INTERIM REPORT
SECOND QUARTER 2016

SUMMARY

MUTED MARKETS

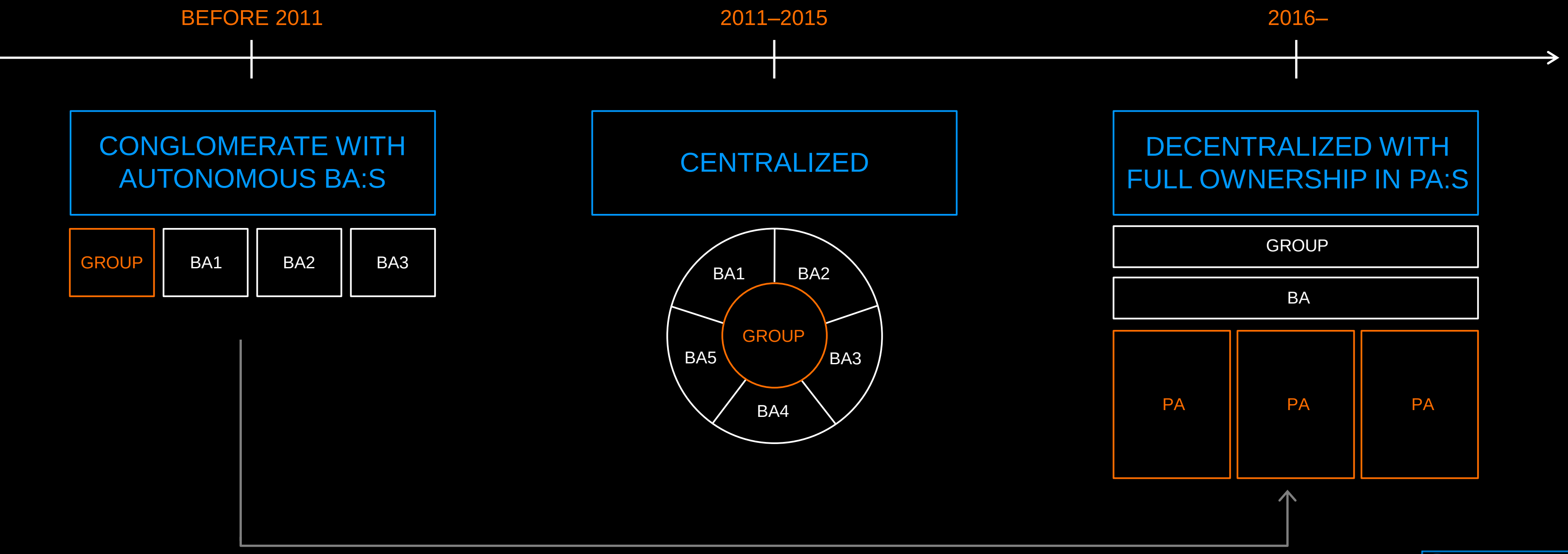
EARNINGS IN LINE WITH EXPECTATIONS

PROGRESSION TOWARDS A LEANER ORGANIZATION

- CONSOLIDATING TO THREE BUSINESS AREAS
- IDENTIFYING NON-STRATEGIC OPERATIONS
- DECENTRALIZATION OF DECISION MAKING
- LAUNCH OF NEW FINANCIAL TARGETS
- DIVESTITURE OF MINING SYSTEMS

Comments and numbers refer to continuing operations unless otherwise stated

BACK TO THE FUTURE



NEW FINANCIAL TARGETS

OLD

AVERAGE ANNUAL GROWTH	RETURN ON CAPITAL EMPLOYED	NET DEBT/ EQUITY RATIO	DIVIDEND PAYOUT RATIO
8%	25%	<0.8	50%
INCLUDING M&A	OVER A BUSINESS CYCLE	EXCLUDING MAJOR ACQUISITIONS	OF EARNINGS PER SHARE

FROM BUSINESS CYCLE TO SHORT-TERM

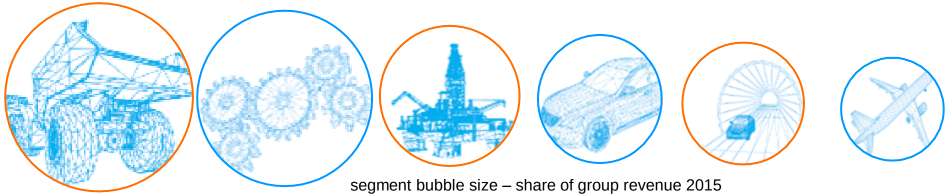
ANNUAL

NEW – 3Y

ABSOLUTE EBIT GROWTH	ROCE IMPROVEMENT	NET DEBT/ EQUITY RATIO	DIVIDEND PAYOUT RATIO
≥7%	≥3% PTS	<0.8	50%
2016-18 CAGR BASELINE 2015 TO 2018 EXCLUDING CURRENCY IMPACT	2016 – 2018 IMPROVEMENT COMPARED WITH BASELINE 2015	EXCLUDING MAJOR ACQUISITIONS, INCLUDING NET PENSION LIABILITIES	OF REPORTED EARNINGS PER SHARE

MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



segment bubble size – share of group revenue 2015

	% of group revenue 2015	Y/Y order intake							Q/Q underlying demand trend
			→	↘	↘	↗	→	↗	
EUROPE	39%	-1%	→	→	↘	↗	↗	↗	→
NORTH AMERICA	21%	-10%	↘	↘	↘	↘	→	→	↘
ASIA	20%	+5%	→	↘	↘	↗	→	↗	↗
AFRICA/MIDDLE EAST	10%	-20%	↘	↘	→				→
SOUTH AMERICA	6%	-3%	→						→
AUSTRALIA	4%	-11%	→						→

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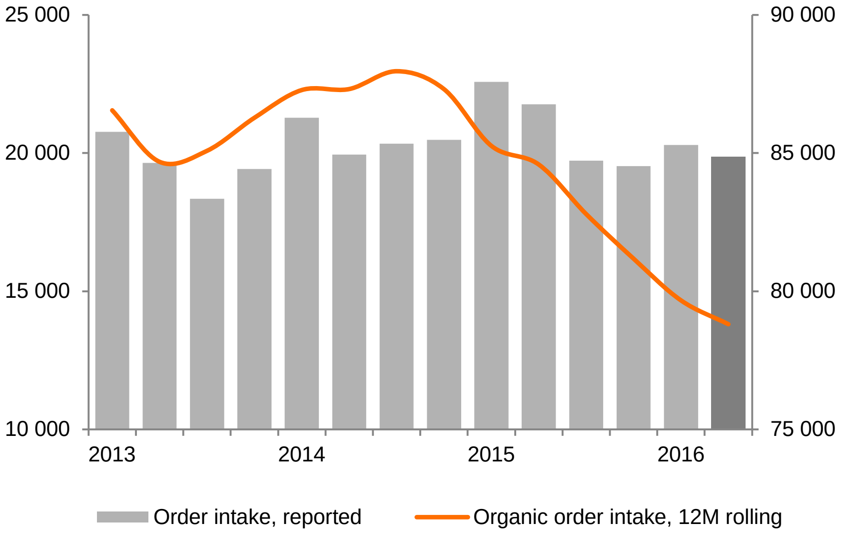
ORDER INTAKE

EUROPE AND ASIA LARGELY STABLE, WHILE NORTH AMERICA SOMEWHAT SOFT

REPORTED	P/V
19 869	-4%

MSEK

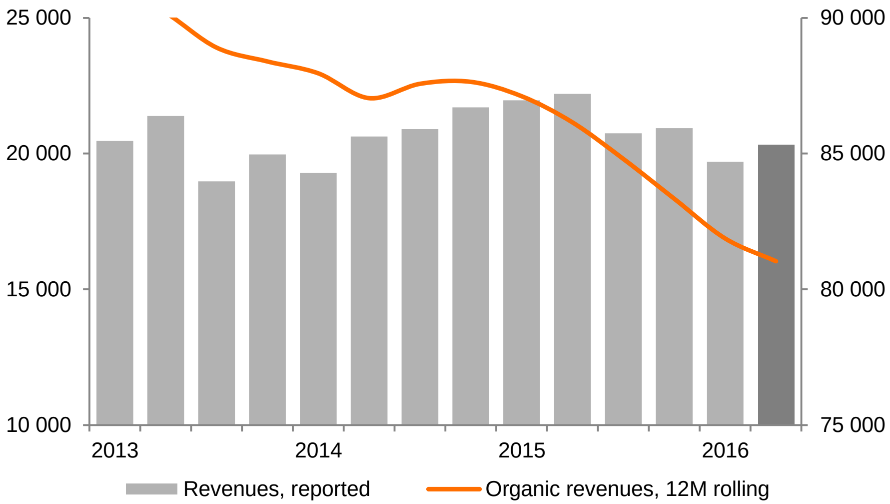


REVENUES

CHALLENGING MARKETS BUT POSITIVE BOOK-TO-BILL IN THREE OUT OF FIVE BUSINESS AREAS

REPORTED	P/V
20 321	-4%

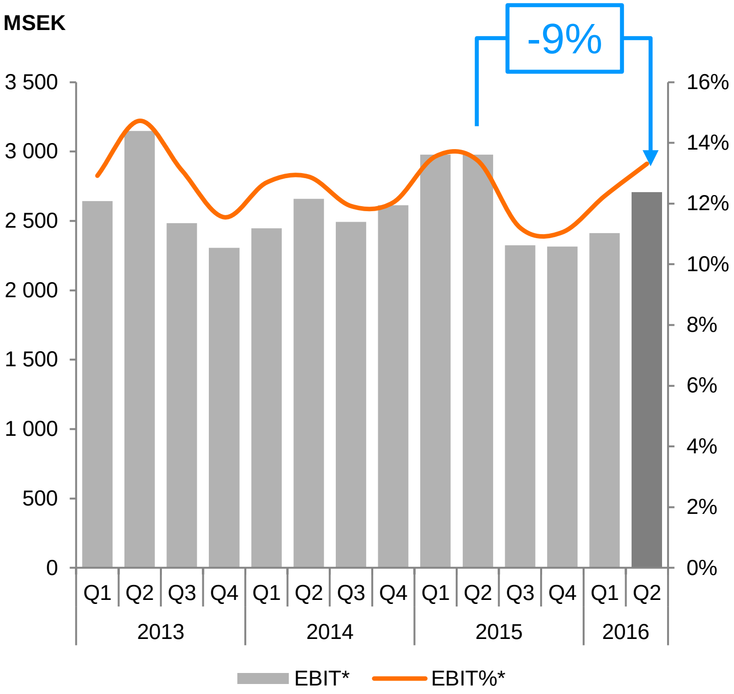
MSEK



SANDVIK

Comments and numbers refer to continuing operations unless otherwise stated

EBIT DEVELOPMENT



*Adjusted for items affecting comparability

REPORTED

2 705

MSEK

EBIT %

13.3%

EBIT IMPACTED BY

- NEGATIVE REVENUE GROWH
- CURRENCY HEADWIND
- SAVINGS

Comments and numbers refer to continuing operations unless otherwise stated

SHARE OF GROUP TOTAL INVOICING 2015

38%

SANDVIK MACHINING SOLUTIONS

OVERALL STABLE MARKET CONDITIONS

- EU stable; East outperformed West
- NA challenging across most segments
- Asia still weak, signs of improvement in automotive and aerospace

EARNINGS GROWTH AND IMPROVED MARGIN

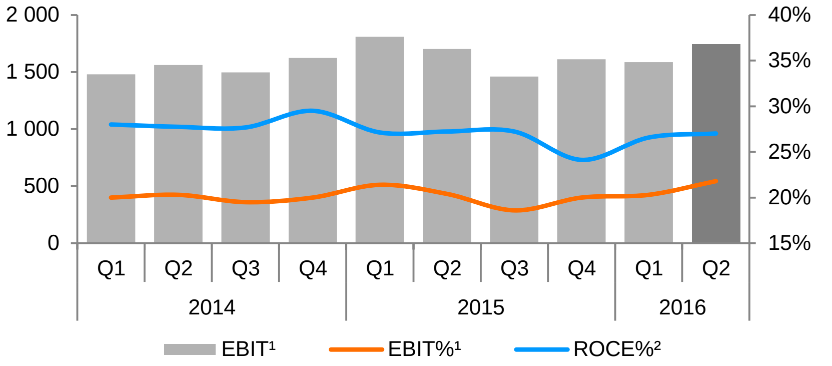
- Tight cost control and structural efficiency measures
- Slight support from changes in inventory year on year
- 10% earnings growth, excluding currency impact

RELATIVE NWC REMAINS LOW AT <25%

MSEK	Q2 2015	Q2 2016	CHANGE
ORDER INTAKE	8 355	8 053	+0%*
REVENUES	8 339	8 001	- 0%*
ADJ. OP. PROFIT	1 701	1 744	+3%
% OF REVENUES	*20.4%*	*21.8%*	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



[1]Adjusted for items affecting comparability
[2]EBIT 12M rolling reported, CE 5Q avg.

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SHARE OF GROUP'S TOTAL INVOICING 2015

26%

SANDVIK MINING

POSITIVE BOOK-TO-BILL

- Equipment: slightly lower demand
- Aftermarket: overall stable

MARGIN EXPANSION EXCLUDING NEGATIVE CURRENCY EFFECTS

- Earnings supported by structural savings, partially off-setting negative currency impact
- 6% earnings growth, excluding currency impact

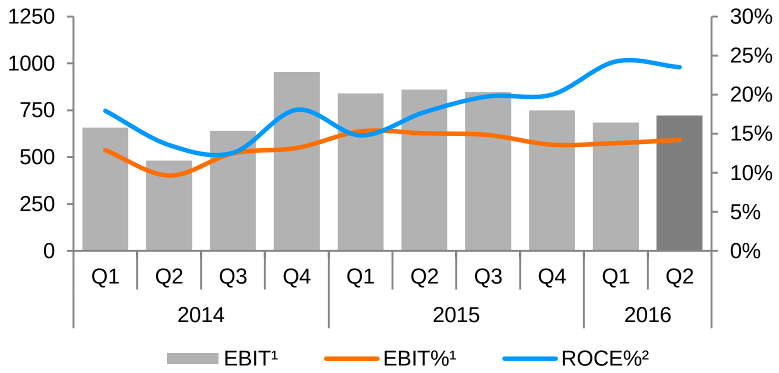
SIGNED AGREEMENT FOR DIVESTITURE OF MINING SYSTEMS

- Closure expected in Q4

MSEK	Q2 2015	Q2 2016	CHANGE
ORDER INTAKE	5 840	5 205	-2%*
REVENUES	5 710	5 086	-1%*
ADJ. OP. PROFIT	860	720	-16%
% OF REVENUES	*15.1%*	*14.2%*	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



¹Adjusted for items affecting comparability
²EBIT 12M rolling reported, CE 5Q avg.

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SHARE OF GROUP'S TOTAL INVOICING 2015

16%

SANDVIK MATERIALS TECHNOLOGY

CHALLENGING MARKETS

- Price pressure for core- and standard tubular products remained, consequence of weak energy demand
- Larger nuclear order more than off-set re-scheduled orders
- Negative alloy charges impacted order intake by -7%

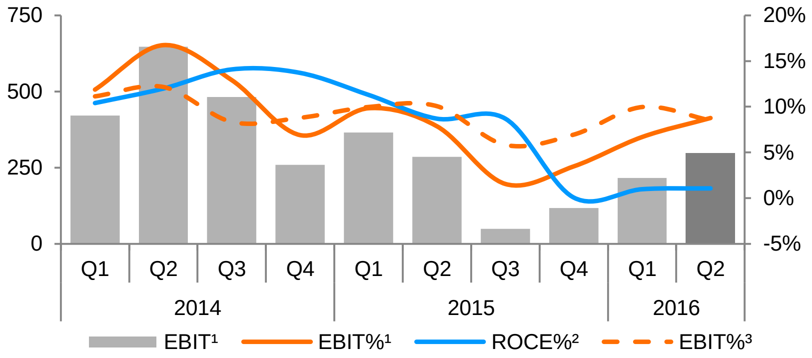
SOLID MARGIN DESPITE NEGATIVE PRODUCTION RATE EFFECTS Y/Y

- Stringent cost control and structural savings support earnings and margin

MSEK	Q2 2015	Q2 2016	CHANGE
ORDER INTAKE	3 054	2 753	-8%*
REVENUES	3 639	3 389	-6%*
ADJ. OP. PROFIT	286	297	+4%
% OF REVENUES¹	*7.9%*	*8.8%*	
ADJ. OP MARGIN³	*10.1%*	*8.5%*	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



¹Adjusted for items affecting comparability
²EBIT 12M rolling reported, CE 5Q avg.
³EBIT adjusted for items affecting comparability and metal prices

Comments and numbers refer to continuing operations unless otherwise stated

SANDVIK CONSTRUCTION

- Muted market conditions, order intake -13% y/y (-6% adjusted for larger orders)
- Earnings hampered by under-absorption, negative mix within aftermarket but also costs associated with termination of a dealer
- All time low relative NWC at 21.5%

SANDVIK VENTURE

- Order intake -10% y/y; weak demand particularly in oil and gas
- Positive book-to-bill ~1.1
- Price pressure in O&G related businesses but also lower raw material prices (wolfram)

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TOMAS ELIASSON
CFO

FINANCIAL SUMMARY

GROWTH, %

	ORDER INTAKE	REVENUES
ORGANIC:	-4	-4
CURRENCY:	-5	-5
STRUCTURE:	+0	+0
TOTAL	**-9**	**-8**

MSEK	Q2 2015	Q2 2016	CHANGE %
ORDER INTAKE	21 766	19 869	-4*
REVENUES	22 200	20 321	-4*
OPERATING PROFIT	2 977	2 705	-9
% OF REVENUES	*13.4*	*13.3*	
ADJ. OPERATING PROFIT	2 977	2 705	-9
% OF REVENUES	*13.4*	*13.3*	
NWC %	29	28	
CASH FLOW**	2 742	2 072	-24
ROCE %	12.1	11.1	
EPS***, SEK	1.38	1.31	

*At fixed exchange rates for comparable units
**Cash flow before acquisitions, financial items and taxes
***EPS including Mining Systems; EPS excluding Mining systems Q2 2016: 1.35

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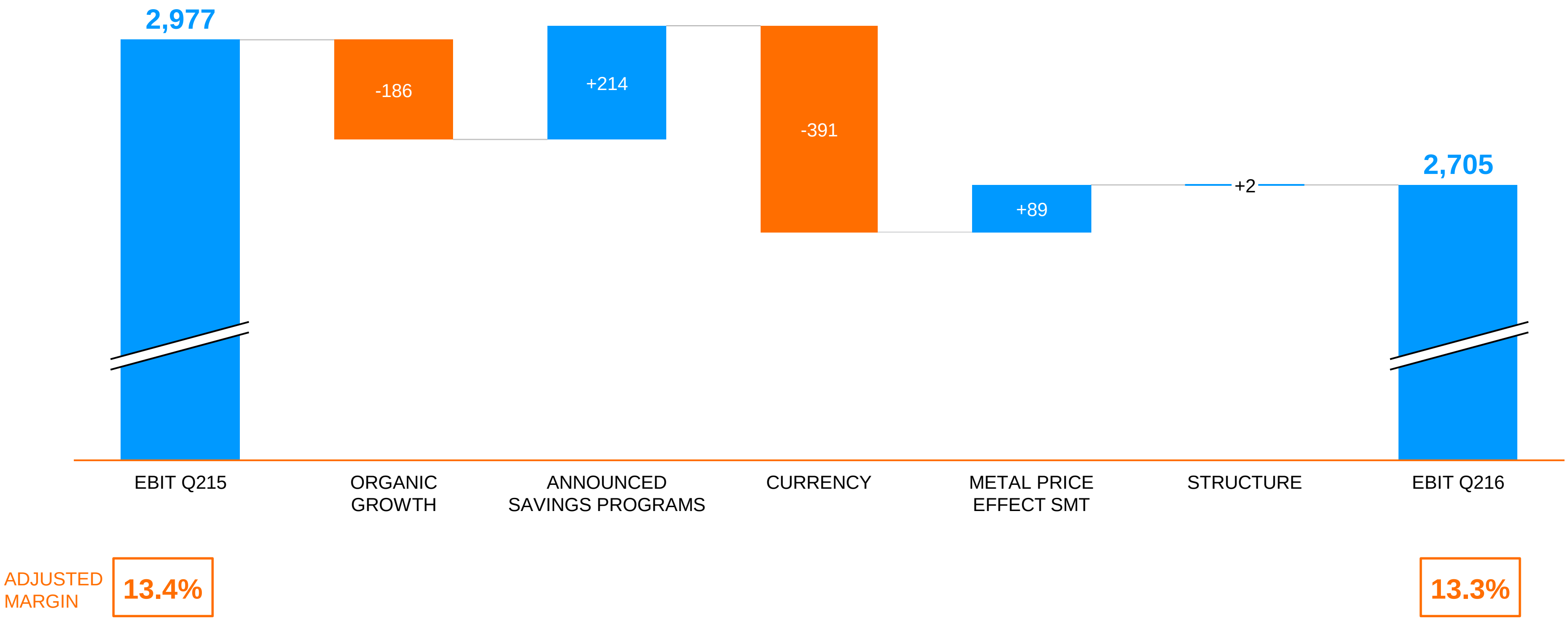
PROFITABILITY DEVELOPMENT



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BRIDGE ANALYSIS

SANDVIK GROUP

MSEK	Q2 2015	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2016
REVENUES	22 200	-637	-1 065	-177	20 321
EBIT	2 977	28	-391	91	2 705
EBIT MARGIN	13.4%	n/a	-	-	13.3%
MARGIN ACCRETION/ DILUTION		+0.5%	-1.1%	+0.5%	

* Includes metal price effects within Sandvik Materials Technology of -211MSEK in alloy surcharges on revenues and 89MSEK in metal price effect on EBIT

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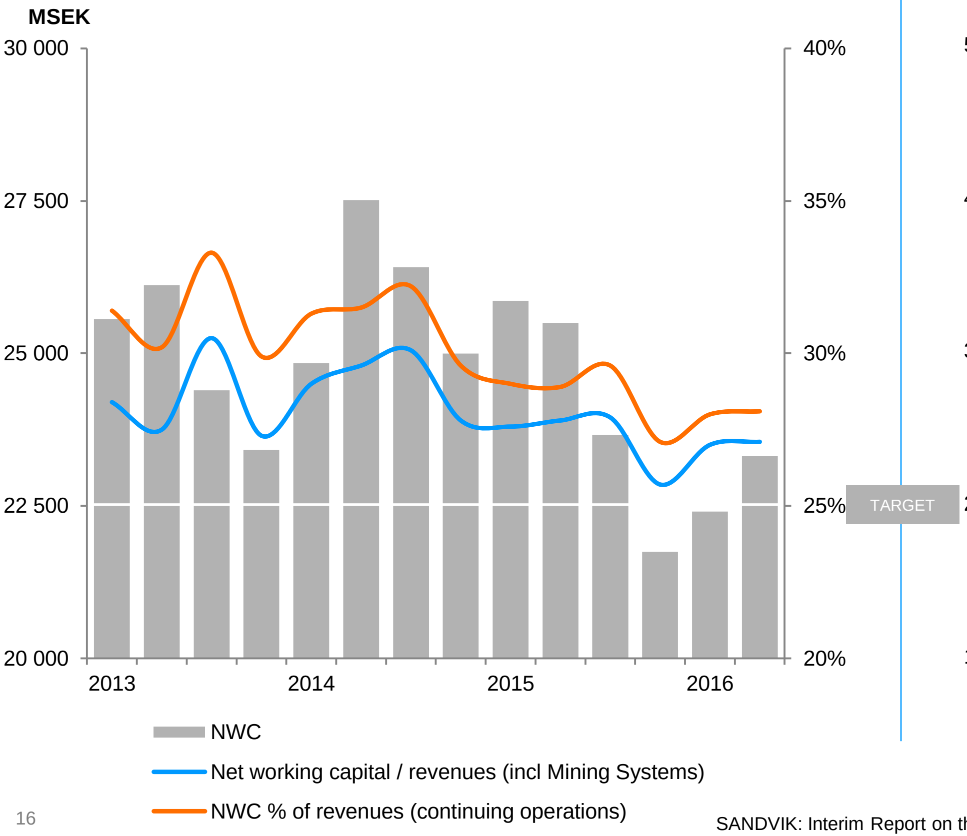
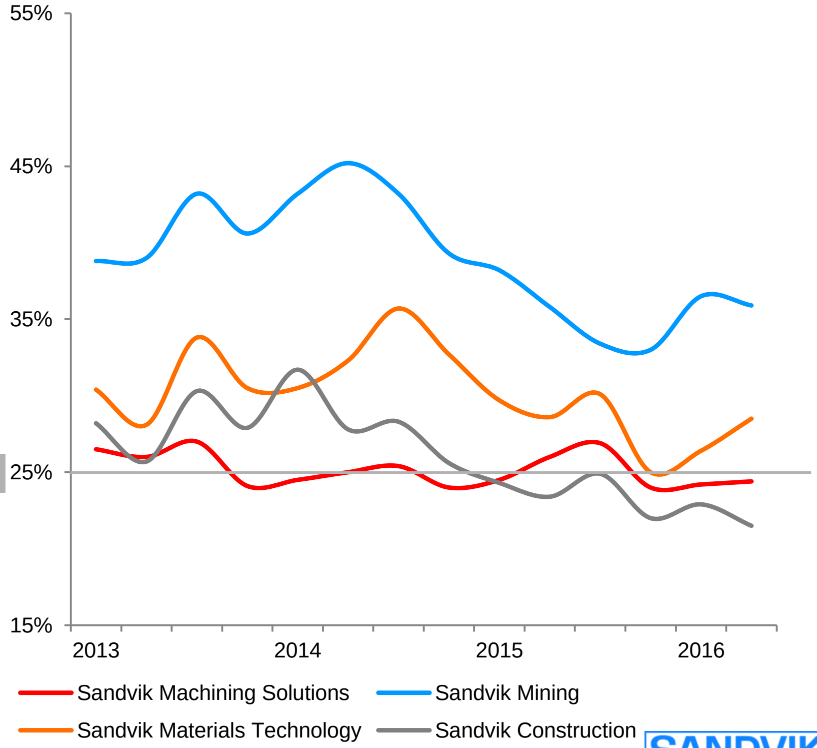
SANDVIK

NET WORKING CAPITAL



RELATIVE NWC BY BA



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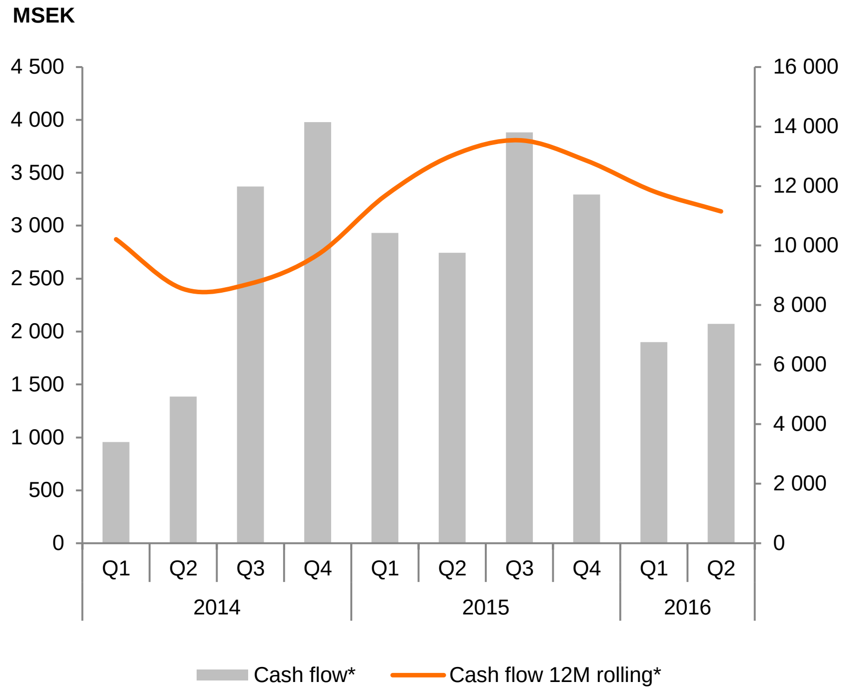
CASH FLOW



MSEK	Q2 2015	Q2 2016	Δ%
EBITDA + non cash	3 849	3 441	-11
NWC change	-33	-413	N/M
Capex**	-1 074	-956	11
Cash Flow*	2 742	2 072	-24

*Cash flow before acquisitions, financial items and taxes
**Including rental investment and disposals/acquisitions of intangible/tangible assets and rental equipment

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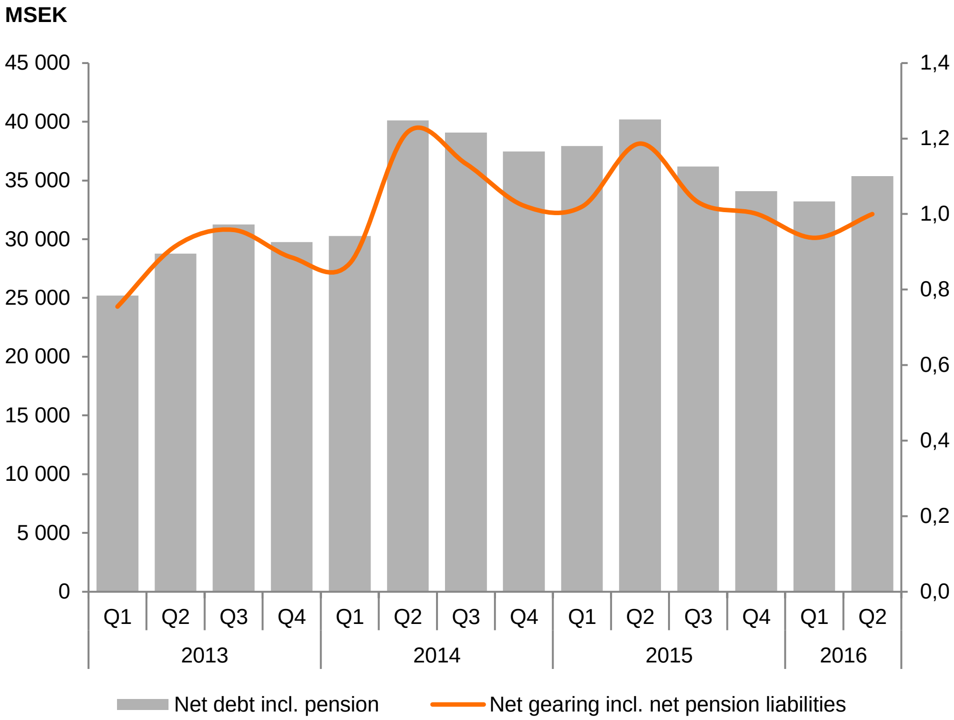
SANDVIK

FINANCIAL NET DEBT



- Net gearing ~1.0
- Increase due to dividend Q2

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OUTCOME AND GUIDANCE

Q2 2016

Currency effect (MSEK):	-391	(-500)
Metal price effect (MSEK):	+9	(-50)

Q3 2016

Currency effect (MSEK):	-100
Metal price effect (MSEK):	+30

FULL YEAR 2016 - UNCHANGED

Capex (BSEK):	<4.1
Net financial items (BSEK):	-1.7 to -1.9
Tax rate (%):	26-28

Comments and numbers refer to continuing operations unless otherwise stated

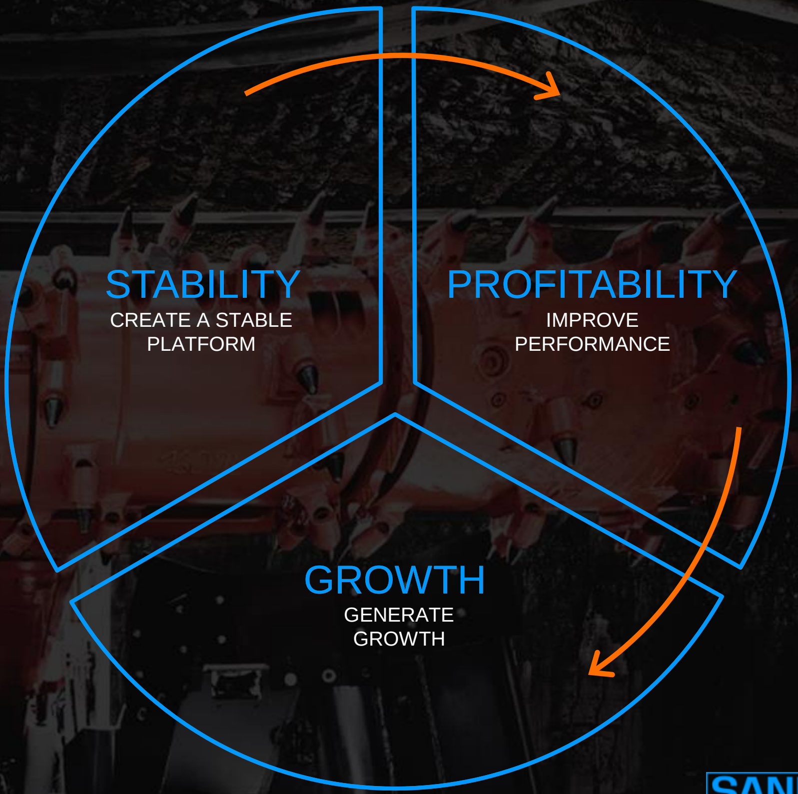
BREXIT

- Revenues 3,800 MSEK, 4th largest market
- Net assets 3,700 MSEK
- 11 production sites and 8 sales units
- 1,400 employees
- Currency flows match through imports and exports

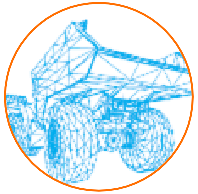
- Conclusion: no immediate currency impact on flows but still an important market

LOOKING FORWARD

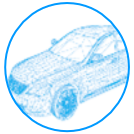
CONTINUOUS IMPROVEMENTS



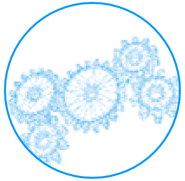
BACK-UP SLIDES



MINING
(28%)



AUTOMOTIVE
(12%)



GENERAL ENGINEERING
(24%)

CONSTRUCTION
(11%)

ENERGY
(13%)

AEROSPACE
(6%)

END-CUSTOMER SEGMENTS

(% OF GROUP REVENUES 2015 EXCL. MINING SYSTEMS)

BRIDGE ANALYSIS

MSEK	Q2 2015	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2016
MACHINING SOLUTIONS					
REVENUES	8 339	-32	-324	18	8 001
EBIT	1 701	170	-127	-	1 744
EBIT MARGIN	20.4%	N/A	-	-	21.8%
MINING					
REVENUES	5 710	-83	-541	-	5 086
EBIT	860	54	-194	-	720
EBIT MARGIN	15.1%	N/A	-	-	14.2%
MATERIALS TECHNOLOGY					
REVENUES	3 639	8	-47	-211	3 389
EBIT	286	-53	-25	89	297
EBIT MARGIN	7.9%	N/A	-	-	8.8%

* Includes metal price effects

Comments and numbers refer to continuing operations unless otherwise stated

BRIDGE ANALYSIS

MSEK	Q2 2015	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS	Q2 2016
CONSTRUCTION					
REVENUES	2 283	-116	-97	-	2 070
EBIT	151	-88	-15	-	48
EBIT MARGIN	6.6%	-76%	-	-	2.3%
VENTURE					
REVENUES	2 226	-418	-56	+16**	1 768
EBIT	210	-120	+20	+2**	112
EBIT MARGIN	9.5%	-29%	-	-	6.3%

**SGL Technology B.V. acquired in Q3 2015

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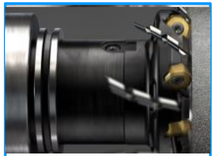
SANDVIK

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 OPTIMIZATON	143	220	69	0	27	0	**459**	**925** (1 333)
ADJUST OF COST BASE/ RIGHT SIZING	168	-	58	92	2	69	**389**	**549** (762)
TOTAL	**311**	**220**	**127**	**92**	**29**	**69**	**848**	**1 474** (2 095)

SANDVIK

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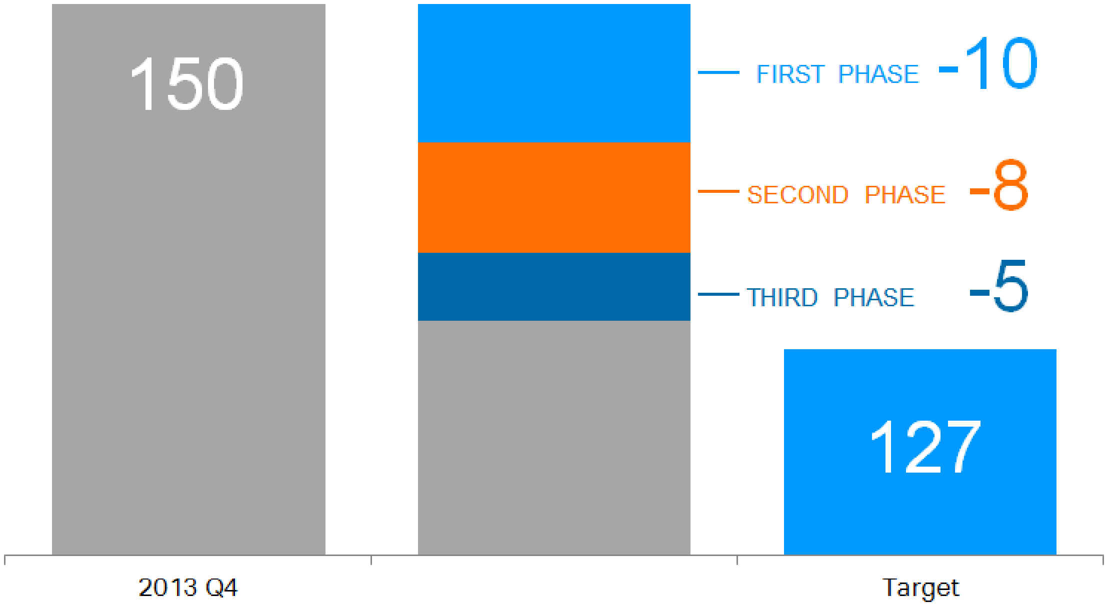
16 PRODUCTION UNITS CLOSED END OF Q2

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** (5 UNITS CLOSED)
- **TARGET SAVINGS 320 MSEK** at year end 2016

THIRD PHASE

- **5 UNITS IN SCOPE** (1 UNIT CLOSED)
- **TARGET SAVINGS 323 MSEK** at year end 2017

SANDVIK MATERIALS TECHNOLOGY

TOUGH MARKETS

- Persistently weak demand in oil and gas
- Price pressure for core- and standard tubular products remain

LARGER NUCLEAR ORDER ~200MSEK

- More than off-set re-scheduled orders

EBIT 297 MSEK, 8.8%

- Excluding metal price effect 8.5% negatively effected by production rates Y/Y and Q/Q
- Metal price effect +9 MSEK
- Adjustment of cost base ongoing

SANDVIK MATERIALS TECHNOLOGY

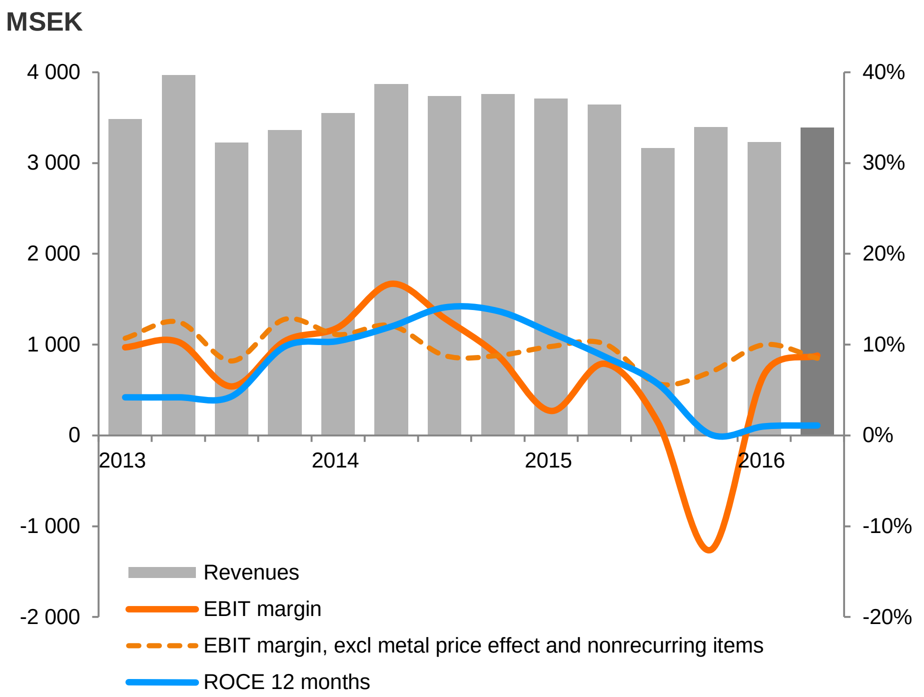
ORDER INTAKE
2,753
MSEK

REVENUES
3,389
MSEK

EBIT
297
MSEK

Excluding metal price effects
288 MSEK, 8.5 %

ROCE
1.1%



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SANDVIK CONSTRUCTION

MUTED MARKET CONDITIONS

- Crushing & screening particularly weak
- EU and NA holding up better

SEVERAL NEGATIVE ITEMS WEIGHTED ON EARNINGS

- EBIT 48 MSEK, 2.3%
- Under-absorption for crushers and negative mix effect within aftermarket but also additional charges for termination of a distributor
- All-time low relative NWC at 21.5%

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

Comments and numbers refer to continuing operations unless otherwise stated

SANDVIK

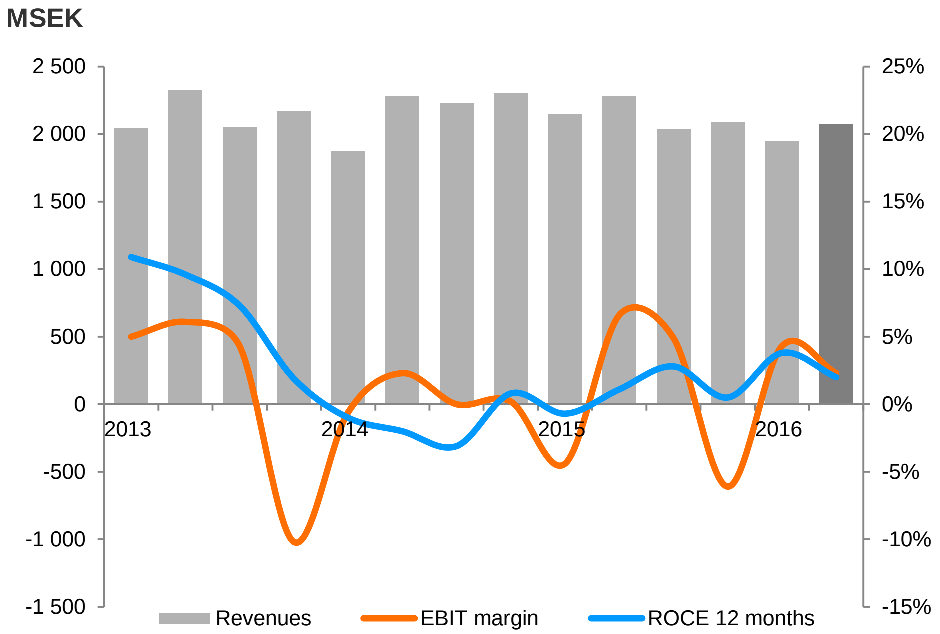
SANDVIK CONSTRUCTION

ORDER INTAKE
1,951
MSEK

REVENUES
2,070
MSEK

EBIT
48
MSEK

ROCE
2.0%



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SANDVIK VENTURE

POSITIVE BOOK-TO-BILL ~1.1

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

UNDERABSORPTION IMPACT EARNINGS

- EBIT 112 MSEK, 6.3%
- Price pressure in Wolfram and Drilling and Completions
- Further inventory reductions primarily in Wolfram

DISSOLVED BUSINESS AREA AS OF 1 JULY

Comments and numbers refer to continuing operations unless otherwise stated

SANDVIK

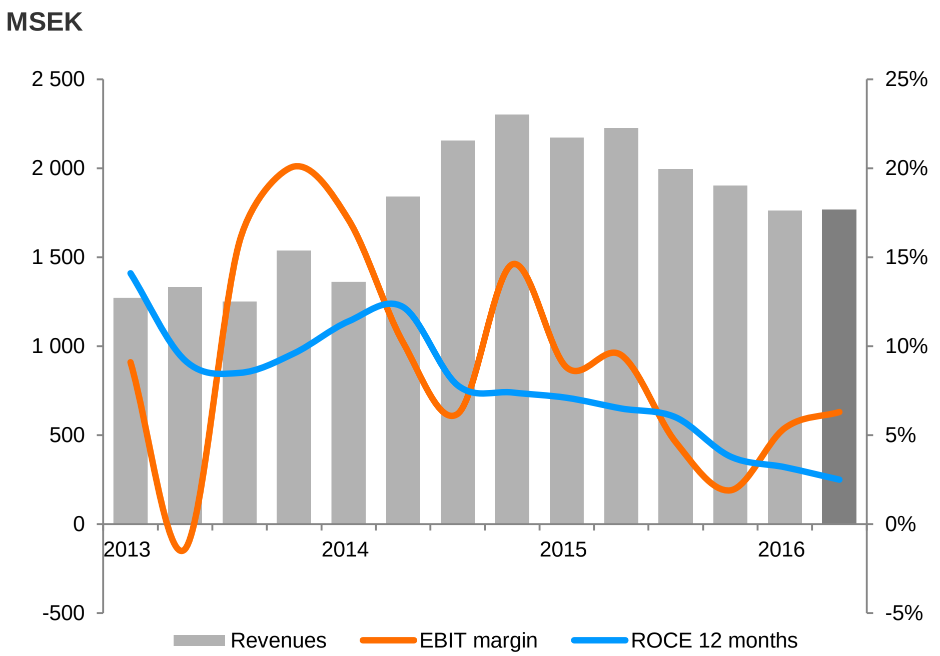
SANDVIK VENTURE

ORDER INTAKE
1,901
MSEK

REVENUES
1,768
MSEK

EBIT
112
MSEK

ROCE
2.5%



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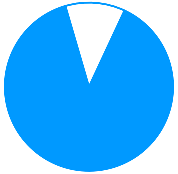
LOAN AND DURATION PROFILE



LONG TERM

88%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	5,998	4 years
Fin institutions, EIB, NIB	2,019	7 years
Swedish MTN	8,025	4 years
European MTN	10,336	10 years
Bank loans	3,182	3 years
Share swap	-	-

SHORT TERM

12%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	645	12 months
Fin institutions, EIB, NIB	336	3 months
Swedish MTN	2,000	4 months
Bank loans	205	0 months
Share swap	705	12 months
TOTAL	**33,451**	**5 years**

Cash position	**4,134 MSEK**
Revolving Credit facilities	**9,000 MSEK**

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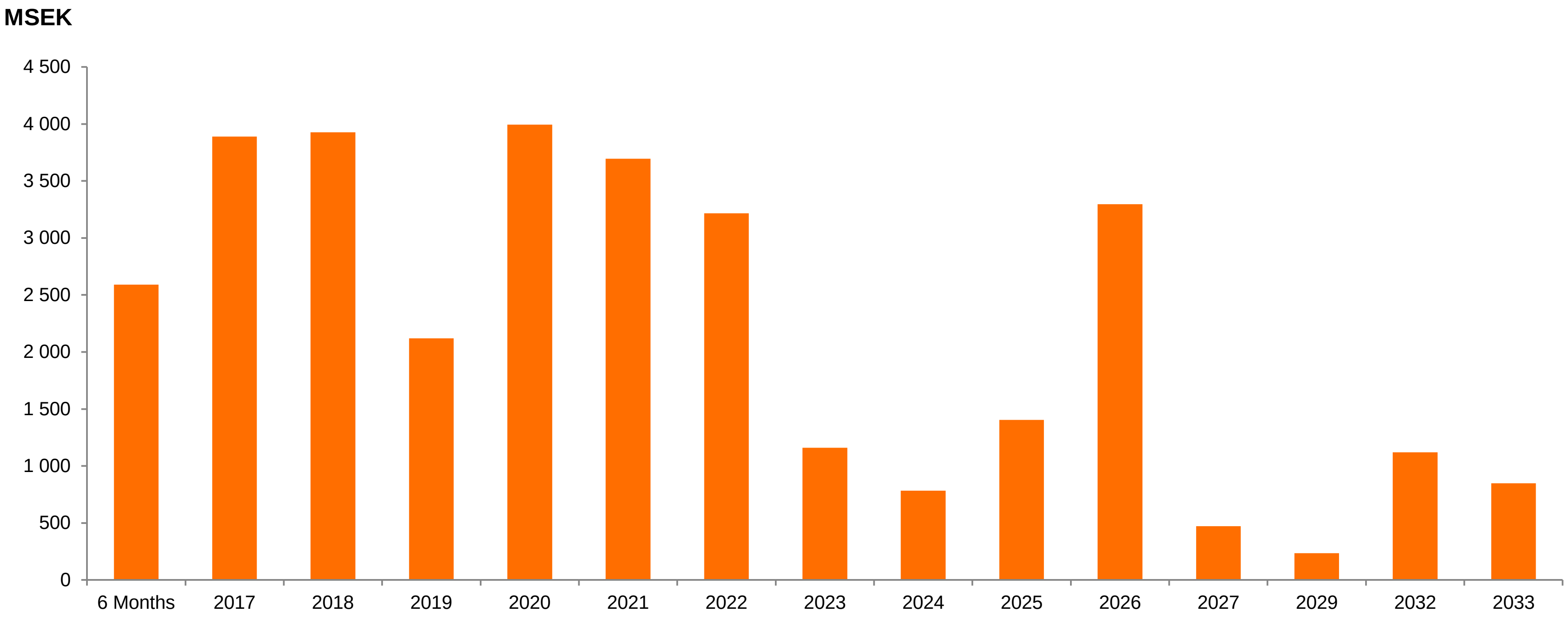
LOAN MATURITY PROFILE



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GUIDANCE

CAPEX	Estimated at below 4.1 BSEK for 2016
CURRENCY EFFECTS	Given currency rates at end of June 2016 the effect on operating profit from transaction and translation would be -100 MSEK for Q3 2016
METAL PRICE EFFECTS	Given currency rates, stock levels and metal prices at the end of June 2016, it is estimated that effects on operating profit in Q3 2016 will be about +30 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

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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.”

SANDVIK