

MEET Sandvik

THE SANDVIK GROUP'S MAGAZINE FOR SHAREHOLDERS AND EMPLOYEES #1-2013

PETRA EINARSSON,
Sandvik Materials
Technology's new
President, page 10.

PRESIDENT AND CEO OLOF FAXANDER:

"We are building
for the future."



1-2013

MEET THE PRESIDENTS

Focus on raised profitability

SAFE WAYS Down Under • **PROTECTING** innovation
CORE VALUES in focus • **NEW ORDERS** and acquisitions



ORDER INTAKE: 22,339 MSEK, -18 %* **INVOICED SALES:** 22,098 MSEK, -5 %* **OPERATING PROFIT:** 2,557 MSEK, -33 %
PROFIT AFTER FINANCIAL ITEMS: 2,078 MSEK, -38 % **PROFIT FOR THE PERIOD:** 1,477 MSEK, -41 %
EARNINGS PER SHARE: 1.18 SEK **CASH FLOW FROM OPERATIONS:** +2,207 MSEK, +101 %

*) Change from the previous year at fixed exchange rates for comparable units.

SAFETY FIRST in an uncertain market

INCREASED SAFETY IS OUR TOP PRIORITY. Our watchwords at Sandvik read "Safety First". We must help each other to reduce risk and decrease accidents. Safety is an increasingly important driver for our customers which you can read about in this edition of Meet Sandvik.

Thus far into 2013, execution of our business strategy has proceeded as planned, and I am pleased with our common effort towards this end. We have made our wor-

king methods simpler and more efficient, and our cost effectiveness programs have delivered results. In the first quarter, our operating costs came in at about 350 million lower than the same period last year – that is a significant improvement. One of the goals of the strategy is to create global processes to better utilize common resources.

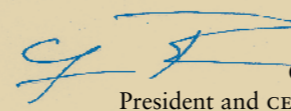
In line with our strategy, Sandvik has launched a global model for economic transactions that will lead to more

flexible and scalable processes. However, we foresee a lot of challenges ahead, challenges that we must address if we are to succeed in achieving our goals.

The market remains unsettled and demand is fluctuating. We therefore need to maintain a high level of flexibility to quickly adapt to various market developments. We continue to adjust production and costs to demand. But our perspective is not short-term, although the environ-

ment is characterized by rapid change. Our perspective is long-term, we are building for the future.

We will progress through a dynamic development, which has always been Sandvik's strategy. Join us for the journey ahead.


Olof Faxander
 President and CEO, Sandvik AB



IN FOCUS

Three questions to:

Jonas Gustavsson, who successfully led Sandvik Materials Technology for one and a half years and in February 2013 was appointed President, Sandvik Machining Solutions.

WHAT IS THE BIGGEST DIFFERENCE BETWEEN THE TWO BUSINESS AREAS IN YOUR ROLE AS A LEADER?

"Sandvik Machining Solutions is bigger and has a different culture with other challenges. However, I am happy with the fact that the employees in both of these business areas have a lot of passion and drive. For me personally it is also great to be back in the metal cutting industry that has been a part of my

former roles outside Sandvik within ABB and Bombardier.

WHAT ARE THE MAJOR CHALLENGES FOR SANDVIK MACHINING SOLUTIONS?

"We are market leaders, but we can see that competition has increased and the speed of change is faster. We need to be quick, adaptive and optimize our cost structures. We also need to get better at introducing more products to the market

and identify new business opportunities. It is important to drive growth and aim for a high profitability."

WHAT ARE YOUR EXPECTATIONS FOR 2013?

"I foresee a very exciting year in which we – together – will take this fantastic business area from good to great, while developing a solid team spirit amongst our staff of about 20,000 employees."

FIRST QUARTER 2013 IN FIGURES

INVOICING BY MARKET AREA Share of Group invoicing and percentage change compared with same period a year earlier.*



■ Share of the Group % ■ Change % * At fixed exchange rates for comparable units.

INVOICED SALES BY BUSINESS AREA

MSEK	Q1 2013	Q1 2012	Change %	Change % ¹⁾
Sandvik Mining	8,313	8,639	-4	+3
Sandvik Machining Solutions	6,977	7,956	-12	-7
Sandvik Materials Technology	3,484	4,100	-15	-12
Sandvik Construction	2,046	2,453	-17	-11
Sandvik Venture	1,271	1,678	-24	-12
Group activities	7	12		
Group total	22,098	24,838	-11	-5

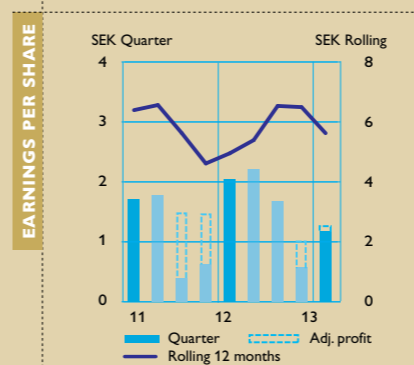
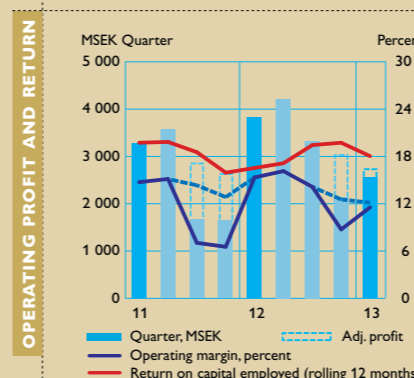
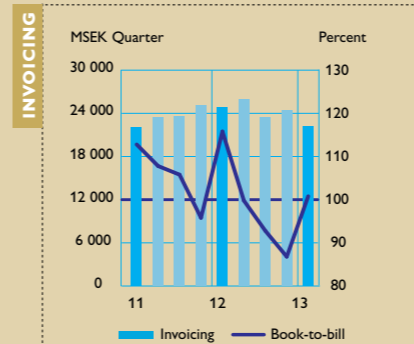
OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2013	Q1 2012	Change %
Sandvik Mining	1,211	1,494	-19
Sandvik Machining Solutions	1,141	1,911	-40
Sandvik Materials Technology	337	349	-3
Sandvik Construction	103	213	-51
Sandvik Venture	116	319	-64
Group activities	-351	-467	
Group total²⁾	2,557	3,819	-33

OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q1 2013	Q1 2012
Sandvik Mining	14.6	17.3
Sandvik Machining Solutions	16.4	24.0
Sandvik Materials Technology	9.7	8.5
Sandvik Construction	5.0	8.7
Sandvik Venture	9.1	19.0
Group total	11.6	15.4

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



A FEW FACTS

JONAS GUSTAVSSON, who has a Master of Science Engineer degree in Mechanical Engineering from Luleå University in northern Sweden, has worked with ABB and Bombardier in Sweden, Switzerland and Austria in various management positions. He came to Sandvik in 2008 as head of the Tubing Division. He is 45 and lives with Stina. They have two children – 15 and 11 years old. His favorite hobby is skiing, both downhill and cross country, and he loves to snowboard. When there is no snow, he likes to go running.

WHAT IS SO SPECIAL ABOUT WORKING AT SANDVIK?

"The passion, the level of technological know-how, the fantastic products and the movement forward. It is a company in a state of change with a balance between tradition and modernization."



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70 MILLION – number of metres of umbilical tubes that Sandvik has supplied to the industry; that's almost two laps around the world. / **4** – percentage of Sandvik customers in the aerospace segment. / **130** – number of countries Sandvik is present in.

10 – percentage of Sandvik's turnover that comes from the energy sector. / **6** – soccer fields, or 28,000 square metres – the size of Sandvik's manufacturing facility centre in Hunter Valley in Australia. / **3 BILLION** – amount of Swedish kronor that Sandvik invests in R&D each year. / **1925** – the year Sandvik strip steels were first used in a bakery.

India's new helper

Mining industry leaders gathered in May to celebrate the debut of the Sandvik 160D drill in Pune, India. The first-of-its-kind rotary blast hole drill is engineered, sourced and manufactured in India for India, the third-largest coal producer and fourth-largest iron ore producer in the world. The drill boasts features tailored to improve productivity, enhance safety and ensure environmental sustainability.

TAKING IT TO THE CORE

Sandvik has, since its very beginning, built on its strong values from within the company. The new core value manager explains how the values stand out against competition.

Open Mind, Team Spirit and Fair Play are the three core values that are the backbone and guiding light of the company. Saibal Chakraborty is the new Core Values Manager who has initiated a program to revitalize the core values across the group.

"Our three core values enable us to support a common culture of innovation and entrepreneurial spirit," he says. "New technology and processes may be adopted by the competition, but not the culture that is driven through these core values. In other companies, values normally only form part of the induction process, maybe also as part of an ongoing training program, but here at Sandvik, we go beyond that. We link the core values to every process – leadership development, employee empowerment, employer branding, diversity and inclusion and so on.

He explains that the ambition is to constantly remind employees of the values so that they are practised not only professionally, but can be adopted in their private lives as well.

"It's a very strong platform, one that attracts, develops and retains good talent."



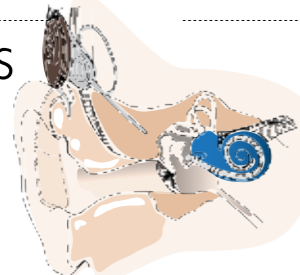
Sandvik's core values are Open Mind, Team Spirit and Fair Play.

SANDVIK SIGNS NEW ORDERS

Sandvik has secured major materials handling orders with a combined value exceeding SEK 950 million in South America and Australia. Sandvik has also signed a SEK 650 million contract with Sasol Mining in South Africa, which entails the supply of materials handling systems, both underground and surface, for a new coal mine.

"The size and complexity of the systems and the impressive performance data again demonstrate Sandvik's capability to provide high-tech solutions in the area of continuous mining and materials handling applications," says Gary Hughes, President of Sandvik Mining.

SANDVIK IS WHERE YOU'D LEAST EXPECT



Sandvik delivers wire for hearing implants that convert sound to electric energy. Most of these wires are thinner than a human hair, and some are produced from metals such as gold or platinum.

New Canadian acquisition

During the second quarter of 2013 Sandvik will complete the acquisition of Canadian Cubex Limited, an industry-leading drilling solutions provider focused on the design and manufacturing of a wide range of drilling equipment. The acquired business had an approximate turnover of SEK 270 million in 2012.

Sandvik is where you'd expect – follow us on:



Twitter: @sandvikgroup | www.facebook.com/sandvik | www.linkedin.com/company/sandvik

EXIT

SANDVIK SAFETY TIP

A good rule of thumb is to begin every meeting by informing the attendees where the nearest fire exit is.



Sandvik's international group executive management team works according to global processes and methods.

Meet the GROUP EXECUTIVE MANAGEMENT TEAM EXTENDED

- Olof Faxander** – President and Chief Executive Officer. Employed since 2011.
- Jan Lissdker** – Executive Vice President Group Communications. Employed since 1984.
- Bo Severin** – Executive Vice President and General Counsel. Employed since 1988.
- Emil Nilsson** – Executive Vice President and Chief Financial Officer. Employed since 2012.
- Andy Taylor** – Acting President of Sandvik Construction. Employed since 1994.
- Tomas Nordahl** – Executive Vice President and Head of IT/Sourcing/Strategy and President of Sandvik Venture. Employed since 2011.
- Olle Wijk** – Senior Vice President and Head of Group R&D. Employed since 1980.
- Anna Vikström Persson** – Executive Vice President and Head of Human Resources. Employed since 2011.
- Jonas Gustavsson** – President of Sandvik Machining Solutions. Employed since 2008.
- Gary Hughes** – President of Sandvik Mining. Employed since 1997.
- ZZ Zhang** – Managing Director Sandvik China Holding Co. and Country Manager Greater China Region. Employed since 2012.
- Petra Einarsson** – President of Sandvik Materials Technology. Employed since 1990.
- Ajay Sambrani** – Managing Director Sandvik Asia and Country Manager India. Employed since 2006.

Joe Cronin, LHD automation project manager for Rio Tinto, and Ashleigh Braddock, Sandvik systems engineer for mine automation, have helped in Northparkes' transformation from manual to automated operation.



NORTHPARKES, AUSTRALIA:

KEEPING SAFETY IN MINE

Thanks to Sandvik's automated mining system, Northparkes mine has not only improved safety considerably, but has increased productivity as well.



At the Northparkes copper and gold mine in New South Wales, Australia, the staff responsible for underground loading used to start their shift with a meeting, then take a lift underground and prepare for work with the loaders. It took time. Now, they head straight to a surface control room and supervise automated loaders through remote control.

It is safer and faster, and, says Matthew Betts, Northparkes' manager for infrastructure and design for the project, "we get more tonnes out of the mine."

Northparkes, close to the town of Parkes, has already automated its material-handling system. Now the mine is gradually introducing Sandvik's AutoMine loading system. In January, 40 percent of the mine's loading operations were automated. Full implementation is expected by the end of the year.



Matthew Betts, manager, Northparkes.

"For us, automation is a key enabler for Northparkes, allowing us to produce at a lower unit cost and to mine deeper, lower-grade ore bodies cost-effectively in the future," Betts says.

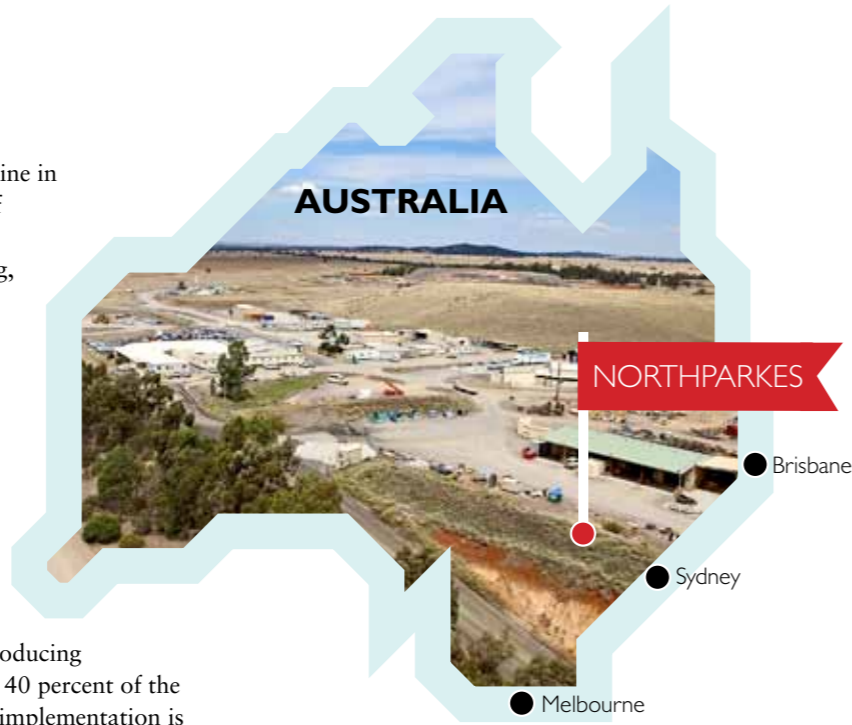
Some of the immediate benefits with AutoMine relate to shift changes and blasting re-entry. On some days, there were periods of up to two hours

where no-one was working at manual loader operation level. Now, even when there's no one in the mine, the loaders continue to produce.

"We've probably gone from about 20 or 21 hours a day of utilization up to 23 hours or even more," says Joe Cronin, Northparkes' LHD automation manager.

Safety is another major advantage. In an underground loader environment, staff can be exposed to vibration, noise and dust. That may be an even greater problem in other mines and in the future as deposits get deeper and you have to extract ore in more challenging surroundings.

"By automating the fleet we remove staff from that environment and bring them to a controlled office environment," says Betts.



Facts:

- AutoMine loading allows remote operation and supervision of an automated underground loader or truck fleet from a surface control room.
- Driving (tramming) and dumping are fully automated, while bucket loading is performed using a teleremote operation. A single system operator is able to manage the operation of multiple automated machines.



A room with a view – keeping operations under control and at a safe level.

Sandvik has put together AutoMine loading as a full package to suit Northparkes' future needs. It includes loader automation and traffic and production management, as well as the interface to the Supervisory Control and Data Acquisition system for monitoring remote operations from a central location.

Sandvik Mining's personnel responsible for the implementation take pride in their achievement and the close working relationship with the Northparkes team.

"We maintain all the mobile equipment in the production fleet, plus we are now responsible for the automation infrastructure and the onboard automation equipment on the machines," says Ben Rix, Sandvik Mining's acting Northparkes Mine's performance contract manager. "We work around the clock, 24 hours a day, seven days a week, 365 days a year, to keep the machinery running for production."

Northparkes is part of Rio Tinto, a world-leading mining corporation, and Cronin says the mine has traditionally been regarded as a test mine for technology for Rio Tinto globally. Thus the successful implementation of the AutoMine loading system at Northparkes could set the stage for rolling out the system at other Rio Tinto underground hard rock mines.

"We've got a very high level of experience at the mine and very high levels of technical expertise, and we have a large majority of staff who've been here for more than 10 years," Cronin says. "There's an old expression within Rio Tinto: 'If it doesn't work at Northparkes it's not going to work'." ■



Safety is the backbone of Northparkes' operation.



Six Sandvik loaders have been fitted with the AutoMine loading system.

Sandvik's second-biggest market

The Australian mining industry has a long history. In the 1850s, gold attracted many fortune seekers. Today, iron ore and coal mining are the backbone of the industry. Sandvik started operations in Australia in the 1920s,

and a subsidiary was formed in 1961. In the past 10 to 15 years, demand for Sandvik's products and services has accelerated, and Australia has become Sandvik's second-biggest market. Sales surpass SEK 10 billion, and Sandvik

Australia employs approximately 2,200 people.

The mining and construction industries have been the primary growth engine for the company. The Sandvik Mining and Sandvik Construction business

areas jointly account for about 85 percent of Sandvik's sales in the country. At the same time, Sandvik Materials Technology is continually increasing its sales of tube and wire products in the Australian oil and gas market.



“I take pride in being able to go home every day knowing that I work at such a fantastic company – one that’s competent and ambitious, and with a positive attitude among staff all over the world.”

PHOTO: STEFAN ESTASSY

Petra takes PRIDE

Petra Einarsson is the new president of Sandvik Materials Technology, with a strong belief in the Sandvik culture and a strong vision of where to take the business in the future.

PETRA EINARSSON RECALLS that she wept on the day, some 22 years ago, that she ended her temporary summer job at Sandvik Materials Technology. She wanted to continue her work there. Soon, however, she was offered a permanent position, and she’s never looked back. Now she is taking over the reins as president.

Einarsson learned of her new role early in 2013 while she was driving home. Sandvik CEO and President Olof Faxander called her on her mobile and asked if she was interested in becoming the president of Sandvik Materials Technology. Her answer was an unequivocal “yes!”

Einarsson, a business economics graduate, has held numerous management positions at Sandvik Materials Technology, most recently as head of product area Tube.

“Sandvik has always been able to offer me ways to develop and new exciting challenges,” Einarsson says.

“Even if we are a global company, Sandvik has a very familiar feel, making it an extremely enjoyable place to work whether you are in Shanghai, Düsseldorf, Houston or any other location. I am so proud to be working in such a company.”

There are relatively few women in top positions in Swedish business, and her promotion to president received a lot of

publicity. A prominent business magazine named her the most powerful woman in Swedish business in 2013. Einarsson was flattered, but her attention was on the job ahead.

“My focus is to raise our profitability,” she says. “We will continue with our Step Change Program to establish Sandvik Materials Technology as a long-term value creating business area with a more stable profitability. We will also strengthen our position in strategic segments.”

SANDVIK MATERIALS TECHNOLOGY has 7,000 employees and an annual turnover of about 15 billion Swedish kronor. This business area has, for several years, had some difficulties in achieving the profitability targets, but it showed substantial improvements in 2012, including an operating profitability (EBIT margin) of 10.5 percent, largely as a result of the Step Change Program and improved sales in Tube, the biggest product area.

“The result is what could be expected of us in view of the weak market situation,” Einarsson says. “All product areas had it tough in 2012. It is only the energy segment that has been stable. But we will continue to improve profitability in 2013.” Einarsson is optimistic about the future. “Sandvik has a competitive edge, thanks to our world-leading research and development,” she explains. “We can always provide the product and material that customers in the most demanding industries need. We also have joint development projects with some of our key customers to develop the next generation of materials and products



“It’s important to approach situations without set opinions or solutions and to listen to your colleagues.”

that meet the demands of tomorrow.”

One area that Einarsson is focusing on is safety. “We had 125 lost-time injuries in our operations during 2012,” she says. “So we’re putting a lot of effort into improving safety. It is not acceptable that employees are injured at Sandvik.”

Over the years, Einarsson has developed strong leadership skills. “It’s important to approach situations without set opinions or solutions and to listen to your colleagues,” she says. “I let other people influence decisions, and I delegate. One word I often hear about my leadership is that I am clear. I believe my most important task is to point out a direction and create commitment and involvement.” ■



INNOVATION ON THE MOVE

Sandvik is one of the world's most innovative companies, with more than 8,000 patents and a steady stream of research and development activities. One challenge is to protect the brand and the trademark.

BUSINESS MAGAZINE FORBES ranked Sandvik as one of the world's 100 most innovative companies in 2012, for the second consecutive year. In addition, last year Sandvik again made the prestigious Thomson Reuters Top 100 Global Innovators list.

Inclusion in these impressive listings is fiercely competitive. It reflects Sandvik's

strong commitment to helping its customers and the industry itself with new concepts and products. "We

now have more than 8,000 approved, active patents," says Joakim Hammarsjö, managing director of Sandvik Intellectual Property AB.

The Thomson Reuters list focuses on companies that generate numerous innovations and patents. The list includes Apple, Nike and other well-known brands. The Forbes list is partially based on stock market expectations that a company's innovations will lead to new offerings

and new markets. In that regard, many of Sandvik's inventions have quickly shown their worth. Some 20 to 45 percent of the company's billings, depending on the business area, stem from products that were introduced to the market in the past five years.

Sandvik's culture of innovation confirms its brand as an industry

leader and a provider of top-quality products. The strong brand is a huge asset, and Hammarsjö and

his staff are vigilant in protecting its rights. "Several times a month we get reports of breaches of a Sandvik patent or unauthorized use of the Sandvik brand," Hammarsjö says. "This has

become more and more common."

Sandvik's trademarks also come under attack, says Charlotte Falck, trademark manager. "Every week we get information about different products or company names that have identical or confusingly similar names to ours – similar colours or logotypes," she says. As a first step, Sandvik Intellectual Property gives a warning.

"If we don't get any reaction, we take further measures in collaboration with the business area concerned," says Falck.

Often the breaches are unintentional mistakes, she says, "but sometimes they are deliberate, and we have to be prepared for a legal process."

If the protection of the assets is the tough outer skin, then the innovation and continuous research and development within Sandvik are its heart and soul. ■



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