

World leading in materials technology

Sandvik Materials Technology is a leading manufacturer of products in advanced stainless materials, special alloys, metallic and ceramic resistance materials as well as steel-belt-based processing systems. The main competitive advantages include a leading position in materials research and process technology, a strong international sales organization and an efficient global distribution system. Products and materials are developed in close cooperation with customers.

The core of Sandvik Materials Technology's offerings is unique, world-leading expertise within alloyed materials, materials technology and process technology. The focus is on advanced products and system solutions that correspond to the stringent requirements placed on safety, productivity, cost efficiency and long service life.

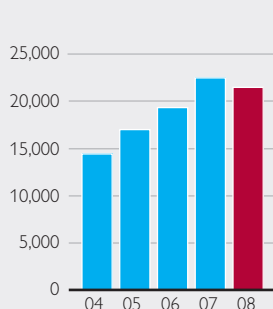
Customers can be found in many industries, such as oil/gas, energy, medical technology, chemicals and pulp/paper, as well as within such consumer-oriented segments as automotive, appliances, food and electronics. Operations within these areas are concentrated to a number of strategic segments with higher-than-average growth and profitability and where unique customer value can be offered. The segments that have shown the strongest growth in recent years have been the medical-technology field and the energy sector.

The business area is highly research-intensive and a focus on a strong product development portfolio has been assigned the highest priority. Sandvik has one of Europe's largest research facilities for advanced metallic materials and special alloys at Sandviken, Sweden. The business area operates a research unit for ceramic and metallic resistance materials at Hallstahammar, Sweden. At the start of 2008, research operations were expanded further with a unit in Pune, India.

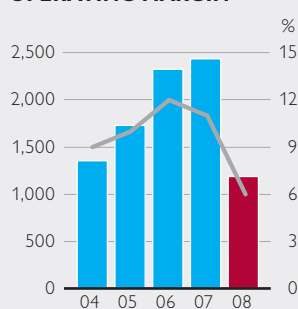
The goal is to be on the leading edge of technology within selected customer segments, thereby offering the best solutions and the greatest possible added value to customers. An important part of this work consists of business intelligence and marketing analysis aimed at future needs, such as renewable energy. Development and improvement efforts take place in close cooperation with customers and joint-venture partners.

Operations are divided into six product areas: Tube, Strip, Wire, Kanthal, Process Systems and MedTech.

INVOICED SALES



OPERATING PROFIT AND OPERATING MARGIN



INVOICED SALES, SEK M	2008		2007		2006	
	SEK M	%	SEK M	%	SEK M	%
Sandvik Materials Technology	21,480	6	22,486	11	19,337	12

OPERATING PROFIT AND OPERATING MARGIN	2008		2007		2006	
	SEK M	%	SEK M	%	SEK M	%
Sandvik Materials Technology	1,187	6	2,435	11	2,324	12

Market's driving forces

Demand for Sandvik Materials Technology's products depends, in part, on investments in the fields of energy, processing and the electronics, as well as production of industrial and consumer products. The primary drivers behind market growth are increased demand for materials and products offering a long service life and that can meet high demands for safety, productivity and cost-efficiency. In addition, increased automation, demands for increasingly more energy-efficient products and processes, and overall greater environmental awareness have resulted in greater demands for more advanced materials and products from the business area.

Market

The market potential for the business area's products exceeds SEK 150 billion. Underlying annual market growth totals 4–6%, with even higher growth rates for segments such as medical technology and energy. Rapidly expanding markets such as Brazil, Russia, India and China are also increasing the growth potential.

Operations during the past year

Demand for highly-processed niche products from Sandvik Materials Technology remained strong during the first three quarters, primarily from customers in the energy, oil/gas, medical technology, nuclear power and processing industries. During the year, for example, a number of large project orders were received for steam generator tubes for the energy sector, including two orders during the fourth quarter with a combined value of SEK 900 M. Large orders were also

received for precision wire for emissions filters within the energy sector, including two orders in India each worth approximately SEK 100 M.

The price of metals varied during the year. Metal inventories were revalued on a continuous basis to the lower of cost or net realizable value. The total negative net earnings effect of metal price fluctuations was calculated at SEK 1,100 M for 2008.

Due to the global financial crisis and economic downturn, market development weakened significantly within a majority of segments during the start of the fourth quarter, especially automotive and consumer-related industries. One consequence of this was the identification of overcapacity in the business area corresponding to 1,500 persons. However, activity within the energy and medical-technology sectors remained high.

The position within medical technology was strengthened through three strategic acquisitions. Important steps were thereby taken towards establishing Sandvik Materials Technology as a strategic partner and comprehensive subcontractor for orthopedic implants and instruments to leading global medical-technology companies.

To strengthen its market position in Asia, work was started on a new production facility for cold-rolling and finishing of high-alloy, seamless tubes in Zhenjiang, China. The facility is expected to be started up during the first half of 2009. In conjunction with this capacity increase, efforts are under way to expand and strengthen the sales organization in Asia.

Steam generator tubes



Powder metallurgy component



STEAM GENERATOR TUBES

The energy sector accounts for a large portion of Sandvik Materials Technology's sales. For example, the Group is a world leader in steam generator tubes to the nuclear power industry, which involves extremely high demands for safety and quality. Sandvik's expertise in this area will be a central factor in the reconstruction and new construction projects planned in the nuclear power industry.

POWDER METALLURGY COMPONENT

Through unique expertise in powder technology, the business area also develops and produces customized components in near-net-shape for customers, primarily in the offshore and energy industries.

Advanced materials for better quality of life

Orthopedic implants made of metal or ceramics provide millions of patients worldwide the ability to return to a normal, active life – free of pain.

The use of orthopedic implants is increasing rapidly. The global market has doubled in size over the past ten years.

Through core expertise in materials technology, precision casting, precision forging, powder technology, advanced surface technology and machining, the Group is a unique player within the medical-technology field. High-alloy stainless materials and titanium alloys meet the specialized high standards that customers place on materials that must be compatible with the human body.

Sandvik is a leading supplier of implant and surgical instruments to global medical-technology companies who, in turn, market directly to hospitals and medical clinics.

Sandvik's materials are also important for stents, used to open constricted blood vessels, and for surgical needles, scalpels and pacemakers. Pacemakers operate using a thin wire to deliver electrical impulses that stimulate the heart muscle. This extremely thin wire must fulfill a number of requirements – it must be conductive, highly durable and biocompatible. Sandvik's wire meets all of these requirements. It is a composite wire with a core of pure silver and an outer advanced alloy shell. The silver provides excellent electrical conductivity. The surrounding shell is biocompatible and everything fits into a diameter of 0.025 mm, or half the width of a human hair.

The Group also develops and manufactures advanced tools for machining of such items as implant materials. Sandvik's products meet the customers' high demands for precision and surface finish.