

INTERIM REPORT FEBRUARY 3

FOURTH QUARTER 2015



SUMMARY Q4 2015

CHALLENGING MARKET CONDITIONS

LOW VOLUMES IMPACT PROFITABILITY

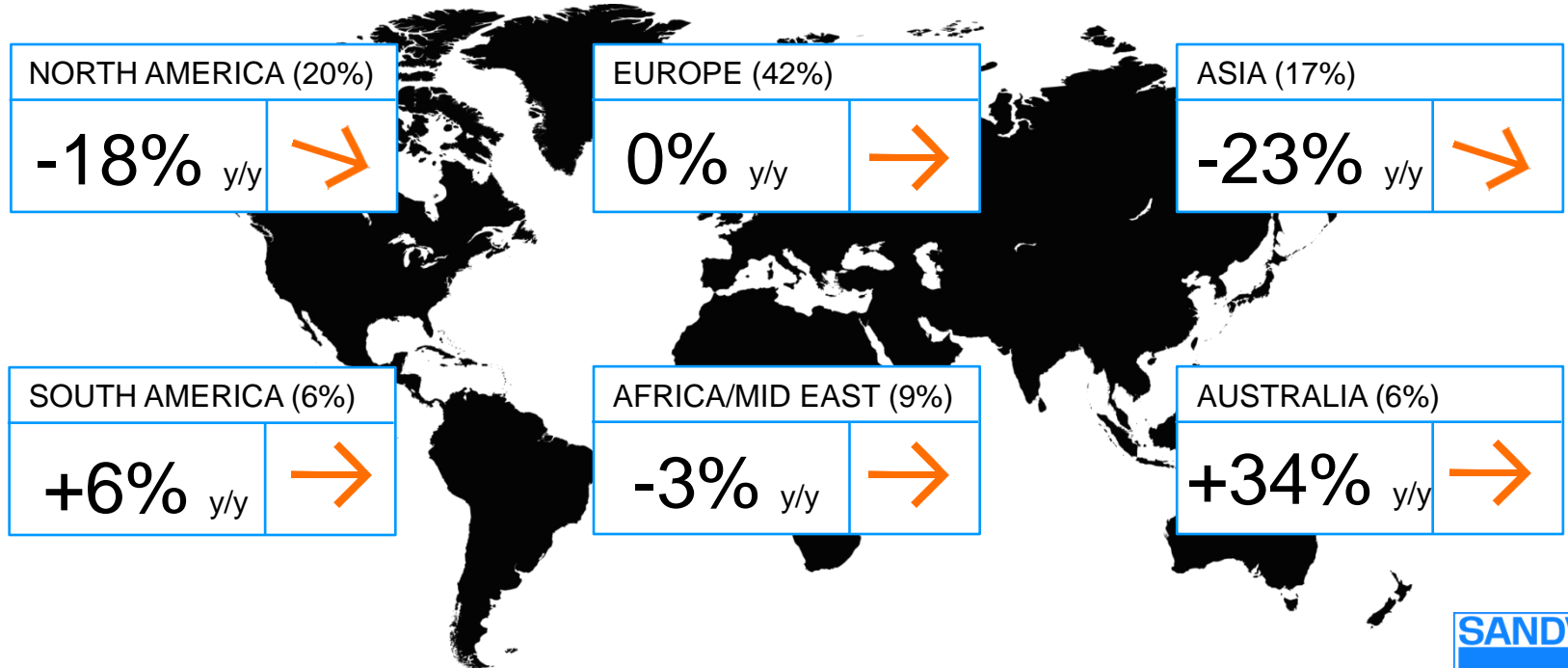
INTERNAL EFFICIENCY MEASURES
ONGOING

STRONG CASH FLOW

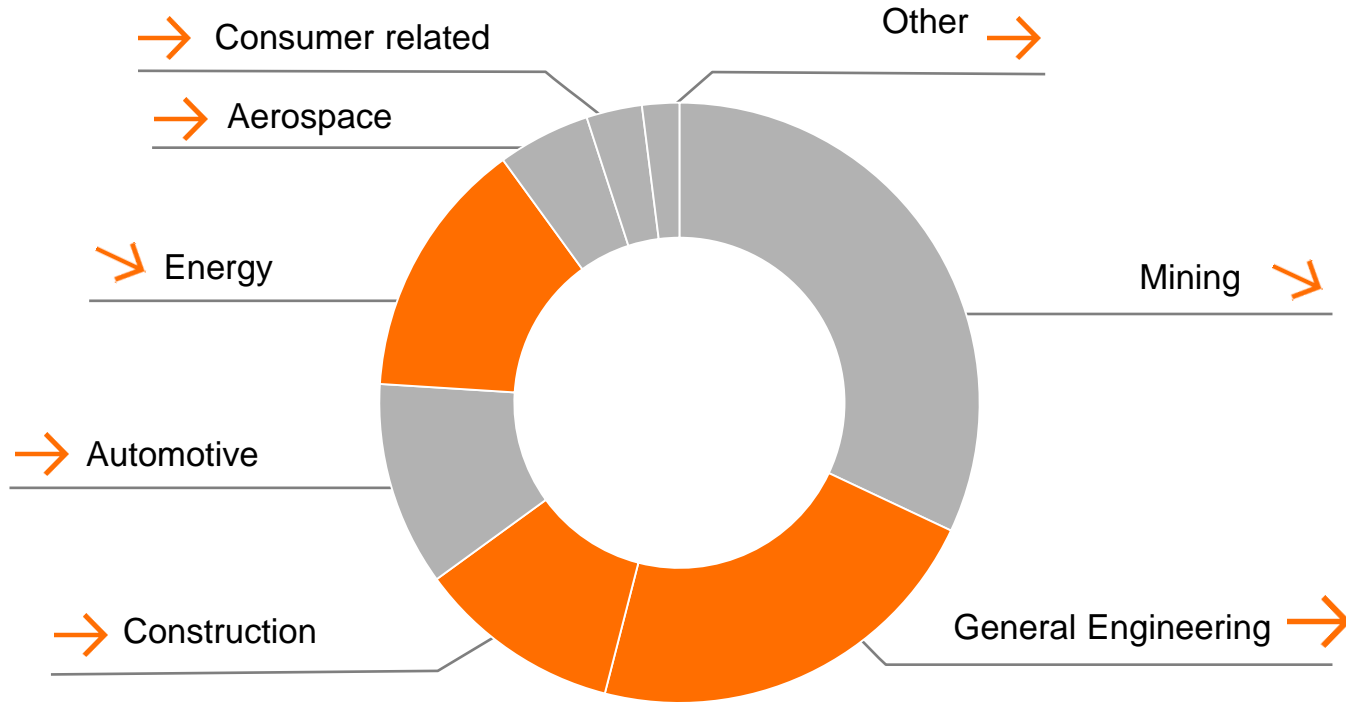


ORDER INTAKE BY MARKETS

ORDER INTAKE Q4 2015 SHARE OF GROUP TOTAL → Underlying sequential demand trend (q/q)



INVOICING BY CUSTOMER SEGMENTS



ORGANIC INVOICING GROWTH VS Q4 2014

-6%

- > +5%
- -5 to +5%
- < -5%

→ Demand trend compared with preceding quarter

SANDVIK MACHINING SOLUTIONS – Q4 2015

WEAKENED DEMAND IN NORTH AMERICA & ASIA

- EU: stable across segments
- NA: energy weak, negatively affecting general engineering, slight decline in automotive
- Asia: China weak across segments

SOLID PROFITABILITY, STRONG CASH FLOW

- Structural improvements
- Record high cash flow

ONE OF THE 15,000 NEW PRODUCTS

- Solid carbide round tool, WALTER DC 170



| MSEK | Q4 2014 | Q4 2015 | CHANGE |
|----------------|---------|---------|--------|
| ORDER INTAKE | 8,129 | 7,890 | -7%* |
| INVOICING | 8,122 | 8,039 | -5%* |
| OP. PROFIT | 1,622 | 981 | -40% |
| % OF SALES | 20.0% | 12.2% | |
| ADJ OP. PROFIT | 1,622 | 1,611 | -1% |
| % OF SALES | 20.0% | 20.0% | |

*At fixed exchange rates for comparable units



SANDVIK MINING – Q4 2015

INCREASED MARKET UNCERTAINTY

- Good equipment order intake in weak market
- Some softening in the aftermarket
- Slight earnings improvement

NEW HEAD OF SANDVIK MINING

NEW PRODUCTS

- LH204E, electric narrow-vein loader



| MSEK | Q4 2014 | Q4 2015 | CHANGE |
|----------------|---------|---------|--------|
| ORDER INTAKE | 4,894 | 4,819 | -1%* |
| INVOICING | 5,349 | 5,509 | +3%* |
| OP. PROFIT | 705 | 663 | -6% |
| % OF SALES | 13.2% | 12.0% | |
| ADJ OP. PROFIT | 705 | 749 | +6% |
| % OF SALES | 13.2% | 13.6% | |

*At fixed exchange rates for comparable units



SANDVIK MATERIALS TECHNOLOGY

- Persistently weak demand in oil and gas, order intake -11% y/y
- Ongoing efficiency measures
- Net working capital first time ever below 25%



SANDVIK CONSTRUCTION

- Challenging market conditions, order intake -3% y/y
- Large tunneling orders in Australia, book-to-bill 0.97
- Improved profitability from low levels, adjusted EBIT margin 3.1%



SANDVIK VENTURE

- Weak demand particularly in oil and gas, order intake -20% y/y
- Low volumes impact profitability, adjusted EBIT margin 4.0%
- Additional efficiency measures initiated



DIVIDEND PROPOSAL

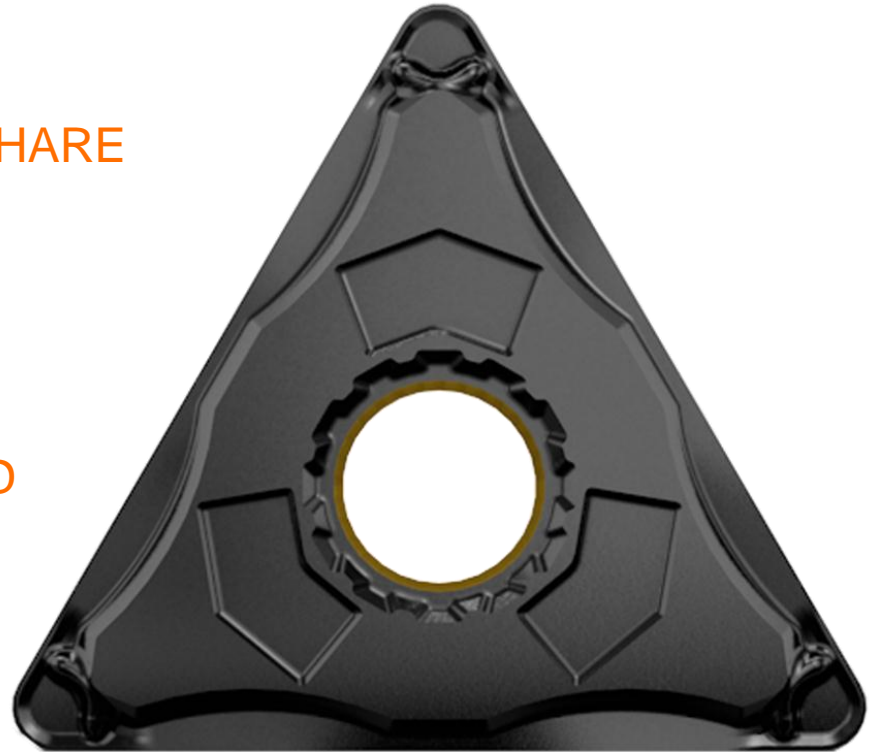
PROPOSED DIVIDEND: 2.50 SEK PER SHARE

- 140% of reported Group total EPS
- 57% of reported Group total adjusted EPS
- Above 50% policy

STRONG CASH FLOW FUNDS DIVIDEND

BALANCE SHEET FLEXIBILITY

SAFEGUARD CREDIT RATING



MATS BACKMAN

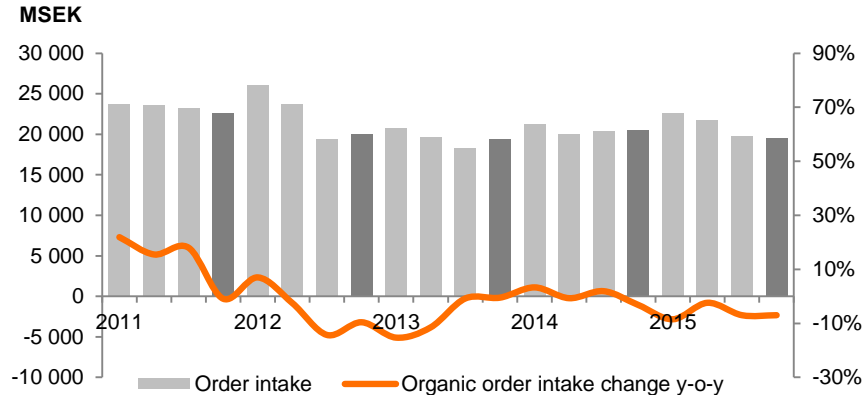
CFO



ORDER INTAKE

19,531 MSEK

CHANGE P/V -7%

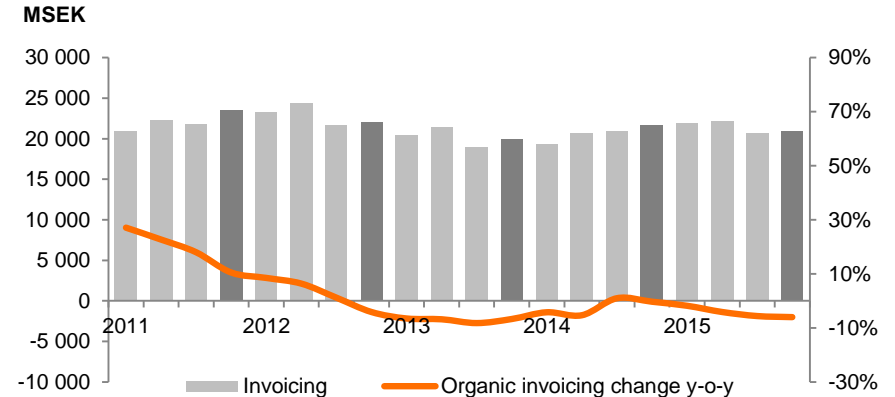


- Book-to-bill 0.93
- Order cancellations in China for Construction and Mining
- Large tunneling orders in Australia for Construction

INVOICING

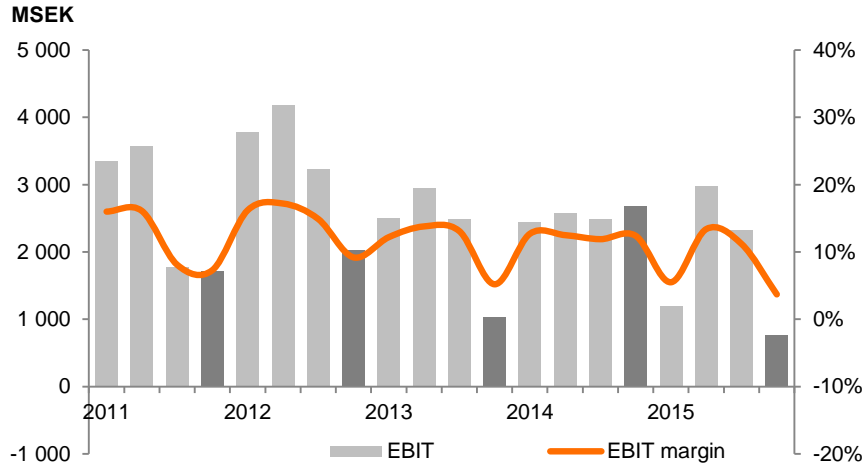
20,940 MSEK

CHANGE P/V -6%

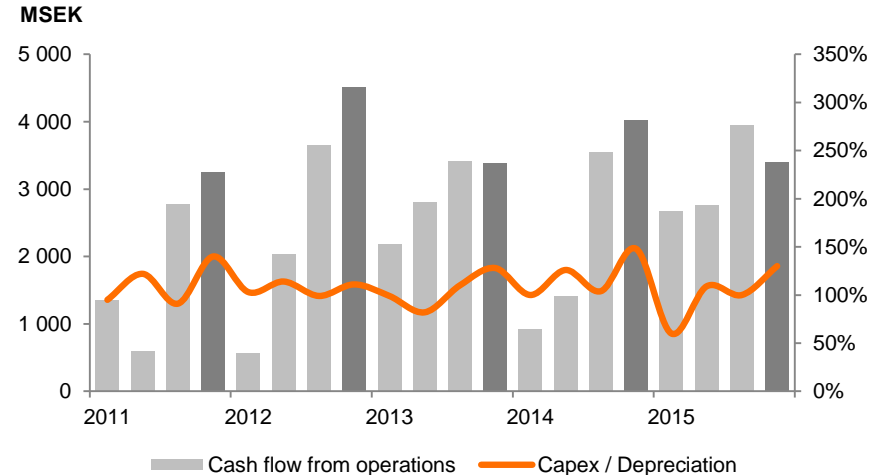


- Negative organic growth for 4 out of 5 BA's
- Mining growth (P/V +3%) supported by strong equipment order intake in H1

ADJUSTED EBIT 2,315 MSEK, 11.1%



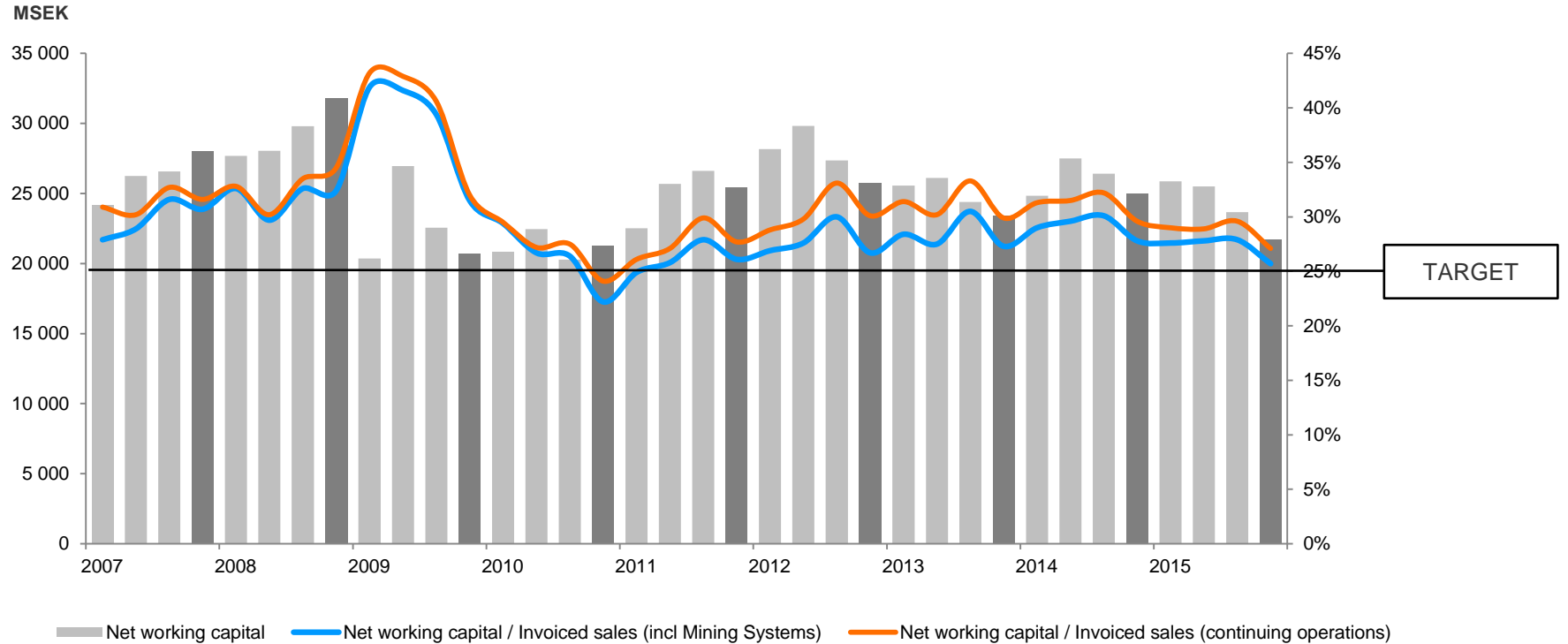
CASH FLOW 3,404 MSEK



- Reported EBIT 770 MSEK, 3.7% impacted by nonrecurring costs of 1.5bn
- Year-on-year adjusted earnings decline (-11%) despite positive effects from savings initiatives and changed exchange rates
- Currency effect ~70 MSEK
- Savings from announced programs 269 MSEK

- Continued strong cash flow due to NWC reductions
- Investments 1.3 BSEK in Q4
- Record full year cash flow 12.8 BSEK

NET WORKING CAPITAL



CREATING A LEANER COMPANY

HALF WAY THERE – IN SAVINGS AND IN TIME

- Delivered 50% of targeted savings
- Program close at year-end 2017
- Third and final phase initiated in Q4
- 11 units closed of announced 23

Remaining savings
1bn SEK

Achieved savings
1.1bn SEK

TOTAL SAVINGS TARGET
2.1BN SEK

Right sizing

Supply chain optimization

Adjustment of cost base

Supply chain optimization

GUIDANCE

Q1 2016

Currency effect: -300 MSEK

Metal price effect: -130 MSEK

FULL YEAR 2016

Capex: <4.1 bn SEK

Net financial items: 1.7-1.9 bn SEK

Tax rate: 26-28%



FULL YEAR 2015

CHALLENGING MARKET CONDITIONS

- Invoicing 86bn SEK, 12.3% adjusted EBIT margin

PORTFOLIO OPTIMIZATION

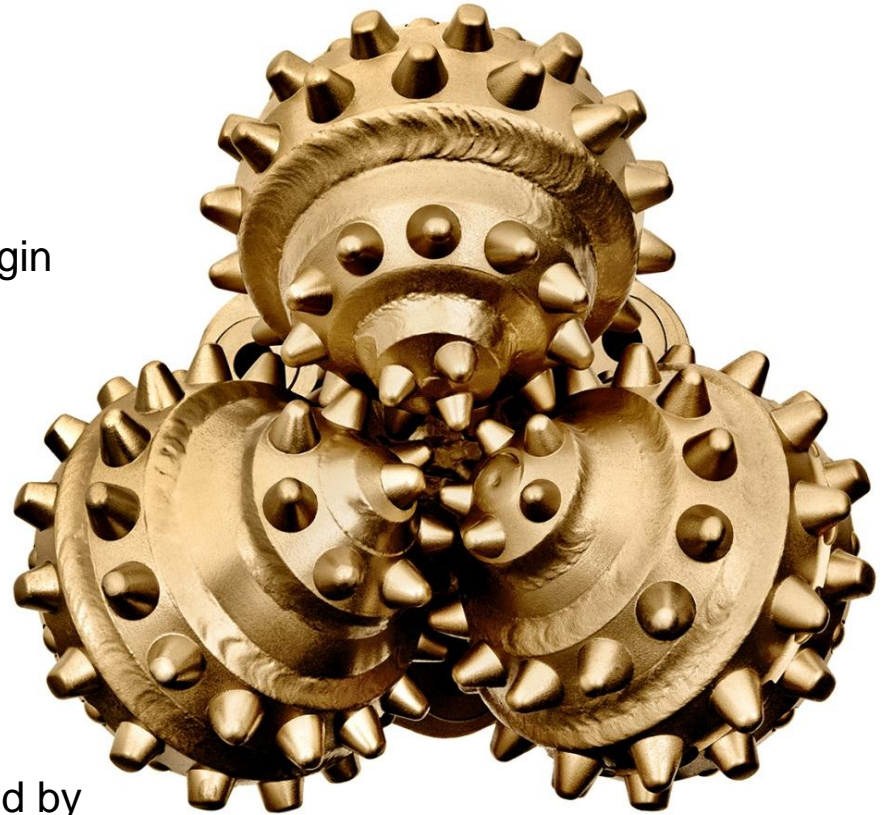
- Initiated divestment of Mining Systems

OPERATIONAL EFFICIENCY

- First phase finalized of Supply Chain Optimization
- Additional efficiency measures ongoing

RECORD HIGH CASH FLOW, 12.8bn SEK

- Dividend of 2.50 SEK (3.50) per share proposed by the Board of directors



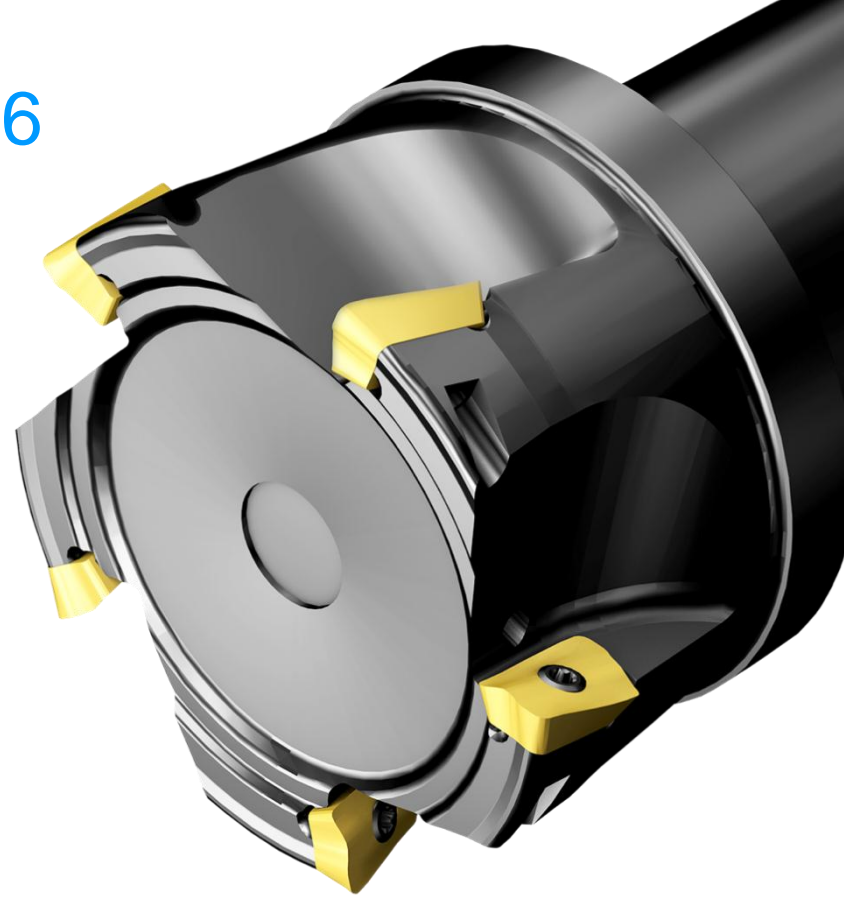
LOOKING FORWARD TO 2016

LEANER AND MORE EFFICIENT

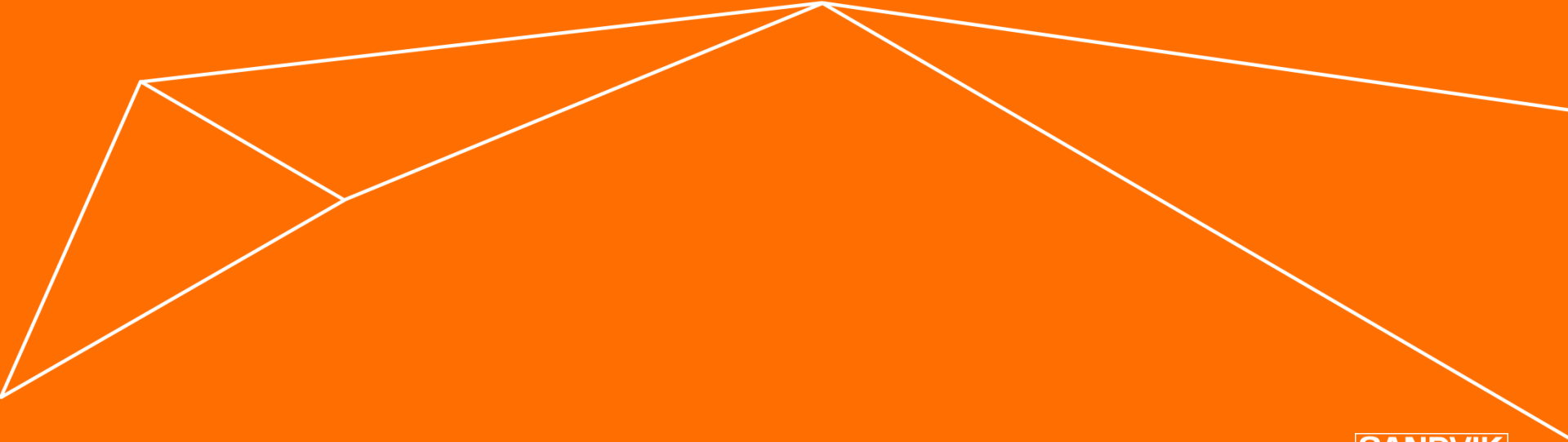
DELIVER ON ONGOING EFFICIENCY
MEASURES FOR STRONGER
PERFORMANCE

IMPROVED ACCOUNTABILITY,
TRANSPARENCY AND SPEED

CHALLENGE BUSINESS STRUCTURE



BACK-UP SLIDES



BRIDGE ANALYSIS

SANDVIK GROUP

| MSEK | Q4 2014 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS* | Q4 2015 |
|-------------|---------|--------------------------------|----------|------------------------|---------|
| INVOICING | 21,704 | -1,160 | 600 | -210 | 20,940 |
| EBIT | 2,684 | -360 | 70 | -1,630 | 770 |
| EBIT MARGIN | 12% | -31% | - | - | 4% |

* Includes metal price effects

BRIDGE ANALYSIS

| MSEK | Q4 2014 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS* | Q4 2015 |
|-----------------------------|---------|--------------------------------|----------|------------------------|---------|
| MACHINING SOLUTIONS | | | | | |
| INVOICING | 8,122 | -410 | 330 | - | 8,039 |
| EBIT | 1,622 | -100 | 90 | -630 | 981 |
| EBIT MARGIN | 20% | -24% | - | - | 12% |
| MINING | | | | | |
| INVOICING | 5,349 | 150 | 10 | - | 5,509 |
| EBIT | 705 | 25 | 20 | -90 | 663 |
| EBIT MARGIN | 13% | +17% | - | - | 12% |
| MATERIALS TECHNOLOGY | | | | | |
| INVOICING | 3,758 | -270 | 120 | -210 | 3,398 |
| EBIT | 330 | -90 | - | -670 | -427 |
| EBIT MARGIN | 9% | -33% | - | - | -13% |

* Includes metal price effects

BRIDGE ANALYSIS

| MSEK | Q4 2014 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS | Q4 2015 |
|---------------------|---------|--------------------------------|----------|-----------------------|---------|
| CONSTRUCTION | | | | | |
| INVOICING | 2,169 | -150 | 70 | - | 2,087 |
| EBIT | 4 | 70 | -10 | -190 | -128 |
| EBIT MARGIN | 0% | N/A | - | - | -6% |
| VENTURE | | | | | |
| INVOICING | 2,301 | -480 | 80 | - | 1,901 |
| EBIT | 335 | -290 | -10 | -5 | 36 |
| EBIT MARGIN | 15% | -60% | - | - | 2% |

SANDVIK MACHINING SOLUTIONS – Q4 2015

RECORD HIGH CASH FLOW

- Continued inventory reduction

CHALLENGING MARKET CONDITIONS

- Stable development in Europe
- Indirect oil and gas exposure impacts North America
- Low demand in Asia, especially China

ADJUSTED EBIT 1,611 MSEK, 20.0%

- Non-recurring charges -630 MSEK
- Currency effects +90 MSEK
- Savings 99 MSEK
- Additional savings initiated



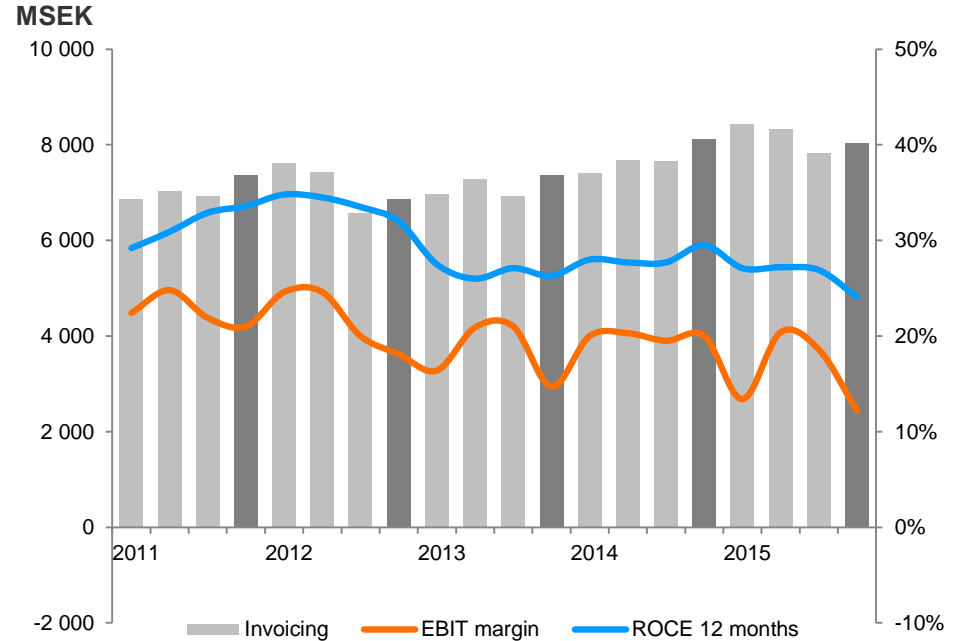
SANDVIK MACHINING SOLUTIONS – Q4 2015

ORDER INTAKE
7,890
 MSEK

INVOICING
8,039
 MSEK

EBIT
981
 MSEK

ROCE
24.1%



SANDVIK MINING – Q4 2015

INCREASED MARKET UNCERTAINTY

SLIGHT MARGIN IMPROVEMENT

- Adjusted EBIT 749 MSEK, 13.6%
- Non-recurring charges -86 MSEK
- Currency effects +20 MSEK
- Savings +69 MSEK

SUPPLY CHAIN OPTIMIZATION

- Phase I completed

PORTFOLIO REVIEW

- Intend to divest Mining Systems



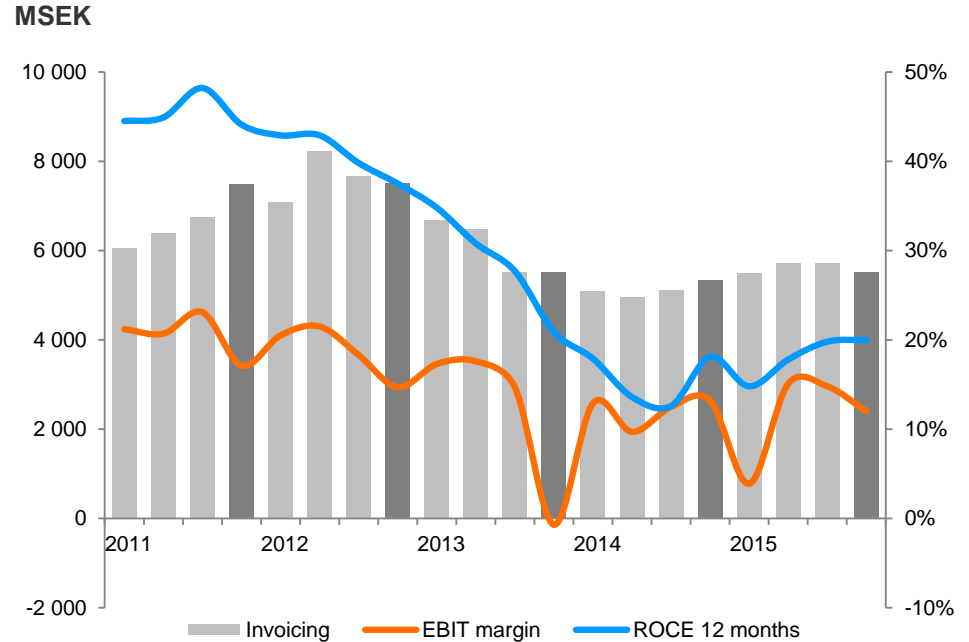
SANDVIK MINING – Q4 2015

ORDER INTAKE
4,819
 MSEK

INVOICING
5,509
 MSEK

EBIT
663
 MSEK

ROCE
20.0



SANDVIK MATERIALS TECHNOLOGY – Q4 2015

CHALLENGING MARKET CONDITIONS

- Persistently weak demand in oil and gas
- Further increased competition in standardized products

ADJUSTED EBIT 118 MSEK, 3.5%

- Excluding metal price effect 7.0 %
- Metal price effect -118 MSEK
- Non-recurring charges -545 MSEK
- Adjustment of cost base ongoing

STRONG CASH FLOW

- Net working capital at historically low level



SANDVIK MATERIALS TECHNOLOGY – Q4 2015

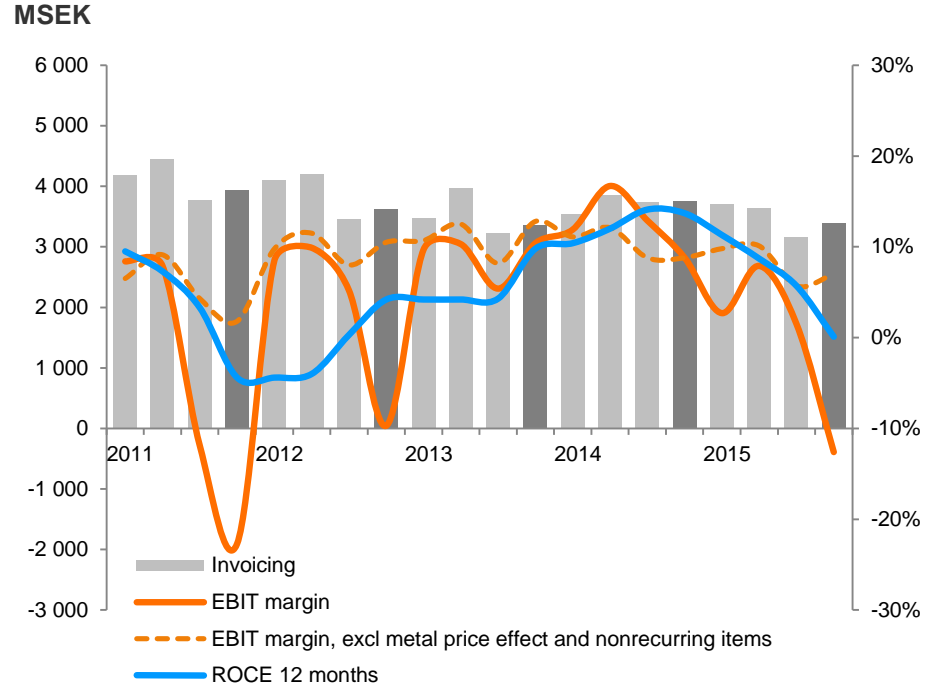
ORDER INTAKE
2,999
MSEK

INVOICING
3,398
MSEK

EBIT
-427
MSEK

ROCE
0.1%

Excluding metal price effects and nonrecurring items, 236 MSEK, 6.9 %



SANDVIK CONSTRUCTION – Q4 2015

CHALLENGING MARKET CONDITIONS

- Relatively higher activity in North America and Northern Europe

MARGIN IMPROVEMENT

- Adjusted EBIT 65 MSEK, 3.1%
- Non-recurring charges -193 MSEK
- Savings 57 MSEK

TWO LARGE ORDERS

- Tunneling orders totalling 270 MSEK in Australia



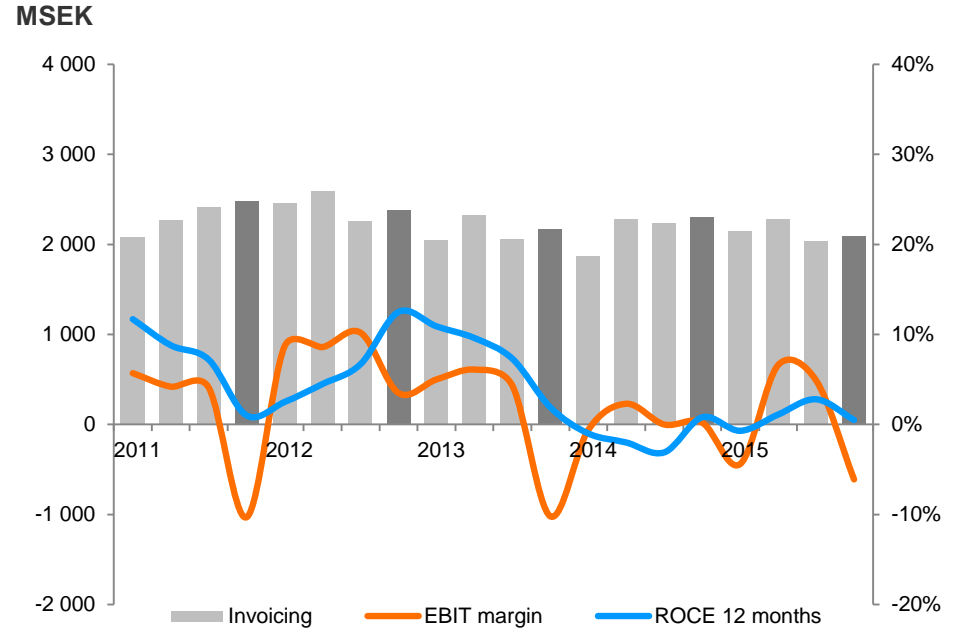
SANDVIK CONSTRUCTION – Q4 2015

ORDER INTAKE
2,026
 MSEK

INVOICING
2,087
 MSEK

EBIT
-128
 MSEK

ROCE
0.5%



SANDVIK VENTURE – Q4 2015

WEAK OVERALL DEMAND

UNDERABSORPTION IMPACT EARNINGS

- Adjusted EBIT 76 MSEK, 4.0%
- Non-recurring charges -40 MSEK
- Currency effect -10 MSEK
- Number of employees, Sandvik and non-Sandvik, reduced by ~300 compared with last year

ADDITIONAL COST SAVINGS MEASURES ANNOUNCED



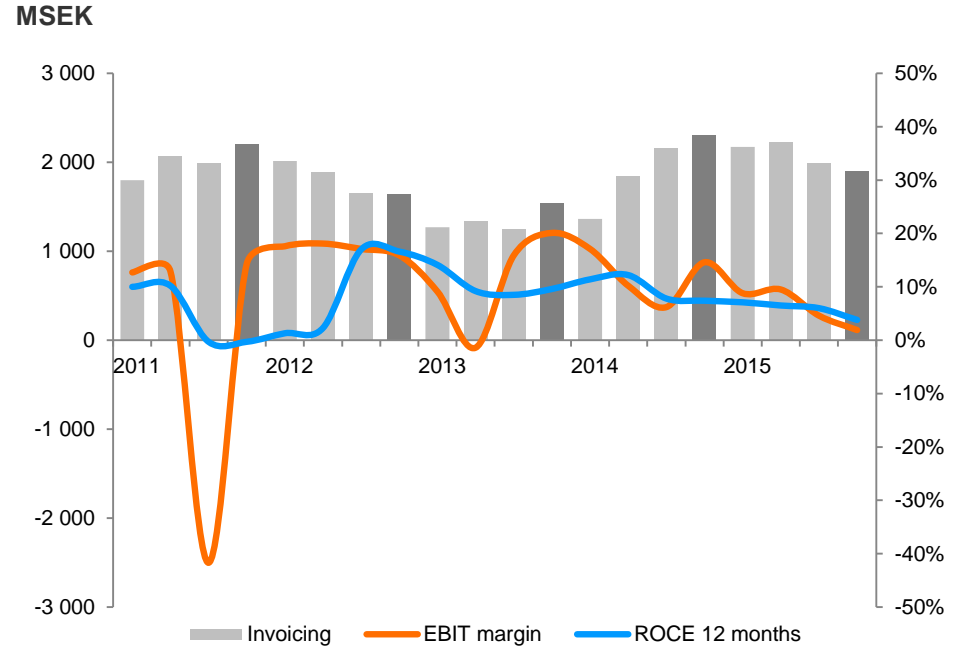
SANDVIK VENTURE – Q4 2015

ORDER INTAKE
1,792
MSEK

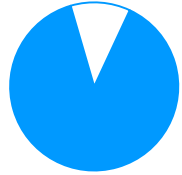
INVOICING
1,901
MSEK

EBIT
36
MSEK

ROCE
3.8%



LOAN AND DURATION PROFILE



LONG TERM
85%

| | AMOUNT MSEK | AVERAGE DURATION |
|----------------------------|-------------|------------------|
| US Private Placement | 6,606 | 4 years |
| Fin institutions, EIB, NIB | 1,958 | 7 years |
| Swedish MTN | 8,044 | 4 years |
| European MTN | 10,022 | 10 years |
| Bank loans | 2,729 | 3 years |
| Share swap | - | - |



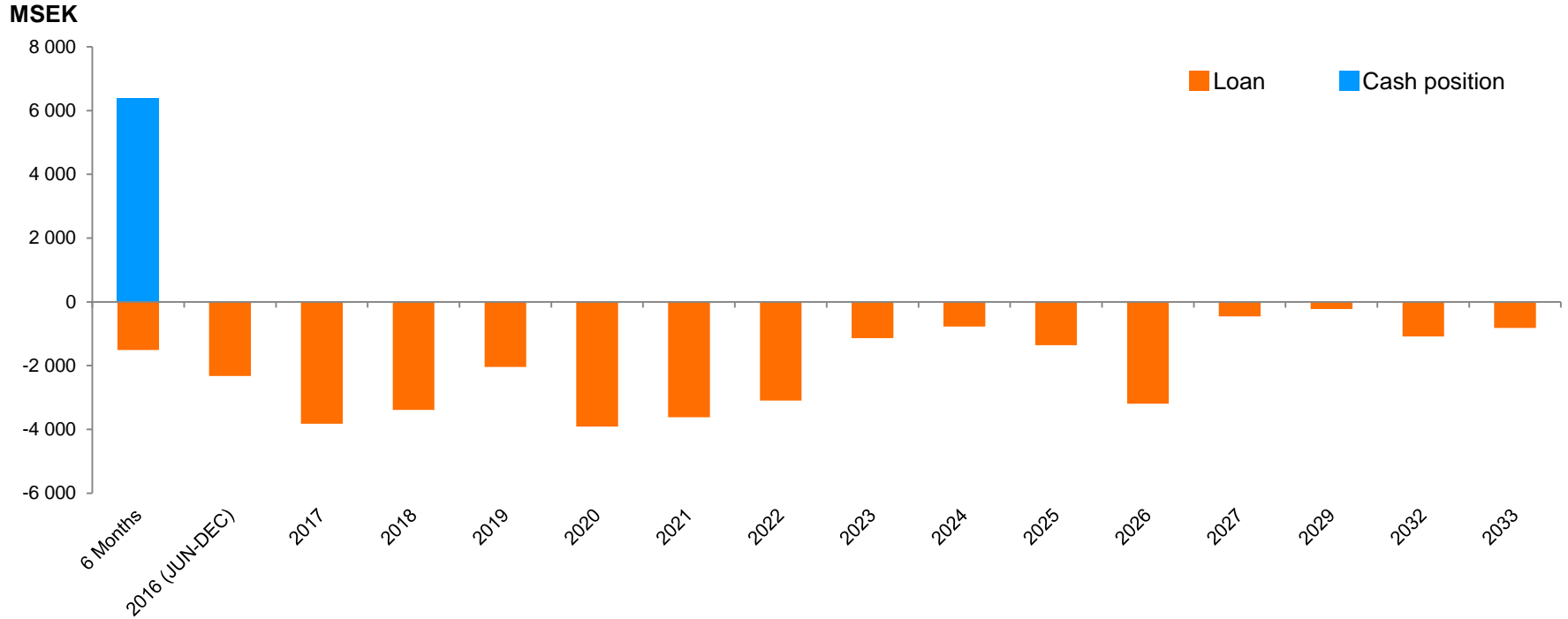
SHORT TERM
15%

| | | |
|----------------------------|-------|-----------|
| Commercial paper | - | - |
| Fin institutions, EIB, NIB | 326 | 10 months |
| Swedish MTN | 3,000 | 9 months |
| Bank loans | 513 | 1 month |
| Share swap | 1,352 | 6 months |

Cash position **6,376 MSEK**
Revolving Credit facilities **10,939 MSEK**




| | | |
|--------------|---------------|--------------------|
| TOTAL | 34,548 | 5 1/2 years |
|--------------|---------------|--------------------|

LOAN MATURITY PROFILE



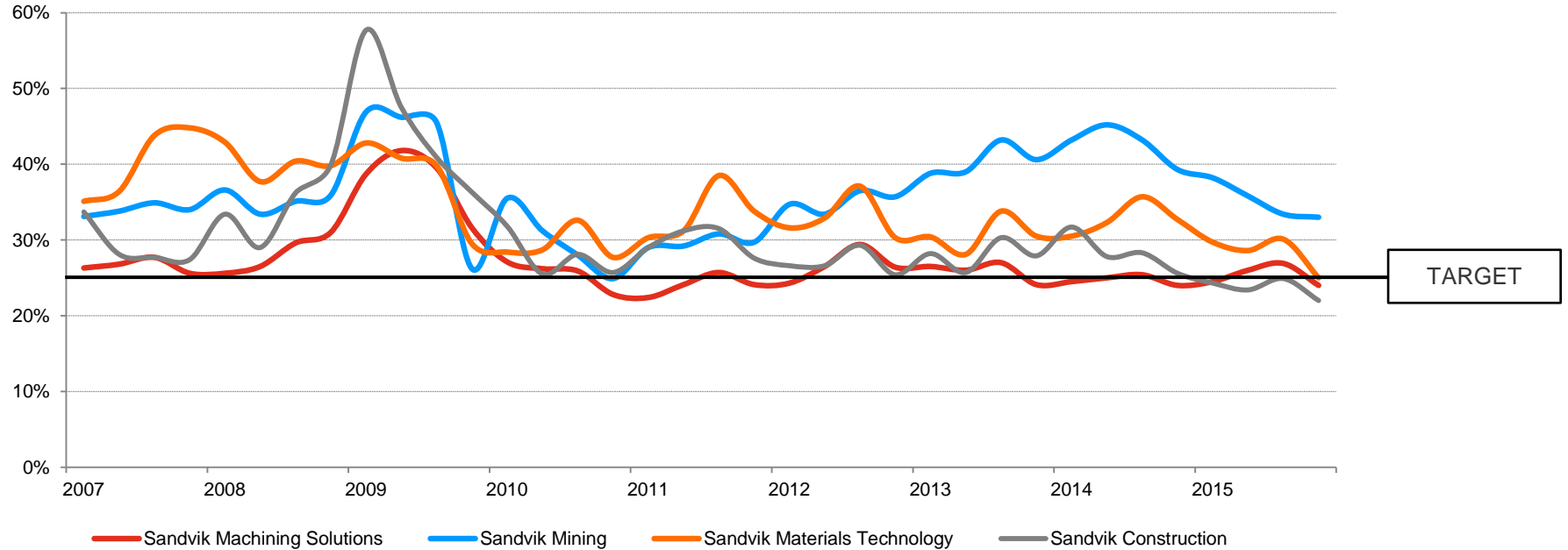
CREATING A LEANER COMPANY

SAVINGS Q4 ANNUAL RUN-RATE (MSEK)

| |  SANDVIK MACHINING SOLUTIONS |  SANDVIK MINING |  SANDVIK MATERIALS TECHNOLOGY |  SANDVIK CONSTRUCTION |  SANDVIK VENTURE | GROUP ACTIVITIES |  Target 2.1 bn. SAVINGS ANNUAL RUN-RATE |
|--------------------------------------|--|--|---|---|---|---------------------|--|
| SUPPLY CHAIN OPTIMIZATION | 244 | 276 | 53 | 124 | 0 | 0 | 697 (1,333) |
| ADJUST OF COST BASE/ RIGHT SIZING | 150 | - | 68 | 104 | 32 | 40 | 394 (762) |
| TOTAL | 394 | 276 | 121 | 228 | 32 | 40 | 1,091 (2,095) |

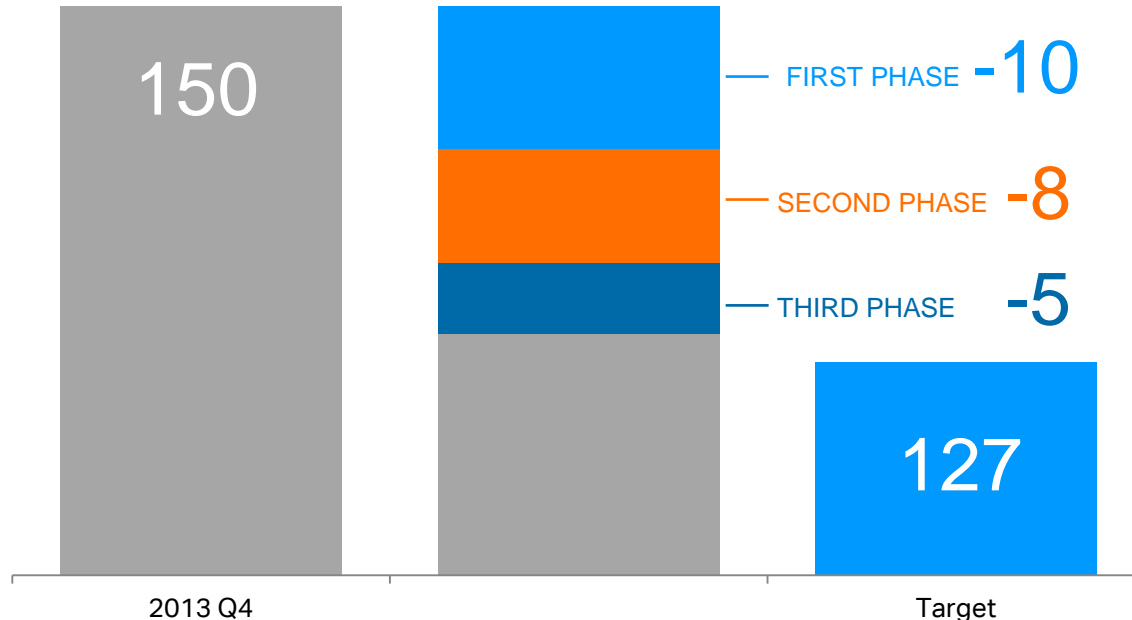
NET WORKING CAPITAL

% OF INVOICING BY BUSINESS AREA



RESTRUCTURING OUR FOOTPRINT

SUPPLY CHAIN OPTIMIZATION PROGRAM CONTINUING OPERATIONS



FIRST PHASE

- FINALIZED AT END Q4 2015
- RUN-RATE SAVINGS 600 MSEK END OF Q4 (out of 690 MSEK target)

SECOND PHASE

- 8 UNITS IN SCOPE, 1 UNIT CLOSED
- TARGET SAVINGS 320 MSEK at year end 2016

THIRD PHASE

- 5 UNITS IN SCOPE
- TARGET SAVINGS 323 MSEK at year end 2017



RESTRUCTURING OUR FOOTPRINT

SUPPLY CHAIN OPTIMIZATION – SUMMARY

| | Original plan | | Min Sys | | Mining phase II review | | Ex MinSys | | Achieved YTD Q4 | |
|--------------------|---------------|--------------|-----------|-------------|------------------------|-------------|-----------|--------------|-----------------|------------|
| | # Units | Savings | # Units | Savings | # Units | Savings | # Units | Savings | # Units | Savings |
| PHASE I | 11 | 800 | -1 | -110 | 0 | 0 | 10 | 690 | 10 | 600 |
| PHASE II | 10 | 600 | 0 | -56 | -2 | -224 | 8 | 320 | 1 | 97 |
| PHASE III | 5 | 323 | 0 | 0 | 0 | 0 | 5 | 323 | 0 | 0 |
| GROUP TOTAL | 26 | 1,723 | -1 | -166 | -2 | -224 | 23 | 1,333 | 11 | 697 |

UPDATED GUIDANCE

CAPEX

Estimated at below 4.1 BSEK for 2016

CURRENCY EFFECTS

Given currency rates at end of December 2015 the affect on EBIT would be -300 MSEK for Q1 2016

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of December 2015, it is estimated that effects on operating profit in Q1 2016 will be about -130 MSEK

NET FINANCIAL ITEMS

Net financial items is estimated to be -1.7 to -1.9 BSEK for 2016

TAX RATE

The tax rate is estimated to about 26–28% for 2016

An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, set against a black background. The lines are thin and create a sense of depth and movement.

DISCLAIMER STATEMENT

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”