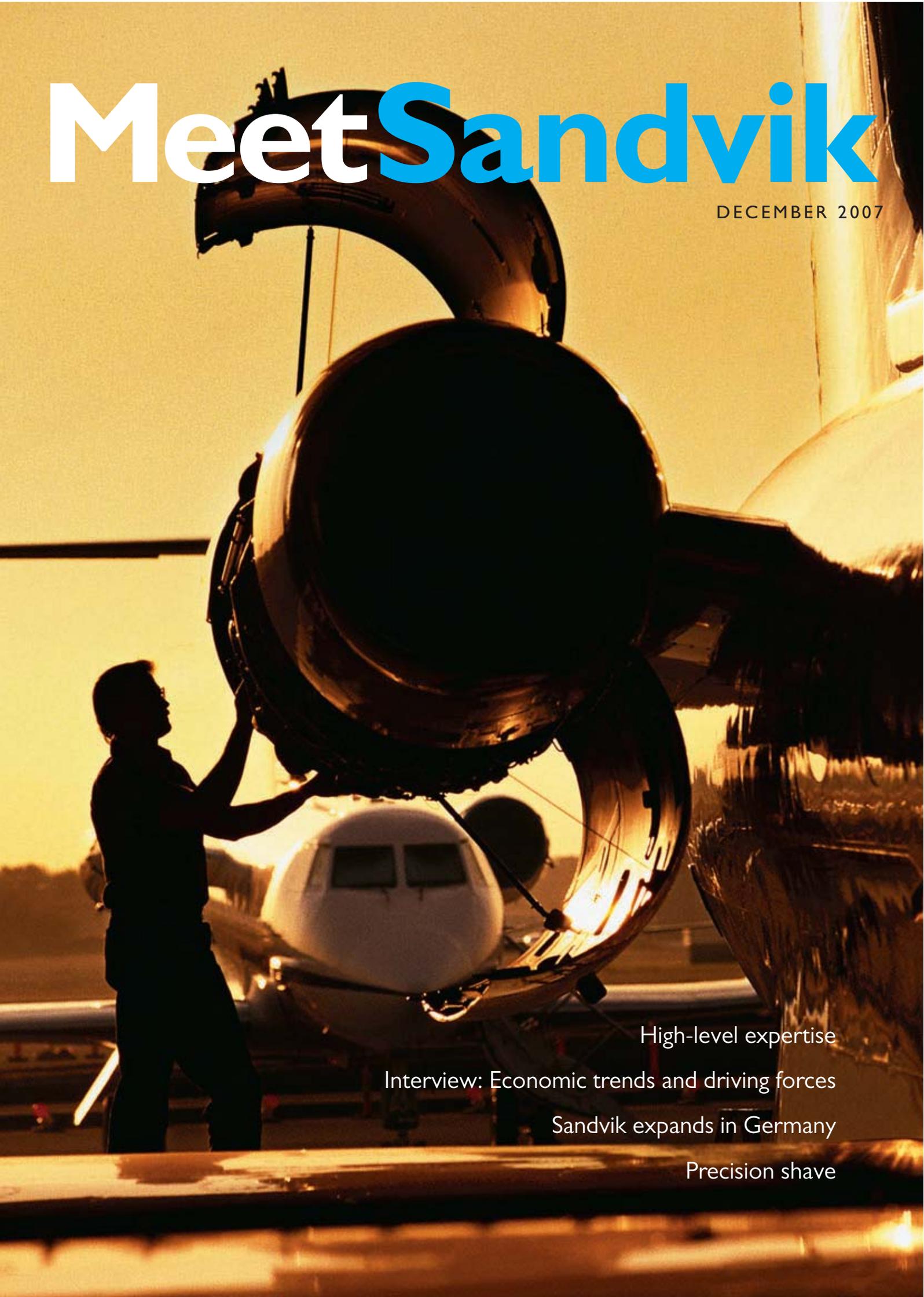


Meet Sandvik

A person in silhouette is working on a large, curved metal component of an aircraft engine. The scene is set against a bright, golden sunset, with the sun low on the horizon. The person is standing to the left, reaching up to touch the component. The component is a large, dark, curved metal part, possibly a compressor or turbine housing, which is being held in place by a crane or hoist. In the background, the nose and cockpit of a white aircraft are visible. The overall atmosphere is one of industrial precision and craftsmanship.

DECEMBER 2007

High-level expertise

Interview: Economic trends and driving forces

Sandvik expands in Germany

Precision shave

Third 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	Q3		Change	
	2006	2007	%	% ¹⁾
Sandvik Tooling	5,298	5,982	+13	+9
Sandvik Mining and Construction	6,518	8,424	+29	+19
Sandvik Materials Technology	4,501	5,363	+19	+23
Seco Tools ²⁾	1,259	1,439	+14	+15
Group activities	11	8		
Group total	17,587	21,216	+21	+16

OPERATING PROFIT BY BUSINESS AREA

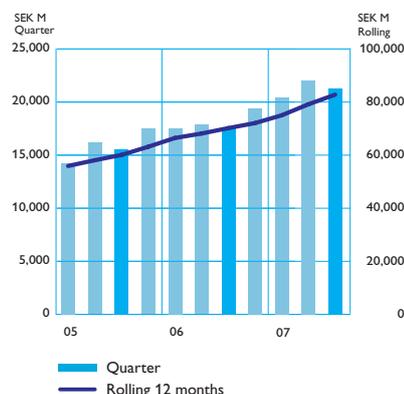
SEK M	Q3		Change %
	2006	2007	
Sandvik Tooling	1,235	1,442	+17
Sandvik Mining and Construction	952	1,260	+32
Sandvik Materials Technology	473	621	+31
Seco Tools ²⁾	298	342	+15
Group activities	-104	-102	
Group total	2,854	3,563	+25

OPERATING MARGIN BY BUSINESS AREA

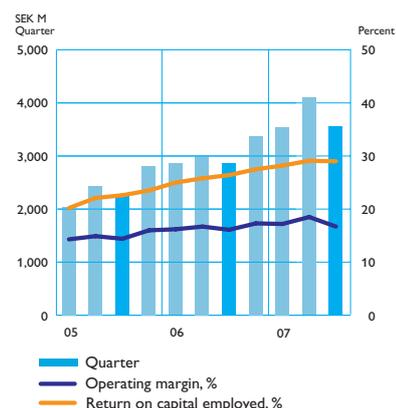
% of invoicing	Q3	
	2006	2007
Sandvik Tooling	23.3	24.1
Sandvik Mining and Construction	14.6	15.0
Sandvik Materials Technology	10.5	11.6
Seco Tools ²⁾	23.7	23.8
Group total	16.2	16.8

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.

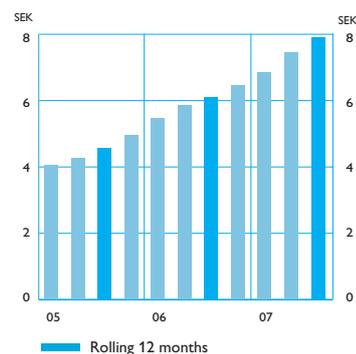
INVOICING



PROFIT, MARGIN AND RETURN



EARNINGS PER SHARE



Meet Sandvik

The Sandvik Group's magazine for shareholders and employees

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Cover: Sandvik enables the aerospace industry to enhance productivity in machining heat-resistant super alloys.
Read more on page 4.

Continued strong growth

The business climate remained strong with favorable demand for Sandvik's products and services during the third quarter. The underlying driving forces generated favorable sales volumes, high capacity utilization and improved operating profit.

Increased demand

In Europe, demand was favorable in most markets. In NAFTA, growth increased, particularly for Sandvik Mining and Construction. The trend in South America and Africa/Middle East is driven mainly by the ongoing high investment and production rates in the mining industry. However, order intake declined due to normal fluctuations in the pattern of orders from major customers. Demand in Asia continued to develop positively, particularly in China, India, Japan and Australia.

In the third quarter, invoicing rose for all business areas, which for Sandvik Materials Technology also included price supplements for increased raw-material costs. Order intake was favorable for Sandvik Tooling and Sandvik Mining and Construction.

Declining nickel prices – inventory impairment in Sandvik Materials Technology

The underlying demand also remained strong in the third quarter for Sandvik Materials Technology. However, order intake was negatively impacted by declining nickel prices, which entailed delays in the orders from certain customers. This has resulted in the need for a downward adjustment in the value of the business area's inventory during the fourth quarter. The negative effect of the impairment loss on operating profit is estimated to amount to about SEK 400 to 500 M during the fourth quarter of 2007 at the nickel price and tied-up capital levels that prevailed at the date the measure was announced.

Integration of company acquisitions

Developments during the quarter were characterized by:

- A positive price trend
- Further capacity expansion
- Successful integration of company acquisitions

The most recent company acquisitions strengthen Sandvik's position in areas with high growth and strong profitability. Diamond Innovations forms a separate product area within Sandvik Tooling, while the companies within the field of mobile crushing, Extec and Fintec, have been integrated into the Construction customer segment within Sandvik Mining and Construction. The acquired medical



CEO Lars Pettersson in conversation with Tanya Fratto, President of Diamond Innovations, and Anders Thelin, President of the Sandvik Tooling business area, at Sandvik's Capital Markets Day in September.

technology company, Doncasters Medical Technologies – now Sandvik Medical Solutions – plays a central role in Sandvik Materials Technology's new MedTech product area.

Acquisitions are key elements in the Group's growth strategy. Sandvik contributes added value to the acquired companies by providing access to technology, infrastructure, logistics and other resources that enable more rapid and profitable growth.

Investments and structural measures

The year 2007 is the fourth consecutive characterized by strong demand and favorable growth for Sandvik. The need for resources has gradually increased in all areas – within R&D, production, marketing and sales. In the light of this development, the Group has increased its rate of investment to meet the growing requirements. To date this year, approximately SEK 3,500 M has been invested in plants and SEK 5,700 M in company acquisitions.

Efforts to continuously implement structural improvements in various areas have high priority. They are designed to strengthen the Group's long-term competitiveness and to form the foundation for cost leadership and profitable growth. A condition for this is the continuation of activities to develop new products and services. Sandvik's offering shall continuously encompass value-adding solutions that increase our customers' efficiency and productivity.

Lars Pettersson
President and CEO
Sandvik AB

- Order intake +11%*, SEK 21,259 M.
- Invoiced sales +16%*, SEK 21,216 M.
- Profit after financial items +20%, SEK 3,104 M.
- Net profit for the period +26%, SEK 2,299 M.
- Return on capital employed 29.1% (26.5 %).
- Cash flow -25%, SEK 2,103 M.
- Earnings per share +28%, SEK 1.85.

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

Productivity as driving force



Cooperation reaps success

Cummins Brasil is a subsidiary of the US-based Cummins Inc., which is the largest independent manufacturer of diesel engines in the world. The Brazilian subsidiary manufactures engines that power a wide range of vehicles, from tractors and combine harvesters to trucks and buses. For many years, Cummins Brasil has cooperated with Sandvik Coromant, which is now responsible for Cummins' total tool management. Specialists from Sandvik are on site in the plant outside São Paulo to implement efficiency enhancements and cost savings within the machining and processing area in cooperation with the customer. High quality and extensive automation are the guiding principles – the overriding goal is to achieve the best possible productivity at the lowest possible cost.



High-level expertise

Using expertise from Sandvik, manufacturers of aircraft engines and other components for the aerospace industry can significantly enhance productivity in machining heat-resistant super alloys, that is, stainless steel with a high proportion of nickel. These difficult-to-machine materials are used in the hottest parts of an aircraft's gas turbine, since they can withstand high working temperatures of up to 1,000 °C without weakening. They comprise the largest group of materials currently used in the manufacture of aircraft engines. By using ceramic sialon inserts from Sandvik Coromant in the machining, the cutting speed can be increased by 5–10 times compared with conventional solutions. The ceramics are a mixture of silicon nitride and aluminum oxide and are specially developed for these demanding applications.





Brilliant solution

For a number of years, the international Dormer brand within Sandvik Tooling has cooperated successfully with the Egyptian company Asfour Crystal International, a manufacturer of chandeliers and other crystal products. The company is the second largest manufacturer within the industry and employs about 20,000 people in Cairo. Production ranges from crystals that measure 2 millimeters to 30-meter long chandeliers. By offering new solutions, which include a solid-carbide drill, Dormer has helped reduce the production time by more than half for several of the customer's demanding machining operations.



Advanced rig with top performance

The Group has introduced a rig for top-hammer drilling – Sandvik DPI – which has aroused considerable interest in the industry. It is based on the latest technology. The operator has firm control over drilling and has access to all necessary data that enables maximum productivity. The rig is very well balanced and easy to handle and service. It works in all temperatures and has low fuel consumption. The comfortable cabin is air conditioned, fitted with air filters, quiet and safe. An ideal rig for reliable service in quarries and surface mines.



The small, small details count

Sandvik has a broad program of precision wire products in stainless and carbon steel. They are optimized to provide good machining properties. One example is a magnetic stainless material that is particularly suitable for modern CNC machines. It is used in such components as pipe joints, valves, pumps and solenoids. Among other applications, the material is used to regulate the flow of asthma medicine in inhalers. Another example is an annealable carbon steel for very small watch components.

New material for demanding environments

Sandvik has launched a new stainless material for heat exchangers that sets a new market standard. It increases operational reliability and prolongs the maintenance-free period of products that work in such extremely corrosive environments as refineries and the chemicals and petrochemicals industries. The customers appreciate a reliable material that can withstand higher operational temperatures, while enduring longer operating times.



“We are in the third super boom”

Will the global economic boom maintain its pace? Following a long period of largely uninterrupted growth, many people are asking this question. Particularly with regard to the current turmoil in the economy. In this interview, Jan Häggström, Chief Economist at Handelsbanken, replies to this and a number of other questions.



Jan Häggström has been Handelsbanken's Chief Economist since 1988.

Will this boom continue?

“There are strong indications that this will be the case. You see, we are not in a ‘normal’ boom, but what is known as a super boom. Such periods last much longer than normal booms. In historical terms, we have had two super booms in the past. The first was initiated during the last decades of the 1800s in conjunction with the first wave of industrialization and this basically continued until World War I. The second super boom started after World War II with the reconstruction of Europe and Japan. This continued into the 1970s and formed the foundation for the enormous successes of Swedish industry.

“Accordingly, we now find ourselves in the third super boom. It essentially commenced at the beginning of the millennium and, judging by past experiences of super booms, it will probably continue for some time.”

What are the driving forces?

“From the beginning, China has been the powerhouse in this super boom. Its entry into the industrial age has laid the foundation for the current global engineering and industrial product boom. At present, China has annual GDP growth of about 10% and a continued robust expansion of production capital. It is currently the world's largest consumer of steel and copper. Furthermore, the country's steel requirements are expected to double in the next five years and in the same period, copper requirements are expected to quadruple. In the wake of this growth, we will see a rapid increase in real incomes. At present, the standard of living in China is about one quarter of that in the EU. Within the next ten years, this is expected to double.”

What will happen after China?

“Hot on the heels of China, we can see a corresponding upswing in India. It is about ten years behind China in terms of income levels. India's ongoing entry into the industrial age strengthens and prolongs the super boom. At the same time, a similar development is taking place in Eastern

Europe and the former Soviet republics, with a combined population of 450 million inhabitants. In these countries, a far-reaching reindustrialization is taking place. Old run-down industries are being renewed and upgraded to satisfy current demands. This further feeds the super boom.

“In addition to China, India and Eastern Europe, the boom also encompasses parts of Latin America, the Middle East and Africa. This super boom is based on a major rise in productivity and incomes in countries with a total population of about three billion, that is, almost half of the world’s inhabitants. Accordingly, there is an enormous momentum behind the boom. Market forces are beginning to work in markets in which they previously did not exist. Entrepreneurship is flourishing and the economic politics is shifting in a growth-friendly direction. People are placing increasingly higher demands on the standard of living.”

Has the US’s leading role had its day?

“Naturally, the US is still a powerful force with regard to the financial markets, interest-rate trends and share trading. However, in general, the US’s significance in the global economy has been considerably reduced. The country’s engine has been misfiring for some time now. Its GDP is increasing by a modest 2%, that is, considerably less than average global growth, and far, far behind China’s double-digit rate of increase. It is clear that there has been a change in the balance of world trade – ten years ago, 40% of Japan’s exports went to the US. Today, the corresponding figure is only 20%. Asia is now the most important export market for Japan. The same trend applies to Europe. At present, only 20% of Europe’s exports are destined for the US. Exports to Eastern Europe and Russia are larger.”

What are the threats?

“We have had a number of disruptions in the international economy during the summer and autumn, but I view these as just small dips in a sharply rising graph. They have a marginal impact on the upward trend. We will also have

the usual economic patterns, but the fluctuations will occur against the background of a sharply rising trend.

“The long-term threats can be found at other levels. The modern lifestyle, which will encompass an increasing number of people, is enormously resource and energy demanding. Take China as an example – as recently as 1970, more than 80% of China’s population lived in the countryside. Today, the country has 45 cities with more than 1.5 million inhabitants. In slightly more than ten years, there will be 150 Chinese cities with this population – almost one billion Chinese will live in cities placing entirely new demands on comfort and quality of life. This development is progressing rapidly. China is already the second largest car market in the world measured in new sales. Just imagine how it will be in 10 to 15 years. We will probably reach full capacity in many areas. We will have to learn to live with and manage shortages of raw materials and food. We will have limited resources to transport goods. In five years, freight prices have risen eightfold, and so forth.

“To summarize, we can say that on our journey through the current super boom, we will be faced with a number of challenges concerning environmental and resource management, for which we must identify solutions. Threat or opportunity? The choice is yours!”

In conclusion: what is your view of Sandvik?

“In my view, Sandvik is a very well-managed company. It focuses on the areas in which it is strong. Operations that do not match the structure are divested and there is always a future-oriented focus to develop and sharpen its offering to the market. The company is exceptionally well positioned to capitalize on the super boom.”

News from Sandvik's world



Precision shave

Each day, millions of people worldwide shave with a shaving blade made from stainless, cold-rolled strip steel from Sandvik. The Group delivers to most of the major manufacturers. Sales of razorblade steel reached a new record level last year. The starting point in the manufacturing process is a roll of strip steel that weighs nearly two tons. The strip is 3.8 millimeters thick. Following rolling, the thickness of the strip is 0.1 millimeter and the length is six kilometers. From one roll of strip steel, it is possible to produce more than one million disposable shaving blades. A sales record was also set for Sandvik's material used in shaving heads in electric razors. These are manufactured from the advanced material Sandvik Nanoflex[®], which is the result of the Group's continuous research and development – usually in cooperation with the customer. The rotary knives are manufactured from the same material. It has special properties – it is light, strong, clean, maintains sharpness and is corrosion resistant. Sandvik's focus on high and uniform quality, combined with responsive technical service, a global presence and reliable deliveries, forms the core of the customer offering.



Major orders within materials handling

Efficient materials handling is a key issue for the mining and construction industries. Sandvik is a leader in the development of systems with high customer value. The Group has secured several large orders within the area in the most recent quarter. These include systems for loading and unloading in ports and terminals and belt conveyors for materials handling at power plants and in mines. During the quarter, the total order value amounted to about SEK 1 billion. Orders were secured from customers in India, Australia, Canada and Poland. The Polish order totaled SEK 450 M and consists of a turnkey facility for handling lignite in the Belchatow power plant, southwest of Warsaw. A considerable emphasis has been placed on environmental aspects, with a focus on reducing the noise level and emissions to air.



Flexible changing

Sandvik's rotary cutters for manufacturing of such products as diapers, sanitary articles and packaging continue to achieve success in the market. The knives work faster and last significantly longer than conventional steel knives. Furthermore, they reduce waste generated in manufacturing and keep service and maintenance stoppages to a minimum. Now, a new technical solution, the sleeve concept, has been developed to complement the existing product portfolio. The concept is designed to satisfy demand in the market. The customers can quickly and easily change the carbide cutter from one profile to another without having to dismantle the entire frame in which the tool is mounted. This leads to reduced machine down time and improved productivity for the customer.



Award in China

When China's largest independent car manufacturer, Chery, founded its engine plant in 1998, close cooperation was initiated with Sandvik. Recently, for the fourth consecutive year, the car company selected Sandvik Coromant as the "Supplier of the Year" within metal cutting. The motivation for the award was based on the high-quality products and outstanding solutions that are supplied. For Chery, this is a key driving force, since the company focuses on product development and efficient production.



Efficient quarry in Malaysia

Sandvik has many customers in the mining and construction industries in Malaysia. For example, the Group has been cooperating for many years with the Technisystem company and supplies rock-drilling rigs and tools, among other locations, to a quarry outside the capital city of Kuala Lumpur. Limestone is quarried at the site for use in production of cement. Advanced machinery increases operational reliability and the customer's efficiency.

Enhanced combustion

Following extensive research and development work, Sandvik has introduced a new material, Sandvik Sanicro®25. It has been specially developed for use in high-efficiency combustion of coal. Many of today's coal-fired power plants are old and need to be replaced, while electricity demand is increasing worldwide. This is where Sandvik steps in. Combined with other developments in the area, this new, very heat-resistant material enables higher steam temperature and pressure in the boilers in which the coal is burned. Consequently, it has been possible to enhance efficiency by 15%. This results in lower emissions of carbon dioxide and a reduction in the environmental impact. An interesting combination that points to favorable development opportunities for Sandvik in the future.



Sandvik expands in Germany



Sandvik Tooling's new plant in Schmalkalden manufactures special tools for metal cutting.

In relative terms, growth markets represent the greatest increase in Sandvik's sales, but Europe continues to play a key role in the Group's development. The market area accounts for about 45 percent of Sandvik's sales. In terms of population, Germany is the European Union's largest country with 82 million inhabitants and is one of the countries that sets the tone within the organization. It is also one of the world's leading exporters. Development in Germany is highly significant for Sandvik. It is the Group's second largest market, with sales totaling approximately SEK 6.5 billion in 2006 and some 3,500 employees.

Extensive operations

Germany has always been an important market for Sandvik. It is one of the richest countries in the world and has a successful industry. The Group has achieved a market-leading position within its selected areas. Already in 1870, the first sales agency was established and Sandvik founded a company of its own in the 1920s. The Sandvik GmbH subsidiary, with Düsseldorf as its base, commenced operations in 1957.

In the autumn, the subsidiary moved into new, purpose-built premises in Düsseldorf. The facility includes an expanded Productivity Center for Sandvik Coromant, with the capacity each year to train more than 3,000 customers and Sandvik sales representatives in the use of the latest tool solutions.

Sandvik's expansion has been robust over the years. The Group is currently well-represented with production units and sales offices in many locations in the country. The early focus on a local presence for manufacturing and sales has played a significant role in development. This proximity has generated considerable credibility in the market. In total, there are 12 manufacturing units and some 20 sales offices in Germany.

Market leader

Sandvik Tooling has the most extensive operations in the country. Its customers are active within much of German industry and commerce. From a technology and competition standpoint, the market is one of the most demanding and challenging in the world.

Important sectors for the business area include the engineering, precision mechanics and wind-power industries as well as sub-suppliers to the automotive industry. To develop cooperation with the leading German automotive manufacturers, Sandvik Coromant has, among other activities, established a new Application Center for the automotive industry outside Stuttgart. In Schmalkalden, Sandvik Tooling has inaugurated a new unit for the manufacture of special tools for metal cutting that is the largest of its type in the world. The investment illustrates the business area's aggressive undertaking to increase capacity, productivity and competence.

The Group is also taking the initiative in the environmental area. Sandvik Coromant has raised the ambition with regard to the global concept



Sandvik has a strong presence in Germany.

for the recycling of used and worn out cemented-carbide inserts. The inserts are collected and, using advanced methods and processes, the cemented carbide is broken down into its components and reused. The goal for 2008 is to include about half of sold products in this logistics system and Germany has come a long way in this area.

Recently, several of the business area's other brands have made significant investments in the country. For example, this applies to Walter, a manufacturer of cemented-carbide tools. It has recently inaugurated a large plant for the manufacture of indexable inserts in Münsingen. In recent years, Walter has achieved major sales successes with the indexable insert series Tiger.tec®, which has patented coatings and shapes.

With its portfolio of international brands, Sandvik Tooling is a market leader in the German market and the potential for continued favorable growth is considerable.

All business areas present

The other business areas also have favorable development opportunities in Germany. Sandvik Mining and Construction has upgraded its manufacturing facility for components for materials-handling systems in Schöppenstedt, near Hannover, with a highly automated plant section. These components play a key role in efficient systems for transport and handling of materials in mines, ports, terminals, power plants, etc.

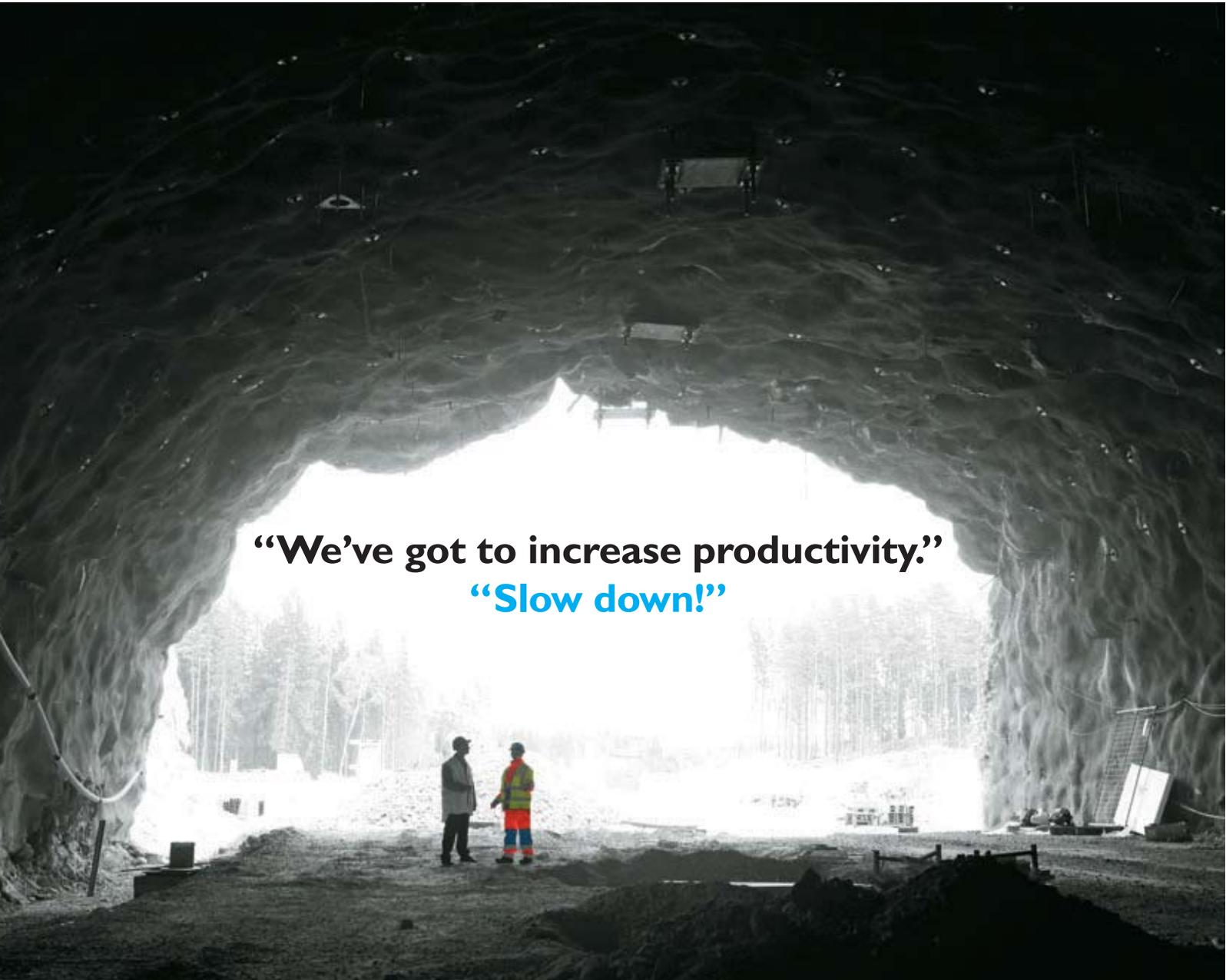
The business area has also increased its presence in Germany by opening a customer center in Saarbrücken for the country's mining and construction industries.

Sandvik Materials Technology supplies customers with high value-added tube, strip and wire products, etc. The business area has many customers in the country, particularly within seamless tubes for the process and chemicals industries. Manufacturing is conducted in three locations. The Sandvik P&P tube plant in Werther, 200 kilometers northeast of Düsseldorf, delivers special-alloy tubes to, among other areas, the medical-technology, automotive, shipbuilding and construction industries. Kanthal produces resistance materials and furnace elements in Mörfelden, near Frankfurt. Sandvik Process Systems, in Fellbach, next to Stuttgart, is a global product center for the development and production of advanced steel-belt-based process systems for customers within, for example, the food, oil-gas, chemicals and fertilizer industries. Sandvik Hindrichs-Auffermann in Ennepetal, close to Düsseldorf, is a product center for textured press plates and press belts for the laminate industry.

Sandvik's offering to the German market is comprehensive. Customers consider Sandvik to represent quality, reliability and service. It is a winning concept throughout the world – especially in Germany.



Sandvik's subsidiary in Germany, Sandvik GmbH, inaugurated a new office in Düsseldorf in November this year. In the picture, from left: Joachim Erwin, Mayor of Düsseldorf, Lennart Ek, Managing Director, Sandvik Holding GmbH, Peter Larson, Executive Vice President, Sandvik AB, and Matthias Drüppel, Managing Director, LB Immoinvest, with a symbolic key to the facility.



“We’ve got to increase productivity.”
“Slow down!”

The place is a construction site for a subway tunnel. In this sensitive environment, the use of explosives is often out of the question and sometimes forbidden. Instead, the tunnel is being created with the help of gigantic road headers that inch their way forward. The contractor for this project has a problem that he is discussing with Sandvik’s specialist.

“The work is progressing too slowly. We’re constantly trying to increase our construction speed. As a result, the tools break down.”

“That’s not unusual,” says the Sandvik specialist. “But we have developed a concept that works.”

“Stronger tools?”

“That’s part of the solution. But we also suggest a more stable, computer-controlled machine. It’s adapted to the hardness of the rock and minimizes the impact shock and brunt force.”

“Can’t the operators handle the feed manually?”

“When you excavate soft material such as coal, there’s no problem. But it’s almost impossible in harder rock.”

“What’s the solution?”

“Our machine is programmed with due consideration for the rock condition and tunnel geometry. It combines slower cutting speeds with higher feed and consistent cutting depth. This actually provides faster penetration into the rock.

“How much faster?”

“Our experience indicates somewhere in the range of twice the former speed.”

“Sounds interesting. Let’s step into my office and discuss it in greater detail.”

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