



## Sandvik sets a new strategic direction to strengthen market leadership

The purpose of the new strategy is to achieve world class performance in value creation through higher growth and profitability and thereby make Sandvik an even more attractive company for customers, employees and shareholders. The new strategy is focused on increasing profitability, strengthening position in attractive markets and segments and a more active portfolio management. The strategy is based on four cornerstones:

- **AMBITION** to be world class in every core area,
- **higher SPEED** in every process,
- **increased FOCUS** in selected core businesses,
- **become truly GLOBAL** in mindset and organization but with strong **LOCAL** adaptations.

To succeed with the new strategic direction and to increase transparency and operational focus the organization will be split in five Business Areas instead of three and a stronger platform for utilizing common resources will be developed. The new organization will be effective 1 January 2012.

The strategy entails a stronger and more enhanced focus on growth in strategically important, fast growing and profitable markets. Furthermore the strategy aims to shorten decision making in order to faster adapt to changing market conditions. Capital allocation will be more strictly directed towards areas of high returns and value creation. A new model for performance management will be implemented to secure continued improvements. Alternative structural solutions will be evaluated on a regular basis for units that are of lower strategic importance or do not reach acceptable returns.

The Sandvik business model is founded on unique knowledge in excavation, development and shaping of metals and other materials. The new organization will ensure better pre-conditions for every core business to develop and optimize product offering as well as production, distribution and market channels. The new leaner and more simplified organizational structure together with better coordination of common functions in Shared Service Centers is expected to generate cost savings and increased quality.

“Sandvik has a strong offering and a market leading position in many fast-growing and developing markets as well as in more mature markets. We need to strengthen this position and also improve in some areas to be world class in all our businesses. Sandvik will always have ambitious targets but there also has to be strong commitment to reaching these targets. We need to act as one company and make sure that we allocate resources and capital to the businesses where we get the best return, says Olof Faxander, Sandvik’s President and CEO.

“It is essential that we adopt strategies and organization to a rapidly changing global market where the ability to act and react fast is crucial for long term success. The new organization means a clear and strong focus on four core Business Areas where our targets are both market leadership and world-class profitability. We also need to enable development of adjacent businesses and in the fifth Business Area ensure that smaller operations with high potential have the opportunity to develop in the best way”.

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### Three Business Areas turn into five

In order to create maximum leverage within each core business and to optimize the organization for growth and profitability also for new and smaller adjacent businesses the operation will be organized in the following five Business Areas.

#### Sandvik Mining

Focused on global leadership on products, solutions and services for high-performing hard rock and soft rock underground and surface mining operations. The medium term targets are:

- to maintain the strong growth rate
- to maintain and strengthen a leading market position
- to increase profitability relative to key peers

#### Sandvik Machining Solutions

Holds a clear global leadership by offering productivity enhancing products and solutions for advanced industrial metal cutting. The medium term targets are:

- to further strengthen the global leadership
- to increase growth and profitability
- to evaluate opportunities to expand in adjacent areas

#### Sandvik Materials Technology

Offers high value-added advanced metal products for demanding applications in selected niches. The medium term targets are:

- to within 2-3 years turn around the Business Area to a significantly higher profitability
- subsequently evaluate alternatives for growth and expansion

Product Area Process Systems and the parts of Product Area MedTech comprising medical devices (implants and instruments) will be moved to the new Business Area Sandvik Venture.

Unless a credible path to acceptable profitability is visible in the medium term the Business Area Sandvik Materials Technology will be evaluated for full or partial divestment.

#### Sandvik Construction

Offers high-performing products, solutions and services within selected niches of the global construction industry. The medium term targets are:

- to within 2-3 years turn around the Business Area to a significantly higher profitability
- subsequently evaluate different alternatives for growth and expansion

Unless a credible path to acceptable profitability is visible in the medium term the Business Area will be evaluated for full or partial divestment.

#### Sandvik Venture

A Business Area aiming to create the best possible environment for growth and profitability in attractive and fast-growing operations. Primarily focusing on Product Areas with limited connections to other Business Areas or closely linked to several other Business Areas.

The different Product Areas within Sandvik Venture will be evaluated on a regular basis from structural, strategic and value creation aspects. The following Product Areas will be included in Sandvik Venture: Sandvik Process Systems, Sandvik Hard Materials, Diamond Innovations, Wolfram and Dormer as well as the parts of Sandvik MedTech comprising medical devices.

### Preliminary pro forma calculation

Based on the actual numbers for the full year 2010 and the second quarter of 2011 some preliminary financial key figures are as follows:

#### Full year 2010 (rounded numbers)

	Sandvik Mining	Sandvik Machining Solutions	Sandvik Materials Technology	Sandvik Construction	Sandvik Venture
Invoicing, MSEK	27,200	18,500	15,700	8,000	7,300
EBIT, MSEK	4,100	3,800	1,300	600	800
EBIT %	15%	20%	8%	8%	11%
ROCE %	32%	25%	9%	13%	9%
No of employees	12,800	12,600	8,000	2,600	3,800

#### Q2 2011 (rounded numbers)

	Sandvik Mining	Sandvik Machining Solutions	Sandvik Materials Technology	Sandvik Construction	Sandvik Venture
Invoicing, MSEK	7,600	5,300	4,500	2,200	2,100
EBIT, MSEK	1,300	1,400	400	100	250
EBIT %	17%	26%	8%	5%	12%
ROCE %	35%	31%	10%	11%	13%
No of employees	13,600	13,000	8,200	2,700	3,900

A final calculation of financial numbers according to the new organization will be conducted in connection with the full year closing of 2011.

Potential one off costs resulting from the implementation of the new organization and strategy will be communicated once they are finally assessed and the objective is to take the charges during the rest of 2011.

### Coming activities

The new organization will be effective 1 January 2012. Key activities to prepare for this will include manning of the different Business Areas, development of detailed targets and strategies as well as activities aimed at coordinating and separating different units.

In line with the new strategic direction and due to limited strategic fit as well as poor financial results a process has been initiated to divest the parts of Sandvik MedTech comprising implants and instruments. The operation had in 2010 sales of around 650 MSEK and about 600 employees. As a consequence the result in Q3 is expected to be impacted by costs of approximately 1.2 billion SEK from write-downs of goodwill in this operation.

A conference call with Sandvik's CEO Olof Faxander and CFO Ola Salmén about the new strategy and organization will be held on the 2 September at 14.00 CET. To participate in the conference call please call +46 8 506 269 00 and enter PIN CODE 881751#.

Sandviken, 2 September 2011

Sandvik Aktiebolag (publ)

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**Sandvik Group**

*Sandvik is a global industrial group with advanced products and world-leading positions in selected areas – tools for metal cutting, equipment and tools for the mining and construction industries, stainless materials, special alloys, metallic and ceramic resistance materials as well as process systems. In 2010 the Group had about 47,000 employees and representation in 130 countries, with annual sales of nearly SEK 83,000 M.*