



Annual Report 1994

SANDVIK

SANDVIK AKTIEBOLAG; (publ) Annual Report 1994

Corporate identity number 556000-3468

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COVER

The Sandvik Group's head office in Sandviken, Sweden. The oldest wing of the building, to the right in the photo, was built around the turn of the century. The largest extension was carried out in 1931, when the entire section seen at the left was added.

Highlights of 1994

Year characterized by very high demand.

Order intake rose 22% during the year.

Invoiced sales increased by 16%.

Profit after financial items amounted to SEK 3,811 m., the highest in the Group's history.

Dividend increase of 67% proposed.

	1994	1993
Order intake, SEK m.	27 087	22 128
Invoiced sales, SEK m.	25 285	21 770
of which outside Sweden, %	93	93
Profit after financial income and expenses, SEK m.	3 811	1 764
Return on net assets, %	21.7	12.0
Return on equity capital after tax, %	17.9	9.3
Earnings per share, SEK	9.20	4.50
Dividend per share, SEK	3.75*	2.25
Number of employees, 31 Dec.	29 450	26 869

* proposed

Sandvik at a glance



Sandvik is an international, high-technology materials engineering group mainly concerned with cemented carbide, steel, tools, rockdrilling equipment and process systems.

The Sandvik plant in Sandviken occupies an area of approximately four km², making it one of the largest industrial complexes in Sweden. The plant is located on the shore of Lake Storsjön in Gästrikland county.

The Sandvik Group, headquartered in Sandviken, one of Sweden's largest exporting enterprises, is active worldwide, with 200 companies in 60 countries. The Group has annual sales of approximately SEK 25 billion, with 30,000 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

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. Seco Tools, an autonomous group of companies listed separately on the Stockholm Stock Exchange, is also included in the concern.

Sandvik is the world's largest manufacturer of cemented-carbide products. These are mainly of three types: tools for chip-forming metalworking, rockdrilling tools, and wear parts and unmachined cemented-carbide blanks. Cemented carbide is a powder-metallurgical product, in contrast to steel, for example, and is extremely hard but nevertheless tough. The starting stock is a carefully formulated powder consisting of wear-resistant carbides with a tough metal as a binder.

As a complement to cemented-carbide, Sandvik develops and manufactures products in other hard materials, such as ceramics.

Sandvik is also a leading producer of tubes, strip, wire and bar in stainless and high-alloy special steels, high-speed steel tools, saws and other tools, and conveyor and 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. On average, it reinvests at least 4% of its aggregate sales into research and the development of new products and production methods.

SANDVIK AND THE ENVIRONMENT

We consider matters concerning the effects of our business activities on the environment and health and safety to be an integral part of the overall management process.

In reviewing activities affecting the environment, our decisions will be guided by what is technically feasible, economically reasonable and ecologically justified.

We will conduct our activities in such a way as to avoid harm to the health of our employees and others.

We will comply with legislative requirements, agreements and recognized good practice regarding the environment and health and safety in those countries in which we conduct operations.

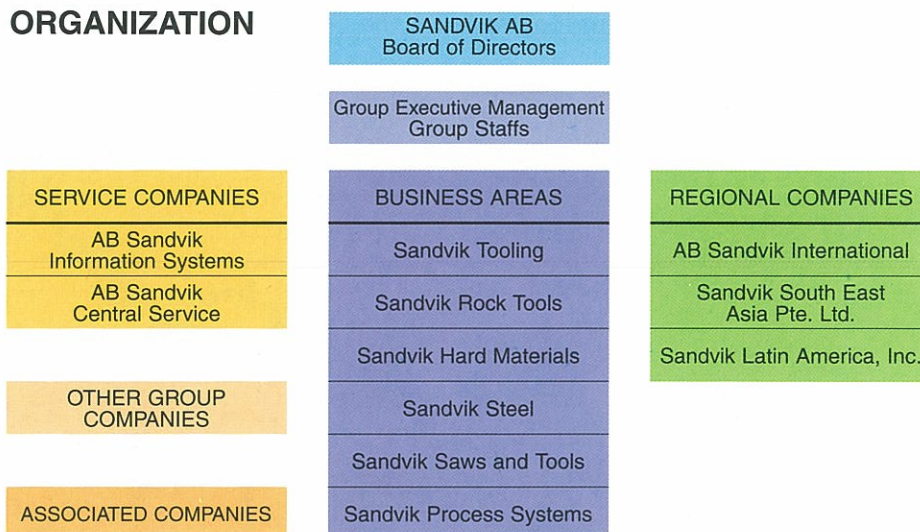
We will seek to further improve our operations and products with respect to impact on the environment and health and safety. In pursuit of these objectives, we aim to minimize the use of energy, scarce resources and materials which are harmful to people or the environment.

We will encourage our suppliers and subcontractors to apply environmental and health and safety standards which are fully compatible with our own.

We believe that common standards on environmental performance should be established at an international level and we will cooperate with others in the development of improved regulations and industry standards.

We will support our employees in implementing this policy.

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 three business sectors: Sandvik Coromant, CTT Tools and Sandvik Automation.

Regional companies

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

AB Sandvik International, headquartered in Sandviken, is responsible for marketing in Russia and other CIS countries, eastern Europe, 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, Brazil and Chile.

Sandvik South East Asia Pte. Ltd., which has its head office in Singapore, sees to the marketing of the Group's products in Southeast Asia.

Service companies

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

AB Sandvik Central Service is mainly active in the areas of logistics, personnel, accounting, training, 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

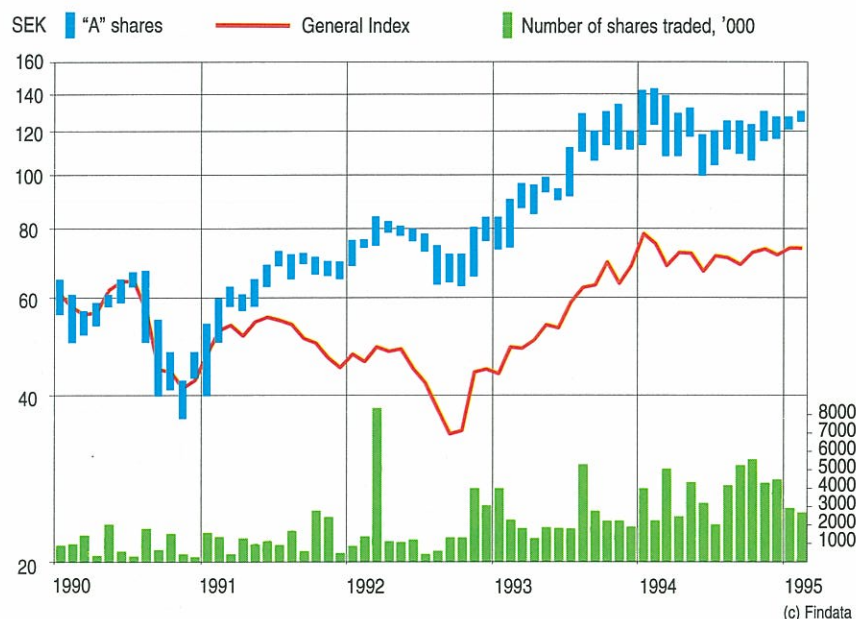
Sandvik's organization also embraces a number of associated companies whose activities for the most part pertain to one of the business areas.

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 area.

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

The Sandvik share

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



Per-share data, SEK	1994	1993	1992	1991	1990
Earnings ¹	9.20	4.50	4.20	5.00	7.40
Earnings after accrued taxes	8.20	5.20	4.50	5.30	7.90
Equity capital after proposed dividend	53.80	49.40	46.90	44.80	42.40
Dividend (1994: as proposed)	3.75	2.25	1.90	1.80	1.70
Direct return ² , %	3.1	1.9	2.3	2.6	3.8
Payout percentage ³ , %	41	46	45	34	25
Quoted prices, "A",					
year's highest	143	134	84	73	67
year's lowest	100	73	63	40	36
at year's end	119	116	82	68	45
Quoted prices, "B",					
year's highest	142	134	84	77	71
year's lowest	99	73	62	41	37
at year's end	119	115	83	69	45
P/E ratio ⁴	12.9	25.8	19.5	13.6	6.1
Quoted price, % of equity capital after proposed dividend ⁵	221	235	174	153	107
Average number of shares traded per day on the Stockholm Stock Exchange, "A"	177 768	93 381	85 820	43 765	31 820
"B"	248 539	180 667	98 770	37 655	22 360
London Stock Exchange, "A"	41 878	92 229	-	-	-
"B"	164 235	208 346	178 970	99 010	62 090

Data regarding prior years have been changed as if the share split 5:1, which was effected in 1993, had already occurred. They have also been revised to reflect the changes of principle which have been applied from 1994

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

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

For additional definitions, see page 39

1 Earnings after estimated full taxation, 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

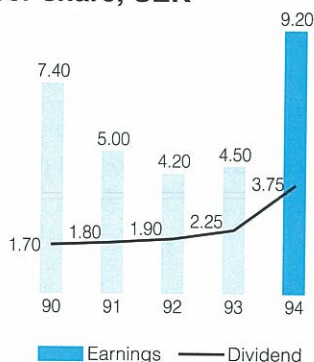
Shareholders

The number of shareholders is about 37,300. The ten largest holders account for 54% of the shares and 66% of the votes. In all, it is estimated that listed corporations, insurance companies, funds and foundations hold 86% of the shares.

Options

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

Earnings and dividend per share, SEK



The largest shareholders of Sandvik AB (December 1994)

	Percentage of voting rights	Percentage of shares
Skanska AB	26.1	20.3
Investment Funds of the Swedish Savings Banks	10.6	10.4
National Swedish Pension Insurance Fund, Fourth Fund Board	7.8	6.2
Svenska Handelsbanken's Pension Foundation	5.0	3.9
SPP The Swedish Staff Pension Society	3.8	3.1
Folksam including AMF-s	3.1	2.4
Skandinaviska Enskilda Banken's Investment Funds	2.6	2.2
Labour Market Insurance AB (AMF-p)	2.5	2.1
Skandia	2.1	1.9
Svenska Handelsbanken's Investment Funds	1.9	1.7
National Swedish Pension Insurance Fund, Fifth Fund Board	1.9	1.5
Nordbanken's Investment Funds	1.7	1.7

Sandvik AB share ownership (December 1994)

Holding	Number of shareholders	As % of all shareholders	Total number of shares	% of share capital	Average number of shares per holder
to 500 shares	25 792	69.1	4 897 073	1.7	190
501-1 000	4 844	13.0	3 949 300	1.4	815
1 001-10 000	5 807	15.6	16 632 726	6.0	2 864
10 001-100 000	671	1.8	19 417 392	7.0	28 938
More than 100 000	182	0.5	233 579 889	83.9	1 283 406
	37 296	100.0	278 476 380	100.0	7 467

Analyses

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

ABB Aros Fondkommission
 ABN-AMRO Securities Scandinavia
 Alfred Berg
 Barclays de Zoete Wedd (UK)
 Carnegie Fondkommission
 Danska Securities, Danske Börs
 Erik Penser Fondkommission
 FIBA Nordic Securities
 Enskilda Corporate
 Goldman, Sachs & Co (UK)
 Handelsbanken
 Hägglöf & Ponsbach Fondkommission
 James Capel & Co (UK)
 Kleinwort Benson Securities (UK)
 Merrill Lynch (UK)
 Morgan Stanley (UK)
 Myrberg & Wiklund
 NatWest Securities
 Paribas Capital Markets (UK)
 Smith New Court (UK)
 Société Générale Equities & Derivatives (France)
 Swedbank Fondkommission
 Swiss Bank Corporation (UK)
 UBS Global Research
 Warburg Securities (UK)
 E Öhman J:or Fondkommission

Letter from the President and CEO

Strategy for expansion

Nineteen ninety-four was a highly favourable year for the Sandvik Group. Economic conditions improved faster than expected and the demand for the Group's products increased considerably. This contributed to favourable earnings, which in absolute terms were the best ever. Based on order intake and sales forecasts from our various areas of operations, we also expect 1995 to be a very good year.

The positive conditions on the international market for the Group's products strengthened steadily during 1994. At year-end virtually all markets were experiencing buoyant trends. It was particularly gratifying to see the economic recovery in Germany, which had a positive impact on other countries in Europe.

Increased capital expenditures

Sandvik's investment rate, which was relatively high even during the recession, increased noticeably and amounted to more than SEK 1,200 million. This includes certain strategic investment decisions aimed at achieving more expansive operations, notably in eastern Europe and China. Examples include:

- in the cemented-carbide area, a majority of the shares in the largest Russian manufacturer, MKTS, was acquired.
- in China, we opened a wholly owned tool plant outside Peking and established a joint-venture company, Qingdao Sandvik Die Cutting Systems, for local manufacture of cutting rules.
- in April, we acquired a plant for the manufacture of stainless tube in the Czech Republic.
- in Poland, we entered into a joint-venture company with the country's largest manufacturer of cemented-carbide tools.

In addition, a number of investment projects were decided on and implemented within various product areas in an effort to increase capacity in existing facilities.

Product and process develop-

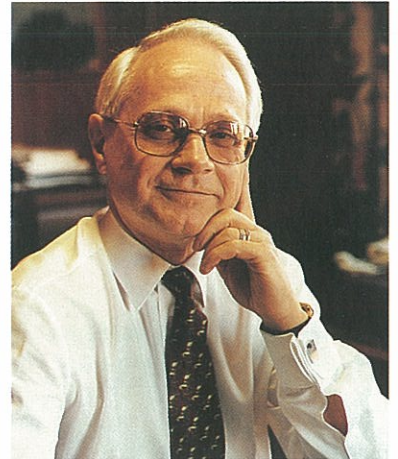
ment continued with unabated intensity and scope. For example, during the year, diamond-coated cemented-carbide tools for metal-working were introduced. These products are based on entirely new manufacturing processes and are expected to gain major importance in future for the machining of light metals and composites.

Positive trend in all business areas

All Sandvik business areas strengthened their market positions and improved their earnings during the past year.

Sandvik Tooling increased its earnings considerably from an already high level. Sandvik Coromant achieved the largest improvement. The primary underlying factor was that the company was well-prepared and was promptly able to meet the strong increase in demand. Considerable productivity improvements were also a decisive factor in the earnings increase. It is also gratifying to note that CTT Tools is now feeling the result of its rationalization programs and reporting a positive operating income.

Sandvik Rock Tools also reported a continuing increase in earnings, thanks to certain market growth and due to the efficiency enhancement of production and distribution. The demand pattern was somewhat varied. Activity in the mining industry improved as a result of rising metal prices, while the construction and civil engineering market experienced weaker growth. Competition among manu-



facturers of rockdrilling tools remained tough due to continuing excess capacity, resulting in pressure on prices.

Sandvik Hard Materials has strengthened its competitive situation during the past years, especially in its main markets in Europe and has made considerable progress in attaining a satisfactory earnings trend. During the year, some shortages of certain raw materials such as tungsten, and to a certain extent, cobalt, began to appear, which led to substantial price increases. However, we have abundant stocks and a fully satisfactory future supply of raw materials.

Sandvik Steel has now entered a strong expansion phase. Although operations resemble those of an engineering company rather than a conventional steel company, we have gained a boost from the upward trend in the steel industry. Prices increased as a result of rising alloy costs, increased demand and extended delivery times in the steel industry. Combined with volume increases and enhanced productivity, this led to a substantial improvement in the earnings of Sandvik Steel.

During the recession, we expanded our manufacturing capacity systematically through investment programs. Despite this, capacity was fully utilized during 1994 in certain product areas, such as stainless-steel strip. A new cold-rolling mill, which was commissioned in Sandviken at the end of the year, provides valuable extra capacity. The newly acquired tube mill in the Czech Republic was also rapidly booked with export orders.

Sandvik Saws and Tools carried out several extensive projects during the past five years in an effort to improve productivity and delivery reliability. These programs, combined with increased demand and sales in almost all markets and product areas, impacted positively on earnings.

A characteristic feature of the operations of *Sandvik Process Systems* during 1994 was its major successes in automatic package-sorting systems in the U.S. A rapid sales increase, as well as the implementation of rationalization measures, contributed to a substantial improvement in earnings. However, demand varied among markets and product areas.

Strategy for the years ahead

During the year, Sandvik opted for a strategy of more rapid expansion in various parts of the world. Against the background of our financial resources and strength, a number of options were discussed for future operations.

Briefly, the selected strategy can be described as a strongly intensified focus on Sandvik's current product and market areas, with a significant increase in the growth rate as the objective.

In addition, we will intensify our efforts in research and development. This involves creating new products as well as investing in new processes, production methods and administrative systems which will add to our competitiveness and which also reduce our costs. Approximately 4% of our revenues

has to date been assigned to the R&D area. Within a few years, this proportion will increase. However, a crucial factor is not merely percentage level but the direction, expertise and intensity.

Higher profits through more rapid growth

The focus on a growth rate exceeding that of the market as a whole will vary in its scope, but will apply in both new expanding markets and markets in transition, as well as in more mature markets. Our objective is that volume growth will be significantly faster than what we achieved during the past decade, when growth averaged about 4% annually.

Asia and the Australia area currently account for 14% of our sales. The ambition is to attain 25% within ten years through a combination of increased corporate presence and acquisitions, as well as through increased exports. We also plan to increase sales in eastern Europe at a rate substantially exceeding the average. The modernization of industry in eastern Europe, both in terms of metal machining and the use of special steel grades, offers new business potential for Sandvik.

The EU and NAFTA (North America and Mexico) will continue to constitute Sandvik's largest market areas, offering favourable growth potential. This applies particularly to Germany, and the U.S., where we have relatively lower market shares. We also expect to increase our shares in other markets, for example, in Japan, Brazil and India.

The planned sales increase will require greater personnel resources, marketing programs, own investments and complementary acquisitions within our current business areas.

This should be possible to implement without noticeably affecting Sandvik's favourable earnings. In the long run, this should lead to an even higher and more stable level of earnings.

In addition, our strategy includes corporate acquisitions in areas which are outside our present business areas but sufficiently close to us in terms of expertise.

Favourable starting point

We have a favourable starting point. Throughout the world we have experienced and highly qualified employees at all levels, as well as modern and advanced manufacturing resources, competitive products and financial strength. This makes us well-equipped to meet new, greater challenges.

Accordingly, there is every possibility that the selected strategy will be successful. The basis of our operations since the company was founded has consisted of research, development and an international presence in extensive cooperation with our customers. We intend to retain and strengthen this tradition.

Sandvik in 1995

We expect a strong world economy in 1995. Although growth in the U.S. may stagnate, this will be offset by continued improvement in Germany with the strong impact on neighbouring countries, improved growth in Japan and continued strong business climate in the rest of Asia. Accordingly, earnings in 1995 are expected to increase compared with 1994.

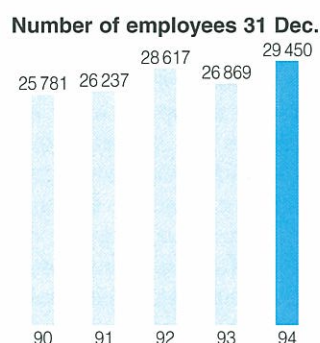
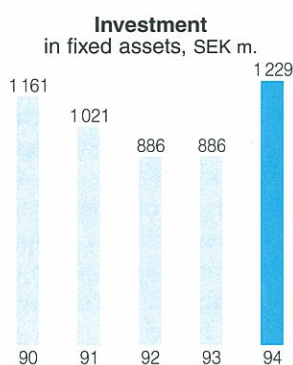
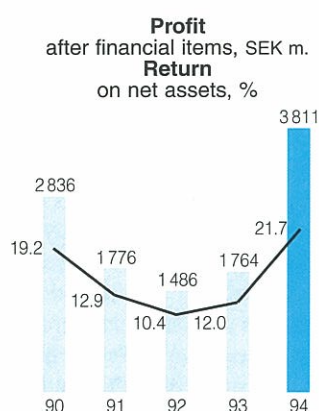
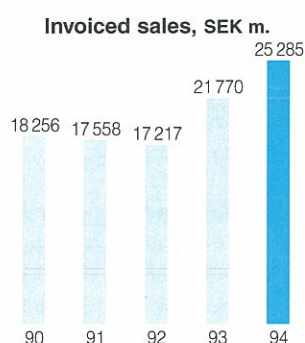
I would like to thank all employees who have wholeheartedly contributed to the highly positive trend for the Group during the past year. Of course, we have been assisted by the upturn in the economy, but it is also important to be able to rapidly adapt when conditions change. I believe that the ability to continually renew, revise and revitalize operations is one of the most important conditions for our continuing success.

Sandviken, March 1995

Clas Åke Hedström
President and CEO

Report of the directors

Group review



Sandvik Group	1994	1993	Change, %
Order intake, SEK m.	27 087	22 128	+22
Invoiced sales, SEK m.	25 285	21 770	+16
Profit after financial items, SEK m.	3 811	1 764	+116

Invoiced sales of the Sandvik Group in 1994 amounted to SEK 25,285 m. (21,770), an increase of 16%. Markets outside Sweden accounted for 93% (93) of sales. The order intake rose during the year and the total at year-end was SEK 27,087 m. (22,128), 22% higher than a year earlier. The increase is mainly due to higher volumes.

Profit after financial income and expenses rose 116% to SEK 3,811 m. (1,764), due mainly to increased volumes and productivity. Return on net assets increased to 21.7% (12.0). Earnings per share, after estimated full tax, were SEK 9.20 (4.50).

The Board of Directors proposes a dividend of SEK 3.75 (2.25) per share.

Structural changes

Sandvik Coromant in the U.S. and the DoALL Company formed a joint-venture company at the beginning of the year, Integrated Supply Inc., for marketing to major customers in the metalworking industry in the U.S. Sandvik owns 50%.

Sandvik Steel in the U.K. acquired 55% of the shares in the steel distributor RGB Stainless Ltd. The company has annual sales of about SEK 300 m.

In April 1994, Sandvik Steel acquired the precision tube division of the Czech company Valcovny Trub Chomutov. Operations are now being conducted in a wholly owned Czech subsidiary, Sandvik Chomutov

Precision Tubes. Sales in 1994 were a modest SEK 130 m., which was well below available capacity. The company, with its main plants in Chomutov in northern Bohemia, has about 500 employees and is a leading producer, for example, of stainless-steel tube for heat exchangers used in the chemical, power and oil/gas industries in eastern Europe.

Sandvik has acquired the majority shareholding in the largest cemented-carbide company in Russia, MKTS (Moskovskij Kombinat Tverdih Splavov), located in Moscow. The technology used is based partly on Sandvik know-how. The company's invoiced sales amounted to about SEK 200 m. in 1993, but due to the economic situation in Russia fell to about SEK 50 m. in 1994. At year-end 1994, MKTS had about 1,100 employees. The acquisition of the shares was effected successively and the company was consolidated from December 31, 1994. MKTS is organized within the Sandvik Tooling Business Area, which has initiated a restructuring of the company.

Sandvik and the Polish group Huta Baildon have formed a joint-venture company, Sandvik Baildonit S.A., in which Huta Baildon's unit for development, manufacturing and sales of cemented-carbide tools is included. The company is located in Katowice and employs about 170 persons. Sales amount to about SEK 40 m. annually. At year-end Sandvik's holding was 16%. This

will be increased under an agreement to 37% during 1995, and the Group has an option to acquire a majority interest.

Sandvik do Brasil and the Brazilian steel group Acesita have formed a joint-venture company, Acesita Sandvik Tubos Inox S.A., for manufacture of welded stainless-steel tube. The base for the company is Sandvik's production unit for welded tube in Rio de Janeiro. The company has about 100 employees and sales of SEK 100 m. Sandvik's holding is 50%.

Sandvik Steel and Qingdao Micromotor Factory, China, have formed a joint venture for production of cutting rules in China based on starting material from Sweden. Sandvik owns 60% of the company. The company's products will be sold by Sandvik's wholly owned subsidiary in China, Sandvik China Ltd.

During the autumn the assets in Sandvik Rhenium Alloys, Inc., in the U.S. were sold and the company's operations were discontinued.

In February 1994, Sandvik reached a preliminary agreement with Fried. Krupp AG Hoechst-Krupp, Essen/Dortmund, covering acquisition of the cemented-carbide operations of Krupp Widia GmbH, Essen. The transaction was subject to the approval of the Bundeskartellamt (Anti-Trust Authority) in Germany. After discussions with the anti-trust authorities, Sandvik, in consultation with Krupp, decided to withdraw the application. The background is that the anti-trust authorities consider that under the current agreement Sandvik would gain a too dominant posi-

Invoiced sales by market area

	1994		1993		Change	
	SEK m.	%	SEK m.	%	%	*
Sweden	1 807	7	1 494	7	+21	(+21)
EU	10 752	43	9 110	42	+18	(+15)
Rest of Europe	1 735	7	1 428	7	+21	(+17)
Total, Europe	14 294	57	12 032	56	+19	(+16)
North America (incl. Mexico)	5 361	21	4 572	21	+17	(+18)
South America	1 359	5	1 210	5	+12	(+21)
Africa, Middle East	641	3	651	3	-2	(-2)
Asia, Australia	3 630	14	3 305	15	+10	(+10)
Group total	25 285	100	21 770	100	+16	(+15)

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

The increase in China, Southeast Asia and Australia was 20-30%. However, the total for the Asia, Australia area amounted to 10% since sales in Japan were unchanged.

Invoiced sales by business area

	1994		1993		Change	
	SEK m.	%	SEK m.	%	%	*
Sandvik Tooling	8 178	32	7 184	33	+14	(+15)
Sandvik Rock Tools	1 955	8	1 812	8	+8	(+8)
Sandvik Hard Materials	1 029	4	893	4	+15	(+15)
Sandvik Steel	7 752	31	6 450	30	+20	(+16)
Sandvik Saws and Tools	2 583	10	2 363	11	+9	(+9)
Sandvik Process Systems	1 603	6	1 190	5	+35	(+35)
Seco Tools	2 159	9	1 853	9	+17	(+17)
Group conjoint activities	26	/	25	/		
Group total	25 285	100	21 770	100	+16	(+15)

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

tion in certain product segments on the German market.

The operations of the Sandvik Automation business sector were reorganized during the year. The R&D unit which was previously based in Germany was transferred to Sweden.

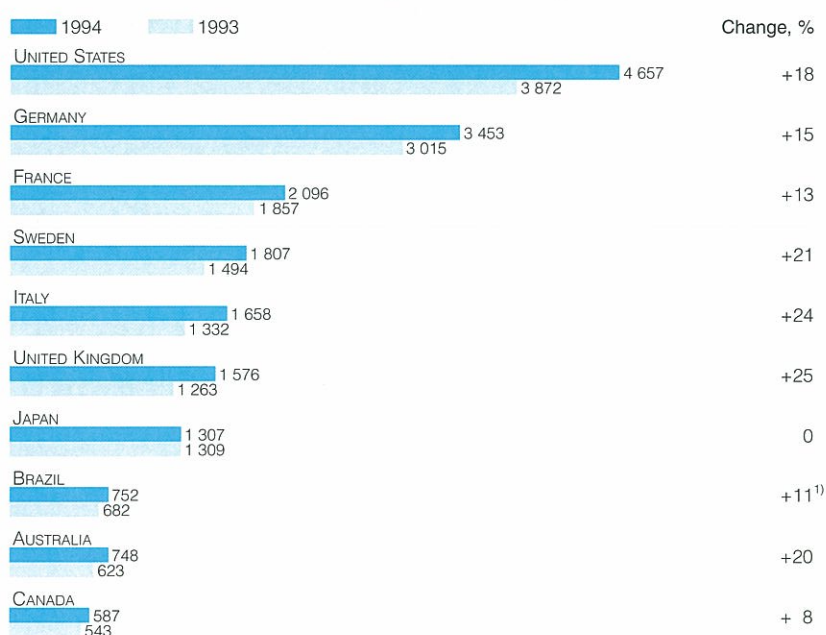
Market situation and sales

The business climate improved greatly during the year. Strong demand continued to prevail in the U.S. and Canada, as well as in South America and Southeast Asia. Order intake in western

Europe accelerated sharply following the turn in the industrial economy in Germany at the beginning of the year. The business climate in Japan was weak, particularly at the beginning of the year, but demand rose nevertheless for certain business areas.

Sandvik Coromant accounted for the highest growth within Sandvik Tooling. CTT Tools benefited from the general upturn in business, but invoiced sales were affected by the lower rate of growth in Germany and ongoing restructuring of production.

Invoiced sales in the ten largest markets, SEK m.



¹⁾ The actual increase was 27%. The difference is attributable to a change in method of translating invoiced sales in local currency to Swedish kronor.

Sandvik Rock Tools posted an increase of only 8% due to the relatively weaker business climate in the mining and construction industries. The increase was significantly higher toward year-end.

Sandvik Hard Materials' invoicing of mainly unmachined carbide blanks to industry rose sharply.

Sandvik Steel's order intake rose by more than 30%, mainly as a result of higher volumes. The order backlog increased sharply. Sales were up 20%. The previously strong demand for

strip and wire products spread during the year to tube products as a result of the higher pace of industrial investment.

Sandvik Saws and Tools' industrial sales rose 13%, but the increase in the retail sector was lower, whereby the total was 9%.

Sandvik Process Systems received major orders during the year, mainly for sorting systems on the U.S. market. Project deliveries increased sharply during 1994 and invoiced sales rose 35%.

Seco Tools is an exchange-

listed company and publishes its annual report with comments regarding the trend of invoiced sales.

Earnings and returns

Operating profit before depreciation totalled SEK 4,431 m., or 17.5% of invoiced sales. The corresponding figure a year earlier was SEK 2,609 m., or 12%, which includes the amount of SEK 221 m. which was reported in 1993 as extraordinary expenses and is now retroactively included in operations. The increase in margin was attributable mainly to higher volumes and increased productivity. Restructuring costs were also significantly lower than in preceding years. Operating profit in 1994 was charged with SEK 132 m. (0) in profit-sharing to the employees.

Scheduled depreciation amounted to SEK 1,003 m. (1,104). Interest in profits of associated companies was SEK 119 m. (45), mainly from Fagersta Stainless AB, Avesta Sandvik Tube AB, Tamrock Oy and Eurotungstène Poudre S.A.

Profit after financial income and expenses was SEK 3,811 m. (1,764).

Tax charges amounted to SEK 1,256 m. (587). Accrued taxes amounted SEK 1,406 m. (327).

Earnings and returns	1994	1993
Operating profit before depreciation, SEK m.	4 431	2 609
as a percentage of invoiced sales	17.5	12.0
Profit after financial income and expenses, SEK m.	3 811	1 764
as a percentage of invoiced sales	15.1	8.1
Return on net assets, %	21.7	12.0
Return on equity capital after tax, %	17.9	9.3
Earnings per share, SEK	9.20	4.50

Definitions, page 39.

The increase is due to higher profits and the recovery of untaxed reserves. Moreover, the recovery is in accordance with rules which were changed and became more disadvantageous due to a decision in Parliament. Estimated future taxes in this year's income statement declined by SEK 179 m. (1993: an increase of SEK 248 m.). Consolidated net profit, after tax and minority interests, amounted to SEK 2,436 m. (1,069).

Earnings per share, after estimated full tax, were SEK 9.20, compared with SEK 4.50 a year earlier, an increase of 104%. Calculated theoretically, the average tax rate for the Group was 29% (27). Return on net assets increased to 21.7%, from 12% in 1993.

Return on equity capital after tax was 17.9% (9.3).

Sandvik Tooling's profit improved as a result of higher invoiced sales and production volumes, high productivity and that the loss in CTT Tools in 1993 was reversed to a minor profit in 1994. The profit improvement in Sandvik Rock Tools was mainly attributable to volume increases and productivity improvements. After the restructuring in 1993, Sandvik Hard Materials increased its earnings from a loss to a profit of SEK 135 m. The two-fold profit improvement posted by Sandvik Steel, SEK 1,014 m., is due primarily to higher operating margins as a consequence of better prices and higher volumes. Sandvik Saws and Tools had favourable capacity utilization and posted improved earnings in most units. The improvement in Sandvik Process Systems is

Quarterly change

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 %
1993: 1st Quarter	5 273	481	9
2nd Quarter	5 414	488	9
3rd Quarter	5 113	245	5
4th Quarter	5 970	550	9
1994: 1st Quarter	5 788	626	11
2nd Quarter	6 210	852	14
3rd Quarter	6 095	986	16
4th Quarter	7 192	1 347	19

Distribution of profits, after depreciation and including associated companies, by business area

	1994		1993	
	SEK m.	% of invoicing	SEK m.	% of invoicing
Sandvik Tooling	1 509	18	972	14
Sandvik Rock Tools	219	11	130	7
Sandvik Hard Materials	135	13	-51	-6
Sandvik Steel	1 014	13	461	7
Sandvik Saws and Tools	185	7	-3	0
Sandvik Process Systems	156	10	43	4
Seco Tools	401	19	232	13
Group conjoint activities	-72	/	-234 ¹⁾	/
Group total	3 547	14	1 550	7

¹⁾Including an expense of SEK 221 m. reported as extraordinary in 1993

attributable mainly to higher volumes and completion of a number of major projects.

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

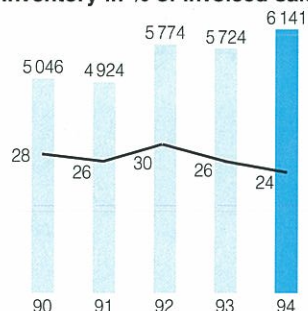
Group conjoint activities relate to holding company and service operations.

Raw materials

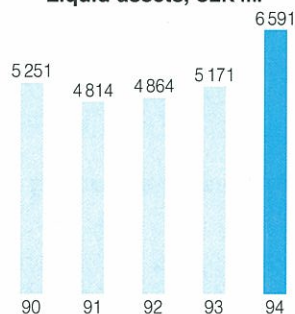
During the year, prices rose for many of the raw materials that

are important for Sandvik. The price of tungsten, which is one of the main raw materials for cemented carbide, nearly tripled, while the price of the other, cobalt, rose about 40%. The price of nickel, the most important alloying metal in stainless steel, rose by about 50% during the year. Sandvik's long-term contracts secured raw material supplies and contributed to reducing the effect of the price increases. In addition, so-called alloy price extras were applied in the steel industry during the year.

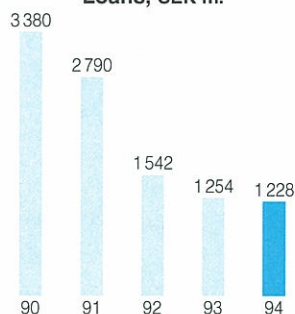
Inventories, SEK m.
Inventory in % of invoiced sales



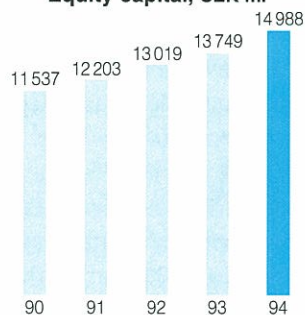
Liquid assets, SEK m.



Loans, SEK m.



Equity capital, SEK m.



Financing

	1994	1993
Cash flow, SEK m.	1 215	1 142
Liquid assets, 31 Dec., SEK m.	6 591	5 171
Loans, 31 Dec., SEK m.	1 228	1 254
Net interest, SEK m.	267	223
Net financial items, incl. exchange differences, SEK m.	264	214
Solidity, %	59	60
Debt-equity ratio, times	0.2	0.2
Equity capital after proposed dividend, SEK m.	14 988	13 749
Equity capital per share after proposed dividend, SEK	53.80	49.40

Definitions, page 39.

Net financing from operations was SEK 2,727 m. (1,892), with cash flow amounting to SEK 1,215 m. (1,142). The net of liquid funds less loans increased by SEK 1,446 m.

Sandvik applies a conservative placement policy and during the year the centrally pooled cash was invested in the Swedish money market, mainly in Treasury bills, government bonds and other interest-income instruments guaranteed by the Kingdom of Sweden. The average remaining maturity at year-end was about 260 days.

Through forward contract sales of currency, Sandvik had hedged at year-end the value in Swedish kronor of its exports from Sweden for six months in advance. This flow represents the largest transaction exposure in the company. The exchange-rate levels which were secured in this manner are higher than the levels at year-end.

The company's net flows in 1994 in the most important currencies, denominated in SEK m. were:

DEM	960	FRF	660
USD	900	JPY	590
ITL	725	GBP	480

Sandvik also hedges its net assets in all major subsidiaries.

Inventories

The value of inventories for the Sandvik Group amounted to SEK 6,141 m. (5,724) at year-end, which corresponds to 24% (26) of invoiced sales. The percentage of capital tied-up in inventory reached another record low.

Trade accounts receivable

As a result of the higher invoicing, trade accounts receivable rose sharply, amounting to SEK 5,456 m. (4,597) at year-end. In relation to invoiced sales on an annual basis, these receivables rose to 21% (19) during the fourth quarter.

Equity capital

Equity capital of the Sandvik Group, after the proposed dividend, amounted at year-end to SEK 14,988 m. (13,749), or SEK 53.80 per share (49.50). Solidity was 59% (60).

Capital expenditures

	1994	1993
Investments in plants, property and equipment, SEK m.	1 229	886
as a percentage of invoiced sales	4.9	4.1

Investments in plants, property and equipment rose 39% to SEK 1,229 m. Capital expenditures in Sweden amounted to SEK 550 m. (329). Sandvik Coromant invested approximately SEK 150 m. in capacity enhancing equipment and replacement of older machines in the tool production plant in Gimo and began an expansion of its computerised system for design and manufacturing (CAD/CAM) for approximately SEK 50 m. Sandvik Steel's investments in Sweden of about SEK 200 m. included an increase in capacity for steel melting through a rebuild of the electric-arc furnace and a new cold-rolling mill for thin-strip products.

Investments outside Sweden, amounting to about SEK 500 m., involved mainly increased capacity in existing local production facilities as well as new plants, such as the cemented-carbide unit in China, or in new offices, as in the Philippines.

The amount paid for the company acquisitions during the year, which were described earlier, amounted to SEK 346 m. (69).

Research and development and quality assurance

In 1994, the Group invested SEK 980 m. (932), corresponding to 4% (4) of invoiced sales, in research and development and quality assurance. Examples of product developments which pro-

vided new business opportunities during the year include a new short-hole drill and a complete, new tool concept for steel turning within Sandvik Coromant.

Sandvik Rock Tools introduced a new range of roller bits. Sandvik Hard Materials focus on round, homogeneous cemented-carbide rods was very successful. Examples of product development in Sandvik Steel are bimetallic tubes for the urea industry, composite tubes for coal gasification, needle wire for medical applications as well as a special line of welding consumables for surfacing intended for the petrochemical industry. Sandvik Saws and Tools continued its focus on ergonomic design of tools for use in the automotive industry, electrical industry and installation operations. Within Sandvik Process Systems, new technologies were developed for process plants in the food industry as well as new drop-formers for the chemical industry.

Personnel

	1994	1993
Number of employees, 31 Dec.*	29 450	26 869
Average number of employees		
Women	5 304	5 116
Men	22 277	22 503
Total	27 581	27 619

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

For comparable units, the number of employees increased by 892 (1993: decrease of 1,899).

At 31 December the number of persons employed by the Group in Sweden was 9,915 (9,160).

Details regarding personnel costs and the average number of

employees in Sweden and abroad are provided on page 49.

The number of employees in each business area is shown in reviews presented in diagrams in the respective presentations. As of 1994, regional personnel are included in the business area totals. These personnel are included in the diagram retroactively.

Employee profit sharing

During the year the Board of Directors decided to change the rules for the profit-sharing fund which Sandvik has had for employees of the Parent Company and wholly owned subsidiaries in Sweden since 1986. The return requirement is the same as previously, but the allocation for profits achieved in excess of this requirement has been increased from 7% to 9%. The allocation to the profit-sharing fund in 1994 was SEK 132 m. (0).

Parent Company, including subordinate companies

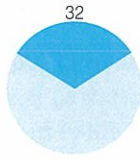
The Parent Company's invoiced sales increased 29% to SEK 10,607 m. (8,197). Profit after depreciation amounted to SEK 1,904 m. (801). Investments in property, plant and equipment amounted to SEK 438 m. (307).

The number of employees in the Parent Company and subordinate companies at 31 December was 8,550 (8,034).

Business Areas

Sandvik Tooling

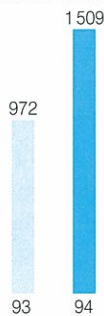
Share of total sales, %



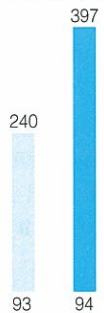
Invoiced sales, SEK m.



Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



Sandvik Tooling is the business area responsible for the Group's operations in metalcutting.

Business sectors in the area include Sandvik Coromant, CTT Tools and Sandvik Automation.

The market potential for cutting tools amounts to approximately SEK 60 billion annually, of which cemented carbide accounts for slightly more than 50% and high-speed steel for the remainder. The consumption of tools is directly related to the trend in industrial production and the rate of investment, primarily, in the automotive, engineering equipment, aircraft and general mechanical engineering industries.

Generally speaking, the growth rate is somewhat higher for cemented-carbide tools than for high-speed steel tools. However, modern, advanced machining centres generally use more high-speed steel tools than cemented-carbide tools and the growth potential in the high-speed steel area is favourable in a number of advanced and high-technology niches. The combination of material and design trends with modern coating technology also permits the development of tools with steadily improved performance. This applies to both cemented-carbide and high-speed steel tools.

Sandvik Coromant has long been the world leader in cemented-carbide and high-speed steel tool systems for metalworking. The



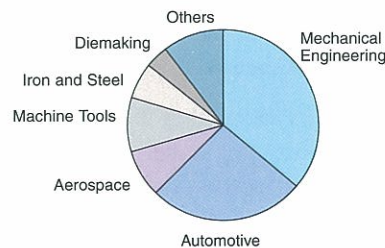
Sandvik Automation has moved its principal operations from Germany to Sandviken, Sweden. Mattias Vanberg is seen performing factory testing of computerized control systems.

acquisition of CTT Tools, which is a market leader in the area of high-speed steel, meant that Sandvik Tooling secured a leading position in both material areas and, accordingly, has a strategically important platform for its continuing development and expansion. Attractive synergies exist between Sandvik Coromant and CTT Tools, which are being increasingly utilized.

Restructuring in the industry

The very sluggish conditions in industry during the period 1991 to 1993, with a considerable decrease in the consumption of tools, resulted in substantial pressure on a number of companies in the industry. Declining sales volumes and the high costs of adapting resources to the prevailing level of activity meant that a number of major competitors reported losses.

This trend also led to industry restructuring. Among other developments, the two largest German cemented-carbide companies, Hertel and Krupp-Widia, were acquired by two U.S. companies.

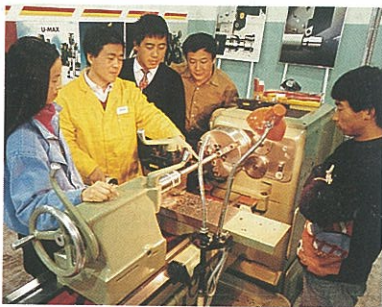


The world market for metalcutting tools amounts to SEK 60 billion annually.

Accordingly, the number of players in the European market has decreased, confirming the trend towards fewer but larger companies. Despite the dramatic improvement in market conditions in 1994, this concentration will most likely continue. Only the very largest companies will have the financial resources for the requisite capital expenditure on product development and investments in production and information technology.

Sandvik Tooling was also affected by the considerable volume declines during the 1991-1993 recession. Extensive rationalization and restructuring programs were introduced which were largely completed during 1994. However, these programs were conducted without any decrease in R&D activities and capital expenditures, and with the maintenance of highly favourable profitability.

Sandvik Automation, which develops and markets products such as computer systems for tool monitoring, tool administration and production follow-up, has long had its centre of operations in Viernheim, Germany. As part of a program to enhance efficiency and make better use of the synergistic potential among development units within Sandvik Coromant, operations were relocated to Sandviken in 1994. The resources for sales and technical support for the German market remain in Viernheim.



Training, both for Sandvik personnel and for customers, is an important element of Sandvik's investment in the Chinese market.



Market trends

As early as the end of 1993, a gradual improvement was noted in the business climate. During 1994, demand increased noticeably and at a substantially faster pace than anticipated. Sales increased sharply in North America and in all markets in Latin America.

A highly favourable sales increase was noted in virtually all European markets. In Germany, which is the second largest market after the U.S., the upturn was relatively late and was initially slower, but during the second half of the year, the pace also increased noticeably there. However, the overall increase in Germany was lower than the average.

A strong development was also noted in Asia and the Australia area, including India, Southeast Asia, Australia, and New Zealand. In Japan, sales continued to decline in 1994. However, the trend during the latter half of the year was positive and it now appears to be moving upwards, although rather slowly.

Although the order intake increased substantially stronger and faster than anticipated, high delivery reliability was maintained, as opposed to many competitors. In addition to the ability to quickly increase capacity utilization in production, a major contributing factor was the target-oriented programs designed to dramatically

During 1994, Sandvik acquired the majority shareholding in MKTS, Russia's largest cemented-carbide producer.

reduce lead times in production, administration and distribution.

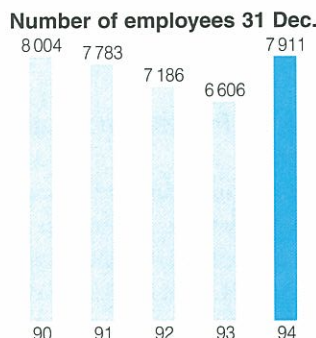
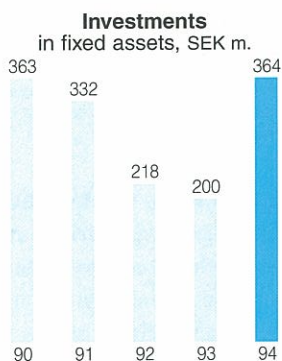
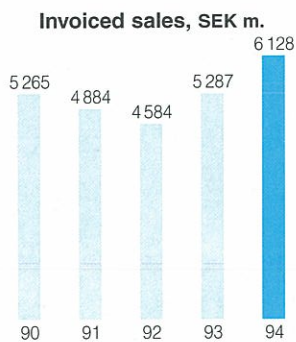
During the year, raw material prices began to rise sharply and tendencies towards shortages were also noted. However, as a result of an extensive contact network, a reliable supply of raw materials was secured.

Earnings in 1994 and outlook for 1995

Increasing sales and the favourable productivity trend resulted in a substantial improvement in earnings in 1994. Sales prices remained essentially unchanged and, consequently, had no significant effect. However, earnings were affected by substantial restructuring costs, in particular for CTT Tools and Sandvik Automation. The return on net assets exceeded the Group's minimum requirement of 20%. A continuing positive trend in both sales and earnings is expected during 1995.

The Sandvik Tooling Management Team comprises Clas Åke Hedström, Leif Sunnermalm, Lars Pettersson and Holger Wiklund.

SANDVIK COROMANT



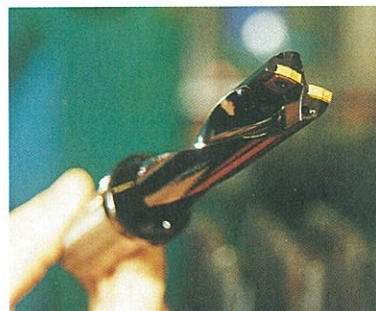
Sandvik Coromant specializes in cemented-carbide tools and tooling systems for metalworking products and is the world leader in its field.

Sandvik Coromant's area of operations comprises some ten large, competing companies which combined hold approximately 50% of the world market.

A number of local or highly specialized companies account for the remaining share. In the North American market, Kennametal and Valenite are the major competitors. In recent years, these two companies have broadened



Sandvik Coromant's management team comprises, from left, Mats Carlerös (Exec. V.P.), Holger Wiklund, Lars Pettersson (Pres.), Anders Thelin (Exec. V.P) and Anders Karlsson (Exec. V.P).



The T-Max U short-hole drill is an innovation that gives Sandvik the edge over its competitors.

their operations in Europe through corporate acquisitions.

Sandvik Coromant is the leading company in the European market. In Asia, the Japanese companies Mitsubishi, Sumitomo and Toshiba are the dominant suppliers. Sandvik Coromant is the leading non-Japanese company in this market bloc.

Business conditions for Sandvik Coromant improved significantly during 1994, with the exception of the Japanese market. In particular, the consumption of tools increased in the automotive industry. The total volume increase amounted to 18% and the order intake increased gradually throughout the year.

As a result of increased volume, the investments carried out in recent years were fully utilized. Considerable productivity improvements were attained and earnings improved sharply. The

return on net assets exceeded the Group's minimum requirement of 20% by a comfortable margin. In line with order intake, capital expenditures have been accelerated in an effort to further improve productivity and capacity.

Increased product development

Development resources were further strengthened during the year and focused on new products for increasing customers' machine utilization, shortening lead times and improving production economy.

Three employees at Sandvik Coromant were awarded the title



The joint winners of the Wilhelm Haglund Medal for the best product development of the year award were, from right, Ken Anderson, Sven Engstrand and Lars Åsberg, who developed the Coromant Capto modular tool system, meet with Board Chairman Percy Barnevik.

CTT TOOLS

of Sandvik's product developers of the year and were rewarded for their development of a new modular tool system, Coromant Capto. The system satisfies customer demands for flexibility, stability and precision and has generated substantial demand.

Another example of a highly successful product is the new short-hole drill, T-Max U, which was introduced during the year. As a result of its special design with helically shaped chip channels, considerable productivity gains are attained in drilling, along with an improvement in hole quality.

For general steel-turning applications – the machining area with the largest market potential – the company has launched a complete, highly competitive production concept, which includes both indexable inserts and tools.

New market investments

During the year, a local production unit for Coromant tools was inaugurated in Langfang City in China. As part of the long-term development of the Russian market, a majority shareholding was acquired in MKTS, the country's leading manufacturer of cemented-carbide products.

In Katowice, Poland, Sandvik Coromant established a joint-venture company for the development, manufacture and sale of cemented-carbide tools, mainly for the Polish market. As part of the program to significantly increase market development in Southeast Asia, an intensive recruitment campaign and programs for the further training of sales personnel and specialists were launched.

Outlook for 1995

Sandvik Coromant expects continuing positive development of business conditions and, thereby, a further improvement in earnings.

CTT Tools was acquired from SKF at year-end 1992 and is the world's largest manufacturer of high-speed steel tools.

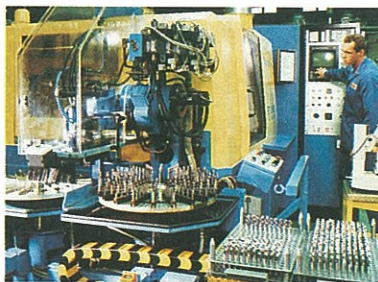
Invoiced sales in 1994 amounted to SEK 2,050 m. (1,897), with 3,084 employees (3,313) at December 31.

The product program includes drills, threading tools, milling cutters and reamers. In addition to these high-speed steel products, a complete range of cemented-carbide drills and milling cutters is also manufactured.

A very large number of companies is active in the market for high-speed steel tools. In addition to CTT, there are a few large producers which have gradually expanded in the international market. In each market area there is generally a number of manufacturers with a strong local position.

CTT Tool's various trademarks such as Titex, Dormer, Prototype, Master and Union Butterfield, presented a number of product innovations during the year and strengthened their positions in each market segment.

Synergistic gains from co-operation with Sandvik Coromant have been attained in logistics, distribution and product development. Moreover, in a number of markets, closer co-operation has commenced. The establishment of marketing com-



CTT Tools markets an extensive range of high-speed steel products. The unit in Halmstad has a machine that can cut the thread and the bevel in the same operation.



Anders Ilstam, President of CTT Tools.

panies and more active market development resulted in increased sales in Asia.

Production capacity was increased through investment in new equipment, resulting in major rationalization benefits. An extensive rationalization and restructuring program, which has been in progress for a number of years, will be completed during the first half of 1995. Provisions for the estimated remaining costs were allocated in 1994 earnings.

The substantial decline in volume which the industry experienced in the past three years was reversed towards the end of 1994 when moderate growth occurred. However, the German market improved more slowly than other European markets. Operations in North America developed positively. In Brazil, where sales were favourable, a decision was made concerning major capital expenditures.

Outlook for 1995

During 1994, a large operating loss was transformed into a small profit, although operations during the year were charged with major restructuring costs. Continuing growth is expected in 1995, with a further improvement in earnings.

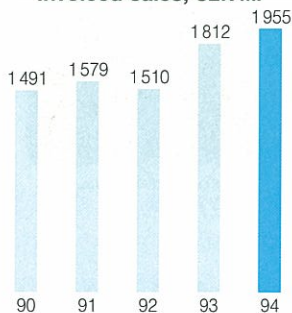
Business Areas

Sandvik Rock Tools

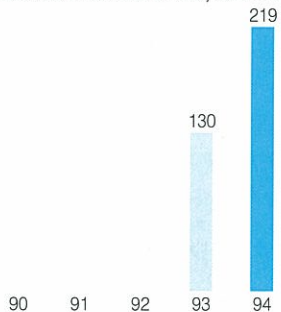
Share of total sales, %



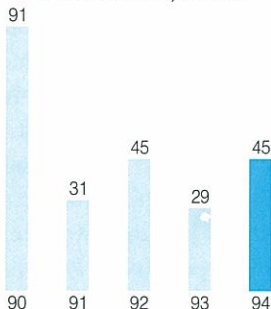
Invoiced sales, SEK m.



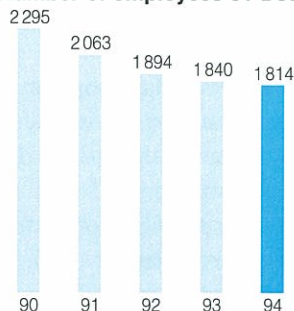
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



Sandvik Rock Tools is a world leading supplier of cemented-carbide tipped rockdrilling tools for mining, civil engineering and water-well drilling. Its products include tools and tool systems for working in all types of rock and for all current drilling techniques.

The world market for rockdrilling tools amounts to approximately SEK 8 billion, with the mining and civil engineering industries each accounting for about half. The greatest potential is represented by products for top-hammer drilling, with three major manufacturers, Sandvik Rock Tools, the Swedish manufacturer, Uniroc, and the South African company, Boart.

In addition to Sandvik Rock Tools, manufacturers in the area of mineral tools are the U.S. manufacturers Kennametal and American Mining Tools. In down-the-hole drilling applications, the competitors are Ingersoll Rand (U.S.), Atlas Copco (Sweden) and a large number of local suppliers. In the area of rotary products, a number of U.S. manufacturers are the major competitors.

In all operating areas there is a trend towards increasing mech-



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

anization and more sophisticated, capital-intensive machinery. This imposes higher demands on the operational reliability and performance of tools.

Sandvik Rock Tools enjoys an important advantage over its competitors. The Sandvik Group carried out extensive research, development and production of both cemented carbides and special steels, the materials that account for most of the components in rockdrilling tools. This provides highly favourable potential to develop tools and tooling systems with high and uniform quality, offering maximum performance.

Market trends

During the year, activity increased in the mining industry as a result of rising metal prices. This was particularly apparent in North America and Australia. The South American mining industry also displayed favourable development. The civil



One of Sandvik Rock Tools Korean customers is Ssang Yong, whose operations include one of the country's largest cement production plants. At the Tong Hae limestone quarry, the Tamrock drilling rigs are equipped with drill steel from Sandvik.

engineering market showed only weak growth, with the exception of the Far East, where supply contracts for a number of large projects were concluded during the year. The European market continued to be weak. The anticipated start-up of a number of major infrastructure projects did not materialize.

Invoiced sales increased by 8%. Earnings improved as a result of the market upturn and continuing productivity improvements in production, administration and sales. The return on net assets improved and exceeded the Group's minimum requirement of 20%.

Due to a certain amount of excess capacity in the industry, the competitive situation continued to be tough. However, it was possible to defend and – in certain market segments – strengthen market positions.

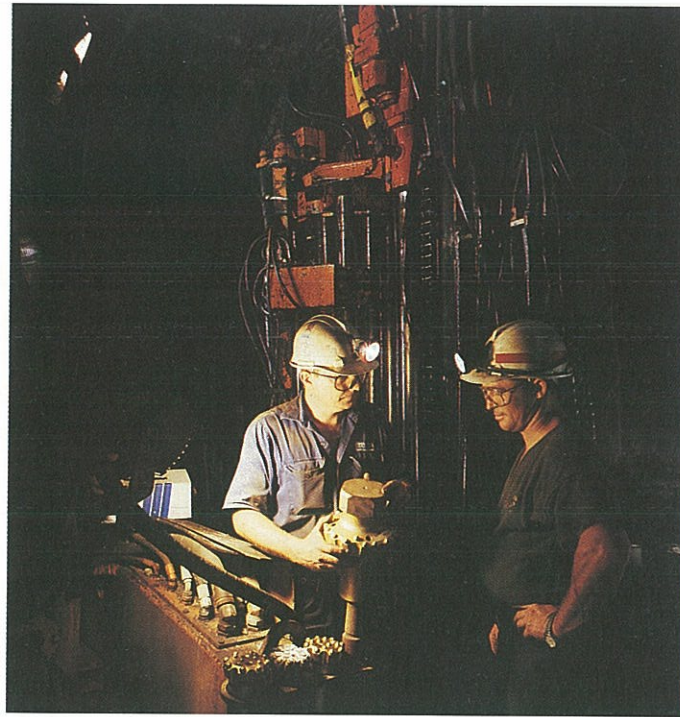


Diamond-coated cemented-carbide buttons have dramatically improved the wear-resistance of drill bits of this type.

The now well-established cooperation with Tamrock, the partly owned Finnish producer of rockdrilling machinery, was further strengthened. New joint product development projects were started, and distribution agreements were signed regarding Finland, Canada and Brazil.

Developments

During the year, the initial phases of a project to add to the efficiency of administration, production design and production prepara-



At the Pasma Mine in Broken Hill, Australia, tube-drilling equipment from Sandvik Rock Tools is used in the mining of silver, lead and zinc.

tion were completed. The objective is to virtually eliminate the administrative processing time, that is, from initial inquiry to production start-up. The project is based on Sandvik's technology, combined with far-reaching automation and computerization. The customer will gain a faster response and substantially shortened delivery times, even for special products. At year-end, the system was applied to products manufactured at plants in Houston, Texas, U.S., and Sandviken, Sweden. In 1995, the technology will be introduced at other units.

Development work commenced with Smith International, Inc. in the U.S., whose method of diamond coating cemented carbide offers the potential to manufacture rockdrilling tools with improved wear strength.



Omai, in Guyana, is one of Latin America's largest gold mines. Ore extraction is carried out using down-the-hole drilling equipment from Sandvik.

This method provides attractive growth potential for the future.

A tool system for drilling straight holes by top-hammer drilling was launched. The accuracy and quality of the drilled hole is of crucial importance for good blasting results and, thus, for the customer's total economy.

The range of roller bits has been supplemented and now includes milled-tooth bits for drilling in looser rock formations. A number of newly developed cemented-carbide-tipped roller bits with substantially improved performance were also introduced during the year. The new bits offer customers increased productivity and lower total drilling costs.

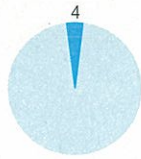
Outlook for 1995

A definite improvement in business conditions is expected in 1995, in both the mining and contracting industries. A review and co-ordination of production will provide productivity increases, thereby offering the potential for further improvements in earnings.

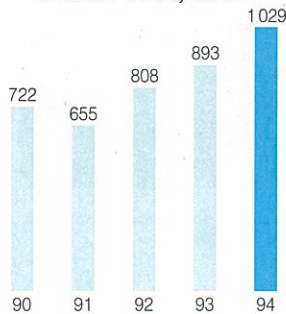
Business Areas

Sandvik Hard Materials

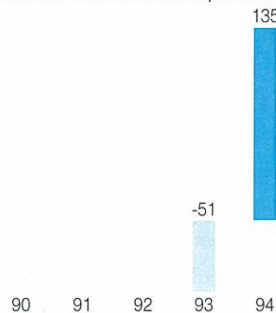
Share of total sales, %



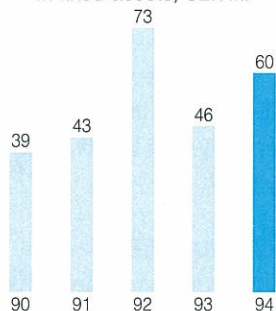
Invoiced sales, SEK m.



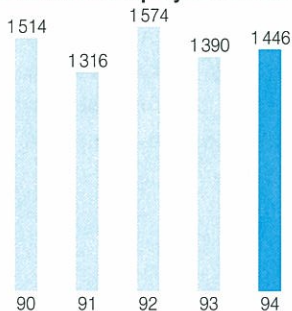
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



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

Sandvik Hard Materials is now the largest company in its industry and the only one with real global coverage. The competitive situation is characterized by companies active in a geographically limited market, such as the U.S. or Japan, or by companies that are active within a limited product niche.

As a result of the deep recession of 1991-1993, many companies in the industry became unprofitable, particularly in



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

smaller but growth is favourable, particularly in Southeast Asia.

Markets and business situation

During 1994, industrial production increased in most industrialized countries. The turning point in the demand for products occurred during the second quarter. The previous focus on markets in Southeast Asia and Japan resulted in highly favourable growth, although the total value of these markets is still relatively limited. Market programs are proceeding in the knowledge of continuing good growth.

The main markets, which continued to be in European countries, recorded particularly good growth, especially Scandinavia, Germany, France and Italy. The single largest market, the United States, developed favourably, particularly in terms of products imported from Europe.

Invoiced sales increased by 15% and surpassed the SEK 1 billion mark. The trend in earnings was satisfactory, while the



A wide range of ultrafine-grain cemented carbide blanks are used to provide the electronics industry with the sophisticated micro-tooling required to machine increasingly miniaturized circuit boards.

Europe, with a number of bankruptcies and shutdowns. Competitors have been acquired and some of the former excess capacity has been eliminated. Sandvik Hard Materials has participated in this process through acquisitions, which resulted in a more favourable industry structure.

In recent years, Sandvik Hard Materials has strengthened its competitive position and secured market shares, especially in the European market. Outside of Europe, market shares are

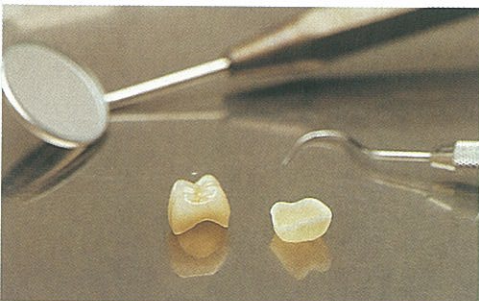
return on net assets increased to 19%.

Products and development

The focus on round homogeneous cemented-carbide rods, which are used as the basic blanks in the manufacturer of various types of helical-flute drills and endmills, proved highly successful. A rapid development of capacity is in progress and new customers and markets are being added as capacity increases. The product group has the highest priority for future growth.

In the product area hot rolling, the relatively new product CIC rolls – rolls in cast-in cemented carbide – has stabilized, technically and in terms of quality. These products add tremendously to the market potential for rolls and are now the most important product in this area.

Sandvik's strength, compared with most competitors, has always been its extensive R&D operations in the materials technology area. At Sandvik Hard Materials, the intention is to further increase R&D programs and thus support the current product program as well as accelerating the introduction of new materials and processes.



Procera-Sandvik AB, a company owned jointly by Sandvik and Nobelpharma, produces individual dental crowns in densely sintered ceramic.



When Sandvik's cemented-carbide rolls undergo final inspection, the inspection record includes measurement data for each roll.

Investments and structure

Acquisitions and changes in recent years have led to a structure with two highly specialized production units for the manufacture of standard and customized products in large volumes and for global marketing. These two units, located in the U.K. and Denmark, operate under joint management. In addition, there are 11 local manufacturing units which specialize in supplying the local market area with customized products. Six units are located in Europe and another five are spread throughout the world. Rolls for international marketing are manufactured only in Sweden.

Capacity is regarded as satisfactory in all local units, where mainly quality and rationalization investments have been conducted. In Britain and Denmark, a rapid increase in capacity for volume products is in progress to meet increased demand.

During 1994, the price of the business area's main raw material, tungsten, increased almost threefold and the price of cobalt increased by nearly 40%. There

have been temporary shortages of tungsten. However, Sandvik has a fully satisfactory supply and stock of these raw materials.

Outlook for 1995

The positive trend in several markets during the end of 1994 is expected to continue during



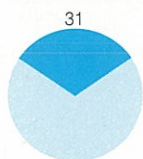
Corrosion-resistant cemented carbide products from Sandvik solve wear problems in choke valves for the offshore industry.

1995, although at a slower pace. In the case of certain products, manufacturing capacity will be a limiting factor, but in general it is expected that the business area will be able to cope with the increase in demand. Earnings are expected to increase in 1995.

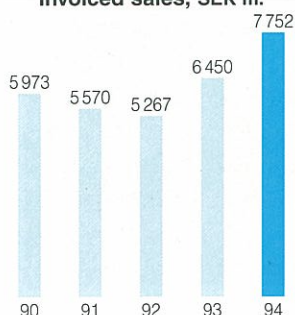
Business Areas

Sandvik Steel

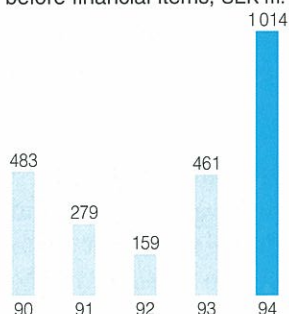
Share of total sales, %



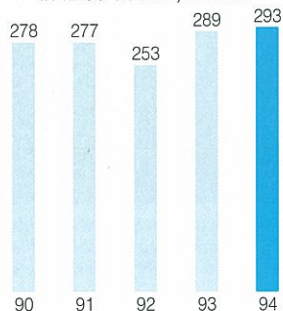
Invoiced sales, SEK m.



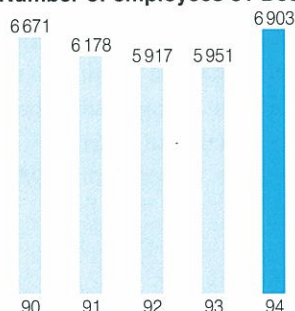
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



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

The competitive situation varies among the various product areas. In the case of seamless tubes, the major competitors are the Japanese integrated steel company Sumitomo-Metals and the European tube company DMV (Dalmine-Mannesman-Vallourec).

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

Nineteen ninety-four was characterized by a gradual improvement in demand for most of Sandvik Steel's product areas. Order intake increased by 34%, while invoiced sales rose by 20%. The falling price trend during the period 1991-1993 was reversed, fuelled by increasing

alloy costs but also by demand and longer delivery periods in the industry. Capacity utilization improved considerably.

These factors, combined with increasing productivity, created the conditions for a substantial improvement in earnings. Profit after depreciation increased from SEK 461 m. to SEK 1,014 m., and the return on net assets rose from 12% to exceed the Group's minimum requirement of 20%.

The number of employees increased by almost 1,110 people, of which 600 are attributable to acquisitions, with 300 employees in Sandviken.

Markets

Sales increased in all major markets. In North America and Mexico, increased regional co-operation provided new sales opportunities. Sales improved, particularly of small-diameter seamless tubes from the facilities in Arnprior in Canada as well as extruded tubes from Pexco in Scranton, Pennsylvania, U.S.A.,



Management team. From left, Uno Blom, Bo Jonsson, Gunnar Grünbaum (Exec. V.P.), Kenneth Josefsson, Gunnar Björklund (Pres.), Åke Axelson, Lennart Ek, Per Ericson and Jan-Eric Johansson.



A new joint-venture company, Acesita Sandvik Tubos Inox S.A., was formed in Rio de Janeiro, Brazil, to produce welded tube. Miqueas Liberato da Silva performs quality control checks on the tube.

a company which is owned jointly with Sumitomo. In South America, invoiced sales of stainless wire increased from the new partly owned Brazilian company Sandvik-Villares Wire, while developments in Chile and Argentina were also positive.

In eastern Europe, the tube mill acquired in Chomutov, Czech Republic, contributed to an increase in sales. In Asia all product areas increased their sales, in both Japan and China, as well as in Southeast Asia and India.

Investments and acquisitions

The completion of a number of new plants and the acquisition of others during the year contributed to an increase in capacity and provided us with new potential to utilize the economic situation.

Melting capacity at Sandviken was increased by 20%, at the same time as productivity in heat-treatment plants was enhanced. The degree of value-added was increased in semi-finished products through larger

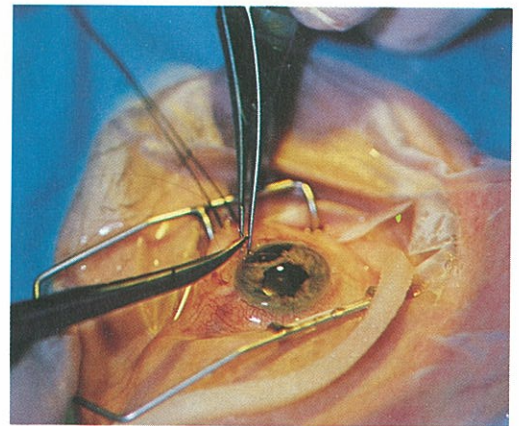
deliveries of drill steel, peel-turned bar and other products.

In April 1994, Sandvik acquired a tube mill from Valcovny Trub in Chomutov in the Czech Republic. The most modern section – which was built at the beginning of the 1980s to produce stainless steel heat-exchanger tube and pipe for the nuclear power industry in the Eastern bloc – was rapidly assigned for new attractive project orders from Sandvik's global market organization.

In Chomutov, a decision was made to install equipment for bending tubes and the facilities have also been certified for the manufacture of so-called umbilicals, which run between oil-platforms and production stations on the sea bed. The demand for these types of tube is rising considerably. At year-end, the facilities had a good workload, with a total of 500 employees. Productivity increases and technological improvements are expected to increase capacity further during 1995. The facility is supplied with input materials from Sweden.

Production at Pexco in the United States increased substantially during the autumn as a result of a greater number of shifts, and is expected to rise further during 1995. Among other developments, an order for superheater tubes for the power industry was secured, a product which Sandvik was earlier unable to compete for in the U.S. The supply of input material in the form of extruded tubes for the mills in Arnprior and Scranton was gradually switched to Pexco, whereby the strain on capacity in Europe was reduced.

The capacity for cold-rolled tubes at Arnprior and at Sterling Tubes in Britain was increased through the installation of new equipment. A decision was made



Sandvik Steel's Wire Division developed a new type of steel that makes it possible to manufacture extremely fine-gauge, high-strength surgical needles for use during eye operations.

to increase the capacity for instrument tubes at Sandviken, Sweden.

In the wire area, the volume of drawn products increased by slightly more than 30% through a number of minor investments in Sweden, Spain, and the United States, at the same time as Sandvik-Villares Wire in Brazil was able to utilize improved eco-



During 1994, a new cold-rolling mill was placed in service in Sandviken. The new facility will increase production of very thin strip, used primarily for razor blades and in catalytic converters for cars. The inauguration of the new mill was attended by representatives of some of Sandvik's major customers.

conomic conditions. Sales, particularly of cold-heading wire from the partly owned Fagersta Stainless, developed positively.

Invoiced sales of strip products increased by 27% and capacity was utilized to the breaking point. A new cold-rolling mill was started-up during the last quarter of 1994 and will provide a valuable increase in capacity during 1995. In the strip area, a decision was made regarding the establishment of a jointly owned company, Qingdao Sandvik Die Cutting Systems, in China, for the manufacture of cutting rules. Sandvik owns 60% of the company.

The only product area that experienced a negative volume

trend was Special Metals. The sale of Zircaloy tubes for fuel elements in nuclear power stations decreased as a result of structural changes among fuel manufacturers. In the long-run, this development may be offset by an increased focus on titanium and zirconium tubes for other applications.

In October, Sandvik – in co-operation with the Brazilian steel group Acesita – established a joint-venture company, Acesita Sandvik Tubos Inox S.A. for the manufacture of welded tubes. Acesita is a supplier of strip to the company, which uses Sandvik's tube manufacturing in Rio de Janeiro as its base. The newly established company has

already gained a leading position in the Brazilian market and through co-operation has gained excellent potential for additional growth.

Product development

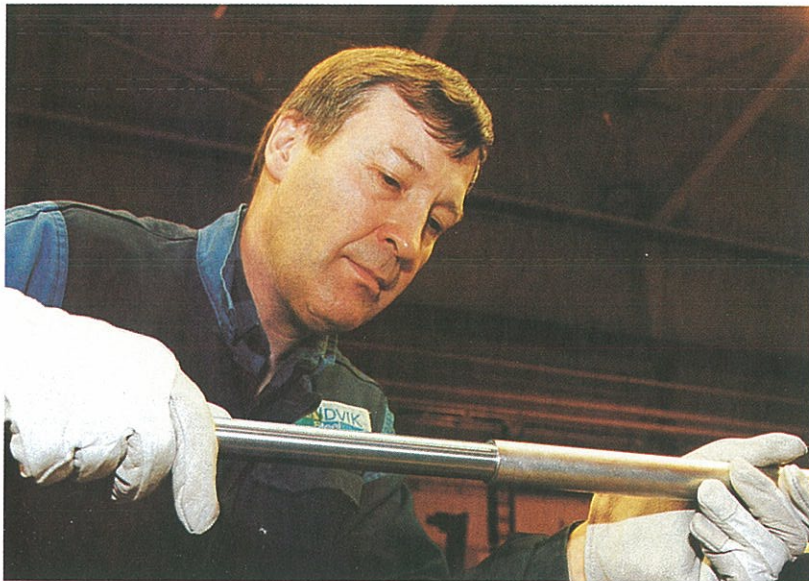
The broadened market and production base strengthens Sandvik Steel's potential to intensify product development and gain a front-line position in certain product areas. During the year, there was a considerable increase in recruitment of graduate engineers, a move that is aimed at strengthening research programs and broadening the personnel base for increased market efforts.

Noteworthy product development programs which have led to increased sales or new business potential include bimetallic tubes for the urea industry, compound tubes for coal gasification in coal-fuelled power plants and floor tubes in recovery boilers as well as needle wire for medical applications.

A special range of welding consumables for surfacing, designed for the petrochemical industry, as well as a PC-based material selection system for welding products have been introduced and were met with considerable market interest. Sanmac hollow bar and bar with improved machinability have been marketed in close co-opera-



Vlastimil Buzek is one of approximately 500 employees at Sandvik Chomutov in the Czech Republic, which produces stainless-steel precision tubes.



Gösta Johansson is involved in the production of bimetallic tube at Sandvik Steel's plant in Sandviken, where tubes with different characteristics are joined by cold-drawing. The inner tube in this process consists of non-alloyed zirconium.

tion with Sandvik Coromant. In addition, a large amount of sales support materials has been developed, such as presentations, PC-based databanks and corrosion tables for various environments.

Quality improvement program

The systematic work of continually improving the quality of Sandvik Steel's products and services continues. In addition to earlier system and product approvals, Japanese JIS approval was received for the delivery of seamless tubes and wire to the market in Japan. As a result, Sandvik Steel became the first western supplier of stainless products to receive such approval.

Associated companies

The development of Sandvik's associated companies Fagersta Stainless AB (50%) and Avesta Sandvik Tube AB (25%) was positive. Sandvik's participations in each company are reported in the consolidated balance sheet and are included in Sandvik Steel's earnings in the amount of SEK 77 m. Sales through Sandvik's subsidiar-

ies of the company's products amounted to SEK 550 m.

Fagersta Stainless, with drawing mills in Fagersta, Sweden, is the world leader in the manufacturer of hot-rolled and cold-drawn stainless wire. Production is based largely on steel blanks from Sandvik Steel. Fagersta Stainless' invoiced sales increased in 1994 by 35% to SEK 1,090 m., with earnings before tax amounting to SEK 109 m. (65). Capacity utilization improved and investments were completed to eliminate bottlenecks and facilitate increased deliveries in line with market requirements.

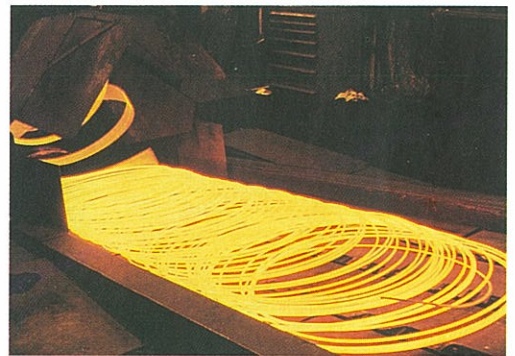
Avesta Sandvik Tube (AST) is one of the world's largest manufacturers of stainless welded tubes. Particularly in Europe and Asia, Sandvik Steel is a significant sales channel for AST. During the year, AST's invoiced sales increased by 30% to SEK 1,228 m. and earnings advanced to SEK 97 m. (22). Demand increased noticeably, permitting an improvement in margins and capacity utilization.

Outlook for 1995

Following a period of weaker

demand during 1990-1992 – which Sandvik Steel coped with better than its main competitors and without any major reductions in volumes – Sandvik Steel is again in an expansionary stage. Capacity has been extended during the weaker years through systematic investment in the existing production facilities, as well as through selective corporate acquisitions and jointly owned companies. Increased order intake during 1994 indicates that 1995 will be another favourable year.

Recent years have been charac-



Wire rod is hot-rolled at Fagersta Stainless. Sandvik and Avesta-Sheffield each own half of the company.

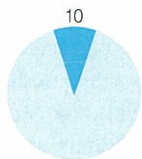
terized by a world-wide low propensity to invest. This means that it is likely that the demand for products such as stainless tubes will continue to increase for some time to come. The demand for consumer-related products continues to gather momentum, but may level out during the current year.

At the same time, problems in the form of overheating are beginning to appear. The availability of alloy metals appears scarce and dramatic price increases can curtail growth for stainless steel. Cost increases for supplies and increased wage-cost inflation in Sweden are other risks, as well as rising international interest rates. Nevertheless, continued favourable earnings are expected in 1995.

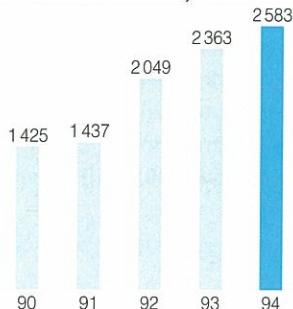
Business Areas

Sandvik Saws and Tools

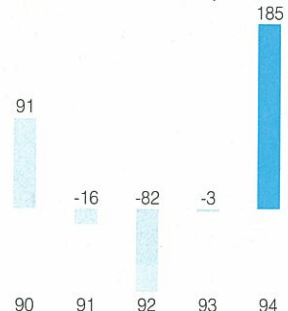
Share of total sales, %



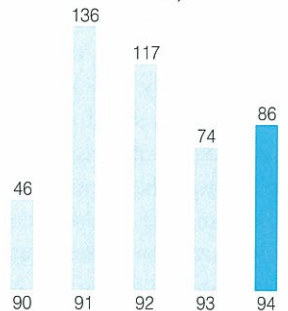
Invoiced sales, SEK m.



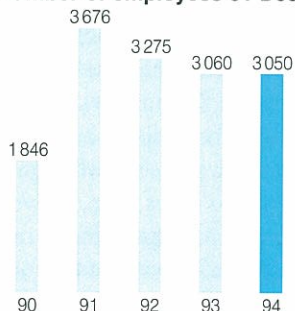
Profit before financial items, SEK m.



Investments in fixed assets, SEK m.



Number of employees 31 Dec.



Sandvik Saws and Tools, one of the world's largest manufacturers of saws and sawblades, also offers a wide range of other tools for the engineering, construction, forestry and horticulture industries. Apart from saws, products include spanners, wrenches, pliers, files, pruning tools, and guide bars and saw chains for logging machines and chain saws. These products are used mainly by professionals.

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

Substantial increase in sales

Virtually all markets and product areas contributed to the sales increase of 8% in volume. The primary exception was Germany, where slow recovery at the beginning of the year had a negative impact. However, the trend during the last six months of 1994 indicated that Sandvik Saws and Tools will experience volume growth in this market in 1995.

Substantial increases in sales were attained for adjustable wrenches, pliers and bi-metal bandsaw blades. The sale of accessories for forest harvesters



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

increased in the North American market in conjunction with the transition of the forest industry to the Scandinavian method of tree felling in fixed lengths.

Sales rose sharply in South-east Asia and South America, and the central European markets showed a definite recovery at the end of the year. The upturn in demand in the Nordic countries, which commenced at the end of 1993, continued and strengthened, with the exception of products used in the building industry.

Thanks to the productivity improvement programs of previous years and the introduction of a new production organization, the increase in demand had a highly positive impact on total earnings. The improvement in earnings amounted to SEK 188 m. and is attributable to all product areas. The return on net assets amounted to 11%.



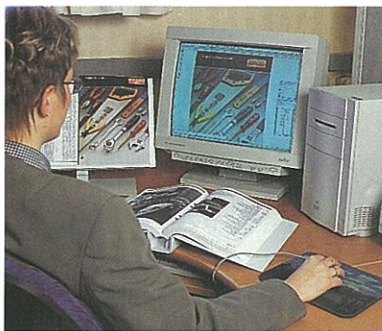
The majority of Sandvik's production units and distribution centres are certified in accordance with the ISO 9000 quality standard, which is exceptional in the industry.

The distribution centres in Europe as well as twelve of the business area's sixteen production units have received ISO 9000 quality certification. The remaining production units and sales organization will fulfil the ISO requirements during 1995.

Continuing improvements in inventory control and distribution resulted in an even better stock availability despite increased demand and generally lower inventory levels. Production and sales were in balance, in terms of both quantities and types of products.

New market initiatives

In recent years the product range, marketing and distribution has been adapted to better serve the requirements of professional end-



A 700-page catalogue listing 8,000 products was produced in 1994. The catalogue is published in 14 languages in Europe.

users. Special attention is focused on the design of tools used in the automotive, electronic and building industries.

The range of ergonomic tools will be broadened to meet the increased awareness in industry of those types of work-related injuries which result from inappropriately designed tools.

As a result of the close cooperation with a major French hardware retail chain, a new system for customer communications in stores has been devel-



A new concept for displaying tools to customers in self-service retail outlets has been developed in cooperation with a French hardware chain.

oped. The system has been used initially for handsaws and has proven to be highly effective in self-service environments. The concept also means that the product does not need to be packaged. Demands for less and more environmentally acceptable packaging are frequently expressed by customers in central Europe.

The organization in South America was adapted to meet increased sales via distributors. The product range was broadened through the marketing of pruning shears for the important fruit and wine industry in Chile and Argentina and by other means. The change is fully in line with the focus on professional users in the pruning tools area.

During 1994, a sales organization was established in Mexico. In the Southeast Asian region, resources for logistics and distribution have been increased.

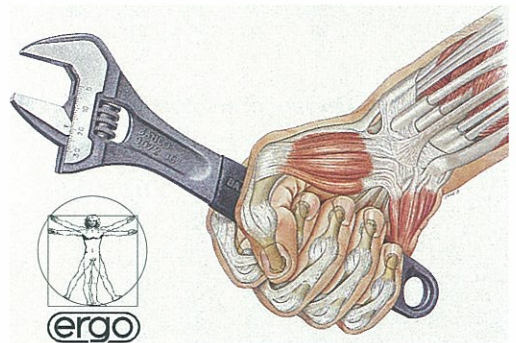
A new 700-page catalogue, which covers some 8,000 products, was introduced in Europe. The catalogue is published in 14 languages. This development, combined with the European distribution volume, means that Sandvik is the only manufacturer in the industry which markets

the same broad range in all European countries.

Outlook for 1995

Increased demand is anticipated for the business area's products in most markets. Growth is expected to remain at least at the same level as in the preceding year. The production units are well equipped to meet the increase in demand and a continuation of favourable delivery capacity has the highest priority.

Delivery capacity, quality commitments, including ISO 9000, and increased invoicing and production rates, should provide for an improvement in earnings also during 1995.

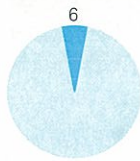


Sandvik Saws and Tools is extending its range of ergonomically designed tools, which are marketed under the Ergo trademark.

Business Areas

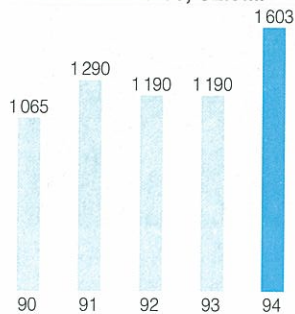
Sandvik Process Systems

Share of total sales, %



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

Invoiced sales, SEK m.

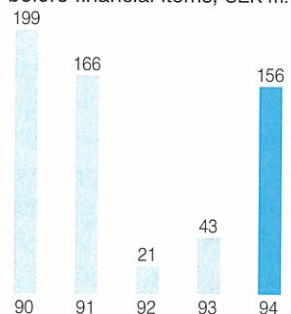


Sandvik Process Systems holds a leading global position in its product areas. Most competitors manufacturing steel strip are not as large as Sandvik and, moreover, operate within limited product segments or geographic areas. As regards the plants for the chemical and food-processing industries, and automatic sorting, Sandvik competes primarily with processes which are based on other methods and other materials.



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

Profit before financial items, SEK m.



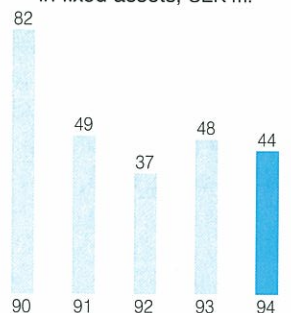
Earnings of Sandvik Process Systems improved considerably compared with 1993, despite a highly varying investment climate. The trend in North America moved in a positive direction, while in Europe it remained weak and in Japan it stagnated. Development in China varied, while in Korea and Southeast Asia the trend was upward.

requirement of 20%. The improvement was primarily a result of the rationalization programs introduced in 1992.

Steel belts

The stiff competitive situation made price increases impossible. On the contrary, price decreases had to be accepted to secure certain orders. Thanks to more effective routines and working methods it was possible to retain margins. Volume and market shares remained at the 1993 level.

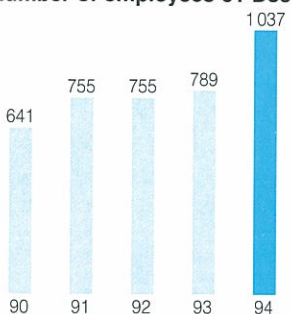
Investments in fixed assets, SEK m.



Sales volume and earnings increased. The return on net assets exceeded by a comfortable margin the Group's minimum

The extensive investment program at the facilities in Sandviken

Number of employees 31 Dec.



Edge treatment is an important process in the manufacture of wide steel belts at Sandviken. Bengt Forsberg checks the quality of the end product.

continued. The objective is to further improve flexibility and quality in the manufacture of steel belts. Several interesting projects are in progress to adapt the characteristics of steel belts to new application areas. As a result of efforts over a number of years, operations have attained such a strong position that favourable growth potential is foreseen.

Sorting systems

The development of the sorting systems began as early as in the 1970s. The early basic systems, using the steel belt's magnetic properties for goods control, have since been succeeded by larger and increasingly sophisticated plants, equipped with advanced computer systems.

Japan was long the most important market. However, in



Sandvik's automatic package sorting systems have undergone further development.

recent years, the largest sales increase has been achieved in North America. Both market shares and earnings have continually improved in this market. Sales in 1994 in Europe and Japan were weak, due primarily to industry's low propensity to invest.

As a result of extensive development efforts, both capacity and flexibility of the sorting systems have been improved. To meet increasing competition, these efforts are continuing at an unabated pace. Sandvik's global



Sandvik Process Systems has an advanced test facility in Milan that focuses on food-processing applications.

organization provides an important advantage in this respect. The strong growth in North America has led to extensive new employment.

Chemical processing plants

The decline in investment in the chemical industry halted and a slight upturn was noted. Thanks to intensive market development and major efforts by personnel, sales volume was increased and subsequently higher earnings were achieved.

As a result of two large orders for plants for the manufacture of fiberglass-reinforced plastics, Sandvik's position as market leader in this product area was further improved.

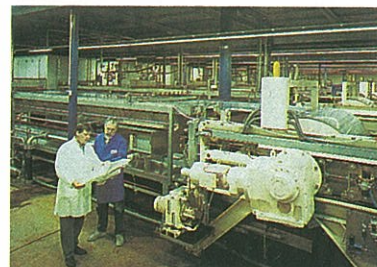
At Achema, which is the world's largest trade fair for the chemical industry, two important product innovations were unveiled, Rotoform 3000 and Rotoform Plus. In this manner, Sandvik underscored its strong position in the area of drop-forming and pastillation.

Food processing plants

Despite certain difficulties, the food area posted a clearly positive trend. Marketing efforts resulted in the first delivery of a fruit drier to North America, as well as other orders. The anticipated sales increase in China did not materialize due to the customer's lack of the appropriate hard currency.

During the year the delivery of a complete facility for tobacco drying, an area which is regarded as offering major market potential, was finalized.

Development projects during the year included a new drier manufactured from stainless steel and the first installation of a complete steam cooker, a new technology in the food industry.



Several large steelbelt driers for industrial foil were delivered during 1994.

Outlook for 1995

The improvement in the investment climate can be expected to lead to an increase in sales and earnings. The order backlog at the end of 1994 provides strong support for this trend.

Investment in new markets

Rapid development in China

Investment in new markets is part of the Sandvik Group strategy which was decided in August 1994. The focus of these increased efforts is the rapidly developing region of Southeast Asia, where the most interesting market is China.



in infrastructure and energy production.

Hongkong, where Sandvik has a subsidiary with 40 employees, will be a part of China at mid-year 1997. The opening of the border which has already occurred has resulted in a great interest from foreign companies in establishing a presence in China. During the first quarter of 1994 alone, some 10,000 companies were established with foreign shareholders.

Sandvik has sold products to China since the 1950s. The first representative office was opened in Beijing in 1986 and was supplemented the following year with an office in Shanghai. Sales which initially amounted to about SEK 10 m. doubled within a few years. Development stagnated after 1989, before again gaining momentum in 1992. During 1994, Sandvik's sales in China and Hongkong amounted to about SEK 230 m.

During 1993, Sandvik established the wholly owned company Sandvik China Ltd. and in 1994, several major steps were taken to permit a substantial sales increase in the immediate future:

- a wholly owned manufacturing unit for tool holders was opened in Langfang, about 60 km from Beijing.
- a joint-venture agreement was signed between Sandvik Steel and a Chinese company for a plant for the manufacture of cutting rules in Qingdao.
- four new branch offices were opened in Shenyang, Wuhan, Xian and Chengdu.

There are plans to open three more offices during 1995. Accordingly, Sandvik will have representative offices in the most important industrial regions in China.

In terms of area, China is the third largest country in the world, has one-fifth of the world population and is currently undergoing rapid development from a strict planned economy to increased decentralization and more free enterprise.

China still remains only moderately industrialized. Four out of five Chinese are farmers, ancient building methods are still used and communications are outdated. However, major changes are in progress. Manufacturing industry is increasing by 20% annually and enormous programs are under way



Clas Åke Hedström, CEO of Sandvik, talks to Svante Lindholm (left), President of Sandvik International, and Lynn Zhou, Administrative Manager of Sandvik China Ltd.

Sandvik Coromant's new plant in Langfang, 60 km from Beijing.

Organization for expansion

Through the rapid establishment of new Sandvik units and training of local personnel, the Group is steadily building a solid base to provide customer service in all of Sandvik's product areas. In addition, there are ongoing contacts with Chinese companies regarding future co-operation agreements, joint-venture companies or acquisitions.

Establishing a wholly owned company and building one's own plant, as Sandvik has done in Langfang, is as yet highly uncommon and difficult for western companies. Consequently, this approach provided Sandvik with many advantages, including the possibility to work in local currency and to directly employ personnel instead of hiring them via a state company.

One million cars per year

The engineering and automotive industries are highly interesting



Qingdao Sandvik Die Cutting Systems Co. Ltd. is a joint venture for the manufacture of cutting rules from Sandvik strip material. Svante Lindholm, President of Sandvik International, is pictured signing the agreement. Uno Blom, center, is manager of the Strip Division at Sandvik Steel.

sectors for Sandvik Coromant. Both are growing very rapidly in China and Sandvik can participate and lead the transition to modern tools and tooling systems. It is estimated that one million cars will be built annually in China within just a few years. Major European automotive manufacturers already have plants in China.

Sandvik Steel's sales in China are based mainly on products for major projects relating to the nu-



The Langfang plant manufactures tool holders. Sandvik China Ltd. had a total of 50 employees in 1994, the majority in marketing.

clear power and chemical industries. Other popular Sandvik products include flapper-valve steel, razor-blade steel, spring wire and supporting wire for fiber-optic cables.

Sandvik Process Systems, with a new service centre in Guangzhou, sees major market potential in the food-processing sector. In recent years, drying and freezing plants and other equipment have been supplied. In the case of Sandvik Saws and Tools, the main products in demand are metal saws and bandsaw blades. For Sandvik Rock Tools, China is a potentially major market with extensive mining operations and vast infrastructural projects. To date, however, the Chinese imports of rockdrilling tools has been limited.

Customer service and education have priority

Sandvik International, one of Sandvik's three regional companies, is developing the Chinese market together with the business areas. Services and technical support are important means of competition.

For example, during 1995, a Coromant school was established in Langfang, where both the company's own personnel and customers will be trained in product awareness and are provided the possibility to test products. Sandvik Steel plans intensive training operations in its areas, both locally in China and by training Chinese personnel in Sweden.



The opening of the Langfang plant was attended by Sven Linder, Swedish Ambassador, and a number of local officials.

Consolidated income statement

Amounts in SEK million		1994	1993
Invoiced sales	Note 2	25 285	21 770
Costs of production, selling and administration	Note 3	-20 722	-19 161
Bonus to employees		-132	-
Operating profit before depreciation	Note 8	4 431	2 609
Scheduled depreciation	Note 4	-1 003	-1 104
Operating profit after depreciation		3 428	1 505
Share of profits in associated companies	Note 7	119	45
Dividends		3	-
Interest received	Note 5	554	571
Interest paid	Note 5	-287	-348
Exchange differences on loans	Note 6	-6	-9
Profit after financial income and expenses		3 811	1 764
Accrued taxes	Note 21	-1 406	-327
Estimated future taxes	Note 21	179	-248
Participation in taxes of associated companies		-29	-12
Profit after taxes		2 555	1 177
Minority interest	Note 7	-119	-108
Consolidated net profit		2 436	1 069

Consolidated balance sheet

Amounts in SEK million		1994	1993
ASSETS			
Current assets			
Liquid assets	Note 9	6 591	5 171
Customer bills and acceptances		726	683
Trade accounts receivable		4 730	3 914
Prepaid expenses and accrued income		296	322
Other current receivables		889	961
Inventories		6 141	5 724
		<u>19 373</u>	<u>16 775</u>
Fixed assets			
Shares and participations	Note 10	63	83
Equity interest in associated companies		709	607
Long-term receivables	Note 11	492	157
Goodwill and other intangible assets	Note 12	334	323
Construction in progress		258	157
Machinery and equipment	Note 13	4 348	4 219
Land and buildings	Note 13	2 791	2 806
		<u>8 995</u>	<u>8 352</u>
Total assets		28 368	25 127
Assets pledged	Note 14	686	1 646
LIABILITIES AND EQUITY CAPITAL			
Current liabilities			
Bills payable		177	189
Owed to suppliers		1 697	1 191
Tax debts	Note 21	1 411	381
Accrued expenses and prepaid income		2 357	2 100
Short-term loans	Note 16	993	902
Other current liabilities	Note 15	904	1 064
		<u>7 539</u>	<u>5 827</u>
Long-term liabilities			
Long-term loans	Note 16	235	352
Provision for pensions	Note 17	1 819	1 755
Latent tax liability	Note 20	1 738	2 024
Other long-term liabilities		182	168
		<u>3 974</u>	<u>4 299</u>
Convertible debenture loan		16	25
Minority interest in equity capital		826	612
Equity capital			
Note 22			
Restricted equity capital:			
Share capital	Note 23	1 392	1 392
Statutory capital reserves		5 469	5 601
		<u>6 861</u>	<u>6 993</u>
Unrestricted equity capital:			
Unrestricted reserves		6 726	6 267
Translation difference		-10	35
Consolidated net profit		2 436	1 069
		<u>9 152</u>	<u>7 371</u>
Total equity capital		16 013	14 364
Total liabilities and equity capital		28 368	25 127
Contingent liabilities	Note 24	334	522

Consolidated funds statement

Amounts in SEK million	1994	1993
Internal financing		
Profit after financial income and expenses	3 811	1 764
Reversal of undistributed share in profit of associated companies	-112	-45
Reversal of depreciation charges	1 003	1 104
Reversal of capital gain/loss on shares and facilities sold	-47	279
Accrued taxes	-1 406	-327
Dividends	-650	-549
Total internal financing	2 599	2 226
Change in working capital		
Change in inventories	-332	76
Change in current receivables	-1 068	-538
Change in non-interest-bearing operating liabilities	1 528	128
Total change in working capital	128	-334
Net financing from operations	2 727	1 892
Net investments		
Acquisition of companies and shares	-353	-78
Less acquisitions financed by issue of shares	-	54
Less acquired liquid assets	9	5
Investment in fixed assets	-1 229	-886
Sale of companies and shares	21	21
Payment of dealings with divested companies	-65	-
Sale of fixed assets	105	134
Net investments	-1 512	-750
Cash flow	1 215	1 142
External financing		
Loans:		
Change in short-term loans	56	-204
Change in long-term loans	-115	-94
Change in convertible loan	-9	-5
Total loans	-68	-303
Other financing, net:		
Change in long-term receivables	48	-103
Change in pension liability	64	-4
Change in other long-term liabilities	-9	-80
Change of minority interest in equity capital	136	17
Total other financing, net	239	-170
Net external financing	171	-473
Translation differences, including the effect of hedging the Group's net investments in subsidiaries outside Sweden	34	-362
Change in liquid assets	1 420	307

The Parent Company's income statement (Note 1)

Amounts in SEK million		1994	1993
Invoiced sales	Note 2	10 607	8 197
Costs of production, selling and administration	Note 3	-8 253	-7 053
Employee profit-sharing fund		-132	-
Operating profit before depreciation	Note 8	2 222	1 144
Scheduled depreciation	Note 4	-318	-343
Operating profit after depreciation		1 904	801
Financial items:			
Dividends received from subsidiaries		73	603
Dividends received from other companies		4	-
Interest received from subsidiaries		33	19
Other interest received	Note 5	119	128
Interest paid to subsidiaries		-108	-120
Other interest paid	Note 5	-74	-84
Exchange differences on loans	Note 6	-25	-10
Profit after financial income and expenses		1 926	1 337
Appropriations:			
Difference between book and scheduled depreciation	Note 18	28	104
Change in transitional reserve for inventory reserve, etc.	Note 19	-	600
Change in tax equalization reserve (K)	Note 19	1 870	-1 790
Change in tax deferral reserve	Note 19	-890	-
Other appropriations	Note 19	-22	-3
Group contributions		115	-33
Pre-tax profit		3 027	215
Accrued taxes	Note 21	-818	-75
Estimated future taxes	Note 21	13	79
Net profit		2 222	219

The Parent Company's balance sheet (Note 1)

Amounts in SEK million		1994	1993
ASSETS			
Current assets			
Liquid assets	Note 9	1 977	1 444
Receivables from subsidiaries		2 100	1 395
Trade accounts receivable		678	498
Prepaid expenses and accrued income		161	177
Other current receivables		173	139
Inventories		2 127	1 906
		<u>7 216</u>	<u>5 559</u>
Fixed assets			
Shares and participations in subsidiaries	Note 10	5 731	5 675
Shares and participations in other companies	Note 10	421	419
Receivables from subsidiaries		229	171
Other long-term receivables	Note 11	20	15
Construction in progress		104	78
Machinery and equipment	Note 13	1 762	1 671
Land and buildings	Note 13	294	304
		<u>8 561</u>	<u>8 333</u>
Total assets		15 777	13 892
Assets pledged	Note 14	111	596
LIABILITIES AND EQUITY CAPITAL			
Current liabilities			
Owed to suppliers		629	423
Tax debts	Note 21	964	152
Accrued expenses and prepaid income		631	672
Short-term loans	Note 16	112	6
Other current liabilities to subsidiaries		1 362	1 189
Other current liabilities	Note 15	135	168
		<u>3 833</u>	<u>2 610</u>
Long-term liabilities			
Long-term loans	Note 16	5	7
Provision for pensions	Note 17	842	787
Latent tax liability	Note 20	0	12
		<u>847</u>	<u>806</u>
Untaxed reserves			
Accumulated depreciation above schedule	Note 18	1 101	1 129
Tax equalization reserve (K)	Note 19	320	2 190
Tax deferral reserve	Note 19	890	-
Other untaxed reserves	Note 19	30	8
		<u>2 341</u>	<u>3 327</u>
Equity capital			
Note 22			
Restricted equity capital:			
Share capital			
(278,476,380 shares of SEK 5 nominal)	Note 23	1 392	1 392
Statutory capital reserve		291	291
		<u>1 683</u>	<u>1 683</u>
Unrestricted equity capital:			
Retained earnings		4 851	5 247
Net profit		2 222	219
		<u>7 073</u>	<u>5 466</u>
Total equity capital		8 756	7 149
Total liabilities and equity capital		15 777	13 892
Contingent liabilities	Note 24	495	629

The Parent Company's funds statement

Amounts in SEK million	1994	1993
Internal financing		
Profit after financial income and expenses	1 926	1 337
Reversal of depreciation charges	318	343
Reversal of capital gain/loss on shares and facilities sold	-134	48
Accrued taxes	-818	-75
Dividends	-615	-519
Group contributions	115	-33
Total internal financing	792	1 101
Change in working capital		
Change in inventories	-221	30
Change in current receivables	-903	-129
Change in non-interest-bearing operating liabilities	1 117	349
Total change in working capital	-7	250
Net financing from operations	785	1 351
Net investments		
Acquisition of companies and shares	-44	-364
Less acquisitions financed by the issue of shares	-	6
Acquisition of fixed assets	-438	-307
Change in Parent Company's long-term commitments to subsidiaries	-85	-33
Sale of companies	147	20
Sale of fixed assets	14	9
Net investments	-406	-669
Cash flow	379	682
External financing		
Loans:		
Change in short-term loans	106	-88
Change in long-term loans	-2	-13
Total loans	104	-101
Other financing, net:		
Change in long-term receivables	-5	-
Change in pension liability	55	-111
Change in long-term liabilities	-	-42
Acquired liquid assets	-	4
Total other financing, net	50	-149
Total external financing	154	-250
Change in liquid assets	533	432

Accounting principles

Changes to accounting principles

Effective in 1994, Sandvik is applying the restrictive approach of classifying as extraordinary certain revenues and expenses designated in the Swedish Financial Accounting Standards Council's recommendation. Income statements and summaries covering several years relating to previous periods have been amended in accordance with this recommendation.

The definition of net assets has been modified to state that *all* non-interest-bearing debts are now deducted from the average total capital. Previously, not all tax liabilities were deducted. As a result of this change, the figure for annual return has risen by 0.6 percent.

Consolidated accounting

The Consolidated Accounts cover the Parent Company, all subsidiaries and associated companies. Subsidiaries are defined as companies in which the Parent Company directly or indirectly holds more than half the votes. Associated companies are companies which are linked to the Group's operations and in which the Parent Company has a direct or indirect long-term shareholding amounting to not less than 20 percent and not more than 50 percent of the voting rights.

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

All acquisitions of companies are reported in accordance with the purchase method. After 1991, goodwill is determined at acquisition in the local currency. While consolidated goodwill is normally depreciated linearly over a maximum of ten years, a depreciation period of up to 20 years may be applied in the case of important strategic acquisitions. If goodwill is determined to have declined permanently in value, extra amortizations is applied. Negative goodwill is reported as a long-term liability and eliminated in accordance with a plan prepared in each specific case. Internal transactions have been eliminated. When internal income results

from a transaction involving a company in which there is a minority interest, the portion of such income accruing to the Group is eliminated.

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

The Consolidated Balance Sheet and Income Statement are presented without untaxed reserves and appropriations. Untaxed reserves reported by the individual companies within the Group have been apportioned such that the latent tax is reported under long-term liabilities, while the remainder is included in the Group's equity capital. Latent tax, generally at the tax rate applicable to the next fiscal year, has been calculated separately for each company. The tax attributable to changes in the untaxed reserves of individual Group companies in the course of the year is included in the Group's tax expenses as estimated future taxes. The remaining part is included in the Group's net earnings. In the event of a change in the tax rate, the change in tax liability is included in the tax expenses for the year. In calculating the latent tax in allocations to tax equalization reserves, the conditions in force at year-end in 1993 and 1994 relating to tax-free withdrawals from these reserves have been taken into account.

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

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

Foreign currency

In preparing the Consolidated Accounts, the accounts of foreign subsidiaries are converted in accordance with the draft recommendation

of the Swedish Institute of Authorized Public Accountants.

Since the local currency is the "functional currency" for the majority of foreign subsidiaries, translation is by the current-rate method. The changes in Group equity arising from variations in the rates prevailing on the Balance Sheet date compared with the rates at the preceding year-end have a direct effect on equity capital. The financial statements of companies operating in high-inflation countries are initially translated into U.S. dollars in accordance with the monetary/non-monetary method. The translation differences that arise have an effect on income for the year. In a second stage, the balance sheets and income statements of these companies are translated from U.S. dollars to SEK using the current-rate method.

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

Unrealized exchange gains on long-term receivables and liabilities are set aside at the individual companies in an untaxed exchange rate reserve.

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

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

Short-term placements

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

Inventories

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

Depreciation of tangible fixed assets

Scheduled depreciation charged in the industrial operations is based on the historical cost of the assets and their estimated economic lives. Straight-line depreciation is normally applied, over a period of 5-10 years for machinery and equipment, 10-50 years for buildings, and 20 years for site improvements. Degressive depreciation over a period of 3-5 years is applied to computer equipment. The difference between sched-

uled depreciation and depreciation for tax purposes is shown at the individual companies as an accumulated depreciation above schedule under untaxed reserves.

Revenue accounting and entry of profits

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

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

Research and development costs

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

Taxes

Tax costs for the year include accrued (paid) taxes, future (latent) taxes and a share of the taxes on associated companies. Accrued taxes also include foreign withholding taxes paid in respect of dividend payments. Latent tax includes those

tax effects that are to be taken into account in the Consolidated Accounts according to the Swedish Financial Accounting Standards Council's recommendation. This includes latent tax in the untaxed reserves of individual Group companies, latent tax when different values are assigned at Group and company level, including internal gains, as well as tax effects noted when analyzing acquisitions, including those attributable to acquired tax loss carryforwards. Sandvik also includes under latent tax any tax that is attributable to participation in net losses of partly owned limited partnerships.

Funds statement

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

DEFINITIONS

Earnings per share

Profit after financial income and expenses, after deduction for estimated full tax and minority interest, divided by the average number of shares outstanding during the year.

Earnings per share after accrued taxes

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

Solidity

Equity capital and minority interests in relation to total capital.

Debt-equity ratio

Interest-bearing current and long-term debts (including pension liability) divided by the total of equity capital plus minority interest.

Rate of capital turnover

Invoiced sales in relation to average total capital.

Return on equity capital after tax

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

Return on net assets

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

Application of U.S. GAAP

(American accounting principles)

The Financial Statements of the Sandvik Group have been drawn up 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, the American accounting rules to a certain extent also permit taking into account the effects of loss carry-forwards.

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 the said 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.

Acquisitions

Acquisition of certain subsidiaries is accounted for in different ways, according to Sandvik's accounting principles and U.S. GAAP, respectively. The differences are related to the valuation of payment in the form of own shares.

Pension costs, etc.

American and Swedish practice for the reporting of pension costs differ mainly in the choice of the discounting interest rate and in the circumstance that the American calculation of capital value is based on calculated pay at the time of retirement which is not the case with the Swedish calculation. However, the difference has not been quantified, and is not included in the following reconciliation.

Various

Other areas in which the application of American accounting prin-

ciples to the Sandvik Group would entail not insignificant differences are the valuation of forward agreements and general reservations.

Effective in 1994, adjustment for valuation and reporting of investments in securities in accordance with FAS 115 has been added. The effect for Sandvik is that unrealized changes in value of investments are transferred directly to equity capital in accordance with the rules applied for investments classified as marketable.

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	1994	1993
Net profit according to the Consolidated income statement	2 436	1 069
Increase/decrease for		
Latent tax	483	198
Write-ups	5	9
Capitalization of interest expenses	1	24
Acquisitions	-4	-4
Other adjustments	15	-32
Net profit as calculated on American accounting principles, before changes due to revision in accounting principles	2 936	1 264
Accumulated effect due to changes in accounting principles	-	-85
Net profit as calculated on American accounting principles	2 936	1 179
Earnings per share, as calculated on American accounting principles, before changes in accounting principles, SEK	10.50	4.55
Net profit per share, calculated after the accumulated effect of revised accounting principles, SEK	10.50	4.25
Equity capital according to the Consolidated balance sheet	16 013	14 364
Increase/decrease for		
Latent tax	730	247
Write-ups	-324	-459
Capitalization of interest expenses	130	119
Acquisitions	73	77
Other adjustments	129	80
Equity capital as based on American accounting principles	16 751	14 428
Equity capital per share as calculated based on American accounting principles, SEK	57.90	49.60

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 1994 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 1994 for the account of the Parent Company: Guldsmidshytte Bruks AB, AB Sandvik Automation,

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

Note 2. Invoiced sales and Parent Company, purchases

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

	Group		Parent Company	
	1994	1993	1994	1993
Other operating revenues	15	14	244	194

SEK 7,230 m. (5,107), or 68% (62) of the Parent Company's invoiced sales were to Group companies. The export share was 85% (82). SEK 644 m. (462), or 14% (13), of the Parent Company's purchasing, was from Group companies.

Note 3. Research, development and quality assurance

	Group		Parent Company	
	1994	1993	1994	1993
Costs of research and development	684	659	419	411
quality assurance	296	273	109	117
Total	980	932	528	528

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

Note 4. Depreciation

Group	Goodwill and other intangible assets		Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
	Scheduled depreciation	-36	-82	-839	-874	-125	-146	-3	-2	-1 003

Parent Company	Machinery and equipment		Industrial and residential buildings		Site improvements		Total	
	1994	1993	1994	1993	1994	1993	1994	1993
	Scheduled depreciation	-300	-327	-18	-15	-	-1	-318
Difference between book and scheduled depreciation	15	93	13	11	-	-	28	104
Book depreciation	-285	-234	-5	-4	-	-1	-290	-239

Note 5. Interest received and paid

	Group		Parent Company	
	1994	1993	1994	1993
Gross interest received on placements	476	504	119	128
Correction due to translation difference	-3	-26	-	-
Other interest received	81	93	-	-
Interest received	554	571	119	128
Interest paid on pension liability	-114	-102	-60	-55
Other interest paid, gross	-176	-251	-14	-29
Correction due to translation difference	+3	+5	-	-
Interest paid	-287	-348	-74	-84

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.

Other interest received covers the accrued 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 short-term loan debts.

	Group		Parent Company	
	1994	1993	1994	1993
Unrealized exchange difference on loans	-2	-	-2	-
Exchange difference on loans, amortizations	-4	-9	-23	-10
Total	-6	-9	-25	-10

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

There are significant minority interests in the following companies: Seco Tools AB (minority 39%), Bodås Svamp AB (37%), RGB Stainless Ltd. (45%), Cermep S.A. (49%), MKTS (29%), MKTS Joint Venture (21%), Sandvik-Villares Wire Ind. e Com. Ltda (50%), Acesita Sandvik Tubos Inox S.A. (50%) and Sandvik Asia Ltd. (45%).

The Group classes 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%), Integrated Supply, Inc. (50%), Procera-Sandvik AB (50%), Sandvik Baildonit S.A. (16%), and Tamrock Oy (25%).

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

Note 8. Operating profit before depreciation

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

	Group		Parent Company	
	1994	1993	1994	1993
Earnings				
Capital gain on sale of shares and companies	43	8	141	5
Sundry items	-	-	-	2
Total	43	8	141	7
Expenses				
Writedown on shares and other participations	-5	-215	-7	-14
Capital loss on sale of shares and participations	-	-8	-	-9
Shareholder's contribution to subsidiaries	-	-	-74	-105
Sundry items	-	-6	-	-
Total	-5	-229	-81	-128

Note 9. Liquid assets

	Group		Parent Company	
	1994	1993	1994	1993
Cash and bank balances	1 370	1 049	34	70
Short-term placements	4 283	3 637	1 731	1 150
Bonds with longer duration than one year	938	485	212	224
Total	6 591	5 171	1 977	1 444

Note 10. Shares and other participations

The Group's and the Parent Company's holdings of shares and other participations at the end of 1994 are set forth in the specification on page 46.

Note 11. Other long-term receivables

	Group		Parent Company	
	1994	1993	1994	1993
Blocked accounts for fund allocations	-	3	-	-
Advances to suppliers	-	2	-	1
Other receivables	492	152	20	14
Total	492	157	20	15

Note 12. Goodwill and other intangible assets

	Group	
	1994	1993
Patents and other intangible assets	7	12
Goodwill	327	311
Total	334	323

Note 13. Fixed assets

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

	Machinery and equipment		Industrial and residential buildings		Agricultural and forest properties		Land and site improvements	
	1994	1993	1994	1993	1994	1993	1994	1993
Group								
Historical cost ¹⁾	12 214	11 689	3 628	3 545	1	1	547	548
Accumulated scheduled depreciation	-7 871	-7 475	-1 669	-1 583	-	-	-35	-34
Scheduled remaining values	4 343	4 214	1 959	1 962	1	1	512	514
Accumulated write-ups not yet written off	5	5	176	187	10	10	133	132
Remaining values	4 348	4 219	2 135	2 149	11	11	645	646
Assessed valuations ²⁾	-	-	1 039	916	34	34	129	135
Parent Company								
Historical cost	4 766	4 465	416	408	1	1	26	27
Accumulated scheduled depreciation	-3 004	-2 794	-193	-177	-	-	-6	-5
Scheduled remaining values	1 762	1 671	223	231	1	1	20	22
Accumulated write-ups not yet written off	-	-	-	-	10	10	40	40
Remaining values	1 762	1 671	223	231	11	11	60	62
Accumulated depreciation above schedule	-1 089	-1 104	-6	-19	-	-	-6	-6
Book values	673	567	217	212	11	11	54	56
Assessed valuations	-	-	282	197	34	34	38	42

¹⁾ 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.

²⁾ The figures apply to the Swedish part of the Group. The book value of real estate held by foreign subsidiaries amounted to SEK 1,678 m. (1,716).

Note 14. Assets pledged

	Group		Parent Company	
	1994	1993	1994	1993
Real-estate mortgages	304	957	11	75
Chattel mortgages	292	594	10	430
Bonds and other short-term placements	90	90	90	90
Shares in subsidiaries	-	5	-	1
Total,	686	1 646	111	596
of which, for subsidiaries			90	90

Note 15. Other current liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Advances from customers	87	183	2	6
Other current liabilities	817	881	133	162
Total	904	1 064	135	168

Note 16. External loans

	Group		Parent Company	
	1994	1993	1994	1993
Short-term loans				
Amortizations due within one year on long-term loans	74	87	2	6
Other short-term loans	919	815	110	-
Total, short-term loans	993	902	112	6
Long-term loans				
Bond loans	-	2	-	-
Debenture loans	1	1	-	-
Other loans	234	349	5	7
Total long-term loans	235	352	5	7
Total, all loans	1 228	1 254	117	13

Note 17. Provision for pensions

	Group		Parent Company	
	1994	1993	1994	1993
Pension Registration Institute pensions	904	842	785	733
Other pensions	915	913	57	54
Total	1 819	1 755	842	787

Note 18. Parent Company's accumulated depreciation above schedule

	Machinery and equipment	Industrial and residential buildings	Site improvements	Total
Reported at end of 1993	1 104	19	6	1 129
Difference between book and scheduled depreciation	-15	-13	-	-28
Reported at end of 1994	1 089	6	6	1 101

Note 19. Parent Company's other untaxed reserves

	Tax equalization reserve (K)	Tax deferred reserve	Other untaxed reserves
Reported at end of 1993	2 190	-	8
Change during the year	-1 870	890	22
Reported at end of 1994	320	890	30

Of this year's change in tax equalization reserve (K), SEK 40 m. constitutes a tax-exempt reversal. The remainder is considered taxable in its entirety.

Note 20. Latent tax liability

	Group		Parent Company	
	1994	1993	1994	1993
Latent tax liability in untaxed reserves at Group companies	1 538	1 651	-	-
Reservation for future tax due to losses at partly owned limited partnerships, etc.	331	409	-	30
Latent tax liabilities and tax claims in untaxed reserves, and consolidated fair-value apportionments, losses carried forward etc., net, taken into consideration upon acquisitions	147	152	-	-
Latent tax claims in internal profit reserve and other adjustments	-278	-188	0	-18
Total	1 738	2 024	0	12

Note 21. Taxes**Estimated future taxes**

	Group		Parent Company	
	1994	1993	1994	1993
Estimated future taxes attributable to changes in untaxed reserves in Group companies	91	-303	-	-
Change due share of earnings in partly owned limited partnership companies and divestment of limited partnership companies	54	80	30	80
Tax attributable to changes in acquired untaxed reserves and consolidated fair-value apportionments and unutilized losses carried forward, net	-47	10	-	-
Tax attributable to changes in internal profit reserve and other adjustments	81	-35	-17	-1
Total estimated future taxes	179	-248	13	79

Ongoing tax proceedings

In the Parent Company as well as in Swedish subsidiaries, Sandvik is involved in a number of proceedings with the tax authorities in Sweden. In the event that Sandvik would lose all cases, the resulting tax charges would amount to about SEK 525 m. in excess of the provisions made in the year-end accounts. However, Sandvik has concluded that this is not probable and considers that the provisions for taxes made in the financial statements are adequate. This assessment is based on the opinions provided by external tax experts and on the fact that several of the cases were settled in Sandvik's favour in the County Administrative Courts or the Administrative Court of Appeal, although these rulings have since been appealed by the tax authorities to higher courts.

Note 22. Change in equity capital

Group

	Share capital	Restricted reserves	Unrestricted reserves	Translation difference	Group profit	Total
Reported at end of 1993	1 392	5 601	6 267	35	1 069	14 364
Change due to revised translation rates 1994	-	-	-175	-	-	-175
Carry-over of 1993 surplus and translation difference	-	-	1 104	-35	-1 069	-
Reversal of share in profits of associated companies	-	83	-83	-	-	-
Other movements between unrestricted and restricted equity capital	-	-228	228	-	-	-
Change due to write-up of fixed assets	-	13	-	-	-	13
Dividend	-	-	-615	-	-	-615
Group net profit 1994	-	-	-	-10	2 436	2 426
Reported at end of 1994	1 392	5 469	6 726	-10	2 436	16 013

Appropriations to restricted reserves, proposed by subsidiary boards, decrease the unrestricted Group equity by SEK 16 m.

Parent Company

	Share capital	Statutory capital reserve	Retained earnings	Net profit	Total
Reported at end of 1993	1 392	291	5 247	219	7 149
Carry-over of 1993 surplus	-	-	219	-219	-
Dividend	-	-	-615	-	-615
Net profit for 1994	-	-	-	2 222	2 222
Reported at end of 1994	1 392	291	4 851	2 222	8 756

Note 23. Share capital

Number of shares

	1994	1993
"A" shares	209 225 815	209 225 815
"B" shares	64 038 065	64 038 065
"C" shares	5 212 500	5 212 500
Total number of shares of SEK 5 nominal	278 476 380	278 476 380

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

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

The number of shares entitled to dividends for 1994 is 273,263,880.

Note 24. Contingent liabilities

	Group		Parent Company	
	1994	1993	1994	1993
Bills discounted	76	104	-	-
Pension commitments over and above those entered under pension liabilities (capitalized value)	1	1	1	1
Other surety undertakings and contingent liabilities	257	417	494	628
Total,	334	522	495	629
whereof for subsidiaries			337	289

Shareholdings

Sandvik AB's holdings of shares and participations Subsidiaries

According to the Balance Sheet of 31 Dec. 1994

		Number of shares	Percent- age holding	Nominal value local currency unit '000	Book value SEK '000
SWEDEN	AB Ascet	720	100	72	304
	Dormer Tools AB	80 000	100	35 000	35 000
	Edmeston AB	40 000	100	4 000	3 000
	Elasis Svenska AB	50 000	100	50	2 346
	Fragoso AB	500	100	50	0
	Guldsmedshytte Bruks AB ¹⁾	500	100	50	0
	Gusab Holding AB	1 831 319	100	45 783	53 474
	Gusab Stainless AB	200 000	100	34 019	34 019
	Malcus AB	50 000	100	5 000	0
	AB Sandvik Automation ¹⁾	500	100	50	0
	Sandvik Automation Norden AB ¹⁾	500	100	50	50
	AB Sandvik Bahco ¹⁾	200 000	100	20 000	35 000
	Sandvik Bahco Norden AB ¹⁾	500	100	50	0
	AB Sandvik Belts ¹⁾	500	100	50	50
	AB Sandvik Central Service ¹⁾	500	100	50	0
	AB Sandvik Coromant ¹⁾	500	100	50	0
	Sandvik Coromant Norden AB ¹⁾	500	100	50	50
	AB Sandvik Falken	500	100	50	50
	Sandvik Far East Ltd. AB	10 000	100	10 000	10 000
	AB Sandvik Formsprutning	5 000	100	50	4 490
	AB Sandvik Hand Tools ¹⁾	500	100	50	0
	AB Sandvik Hard Materials ¹⁾	500	100	50	0
	Sandvik Hard Materials Norden AB ¹⁾	500	100	50	0
	AB Sandvik Hedgrind	500	100	50	50
	AB Sandvik Information Systems ¹⁾	500	100	50	0
	AB Sandvik International ¹⁾	500	100	50	0
	Sandvik Invest AB	1 772 068	100	44 302	181 654
	AB Sandvik Luftfartsintressenter	500	100	50	50
	AB Sandvik Metal Saws ¹⁾	500	100	50	0
	AB Sandvik Powders	30 000	100	3 000	7 000
	Sandvik PT AB	2 500	100	250	250
	AB Sandvik Rock Tools ¹⁾	500	100	50	0
	Sandvik Rock Tools Svenska Försäljnings AB ¹⁾	500	100	50	0
	AB Sandvik Saws and Tools ¹⁾	500	100	50	0
	AB Sandvik Steel ¹⁾	500	100	50	0
	AB Sandvik Steel Investment	500	100	50	50
	Sandvik Stål Försäljnings AB ¹⁾	500	100	50	0
	AB Sandvik Teknik	30 000	100	3 000	10 000
	AB Sandvik Tranan	500	100	50	50
	Sandvik Windsor AB ¹⁾	50 000	100	5 000	8 900
	AB Sandvik Västberga Service ¹⁾	500	100	50	50
	Sandvik Örebro AB	50 000	100	5 000	5 000
	AB Sandvik Örnen	500	100	50	50
	Sandvikens Brukspersonalns Byggnadsförening upa	-	100	2 941	0
	Steebide International AB	15 000	100	1 500	1 000
	AB Swedish Metal Saws ¹⁾	500	100	50	50
	Trellbo AB	500	100	50	0
	Dormant companies, wholly owned ²⁾			12 750	4 498
ARGENTINA	Sandvik Bahco Argentina S.A.	3 515 000	100	3 515	30 000
BRAZIL	Dormer Tools S.A.	2 137 623 140	100	31 567	237 098
	Sandvik do Brasil S.A.	1 894 797 192	100	24 474	46 072
BULGARIA	Sandvik-Bulgaria	-	100	34	112
CZECH REPUBLIC	Sandvik Czechoslovakia s.r.o.	-	100	2 000	0
CHINA	Sandvik China Ltd.	-	100	20 164	28 123
COLOMBIA	Sandvik Colombia S.A.	129 007	94 ³⁾	129 007	0
FINLAND	Oy Bahco Työkalut	60	100	600	2 380
GERMANY	Sandvik GmbH	-	0.9 ³⁾	400	1 486
	Sandvik Belzer GmbH	-	1 ³⁾	370	366
HUNGARY	Sandvik KFT	-	100	5 000	468
INDIA	Sandvik Asia Ltd.	633 600	55	63 360	5 500
JAPAN	Sandvik K.K.	2 600 000	100	2 600 000	180 000
KENYA	Sandvik Kenya Ltd.	35 000	96	700	0
KOREA	Sandvik Korea Ltd.	752 730	100	7 527 300	46 856
MEXICO	Sandvik Mexicana S.A. de C.V.	406 642 870	90 ³⁾	40 664	80 000
MOROCCO	Sandvik Maroc S.A.	940	94	94	0
NETHERLANDS	Sandvik Finance B.V.	18 406	100	18 406	4 589 969
	Sandvik Benelux B.V.	20 000	100	10 000	27 496
	Cutting Tool Technology B.V.	150 000	100	150 000	16 197

Sandvik AB's holdings of shares and participations Subsidiaries

According to the Balance Sheet of 31 Dec. 1994

		Number of shares	Percent- age holding	Nominal value local currency unit '000	Book value SEK '000
PERU	Barrenas Sandvik Andina S.A.	482 608	100	483	59
	Sandvik del Perú S.A.	44 964	100	45	0
PORTUGAL	Sandvik Obergue-Limas e Mecânica, Lda	-	100	829 980	20 000
	Sandvik Portuguesa Lda	-	100	199 600	8 300
SLOVAKIA	Sandvik Slovakia s.r.o.	-	100	100	23
SPAIN	Minas y Metalurgia Española S.A.	59 999	50 ³⁾	59 999	3 700
SWITZERLAND	Sanfinanz AG	1 000	100	200	735
THAILAND	Sandvik Thailand Ltd.	744	99	504	0
TURKEY	Sandvik Ticaret A.S.	-	100	24 969 000	0
U.K.	Madison Tools Ltd.	274 999	100	275	6 000
VENEZUELA	Sandvik Venezuela C.A.	95 865	100	95 865	0
ZAMBIA	Sandvik (Zambia) Ltd.	5 000 000	100	10 000	0
ZIMBABWE	Sandvik (Pvt) Ltd.	233 678	100	467	3 269
					<u>5 730 694</u>

¹⁾ Subordinate company

²⁾ A specification of dormant companies is available from Sandvik's Head Office in Sandviken

³⁾ Remaining shares are held by other Group companies

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

Reported at the end of 1993	5 674 795	Certain write-ups and write-downs have been applied within the item "Shares and participations in subsidiaries".
Acquisitions	47 018	
New issues	32 142	
Divestitures, adjustments	-23 261	
Reported at the end of 1994	5 730 694	

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

According to the Balance Sheet of 31 Dec. 1994

		Number of shares	Percent- age holding	Nominal value local currency unit '000	Book value SEK '000
ASSOCIATED COMPANIES					
SWEDEN	Balzars Sandvik Coating AB	28 420	49	2 842	3 416
	Procera-Sandvik AB	5 000	50	500	600
FINLAND	Tamrock Oy	922 500	25	92 250	382 435
FRANCE	Devillé S.A.	14 000	35	1 204	7 216
	Eurotungstène Poudre S.A.	112 353	49	11 235	7 737
POLAND	Sandvik Baildonit S.A.	13 981	16	14 000 000	5 178
					<u>406 582</u>
OTHER COMPANIES	Corun DD	-	51		0
	Fastighetspartner NF AB	600 425	3	6 004	4 383
	Latsin SiA	-	50	11	100
	Prevas AB	20 000	20	200	1 798
	Rolltech International AB	250	50	25	0
	Sandvik-Bisov	-	51	1 771	6 338
	Swedish Airlease KB ¹⁾	-	100	-	0
	Vidia Kereskedőház RT	21 600	4	21 600	0
	Miscellaneous				<u>2 147</u>
					<u>14 766</u>
TOTAL					421 348

¹⁾ Sandvik AB is a limited partner

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

Reported at end of 1993	418 798
Acquisitions	5 287
New issues	3 602
Divestitures	-306
Write-downs	-6 033
Reported at end of 1994	421 348

Shareholdings

The Group's shareholdings

		Number of shares	Percentage holding	Nominal value local currency unit '000	Book value SEK '000
According to the Balance Sheet of 31 Dec. 1994					
ASSOCIATED COMPANIES					
SWEDEN	Avesta Sandvik Tube AB	150 000	25	15 000	30 460
	Fagersta-Seco AB	5 000	50	500	500
	Fagersta Stainless AB	400 000	50	40 000	40 000
USA	Integrated Supply, Inc.	50	50	50	1 115
					<u>72 075</u>
OTHER COMPANIES					
SWEDEN	Other shares and participations				3 800
OTHER COUNTRIES	Other shares and participations				44 351
					<u>48 151</u>
TOTAL					120 226
Sandvik AB's holdings					<u>421 348</u>
The Group's holdings					<u>541 574</u>
Less associated companies					<u>-478 657</u>
Shares and participations according to balance sheet					<u>62 917</u>

Shares in significant operative Group companies owned indirectly by Sandvik AB at 31 Dec. 1994

		Group holding, %			Group holding, %
SWEDEN	Bodås Svamp AB	63	ITALY	Dormer Tools S.p.A.	100
	Dormer Tools AB	100		Impero S.p.A.	100
	Seco Tools AB	61		Master Tools S.p.A.	100
AUSTRALIA	Sandvik Australia Pty. Ltd.	100		Sandvik Italia S.p.A.	100
	Sandvik Hard Materials Pty. Ltd.	100		Sandvik Process Systems S.p.A.	100
AUSTRIA	Günther & Co. Ges.m.b.H.	100	LUXEMBOURG	Sansafe S.A.	100
	Sandvik in Austria Ges.m.b.H.	100	MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100
	Sandvik Process Systems Ges.m.b.H.	100	MEXICO	Sandvik de Mexico S.A. de C.V.	100
BELGIUM	Dormer Tools N.V./S.A.	100	NETHERLANDS	Dormer Tools B.V.	100
	Sandvik S.A. (Belgium) N.V.	100		Sandvik Process Systems B.V.	100
BRAZIL	Acesita Sandvik Tubos Inox S.A.	50		Sandvik Saws and Tools Benelux B.V.	100
	Sandvik-Villares Wire Indústria e Comércio Ltda	50	NORWAY	Sandvik Norge A/S	100
CANADA	Dormer Tools Inc.	100	NEW ZEALAND	Sandvik New Zealand Ltd.	100
	Sandvik Canada Inc.	100	PHILIPPINES	Sandvik Philippines Inc.	100
CZECH REPUBLIC	Sandvik Chomutov Precision Tubes s.r.o.	100	RUSSIA	Moskovskij Kombinat Tverdih Splavov	71
CHILE	Sandvik Chile S.A.	100		Moskovskij Kombinat Tverdih Splavov Joint Venture	79
DENMARK	Sandvik A/S	100	SINGAPORE	Sandvik South East Asia Pte. Ltd.	100
	Sandvik Bahco Norden A/S	100	SPAIN	Bonastre S.A.	100
	Sandvik Hard Materials	100		Sandvik Española S.A.	100
FINLAND	Suomen Sandvik Oy	100	SWITZERLAND	Sandvik AG	100
	Viaalán Villa Oy	100		Santrade Ltd.	100
FRANCE	Cermep S.A.	51	U.K.	Dormer Tools Ltd.	100
	Dormer Tools S.A.	100		Dormer Tools (Sheffield) Ltd.	98
	Gunther S.A.	100		Metinox Steel Ltd.	100
	Morgon S.A.	100		Osprey Metals Ltd.	100
	Safety S.A.	100		RGB Stainless Ltd.	55
	Sandvik Aciers S.N.C.	100		Sandvik Band Saws Ltd.	100
	Sandvik Bahco S.A.	100		Sandvik Hard Materials Ltd.	100
	Sandvik Coromant S.N.C.	100		Sandvik Ltd.	100
	Sandvik Hard Materials S.A.	100		Sandvik Process Systems Ltd.	100
	Sandvik Outillage S.N.C.	100		Sandvik Rock Tools Ltd.	100
	Sandvik Process Systems S.A.	100		Sterling Tubes Ltd.	100
	Sandvik Rock Tools S.N.C.	100		Titex Tools Ltd.	100
	Sandvik S.A.	100	SOUTH AFRICA	Sandvik (Pty) Ltd.	100
	Sandvik Tobler S.A.	100	TAIWAN	Sandvik Taiwan Ltd.	100
	Ugicarb S.N.C.	100		Titan (Taiwan) Pty. Ltd.	100
GERMANY	Dormer Tools GmbH	100	THAILAND	Svenska Trading Co. Ltd.	49
	Gusab Federdraht Vertriebsges.m.b.H.	100	U.S.A.	Dormer Tools Inc.	100
	Günther & Co. GmbH & Co.	100		Lindström America Inc.	100
	Prototyp-Werke GmbH	100		Pennsylvania Extruded Tube Co.	70
	Sandvik Automation GmbH	100		Sandvik Inc.	100
	Sandvik GmbH	100		Sandvik Latin America Inc.	100
	Sandvik Belzer GmbH	100		Sandvik Milford Corp.	100
	Sandvik Hard Materials GmbH	100		Sandvik Process Systems Inc.	100
	Sandvik Kosta GmbH	100		Sandvik Rock Tools Inc.	100
	Sandvik Process Systems GmbH	100		Sandvik Seamco Inc.	100
	TOP Präzisionswerkzeuge GmbH	100		Sandvik Special Metals Corp.	100
	Widia Bergbauwerkzeuge GmbH	100		Sandvik Windsor Corp.	100
HONGKONG	Sandvik Hongkong Ltd.	100		Union Butterfield Corporation	100
IRELAND	Sandvik Ireland Ltd.	100			

Personnel

Personnel costs, SEK m.

	Group		Parent Company and subordinate companies	
	1994	1993	1994	1993
Wages, salaries and remunerations:				
Board members and presidents				
in Sweden	30	20	27	18
outside Sweden	143	135	-	-
Other employees				
in Sweden	2 063	1 908	1 749	1 632
outside Sweden	4 068	3 911	16	29
Total	6 306	5 974	1 794	1 679
Other personnel costs	2 080	1 959	766	711
Employee profit-sharing fund (incl. social costs)	132	-	132	-
Total	8 518	7 933	2 692	2 390

Information on benefits to senior executives in 1994

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

In conjunction with resignation of the former Chief Executive Officer and President Per-Olof Eriksson, a settlement for the period up to and including 17 May 1994 was made through payment of fixed salary and accumulated vacation benefits totalling SEK 1,947,000 and a bonus accrued for the current and prior years of SEK 4,202,000. For the period after 17 May, remuneration has been paid in accordance with the information disclosed in the 1993 Annual Report.

Chief Executive Officer and President Clas Åke Hedström:

-Fixed salary and fees paid and value of free residence amounted to SEK 1,761,000 for full-year 1994.

-Bonus paid was SEK 1,057,000.

There is a reciprocal 12-month notice of termination for the President. Should notice be served by the Company, or by the President in the event that significant structural changes have occurred, an annual pension of 75% of the total average remunerations paid during the most recent three years is paid up to age 62 (that is, a maximum of six years). From age 62, pension pursuant to the ITP plan without ceiling, that is, the actual pension-based salary, is paid.

There are agreements on reciprocal rights to request early retirement at age 62 for an additional number of senior executives.

The reciprocal notification period for these persons varies between 6 and 12 months.

Average number of employees

	Group		Parent Company and subordinate companies	
	1994	1993	1994	1993
In Sweden				
Women	1 986	1 995	1 571	1 600
Men	7 525	7 358	6 558	6 420
Total in Sweden	9 511	9 353	8 129	8 020
Outside Sweden				
Women	3 318	3 121	32	35
Men	14 752	15 145	131	135
Total outside Sweden	18 070	18 266	163	170
Total	27 581	27 619	8 292	8 190

Average number of employees¹⁾ outside Sweden, by country

	1994			1993		
	Women	Men	Total	Women	Men	Total
The Parent Company and subordinate companies						
China	4	9	13	6	13	19
Czech Republic	3	5	8	5	8	13
Hungary	3	3	6	5	6	11
Netherlands	10	80	90	6	72	78
Poland	5	8	13	4	7	11
Romania	2	4	6	1	3	4
Russia	3	9	12	4	14	18
Other countries ²⁾	5	13	18	7	13	20
	35	131	166	38	136	174

	1994			1993		
	Women	Men	Total	Women	Men	Total
The Group outside Sweden						
Argentina	16	445	461	20	519	539
Australia	68	324	392	71	307	378
Austria	35	59	94	38	69	107
Belgium	16	66	82	16	73	89
Brazil	176	1 172	1 348	182	1 170	1 352
Bulgaria	3	5	8	3	4	7
Canada	66	292	358	66	300	366
Chile	15	63	78	13	63	76
China	10	27	37	6	13	19
Colombia	14	38	52	14	41	55
Czech Republic	101	168	269	5	8	13
Denmark	65	204	269	62	196	258
Finland	36	78	114	33	76	109
France	359	1 361	1 720	368	1 348	1 716
Germany	394	1 818	2 212	444	1 927	2 371
Hongkong	9	13	22	7	11	18
Hungary	10	11	21	10	10	20
India	20	1 056	1 076	20	1 097	1 117
Ireland	3	5	8	3	5	8
Italy	224	806	1 030	217	810	1 027
Japan	58	396	454	58	405	463
Kenya	3	11	14	3	11	14
Korea	19	67	86	18	65	83
Malaysia	15	29	44	14	26	40
Mexico	46	209	255	51	215	266
Netherlands	37	224	261	32	214	246
New Zealand	10	32	42	8	31	39
Norway	7	31	38	8	33	41
Peru	4	26	30	6	27	33
Philippines	13	30	43	12	29	41
Poland	8	11	19	6	8	14
Portugal	69	224	293	65	204	269
Romania	2	4	6	1	3	4
Russia	267	307	574	5	15	20
Singapore	35	56	91	32	48	80
South Africa	54	322	376	53	312	365
Spain	53	383	436	61	443	504
Switzerland	46	86	132	47	88	135
Taiwan	58	87	145	56	86	142
Thailand	10	17	27	8	13	21
Turkey	6	30	36	4	25	29
United Kingdom	285	1 803	2 088	290	1 821	2 111
United States	584	2 602	3 186	617	2 483	3 100
Venezuela	4	28	32	5	27	32
Zambia	4	30	34	4	33	37
Zimbabwe	6	45	51	6	44	50
Other countries ²⁾	14	32	26	-	18	18
	3 098	14 846	17 944	3 068	14 774	17 842

¹⁾ The average number of employees as given here is the average of the number on 31 Dec. 1994 and on 31 Dec. 1993. 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.

²⁾ Countries with an average lower than five.

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

Recommended appropriation of profits

The Board and the President propose that
the surplus brought forward from the preceding year 4 851 347 014
and the profit for 1994 2 221 154 557
SEK 7 072 501 571

be appropriated as follows:
a dividend of SEK 3.75 per share 1 024 739 550
carried forward to the next account 6 047 762 021
SEK 7 072 501 571

Sandviken, 10 March 1995

Percy Barnevik
Chairman

Rune Andersson

Bo Boström

Per-Olof Eriksson

Lars-Ove Håkansson

Göran Lindstedt

Mauritz Sahlin

Sven Ågrup

Clas Åke Hedström
President

Our audit report was submitted on 22 March 1995

Bernhard Öhrn
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

Audit report for Sandvik Aktiebolag; (publ)

We have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board and the President for 1994. 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.

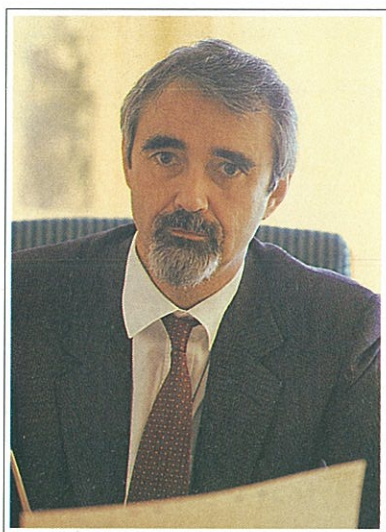
Sandviken, 22 March 1995

Bernhard Öhrn
Authorized Public Accountant

Lars Svantemark
Authorized Public Accountant

Directors, auditors and Group executive management

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: 50,000



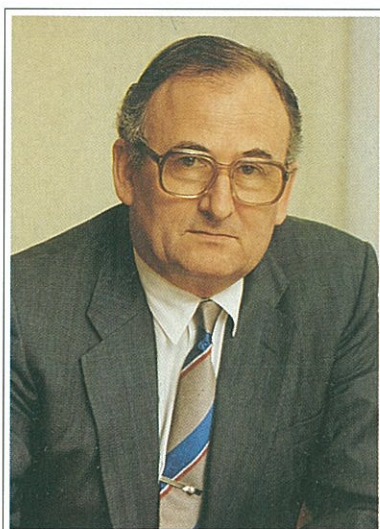
Sven Ågrup, Lidingö, b. 1930.
Chairman of the Board of AGA AB.
Director of Telefon AB L M Ericsson, Handelsbanken and Tetra Laval Group.
Director of Sandvik AB since 1983.



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



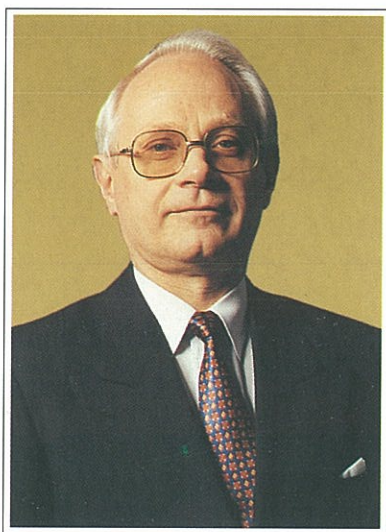
Lars-Ove Håkansson, Danderyd, b. 1937.
Chairman of the Board of Gränseverken AB and Realia AB.
Deputy Chairman of the Board of JM Byggnads and Fastighets AB.
Director of Investment AB Cardo, Arcona AB, Euroc AB and Svedala Industri AB.
Director of Sandvik AB since 1989.



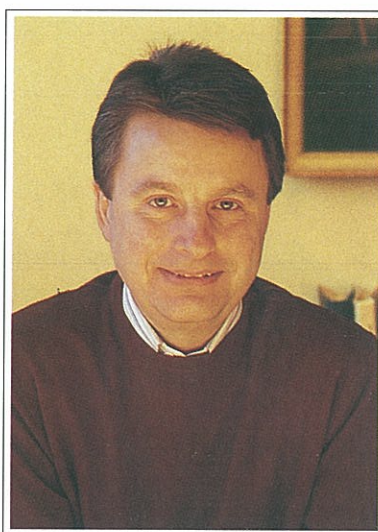
Mauritz Sahlén, Gothenburg, b. 1935.
President and Chief Executive Officer of AB SKF.
Chairman of the Board of Ovako AB.
Director of Saab-Scania AB, Investor AB, the Federation of Swedish Industries and the Swedish Employers' Confederation.
Director of Sandvik AB since 1993.



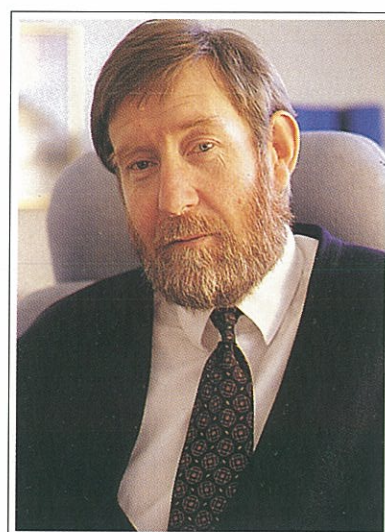
Rune Andersson, Trelleborg, b. 1944.
Honorary Doctor of Technology.
Chairman of the Board of SSAB Svenskt Stål AB, Esselte AB, Scribona AB, Svedala Industri AB, AB Trelleborg, Akila AB and Getinge AB.
Director of Skandinaviska Enskilda Banken, the Federation of Swedish Industries and the Industrial Council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



Clas Åke Hedström,
Sandviken, b. 1939.
President and Chief Executive Officer of
Sandvik AB.
Director of the Federation of Swedish
Industries and the Association of Swedish
Engineering Industries.
Director of Sandvik AB since 1994.
Sandvik shares: 6,154



Bo Boström,
Åshammar, b. 1949.
Chairman, AB Sandvik Steel
Union Committee,
Metal Workers' Union, Sandviken.
Director of Sandvik AB since 1988.
(Employee representative)
Sandvik shares: 64



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

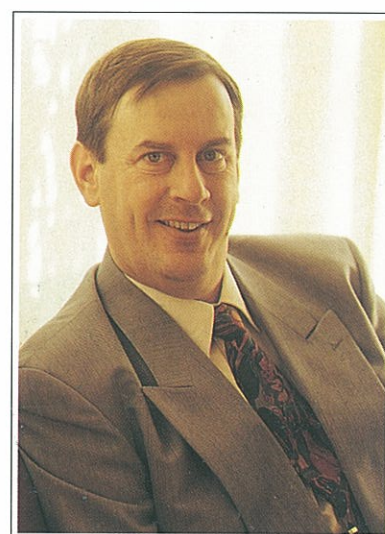
DEPUTY DIRECTORS



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



Eino Honkamäki, Gimo, b. 1943.
Director of Sandvik AB since 1974.
(Employee representative)
Sandvik shares: 2,490



Anders Sjöden, Sandviken, b. 1947.
Director of Sandvik AB since 1992.
(Employee representative)
Sandvik shares: 454

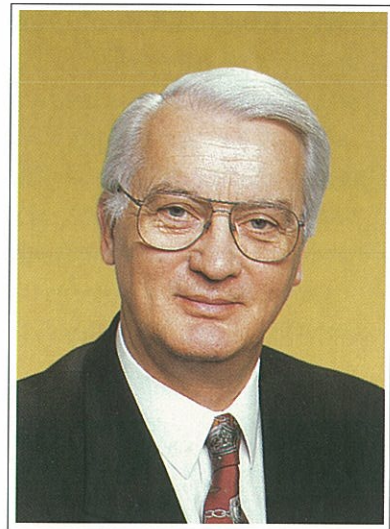
AUDITORS

Bernhard Öhrn, Stockholm,
Authorized Public Accountant
Lars Svantemark
Authorized Public Accountant

Deputies
Åke Näsman, Stockholm,
Authorized Public Accountant
Peter Markborn, Stockholm
Authorized Public Accountant



Leif Sunnermalm
Executive Vice President



Lars Östholm
Executive Vice President

GROUP STAFF AND SERVICE COMPANIES



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

Business units

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

EUROPE

Austria

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

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

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

Belarus

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

Belgium

Sandvik Benelux, Brussels
Manager: Georges Verhoeven
Tel. 02 726 30 30

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

Bulgaria

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

Czech Republic

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

Sandvik Chomutov
Precision Tubes s.r.o., Chomutov
Manager: Jiri Kubricht
Tel. 0396 381 11

Denmark

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

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

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

Finland

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

France

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

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

Dormer Tools S.A., Orléans
Manager: Fabio Giadrossi
Tel. 38 41 40 15

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

Sandvik Tobler S.A., Paris
Manager: Jean-Pierre Colombano
Tel. 34 72 98 90

Sandvik Rock Tools S.N.C., Viriat
Manager: Hans Gass
Tel. 74 45 91 90

Morgon S.A., Viriat
Manager: Hans Gass
Tel. 74 45 94 60

Sandvik Hard Materials S.A., Epinouze
Manager: Hans Gass
Tel. 75 31 28 05

Sandvik Aciers S.N.C., Orléans
Manager: Udo Vogt
Tel. 38 41 41 41

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

Sandvik Process Systems S.A., Paris
Manager: Jean F. Benko
Tel. 49 72 32 00

Germany

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

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

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

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

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

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

TOP Präzisionswerkzeuge GmbH,
Frankfurt/Main
Manager: Kurt Henkel
Tel. 069 78 90 25 00

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

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

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

Sandvik Steel, Düsseldorf
Manager: Roland Grosse
Tel. 0211 502 70

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

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

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

Hungary

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

Ireland

Sandvik Ireland Ltd., Dublin
Manager: H. William Beck
Tel. 01 295 20 52

Italy

Sandvik Italia S.p.A., Milan
Manager: Jan Eric Sandgren
Tel. 02 30 70 51

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

Dormer Tools S.p.A., Trezzano S/N
Manager: Fabrizio Resmini
Tel. 02 48 40 09 99

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

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

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

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

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

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

Netherlands

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

Dormer Tools B.V., Veenendaal
Manager: *Ingemar Broström*
Tel. 08385 262 75

Sandvik Saws and Tools Benelux B.V.,
Helmond
Manager: *Louis Cuppens*
Tel. 04920 823 33

Sandvik Process Systems
B.V., Raamsdonksveer
Manager: *Antoine Sluysmans*
Tel. 01621 142 54

Norway

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

Poland

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

Portugal

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

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

Romania

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

Russia

Sandvik Russia A/O, Moscow
Manager: *Mats Andersson*
Tel. 502 220 31 39

MKTS, Moscow
Manager: *Sergei I. Perin*
Tel. 095 289 70 74

Slovakia

Sandvik Slovakia s.r.o., Bratislava
Manager: *Otto Kames*
Tel. 07 72 36 09

Slovenia

Sandvik International
Representative Office, Kranj
Manager: *Nils Östblom*
Tel. 64 21 15 44

Spain

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

Bonastre S.A., Barcelona
Manager: *Björn von Malmborg*
Tel. 93 865 4550

Sweden

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

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

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

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

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

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

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

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

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

AB Sandvik Automation, Sandviken
Manager: *Paul W. Reach*
Tel. 026 26 53 00

Sandvik Automation Norden AB, Västerås
Manager: *Per Hising*
Tel. 021 83 04 00

Sandvik Rock Tools Svenska Försäljnings
AB, Sandviken
Manager: *Gunnar Anell*
Tel. 026 26 20 00

Sandvik Hard Materials Norden AB,
Örebro
Manager: *Anders Busch*
Tel. 019 611 96 90

Sandvik Stål Försäljnings AB, Kista
Manager: *Lennart Ek*
Tel. 08 793 05 00

Edmeston AB, Gothenburg
Manager: *Christer Andersson*
Tel. 031 40 59 90

Guldsmedshytte Bruks AB,
Guldsmedshyttan
Manager: *Åke Martinson*
Tel. 0581 414 00

Gusab Stainless AB, Mjölby
Manager: *Åke Axelsson*
Tel. 0142 822 00

AB Sandvik Bahco, Enköping
Manager: *Anders Gemfors*
Tel. 0171 227 00

Sandvik Bahco Norden AB, Enköping
Manager: *Per Törnell*
Tel. 0171 782 00

AB Sandvik Hand Tools, Bollnäs
Manager: *Karl-Erik Forsberg*
Tel. 0278 321 00

AB Sandvik Metal Saws, Lidköping
Manager: *Staffan Larsson*
Tel. 0510 827 00

AB Sandvik Belts, Sandviken
Manager: *Rolf Hemlin*
Tel. 026 26 56 00

AB Sandvik Central Service, Sandviken
Manager: *Björn Sköld*
Tel. 026 26 11 00

AB Sandvik Information Systems,
Sandviken
Manager: *Peter Lundh*
Tel. 026 26 17 00

Switzerland

Sandvik AG, Zürich
Manager: *Mikael Mott*
Tel. 056 70 61 11

Santrade Ltd., Lucerne
Manager: *Mikael Mott*
Tel. 041 49 33 33

United Kingdom

Sandvik Ltd., Birmingham
Manager: *David R. Shail*
Tel. 0121 550 47 00

Sandvik Coromant U.K., Birmingham
Manager: *David R. Shail*
Tel. 0121 550 47 00

Dormer Tools Ltd., Sheffield
Manager: *Mike Walker*
Tel. 0114 275 55 65

Dormer Tools (Sheffield) Ltd., Sheffield
Manager: *Göran Hjertstedt*
Tel. 0114 275 65 55

Titex Tools Ltd., Birmingham
Manager: *Frank Oak*
Tel. 0121 550 75 11

Sandvik Rock Tools Ltd., Nuneaton
Manager: *Bo Söderlund*
Tel. 01203 37 79 00

Sandvik Hard Materials Ltd., Coventry
Manager: *Roland V. Setterberg*
Tel. 01203 69 46 94

Sandvik Steel U.K., Birmingham
Manager: *Ludvig Åkerhielm*
Tel. 0121 550 47 00

RGB Stainless Ltd., Birmingham
Manager: *Dennis Teece*
Tel. 0121 558 31 11

Sterling Tubes Ltd., Walsall
Manager: *Bill Good*
Tel. 01922 212 22

Metinox Steel Ltd., Sheffield
Manager: *Hugh C. Firth*
Tel. 0114 275 57 99

Sandvik Saws and Tools U.K., Birmingham
Manager: *Björn Carlsson*
Tel. 0121 550 47 00

Sandvik Process Systems Ltd.,
Birmingham
Manager: *Gerald S. Garbett*
Tel. 0121 550 76 71

NORTH AMERICA

Canada

Sandvik Canada, Inc., Mississauga, Ont.
Manager: *Clas Åke Hedström*
Tel. 905 826 89 00

Dormer Tools, Inc., Mississauga, Ont.
Manager: *Richard Tunstill*
Tel. 905 542 30 00

Sandvik Steel Canada, Arnprior, Ont.
Manager: *Tom M. Moylan*
Tel. 613 623 65 01

Sandvik Process Systems Canada,
Guelph, Ont.
Manager: Brian Spalding
Tel. 519 836 43 22

United States

Sandvik, Inc., Fair Lawn, NJ
Manager: James T. Baker
Tel. 201 794 50 00

Sandvik Coromant Company,
Fair Lawn, NJ
Manager: James T. Baker
Tel. 201 794 50 00

Dormer Tools, Inc., Asheville, NC
Manager: Richard Tunstill
Tel. 704 274 60 78

Union Butterfield Corporation,
Asheville, NC
Manager: Adrian Waple
Tel. 704 274 60 70

Sandvik Rock Tools, Inc., Houston, TX
Manager: Olof A. Lundblad
Tel. 713 460 62 00

Sandvik Hard Materials Company,
Detroit, MI
Manager: Garry Davies
Tel. 810 755 20 00

Sandvik Steel Company, Scranton, PA
Manager: Edward R. Nuzzaci
Tel. 717 587 51 91

Pennsylvania Extruded Tube Co., (PEXCO),
Scranton, PA
Manager: William P. Moore
Tel. 717 586 55 55

Sandvik Special Metals Corp.,
Kennewick, WA
Manager: Kirk P. Galbraith
Tel. 509 586 41 31

Sandvik Saws and Tools Company,
Scranton, PA
Manager: William M. Lavelle Jr
Tel. 717 341 95 00

Sandvik Milford Corp., Branford, CT
Manager: Peter Renwick
Tel. 203 481 42 81

Sandvik Windsor Corp., Milan, TN
Manager: Rob Payne
Tel. 901 686 40 00

Sandvik Process Systems, Inc.,
Totowa, NJ
Manager: Giancarlo Tazzioli
Tel. 201 812 97 50

Sandvik Seamco Systems, Louisville, KY
Sandvik Sorting Systems, Inc.,
from 1 May 1995
Manager: Hermann Miedel
Tel. 201 812 97 50

Sandvik Latin America, Inc.,
Coral Gables, FL
Manager: Rudolf Edelberger
Tel. 305 444 52 20

LATIN AMERICA

Argentina

Sandvik Bahco Argentina S.A.,
Buenos Aires
Manager: Michael Hermansson
Tel. 01 484 32 41

Brazil

Sandvik do Brasil S.A., São Paulo
Manager: Nils Mitholich
Tel. 011 525 26 11

Sandvik-Villares Wire Indústria e
Comércio Ltda, São Paulo
Manager: Flávio Benedini
Tel. 011 525 28 46

Acesita Sandvik Tubos Inox S.A.,
São Paulo
Manager: Heraldo A. Andrade
Tel. 011 525 26 22

Dormer Tools S.A., São Paulo
Manager: Antonio Altobello Neto
Tel. 011 548 91 33

Chile

Sandvik Chile S.A., Santiago
Manager: Hanns Knorr
Tel. 2 623 54 43

Colombia

Sandvik Colombia S.A., Bogotá
Manager: Victor Manuel Angel
Tel. 1 262 56 00

Cuba

AB Sandvik International
Representative Office, Havana
Manager: José F. Recio Pando
Tel. 7 33 32 45

Mexico

Sandvik de México S.A. de C.V.,
Mexico, D.F.
Manager: José V. Parra
Tel. 5 729 39 00

Peru

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

Sandvik Venezuela C.A., Caracas
Manager: Jean-Pierre Maire
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AFRICA

Algeria

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

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Morocco

Sandvik Maroc S.A., Mohammédia
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South Africa

Sandvik (Pty) Ltd., Benoni
Manager: Göran Wijk
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Zambia

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

Sandvik (Private) Ltd., Harare
Manager: James C. MacGregor-Sim
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ASIA

China

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Hongkong

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India

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Sandvik Titan Pty Ltd., Chung Li
Manager: Rudy Lu
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Thailand

Svenska Trading Co Ltd., Bangkok
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AUSTRALIA- NEW ZEALAND

Australia

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Sandvik Hard Materials Pty. Ltd.,
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Manager: David MacDonald
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New Zealand

Sandvik New Zealand Ltd., Pakuranga
Manager: Mark Thompson
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These data refer to March 1995 unless
otherwise stated.

Annual General Meeting

The Annual General Meeting will be held at Jernvallen in Sandviken on Wednesday 10 May 1995, 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 5 May 1995 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 28 April 1995. Shareholders whose shares are held in trust ("förvaltarregistrering") must have them temporarily re-registered with the VPC in their own name not later than 28 April 1995 to establish their right to attend the Meeting.

Payment of Dividend

The Board and the President recommend that the Meeting declare a dividend of SEK 3.75 per share for 1994. 15 May 1994 is proposed as the "record day" ("avstämningsdag"). If this proposal is adopted by the Meeting it is expected that dividends will be ready for remittance by 22 May 1995. 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 distribution, shareholders who have moved should report their change of address to their bank in good time before the record day.

Financial Information

Report on 1995 Operations	March
Annual Report	April
First-Quarter Report	May
Semi-Annual Report	August
Third-Quarter Report	November

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

Key figures

	1994	1993	1992	1991	1990	1989	1988	1987
Invoiced sales, SEK m.	25 285	21 770	17 217	17 558	18 256	18 769	16 413	13 241
Profit after financial income and expenses, SEK m.	3 811	1 764	1 486	1 776	2 836	3 065	2 848	1 915
Earnings per share, SEK	9.20	4.50	4.20	5.00	7.40	7.60	5.80	3.90
Dividend per share (1994: as proposed), SEK	3.75	2.25	1.90	1.80	1.70	1.50	1.20	0.85
Equity capital after recom- mended dividend, SEK m.	14 988	13 749	13 019	12 203	11 537	9 657	7 220	5 973
Solidity, %	59	60	59	57	54	46	37	37
Debt/equity ratio, times	0.2	0.2	0.2	0.3	0.4	0.6	0.8	0.8
Rate of capital turnover, %	95	89	75	76	80	87	87	82
Liquid assets, SEK m.	6 591	5 171	4 864	4 814	5 251	4 896	4 767	4 245
Return on equity capital after tax, %	17.9	9.3	9.3	11.6	19.1	24.7	23.9	19.2
Return on net assets, %	21.7	12.0	10.4	12.9	19.2	24.0	25.8	22.1
Investment in property, plants and equipment, SEK m.	1 229	886	886	1 021	1 161	1 116	775	675
Cash flow, SEK m.	1 215	1 142	1 645	882	1 486	652	-686	553
Average number of employees	27 581	27 619	25 599	25 315	26 373	26 881	26 180	24 380

Key figures for 1993 and earlier have been revised to reflect the change in principles that has been applied from 1994.

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

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