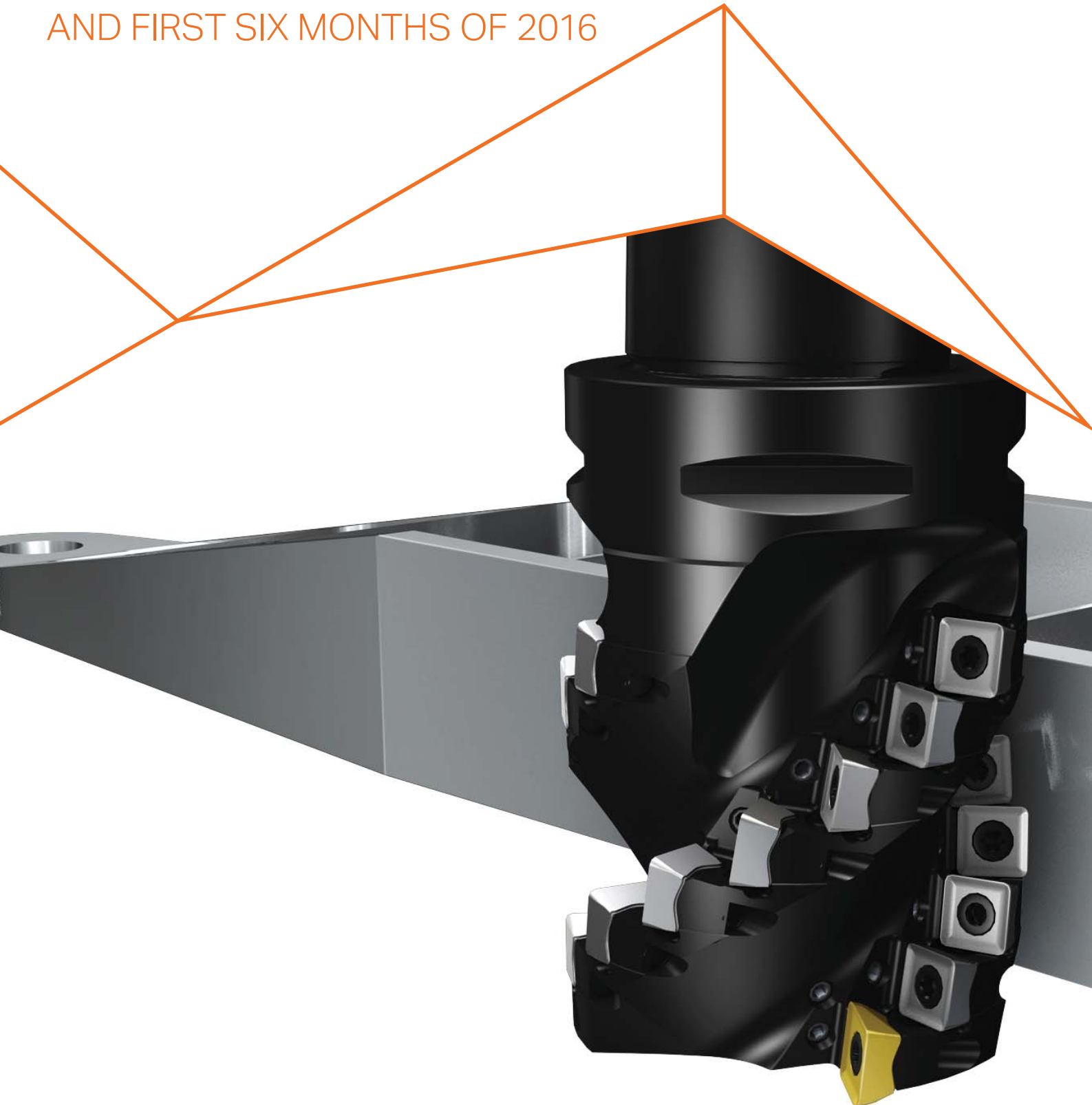


# INTERIM REPORT SECOND QUARTER

AND FIRST SIX MONTHS OF 2016



# LEANER ORGANIZATION DRIVES PERFORMANCE IN MUTED MARKET CONDITIONS

**CEO'S COMMENT:** "I am pleased that earnings developed according to plan during the second quarter, and we succeeded in maintaining a stable operating margin, despite a muted market situation. In addition, changed exchange rates weighed on the reported operating margin by -1.1%-points," says Björn Rosengren, President and CEO of Sandvik.

"During the second quarter we made significant progress towards making Sandvik a more efficient company as we announced consolidation into three business areas; Sandvik Machining Solutions, Sandvik Mining and Rock Technology and Sandvik Materials Technology. We have moved accountability and responsibility to the product areas, the highest operating level, hence decisions will be taken closer to the customers, thus making Sandvik faster in its response to changed customer demand."

"The strategy was presented at the well-attended Capital Markets Day, where we also announced new financial targets, suggesting improved operating profit, higher returns and strengthening of the balance sheet, while maintaining a generous dividend policy. I strongly

believe that the change in operational set-up with higher accountability, transparency and speed will contribute to improved performance in Sandvik."

"After the close of the second quarter we signed an agreement to divest the Mining Systems operations. An important step in consolidating Sandvik to focus on the core business."

"Customers' order activity was generally cautious in the second quarter, and order intake and revenues declined by -4% year on year. However, growth in the two largest business areas, Sandvik Machining Solutions and Sandvik Mining, remained largely stable at flat and -2% respectively. The declines were material in the remaining three business areas. We saw weak demand in the energy segment among oil and gas-related customers. Underlying customer activity in the mining segment remained largely stable overall, with order intake for equipment declining slightly on tough comparables, while order intake for the aftermarket remained unchanged. Demand in the automotive and aerospace segments improved somewhat."

FINANCIAL OVERVIEW, MSEK	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
<i>Continuing operations</i>						
Order intake <sup>1)</sup>	21 766	19 869	-4	44 340	40 168	-5
Revenues <sup>1)</sup>	22 200	20 321	-4	44 160	40 021	-5
Gross profit	8 636	7 948	-8	15 975	15 562	-3
% of revenues	38.9	39.1		36.2	38.9	
Operating profit	2 977	2 705	-9	4 176	5 118	+23
% of revenues	13.4	13.3		9.5	12.8	
Adjusted operating profit <sup>2)</sup>	2 977	2 705	-9	5 954	5 118	-14
% of revenues <sup>2)</sup>	13.4	13.3		13.5	12.8	
Profit after financial items	2 452	2 287	-7	3 172	4 283	+35
% of revenues	11.0	11.3		7.2	10.7	
Profit for the period	1 803	1 671	-7	2 370	3 126	+32
% of revenues	8.1	8.2		5.4	7.8	
of which shareholders' interest	1 810	1 694	-6	2 382	3 154	+32
Earnings per share, SEK	1.44	1.35	-6	1.90	2.51	+32
Return on capital employed, %	12.1	11.1		12.1	11.1	
Cash flow from operations	+2 766	+2 050	-26	+5 436	+3 652	-33
Net working capital, %	29	28		29	28	
<i>Discontinued operations</i>						
Profit for the period	-84	-56	+34	-241	-112	+53
Earnings per share, SEK	-0.06	-0.04	+34	-0.19	-0.09	+53
<i>Group Total</i>						
Profit for the period	1 719	1 615	-6	2 129	3 014	+42
Earnings per share, SEK	1.38	1.31	-5	1.71	2.42	+42

1) Change from the preceding year at fixed exchange rates for comparable units.  
2) Operating profit adjusted for items affecting comparability of -1.8 billion SEK for the first quarter 2015.

Tables and calculations do not always agree exactly with the totals due to rounding  
Comparisons refer to the year-earlier period, unless stated otherwise  
For definitions see [home.sandvik](http://home.sandvik)

# MARKET DEVELOPMENT AND EARNINGS

## GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-4	-4
Structure, %	+0	+0
Currency, %	-5	-5
<b>TOTAL, %</b>	<b>-9</b>	<b>-8</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.

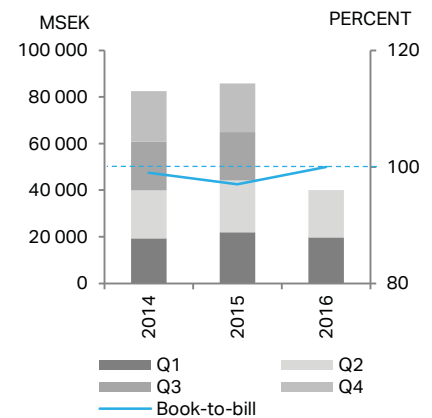
In the second quarter, order intake declined by -4%, at fixed exchange rates for comparable units. Asia reported positive growth of 5% year on year. Europe remained largely stable at -1% while North America declined materially at -10%. The positive development in Asia was driven by good growth in Sandvik Mining as well as in Sandvik Materials Technology, which received one larger order for steam generator tubes for the nuclear segment. During the quarter, demand in the automotive segment improved slightly year on year, the aggregate of somewhat softer demand in North America and slight improvements in both Europe and Asia. The underlying customer activity in the aerospace segment improved. A small decline in order intake at fixed currency for comparable units was reported, for Sandvik Mining as order intake for equipment declined slightly on tough comparables in the year-earlier period, while order intake in the aftermarket business remained unchanged. Weak demand in the energy segment among oil and gas customers persisted with an adverse impact on the customer activity in the general engineering segment. Changes in exchange rates had a negative impact of about -5% on both order intake and revenues.

**Adjusted operating profit declined by -9% year on year to 2,705 million SEK (2,977), however the operating margin remained largely stable at 13.3% (13.4), supported by ongoing efficiency measures however adversely impacted by changed exchange rates.**

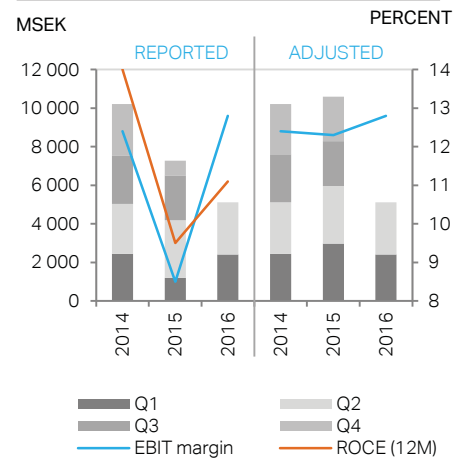
Total costs for sales and administration were reduced by -8% year on year, corresponding to -389 million SEK, as costs for administration were reduced by -15% and sales cost by -4%. The ratio to revenues remained unchanged at 22% (22).

Savings from the announced ongoing structural and other improvement programs amounted to 214 million SEK compared with the preceding year, including a reduction in sales and administration costs. High volatility and a weakened SEK against some of the major trading currencies was noted in the final part of the quarter, which reduced the total adverse currency impact. In total, the strengthening of the SEK against several trading currencies had an adverse impact of about -390 million SEK for the quarter (775). Changed metal prices positively impacted results by 9 million SEK (-80). The tax rate in the second quarter was 26.9% (26.4) for continuing operations, and the total tax rate for the Group was 27.6% (27.4) for the quarter.

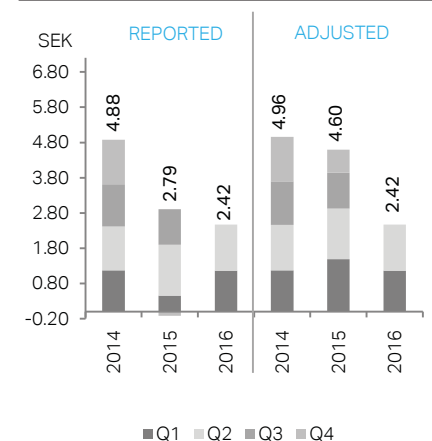
## REVENUES AND BOOK-TO-BILL



## OPERATING PROFIT & RETURN



## EARNINGS PER SHARE



## CASH FLOW AND BALANCE SHEET

**Total assets** for the Group decreased year on year primarily due to the impact of reduction in net working capital. Total assets remained largely stable compared with the preceding quarter.

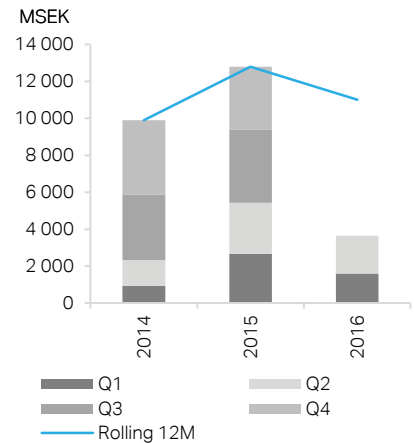
**Net working capital** decreased by about 2.2 billion SEK year on year to a total of 23.3 billion SEK. The decrease was supported by the focused volume reduction of net working capital during 2015 and, to some extent, by the impact from changed exchange rates. Net working capital in relation to revenues was reduced to 28% (29). Compared with the preceding quarter, there was a seasonal build-up of net working capital.

**Capital expenditure** in the second quarter amounted to 920 million SEK (983), corresponding to 94% of scheduled depreciations. Investments are seasonally higher in the second half of the year.

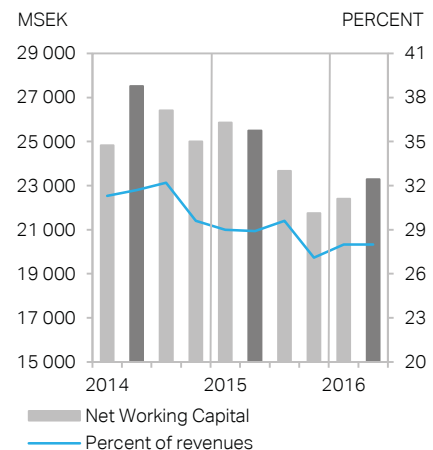
**Financial net debt** amounted to 35.4 billion SEK in the second quarter, declining year on year (40.2), but higher in relation to the preceding quarter (33.2) as dividend of 3.1 billion SEK was distributed in the period. Consequently, the net debt to equity ratio was reduced year on year to 1.00 (1.2). Interest-bearing debt with short-term maturity accounted for 12% of total debt. The net pension liability was 6 billion SEK.

**Cash flow** from operations amounted to 2.1 billion SEK (2.8). The lower level of operating cash flow compared with the preceding year is primarily related to net working capital, in particularly accounts payables.

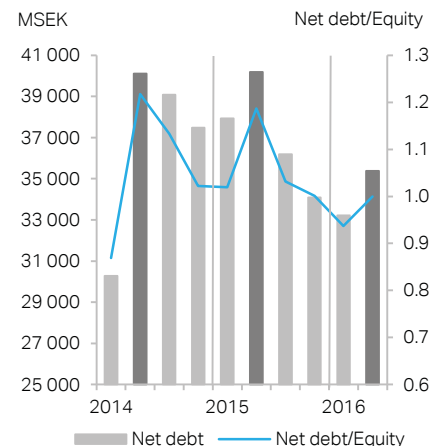
### CASH FLOW FROM OPERATIONS



### NET WORKING CAPITAL



### NET DEBT



## SANDVIK MACHINING SOLUTIONS

OUT OF NEGATIVE GROWTH TERRITORY

EARNINGS GROWTH AND MARGIN EXPANSION

CONTINUED TIGHT COST CONTROL



### GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	+0	-0
Structure, %	+0	+0
Currency, %	-4	-4
<b>TOTAL, %</b>	<b>-4</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.

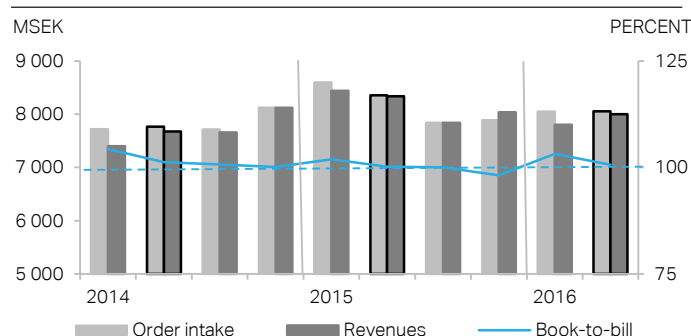
**Demand in Europe improved by 4% year on year, while North America and Asia declined by -7% and -4%, respectively.**

Key differences in the market situation compared with the year-earlier period:

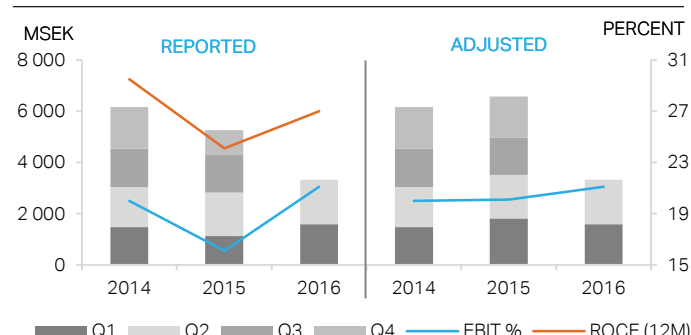
- The positive growth in Europe was primarily driven by good development in the Eastern parts of the region. Western parts of Europe remained largely stable, although the UK declined due to lower activity in the energy and general engineering segments.
- Customer activity improved in the aerospace segment, as a result of overall positive development in Europe and Asia, while North America remained stable.
- Weak demand in the energy segment across the major geographical regions.
- Demand in the automotive segment improved, comprising a small improvement in Europe and Asia and a slight decline in North America, although the region remained at a high level.
- The overall business activity in Asia declined with adverse development in several countries, including China and Japan
- The number of working days impacted organic growth positively of about 2% on both order intake and revenues.

- Changed exchange rates had a negative impact on operating profit of -127 million SEK (285).
- During the quarter, an additional three unit closure projects were finalized within the supply chain optimization program. Ongoing announced efficiency measures generated savings of 81 million SEK, year on year, yielding an annual run rate of 311 million SEK.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



**Operating profit improved by 3% and operating margin reached 21.8% (20.4), including a negative impact on the margin of -0.7%-points from the impact of changed exchange rates.**

Items impacting operating profit and margin:

- Tight cost control and improvement programs in all areas.
- A slight build-up of inventory ahead of the summer holiday period, compared with inventory reductions in the year-earlier period.

FINANCIAL OVERVIEW, MSEK	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	8 355	8 053	+0 *	16 951	16 103	-2*
Revenues	8 339	8 001	-0 *	16 777	15 804	-3*
Operating profit	1 701	1 744	+3	2 830	3 332	+18
% of revenues	20.4	21.8		16.9	21.1	
Adjusted operating profit**	1 701	1 744	+3	3 510	3 332	-5
% of revenues**	20.4	21.8		20.9	21.1	
Return on capital employed, %	27.2	27.0		27.2	27.0	
Number of employees	18 674	17 594	-6	18 674	17 594	-6

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -680 million SEK in Q1 2015. For definitions see home.sandvik

## SANDVIK MINING

LARGELY STABLE MARKETS

POSITIVE BOOK-TO-BILL

ONGOING EFFICIENCY MEASURES



### GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-2	-1
Structure, %	+0	+0
Currency, %	-9	-10
<b>TOTAL, %</b>	<b>-11</b>	<b>-11</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.*

**Organic order intake remained largely stable, at -2%, as overall customer activity remained relatively unchanged. Revenues were largely stable with organic growth at -1% year on year. A positive book-to-bill was reported.**

Key differences in the market situation compared with the year-earlier period:

- Significant declines in order intake in the important mining regions of Africa & Middle East, and North America offset positive development in other geographical regions.
- Order intake declined slightly for mining equipment, on tough comparables, in a largely stable underlying market environment.
- Order intake remained stable for the aftermarket offering.
- Europe, Australia and South America reported a positive development in revenues, while other regions declined.
- Revenues increased slightly for the equipment business, supported by order intake in previous quarters.
- Revenues from the aftermarket offering remained largely stable.

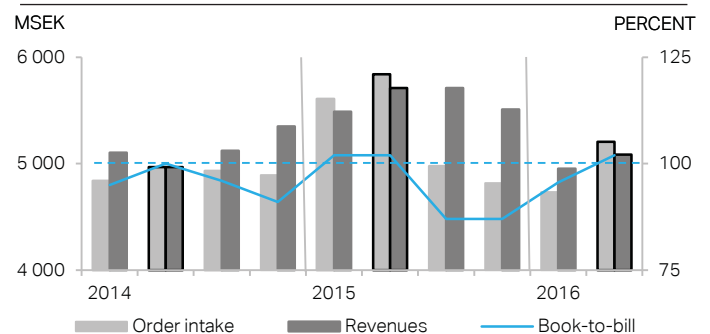
**Operating profit declined by -16%, and operating margin weakened to 14.2% (15.1), including a negative impact on the margin of -2%-points from the impact of changed exchange rates.**

Items impacting operating profit and margin:

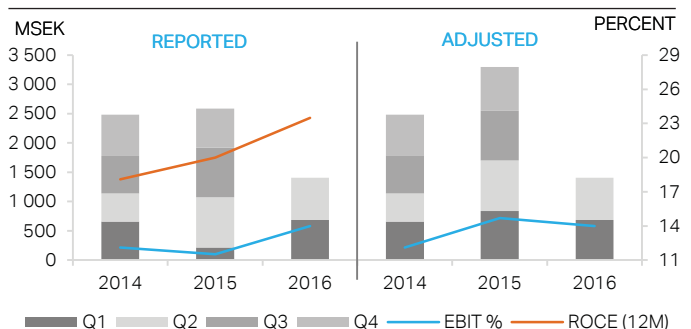
- Ongoing efficiency measures and tight cost control.
- Changed exchange rates negatively impacted operating profit by -194 million SEK (250).

- The ongoing supply chain optimization program phase II was completed and the savings amounted to 55 million SEK, year on year, yielding an annual run rate of 220 million SEK.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	5 840	5 205	-2 *	11 450	9 939	-5*
Revenues	5 710	5 086	-1 *	11 199	10 039	-1*
Operating profit	860	720	-16	1 075	1 405	+31
% of revenues	15.1	14.2		9.6	14.0	
Adjusted operating profit**	860	720	-16	1 700	1 405	-17
% of revenues**	15.1	14.2		15.2	14.0	
Return on capital employed, %	17.8	23.5		17.8	23.5	
Number of employees	10 420	10 305	-1	10 420	10 305	-1

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -626 million SEK in Q1 2015. For definitions see home.sandvik

## SANDVIK MINING

### CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	5 840	5 205	-2 *	11 450	9 939	-5*
Revenues	5 710	5 086	-1 *	11 199	10 039	-1*
Operating profit	860	720	-16	1 075	1 405	+31
% of revenues	15.1	14.2		9.6	14.0	
Adjusted operating profit**	860	720	-16	1 700	1 405	-17
% of revenues**	15.1	14.2		15.2	14.0	

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -626 million SEK in Q1 2015.

### DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	977	273	-70 *	1 570	1 435	-1*
Revenues	1 198	715	-35 *	2 572	1 435	-37*
Operating profit	-74	-55	+25	-221	-110	+50
% of revenues	-6.2	-7.8		-8.6	-7.7	
Adjusted operating profit**	-74	-55	+25	-117	-110	+6
% of revenues**	-6.2	-7.8		-4.5	-7.7	

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -104 million SEK in Q1 2015.

The underlying market for Mining Systems (discontinued operations) remained challenging as customers continued to postpone projects. As a consequence, price pressure remained tangible. Order intake declined by -70% year on year and revenues declined by -35% year on year at fixed exchange rates for comparable units.

The operating loss amounted to -55 million SEK. Changed exchange rates impacted earnings positively by about 15 million SEK.

After the close of the second quarter Sandvik has signed an agreement to divest its Mining Systems operations.

### SANDVIK MINING TOTAL

FINANCIAL OVERVIEW, MSEK	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	6 817	5 478	-12 *	13 020	11 374	-4*
Revenues	6 908	5 802	-7 *	13 771	11 474	-8*
Operating profit	786	664	-15	854	1 295	+52
% of revenues	11.4	11.4		6.2	11.3	
Adjusted operating profit**	786	664	-15	1 584	1 295	-18
% of revenues**	11.4	11.4		11.5	11.3	

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -730 million SEK in Q1 2015.

## SANDVIK MATERIALS TECHNOLOGY

CONTINUED UNCERTAINTY IN OIL AND GAS

LARGER NUCLEAR ORDER BOOKED

MITIGATION ACTIONS ONGOING



### GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-8	-6
Structure, %	0	0
Currency, %	-2	-1
<b>TOTAL, %</b>	<b>-10</b>	<b>-7</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.

**Order intake declined by -8% in a challenging market environment, at fixed exchange rates for comparable units, including adverse impact of -7% from lower alloy surcharges, primarily related to Nickel.**

Key differences in the market situation compared with the year-earlier period:

- Somewhat higher activity among nuclear customers was noted. One large order for steam generator tubes was received from the nuclear industry in Asia, at a value of about 200 million SEK.
- Order cancellations of about 90 million SEK were received due to customers re-prioritizing amongst ongoing projects, as well as geo-political reasons.
- Demand for the more standardized tubular offering continued to be challenging, due to increased competition and price pressure, as companies active in the tubular area sought to replace lost volumes in the oil and gas industry with volumes in adjacent segments.
- Demand for wire products declined, primarily due to weak demand for welding products in the energy segment.

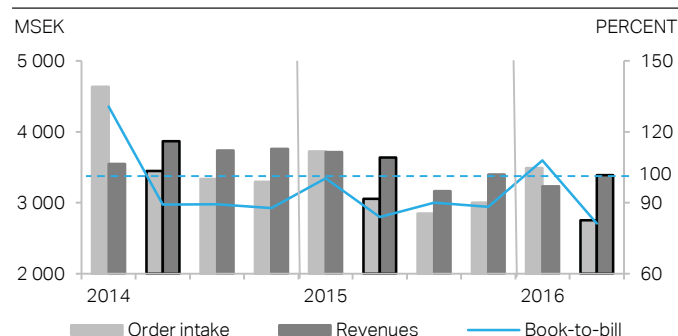
**The reported operating margin was 8.8% (7.9) and the underlying operating margin – excluding the impact of metal price effects – was 8.5% (10.1).**

Items impacting operating profit and margin:

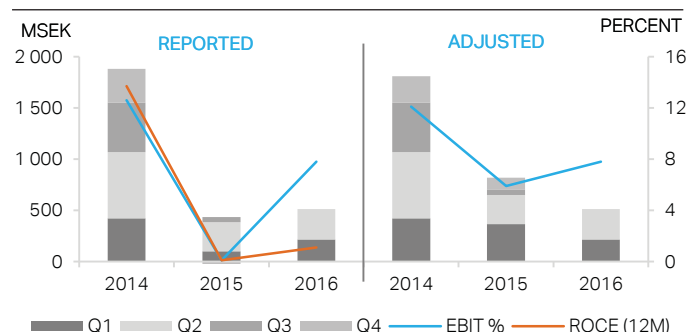
- The ongoing program to mitigate the effects from the subdued market climate progressed, including continued personnel reduction.
- Changed exchange rates had a negative impact of -25 million SEK (90) on operating profit.
- Changed metal prices had a positive impact of 9 million SEK (-80) on operating profit.

- Slight inventory reductions affected the operating margin negatively, in contrast to the inventory build-up in the year-earlier period.
- Savings from announced restructuring programs amounted to 30 million SEK, year on year, yielding an annual run rate of 127 million SEK.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	3 054	2 753	-8*	6 779	6 242	-7*
Revenues	3 639	3 389	-6*	7 351	6 620	-9*
Operating profit	286	297	+4	386	514	+33
% of revenues	7.9	8.8		5.3	7.8	
Adjusted operating profit**	286	297	+4	651	514	-21
% of revenues**	7.9	8.8		8.9	7.8	
Return on capital employed, %	8.7	1.1		8.7	1.1	
Number of employees	6 766	6 504	-4	6 766	6 504	-4

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -265 million SEK in Q1 2015. For definitions see home.sandvik



## SANDVIK CONSTRUCTION

LARGELY STABLE MARKETS

EARNINGS AND MARGIN DETERIORATED



### GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-13	-5
Structure, %	+0	+0
Currency, %	-5	-4
<b>TOTAL, %</b>	<b>-17</b>	<b>-9</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.

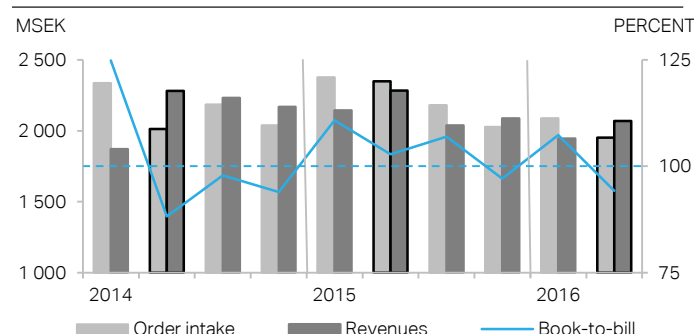
Underlying market conditions were largely unchanged to slightly negative. Reported order intake declined organically by -13%. However, adjusted for one larger order received in the year-earlier period, the decline in order intake was -6%. Revenues declined by -5% at fixed exchange rates for comparable units.

Key differences in the market situation compared with the year-earlier period:

- The underlying market environment deteriorated for mobile crushers, while remaining largely stable for the rest of the product offerings.
- Order intake developed positively in Europe and North America.
- Australian growth rates were impacted by tough comparables for the year-earlier period, and on comparable basis, the decline was limited to -2%.
- Within the Asia region, India noted positive growth, while China weighed on the region as a whole.

- The earlier completed supply chain optimization program generated savings amounting to 23 million SEK, year on year, yielding an annual run rate of 92 million SEK.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL

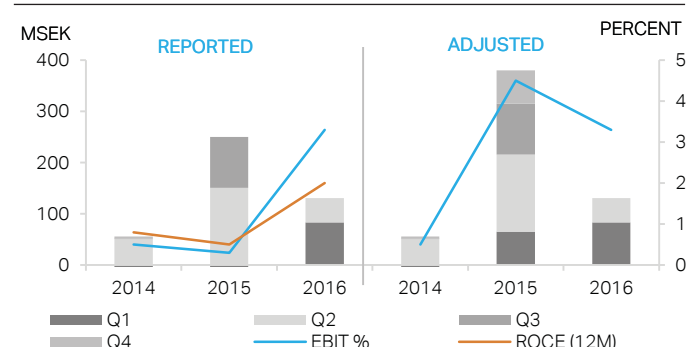


Operating profit and margin deteriorated year on year and amounted to 48 million SEK (151) and 2.3% (6.6) respectively.

Items impacting operating profit and margin:

- Adverse impact from mix within the aftermarket business and underutilization of fixed costs.
- Earnings were adversely impacted by costs related to ending cooperation with a dealer and some legal fees.
- Changed exchange rates had a negative impact of -15 million SEK (100) on operating profit.

### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	2 348	1 951	-13 *	4 724	4 038	-11*
Revenues	2 283	2 070	-5 *	4 426	4 015	-5*
Operating profit	151	48	-68	57	132	+133
% of revenues	6.6	2.3		1.3	3.3	
Adjusted operating profit**	151	48	-68	217	132	-39
% of revenues**	6.6	2.3		4.9	3.3	
Return on capital employed, %	1.1	2.0		1.1	2.0	
Number of employees	2 967	2 908	-2	2 967	2 908	-2

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -160 million SEK in Q1 2015. For definitions see home.sandvik

## SANDVIK VENTURE

POSITIVE BOOK-TO-BILL

CHALLENGING MARKETS

UNDER-UTILIZATION IMPACTED EARNINGS



### GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-10	-19
Structure, %	+1	+1
Currency, %	-3	-3
<b>TOTAL, %</b>	<b>-12</b>	<b>-21</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.

Markets were challenging and three of four product areas reported a negative development in order intake. Organic order intake and revenues declined by -10% and -19%, respectively, implying a positive book-to-bill of 1.1.

Key differences in the market situation compared with the year-earlier period:

- Drilling and Completions: weak customer activity in the energy segment triggered a significant decline in order intake and revenues.
- Hyperion: weak markets in the energy segment in addition to generally muted industrial growth hampered demand. Organic order intake and revenues declined.
- Process Systems: organic order intake improved year on year, driven primarily by good development in the project business for industrial processing in Europe, resulting in a positive book-to-bill. Organic revenues declined.
- Wolfram: positive book-to-bill was reported in the period. Stable demand for tonnage (volume) was noted, although this was more than offset by the deterioration in tungsten market prices year on year. In total, organic order intake and revenues declined.

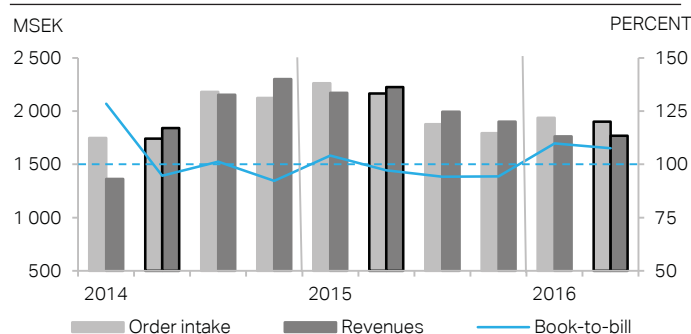
Earnings and operating margin were adversely impacted by significant under-absorption of cost base due to a decline in invoiced volumes.

Items impacting operating profit and margin:

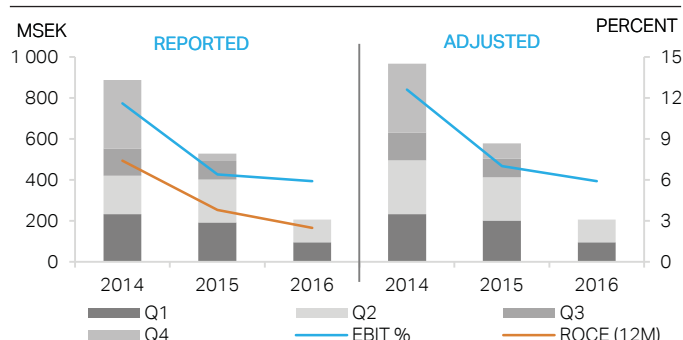
- Operating earnings declined in all business units.
- Operating margin improved in both Hyperion and Wolfram, supported by efficiency measures. However, operating margin deteriorated in Process Systems and Drilling and Completions, impacted by negative organic growth.
- Price pressure in Drilling and Completions and Wolfram.

- The announced ongoing savings initiatives were completed and savings amounted to 7 million SEK, year on year, yielding an annual run rate of 29 million SEK.
- Changed exchange rates had a positive impact on operating profit of about 20 million SEK (40).

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
Order intake	2 165	1 901	-10 *	4 427	3 837	-12*
Revenues	2 226	1 768	-19 *	4 397	3 531	-18*
Operating profit	210	112	-47	402	207	-49
% of revenues	9.5	6.3		9.1	5.9	
Adjusted operating profit**	210	112	-47	412	207	-50
% of revenues**	9.5	6.3		9.4	5.9	
Return on capital employed, %	6.5	2.5		6.5	2.5	
Number of employees	4 050	3 605	-11	4 050	3 605	-11

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -10 million SEK in Q1 2015. For definitions see home.sandvik

## PARENT COMPANY

The parent company's revenues after the second quarter of 2016 amounted to 7,848 million SEK (8,346) and the operating result was 45 million SEK (-788). Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 860 million SEK (775) after

the second quarter. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 12,289 million SEK (11,501). Investments in property, plant and machinery amounted to 334 million SEK (370).

## FIRST SIX MONTHS OF 2016

Demand for Sandvik's products during the first six months of 2016 declined compared with the year-earlier-period with organic growth in order intake and revenues reported at -5%, primarily adversely impacted by lower business activity in the oil and gas segment, which to some extent also indirectly impact the general engineering segment. Impact from changed exchange rates had an adverse impact of -4% on order intake and -5% on revenues. Sandvik's order intake amounted to 40,168 million SEK (44,340), and revenues were 40,021 million SEK (44,160), implying a book-to-bill ratio of 1.

Adjusted operating profit was 5,118 million SEK (5,954) and the adjusted operating margin was 12.8% (13.5), adversely impacted by -765 million SEK (1,500) due to changed exchange rates. Changed metal prices had a negative impact of -97 million SEK (-85). Net financial items amounted to -835 million SEK (-1,004) and the profit after financial items was 4,283 million SEK (3,172). The tax rate was 27.0% (25.3) for continuing operations and 27.7% for the Group (27.3). Profit for the period amounted to 3,126 million SEK (2,370). Earnings per share for the Group amounted to 2.42 SEK (1.71). Cash flow from operations reached 3,652 million SEK (5,436).

## ACQUISITIONS AND DIVESTMENTS

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

	COMPANY/UNIT	CLOSING DATE	ANNUAL REVENUE, MSEK	NO OF EMPLOYEES
Sandvik Machining Solutions	Prometec GmbH	25 January 2016	48	35
Sandvik Venture	SGL Technology B.V.	15 September 2015	60	20

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

No divestments in the period.

## SIGNIFICANT EVENTS

– On 16 March Sandvik announced it will merge its Sandvik Mining and Sandvik Construction operations into one business area – Sandvik Mining and Rock Technology.

Sandvik Mining and Rock Technology's operations will have a decentralized business model with separate product areas based on the product offerings. Each product area will have full responsibility and accountability for its respective business.

The new structure was taken into effect as from 1 July 2016 and Lars Engström, is the President of Sandvik Mining and Rock Technology business area.

– On 3 May Sandvik announced it will consolidate to three business areas by reorganizing its operations in Sandvik Venture. This includes:

- moving Wolfram (Wolfram Bergbau und Hütten) and two selected production sites from Sandvik Hyperion into Sandvik Machining Solutions.
- moving Sandvik Drilling and Completions (Varel) into Sandvik Mining and Rock Technology
- Sandvik Process Systems and Sandvik Hyperion, excluding the two sites to be merged into Sandvik Machining Solutions, are identified as non-strategic operations and will remain in Sandvik Venture, now to be labeled other operations. Over time, Sandvik has the ambition of exiting from these businesses, although the process is yet to be initiated.

The new structure took effect from 1 July 2016.

For details, see the press release from 3 May 2016 on the website, [home.sandvik](http://home.sandvik)

– On 24 May Sandvik hosted a Capital Markets Day where management presented the strategy as well as announcing new financial targets up until 2018:

- EBIT growth CAGR<sup>1</sup> ≥7% 2015-2018
- ROCE improvement ≥3%-pts. 2015-2018
- Net gearing, Net debt/Equity <0.8
- Dividend pay-out ratio 50% of reported earnings per share

<sup>1</sup> Compound Annual Growth Rate

See details in the press release from 24 May 2016 as well as definitions, on the website, [home.sandvik](http://home.sandvik)

– On 18 July, after the close of the second quarter, Sandvik signed an agreement to divest its Mining Systems operations, reported in the Sandvik income statement as discontinued operations, to the private equity company CoBe Capital. Sandvik will maintain ownership of ongoing projects close to finalization.

The closing of the transaction is expected during the fourth quarter of 2016, subject to the satisfaction of certain conditions precedent. The parties have agreed not to disclose the purchase price.

The transaction entails a capital loss of -800 million SEK impacting the result of Sandvik's discontinued operations for the third quarter of 2016. The capital loss includes a negative cash flow impact of -600 million SEK, primarily in conjunction with the closing of the deal.

The intention to divest Mining Systems was first communicated through a press release 1 October 2015, see website [home.sandvik](http://home.sandvik).

## GUIDANCE

Guidance below relates to continuing operations.

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 4.1 billion SEK for 2016
<b>CURRENCY EFFECTS</b>	Based on currency rates at end-June 2016, it is estimated that operating profit for the third quarter of 2016 will be impacted by transaction and translation currency effects of about -100 million SEK, compared with the year-earlier
<b>METAL PRICE EFFECTS</b>	In view of currency rates, stock levels and metal prices at the end of June 2016, it is estimated that operating profit for the third quarter of 2016 will be impacted by about +30 million SEK
<b>NET FINANCIAL ITEMS</b>	Estimated at between -1.7 and -1.9 billion SEK in 2016
<b>TAX RATE</b>	Estimated at about 26% - 28% for 2016

## 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 2016.

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 1 January 2016 or later. The standards have not had

any material impact on the consolidated accounts. Disclosure in accordance with IAS 34.16A is found in the financial statements, the related notes and also in other parts of the interim report.

The Mining Systems operations, which the Group intends to divest, have been classified as discontinued operations in accordance with IFRS 5. Comparative figures have been adjusted where necessary. In connection with the ongoing divestment, a write-down of assets has been made to a value that corresponds to the estimated sale price less selling costs. The divestment is expected to be completed during 2016.

## 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 150 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 2015.

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q2 2015	Q2 2016	CHANGE %	Q1-Q2 2015	Q1-Q2 2016	CHANGE %
<i>Continuing operations</i>						
Revenues	22 200	20 321	-8	44 160	40 021	-9
Cost of sales and services	-13 564	-12 373	-9	-28 185	-24 459	-13
<b>Gross profit</b>	<b>8 636</b>	<b>7 948</b>	<b>-8</b>	<b>15 975</b>	<b>15 562</b>	<b>-3</b>
% of revenues	38.9	39.1		36.2	38.9	
Selling expenses	-3 124	-3 005	-4	-6 630	-5 878	-11
Administrative expenses	-1 789	-1 519	-15	-3 732	-3 038	-19
Research and development costs	-719	-798	+11	-1 475	-1 501	+2
Other operating income and expenses	-27	79	N/M	38	-27	N/M
<b>Operating profit</b>	<b>2 977</b>	<b>2 705</b>	<b>-9</b>	<b>4 176</b>	<b>5 118</b>	<b>+23</b>
% of revenues	13.4	13.3		9.5	12.8	
Net financial items	-525	-418	-21	-1 004	-835	-17
<b>Profit after financial items</b>	<b>2 452</b>	<b>2 287</b>	<b>-7</b>	<b>3 172</b>	<b>4 283</b>	<b>+35</b>
% of revenues	11.0	11.3		7.2	10.7	
Income tax	-649	-616	-5	-802	-1 157	+44
<b>Profit for the period, continuing operations</b>	<b>1 803</b>	<b>1 671</b>	<b>-7</b>	<b>2 370</b>	<b>3 126</b>	<b>+32</b>
% of revenues	8.1	8.2		5.4	7.8	
<i>Discontinued operations</i>						
Revenues	1 198	715	-40	2 572	1 435	-44
Operating profit	-74	-55	+25	-221	-110	+50
Profit after financial items	-85	-56	+34	-241	-112	+53
<b>Profit for the period, discontinued operations</b>	<b>-84</b>	<b>-56</b>	<b>+34</b>	<b>-241</b>	<b>-112</b>	<b>+53</b>
<i>Group total</i>						
Revenues	23 398	21 036	-10	46 732	41 456	-11
Operating profit	2 903	2 650	-9	3 955	5 008	+27
Profit after financial items	2 367	2 231	-6	2 931	4 171	+42
<b>Profit for the period, Group total</b>	<b>1 719</b>	<b>1 615</b>	<b>-6</b>	<b>2 129</b>	<b>3 014</b>	<b>+42</b>
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/(losses) on defined benefit pension plans	209	-9		-465	-40	
Tax relating to items that will not be reclassified	-95	28		64	43	
	114	19		-401	3	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	-957	1 119		-248	1 117	
Cash flow hedges	154	22		29	-9	
Tax relating to items that may be reclassified	-31	-5		-4	3	
	-834	1 136		-223	1 111	
<b>Total other comprehensive income</b>	<b>-720</b>	<b>1 155</b>		<b>-624</b>	<b>1 114</b>	
<b>Total comprehensive income</b>	<b>999</b>	<b>2 770</b>		<b>1 505</b>	<b>4 128</b>	
Profit for the period attributable to						
Owners of the Parent	1 726	1 638		2 141	3 042	
Non-controlling interests	-7	-23		-12	-28	
Total comprehensive income attributable to						
Owners of the Parent	1 005	2 793		1 516	4 156	
Non-controlling interests	-6	-23		-11	-28	
<b>Earnings per share, SEK *</b>						
Continuing operations	1.44	1.35	-6	1.90	2.51	+32
Discontinued operations	-0.06	-0.04	+34	-0.19	-0.09	+53
Group Total	1.38	1.31	-5	1.71	2.42	+42

\* No dilution effects during the period, N/M = non-meaningful  
For definitions see [home.sandvik.com](http://home.sandvik.com)

## THE GROUP

### BALANCE SHEET

#### CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2015	30 JUN 2015	30 JUN 2016
Intangible assets	18 313	18 777	18 663
Property, plant and equipment	26 331	27 294	26 175
Financial assets	7 814	8 544	8 005
Inventories	21 522	24 235	21 853
Current receivables	18 767	22 976	19 616
Cash and cash equivalents	6 376	2 936	4 134
Assets held for sale	2 119	-	2 154
<b>Total assets</b>	<b>101 242</b>	<b>104 762</b>	<b>100 600</b>
Total equity	34 060	33 869	35 389
Non-current interest-bearing liabilities	35 610	39 501	36 027
Non-current non-interest-bearing liabilities	4 262	4 206	4 811
Current interest-bearing liabilities	5 190	3 930	3 892
Current non-interest-bearing liabilities	20 231	23 256	18 798
Liabilities held for sale	1 889	-	1 683
<b>Total equity and liabilities</b>	<b>101 242</b>	<b>104 762</b>	<b>100 600</b>
<i>Group total</i>			
Net working capital*	21 726	25 801	23 287
Loans	34 439	35 613	33 352
Non-controlling interests in total equity	81	120	58

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

### NET DEBT

MSEK	31 DEC 2015	30 JUN 2015	30 JUN 2016
Interest-bearing liabilities excluding net pension liabilities	34 548	35 883	33 452
Net pension liabilities	5 918	7 241	6 067
Cash and cash equivalents	-6 376	-2 936	-4 134
<b>Net debt</b>	<b>34 090</b>	<b>40 188</b>	<b>35 385</b>
<b>Net debt to equity ratio</b>	<b>1.00</b>	<b>1.19</b>	<b>1.00</b>

### CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2015	36 538	134	36 672
Total comprehensive income for the period	1 770	-50	1 720
Personnel options program	17	-	17
Hedge of personnel options program	44	-	44
Dividends	-4 390	-3	-4 393
Closing equity, 31 December 2015	33 979	81	34 060
Opening equity, 1 January 2016	33 979	81	34 060
Non-controlling interest new stock issue	-	5	5
Total comprehensive income for the period	4 156	-28	4 128
Personnel options program	40	-	40
Hedge of personnel options program	292	-	292
Dividends	-3 136	-	-3 136
Closing equity, 30 June 2016	35 331	58	35 389
Opening equity, 1 January 2015	36 538	134	36 672
Total comprehensive income for the period	1 516	-11	1 505
Personnel options program	41	-	41
Hedge of personnel options program	44	-	44
Dividends	-4 390	-3	-4 393
Closing equity, 30 June 2015	33 749	120	33 869

For definitions see [home.sandvik.com](http://home.sandvik.com)

## THE GROUP

### CASH FLOW STATEMENT

MSEK	Q2 2015	Q2 2016	Q1-2 2015	Q1-Q2 2016
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	2 452	2 287	3 172	4 283
Adjustment for depreciation, amortization and impairment losses	1 128	1 068	2 388	2 142
Adjustment for items that do not require the use of cash etc.	-256	-332	1 117	-443
Income tax paid	-411	-474	-953	-1 019
<b>Cash flow from operations before changes in working capital, continuing operations</b>	<b>2 913</b>	<b>2 549</b>	<b>5 724</b>	<b>4 963</b>
<i>Changes in working capital</i>				
Change in inventories	-40	227	286	168
Change in operating receivables	134	195	-869	-375
Change in operating liabilities	-127	-835	466	-941
<b>Cash flow from changes in working capital, continuing operations</b>	<b>-33</b>	<b>-413</b>	<b>-117</b>	<b>-1 148</b>
Investments in rental equipment	-148	-102	-283	-239
Divestments of rental equipment	34	16	112	76
<b>Cash flow from operations, continuing operations</b>	<b>2 766</b>	<b>2 050</b>	<b>5 436</b>	<b>3 652</b>
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash	-	14	-	-23
Proceeds from sale of companies and shares, net of cash	-	5	-	5
Investments in tangible assets	-758	-613	-1 353	-1 134
Proceeds from sale of tangible assets	24	39	58	115
Investments in intangible assets	-225	-307	-423	-528
Proceeds from sale of intangible assets	1	6	1	6
Other investments, net	-2	5	-12	-1
<b>Cash flow from investing activities, continuing operations</b>	<b>-960</b>	<b>-851</b>	<b>-1 729</b>	<b>-1 560</b>
<b>Net cash flow after investing activities</b>	<b>1 806</b>	<b>1 199</b>	<b>3 707</b>	<b>2 092</b>
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-1 716	-1 121	-2 503	-946
Dividends paid	-4 390	-3 136	-4 390	-3 136
<b>Cash flow from financing activities, continuing operations</b>	<b>-6 106</b>	<b>-4 257</b>	<b>-6 893</b>	<b>-4 082</b>
Cash flow from continuing operations	-4 300	-3 058	-3 186	-1 990
Cash flow from discontinued operations	-19	-26	-250	-292
<b>Cash flow for the period, Group total</b>	<b>-4 319</b>	<b>-3 084</b>	<b>-3 436</b>	<b>-2 282</b>
Cash and cash equivalents at beginning of the period	7 318	7 170	6 327	6 376
Exchange-rate differences in cash and cash equivalents	-63	48	45	40
Cash and cash equivalents at the end of the period	2 936	4 134	2 936	4 134
<i>Discontinued operations</i>				
Cash flow from operations	-43	-39	-282	-127
Cash flow from investing activities	24	-6	34	-185
Cash flow from financing activities	-	19	-2	20
<i>Group Total</i>				
Cash flow from operations	2 723	2 011	5 154	3 525
Cash flow from investing activities	-936	-857	-1 695	-1 745
Cash flow from financing activities	-6 106	-4 238	-6 895	-4 062
<b>Group total cash flow</b>	<b>-4 319</b>	<b>-3 084</b>	<b>-3 436</b>	<b>-2 282</b>

For definitions see [home.sandvik](http://home.sandvik)



## THE PARENT COMPANY

### INCOME STATEMENT

MSEK	Q1-Q2 2015	Q1-Q2 2016
Revenues	8 346	7 848
Cost of sales and services	-5 729	-4 907
<b>Gross profit</b>	<b>2 617</b>	<b>2 941</b>
Selling expenses	-290	-400
Administrative expenses	-1 593	-1 145
Research and development costs	-746	-703
Other operating income and expenses	-776	-648
<b>Operating profit</b>	<b>-788</b>	<b>45</b>
Income from shares in Group companies	775	860
Income from shares in associated companies	-	5
Interest income/expenses and similar items	-124	-330
<b>Profit after financial items</b>	<b>-137</b>	<b>580</b>
Income tax expense	48	-94
<b>Profit for the period</b>	<b>-89</b>	<b>486</b>

### BALANCE SHEET

MSEK	31 DEC 2015	30 JUN 2015	30 JUN 2016
Intangible assets	20	12	236
Property, plant and equipment	7 725	7 675	7 547
Financial assets	47 139	46 878	48 507
Inventories	3 186	3 738	3 039
Current receivables	15 727	14 663	6 879
Cash and cash equivalents	1	1	1
<b>Total assets</b>	<b>73 798</b>	<b>72 967</b>	<b>66 209</b>
Total equity	31 997	23 800	29 679
Untaxed reserves	11	4	11
Provisions	748	495	740
Non-current interest-bearing liabilities	21 002	23 020	21 640
Non-current non-interest-bearing liabilities	59	71	405
Current interest-bearing liabilities	14 112	13 183	7 647
Current non-interest-bearing liabilities	5 869	12 394	6 087
<b>Total equity and liabilities</b>	<b>73 798</b>	<b>72 967</b>	<b>66 209</b>
Contingent liabilities	15 583	15 774	13 725
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	11 132	11 501	12 289
Investments in fixed assets	907	370	334

For definitions see [home.sandvik.com](http://home.sandvik.com)

## MARKET OVERVIEW, THE GROUP

### ORDER INTAKE AND REVENUES PER MARKET AREA - SECOND QUARTER 2016

MARKET AREA	ORDER INTAKE	CHANGE *		SHARE	REVENUES	CHANGE *	SHARE
	MSEK	%	% <sup>1)</sup>	%	MSEK	%	%
<b>THE GROUP</b>							
Europe	7 944	-1	-1	40	8 517	+1	42
North America	3 955	-10	-10	20	4 041	-10	20
South America	947	-3	-3	5	1 074	+2	5
Africa/Middle East	1 637	-20	-20	8	1 684	-16	8
Asia	4 327	+5	+5	22	3 976	-6	20
Australia	1 059	-11	-11	5	1 029	+14	5
<b>Total continuing operations</b>	<b>19 869</b>	<b>-4</b>	<b>-4</b>	<b>100</b>	<b>20 321</b>	<b>-4</b>	<b>100</b>
<b>Discontinued operations</b>	<b>273</b>	<b>-70</b>	<b>-70</b>	<b>-</b>	<b>715</b>	<b>-35</b>	<b>-</b>
<b>Group total</b>	<b>20 142</b>	<b>-7</b>	<b>-7</b>	<b>-</b>	<b>21 036</b>	<b>-5</b>	<b>-</b>
<b>SANDVIK MACHINING SOLUTIONS</b>							
Europe	4 478	+4	+4	55	4 445	+3	56
North America	1 680	-7	-7	21	1 702	-5	21
South America	168	-1	-1	2	167	-4	2
Africa/Middle East	75	+42	+42	1	75	+40	1
Asia	1 585	-4	-4	20	1 549	-5	19
Australia	67	+8	+8	1	63	+9	1
<b>Total</b>	<b>8 053</b>	<b>+0</b>	<b>+0</b>	<b>100</b>	<b>8 001</b>	<b>-0</b>	<b>100</b>
<b>SANDVIK MINING</b>							
Europe	442	+14	+14	9	485	+4	9
North America	848	-15	-15	16	790	-7	16
South America	576	+3	+3	11	668	+17	13
Africa/Middle East	1 193	-21	-21	23	1 205	-13	24
Asia	1 254	+29	+29	24	1 099	-3	22
Australia	892	+4	+4	17	839	+13	16
<b>Total continuing operations</b>	<b>5 205</b>	<b>-2</b>	<b>-2</b>	<b>100</b>	<b>5 086</b>	<b>-1</b>	<b>100</b>
<b>Discontinued operations</b>	<b>273</b>	<b>-70</b>	<b>-70</b>	<b>-</b>	<b>715</b>	<b>-35</b>	<b>-</b>
<b>Sandvik Mining total</b>	<b>5 478</b>	<b>-12</b>	<b>-12</b>	<b>-</b>	<b>5 802</b>	<b>-7</b>	<b>-</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>							
Europe	1 401	-10	-10	51	1 941	+0	57
North America	512	-28	-28	19	709	-18	21
South America	34	-40	-40	1	61	-2	2
Africa/Middle East	46	-2	-2	2	68	+0	2
Asia	748	+22	+22	27	600	-6	18
Australia	12	-36	-36	0	10	-47	0
<b>Total</b>	<b>2 753</b>	<b>-8</b>	<b>-8</b>	<b>100</b>	<b>3 389</b>	<b>-6</b>	<b>100</b>
<b>SANDVIK CONSTRUCTION</b>							
Europe	813	+7	+7	41	867	+9	43
North America	481	+4	+4	25	463	-9	22
South America	83	-17	-17	4	93	-30	4
Africa/Middle East	138	-41	-41	7	164	-44	8
Asia	386	-16	-16	20	403	+1	19
Australia	50	-77	-77	3	80	+110	4
<b>Total</b>	<b>1 951</b>	<b>-13</b>	<b>-13</b>	<b>100</b>	<b>2 070</b>	<b>-5</b>	<b>100</b>
<b>SANDVIK VENTURE</b>							
Europe	811	-18	-18	41	778	-18	44
North America	429	+10	+10	23	371	-18	21
South America	86	-10	-10	5	86	-22	5
Africa/Middle East	184	-4	-4	10	172	-16	10
Asia	354	-16	-16	19	325	-22	18
Australia	37	+15	+15	2	36	-16	2
<b>Total</b>	<b>1 901</b>	<b>-10</b>	<b>-10</b>	<b>100</b>	<b>1 768</b>	<b>-19</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 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	CHANGE Q2 % % <sup>1)</sup>	
<i>Continuing operations</i>									
Sandvik Machining Solutions	8 596	8 355	7 841	7 890	32 682	8 050	8 053	-4	0
Sandvik Mining	5 610	5 840	4 977	4 819	21 247	4 734	5 205	-11	-2
Sandvik Materials Technology	3 725	3 054	2 847	2 999	12 625	3 488	2 753	-10	-8
Sandvik Construction	2 376	2 348	2 179	2 026	8 928	2 087	1 951	-17	-13
Sandvik Venture	2 263	2 165	1 878	1 792	8 097	1 936	1 901	-12	-10
Group activities	4	4	4	5	18	4	6		
<b>Continuing operations</b>	<b>22 574</b>	<b>21 766</b>	<b>19 726</b>	<b>19 531</b>	<b>83 597</b>	<b>20 299</b>	<b>19 869</b>	<b>-9</b>	<b>-4</b>
<b>Discontinued operations</b>	<b>592</b>	<b>977</b>	<b>466</b>	<b>745</b>	<b>2 781</b>	<b>1 162</b>	<b>273</b>	<b>-72</b>	<b>-70</b>
<b>Group total</b>	<b>23 167</b>	<b>22 743</b>	<b>20 192</b>	<b>20 275</b>	<b>86 378</b>	<b>21 461</b>	<b>20 142</b>	<b>-11</b>	<b>-7</b>

### REVENUES BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	CHANGE Q2 % % <sup>1)</sup>	
<i>Continuing operations</i>									
Sandvik Machining Solutions	8 438	8 339	7 836	8 039	32 652	7 803	8 001	-4	0
Sandvik Mining	5 489	5 710	5 712	5 509	22 421	4 952	5 086	-11	-1
Sandvik Materials Technology	3 712	3 639	3 161	3 398	13 909	3 231	3 389	-7	-6
Sandvik Construction	2 144	2 283	2 037	2 087	8 551	1 945	2 070	-9	-5
Sandvik Venture	2 172	2 226	1 994	1 901	8 292	1 763	1 768	-21	-19
Group activities	5	3	5	6	20	6	7		
<b>Continuing operations</b>	<b>21 960</b>	<b>22 200</b>	<b>20 745</b>	<b>20 940</b>	<b>85 845</b>	<b>19 700</b>	<b>20 321</b>	<b>-8</b>	<b>-4</b>
<b>Discontinued operations</b>	<b>1 374</b>	<b>1 198</b>	<b>1 347</b>	<b>1 058</b>	<b>4 977</b>	<b>720</b>	<b>715</b>	<b>-40</b>	<b>-35</b>
<b>Group total</b>	<b>23 334</b>	<b>23 398</b>	<b>22 092</b>	<b>21 998</b>	<b>90 822</b>	<b>20 420</b>	<b>21 036</b>	<b>-10</b>	<b>-5</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	CHANGE Q2 %	
<i>Continuing operations</i>									
Sandvik Machining Solutions	1 129	1 701	1 459	981	5 269	1 587	1 744	+3	
Sandvik Mining	215	860	847	663	2 585	685	720	-16	
Sandvik Materials Technology	100	286	49	-427	8	216	297	+4	
Sandvik Construction	-95	151	99	-128	28	83	48	-68	
Sandvik Venture	192	210	91	36	529	95	112	-47	
Group activities	-342	-231	-220	-355	-1 148	-253	-216	+6	
<b>Continuing operations</b>	<b>1 199</b>	<b>2 977</b>	<b>2 325</b>	<b>770</b>	<b>7 271</b>	<b>2 413</b>	<b>2 705</b>	<b>-9</b>	
<b>Discontinued operations</b>	<b>-147</b>	<b>-74</b>	<b>-1 004</b>	<b>16</b>	<b>-1 209</b>	<b>-54</b>	<b>-55</b>	<b>+25</b>	
<b>Group total<sup>2)</sup></b>	<b>1 052</b>	<b>2 903</b>	<b>1 321</b>	<b>786</b>	<b>6 062</b>	<b>2 359</b>	<b>2 650</b>	<b>-9</b>	

### OPERATING MARGIN BY BUSINESS AREA

%	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016
<i>Continuing operations</i>							
Sandvik Machining Solutions	13.4	20.4	18.6	12.2	16.1	20.3	21.8
Sandvik Mining	3.9	15.1	14.8	12.0	11.5	13.8	14.2
Sandvik Materials Technology	2.7	7.9	1.5	-12.6	0.1	6.7	8.8
Sandvik Construction	-4.4	6.6	4.9	-6.1	0.3	4.3	2.3
Sandvik Venture	8.8	9.5	4.6	1.9	6.4	5.4	6.3
<b>Continuing operations</b>	<b>5.5</b>	<b>13.4</b>	<b>11.2</b>	<b>3.7</b>	<b>8.5</b>	<b>12.2</b>	<b>13.3</b>
<b>Discontinued operations</b>	<b>-10.7</b>	<b>-6.2</b>	<b>-74.6</b>	<b>1.5</b>	<b>-24.3</b>	<b>-7.5</b>	<b>-7.8</b>
<b>Group total</b>	<b>4.5</b>	<b>12.4</b>	<b>6.0</b>	<b>3.6</b>	<b>6.7</b>	<b>11.6</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

## THE GROUP

### ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	CHANGE Q2 %
<i>Continuing operations</i>								
Sandvik Machining Solutions	1 809	1 701	1 459	1 611	6 579	1 587	1 744	+3
Sandvik Mining	841	860	847	749	3 296	685	720	-16
Sandvik Materials Technology	365	286	49	118	818	216	297	+4
Sandvik Construction	65	151	99	65	381	83	48	-68
Sandvik Venture	202	210	91	76	579	95	112	-47
Group activities	-306	-231	-220	-304	-1 061	-253	-216	+6
<b>Continuing operations</b>	<b>2 977</b>	<b>2 977</b>	<b>2 325</b>	<b>2 315</b>	<b>10 593</b>	<b>2 413</b>	<b>2 705</b>	<b>-9</b>
<b>Discontinued operations</b>	<b>-43</b>	<b>-74</b>	<b>-6</b>	<b>16</b>	<b>-108</b>	<b>-54</b>	<b>-55</b>	<b>+25</b>
<b>Group total <sup>2)</sup></b>	<b>2 934</b>	<b>2 903</b>	<b>2 319</b>	<b>2 331</b>	<b>10 485</b>	<b>2 359</b>	<b>2 650</b>	<b>-9</b>

### ADJUSTED OPERATING MARGIN BY BUSINESS AREA

%	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016
<i>Continuing operations</i>							
Sandvik Machining Solutions	21.4	20.4	18.6	20.0	20.1	20.3	21.8
Sandvik Mining	15.3	15.1	14.8	13.6	14.7	13.8	14.2
Sandvik Materials Technology	9.8	7.9	1.5	3.5	5.9	6.7	8.8
Sandvik Construction	3.0	6.6	4.9	3.1	4.5	4.3	2.3
Sandvik Venture	9.3	9.5	4.6	4.0	7.0	5.4	6.3
<b>Continuing operations</b>	<b>13.6</b>	<b>13.4</b>	<b>11.2</b>	<b>11.1</b>	<b>12.3</b>	<b>12.2</b>	<b>13.3</b>
<b>Discontinued operations</b>	<b>-3.1</b>	<b>-6.2</b>	<b>-0.5</b>	<b>1.5</b>	<b>-2.2</b>	<b>-7.5</b>	<b>-7.8</b>
<b>Group total</b>	<b>12.6</b>	<b>12.4</b>	<b>10.5</b>	<b>10.6</b>	<b>11.5</b>	<b>11.6</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

	Q2 2015	Q2 2016	Q1-4 2015
<i>Continuing operations</i>			
Tax rate, %	26.4	26.9	35.1
Return on capital employed, %	12.1	11.1	9.5
Return on total equity, %	15.5	12.1	9.7
Return on total capital, %	9.3	8.4	7.2
Shareholders' equity per share, SEK	26.9	28.2	27.1
Net debt/equity ratio	1.19	1.00	1.00
Equity/assets ratio, %	33	36	34
Net working capital, %	29	28	27
Earnings per share, SEK	1.44	1.35	2.79
Cash flow from operations, MSEK	+2 766	+2 050	+12 793
Number of employees	45 694	43 484	44 663

	Q2 2015	Q2 2016	Q1-4 2015
<i>Group total</i>			
Tax rate, %	27.4	27.6	45.9
Return on capital employed, %	11.6	9.6	7.9
Return on total equity, %	14.5	8.9	6.2
Return on total capital, %	8.7	7.1	5.9
Shareholders' equity per share, SEK	26.9	28.2	27.1
Net debt/equity ratio	1.19	1.00	1.00
Equity/assets ratio, %	32	35	34
Net working capital, %	28	27	26
Earnings per share, SEK	1.38	1.31	1.79
Cash flow from operations, MSEK	+2 723	+2 011	+11 952
Number of employees	46 888	44 477	45 808
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

<sup>1)</sup> No dilution effect during the period.

For definitions see [home.sandvik](http://home.sandvik)

Sandvik presents certain financial measures that are not defined in the interim report in accordance with IFRS. Sandvik believes that these measures provide useful supplemental information to investors and the company's management when they allow evaluation of trends and the company's performance. As

not all companies calculate the financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not be seen as a substitute for measures defined under IFRS. For definitions of key figures that Sandvik uses see [website.home.sandvik](http://website.home.sandvik).

## 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.

## CERTIFICATION

The Board of Directors and the CEO certify that the six-month report gives a fair overview of the Parent Company's and the Group's operations, financial position and results, and de-

scribes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

*Stockholm, 18 July 2016*  
**Sandvik Aktiebolag (publ)**

**Johan Molin**  
Chairman of the Board

**Jennifer Allerton**  
Board member

**Claes Boustedt**  
Board member

**Jürgen M Geissinger**  
Board member

**Johan Karlström**  
Board member

**Tomas Kärnström**  
Board member

**Thomas Lilja**  
Board member

**Helena Stjernholm**  
Board member

**Lars Westerberg**  
Board member

**Björn Rosengren**  
President, CEO and board member

## AUDIT

The Company's Auditor has not carried out any review of the report for the first six months of 2016.

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This information is information that Sandvik AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 13.30 CET on 18 July 2016.

Additional information may be obtained from Sandvik Investor Relations at tel +46 8 456 14 94 (Ann-Sofie Nordh), +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 18 July 2016 at 15:00 CET at the World Trade Center in Stockholm.

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

### CALENDAR 2016:

24 October Report, third quarter 2016

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