

# MEET Sandvik

SANDVIK GROUP MAGAZINE #1-2014

Solutions for oil and gas excavation in hard-to-reach places. **PAGE 6.**



PRESIDENT AND CEO  
OLOF FAXANDER:

“We set  
the industry  
standard.”

#1-2014

## OUT IN THE FIELDS The tougher the better

- GROWTH: Going the extra mile
- ON TOP: Sustainability efforts
- BRAZIL: A well-established market
- ON THE EDGE: Passion for steel
- GOING GREEN: Increasing renewable energy sources

## OUR KEY to the future

**OUR VISION** "We set the industry standard" mirrors Sandvik's vast capabilities and ambitious targets. We are clear on our destination: sustainable growth through operational excellence. Sandvik's strategy is in place to get us there, providing a solid platform for our direction and success going forward. Our core remains the same: to help our customers achieve maximum productivity. The backbone of our offering is built on innovation, and we are constantly developing Sandvik through our people and our products.

The newly revised core values (page 4) are our strong foundation, leading us in our actions and how we operate in our day-to-day business. As Sandvik develops for the future, these core values support our ambitions and they will guide us in reaching our targets and in setting the industry standard.

The energy segment, including the oil and gas sector, is important for Sandvik's future, and it's where we see the importance of innovation up close every day. In this issue, you can read about how Sandvik uses its unique expertise in delivering solutions and meeting tough demands,

working closely with customers every day.

I am also pleased to introduce you to our new country manager for India, Parag Satpute, who has already had a long and remarkable career within Sandvik, having worked both close to production and to our customers. He will be an important asset in our ambitions to expand our business and grow in the Indian market, with products and solutions developed for, and in many cases with, our Indian customers.

Join us on Sandvik's exciting journey. I am proud of the progress we have made, and I know we have the ability to set the bar even higher. Sandvik wants to be a driving force and a leader in the industries where we operate. We are ready to move forward confidently into the future.

  
Olof Faxander, President and CEO, Sandvik AB

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## BRAZILIAN STATE OF MIND

On July 13, Brazil will be the focal point for soccer enthusiasts around the world as the final match of the 2014 FIFA World Cup takes place at the legendary Maracanã stadium in Rio de Janeiro. The stadium has a capacity of 73,531, and has undergone a three-year renovation for the World Cup and for the Olympic Games in 2016. It now features several environmentally smart solutions.

Apart from recycling all the debris during the renovation, a ring of 1,500 solar panels on its roof now generates clean energy, new eco-lighting saves energy, and rainwater irrigates the field.

Sandvik played a part in the renovation of the stadium roof. A duplex stainless steel was required to construct 60 cupolas, small light structures that hold the radio cable girders in place at the roof's highest point. The cupolas must withstand extreme wind and rain pressures. In the end, the construction company chose Sandvik Sanmac 2205 duplex stainless steel. Not only does the grade provide the roof with a safety margin greater than 2, Sandvik was the only company able to deliver within the very tight deadline.

The Maracanã stadium was inaugurated in 1950, around the same time that Sandvik was first established in Brazil. The Group's long history in the country has made it strong within market areas such as oil and gas, mining and manufacturing as well as a name connected to CSR and sustainability matters.

**"BEST OF THE BEST"** – the Pantera DI6400 DTH striking drill rig. The rig received the prestigious Red Dot design award. **11,000** – the number of estimated oil production wells on the bottom of the sea by 2020. **74** – Sandvik's place on Forbes' The World's Most Innovative Companies list, 2013.



Sandvik has increased purchase of electricity from renewable sources.

## CO<sub>2</sub> reduction initiative launched at Sandvik

As part of the ambition to become an even more sustainable business, in 2013 Sandvik launched a CO<sub>2</sub> reduction initiative aiming at increasing the purchase of electricity from renewable energy sources, such as hydro, wind, solar and biomass.

Owing to this work, Sandvik's CO<sub>2</sub> emissions were reduced by approximately 110,000 tons in 2013 compared with the preceding year, corresponding to about 20 percent of the Group's total CO<sub>2</sub> energy emissions. The work continues in 2014.

### FINDING FUTURE LEADERS

Sandvik is launching a global trainee program – an 18-month rotation program called "Sandvik Future Leaders" through which candidates will be developed. The program combines three job-rotation modules with three learning modules and provides broad international exposure as well

as numerous opportunities. Candidates are selected by matching the leadership model and ensuring that they have an attitude that is compatible with the company culture. Among other things, successful candidates will have a strong desire to make a difference. The program is scheduled to start in September 2014.



Some 6,000 visitors are expected to visit the center annually.

## NEW CUSTOMER CENTER IN SANDVIKEN

**IN SEPTEMBER**, Sandvik will inaugurate a new center for customers, visitors, students and researchers in Sandviken, Sweden. The 4,500-square-meter building will be hosting the development of tailored tooling solutions for customers, as well as sharing advanced knowledge and machining solutions. Some 6,000 visitors are expected annually. Sandvik has more than 30 centers around the globe. The new facility in Sandviken, with its design and digital infrastructure, will act as a model for the company's future centers.

### SANDVIK AMONG TOP COMPANIES FOR SUSTAINABILITY

For the fifth time, Sandvik has been included in the renowned *Sustainability Yearbook* published by investment specialist RobecoSAM. Sandvik is among the top 15 percent of companies for sustainability within its industry.

"The fact that Sandvik yet again, in 2014, features in the *Sustainability Yearbook* verifies

that we are well on the way to becoming one of the top companies in our industry in terms of sustainability, and that recognition motivates us even more when it comes to integrating sustainability into every facet of our business," says Christina Båge-Friborg, Head of Sustainable Business.



ZZ Zhang, Managing Director, Sandvik, China.

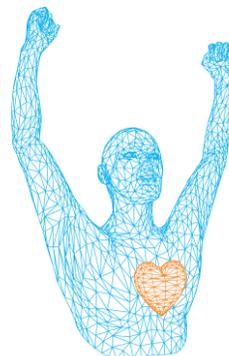
## NEW R&D CENTER IN CHINA

The Chinese market is of great importance to Sandvik, which is why the company has opened a new R&D center in the country. The center, situated in Zhenjiang, will bring Sandvik closer to its customers, providing better and faster support, and will make it easier to identify new market needs and develop new products in close cooperation with Chinese customers. The R&D center is close to Sandvik's tube production unit in Zhenjiang and is part of the company's global R&D organization.

## Customer Focus, Innovation, Fair Play, Passion to Win



Sandvik's newly revised core values are being rolled out throughout the organization during 2014.



# Returning home

Parag Satpute's extensive career at Sandvik covers several business areas, both in his native country India, and throughout Europe. Now, after 12 years, he has returned to India as the new country manager.

### WHAT ARE THE CHALLENGES FOR SANDVIK IN INDIA?

The Indian economy has slowed down in the past couple of years, mainly related to an uncertain political situation. We are hopeful that the elections in May will lead to a stable and decisive government, which will be important for the growth of the economy. Additionally, India is a very competitive marketplace. Sandvik began its operations in India in 1960 and has a strong foundation in the country, with production, R&D, design and engineering. So we are well positioned to continue our growth targets here.

### WHAT IS YOUR PREDICTION OF THE FUTURE INDIAN MARKET AND THE ROLE SANDVIK WILL PLAY?

We believe that India will continue to be an attractive growth market for Sandvik. There is a clear need for investment in infrastructure, power and

even general manufacturing. This should increase the opportunities for Sandvik's business in construction, mining, materials technology and machining solutions. Given Sandvik's strong foundation in India, we are confident that we can leverage on these opportunities.

### PLEASE TELL US A LITTLE ABOUT YOUR BACKGROUND AT SANDVIK.

I have had several challenging roles at Sandvik since I joined the company in 1997. My initial years with the company were spent in India. Then I moved to the UK and worked with global product management and production. My next assignment was in Germany, to drive sales across EMEA. In 2012, I went to Sweden, where I where I headed the Sandvik Materials Technology product area Wire and Heating Technology. My previous assignment was Project Manager for Sandvik Corporate Strategy. I am honored to be back in India with this new assignment. ■

"We believe that India will continue to be an attractive growth market for Sandvik."

PHOTO: IDA KNUDSEN

FOCUS

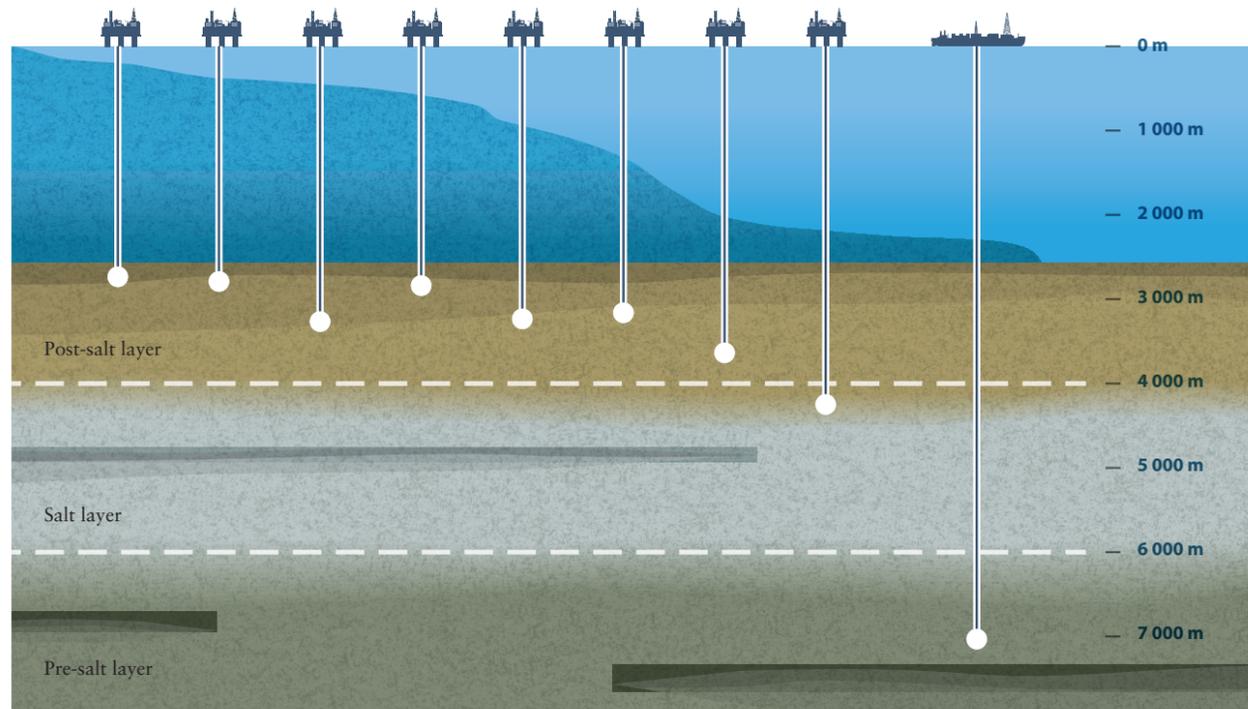
TEXT: ÅSA BACKMAN IMAGE: KJELL THORSSON

# THE TOUGHER THE BETTER

While the world searches for renewable energy sources, demand for oil and gas is increasing. Sandvik works closely with customers around the globe and strives to be one step ahead, prepared for ever tougher demands – actually, the tougher the better.



Safety is crucial in the oil and gas industry, both for people and the environment. There is no room for mistakes. Sandvik's strong focus on safety is also a business advantage.



The Santos Basin (Lula) outside Brazil is the deepest discovery of oil at sea so far. How deep can we go? Source: Petrobras

When train conductor Edwin Drake found oil 23 meters below the surface in Titusville, Pennsylvania, U.S. in 1859, it was a real breakthrough. More than 150 years of exploration and extraction later, the easily accessible wells are more or less depleted. Today, drilling depths of 3,000 to 5,000 meters below the ground or seabed are required to find both oil and gas. For Sandvik, these conditions are good news.

“Our strategy has always been to develop materials for the most challenging environments, which means offshore and deep water,” says Nigel Haworth, Business Unit Manager, Oil and Gas at Sandvik Materials Technology. “The sour conditions require complex infrastructure produced from very capable materials, such as corrosion-resistant alloys.”

Sandvik provides products and solutions for both on-shore and off-shore excavations. The signed agreement with Varel International Energy Services is the latest addition to the portfolio.

Oil and natural gas account for nearly two-thirds of the total world energy consumption. The International Energy Association predicts global increases in demand of 13 percent for oil and 17 percent for gas by 2035. As existing fields are depleted, there is continual demand for exploration and production.

Per Forssell, Business Segment Manager, Energy at Sandvik Coromant agrees with Haworth. “The more demanding the better for Sandvik,” he says. “If it was easy, anyone would be able to deliver solutions. Larger components made

of complex materials that can withstand extreme environments for many years demand a truly competent partner. With our long experience and strong focus on research and development, we can meet the challenges – today and tomorrow.”

**THE FOSSIL FUEL** we drill for today has its origin in decayed organic material from millions of years ago stored in bedrock. Some of the oil and gas wanders through the bedrock and can appear at the surface, but more often it is captured by an impermeable rock somewhere along the way.

**“If it was easy, anyone would be able to deliver solutions.”**

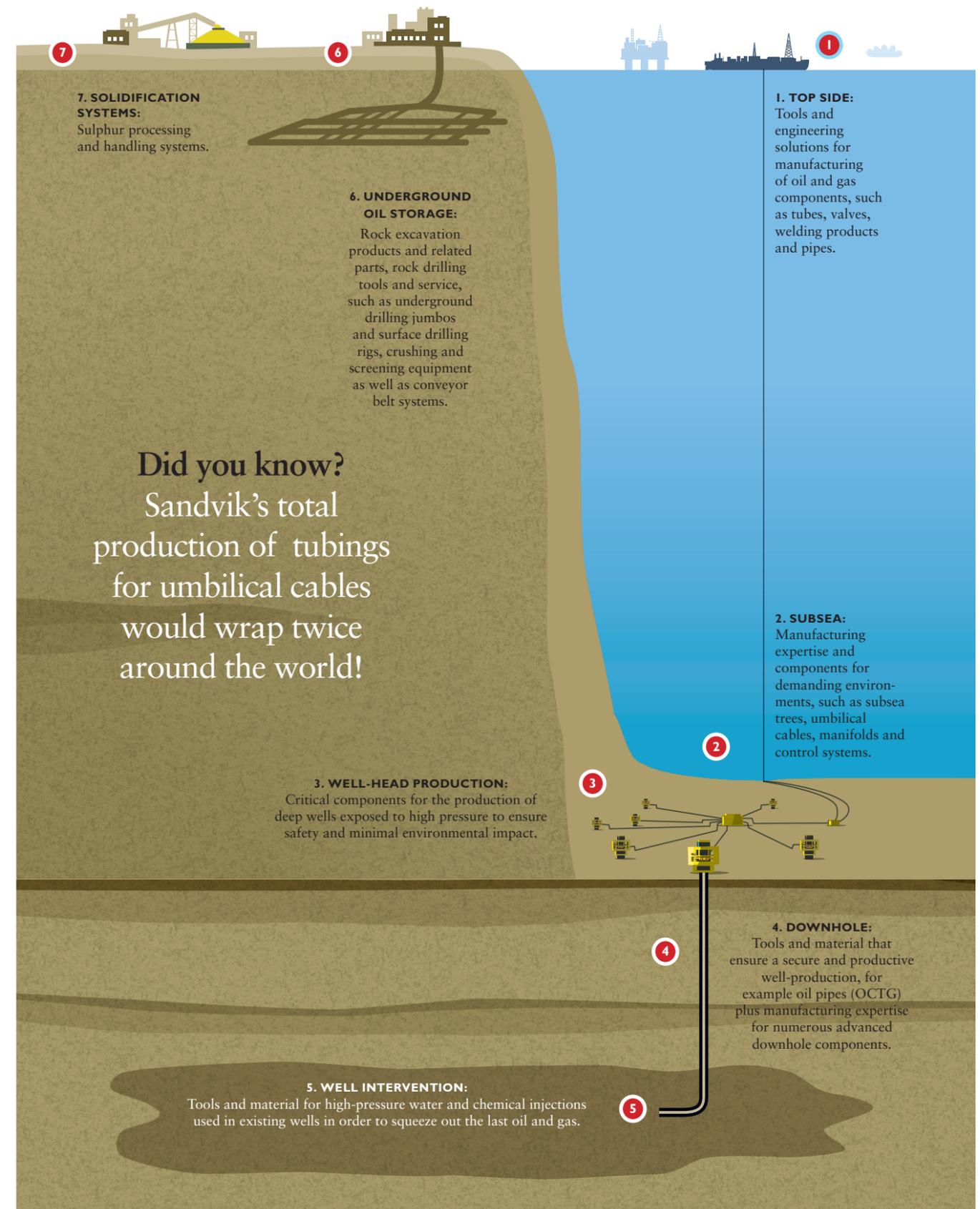
*Per Forssell, Business Segment Manager, Sandvik Coromant*

as underground drilling jumbos and surface drilling rigs, as well as crushing and screening equipment and conveyor belt systems.

“The Sandvik DT series drilling jumbos really make a difference to our oil and gas customers,” says Pekka Salminen, Area Manager, Tunneling Drills, Sandvik Construction. “They are designed for large-scale excavation with high drilling performance, excavation accuracy, product safety, quality and user-friendliness in mind.” ■

It is in such traps that we can find oil and gas.

For the construction of underground oil storage caverns with associated tunnels and shafts, Sandvik offers rock excavation equipment, rock drilling tools and service, such



# FIRST QUARTER 2014 IN FIGURES

INVOICING BY MARKET AREA Share of Group invoicing.



■ Share of the Group % → Change

## INVOICED SALES BY BUSINESS AREA

MSEK	Q1 2014	Q1 2013	Change %	Change % <sup>1)</sup>
Sandvik Mining	6,601	8,313	-21	-15
Sandvik Machining Solutions	7,400	6,977	+6	+5
Sandvik Materials Technology	3,547	3,484	+2	+3
Sandvik Construction	1,871	2,046	-9	-7
Sandvik Venture	1,362	1,271	+7	+3
Group activities	2	7		
<b>Group total</b>	<b>20,783</b>	<b>22,098</b>	<b>-6</b>	<b>-4</b>

## OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2014	Q1 2013	Change %
Sandvik Mining	688	1,211	-43
Sandvik Machining Solutions	1,480	1,141	+30
Sandvik Materials Technology	421	337	+25
Sandvik Construction	-11	103	N/A
Sandvik Venture	233	116	+101
Group activities	-333	-351	
<b>Group total<sup>2)</sup></b>	<b>2,478</b>	<b>2,557</b>	<b>-3</b>

## OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q1 2014	Q1 2013
Sandvik Mining	10.4	14.6
Sandvik Machining Solutions	20.0	16.4
Sandvik Materials Technology	11.9	9.7
Sandvik Construction	-0.6	5.0
Sandvik Venture	17.1	9.1
<b>Group total</b>	<b>11.9</b>	<b>11.6</b>

1) Change compared with preceding year at fixed exchange rates for comparable units. 2) Internal transactions had negligible effect on business area profits.

**ORDER INTAKE:** 22,496 MSEK **INVOICED SALES:** 20,783 MSEK **OPERATING PROFIT:** 2,478 MSEK **PROFIT AFTER FINANCIAL ITEMS:** 2,042 MSEK **PROFIT FOR THE PERIOD:** 1,493 MSEK **EARNINGS PER SHARE:** 1.19 SEK **CASH FLOW FROM OPERATIONS:** 759 MSEK



Harinder Jit Singh, new Vice President for Sandvik Construction, sales area India.

## New manager for Sandvik Construction in India

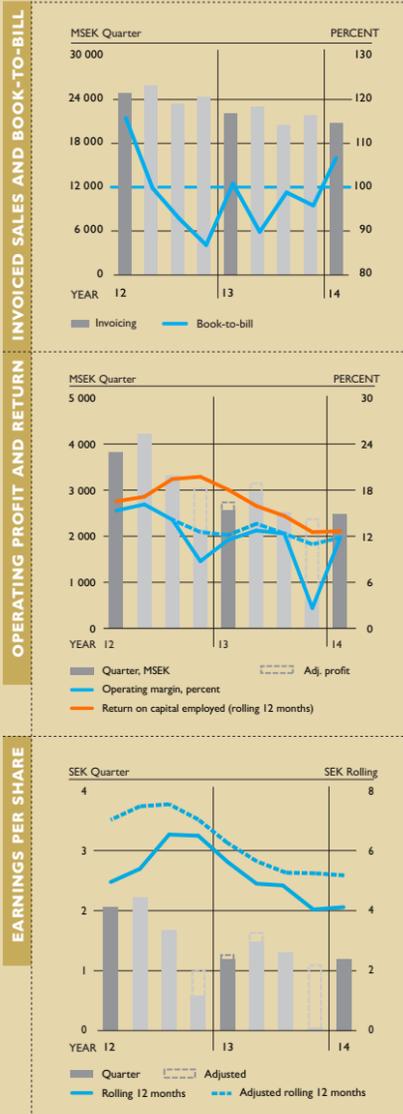
Harinder Jit Singh is the new Vice President for Sandvik Construction, sales area India. Singh has been a Sandvik employee since 1989 and has considerable experience in the company's many product lines and areas of expertise, as well as in-depth understanding of India's construction industry.



Mikael Schuisky, Operations Manager, additive manufacturing in Group R&D.

## New R&D area – 3D printing

Additive manufacturing or 3D printing is a new area within Sandvik Group R&D and an investment in an emerging technology of great interest to Sandvik. Mikael Schuisky has been appointed Operations Manager (additive manufacturing), Group R&D. Schuisky started his career within Sandvik Materials Technology in 2002. Since 2012 he has been manager for CVD coatings at Sandvik Coromant.



## IN FOCUS

# Going the extra mile

Sandvik is an innovative company, but there is always room for improvement. "We have to be faster, closer to the customers and go the extra mile to do whatever possible for them," says Dinggui Gao, President of Sandvik Construction and a member of the Group Executive Management Team.

### WHAT ARE THE GREATEST CHALLENGES FOR THE SANDVIK GROUP TO CONTINUE TO GROW?

The challenge is really to capitalize on our great products, services and industrial knowledge and to convert them into values that our customers can take advantage of. We are getting closer to our customers in order to understand them better – how they operate their business, how they make money and how they win against the competition. We provide them with those values so that they recognize that Sandvik is a really good partner, and they understand what we are doing for them. We have to know in detail what they need.

### WHAT IS THE STRATEGY FOR THE GROUP NOW?

We need to be more global, and more customer-oriented and continue to be innovative. We set the industry standard in terms of technology, products and people. We will continue to develop our staff, and the combination of these things can really take Sandvik to the next level.

### FINALLY, HOW WILL SANDVIK CONSTRUCTION CREATE GROWTH?

The total market size of our niche is about 20 billion US dollars per year. That figure is growing at a speed of, I would say, 4 to 6 percent a year. So the long-term potential is really good. We already have a solid base of more than 25,000 customers worldwide. They need to upgrade their technology and expand their business. They also need services and parts to maintain their productivity. Furthermore, we have excellent products. In 2013 we launched 37 new products, and this year we are going to launch more than 20. These factors create a foundation to grow upon.



PHOTO: IDA KNUDSEN



**MEET SANDVIK:** The Sandvik Group magazine for shareholders and employees  
**PUBLISHER RESPONSIBLE UNDER SWEDISH PRESS LAW:** Pär Altan  
**EDITOR-IN-CHIEF:** Maline Knutsen **PRODUCTION:** Spoon Publishing AB  
**ART DIRECTOR:** Eva Englund **PRINT:** Sandvikens Tryckeri **DATE OF PRINT:** June 2014

Published in Swedish and English, in printed form and at [www.sandvik.com](http://www.sandvik.com) **EMAIL:** [info.group@sandvik.com](mailto:info.group@sandvik.com)

# A passion for steel

Quintin Middleton is passionate about three things – faith, family and knives. On the last of these, he recently took the opportunity to follow his dream. The bladesmith is now delivering his handmade knives to top chefs around the world.

**QUINTIN MIDDLETON** grew up in the American South in the 1980s and '90s. He remembers himself as a kid with a brick and a claw hammer, pounding whatever scrap metal he could find into crude blades and sharp instruments. "I just wanted to make swords like I'd seen in the movies," he recalls. "That's when my passion for making knives began."

Since then, and largely on his own, Middleton has learned the ancient art of bladesmithing. Jason Knight, a friend and fellow bladesmith, provided hints, as well as local chef Craig Diehl who explained what a professional chef looks for in a knife. Armed with this knowledge, through trial and error, as well as feedback from Diehl, he delivered a prototype of the high-quality product he's known for.

Middleton Made Knives offers a variety of boning and paring knives, and Santoku and Damascus chef knives. While his chef knives sell for 800 US dollars or more, Middleton

remains true to his roots, offering products for as little as USD 80 – knives "even a line cook can afford," he says.

Middleton still uses a hammer and forge for some of his work, but he also uses an alternative process called

"stock removal." For this he has selected 3 millimeter thick Sandvik 13C26 strip, a stainless steel grade recommended for surgical knives and razor blades. "Stock removal means cutting out the design instead of hammering it into shape. After sketching the rough profile directly on the sheet, I bandsaw, grind, and heat-treat to 1,950 degrees Fahrenheit [1,066 degrees Celcius] Then I quench between two aluminum plates, leaving

the steel at around 61 Rockwell [a metallurgical hardness scale]."

Again, Middleton figured most of this out on his own. "I found the Sandvik material through online research and talking to other knife makers," he says. "13C26 has a very fine grain structure, so I can sharpen it to a very fine edge, without any of the micro cracks you see in other steels. It's also very hard, but

remains tough after heat-treating. It holds up better than anything else I've found."

From humble beginnings, it looks as if this self-described "country boy" is well on his way. ■



## Biography:

**Quintin Middleton lives in St. Stephen, South Carolina, with his wife and two children. Born in 1985, Middleton began teaching himself the art of bladesmithing from an early age. He recently left his employment as a handyman and now pursues his passion for making knives on a full-time basis. He sells knives to chefs around the world through [www.middletonmadeknives.com](http://www.middletonmadeknives.com).**