

# INTERIM REPORT FIRST QUARTER 2015



## EARNINGS GROWTH AND STRONG CASH FLOW

**CEO'S COMMENT:** "In the first quarter adjusted earnings increased by 18% year-on-year, despite slightly negative volume growth, supported primarily by the positive impact from changed exchange rates, in addition to our ongoing efficiency measures. The underlying market environment remained largely unchanged compared with the previous quarter. New product launches within Sandvik Machining Solutions is one key part in supporting future growth and during the quarter we finalized preparations for the important launch of the new product family of Duratomic inserts from Seco Tools in early April. We are also making progress on developing our aftermarket offering within Sandvik Mining," says Sandvik's President and CEO Olof Faxander.

"The progress towards a more efficient and focused Sandvik is continuing and there has been a sequential reduction in the workforce by 461 people. As previously announced, during the first quarter, we launched the second phase of the strategic supply chain optimization program as well as additional actions to further trim the cost base, for which total Group savings are estimated at an annual run-rate of approximately 1.1 billion SEK by the end of 2016. Nonrecurring charges associated with the initiatives and the project write-down related to Mining Systems, totaling

approximately 1.9 billion SEK, impacted first-quarter results in 2015. We made further progress in the first phase of the supply chain optimization program through the closure of two units in the first quarter. The program had generated total annualized savings of 360 million SEK by the end of the first quarter of 2015, according to plan."

"We reported record first-quarter cash flow from operations of 2.4 billion SEK, supported by earnings and a persistent focus on strategic inventory reductions. We further reduced the net working capital to sales ratio to 27.6%, down from 27.8% in the previous quarter. This reduction was in contrast to the normal seasonal pattern of a sequential build-up of the net working capital. The net debt to equity ratio was 0.72, further reduced from 0.75 in the preceding quarter."

"The demand pattern for Sandvik Machining Solutions and Sandvik Mining remained largely stable compared with the fourth quarter of 2014. A low and volatile oil price hampered demand, particularly for Sandvik Venture, due to the rapid and sharp drop in on-shore drilling activity in North America. Sandvik Materials Technology received several large orders from the energy segment and despite one order cancellation a neutral book-to-bill was noted."

### FINANCIAL OVERVIEW, MSEK

	Q1 2015	Q1 2014	CHANGE %	Q1-4 2014
Order intake <sup>1)</sup>	23 167	22 496	-11	85 957
Invoiced sales <sup>1)</sup>	23 334	20 783	-3	88 821
Gross profit	7 333	7 620	-4	31 603
% of invoiced sales	31.4	36.7		35.6
Operating profit	1 052	2 478	-58	10 120
% of invoiced sales	4.5	11.9		11.4
Adjusted operating profit <sup>2)</sup>	2 934	2 478	+18	10 128
% of invoiced sales <sup>2)</sup>	12.6	11.9		11.4
Profit after financial items	563	2 042	-72	8 264
% of invoiced sales	2.4	9.8		9.3
Profit for the period	410	1 493	-73	5 992
% of invoiced sales	1.8	7.2		6.7
of which shareholders' interest	415	1 494	-72	6 011
Earnings per share, SEK <sup>3)</sup>	0.33	1.19	-72	4.79
Return on capital employed, % <sup>4)</sup>	11.5	12.7		13.4
Cash flow from operations	+2 431	+759	+220	+9 515
Net working capital, %	28	29		28

1) Change from the preceding year at fixed exchange rates for comparable units

2) Operating profit adjusted by 8 million SEK for the full year of 2014 and by 1.9 billion SEK in Q1 2015

3) Calculated on the basis of the shareholders' share of profit for the period. No dilutive impact during the period

4) Rolling 12 months

Tables and calculations do not always agree exactly with the totals due to rounding. Comparisons refer to the year-earlier period, unless stated otherwise

## MARKET DEVELOPMENT AND EARNINGS

### GROWTH

Q1	ORDER INTAKE	INVOICED SALES
Price/volume, %	-11	-3
Structure, %	+2	+2
Currency, %	+14	+14
TOTAL, %	+3	+12

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

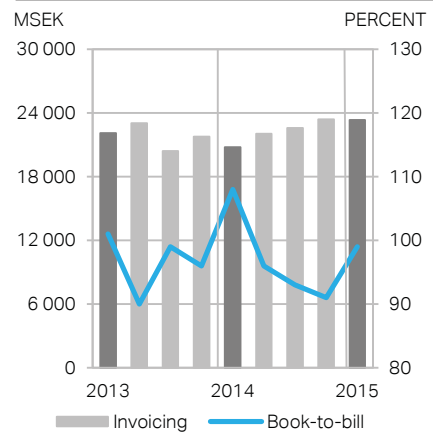
In the first quarter, order intake declined by 11%, partially due to tough comparables in the year earlier period. The demand pattern was generally unchanged compared with the preceding quarter. The North American market remained relatively strong, and this was particularly notable in the automotive and aerospace segments. Demand in Europe remained largely stable and business activity in Asia was stable at a high level.

For Sandvik Machining Solutions customer activity remained largely stable. Market activity for mining equipment remained slow but stable, while the underlying market for the aftermarket business is slowly recovering. Sandvik Materials Technology received major orders totaling 1 billion SEK from the energy segment. These orders more than off-set the cancellation of one order valued at 700 million SEK and placed in the first quarter of 2014. The cancellation was due to the indefinite postponement of the project. The negative impact on demand due to the rapid and severe drop in onshore drilling activity in North America was greater than anticipated, adversely affecting Sandvik Venture.

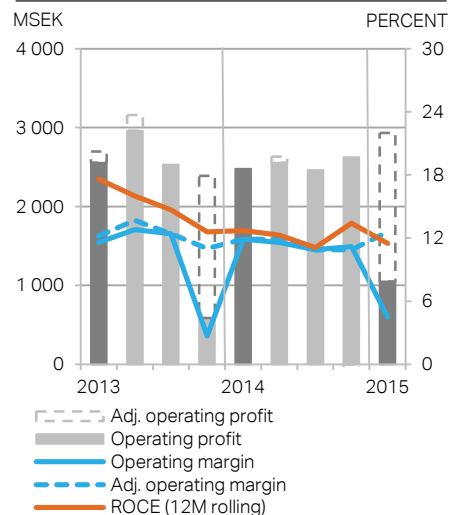
On a year-on-year basis, acquisitions and divestments had a positive effect of 2% on order intake and invoiced sales, driven primarily by the acquisition of Varel International Energy Services Inc. (Varel). Changes in exchange rates were significant, contributing 14% to order intake and invoiced sales.

The adjusted earnings growth of 18% and the margin expansion to 12.6% (11.9) were supported by mix, structural savings as well as positive impact from changed exchange rates. Savings from the supply chain optimization program phase I contributed to earnings by 90 million SEK in the first quarter, yielding an annual run-rate of 360 million SEK. Changed exchange rates contributed approximately by 770 million SEK to earnings as the SEK depreciated against several major trading currencies compared with the year-earlier period. Changed metal prices had a negligible impact on earnings. Administrative, selling and R&D expenses increased year-on-year due to changed exchange rates, the acquisition of Varel and charges associated with the cost base adjustment announced in the first quarter. The tax rate for the first quarter was 27.2% (26.9).

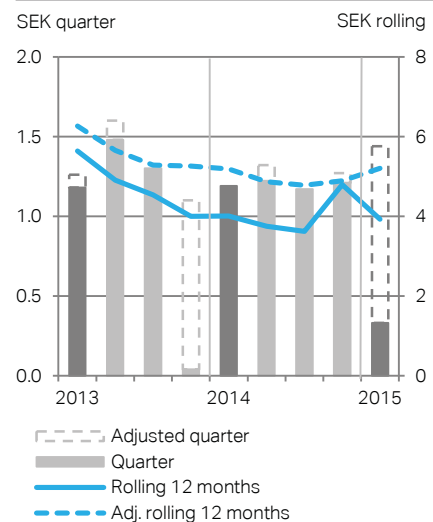
### INVOICED SALES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### EARNINGS PER SHARE



## CASH FLOW AND BALANCE SHEET

**Total assets** increased compared with the preceding quarter due to the weakening of the SEK against several other trading currencies. This was partly offset by reduced inventory levels.

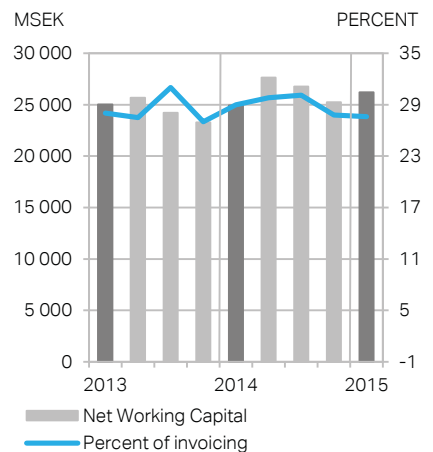
**Net working capital** rose by about 1 billion SEK compared with the preceding quarter due to changed exchange rates while volume development was largely flat. Net working capital in relation to sales was further reduced to 27.6% from 27.8% in the preceding quarter. This reduction was in contrast to the normal seasonal pattern of a sequential build-up of the net working capital, and was the result of a persistent focus on long-term reduction of net working capital. Inventory levels were reduced mainly in Sandvik Mining. Accounts payable remained largely unchanged in sequential terms while accounts receivable increased, primarily for Sandvik Machining Solutions.

**Capital expenditure** in the first quarter amounted to 798 (902) million SEK. Investments were low in the first quarter due to normal seasonality.

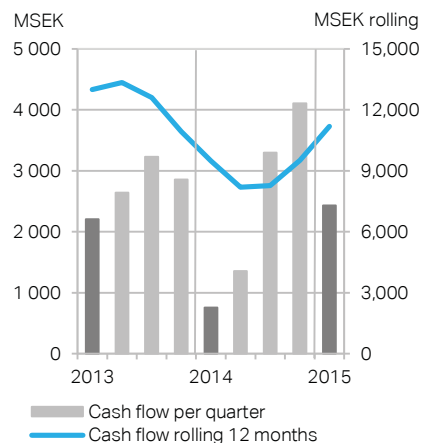
**Net debt** declined to 30.4 billion SEK compared with 30.7 billion SEK in the preceding quarter. The decline was mainly attributable to earnings generation. Consequently, the net debt/equity ratio decreased to 0.72 compared with 0.75 in the preceding quarter. Interest-bearing debt with short-term maturity was low at 8% of total debt.

**Cash flow** from operations amounted to 2 431 million SEK (759), a record first-quarter cash flow, supported by quarterly earnings and inventory reductions.

### NET WORKING CAPITAL

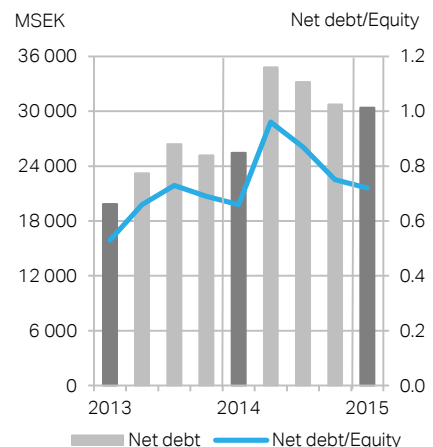


### CASH FLOW FROM OPERATIONS



*Cash flow Q3 2013 and Rolling 12 months adjusted for tax payment related to Intellectual Property rights, about -5,800 million SEK.*

### NET DEBT



## SANDVIK MACHINING SOLUTIONS

MARGIN EXPANSION

STABLE MARKET

RECORD-HIGH INVOICING



### GROWTH

Q1	ORDER INTAKE	INVOICED SALES
Price/volume, %	-2	+0
Structure, %	+0	+0
Currency, %	+14	+14
<b>TOTAL, %</b>	<b>+11</b>	<b>+14</b>

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

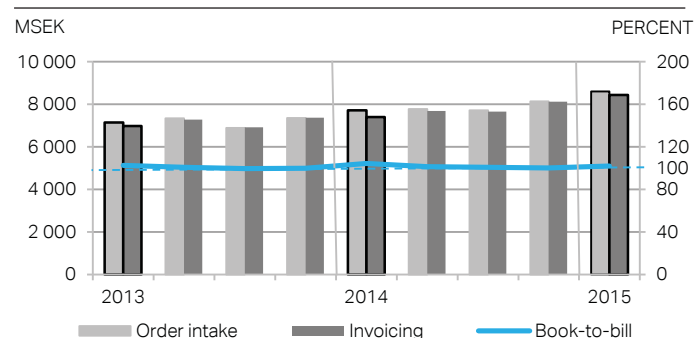
**Demand remained largely on par with the year-earlier period and the preceding quarter.** Market activity in North America and Asia remained firm although meeting challenging growth comparables in North America due to the large aerospace order received in the year-earlier period. China noted good demand, albeit with a lower growth rate. Europe was stable at a low level. Russian demand continued to be negatively impacted by EU trade sanctions, while Italy was among the stronger markets during the period. Adverse macroeconomic conditions were still evident in South America, Brazil in particular. In relative terms, automotive and aerospace were among the stronger segments while energy noted a comparatively weaker performance. The number of working days was in line with the year-earlier period.

**Earnings grew by 22% on an annual basis, adjusted for 680 MSEK in nonrecurring costs related to phase II of the supply chain optimization program and other cost adjustments, while the EBIT margin improved to 21.4% (20.0), despite flat volume growth, supported by changed exchange rates and efficiency measures.** The impact from changed exchange rates supported earnings by 410 million SEK compared with the year earlier period and 250 millions SEK sequentially. Savings from the supply chain optimization program contributed to earnings by 30 million SEK, compared with the year-earlier period. In sequential terms, production rates increased slightly due to normal seasonality and in preparation of product launches. Inventory levels remained balanced with current demand. Net working capital in relation to invoiced sales was 24.5%. Com-

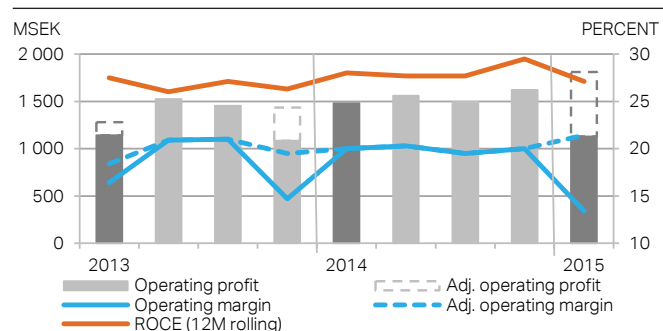
pared with the year-earlier period, cost for sales activities and R&D increased, driven mainly by changed exchange rates.

Relating to the earlier announcement of a potential joint venture with Zhuzhou, the parties have agreed not to pursue the discussions.

### ORDER INTAKE, INVOICED SALES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2015	Q1 2014	CHANGE %	Q4 2014	CHANGE %
Order intake	8 596	7 719	-2 *	8 129	+1 *
Invoiced sales	8 438	7 400	-0 *	8 122	-1 *
Operating profit	1 129	1 480	-24	1 622	-30
% of invoiced sales	13.4	20.0		20.0	
Adjusted operating profit**	1 809	1 480	+22	1 622	+12
% of invoiced sales**	21.4	20.0		20.0	
Return on capital employed, %***	27.1	28.0		29.5	
Number of employees	18 838	19 026	-1	18 927	-0

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for nonrecurring charges of 680 million SEK in Q1 2015. \*\*\* Rolling 12 months

## SANDVIK MINING

### STABLE MARKET ACTIVITY

### EARNINGS AND MARGIN EXPANSION

### CONTINUED INVENTORY REDUCTION



### GROWTH

Q1	ORDER INTAKE	INVOICED SALES
Price/volume, %	-11	-9
Structure, %	+0	+0
Currency, %	+15	+14
<b>TOTAL, %</b>	<b>+2</b>	<b>+4</b>

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

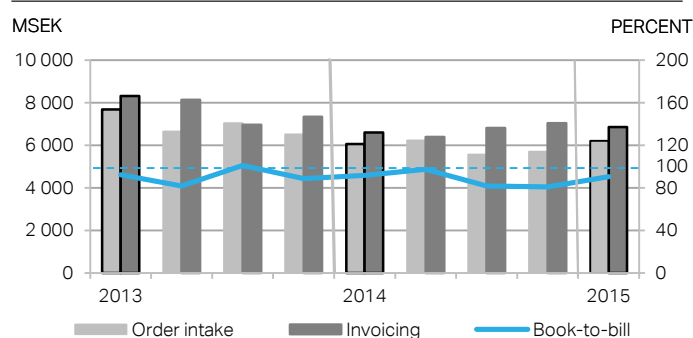
**Demand remained slow but stable for mining equipment, while the underlying market within the aftermarket slowly is recovering. Demand for Mining Systems remained muted in pace with the postponement of projects, particularly within coal and iron ore.** For Mining Systems the business climate has become harsher and Sandvik Mining applies a stringent project approach, focusing on quality in order intake. Sandvik Mining's book-to-bill was 0.9 in the first quarter, adversely impacted by Mining Systems.

**Earnings grew by 16% on an annual basis and the EBIT margin was 11.6% (10.4) supported primarily by changed exchange rates as well as mix and efficiency measures, when adjusting for 630 million SEK in nonrecurring costs related to phase II of the supply chain optimization program, as well as for 100 million SEK associated with the project write-down related to Mining Systems, as previously announced.** Changed exchange rates made a positive contribution of about 240 million SEK to operating profit compared with the year-earlier period and about 115 million SEK compared with the preceding quarter. The focus to strategically reduce the net working capital was maintained and inventory volumes were further reduced. Provisions for stock obsolescence and bad debt losses were negligible.

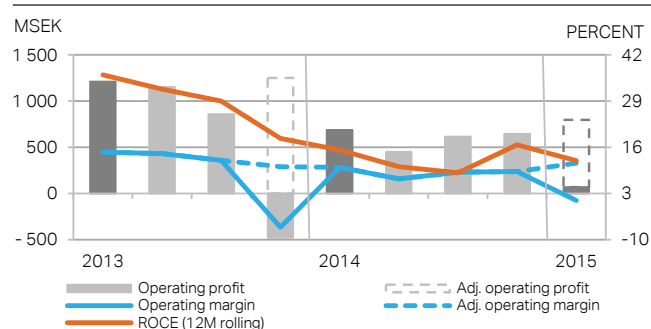
The activities to optimize the global supply chain progressed according to plan with the closure of one unit in Hunter Valley,

Australia. Savings of about 35 million SEK were realized in the period, and total annualized savings from the program reached 140 million SEK at the end of the first quarter.

### ORDER INTAKE, INVOICED SALES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2015	Q1 2014	CHANGE %	Q4 2014	CHANGE %
Order intake	6 203	6 055	-11 *	5 695	+4 *
Invoiced sales	6 863	6 601	-9 *	7 039	-7 *
Operating profit	68	688	-90	644	-89
% of invoiced sales	1.0	10.4		9.2	
Adjusted operating profit**	798	688	+16	644	+24
% of invoiced sales**	11.6	10.4		9.2	
Return on capital employed, %***	12.2	15.2		16.7	
Number of employees	11 635	12 568	-7	11 815	-2

\* At fixed exchange rates for comparable units, \*\* Operating profit adjusted for nonrecurring charges of 730 million in Q1 2015, \*\*\* Rolling 12 months

## SANDVIK MATERIALS TECHNOLOGY

THREE LARGE ENERGY ORDERS  
OFF-SET CANCELLATION

DEMAND UNCERTAINTY  
PERSISTS IN OIL & GAS

CONTINUED INVENTORY  
REDUCTION



### GROWTH

Q1	ORDER INTAKE	INVOICED SALES
Price/volume, %	-23	+1
Structure, %	-5	-6
Currency, %	+11	+10
<b>TOTAL, %</b>	<b>-20</b>	<b>+5</b>

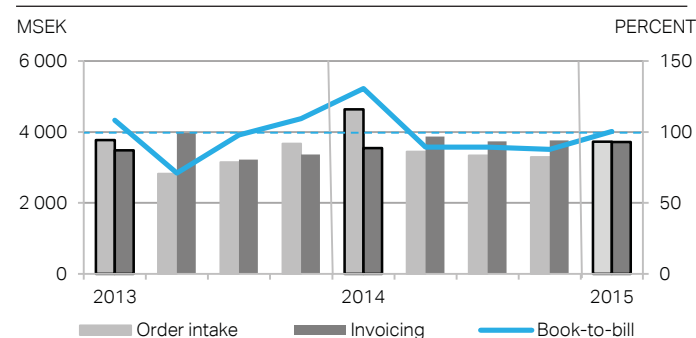
Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Market demand was in line with the level noted in the preceding quarter for most industry segments. The uncertainty in the oil and gas industry continued, resulting in protracted lead times for investment decisions. However, two large orders were received from the oil & gas industry in addition to one from the nuclear industry and in spite of one order cancellation the book-to-bill was 1.0 for the period. The combined value of these orders was about 1 billion SEK with deliveries primarily scheduled for 2016. These orders more than off-set the cancellation of one order valued at 700 million SEK, which negatively affected order intake in the quarter. This related to an oil and gas project that has been delayed indefinitely. Demand for the standard product range remained challenging, particularly in Europe. Demand in North America continued to develop well and market activity in Asia was mixed.

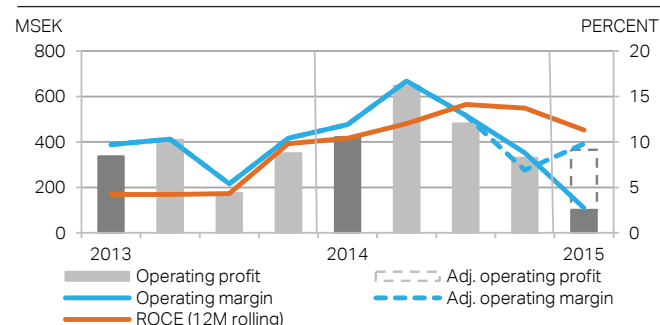
Earnings continued to be negatively affected by the under-absorption of fixed cost resulting from low production rates as inventories were reduced and measures were taken to adjust capacity for oil and gas products. These included reducing shift forms and utilization of flexibility solutions. To adjust and optimize production flows for the more standardized product program additional efficiency measures were initiated during the quarter, resulting in nonrecurring charges of 265 million SEK, as earlier announced. These measures target annualized savings of 165 million SEK by the end of 2016. Metal price changes had an adverse effect of 5 million SEK on results. Excluding nonrecurring charges and metal-price effects, earnings amounted to 370 million SEK (395), or 10.0%

(11.1) of invoiced sales. Changed exchange rates had a positive impact on earnings of about 70 million SEK compared with the year-earlier period and by -14 million SEK compared with the preceding quarter. The net working capital to sales ratio declined to 29.7%, down sequentially from 32.7%.

### ORDER INTAKE, INVOICED SALES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

Order intake	3 725	4 633	-23 *	3 296	+8 *
Invoiced sales	3 712	3 547	+1 *	3 758	-5 *
Operating profit	100	421	-76	330	-70
% of invoiced sales	2.7	11.9		8.8	
Adjusted operating profit**	365	421	-13	259	+41
% of invoiced sales**	9.8	11.9		6.9	
Return on capital employed, %***	11.3	10.4		13.7	
Number of employees	6 789	7 086	-1 *	6 914	-2

	Q1 2015	Q1 2014	CHANGE %	Q4 2014	CHANGE %
Order intake	3 725	4 633	-23 *	3 296	+8 *
Invoiced sales	3 712	3 547	+1 *	3 758	-5 *
Operating profit	100	421	-76	330	-70
% of invoiced sales	2.7	11.9		8.8	
Adjusted operating profit**	365	421	-13	259	+41
% of invoiced sales**	9.8	11.9		6.9	
Return on capital employed, %***	11.3	10.4		13.7	
Number of employees	6 789	7 086	-1 *	6 914	-2

\* At fixed exchange rates for comparable units, \*\* Operating profit adjusted for capital gain from divestments by about -71 million SEK for Q4 2014 and nonrecurring charges of 265 million SEK in Q1 2015, \*\*\* Rolling 12 months

## SANDVIK CONSTRUCTION

POSITIVE BOOK-TO-BILL

PERFORMANCE IMPROVEMENT

UNIT CLOSURE FINALIZED



### GROWTH

Q1	ORDER INTAKE	INVOICED SALES
Price/volume, %	-12	-1
Structure, %	+0	+0
Currency, %	+16	+16
<b>TOTAL, %</b>	<b>+2</b>	<b>+15</b>

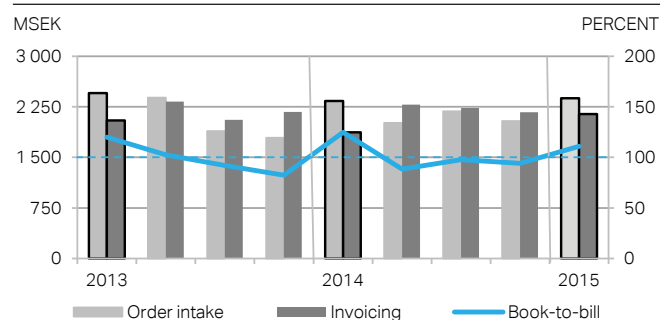
Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Market demand remained generally stable at a low level although order intake grew somewhat sequentially, in line with the normal seasonal pattern of orders being placed in the first quarter for delivery during the summer construction season in the northern hemisphere. In relative terms, the underlying market activity was higher for surface drilling and tunneling, in the first quarter. The market for mobile crushing improved somewhat from depressed levels, driven by increased activity in North America. Europe remained stable at a low level with the strongest development in the Northern region. Demand in Asia was mixed with a positive development in India while market conditions remained weak in China. Demand for rock tools, consumables and services were largely unchanged as customer production rates remained intact.

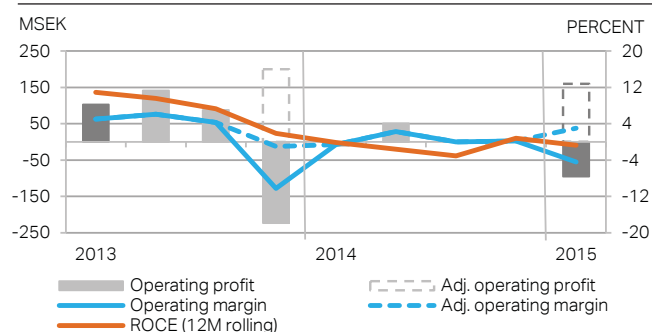
Earnings continued to recover from previously depressed levels, with the adjusted operating profit margin amounting to 3% in the first quarter, driven by the successful implementation of savings initiatives, less under-absorption of costs as the pace of inventory reduction slowed and the positive impact from changed exchange rates. As previously announced, nonrecurring charges negatively affected earnings by 160 million SEK related to efficiency measures in the sales organization. Changed exchange rates impacted operating profit positively by about 70 million SEK compared with the year-earlier period and by 26 million SEK compared with the preceding quarter. The net working capital to sales ratio was 24.3%, a sequential reduction from 25.6%.

During the quarter the closure of the mobile crushing unit in Swadlincote, UK was finalized. The supply chain optimization program generated full savings of 25 million SEK in the first quarter, yielding an annual run-rate of 100 million SEK, as originally planned.

### ORDER INTAKE, INVOICED SALES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2015	Q1 2014	CHANGE %	Q4 2014	CHANGE %
Order intake	2 376	2 336	-12 *	2 038	+10 *
Invoiced sales	2 144	1 871	-1 *	2 169	-6 *
Operating profit	-95	-11	N/M	4	N/M
% of invoiced sales	-4.4	-0.6		0.2	
Adjusted operating profit**	65	-11	N/M	4	N/M
% of invoiced sales**	3.0	-0.6		0.2	
Return on capital employed, %***	-0.7	-0.1		0.8	
Number of employees	2 740	3 204	-14	2 815	-3

\* At fixed exchange rates for comparable units, \*\* Operating profit adjusted for nonrecurring charges of 160 million SEK in Q1 2015,\*\*\* Rolling 12 months



## SANDVIK VENTURE

GENERALLY STABLE MARKET CONDITIONS

WEAK DEMAND IN OIL & GAS SEGMENT

MITIGATING ACTIONS ONGOING



### GROWTH

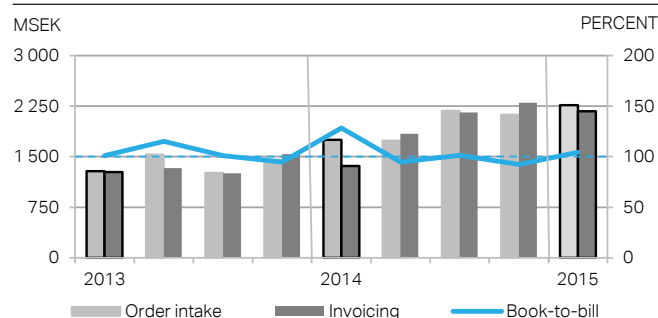
Q1	ORDER INTAKE	INVOICED SALES
Price/volume, %	-18	-0
Structure, %	+33	+43
Currency, %	+17	+17
<b>TOTAL, %</b>	<b>+29</b>	<b>+59</b>

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

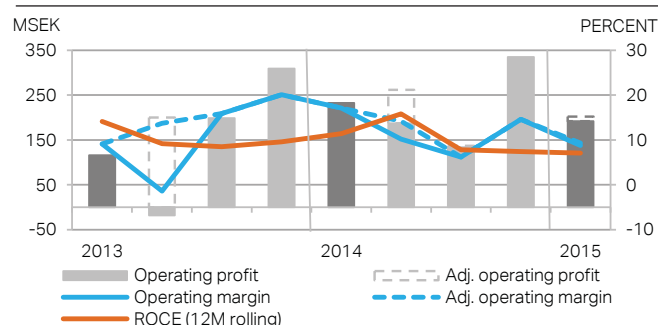
Market demand was mixed for Sandvik Venture's product areas, with a generally stable market sentiment noted apart from weaker demand in the energy segment compared with the preceding quarter. Customer activity in the oil and gas sector was adversely impacted by the low and volatile oil price, which affected Hyperion to some extent, while the impact was significant for Varel. Sandvik Process Systems noted a sequential decline in sales, in line with the normal seasonal pattern. Demand for products from Wolfram was stable, although the price of tungsten remained under pressure during the quarter, resulting in customers placing orders at short notice. Compared with the year-earlier period, the total order intake declined by 18% at fixed exchange rates, primarily due to tough comparables for Process Systems - which reported record order intake in the year-earlier period.

Earnings, adjusted for nonrecurring charges of 10 million SEK, declined by 13% on an annual basis and the EBIT margin declined to 9.3% (17.1), adversely impacted compared with the preceding year and quarter by the underabsorption of costs within Varel as well as the product mix. Additional actions to adjust the cost base are being implemented at Varel. Sandvik Process Systems noted an adverse product mix in the quarter compared with the year-earlier period. Changes in exchange rates had a positive effect of about 25 million SEK on earnings compared with the year-earlier period and about 10 million SEK compared with the preceding quarter.

### ORDER INTAKE, INVOICED SALES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2015	Q1 2014	CHANGE %	Q4 2014	CHANGE %
Order intake	2 263	1 749	-18 *	2 123	+3 *
Invoiced sales	2 172	1 362	-0 *	2 301	-9 *
Operating profit	192	233	-18	335	-43
% of invoiced sales	8.8	17.1		14.6	
Adjusted operating profit**	202	233	-13	335	-40
% of invoiced sales**	9.3	17.1		14.6	
Return on capital employed, %***	7.1	11.4		7.4	
Number of employees	4 060	2 745	-1 *	4 074	-0

\* At fixed exchange rates for comparable units, \*\* Operating profit adjusted for nonrecurring charges of 10 million SEK in Q1 2015, \*\*\* Rolling 12 months

## PARENT COMPANY

The parent company's invoiced sales for the first quarter of 2015 amounted to 4,242 million SEK (4,185) and the operating result was -85 million SEK (-451). Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 39 million SEK (460) after

the first quarter. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 6,564 million SEK (17,227). Investments in property, plant and machinery amounted to 161 million SEK (215).

## ACQUISITIONS AND DIVESTMENTS

### ACQUISITIONS DURING THE MOST RECENT 12-MONTH PERIOD

	COMPANY/UNIT	CLOSING DATE	ANNUAL REVENUE, MSEK	NO OF EMPLOYEES
SANDVIK VENTURE	Varel Intl Energy Services Inc.	21 May 2014	2,300	1,300

### DIVESTMENTS DURING THE MOST RECENT 12-MONTH PERIOD

The divestment of Sandvik Materials Technology's distribution business in Australia and New Zealand was finalized on 1 October 2014 and recorded in the fourth quarter of 2014

The divestment of Sandvik Materials Technology's power spring business in the US and Mexico was finalized on 31 December 2014 and recorded in the fourth quarter of 2014.

## SIGNIFICANT EVENTS DURING THE FIRST QUARTER

– On 5th March Sandvik launched phase II of the supply chain optimization program in addition to further adjustment to the cost base aimed at improving efficiency. As initially communicated in 2013, Sandvik's supply chain is to be optimized, reducing the number of production units from 150 to about 125 over three to four years.

The first phase, initiated in the fourth quarter of 2013, has progressed according to plan and involves 11 unit closures (of which five closures had been implemented at year-end 2014). Sandvik is now launching the second phase comprising a total of ten unit closures, predominantly in Europe. In addition, Sandvik implements further measures to adjust the cost base for increased efficiency and to current demand, as well as making a project write-down related to Mining Systems.

The total group savings are estimated to approximately 1.1 billion SEK in annual run-rate at the end of 2016. Nonrecurring charges associated with the initiatives, totaling about 1.9 billion SEK, impacted the first quarter of 2015.

For additional details see press release dated 5th March on [www.sandvik.com](http://www.sandvik.com)

## GUIDANCE

Sandvik does not provide a market outlook or business performance forecasts. However, guidance relating to certain non-operational key figures considered useful when modeling financial outcomes is provided in the table below:

<b>CAPEX</b>	Estimated at below 5 billion SEK for 2015
<b>CURRENCY EFFECTS</b>	Based on currency rates at end-March, it is estimated that operating profit for the second quarter of 2015 will be affected by about +900 million SEK compared with the year-earlier period
<b>METAL PRICE EFFECTS</b>	In view of currency rates, stock levels and metal prices at the end of March, it is estimated that operating profit for the second quarter of 2015 will be affected by about -150 million SEK
<b>NET FINANCIAL ITEMS</b>	Estimated at between -1.8 and -2.0 billion SEK in 2015
<b>TAX RATE</b>	Estimated at about 26-28% for 2015

## ACCOUNTING POLICIES

This interim report was prepared in accordance with IFRS, applying IAS 34, Interim Financial Reporting. The same accounting and valuation policies were applied as in the most recent annual report with the exception of new and revised standards and interpretations effective from 1 January 2015.

The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Securities

Market Act, which is in line with standard RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board.

IASB has published amendments of standards that are effective as of 2015 or later. The standards have not had any material impact on the consolidated accounts.

## TRANSACTIONS WITH RELATED PARTIES

No transactions between Sandvik and related parties that significantly affected the company's position and results took place.

## RISK ASSESSMENT

Sandvik is a global group represented in 130 countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Sandvik in its work to achieve established targets. Efficient risk management forms part of the ongoing review of the business

and forward-looking assessment of operations. Sandvik's long-term risk exposure is assumed not to deviate from the inherent exposure associated with Sandvik's ongoing business operations. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2014.

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q1 2015	Q1 2014	CHANGE %	Q1-4 2014
Revenue	23 334	20 783	+12	88 821
Cost of sales and services	-16 001	-13 163	+22	-57 218
<b>Gross profit</b>	<b>7 333</b>	<b>7 620</b>	<b>-4</b>	<b>31 603</b>
% of revenues	31.4	36.7		35.6
Selling expenses	-3 555	-2 676	+33	-11 867
Administrative expenses	-2 013	-1 669	+21	-6 719
Research and development costs	-760	-660	+15	-2 629
Other operating income and expenses	47	-137	N/M	-268
<b>Operating profit</b>	<b>1 052</b>	<b>2 478</b>	<b>-58</b>	<b>10 120</b>
% of revenues	4.5	11.9		11.4
Net financial items	-489	-436	+12	-1 856
<b>Profit after financial items</b>	<b>563</b>	<b>2 042</b>	<b>-72</b>	<b>8 264</b>
% of revenues	2.4	9.8		9.3
Income tax	-153	-549	-72	-2 272
<b>Profit for the period</b>	<b>410</b>	<b>1 493</b>	<b>-73</b>	<b>5 992</b>
% of revenues	1.8	7.2		6.7
<i>Items that will not be reclassified to profit or loss</i>				
Actuarial gains/(losses) on defined benefit pension plans	-674	-252		-1 847
Tax relating to items that will not be reclassified	159	84		452
	-515	-168		-1 395
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences	709	-109		3 120
Cash flow hedges	-125	-93		-381
Tax relating to items that may be reclassified	27	24		78
	611	-178		2 817
<b>Total other comprehensive income</b>	<b>96</b>	<b>-346</b>		<b>1 422</b>
<b>Total comprehensive income</b>	<b>506</b>	<b>1 147</b>		<b>7 414</b>
-----				
Profit for the period attributable to				
Owners of the Parent	415	1 494		6 011
Non-controlling interests	-5	-1		-19
-----				
Total comprehensive income attributable to				
Owners of the Parent	511	1 148		7 432
Non-controlling interests	-5	-1		-17
Earnings per share, SEK *	0.33	1.19		4.79

\* No dilution effects during the period  
N/M = non-meaningful

## THE GROUP

### BALANCE SHEET

MSEK	31 MAR 2015	31 DEC 2014	CHANGE %	31 MAR 2014
Intangible assets	19 166	18 323	+5	11 987
Property, plant and equipment	27 858	27 609	+1	25 102
Financial assets	8 781	8 279	+6	8 290
Inventories	24 571	24 056	+2	23 845
Current receivables	23 349	21 725	+7	21 366
Cash and cash equivalents	7 318	6 327	+16	2 328
<b>Total assets</b>	<b>111 043</b>	<b>106 319</b>	<b>+4</b>	<b>92 918</b>
Total equity	37 199	36 672	+1	34 826
Non-current interest-bearing liabilities	42 655	41 426	+3	28 450
Non-current non-interest-bearing liabilities	3 989	3 584	+11	3 345
Current interest-bearing liabilities	2 908	2 679	+9	4 774
Current non-interest-bearing liabilities	24 292	21 958	+11	21 523
<b>Total equity and liabilities</b>	<b>111 043</b>	<b>106 319</b>	<b>+4</b>	<b>92 918</b>
Net working capital *	26 188	25 250	+4	24 913
Loans	37 554	36 907	+2	27 641
Net debt **	30 391	30 742	-1	25 446
Net debt to equity ratio***	0.7	0.7		0.7
Non-controlling interests in total equity	127	134	-5	99

\* Inventories plus trade receivables excl. prepaid income taxes, reduced by non-interest-bearing liabilities excl. tax liabilities

\*\* Current and non-current interest-bearing liabilities excluding net provisions for pensions, less cash and cash equivalents

\*\*\* Equity excluding accumulated actuarial gains/losses on defined benefit pension plans after tax

### CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2014	33 510	100	33 610
Total comprehensive income for the period	7 432	-17	7 415
Non-controlling interest in acquired companies	-	33	33
Non-controlling interest new stock issue	-	23	23
Personnel options program	-80	-	-80
Hedge of personnel options program	66	-	66
Dividends	-4 390	-5	-4 395
Closing equity, 31 December 2014	36 538	134	36 672
Opening equity, 1 January 2015	36 538	134	36 672
Total comprehensive income for the period	511	-5	506
Personnel options program	23	-	23
Dividends	-	-3	-3
Closing equity, 31 March 2015	37 072	126	37 198
Opening equity, 1 January 2014	33 510	100	33 610
Total comprehensive income for the period	1 148	-1	1 147
Personnel options program	69	-	69
Closing equity, 31 March 2014	34 727	99	34 826

## THE GROUP

### CASH FLOW STATEMENT

MSEK	Q1 2015	Q1 2014	Q1-4 2014
<i>Cash flow from operating activities</i>			
Income after financial income and expenses	563	2 042	8 264
Adjustment for depreciation, amortization and impairment losses	1 271	948	4 145
Adjustment for items that do not require the use of cash etc.	1 370	-203	-1 114
Income tax paid	-542	-440	-1 899
<b>Cash flow from operations before changes in working capital</b>	<b>2 662</b>	<b>2 347</b>	<b>9 396</b>
<i>Changes in working capital</i>			
Change in inventories	429	-597	1 464
Change in operating receivables	-1 095	-1 654	778
Change in operating liabilities	491	698	-1 755
<b>Cash flow from changes in working capital</b>	<b>-175</b>	<b>-1 553</b>	<b>487</b>
Investments in rental equipment	-135	-96	-561
Divestments of rental equipment	79	61	193
<b>Cash flow from operations</b>	<b>2 431</b>	<b>759</b>	<b>9 515</b>
<i>Cash flow from investing activities</i>			
Acquisitions of companies and shares, net of cash	-	-	-2 834
Disposal of discontinued operations	-	-	460
Investments in tangible assets	-599	-697	-3 820
Proceeds from sale of tangible assets	34	53	230
Investments in intangible assets	-199	-205	-839
Proceeds from sale of intangible assets	-	7	8
Other investments, net	5	-34	-44
<b>Cash flow from investing activities</b>	<b>-759</b>	<b>-876</b>	<b>-6 839</b>
Net cash flow after investing activities	1 672	-117	2 676
<i>Cash flow from financing activities</i>			
Change in interest-bearing debt	-786	-2 617	2 758
Dividends paid	-3	-	-4 395
<b>Cash flow from financing activities</b>	<b>-789</b>	<b>-2 617</b>	<b>-1 637</b>
Cash flow for the period	883	-2 734	1 039
Cash and cash equivalents at beginning of the period	6 327	5 076	5 076
Exchange-rate differences in cash and cash equivalents	108	-14	212
Cash and cash equivalents at the end of the period	7 318	2 328	6 327

## THE PARENT COMPANY

### INCOME STATEMENT

MSEK	Q1 2015	Q1 2014
Revenue	4 242	4 185
Cost of sales and services	-2 675	-3 203
<b>Gross profit</b>	<b>1 567</b>	<b>982</b>
Selling expenses	-153	-157
Administrative expenses	-621	-655
Research and development costs	-353	-334
Other operating income and expenses	-525	-287
<b>Operating profit</b>	<b>-85</b>	<b>-451</b>
Income from shares in Group companies	39	460
Income from shares in associated companies	-	-
Interest income/expenses and similar items	-149	-168
<b>Profit after financial items</b>	<b>-195</b>	<b>-159</b>
Appropriations	-	-
Income tax expense	-221	44
<b>Profit for the period</b>	<b>-416</b>	<b>-115</b>

*The classification of certain profit and loss items has changed as from 2015 affecting administrative expenses and other operating income and expenses. Comparative figures have been adjusted accordingly.*

### BALANCE SHEET

MSEK	31 MAR 2015	31 DEC 2014	CHANGE %	31 MAR 2014
Intangible assets	8	8	0	8
Property, plant and equipment	7 686	7 740	-1	7 393
Financial assets	46 933	46 370	1	39 978
Inventories	3 802	3 591	6	3 848
Current receivables	15 294	17 279	-11	15 572
Cash and cash equivalents	1	1	0	11
<b>Total assets</b>	<b>73 724</b>	<b>74 989</b>	<b>-2</b>	<b>66 810</b>
Total equity	28 940	28 196	3	26 702
Untaxed reserves	4	4	0	4
Provisions	511	600	-15	658
Non-current interest-bearing liabilities	25 705	25 761	0	15 617
Non-current non-interest-bearing liabilities	59	47	26	157
Current interest-bearing liabilities	6 015	8 478	-29	17 832
Current non-interest-bearing liabilities	12 490	11 903	5	5 840
<b>Total equity and liabilities</b>	<b>73 724</b>	<b>74 989</b>	<b>-2</b>	<b>66 810</b>
Pledged assets	-	-	N/A	-
Contingent liabilities	16 975	15 938	7	15 115
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	6 564	9 561	-31	17 227
Investments in fixed assets	161	1 227	-87	215

*N/A = not applicable*

## MARKET OVERVIEW, THE GROUP

### ORDER INTAKE AND INVOICED SALES PER MARKET AREA FIRST QUARTER 2015

MARKET AREA	ORDER INTAKE	CHANGE *		SHARE	INVOICED SALES	CHANGE *		SHARE
	MSEK	%	% <sup>1)</sup>	%		MSEK	%	%
<b>THE GROUP</b>								
Europe	8 448	-17	-4	37	8 842	+1		37
North America	5 636	+4	+1	24	4 869	-2		21
South America	1 214	-9	-9	5	1 870	-4		8
Africa/Middle East	2 193	-0	-0	9	2 239	-3		10
Asia	4 574	-1	-1	20	4 378	-5		19
Australia	1 102	-43	-15	5	1 136	-20		5
<b>Total</b>	<b>23 167</b>	<b>-11</b>	<b>-3</b>	<b>100</b>	<b>23 334</b>	<b>-3</b>		<b>100</b>
<b>SANDVIK MACHINING SOLUTIONS</b>								
Europe	4 561	-1	-1	52	4 412	-1		51
North America	1 925	-8	-8	22	1 999	+4		24
South America	221	-11	-11	3	231	-11		3
Africa/Middle East	60	-30	-30	1	62	-24		1
Asia	1 774	+3	+3	21	1 680	+3		20
Australia	55	-9	-9	1	54	-7		1
<b>Total</b>	<b>8 596</b>	<b>-2</b>	<b>-2</b>	<b>100</b>	<b>8 438</b>	<b>-0</b>		<b>100</b>
<b>SANDVIK MINING</b>								
Europe	648	-32	-0	11	685	+7		10
North America	1 083	+26	+26	17	1 062	+0		15
South America	711	+13	+13	11	1 291	-3		19
Africa/Middle East	1 545	+6	+6	25	1 530	-12		22
Asia	1 284	+14	+14	21	1 296	-12		19
Australia	932	-51	-12	15	999	-22		15
<b>Total</b>	<b>6 203</b>	<b>-11</b>	<b>+7</b>	<b>100</b>	<b>6 863</b>	<b>-9</b>		<b>100</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>								
Europe	1 377	-46	-6	38	2 094	+11		58
North America	1 457	+11	-10	39	825	-21		22
South America	55	-25	-25	1	53	-20		1
Africa/Middle East	88	+56	+56	2	81	+66		2
Asia	732	-7	-7	20	644	-2		17
Australia	16	-7	-7	0	15	-6		0
<b>Total</b>	<b>3 725</b>	<b>-23</b>	<b>-9</b>	<b>100</b>	<b>3 712</b>	<b>+1</b>		<b>100</b>
<b>SANDVIK CONSTRUCTION</b>								
Europe	883	-15	-15	38	792	-6		37
North America	612	+13	+13	26	440	+16		21
South America	124	-50	-50	5	179	+2		8
Africa/Middle East	295	-14	-14	12	351	+61		16
Asia	405	-12	-12	17	347	-28		16
Australia	57	-15	-15	2	35	-44		2
<b>Total</b>	<b>2 376</b>	<b>-12</b>	<b>-12</b>	<b>100</b>	<b>2 144</b>	<b>-1</b>		<b>100</b>
<b>SANDVIK VENTURE</b>								
Europe	978	-3	-3	43	860	-7		39
North America	554	-24	-24	24	538	+1		25
South America	102	-27	-27	5	115	+65		5
Africa/Middle East	207	-51	-51	9	215	+14		10
Asia	379	-33	-33	17	411	+20		19
Australia	43	+36	+36	2	33	-16		2
<b>Total</b>	<b>2 263</b>	<b>-18</b>	<b>-18</b>	<b>100</b>	<b>2 172</b>	<b>-0</b>		<b>100</b>

\* At fixed exchange rates for comparable units compared with the year-earlier period

1) Excluding major orders



## THE GROUP

### ORDER INTAKE BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-4	Q1	CHANGE Q1	
	2014	2014	2014	2014	2014		2015	%
Sandvik Machining Solutions	7 719	7 768	7 711	8 129	31 328	8 596	+11	-2
Sandvik Mining	6 055	6 217	5 566	5 695	23 533	6 203	+2	-11
Sandvik Materials Technology	4 633	3 449	3 335	3 296	14 713	3 725	-20	-23
Sandvik Construction	2 336	2 013	2 184	2 038	8 571	2 376	+2	-12
Sandvik Venture	1 749	1 741	2 182	2 123	7 795	2 263	+29	-18
Group activities	4	6	3	5	17	4		
<b>Group total</b>	<b>22 496</b>	<b>21 194</b>	<b>20 981</b>	<b>21 286</b>	<b>85 957</b>	<b>23 167</b>	<b>+3</b>	<b>-11</b>

### INVOICED SALES BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-4	Q1	CHANGE Q1	
	2014	2014	2014	2014	2014		2015	%
Sandvik Machining Solutions	7 400	7 676	7 658	8 122	30 856	8 438	+14	-0
Sandvik Mining	6 601	6 385	6 806	7 039	26 831	6 863	+4	-9
Sandvik Materials Technology	3 547	3 866	3 735	3 758	14 907	3 712	+5	+1
Sandvik Construction	1 871	2 281	2 232	2 169	8 553	2 144	+15	-1
Sandvik Venture	1 362	1 841	2 155	2 301	7 658	2 172	+59	-0
Group activities	2	2	7	5	16	5		
<b>Group total</b>	<b>20 783</b>	<b>22 051</b>	<b>22 593</b>	<b>23 394</b>	<b>88 821</b>	<b>23 334</b>	<b>+12</b>	<b>-3</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-4	Q1	CHANGE Q1	
	2014	2014	2014	2014	2014		2015	%
Sandvik Machining Solutions	1 480	1 561	1 496	1 622	6 159	1 129	-24	
Sandvik Mining	688	452	614	644	2 398	68	-90	
Sandvik Materials Technology	421	647	482	330	1 880	100	-76	
Sandvik Construction	-11	51	1	4	45	-95	N/M	
Sandvik Venture	233	187	133	335	888	192	-18	
Group activities	-333	-342	-264	-312	-1 250	-342		
<b>Group total<sup>2)</sup></b>	<b>2 478</b>	<b>2 556</b>	<b>2 462</b>	<b>2 623</b>	<b>10 120</b>	<b>1 052</b>	<b>-58</b>	

### OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-4	Q1
	2014	2014	2014	2014	2014	
Sandvik Machining Solutions	20.0	20.3	19.5	20.0	20.0	13.4
Sandvik Mining	10.4	7.1	9.0	9.2	8.9	1.0
Sandvik Materials Technology	11.9	16.7	12.9	8.8	12.6	2.7
Sandvik Construction	-0.6	2.3	0.0	0.2	0.5	-4.4
Sandvik Venture	17.1	10.2	6.2	14.6	11.6	8.8
<b>Group total</b>	<b>11.9</b>	<b>11.6</b>	<b>10.9</b>	<b>11.2</b>	<b>11.4</b>	<b>4.5</b>

### ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-4	Q1	CHANGE Q1	
	2014	2014	2014	2014	2014		2015	%
Sandvik Machining Solutions	1 480	1 561	1 496	1 622	6 159	1 809	+22	
Sandvik Mining	688	452	614	644	2 398	798	+16	
Sandvik Materials Technology	421	647	482	259	1 809	365	-13	
Sandvik Construction	-11	51	1	4	45	65	N/M	
Sandvik Venture	233	262	137	335	967	202	-13	
Group activities	-333	-342	-264	-312	-1 250	-306		
<b>Group total<sup>2)</sup></b>	<b>2 478</b>	<b>2 631</b>	<b>2 466</b>	<b>2 552</b>	<b>10 128</b>	<b>2 934</b>	<b>+18</b>	

### ADJUSTED OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-4	Q1
	2014	2014	2014	2014	2014	
Sandvik Machining Solutions	20.0	20.3	19.5	20.0	20.0	21.4
Sandvik Mining	10.4	7.1	9.0	9.2	8.9	11.6
Sandvik Materials Technology	11.9	16.7	12.9	6.9	12.1	9.8
Sandvik Construction	-0.6	2.3	0.0	0.2	0.5	3.0
Sandvik Venture	17.1	14.2	6.4	14.6	12.6	9.3
<b>Group total</b>	<b>11.9</b>	<b>11.9</b>	<b>10.9</b>	<b>10.9</b>	<b>11.4</b>	<b>12.6</b>

1) Change compared with preceding year at fixed exchange rates for comparable units

2) Internal transactions had negligible effect on business area profits

N/M = non-meaningful

## KEY FIGURES

	Q1 2015	Q1 2014	Q1-4 2014
No. of shares outstanding at end of period ('000) <sup>1)</sup>	1 254 386	1 254 386	1 254 386
Average no. of shares('000) <sup>1)</sup>	1 254 386	1 254 386	1 254 386
Tax rate, %	27.2	26.9	27.5
Return on capital employed, % <sup>2)</sup>	11.5	12.7	13.4
Return on total equity, % <sup>2)</sup>	13.9	15.1	17.4
Return on total capital, % <sup>2)</sup>	8.6	9.1	10.3
Shareholders' equity per share, SEK	29.6	27.7	29.1
Net debt/equity ratio	0.7	0.7	0.8
Equity/assets ratio, %	33	37	34
Net working capital, %	28	29	28
Earnings per share, SEK	0.33	1.19	4.79
Cash flow from operations, MSEK	+2 431	+759	+9 515
Number of employees	46 856	47 226	47 318

1) No dilution effect during the period. 2) Rolling 12 months

## 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 move-

ments, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

Stockholm, 27 April 2015  
**Sandvik Aktiebolag (publ)**

Olof Faxander  
 President and CEO

## AUDIT

The Company's Auditor has not carried out any review of the report for the first quarter of 2015.

Sandvik AB discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information is submitted for publication on 27 April 2015 at 08:00 CET. The report for the second-quarter 2015 will be published on 17 July 2015.

Additional information may be obtained from Sandvik Investor Relations at tel +46 8 456 14 94 (Ann-Sofie Nordh), +46 8 456 12 30 (Oskar Lindberg), +46 8 456 11 94 (Anna Vilogorac) or by e-mailing [info.ir@sandvik.com](mailto:info.ir@sandvik.com).

A presentation and teleconference will be held on 27 April 2015 at 10:00 CET at the World Trade Center in Stockholm.

Information is available at [www.sandvik.com/ir](http://www.sandvik.com/ir)

### CALENDAR 2015-2016:

2015	
7 May	Annual General Meeting
11 May	Record day for dividend
17 July	Second-quarter report 2015
23 October	Third-quarter report 2015
16 November	Sandvik Capital Markets Day
2016	
3 February	Fourth-quarter report 2015

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