



**Meet**  
**Sandvik 2/00**

# Sandvik raises growth objectives



At an international capital markets day held in Sandviken on 17 August 2000, Sandvik's President and CEO Clas Åke Hedström presented new, higher growth objectives for the period 2000-2003.

Organic sales growth shall average 6% annually, a 50% increase compared with the previous goal. In addition, there is the volume growth from acquisitions. Prioritized markets are Asia, Eastern Europe and NAFTA.

Return on net assets shall be 20% annually. The earlier high dividend payout level will be maintained – at least 50% of earnings per share.

The Group's capital structure is to be changed to achieve an increase in net debt/equity ratio, from 0.3 to the interval 0.6–0.8 not later than year-end 2003. A program for purchasing own shares will be proposed to the Annual General Meeting in 2001.

“The new goals are considerably more aggressive compared with

earlier. We are well-positioned for increased expansion in our selected niches. We will focus increasingly more of operations on products and customer areas with greater growth potential than average and we will continue to increase our geographical presence in the prioritized markets,” says Clas Åke Hedström.

“We are now also establishing a goal for the capital structure with the aim of achieving a better balance between shareholders' equity and debt. Our high profitability and the strong cash flow enables both organic growth and acquisitions as well as an offensive payout policy in the form of dividends and buyback of own shares,” states Clas Åke Hedström ●

## Several major orders to Sandvik Mining and Construction

Sandvik's Mining and Construction business area recently received several major orders.

Sandvik Tamrock received major orders from customers in Australia, Indonesia, Greece and Portugal among others for drilling rigs, loaders, tools and other equipment for mines and construction projects. The total order value is approximately SEK 220 M.

In addition, through its companies Voest Alpine Materials Handling in Austria and Roxon in Finland, the business area landed another major order in Australia.

It comprises equipment for materials handling to a mining company. Amounting to about SEK 300 M, this is the largest single order ever received within Sandvik Mining and Construction ●



Cover picture:

## Motoaki Tajima, Kanthal, Japan



Japan is Kanthal's largest market in Asia. This is due in part to the strong Japanese electronics industry that purchases wire and elements from Kanthal and its skilled technical salespeople.

One of the highly qualified employees is Motoaki Tajima, whose picture also appears on the cover. Motoaki is 32 years old and a university-educated salesman in Kanthal's office in Tokyo, Japan. He was employed two years ago and especially likes the contacts with his customers, consisting of more than 50 companies in Eastern Japan.

“It is very stimulating to work in a growth area like ours, where we also have strong technical and financial resources behind us,” Motoaki says. “The access to advanced products and the continuing product development that contributes to the customers' own growth are very important sales arguments for us.” ●

# Tunnels

## – a European megaproject

Highways. Railway systems adapted to handle high-speed trains. Subway stations and expanded commuter networks. Probably never before have so many road and railroad tunnels been started or planned in Europe, compared with the situation today. It is often a matter of very large infrastructure projects, some of which are supported by the European Union as a means of linking Europe's countries more closely. Three primary factors are driving the expansion of the European network of tunnels for highway and rail traffic: Greater safety. Fewer traffic jams. A better environment. This development is favorable for Sandvik Mining and Construction.

Underlying the demands for greater safety are, naturally, the fires in Alpine tunnels that have taken a toll of human lives in recent years. Rescue crews today do not have equipment capable of withstanding the smoke and heat long enough to put out fires in kilometer-long highway tunnels. Even common traffic accidents can be hard to deal with in areas where it is difficult to maneuver.

The solution is to construct three tunnels instead of one. Two tunnels to separate traffic moving in opposite directions, and a "safety tunnel" with emergency exits that make it possible to evacuate people quickly and conduct rescue operations when an accident occurs. And there is a need for prompt action.

A major European survey recently examined safety conditions in 25 tunnels longer than 1.5 kilometers. The results were discouraging. One out of three tunnels in Europe is dangerous, or even very dangerous.

Traffic jams are the second factor driving the many tunnel projects. Many motorists have experienced the recurring kilometer-long lines on Central and Southern European highways, not least during rush hours and on holidays. Europeans are now becoming tired of the everlasting congestion. The new highways that are being built or planned involve substantial tunneling throughout Europe. The efforts to develop connections with high-speed trains are adding extra impetus to these tunnel plans.

The third argument, concern for the environment, is growing in importance. Automotive traffic in tunnels spares the environment. Long bridges and deep highway cuts disturb the environment and can be replaced with tunnels that cause less damage to the landscape.

The expansion of approximately 600 kilometers of tunnels is under way in various European countries at the present time and Sandvik Mining and Construction is a supplier to many of these projects. The potential for future growth in this area is promising. A number of large tunnel projects are on drawing boards. In all, not less than 1,100 kilometers of tunnel work is in the planning stage: 200 kilometers in Germany, 200 in Spain, 100 in Switzerland, 90 in Italy and 70 in Austria, to name a few examples.

These projects offer major opportunities for Sandvik Mining and Construction, which is the only supplier of rock-excitation equipment that can offer products and service for the two dominant methods of tunnel-driving: drilling/blasting and mechanical rock excavation ●



## Effective door-opener in new markets

Sandvik International, one of Sandvik's regional companies, has undergone a great change in recent years. The objective has been to improve service to customers. A major effort has been made in the various markets, where the number of employees has been increased by more than 50%. At the same time, the central administration has been reduced sharply. Instead, the company is using resources that are already available at the business area level.

The result has been a much more cost-effective operation and Sandvik International today has good growth in volume – and favorable profitability – in its different product and market areas. The regional company comprises the following markets, among others: Bosnia Herzegovina, Bulgaria, Greece, Iran, Israel, Yugoslavia, Kenya, Croatia, Cuba, the Middle East, North Africa, Pakistan, Romania, Russia and Slovenia. Sandvik International is in better shape than ever to fulfill its role as an effective door-opener for the Group in new markets ●



## Cemented carbide on line

Sandvik Hard Materials is now taking its first step into the world of electronic trading. This is being done by sharply increasing the efficiency of order handling. If they so wish, customers in Sweden, Norway, Denmark and Finland can order their advanced cemented-carbide products on custom-tailored home pages on the Internet 24 hours a day. They also receive the latest information on inventories, prices and delivery times. Talk about better service! ●



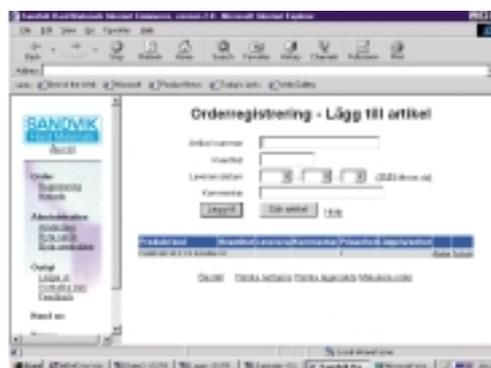
## World record for width...

Following investments in the world's largest grinding machine for steel belt in the plants in Sandviken, Sandvik Process Systems can now produce steel belt with an extreme surface finish and maximum close tolerances in widths up to 4.3 meters. This is a world record for this type of belt and should earn it a place in the Guinness Book of Records.

Demand for wide steel belt has increased in recent years, in part from manufacturers of double-belt presses that are used to make panelboard for furniture, etc. The quality of the steel belt is of critical importance in determining the quality of the end product. Sandvik Process Systems is the only company that can make the grade.

## ... and weight

Sandvik Process Systems has recently also produced the world's heaviest steel belt in its plants in Sandviken. The weight amounted to a full 15 tons. The belt, which measures 134 meters in length, more than four meters in width, and which is three millimeters thick, was delivered to a customer in Canada for production of panelboard of optional lengths in a double-belt press. The heavy belt, which is possible thanks to steel belt technology, offers substantial advantages for the customer – more uniform quality, a higher degree of efficiency and greater flexibility. In other words: higher productivity ●





## New Chief Counsel

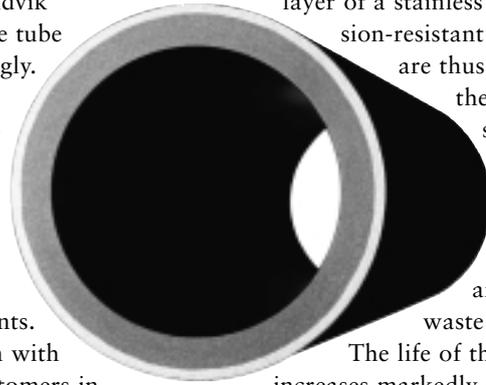
Vice President Malcolm Falkman, Sandvik AB's Chief Counsel, wishes to exercise his right to early retirement in 2000 and is leaving his position at the end of the year.

Bo Severin, who has been employed as a corporate lawyer on the Group Staff Legal Affairs since 1988, has been named new Chief Counsel, effective 1 October. He has also been named Vice President of the company, effective on the same date ●

## Hot market for Sandvik's tubes

The efforts to reduce refuse heaps are continuing. One approach involves incinerating the waste and then utilizing the energy to produce electricity and hot water. This is where Sandvik enters the picture. Demand for Sandvik Steel's composite tube is growing strongly.

The tube, originally developed for the pulp and paper industry, has found a new market in waste incineration plants. The trend began with orders from customers in Sweden and the Netherlands and has continued with deliveries to plants in Norway, Italy, France and Great Britain. Builders of boilers, in the United States and other countries, have also begun to show substantial interest recently.



The special feature of the tubes is that they are made using a combination of two materials, hence the "composite" name. To enable them to last longer, the tubes have been coated with an outer protective layer of a stainless steel, corrosion-resistant alloy. They are thus able to handle the sharply corrosive environment and the great differences in temperature that arise when waste is incinerated.

The life of the tubes increases markedly and is three to ten times the life of conventional tubes made of carbon steel. This means fewer interruptions of production, lower maintenance costs and improved total economy for customers ●



## Fortieth anniversary for Sandvik in India

Sandvik in India, with its base in Pune, near Bombay, has now supplied industries in India with advanced Sandvik products for 40 years. Sandvik Asia Ltd., as the company is called, celebrated the anniversary in July. The operations in India began with rock-drilling tools in 1960 and the product line has been expanded ever since. Today, the plant in Pune also produces cemented-carbide and high-speed steel tools for metalworking, wear-parts in cemented carbide,

as well as cemented-carbide powder. The Sandvik Group currently has approximately 1 300 employees in India and is well represented with sales offices and dealers in all parts of the country. In addition to the production plant in Pune, including Titex India's new plant for high-speed steel and solid-carbide tools, there is the Sandvik Choksi tube plant in Ahmedabad, a new cobalt plant in Maharashtra and Kanthal's plant that produces resistance materials in Hosur ●

## Global purchasing reduces costs

The Sandvik Group can save substantial amounts of money by simplifying the internal handling and processing of purchasing. The potential savings can amount to approximately SEK 300 M per year. This can be achieved with new forms of IT support in internal ordering routines. By utilizing the Internet and Intranet, more efficient purchasing routines can be established within the entire Group. As a result, purchases can be coordinated globally, which means pressure on prices and lower costs as a result of larger volumes and, indirectly, a smaller number of suppliers ●





## Innovation is key to high-efficiency drill

Thanks to a real breakthrough in coating technology, Dormer, part of Sandvik CTT, was able to develop a new high-speed steel drill on which only the point is coated with titanium nitride, instead of the entire tool, as was previously the case. In this manner, the drills gain a longer lifetime and can work with higher precision, resulting in significantly increased productivity and lower costs for customers in the engineering industry. It has also been possible to reduce the price due to more efficient production methods ●



## Contribution to better environment

The cemented-carbide component developed recently by Sandvik Hard Materials in cooperation with Siemens of Germany for use in the fuel-injection unit of diesel engines is attracting increasing interest in the market. The first orders were received recently from European automakers and the potential is considerable. The product permits more precise injection and lasts longer than comparable components made of steel and ceramic materials. This results in lower consumption of gasoline and less toxic exhaust ●

## Hong Kong on the right track

Sandvik Tamrock is currently involved in a major infrastructure project in Hong Kong. It consists of drilling and blasting for new tunnels in the city's comprehensive subway network.

A large number of Tamrock drilling rigs and Toro loaders are being used to excavate rock and remove material efficiently. This work, which is taking place above and under ground in an area that is populated extremely densely – more than six million people in Hong

Kong live within an area of 1,000 square kilometers – is subject to strict environmental requirements in terms of noise level and vibrations. Another major challenge lies in the fact that the work has to be done during periods when normal subway traffic is suspended – between two and five o'clock in the morning.

The expanded subway system will be inaugurated in 2003 and will make it possible to handle a significantly larger number of travellers ●



## Industry stays in shape with Sandvik Coromant

Headphones. Shavers. Computers. TV sets. Cars. Mobile telephones. The list can go on and on. All modern consumer products, whether produced in plastic or metal, have to be formed. And the life of products is becoming shorter and shorter parallel with the increased focus on appearance and design. This trend is favorable for Sandvik, which is meeting growing demand for advanced cemented-carbide tools that are used in the production of forms for our most common daily products. The new Sandvik Coromant tools that industry needs include high-precision chucks, radial end mills and other milling tools ●



## Sandvik Steel's library on the Internet

Sandvik Steel offers what is perhaps the most comprehensive information of its type that is available on the Internet. By placing large parts of its technical information on the Net, the Company is providing customers with access to current data on materials in a simple, rapid and easy-to-grasp manner.



The most recent information on Sandvik's advanced products made of stainless steel, high-alloy material, titanium and special metals is provided on the website. The more than 1,500 documents that are available in this way include tables with precise information on the properties of the various materials. The address: [www.sandvik.com](http://www.sandvik.com) ●

## Farsighted Sandvik

Flat-rolled precision wire with rounded corners is a product that Sandvik Steel is selling in large quantities to the automotive industry for use in windscreen wipers. The material is being supplied to leading manufacturers in the field.

The advantages are many. Uniform-quality material and close tolerances offer customers a high rate of productivity. In other words, a good farsighted solution ●



## Higher temperature in the semiconductor industry

The semiconductor industry is experiencing strong growth right now as a result of the increased demand for computers, mobile telephones and automotive and aviation electronics. A number of Sandvik companies are benefiting from this trend.

One example is Kanthal, a world-leading supplier of complete heating elements and cassettes to both builders and users of furnaces. The subsidiary MRL Industries in California, which was acquired in 1999, is now operating at full speed. The large manufacturers of data chips in the United States, Japan, Korea and Southeast Asia need greatly increased capacity for heat treatment of silicon chips. This is increasing the temperature at Kanthal, which makes metallic and ceramic resistance materials – a vital part of the process ●



## Rapid rescue response

Australia, with its great coast-line and close contact with the sea, is a paradise for windsurfing and other water sports. This also requires a rescue system that can handle emergencies. Sandvik in Australia decided some time ago to support a local initiative in Newcastle, north of Sydney, where the Group has substantial operations. The support consisted of sponsoring fast-moving inflatable rubber boats for the Caves Beach rescue team. In a major competition this spring the Sandvik-sponsored team won in its boat class and can now call itself a world champion – prepared for its next rapid intervention ●



## Opportunity to see the world

Sandvik's program for Swedish college students who serve summer training in one of the Group's subsidiaries throughout the world is continuing. Since the program was started in 1985 more than 200 young persons have participated in the project. In 2000 twelve students in the fields of material technology, machine technology and economics had an opportunity to work in the US, UK, France, Germany, Spain and Switzerland ●



## Volkswagen prize awarded to Sandvik

Sandvik Coromant has received the Volkswagen Group's "Leading Edge Supplier" award as one of VW's most important international suppliers. The prize was presented at a ceremony in Berlin by Dr. Ferdinand Piech, Volkswagen's Chairman. On the right, Anders Wallin, Executive Vice President of Sandvik Coromant ●

# Did you know that Sandvik is actually a camouflaged IT company

At Sandvik, the **IT**-based economy is a **realITy**. We had a policy to establish a global **IT** network at an early stage. Our products and services are backed by extensive knowledge about **IT**. Know-how that is applied in everything we do, from R&D, production and logistics, to sales, service and customer contacts.

Accordingly, **IT** is not an exaggeration to say that Sandvik is living in the midst of the new economy. One example is our **competITive** cemented-carbide tools. They are well **sUITed** to be sold via the Internet. Customers can access our **websITe** and order from an electronic catalog. The **sITe** also features photos, illustrations and facts about our products. Orders are **submITted wITh** just a few simple clicks. The tools will arrive the next day due to our own advanced logistics system.

We have just launched this business

over the Internet in the Nordic countries. Customers quickly **capITalized** on the **opportunITy** and **IT** has become a **real hIT**. More than one of every five tools sold in Sweden is already being ordered over the Internet. We are rapidly expanding our e-business services. We just got started in the **UnITED States**. The **UnITED Kingdom** is next. **IT** offers **excITing** potential!

The level of **inITiative** is also high in our other business and product areas. **IT** is being applied **creati-vely** in these **unITs** to **revITalize** customer relations and increase their **productivITy** and **profitabilITy**.

This focus has contributed heavily to Sandvik today being a **vITal**, international group, **wITh** 300 companies in 130 countries and annual sales of about SEK 40 billion. Some 1,000 of our 34,000 employees are highly **merITed IT** specialists.

Actually, we could be called **SandvIT**.

