

# MEET Sandvik

SANDVIK GROUP MAGAZINE FOR SHAREHOLDERS AND EMPLOYEES #3-2013



Can the world's fastest car attract new talent to the industry? **PAGE 6.**

## #3-2013

# IN THE FOREFRONT

# Attracting future talent



PRESIDENT AND CEO  
OLOF FAXANDER:

“Renewal is the key to success.”

- VISION: An innovative eye opener
- NEW acquisitions
- MISSION: An employer of choice
- IN FOCUS: Maintaining an edge
- DIGGING the world's longest subsea tunnel

# RENEWAL is the key to success

**RUNNING A BUSINESS** is often a change process. Companies capable of making business out of change will outperform the competition. When Göran Fredrik Göransson founded Sandvik some 150 years ago, he knew nothing about fuel cells for future cars or the challenges of edge milling in composite materials. What he did know about, however, was the importance of innovation and close cooperation with his customers.

To me, renewal is all about developing with our customers. By always standing close to them, offering the most productive and innovative solutions possible, Sandvik will change with the world around us. Innovation and

customer-oriented solutions are our way to renewal. Exactly the same principles as 150 years ago.

New markets offer new opportunities and require renewal as well, in terms of both solutions and ways to market. Sandvik will always offer products and solutions for customers wanting to increase their productivity and become successful in their industry – in both new and established markets.

We are positioned for growth and will need an increasing number of talented employees all over the world. The Bloodhound Project that you can read about in this issue of the magazine combines innovative technology with an important initiative to attract young people into engineering. We are proud to support the project with first-class tools and knowledge.



*Olof Faxander, President and CEO, Sandvik AB*

“We are positioned for growth and will need an increasing number of talented employees all over the world.”



PHOTO: JOE DRIVAS

An aerial photograph of the Manhattan Bridge in New York City. The bridge is filled with a large crowd of runners, stretching from the top of the frame down towards the water. The bridge's steel structure, including the massive towers and suspension cables, is clearly visible. In the background, the city of New York is visible, with a mix of green trees and urban buildings. The water of the harbor is a deep blue. In the lower right foreground, a boat is moving across the water, creating a large, colorful spray of water that is blurred, suggesting motion. The overall scene is bright and clear, with a blue sky.

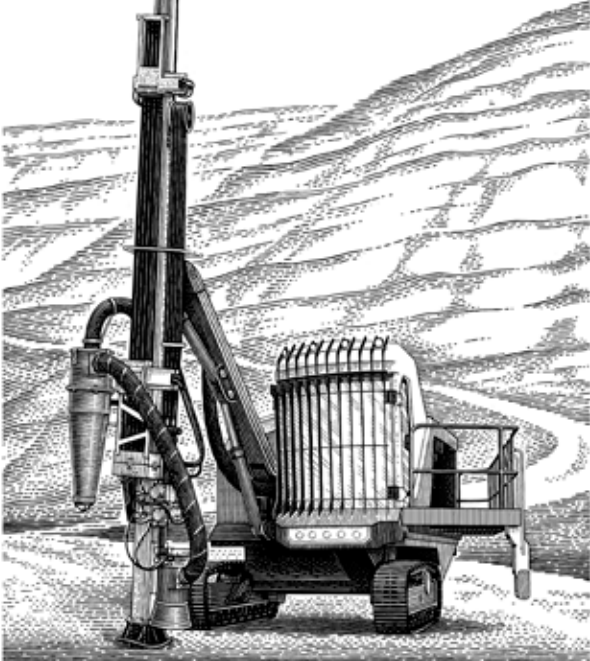
## KEEP ON RUNNING

The 2013 New York City Marathon took place on Sunday, November 3. The marathon is one of the largest events of its kind in the world and, according to many, the most scenic. The 26.2-mile (42,195 meters) route goes through all five boroughs of New York City, with some 2 million spectators lining the way to cheer on the runners. The marathon was organized for the first time in 1970 and has been held every year since, with the exception of 2012 when the city was recovering from the impact of Hurricane Sandy just a week before. Every year, some 48,000 pairs of feet hit the streets during the run. Sandvik produces tools for making the molds for many of the running shoes worn at the New York City Marathon and other marathons around the world.

## IN BRIEF

130 – number of countries in which Sandvik has customers. 465 MILLION – amount of US dollars Sandvik annually invests in R&D. BIRMINGHAM, ENGLAND – site of the first Sandvik subsidiary outside Sweden, opened in 1914. 2,200 – number of Sandvik employees in Australia.

The RD2045C top hammer rock drill is designed for the next-generation Pantera DP200 drill rig.



## The largest top hammer rock drill launched

Sandvik has announced the launch of the world's largest hydraulic top hammer rock drill, targeted for the mining industry. Sandvik used state-of-the-art simulation technology as well as its 40 years of experience in hydraulic top hammer drill production to develop the new drill.

"The RD2045C top hammer rock drill offers significantly higher penetration rates and drilling capacity compared to pneumatic systems, while ensuring high drilling quality and much better rock fragmentation," says Jukka Naapuri, Product Manager, Sandvik Mining. "The end result is better energy efficiency in rock drilling and lower operating costs for surface mining."

### SANDVIK MACHINES DIG THE WORLD'S LONGEST TUNNEL

Four Sandvik machines are being used for the excavation of what is to be the world's longest subsea road tunnel. The tunnel is one of three tunnels in a Norwegian mega-infrastructure project and will be 14.3 kilometers long, with its deepest point 290 meters below sea level. In all, some 1.2 million cubic meters will be excavated over a 39-month period.



Two Sandvik DT1131i and two DT921i will excavate the world's longest subsea tunnel.

## TRAINING PROGRAM FOR MARGINALIZED YOUTHS

Sandvik has concluded its first vocational training program for marginalized youths in India. Fifteen students were selected from an orphanage in Pune for the pilot program. The youths have been trained to become machine operators for mining equipment. The curriculum

comprised two weeks of classroom training and an on-site exposure program at a mining site. At the end of the program, nine of the participants were listed for a further month of on-site training. At the end of that month, the youths received an operator's certificate.



## NOBEL PRIZE EXHIBITION OPENING IN BRAZIL

In partnership with five other Swedish companies, Sandvik has brought the new exhibition Nobel Prize: Ideas Changing the world, to São Paulo, Brazil. The

exhibition tells the story of Alfred Nobel, about the Nobel Prize winners over the decades, and the discoveries that have changed and are still changing the

world. A key happening during the event was a dialogue about "the future of energy", where Nobel Prize winner Professor David Gross and other prominent

specialists from business and academia discussed ways to use solar energy more efficiently and the need to invest in research and development.



## For the third consecutive year, Sandvik has earned a position on the prestigious Thomson Reuters Top 100 Global Innovators list.

The Thomson Reuters Top 100 Global Innovators list designates 100 corporations and institutions around the world that are considered top innovators, measured by a series of proprietary patent-related metrics.



“If you know what you want and set your mind to it, you have a great opportunity for a personal career.”

## Attracting talent to Sandvik

**YVONNE STRANDBERG**, Global Manager Employer Branding, is responsible for developing Sandvik's strategy and global concept for becoming the employer of choice in selected markets. Since the global need for talent is greater than its supply, having a strong employer brand is critical in order for Sandvik to fulfill its business strategy and reach its goals.

### WHAT ARE YOUR GREATEST CHALLENGES?

There is tremendous competition around recruiting talent – especially engineers. So in order to get the best people to Sandvik, we need to be the best. It is very important that we are perceived as an attractive employer and that we bring out our strong identity in a clear and consistent way, both globally and locally. However, it's not only about recruiting; it is just as important to keep the talent we already have and allow them to grow to their full potential and enjoy their work.

### WHY IS SANDVIK AN EMPLOYER OF CHOICE?

Sandvik has a wonderful team spirit and a very high level of competence, with every possibility to develop. If you know what you want and set your mind to it, you have a great opportunity for a personal career. The fact that we are a global company with great possibilities to work in different locations further adds to the list of good reasons. According to Thomson Reuters, we are among the 100 most innovative companies in the world and our company and its technology

are actually often perceived as quite exciting. However, it always comes down to our people – the bearers of innovation and culture.

### ACTIONS SO FAR?

We have created a structure for working with employer branding globally. One of the initiatives has been to define our global Employee Value Proposition to identify our offering to the competence market. Now it is important to adapt it to local circumstances and to be consistent globally. We are, of course, present at job fairs and often talk about what we call “the mutual deal” – what you as an employee can expect from us, and what we expect from you. We have also taken a decision to launch a global trainee program in 2014.

In May 2013 we launched our new career pages at sandvik.com. The number of visitors on the web has increased dramatically during the year, as has the number of followers on Sandvik's new LinkedIn recruitment pages, where more than 35,000 have expressed interest in the Sandvik brand.



EMPLOYER BRANDING:

# REACHING FOR THE STARS

There's a full-blown talent war going on. Sandvik is enticing the new generation with a motivating work environment and focus on innovation, but also with participation in demanding and inspiring engineering projects, such as the world's fastest car – the Bloodhound. >>

The Bloodhound will attempt to break the land speed record on a 20-mile hand-built track at the Haaksen Pan in South Africa in 2016.

A Bloodhound cockpit mockup used to work out positions for seating and controls.



“This is so much more than a supersonic car. It creates adrenaline and gives our brand a cutting-edge flair. It reverberates on the recruitment market.”

*Giuliana Massimino, Communications Manager, Sandvik Italy*

**I**ncreased competition in the marketplace means that in recent years the demand for skilled workers has outperformed the pool of available talent. Global economic uncertainty and soaring unemployment rates have discouraged many of the most sought-after professionals from leaving their current workplaces for fear of losing their career footings. The problem many companies face, therefore, is finding and keeping the right young talent to take them into the future.

“Today, companies have to compete on the talent market as much as they do in the commercial market,” says Giuliana Massimino, Communications Manager for Sandvik Italy. Massimino leads the Italian employer branding function, connecting with educational institutions to bridge the future competence gap the industry might experience.

“Glossy brochures and beautiful career sites just aren’t enough anymore,” she says. “You have to be able to walk the talk and show your strengths in the appropriate context. To get the best, you need to be the best.”

“Employer branding” first became a buzz phrase in the 1990s, but it has since then become an integral part of recruitment processes worldwide. As the concept implies, in order to attract top talent, a company needs to build an image that talented people want to be associated with. People often make such decisions whilst still in their youth.

Sandvik has capitalized on this trend through internships and student assignments and by lending its know-how to training facilities. Sandvik also participates in projects that make the brand resonate, such as the British Bloodhound Project, where Sandvik Coromant has helped machine parts for the vehicle’s framework.

**THE BLOODHOUND PROJECT’S** goal is to produce the world’s fastest car. The vehicle, powered by a hybrid rocket and a Rolls-Royce jet engine, is set to travel faster than a bullet fired from a Magnum .357, with speeds of up to 1,050 miles per hour (1,689 kilometers per hour).

The Bloodhound Project is, however, first and foremost an inspirational project aimed at students.

Britain faces an imminent engineering shortage, and Bloodhound is part of an educational outreach program to motivate young people to take up careers in science, technology, engineering and mathematics. The project

“In order to attract top talent, companies have to work up an image that makes them the firm people want to work for.”

*Giuliana Massimino,*  
Communications Manager, Sandvik Italy



is touring thousands of schools around Britain, and the hope is that it will help create 100,000 registered engineering technicians by 2018.

“This is a fantastic project,” Massimino says. “This is so much more than a supersonic car. It creates adrenaline and gives our brand a cutting-edge flair. It reverberates on the recruitment market.”

JoAnn Mitchell, Senior Project Leader at Sandvik Coromant USA, agrees. She underlines the importance of bringing in a new generation of talented youth with a slightly different skill set than the traditional engineering workforce and who can identify and create new opportunities.

“The new generation has very good computer and internet skills,” she explains. “As we head into the future, there is a great need for these skills, since we need to develop new

technology both by, and for, people who can use it.”

Mitchell, who regularly meets students in her job, says the key is to attract the desired students as early as possible. Projects like the Bloodhound car could be such an attention-grabber.

“There’s a false perception of what manufacturing really is about,” she says. “It’s no longer a job performed in dark and dirty workplaces. For many, it’s an eye-opener when we tell them how it really is.” ■

“To get the best, you need to be the best.”

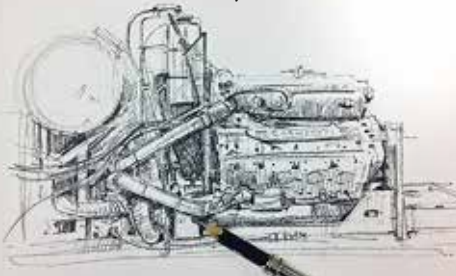
*Giuliana Massimino,* Communications Manager, Sandvik Italy



Testing one of the jet engines at Rolls-Royce in England.



The V8 750hp+ oxidizer pump for the rocket, more commonly seen in Formula 1 cars from a few years back.



The Bloodhound team holding a workshop at a British school. Two young students talk about how the Bloodhound project led them to seek careers in engineering.



Visiting school-children take part in science activities before firing the engines.



The Bloodhound car displayed at the Fleet Air Arm Museum, Somerset, UK.

# THIRD QUARTER 2013 IN FIGURES

## INVOICING BY MARKET AREA Share of Group invoicing.



### INVOICED SALES BY BUSINESS AREA

MSEK	Q3 2013	Q3 2012	Change %	Change % <sup>1)</sup>
Sandvik Mining	6,961	9,485	-27	-20
Sandvik Machining Solutions	6,922	6,845	+1	+4
Sandvik Materials Technology	3,224	3,450	-7	-4
Sandvik Construction	2,055	2,256	-9	-5
Sandvik Venture	1,252	1,378	-9	-8
Group activities	2	10		
<b>Group total</b>	<b>20,416</b>	23,424	-13	-9

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q3 2013	Q3 2012	Change %
Sandvik Mining	858	1,506	-43
Sandvik Machining Solutions	1,454	1,343	+8
Sandvik Materials Technology	175	180	-3
Sandvik Construction	88	230	-62
Sandvik Venture	199	253	-22
Group activities	-243	-187	
<b>Group total<sup>2)</sup></b>	<b>2,531</b>	3,325	-24

### OPERATING MARGIN BY BUSINESS AREA

% of invoicing	Q3 2013	Q3 2012
Sandvik Mining	12.3	15.9
Sandvik Machining Solutions	21.0	19.6
Sandvik Materials Technology	5.4	5.2
Sandvik Construction	4.3	10.2
Sandvik Venture	15.9	18.4
<b>Group total</b>	<b>12.4</b>	14.2

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:** 20,221 MSEK **INVOICED SALES:** 20,416 MSEK **OPERATING PROFIT:** 2,531 MSEK **PROFIT AFTER FINANCIAL ITEMS:** 2,144 MSEK **PROFIT FOR THE PERIOD:** 1,631 MSEK **EARNINGS PER SHARE:** 1.30 SEK **CASH FLOW FROM OPERATIONS:** -2,571 MSEK



*Johan Israelsson,*  
President of Sandvik Hyperion

## Introducing Sandvik Hyperion

Johan Israelsson has been appointed President of Sandvik Hyperion, a new leading product area within Sandvik Venture that focuses on hard and superhard materials.

"The merger of Sandvik Hard Materials and Diamond Innovations has allowed us to create the new, stronger and broader product area, Sandvik Hyperion," Israelsson says. "By working closely with our customers, we will develop into a world-class applied materials company. I'm excited and proud to have the opportunity to lead the team toward this common vision."

Israelsson has 27 years of industry experience with Sandvik Coromant and was previously President of Sandvik Coromant Market Area Americas.

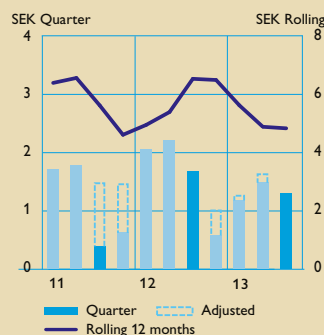
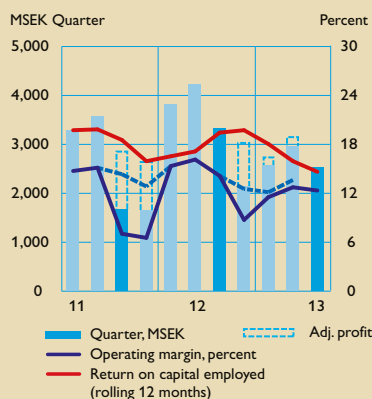
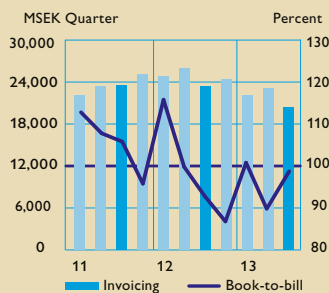


*Peter Samuelsson,*  
Vice President and Head of R&D at Sandvik Materials Technology

## New Head of R&D at Sandvik Materials Technology

Peter Samuelsson has taken the position of Vice President and Head of Research & Development (R&D) at Sandvik Materials Technology. Samuelsson has worked in similar positions at Ovako Steel, Avesta Sheffield and most recently Outokumpu, and he brings considerable experience to the position.

"Sandvik Materials Technology is an organization well known for its advanced materials and great knowledge about the materials and their application areas," Samuelsson says.



#### RECENT SANDVIK ACQUISITIONS

Sandvik has acquired Precorp Inc. in the United States, manufacturer of polycrystalline diamond and carbide tools. In 2012, Precorp reported sales of about USD 36 million.

Sandvik has also acquired German TechnoPartner Samtronic GmbH (TPS), a manufacturer of scattering machines and double belt presses. In 2012, TPS had sales of USD 18 million.

#### SANDVIK SECURES MAJOR ORDER

Sandvik has secured a materials handling contract in South America that exceeds USD 102 million in value. The order includes engineering and services of conveying systems.

"The importance, size and complexity of the conveyor systems and the performance data demonstrate our ability to provide high-tech solutions in the area of continuous mining," says Gary Hughes, President Sandvik Mining.

#### IN FOCUS

## Maintaining the edge

Mats Backman recently became CFO and Executive Vice President of the Sandvik Group. He previously held the position as Vice President Finance, IT and Business Development for Sandvik Machining Solutions.

#### YOUR APPOINTMENT COMES AT A TIME WHEN SANDVIK IS CUTTING DOWN ON FACTORY SITES AND HAS LAUNCHED A MAJOR SAVINGS PROGRAM. HOW DO YOU VIEW THE SITUATION?

"In part, the cutbacks are a response to a down period, especially in mining and construction. But if you look at the bigger picture, these measures are a strategy for future growth; they aim to make us stronger. They are structural changes that we need in order to fine-tune our operations."

at supporting our growth plans. To that effect, our global finance function is shifting from transactional to value-adding activities such as providing an economic analysis and basis for decisions. One enabler is to outsource our transactional activities."

#### YOU HAVE WORKED WITH SANDVIK SINCE 2007. HOW DO YOU THINK THE COMPANY HAS CHANGED?

"We are improving in communicating that we are a global and innovative company where it is fun to work and where there are good opportunities for personal careers. By doing that, we attract younger, talented people, which is crucial in maintaining the edge."

#### Facts:

**MATS BACKMAN**, 45, grew up in Malmberget in the northernmost part of Sweden. He has a business degree from the University of Stockholm and has held positions at Ernst & Young, Boliden, Nordea and Outokumpu before joining Sandvik.

#### WHAT ARE YOUR PLANS FOR THE FINANCE FUNCTION?

"We can support the business better in improving profitability and reducing working capital. We also need to build a finance function that is even better



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OneDollarGlasses:

- Founded in 2012 in Erlangen, Germany
  - A nonprofit charity organization
  - Aims to supply 150 million people with glasses
  - Is dependent on donations
- [www.onedollarglasses.org](http://www.onedollarglasses.org)



# A clear-eyed vision

Sandvik is donating wire that will change the lives of thousands of people in developing countries who can't see well enough to function in their daily lives. Through the OneDollarGlasses organization, the wire will be transformed into frames for affordable glasses.

**AROUND THE WORLD,** some 150 million people need glasses but can't afford them. Working with the organization OneDollarGlasses, Sandvik is making a contribution to help change this.

OneDollarGlasses provides materials and holds courses in how to manufacture a pair of durable glasses in 12 minutes, without electricity or tools, for less than a dollar. The program involves training future opticians to make and ultimately sell the glasses. Sandvik is donating 500 kilograms of steel wire to OneDollarGlasses to help in this effort. The wire will be made into

approximately 150,000 pairs of glasses.

Martin Aufmuth, the founder of OneDollarGlasses and inventor of the inexpensive glasses on which the program is based, got the idea from Paul Polak's book *Out of Poverty*. Polak had mentioned the possibility of such glasses, although they didn't yet exist. "As a person with impaired vision, you are hampered in your everyday life," says Aufmuth. "You can't read or study, you can't see someone when you meet them. Glasses make an enormous difference."

The frames for Aufmuth's glasses are created from bent steel wire and the plastic lenses click into the frames. However, Aufmuth was having trouble finding steel wire that was sufficiently strong yet flexible enough to cope with the demands of the glasses. Sandvik wire proved to be the solution.

"No other supplier could deliver a wire with the right qualities," says Jonas Eriksson, Technical Marketing at Sandvik



Materials Technology, Wire applications. "Our wire, however, was twice as expensive as the wire Aufmuth had been using. But we felt this was such a deserving cause that we couldn't accept payment. Instead we decided to donate the entire order."

Aufmuth was extremely grateful. "At the moment, donations make all the difference," he says. "Until we are underway, donations are paying for the courses, the materials, everything. Sandvik donating the wire is an incredibly big help to us." ■



Martin Aufmuth



"As a person with impaired vision, you are hampered in your everyday life."

*Martin Aufmuth*, founder of OneDollarGlasses