

Meet Sandvik

THE SANDVIK GROUP'S MAGAZINE FOR SHAREHOLDERS AND EMPLOYEES

SEPTEMBER 2010

RESPONSIBLE BUSINESS

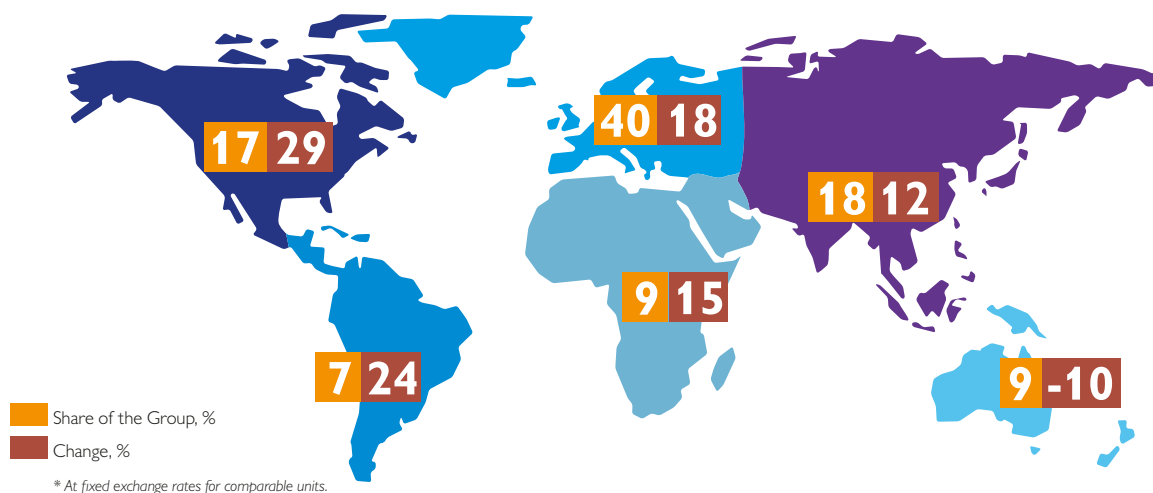
Sandvik shoulders responsibility for the environment,
its employees and the community



SECOND QUARTER 2010 IN FIGURES

INVOICING BY MARKET AREA

Share of group invoicing and percentage change compared with year-earlier period.*



INVOICING BY BUSINESS AREA

SEK M	Q 2 2010	Q 2 2009	Change %	Change % ¹⁾
Sandvik Tooling	6,122	4,541	35	38
Sandvik Mining and Construction	8,375	8,487	-1	-2
Sandvik Materials Technology	4,618	3,798	21	23
Seco Tools ²⁾	1,479	1,176	26	34
Group activities	9	9		
Group total	20,603	18,011	14	15

OPERATING PROFIT BY BUSINESS AREA

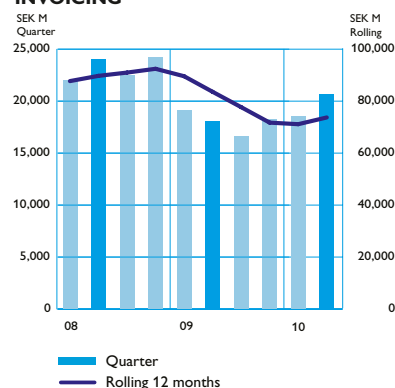
SEK M	Q 2 2010	Q 2 2009
Sandvik Tooling	1,283	-463
Sandvik Mining and Construction	1,283	-670
Sandvik Materials Technology	699	-750
Seco Tools ²⁾	311	41
Group activities	-105	-143
Group total³⁾	3,471	-1,985

OPERATING MARGIN BY BUSINESS AREA

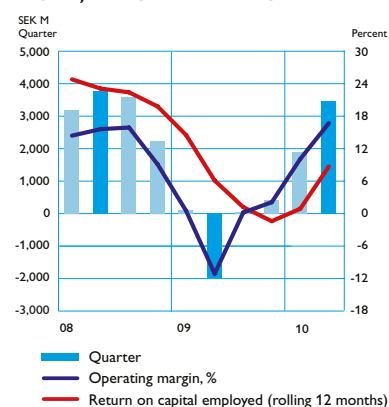
% of invoicing	Q 2 2010	Q 2 2009
Sandvik Tooling	21.0	-10.2
Sandvik Mining and Construction	15.3	-7.9
Sandvik Materials Technology	15.1	-19.7
Seco Tools ²⁾	21.0	3.4
Group total	16.8	-11.0

- 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 impact on earnings for the business areas.

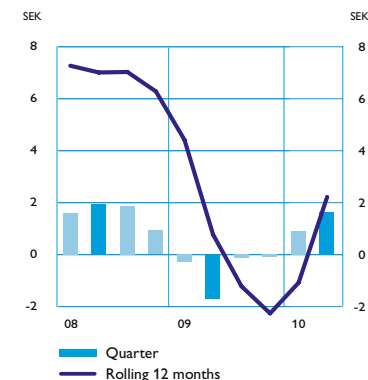
INVOICING



PROFIT, MARGIN AND RETURN



EARNINGS PER SHARE



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Cover: Sandvik employees in the Eco Garden at Sandvik Asia's head facility in Pune, India.



Higher demand in a stronger market

The market situation improved in the second quarter but sales are still considerably lower than before the downturn. It is satisfying to note that figures are recovering, primarily generated by enhanced internal efficiency combined with higher sales and production volumes. Cash flow improved due to a strong result and better capital efficiency. Streamlining initiatives must continue, particularly in terms of costs and productivity.

Strong order book

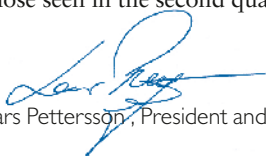
Demand for Sandvik's products improved gradually in the second quarter of 2010. Order intake remained strong in Asia and rose markedly in other markets. Demand from the energy sector was robust with also the automotive, mining and process industries reporting continued improvement. Order intake exceeded invoiced sales by more than 10 percent, resulting in stronger order books for both Sandvik Mining and Construction and Sandvik Materials Technology. Order intake amounted to more than SEK 23 billion, of which major project orders in particular in construction and energy recovery accounted for about SEK 1 billion.

Much improved operating result

Invoicing amounted to SEK 20.6 billion, considerably higher than both the previous quarter and the previous year, but about 15 percent lower than for the same quarter in 2008. The operating margin and operating result improved tangibly at 16.8 percent and SEK 3.5 billion respectively. Higher sales and production volumes coupled with implemented cost reductions and positive metal price effects are the main reasons for the improvement.

Cost control and streamlining

All business areas reported favorable growth. The increase in demand generated higher production volumes which, in combination with better cost efficiency, had an affect on the bottom line. It is particularly important that we continue to keep costs under control. The crisis is not over, and we still have a way to go before sales figures are back at those seen in the second quarter of 2008. ■



Lars Pettersson, President and CEO, Sandvik AB

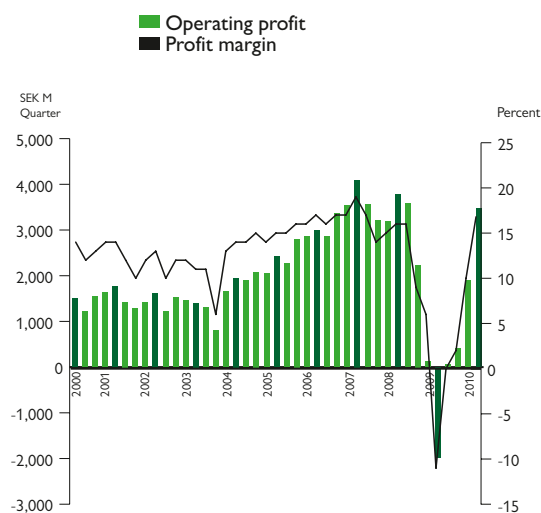
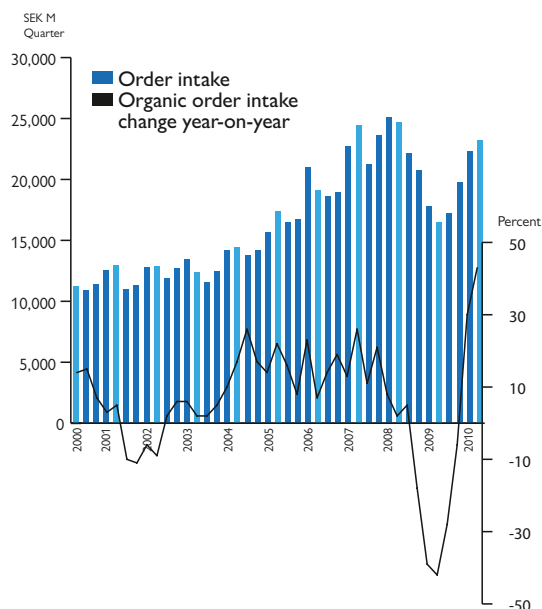


Order intake	SEK 23,179 M, +43%*
Invoicing	SEK 20,603 M, +15%*
Operating result	SEK 3,471 M
Result after financial items	SEK 3,037 M
Result for the period	SEK 2,075 M
Result per share	1,61 SEK ¹⁾
Cash flow	SEK +2,626 M, -5%

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

¹⁾ Calculated on shareholders' participation in earnings for the period. No dilution effects.

Sandvik Group's financial development Q2 2000 – Q2 2010





Sandvik grows in the US

The US is Sandvik's single largest market, with sales close to SEK 9 billion in 2009. Many analysts the world over are wondering when the US market will recover. Rick Askin, President of Sandvik USA, gives his view on the situation.

Has the situation in the US shifted?

Yes, there are signs indicating that. We note gradual improvements each quarter, although the situation is multifaceted.

Do you foresee any risk of a double-dip recession?

No, but I do foresee a risk that recovery will be slower than many anticipated.

At the same time, I believe that slow but steady growth is better for the US economy in the long run. We risk new setbacks if we grow too fast.

Which sectors are doing best and worst respectively?

The automotive industry currently reports very strong figures. Many companies that did not make a single car one year ago are now back in the black. In the mining industry, gold excavating companies are doing well and the energy sector reports robust growth, particularly in solar, wind and nuclear power. The oil industry is also sound, although events in the Gulf of Mexico and new legislation have put a damper on new offshore prospecting in the near term.



Rick Askin, President of Sandvik USA.

The construction industry is the sector that reports the weakest figures due to trends in the housing sector. I suspect it will take several years before we see any distinct recovery here.

Can you describe the situation for incoming orders in the US?

Order intake rose 30 percent the first six months this year, compared with the same period in 2009. While it is 20 percent below our figures in 2008, I am pleased that we are returning to 2007 levels in many areas.

How did Sandvik USA deal with the financial crisis?

In 2009, we cut back our workforce by 20 percent in response to lackluster demand during the financial crisis. However, we made sure not to implement any measures that might risk our customer relations or our performance and productivity capacity.

The crisis gave us an opportunity to remind ourselves, and our customers, that better productivity helps to cut costs

which is particularly important during tough economic times.

As a result, the crisis was in many ways a chance for us to enhance customer relations and build a platform for better times when business volumes increase again.

What is Sandvik doing to strengthen its presence in the US and win more market share?

We continue to invest in new products in order to constantly supply the market with innovations.

What are Sandvik's greatest strengths in the US?

Our employees, our products and our processes, paired with our delivery capacity and a world-class logistics organization. We can satisfy customer-specific wishes through all parts of our distribution network and we have some of the industry's most talented employees.

What is the US economy's most important motor?

Individual consumers drive the US economic demand for goods and services, which is why consumer confidence is so important. The manufacturing industry makes up less than 20 percent of the country's GDP – although 20 percent of USD 13,000 billion is of course a lot of money. ■

Zippering through the Alps

Sandvik has delivered equipment for a new train tunnel under the Brenner Pass, scheduled for completion in 2025. The 55 kilometer long tunnel will go from Innsbruck in Austria to Fortezza in Italy and it will be a vital part of the high-speed trans-European rail transport network linking Berlin with Sicily.

Sandvik has delivered a jumbo drill rig with three booms, high-frequency drifters, drill steels and drill bits, capable of meeting the high demands. The drill rig is capable of drilling tunnels nearly 11 meters high and 18 meters wide. It also has high-speed drilling performance with superior drilling accuracy. ■



Water delivery to dry region

The Kenyan Chemususu dam will provide clean drinking water and water for agricultural use year round in the Rift Valley, one of Kenya's driest regions. Sandvik Mining and Construction in Tanzania has supplied a mobile screening and crushing train that is particularly suited to the massive throughput that is required for the project.

The train has been used to produce road base for the haulage roads, and it will also provide all necessary aggregates for the fill requirements.

Sandvik's ability to provide aftermarket support and spare parts on very short notice – even in this remote region – was one of the major reasons why its machinery was chosen. ■

Stronger after the downturn

Sandvik's annual Capital Markets Day was held in Sandviken on 15 September.

The theme this year was "Prepared for the future." During the event the CEO and the three business area presidents elaborated on the following:

- Why Sandvik was so affected by the recession, with the quick and severe downturn simultaneously striking most of Sandvik's markets and customers with full force.
- The business model, and how it works with strengths and weaknesses. A very integrated, automated organization generates a high proportion of fixed costs that are difficult to manage when volumes fall but are good to have when volumes climb.
- What measures have been taken and why.



Jan Lissåker, head of Sandvik Investor Relations.

The organization has been trimmed and the cost base lowered while capital tied up in stock has been severely reduced. Certain units have been closed and other, more effective ones, opened closer to the customers.

- How the company has been made stronger than before.

"It is critical for all listed companies to maintain contact with shareholders and the financial market," says Jan Lissåker, head of Sandvik Investor Relations.

"Capital Markets Day is one of our most important activities for building confidence in Sandvik, its strategies, the management and employees." ■

For more information about Capital Markets Day, visit www.sandvik.com

Big order for India

Sandvik Materials Technology, SMT, has landed an order for 600 tons of precision wire for the manufacture of emission filters, or so-called ESP filters. The order comes from Bharat Heavy Electricals Limited, India's largest engineering and manufacturing company focusing on energy and infrastructure.

The filters remove harmful particles from flue gas using static electricity, for example in pulp and paper mills, steel mills and coal-fired power stations.

"We have been working together for a long time and the order is built on the mutual trust that we've built up over the years," says Phil Etheridge, Marketing Manager Energy Products.

"Sandvik is one of the few companies globally that has the capacity to deliver the large quantities that are required – and do so with a tight deadline." ■

A lush tropical forest scene with tall trees and dense foliage. The word "RESPONSIBLE" is overlaid in large, white, bold, sans-serif capital letters across the center of the image. The background is filled with various green plants, including ferns and broad-leafed trees, with sunlight filtering through the canopy.

RESPONSIBLE

BUSINESS

Sandvik is committed to continuously improving its environmental, health and safety performance for its employees, its products and services, and the communities where it operates.

Ever increasing awareness is a phrase that Sandvik's Stuart Evans uses repeatedly to describe the market and community attitude towards Environment, Health and Safety (EHS) issues.

For the past five years, Evans has been Global Director for EHS at Sandvik Mining and Construction and, as such, supports the company in improving its EHS systems and culture.

"Awareness of these issues is growing steadily. For us, it is about hands-on approaches to reducing our environmental impact, injuries and incidents, but also about accepting our social responsibility," he explains.

Evans' position was created to coordinate EHS issues at a global level and to implement a company-wide strategy for addressing these issues.

"We have worked with EHS since the company was established, but it has a higher profile nowadays. It is important to have a global strategy so that our

employees, contractors, suppliers and customers can clearly see that we are working to improve our performance. We are working to implement the same EHS standards regardless of where in the world we operate, even if legislation and local practices vary," he says.

A KEY PART of the strategy to improve performance is to integrate EHS issues into the daily activities of the organization and follow up with corrections on a regular basis.

"The past ten years has seen a considerable drop in the number of injuries and those that have occurred have been less severe," Evans explains. There is a clear correlation between good EHS performance and profitability – all investments in this area have a positive impact on the company's financial results. Customer surveys also reveal that EHS has climbed



Stuart Evans is Sandvik Mining and Construction's Global EHS Director.

dramatically up the list of what customers want.

"Price, quality and delivery times are still key factors, but they are not all that is considered. A good EHS track record is extremely important," Evans says.

"That is why environment and product safety efforts are now fully integrated into our product development."

"ALL PROJECTS INCLUDE careful product safety planning where environmental concerns play a part," explains Anna Gandal

who is in charge of work methods and processes within product development.

Both Gandal and Evans are convinced that with the clearly escalating interest in environmental and health aspects, EHS will remain in the spotlight. Issues range from zero tolerance in terms of leaks and lowering noise levels beyond those dictated by laws and directives, to designing →

Safety in focus

The number of accidents has declined steadily within the Group over the past few years. The target is to reduce the number of accidents by 50 percent compared with 2008, before the end of 2012.

"Work safety issues have been in the

forefront in recent years, and we are addressing this matter systematically. We're well on our way to achieving our target," says Bo Berglund who is in charge of following up Sandvik's sustainability work.

Greater focus on safety and work environment issues together with a number of recent safety projects, have contributed to the decline in accidents. ■

→ energy-conserving equipment aimed at cutting energy consumption and greenhouse gas emissions.

“Other areas involve finding solutions that have limited environmental impact, such as building long conveyor belts on high posts through sensitive natural habitats to minimize the impact on animal life at ground level,” says Gandal.



Anna Gandal is responsible for work methods and processes within Sandvik Mining and Construction's product development.

TO MANUFACTURE PRODUCTS that are as safe as possible, a lot of time is dedicated to mapping the potential risks associated with using the products and devising technical solutions to minimize these risks.

“Top-priority areas are those where incidents have occurred, and areas where new technology enables a higher safety level,” Gandal says.

“Automation and remote control are areas where electronics and computers permit the operator to be somewhere other than in front of the equipment, making it even safer.”

But security can be improved even without advanced technology. One example is to design the product so that it can be serviced from ground level, thereby reducing the risk of fall-related injuries.

“Safety initiatives in our development projects are aiming for zero – no health problems and accidents associated with the use of our products,” says Gandal. ■

Environment:

Eco Garden – from dumping ground to garden

Visitors to Sandvik Asia's major plant in Pune, India, often linger by the Eco Garden, a flourishing 6,000-square-meter garden with shrubs and bushes and mango, lemon, papaya and banana trees. It's almost impossible to imagine that this location, today home to many bird and insect species, was a dumping ground just ten years ago.

Work on the Eco Garden started in 2002 and took one year to complete. It started with plans to design a site to pro-

cess wastewater emitted from the offices and production facilities. The question was, however, what to do with the water?

Nowadays, the plant no longer dumps wastewater into the nearby river but instead spreads 90,000 liters of recycled water over the garden and the fruit cultivated there is served in the canteen. The garden has won several awards and is a welcome oasis for the people working at the plant. ■



Brazil is accident free

Sandvik's production unit in Vinhedo, Brazil, has been accident free for five years thanks to exemplary safety efforts. Regular security checks and exercises ensure that everyone at the unit, which produces wire and resistance heating

materials, is involved in safety routines.

“We intensified our safety routines after an accident five years ago,” says Marcus Olivetti, Production Manager at the Vinhedo unit.

He adds that the key to success was to

integrate a safety-first approach in day-to-day work activities. Safety meetings are held every week for all employees, and exercises are carried out every month so that employees are trained in how to respond in the event of an accident. ■



Health:

Battling HIV in Zambia

About 14 percent of Zambia's population carries the HIV virus. Over the past few years, Sandvik, one of the country's largest suppliers of mining equipment, has taken up arms against the epidemic. In 2002, Sandvik started a scheme to give employees and their families free tests, counseling, condoms and medicine. The initial response was poor, due partly to the social stigma associated with the disease. Few wanted to be tested. This all changed in 2004 when an HIV-positive employee became a spokesperson for Sandvik's health scheme.

The program has grown and today offers check-ups for malaria and diabetes, too. Employees and their families can also receive counseling for more everyday problems. Sandvik's healthcare program also provides support and advice to local orphanages and hospitals. ■

Safety:

Anti-collision system

Reducing accidents in mines is a high priority area for the Group. One exciting new technique that Sandvik is currently working on is the anti-collision system for mining and construction machinery.

"A system like this must be able to sense when a human gets too close and either emit a warning signal or shut down," says Anna Gandal, who is responsible for work methods and processes at Sandvik Mining and Construction.

"It's more complicated than a car since it has to be able to sense the difference between a human being and other obstacles."

The system also has to be extremely reliable and work 100 percent of the time.

"This solution will improve safety for people working in areas where large machinery is operating," Gandal adds. ■



Energy saver

Aluminum production consumes a lot of energy and can be harmful to the environment. As a result, an extensive development project is underway to improve the work environment and reduce energy consumption. Sandvik has

designed a new system for heat treatment of metal in liquid form that uses electric heat instead of fossil fuel.

"This enables us to reduce energy consumption and greenhouse gas emissions. It also improves the work environment

since large, open oil burners are a serious threat to safety. The noise level is also lower," says Ole Stadum, Sales Manager for aluminum applications at Sandvik Materials Technology. ■



Opportunities in Shanghai

The Shanghai World Expo 2010 brings together millions of people and Sandvik is an active participant.

"China is our fourth largest market and it is growing steadily," says Anders Wallin, Vice President Group Communications. "However, Sandvik is not that well-known yet in all industry segments in China. The World Expo is a perfect opportunity to increase brand awareness both with potential customers and future employees."

Sandvik's three business areas each hosted an event at the Swedish pavillion.

More than 200 specially invited guests visited Sandvik Materials Technology's event. Jan Gunnarson, President of Sandvik Materials Technology in Greater China, says that their agenda was built on the Expo's "Better City, Better Life" theme.

"In response to this, we focused primarily on clean energy, medical technology and innovative R&D-based solutions in the area of materials technology. We got very positive feedback from our customers; a lot of the visitors hadn't realized the breadth of what we can offer them," he says.

"There were many fruitful discussions that we'll follow up on." ■

New plant in Brazil

Sandvik Mining and Construction has opened a new production plant on the outskirts of Belo Horizonte in Brazil's mining district in the state of Minas Gerais.

The plant covers an area of 17,000 square meters and will primarily produce components for conveyer belts for the mining and construction industries.

"Since half of our sales are to customers in the southern hemisphere, it's logical to start production close to our customer base," says Lars Josefsson, President of the Sandvik Mining and Construction business area. ■

Wind power winning ground



The wind power sector is expanding rapidly all over the world. China, India and the United States in particular are investing heavily in this area. These countries are also driving the demand for tools for milling gears, one of a number of important components in a wind turbine.

Kenneth Sundberg, Global Business Development Manager at Sandvik Coromant, says that he sees a shift in technology whereby the traditional tools are being replaced by more productive cutter bit machine tools.

"Milling gears is complicated and time-consuming. That's why our customers can save a great deal of time and improve quality by using our tools and expertise," he says.

In order to meet the increasing demand, Sandvik is focusing its efforts on tool solutions and developing the competence of its staff. Some 100 people have received training since 2009 and additional training activities are planned for 2011. Furthermore, a competence center and an international network of senior business developers are providing support for the global application that will intensify this autumn.

"The objective is to attain global technical leadership in this area within the next few years," says Sundberg. ■



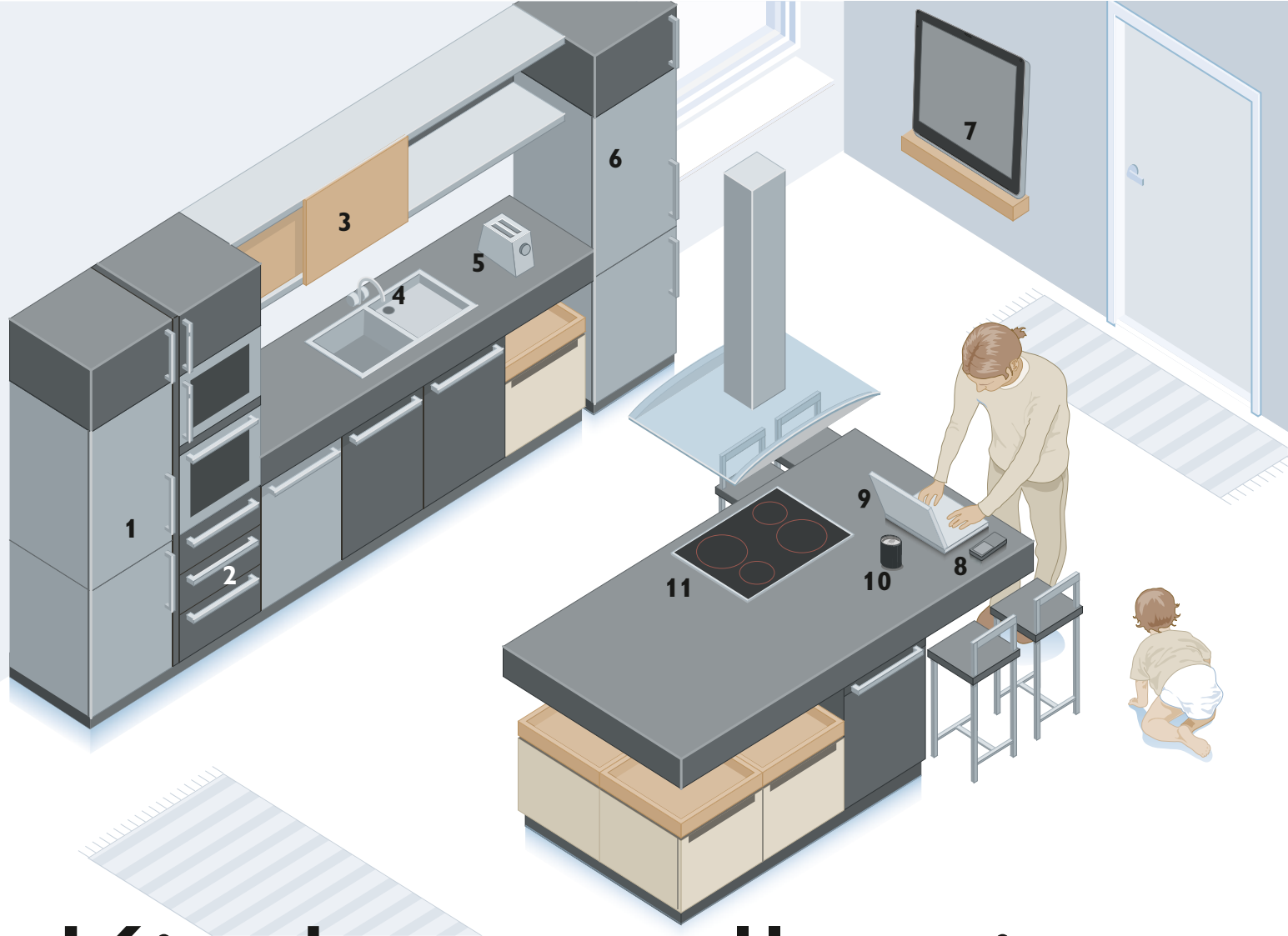
Reducing sulphur emissions

The Brazilian energy giant Petrobras is installing eight Sandvik Rotoform systems in its refineries. This enables the company to solidify the high volumes of liquid sulphur extracted from crude oil in order to produce low polluting, low-sulphur fuels.

Crude from Brazil's oil fields often has a sulphur content higher than that found in other parts of the world.

Sandvik's Rotoform process provides an environmentally friendly method, converting the sulphur into a solid pastille form for safe and easy handling, storage and transportation.

Over the next ten years, Petrobras plans to double its oil production levels to four million barrels a day. ■



Kitchen collection

Products made with Sandvik tools and equipment, or containing Sandvik material, are in more places than you can possibly imagine.

1. Refrigerators and freezers

The heart of a refrigerator and freezer is the compressor, which regulates the temperature. Sandvik supplies the *strip steel* used in compressor flapper valves.

2. Cutlery and kitchen knives

Strip steel from Sandvik is used to make cutlery and high-quality kitchen knives.

3. Laminates

Laminate patterns on cabinet doors are created under extreme pressure using *press plates* from Sandvik.

4. Mixer taps

Cutting tools from Sandvik are used to make the casting dies in which the mixer taps are manufactured.

5. Toasters

A perfectly toasted slice of bread is the highlight of many breakfasts around the world. Rest assured that the toaster will

perform thanks to the *heating element* from Sandvik.

6. Kitchen cupboards

Cupboards must be able to withstand being opened and closed many times a day. *Strip steel* from Sandvik is usually found in durable hinges.

7. Television sets

Cutting tools from Sandvik are used to make the plastic molds used in making television frames.

8. Cell phones

There's a good chance that the phone keys have a *pre-coated spring steel* from Sandvik. The housing is made in plastic molds created with the help of Sandvik *cutting tools*.

9. Computers

Have you ever wondered how the keys on the keyboard can work so smoothly,

year in and year out? Chances are there is a *pre-coated spring steel* from Sandvik under them.

10. Aluminum cans

Tools and *components* from Sandvik are used to manufacture soda and beer cans.


11. Stoves

Having the capacity to reach high temperatures and maintain the temperature for a long time places extreme demands on the *heating element* that comes from Sandvik.

There are plenty of other kitchen objects that have a Sandvik connection. Examples include housings for microwave ovens, the cutting knives in mixers, scissors and the flapper valve steel used in air conditioners. Sandvik equipment is also used in the manufacture of chocolate and baked goods, as well as for deep freezing vegetables. ■

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35 meters underground
to be more exact!



WE ARE IN PLACES YOU WOULD LEAST EXPECT! Where tunnels are being built, Sandvik is often there. The Group offers all the tools and machinery needed to rapidly and efficiently tunnel through the hardest rock. It could involve tunnels for hydropower in the US, road tunnels in China or railway tunnels in Switzerland.

You will also find the results of our know-how in mobile phones, in aircraft, on the ocean floor 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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