandvik is also a leading producer of tubes, strip, wire and bar in stainless and high-alloy special steels, saws and other tools, and conveyor and process systems.

The Group's operations comprise six separate business areas: Sandvik Tooling (Sandvik Coromant, CTT Tools and

Sandvik Automation), Sandvik Rock Tools, Sandvik Hard Materials, Sandvik Steel, Sandvik Saws and Tools, and Sandvik Process Systems.

## *LARGE-SCALE R&D ACTIVITIES*

More than 90% of the sales volume is generated outside Sweden. With local production backed by efficient warehousing, distribution and technical service, Sandvik can give its customers the on-the-spot service they demand.

The Sandvik Group is heavily committed to research. Annually, it reinvests more than 4% of its aggregate sales into research and the development of new products and production methods.

## *SANDVIK AND THE ENVIRONMENT*

The Sandvik Group has signed The International Chamber of Commerce Business Charter for Sustainable Development. Our production facilities comply with the demands put forward by the authorities regarding emission into air and water, as well as regarding the occupational health environment. A substantial amount of work is continuously being done in order to improve our products from an environmental viewpoint.

There are possibilities for an almost complete recycling of the main products, based on steel and cemented carbide.



# CEMENTED-CARBIDE OPERATIONS



	1992	1991
Invoiced sales, external, SEK m. ....	8,526	9,011
Income after depreciation, including associated companies, SEK m. ....	896	1,181
Capital expenditures, SEK m. ....	633	545
Number of employees, 31 Dec .....	15,933*	12,863

\* Incl. CTT Tools

*Sandvik is the world's leading manufacturer of cemented-carbide products. Its operations in this field, which account for half of the Group's sales, are organized into three separate units and include the Seco Tools Group.*

The three units are: Sandvik Coromant, which makes metalworking tools, Sandvik Rock Tools, specializing in rockdrilling tools, and Sandvik Hard Materials, which among other things makes engineering components. Cemented-Carbide Operations also include Seco Tools, an autonomous group of companies listed separately on the Stockholm Stock Exchange.

In contrast to steel for example, cemented carbide is a powder-metallurgical product, extremely hard and nevertheless tough. The starting stock from which it is made is a carefully formulated powder consisting of wear-resistant carbides with a tough metal as a binder.

The powder is compacted under great pressure, sometimes to highly complicated shapes and close tolerances. During the subsequent sintering, which is carried out at around 1,500°C the compact shrinks in volume by about 50% and acquires its unique combination of hardness and toughness.

## STILL STRONGER

Carbide can be made still stronger by adding a thin surface-coating of a ceramic-like material. Inserts for metalworking are often coated in this way.

As a complement to carbide, Sandvik has considerable resources for the development and manufacture of products in other hard materials, such as ceramics.

# SANDVIK COROMANT

	1992	1991
Invoiced sales, external, SEK m. ....	4,584	4,884
Capital expenditures, SEK m. ..	434	332
Number of employees, 31 Dec..	10,084*	6,931
Results included in those shown for Cemented-Carbide Operations on page 7		

\* Incl. CTT Tools



*Sandvik Coromant is the world's largest and foremost supplier of cemented-carbide tools for metalworking. The product range includes complete systems and tooling arrangements for turning, milling and drilling as well as equipment and software for factory automation.*

The year 1992 was characterized by declining industrial production and a weak investment climate. Demand in many markets declined further and invoicing fell 6%. Volume declined 7%. In the major markets, only North America and Brazil developed favourably. However, the upturn in the U.S. started later and was also substantially weaker than generally expected. In Europe, the trend in the key German market gradually became increasingly weaker during the year. In Japan, where Coromant has achieved significant success for several years, the market situation deteriorated sharply and the decline in sales was substantial.

As a result of the sales trend during the past two years, a number of measures were implemented to adapt resources and costs to the lower volume. This has mainly involved a concentration of production to fewer units and rationalization of administration.

However, the tough business climate has not been solely negative for Coromant. Most large competitors have experienced sharper declines in sales than Coromant. Accordingly, the market position and relative competitiveness of the business area is considered to have been strengthened. In addition, highly favourable sales of new products introduced during the past year were noted. This confirms the value of the continuous heavy investment in research and development.

Earnings declined compared with 1991. However, return on capital employed exceeded the Group's minimum require-

ment of 20%. The effect of the floating krona exchange rate on earnings was nearly insignificant.

## NOW ALSO LARGEST IN HIGH-SPEED STEEL TOOLS

At the beginning of 1992, the Cutting Tool Technology, B.V. (CTT Tools) tool company was acquired from AB SKF. CTT Tools is the largest in the world in the field of high-speed steel tools for metalworking. The sales potential for these tools is nearly as large as for cemented-carbide tools, about SEK 25 billion. As a market leader in the cemented-carbide field, the acquisition of CTT Tools was strategically significant for Coromant.

Although CTT Tools will continue to operate as an independent unit, substantial synergy effects are expected. There are many areas for co-operation and major potential to increase customer service while becoming more efficient and reducing costs. CTT Tools also offers a strong base for exploiting the potential of the unique cemented carbide Coronite.

CTT Tools has undergone an extensive rationalization and restructuring program. As a result of the costs for these measures, combined with lower sales in the tough business climate, the company posted a loss after net financial items of SEK 117 m. To offset the decline in invoicing, further measures were implemented at year-end, primarily to restructure production. In the beginning of 1993 CTT Tools, which at acquisition had very weak solidity, received a substantial capital contribution.

## OUTLOOK FOR 1993

Sandvik Coromant does not foresee any notable improvement in business conditions until the end of 1993 at the earliest. Nevertheless, taking into account the effects of the depreciation of the krona, earnings should improve.



*Böret Lindblom at work in Sandvik Coromant's factory in Sandviken, Sweden. The number of cemented-carbide and high-speed steel tools used in a multi-operations machine is nearly the same.*



*Management team, from left: Lars Härenstam, Mats Carlerös (Exec.V.P.), Clas Åke Hedström (Pres.), Leif Sunnermalm (Exec. V.P.) and Lars Pettersson (Exec. V.P.).*

# SANDVIK ROCK TOOLS

	1992	1991
Invoiced sales, external, SEK m. ....	1,510	1,579
Capital expenditures, SEK m. ....	45	72
Number of employees, 31 Dec. ...	1,725	1,894
Results included in those shown for Cemented-Carbide Operations on page 7		



*Sandvik Rock Tools is a world leader in the area of rockdrilling tools for mining and civil engineering. Its products cover all major drilling methods, including percussive drilling and rotary crushing drilling. It also markets a wide range of tools for milling and planing of earth and soft rock in coal mining, road maintenance and similar applications.*

The prolonged recession continued to affect the market for Sandvik Rock Tool's products during 1992. In general, the key mining and civil engineering industries were hard hit, particularly in Europe and North America.

Invoiced sales declined 4%. Since a substantial portion of invoicing is in U.S. dollars and closely linked currencies, invoicing was also adversely affected by the low exchange rates which prevailed during most of the year.

Despite this, a significant improvement in earnings was achieved, although return on capital employed continues to be unsatisfactory. The improvement is attributable mainly to extensive rationalization and reduced cost levels in administration and production. As a major step in rationalization, the marketing and product development resources for down-the-hole products were concentrated to Houston, Texas, in the U.S., making Sandvik Rock Tools Inc. the centre for the down-the-hole rockdrilling division.

Restructuring of production, initiated in 1991, proceeded during the year. A new organization with self-directed work teams has resulted in major productivity improvements.

Co-operation with Tamrock Oy, a Finnish producer of rockdrilling machinery in which Sandvik is a part owner, was intensified and broadened. Marketing and distribution is now conducted jointly in Sweden, Norway and England.

## PRODUCT DEVELOPMENT

The aim is to be a market leader in product performance. This requires continued heavy investment in product development, which also characterized the past year.

In the area of percussive drilling, a new range of tools for tunnel driving was introduced. In addition, the product line for a new generation of down-the-hole hammers and overburden drilling equipment was broadened.

The range of rotary crushing drills for blast-hole drilling for large open pit operations was also expanded during 1992.

Sandvik Rock Tools holds a particularly strong market position in raise-boring, for example in the full-area drilling of vertical shafts. In co-operation with customers, this method has been developed further and is now also used with very satisfactory results in the boring of horizontal tunnels.

## OUTLOOK FOR 1993

Sandvik Rock Tools is a world leader in the manufacture and supply of rockdrilling tools. This position will be maintained and strengthened through continued heavy investment in product development, efficient and cost-effective production and effective marketing and customer service.

No significant increase in demand can be expected during 1993. However, it is projected that earnings will be higher than in 1992 as a result of further cost reductions, productivity improvements and a higher dollar exchange rate.



*Technical and marketing co-operation with the Finnish producer of rockdrilling machinery Tamrock has strengthened Sandvik Rock Tools' market position in rockdrilling.*



*Management team, from left: Lars Liljeblad, Olle Bengtsson, Göran Wijk, Ingvar Svårdh, Sigvard Björk, Lars-Anders Nordqvist (Pres.), Sven-Olof Björkorp, and Anders Hägglund (not shown).*

# SANDVIK HARD MATERIALS

	1992	1991
Invoiced sales,		
external, SEK m. ....	808	655
Capital expenditures, SEK m. ....	96	65
Number of employees, 31 Dec...	1,441	1,183
Results included in those shown for Cemented-Carbide Operations on page 7		



*Sandvik Hard Materials is active within the full spectrum of its field, from cemented carbide to industrial and biocompatible ceramics. The business area markets and manufactures unmachined carbide blanks in large volumes, sophisticated, customized and finished wear parts as well as carbide hot-rolls.*

**D**emand weakened during 1992 in practically all markets. One exception was the U.S. where signs of a recovery could be noted during the latter part of the year. Certain markets in South East Asia continued to develop favourably. However, sharp declines were noted in Europe, particularly Germany, and in Japan.

Despite the declining market, the business area increased its volumes during 1992. Excluding acquired companies, invoiced sales rose 3%, and were up 23% including these units. As a result, Sandvik Hard Materials strengthened its market position and increased shares in several markets. Several competitors were offered for sale during the year and Sandvik is now participating in a restructuring of the industry.

## COMPANY ACQUISITIONS AND ORGANIZATION

During the year, the option to acquire the remaining 50% interest in Bonastre S.A. of Spain was exercised. The company, with sales of about SEK 90 m., has undergone extensive restructuring and a personnel reduction of about 35%. This has strengthened competitiveness, making Bonastre a valuable member of the organization in Europe.

The business area gained its own production unit in the important North American market through the acquisition of the wear-parts operations of Carboloy Inc. in the U.S., a subsidiary of Seco Tools AB. The purchase included a com-

plete range of carbide balls, for such applications as ball-point pens, that is now being marketed world-wide. The cemented-carbide operations of the Finnish company Airam Oy were also acquired. Additional company purchases are planned in 1993 to further improve market coverage.

Restructuring and rationalization of the entire operations continued, including a personnel reduction of about 15% in comparable units. Measures carried out in 1991-92 resulted in a sharp increase in productivity during 1992, which strengthens future competitiveness.

## NEW OPERATIONS AND PRODUCTS

As a spin-off from the year's of work in the ceramics field, a project was initiated several years ago with Nobelpharma for the development of individual dental caps in dense-sintered ceramic. This innovation is intended to replace caps that to date are manufactured in gold or titanium, for example, since the strength and appearance of the ceramic teeth are superior. A separate company, Procera-Sandvik AB, in which Sandvik and Nobelpharma each hold a 50% interest, has been formed for further development.

New fields of application for the SANCIC products and CIC rolls for hot-rolling based on cast-in carbide were identified that further increased market potential. The persons involved in development of the products were awarded the Wilhelm Haglund Medal for the product development of the year effort in the Sandvik Group.

## OUTLOOK FOR 1993

No significant improvement in economic and industrial activity, with the exception of the U.S., is anticipated until the beginning of 1994. However, assuming unchanged volumes, the rationalization measures that have been implemented and those under way should result in improved earnings.



*Robots are used in the manufacture of blanks produced in the automated cemented-carbide hot-rolls production line of Sandvik Hard Materials to improve product quality and the work environment.*



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

# SANDVIK STEEL

	1992	1991
Invoiced sales, external, SEK m. ....	5,267	5,570
Profit after depreciation, including associated companies, SEK m. ...	151	279
Capital expenditures, SEK m. ....	253	282
Number of employees, 31 Dec ...	5,794	6,056



*Sandvik Steel is a world leader in the manufacture of tubes, strip, wire and bar for users with exacting demands on economy and reliability. Products are produced in stainless and high-alloy steels and in titanium, nickel and zirconium alloys. On average, the added value is high in relation to the raw material content.*

As in 1991, Sandvik Steel's market was characterized by weakening demand. This was particularly evident for stainless-steel tube and other products dependent on industrial investment. As a result of the weak U.S. dollar, invoiced sales in the U.S., translated to Swedish krona, also declined, despite relatively favourable demand.

However, order intake rose during 1992 compared with the preceding year. Highlights included the signing of major delivery contracts for steam-generator tubes for nuclear power stations. These orders secure capacity utilization in this segment of tube production during 1993 and 1994. Order intake for products with high added value in other areas also increased.

The price situation weakened due to declining raw material prices, but margins also contracted for standard products whose demand follows the general steel business curve. Productivity increased in pace with the number of personnel being reduced. Relative tied-up capital was reduced through shorter throughput times. A further decline in earnings was posted as a result of falling prices. In contrast to most competitors, however, Sandvik Steel showed a profit. Return on capital employed fell to 4%.

## CAPITAL EXPENDITURES

A decision was taken during the year to invest in an extrusion press for stainless, seamless tubes at Sandvik's

facilities in Scranton, Pennsylvania, in the U.S. The investment is being made in a joint venture, in which Sandvik holds a 70% interest and Sumitomo Metals 30%. Production is scheduled to begin at the end of 1993.

An extensive investment program was implemented at the Sterling Tubes tube mill in England to improve production efficiency in the manufacture of cold-rolled tube. A total of SEK 127 m. was invested for a number of small rationalization projects undertaken at the mill in Sandviken, Sweden.

## NEW PRODUCTS

The manufacture of thin strip for catalytic converters in automobiles rose sharply during the year. New combinations of compound tubes were developed and commercial deliveries of tubes manufactured using the so-called Osprey method were begun. The tubes are manufactured by spray-casting liquid metal directly into tube blanks. This method makes it possible to produce very high-alloyed tube grades.

## OUTLOOK FOR 1993

Demand is expected to remain weak during 1993. A certain upturn is discernible in the U.S., while the recession in Central Europe is deepening. The steel industry is moving toward another structural crisis, which should result in a reduction in the number of manufacturers.

As a result of improved profitability, a strong position in many product niches and a pronounced global operation, Sandvik Steel is well positioned in the face of future restructuring in the industry. Bolstered by the considerably improved cost situation in Sweden and Great Britain as a result of the currency changes, combined with an economic recovery in the U.S., Sandvik Steel should be able to improve its return on capital employed substantially in 1993.





*Steam -generator tubes for nuclear power stations are a typical example of high added-value steel products for a special product niche, in which Sandvik Steel is a leader.*



*Management team, from left: Åke Axelson, Uno Blom, Bo Jonsson, Kenneth Josefsson, Björn Sköld, Per Ericson, Lennart Ek. Seated, from left: Henrik Widmark, Gunnar Björklund (Pres.) and Gunnar Grünbaum.*

# SANDVIK SAWS AND TOOLS

	1992*	1991
Invoiced sales, external, SEK m. ....	2,049	1,437
Loss after depreciation, including associated companies, SEK m. ...	-81	-16
Capital expenditures, SEK m. ....	123	355
Number of employees, 31 Dec....	3,184	3,585*

\*Incl. Bahco Tools Group



*Sandvik Saws and Tools, one of the world's largest manufacturer of saws and sawblades, also offers a wide range of other tools for industry, the manual trades, forestry and gardening, including pliers, adjustable wrenches, screwdrivers, pruning shears and guide bars and chains for logging machines and chain saws.*

Slack demand in the deep recession and major costs incurred for structural changes resulted in a substantial loss for 1992. Most European competitors are reporting declining sales and unsatisfactory profitability. The major North American companies remained profitable but at a lower level.

The increase in invoiced sales in 1992 is attributable to the purchase of the Milford Corp. in the U.S. and the Bahco Tools Group in 1991. Excluding company acquisitions, invoicing declined 5%.

The sales situation during the first half of 1992 was weak overall, except in Latin America and South East Asia. During the second half of the year, invoicing rose in France, Italy and the U.S. but fell significantly in Sweden and Germany.

The trend for forestry and gardening products was weakly positive compared with 1991 and basically unchanged for building-related products, while products for industry declined in most markets.

## ORGANIZATION AND CAPITAL EXPENDITURES

The expanded Sandvik Obergues file factory in Portugal began operations at mid-year and file production in Sweden was discontinued. A multi-year investment program at Sandvik Metal Saws in Sweden was completed. This included a factory for bimetallic blades and equipment for a new hardening technique and for automating the production of hacksaw blades.

A new central warehouse in The Netherlands, with a computerized orderhandling and inventory control system covering all of Europe, was placed in operation during the year.

The Bahco Tools Group, with sales of SEK 650 m., was integrated with the Sandvik Saws and Tools sales organization in all main markets in Europe. Bahco's manufacturing in Sweden and France was merged into a single product centre for primarily adjustable wrenches and pliers. Bahco's German company, now Sandvik Belzer, is responsible for all manufacture and product supply of nut-running tools and screwdrivers.

Manufacturing at U.S.-based Sandvik Milford, now focuses exclusively on the manufacture of metalcutting band saws.

Restructuring has now been completed, with the exception of Sandvik Belzer in Germany. These efforts have created a lean production structure in modern factories. In addition, operations feature an order and transportation system that facilitates serving all types of distributors in Europe and North America within 72 hours, in most locations within 48 hours.

The above changes were largely carried out on schedule but were more costly than anticipated, due mainly to productivity losses in manufacturing and in some cases to delivery disruptions.

## OUTLOOK FOR 1993

The recession is expected to continue through 1993, at least in Europe. It is anticipated that weakening demand will be offset by increased sales efforts. Accordingly, no further decline in sales is foreseen. The efficiency enhancement measures that have been implemented are projected to result in a favourable earnings level, after depreciation, for 1993.



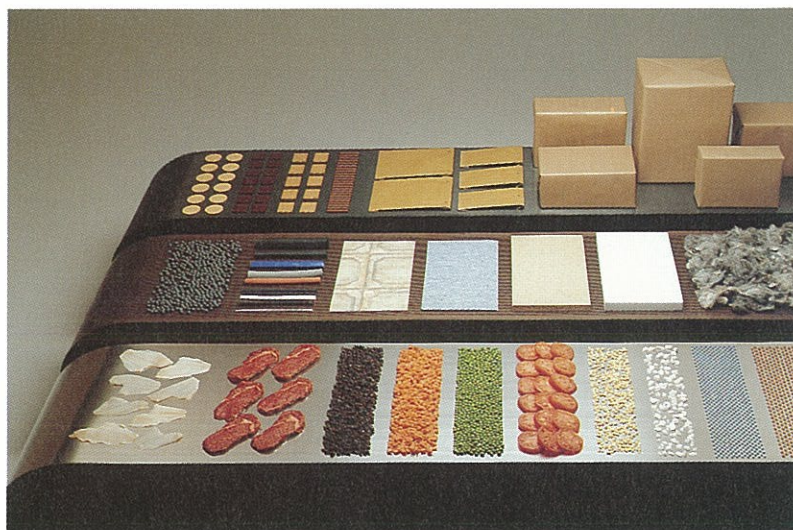
*Sandvik Saws and Tools' customers in Europe now receive their tools direct from the new central warehouse at Helmond in The Netherlands.*



*Management team, from left:  
Carl Martinsson, Göran Gezelius (Pres.)  
and Anders Ågren.*

# SANDVIK PROCESS SYSTEMS

	1992	1991
Invoiced sales, external, SEK m. ....	1,190	1,290
Profit after depreciation, SEK m. ....	22	166
Capital expenditures, SEK m. ....	37	96
Number of employees, 31 Dec. ...	747	747



*Sandvik Process Systems produces and markets process plants, complete units for automatic parcel sorting, and process plants for the chemical and food-processing industries. These plants are based principally on steel conveyor belts, which are also sold separately.*

The growth trend of Sandvik Process Systems was interrupted in 1992. Order intake fell sharply in all major markets during the second half of the year and the investment climate could be characterized as highly uncertain. As a consequence of this adverse trend, return on capital employed declined to 4%.

## STEEL BELTS

Investment projects in the product area were completed during the year. Introduction of ISO 9000 and comprehensive organizational changes represented a further step toward higher quality and efficiency. Competition increased, resulting in somewhat lower profitability. Markets shares were defended well.

## SORTING SYSTEMS

The introduction of automated sorting systems in Europe and the U.S. created greater problems than anticipated. The systems solutions that were highly successful in Japan must be modified to meet the specifications of new customers. This resulted in start-up difficulties. This period should be past, which in the near future should result in a return to normal profitability. However, demand is expected to remain weak during 1993.

## CHEMICAL PROCESS PLANTS

The deep recession was reflected in the chemical industry by a dramatic fall in the volume of investment during 1992.

Accordingly, an organizational restructuring program was implemented in this product area, resulting in personnel reductions.

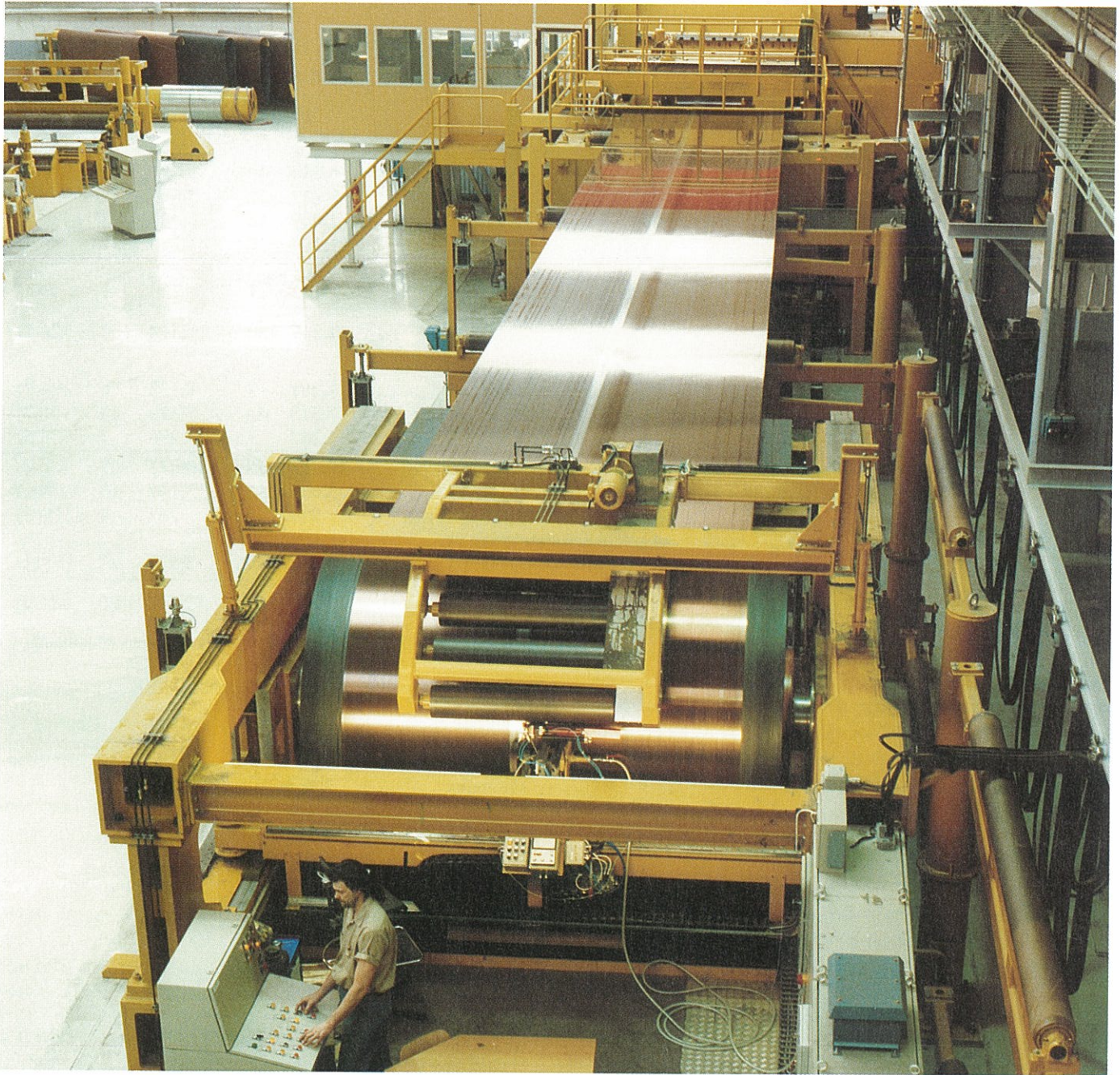
Research and development activity continued at an undiminishing pace. The prototype for a new process plant for coating of microgranulates, Rotocoat, was completed. Successful trials with continuous crystallization on a steel conveyor belt were carried out. In Canada, installation of the largest Rotoform plant to date for pastillising and handling of sulphur, containing 46 Rotoform units, was completed. However, the global recession placed a heavy burden on profitability.

## FOOD PROCESSING PLANTS

After the loss of the Eastern European markets in 1991, new markets were cultivated during the past year. Orders were received in 1992 mainly from southern Europe and the Far East. The test centre in Milan is now fully expanded, offering the potential for highly advanced R&D. The benefits of the Rotoform process in food production has opened new possibilities. The involvement in the Chinese market began to yield results.

## OUTLOOK FOR 1993

Unfortunately, no improvement in the investment climate can be expected in 1993. Most likely, it will continue to weaken. Nevertheless, lower costs, combined with the introduction of sorting systems in Europe and the U.S., are expected to contribute to achieving an earnings improvement.



*The facilities in Sandviken include a new production line for Sandvik Process Systems' manufacture of mainly press conveyors for the particleboard industry.*



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

# REPORT OF THE DIRECTORS

## 1. MARKET SITUATION AND SALES

	1992	1991	Change, %
Order intake, SEK m.	17,335	17,375	0
Invoiced sales, SEK m.	17,217	17,558	-2

The weakening of the business climate in the OECD continued during 1992, despite signs of a recovery in the U.S. The Industrial Production Index (IPI) fell for the second successive year and the change is estimated at -0.5% for 1992, compared with -0.7% a year earlier. In the major markets of Germany and Japan, which were affected last by the decline in the current business cycle, industrial production fell 2% and 5%, respectively, in 1992. Sweden posted the largest drop, with sharp declines in 1991 and 1992.

Inflation continued to fall, reaching 3.5% within the OECD. Short-term interest rates, which were 3.5% in the U.S. and 4.5% in Japan, averaged about 11% in Europe.

During the summer and early autumn, the U.S. dollar and Japanese yen weakened sharply against the German mark. As a consequence, competitiveness declined for those countries whose currency was linked to the ecu. In an initial wave of currency turbulence in September, England and Italy, among other countries, were forced to devalue. Finland had already taken this step. During the second wave in November, Sweden was forced to abandon the krona link to the ecu. At the same time, a weakening of European currencies against the U.S. dollar and yen occurred.

In relation to the leading foreign currencies, the Swedish krona was approximately 3% higher during the first three quarters than in 1991.

In the fourth quarter, particularly after the depreciation, the krona fell to a level about 10% below the 1991 figure. Calculated with Sandvik's invoicing in foreign currencies in different markets, the average exchange rate of the krona was 1.5% higher than during 1991. At year-end 1992, the krona had depreciated to the extent that compared with leading currencies it was 15% below the level prevailing at year-end 1991.

The order intake for Sandvik products fell 6%, after adjustment for newly acquired companies, and continued to decline in several European countries, including Sweden, England, France, Italy and Spain, but at a slower pace than in 1991. In addition, a decline in demand was noted in Germany, mainly in the engineering and automotive industries. Only Denmark and Finland posted a higher order intake, in the latter case from a very low level.

Total demand for Sandvik's products rose in the U.S., while it fell in Canada due to the market change resulting from the free-trade agreement with the U.S. The trend in Latin America was favourable, with the exception of Brazil where political and economic instability adversely affected the intake of orders.

Demand fell sharply in Japan, but increased in South East Asia. The order intake in Australia and New Zealand rose toward year-end.

Invoiced sales by product and market area:

	1992		1991		Change % *
	SEK m.	%	SEK m.	%	
Cemented Carbide	8,526	49	9,011	52	-5(-7)
Steel	5,267	31	5,570	32	-5(-8)
Saws and Tools	2,049	12	1,437	8	+43(-5)
Process Systems	1,190	7	1,290	7	-8(-8)
Group conjoint activities	185	1	250	1	/
Group total	17,217	100	17,558	100	-2(-7)
Sweden	1,291	7	1,138	6	+13(-7)
EC	7,518	44	7,639	44	-2(-7)
Rest of Europe	1,287	7	1,296	7	-1(-5)
Total, Europe	10,096	58	10,073	57	- (-7)
North America	3,003	18	3,147	18	-5(-6)
Latin America	926	5	767	4	+21(+5)
Africa, Asia, Australia	3,192	19	3,571	21	-11(-11)
Group total	17,217	100	17,558	100	-2(-7)

\* Figures in parentheses show change excluding company acquisitions.

Invoiced sales in the ten largest markets, SEK m.:

	1992	1991	Change, %
United States	2,677	2,693	-1
Germany	2,451	2,514	-3
France	1,506	1,535	-2
Sweden	1,291	1,138	+13
Italy	1,160	1,207	-4
Japan	1,107	1,305	-15
United Kingdom	956	1,050	-9
Australia	563	688	-18
Spain	404	383	+5
Brazil	391	373	+5

## 2. COMPANY ACQUISITIONS, STRUCTURAL CHANGES AND CO-OPERATION AGREEMENTS

Effective 1 January 1992, Sandvik increased its interest in Corun DD, Yugoslavia, from 30 to 51%. The company, with about 200 employees at the beginning of 1992, manufactures indexable inserts based on technology from Sandvik Coromant. As a result of the conflict in the former Yugoslavia operations were sharply curtailed during the year.

In February 1992, Sandvik Hard Materials acquired wear parts operations with about 60 employees from U.S.-based Carboly Inc., a subsidiary of Seco Tools AB.

During the year Sandvik Hard Materials acquired all shares outstanding in the Spanish carbide manufacturer Bonastre S.A., Barcelona, in which it previously held a 50% interest.

In May, Sandvik sold its shareholdings in Programator to Cap Gemini Sogeti.

U.S.-based Sandvik Inc. and Sumitomo Metal USA Corporation formed a joint-venture company for production of

extruded stainless, seamless tube products. The operations of the company, Pennsylvania Extruded Tube Company, are located adjacent to Sandvik's tube mill in Scranton, Pennsylvania and will employ about 100 persons. Sandvik holds a 70% interest.

In October 1992, Sandvik sold the Sandvik Leasing AB finance company to another Swedish finance company. As a result, total assets decreased about SEK 1,700 m.

Sandvik Hard Materials and Nobelpharma formed a jointly owned company in December, Procera-Sandvik AB, for producing ceramic tooth crowns.

During 1992 Sandvik acquired convertible subordinated debentures issued by Tamrock Oy, Finland. Upon conversion on 30 December 1992, Sandvik subscribed for new Tamrock shares. As a result, Sandvik's ownership interest increased to 25%.

#### *Acquisition of CTT Tools - New issue of "C" shares*

On 30 December 1992, Sandvik purchased from AB SKF 80% of the shares in Cutting Tool Technology B.V., The Netherlands, parent company of the CTT Tools group. The remaining 20% was acquired in January 1993. CTT Tools, with annual sales of approximately SEK 1,700 m. and 24 companies in 11 countries, markets and manufactures machining tools such as spiral drills, thread taps and milling tools, primarily in high-speed steel. CTT Tools has about 3,750 employees.

During 1993 CTT Tools is implementing an extensive restructuring to consolidate production and reduce its work force. This will entail costs estimated at about SEK 100 m. which has been allocated as a restructuring reserve in conjunction with the acquisition.

Sandvik AB's acquisition of CTT Tools is being implemented through the issue of own shares. The Sandvik AB Board of Directors decided in December 1992, subject to the approval of the 1993 Annual General Meeting, to increase Sandvik AB's share capital by a maximum of SEK 30 m. through a new issue of not more than 1,200,000 new "C" shares, each with a par value of SEK 25. Under the terms of the issue, the shares are to be subscribed by the holders of the shares in Cutting Tool Technology B.V. for payment through the transfer of shares in this company. The "C" shares will carry a one-tenth vote with no dividend rights. On 1 September 1996, these shares will automatically be reclassified as "B" shares. The number of issued "C" shares is estimated to be 1,042,500.

The consolidated acquisition value for CTT Tools corresponds to the value of the abovementioned shares to be issued. This value is based on the market price of "B" shares at the date of the agreement, with a suitable adjustment taking into account that the newly issued shares carry no dividend rights and are not exchange-listed.

CTT Tools was consolidated in the balance sheet at 31 December 1992, but not in the 1992 income statement. The purchase of CTT Tools is a long-term strategic acquisition. Goodwill will be amortized over 20 years.

### 3. EARNINGS AND RETURNS

	1992	1991
Operating profit after depreciation, SEK m.	<b>1,041</b>	1,607
as a percentage of invoiced sales, %	<b>6.0</b>	9.2
Profit after financial income and expenses, SEK m.	<b>1,532</b>	1,920
as a percentage of invoiced sales, %	<b>8.9</b>	10.9
Return on capital employed, %	<b>10.3</b>	13.1
Return on equity capital after tax, %	<b>9.3</b>	12.3
Earnings per share, SEK	<b>21.30</b>	26.70

Definitions, page 30.

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

	Invoiced sales SEK m.	Profit SEK m.	Net margin, %
1991: 1st Quarter	4,360	562	13
2nd Quarter	4,463	471	11
3rd Quarter	4,277	455	11
4th Quarter	4,458	432	10
<b>1992: 1st Quarter</b>	<b>4,165</b>	<b>472</b>	<b>11</b>
<b>2nd Quarter</b>	<b>4,416</b>	<b>431</b>	<b>10</b>
<b>3rd Quarter</b>	<b>3,896</b>	<b>267</b>	<b>7</b>
<b>4th Quarter</b>	<b>4,740</b>	<b>362</b>	<b>8</b>

The net of non-recurring income and expenses amounted to an expense of SEK 35 m. (expense: SEK 144 m.). This figure includes gains on the sales of Sandvik Leasing AB and certain limited partnership companies as well as a loss realized on the redemption of an issued loan.

Profit after non-recurring income and expenses was SEK 1,497 m. (1,776).

Earnings per share in 1992, after estimated full tax, were SEK 21.30 (26.70), and after non-recurring income and expenses SEK 21.00 (25.00). Calculated theoretically, the average tax rate for the Group was 20% in 1992 (1991: 19%). Earnings per share, after payment of taxes accruing during the income year, were SEK 22.75 (28.00).

Accrued taxes amounted to SEK 235 m. (317), corresponding to 16%(18) of profit after non-recurring income and expenses.

Latent tax liability includes liabilities in untaxed reserves and in consolidated adjustments to the year-end accounts as well as taxes deferred for future payment as a result of participation in the net losses of partly owned limited partnerships. This item, amounting to SEK 1,730 m. (2,081), is reported separately.

In the American subsidiaries, commitments have been made regarding postretirement benefits other than pensions, mainly health-care benefits. In accordance with American accounting practice, these have not been entered as a liability. Beginning in 1993, in compliance with the new American accounting FASB Statement 106, the Group will make a provision for its commitments. An actuarial estimate of the current value of the future commitment amounted to approximately USD 25 million at 31 December 1992.

Profit, after depreciation and including associated companies, by product area, SEK m.:

	1992	1991	Change
Cemented Carbide	896	1,181	-285
Steel	151	279	-128
Saws and Tools	-81	-16	-65
Process Systems	22	166	-144
Group conjoint activities	21	-39	60
Group total	1,009	1,571	-562

Group conjoint activities relate to holding company and service operations.

#### 4. FINANCING

	1992	1991
Cash flow, SEK m.	1,661	882
Liquid assets, 31 Dec., SEK m.	4,869 <sup>1)</sup>	4,814
Loans, 31 Dec., SEK m.	1,542 <sup>1)</sup>	2,790
Net interest, SEK m.	540	328
Net financial items, incl. exchange differences, SEK m.	523	349
Solidity, %	59 <sup>1)</sup>	57
Debt-equity ratio	0.2 <sup>1)</sup>	0.3
Equity capital after proposed dividend, SEK m.	13,159	12,203
Equity capital per share after proposed dividend, SEK m.	237.20	224.00

<sup>1)</sup> Incl. CTT Tools

Definitions, page 30.

Net financing from operations was SEK 2,139 m. (2,379), with cash flow amounting to SEK 1,661 m. (882).

During 1992 Sandvik hedged its net assets in all major subsidiaries. There was no notable foreign borrowing. Accordingly, the depreciation of the Swedish krona had no immediate impact other than a marginal effect on earnings and on equity capital.

#### 5. CAPITAL EXPENDITURES

	1992	1991
Investments in plants, property and equipment, SEK m.	886	1,021
as a percentage of invoiced sales	5.1	5.8
Company acquisitions, SEK m.	239	358
Other share purchases, SEK m.	186	381
Investments in leasing activities, SEK m.	-	1
Total investments	1,311	1,761
as a percentage of sales	7.6	10.0

Capital expenditures in Sweden amounted to SEK 442 m. (557), of which SEK 365 m. (502) relates to the Parent Company, including subordinate companies.

#### 6. RESEARCH AND DEVELOPMENT AND QUALITY ASSURANCE

In 1992, the Group invested SEK 884 m. (930), corresponding to 5.1% (5.3) of invoiced sales, in research and development and quality assurance.

#### 7. PERSONNEL

	1992	1991
Number of employees, 31 Dec.	28,617 <sup>1)</sup>	26,237
Average number of employees		
Women	4,774	4,930
Men	20,825	20,385
Total	25,599	25,315

<sup>1)</sup> Incl. CTT Tools

Acquisition of companies during the year increased the number of employees by 4,134, mainly as a result of the acquisition of CTT Tools on 30 December. For comparable units, the number of employees decreased by 1,754 (1991: decrease of 1,821).

At 31 December the number of employees in the Parent Company and subordinate companies was 8,027 (8,369). The number of persons employed by the Group in Sweden on the same date was 9,648 (9,869).

The number of employees in each business area is shown in reviews presented on pages 7-19. Details regarding personnel costs and the average number of employees in Sweden and abroad is provided on page 37.

#### 8. PARENT COMPANY

Parent Company results were heavily affected by non-recurring income, SEK 1,017 m., from the sale of Sandvik Leasing AB and dividends from subsidiaries, SEK 2,972 m.

The conversion period for the 1985 convertible debenture loan subscribed by the employees expired in March 1992. Conversions increased the number of shares by 181,816 to a total of 54,652,776. Conversions raised equity capital by SEK 14.4 m., of which SEK 4.5 m. in share capital and SEK 9.9 m. in the statutory capital reserve.

The number of "C" shares subscribed prior to year-end was 834,000. Including these shares, the total number of shares outstanding was 55,486,776.

The Annual General Meeting held on 22 May 1992 adopted a new Articles of Association for Sandvik AB. Among other effects, the revisions meant: that the foreign ownership restriction was abolished, that the interests of minority shareholders are protected through the obligation for shareholders, who acquire a certain ownership in the company, to redeem at the request of another shareholder those shares held by this shareholder in the company, and that the influence of the General Meeting of Shareholders is increased with regard to major and rapid changes in the company's focus and development.

As a result of the decision to adopt the changes, all shares outstanding were reclassified as unrestricted. Trading in Sandvik "A" restricted shares ceased on 23 June 1992. Thereafter, trading is in Sandvik "A" and "B" unrestricted shares.

The Board of Directors proposes a share split, to be implemented in June 1993, whereby five new shares are received for each old share held.



# CONSOLIDATED INCOME STATEMENT

Amounts in SEK million	1992	1991
Invoiced sales ..... Note 2	17,217	17,558
Costs of production, selling and administration ..... Note 3	<u>-15,299</u>	<u>-15,127</u>
OPERATING PROFIT BEFORE DEPRECIATION.....	1,918	2,431
Scheduled depreciation ..... Note 4	<u>-877</u>	<u>-824</u>
OPERATING PROFIT AFTER DEPRECIATION .....	1,041	1,607
Interest in profits of associated companies ..... Note 7	-32	-36
Dividend .....	-	17
Interest received ..... Note 5	837	764
Interest paid ..... Note 5	-297	-436
Exchange differences on loans ..... Note 6	<u>-17</u>	<u>4</u>
PROFIT AFTER FINANCIAL INCOME AND EXPENSES .....	1,532	1,920
Non-recurring income ..... Note 8	107	94
Non-recurring expenses ..... Note 8	-142	-229
Non-recurring items at associated companies .....	<u>-</u>	<u>-9</u>
PROFIT AFTER NON-RECURRING INCOME AND EXPENSES ..	1,497	1,776
Accrued taxes .....	-235	-317
Estimated future taxes ..... Note 22	-119	-166
Participation in taxes of associated companies .....	<u>11</u>	<u>1</u>
PROFIT AFTER TAXES .....	1,154	1,294
Minority interest ..... Note 7	<u>-36</u>	<u>-46</u>
CONSOLIDATED NET PROFIT .....	1,118	1,248

# CONSOLIDATED BALANCE SHEET

Amounts in SEK million	1992	1991
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and bank balances .....	914	822
Bonds and other short-term placements ..... Note 9	3,955	3,992
Customer bills and acceptances .....	599	545
Trade accounts receivable .....	3,453	2,941
Prepaid expenses and accrued income .....	354	369
Other current receivables .....	789	820
Inventories .....	<u>5,855</u>	<u>4,924</u>
	<b>15,919</b>	<b>14,413</b>
<b>BLOCKED ACCOUNTS</b>		
FOR INVESTMENT RESERVES..... Note 10	3	5
<b>FIXED ASSETS</b>		
Shares and participations ..... Note 11	336	1,014
Equity interest in associated companies .....	558	187
Long-term receivables ..... Note 12	171	253
Goodwill and other intangible assets ..... Note 13	348	140
Construction in progress .....	223	278
Machinery and equipment ..... Note 14	4,057	5,062
Buildings ..... Note 14	<u>2,508</u>	<u>1,789</u>
	<b>8,201</b>	<b>8,723</b>
<b>TOTAL ASSETS .....</b>	<b>24,123</b>	<b>23,141</b>
Assets pledged ..... Note 15	1,654	1,309

Amounts in SEK million	1992	1991
<b>LIABILITIES AND EQUITY CAPITAL</b>		
<b>CURRENT LIABILITIES</b>		
Bills payable .....	227	226
Owed to suppliers .....	1,057	866
Tax debts .....	327	276
Accrued expenses and prepaid income .....	2,120	1,460
Short-term loans .....	1,087	1,211
Other current liabilities .....	1,006	799
	<u>5,824</u>	<u>4,838</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term loans .....	455	1,579
Provision for pensions .....	1,617	1,236
Latent tax liability .....	1,730	2,081
Other long-term liabilities .....	200	191
	<u>4,002</u>	<u>5,087</u>
CONVERTIBLE DEBENTURE LOAN .....	30	45
MINORITY INTEREST IN EQUITY CAPITAL .....	589	478
<b>EQUITY CAPITAL</b> .....		
Restricted equity capital:		
Share capital .....	1,366	1,362
Statutory capital reserves .....	3,945	4,535
Proposed new issue .....	25	-
	<u>5,336</u>	<u>5,897</u>
Unrestricted equity capital:		
Unrestricted reserves .....	7,232	5,551
Translation difference .....	-8	-3
Consolidated net profit .....	1,118	1,248
	<u>8,342</u>	<u>6,796</u>
Total equity capital .....	13,678	12,693
<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b> .....	<b>24,123</b>	<b>23,141</b>
Contingent liabilities .....	791	406

# CONSOLIDATED FUNDS STATEMENT

Amounts in SEK million	1992	1991
<b>INTERNAL FINANCING</b>		
Profit after financial income and expenses .....	1,532	1,920
Reversal of undistributed interest in profits of associated companies ..	33	41
Reversal of depreciation charges .....	877	824
Reversal of unrealized exchange differences on loans .....	-	13
Non-recurring income and expenses .....	-35	-135
Reversal of capital gain/loss on shares and facilities sold .....	109	142
Change on blocked accounts for investment reserves .....	2	2
Accrued taxes .....	-235	-317
Dividends .....	-519	-489
Total internal financing .....	1,764	2,001
<b>CHANGE IN WORKING CAPITAL</b>		
Change in inventories .....	-140	564
Change in current receivables .....	-125	6
Change in non-interest-bearing operating liabilities .....	640	-192
Total change in working capital .....	375	378
<b>NET FINANCING FROM OPERATIONS .....</b>	<b>2,139</b>	<b>2,379</b>
<b>NET INVESTMENTS</b>		
Acquisition of companies and shares .....	-425	-739
Less acquisitions financed by issue of shares .....	216	-
Less acquired liquid assets .....	89	16
Acquisition of fixed assets .....	-886	-1,021
Investments in leasing business .....	-	-1
Sale of companies and shares .....	1,384	171
Payment of dealings with divested companies .....	-937	-
Sale of fixed assets .....	81	77
Net investments .....	-478	-1,497
<b>FINANCIAL SURPLUS (CASH FLOW) .....</b>	<b>1,661</b>	<b>882</b>
<b>EXTERNAL FINANCING</b>		
Equity capital:		
Change by conversion of loan .....	14	3
Loans:		
Change in short-term loans .....	-529	-435
Change in long-term loans .....	-960	-528
Change in convertible loan .....	-15	-3
Total loans .....	-1,504	-966
Other financing, net:		
Change in long-term receivables .....	169	32
Change in pension liability .....	118	-264
Change in other long-term liabilities .....	5	-29
Change of minority interest in equity capital .....	34	-
Total other financing, net .....	326	-261
<b>NET EXTERNAL FINANCING .....</b>	<b>-1,164</b>	<b>-1,224</b>
Translation differences, etc. ....	-442	-95
<b>CHANGE IN LIQUID ASSETS .....</b>	<b>55</b>	<b>-437</b>

# THE PARENT COMPANY'S ACCOUNTS

## INCOME STATEMENT (NOTE 1)

Amounts in SEK million	1992	1991
Invoiced sales ..... Note 2	<b>7,047</b>	6,906
Costs of production, selling and administration ..... Note 3	<b>-6,406</b>	-6,211
<b>OPERATING PROFIT BEFORE DEPRECIATION</b> .....	<b>641</b>	695
Scheduled depreciation ..... Note 4	<b>-300</b>	-294
<b>OPERATING PROFIT AFTER DEPRECIATION</b> .....	<b>341</b>	401
Financial items:		
Dividends received from subsidiaries .....	<b>2,972</b>	978
Dividends received from other companies .....	-	14
Interest received from subsidiaries .....	<b>13</b>	11
Other interest received ..... Note 5	<b>171</b>	143
Interest paid to subsidiaries .....	<b>-235</b>	-244
Other interest paid ..... Note 5	<b>-99</b>	-190
Exchange differences on loans ... Note 6	<b>-78</b>	4
<b>PROFIT AFTER FINANCIAL INCOME AND EXPENSES</b> .....	<b>3,085</b>	1,117
Non-recurring income ..... Note 8	<b>1,017</b>	6
Non-recurring expenses ..... Note 8	<b>-256</b>	-184
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b> .....	<b>3,846</b>	939
Appropriations:		
Difference between book and scheduled depreciation ..... Note 19	<b>124</b>	114
Change in inventory reserve .....	-	945
Change in investment reserve .....	-	44
Change in transitional reserve for inventory reserve, etc. .... Note 20	<b>300</b>	-900
Change in tax equalization reserve (C) ..... Note 20	<b>-400</b>	-
Change in exchange-rate reserve .....	-	75
Change in internal-profit reserve .....	-	214
Other appropriations ..... Note 20	<b>14</b>	32
Group contributions .....	<b>-115</b>	-633
<b>PRE-TAX PROFIT</b> .....	<b>3,769</b>	830
Accrued taxes .....	<b>0</b>	0
Estimated future taxes ..... Note 22	<b>40</b>	-14
<b>NET PROFIT</b> .....	<b>3,809</b>	816

## FUNDS STATEMENT

Amounts in SEK million	1992	1991
<b>INTERNAL FINANCING</b>		
Profit before appropriations and taxes ....	<b>3,846</b>	939
Reversal of depreciation charges .....	<b>300</b>	294
Reversal of unrealized exchange differences on long-term loans and receivables ..	-	42
Reversal of capital gain/loss on shares and facilities sold .....	<b>-912</b>	190
Accrued taxes .....	<b>0</b>	0
Dividends .....	<b>-490</b>	-463
Group contributions .....	<b>-115</b>	-633
<b>Total internal financing</b> .....	<b>2,629</b>	369
<b>CHANGE IN WORKING CAPITAL</b>		
Change in inventories .....	<b>76</b>	257
Change in current receivables .....	<b>-976</b>	152
Change in non-interest-bearing operating liabilities .....	<b>-1,372</b>	491
<b>Total change in working capital</b> .....	<b>-2,272</b>	900
<b>Net financing from operations</b> .....	<b>357</b>	1,269
<b>NET INVESTMENTS</b>		
Acquisition of companies and shares ....	<b>-243</b>	-364
Less acquisitions financed by the issue of shares .....	<b>25</b>	-
Acquisition of fixed assets .....	<b>-354</b>	-403
Change in Parent Company's long-term commitments to subsidiaries .....	<b>-889</b>	-88
Sale of companies .....	<b>1,481</b>	8
Sale of fixed assets .....	<b>3</b>	11
<b>Net investments</b> .....	<b>23</b>	-836
<b>FINANCIAL SURPLUS (CASH FLOW)</b>	<b>380</b>	433
<b>EXTERNAL FINANCING</b>		
Equity capital:		
Change by conversion of loan .....	<b>14</b>	3
Loans:		
Change in short-term loans .....	<b>-129</b>	-227
Change in long-term loans .....	<b>-58</b>	-225
Change in convertible loan .....	<b>-14</b>	-3
<b>Total loans</b> .....	<b>-201</b>	-455
Other financing, net:		
Change in long-term receivables .....	<b>101</b>	14
Change in pension liability .....	<b>45</b>	-270
Change in long-term liabilities .....	<b>-</b>	-35
<b>Total other financing, net</b> .....	<b>146</b>	-291
<b>TOTAL EXTERNAL FINANCING</b> .....	<b>-41</b>	-743
<b>CHANGE IN LIQUID ASSETS</b> .....	<b>339</b>	-310

BALANCE SHEET (NOTE 1)

Amounts in SEK million	1992	1991		1992	1991
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY CAPITAL</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and bank balances .....	77	15	Owed to suppliers .....	315	307
Bonds and other short-term placements .....	935	658	Tax debts .....	96	95
Receivables from subsidiaries .....	1,320	302	Accrued expenses and prepaid income ....	559	568
Trade accounts receivable .....	394	412	Short-term loans .....	93	222
Prepaid expenses and accrued income .....	210	242	Other current liabilities to subsidiaries .....	1,035	2,450
Other current receivables .....	118	110	Other current liabilities to others .....	133	109
Inventories .....	1,927	2,003		<u>2,231</u>	<u>3,751</u>
	<u>4,981</u>	<u>3,742</u>	<b>LONG-TERM LIABILITIES</b>		
<b>FIXED ASSETS</b>			Long-term loans .....	13	71
Shares and participations in subsidiaries .....	5,288	4,203	Provision for pensions .....	858	813
Shares and participations in other companies .....	461	759	Latent tax liability .....	110	150
Receivables from subsidiaries .....	171	392	Other long-term liabilities .....	41	41
Other long-term receivables .....	15	116		<u>1,022</u>	<u>1,075</u>
Construction in progress .....	63	118	<b>CONVERTIBLE DEBENTURE LOAN</b> .....		
Machinery and equipment .....	1,688	1,618	..... Note 24	-	14
Buildings .....	312	299	<b>UNTAXED RESERVES</b>		
	<u>7,998</u>	<u>7,505</u>	Accumulated depreciation above schedule .....	1,233	1,357
<b>TOTAL ASSETS</b> .....	<b>12,979</b>	<b>11,247</b>	Tax equalization reserve (C) .....	400	-
Assets pledged .....	581	516	Transitional reserve for inventory reserve, etc. ....	600	900
			Other untaxed reserves .....	5	19
				<u>1,238</u>	<u>2,276</u>
			<b>EQUITY CAPITAL</b> .....		
			..... Note 23		
			Restricted equity capital:		
			Share capital (54,652,776 shares at SEK 25 nominal) .....	1,366	1,362
			Statutory capital reserve .....	286	276
			Proposed new issue .....	25	-
				<u>1,677</u>	<u>1,638</u>
			Unrestricted equity capital:		
			Retained earnings .....	2,002	1,677
			Net profit .....	3,809	816
				<u>5,811</u>	<u>2,493</u>
			Total equity capital .....	7,488	4,131
			<b>TOTAL LIABILITIES AND EQUITY CAPITAL</b> .....		
				<b>12,979</b>	<b>11,247</b>
			Contingent liabilities .....	1,005	429
			..... Note 25		

# ACCOUNTING PRINCIPLES

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## GENERAL

In these Financial Statements, Sandvik observes in all essentials the guidelines promulgated by the IASC and, for internationally active enterprises, by the OECD.

Effective in 1992, Sandvik applies the Swedish Financial Accounting Standards Council's recommendation regarding consolidated accounting. This means i.a. that:

- Consolidated goodwill and negative goodwill were previously reported without taking into account latent tax liabilities and tax receivables. In accordance with the new principles, consolidated goodwill and negative goodwill are adjusted for latent taxes.
- Adjustments in the Consolidated Accounts for i.a. internal gains were previously charged in their entirety against shareholders' equity. In accordance with the new principles, such adjustments affected shareholders' equity after deduction for latent taxes.
- Internal gains on inventories and fixed assets were previously eliminated in their entirety. Pursuant to the new principles, internal gains are calculated with deductions for minority interests.
- Minority interest in income was previously deducted from income after financial items. In accordance with the new principles, minority interest is reported as a share of net results.

Comparable figures for 1991 have been adjusted to reflect the new principles.

The new principles were applied to acquisitions carried out as of 1991.

## CONSOLIDATED ACCOUNTING

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

The Accounts are prepared in accordance with the purchase method, which implies that the surpluses of subsidiaries are included in the Group's equity capital only insofar as they have accrued subsequent to the acquisition of the said subsidiaries.

In the acquisition of subsidiaries, assets and liabilities are valued at the market value prevailing at the date of acquisition. The difference between the acquisition value for the shares in the subsidiary and the market value of acquired assets and assumed liabilities, after taking into account tax effects, is shown as consolidated goodwill. Goodwill is amortized at a rate of at least 10% annually, with the exception of goodwill attributable to long-term strategic acquisitions, which is amortized by 5% per year. Negative goodwill is reported as a long-term liability and eliminated in accordance with a plan prepared in each specific case.

The balance sheets and income statements of the foreign subsidiaries are 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 prevailing on the dates when the accounts were closed, and the income statements at the year's average rate. The difference thereby arising between the net profit in the balance sheet and the net profit in

the income statement is shown as a separate item under "Equity capital".

Those changes in the Group's equity capital that arise by reason of shifts in the closing-date exchange rates since the preceding year, and also, after due allowance for the taxation effects, exchange gains and losses on the forward contracts and loans that serve as currency hedges for the Group's net investments in foreign subsidiaries, have been posted to "Equity capital". Sandvik has employed such hedges throughout 1992 for all major companies.

For the majority of the foreign companies operating in high-inflation countries a translation into Swedish kronor was carried out by applying a method that measures the results largely in the same way as if their business had been conducted in Sweden. Essentially, this means that the operations of these enterprises are reported in Swedish kronor as translated in accordance with the monetary/non-monetary method.

The translation differences thereby arising are carried in their entirety on the Income Statement. The financially related translation differences are included in financial income and expenses. The trading-related translation differences are included in the costs of production, selling and administration. During 1992, the subsidiaries in Mexico have reported their operations in local currency. Earlier, their reporting was done in SEK.

The equity method is used in the reporting of significant shareholdings in "associated companies", these being enterprises that have links with the business of the Group and in which the Parent Company, directly or indirectly, holds at least 20% and at most 50% of the voting rights. The historical cost of shares, increased or decreased by a due share in profits and with a deduction to cover goodwill amortization and dividend received, is reported in the Balance Sheet under the heading "Equity interest in associated companies". An adjustment is also applied for any internal profit. The Group's interest in the profits of associated companies is reported in the Income Statement.

Accordingly, dividends received from associated companies are not included under the heading "Dividend". If non-recurring items are significant in the calculation of interest in profits, they are reported as non-recurring items at associated companies.

The Group reports its equity capital under a single heading, which thus includes the proportion of equity capital in untaxed reserves. The tax incident upon the latter is included under the heading "Latent tax liability". This tax element is calculated using an individual tax rate for each country in which the Group has companies, which in the case of Sweden is 30%. In the Consolidated Income Statement, the change in untaxed reserves is divided into two parts, one of which is reported among estimated future taxes and the other in the consolidated net profit.

In the classification of the equity capital of the Group as unrestricted or restricted, capital that is available for distribution as dividends by any given individual company has been regarded as unrestricted, provided that the amount which the company contributes to the Group's equity capital is positive. The transfer to unrestricted capital, however, is never greater than the amount by which the individual company is represented in the Group's equity capital. In assessing distributability, payment restrictions have been taken into account and a deduction has been made for the net effect of any coupon taxes. The remaining equity capital constitutes restricted capital.

Companies that were acquired in the course of the year are recognized in the Income Statement only for the period subsequent to the date of acquisition. Companies that were sold during the year are recognized in the Income Statement up to the date of sale. In the realization effect of such sales on the Group, which is shown as a non-recurring item, the net profit up to the date of sale is thus not included.

In the Consolidated Income Statement, the financial expenses pertaining to leasing items are reported among the operating expenses.

#### **FUNDS STATEMENT. REPORTING ACQUISITION AND SALE OF SUBSIDIARIES**

The amounts paid and received for the shares of companies acquired and sold are shown in the Funds Statement under the headings "Acquisition of companies" and "Sale of companies", 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 external financing.

#### **VALUATION PRINCIPLES**

##### *Bonds and other short-term placements*

Bonds and other short-term placements have been valued either at the lower of their historical cost or their market value on the Balance Sheet date. In the process of valuation this principle has been applied to the portfolio as a whole, which means that unrealized losses have been offset against unrealized gains. Any remaining loss is then deducted from interest earnings; a gain would not be recognized.

##### *Receivables and liabilities in foreign currencies at Swedish and foreign Group companies*

Receivables and liabilities in foreign currencies are translated at the individual companies using the rates of exchange prevailing on the the Balance Sheet date. In cases where currency hedges have been employed, the forward rate of exchange is used.

Exchange gains or losses on current receivables and liabilities are included in the operating profit, while exchange gains or losses on long-term receivables and liabilities and on the Parent Company's current loan debts are reported in the Income Statement under the heading "Exchange differences".

Unrealized exchange gains on long-term receivables and liabilities are set aside at the Parent Company in an exchange-rate reserve among untaxed reserves.

##### *Inventories*

Inventories are valued at the lower of historical cost in accordance with the first-in/first-out principle, replacement cost or net sale value, respectively.

##### *Fixed assets*

Fixed assets are shown in the accounts after the deduction of accumulated scheduled depreciation. Scheduled depreciation charged in the industrial operations is based on the historical cost of the assets and their estimated economic lives; for machinery and equipment this means normally between 5 and 15 years, for buildings between 10 and 50 years, and for site improvements 20 years. Degressive depreciation based on a life of from 3 to 5 years is applied to computer equipment. Scheduled depreciation charged in the leasing business by the

subsidiary Sandvik Leasing AB, which was disposed of during the year, is based on the business terms of the relevant leasing contract, which means progressive depreciation on an annuity basis. The difference between book and scheduled accumulated depreciation is shown as an untaxed reserve at the individual company.

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

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

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

##### *Untaxed reserves*

Untaxed reserves are reported only in the case of the Parent Company. In the consolidated accounting they are apportioned between latent tax liability and equity capital.

#### **TAXES**

Accrued taxes in the Income Statement are income taxes accruing at the Group's various companies during the accounting year, calculated in accordance with the fiscal rules and the accounting principles that apply in the countries where the profits arose.

Accrued taxes include foreign coupon taxes paid in respect of dividends disbursed to the Parent Company or to other Group companies.

The item "Estimated future taxes" covers tax that has been deferred by reason of an allocation to untaxed reserves and participation in the deficits of partly owned limited partnerships.

The heading "Latent tax liability" in the Balance Sheet covers the following tax debts:

- Tax debt that is latent in untaxed reserves set aside at the Group.
- Tax debt that is latent in acquired untaxed reserves.
- Tax that is deferred in consequence of participation in net losses of partly owned limited partnerships.
- The net amount of latent tax liabilities and latent tax claims in consolidated accounting adjustments. Latent tax claims for acquired losses carried forward have also been deducted.

The tax liability is calculated using an individual tax rate for each company that has set aside untaxed reserves.

The Funds Statement does not contain any estimated future taxes, nor any change in the latent tax liability.

#### **DEFINITIONS**

When calculating key figures the influence of the acquisition of CTT Tools has been excluded, except regarding solidity and debt-equity ratio.

##### *Earnings per share*

Profit after financial income and expenses, after deduction for estimated tax and minority interest, divided by the average number of shares outstanding during the year. In calculating the tax liability the current taxation rates were applied, to positive and negative items alike, for the various Group companies.



### *Earnings per share including non-recurring income and expenses*

Profit after non-recurring income and expenses, less deductions for estimated tax, divided by the average number of shares outstanding during the year.

### *Earnings per share after payment of tax*

Profit after financial income and expenses, less deductions for minority interest and for accrued taxes, divided by the average number of shares outstanding during the year.

### *Solidity*

Equity capital including of minority interest in relation to total capital.

### *Debt-equity ratio*

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

### *Rate of capital turnover*

Invoiced sales in relation to average total capital.

### *Return on equity capital after tax*

Profit after financial income and expenses, after deduction of estimated tax and minority interest, as a percentage of the average equity capital after deduction of proposed dividends.

### *Return on capital employed*

Profit after financial income and expenses plus interest expenses, plus exchange losses on loans but minus exchange gains on loans, as a percentage of average total capital less deductions for short-term interest-free trading debts and that portion of the latent tax liability that pertains to untaxed reserves in the Group's companies.

## Application of U.S. GAAP

### AMERICAN ACCOUNTING PRINCIPLES

The Financial Statements of the Sandvik Group have been prepared in accordance with the accounting principles set forth earlier, which differ from American accounting principles in the following - to the Sandvik Group - important respects:

#### *Latent tax*

In accordance with American accounting practice, latent tax is calculated for significant differences between reported income and expenses and corresponding items that are taxed. Since the recommendations of the Swedish Financial Accounting Standards Council regarding consolidation have been applied, the most significant items that give rise to latent taxes have already been taken into account. However, there are still some differences, for example, that the American accounting rules to a certain extent also permit taking into account the effects of loss carryforwards.

#### *Writing up assets*

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

#### *Capitalization of interest expenses*

American accounting principles require that interest expenses arising in connection with the financing of newly erected

fixed assets be capitalized, and depreciated according to schedule, whereas interest expenses incurred in financing the manufacture of products for sale must not be included in the inventory value.

#### *Pension costs, etc.*

American and Swedish practice for the reporting of pension costs differ mainly in the choice of discounting interest and in the circumstance that the calculation of capital value is based on calculated pay at the time of retirement. Generally speaking, it is a fair surmise that the annual pension cost calculated under the American rules would be less than the annual cost of the Pension Registration Institute plan according to Swedish practice. However, the difference has not been quantified, and it is not included in the following reconciliation.

#### *Retirement benefits*

According to the American accounting recommendation FAS 106, companies have an obligation, beginning in 1993, to set aside reserves to cover their commitments regarding post retirement benefits other than pensions. No such reservation was made in 1992 at Sandvik's American subsidiary companies.

#### *Various*

Other areas in which the application of American accounting principles to the Sandvik Group would entail not insignificant differences are the treatment of long-term receivables and liabilities bearing interest at rates that are not in line with the market, and general reservations.

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

(Amounts in SEK m., except where otherwise stated)

	1992	1991
Net profit according to the Consolidated Income Statement .....	1,118	1,248
Increase/decrease for		
Latent tax .....	-10	5
Write-ups .....	8	4
Capitalization of interest expenses .....	21	29
Other adjustments .....	4	-22
Net profit as calculated on American accounting principles .....	1,141	1,264
Earnings per share, after full conversion of convertible bonds outstanding, as calculated based on American accounting principles, SEK	20.85	23.15
Equity capital according to the Consolidated Balance Sheet .....	13,678	12,693
Increase/decrease for		
Latent tax .....	49	59
Write-ups .....	-358	-316
Capitalization of interest expenses .....	95	75
Other adjustments .....	112	108
Equity capital as based on American accounting principles .....	13,576	12,619
Equity capital per share as calculated based on American accounting principles, SEK .....	235.30	222.65

# NOTES TO THE ACCOUNTS

Notes to the Group's and Parent Company's Accounts  
(Amounts in SEK 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 1992 the companies listed below did business under their own names, but solely for the account of the Parent Company. In its Annual Accounts, the Parent Company reports - with the exception of some buildings - all assets and liabilities and all revenues and expenses pertaining to the subordinate operations.

The following subordinate companies conducted business in 1992 for the account of the Parent Company: AB Bushman, Guldsmedshytte Bruks AB, Kapman AB, Sandvik Automation Skandinavien AB (name being changed

to Sandvik Automation Norden AB), AB Sandvik Belts, Sandvik Carbide Production AB, AB Sandvik Central Service, AB Sandvik Coromant, Sandvik Coromant Skandinavien AB (name being changed to Sandvik Coromant Norden AB), AB Sandvik Hand Tools, AB Sandvik Hard Materials, Sandvik Hard Materials Norden AB, AB Sandvik Information Systems, AB Sandvik International, AB Sandvik Metal Saws, AB Sandvik Rock Tools, Sandvik Rock Tools Svenska Försäljnings AB, AB Sandvik Saws and Tools, AB Sandvik Steel, Sandvik Stål Försäljnings AB, Sandvik Bahco Norden AB, Sandvik Windsor AB, AB Sandvik Öberg and AB Swedish Metal Saws.

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

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

	Group		Parent Company	
	1992	1991	1992	1991
Other operating revenues .....	23	16	220	128

Of the Parent Company's invoiced sales, SEK 4,516 m. (4,948), 64% (72), were to Group companies.

The export share was 81% (86). Of the Parent Company's purchasing, SEK 334 m. (275), 10% (8), was from Group companies.

## NOTE 3. Research, development and quality assurance

	Group		Parent Company	
	1992	1991	1992	1991
Costs of				
research and development .....	649	690	433	473
quality assurance .....	235	240	118	126
Total .....	884	930	551	599

All outlays for research and development and for quality assurance are reported as costs at the time they arise.

## NOTE 4. Depreciation/Amortization

GROUP	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991
Scheduled depreciation/amortization .....	-48	-38	-741	-705	-86	-79	-2	-2	-877	-824
PARENT COMPANY										
	Intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991
Scheduled depreciation/amortization .....	-	-8	-286	-273	-13	-13	-1	-	-300	-294
Difference between book and scheduled depreciation .....	-	-	115	100	9	-9	-	-	124	91
Book depreciation .....	-	-8	-171	-173	-4	-22	-1	-	-176	-203
of which against reserves .....	-	-	-	-26	-	-18	-	-	-	-44

## NOTE 5. Interest received and paid

	Group		Parent Company	
	1992	1991	1992	1991
Gross interest received on placements	772	680	171	143
Correction due to translation differences	-16	-22	-	-
Other interest received .....	81	106	-	-
Interest received .....	837	764	171	143
Interest paid on pension liability .....	-97	-157	-66	-127
Other interest paid, gross .....	-205	-285	-33	-63
Correction due to translation differences	+5	+6	-	-
Interest paid .....	-297	-436	-99	-190

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

The interest paid by Sandvik Leasing AB, sold in 1992, related to leasing objects, has been included among the Group's costs of production, selling and administration. (Sandvik Leasing AB's interest expenses amounted in 1992 to SEK 118 m. and in 1991 to SEK 161 m.)

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

## NOTE 6. Exchange differences on loans

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

	Group		Parent Company	
	1992	1991	1992	1991
Change in unrealized exchange difference on loans .....	-17	35	-19	6
Exchange difference on loans, amortizations .....	-	-31	-59	-2
	-17	4	-78	4

## NOTE 7. Minority interest.

### Interest in profits of associated companies

There are significant minority interests in the following companies: Seco Tools AB (minority 38%), CERMEP S.A. (49%), Sandvik Asia Ltd. (45%).

The Group classifies the following as associated companies: Avesta Sandvik Tube AB (25%), Balzers Sandvik Coating AB (49%), Devillé S.A. (35%), Eurotungstène Poudre S.A. (49%), Fagersta-Seco AB (31%), Fagersta Stainless AB (50%), Procera-Sandvik AB (50%), and from 31 December 1992 Tamrock Oy (25%). Bonastre S.A. (50%) was included as an associated company until 31 March 1992.

## NOTE 8. Non-recurring income and expenses

	Group		Parent Company	
	1992	1991	1992	1991
<b>Non-recurring income</b>				
Capital gain on sale of shares and companies .....	97	94	1,013	6
Sundry items .....	10	-	4	-
	107	94	1,017	6
<b>Non-recurring expenses</b>				
Write-down on shares and other participations .....	-57	-196	-14	-150
Capital loss on sale of shares and participations .....	-18	-	-18	-
Additional subscription to subsidiaries .....			-157	-1
Capital loss on transfer of real estate in connection with ownership rectification .....	-	-	-	-24
Capital loss on redemption of convertible debenture loan .....	-66	-	-66	-
Sundry items .....	-1	-33	-1	-9
	-142	-229	-256	-184

Non-recurring items at associated enterprises

Costs arising from prior closure of product division and introduction of new technology .....

- -9

## NOTE 9. Bonds and other short-term placements

	Group		Parent Company	
	1992	1991	1992	1991
Bonds .....	467	672	137	245
Short-item placements .....	3,488	3,320	798	413
Total .....	3,955	3,992	935	658

Over and above the assets and liabilities reported in the balance sheets there were on the closing date short-term placements and debts, each amounting to SEK 133 m. (857) at the Group and to SEK 133 m. (528) at the Parent Company, which constitute positions in interest-arbitrage operations and which have been offset against each other.

## NOTE 10. Blocked accounts for investment reserves

	Group	
	1992	1991
Blocked accounts with the Riksbank for general investment reserves .....	2	3
Other blocked accounts .....	1	2
Total .....	3	5

## NOTE 11. Shares and other participations

The Group's and the Parent Company's holdings of shares and other participations at the end of 1992 are set forth in the specification on p. 38.

## NOTE 12. Other long-term receivables

	Group		Parent Company	
	1992	1991	1992	1991
Advances to suppliers .....	-	4	-	3
Other receivables .....	171	249	15	113
Total .....	171	253	15	116

## NOTE 13. Goodwill and other intangible assets

	Group	
	1992	1991
Patents and other intangible assets .....	31	29
Goodwill .....	317	111
Total .....	348	140

**NOTE 14. 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. Accumulated excess depreciation is reported by the individual companies and entered among untaxed reserves under the heading "Accumulated depreciation above schedule".

GROUP	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1992	1991	1992	1991	1992	1991	1992	1991
Historical cost <sup>1</sup>	10,601	10,213	3,032	2,195	1	1	466	278
Accumulated scheduled depreciation	-6,552	-5,153	-1,289	-986	-	-	-28	-25
Scheduled residual values	4,049	5,060	1,743	1,209	1	1	438	253
Accumulated write-ups not yet written off	8	2	186	182	10	10	130	134
Residual values	4,057	5,062	1,929	1,391	11	11	568	387
Assessed valuations <sup>2</sup>	-	-	913	891	34	11	168	130
<b>PARENT COMPANY</b>								
Historical cost	4,166	3,883	403	380	1	1	27	26
Accumulated scheduled depreciation	-2,478	-2,265	-164	-153	-	-	-5	-5
Scheduled residual values	1,688	1,618	239	227	1	1	22	21
Accumulated write-ups not yet written off	-	-	-	-	10	10	40	40
Residual values	1,688	1,618	239	227	11	11	62	61
Accumulated depreciation above schedule	-1,198	-1,313	-29	-39	-	-	-6	-5
Book values	490	305	210	188	11	11	56	56
Assessed valuations	-	-	198	198	34	11	43	43

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

<sup>2)</sup> The figures apply to the Swedish part of the Group. The book value of real estate held by foreign subsidiaries amounted to SEK 1,658 m. (926).

**NOTE 15. Assets pledged**

	Group		Parent Company	
	1992	1991	1992	1991
Real-estate mortgages	1,000	709	75	85
Chattel mortgages	575	596	430	430
Bonds and other short-term placements	75	-	75	-
Shares in subsidiaries	4	4	1	1
Total	1,654	1,309	581	516
of which for subsidiaries			75	-

Additionally, receivables concerning interest-arbitrage deals have been pledged. See Note 9.

**NOTE 16. Other current liabilities**

	Group		Parent Company	
	1992	1991	1992	1991
Advances from customers	48	90	5	-
Other current liabilities	958	709	128	109
Total	1,006	799	133	109

**NOTE 17. External loans**

	Group		Parent Company	
	1992	1991	1992	1991
<b>Short-term loans</b>				
Euro Commercial Paper	72	31	-	-
Amortizations due within one year on long-term loans	182	313	93	222
Other short-term loans	833	867	-	-
Total short-term loans	1,087	1,211	93	222
<b>Long-term loans</b>				
Bond loans	6	35	-	13
Debenture loans	1	11	-	-
Other loans	448	1,533	13	58
Total long-term loans	455	1,579	13	71
Total, all loans	1,542	2,790	106	293

**NOTE 18. Provision for pensions**

	Group		Parent Company	
	1992	1991	1992	1991
<b>For Pension Registration</b>				
Institute pensions	996	905	812	771
For other pensions	621	331	46	42
Total	1,617	1,236	858	813

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**NOTE 19. Parent Company's accumulated depreciation above schedule**

	Machinery and equipment	Industrial and residential buildings	Site improve- ments	Total
Reported at end of 1991 .....	1,313	39	5	1,357
Difference between book and scheduled depreciation .....	-115	-10	1	-124
Reported at end of 1992 .....	<b>1,198</b>	<b>29</b>	<b>6</b>	<b>1,233</b>

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**NOTE 20. Parent Company's other untaxed reserves**

	Tax equalization reserve (C)	Transitional reserve for inventory reserve, etc.	Other untaxed reserves
Reported at end of 1991 .....	-	900	19
Change during the year .....	400	-300	-14
Reported at end of 1992 .....	<b>400</b>	<b>600</b>	<b>5</b>

In compliance with a legal enactment concerning the reversal of untaxed reserves, an allocation has been made to a transitional reserve for inventory reserve, etc. The amount reported at the end of 1992 is 50% of the original figure.

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**NOTE 21. Latent tax liability**

	Group		Parent Company	
	1992	1991	1992	1991
Latent tax liability in untaxed reserves at Group companies .....	<b>1,254</b>	1,550	-	-
Minority participation in latent tax liability .....	<b>95</b>	88	-	-
Reservation for future tax due to deficits at partly owned limited partnerships, etc. ....	<b>500</b>	526	<b>110</b>	150
Latent tax liability in acquired untaxed reserves and tax claim in acquired loss carried forward, net .....	<b>61</b>	70	-	-
Latent tax liability in internal profit reserve, re-structuring reserve and in other adjustments for Group consolidation .....	<b>-180</b>	-153	-	-
Total .....	<b>1,730</b>	2,081	<b>110</b>	150

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**NOTE 22. Estimated future taxes**

	Group		Parent Company	
	1992	1991	1992	1991
Deferred tax on account of allocation to untaxed reserves at Group companies .....	<b>-67</b>	-183	-	-
Estimated future tax due to participation in deficits at partly owned limited partnerships	<b>-60</b>	-68	<b>-6</b>	-14
Reversal of estimated future tax due to disposal of partly owned limited partnerships ....	<b>47</b>	-	<b>47</b>	-
Change of latent tax claim in internal profit reserve and other adjustments for Group consolidation .....	<b>-37</b>	85	-	-
Other future taxes .....	<b>-2</b>	-	<b>-1</b>	-
	<b>-119</b>	-166	<b>40</b>	-14

In the years 1986-1989 Sandvik invested, directly and through partly owned limited partnerships, in leasing business concerned with commercial aircraft, trains and ships of both Swedish and foreign manufacture. In respect of three of these investments the fiscal authorities have challenged depreciation deductions claimed for 1988 - 1990 to a total of SEK 547 m. Two of the cases concerning the years 1988 and 1989 have been settled by the County Administrative Court of Stockholm in Sandvik's favour, whereas the other cases are under consideration by the County Administrative Courts of Stockholm and Gävleborg. The cases that have been settled in Sandvik's favour by the County Administrative Court of Stockholm have been contested by the tax authorities.

Based on the finding of the County Administrative Court and on two rulings by the Supreme Administrative Court in January 1992 and on opinions given by external tax experts, Sandvik has come to the conclusion that there is no need to make provision for any increase in the 1988 - 1990 tax charges, apart from the provisions already set aside for deferred tax as set forth in the foregoing and in Note 21.

In the case of one subsidiary the fiscal authorities have appealed the 1990 and 1992 assessment as regards the utilization of capital losses in the years 1987 and 1988 totalling SEK 239 m. The Company has not considered it necessary to set aside any corresponding tax provision.

**NOTE 23. Change in equity capital**

GROUP	Share capital	Restricted reserves	Proposed new issue	Unrestricted reserves	Translation difference	Group net profit	Total
Reported at end of 1991 .....	1,362	4,535	-	5,479	-3	1,165	12,538
Correction due to revised method for reporting latent tax, etc. ....	-	-	-	72	-	83	155
Reported at end of 1991 according to revised method .....	1,362	4,535	-	5,551	-3	1,248	12,693
Change due to revised translation rates 1992 .....	-	460	-	-420	-3	98	135
Carry-over of 1991 surplus and translation difference .....	-	-	-	1,340	6	-1,346	-
Reversal of undistributed interests in profits of associated companies .....	-	-29	-	29	-	-	-
Other movements between unrestricted and restricted equity capital .....	-	-1,222	-	1,222	-	-	-
New issues due to bond conversion .....	4	10	-	-	-	-	14
Proposed new issue .....	-	-	25	-	-	-	25
Difference between Group and Parent Company acquisition costs for acquired subsidiary.....	-	191	-	-	-	-	191
Dividend .....	-	-	-	-490	-	-	-490
Group net profit 1992 .....	-	-	-	-	-8	1,118	1,110
Reported at end of 1992 .....	<b>1,366</b>	<b>3,945</b>	<b>25</b>	<b>7,232</b>	<b>-8</b>	<b>1,118</b>	<b>13,678</b>

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

Particulars of the share capital and the convertible bond loan are provided in Note 24 below.

PARENT COMPANY	Share capital	Statutory capital reserve	Proposed new issue	Retained earnings	Net profit	Total
Reported at end of 1991 .....	1,362	276	-	1,677	816	4,131
Carry-over of 1991 surplus .....	-	-	-	816	-816	-
New issues due to bond conversion .....	4	10	-	-	-	14
Proposed issue of new shares .....	-	-	25	-	-	25
Dividend .....	-	-	-	-491	-	-491
Net profit for 1992 .....	-	-	-	-	3,809	3,809
Reported at end of 1992 .....	<b>1,366</b>	<b>286</b>	<b>25</b>	<b>2,002</b>	<b>3,809</b>	<b>7,488</b>

**NOTE 24. Share capital**

SHARE CAPITAL AND NUMBER OF SHARES

	1992	1991
"A" Restricted .....	-	41,170,069
"A" Unrestricted .....	<b>41,845,163</b>	675,094
"B" Unrestricted .....	<b>12,807,613</b>	12,625,797
Total number of shares at SEK 25 nominal	<b>54,652,776</b>	54,470,960

The Annual General Meeting on 22 May 1992 decided that all restricted "A" shares should be converted into unrestricted "A" shares. As a result of this decision all shares may be acquired by any person. The "A" shares each carry one vote, whereas the "B" shares each carry one-tenth of a vote.

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

The number of shares entitled to dividends for 1992 is 54,652,776.

CONVERTIBLE LOAN

In 1985 the Company floated a convertible debenture loan of SEK 102.8 m. at 12% interest. This loan, which was directed to all the employees of the Sandvik Group, was fully converted during 1992. For this reason the number of "B" shares increased by 181,816 compared with the situation on 31 Dec. 1991. The share capital increased by SEK 4.5 m., whereas SEK 9.9 m. was added to the statutory capital reserve.

See also the section dealing with the Sandvik share on p. 4, which covers price movements, per-share data, share ownership, etc.

PROPOSED ISSUE OF NEW SHARES

The Board has decided, subject to the approval of the Annual General Meeting, to carry out a directed issue of new shares in order to finance the acquisition of Cutting Tool Technology B.V.

The share issue will be implemented through the issue of not more than 1,200,000 "C" shares, with a nominal value of SEK 25 each. The shares are to be subscribed only by the former shareholders of Cutting Tool Technology B.V. The "C" shares shall each carry one-tenth of a vote and will not entitle

the owner to a dividend. On 1 September 1996 the shares will automatically be converted to "B" shares.

The number of "C" shares issued is estimated to be 1,042,500.

After the new issue, the total number of shares will amount to not more than 55,852,766. The share capital will increase by not more than SEK 30,000,000 and the statutory capital reserve by not more than SEK 6,000,000.

The value indicated for the proposed issue of new shares on 31 Dec. 1992 refers to the acquisition of 80% of the shares of Cutting Tool Technology B.V.

**NOTE 25. Contingent liabilities**

	Group		Parent Company	
	1992	1991	1992	1991
Bills discounted .....	<b>91</b>	129	-	-
Pension commitments over and above those entered under pension liabilities (capitalized value) .....	<b>14</b>	17	<b>1</b>	1
Other surety undertakings and contingent liabilities .....	<b>686</b>	260	<b>1,004</b>	428
Total .....	<b>791</b>	406	<b>1,005</b>	429
of which for subsidiaries .....			<b>379</b>	207

# PERSONNEL

## PERSONNEL COSTS, SEK m.

	Group		Parent Company and subordinate companies	
	1992	1991	1992	1991
Wages, salaries and remunerations:				
Directors				
in Sweden .....	20	25	18	21
outside Sweden .....	90	79	-	-
Other employees				
in Sweden .....	1,934	1,837	1,627	1,598
outside Sweden .....	2,709	2,582	19	8
Total .....	4,753	4,523	1,664	1,627
Other personnel costs .....	1,697	1,670	798	835
Employee bonus .....	-	-	-	-
Total .....	6,450	6,193	2,462	2,462

## AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company and subordinate companies	
	1992	1991	1992	1991
In Sweden				
Women .....	2,094	2,254	1,637	1,786
Men .....	7,474	7,808	6,435	6,794
Total in Sweden .....	9,568	10,062	8,072	8,580
Outside Sweden				
Women .....	2,680	2,676	24	19
Men .....	13,351	12,577	102	51
Total outside Sweden .....	16,031	15,253	126	70
Total .....	25,599	25,315	8,198	8,650

## AVERAGE NUMBER OF EMPLOYEES' OUTSIDE SWEDEN, BY COUNTRY

	Number of employees					
	1992			1991		
	Women	Men	Total	Women	Men	Total
The Parent Company and subordinate companies						
Bulgaria .....	2	5	7	3	4	7
China .....	5	10	15	3	9	12
Czechoslovakia .....	4	8	12	2	6	8
Hungary .....	4	7	11	3	6	9
Netherlands .....	1	46	47	-	12	12
Poland .....	3	7	10	2	6	8
Russia .....	3	9	12	3	7	10
Yugoslavia .....	1	5	6	1	4	5
Other countries <sup>2</sup> .....	3	6	9	4	7	11
Outside Sweden, total .....	26	103	129	21	61	82
The Group outside Sweden						
Argentina .....	21	652	673	12	117	129
Australia .....	76	310	386	82	348	430
Austria .....	37	72	109	41	79	120
Belgium .....	14	75	89	14	77	91
Brazil .....	133	653	786	155	715	870
Bulgaria .....	2	5	7	3	4	7
Canada .....	53	291	344	59	326	385
Chile .....	12	62	74	12	57	69
China .....	5	10	15	3	9	12
Colombia .....	16	39	55	18	37	55
Czechoslovakia .....	4	9	13	2	6	8
Denmark .....	69	206	275	77	209	286
Finland .....	37	93	130	55	115	170
France .....	266	1,228	1,494	261	1,241	1,502
Germany .....	317	1,325	1,642	260	1,040	1,300
Hongkong .....	7	9	16	7	9	16
Hungary .....	6	8	14	4	6	10
India .....	21	1,136	1,157	21	1,161	1,182
Ireland .....	4	5	9	4	5	9
Italy .....	178	584	762	188	624	812
Japan .....	59	412	471	61	404	465

	Number of employees					
	1992			1991		
	Women	Men	Total	Women	Men	Total
Kenya .....	3	11	14	4	11	15
Korea .....	18	67	85	18	66	84
Malaysia .....	14	25	39	11	26	37
Mexico .....	54	232	286	63	259	322
Netherlands .....	26	201	227	27	174	201
New Zealand .....	7	30	37	8	29	37
Norway .....	10	38	48	11	49	60
Peru .....	8	37	45	8	47	55
Philippines .....	11	28	39	11	28	39
Poland .....	4	9	13	3	6	9
Portugal .....	61	196	257	55	185	240
Russia .....	4	11	15	3	8	11
Singapore .....	31	41	72	30	35	65
South Africa .....	54	328	382	61	395	456
Spain .....	61	418	479	57	322	379
Switzerland .....	50	95	145	51	96	147
Taiwan .....	58	89	147	56	88	144
Thailand .....	7	12	19	6	12	18
Turkey .....	2	13	15	3	9	12
United Kingdom .....	215	1,391	1,606	256	1,579	1,835
United States .....	578	2,509	3,087	583	2,479	3,062
Venezuela .....	6	28	34	6	28	34
Yugoslavia .....	1	5	6	1	4	5
Zambia .....	3	35	38	3	38	41
Zimbabwe .....	6	45	51	6	43	49
Other countries <sup>2</sup> .....	-	-	-	-	6	6
	2,629	13,078	15,707	2,680	12,611	15,291

<sup>1</sup> The average number of employees as given here is the average of the number on 31 Dec. 1992 and on 31 Dec. 1991. The average number of employees stated in the foregoing table and in the Report of the Directors is based on counts taken at several points in time during the year.

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

Wages, salaries and remunerations outside Sweden have been converted to Swedish kronor using the mean exchange rate for the year. The statutory specification of the average number of employees per municipality in Sweden and wages and salaries per country outside Sweden has been 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 AND PARTICIPATIONS IN SUBSIDIARY COMPANIES

According to the Balance Sheet of 31 Dec. 1992

		Number	Percentage	Nominal value	Nominal	Book
		of shares	holding	local currency	value	value
				unit '000	SEK '000	SEK '000
SWEDEN	AB Bushman <sup>1)</sup> .....	500	100	SEK 50	50	50
	Edmeston AB .....	40,000	100	SEK 4,000	4,000	3,000
	Guldsmedshytte Bruks AB <sup>1)</sup> .....	500	100	SEK 50	50	-
	Gusab Holding AB .....	1,830,919	100	SEK 45,773	45,773	53,308
	Kapman AB <sup>1)</sup> .....	80,000	100	SEK 8,000	8,000	-
	F E Lindström AB .....	13,500	100	SEK 1,350	1,350	4,867
	Metals & Powders Trollhättan AB .....	30,000	100	SEK 3,000	3,000	10,000
	Sandvik Automation Skandinavien AB <sup>1)</sup> .....	500	100	SEK 50	50	50
	AB Sandvik Bahco .....	200,000	100	SEK 20,000	20,000	50,000
	Sandvik Bahco Norden AB <sup>1)</sup> .....	500	100	SEK 50	50	-
	AB Sandvik Belts <sup>1)</sup> .....	500	100	SEK 50	50	50
	Sandvik Carbide Production AB <sup>1)</sup> .....	500	100	SEK 50	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> .....	500	100	SEK 50	50	50
	AB Sandvik Duvan .....	500	100	SEK 50	50	50
	AB Sandvik Falken .....	500	100	SEK 50	50	50
	Sandvik Far East Ltd. AB .....	10,000	100	SEK 10,000	10,000	10,000
	Sandvik Fastighetsförvaltning AB .....	500	100	SEK 50	50	-
	AB Sandvik Hand Tools <sup>1)</sup> .....	500	100	SEK 50	50	-
	AB Sandvik Hard Materials <sup>1)</sup> .....	500	100	SEK 50	50	-
	Sandvik Hard Materials Norden AB <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	-
	Sandvik Invest AB .....	1,772,068	100	SEK 44,302	44,302	181,654
	AB Sandvik Luftfartsintressenter .....	500	100	SEK 50	50	50
	AB Sandvik Metal Saws <sup>1)</sup> .....	500	100	SEK 50	50	-
	AB Sandvik Process Systems .....	25,000	100	SEK 2,500	2,500	2,500
	AB Sandvik Rock Tools <sup>1)</sup> .....	500	100	SEK 50	50	-
	Sandvik Rock Tools Svenska Försäljnings AB <sup>1)</sup> .....	500	100	SEK 50	50	-
	AB Sandvik Saws and Tools <sup>1)</sup> .....	500	100	SEK 50	50	-
	AB Sandvik Steel <sup>1)</sup> .....	500	100	SEK 50	50	-
	Sandvik Stål Försäljnings AB <sup>1)</sup> .....	500	100	SEK 50	50	-
	AB Sandvik Teknik .....	30,000	100	SEK 3,000	3,000	15,000
	AB Sandvik Tranan .....	500	100	SEK 50	50	50
	Sandvik Windsor AB <sup>1)</sup> .....	50,000	100	SEK 5,000	5,000	8,900
	AB Sandvik Öberg <sup>1)</sup> .....	500	100	SEK 50	50	-
	Sandvik Örebro AB .....	50,000	100	SEK 5,000	5,000	5,000
	AB Sandvik Örnen .....	500	100	SEK 50	50	50
	Sandvikens Brukspersonals Byggnadsförening upa .....	-	100	SEK 2,941	2,941	-
	Seco Tools AB <sup>2)</sup> .....	92,000	0.3	SEK 230	230	1,306
	Steebide International AB .....	15,000	100	SEK 1,500	1,500	1,000
	AB Swedish Metal Saws <sup>1)</sup> .....	500	100	SEK 50	50	50
	Trellbo AB .....	500	100	SEK 50	50	-
	Dormant companies, wholly owned <sup>3)</sup> .....			SEK 1,310	1,310	660
ARGENTINA	Sandvik Bahco Argentina S.A.C. e I. ....	150,000	100	ARS 15	102	5,000
BRAZIL	Sandvik do Brasil S.A. ....	1,894,797,192	100	BRE 15,158,378	10,611	46,072
BULGARIA	SandvikBulgaria .....	-	100	BGL 34	112	112
COLOMBIA	Sandvik Colombia S.A. ....	129,007	94 <sup>4)</sup>	COP 129,007	1,174	-
COSTA RICA	Sandvik Centroamérica S.A. ....	330	100	CRC 330	15	-
CZECHOSLOVAKIA	Sandvik Czechoslovakia spol. s r.o. ....	-	100	CSK 2,000	427	-
DENMARK	Sandvik Bahco Norden A/S .....	20	100	DKK 2,000	2,262	188
GERMANY	CTT Management GmbH .....	-	100	DEM 100	437	-
	Sandvik GmbH .....	-	0.9 <sup>4)</sup>	DEM 400	1,751	1,486
	Sandvik Belzer GmbH .....	-	1 <sup>4)</sup>	DEM 370	1,618	367
HUNGARY	Sandvik KFT .....	-	100	HUF 5,000	468	468
INDIA	Sandvik Asia Ltd. ....	633,600	55	INR 63,360	14,364	5,500
JAPAN	Sandvik K.K. ....	2,600,000	100	JPY 2,600,000	147,030	180,000
KENYA	Sandvik Kenya Ltd. ....	35,000	96	KES 700	151	-
KOREA	Sandvik Korea Ltd. ....	752,730	100	KRW 7,527,300	70,754	46,856
MEXICO	Sandvik Mexicana S.A. de C.V. ....	406,642,870	90 <sup>4)</sup>	MXP 40,664,287	93,528	87,600
MOROCCO	Sandvik Maroc S.A. ....	940	94	MAD 94	67	-
NETHERLANDS	Sandvik Finance B.V. ....	18,404	100	NLG 18,404	71,546	4,484,991
	Sandvik Nederland B.V. ....	20,000	100	NLG 10,000	38,875	11,393
	Cutting Tool Technology B.V. ....	120,000	80	NLG 120,000	466,500	25,020



SANDVIK AB's HOLDINGS OF SHARES AND PARTICIPATIONS IN SUBSIDIARY COMPANIES

According to the Balance Sheet of 31 Dec. 1992		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000
PERU	Barrenas Sandvik Andina S.A. ....	435,650	90	PEI 436	1,795	-
	Sandvik del Perú S.A. ....	44,964	100	PEI 45	185	-
PORTUGAL	Sandvik ObergueLimas e Mecânica, Lda .....	-	100	PTE 829,980	40,088	20,000
	Sandvik Portuguesa Lda .....	-	100	PTE 99,800	4,830	8,300
SPAIN	Minas y Metalurgia Española S.A. ....	59,999	50 <sup>4)</sup>	ESB 59,999	3,690	3,700
SWITZERLAND	Sanfinanz AG .....	997	100	CHF 199	965	735
THAILAND	Sandvik Thailand Ltd .....	744	99	THB 504	139	-
TURKEY	Sandvik Istanbul Tiçaret Ltd. Şti .....	-	100	TRL 3,781,000	3,025	2,999
U.K.	Madison Tools Ltd. ....	274,999	100	GBP 275	2,934	6,000
VENEZUELA	Sandvik Venezuela C.A. ....	6,250	100	VEB 6,250	594	-
ZAMBIA	Sandvik (Zambia) Ltd. ....	5,000,000	100	ZMK 10,000	220	-
ZIMBABWE	Sandvik (Pvt) Ltd. ....	233,678	100	ZWD 467	602	3,269
						5,287,801

<sup>1)</sup> Subordinate company

<sup>2)</sup> A further 61.6% is held by other Group companies. Seco Tools has subsidiaries in 18 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 AND PARTICIPATIONS IN SUBSIDIARIES, SEK '000

Acquisitions.....	Reported at end of 1991	4,203,043	Certain write-ups and write-downs, which cancel each other out, have been applied within the item "Shares and participations in subsidiaries".
New issues.....		67,016	
Divestitures .....		1,109,945	
		-92,203	
REPORTED AT END OF 1992		5,287,801	

SANDVIK AB's SHARES AND PARTICIPATIONS IN OTHER COMPANIES

According to the Balance Sheet of 31 Dec. 1992		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000
ASSOCIATED COMPANIES						
SWEDEN	Balzars Sandvik Coating AB .....	28,420	49	SEK 2,842	2,842	3,417
	Procera-Sandvik AB .....	5,000	50	SEK 500	500	600
FINLAND	Tamrock Oy .....	922,500	25	FIM 92,250	123,707	382,435
FRANCE	Devillé S.A. ....	14,000	35	FRF 1,204	1,545	7,216
	Eurotungstène Poudre S.A. ....	112,353	49	FRF 11,235	14,420	7,737
						401,405
OTHER COMPANIES						
	Bruksinvest AB .....	24,000	15	SEK 2,400	2,400	15,000
	Corun DD .....	-	51		18,926	-
	Fastighetspartner AB .....	20,000	3	SEK 2,000	2,000	2,000
	Nemo Offshore AB & Co KB <sup>1)</sup> .....					74
	Prevas AB .....	20,000	20	SEK 200	200	1,798
	Rolltech International AB .....	250	50	SEK 25	25	-
	Sandvik-Bisov .....	-	51	SUR 1,771	32	6,338
	Svenska Charterintressenter AB .....	330	33	SEK 17	17	142
	Svenska Charterintressenter KB <sup>1)</sup> .....					9,768
	Swedish Aircraft ONE KB <sup>1)</sup> .....					18,452
	Swedish Airlease KB <sup>1)</sup> .....					314
	Vidia Kereskedőház RT .....	21,600	4	HUF 21,600	1,836	2,010
	Miscellaneous .....					4,179
						60,075
TOTAL						461,480

<sup>1)</sup> Sandvik AB is a limited partner

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

Acquisitions .....	Reported at end of 1991	759,185
Divestitures .....		180,273
Write-downs .....		-411,318
		-66,660
REPORTED AT END OF 1992		461,480

## SHAREHOLDINGS

### THE GROUP'S SHAREHOLDINGS

According to the Balance Sheet of 31 Dec. 1992		Number of shares	Percentage holding	Nominal value local currency unit '000	Nominal value SEK '000	Book value SEK '000
<b>ASSOCIATED COMPANIES</b>						
SWEDEN	Avesta Sandvik Tube AB .....	150,000	25	SEK 15,000	15,000	30,460
	Fagersta-Seco AB .....	5,000	50	SEK 500	500	500
	Fagersta Stainless AB .....	400,000	50	SEK 40,000	40,000	40,000
						70,960
<b>OTHER COMPANIES</b>						
SWEDEN	Other shares and participations .....					50,224
OTHER COUNTRIES	Other shares and participations .....					225,844
						276,068
<b>TOTAL</b>						347,028
						Sandvik AB's holdings
						461,480
						The Group's holdings
						808,508
						Less associated companies
						-472,365
						Shares and participations according to the Balance Sheet
						336,143

### SHARES IN SIGNIFICANT OPERATIVE GROUP COMPANIES OWNED INDIRECTLY BY SANDVIK AB AT 31 DEC. 1992

		Group holding, %			Group holding, %
SWEDEN	Gusab Stainless AB .....	100	ITALY	Cofler & Co. S.p.A. ....	80
	SKF Tools AB .....	80		Sandvik Italia S.p.A. ....	100
AUSTRALIA	Sandvik Australia Pty. Ltd. ....	100		Sandvik Process Systems S.p.A. ....	100
	Sandvik Hard Materials Pty. Ltd. ....	100		SKF Tools S.p.A. ....	80
AUSTRIA	Günther & Co. Ges.m.b.H. ....	80	JAPAN	Sandvik Saws and Tools K.K. ....	100
	Sandvik in Austria Ges.m.b.H. ....	100	LUXEMBOURG	Sansafe S.A. ....	100
	Sandvik Process Systems Ges.m.b.H. ....	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd. ....	100
BELGIUM	Sandvik S.A. (Belgium) N.V. ....	100	MEXICO	Sandvik de Mexico S.A. de C.V. ....	100
	SKF Tools N.V./S.A. ....	80		Tungstemex S.A. de C.V. ....	100
BRAZIL	SKF Ferramentas S.A. ....	80	NETHERLANDS	Bahco Tools B.V. ....	100
CANADA	Sandvik Canada Inc. ....	100		Sandvik Process Systems B.V. ....	100
	SKF Tools Canada Limited .....	80		Sandvik Saws and Tools B.V. ....	100
CHILE	Sandvik Chile S.A. ....	100		SKF Tools B.V. ....	80
DENMARK	Sandvik A/S .....	100	NEW ZEALAND	Sandvik New Zealand Ltd. ....	100
	Sandvik Danit A/S .....	100	NORWAY	Sandvik Norge A/S .....	100
FINLAND	Suomen Sandvik Oy .....	100	PHILIPPINES	Sandvik Philippines Inc. ....	100
	Viialan Viila Oy .....	100	SINGAPORE	Sandvik South East Asia .....	100
FRANCE	CERMEP S.A. ....	51	SOUTH AFRICA	Sandvik (Pty) Ltd. ....	100
	Frodistri S.A. ....	100	SPAIN	Bonastre S.A. ....	100
	Intertool France S.A. ....	100		Sandvik Española S.A. ....	100
	Le Burin S.A. ....	100	SWITZERLAND	Sandvik AG .....	100
	Morgon S.A. ....	100		Santrade Ltd. ....	100
	Safety S.A. ....	100	TAIWAN	Sandvik Taiwan Ltd. ....	100
	Sandvik Aciers S.N.C. ....	100		Titan (Taiwan) Pty. Ltd. ....	100
	Sandvik Bahco S.A. ....	100	THAILAND	Svenska Trading Co. Ltd. ....	49
	Sandvik Coromant S.N.C. ....	100	U.K.	Metinox Steel Ltd. ....	100
	Sandvik Hard Materials S.A. ....	100		Osprey Metals Ltd. ....	100
	Sandvik Outillage S.N.C. ....	100		Sandvik Band Saws Ltd. ....	100
	Sandvik Process Systems S.A. ....	100		Sandvik Hard Materials Ltd. ....	100
	Sandvik Rock Tools S.N.C. ....	100		Sandvik Ltd. ....	100
	Sandvik S.A. ....	100		Sandvik Process Systems Ltd. ....	100
	Sandvik Tobler S.A. ....	100		Sandvik Rock Tools Ltd. ....	100
	SKF Tools S.A. ....	80		SKF & Dormer Tools (Sheffield) Ltd. ....	79
	Société Gunther & Co. ....	80		SKF & Dormer Tools UK Sales Ltd. ....	80
	Ugicarb S.N.C. ....	100		Sterling Tubes Ltd. ....	100
GERMANY	Belzer-Dowidat GmbH .....	100	SWITZERLAND	Titex Tools Ltd. ....	80
	Gusab Federdraht Vertriebsges.m.b.H. ....	100	U.S.A.	Lindström America Inc. ....	100
	Günther & Co. GmbH & Co. ....	80		Pennsylvania Extruded Tube Co. ....	70
	Ilix Präzisionswerkzeuge GmbH .....	80		Sandvik Inc. ....	100
	Prototyp-Werke GmbH .....	80		Sandvik Latin America Inc. ....	100
	Sandvik Automation GmbH .....	100		Sandvik Milford Corp. ....	100
	Sandvik Hard Materials GmbH .....	100		Sandvik Process Systems Inc. ....	100
	Sandvik Kosta GmbH .....	100		Sandvik Rhenium Alloys Inc. ....	100
	Sandvik Process Systems GmbH .....	100		Sandvik Rock Tools Inc. ....	100
	SKF Werkzeuge GmbH .....	80		Sandvik Seamco Inc. ....	100
	TOP Präzisionswerkzeuge GmbH .....	80		Sandvik Special Metals Corp. ....	100
	Widia Bergbauwerkzeuge GmbH .....	100		Sandvik Windsor Corp. ....	100
HONGKONG	Sandvik Hongkong Ltd. ....	100		SKF Tools Corporation .....	80
IRELAND	Sandvik Ireland Ltd. ....	100		Union Butterfield Corporation .....	80

# APPROPRIATION OF PROFITS, ETC.

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The Board proposes to the Annual General Meeting a split of 5 new shares for 1 old share held, to be implemented in June. The Board also proposes to the Annual General Meeting that it approve a directed issue of new shares, amounting to not more than 1,200,000 "C" shares.

## RECOMMENDED APPROPRIATION OF PROFITS

The Board and the President propose that

the surplus brought forward from the preceding year .....	2,001,452,512
and the profit for 1992 .....	<u>3,808,872,317</u>
	SEK 5,810,324,829

be appropriated as follows:

a dividend of SEK 9.50 per share .....	519,201,372
carried forward to the next account .....	<u>5,291,123,457</u>
	SEK 5,810,324,829

Sandviken, 5 March 1993

Percy Barnevik  
Chairman

Bo Boström

Lars-Ove Håkansson

Göran Lindstedt

Lars Malmros

Hans-Eric Ovin

Sven Ågrup

Per-Olof Eriksson  
President

Our Audit Report was submitted on 24 March 1993

Bo Fridman  
Authorized Public Accountant

Nils-Axel Frisk

## AUDIT REPORT

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### AUDIT REPORT FOR SANDVIK AKTIEBOLAG

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the board and the president for 1992. The examination was carried out in accordance with generally accepted auditing standards.

### PARENT COMPANY

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

We recommend

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

### GROUP

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

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

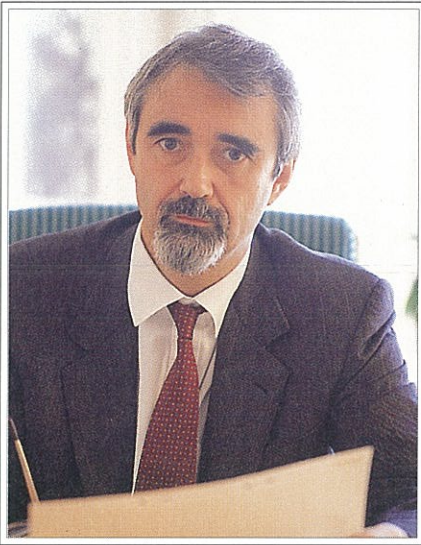
Sandviken, 24 March 1993

Bo Fridman  
Authorized Public Accountant

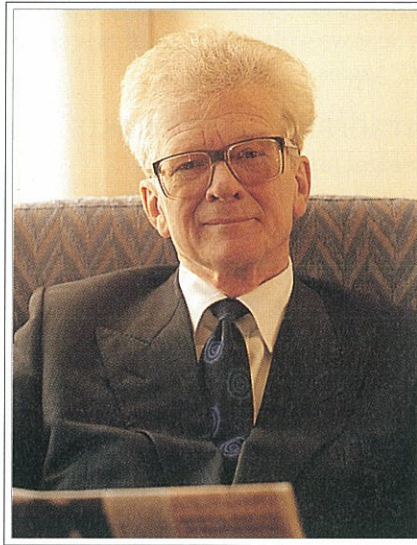
Nils-Axel Frisk

# DIRECTORS AND AUDITORS

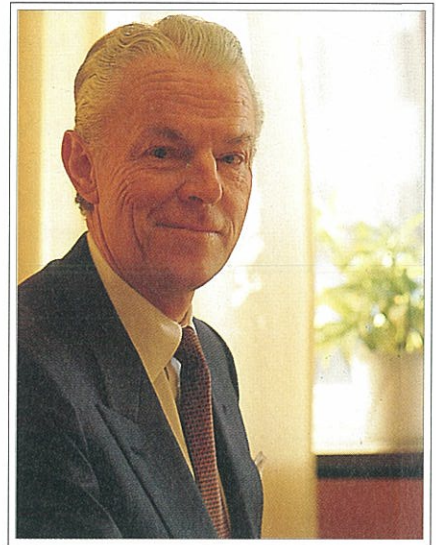
## BOARD OF DIRECTORS



Percy Barnevik, Chairman, Zurich, b. 1941. President and Chief Executive Officer of ABB Asea Brown Boveri Ltd. Chairman of the Board of Skanska AB. Director of E.I. du Pont de Nemours and Company and Investor AB. Chairman of the Board of Sandvik AB since 1983. Sandvik shares: 10,000



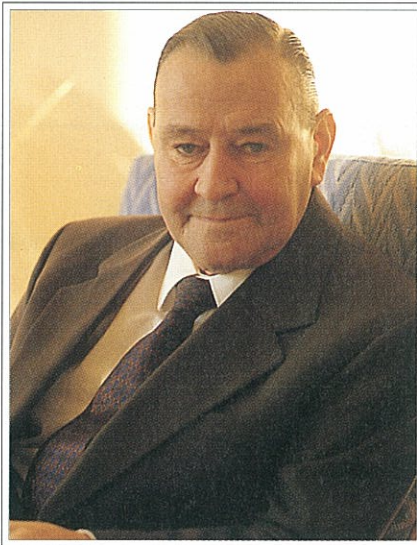
Lars Malmros, Hon. Doctor of Technology, Deurle, Belgium, b. 1927. President of Techman NV, Deurle, Belgium. Chairman of the Board of the Swedish Institute of Production Engineering Research. Director of Perstorp AB, ASG AB, VME Group NV, IBEL, Antwerp, and BBL, Ghent. Director of Sandvik AB since 1983.



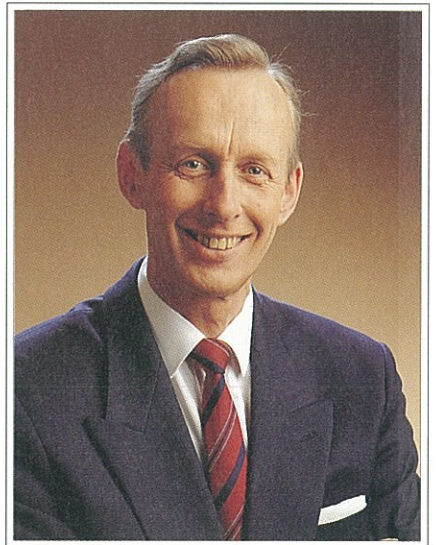
Sven Ågrup, Lidingö, b. 1930. Chairman of the Board of AGA AB. Director of AB Volvo, Telefon AB LM Ericsson, Handelsbanken and Tetra Laval Group. Director of Sandvik AB since 1983.



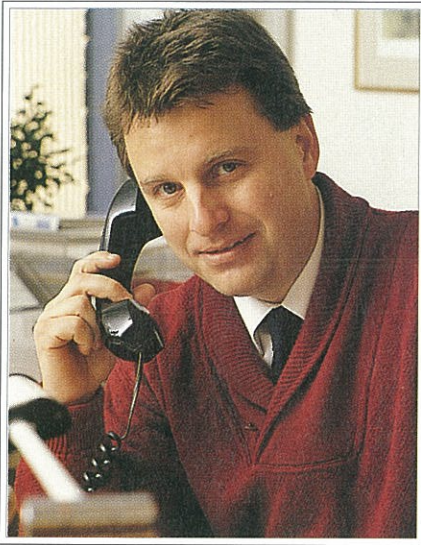
Lars-Ove Håkansson, Danderyd, b. 1937. Chairman of the Board of JM Byggnads och Fastighets AB. Deputy Chairman of the Board of Industri AB Euroc. Director of Banister Inc., Canada, Graningeverkens AB, Handelsbanken, Investment AB Cardo and AB SKF. Director of Sandvik AB since 1989.



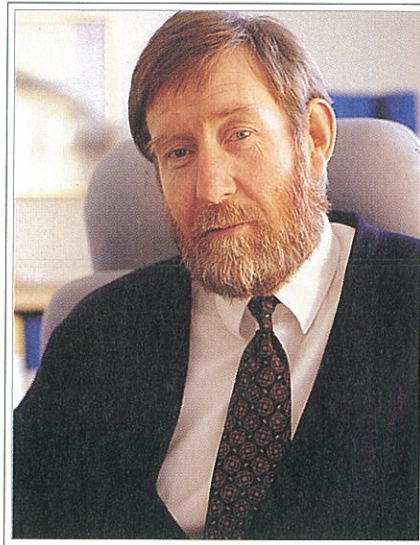
Hans-Eric Ovin, Malmö, b. 1928. Chairman of the Boards of Bra Böcker AB, Scan Coin AB, Stena AB and AB IRO. Director of AGA AB, AB Enterprise, Stena Metall AB and AB Volvo Penta. Director of Sandvik AB since 1976.



Per-Olof Eriksson, Sandviken, b. 1938. President and Chief Executive Officer of Sandvik AB. Chairman of the Board of Svenska Kraftnät. Director of the Federation of Swedish Industries, Handelsbanken, SSAB Svenskt Stål AB and AB SKF. Director of Sandvik AB since 1984. Sandvik shares: 20,000.



Bo Boström, Åshammar, b. 1949.  
Chairman, AB Sandvik Steel Union  
Committee, Metal Workers' Union,  
Sandviken.  
Director of Sandvik AB since 1988.  
(Employee representative)

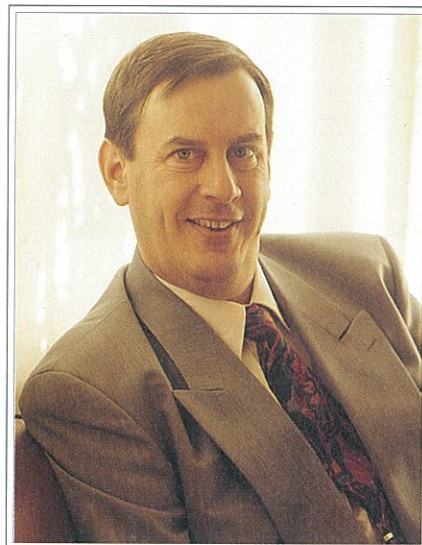


Göran Lindstedt, Sandviken, b. 1942.  
Deputy Chairman, Sandvik AB Union  
Committee, Industrial Salaried Employees'  
Association.  
Director of Sandvik AB since 1989.  
(Employee representative)  
Sandvik shares: 25

#### DEPUTY MEMBERS



Eino Honkamäki, Gimo, b. 1943.  
Director of Sandvik AB since 1974.  
(Employee representative)  
Sandvik shares: 498



Anders Sjödén M.S.c.,  
Sandviken, b. 1947  
Director of Sandvik AB since 1992.  
(Employee representative)  
Sandvik shares: 63

#### AUDITORS

Bo Fridman,  
Stockholm,  
Authorized Public Accountant

Nils-Axel Frisk,  
Stockholm

##### *Deputies*

Lars Svantemark,  
Stockholm,  
Authorized Public Accountant

Bernhard Öhrn,  
Stockholm,  
Authorized Public Accountant

# GROUP EXECUTIVE MANAGEMENT, GROUP STAFFS AND SERVICE COMPANIES

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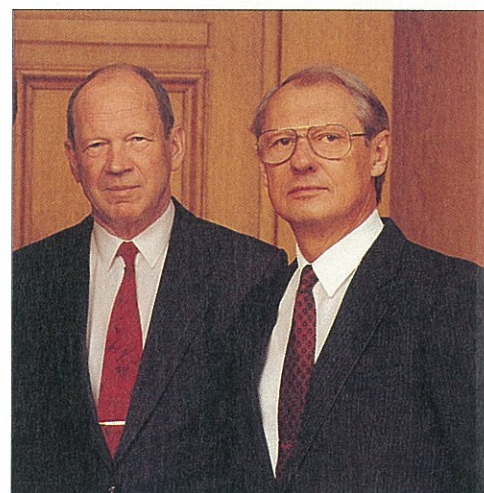
*Lars Östholm (left) and Ebbe Bengtsson (to 31 Dec. 1992), Executive Vice Presidents.*



*From left: Börje Andréasson, President (to 28 Feb. 1993), AB Sandvik Central Service, and Peter Lundh, President, AB Sandvik Information Systems.*



*From left: Carl Lindberg, Public Affairs; Hans Mårtensson, Research and Development (from 1 Jan. 1993), and Olof Gumaelius, Subsidiary Affairs (from 1 Jan. 1993).*



*From left: Stig Åhlander, Taxes and Risk Management, and Olle Cederlund, Finance.*

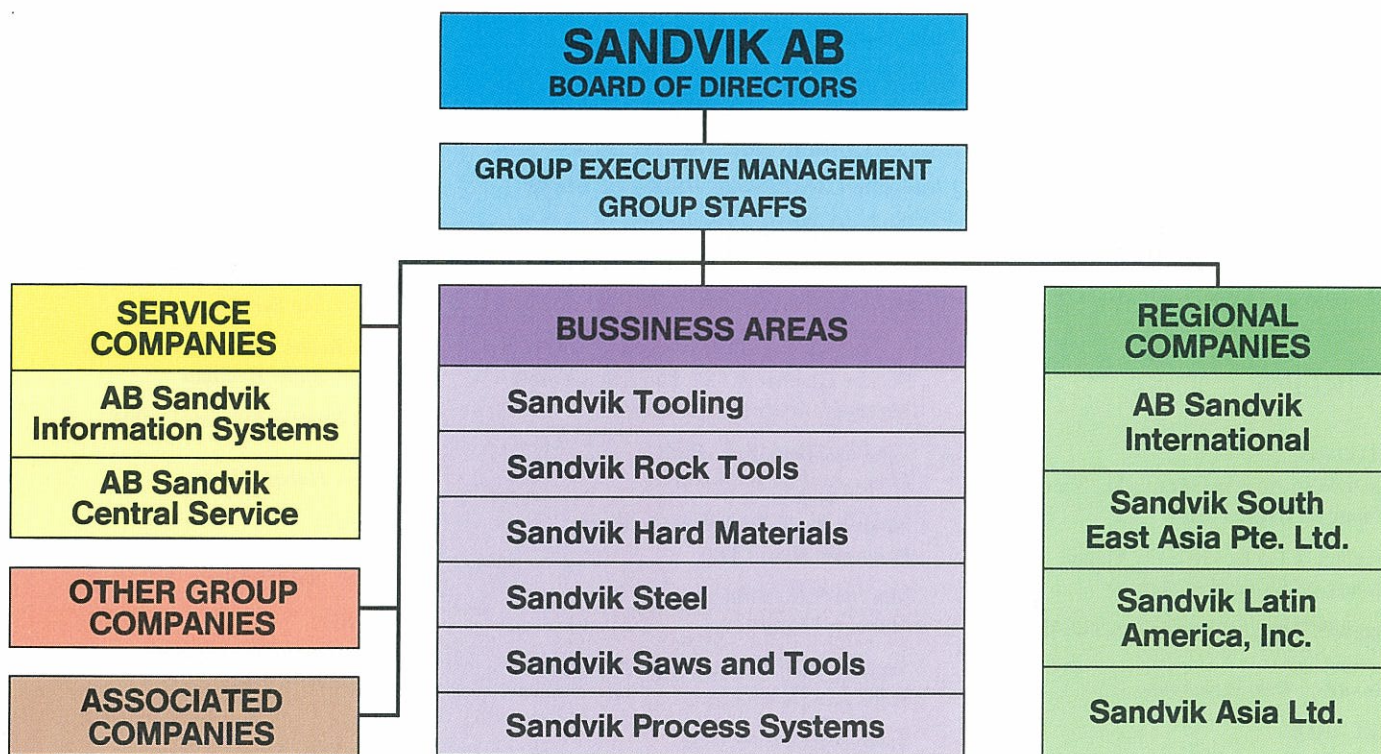


*From left: Anders Vrethem, Controller, and Lennart Höög, Personnel.*



*From left: Malcolm Falkman, Legal Affairs, and Björn Jonson, Market Communications.*

# ORGANIZATION



## BUSINESS AREAS

The basis of the Sandvik organization is provided by six separate business areas that answer for the development, production and sale of the Group's products. Each business area maintains subsidiaries of its own or has divisions of a joint Sandvik company in each major market. Sandvik Tooling is divided into Business Sectors, the three larger being Sandvik Coromant, CTT Tools and Sandvik Automation.

## REGIONAL COMPANIES

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

**AB Sandvik International**, headquartered in Sandviken, is responsible for marketing in the former Soviet Union, Eastern Europe, the People's Republic of China, the Middle East, and Africa apart from South Africa.

**Sandvik Latin America, Inc.**, located in Miami, Florida, U.S.A., is responsible for marketing in Latin America other than Mexico, Argentina and Brazil and, from 1993, also Chile.

**Sandvik South East Asia Pte. Ltd.**, which has its head office in Singapore, is responsible for the marketing of the Group's products in South East Asia.

**Sandvik Asia Ltd.**, Poona, India, develops, produces and markets cemented-carbide products in India, Sri Lanka, Bhutan and Nepal.

## 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 subsidiaries 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, 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 Group Companies" covers companies or company groupings that are under the direction of the Group Executive Management and have market strategies distinct from those of the six business areas.

Sandvik's Board of Directors, Group Executive Management, Group Staff Managers and Service Company Presidents are presented on pages 42-44.

# BUSINESS UNITS

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*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 60 countries through 200 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 more important operating business units are listed below.*

## EUROPE

### AUSTRIA

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

Günther & Co Ges.m.b.H., Vienna  
Manager: *Eckhard Planegger*

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

### BELARUS

Sandvik-Bisov, Minsk  
Manager: *Roger Alfredsson*

### BELGIUM

Sandvik Benelux, Brussels  
Manager: *Georges Verhoeven*

Dormer Tools N.V./S.A.\*, Mortsel  
Manager: *Ben Luyckx*

### BULGARIA

AB Sandvik International  
Representative Office, Sofia  
Manager: *Miroslav Markov*

### CZECH REPUBLIC

Sandvik Czechoslovakia Ltd., Prague  
Manager: *Otto Kames*

### DENMARK

Sandvik A/S, Copenhagen  
Manager: *Jens Aage Jensen*

Sandvik Hard Materials A/S,  
Espergaerde  
Manager: *Roland Setterberg*

### FINLAND

Suomen Sandvik Oy, Helsinki  
Manager: *Kalevi Hellstén*

### FRANCE

Sandvik S.A., Orléans  
Manager: *André Baron*

Sandvik Coromant, Orléans  
Manager: *André Baron*

Dormer Tools S.A.\*, L'HayLesRoses  
Manager: *Fabio Giadrossi*

Société Gunther & Co., SoultSousForets  
Manager: *Louis Blangenwitsch*

Sandvik Tobler S.A., Paris  
Manager: *Corado Ponta*

Sandvik Rock Tools S.N.C., Viriat  
Manager: *Hans Gass*

Morgon S.A., Viriat  
Manager: *Hans Gass*

Sandvik Hard Materials S.A., Epinouze  
Manager: *Hans Gass*

Sandvik Aciers, Orléans  
Manager: *Udo Vogt*

Sandvik Outillage, Orléans  
Manager: *Dominique van Straelen*

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

### GERMANY

Sandvik GmbH, Düsseldorf  
Manager: *Johan Sörensen*

Sandvik Coromant, Düsseldorf  
Manager: *Johan Sörensen*

CTT Management GmbH\*,  
Frankfurt/Main  
Manager: *Anders Ilstam*

Dormer Tools GmbH\*, Erkrath  
Manager: *Dick Geerlings*

Günther & Co GmbH & Co,  
Frankfurt/Main  
Manager: *Klaus Scholl*

Prototyp-Werke GmbH, Zell-Harmersbach  
Manager: *Anders Ilstam*

Ilix Präzisionswerkzeuge GmbH,  
Frankfurt/Main  
Manager: *Thierry Scheidegger*

TOP Präzisionswerkzeuge GmbH,  
Frankfurt/Main  
Manager: *Klaus Dreisbach*

Sandvik Automation GmbH, Viernheim  
Manager: *Paul Reach*

Sandvik Kosta GmbH, Renningen  
Manager: *Johann Taps*

Sandvik Rock Tools, Düsseldorf  
Manager: *Ulrich Fezer*

Sandvik Hard Materials GmbH,  
Düsseldorf  
Manager: *Wit Horsten*

Sandvik Steel, Düsseldorf  
Manager: *Roland Grosse*

Sandvik Belzer, Wuppertal  
Manager: *Åke Sundby*

Sandvik Belzer Vertrieb, Wuppertal  
Manager: *Björn Hedlund*

Sandvik Process Systems GmbH,  
Fellbach  
Manager: *Håkan Olofsson*

### HUNGARY

Sandvik in Hungary Ltd., Budapest  
Manager: *Johann Sulak*

### IRELAND

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

### ITALY

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

Sandvik Coromant, Milan  
Manager: *Pietro Caligari*

Dormer Tools S.p.A.\*, Trezzano S/N  
Manager: *Fabrizio Resmini*

Master Tools S.p.A.\*, Rovereto  
Manager: *Håkan Larsson*

Sandvik Rock Tools, Milan  
Manager: *Ezio Fogliata*

Sandvik Hard Materials, Milan  
Manager: *Giorgio Morani*

Sandvik Steel, Milan  
Manager: *Pier Giorgio Martellozzo*

Sandvik Saws and Tools, Milan  
Manager: *Marco Schirinzi*

Sandvik Process Systems S.p.A., Milan  
Manager: *Roberto de Gasperin*

### NETHERLANDS

Sandvik Benelux B.V., Schiedam  
Manager: *George Verhoeven*

Dormer Tools B.V.\*, Veenendaal  
Manager: *Ingemar Broström*

Sandvik Saws and Tools Benelux B.V.,  
Helmond  
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: Lars Östholm

Sandvik ObergueLimas e  
Mecânica Lda, Porto  
Manager: Michael Hermansson

## ROMANIA

AB Sandvik International  
Representative Office, Bucharest  
Manager: Edith Neuhardt

## RUSSIA

Sandvik Moscow  
Representative Office, Moscow  
Manager: Sven-Erik Bredenber

## SLOVAKIA

AB Sandvik International Representative  
Office, Bratislava  
Manager: Otto Kames

## SPAIN

Sandvik Española S.A., Madrid  
Manager: Björn von Malmborg

Bonastre S.A., Barcelona  
Manager: Björn von Malmborg

## SWEDEN

Sandvik AB, Sandviken  
Group CEO: Per-Olof Eriksson

AB Sandvik Coromant, Sandviken  
Manager: Clas Åke Hedström

AB Sandvik Rock Tools, Sandviken  
Manager: Lars-Anders Nordqvist

AB Sandvik Hard Materials, Stockholm  
Manager: Lars Wahlqvist

AB Sandvik Steel, Sandviken  
Manager: Gunnar Björklund

AB Sandvik Saws and Tools, Sandviken  
Manager: Göran Gezelius

AB Sandvik International, Sandviken  
Manager: Svante Lindholm

Sandvik Coromant Norden AB,  
Kista  
Manager: Sven Flodmark

Dormer Tools AB\*, Halmstad  
Manager: Mats Christenson

Sandvik Automation Norden AB,  
Västerås  
Manager: Sven Flodmark

Sandvik Rock Tools Svenska  
Försäljnings AB, Sandviken  
Manager: Gunnar Anell

Sandvik Hard Materials Norden AB,  
Örebro  
Manager: Roland Setterberg

Sandvik Stål Försäljnings AB, Kista  
Manager: Åke Landblom

Edmeston AB, Göteborg  
Manager: Christer Andersson

Guldsmedshytte Bruks AB, Storå  
Manager: Åke Martinson

Gusab Stainless AB, Mjölby  
Manager: Åke Axelson

AB Sandvik Bahco, Enköping  
Manager: Sture Lestander

Sandvik Bahco Norden AB, Enköping  
Manager: Per Törnell

AB Sandvik Hand Tools, Bollnäs  
Manager: Karl Erik Forsberg

AB Sandvik Metal Saws, Lidköping  
Manager: Staffan Larsson

AB Sandvik Belts, Sandviken  
Manager: Rolf Hemlin

AB Sandvik Central Service, Sandviken  
Manager: Björn Sköld

AB Sandvik Information Systems,  
Sandviken  
Manager: Peter Lundh

## SWITZERLAND

Sandvik AG, Zurich  
Manager: Mikael Mott

Santrade Ltd., Lucerne  
Manager: Mikael Mott

## UNITED KINGDOM

Sandvik Ltd., Birmingham  
Manager: David Shail

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

Dormer Tools Ltd.\*, Sheffield  
Manager: Rob Knol

Dormer Tools (Sheffield) Ltd.\*, Sheffield  
Manager: Göran Hjertstedt

Titex Tools Ltd., Halesowen  
Acting Manager: Horst Mack

Sandvik Rock Tools Ltd., Nuneaton  
Manager: Anders Hägglund

Sandvik Hard Materials Ltd., Coventry  
Manager: Malcolm Clegg

Sandvik Steel U.K., Birmingham  
Manager: Ludvig Åkerhielm

Sterling Tubes Ltd., Walsall  
Manager: W.M. Good

Metinox Steel Ltd., Sheffield  
Manager: Hugh C. Firth

Sandvik Saws and Tools U.K.,  
Birmingham  
Manager: Björn Carlsson

Sandvik Process Systems Ltd.,  
Birmingham  
Manager: Gerald Garbett

## NORTH AMERICA

### CANADA

Sandvik Canada, Inc., Mississauga, Ont.  
Manager: Per-Olof Eriksson

Dormer Tools Canada Limited\*,  
Mississauga, Ont.  
Manager: Richard Tunstill

Sandvik Tube Arnprior, Ont.  
Manager: Tom Moylan

Sandvik Process Systems Canada,  
Guelph, Ont.  
Manager: Colin Crane

### UNITED STATES

Sandvik, Inc., Fair Lawn, NJ  
Manager: Bengt Nelson

Sandvik Coromant Company,  
Fair Lawn, NJ  
Manager: James Baker

Dormer Tools Corporation\*, Asheville, NC  
Manager: Richard Tunstill

Union Butterfield Corporation,  
Asheville, NC  
Manager: Adrian Waple

Sandvik Rock Tools, Inc., Houston, TX  
Manager: Olof A. Lundblad

Sandvik Hard Materials Company,  
Detroit, MI  
Manager: Gunnar Frisk

Sandvik Steel Company, Scranton, PA  
Manager: Edward Nuzzaci

Pennsylvania Extruded Tube Co.,  
Scranton, PA  
Manager: A.J. Puza

Sandvik Rhenium Alloys, Inc.,  
Elyria, OH  
Manager: Jan C. Carlén

\* This new name will be introduced during 1993

Sandvik Special Metals Corp.,  
Kennewick, WA  
*Manager: Kirk P. Galbraith*

Sandvik Saws and Tools Company,  
Scranton, PA  
*Manager: Bill Lavelle*

Sandvik Milford Corp., Branford, CT  
*Manager: Peter Renwick*

Sandvik Windsor Corp., Milan, TN  
*Manager: Rob Payne*

Sandvik Process Systems, Inc.,  
Totowa, NJ  
*Manager: Giancarlo Tazzioli*

Sandvik Seamco Systems, Louisville, KY  
*Manager: Herman Miedel*

Sandvik Latin America, Inc.,  
Coral Gables, FL  
*Manager: José Parra*

## LATIN AMERICA

ARGENTINA  
Sandvik Bahco Argentina S.A.  
Buenos Aires  
*Manager: Björn Karlsson*

BRAZIL  
Sandvik do Brasil S.A., São Paulo  
*Manager: Nils Miholich*

SKF Ferramentas S.A., São Paulo  
*Manager: Antonio Altobello*

CHILE  
Sandvik Chile S.A., Santiago  
*Manager: Hamns Knorr*

COLOMBIA  
Sandvik Colombia S.A., Bogotá  
*Manager: Victor Manuel Angel*

MEXICO  
Sandvik de México S.A. de C.V.,  
Mexico, D.F.  
*Manager: José Parra*

PERU  
Sandvik del Perú S.A., Lima  
*Manager: Juan Retamozo*

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

## AFRICA

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

KENYA  
Sandvik Kenya Ltd., Nairobi  
*Manager: Jan Nord*

MOROCCO  
Sandvik Maroc S.A., Mohammédia  
*Manager: Thierry Proner*

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

ZAMBIA  
Sandvik (Zambia) Ltd., Ndola  
*Manager: Stig Svensson*

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

## ASIA

CHINA  
AB Sandvik International  
Representative Office, Beijing  
*Manager: Jim Stevenson*

HONGKONG  
Sandvik Hongkong Ltd., Hongkong  
*Manager: Lawrence Kwok*

INDIA  
Sandvik Asia Ltd., Poona  
*Manager: Wilhelm Sebardt*

JAPAN  
Sandvik K.K., Kobe  
*Manager: Anders Wallin*  
  
Sandvik Saws and Tools K.K.,  
Yokohama  
*Manager: Isao Yamamoto*

KOREA  
Sandvik Korea Ltd., Seoul  
*Manager: Åke Friberg*

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

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

SINGAPORE  
Sandvik South East Asia Pte. Ltd.,  
Singapore  
*Manager: Rolf Palmen*

TAIWAN  
Sandvik Taiwan Ltd., Taipeh  
*Manager: Wendell Wang*

Titan (Taiwan) Pty Ltd., Chung Li  
*Manager: Rudy Lu*

THAILAND  
Sandvik Thailand Ltd., Bangkok  
*Manager: Jan Rosin*

TURKEY  
Sandvik Istanbul Tiçaret Ltd., Şti.,  
Istanbul  
*Manager: Göran Wretås*

## AUSTRALASIA

AUSTRALIA  
Sandvik Australia Pty. Ltd., Sydney  
*Manager: Peter Edwards*

Sandvik Hard Materials Pty. Ltd.,  
Newcastle  
*Manager: David MacDonald*

NEW ZEALAND  
Sandvik New Zealand Ltd., Pakuranga  
*Manager: Mark Thompson*

These data are valid as of March 1993

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## ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Folkets Hus in Sandviken on Thursday, 13 May 1993, 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 10 May 1993 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 3 May 1993. A shareholder who has had his shares registered as held in trust must have them temporarily re-registered with the VPC in his own name not later than 3 May 1993 to establish his right to attend the Meeting.

## PAYMENT OF DIVIDEND

The Board and the President propose that the Meeting approve a dividend of SEK 9.50 per share for 1992. 18 May 1993 is proposed as the record day. If this proposal is adopted by the Meeting it is expected that dividends will be ready for remittance by 26 May 1993. Dividends will be sent to those who on the record day are entered in the Share Register or on the separate List of Assignees, etc. Dividends will be remitted from the Securities Register Centre. To facilitate the distribution, shareholders who have moved should report their change of address to their bank or to Värdepapperscentralen VPC AB, S-171 18 Solna, in good time before the record day.

## FINANCIAL INFORMATION

Year-end Report	March
Annual Report	April
First-Quarter Report	May
Semi-Annual Report	August
Third-Quarter Report	November

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

## KEY FIGURES

	1992	1991	1990	1989	1988	1987	1986	1985
Invoiced sales, SEK m. ....	<b>17,217</b>	17,558	18,256	18,769	16,413	13,241	12,721	12,518
Profit after financial income and expenses, SEK m. ....	<b>1,532</b>	1,920	2,693	2,863	2,905	1,893	1,740	1,629
Profit after non-recurring income and expenses, SEK m. ....	<b>1,497</b>	1,776	2,836	3,065	2,848	1,915	1,710	1,628
Earnings per share, SEK .....	<b>21.30</b>	26.70	34.50	34.15	29.85	19.10	15.85	14.90
Dividend per share (1992: as proposed, SEK) .....	<b>9.50</b>	9.00	8.50	7.50	6.00	4.25	3.50	2.62
Equity capital after proposed dividend, SEK m. ....	<b>13,159</b>	12,203	11,537	9,657	7,220	5,973	5,119	4,349
Solidity, % .....	<b>59<sup>1</sup></b>	57	54	46	37	37	35	34
Debt/equity ratio .....	<b>0.2<sup>1</sup></b>	0.3	0.4	0.6	0.8	0.8	1.0	1.1
Rate of capital turnover, % .....	<b>75</b>	76	80	87	87	82	87	93
Liquid assets, SEK m. ....	<b>4,869<sup>1</sup></b>	4,814	5,251	4,896	4,767	4,245	3,776	2,866
Return on equity capital after tax, % .....	<b>9.3</b>	12.3	17.8	22.1	24.7	18.7	18.1	20.4
Return on capital employed, % .....	<b>10.3</b>	13.1	17.6	21.7	25.1	21.3	21.8	21.3
Investment:								
- in property, plant and equipment, SEK m. ....	<b>886</b>	1,021	1,161	1,116	775	675	669	548
- in all, SEK m. ....	<b>1,311</b>	1,761	1,715	2,174	2,742	1,422	1,099	552
Cash flow, SEK m. ....	<b>1,661</b>	882	1,486	652	-686	553	1,099	1,185
Average number of employees .....	<b>25,599</b>	25,315	26,373	26,881	26,180	24,380	24,033	23,095

<sup>1</sup> Including CTT Tools. All other data are shown excluding CTT Tools.

The key figures for 1985-1991 have been revised in order to be adjusted to the accounting principles that were valid from 1992. Earnings per share have been calculated assuming full conversion.

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

