FULL YEAR 2014

ACTIVE PORTFOLIO MANAGEMENT
• Acquisition of Varel International Energy Services
• Divestments of Sandvik Material Technologies distribution business in AUS/NZ and Power Spring business in North America

PROGRESS ON SUPPLY CHAIN OPTIMIZATION
• 11 site closures initiated where of 5 closed in 2014

STABLE MARKET CONDITIONS
• Invoicing 89 BSEK, 11% EBIT Margin

MAINTAINED DIVIDEND
• 3.50 SEK (3.50) per share proposed by the Board of directors

YIELD HIGHER RETURNS
REDUCE EARNINGS VOLATILITY
DEVELOP MORE TOWARDS FAST GROWING MARKETS
SUMMARY Q4 2014

MIXED DEMAND PATTERN

• Strong development in North America and stable in Asia and Europe
• Continued low order intake in Mining Systems
• Demand in the energy segment impacted by lower oil price

STRONG CASH-FLOW

• Cash-flow from operating activities 4.1 BSEK
• Inventory reductions
• Net debt/Equity ratio 0.75

EARNINGS GROWTH

• EBIT 2,623 MSEK, 11.2%
• Currency effects +270 MSEK
• Metal price effect -71 MSEK
• Capital gain from divestments +71 MSEK

Sandvik Interim Report on the fourth quarter 2014
INVOICING BY MARKETS AND SEGMENTS

MARKETS, SHARE OF GROUP TOTAL

- EUROPE: 38% (+0%*)
- ASIA: 19% (-7%*)
- NORTH AMERICA: 20% (+5%*)
- AUSTRALIA: 5% (-14%*)
- AFRICA: 10% (+1%*)
- SOUTH AMERICA: 8% (+1%*)

* Change compared with preceding year, p/v

CUSTOMER SEGMENTS

- Consumer related
- Aerospace
- Energy
- Automotive
- Construction
- Engineering
- Mining
- Other

Invoicing growth vs Q4 2013

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

Demand trend compared with preceding quarter
Pie chart representing share of invoicing 2014

3 Sandvik Interim Report on the fourth quarter 2014
ORDER INTAKE
21,286 MSEK

INVOICING
23,394 MSEK

• Continued strong development in North America and Aerospace
• Stable demand in most other segments and geographies
• Book-to-bill 0.91 due to low order intake for Mining Systems and Sandvik Materials Technology

• Record high invoicing in Sandvik Machining Solutions
• Invoicing in Sandvik Mining still decreasing hampered by a shrinking order back log.
• Change compared with preceding quarter, 2%, p/v

Sandvik Interim Report on the fourth quarter 2014
EBIT 2,623 MSEK

MARGIN 11.2%

- Year-on-year earnings growth supported by growth in Sandvik Machining Solutions and effects from savings initiatives.
- Currency effect +270 MSEK

CASH FLOW FROM OPERATIONS 4 104 MSEK

- Inventory reductions in all Business Areas, most significant in Sandvik Materials Technology and Sandvik Construction
- Investments 1.5 BSEK in Q4 and 4.7 BSEK full year 2014

2013 Q3 Adjusted due to tax payment of about 5,800 MSEK related to reorganization of intellectual property rights

Sandvik Interim Report on the fourth quarter 2014
# FINANCIAL TARGETS

<table>
<thead>
<tr>
<th></th>
<th>CURRENT</th>
<th>TARGET</th>
<th>MANAGEMENT FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROWTH</strong></td>
<td>7%*</td>
<td>8%</td>
<td>• Product launches through focused R&amp;D</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Increase exposure towards high growth markets and segments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Adjust geographic footprint</td>
</tr>
<tr>
<td><strong>ROCE</strong></td>
<td>13.4%</td>
<td>25%</td>
<td>• Reduce Net Working Capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Strict capital allocation (investments)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Restore earnings in Sandvik Mining and Sandvik Construction</td>
</tr>
<tr>
<td><strong>NET DEBT/EQUITY RATIO</strong></td>
<td>0.75</td>
<td>&lt; 0.8</td>
<td>• Reduction in Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Strong cash flow generation</td>
</tr>
<tr>
<td><strong>DIVIDEND</strong></td>
<td>73% for 2014**</td>
<td>50% of EPS</td>
<td>• Proposed dividend maintained at 3.50 SEK per share (3.50)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Uninterrupted dividend since 1870</td>
</tr>
</tbody>
</table>

* As reported including currency and structure
**Proposed dividend
Restructuring Our Footprint

Reduce number of production units from 150 to 125 by 2017

Initial phase launched in Q4 2013
- Closure of 11 units
- Annual savings of 800 MSEK at end 2015
- Total restructuring cost 900 MSEK (Q4 2013)
- Personnel net, about -750

Progression
- 5 closures finalized in 2014 - France, South Africa, Germany, Italy and UK
- Remaining units to be closed in 2015, Australia (3), Sweden (2) and UK (1)
- Savings in Q4: 65 MSEK
### RESTRUCTURING OUR FOOTPRINT

#### FIRST PHASE - PLANNED TIME OF COMPLETION FOR INITIATED CLOSURES

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Q1 2015</th>
<th>Q2-Q4 2015</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANDVIK MINING</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>SANDVIK MACHINING SOLUTIONS</td>
<td>2</td>
<td>-</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>SANDVIK CONSTRUCTION</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>GROUP TOTAL</strong></td>
<td><strong>5</strong></td>
<td><strong>2</strong></td>
<td><strong>4</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>
RESTRICTURING OUR FOOTPRINT

FIRST PHASE – SAVINGS PROFILE (MSEK)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sandvik Mining</th>
<th>Sandvik Machining Solutions</th>
<th>Sandvik Construction</th>
<th>Total</th>
<th>Savings Profile Annual Run-Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>60</td>
<td>120</td>
<td>80</td>
<td>260</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>440</td>
<td>80</td>
<td>20</td>
<td>540</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>500</td>
<td>200</td>
<td>100</td>
<td>800 MSEK</td>
<td></td>
</tr>
</tbody>
</table>
NET WORKING CAPITAL

Net working capital

Net working capital / Invoiced sales

Inventory / Invoiced sales

TARGET

Sandvik Interim Report on the fourth quarter 2014
NET WORKING CAPITAL

% OF INVOICING BY BUSINESS AREA

- Sandvik Mining
- Sandvik Machining Solutions
- Sandvik Materials Technology
- Sandvik Construction

TARGET
NET DEBT

NET DEBT TO EQUITY 0.75

STRONG CASH FLOW

INVENTORY REDUCTIONS
SUMMARY Q4 2014

EARNINGS GROWTH

STRONG CASH FLOW
NET DEBT TO EQUITY 0.75

GOOD PROGRESS ON SUPPLY CHAIN OPTIMIZATION PROGRAM

MIXED DEMAND
OUR WAY FORWARD

KEY PRIORITIES BY BUSINESS AREA

SANDVIK MINING
- Consolidate footprint: Manufacturing
- Cost efficiency: Sourcing and A&S
- Grow share of aftermarket
- New offering including mid-market
- Sales excellence

SANDVIK MACHINING SOLUTIONS
- Leverage from Multi-brand model, with backend synergies
- Increase pace of core product launch and digital offer
- Invest in growth pockets and mid-market
- Conduct bolt-on M&A:s
- Continue site-restructuring and productivity improvements
- Further develop Supply Chain to optimize NWC

SANDVIK MATERIALS TECHNOLOGY
- Accelerate growth of strategic products, mainly in energy and energy efficiency
- Safeguard position in core and standard products through lean business model
- Secure utilization and cost position in the Primary-system
- Improve capital efficiency
- Exit non-core businesses

SANDVIK CONSTRUCTION
- Sales efficiency and commercial excellence
- Supply chain and footprint optimization
- Aftermarket development
- Focused growth areas
- Mid-market strategy
- Structured transformation program

SANDVIK VENTURE
- Accelerate growth of businesses
- New products
- Continued globalization
- Complimentary acquisitions

YIELD HIGHER RETURNS
REDUCE EARNINGS VOLATILITY
DEVELOP MORE TOWARDS FAST GROWING MARKETS

Sandvik Interim Report on the fourth quarter 2014
LOOKING FORWARD INTO 2015

>15,000 NEW PRODUCT LAUNCHES
in Sandvik Machining Solutions

GROW THE AFTERMARKET BUSINESS
in Sandvik Mining and Sandvik Construction

ACTIVE PORTFOLIO MANAGEMENT
across the group
**OIL & GAS EXPOSURE**

**REVENUE FROM O&G IN 2014 ~7.5 BN. SEK**

- Limited exposure to O&G sector ~8%
- O&G/Energy is a long-term commitment for Sandvik albeit short/mid-term variances in order intake

- Exposure over 3 business areas
- Highest in Venture with 1/3 towards oil and gas
- Different parts of O&G sector
  - Upstream (mainly production) & downstream
  - Off- and on-shore
  - CAPEX and OPEX driven business
  - Geographical spread: NA and RoW

---

Sandvik Interim Report on the fourth quarter 2014
DIVERSE EXPOSURE WITHIN OIL AND GAS

**Sandvik Materials Technology**
- Complex off-shore projects with long planning horizon and long pay-off times
- Investment decisions based on long-term oil price

**Sandvik Venture/Varel**
- Productivity enhancing products with relatively low cost
- OPEX-driven decisions
- Quick reactions in shale exploration (new technology)

**Sandvik Machining Solutions**
- Downturn in oil and gas off-set by other segments e.g. Aerospace and Automotive

---

For SMS: No line = Unknown information (On/Offshore, NA/RoW, O/G)

Sandvik Interim Report on the fourth quarter 2014
### BRIDGE ANALYSIS

**SANDVIK GROUP**

<table>
<thead>
<tr>
<th>M.SEK</th>
<th>Q4 2013</th>
<th>PRICE/ VOLUME/ PRODUCTIVITY</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoicing</td>
<td>21,770</td>
<td>-360</td>
<td>1,440</td>
<td>550</td>
<td>23,394</td>
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<tr>
<td>EBIT</td>
<td>590</td>
<td>-140</td>
<td>270</td>
<td>1,900</td>
<td>2,623</td>
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<tr>
<td>EBIT margin</td>
<td>3%</td>
<td>-39%</td>
<td>-</td>
<td>-</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Includes metal price effects
## BRIDGE ANALYSIS

<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Q4 2013</th>
<th>PRICE/VOLUME/PRODUCTIVITY</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SANDVIK MINING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoicing</td>
<td></td>
<td>7,334</td>
<td>-660</td>
<td>360</td>
<td>-</td>
<td>7,039</td>
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<tr>
<td>EBIT</td>
<td></td>
<td>-480</td>
<td>-150</td>
<td>20</td>
<td>1250</td>
<td>644</td>
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<tr>
<td>EBIT margin</td>
<td></td>
<td>-7%</td>
<td>-23%</td>
<td>-</td>
<td>-</td>
<td>9%</td>
</tr>
<tr>
<td><strong>SANDVIK MACHINING SOLUTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoicing</td>
<td></td>
<td>7,363</td>
<td>220</td>
<td>540</td>
<td>-</td>
<td>8,112</td>
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<tr>
<td>EBIT</td>
<td></td>
<td>1,084</td>
<td>60</td>
<td>130</td>
<td>350</td>
<td>1,622</td>
</tr>
<tr>
<td>EBIT margin</td>
<td></td>
<td>15%</td>
<td>27%</td>
<td>-</td>
<td>-</td>
<td>20%</td>
</tr>
<tr>
<td><strong>SANDVIK MATERIALS TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoicing</td>
<td></td>
<td>3,360</td>
<td>310</td>
<td>180</td>
<td>-100</td>
<td>3,758</td>
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<tr>
<td>EBIT</td>
<td></td>
<td>350</td>
<td>-180</td>
<td>90</td>
<td>80</td>
<td>330</td>
</tr>
<tr>
<td>EBIT margin</td>
<td></td>
<td>10%</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>9%</td>
</tr>
</tbody>
</table>

* Includes metal price effects
# Bridge Analysis

<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Q4 2013</th>
<th>PRICE/VOLUME/PRODUCTIVITY</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q4 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SANDVIK CONSTRUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoicing</td>
<td></td>
<td>2,174</td>
<td>-160</td>
<td>160</td>
<td>-</td>
<td>2,169</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>-223</td>
<td>10</td>
<td>15</td>
<td>200</td>
<td>4</td>
</tr>
<tr>
<td>EBIT margin</td>
<td></td>
<td>-10%</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>SANDVIK VENTURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoicing</td>
<td></td>
<td>1,538</td>
<td>-80</td>
<td>190</td>
<td>650</td>
<td>2,301</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>309</td>
<td>-15</td>
<td>15</td>
<td>25</td>
<td>335</td>
</tr>
<tr>
<td>EBIT margin</td>
<td></td>
<td>20%</td>
<td>-19%</td>
<td>-</td>
<td>-</td>
<td>15%</td>
</tr>
</tbody>
</table>

SANDVIK INTERIM REPORT ON THE FOURTH QUARTER 2014
STABLE DEMAND

- Stable demand for Equipment and Aftermarket
- Continued low order intake for Mining Systems

EBIT 644 MSEK, 9.2%

- Currency effects +20 MSEK
- Low sales and production rates
- Continued net working capital reduction

SUPPLY CHAIN OPTIMIZATION

- Closure of one unit finalized, Bergneustadt, Germany
SANDVIK MINING
Q4 2014

Order intake 5,695 MSEK
Invoicing 7,039 MSEK
EBIT 644 MSEK
ROCE 16.7%
RECORD HIGH INVOICING 8,129 MSEK

UNCHANGED MARKET TREND

• Strong development in the aerospace industry
• Continued strong development in North America
• Asia and Europe stable sequentially

EBIT 1,622 MSEK, 20.0%

• Currency effects +130 MSEK
• Strong cashflow

PROGRESS ON SUPPLY CHAIN OPTIMIZATION
## SANDVIK MACHINING SOLUTIONS
### Q4 2014

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>8,129 MSEK</td>
</tr>
<tr>
<td>Invoicing</td>
<td>8,122 MSEK</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,622 MSEK</td>
</tr>
<tr>
<td>ROCE</td>
<td>29.5%</td>
</tr>
</tbody>
</table>

**Graph:**
- Invoicing
- EBIT margin
- ROCE 12 months

---

SANDVIK

Sandvik Interim Report on the fourth quarter 2014
MIXED DEMAND

• Increased uncertainty in oil and gas
• Major order from the nuclear segment

EBIT 330 MSEK, 8.8%

• Currency effects +90 MSEK
• Metalprice effect -71 MSEK
• Net EBIT effect from divestments +71 MSEK

NET WORKING CAPITAL REDUCTIONS DRIVE STRONG CASH-FLOW

DIVESTMENT OF POWER SPRING BUSINESS IN NORTH AMERICA
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>3,296 MSEK</td>
</tr>
<tr>
<td>Invoicing</td>
<td>3,758 MSEK</td>
</tr>
<tr>
<td>EBIT</td>
<td>330 MSEK</td>
</tr>
<tr>
<td></td>
<td>Adjusted for metal price effects and nonrecurring items, 330 MSEK, 8.8 %</td>
</tr>
<tr>
<td>ROCE</td>
<td>13.7%</td>
</tr>
</tbody>
</table>
CONTINUED CHALLENGING MARKET CONDITIONS
  • Slightly higher activity in North America

EBIT 4 MSEK, 0.2%
  • Low sales and production rates
  • Efficiency measures ongoing

STRONG CASH FLOW
  • Inventory reductions
SANDVIK CONSTRUCTION
Q4 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>2,038 MSEK</td>
</tr>
<tr>
<td>Invoicing</td>
<td>2,169 MSEK</td>
</tr>
<tr>
<td>EBIT</td>
<td>4 MSEK</td>
</tr>
<tr>
<td>ROCE</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

![Graph showing Invoicing, EBIT margin, ROCE 12 months from 2007 to 2014]
STABLE DEMAND ACROSS SEGMENTS

SLIGHT ADVERSE IMPACT ON DEMAND FROM LOWER OIL PRICE

EBIT 335 MSEK (14.6%)
  • 310 MSEK (18.7%) excluding Varel

STRONG CASH FLOW
<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>2,123 MSEK</td>
</tr>
<tr>
<td>Invoicing</td>
<td>2,301 MSEK</td>
</tr>
<tr>
<td>EBIT</td>
<td>335 MSEK</td>
</tr>
<tr>
<td>ROCE</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

![Graph showing Invoicing, EBIT margin, and ROCE 12 months from 2007 to 2014.](image)
# Loan and Duration Profile

<table>
<thead>
<tr>
<th>Loan Category</th>
<th>Percentage</th>
<th>Amount MSEK</th>
<th>Average Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long Term</strong></td>
<td>93%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Private Placement</td>
<td></td>
<td>6,328</td>
<td>5 years</td>
</tr>
<tr>
<td>Fin institutions, EIB, NIB</td>
<td></td>
<td>2,380</td>
<td>8 years</td>
</tr>
<tr>
<td>Swedish MTN</td>
<td></td>
<td>11,043</td>
<td>4 years</td>
</tr>
<tr>
<td>European MTN</td>
<td></td>
<td>10,437</td>
<td>11 years</td>
</tr>
<tr>
<td>Bank loans</td>
<td></td>
<td>2,633</td>
<td>4 years</td>
</tr>
<tr>
<td>Share swap</td>
<td></td>
<td>1,579</td>
<td>1 year</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>37,071</td>
<td>6 years</td>
</tr>
</tbody>
</table>

| **Short Term**         | 7%         |             |                  |
| Commercial paper       |            | 692         | 4 months         |
| Fin institutions, EIB, NIB |         | 463         | 6 months         |
| Swedish MTN            |            | 825         | 7 months         |
| European MTN           |            | 0           | 0 months         |
| Bank loans             |            | 691         | 0 months         |

**Total: 37,071 MSEK with an average duration of 6 years.**

Cash position: 6,327

Revolving Credit facilities: 11,188 MSEK
LOAN MATURITY PROFILE

MSEK
8 000
6 000
4 000
2 000
0
-2 000
-4 000
-6 000

Loan
Cash position

Sandvik Interim Report on the fourth quarter 2014
ACQUISITION OF VAREL

ACQUISITION PRICE AND GOODWILL
Purchase price 5.1 BSEK
• Consideration for shares 2.8 BSEK
• Loan settlement 2.3 BSEK

Goodwill 2.5 BSEK
• Growth and profitability
• Strong market position in the oil and gas sector

PURCHASE PRICE ALLOCATION
Assigned to tangible and intangible assets 1.6 BSEK
• Amortized over 10 years
• ~40 MSEK per quarter

Assigned to inventories 170 MSEK
• Amortized over 3-9 months
  • ~ 35 MSEK Q2 2014
  • ~ 80 MSEK Q3 2014
  • ~ 35 MSEK Q4 2014
  • ~ 20 MSEK Q1 2015
## GUIDANCE

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>Estimated at below 5bn SEK for 2015.</td>
</tr>
<tr>
<td>CURRENCY EFFECTS</td>
<td>Given currency rates in mid-January the effect on EBIT would be +600 MSEK for Q1 2015.</td>
</tr>
<tr>
<td>METAL PRICE EFFECTS</td>
<td>Given currency rates, stock levels and metal prices at the end of December, it is estimated that effects on operating profit Q1 2015 will be marginal.</td>
</tr>
<tr>
<td>NET FINANCIAL ITEMS</td>
<td>Net financial items is estimated to be about -2.0 bn. SEK for 2015.</td>
</tr>
<tr>
<td>TAX RATE</td>
<td>The tax rate is estimated to about 26-28% for 2015.</td>
</tr>
</tbody>
</table>
“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”