

MEET Sandvik

THE SANDVIK GROUP'S MAGAZINE FOR SHAREHOLDERS AND EMPLOYEES #3-2012

Meet **KARL THELEN**, page 11.

PRESIDENT AND CEO OLOF FAXANDER:

“We are equipped
to take on the
challenges before us.”



#3-2012

KEY TO SUCCESS – Taking innovation to a higher level

PAGE 6

GROUND BREAKING products • **THE FUTURE** – The next 150 years
NEW HEADQUARTERS in Stockholm • **CSR** – Top-level responsibility



ORDER INTAKE: 21,795 MSEK, -10%* **INVOICED SALES:** 23,424 MSEK, +2%*
OPERATING PROFIT: 3,325 MSEK, +100% **PROFIT AFTER FINANCIAL ITEMS:** 2,852 MSEK, +157%
PROFIT FOR THE PERIOD: 2,103 MSEK, +199% **EARNINGS PER SHARE:** 1.67 SEK, +215%**
CASH FLOW FROM OPERATIONS: +3,979 MSEK, +52%

*) Change from the previous year at fixed exchange rates for comparable units.
 **) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact during the period.

Equipped for a FUTURE hard to predict

SANDVIK HAS ALWAYS been an innovative company. We must continue to invest in research and development, even in times of lower demand, in order to be a world leader in another 150 years' time. We are proud that the group continues to innovate in new and interesting areas (read more about this in this issue).

As everyone knows, this year the economy has been in decline. We presented a fully acceptable result for the third quarter, but order intakes signaled the uncertainty of some of our customers. We are now working to manage a weaker business climate.

From the financial crisis of 2008, we

learnt two important things: An economic downturn can take effect very quickly, and it can be global. The effect of previous dips could often be mitigated by taking timely action. Downturns have mostly been regional and sometimes compensated for by more stable developments in other parts of the world. Now the world is smaller, and all markets are strongly connected to one another.

When the market worsens it is important to react quickly. We have to adapt our production to actual demand so we don't build up unnecessary stock levels. We have to adapt our costs and take

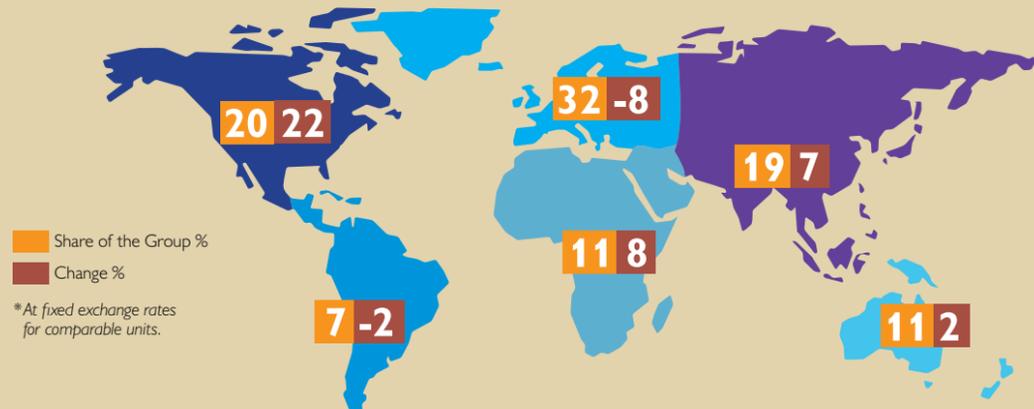
advantage of all available flexibility.

Even in a weaker business climate, we must remind ourselves of the opportunities available for a company such as Sandvik. With our strong customer offering and our broad geographic presence, together with the demand for new technology and innovation, we are equipped to take on the challenges before us. The future is exciting, that much is clear.

Olof Faxander
 President and CEO, Sandvik AB

THIRD QUARTER 2012 IN FIGURES

INVOICING BY MARKET AREA Share of Group invoicing and percentage change compared with same period a year earlier.*



INVOICED SALES BY BUSINESS AREA

MSEK	Q3 2012	Q3 2011	Change %	Change % ¹⁾
Sandvik Mining	9,485	8,432	+12	+14
Sandvik Machining Solutions	6,567	6,917	-5	-2
Sandvik Materials Technology	3,450	3,767	-8	-7
Sandvik Construction	2,256	2,411	-6	-5
Sandvik Venture	1,655	1,991	-17	-7
Group activities	11	10		
Group total	23,424	23,528	0	+2

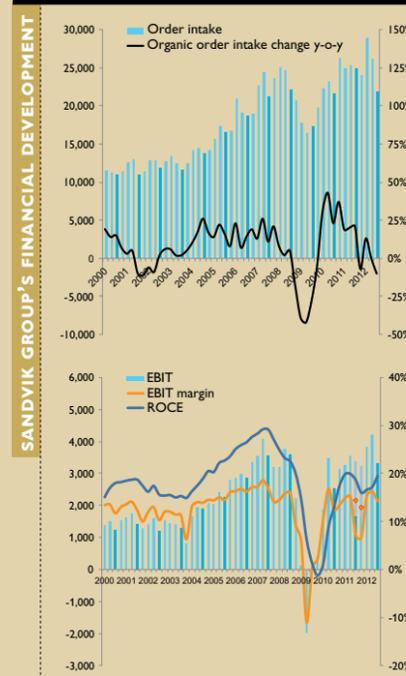
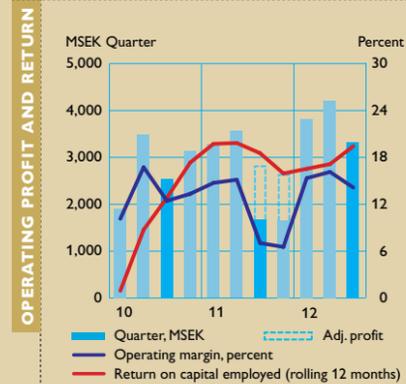
OPERATING PROFIT BY BUSINESS AREA

MSEK	Q3 2012	Q3 2011	Change %
Sandvik Mining	1,506	1,451	+4
Sandvik Machining Solutions	1,313	1,518	-14
Sandvik Materials Technology	180	-449	N/A
Sandvik Construction	230	99	+133
Sandvik Venture	283	-831	N/A
Group activities	-187	-123	
Group total²⁾	3,325	1,665	+100

OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q3 2012	Q3 2011
Sandvik Mining	15.9	17.2
Sandvik Machining Solutions	20.0	21.9
Sandvik Materials Technology	5.2	-11.9
Sandvik Construction	10.2	4.1
Sandvik Venture	17.1	-41.7
Group total	14.2	7.1

1) Change compared with preceding year at fixed exchange rates for comparable units. 2) Internal transactions had negligible effect on business area profits.



IN FOCUS



Three questions to:
 Emil Nilsson, Sandvik's new CFO,
 Executive Vice President of the Sandvik Group and
 member of the Group Executive Management.

WHAT ARE YOU BRINGING FROM YOUR TELECOM EXPERIENCE?

"The telecom industry has undergone tremendous changes and continues to be very dynamic. Global competition is high throughout the value chain. People who work in such an environment live with a sense of urgency – they always have to be ready. I have had different positions at Ericsson, and I think my nine years of international work experience will be useful."

IN THESE TIMES OF GLOBAL ECONOMIC UNCERTAINTY, WHAT ARE SANDVIK'S STRENGTHS?

"One strength is Sandvik's long history. Customers respect a company that has been around for 150 years. This builds customer intimacy, and Sandvik is known to stand by its customers in both good and bad times. In addition I am comfortable with the composition of our balance sheet and our strong cash position."

WHAT ARE YOUR EXPECTATIONS FOR 2013?

"I don't think the challenges facing Sandvik are very different from those facing other companies. One challenge in a shaky global economic situation is to prioritize both short- and long-term goals. As a CFO, it's important to handle uncertainties triggered by a downturn in the economy. Our whole organization needs to be steadfast and to support our employees and customers."

FACTS EMIL NILSSON

EMIL NILSSON, 40, started working after earning a bachelor's degree in finance. He spent 16 years at the Swedish multinational telecom group Ericsson, in leadership positions such as CFO/COO of North America, CFO of Brazil and, most recently, head of Ericsson's Central Europe Customer Unit. He is married, with twin girls age 6.



"JOINING A COMPANY LIKE SANDVIK IS A TREMENDOUS OPPORTUNITY. Sandvik is a Swedish engineering company with roots and traditions extending back to the 19th century, and it has a unique global market position."



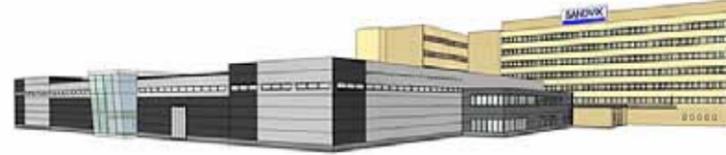
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IN BRIEF

SHOOTING HOLES – the process of drilling short holes. Sandvik's new drill is the world's fastest for drilling short holes safely. / **30,000** – the number of people each year who attend training at a Sandvik Productivity Center. Sandvik has 26 Productivity Centers around the world.

LARGE INVESTMENTS IN SWEDEN AND CHINA

Sandvik is investing about 200 million SEK in Sandvik Coromant. The investment relates to a new prototype workshop for cemented-carbide tools and a new Productivity and Application Center in Sandviken, Sweden, in addition to a new Application Center at the existing production unit in Langfang, China. "The investments represent part of our future strategy to ensure that the most efficient applications and training methods are used in our operations," says Sandvik Coromant President Klas Forsström.



Prototype of the Productivity and Application Center in Sandviken.

250 MILLIMETRES – the diameter of the world's largest full-size drill for manufacturing. Sandvik's drill can drill holes that are up to three metres long. / **1901** – a watershed year for Sandvik. It's when the company was listed on the Stockholm Stock Exchange.



Olof Faxander, middle, with fellow employees.

"In 2012, the American business magazine *Forbes* named Sandvik the 74th most innovative company in the world."

Read more about Sandvik's innovation on page 6.

NEW GROUND BREAKING PRODUCTS LAUNCHED

At the international MINExpo trade show in Las Vegas, USA, Sandvik launched several products which introduced new technology to the industry. The Vibrocone is the next generation of crushing technology that enables energy savings of up to 30 percent in downstream processing.



Sandvik also introduced two new trucks demonstrating the latest innovations in hard-rock ramp hauling and launched a comprehensive suite of service products.

"We want to be in the forefront of developing technology and solutions, addressing the challenges that our customers are facing now and in the future," says Gary Hughes, President of Sandvik Mining.



Jonas Gustavsson, President of Sandvik Materials Technology, cuts the steel ribbon at the opening ceremony, aided by Head of Sourcing and Logistics Johan Wiklund.

PHOTO: ULRICA PORATH

IMPROVING SAFETY AT NEW RAW MATERIALS YARD

Sandvik has opened a new raw materials yard in Sandviken. The SEK 60 million investment includes a 7,200 square meter building for raw materials handling. The new building will improve safety, logistics and the employees' working environment.

"The greatest benefit is the improvement in safety by having much of the raw materials stored under a roof, which eliminates the risk of snow and ice," says Johan Wiklund, Head of Sourcing and Logistics at Sandvik Materials Technology. Exposure to snow and ice can cause severe explosions at a later stage, when the raw materials are melted in the steel mill.

Olof Faxander rings NASDAQ bell

ON 24 SEPTEMBER Sandvik President and CEO Olof Faxander rang the opening bell at the NASDAQ Stock exchange in New York. Emil Nilsson, Sandvik's new CFO, attended the ceremony along with Sandvik Investor Relations and US employees. The event was part of Sandvik's roadshow to meet investors in the US.



NEW ORDER DOWN UNDER

Sandvik is to supply the world's largest underground mine automation system to the Argyle Diamond Mine in Western Australia. The mine is one of the world's leading suppliers of diamonds and has selected the Sandvik AutoMine system to enhance safety, accelerate the efficiency of its underground operations and achieve production improvements, Sandvik being the only supplier in the world to comply with strict Australian safety laws and requirements.

WWW.SANDVIK.COM is now available in a responsive new design format to optimize your viewing experience. It automatically adapts the site to your device – desktop, tablet or smartphone.



Anna Vikström Persson, member of Group Executive Management, is now in charge of Corporate Social Responsibility (CSR) across the Group.

WHY HAS THIS ROLE BEEN CREATED?
"Corporate Social Responsibility is the basis for sustainable competitiveness. We have done a lot of things throughout the organization, but we have not had a representative in Group Executive Management responsible for CSR. I am very proud that I was appointed, and I look forward to, together with my colleagues, further improving the focus on CSR."

WHY IS THE FOCUS ON CSR GROWING NOW, AND HOW WILL IT AFFECT SANDVIK?



"Sandvik has always taken responsibility for its impact on society, business and the environment, but CSR has become a more and more important factor for the surrounding world – for example our customers and suppliers. Now we can be sure to prioritize and monitor CSR matters at the Group Executive Management level. We will need to be much better at communicating both internally and externally all the positive things we do in this area."

YOU ARE ALSO EXECUTIVE VICE PRESIDENT HUMAN RESOURCES. HOW IS CSR RELATED TO HR?

"CSR is actually part of being an attractive employer. We all want to work for a company we can be proud of. The work with Environment, Health and Safety and CSR will help us strengthen our brand and attract and retain talent. We will consolidate and align our activities, and my goal is to make sure that Sandvik is leading in these areas by 2015."

SANDVIK DOES YARD WORK ON CAPITOL HILL

The National Mall in Washington, D.C., is one of the most popular tourist attractions in the United States. An estimated 24 million people walk the grounds each year, trampling and compacting the soil and making it difficult for grass to grow. Stancills Inc was given the task of renovating the topsoil, and because of the specific requirements the company chose a Sandvik mobile screener to do the job. The screener features the revolutionary patented Doublescreen technology unique to Sandvik.



Sandvik helps make the grass greener on Capitol Hill.



The new Sandvik Group Headquarters in Stockholm is a place for global meetings.



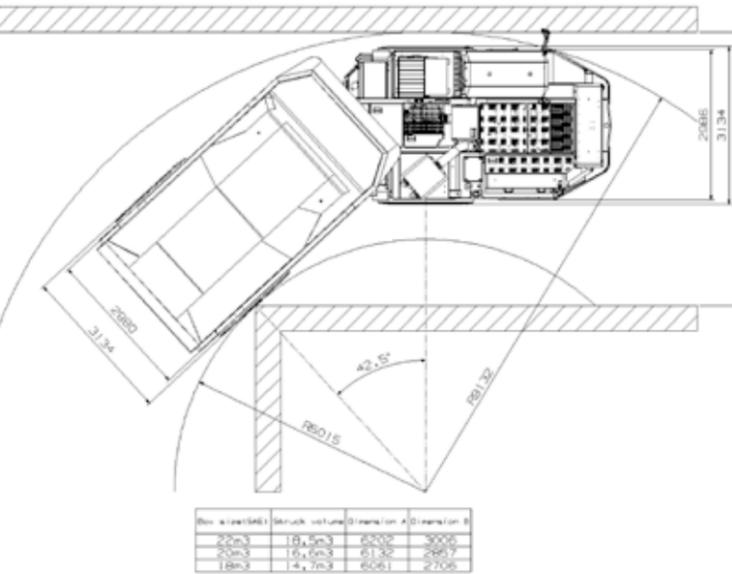
SANDVIK OPENS NEW HEADQUARTERS IN STOCKHOLM

After some 150 years situated in Sandviken, the Sandvik Group Headquarters have moved to new offices in Stockholm. The offices will house employees from group functions and business areas, including the CEO and parts of the Group Executive Management Team. The headquarters, located in the World Trade Center, will be a place for global meetings.

RESEARCH COLLABORATION:

Boosting INNOVATION at Sandvik

Innovation is strong at Sandvik. Recently, 200 researchers from all five business areas met and were challenged to imagine innovations that would drive the company's growth.



Sandvik's newly launched trucks for mining feature many new innovative solutions, such as a small turning radius.

Imagine that it is 2020, and your task is to award a prize for the best Sandvik innovation. What kind of invention would it be? That question, presented at a Sandvik R&D conference in Stockholm, triggered a burst of creativity among more than 200 researchers from the group's five business areas.

The exercise provided a perfect image of a successful research collaboration. In the past, Sandvik's R&D was handled separately by the different business areas, but it has been reorganized. For the first time, R&D has a head of global research in the Executive Management Group, Olle Wijk. The professor also heads the R&D Board with representatives from the five business areas as well as being Head of R&D at Sandvik Materials Technology.

"Increased collaboration across the Group will take our innovation to even higher levels," says Wijk.

It is an ambitious goal for a company that thrives on innovation. Sandvik invests SEK 3 billion per year in R&D and has about 6,000 patents. In 2012, the American business magazine *Forbes* named Sandvik the 74th most innovative company in the world.

"Innovation is a key to success, and we are very innovative," Wijk says. "The focus now is to increase the pace and produce more products in a shorter time."

Today, depending on business area, between 20 to 45 percent →

Facts on Innovation

- Sandvik invests SEK 3 billion per year in R&D.
- About 2,700 people work in some 60 R&D centres around the world.
- Between 20 and 45 percent of Sandvik's invoicing is from products that were launched in the past five years.





Brains at work: More than 200 Sandvik researchers met in Stockholm recently. From left: Marianne Collin, Sweden, José Garcia, Sweden, Alfred Lammer, Austria, and John Wallace, UK.



“We are providing new products that help our customers in their business.”

Principal Project Manager Anna Hultin Stigenberg and Olle Wijk, Executive Vice President and Head of R&D for Sandvik Materials Technology and chairman of Sandvik Group's R&D Board.

of Sandvik's invoicing comes from products that were launched in the past five years.

“The higher the new sales ratio is, the better for us and our customers,” Wijk says. “It shows that we are providing new products that help our customers in their business.”

So how can Sandvik get more out of innovation?

The strategy is closely linked to the move towards a more united group. Sandvik has more than 60 R&D centers all of which are typically focused on their own assignments, and contacts between the centers is an obvious improvement area. Wijk and his team are mapping out which experts could be part of cross-business-area networks and which areas have potential for synergies. One is simulation and modelling.

Sandvik is continuously testing new solutions and constructions in simulations and has gained a high level of expertise in the field. However, much of the know-how is restricted to isolated islands of experts. If the knowledge were shared, it would benefit the whole company and could be developed as a service to customers.

“We are now bringing together experts from various locations, since a closer interaction will clearly improve both speed

and quality,” says Anna Hultin Stigenberg, a principal project manager who was assigned by the R&D Board to get the project on track.

Other promising areas of broad cooperation include:

- Material characterization, which involves advanced investigations of materials.
- Powder metallurgy, which deals with blending, forming and sintering of fine powdered materials.
- Joining technology, such as different types of welding.
- Product sustainability.
- Non-destructive testing.

“We are now bringing together experts from various locations, since a closer interaction will clearly improve both speed and quality.”

Anna Hultin Stigenberg, R&D Project Manager

The R&D Board is also on the lookout for groundbreaking inventions. It is very important to have an environment where there is time for “free thinking” parallel to the structured processes for innovative work. This has led to the development of a wide range of inventions outside core activities.

For instance, Sanicro 25, an alloy developed by Sandvik, can handle temperatures of up to 700 degrees Celsius and pressures up to 350 atm.

It has been approved by the EU for use in tubing in coal-fired power plants. It allows for higher burning temperatures and pressures, which can radically reduce carbon dioxide emissions.

Another side-project invention is the telescopic chute WE8000i that consists of a series of cone segments. It is a simple construction, but it effectively minimizes dust emissions when stockpiling powder material.



Dynamic quartet awarded for innovation

Clockwise: Gerold Weir, Sandvik Machining Solutions, Malin Mårtensson, Sandvik Mining, and Rachel Shao and Torbjörn Selinder of Sandvik Venture were awarded the Sandvik Innovation Prize 2012 for a new technology platform that provides metalcutting tools based on PcD (polycrystalline diamond) and PcBN (polycrystalline cubic boron nitride). Advanced cutting tool materials are a key growth area for Sandvik.

“Boosting innovation is about creating the best possible environment for innovators,” Wijk says.

The new organization represents a new phase, with more collaboration, more expert networks between business areas and more effort directed towards finding synergies.

Researchers welcome the move, as was evident at the conference in Stockholm. Anything that triggers more innovation, like a challenging exercise, raises their level of creativity. ■

SANDVIK IS WHERE YOU LEAST EXPECT IT

Sandvik's products are used in innumerable fields of manufacturing, from sports shoes and wind turbines to chefs' knives and here, an aeroplane.

1. SANDVIK'S MILLING TOOL is used for the slat track, a component on the leading-edge mechanism, normally made of high-alloy steel and stainless materials.

2. A VERTICAL TAIL in composite materials offers great challenges when it comes to edging. Sandvik's endmill in PCD (vein and brazed) and diamond-coated cutters can be engineered to suit this application.

3. SANDVIK OFFERS THE TOOLS and anti-vibration products used in the manufacturing of landing gear components, a process that needs productive and flexible solutions.

4. SOME OF THE MAIN CHALLENGES when manufacturing a wing box from composite materials are the various drilling operations. Sandvik's range of drills has been designed with optimum hole quality in mind.

5. THE MOST DIFFICULT FEATURE on the engine mounts on the pylons is the deep slot in the centre. A high-feed cutter from Sandvik offers a light, fast technique for maximum productivity.

6. THE FUSELAGE CONTAINS several structural components produced in titanium, such as the landing gear beam. Sandvik's milling tool has been developed exclusively for long-edge titanium cutting.

7. THE CARRIAGE on the trailing edge is normally produced in titanium. Sandvik's inserts are developed to cope with the tough demands of titanium milling where the thermal, chemical and mechanical loads on the cutting edges come close to the limits of every known cutting tool material.

8. COMPONENTS SUCH AS THE WING RIB show many of the challenges in aluminium manufacturing. The dedicated geometry of Sandvik's milling tool is ideal for that.

WANT TO LEARN MORE?
www.aero-knowledge.com

NAME: Karl Thelen **POSITION:** Training manager, Sandvik Machining Solutions
LOCATION: Düsseldorf, Germany **YEARS WITH SANDVIK:** 33 **OTHER:** Married, with three grown children. Plays the trombone in a brass band, and has been in Sandvik Tooling's company choir.



MEET KARL...

KARL THELEN GREW UP in a village in western Germany with only 600 inhabitants, and wanted nothing more than to live his life there. However, when he completed his degree in mechanical engineering, he got in touch with Sandvik.

"They offered me a job," he recalls. "I consulted with my wife, who is from the same village. Was she – were we – prepared to move to another part of Germany?"

The answer was yes. That was 33 years ago. Currently he is test manager at Sandvik Machining Solutions in Düsseldorf, Germany. In that role, he and his team of trainers meet as many as 4,000 customers in a year. They work in the spirit of Sandvik's core values – open mind, fair play and team spirit.

"It is important to encourage customers to have an open mind when we show them new products we have developed," says Thelen. "They need to really consider if a particular product can be of use to them."

Once the product has been used, it's important that it's recycled. That's one important aspect of fair play, says Thelen.

"Sandvik is increasingly structured when it comes to recycling," he says. "For instance, we repurchase customers' worn-out drills and inserts and send the equipment to Sandvik's recycling facilities in India and Austria. Recycling costs time and money, but it's worth it. It is fair play for the environment."

Thelen's team of trainers in Düsseldorf consists of a handful of people. He has continued the team-spirit tradition started by his former boss: Twice a year his group and retired trainers gather to cycle along the Rhine and spend the evening dining together.

"Acting alone is not strong," Thelen says. Customers have good knowledge of their machines and processes. Sandvik has extensive knowledge of tools. Put those skills together in a team, and then you are strong." ■

Once the product has been used, it's important that it's recycled. That's one important aspect of fair play.

PHOTO: CHRISTOPH PAPSCH

THE NEXT 150 YEARS ...

Sandvik's 150th anniversary year has come to an end. Employees and shareholders around the world have celebrated with festivities, cakes and fireworks. The company has also adopted a new strategy, received major new orders and invested in increased production capacity. Now, at the end of the historic year, it's time to look forward.

NO ONE CAN FORESEE THE FUTURE.

Sandvik's journey has been an amazing one so far. Much about the company has changed beyond recognition in its 150 years. However, some qualities remain. These include our values, which could be called the heart and soul of Sandvik. They are:

Open Mind – to constantly search for improvements, be open to change and encourage new ideas.

Fair Play – is about recognizing our responsibilities when conducting business.

Team Spirit – to act together as one team, in close cooperation with its stakeholders worldwide.

A safe and healthy working environment, clear environmental and sustainability objectives, continuing investments in R&D and a comprehensive global presence

provide the Group with a steady foundation to stand on. Add to this a strong business focus and close customer cooperation, and Sandvik is positioned for continued profitable growth, ready to take on the future in any shape or form. The only thing certain about tomorrow is that it will be different from today and that the Sandvik journey will continue....

*The anniversary year is coming to an end.
We wish you a happy new year!*