

Meet Sandvik

THE SANDVIK GROUP'S MAGAZINE FOR SHAREHOLDERS AND EMPLOYEES NOVEMBER 2009

FAST TRACK IN CHINA

Shirley Peng sees new opportunities
in the growing Asian market

Saving the Vasa

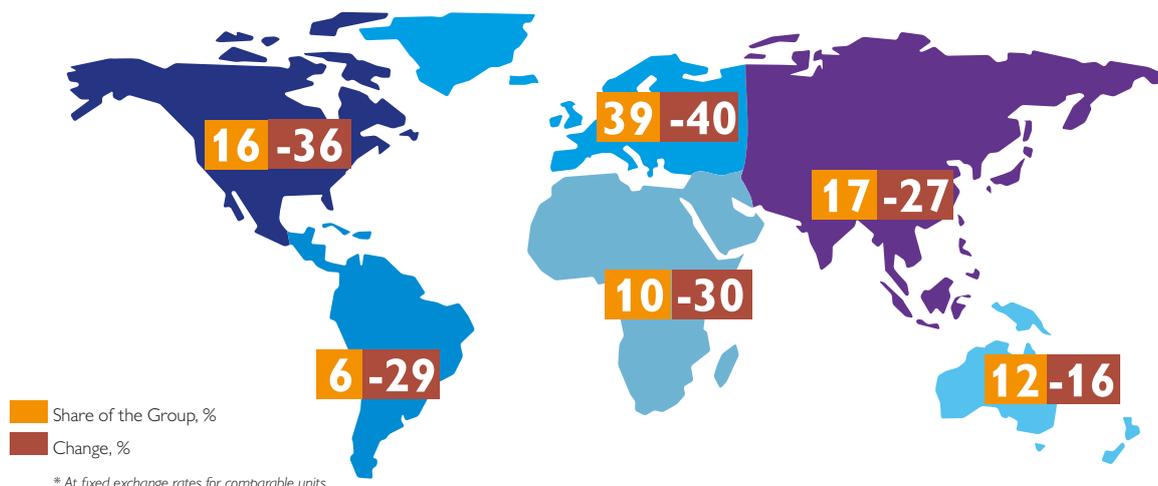
New engines easier on the environment

Sandvik meets the capital market

THIRD QUARTER 2009 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 2009	Q3 2008	Change %	Change % ¹⁾
Sandvik Tooling	4,384	6,295	-30	-38
Sandvik Mining and Construction	7,762	9,475	-18	-24
Sandvik Materials Technology	3,299	5,122	-36	-39
Seco Tools ²⁾	1,123	1,576	-29	-32
Group activities	10	10		
Group total	16,578	22,478	-26	-32

OPERATING PROFIT BY BUSINESS AREA

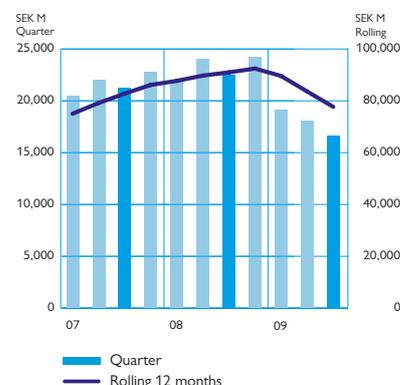
SEK M	Q3 2009	Q3 2008	Change %
Sandvik Tooling	-247	1,422	
Sandvik Mining and Construction	332	1,337	-75
Sandvik Materials Technology	-2	505	
Seco Tools ²⁾	51	318	-84
Group activities	-83	3	
Group total³⁾	51	3,586	-99

OPERATING MARGIN BY BUSINESS AREA

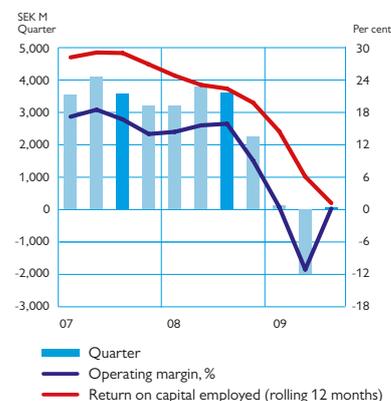
% of invoicing	Q3 2009	Q3 2008
Sandvik Tooling	-5.6	22.6
Sandvik Mining and Construction	4.3	14.1
Sandvik Materials Technology	-0.1	9.9
Seco Tools ²⁾	4.5	20.2
Group total	0.3	16.0

- 1) Change compared with preceding year at fixed exchange rates for comparable units.
 2) As a result of the majority holding in Seco Tools AB, Sandvik consolidates this company.
 3) Internal transactions had a negligible effect on business area profits.

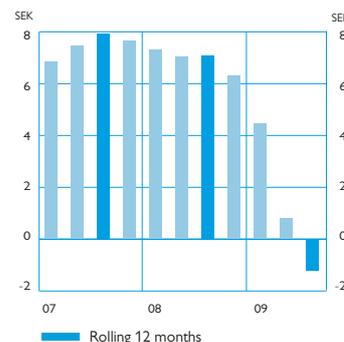
INVOICING



PROFIT, MARGIN AND RETURN



EARNINGS PER SHARE



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 Cover: Shirley Peng, Marketing and Business Development Manager, Sandvik Coromant in China.



Improved earnings despite weak demand

Despite weak demand and low planned production volumes, operating profit improved in the third quarter due to cost savings and structural measures. Sandvik also reported an exceptionally strong cash flow, which was mainly a result of significant inventory reductions.

Demand for Sandvik's products was significantly lower in all business areas compared with the corresponding quarter in 2008, but was in line with the preceding quarter.

Order intake was low but stable in most markets. The weak demand was most evident in North America and Europe, while activity in Asia was higher and rising slightly. In the mining industry, demand for equipment remained weak due to a low rate of investment, while there was a moderate rise in activity in the aftermarket segment. Demand in the construction industry remained at a low level. The energy sector continued to perform strongly with high order intake from the nuclear power and oil/gas industries. For the automotive industry, demand was relatively strong in Asia, but significantly weaker in other markets.

Measures yield results

Measures to reduce inventories and adapt costs and capacity to the weak level of demand proceeded successfully during the quarter. The workforce was further reduced by approximately 1,500 persons and total personnel reductions now amount to slightly more than 8,000 persons since September 2008. In addition, about 15,000 employees are covered by agreements regulating reduced working hours.

Inventories were further reduced, which means that the rate of production will gradually be raised. Efforts aimed at reducing working capital and lowering costs generated a strong cash flow in all business areas. Cash flow after investments and acquisitions amounted to SEK 2.3 billion during the quarter.

Low invoicing levels, extensive production cutbacks and costs for restructuring measures had a significant negative impact on earnings for the quarter. Cost savings and metal price effects had a positive impact on earnings. Operating profit in the third quarter amounted to SEK 51 M and the operating margin was 0.3% of invoicing. The net result for the period totaled SEK -180 M.

Major orders and new investments

A number of major project orders were secured during the quarter. These included two large project orders for Sandvik Mining and Construction, the first of which was valued at SEK 740 M and related to a materials-handling system for an

underground mine in Africa. The second order was for SEK 480 M and pertained to a loading system in South America.

During the quarter, Sandvik also inaugurated new assembly facilities for mining equipment outside Shanghai, China, and near Belo Horizonte, Brazil. These new facilities will mean that assembling capacity will be located closer to major customers, which will facilitate shorter lead times and continued consolidation and streamlining of the manufacturing and delivery processes.

The crisis is not over

The threat of a global financial collapse has abated significantly, but the weakness in the demand scenario remains. In many countries, share prices have risen sharply, which is also true of the Sandvik share. This should not be mistaken for an economic recovery or a rise in demand for our products. The requirement remains that Sandvik must be able to display profitability even if demand remains at the current low level. It is pleasing that we can now clearly see the effects of the measures taken, but we cannot rule out the possibility that further action may be necessary. ■



Lars Pettersson
President and CEO
Sandvik AB



Order intake	SEK 17,241 M, -28%*
Invoicing	SEK 16,578 M, -32%*
Operating result	SEK 51 M
Result after financial items	SEK -523 M
Net result	SEK -180 M
Earnings per share	SEK -0.15 ¹⁾
Cash flow	SEK +3,630 M, +52%

* Change compared with the corresponding quarter in the preceding year, at fixed exchange rates for comparable units.

¹⁾ Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact.

Sea view for all

Dubai Waterfront is a completely new coastal environment being built in Dubai on the Persian Gulf coast. An estimated 1.5 million people will live here, and 1 million new jobs will be created.

The development is being built largely on artificially created land, 30% of which was previously underwater. In total, Dubai will gain 70 kilometers of coastline.

Ground preparation requires both unique engineering knowledge and advanced equipment. Sandvik's drill rigs in the

Ranger 780 Rock Pilot series make it possible to break through sand and clay significantly faster than with conventional methods.

Up to 540 meters per shift are being drilled for construction of the large draining wells necessary for removal of sea water. The rigs' advanced hydraulic systems react quickly to changes in sand and clay layers, reclaiming enough land each month to fill a large international soccer stadium three times over.



Partnership for success

Sandvik has developed a partnership called Trans4Mine to help increase system and process efficiency to support customers in the mining industry.

With Trans4Mine, Sandvik and the customer enter into a partnership for the confidential exchange of specialist knowledge.

The aim is to achieve maximum capacity from the system, machines and products. The new offer is a further step in Sandvik's ambition to help customers achieve more efficient processes through products and needs-based solutions.



More efficient manufacturing

Tractor manufacturer Belarus is one of the world's largest, selling around 68,000 tractors per year in 130 countries. Manufacturing takes place in a 4 km² factory complex in the capital city of Minsk. But productivity must be increased to enable the company to manufacture more tractors and a wider variety of models.

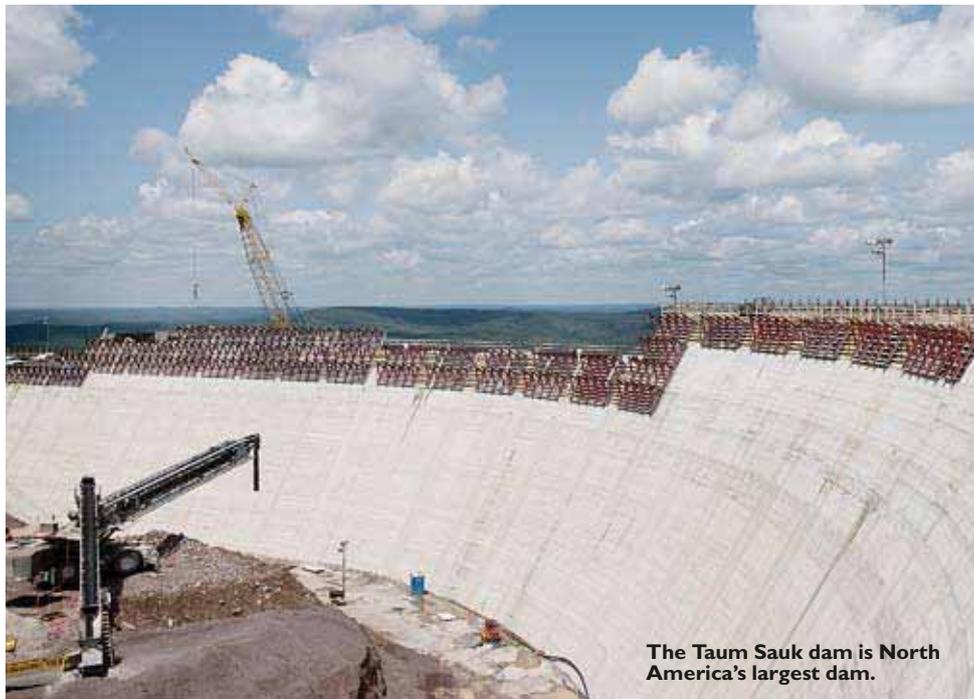
The customer turned to Sandvik Coromant to optimize the use of cemented-carbide inserts in its manufacturing.

"Previously we used around 1,000 different types of inserts in production. This made it hard to gain an overview, and to

find routines and standardized processes that would increase efficiency," says Jury Leshinski, the company's purchasing officer.

"With Sandvik Coromant, we have reduced the number of types to 200 – one of several steps towards increased productivity."

Russia and the states in the former Soviet Union offer high growth potential for foreign companies. Belarus is one example of the need for Sandvik Coromant's products and services in coming years.



The Taum Sauk dam is North America's largest dam.

Rebuilding after collapse

Five years ago, North America's largest dam collapsed – the Taum Sauk dam in the state of Missouri, central USA. A torrent of five million liters of water swept away everything in its path. Miraculously no one was injured, even though the flooded forest below the dam is a popular recreation area.

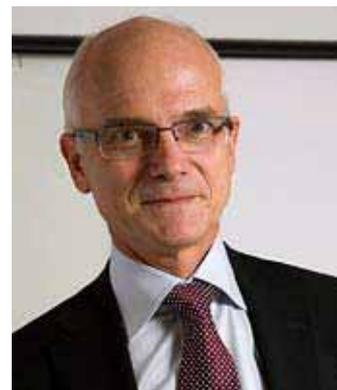
With the dam now being rebuilt, responsibility for the work lies with Ozark Constructors. One of several important actions is to drill drainage holes through the 30-meter-high dam wall, using the drill rig Sandvik DX800.

"The holes are the points where water can be transported away instead of causing cracks in the construction," says Tim West, quality manager at Ozark Constructors.

Drilling such deep holes through concrete puts great pressure on the machines undertaking the job.

"We didn't think the drilling machines' hydraulics would manage holes 15 centimeters in diameter. But we pushed the machines to the maximum and they did it," says drilling team manager Randy Head.

Ola Salmén, new Sandvik Group CFO



Ola Salmén, 55, is the new CFO of Sandvik Group from 1 September 2009. His previous position was a similar role at Vin & Sprit AB. Salmén has broad experience from many different industries and a variety of positions within the field of economics and finance.

Why did you take the job at Sandvik?

"Sandvik is one of Sweden's finest companies and has always stood for quality. It is incredibly exciting and fun to work in this environment."

What do you want to achieve?

"I hope to be able to contribute to the task of making the company even more competitive. Sandvik should come out of this economic downturn in a strong position, and well prepared for the future. It is also important to retain efficiency when demand increases."

What does a CFO do in a global concern such as Sandvik?

"We have a financial management model that means we are all striving for the same goals. One of my most important tasks is to drive and develop this process so we ensure that Sandvik continues to create value for shareholders."

Which issues do you particularly want to focus on?

"I want to focus on capital efficiency, and particularly on reducing our working capital in relation to sales. The company is ambitious. We want to be the best in everything we do, so I see strong opportunities for capitalizing on the potential for improvement that exists in this area."



Winter in Turkey requires efficient infrared heating.

Warming cooperation in Turkey

When the chilly autumn winds sweep in over Turkey, residents turn on their infrared heaters. In a country where central heating is uncommon, using infrared heaters is the most common method for domestic heating, with hundreds of thousands of units sold each year.

Kumtel, one of Turkey's leading manufacturers of white goods, turned to Kanthal, a product area within Sandvik Materials Technology, to improve the quality of its infrared heaters.

"The company had previously chosen to purchase ready-made heating elements at a

low cost. Unfortunately the quality was also low, and when this created problems, Kumtel contacted us," says Marcin Kapkowski, product manager at Kanthal.

"We have helped Kumtel to get going with its own element manufacturing, and are now their supplier of wire for the elements. We will also be able to make a contribution to further product development!"

The partnership has been successful, and Kumtel heaters now carry stickers that proudly announce "Heated by Kanthal".



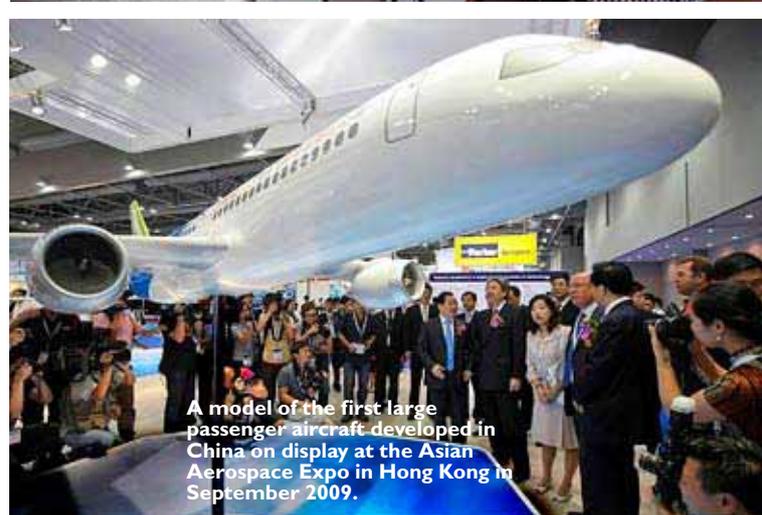
Shirley Peng is Sandvik Coromant's marketing and business development manager in China. Here together with Luke Wang, Product and Application Manager, Sandvik Coromant Greater China Region.



Shirley Peng has worked at Sandvik Coromant since 1994.



Meeting with Professor Liu Qiang, from the Beijing University of Aeronautics & Astronautics.



A model of the first large passenger aircraft developed in China on display at the Asian Aerospace Expo in Hong Kong in September 2009.

Aiming high in China

Sandvik Coromant is introducing its latest aerospace technology into China, with the aim of realizing China's plans for large aircraft development.

The customer relationship can be put under strain during a period of financial downturn, something Shirley Peng, Senior Manager for Marketing and Business Development at Sandvik Coromant China, is well aware of. She joined Sandvik Coromant in 1994 as a sales engineer. Prior to her current position which she took early this year, Peng was Senior Sales Manager for North China. Talking about her working experience as a sales person, she believes that "the best practice is always growing together with customers, especially in

China, a fast growing market." This has also become her approach to developing the Chinese market.

"This is a difficult year due to the global economic recession, and we are prioritizing cooperation with customers," Peng says.

An example of cooperation is the rapidly growing Chinese aerospace industry, which is now launching a program for large aircraft.

According to Peng, the aircraft manufacturing operation is focusing on the highest possible exactitude and safety. "The extremely high demands in terms of materials, tools and processes within the aerospace industry will also lead to development for all manufacturing industries," she adds.

TO SUPPORT THE needs of customers, Sandvik Coromant is developing unique solutions for the manufacture of various components in materials such as titanium, composites, super alloys and aluminium. The solutions consist of customized tools, application knowledge and processing strategies.

In August, a seminar focusing on productive machining technology for

difficult materials in aerospace industry was held in Shanghai. Organized by Sandvik Coromant, the seminar attracted more than 40 participants from China's major enterprises in the industry.

"The seminar aimed at strengthening our cooperation with them and to increasing our market share," Peng says.

CHINA HAS OFFICIALLY started its large aircraft (with a take-off weight of more than 100 tons, or more than 150 seats) program by investing RMB 19 billion (approx US\$ 2.8 billion) in its Commercial Aircraft Corporation of China Ltd. (COMAC) in Shanghai in May last year.

COMAC announced in August that delivery of the first domestically developed large commercial airliner is scheduled for 2016, and a model of the aircraft was displayed at the Asian Aerospace Expo in Hong Kong in September.

"Sandvik Coromant has long impressed customers with its reliable products, quality service and down-to-earth manner when it comes to marketing itself in China," Peng concludes.

Sandvik in China

Sandvik started its business in China in 1985 by establishing its first office.

Sandvik China currently has more than 1,800 employees, 25 offices and 10 plants and all three business areas are conducting manufacturing in the country. In 2008, its sales volume reached about RMB 4.4 billion (US\$ 647 million).

An expanding region

All Sandvik's business areas are investing in the Chinese market, where strong business relationships are producing positive results.

Sandvik Mining and Construction has opened its biggest production plant so far in China. The 120,000 m² factory is in Shanghai, manufacturing most products in the range, from drilling rigs to crushers and loaders.

Sandvik Tooling has continued to invest in the factory for cemented-carbide tools in Langfang and a new manufacturing unit has been established in Wuxi, close to Shanghai.

Sandvik Materials Technology has opened two new plants this year in Zhenjiang. In October the doors were opened on a new service center which offers customer-specific adaptation of strip steel to customers throughout China and the Pacific region. Earlier in the year a produc-

tion plant was also established for cold rolling and finishing high alloy seamless tubing.

Alongside these investments in new plants, Sandvik has seen good results from increased sales efforts.

One example is the several-year supply agreement for steam generator tubing to the nuclear power industry with the Shanghai Electric Nuclear Power Equipment Co Ltd. The agreement is worth well over SEK 1 billion with delivery beginning in 2013.

How Sandvik is managing the business climate downturn

In the beginning of September, around 100 investors, analysts and journalists visited Sandvik's annual Capital Markets Day. The theme – how to manage the downturn in the current business climate – has been the focus of the Group's work this past year.

THERE WAS A positive atmosphere when guests representing different parts of the financial market around the world were updated on how Sandvik has managed the economic crisis, and also on its future focus. At the center of the program was a situation report from each of the Group's business areas. President and CEO Lars Pettersson began by noting that the situation was completely different at last year's Capital Markets Day.

"The last time we met was two weeks before Lehman Brothers went into bankruptcy. Sandvik had reported 25 quarters of growth. When the financial crisis became a fact, a decrease in demand followed from the third quarter on, to an extent never seen before in Sandvik's almost 150-year history."

Lars Pettersson summarized the cost-saving measures implemented, pointing out that the tough business situation has also created new opportunities for gaining market share, improving customer relations and rationalizing in different areas.

SANDVIK TOOLING'S PRESIDENT, Anders Thelin, presented measures undertaken this year in his business area – from layoffs and the agreement on a shorter working week, to the strategically important acquisition of Austrian tungsten manufacturer Wolfram. He also presented investments in areas of development including composite materials, deep hole drilling and wind power stations.

"Sandvik Tooling will continue to invest in innovation and new technology, have a strong presence in the BRIC countries (Brazil, Russia, India and China), ensure a stable financial situation and run an operation known for its strong ethics and sensitivity to the environment."

SANDVIK MINING AND CONSTRUCTION'S President, Lars Josefsson, presented his perspective on what happened when the

trend of several years of organic growth at more than 10% suddenly came to a stop.

"We could never have predicted that the order intake could drop by 45% in a single quarter. With this development we quickly decided on a number of measures, for example closing ten manufacturing units, reducing the number of staff globally by close to 4,000 people and focusing on cash flow. More long-term measures include focusing on fewer customer segments and rationalizing distribution, sales and leadership functions."

Even though the financial crisis has hit the mining industry hard, there is no shortage of opportunities for development.

Lars Josefsson pointed to sustainable development and environmental technology as sectors where Sandvik will play an increasingly important role in the future.

SANDVIK MATERIALS TECHNOLOGY'S President, Peter Gossas, and CFO Jan Öhman described the business model and initiatives to ensure a stable cash flow and to prepare for an increase in volumes.

"Our goal is to work within niches where we can be a global leader. This position allows us to price our products right.

When it comes to new emerging markets, we have to grow locally in order to create a world-leading position within five to ten years."

Peter Gossas pointed to four areas of growth: continued development of new products, investments in the energy sector (for example nuclear power and oil/gas) and medical technology, along with investment in fast-growing markets – for example through a new research and development center in India and a new production unit in China.

The Capital Markets Day concluded with a summary from the President and a question session with him and the business area managers.

To the question of what long-term lessons Lars Pettersson had learned since the financial crisis, he replied:

"There are many. Not least when it comes to reaching agreement with our staff to create flexibility around working hours. Maybe we will also develop more solutions using temporary employees and outsourcing. Another important thing we have learned relates to how we manage our capital. Capital costs money – this is something we have to become more aware of."

Important messages from Capital Markets Day:

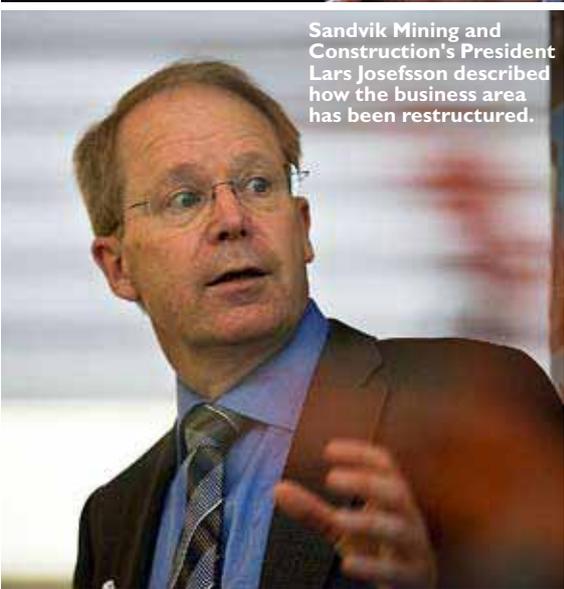
- Adaptations lead to profitability if the business situation does not decline further.
- Investments in research and development are a priority.
- Continued focus on sales investment.
- Improvements in productivity can meet increases in demand to a large extent.
- Continued readiness for all kinds of changes in demand.

Summary of measures since September 2008

- Fewer units – 15 factories closed or in the process of closing.
- Significantly lower levels of investment.
- Product mix has been changed.
- Staff reductions by more than 8,000 people.
- Around 15,000 employees are subject to some form of work hour cuts.
- Fully implemented cost reductions mean a saving of SEK 8 billion per year.



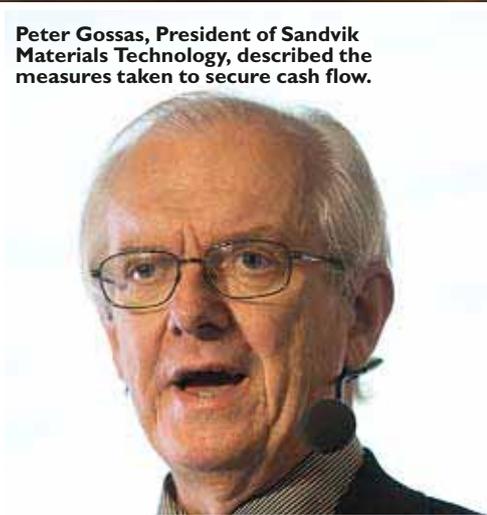
Interest was high from investors, analysts and journalists.



Sandvik Mining and Construction's President Lars Josefsson described how the business area has been restructured.



Natalia Mamaeva from Citigroup Global Markets.



Peter Gossas, President of Sandvik Materials Technology, described the measures taken to secure cash flow.



Lars Petterson, President of the Sandvik Group, introduced the proceedings. Investor Relations President Jan Lissåker can be seen in the background.



Increased market share is on Sandvik Tooling's agenda, explained business area President Anders Thelin.



New cemented-carbide alloy increases productivity

Hardness and durability are two important characteristics of drill bits in the mining industry – but these characteristics are hard to combine. The harder the metal, the more brittle and less durable it normally becomes.

Sandvik has developed a new cemented-carbide alloy that combines these opposing characteristics. The new material RT 300 is durable without sacrificing hardness.

“This means a longer lifetime for the drill bits and, combined with a completely new design, gives better productivity and lower user costs,” says Martin Lindfors at Sandvik Mining and Construction.

Sandvik contributes to environmentally friendly coal-fired power stations

Sandvik has launched a new stainless material that can handle the higher temperatures used in new and more efficient coal-fired power stations.

The material is called Sandvik Sanicro®25, and has been developed for use with superheaters in these more advanced types of coal-fired power stations.

“The aim is to produce electricity more efficiently and with less impact on the environment. By increasing the temperature of steam and pressure, the amount of coal required for combustion can be reduced per kilowatt of power produced, while at the same time reducing carbon dioxide emissions,” explains Urban Forsberg, product manager within Sandvik Materials Technology.

The first power station of this type is planned in Wilhelmshaven in Germany. The plant is scheduled for completion in 2015.



The bolt that could save the Vasa

The more than 380-year-old warship Vasa is one of Sweden's biggest tourist attractions – and constantly threatened by corrosive acids and dehydration.

The State Maritime Museums, of which the Vasa Museum is one, began a partnership with Sandvik Materials Technology to find the right material for new bolts to hold the ship together without corrosion. After several tests and analyses, Sandvik concluded that the best-suited material is a super-duplex stainless material. Testing is currently taking place in the very special environment of a ship that has lain on the bottom of the sea for hundreds of years.

The ship is held together today by around 5,500 iron bolts dating back to the beginning of the 1960s, instead of the original bolts, which rusted away long ago. Iron reacts with the sulphuric acid in the wood and the bolts must therefore be replaced.

“One hundred of the current iron bolts

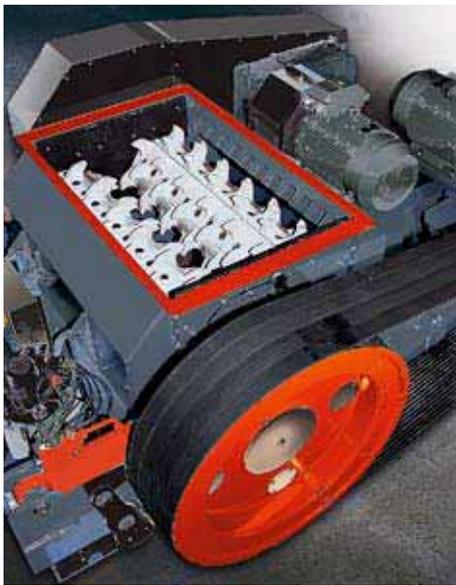
have been replaced with bolts made from stainless steel bars. We are measuring the time it takes and also observing any problems that arise, in order to make a calculation for changing them throughout the entire ship,” says Magnus Olofsson, manager of the Vasa unit, responsible for conservation of the ship.

The new bolts are shaped so that the ends press the wood together, which means the ship's wooden components retain their positions.

If the tests go well, replacement of the remaining bolts will begin in the spring of 2010.

“Specialists from Sandvik have participated in the discussions about materials. Being able to contribute to the conservation of the Vasa is a highly prestigious assignment,” says Sören Johnsson, product manager for bar on the Swedish market.

Innovative new stone crusher



Sandvik Mining and Construction has developed a new series of stone crushers for the mining and construction industry. The crushers in the series CR800 are based on a concept that combines existing crushing technology in an innovative way.

Previously, the crushing took place between two heavy rollers with fixed axels, which stopped if material was too large or too hard.

Sandvik has created an advanced hydraulic adjustment, where one roller can immediately respond and increase the size of the gap to avoid production stoppages. The rollers in the new series are also equipped with long teeth that hook in material for increased intake. The combined technologies make the new crushers suitable for soft and medium-hard material, such as coal and limestone.

Rotating tools keep the wheels turning

Sandvik Hard Materials has achieved great success with cemented-carbide tools for rotary cutters. The tools are used for cutting absorbent paper (non-woven material) for different types of hygiene products, such as sanitary pads and diapers.

"These successes are based on deep knowledge of the industry, a global presence and Sandvik's comprehensive competence in materials. We also have the advantage of working in markets with high growth potential: Africa, the Middle East, Eastern Europe, China and India," says Bart de Bruyne, Marketing Manager at Sandvik Hard Materials.

The product area manufactures carbide profiles that cut the material, as well as complete cutting stations used in the customer's production lines. Sandvik is also responsible for regrinding and reconfiguring the tools when necessary.

"We adapt the solution when the material or the product changes. We also develop our product program to increase our range in different areas. An example is a new concept that gives smaller manufacturers the opportunity to switch from steel to carbide tools in a cost-effective way. This increases flexibility and shortens set-up times.

Multi-edged mill saves time and money

Sandvik has introduced the new face mill CoroMill® 345, which can be used for everything from mixed manufacture in small series to large volumes.

It can handle most materials, but is especially suited to steel, stainless steel and cast iron. It is also equipped with double-sided inserts with eight edges, saving both time and money for the user.

"For many producers the mill reduces the cost of each manufactured component," says Göran Östlund, Project Manager at Sandvik Coromant.



Investment in safety

Sandvik Mining and Construction's factories in Lyon, France, and Burlington, Canada, have reduced the number of serious injuries among employees to zero for an entire year. This is a record for the business area.

Cleaner engines

Sandvik Mining and Construction is currently carrying out a comprehensive project to reduce the impact of diesel engines on the environment. This is the result of tougher emissions regulations for Europe, North America and Japan, which will come into effect in 2011.

"This is a significant change because in two years we must replace current engine solutions in more than 100 products, everything from drilling rigs to loaders. We have chosen to partner with a small number of engine suppliers.

The result will be module-based solutions that make maintenance and updating of engines easier," says Åke Roos, Vice President, R&D and Quality at Sandvik Mining and Construction.

"We have worked with the project for over a year now and we are constantly adapting for future requirements. In 2014, emissions regulations will be toughened again – to approximately one-tenth of today's levels. Reducing the impact on the environment is a strategically important area for the entire industry."



You think that you are all alone.

But we are only 2.5 kilometers away!



WE ARE IN PLACES YOU WOULD LEAST EXPECT! Sandvik's products are coiled in the deep. The Group is one of the world's leading producers of seamless tube in stainless special alloys used in the oil and gas industry. These tubes must be able to withstand enormous stresses in the form of pressure and corrosion.

You will also find the results of our know-how in mobile phones, in aircraft, in a human knee and in many other places. But even if you are not thinking about where Sandvik can be found, customers are. Because our products enhance their productivity and profitability.

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