

INTERIM REPORT

FIRST QUARTER 2016



SUMMARY

CHALLENGING MARKETS

LOW VOLUMES IMPACT PROFITABILITY

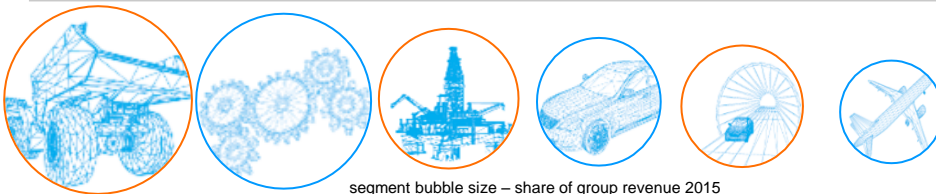
SAVINGS MEASURES SUPPORT
EARNINGS AND LEVERAGE

ACTIONS TO IMPROVE STRUCTURE



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



segment bubble size – share of group revenue 2015

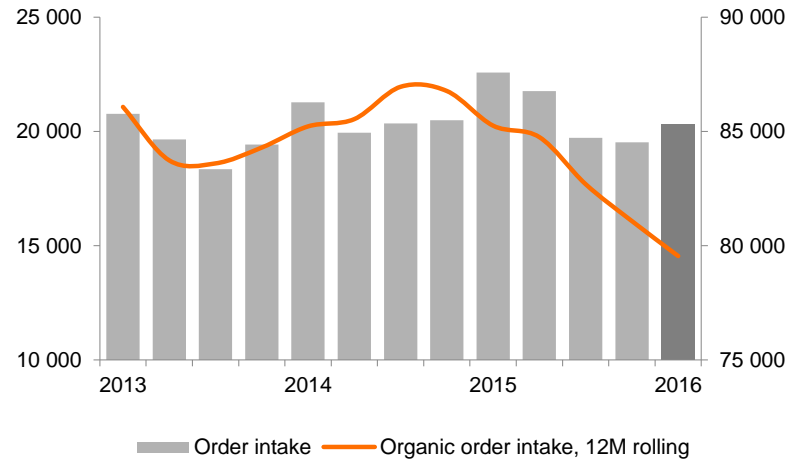
| | % of group revenue 2015 | Y/Y order intake | Y/Y UNDERLYING DEMAND TREND | | | | | | Q/Q underlying demand trend |
|--------------------|-------------------------|------------------|-----------------------------|---|---|---|---|---|-----------------------------|
| EUROPE | 39% | +7% | ↘ | ↘ | ↘ | ↗ | ↘ | ↗ | ↗ |
| NORTH AMERICA | 21% | -26% | → | → | → | ↗ | → | ↗ | ↗ |
| ASIA | 20% | -8% | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ |
| AFRICA/MIDDLE EAST | 10% | -16% | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ |
| SOUTH AMERICA | 6% | -4% | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ |
| AUSTRALIA | 4% | +5% | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ | ↘ |

ORDER INTAKE

SEQUENTIAL IMPROVEMENT

REPORTED P/V
20 299 **-7%**

MSEK

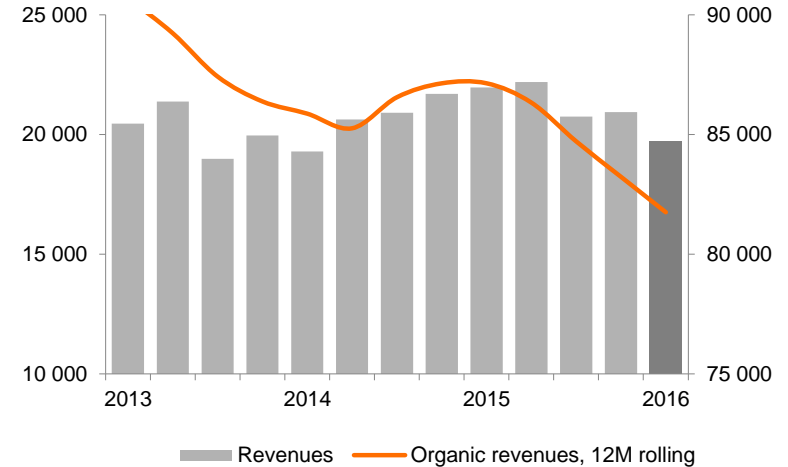


REVENUES

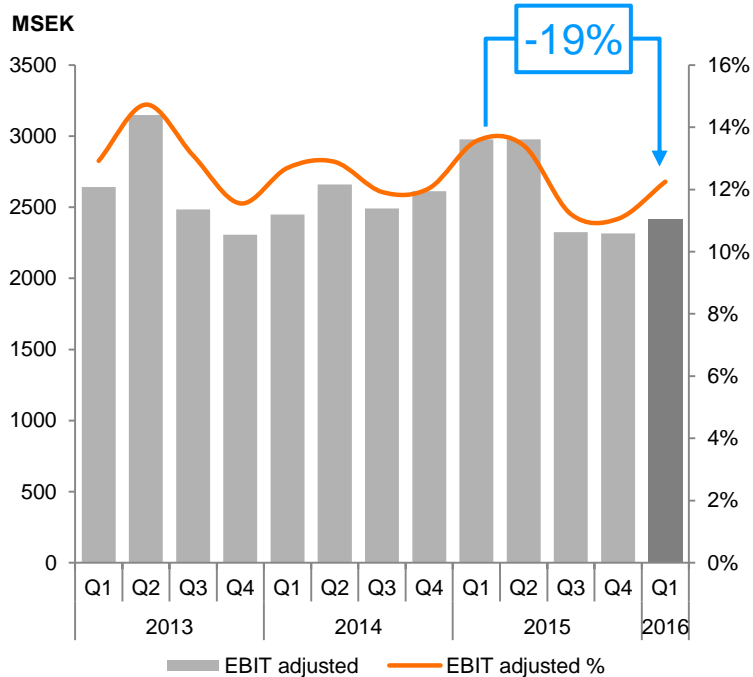
POSITIVE BOOK-TO-BILL IN CHALLENGING MARKET

REPORTED P/V
19 700 **-7%**

MSEK



ADJUSTED EBIT DEVELOPMENT



REPORTED

2 413

MSEK

EBIT %

12.2%

- ORGANIC DECLINE
- CURRENCY HEADWIND
- SAVINGS

*Adjusted for nonrecurring items



SANDVIK MACHINING SOLUTIONS

CHALLENGING MARKETS

- EU overall stable; east outperformed west
- NA challenging across most segments
- Asia weak, primarily due to China

EBIT MARGIN 20.3% DESPITE ORGANIC DECLINE AND CURRENCY HEADWIND

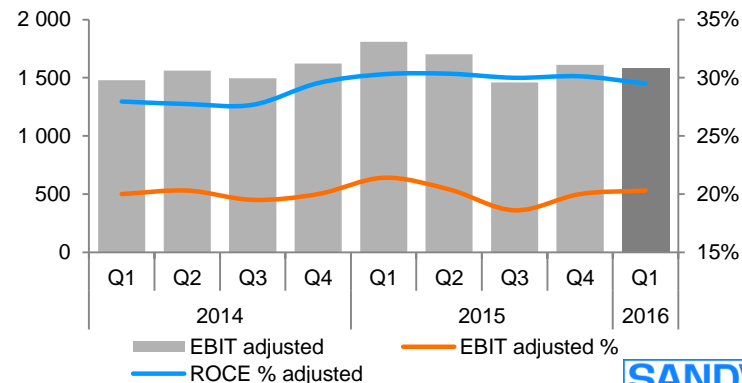
- Operating margin improved from last year adjusting for currency
- Savings support profitability

RECORD-HIGH FIRST-QUARTER CASH FLOW

| MSEK | Q1 2015 | Q1 2016 | CHANGE |
|-----------------|---------|---------|--------|
| ORDER INTAKE | 8 596 | 8 050 | -4%* |
| REVENUES | 8 438 | 7 803 | -5%* |
| ADJ. OP. PROFIT | 1 809 | 1 587 | -12% |
| % OF REVENUES | 21.4% | 20.3% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING

TOUGH MARKETS

- Equipment: weak overall demand
- Aftermarket: slight overall decrease and some price pressure for consumables

EBIT MARGIN 13.8% DESPITE CURRENCY HEADWIND

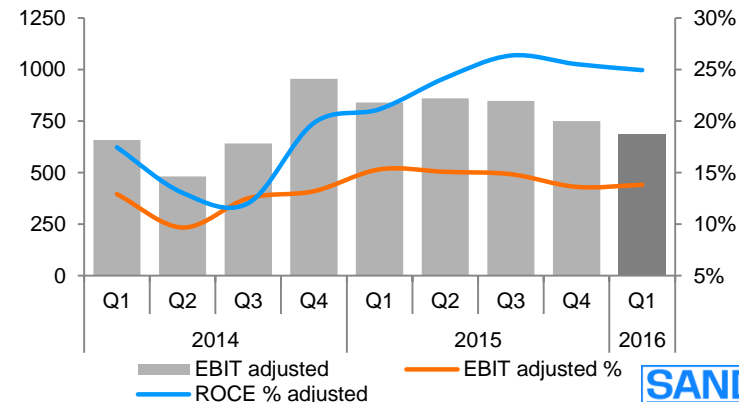
- Earnings supported by structural savings, partially off-setting negative currency impact

MERGER WITH CONSTRUCTION AS OF 1 JULY – MINING AND ROCK TECHNOLOGY

| MSEK | Q1 2015 | Q1 2016 | CHANGE |
|-----------------|---------|---------|--------|
| ORDER INTAKE | 5 610 | 4 734 | -8%* |
| REVENUES | 5 489 | 4 952 | -1%* |
| ADJ. OP. PROFIT | 841 | 685 | -19% |
| % OF REVENUES | 15.3% | 13.8% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



SANDVIK MATERIALS TECHNOLOGY

- Large orders of ~600MSEK in capex related O&G products
- Positive book-to-bill of 1.1 in challenging market
- Savings supported stable underlying margin y/y (10%)



SANDVIK CONSTRUCTION

- Challenging market conditions, order intake -9% y/y
- Positive book-to-bill 1.1
- Less under-absorption and savings supported earnings



SANDVIK VENTURE

- Order intake -13% y/y; weak demand particularly in oil and gas
- Positive book-to-bill 1.1
- Under-absorption impacted earnings



TOMAS ELIASSON

CFO



FINANCIAL SUMMARY

TOTAL GROWTH: -10%
 ORGANIC: -7
 CURRENCY: -4
 STRUCTURE: 0

| MSEK | Q1 2015 | Q1 2016 | CHANGE % | FY2015 |
|-----------------------|---------|---------|----------|--------|
| ORDER INTAKE | 22 574 | 20 299 | -7* | 83 597 |
| REVENUES | 21 960 | 19 700 | -7* | 85 845 |
| OPERATING PROFIT | 1 199 | 2 413 | +101 | 7 271 |
| <i>% OF REVENUES</i> | 5.5 | 12.2 | | 8.5 |
| ADJ. OPERATING PROFIT | 2 977 | 2 413 | -19 | 10 593 |
| <i>% OF REVENUES</i> | 13.6 | 12.2 | | 12.3 |
| NWC % | 29 | 28 | | 27 |
| OPERATING CASH FLOW | 2 670 | 1 602 | -40 | 12 793 |
| ROCE % | 11.9 | 11.2 | | 9.5 |
| EPS**, SEK | 0.33 | 1.12 | | 1.79 |

*At fixed exchange rates for comparable units

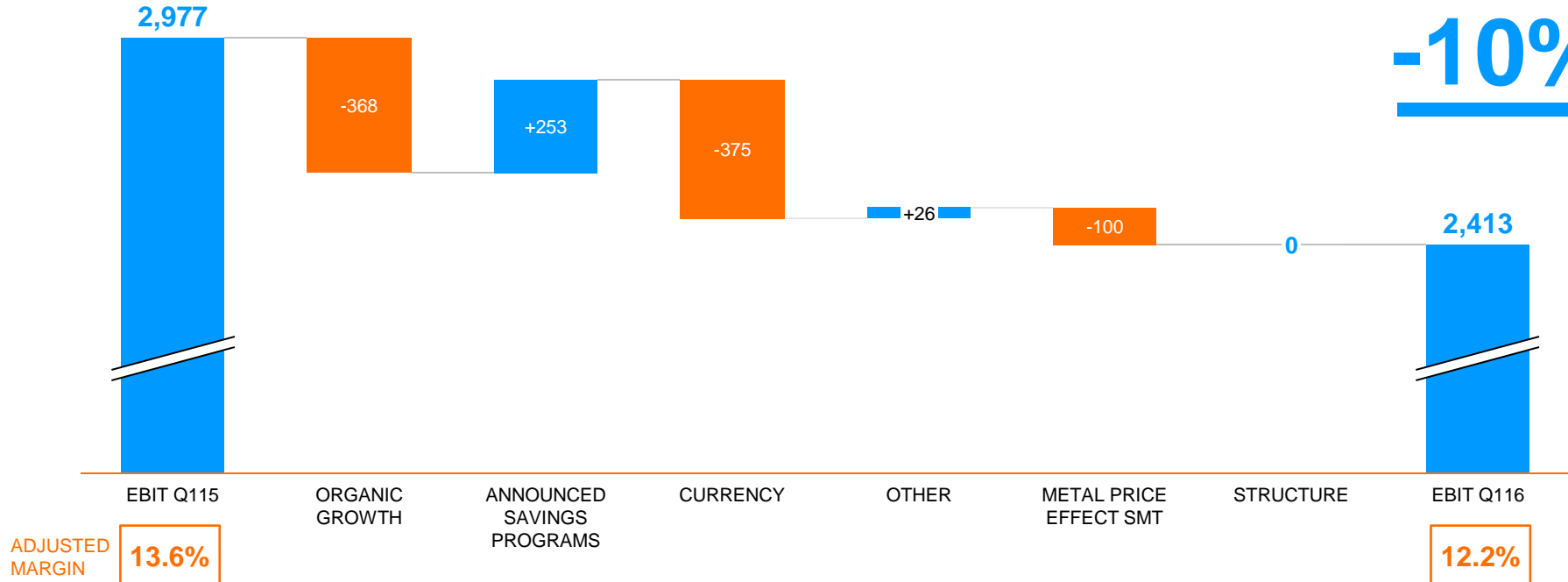
**EPS including Mining systems; EPS excluding Mining systems Q1 2016: 1.16



PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

-10%



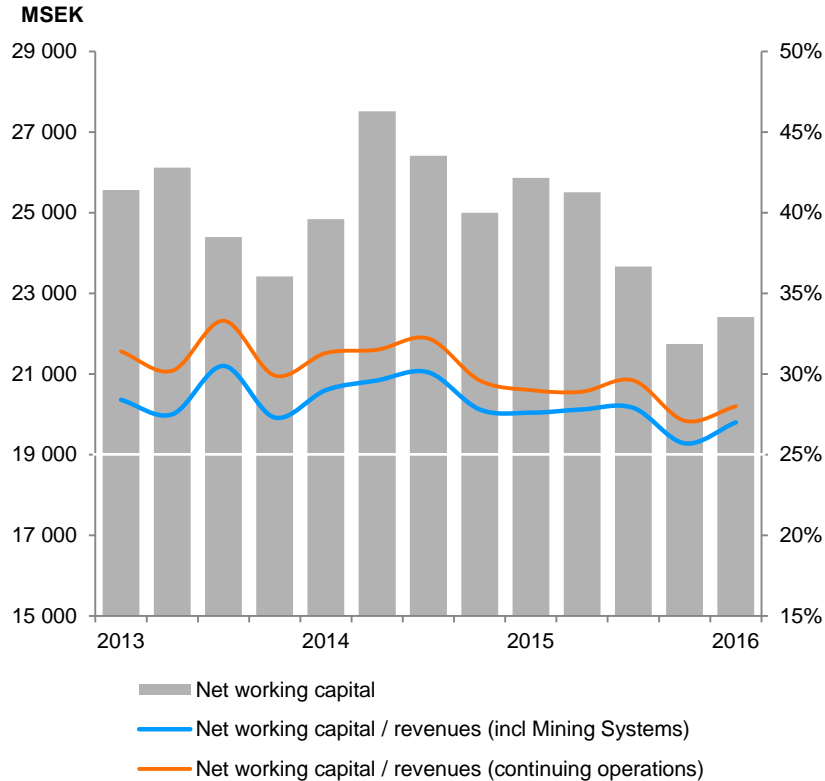
BRIDGE ANALYSIS

SANDVIK GROUP

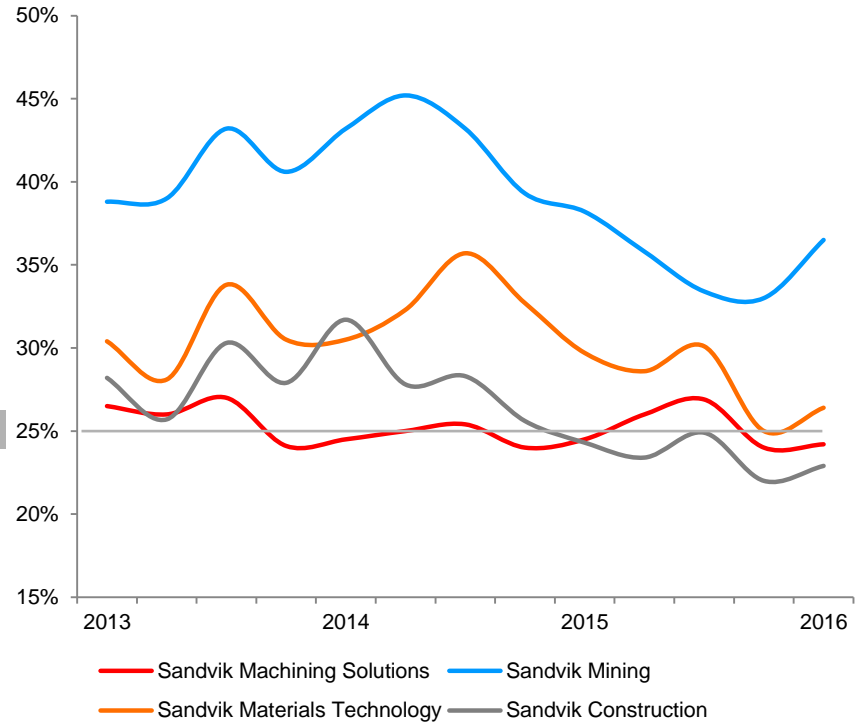
| MSEK | Q1 2015 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS* | Q1 2016 |
|-------------|---------|--------------------------------|----------|------------------------|---------|
| REVENUES | 21 960 | -1 179 | -833 | -248 | 19 700 |
| EBIT | 1 199 | -115 | -375 | 1 704 | 2 413 |
| EBIT MARGIN | 5.5% | -10% | - | - | 12.2% |

* Includes metal price effects

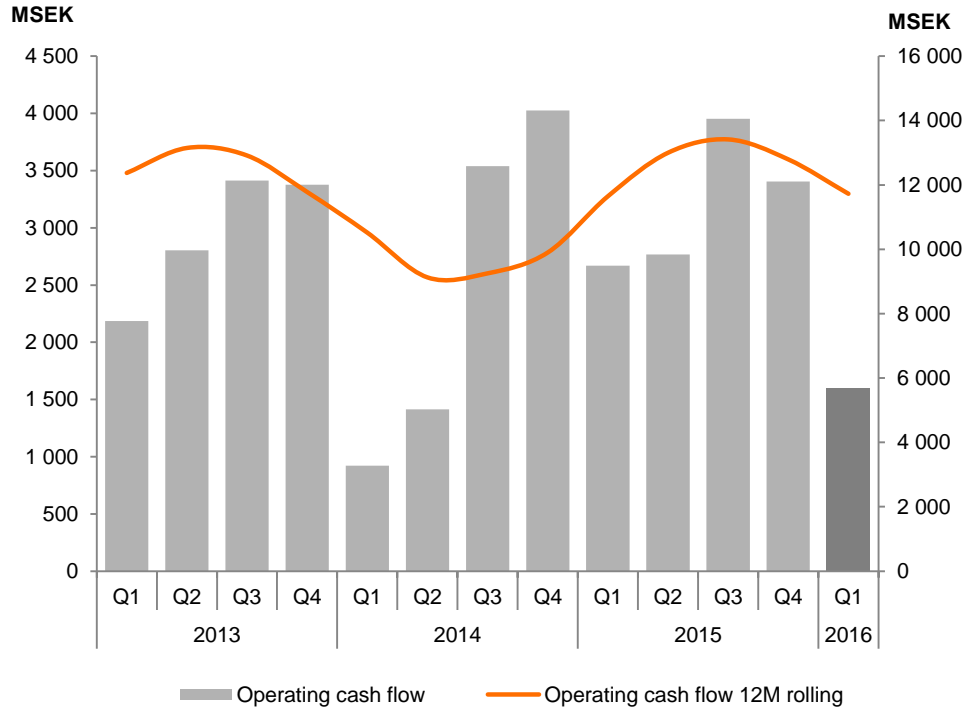
NET WORKING CAPITAL



BA CONTRIBUTION

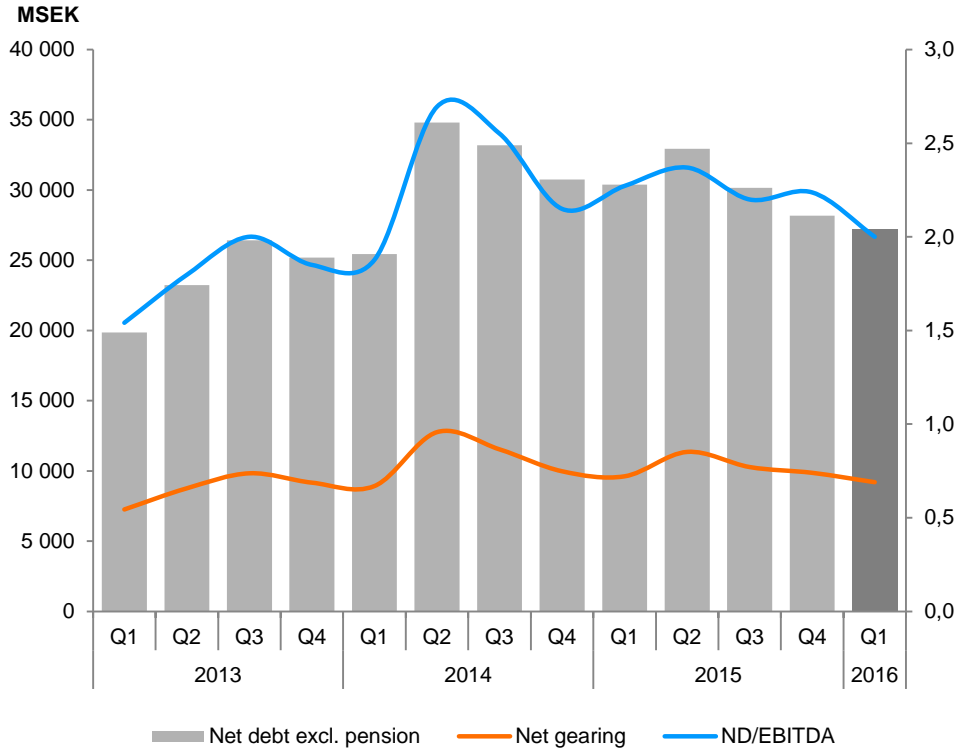


CASH FLOW



- SEASONAL BUILD-UP OF NWC
- INVESTMENTS 0.7 BSEK, LOW IN LINE WITH NORMAL SEASONALITY

FINANCIAL NET DEBT



- NET GEARING 0.69
WELL BELOW TARGET OF <0.8
- ND/EBITDA ~2
LOWEST SINCE Q1 2014

OUTCOME AND GUIDANCE

Q1 2016

Currency effect (MSEK): -375 (-300)

Metal price effect (MSEK): -106 (-130)

Q2 2016

Currency effect (MSEK): -500

Metal price effect (MSEK): -50

FULL YEAR 2016 - UNCHANGED

Capex (BSEK): <4.1

Net financial items (BSEK): 1.7-1.9

Tax rate (%): 26-28



CONCLUSIONS

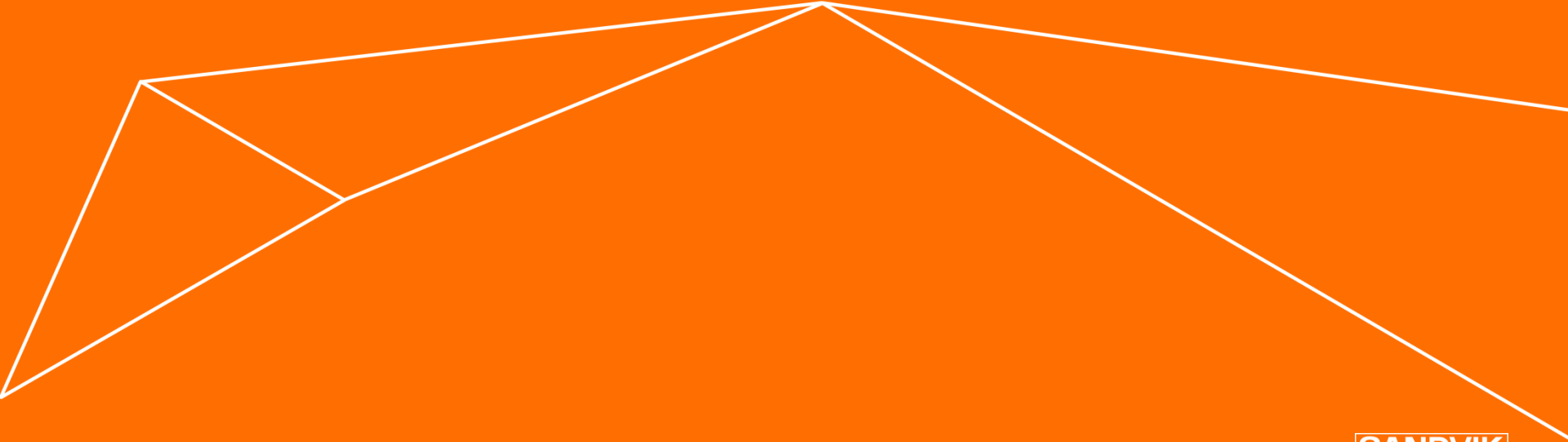
WEAK END-MARKETS

SOLID PROFITABILITY

ACTIONS TO CHANGE STRUCTURE



BACK-UP SLIDES

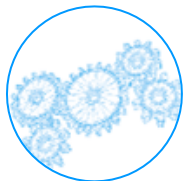




MINING
(28%)



AUTOMOTIVE
(12%)



**GENERAL
ENGINEERING**
(24%)



CONSTRUCTION
(11%)



ENERGY
(13%)

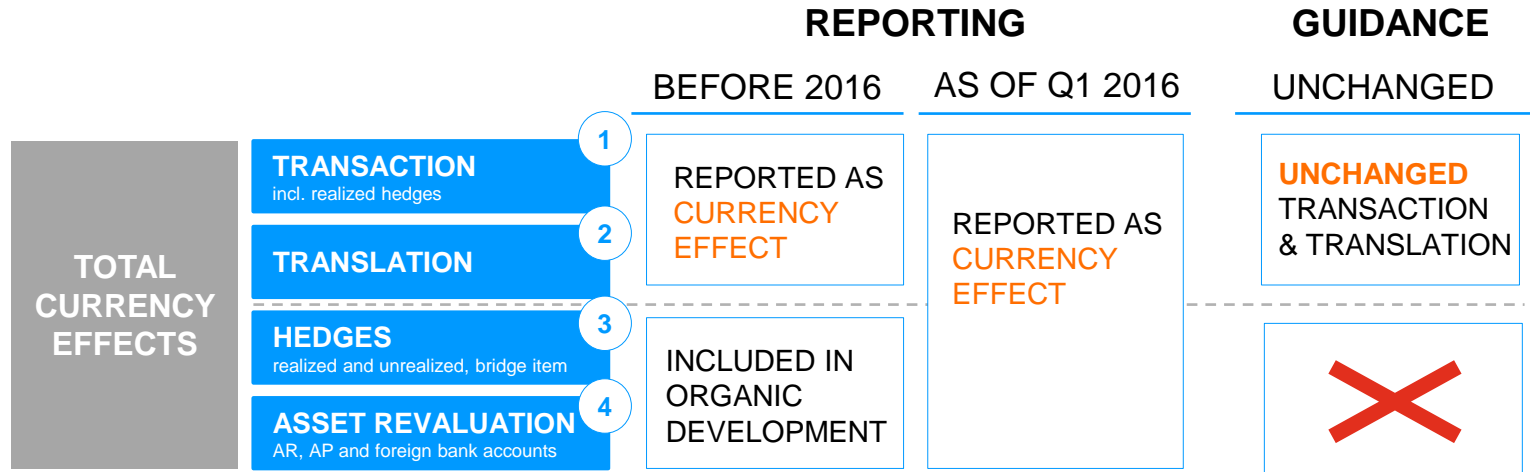


AEROSPACE
(6%)

END-CUSTOMER SEGMENTS

(% OF GROUP REVENUES 2015 EXCL. MINING SYSTEMS)

CHANGE IN CURRENCY MODEL - AS OF Q1



BETTER UNDERSTANDING OF UNDERLYING OPERATIONAL PERFORMANCE
HIGHER VOLATILITY IN OUTCOME VS GUIDANCE

BRIDGE ANALYSIS

| MSEK | Q1 2015 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS* | Q1 2016 |
|-----------------------------|---------|--------------------------------|----------|------------------------|---------|
| MACHINING SOLUTIONS | | | | | |
| REVENUES | 8 438 | -437 | -198 | - | 7 803 |
| EBIT | 1 129 | -63 | -159 | 680 | 1 587 |
| EBIT MARGIN | 13.4% | -14% | - | - | 20.3% |
| MINING | | | | | |
| REVENUES | 5 489 | -56 | -481 | - | 4 952 |
| EBIT | 215 | 55 | -211 | 626 | 685 |
| EBIT MARGIN | 3.9% | N/A | - | - | 13.8% |
| MATERIALS TECHNOLOGY | | | | | |
| REVENUES | 3 712 | -203 | -20 | -258 | 3 231 |
| EBIT | 100 | -41 | -7 | 164 | 216 |
| EBIT MARGIN | 2.7% | -20% | - | - | 6.7% |



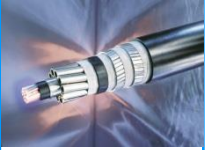



* Includes metal price effects

BRIDGE ANALYSIS

| MSEK | Q1 2015 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS | Q1 2016 |
|---------------------|---------|--------------------------------|----------|-----------------------|---------|
| CONSTRUCTION | | | | | |
| REVENUES | 2 144 | -105 | -94 | - | 1 945 |
| EBIT | -95 | 19 | -1 | 160 | 83 |
| EBIT MARGIN | -4.4% | N/A | - | - | 4.3% |
| VENTURE | | | | | |
| REVENUES | 2 172 | -380 | -39 | 10 | 1 763 |
| EBIT | 192 | -96 | -38 | 37 | 95 |
| EBIT MARGIN | 8.8% | -25% | - | - | 5.4% |

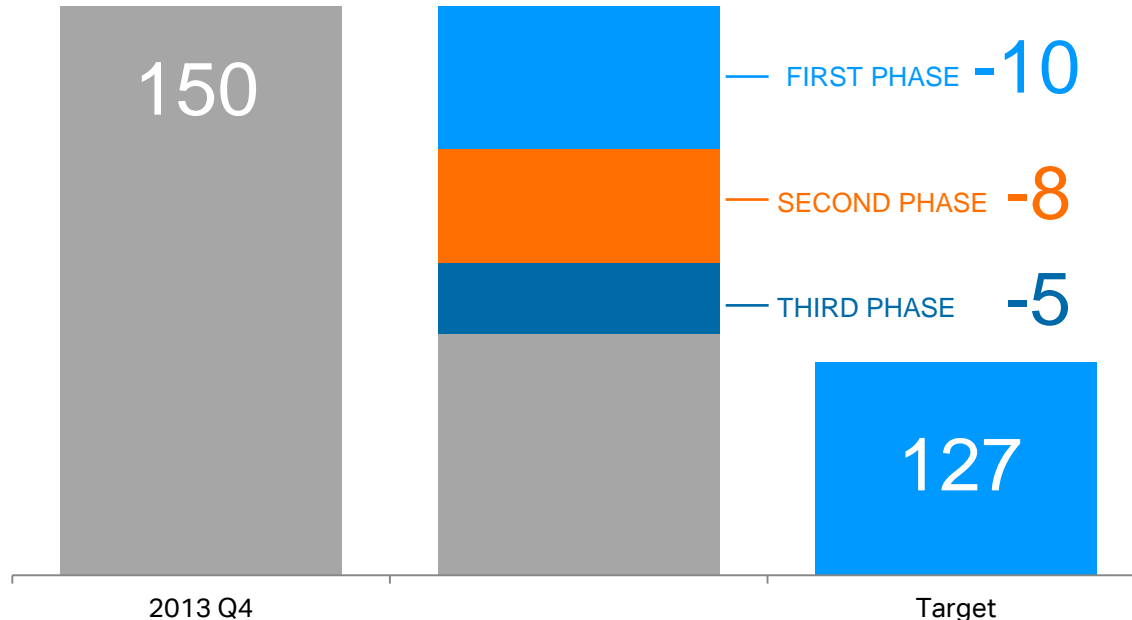
CREATING A LEANER COMPANY

SAVINGS ANNUAL RUN-RATE (MSEK) VS. LAST YEAR AND TOTAL

| |  SANDVIK MACHINING SOLUTIONS |  SANDVIK MINING |  SANDVIK MATERIALS TECHNOLOGY |  SANDVIK CONSTRUCTION |  SANDVIK VENTURE | GROUP ACTIVITIES | TOTAL ANNUAL RUN-RATE VS. LAST YEAR |  TARGET 2.1 BSEK SAVINGS ANNUAL RUN-RATE |
|---|--|--|---|---|---|---------------------|--|---|
| SUPPLY CHAIN OPTIMIZATION | 162 | 248 | 54 | 24 | 12 | 0 | 500 | |
| ADJUST OF COST BASE/ RIGHT SIZING | 198 | - | 78 | 160 | 32 | 50 | 518 | 518 (762) |
| TOTAL | 360 | 248 | 132 | 184 | 44 | 50 | 1 018 | 1 322 (2 095) |

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, 3 PLANNED FOR CLOSURE IN Q2)
- TARGET SAVINGS 320 MSEK at year end 2016

THIRD PHASE

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



SANDVIK MATERIALS TECHNOLOGY

CHALLENGING MARKET CONDITIONS

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

LARGE ORDERS ~600MSEK

- Positive book-to-bill

EBIT 216 MSEK, 6.7%

- Excluding metal price effect 10.0%, on par with last year
- Metal price effect -106 MSEK
- Adjustment of cost base ongoing



SANDVIK MATERIALS TECHNOLOGY

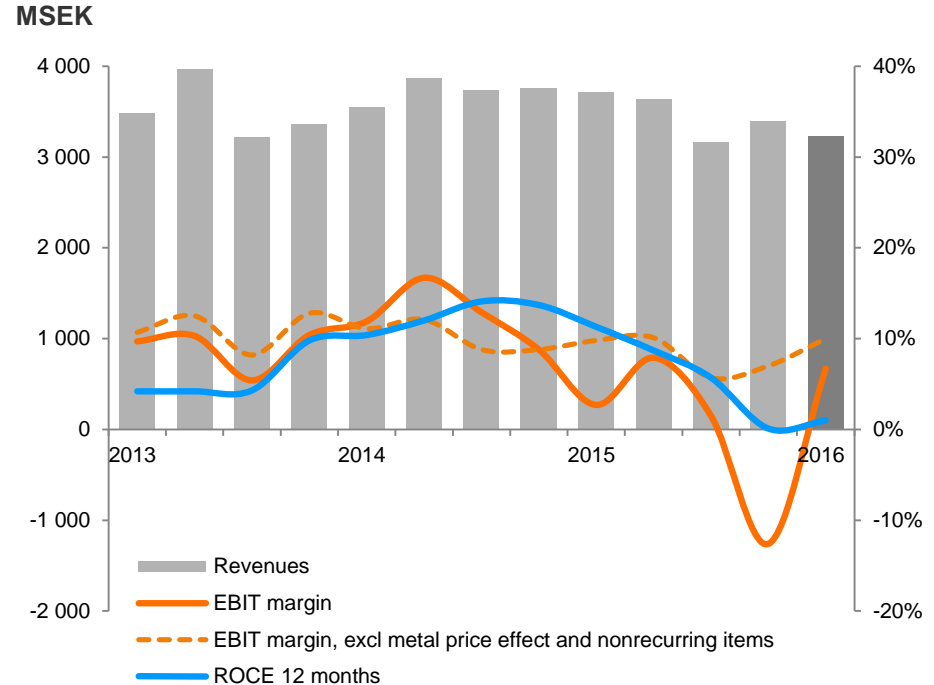
ORDER INTAKE
3,488
 MSEK

REVENUES
3,231
 MSEK

EBIT
216
 MSEK

Excluding metal price effects
 322 MSEK, 10.0 %

ROCE
1.0%



SANDVIK CONSTRUCTION

CHALLENGING MARKET CONDITIONS

- Positive book-to-bill 1.1
- Aftermarket stable

MARGIN IMPROVEMENT AND ALL-TIME LOW ABSOLUTE NWC

- Adjusted EBIT 83 MSEK, 4.3%
- Less under-absorption and savings support margin
- All-time low absolute NWC and low NWC in relation to revenues 22.9%

NEW BUSINESS AREA AS OF 1 JULY – MINING AND ROCK TECHNOLOGY



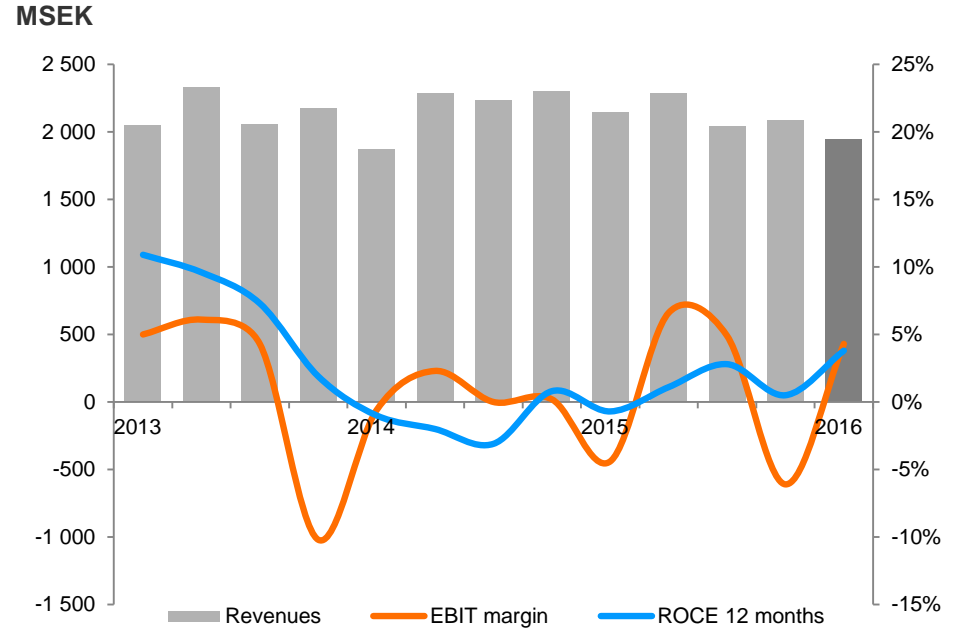
SANDVIK CONSTRUCTION

ORDER INTAKE
2,087
MSEK

REVENUES
1,945
MSEK

EBIT
83
MSEK

ROCE
3.8%



SANDVIK VENTURE

WEAK OVERALL DEMAND

- Persistently weak demand in oil and gas
- Positive book-to-bill supported by good order intake in Process Systems for industrial processing

UNDERABSORPTION IMPACT EARNINGS

- Adjusted EBIT 95 MSEK, 5.4%
- Price pressure in Wolfram and Drilling and Completions
- Further inventory reductions primarily in Wolfram

MITIGATION ACTIONS ON-GOING



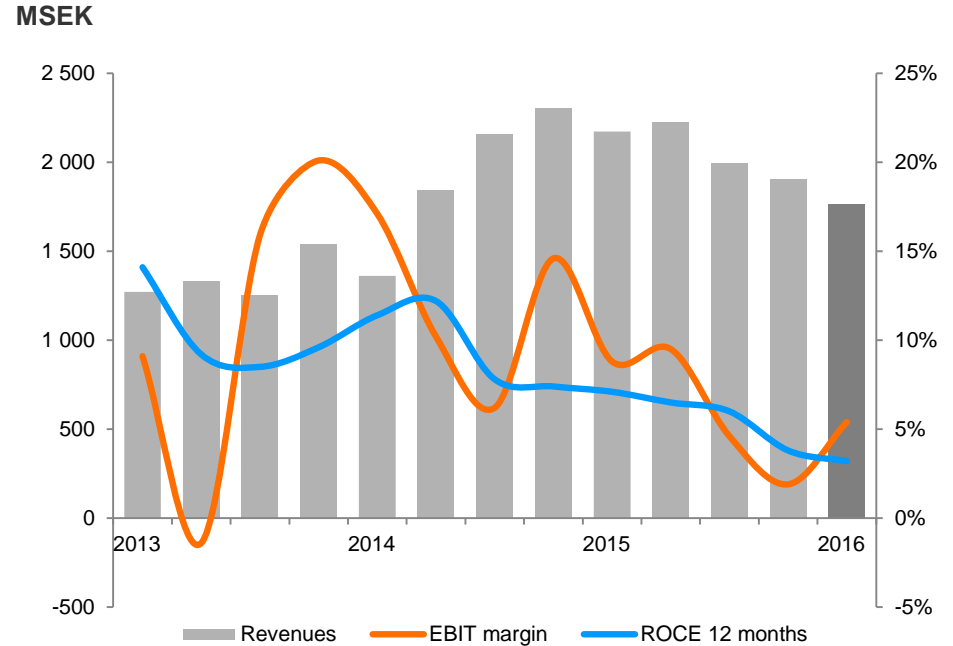
SANDVIK VENTURE

ORDER INTAKE
1,936
MSEK

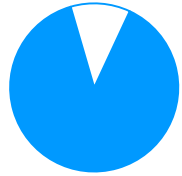
REVENUES
1,763
MSEK

EBIT
95
MSEK

ROCE
3.2%



LOAN AND DURATION PROFILE



LONG TERM
85%

| | AMOUNT MSEK | AVERAGE DURATION |
|----------------------------|-------------|------------------|
| US Private Placement | 6,424 | 4 years |
| Fin institutions, EIB, NIB | 1,976 | 7 years |
| Swedish MTN | 8,030 | 4 years |
| European MTN | 10,117 | 10 years |
| Bank loans | 2,836 | 3 years |
| Share swap | - | - |



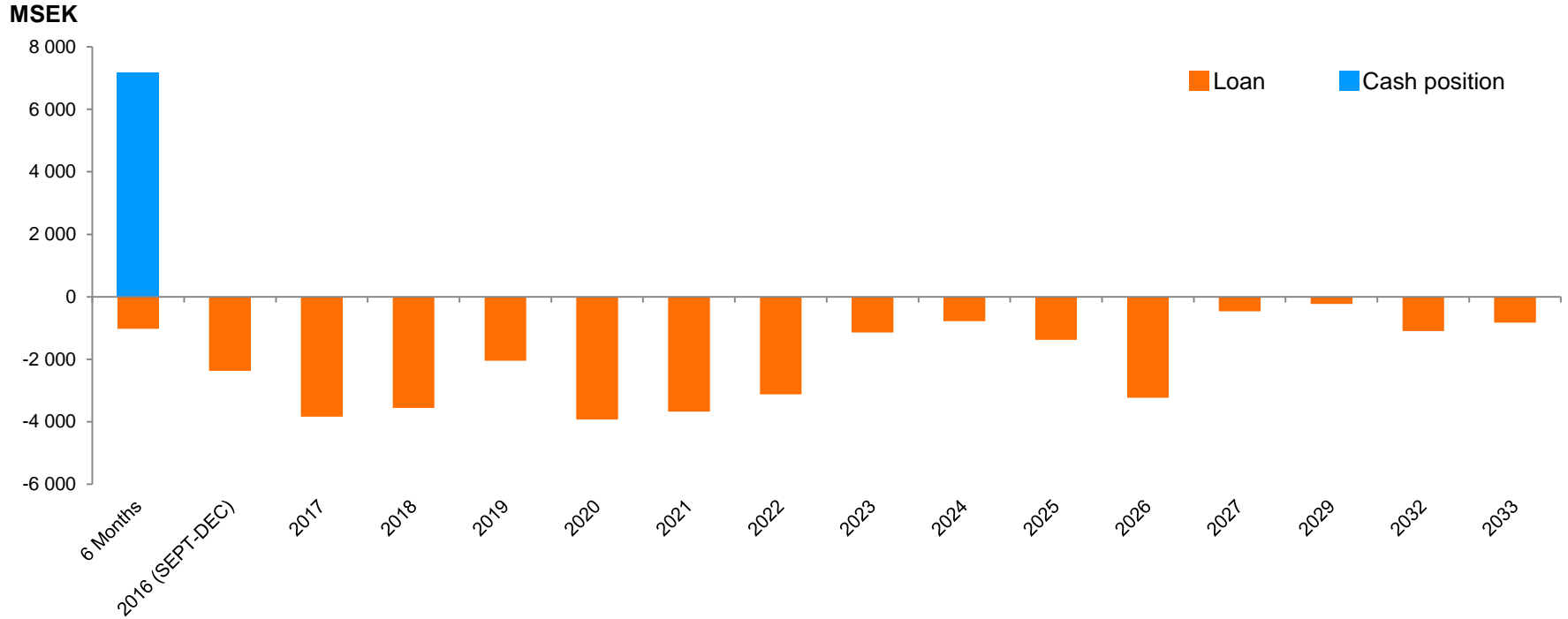
SHORT TERM
15%

| | | |
|----------------------------|-------|----------|
| Commercial paper | - | - |
| Fin institutions, EIB, NIB | 329 | 6 months |
| Swedish MTN | 3,000 | 6 months |
| Bank loans | 356 | 6 months |
| Share swap | 1,352 | 3 months |

Cash position **7,170 MSEK**
Revolving Credit facilities **10,994 MSEK**

| | | |
|--------------|---------------|----------------|
| TOTAL | 34,420 | 5 years |
|--------------|---------------|----------------|

LOAN MATURITY PROFILE



GUIDANCE

CAPEX

Estimated at below 4.1 BSEK for 2016

CURRENCY EFFECTS

Given currency rates at end of March 2016 the effect on EBIT from transaction and translation would be -500 MSEK for Q2 2016

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of March 2016, it is estimated that effects on operating profit in Q2 2016 will be about -50 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 quadrilaterals, creating a geometric pattern against a black background.

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.”