



Meet Sandvik

SEPTEMBER 2007

Strengthened position within medical technology

Cooperation that boosts productivity

Sandvik is growing worldwide

With innovation as driving force

Second quarter 2007 in figures

INVOICING BY MARKET AREA

Share of Group invoicing and percentage change compared with year-earlier period.*



INVOICING BY BUSINESS AREA

SEK M	Q2		Change	
	2006	2007	%	% ¹⁾
Sandvik Tooling	5,662	6,324	+12	+9
Sandvik Mining and Construction	6,039	8,186	+36	+30
Sandvik Materials Technology	4,783	5,982	+25	+27
Seco Tools ²⁾	1,356	1,502	+11	+13
Group activities	11	8		
Group total	17,851	22,002	+23	+21

OPERATING PROFIT BY BUSINESS AREA

SEK M	Q2		Change %
	2006	2007	
Sandvik Tooling	1,314	1,568	+19
Sandvik Mining and Construction	918	1,269	+38
Sandvik Materials Technology	553	943	+71
Seco Tools ²⁾	286	382	+34
Group activities	-76	-69	
Group total	2,995	4,093	+37

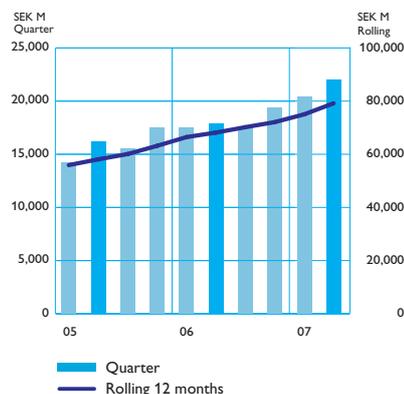
OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q2	
	2006	2007
Sandvik Tooling	23.2	24.8
Sandvik Mining and Construction	15.2	15.5
Sandvik Materials Technology	11.6	15.8
Seco Tools ²⁾	21.1	25.4
Group total	16.8	18.6

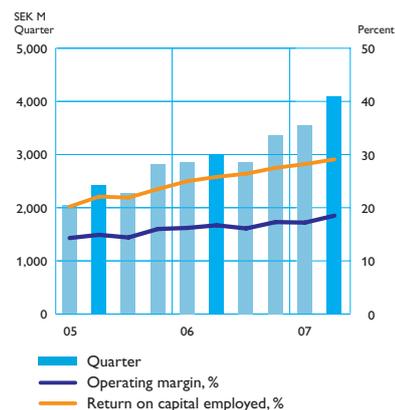
1) Change compared with year earlier at fixed exchange rates for comparable units.

2) As a result of the majority holding in Seco Tools AB, Sandvik consolidates this company.

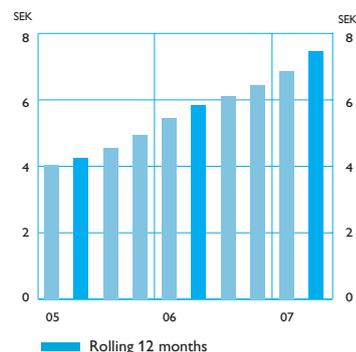
INVOICING



PROFIT, MARGIN AND RETURN



EARNINGS PER SHARE



Meet Sandvik

The Sandvik Group's magazine for shareholders and employees

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Cover: Sandvik has strengthened its position within medical technology after a recent company acquisition. Read more on page 10.

Well positioned for growth



The demand for Sandvik's products and services continued to develop strongly during the second quarter. Increased sales volumes, an increasingly favorable product mix through the continuous introduction of new, productivity-enhancing products with high added value and a high level of internal efficiency contributed to the earnings improvement. The increased ability to efficiently manufacture, market and sell products is one of the reasons Sandvik has continued to capture market shares.

Both order intake and invoicing increased in all business areas and all major markets. Invoicing for the Group increased strongly in terms of price and volume.

We continued the aggressive strategy to expand in new, profitable product segments and new markets through the development of new products and through acquisitions. Since year-end 2006, Sandvik has made several strategic company acquisitions that strengthen its position within areas of high growth and favorable profitability. These include the acquisition of the two crushing companies Extec and Fintec, in the UK, and most recently, the British company Doncasters Medical Technologies. This acquisition enhances the Group's expertise and capacity within medical technology.

Accordingly, Sandvik is well positioned for continued profitable growth.

Market-leading business areas

For Sandvik Tooling, demand for metal-cutting tools continued to increase during the second quarter and the business area consolidated its market-leading position by increasing capacity within sales, product development and production. Market shares grew in most markets. Global demand for advanced solutions within the mining and construction industries remained high, which had a positive impact on Sandvik Mining and Construction. The business area is well-positioned as the leading supplier of total solutions for underground mining and for advanced products in selected niches in surface mining and civil engineering. The underlying demand for products from Sandvik Materials

Technology remained highly favorable, primarily for high, value-added niche products within key industry sectors. The long-term work aimed at improving the product mix developed positively. The Group's focus on core operations continued through the divestment of sorting operations within the business area.

Focus on internal efficiency

Increased internal efficiency is crucial for the continued development of Sandvik. Efficiency enhancement measures are being undertaken within manufacturing and logistics. Synergies are exploited. Operations are reviewed, streamlined and restructured and production is consolidated to larger and more effective plants. New work methods are introduced and enhancements in the process flows contribute to higher profitability and better customer service. The product program is reinforced through extensive research and development within selected areas. The market and sales organizations are fine-tuned. It is pleasing to be able to say that many of the various measures taken throughout the Group to enhance internal efficiency have contributed to Sandvik's earnings improvement.

Increased capacity

A number of years ago, Sandvik launched a global investment program to increase manufacturing capacity and this process is ongoing continuously. Efforts focused on increasing productivity and developing capacity are conducted to meet the customers' demands for rapid delivery of products, services and technical service. Combined, this contributes to strengthen the strategic position, to increase competitiveness within various operational areas and ultimately to ensure the continued profitable growth of the Group. In this manner, the Group also improves the possibility to create value for the shareholders.

Lars Pettersson
President and CEO
Sandvik AB

- Order intake +26%*, SEK 24,445 M.
- Invoiced sales +21%*, SEK 22,002 M.
- Profit after financial items +41%, SEK 3,795 M.
- Net profit for the period +39%, SEK 2,761 M.
- Return on capital employed 29.2% (25.9%).
- Cash flow -29%, SEK 1,046 M.
- Earnings per share +38%, SEK 2.20.

* Change compared with the corresponding quarter in the preceding year excluding currency effects for comparable units.



Freeze drying coffee gets hotter

Instant coffee is growing in popularity world-wide. It is increasingly produced through a special process for freeze drying. The heart of production is a freezing unit based on a steel belt conveyor. Sandvik leads development and to date has delivered more than 60 such plants to the largest coffee producers in the world. The potential for continued growth is high. Freeze drying is considered the best method for producing high quality instant coffee.



Productivity as driving force



Focus on Hungary

Sandvik Coromant received a major order from Emerson Process Management Hungary Ltd's Fisher Division, a subsidiary of one of the world's largest manufacturers of control valves and regulators. The company is changing its entire process and replacing all drills with Sandvik Coromant's CoroDrill®880. Sandvik's solution was proven through thorough testing to be the most economical choice, compared with competing products. For the customer, the result will be cost savings and a more reliable manufacturing process.



Sandvik Mining and Construction has received a major order from the Hungarian company Mátrai Erőmű Részvénytársaság for equipment for the continuous excavation and handling of lignite in a surface mine in Bűkkbrany, east of Budapest. The lignite will be used for electricity production. Sandvik's highly efficient system will significantly increase productivity in materials handling. This strategic order constitutes further success in the European mining market and strengthens Sandvik's position as a leading supplier to the mining industry.



Partnership boosts productivity

Sandvik Coromant has a partnership with the US company Aerofab in Indianapolis, Indiana, which manufactures equipment for the aerospace industry. Through this close partnership, new products and new recommendations have resulted in enabling the existing machine park to be used significantly more efficiently. In addition, performance for new machines can be maximized from the start. Consequently, productivity in machining of components for gas turbines could be increased dramatically, up to nearly 150% for certain operations.



Efficient mineral exploration in Chile

Chile has rich mineral assets. One third of the world's copper, for example, is mined in the country. Many mines are located in a desert environment on the tableland along the Andes mountain range, which is also the location for extensive exploration drilling for new mineral deposits. Drilling is sometimes performed under very demanding environmental conditions. Sandvik supplies a complete drilling solution, with tools and machinery for these demanding operations, including for Major Drilling (photo). The Group's offering meets the customer's high demands for performance, operational reliability and cost-efficiency. In its role as a full-service supplier to the mining and construction industry, Sandvik continues to achieve successes all over the world.

Tube order from Brazil

Sandvik has received an order from the Brazilian oil and gas company Petrobrás. The order is for special-alloy tube for the Gabriel Passos refinery, in Betim, Minas Gerais Province. This is the largest-ever order for Sandvik's subsidiary in the country and a breakthrough for a new material in this application – heat exchangers for the hydrotreatment process.



Productivity partner in Denmark

Sandvik cooperates with Denmark's KP Komponenter, which processes materials for customers in the hydraulics, wind turbine, agricultural and food industries. The company is one of Denmark's leading sub-suppliers for all types of machining of high- and low-alloy steel, metals and castings. Sandvik Coromant and KP Komponenter established a partnership seven years ago. Sandvik's solutions have resulted in significantly faster throughput times, lower cost per processed unit and fewer stoppages in the customer's production processes.



High productivity at low temperature

A unique international cooperation project is under way in Antarctica. It involves collecting data about the earth's crust under the ice at the South Pole. This knowledge will be used for research into the climate changes we are now seeing. The working conditions in the region are extremely harsh, with temperatures down to minus 50°C. This places heavy demands on the equipment used to collect the sample cores. Sandvik has custom-designed a drill rig for these extreme conditions. It is totally modular in design and easy to transport. Recently a new record was set in the Antarctic. Sample cores were collected from a depth as low as 1,284 meters below the sea floor!

Sandvik is growing globally

Sandvik is expanding its manufacturing globally. The basis is expansion within the framework of current operations in which consolidation is under way to larger and more competitive units. But newly established units as well as acquisitions also play an important role. The purpose of the investment in capacity development is to meet the increasing demand for products and services. Presented are a few of Sandvik's recent large investments. In addition, there were some ten company acquisitions in Sweden, the UK, France, Australia, Chile and the US during the past year.

 Sandvik Tooling's plant in Westminster, South Carolina, is the most modern unit of its type in North America, following investments within powder manufacturing and production of press tools.

Sandvik Mining and Construction opened a new central warehouse in Chicago, Illinois, that will further improve the business area's service to customers in the US market.

 Sandvik Mining and Construction is investing in a new service center in Mexico for mining equipment.

 In South America, Sandvik Tooling has the most modern and efficient plant for the manufacture of cemented-carbide tools, following investments made in the plant in São Paulo, Brazil.

Sandvik Mining and Construction has decided to invest in a manufacturing unit near Belo Horizonte for equipment for the South American mining and construction industry.

 Sandvik has expanded sharply in Chile, particularly following several company acquisitions in the past year. A new plant is now being constructed in the capital Santiago, which will bring together the various operations: administration, sales and marketing, service and equipment assembly and manufacture of drilling equipment and consumables for mineral exploration.

 Sandvik Hard Materials' production of tools for the manufacture of aluminum cans, cemented-carbide components and applications for pumps, etc. has been transferred to a new ultra-modern plant in Barcelona. The majority of Sandvik's operations in Spain is now located within the new plant area.

 Sandvik Tooling has increased its capacity for the manufacture of end mills in Rovereto, Italy, through investments in a new plant.

 Sandvik Coromant's network of Productivity Centers is growing globally. Recently, a new unit was started in Istanbul, Turkey, that offers customers service and training and combines Sandvik's knowledge with theirs.



Sandvik Materials Technology opened a new pilger mill in Sandviken, Sweden, which meets increasing demands for tube to the oil and gas industry. The new plant manufactures production tubes used among other applications to transport oil and gas from the ocean floor to offshore production plants or on land.



Sandvik's subsidiary in Germany, Sandvik GmbH, is presently constructing a new head office in Düsseldorf for administration, marketing, sales, etc. The facility also houses a Productivity Center for Sandvik Coromant.

Sandvik Tooling has inaugurated a new plant for the manufacture of special tools for metal cutting in Schmalkalden. The plant replaces an older unit nearby and is the largest of its kind in the world.

Walter has expanded its manufacture of indexable inserts in Münsingen. The operations for grinding and coating have been transferred there from the plant in Tübingen.

This autumn, Sandvik Coromant will open a new Application Center for the automotive industry in Stuttgart.

At Sandvik Mining and Construction's plant for components for material handling systems in Schöppenstedt a new factory building has been established.

Sandvik Mining and Construction has opened a customer center in Saabrücken for the mining and construction industry.



Sandvik in China continues to invest in increased capacity within all business areas. This includes the plant for production of cemented-carbide tools in Langfang south of Beijing and investment in new factory facilities for Walter, Sandvik Mining and Construction and Sandvik Hard Materials in the city of Wuxi near Shanghai.

Sandvik Coromant is building a new Application Center in Shanghai, with expertise within die and mold – a growing customer segment.



Sandvik Coromant has inaugurated a new Productivity Center in Timisoara, in western Romania.



Sandvik has established a new Distribution Center inside Singapore's airport area. The center is used by Sandvik's three business areas and increases security and punctuality in deliveries to customers throughout Asia.



Sandvik has expanded its center for design and development of materials handling systems for mines, harbors, terminals, etc. in Pune, India. The unit now employs 130 people with the most modern technology possible to create advanced solutions for mining and construction customers in Asia and other parts of the world.

Additional investments have also been made at the tube mill in Ahmedabad.

Last year, a new unit was opened for the recycling of cemented carbide in Chiplun.



Sandvik is consolidating its operations in Newcastle, Australia in a new, large plant. The facility will be used mainly by Sandvik Mining and Construction, but also by other business areas.



With innovation as driving force

Tanya Fratto is President of Diamond Innovations Inc., which was acquired by Sandvik during the first quarter of this year. Tanya has been leading the company since 2000 and is now a key player when Diamond Innovations has become a product area within the Sandvik Tooling business area. In this interview Tanya expresses her view on some specific topics.

Tanya Fratto on her career:

“After receiving my Bachelor’s in Electrical Engineering, I joined General Electric on a manufacturing management program. My career with GE gave me many fantastic opportunities to broaden my skills. I’ve worked as a process engineer, negotiated supplier agreements, managed pricing and marketing programs, and led four different business areas. I’ve also had a chance to live in a number of different areas of the United States as well as in Mexico and Hong Kong during my career. Now, I look forward to being part of Sandvik’s future.”

Tanya Fratto on Diamond Innovations:

“Diamond Innovations has about 600 employees and the company is active in approximately 15 countries. Sales are equally distributed between the Americas, Europe and Asia. We are a world-leading company focused on developing and manufacturing synthetic diamond and Cubic Boron Nitride, two of the hardest materials known to man. We also manufacture polycrystalline materials. To produce these super hard materials takes outstanding capabilities.

The materials are being manufactured at temperatures of around 1,400°C and at pressures that are 70,000 times the atmospheric pressure around us. So this is really a high-tech operation of the finest calibre. Our products are used for such industrial applications as machining, oil and gas drilling, grinding, rock drilling and wire drawing. The potential for further development of new advanced solutions and application areas is great.”

Tanya Fratto on research and development:

“One specific area, which ties Sandvik and Diamond Innovations together, is our dedication to research and development. For us, it is important to be part of an organization in which R&D is a driving force in everyday operations. Diamond Innovations has reached its leading-edge position thanks to our dedication to R&D. We were the first in the world to produce synthetic diamonds in the 1950s. To us, innovation is the key to success. We have thousands of customers who depend on our development of new solutions. Being part of Sandvik, we will get even more muscles in R&D. I’m sure Sandvik will trigger us to achieve even higher goals.”

Tanya Fratto on the acquisition:

“At Diamond Innovations, we’re excited about being part of the Sandvik Tooling family. We feel we are part of a group with the same values that we care about – innovation, people, and customers. We have a lot of common denominators that unites us. We work extremely close to our customers. We sell solutions rather than products. We focus on continuous improvements in our operations. And everything is achieved with an outstanding know-how in materials technology as a springboard. We are just beginning to understand the true value of being part of the Sandvik Group and the numerous opportunities that exist for Sandvik and Diamond Innovations.”

Tanya Fratto on synergies:

“Before we started negotiations with Sandvik, we thought Sandvik was only a tooling company. I think everyone realizes the opportunity that we have in working with Sandvik Tooling to develop integrated tool solutions for the automotive, aerospace, and other industries. What we are finding just as exciting as we become more educated about Sandvik as a group, are the numerous opportunities across the company where our technologies touch upon each other. I think as we meet more and

more of our new colleagues, we will continue to find ways to work together and grow for the good of our employees and our investors. The overall goal is to utilize the knowledge we have across this great company to allow for any and all synergies that yield great results for Sandvik and our shareholders!”

Tanya Fratto on challenges:

“As with any transition, the biggest challenge you face is staying focused on the customers and the market. It’s easy to get caught up integrating internal processes and getting to know our new family. To make sure that we keep our eyes focused forward, we have formed transition teams around the common core processes of Sandvik Tooling, such as finance, systems and people. This will allow us to keep our focus on our customers, markets, and delivering on expectations to the shareholders while focusing on the critical internal activities that set the baseline for our future in Sandvik. This strategy will also ensure that our customer base sees even greater advantages to working with us now, as a member of the Sandvik Tooling family. It will position Diamond Innovations to move to the next level in innovation.”

Did you know?

- ▶ The word diamond comes from the Greek “adamas” meaning unconquerable.
- ▶ The carat is a unit of mass used for measuring precious metals and diamonds and is exactly 200 milligrams. The word derives from the Greek keráion, “fruit of the carob”. Carob seeds were used as weights on precision scales because of their reputation for having a uniform weight.
- ▶ A typical size of diamond for fine finishing and electronics applications is so small, that 100 individual diamonds could fit across the cross section of a human hair.
- ▶ The pressure used to make diamonds are the equivalent of an elephant standing on the head of a nail.
- ▶ There are 122 billion particles in one gram of 3 µm diamond micron powder.

Strengthened position within medical technology



The orthopedic implants manufactured by Sandvik through its new acquisition include primarily hip replacement and knee implants as well as orthopedic instruments for knee, hip and spinal surgery. Sandvik also manufactures material for surgical instruments.

A key element of Sandvik's business strategy is an aggressive investment within specifically selected niches and customer segments. One example is the rapidly growing area of medical technology.

The Group developed and manufactured high-alloy stainless material and titanium- and cobalt-based alloys used in orthopedic implants, instruments and pacemakers for many years. Sandvik has strengthened its position within medical technology through the acquisition of the British company, Doncasters Medical Technologies, now Sandvik Medical Solutions.

The company is a world-leading manufacturer and supplier of orthopedic implants and surgical instruments, with some 400 employees and sales of approximately SEK 500 M. Operations, which are conducted through units in the UK, the US and Mexico, are now being integrated into a new

product area within Sandvik Materials Technology, Sandvik MedTech. This also includes the range of material for medical products within Sandvik Bioline®. Customers include globally leading medical-technology companies that sell directly to healthcare facilities and physician clinics. The new acquisition will create a unique, competitive combination of know-how in the industry within materials and surface technology and contract manufacturing.

In addition, Sandvik Tooling is also within medical technology. The business area develops, manufactures and markets tools for the machining of, for example, implant material and the production of material for surgical instruments. The business area also operates within contract manufacturing for the medical-technology industry.

In other words, Sandvik is well positioned for continued strong growth within this future industry.

Capital Markets Day 2007

The Group is well-positioned for continued profitable growth. This was the theme for President Lars Pettersson when Sandvik held its Capital Markets Day for representatives invited from the international financial market and business media at the beginning of September.

Opportunities for growth are substantial through Sandvik's leading role in the existing markets and with existing applications and customer offering. The Group's strategy moving forward is to continue focusing on customer value and R&D, strategic acquisitions in areas with strong profitability and development potential, expansion in the growth markets and investments within industry segments, such as energy, mineral exploration, medical implants and tools.

The global demand is influenced by strong industrial trends and structural driving forces, such as health, environment and safety, limited supply of raw materials and an increased need for mechanization and automation to improve productivity.

After strong organic growth and acquisitions within selected areas, Sandvik is now a more diverse and broad group than it was just a few years ago. This applies with respect to markets, business areas and customer segments, and means that the Group is now less sensitive to fluctuations in the economy, that is, the Group is less cyclical. This in itself gives the Group additional strength facing the future. According to Lars Pettersson, Sandvik has good possibilities of continuing to make the most of the global structural change.

Executive Vice President Per Nordberg gave participants a financial update on the Group. Representatives for the three business areas reported on recent developments, featuring strong organic growth and several strategic acquisitions.



1. CEO Lars Pettersson in conversation with some participants in the Capital Markets Day.

2. One of the participants was Magdalena Martén from Investor AB, who here familiarizes herself with the equipment for exploration drilling displayed in connection with the Capital Markets Day.

3. Jan Hågström, Chief Economist at Handelsbanken Capital Markets, provided insight into the external factors and driving forces that influence short- and long-term development in the financial market. Pictured here with Joakim Höglund of Kaupthing Bank (middle) and Fredric Stahl of UBS (right).



“I can't see any difference. What have you done?”
“Increased productivity by 50%”



Plants throughout the world endeavor to increase productivity and improve profitability. Specialists from Sandvik Coromant work closely with customers on the plant floor to assist them in this work.

“Together with your technicians, we have conducted a review of the production process and introduced a number of important modifications,” says the specialist from Sandvik Coromant.

“But it's the same machine as before,” says the plant manager.

“Yes, we have worked to enhance efficiency in the existing production. We improved the flow, removed bottlenecks and reviewed the selection of tools used.”

“So you mean that you have fine-tuned our production. What kind of results can I expect to see?”

“We have shortened the production cycle for certain components by 60%. We were particularly successful with regard to the time spent on final machining, which we managed to reduce by nearly 90%.”

“All of this entails a substantial release of production capacity in our plant.”

“Yes, the efficiency enhancements will result in about an extra 4,000 machine hours annually.”

“That means that I can increase productivity by approximately 50%.”

“Isn't that a welcome increase?”

SANDVIK'S SOUL

The driving force behind Sandvik is to help customers increase productivity and profitability, as well as improve safety and the environment. It is based on world-class products, manufacturing, logistics and service. Sandvik is there to understand the challenges faced by customers and to offer them optimal solutions.

Our success is based on the success of our customers. The more profitable they are, the more profitable we will be.



www.sandvik.com