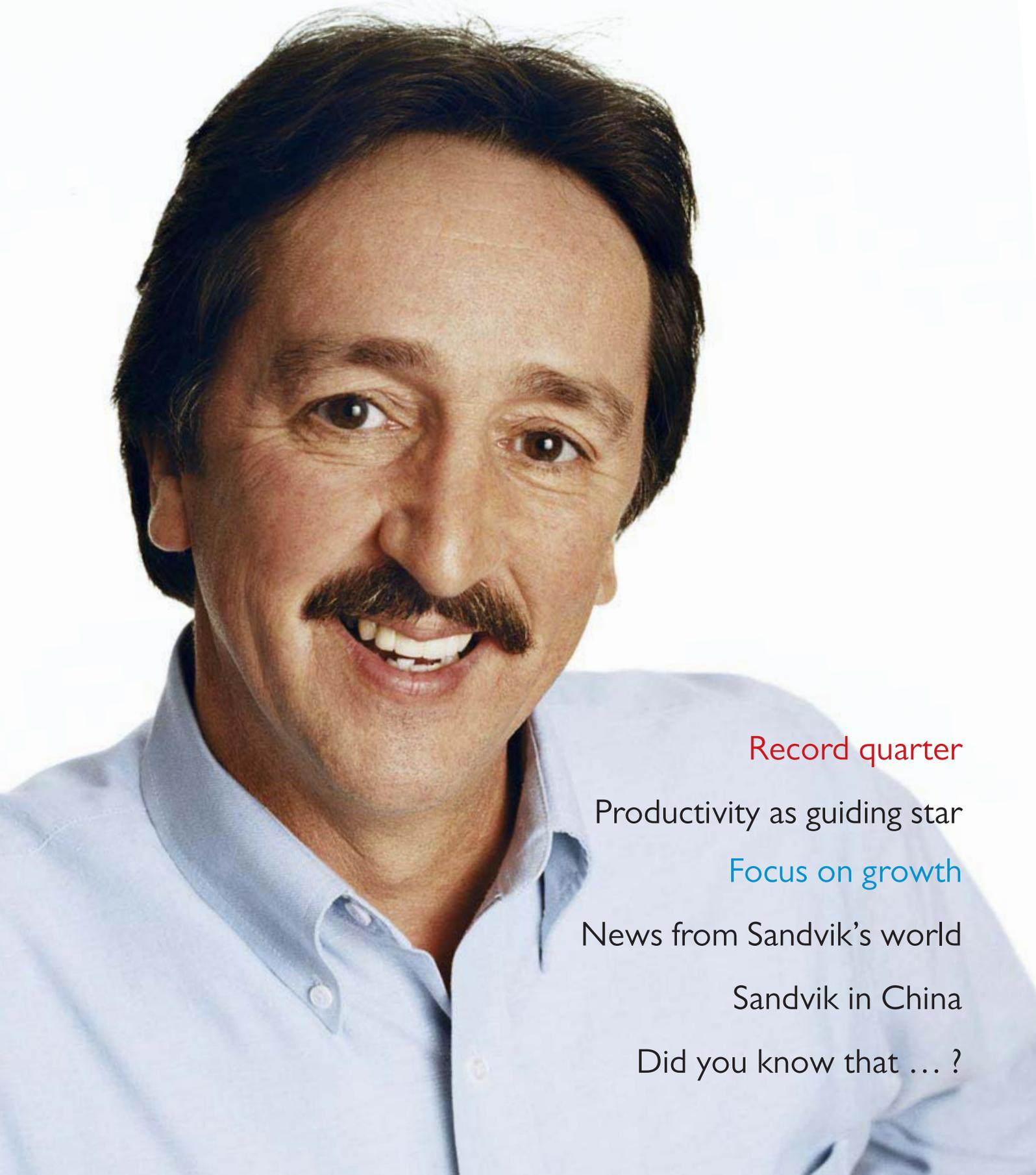


# MeetSandvik

SEPTEMBER 2004



Record quarter

Productivity as guiding star

Focus on growth

News from Sandvik's world

Sandvik in China

Did you know that ... ?

# Current faces

Anders Ilstam, Executive Vice President, Sandvik AB, has retired. Ilstam has been employed by the company since 1993 and during the period 1998-2003 was President of the Sandvik Mining and Construction business area. Peter Larson, Executive Vice President, Sandvik AB, and Chief Financial Officer, is leaving his position as CFO on 1 November 2004.



Peter Larson

## After the changes, Group Executive Management comprises:

Lars Pettersson, President and CEO

Peter Larson, Executive Vice President, Business Development and IT

Per Nordberg, Executive Vice President and CFO

Anders Thelin, President of the Sandvik Tooling business area

Lars Josefsson, President of the Sandvik Mining and Construction business area

Peter Gossas, President of the Sandvik Materials Technology business area

Carina Malmgren Heander, Group Vice President Human Resources

Per Nordberg



In his role as Executive Vice President, Peter Larson will be responsible for IT and Business Development. Per Nordberg, 47, has been appointed Executive Vice President and CFO as of 1 November 2004. Per Nordberg holds an MBA degree and is currently CFO of OMX AB, which owns the Stockholmsbörsen (Stockholm Exchange).

## Cover profile

John Stowe is production manager at the Kanthal's US wire-drawing plant in Bethel, Connecticut, within the Sandvik Materials Technology business area. After graduating with a degree in electromechanical engineering and working several years, he joined Kanthal in 1982 and started work as a production engineer. As manager, John Stowe is now responsible for the development of operations.

"Continual change and improvement is a must in the industry. A decisive element of the job is to maintain motivated employees while meeting our forever-changing demands. The work is highly stimulating and we achieve good results. Something new every day and never boring," says John in summarizing his job.

His recreational pursuits include hunting and fishing as well as his latest dream – drag racing.



Svante Lindholm

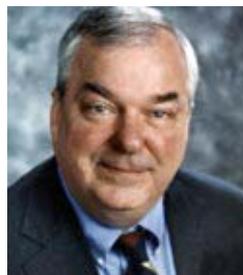


## New President in China

Svante Lindholm, 57, President of the Sandvik Process Systems product area, will become the new President of the Sandvik China Ltd subsidiary as of 1 January 2005. Svante Lindholm succeeds Anders Hägglund, who is concluding a successful ten-year period as country manager in China at year-end. During this period Sandvik in China has increased sales more than tenfold and the Group is represented with its own production and some 20 sales offices throughout the country. Anders Hägglund will continue to serve as country manager in Korea. The new President of Sandvik Process Systems is Mats Engblom.

## New SMT President in NAFTA

Peter L. Frosini is the new President of Sandvik Materials Technology in the NAFTA region, covering the US, Canada and Mexico. He was previously President of the business area's strip operations in NAFTA. He succeeds Edward R. Nuzzaci, who retired in the spring.



Peter L. Frosini

## Meet Sandvik

The Sandvik Group's magazine for shareholders and employees

Address: Sandvik AB, Group Staff Communications, SE-811 81 Sandviken, Sweden  
info.group@sandvik.com

Published in printed form and on [www.sandvik.com](http://www.sandvik.com)

Editor-in-Chief: Per-Henrik Bergek  
Layout: Ehrensträhle & Co  
Print: Sandvikens Tryckeri  
Date of print: September 2004  
No. of copies: 75,000

# Record quarter

Sandvik's growth in the second quarter was strong. It was a record quarter for the Group. Order intake and invoicing were the highest ever, as was profit after net financial items, which rose no less than 40%. Higher volumes and improved internal efficiency contributed to the increase in profit.

Demand was favorable in all business areas and in all major markets, particularly in the NAFTA area (US, Canada and Mexico). It is also pleasing to note that demand in Europe increased. The Group's growth was significantly higher than the average growth in the markets in which we are active and we are continuing to capture market shares. Combined with the improved industrial business climate, this resulted in very favorable organic growth.

Sandvik Tooling achieved its highest sales ever in the second quarter. The increase in demand was strong, particularly for cemented-carbide products. Operating profit rose by more than 30%, due mainly to higher volumes, positive price trends, high capacity utilization and the efficiency enhancement measures implemented.

The Sandvik Mining and Construction and Sandvik Materials Technology business areas also reported highly favorable development. Order intake and invoicing rose sharply and operating profit increased notably, particularly within Sandvik Materials Technology.

Capital efficiency within the business areas continued to improve. The percentage of working capital tied up in invoicing declined and there is no doubt that we are on the right path in this respect. An example is provided on page 4 about how the work to improve production efficiency and increased delivery capacity is resulting in increased competitiveness for the Group.

Now we must continue to capitalize on the positive business climate and maintain the pace of the internal process of change and as a result increase productivity.

Growth was the theme of Sandvik's Capital Markets Day in August. The Group is a world leader within its business areas and expansion has been strong during the past ten years. Sales have more than doubled and we are growing in all market areas, particularly in Asia. Some of the main driving forces for our successful development are global and local presence, broad customer base, company acquisitions, strong product offering and last but not least extensive research and development.

The continuous efforts in advanced research and development within selected niches and in close cooperation with customers is one of the cornerstones of our continued profitable growth.

*Lars Pettersson*  
President and CEO

## Second quarter 2004

**ORDER INTAKE:**  
SEK 14,390 M, +17%\*

**INVOICING:**  
SEK 13,980 M, +15%\*

**PROFIT AFTER FINANCIAL ITEMS:**  
SEK 1,664 M, +40%

**EARNINGS PER SHARE:**  
SEK 12.70 \*\*

**OPERATING CASH FLOW:**  
SEK 1,159 M

**NUMBER OF EMPLOYEES,  
30 JUNE 2004:**  
37,405

\* Change in percent compared with corresponding period in 2003 at fixed exchange rates for comparable units

\*\* Most recent 12 months



# Productivity as guiding



## *Synergistic effects*

The US company Synergis Technologies in Grand Rapids, Michigan, delivers stamping dies to the American automotive industry. Synergis wanted to find new ways of improving the efficiency of the cutting/milling operations used in its manufacturing process. Applying the technical solutions and products supplied by Sandvik Coromant, this customer can now conduct these operations in sequence, without any time-consuming tool changes. This has enabled cycle time to be cut by more than 90%! A good example of what can be achieved by sales based on results and in being a customer's productivity partner.

## *It's the small details ...*

In everyday life, we encounter many products that consist of a great number of small components. These tiny parts are to be found in everything from watches, cameras, telephones, computers and toys to automobiles and aircraft. The challenge faced by manufacturers is to produce these small components in a rational manner. This is the focal point of Sandvik Coromant's Small Part Machining concept and customers' advanced turning machines are now being equipped with products from Sandvik. One example is the CoroTurn XS turning tool, which enables internal boring in holes down to 1 mm. The potential is considerable and Sandvik Coromant has a complete system with tools that perform their tasks in an optimally rapid and cost-efficient manner. Often, these machines are in continuous operation and high tool quality is essential. This suits Sandvik perfectly. Quality in the tiniest detail is the Group motto.



## *A letter means so much...*

Poland's postal service is currently undergoing extensive modernization. The company is being computerized on a broad front and on a nationwide basis. Sandvik is involved through having been selected to deliver the advanced mail-sorting equipment – which forms the true heart of the process. Letter-writers throughout the world depend on the efficiency of a country's mail-sorting service. Or as the old adage goes: a letter means so much!

## *Thanks to TIC*

The Sandvik P&P tube plant in Germany has been working for some time with the TIC (Time is Capital) program as part of its drive to increase the capital efficiency of everyday operations. Various working groups analyze and streamline the processes within production, inventories and accounts receivable. Awareness is growing in the company, especially since information on the subject has been improved and responsibility within the organization has been more clearly defined. Flows have become more efficient and personnel now have a better overview about how things look in the production area. And the positive results have not been long in coming. In just one year, working capital has been reduced by more than 25%! And customers are very satisfied, since delivery precision has increased significantly. This is further evidence of the fact that internal improvements lead to external effects in the form of increased competitiveness, both for Sandvik and its customers. Thanks again to TIC for this timely tactic.



# ng star

## Sandvik road show

The construction of the E4 highway between northern Uppland and Uppsala is the longest new construction stretch ever undertaken in Sweden. Nearly 80 kilometers of new expressway are being constructed simultaneously. The new stretch will be open to traffic in autumn 2007, which will please many motorists. Parts of the present E4 are in poor condition. This is a heavily trafficked highway, with a large number of speed restrictions and many sections with high accident risks. The new E4 will connect with the existing expressway just south of the city of Uppsala. The travel time between Stockholm and Gävle will be reduced by almost 30 minutes when the new section is completed. Drilling rigs, crushers and hydraulic hammers from Sandvik Mining and Construction are being used in this gigantic construction project – in which one million cubic meters of rock will be excavated. In a project of this magnitude, service and the interplay between the various machines and tools used are crucial to meeting time and financial targets. This is right down Sandvik's avenue, since the Group has a strong service organization and a comprehensive product range for its customers in the construction sector.



## Striking efficiency

Mission is a well-known product brand within the Sandvik Mining and Construction business area. It has been the world leader in down-the-hole drilling for more than 50 years.

Down-the-hole drilling is a method used for the drilling of wells and blasting holes. The latest generation of hammers is based on a concept called Mirror Image Technology, which significantly improves efficiency and allows customers to drill more rapidly. The increased benefit to customers clearly reflects Sandvik's product development philosophy.



## Count on Sandvik

Sandvik Coromant and Sandvik Systems Development have jointly developed a sales tool to help customers to increase productivity. With the new "Productivity Analyzer" software, sales personnel can already compare technical performance and calculate the savings customers can make by using Sandvik Coromant's products on site. And the system delivers what it promises. The savings potential is substantial.



Attendance was record high at Sandvik's traditional Capital Markets Day in Sandviken in August at which the theme was growth. The Group has a high goal – organic growth averaging 6% annually over a business cycle. As expected, how this will be accomplished attracted the interest of shareholders, investors and analysts. More than 80 participants from the international financial community and media came to see and hear how the goal will be achieved.

In his presentation, CEO Lars Pettersson could show eight quarters of growth in which the most recent was record high. In a ten-year perspective, organic growth has been nearly 4% annually for the Group. Viewed over ten years, Sandvik Tooling was the closest of the business areas to achieving the 6% level, but here the goal is higher than this.

Lars Pettersson provided as historical reference when he related that some of the cornerstones in Sandvik's business concept were laid 140 years ago: internal development of niche products in direct contact with the customers.

"This has been the company's strength through the years," he said. "Development has been very strong during the past ten years, when sales rose from slightly less than SEK 22 billion to nearly SEK 50 billion."

In identifying today's success factors, he particularly emphasized research and development, in which Sandvik annually invests 4% of sales. Some 2,200 employees are involved in this area.

"A continuous flow of new products is a condition for the Group's profitable growth," said Pettersson.

The participants were provided with an example within the Sandvik Materials Technology business area of research results that can contribute to growth. An entirely new and advanced production process was premiered. It makes it possible to coat thin steel strip so that unique combinations of properties and functions can be produced. For example, this could involve every-thing from copper alloy at one end and nickel at the other to a variety of decorative and functional surfaces. The strip can also be produced in all conceivable colors. Both function and color make the coated steel strip an attractive component for production of cameras, mobile telephones and similar items.

The program also included a visit to the Sandvik Tooling and Sandvik Mining and Construction business areas, which provided examples of growth potential within their operations.



New methods of coating thin steel strip with different alloys provide attractive business opportunities for Sandvik Materials Technology.

# Focus on growth



Gunnar Johansson



Jan Amethier



Julian Beer

Gunnar Johansson, editor of the Aktiespararna (Share Savings) magazine, was one of the participants. "I feel that the program was interesting," he said. "It was a good idea to divide us into groups in which we could get out and look at operations. Overall, the picture of Sandvik as a stable and serious company was reinforced."

Jan Amethier from JP Morgan took the opportunity to learn more about his client Sandvik. "It was highly valuable to hear and see operating management in person – how they enthusiastically presented their thoughts about how the ambitious goals will be achieved. And it was fun to experience the environment and see some of the latest products."

This was the first visit to Sandviken for Julian Beer, Enskilda Securities. "It was worth the trip. Talking to those who work close to the customers is incredibly valuable. We always try to assess how the company will develop and I believe we gained evidence to support our fairly optimistic view of the future."



Anders Thelin (left), President of Sandvik Tooling, presented the strong growth potential for cemented-carbide tools within many markets. Nick Paton (right) from JP Morgan Securities was one of the guests who posed questions. Peter Lundtoft (photo below) demonstrates Sandvik Coromant's system for effective tool supply.



Peder Fröhlén (left), Kaupthing Bank, chatted with CEO Lars Pettersson during a coffee break. Isabelle Cassel (photo to right) from SEB spoke with Sandvik's Group Treasurer, Gunnar Båtelsson.



The 88XLP low-profile loader from Sandvik Mining and Construction, designed specifically for the narrow shafts in platinum mines, was one of the new products on display for the participants at the Capital Markets Day.



# News from Sandvik's world



## *IT support in creative environment*

Sandvik Systems Development is now located in new premises in Sandviken. In an open landscape, far from endless corridors with closed doors, 210 system developers, managers and project leaders are working closely together. All efforts are focused on providing the best possible support to customers worldwide. The new, flexible and efficient work method indirectly contributes greatly to increasing customer benefits. In other words, increased space broadens the scope for new creativity.

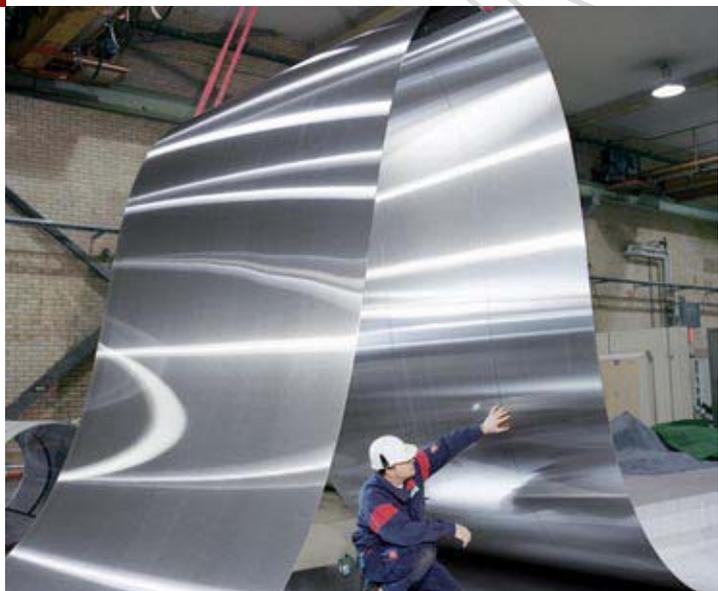
## *New hammer hits the market*

A new series of hydraulic hammers for demolition and recycling has now been launched by the Rammer subsidiary within the Sandvik Mining and Construction business area. The new in-hammer series is robust and practically maintenance-free. In addition to extremely low maintenance costs they offer another major advantage. The hammers can be easily mounted on a large number of various carriers and are highly versatile in most applications. The in-hammer series is ready for a real breakthrough.



## *Broad success*

Who said broadband was new? Broad steel belts are a 100th-anniversary Sandvik product that is continually being celebrated. Sandvik Process Systems has now developed ultra-thin steel belts that will offer serious competition to conveyors made of plastic in the segment. The belts are produced in widths up to six meters and thicknesses from only 0.2 millimeter up to 3 millimeters. The steel belts' versatility and strength properties are proven. Some examples are high tensile strength and hard surface that is wear resistant. The facts speak for themselves, on a broad front.



### *Customized properties*

Sandvik Bioline® within the Sandvik Materials Technology business area is a successful concept involving high-quality products for the medical technology industry. Following extensive research and development within the Kanthal product area another attractive product has been launched – catheter wire. The wire is designed specifically for the application based on material properties and dimensions. It can be made as thin as one-fourth the diameter of a human hair. A lifeline in the hands of a skilled surgeon.



### *On the right course*

An extensive process of change is under way within Sandvik Materials Technology, with the aim among other goals of reducing production lead-times by more than half. In efforts by the business area to spread this new work approach globally to all managers, some 20 so-called navigators are undergoing intensive training. They function as specialists and



### *New Productivity Center in UK*

Sandvik Coromant has upgraded its Productivity Center in Halesowen outside Birmingham with new advanced equipment. The facility is a strategic resource for the close customer cooperation nationwide in the UK. The Center, which is one of the product area's 19 units of its kind in the world, trains customers and own personnel in various tool and system solutions that increase productivity.



step into various production stages and establish the new way of working while simultaneously providing support to the on-site employees so that they can continue working on their own. A customized training program, entitled “SMT Lead-time Academy,” in which the navigators and production management are trained in the new work approach, has been developed to strengthen expertise. Three of the navigators are shown in the accompanying photo (from left): Bruce Hunt, Magnus Eriksson and Anna Eriksson.

### *Hotter than hot*

Kanthal, a product area within Sandvik Materials Technology, is developing new materials that have already at the development stage attracted substantial attention. The material, known as Maxthal®, is a combination of titanium, silicon and carbide offering a highly attractive combination of metallic and ceramic properties. It is an excellent thermal and electrical conductor, with low friction and high fatigue resistance. This makes Maxthal® a prime candidate for use in the electronics industry in the form of coated contacts. The material is corrosion resistant and has good high-temperature properties. It can withstand a thermal shock of more than 1000 °C. In contrast to other ceramic materials, Maxthal® is also easy to form and can tolerate rough mechanical treatment. These properties open the way to new application areas in which traditional ceramics are not adequate.



Sandvik's plant for production of cemented-carbide tools in Langfang, south of Beijing.

# Sandvik in China

China is one of Sandvik's – and the world's – most rapidly expanding markets. During 2003, China's Gross Domestic Product (GDP) rose by no less than 9%.

An extensive modernization of the industrial sector and society in general, coupled with gradually increasing educational levels and a higher standard of living, are creating increased demand for products and services. Commercially, this makes China a very attractive market. Sandvik, which holds a strong position in the market, has noted a tenfold increase in sales during the past decade. All of the Group's business areas are represented. The Group works in accordance with the same business concept in China as in the rest of the world: a close cooperation with customers that results in solutions for increased productivity and profitability. Customers are mainly local manufacturers within largely a cross section of all industries, including the automotive, mining and construction sectors.

Development in China is accelerating and Sandvik has the resources to be at the forefront.



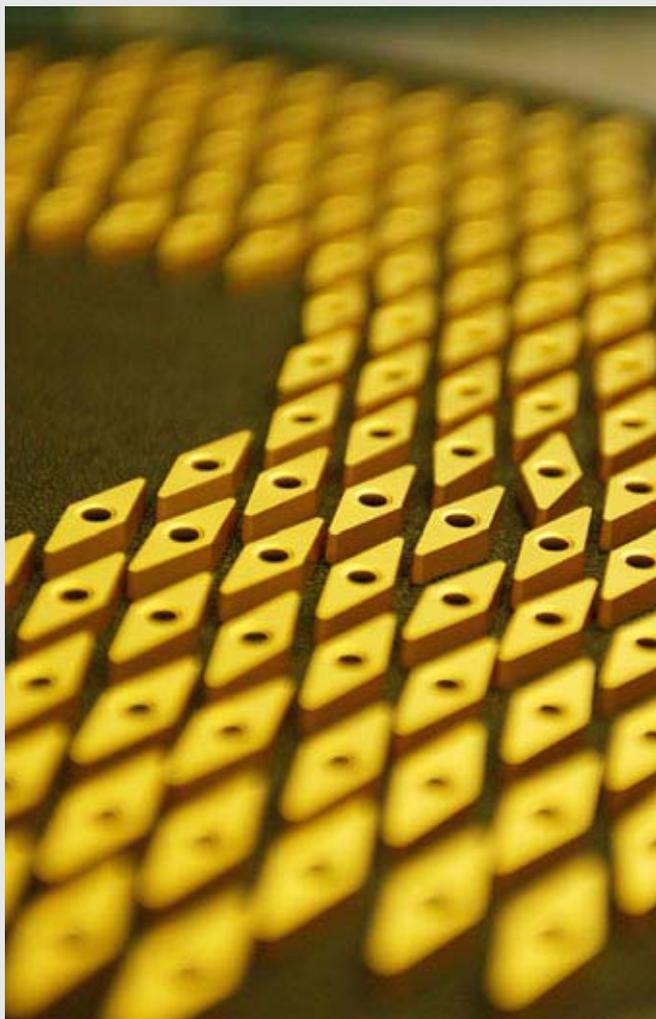
A street in the half-million population city of Langfang is named after Sandvik.

Sandvik's growth in China and the Group's strategy, which is to exploit growth opportunities in the future, were demonstrated to the financial market and media representatives who took part in Sandvik's Capital Market Days in Beijing and Langfang in May this year.

Sandvik established its first office in the country in 1985 and its subsidiary, Sandvik China Ltd, was formed in 1993. Today, there are 20 sales offices in all of the key provinces and four wholly owned manufacturing units. The largest of these is the plant in Langfang, south of Beijing, which produces cemented-carbide tools. In the city of Qingdao on the east coast, 500 kilometers from the capital of Beijing, Sandvik has a unit for the production of die-cutting steel for China's packaging industry. The most recent addition is a plant for the manufacturing of process systems in Shanghai, where Sandvik Coromant also has a Productivity Center for the training of its customers and own employees.

In total, more than 600 people work for Sandvik in China, where sales today exceed SEK 1.2 billion. Accordingly, China is well on the way toward a ranking as one of the Group's ten largest markets. A target that one hopes to achieve already this year.

# Did you know that...



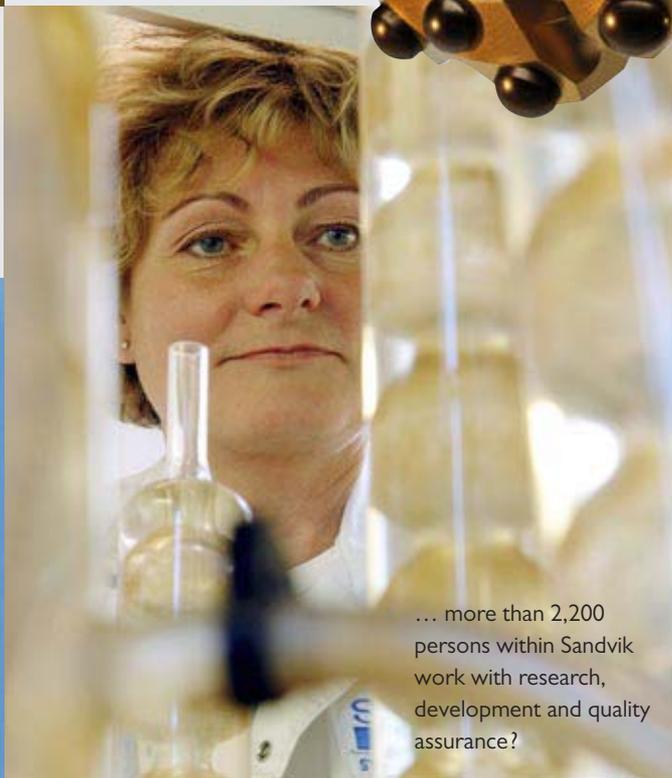
... Sandvik's fastest-growing market in 2003 was South Africa, with sales rising by 23%?

... since cemented-carbide-tipped rock drills were introduced by Sandvik about half a century ago, drilling speed has increased by more than 3,000%?



... 3,000 cemented-carbide inserts are expended for the metalworking involved in constructing the engine for a jumbo jet aircraft?

... 100,000 needles for coronary arterial surgery can be produced from one kilogram of Sandvik stainless wire?



... more than 2,200 persons within Sandvik work with research, development and quality assurance?

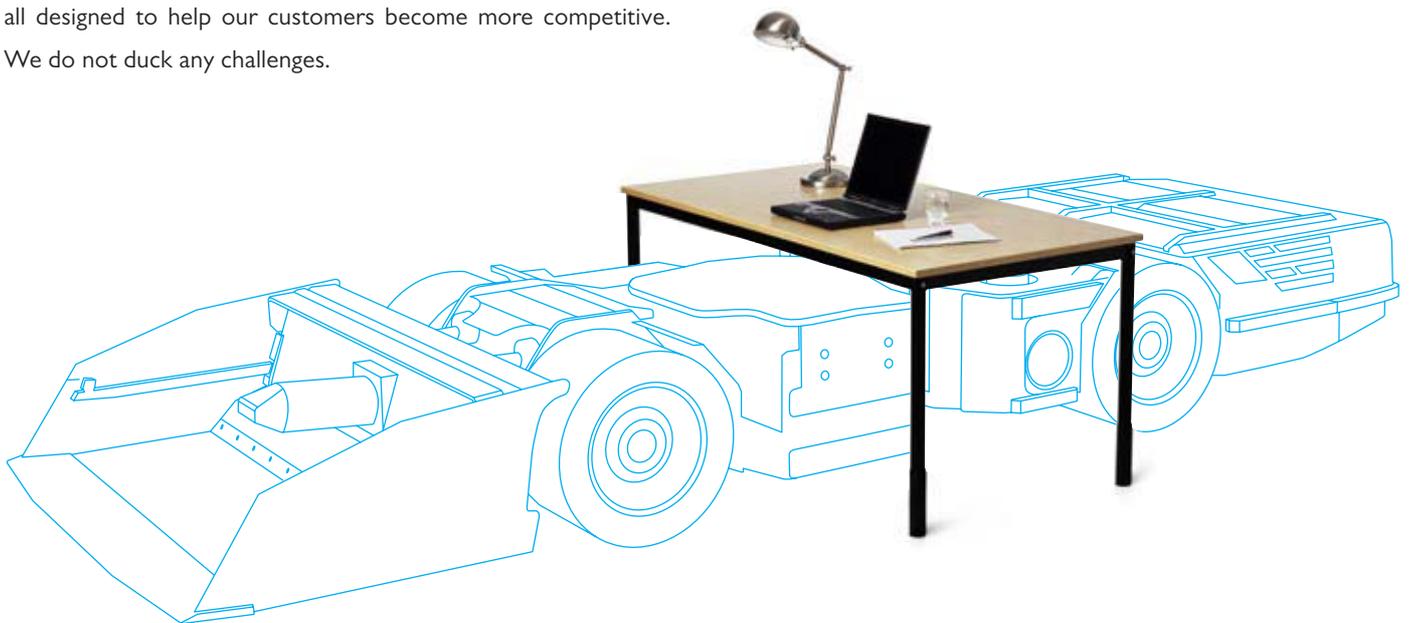
# Sandvik developed the world's lowest mining machine under the table

The challenge: Platinum occurs in thin horizontal layers in the rock. Usually, these layers are less than one meter in height. Accordingly, mining is often carried out manually – and is time-consuming – since conventional machines are not designed for this type of excavation. They are too large, which results in substantial volumes of waste material being mined unnecessarily. The dream would be a machine not more than 90 cm in height.

Lateral thinking: The manager of Sandvik's product company for underground loaders accepted the challenge. He invited his team of development engineers to a meeting in his office. The seating arrangement was a bit original. He asked everyone to sit on the floor beneath his desk. The message was direct: "Design a loader that you can drive under this desk!"

Low profile: The result was the world's lowest underground mine loader, only 88 cm in height. This low height translates directly into higher productivity. Customers can achieve up to 50% higher production.

Unlimited heights in innovation: Sandvik invests considerably more in research and development than its competitors. Each year, we invest about 4% of our sales in R&D – or about SEK 2 billion. This results in a steady flow of new, patented products and ideas, all designed to help our customers become more competitive. We do not duck any challenges.



[www.sandvik.com](http://www.sandvik.com)