We use a two-color headline system to highlight our rational and emotional side alike. The first line appears in blue (the rational side), the second line in orange (the emotional side) and the duality principle is reflected in the wording of the headline. This system refers to the first page title only, all other headlines are blue. Learn more about our verbal identity in the Sandvik Brand Identity Directives, which you can download at the Intranet > home.sandvik.com/brand.
SUMMARY Q1 2015

EARNINGS GROWTH AND MARGIN EXPANSION
• Adjusted EBIT 2,934 MSEK, 12.6%
• Currency effect +770 MSEK

RECORD Q1 CASH FLOW
• Continued inventory reductions

STABLE DEMAND
• Overall stable demand in Europe and Asia
• Demand remained on a high level in North America
• However with a sharp downturn in on-shore oil and gas drilling activity

PROGRESS ON SUPPLY CHAIN OPTIMIZATION PROGRAM
• Two more units closed
• Announcement of second phase
INVOICING BY MARKETS
SALES Q1 2015 SHARE OF GROUP TOTAL

- NORTH AMERICA: 21%
- EUROPE: 37%
- ASIA: 19%
- SOUTH AMERICA: 8%
- AFRICA/MIDDLE EAST: 10%
- AUSTRALIA: 5%

Demand trend compared with preceding quarter.
INVOICING BY SEGMENTS

CUSTOMER SEGMENTS

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

INVOICING GROWTH VS Q4 2013

- > +5%
- –5 to +5%
- < –5%

Demand trend compared with preceding quarter

SANDVIK: Interim Report on the first quarter 2015
ORDER INTAKE
23,167 MSEK

CHANGE P/V -11%

INVOICING
23,334 MSEK

CHANGE P/V -3%

• Low order intake for Mining Systems and sharp decline in NA O&G on-shore drilling activity
• Three large energy orders more than off-set order cancellation
• P/V excluding major orders -3% year-on-year

• Record high invoicing in Sandvik Machining Solutions
• Invoicing for Mining Systems decreasing hampered by a shrinking order back log.
EBIT 1,052 MSEK

ADJUSTED EBIT 2,934 MSEK, 12.6%

CASH FLOW

CASH FLOW FROM OPERATIONS 2,431 MSEK

- Year-on-year adjusted earnings growth supported by currency and effects from savings initiatives
- Nonrecurring items affecting EBIT -1.9 BSEK
- Personnel reduction of -461 FTE from previous quarter

- Record first quarter cash flow
- Inventory reductions most notably in Mining
- Investments 0.8 BSEK in Q1

2013 Q3 Adjusted due to tax payment of about 5,800 MSEK related to reorganization of intellectual property rights
## 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>12%</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>11.5%</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>0.72</td>
<td>&lt; 0.8</td>
<td>• Continued reductions in Q1</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>

**Proposed dividend**

* Over a business cycle including M&A
OUR WAY FORWARD

KEY PRIORITIES BY BUSINESS AREA

SANDVIK MACHINING SOLUTIONS
- Leverage from Multi-brand model, with backend synergies
- Increase pace of core product launches and digital offering
  - 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 MINING
- Consolidate footprint: Manufacturing
  - Cost efficiency: Sourcing and A&S
- Grow share of aftermarket
  - New offering including mid-market
  - Sales excellence

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
MATS BACKMAN
CFO
RESTRICTURING OUR FOOTPRINT

SUPPLY CHAIN OPTIMIZATION PROGRAM

FIRST PHASE
- 2 UNITS CLOSED IN Q1 (total 7)
- 4 UNITS REMAINING in 2015
- RUNRATE SAVINGS 360 MSEK
  END OF Q1 out of 800 MSEK target
  at year end 2015

SECOND PHASE
- 3 UNITS INITIATED (7 Remaining)
- TARGET SAVINGS at year end
  2016 600 MSEK

2013 Q4
150

TARGET
125

FIRST PHASE -11
SECOND PHASE -10
GUIDANCE

POSITIVE CURRENCY EFFECT OF +770 MSEK IN Q1

- Guidance +600 MSEK based on currency rates mid-January
- Difference primarily driven by further strengthening of USD, CNY and EUR versus SEK

GUIDANCE Q2 2015

<table>
<thead>
<tr>
<th>EFFECT</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENCY EFFECT</td>
<td>+900 MSEK</td>
</tr>
<tr>
<td>METAL PRICE EFFECT</td>
<td>-150 MSEK</td>
</tr>
</tbody>
</table>

FULL YEAR GUIDANCE 2015

<table>
<thead>
<tr>
<th>GUIDANCE</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>Below 5bn. SEK</td>
</tr>
<tr>
<td>NET FINANCIAL ITEMS</td>
<td>-1.8 to -2.0 bn. SEK</td>
</tr>
<tr>
<td>TAX RATE</td>
<td>26-28% for 2015</td>
</tr>
</tbody>
</table>
LOOKING FORWARD

>15,000 NEW PRODUCT LAUNCHES
Sandvik Machining Solutions

GROW THE AFTERMARKET BUSINESS
Sandvik Mining
Sandvik Construction

CREATING A LEANER COMPANY
Supply Chain Optimization
SUMMARY Q1 2015

EARNINGS GROWTH

RECORD Q1 CASH FLOW

GOOD PROGRESS ON SUPPLY CHAIN OPTIMIZATION PROGRAM

OVERALL STABLE DEMAND
BACK-UP SLIDES
<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Q1 2014</th>
<th>PRICE/ VOLUME/ PRODUCTIVITY</th>
<th>CURRICENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVOICING</td>
<td>20,783</td>
<td>-750</td>
<td>2,830</td>
<td>470</td>
<td></td>
<td>23,334</td>
</tr>
<tr>
<td>EBIT</td>
<td>2,478</td>
<td>-230</td>
<td>770</td>
<td>-1,970</td>
<td></td>
<td>1,052</td>
</tr>
<tr>
<td>EBIT MARGIN</td>
<td>12%</td>
<td>-31%</td>
<td>-</td>
<td>-</td>
<td></td>
<td>5%</td>
</tr>
</tbody>
</table>

* Includes metal price effects
## BRIDGE ANALYSIS

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Q1 2014</th>
<th>PRICE/ VOLUME/ PRODUCTIVITY</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MACHINING SOLUTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVOICING</td>
<td>7,400</td>
<td>-</td>
<td>1,040</td>
<td>-</td>
<td>8,438</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,480</td>
<td>-80</td>
<td>410</td>
<td>-680</td>
<td>1,129</td>
</tr>
<tr>
<td>EBIT MARGIN</td>
<td>20%</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>13%</td>
</tr>
<tr>
<td><strong>MINING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVOICING</td>
<td>6,601</td>
<td>-570</td>
<td>830</td>
<td>-</td>
<td>6,863</td>
</tr>
<tr>
<td>EBIT</td>
<td>688</td>
<td>-130</td>
<td>240</td>
<td>-730</td>
<td>68</td>
</tr>
<tr>
<td>EBIT MARGIN</td>
<td>10%</td>
<td>-23%</td>
<td>-</td>
<td>-</td>
<td>1%</td>
</tr>
<tr>
<td><strong>MATERIALS TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVOICING</td>
<td>3,547</td>
<td>-80</td>
<td>350</td>
<td>-110</td>
<td>3,712</td>
</tr>
<tr>
<td>EBIT</td>
<td>421</td>
<td>-80</td>
<td>70</td>
<td>-310</td>
<td>100</td>
</tr>
<tr>
<td>EBIT MARGIN</td>
<td>12%</td>
<td>-100%</td>
<td>-</td>
<td>-</td>
<td>3%</td>
</tr>
</tbody>
</table>

* Includes metal price effects
<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Q1 2014</th>
<th>PRICE/ VOLUME/ PRODUCTIVITY</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS</th>
<th>Q1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSTRUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVOICING</td>
<td></td>
<td>1,871</td>
<td>-20</td>
<td>290</td>
<td>-</td>
<td>2,144</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>-11</td>
<td>10</td>
<td>70</td>
<td>-160</td>
<td>-95</td>
</tr>
<tr>
<td>EBIT MARGIN</td>
<td></td>
<td>-1%</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>-4%</td>
</tr>
<tr>
<td><strong>VENTURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVOICING</td>
<td></td>
<td>1,362</td>
<td>-90</td>
<td>320</td>
<td>580</td>
<td>2,172</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>233</td>
<td>-30</td>
<td>25</td>
<td>-40</td>
<td>192</td>
</tr>
<tr>
<td>EBIT MARGIN</td>
<td></td>
<td>17%</td>
<td>-29%</td>
<td>-</td>
<td>-</td>
<td>9%</td>
</tr>
</tbody>
</table>

* Includes metal price effects
RECORD HIGH INVOICING 8,438 MSEK

STABLE MARKET CONDITIONS

• Stable at a high level in North America
• Asia and Europe stable sequentially

MARGIN EXPANSION

• Adjusted EBIT 1,809 MSEK, 21.4 %
• Nonrecurring cost -680 MSEK
• Currency effects +410 MSEK
• Strong cash flow
SANDVIK MACHINING SOLUTIONS – Q1 2015

ORDER INTAKE
8,596 MSEK

INVOICING
8,438 MSEK

EBIT
1,129 MSEK

ROCE
27.1%

Adjusted for nonrecurring items, 1,809 MSEK, 21.4 %
SANDVIK MINING – Q1 2015

STABLE MARKET ACTIVITY
• Stable demand for Equipment and Aftermarket
• Continued low order intake for Mining Systems

ADJUSTED EBIT 798 MSEK, 11.6%
• Nonrecurring cost -730 MSEK
• Currency effects +240 MSEK
• Continued inventory reductions

SUPPLY CHAIN OPTIMIZATION
• Closure of one unit finalized in Hunter Valley, Australia
ORDER INTAKE

6,203 MSEK

INVOICING

6,863 MSEK

EBIT

68 MSEK

ROCE

12.2%

Adjusted for nonrecurring items, 798 MSEK, 11.6 %
THREE LARGE ENERGY ORDERS MORE THAN OFF-SET CANCELLATION

- Stable market conditions
- Continued uncertainty in oil and gas

ADJUSTED EBIT 365 MSEK, 9.8%

- Nonrecurring cost -265 MSEK
- Currency effects +70 MSEK
- Metalprice effect -5 MSEK

INVENTORY REDUCTION SUPPORT
STRONG CASH FLOW
SANDVIK MATERIALS TECHNOLOGY – Q1 2015

ORDER INTAKE
3,725 MSEK

INVOICING
3,712 MSEK

EBIT
100 MSEK

ROCE
11.3%

Excluding metal price effects and nonrecurring items, 370 MSEK, 10.0 %

Invoicing
EBIT margin
EBIT margin, excl metal price effect and nonrecurring items
ROCE 12 months
SANDVIK CONSTRUCTION – Q1 2015

POSITIVE BOOK-TO-BILL

- Slightly higher activity in North America

ADJUSTED EBIT 65 MSEK, 3.0%

- Nonrecurring cost -160 MSEK
- Currency effect +70 MSEK
- Efficiency measures ongoing

SUPPLY CHAIN OPTIMIZATION PROGRAM COMPLETED

- Finalized closure of mobile crushing unit in Swadlincote, UK
SANDVIK CONSTRUCTION – Q1 2015

ORDER INTAKE

2,376 MSEK

INVOICING

2,144 MSEK

EBIT

-95 MSEK

ROCE

-0.7%

Adjusted for nonrecurring items, 65 MSEK, 3.0 %

Invoicing  EBIT margin  ROCE 12 months
OVERALL STABLE MARKET CONDITIONS

SHARP DECLINE IN NORTH AMERICAN ON SHORE OIL AND GAS DRILLING ACTIVITY

• Additional mitigation actions ongoing

ADJUSTED EBIT 202 MSEK, 9.3%

• Nonrecurring cost -10 MSEK
• Currency effect +25 MSEK
ORDER INTAKE
2,263 MSEK

INVOICING
2,172 MSEK

EBIT
192 MSEK

ROCE
7.1%

Adjusted for nonrecurring items, 202 MSEK, 9.3 %
# Loan and Duration Profile

## Cash Position
- **Cash position**: 7,318 MSEK
- **Revolving Credit facilities**: 11,050 MSEK

## Loan and Duration Profile

<table>
<thead>
<tr>
<th>Amount MSEK</th>
<th>Average Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US Private Placement</strong></td>
<td>6,888</td>
</tr>
<tr>
<td><strong>Fin institutions, EIB, NIB</strong></td>
<td>2,327</td>
</tr>
<tr>
<td><strong>Swedish MTN</strong></td>
<td>11,046</td>
</tr>
<tr>
<td><strong>European MTN</strong></td>
<td>10,206</td>
</tr>
<tr>
<td><strong>Bank loans</strong></td>
<td>2,840</td>
</tr>
<tr>
<td><strong>Share swap</strong></td>
<td>1,503</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount MSEK</th>
<th>Average Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial paper</strong></td>
<td>692</td>
</tr>
<tr>
<td><strong>Fin institutions, EIB, NIB</strong></td>
<td>463</td>
</tr>
<tr>
<td><strong>Swedish MTN</strong></td>
<td>825</td>
</tr>
<tr>
<td><strong>Bank loans</strong></td>
<td>764</td>
</tr>
<tr>
<td><strong>Share swap</strong></td>
<td>154</td>
</tr>
</tbody>
</table>

| **TOTAL** | **37,709** | **6 years** |

**LONG TERM**: 92%

**SHORT TERM**: 8%
LOAN MATURITY PROFILE

[SANDVIK: Interim Report on the first quarter 2015]
## CREATING A LEANER COMPANY

### SAVINGS PROFILE (MSEK)

<table>
<thead>
<tr>
<th>Phase</th>
<th>Total YE 2015</th>
<th>Total YE 2016</th>
<th>Adj Cost Base YE 2016</th>
<th>Total</th>
<th>Phase II Total YE 2016</th>
<th>Adj Cost Base YE 2016</th>
<th>Total</th>
<th>Adj Cost Base YE 2016</th>
<th>Total</th>
<th>Annual Run-Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHASE I TOTAL</td>
<td>200</td>
<td>130</td>
<td>150</td>
<td>480</td>
<td>500</td>
<td>400</td>
<td>-</td>
<td>900</td>
<td>165</td>
<td>1,880**</td>
</tr>
<tr>
<td>PHASE II TOTAL</td>
<td>-</td>
<td>70</td>
<td>95</td>
<td>165</td>
<td>100</td>
<td>-</td>
<td>160</td>
<td>260</td>
<td>800*</td>
<td></td>
</tr>
<tr>
<td>ADJ COST BASE</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>480**</td>
<td></td>
</tr>
</tbody>
</table>

*) Annual run-rate at end Q1 2015 360 MSEK  
**) Including 25 MSEK for Sandvik Venture and 50 MSEK for Group Activities
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
DIVERSE EXPOSURE WITHIN OIL AND GAS

- **Sandvik Materials Technology**
  - Complex off-shore projects with long planning horizon and long day-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

- **Group (weighted)**
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
## UPDATED GUIDANCE

<table>
<thead>
<tr>
<th><strong>CAPEX</strong></th>
<th>Estimated at below 5bn SEK for 2015.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENCY EFFECTS</strong></td>
<td>Given currency rates at end of March the effect on EBIT would be +900 MSEK for Q2 2015.</td>
</tr>
<tr>
<td><strong>METAL PRICE EFFECTS</strong></td>
<td>Given currency rates, stock levels and metal prices at the end of March, it is estimated that effects on operating profit Q2 2015 will be about -150 MSEK.</td>
</tr>
<tr>
<td><strong>NET FINANCIAL ITEMS</strong></td>
<td>Net financial items is estimated to be -1.8 to -2.0 bn. SEK for 2015.</td>
</tr>
<tr>
<td><strong>TAX RATE</strong></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.”