

MEET Sandvik

THE SANDVIK GROUP'S MAGAZINE FOR SHAREHOLDERS #2-2013

Rateesh Kumar
at Sandvik in
India, **PAGE 6.**

PRESIDENT AND CEO OLOF FAXANDER:

“Our focus
going forward is
on growth.”



#2-2013

ALL EYES
ON INDIA

“The potential
is huge.”

CSR – aim is high • **PULLING** the strings • **SHIPPING** by train
NEW positions • **PROUD** award winners

SANDVIK HEADS FOR continued growth

SANDVIK, ONE OF the world's most innovative companies, has become more focused over the past couple of years. The work to deliver on our strategic targets is progressing well. We have improved our cost base significantly, and we are laying a strong foundation for the future. Research and development (R&D) and innovation remain central factors to our success, and Sandvik continues to invest large resources in these areas. As evidence of our innovative skills, Sandvik was recently listed by *Forbes* as one of the world's 100 most innovative companies and was the highest-ranked Swedish company on the list.

Our focus going forward is on growth. We are continuously developing ways of working designed to improve efficiency and to optimize our product offering. An example of a key initiative strengthening our offering is the launch of the new grade for steel turning delivered

by Sandvik Coromant, as well as the upgraded portfolio of drill rigs within Sandvik Mining. These offerings support our effort to capture market share and are enhancing our technology leadership in core areas.

In India, we are also continuing to invest and expand for growth. In this issue of the magazine, we bring you Ajay Sambrani, Managing Director of Sandvik Asia, who talks about our history in India and our plans for the future.



Olof Faxander, President and CEO, Sandvik AB

“We are continuously developing ways of working designed to improve efficiency and to optimize our product offering.”



PHOTO: LINA WESTMAN

BLOW OUT!

This spring, the blades at Northern Europe's largest land-based windmill park started to rotate. The Jädraås facility in Sweden comprises 66 windmills, and there is an option to build 50 more. The park will have the capacity to meet the annual energy needs of 114,000 households.

The windmill park is not only a clean energy source, it also provides many new jobs for local residents. Sandvik delivers tools and technical solutions to Vestas, the Danish company that manufactures the wind turbines for the Jädraås windmill park.

1ST PLACE – For the second time, Sandvik Zeltweg won the Austrian CSR Award TRIGOS 2013 in the “large companies” category. **435,000 KM** – or almost eleven laps around the world – the total length of razor steel Sandvik produced in 2012. **8,000** – number of active Sandvik patents.



Sandvik Zimbabwe received the 1st runner up award in the category “Best Corporate Social Responsibility (HIV/AIDS).”

Sandvik supports Indian mine school

Sandvik has announced the sponsorship of a chair professorship at the Indian School of Mines (ISM). “ISM is a premier institute in mining in India, having given the sector many stalwarts for the past eight decades,” says Professor D.C. Panigrahi, ISM’s Director. “We appreciate Sandvik’s initiative for sponsoring a chair professorship in our institute. New technology directed at continuous improvement is pivotal to the growth and development of the mining industry. ISM and Sandvik together can contribute toward meeting this challenge.”

NEW PRODUCTIVITY CENTER IN SINGAPORE

This spring, Sandvik Coromant opened a Productivity Center in Singapore, the 28th worldwide. Customers are offered new technical solutions, products, applications and training, all in a state-of-the-art environment with the latest high-tech machinery, newest tools and solutions. The opening of the Productivity Center in Singapore marks the importance of Southeast Asia to the business growth and potential of Sandvik’s customers and partners.



Sandvik and suppliers join forces against AIDS

In Zimbabwe, Sandvik is working with its suppliers to combat HIV/AIDS and other diseases among its workers, their families and customers. The initiative is called the Wellness program. Earlier this year, Zimbabwe’s National Chamber of Commerce recognized Sandvik for its excellence in corporate social responsibility.

“AIDS is prevalent in this country, and Sandvik employees are not spared,” says Sandvik Human Resources Manager Patricia Munetsi, who is in charge of the effort. “A former managing director encouraged us to start a program, which we did in 2005. We have since engaged suppliers, customers and service providers at the mines and broadened the effort to cover other diseases as well. Our work is based on a deep sense of mission and a passion to help.”

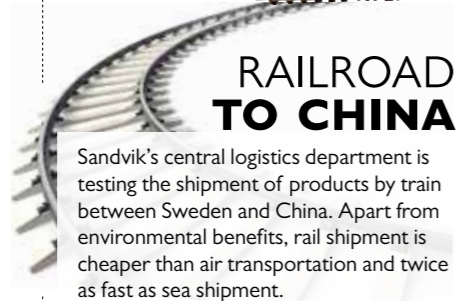
The purpose of the program is to involve even more people in the communities, customers, Sandvik employees and their families.

“I felt strengthened, knowing that other key stakeholders in the industry realize the importance of our effort,” Munetsi says.



Sandvik has been approved as participant in the UN Global Compact initiative

– a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.



RAILROAD TO CHINA

Sandvik’s central logistics department is testing the shipment of products by train between Sweden and China. Apart from environmental benefits, rail shipment is cheaper than air transportation and twice as fast as sea shipment.

“Trains can be a great addition to transport by sea, as well as a competitive advantage for Sandvik in Asia,” says Project Leader Stefan Lindberg.

“It’s about making sustainability a fully integrated component of our business model at all levels of the organization.”



Toward an even more sustainable business

CHRISTINA BÅGE-FRIBORG, Sandvik’s first Head of Corporate Social Responsibility (CSR), is responsible for driving the Group’s ambition to be one of the world’s most sustainable companies within three years.

WHAT’S THE STRATEGIC APPROACH TO CSR?

“It’s about making sustainability a fully integrated component of our business model at all levels of the organization. Only then will sustainability become a business advantage to us. For that, we need our sustainability approach to be strategy and customer driven.”

WHY IS SUSTAINABILITY IMPORTANT FOR SANDVIK?

“Having a good reputation in this area helps to facilitate recruitment, strengthen customer relations and sales, as well as dialogues and interactions with our various stakeholders. It can also be a valuable differentiation factor from our competitors.”

HOW WILL SANDVIK BECOME ONE OF THE WORLD’S MOST SUSTAINABLE COMPANIES?

“A CSR Group coordinating team has been set up and local groups are being established in India and China, with more countries to follow. Representatives include EHS, Diversity and Inclusion, Strategy, Risk Management, Purchasing, Taxation and Communications, as well as representatives from across the organization.”

“Other projects that have been launched in the past few months include strategy development work, a review of the Group’s Code of Conduct, a review of our Supplier Code of Conduct and a review of our sourcing processes from a sustainability perspective as well as internal and external communication activities.”

“Our sustainability work is based on international principles and regulations such as OECD’s Guidelines and the UN Global Compact principles. With our accomplishments being measured by international indices such as the Dow Jones Sustainability Index and the FTSE4 Good index, it is therefore essential that we ensure transparent and comprehensive reporting and communication.”



IT’S TIME. FOR A DEEPER, BROADER AND FASTER INSIGHT.

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“The potential is huge.”

Ajay Sambrani, Managing Director of Sandvik Asia

Mangesh Upare at Sandvik's new research and development (R&D) center in India, the first one outside Sweden.

INDIA: A NEW TAKEOFF

Sandvik Asia saw a tough year in 2012. Besides dealing with a global economic downturn, the company in India had to cope with slowing economic growth and spiraling inflation. Still, the outlook is bright.



“India’s energy needs are enormous.”

Ajay Sambrani, Managing Director of Sandvik Asia



Operator Appa Mane is one of Sandvik’s 2,500 employees in India.



Sneha Kale at the facility in Pune. In late 2013, Sandvik will start building new facilities in Chakan.



“2012 and the first half of 2013 have been challenging, but things will get better from now on,” says Ajay Sambrani, Managing Director of Sandvik Asia, head-quartered in Pune, 150 kilometres from Mumbai on India’s west coast.

“I’m optimistic,” he says. “Last year inflation was nearly 9 %, and now it is down to 6 %.”



Ajay Sambrani, Managing Director of Sandvik Asia

Sandvik came to India more than 50 years ago, after Jawaharlal Nehru, the country’s first prime minister, visited Sandvik’s headquarters and factory in Sweden and invited the company to establish itself in India. Today Sandvik has 2,500 employees in Pune and seven other locations in India.

In Pune, Sandvik’s facility is close to several other Swedish companies in an area jokingly called “Svea Nagar” (Swedish village). The 8,700 square meter facility includes both research and development operations and also the headquarters for production and sales. Inside the facility is a day care center for employees’ children.

In 1991, India began liberalizing its economy. Monopolies disappeared, tariff barriers were lowered, and new markets were opened to foreign investors. Since then, the country’s economic growth has been surpassed only by that of China.

But, in the past couple of years, the Indian growth engine has

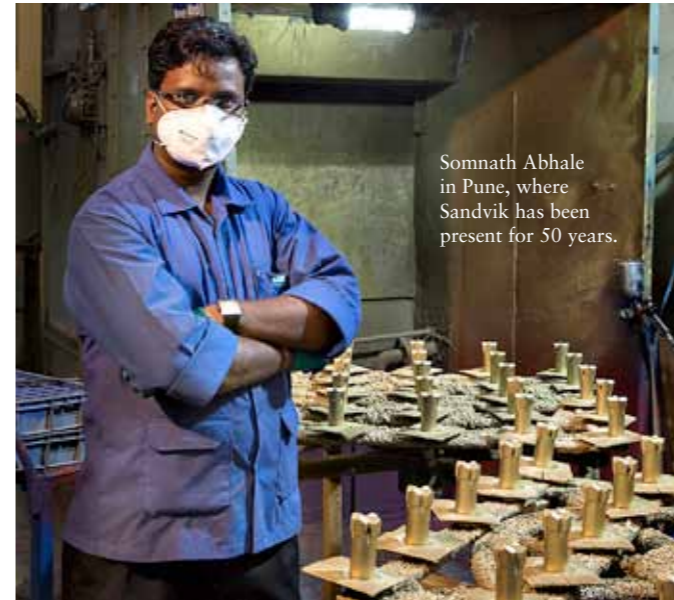
run into problems. Reduced global demand has not hit as hard because the domestic market is so large. Instead, it is the domestic inflation rate, a result of an overheated Indian economy, that creates problems.

“This year, India’s growth is 5 %,” Sambrani says. “That’s 1.5 percentage points lower than expected. But the potential is huge. India has the world’s third-largest reserves of coal and the fifth-largest reserves of iron ore, and 70 % of the assets are still not exploited.”

A quarter of Sandvik Asia’s revenue comes from products aimed at the Indian mining industry. In May this year, the company launched a new rock drill for the extraction of coal mining, the 160 D Surface Drill Rig. The drill was developed in India for medium-sized Indian companies.

“India’s energy needs are enormous,” Sambrani says. “The mining industry wants to extract more coal, but it may have to wait for environmental clearance from the government. It affects us. But soon I believe it will be solved and then take off again.”

INDIA’S CITIES ARE growing at a record pace. By 2030, nearly 600 million Indians will live in urban areas, double the number today. Urbanization requires significant investments in infrastructure. According to the global management consulting firm McKinsey, India must invest 1 trillion U.S. dollars over the next two decades to develop roads and public transportation



Somnath Abhale in Pune, where Sandvik has been present for 50 years.

and other infrastructure facilities. The expansion of India’s cities presents a large potential for Sandvik Asia, and Sambrani thinks the business areas Sandvik Mining and Sandvik Construction have considerable opportunities to grow.

But it’s not just India that is growing.

“We see great potential in Sri Lanka, Burma and Bangladesh because of the right demographics and an impressive GDP growth that these countries are currently witnessing,” Sambrani says.

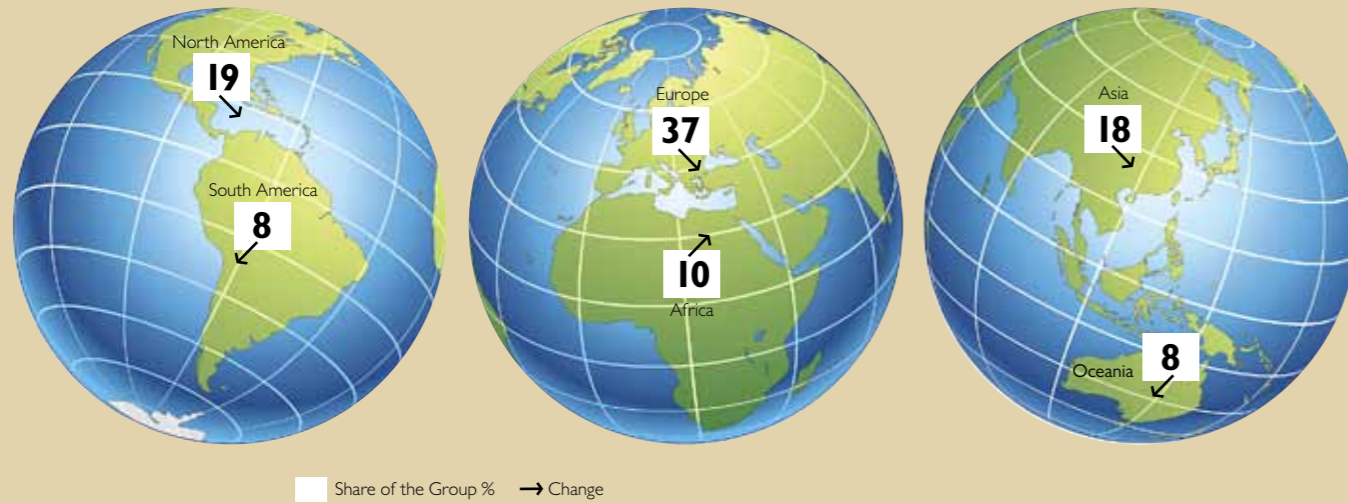
“Even in the small kingdom of Bhutan in the Himalayas, we have a big market, as the country is investing heavily in the development of hydropower.”

SANDVIK HAS NO more room to expand in Svea Nagar in Pune, so the company has bought land to build new facilities in Chakan, 30 kilometres away, starting in late 2013. Sandvik plans to manufacture mining and construction products there, as well as create a new research and development center and a workshop to repair mining and construction equipment. The R&D center in India was Sandvik’s first outside Sweden.

“We are constantly hiring new researchers and engineers to our growing R&D center, which also works for Sandvik in other countries,” Sambrani says. “We have more than a hundred engineers working for Sandvik globally at the center.” ■

SECOND QUARTER 2013 IN FIGURES

INVOICING BY MARKET AREA Share of Group invoicing.



INVOICED SALES BY BUSINESS AREA

MSEK	Q2 2013	Q2 2012	Change %	Change % ¹⁾
Sandvik Mining	8,136	9,826	-17	-11
Sandvik Machining Solutions	7,281	7,759	-6	-1
Sandvik Materials Technology	3,967	4,195	-5	-2
Sandvik Construction	2,326	2,592	-10	-4
Sandvik Venture	1,332	1,556	-14	-10
Group activities	1	11		
Group total	23,043	25,939	-11	-6

OPERATING PROFIT BY BUSINESS AREA

MSEK	Q2 2013	Q2 2012	Change %
Sandvik Mining	1,153	1,800	-36
Sandvik Machining Solutions	1,525	1,855	-18
Sandvik Materials Technology	409	415	-1
Sandvik Construction	141	222	-36
Sandvik Venture	-18	313	-
Group activities	-249	-393	
Group total²⁾	2,961	4,212	-30

OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q2 2013	Q2 2012
Sandvik Mining	14.2	18.3
Sandvik Machining Solutions	20.9	23.9
Sandvik Materials Technology	10.3	9.9
Sandvik Construction	6.1	8.6
Sandvik Venture	-1.4	20.1
Group total	12.8	16.2

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: 20,719 MSEK **INVOICED SALES:** 23,043 MSEK **OPERATING PROFIT:** 2,961 MSEK **PROFIT AFTER FINANCIAL ITEMS:** 2,466 MSEK **PROFIT FOR THE PERIOD:** 1,854 MSEK **EARNINGS PER SHARE:** 1.48 SEK **CASH FLOW FROM OPERATIONS:** +2,640 MSEK



NEW PRESIDENT OF SANDVIK CONSTRUCTION

Dinggui Gao has been appointed President of business area Sandvik Construction and a member of the company's Group Executive Management. Sandvik Construction specializes in equipment, tools and service for niche applications in the construction industries. Gao previously held several positions at the MAN Group.

"Dinggui Gao's experience and background are valuable for us, particularly his background within international business environments, which are of great significance for Sandvik, being a corporation with a strong global position," says Olof Faxander, President and CEO.



NEW CHIEF FINANCIAL OFFICER

Mats Backman has been appointed Executive Vice President, CFO of Sandvik and member of the Group Executive Management. Mats is currently Vice President Finance, IT and Business Development for the business area Sandvik Machining Solutions and will succeed Emil Nilsson on 1 October, 2013.

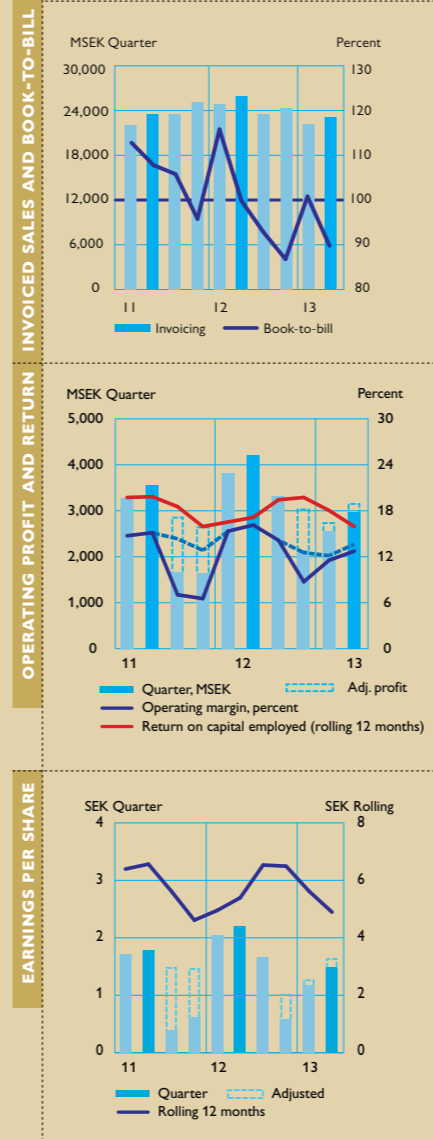
Mats Backman, Executive Vice President and CFO of Sandvik



SANDVIK MEMBER OF FTSE4 GOOD INDEX SERIES

Once again, Sandvik has met all the criteria to be a member of the prestigious FTSE4 Good Index series.

The FTSE4 Good Index series comprises ethical investment stock market indices that investors can use to identify companies that meet globally recognized corporate responsibility standards. The inclusion criteria include environmental impact, social and stakeholder relationships, human rights, supply chain labor standards and countering bribery. FTSE is an independent company owned by the London Stock Exchange Group.



IN FOCUS

Strengthening the brand

On July 1, 2013, Jessica Alm started her new position as Executive Vice President and Head of Sandvik Group Communications. Her focus is to further enhance the Group's external and internal communications.

HOW WILL YOU MAKE A DIFFERENCE?

"The Sandvik brand is a very strong asset already today, but as competition keeps getting tougher, the values and uniqueness it is carrying are becoming increasingly important. We will make sure we continue to differentiate the brand and communicate its uniqueness – for customers, employees, shareholders and partners, as well as for future colleagues. Another focus area will be internal communication to bring about commitment and understanding of our change and development projects."

HOW DOES COMMUNICATION TIE IN WITH THE RENOWNED SANDVIK SPIRIT?

"People in our company work with great passion and loyalty. They are doing a wonderful job. I strongly believe in the power of communication when it comes to joining forces toward a common goal. It's easier to focus on the right things and take initiatives if everyone understands our vision and the direction we are taking."

WHAT ARE YOUR GREATEST CHALLENGES?

"We have a number of strategic change programs where we need internal commitment to succeed."

WHAT IS THE BEST THING ABOUT WORKING WITH SANDVIK?

"There are so many competent people with a strong passion for what they do. I love the work!"

A few facts:

JESSICA COMPLETED her studies at the University of Uppsala in 2001 and has worked with communications ever since. She started out at the University of Agricultural Sciences, where she worked until 2006. The next step was a position as communications officer at one of Sandvik's business areas, working with strategy and change communication. Prior to her current appointment, she was in charge of communications and marketing at Sandvik Coromant.



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PULLING THE STRINGS

A durable stainless steel string that doesn't go out of tune has given Sandvik entry to the music industry. With the material already being used for violin strings, the next step is to start working with one of the world's biggest guitar string manufacturers.

TRADITIONALLY, most strings in musical instruments are made of carbon steel, but sweaty fingers degrade the material, causing the instrument to lose tone, and eventually the carbon steel will rust. Demanding musicians often purchase strings coated with a polymer to prevent corrosion. Many professional guitarists also change strings every time they play.

"With our string material, no coating is necessary," says Phil Etheridge, Application Specialist at Sandvik Wire. "Our researchers have developed a stainless steel version that sounds really good and has a lovely feel, with a shiny soft surface."

Etheridge is a guitarist himself and has worked with the market introduction of Sandvik's string material, called Audioflex, since its beginning three or four years ago. A comprehensive test was previously carried out with a different steel grade, which turned out to be too fragile.

"The challenge is to get enough

strength in the material and, at the same time, retain its ductility," Etheridge says, explaining that steel with high ductility can be strongly deformed without breaking.

Soft and flexible, yet strong, were the basic demands set for the new stainless steel string.

Tests have shown that Audioflex lasts longer than normal strings made of carbon steel. After two professional violinists gave their recommendations, two well-regarded manufacturers in Germany and Sweden decided to mass-produce stainless steel strings using Sandvik material. Both

companies specialize in classic string instruments such as the violin and the cello, and Etheridge says production volumes are small to start with.

The goal is to get a foot in the door of the large mass producers of guitar strings.

"There is interest, without a doubt," Etheridge says. "One of the world's leading string producers in the U.S. recently bought a few pounds of our stainless steel material to start test-manufacturing strings for violins and hopefully also for acoustic guitars. If they continue with mass production, the future looks bright for Audioflex." ■

"The challenge is to get enough strength in the material and, at the same time, retain its ductility"

Phil Etheridge, Application Specialist at Sandvik Wire

Facts

Sandvik's stainless steel wire Audioflex is most suitable for the thinner strings for acoustic guitars and violins - the E, B and G strings for guitars and the E string for violins. The other strings are often wound.

The material is magnetic. After some modification it's suitable for use in electric guitars, where an electromagnetic microphone takes up the vibrations of the strings and translates them into electrical signals.