

# MEET Sandvik

THE SANDVIK GROUP'S MAGAZINE FOR SHAREHOLDERS AND EMPLOYEES #2-2012

**YVONNE WANG**, wire-cut operator, Sandvik China, talks about the company's core values, page 12.

“The first half of this anniversary year has been intensive and very successful.”

*Olof Faxander*, President and CEO, Sandvik.  
Read more on page 2.

## #2-2012

# ONE SANDVIK — Flatter, faster and more focused



PAGE 6

**WHAT A CELEBRATION** — Sandvik's 150th anniversary • **NEW MAJOR ORDERS** in Latin America and Australia • **WORLD'S LARGEST** tube mill



**ORDER INTAKE:** 26,190 MSEK, 0%\* **INVOICED SALES:** 25,939 MSEK, +8%\*  
**OPERATING PROFIT:** 4,212 MSEK, +18% **PROFIT AFTER FINANCIAL ITEMS:** 3,667 MSEK, +19%  
**PROFIT FOR THE PERIOD:** 2,773 MSEK, +24% **EARNINGS PER SHARE:** 2.21 SEK, +24%\*\*  
**CASH FLOW FROM OPERATIONS:** +2,293 MSEK, +186%

\*) Change from the previous year at fixed exchange rates for comparable units.  
 \*\*) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact during the period.

## EVENTFUL anniversary year

SANDVIK IS IN the midst of a process of change. We adopted the new business strategy in the New Year, and in this issue of Meet Sandvik you will find an article about our progress. I am more than pleased with the rate of change. All employees have quickly adapted to the new working formats, which allow quicker decision-making as well as greater transparency and cost savings.

Our combined efforts to introduce the new strategy have produced a convincing result much faster than we imagined. The half-year report in July showed record-

high figures for invoicing and earnings before interest and tax.

The market outlook are uncertain, especially in Europe, so we need to be prepared for different scenarios. An important task is to avoid tying up too much capital in stock so that we don't need to suddenly reduce production in the event of a downturn.

The first half of this anniversary year has been intensive and very successful. We have celebrated Sandvik's first 150 years at our plants around the world. It has been inspirational to meet so many

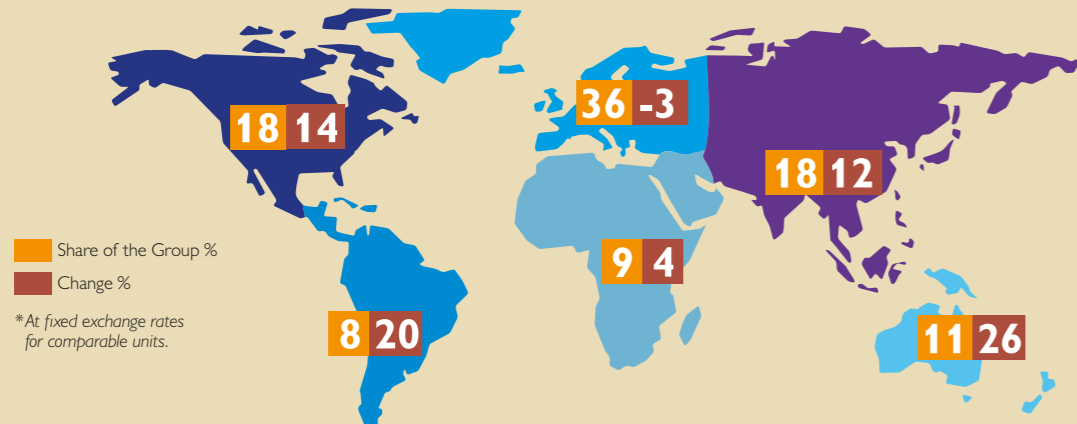
employees who show genuine pride in being part of Sandvik.

In Sandviken we took over the tremendous Göransson Arena for a whole anniversary month with a total of 40,000 visitors. The exhibition was an exciting experience for the many groups invited to see the breadth of what Sandvik does.

Olof Faxander  
 President and CEO, Sandvik AB

## SECOND QUARTER 2012 IN FIGURES

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



### INVOICED SALES BY BUSINESS AREA

MSEK	Q2 2012	Q2 2011	Change %	Change % <sup>1)</sup>
Sandvik Mining	9,826	7,593	+29	+26
Sandvik Machining Solutions	7,431	7,028	+6	+2
Sandvik Materials Technology	4,195	4,452	-6	-8
Sandvik Construction	2,592	2,274	+14	+4
Sandvik Venture	1,884	2,065	-9	-5
Group activities	11	9		
<b>Group total</b>	<b>25,939</b>	<b>23,421</b>	<b>+11</b>	<b>+8</b>

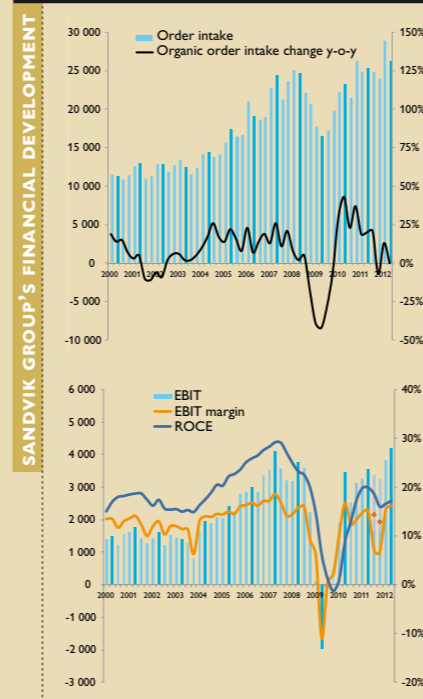
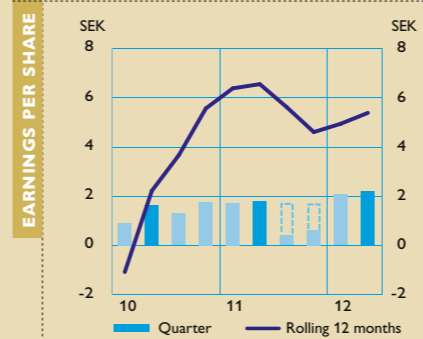
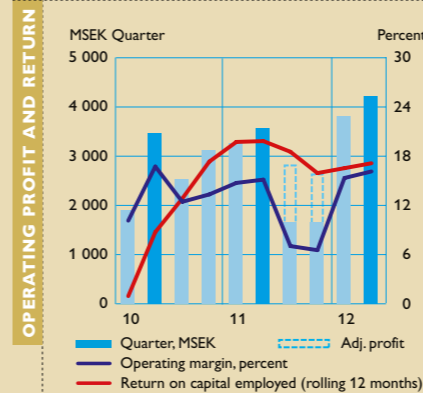
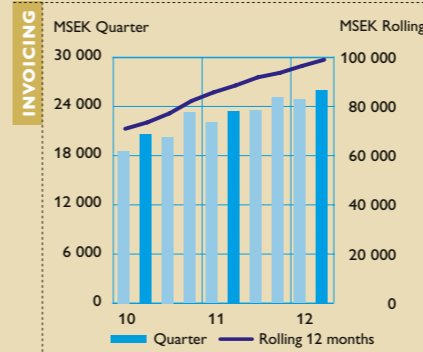
### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q2 2012	Q2 2011	Change %
Sandvik Mining	1,800	1,310	+37
Sandvik Machining Solutions	1,827	1,744	+5
Sandvik Materials Technology	415	351	+18
Sandvik Construction	222	95	+135
Sandvik Venture	341	266	+28
Group activities	-393	-204	
<b>Group total<sup>2)</sup></b>	<b>4,212</b>	<b>3,562</b>	<b>+18</b>

### OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q2 2012	Q2 2011
Sandvik Mining	18.3	17.3
Sandvik Machining Solutions	24.6	24.8
Sandvik Materials Technology	9.9	7.9
Sandvik Construction	8.6	4.2
Sandvik Venture	18.1	12.9
<b>Group total</b>	<b>16.2</b>	<b>15.2</b>

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



## ANALYSIS



**Three questions to:**  
 Jan Lissåker, Sandvik's new Executive Vice President Group Communications, is the first head of communications to become a member of Sandvik Group Executive Management.

### WHY THIS NEW POSITION?

"It is a topical subject. When a company grows globally, the importance of communication grows too. Communication is an important tool in profiling Sandvik externally and internally and ensuring that the organization acts as One Sandvik. We can enhance interaction and cooperation among our co-workers across our global organization through good communication."

### HOW WILL YOU MAKE A DIFFERENCE?

"Together with my organization, my job is to make sure that Sandvik's brand is visible and well known. In doing this, I work with communications professionals in our five business areas and in all our markets. We will develop a joint vision for Sandvik's identity and plan for the overall brand communication and then execute the plan."

### ISN'T SANDVIK'S IDENTITY ALREADY LOUD AND CLEAR?

"I think Sandvik is relatively anonymous in many markets, especially outside the businesses where we operate. A lot needs to be achieved to promote Sandvik's strong brand and show what an attractive employer Sandvik is in, for example, fast-growing countries like China and India."

## FACTS JAN LISSÅKER

JAN LISSÅKER has been with Sandvik for 28 years in various positions. After obtaining a master's degree in economics, he started as a financial controller at Sandvik in Gimo, and for 10 years, until March 2012, he was Vice President Investor Relations.

LISSÅKER LISTS HIS PASSIONS as his three children and his grandchildren, followed by sports cars, downhill skiing and his country house. *What is best about working at Sandvik?* "It's a great company with a great open-minded culture. People always strive to do their best. The company has a built-in drive for improvement."



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**2 SOCCER FIELDS** – the size of Sandvik’s new tube mill in Sweden / **2,700** – the number of people working in R&D at Sandvik / **57 KILOMETRES** – the length of the Gotthard tunnel in Switzerland currently being dug with Sandvik machines.

**30 – NUMBER OF TRUCKS NEEDED** to transport the giant crane that lifted the new parts for Sandvik’s extrusion press in Sandviken into place / **40** – the number of Sandvik R&D centres around the world.

**NEW CHIEF FINANCIAL OFFICER**

Emil Nilsson has been appointed Executive Vice President and CFO of the Sandvik Group and a member of Group Executive Management. His most recent position was at Ericsson. He succeeds Ola Salmén.



**NEW HEAD OF EXTERNAL COMMUNICATIONS**

Pär Altan is the new Head of External Communications at the Sandvik Group. He started his new position in September 2012 and reports to Jan Lissåker, Executive Vice President Group Communications. Altan formerly worked at SCA.



The app “The Sandvik Journey” was published in connection with the company’s 150th anniversary and is available free as an iPad version at the iTunes App Store. Check out Sandvik’s amazing “A Journey through the Centuries” at [www.sandvik.com](http://www.sandvik.com) and read more about the worldwide celebration on page 10.



Innovative crushing system from Sandvik.

**NEW SERVICE CENTRES IN CHINA AND AFRICA**

Sandvik inaugurated its Luoyang Technology Service Center in China. With a total investment of more than 100 million yuan (13 million euros), it is expected to become a world-leading professional mining and construction technology service centre. Meanwhile, construction has begun on a new Sandvik complex in Kumasi, in Ghana’s Ashanti region.

The facility will enable Sandvik to service its customers and provide opportunities for the essential practical experience required by students at educational institutions in the area. “The Sandvik facility in Ghana is the visible beginning of a new era of Sandvik’s mining operations in West Africa,” says James Oosthuizen, Managing Director and Sales Area Manager, West Africa.



Sandvik’s HOFFIE VAN HUYSTEEN (left) and JAMES OOSTHUIZEN, Ghana.



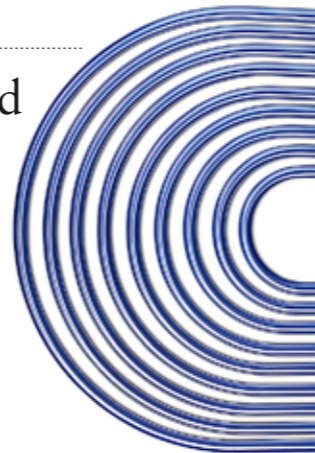
Sandvik’s logo in 1876.

**DID YOU KNOW ...** “Sandvik” was used as a brand for the first time in 1876 at the US Centennial Exhibition in Philadelphia, Pennsylvania, USA.

**World’s largest tube mill opened**

**IN SANDVIKEN** Sandvik has opened the world’s largest dedicated mill for the advanced manufacture of stainless steel and high nickel alloy tubes for use in nuclear power plant steam generators.

“For many years Sandvik has been a world-leading manufacturer of steam generator tubes for the nuclear industry,” says Jonas Gustavsson, President of Sandvik Materials Technology. “Through this investment we are significantly increasing capacity and thereby further strengthening our position in this market.”



**Major new orders**

**SANDVIK HAS SIGNED** three major materials handling contracts with customers in Latin America and Australia. The combined value of the contracts exceeds 1,600 million Swedish kronor (190 million euros). The orders include design and supply of continuous mining equipment for a fully truckless in-pit crushing and conveying system and two waste lines for a surface mine in Latin America.

For Australia the order includes design, supply and installation of materials handling equipment for iron ore stacking and reclaiming for a surface mine. A major contract has also been signed with a customer in Asia. The order includes design and supply of continuous mining equipment for overburden removal and coal handling, with a value exceeding SEK 1,100 million (130 million euros). ■

**DIVESTMENT OF SANDVIK MEDICAL SOLUTIONS COMPLETE**

Sandvik has completed the divestment of Sandvik Medical Solutions to US-based Orchid Orthopedic Solutions. Medical Solutions specializes in contract manufacturing of medical implants and instruments for orthopaedic and dental applications. The divestment is in line with Sandvik’s strategy to exit operations outside of its defined core business.

**3** The number of days it took for Sandvik 150th anniversary corporate bond to become oversubscribed.



... Anna Hedebrant, new Diversity and Inclusion Manager at Sandvik.

**WHY DIVERSITY AND INCLUSION?**

“International studies show that diverse teams deliver better results. We believe diversity and inclusion are sources of innovation and are tools to fulfil customers’ expectations in our global marketplace as well as a means to attract, develop and retain talent.”

**HOW ARE YOU DEFINING THE TERMS “DIVERSITY” AND “INCLUSION”?**

“Diversity is about our personal and cultural differences as well as different work and life experiences that result in various ways of thinking and solving problems. Inclusion is an approach where we enable all people to contribute in line with their full potential and take advantage of that in their daily work.”

**HOW WILL YOU CONTINUE YOUR WORK?**

“When manning the new business area management teams, diversity has been a focus. The outcome shows a significant increase of diversity

when it comes to gender, nationality and age. This is a good start. Our next step is to increase awareness and create full commitment to diversity and inclusion within the whole organization.”



PHOTO: SAMIR SOUDAH

Olle Wijk will assume overall responsibility for the Group’s R&D 1 November, and become a member of Sandvik’s expanded Group Executive Management team.

**HEAD OF R&D PROFESSOR AT SHANGHAI UNIVERSITY**

**OLLE WIJK**, Executive Vice President and Head of R&D for Sandvik Materials Technology and Chairman of Sandvik Group’s R&D Board, has been appointed visiting professor at Shanghai University in China. In connection with his appointment, Sandvik also established a scholarship for about 100,000 Swedish kronor (12,000 euros) per year at the university. The scholarship will be awarded to top students.

“I’m much honoured,” says Wijk. “The position will be a door opener for Sandvik, enabling us to recruit competent personnel.”



NEW ORGANIZATION:

# ONE Sandvik – Flatter, faster and more focused

One Sandvik is off and running and first results are promising, according to the heads of the five business areas.

For Sandvik Mining, top management is much closer to where the action is.

PHOTO: ADAM LACH

PHOTO: SAMIR SOUDAH



Sandvik Materials Technology's programme Step Change was introduced as a part of the new organization, here at the new tube mill in Sandviken.

Sandvik's new strategy with One Sandvik is off to a good start, according to the heads of the five business areas. They say their work on increasing focus on core businesses and flattening their organizations is quickly making a difference.

"We now have an organization that is much flatter, faster and more focused," says Gary Hughes, Business Area President for Sandvik Mining. Andreas Evertz, Head of Sandvik Machining Solutions, says staff are communicating more, looking for synergies and smarter ways of working as well as other ways to improve. In addition to these positive signals, results were up. For the first half of 2012 billings rose 8 percent to 25.9 billion Swedish kronor (3.13 billion euros).

Sandvik is historically a successful company. Chief Executive Officer and President of Sandvik Olof Faxander and the board initiated the reorganization, saying a new order was



Gary Hughes, Sandvik Mining

needed to make a great company even better and to hold pole positions in core businesses in the face of increased global competition.

The Group's three business areas were replaced with five to reduce costs, simplify decision-making and improve the focus on core businesses. The Business Area Presidents were instructed to speed up development of new products and time to market. More emphasis was to be put on globalization and specifically on growth in emerging markets. The new strategy is driven by the four value words: Ambition, Speed, Focus and Globalize.

The expectation is that the new organization will be fully implemented and will show clear results by 2015. Businesses that do not live up to targets may be sold or reconstructed. The new organization was introduced at the beginning of 2012. How do the five →

"We now have an organization that is flatter, faster and more focused. Top management is much closer to the action. Decisions are taken much quicker, and there is a better spirit and pace in the organization."

Gary Hughes, Sandvik Mining



business managers feel the process of change is progressing? What concrete measures have they taken to realize the goals of the new organization?

**SANDVIK MINING** is the biggest business area in terms of turnover. It delivered a strong result for the first half year. By removing layers of management and increasing the span of control, Hughes says, “top management is much closer to the action. Decisions are taken more quickly and there is a better spirit and pace in the organization.”

An important aspect of the new Sandvik is the drive to develop a truly global leadership.

“We need diverse leaders in our ranks,” he says. “We have also come a long way in this regard during 2012.”

**JONAS GUSTAVSSON** heads Sandvik Materials Technology, which is implementing a programme called Step Change, a term that alludes to leaps rather than gradual changes in several areas. The objectives of Step Change are to increase profitability to significantly higher and sustainable levels, to improve safety and to strengthen leading positions in key segments.

“In times of change, it is especially important to have a direct and open communication,” says Gustavsson. “I therefore decided to meet as many of our employees as possible – and so far I have managed to meet more than 6,000 people. I have found a very positive view of the future, a good fighting spirit and great commitment. I am now even more convinced that we will succeed with our Step Change.”

**ANDREAS EVERTZ**’s Sandvik Machining Solutions is the second-biggest business area. Orders in this business area increased over the first half of the year, even in the weakening markets of Europe. One concrete example of change brought about by the new organization, he says, is a restructuring to get a better grip on brand management.

“it is no longer one person giving directions,” Evertz says. “Now that is done by a board with a rotating chairmanship representing the heads of marketing from product areas.”

The order of decision-making was also changed in R&D. “We saw that R&D work sometimes strayed away from our core activities,” Evertz explains. “To be No. 1 we need a dedicated focus on innovation.”

“The new organization is quite flat and more transparent, and we see trends in markets that are better than before.”

*Thomas Schulz, Sandvik Construction*



*Jonas Gustavsson,  
Sandvik Materials  
Technology*



*Andreas Evertz,  
Sandvik Machining  
Solutions*



*Thomas Schulz,  
Sandvik Construction*



*Anders Thelin,  
Sandvik Venture*

that exceeded expectations,” Thelin says.

Although the five presidents of the business areas have different challenges and viewpoints, they agree that the new concept One Sandvik has got off to a good start and is showing positive results. ■

*Tomas Nordahl, member of Group Executive Management and Head of IT, Sourcing and Strategy, has been appointed the new President of Sandvik Venture effective 1 November 2012.*

**THOMAS SCHULZ** is Business Area President for Sandvik Construction, which seeks to lessen its dependence on Europe and North America by growing in emerging markets.

“In order to succeed we need to be fast at finding new opportunities, and we need to perform better than our industry peers,” he says.

As with other business areas, layers of management have been reduced. “The new organization is quite flat and more transparent, and we see trends in markets that are better than before,” Schulz says.

“Another big change is that we have increased accountability on a personal level,” he says. “People like to have more influence and take responsibility for what they do.”

**ANDERS THELIN** has worked at Sandvik for 39 years and now heads Sandvik Venture, which represents something entirely new in the company: an internal greenhouse for business activities that do not clearly belong in any other business area. It currently encompasses five strong operations, including Diamond Innovations and Sandvik Hard Materials.

“We see that in this setup these companies get more attention than before, and the venture model enables us to take on and develop new businesses,” Thelin says.

The first part of the year was focused on developing a workable organization, Thelin explains. “Our task is to make sure that these businesses have the best possible strategies and strong leadership,” he says. “We have close contact with all five.”

Because the venture solution of the One Sandvik reorganization was given considerable media attention, “it felt very good when we could start the year with results

PHOTO: SAMIR SOUDAH



### A One Sandvik R&D gathering

Earlier this year, 40 Sandvik specialists in computational modelling from around the world gathered to exchange ideas and experiences. It was the first time Sandvik brought together R&D specialists from all the different business areas in a joint conference. The move was in line with the company’s aim to mould One Sandvik.

“It was a very good initiative,” says participant Vahid Kalhori from Sandvik Coromant in Sandviken. “We have already pinpointed synergies in several areas.”

Cecilia Århammar from Machining Solutions explains, “In just 24 hours we outlined several concrete ideas and projects.”

Improved competence in computational modelling makes it easier to test new solutions, make improvements and shorten the time from idea to development and production.

“It will enable us to commercialize new products faster,” says Anna Hultin Stigenberg, Sandvik Conference Project Manager.

*Helena Päbel, development engineer at Sandvik, with the new CoroDrill 870, a drill with an exchangeable tip.*

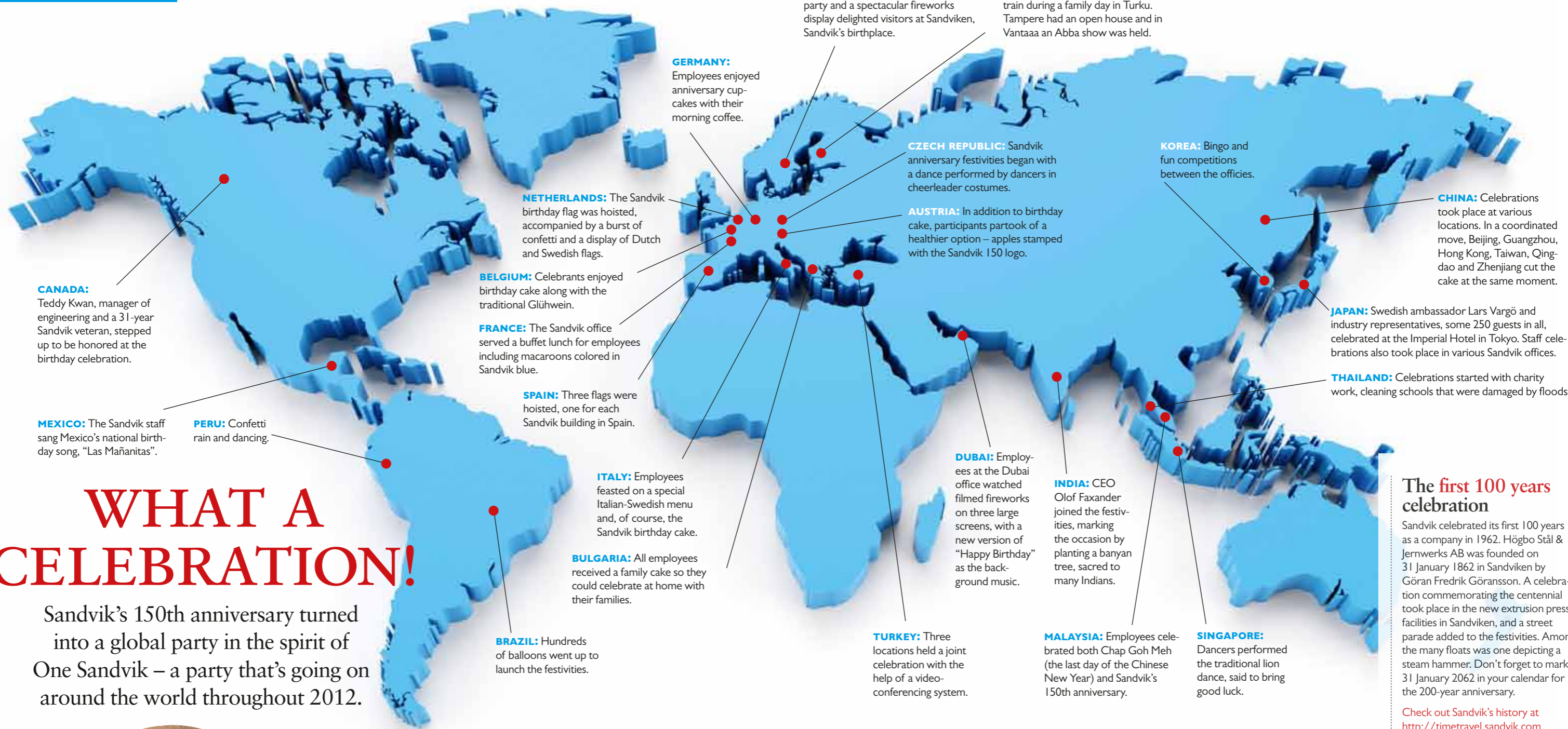


# WHAT A CELEBRATION!

Sandvik's 150th anniversary turned into a global party in the spirit of One Sandvik – a party that's going on around the world throughout 2012.



**IN CELEBRATION** of Sandvik's 150th anniversary, units around the world reported an array of local activities, including charity work in Thailand and, on a purely festive note, singing in Mexico and dancing in the Czech Republic. Some activities were common for all locations, such as eating the special Sandvik anniversary cake, watching CEO Olof Faxander's birthday message on video and learning about Sandvik's history through the anniversary book "The Sandvik Journey", the Group Magazine Meet Sandvik, an anniversary video. It was truly a big party, considering all the participants, activities and locations. Here we highlight a few of the activities around the world.



**CANADA:** Teddy Kwan, manager of engineering and a 31-year Sandvik veteran, stepped up to be honored at the birthday celebration.

**MEXICO:** The Sandvik staff sang Mexico's national birthday song, "Las Mañanitas".

**PERU:** Confetti rain and dancing.

**NETHERLANDS:** The Sandvik birthday flag was hoisted, accompanied by a burst of confetti and a display of Dutch and Swedish flags.

**BELGIUM:** Celebrants enjoyed birthday cake along with the traditional Glühwein.

**FRANCE:** The Sandvik office served a buffet lunch for employees including macaroons colored in Sandvik blue.

**SPAIN:** Three flags were hoisted, one for each Sandvik building in Spain.

**ITALY:** Employees feasted on a special Italian-Swedish menu and, of course, the Sandvik birthday cake.

**BULGARIA:** All employees received a family cake so they could celebrate at home with their families.

**BRAZIL:** Hundreds of balloons went up to launch the festivities.

**GERMANY:** Employees enjoyed anniversary cupcakes with their morning coffee.

**SWEDEN:** An exhibition, a large party and a spectacular fireworks display delighted visitors at Sandviken, Sandvik's birthplace.

**CZECH REPUBLIC:** Sandvik anniversary festivities began with a dance performed by dancers in cheerleader costumes.

**AUSTRIA:** In addition to birthday cake, participants partook of a healthier option – apples stamped with the Sandvik 150 logo.

**FINLAND:** Families rode a "Moomin" train during a family day in Turku. Tampere had an open house and in Vantaa an Abba show was held.

**KOREA:** Bingo and fun competitions between the offices.

**CHINA:** Celebrations took place at various locations. In a coordinated move, Beijing, Guangzhou, Hong Kong, Taiwan, Qingdao and Zhenjiang cut the cake at the same moment.

**JAPAN:** Swedish ambassador Lars Vargö and industry representatives, some 250 guests in all, celebrated at the Imperial Hotel in Tokyo. Staff celebrations also took place in various Sandvik offices.

**THAILAND:** Celebrations started with charity work, cleaning schools that were damaged by floods.

**DUBAI:** Employees at the Dubai office watched filmed fireworks on three large screens, with a new version of "Happy Birthday" as the background music.

**INDIA:** CEO Olof Faxander joined the festivities, marking the occasion by planting a banyan tree, sacred to many Indians.

**TURKEY:** Three locations held a joint celebration with the help of a video-conferencing system.

**MALAYSIA:** Employees celebrated both Chap Goh Meh (the last day of the Chinese New Year) and Sandvik's 150th anniversary.

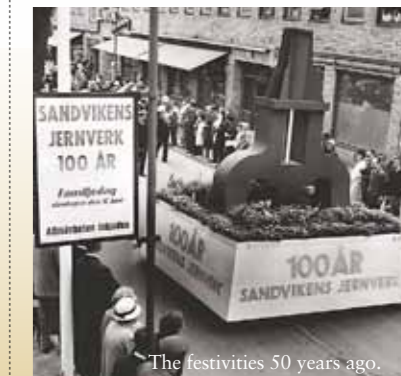
**SINGAPORE:** Dancers performed the traditional lion dance, said to bring good luck.

## The first 100 years celebration

Sandvik celebrated its first 100 years as a company in 1962. Högbo Stål & Jernverks AB was founded on 31 January 1862 in Sandviken by Göran Fredrik Göransson. A celebration commemorating the centennial took place in the new extrusion press facilities in Sandviken, and a street parade added to the festivities. Among the many floats was one depicting a steam hammer. Don't forget to mark 31 January 2062 in your calendar for the 200-year anniversary.

Check out Sandvik's history at <http://timetravel.sandvik.com>

Festivities from left to right: Peru, Brazil and Dubai.



The festivities 50 years ago.



## PROFILE

**NAME:** Yvonne Wang **AGE:** 41 **STARTED WITH SANDVIK:** 1997  
**POSITION:** Wire-cut operator **DEPARTMENT:** Tools Workshop  
**LOCATION:** Langfang, Hebei province, China

PHOTO: JAMES WASSERMAN



“At Sandvik, everyone gets training opportunities, and competition is fair.”

## HELLO there ...

### ... YVONNE, WHAT DO YOU DO EXACTLY

#### AS A WIRE-CUT OPERATOR?

“As a matter of routine, I sketch drawings, confirm the dimensions of the drawings and input the client’s requirements into the programming software, so that the machine is able to cut products into shape correctly. I also have to coordinate with colleagues who are responsible for design and technology.”

#### WHAT CHANGES HAVE TAKEN PLACE AT YOUR WORKPLACE?

“A good example is introducing 5S – an organizational methodology originating in Japan – across the company. The 5S elements, translated into English, are “Sort”, “Set in Order”, “Shine”, “Standardize” and “Sustain”. With the implementation of 5S, our workplace has changed dramatically, resulting in tidiness and improved efficiency.”

#### WHAT DO YOU DO TO IMPROVE THE TEAM SPIRIT?

“We have regular meetings to discuss the problems we face and improvements we can make. Management provides either financial support or human resources, leading to a virtuous cycle of team management. When it comes to entertainment activities, we have a variety of clubs – such as badminton, table tennis and billiards – that also help to promote the team spirit.”

#### WHY HAVE YOU STAYED WITH SANDVIK FOR 15 YEARS?

“At Sandvik, everyone gets training opportunities, and competition is fair. We are provided with a platform for personal and professional development. Employees are becoming increasingly competent in terms of technical skills and individual qualities.” ■