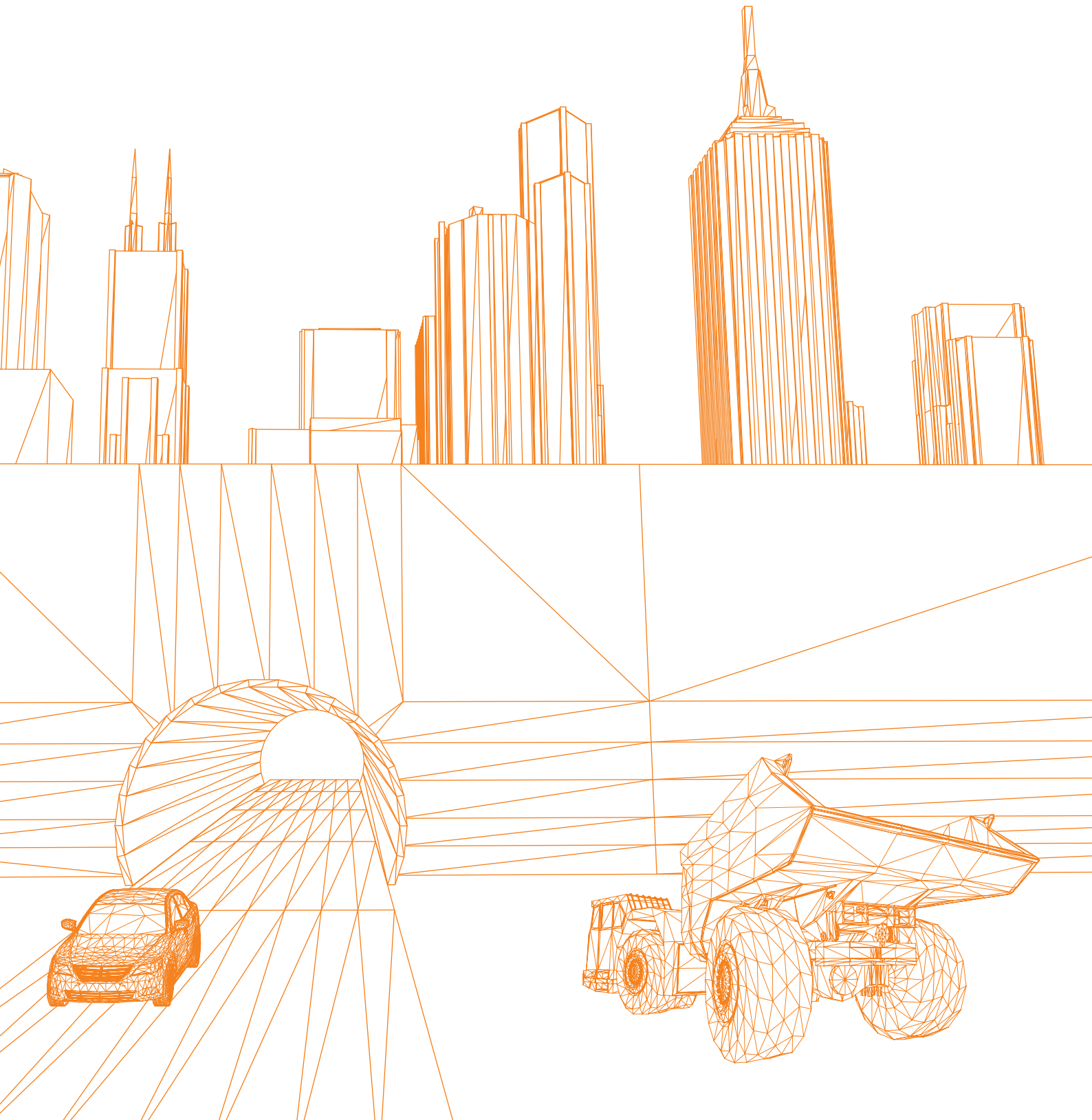




ANNUAL REPORT

2015





The new Silent Tools® series secures a market-leading position in vibration-reducing tools. Read more on page 21.

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FORTHCOMING INFORMATION AND REPORTS

Report on the first quarter 2016	25 April 2016
Annual General Meeting 2016	28 April 2016
Capital Markets Day 2016	24 May 2016
Report on the second quarter 2016	18 July 2016
Report on the third quarter 2016	24 October 2016
Report on the fourth quarter 2016	First quarter 2017

The Annual Report is available online at sandvik.com, where a printed copy can also be ordered, together with our other publications, such as the Sustainable Business Report.

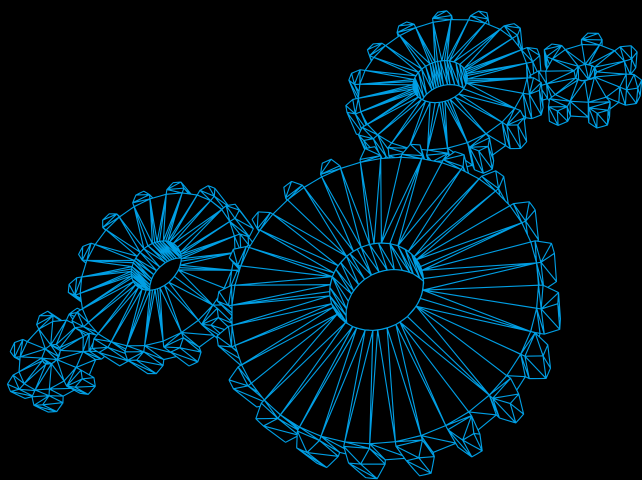
If you have any comments on our Annual Report, please contact us at Group Communications, + 46 8 456 11 00 or info@sandvik.com

The formal Annual Report comprises the pages 41–122. Please note that the official audited version of the Annual Report is the Swedish version available in the pdf and printed versions. In some cases, tables and calculations do not always agree exactly with the totals shown due to rounding.

2015

86,378MSEK
Order intake –8%***4,059**MSEK
Profit after financial items**1.79**SEK
Earnings per share**90,822**MSEK
Invoiced sales –6%***7.9**%
Return on capital
employed**2.50**SEK
Proposed dividend

* At fixed exchange rates for comparable units and including discontinued operations.



HIGHLIGHTS

- Challenging market conditions with aerospace and automotive the stronger segments in relative terms
- Strengthened product and service offering in core businesses and 850 new patents and other intellectual property rights
- Supply Chain Optimization Program progressing according to plan and internal efficiency measures ongoing across all business areas and Group functions
- Continued strong cash flow with focus on capital allocation and reduced inventories
- Active portfolio management; intention to divest Mining Systems and acquisition of SGL Technology BV
- Inclusion in the Dow Jones Sustainability World Index, ranking us in the top 10% of the most sustainable companies in our industry globally
- Lost time injury frequency rate (LTIFR) at a record low level (2.1)
- Björn Rosengren new CEO of the Sandvik Group as of 1 November 2015

PIONEERING SOLUTIONS FOR LONG-TERM GROWTH

Sandvik is a company that I have always held in high regard. I am proud to stand alongside all of its employees and be a part of the exciting future that lies ahead for our Group. First and foremost, my job is to draw on existing strengths and positions to successfully guide Sandvik through various challenges. I can see enormous possibilities to long-term enhance both our market shares and our profitability through pioneering technology and expertise in addition to close collaboration with customers the world over.



OUR ACHIEVEMENTS

12,793 MSEK

record high cash flow

>15,000

number of products launched

"SANDVIK SHOULD EITHER BE WORLD LEADING, OR HAVE THE OPPORTUNITY TO BECOME WORLD LEADING, IN THE AREAS AND NICHEs IN WHICH THE GROUP OPERATES"

The challenging macroeconomic situation of 2015 has spilled over into 2016. In 2015 we noticed a decline in demand compared with the previous year for both business areas and regions. Low oil prices arrested demand in the energy segment and general engineering industry, while growth in Asia was unsteady in response to China's economic downturn. The demand for mining equipment remained stable, albeit low. Growth in the aerospace and automotive segments was somewhat stronger year-on-year. Conscious and focused efforts to structurally reduce the net working capital resulted in an all-time-high cash flow for the year.

Our focus is on our customers, on our targets and on developing our operations. We are not satisfied with the year's outcome and further measures to improve profitability will be taken. Our top priority is to deliver sustainable results over time.

Sandvik should either be world leading, or have the opportunity to become world leading, in the areas and niches in which the Group operates. Today, we hold strong global positions in many segments. To maintain and strengthen these leading positions and boost our growth and returns, we aim to become even more customer-oriented, agile and global.

Clearly defined areas of responsibility and accountability, transparency in the organization and speed are key factors for success. This requires that decisions are taken close to the operations, which is where the dynamics and conformability lies – particularly important when markets and conditions change quickly. At Group level, our most important task is to provide the support that our operations need to realize their ambitions, as well as to secure clear governance of a number of selected processes common for Sandvik's way of working.

We prioritize innovation based on customer needs. Last year, we launched a record-breaking number of new products and solutions, more than 15,000 in Sandvik Machining Solutions alone. This accomplishment has advanced our positions with many of our customers. We have often helped to revolutionize production methods and we will continue to aim to be first to supply that which our customers demand and

require. Maintaining and improving our technical leadership is one of the most critical tasks for Sandvik going forward.

Efficiency programs are underway and progressing according to plan in our group functions and business areas. These projects are a natural part of our business development, and we will regularly implement new measures. Productivity should increase by at least 3 – 4% per annum, and it is vital that we constantly challenge ourselves and strive to improve our operations.

We will continue to regularly evaluate our portfolio with focus on our core areas, and proactively make acquisitions and divestments. Our objective is to sustain or advance our positions in areas where we are, or have the possibility of becoming, world leading. We aim to develop against fast-growing markets. To make Sandvik Mining more focused on its core operations, we announced our intention to divest our Mining Systems operations. We also made a smaller acquisition in the form of Dutch company SGL Technology, part of Sandvik Process Systems and manufacturer of customized machinery and equipment to the food industry.

We continued to develop our aftermarket business. It is important that our business-generating operations can assume responsibility for the customer's total value chain, from innovation and product development to installation, service and support. We should be our customer's preferred choice and speaking-partner. Close customer dialog should shadow the entire process, from concept to the actual installation of an innovative production process, shipment of an automated drill rig or an extra productive crusher. We will also support customers when the solutions are up and running, provide the best service, back-up and prompt deliveries of all the wear and spare parts needed. Sandvik Mining's Service365 is an excellent example of how we satisfy customer needs and assist in improving their productivity, reliability and safety. Yet another example is Sandvik Construction's ability to develop service concepts for the operation and maintenance of the

bridges and tunnels for which they previously supplied drill rigs and other equipment. There is vast potential here since critical infrastructures in such niche areas as quarrying and crushing are global growth areas.

Sandvik should be an attractive company to work for and invest in, and we are determined to create a winning team. Toward this end, we aim to cultivate a high-performance culture in which every employee assumes responsibility for promoting customer focus and innovation. By recruiting talents and developing our employees, we can continue to boost our capacity as a market-leading industrial company with progressive technology.

Our strong focus on safety is another central aspect of our culture. Again this year, we can be proud of the reduction in our lost time injury frequency rate which, for all operations combined, dropped to 2.1 at year-end. However, a great deal remains to be developed and improved before we can realize our Zero Harm vision.

Sustainability is an integral part of our core business, and our mission is to pioneer these issues. Sustainable solutions are also often more cost-effective in the long term, both for our customers and us. By

launching energy-efficient solutions, we enable our customers to raise their productivity, lessen their environmental impact and improve the health and safety of their employees. We were included in the Dow Jones Sustainability Index for 2015, which means that we rank as one of the ten most sustainable companies in the world in our industry.

Sandvik's focus is on long-term value creation – for all our customers, shareholders and employees. The important thing now is to adapt to today's tough market situation so that we can continue to play a significant role in global industrial developments.

Finally, I would like to thank all of our customers, shareholders and partners for your trust, and all of our employees for your high-quality efforts throughout the year.

Stockholm, February 2016



Björn Rosengren
President and CEO

ABOUT SANDVIK

We are a high-tech and global engineering group with approximately 46,000 employees who share a strong commitment to enhancing customer productivity, profitability and safety. Our operations are based on unique expertise in materials technology, extensive knowledge of industrial processes and close customer cooperation.

INVOICED SALES BY MARKET AREA*



* Share of the Group's total invoiced sales in 2015

SALES AND PROFIT PER BUSINESS AREA



■ Share of Sandvik Group's total invoiced sales 2015

■ Share of Sandvik Group's total operating profit 2015, excluding Group activities

46,000
employees worldwide

91 BILLION SEK
invoiced sales

150 COUNTRIES
around the globe

OUR BUSINESS AREAS

Sandvik is organized into five business areas responsible for research and development, production, marketing and sales of their respective products.

SANDVIK MACHINING SOLUTIONS



SANDVIK MINING



In short	A market-leading manufacturer of tools and tooling systems for advanced industrial metal cutting. Products are manufactured in hard materials and are sold under brands such as Sandvik Coromant, Seco, Walter and Dormer Pramet. The focus is on increasing customer productivity by providing products, services and applications know-how.	A leading supplier of equipment and tools, service, support and technical solutions for the mining industry. The offering covers drilling and mechanical cutting, loading and hauling, crushing and screening.
Value of accessible market, SEK billion	160	130
Market characteristics	The premium market is highly consolidated with product solutions and service levels acting as differentiators. The mid-market has a low level of consolidation, has a lower service level and is relatively more price-sensitive.	<i>Continuing operations</i> A consolidated market exists for the core area of underground hard-rock mining. A large aftermarket consisting of service, spare parts and rock tools. <i>Discontinued operations</i> Materials handling systems, a fragmented market for large projects within materials handling systems.
Share of Sandvik invoicing, %	36	30
Drivers	Global industrial production and primary metals consumption, e.g. automotive, aerospace, general engineering, new technology and new materials, e.g. titanium and composites, and increasing focus on productivity in emerging markets.	GDP growth rate and resource intensity, metal and mineral prices, production levels in existing mines and expansion projects, demand in the areas of technology, health, safety and environment.
Market growth	Growth in the cutting tool market has historically averaged 2%–4%.	Prior to the mining downturn, historical growth rates averaged 6–8% with large fluctuations. Recent growth rates have been lower or negative, in the mining downturn, and more dependent on mining volume output levels rather than expansion.
Way to market	Premium: highly advanced products, high service levels with on-site support and 24-hour delivery. Comprises direct and in-direct sales. Mid-market: sales via distributors, a limited service offering.	95% direct sales. A consolidated customer base with about 200 large customers globally and a worldwide service network.
Growth strategy	Increased pace of core product launches. Focus areas: automotive, aerospace, advanced materials and emerging markets, digital offering and service and mid-market. Bolt-on acquisitions.	Increased pace of new product launches and aftermarket penetration, mining automation and data-driven productivity, mid-market and local premium offerings.
Major competitors	<ul style="list-style-type: none"> – Kennametal with brands Kennametal and Widia – IMC Group with the Iscar and Taegutec brands – Mitsubishi – Smaller niche players 	<ul style="list-style-type: none"> – Atlas Copco – Metso Minerals – Caterpillar – Joy Global

SANDVIK MATERIALS TECHNOLOGY

SANDVIK CONSTRUCTION

SANDVIK VENTURE



A world-leading manufacturer of high value-added products made from advanced stainless steels and special alloys. Focus is on making customers' processes safer and more efficient while reducing the environmental impact.

Provides solutions for construction industries in niches such as quarrying, tunneling, demolition, dimensional stone, recycling and civil engineering.

Consists of four product areas:

- Hyperion: products in hard and super-hard materials
- Drilling and Completions (Varel): drill bits and drilling solutions for the oil & gas industry
- Process Systems: industrial processing equipment
- Wolfram: tungsten powders from recycled and virgin materials

>130

140

~100

Selected niches in demanding industries where material requirements, as well as product quality and reliability, are extremely high.

Fragmented customer base, with more than 25,000 individual customers. Local business. Significant aftermarket.

- Hyperion: diverse customer base, highly volume dependent
- Drilling & Completions: diverse customer base, productivity and reliability as key drivers
- Process Systems: fairly consolidated market for high-value project business
- Wolfram: consolidated supplier market with high tonnage volume

15

10

9

Energy demand, global industrial production, environmental legislation and demand for safer industrial processes, aerospace and automotive production.

Global infrastructure investments and increased focus on productivity.

- Hyperion: global industrial production
- Drilling & Completions: onshore oil and gas drilling activity
- Process Systems: drive for increased productivity as well as impact from gradually tightening environmental regulations
- Wolfram: global industrial production and metal consumption

Historical growth rates have been about 4-6%. The market has been negatively affected since the end of 2014 due to the drop in oil price.

Historical average growth rate of 4%, higher in drilling.

- Hyperion: largely in line with global GDP
- Drilling and Completions: historically some 7%, lower in 2015 due to oil price weakness
- Process Systems: over time approximately 2%-4%
- Wolfram: historical average of about 2-4% (market for hard metals production)

Sales split: 80% direct sales and 20% via distributors.

Sales split: 50% direct and 50% via distributors.

Primarily direct sales for all four product areas.

Increased focus on products for energy and energy efficiency solutions and continued material evolution through focused R&D efforts.

Sales efficiency and commercial excellence, increased aftermarket penetration and focus on growth regions.

Increased growth through new products, continued globalization and bolt-on acquisitions.

- Nippon Steel & Sumitomo Metal
- Vallourec
- Tubacex
- Hitachi
- Smaller niche players

- Atlas Copco
- Terex
- Metso
- Furukawa

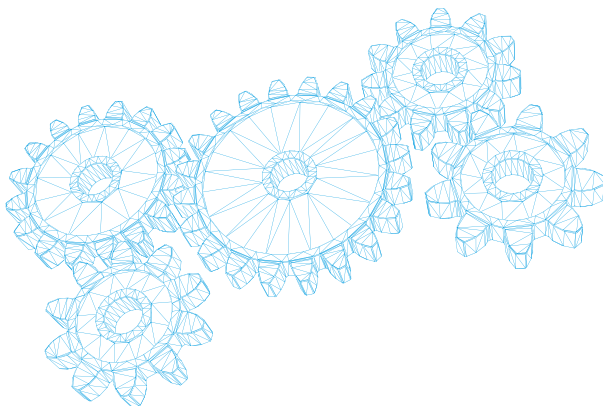
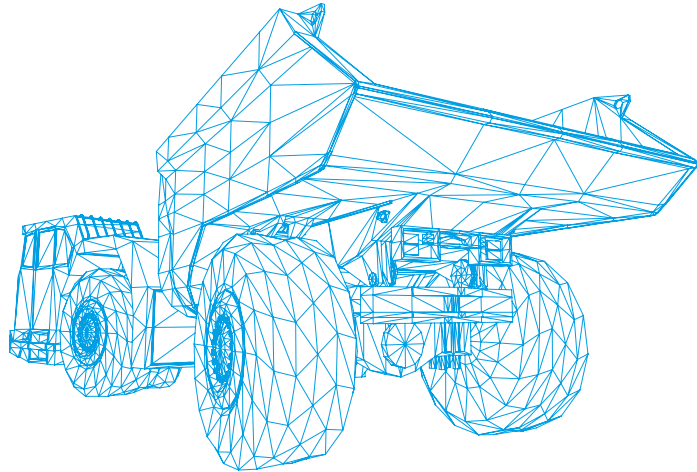
- Hyperion: Element Six, US Synthetic, Ceratizit, Kennametal, Iscar
- Drilling & Completions: Schlumberger Halliburton /BakerHughes, NOV
- Process Systems: Berndorf, Enersul, SBS
- Wolfram: HC Starck, GTP, GESAC

VALUE-CREATING INDUSTRY OFFERINGS

Our customers are found in a variety of industries. With our solutions, we enhance our customers' productivity, profitability and safety. The mining segment is the largest component of our business, closely followed by the engineering, energy and construction segments, and we hold strong positions in high-growth segments, such as automotive and aerospace.

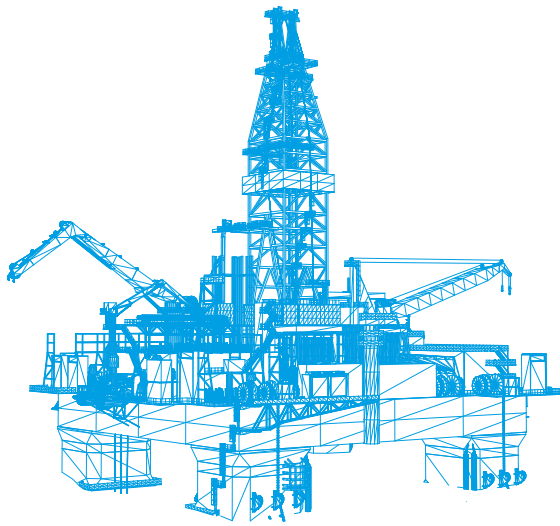
MINING

32%^{*}



ENGINEERING

23%^{*}

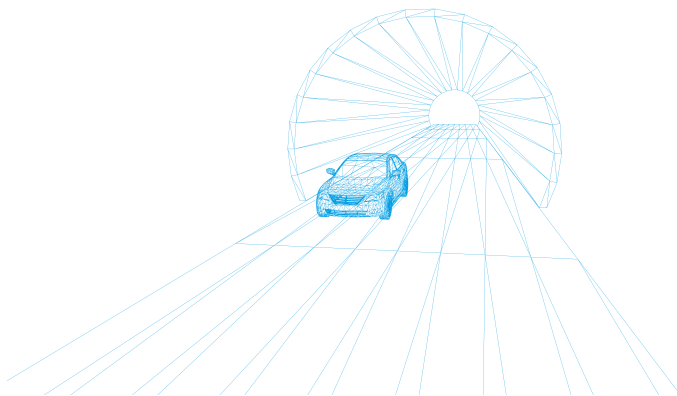
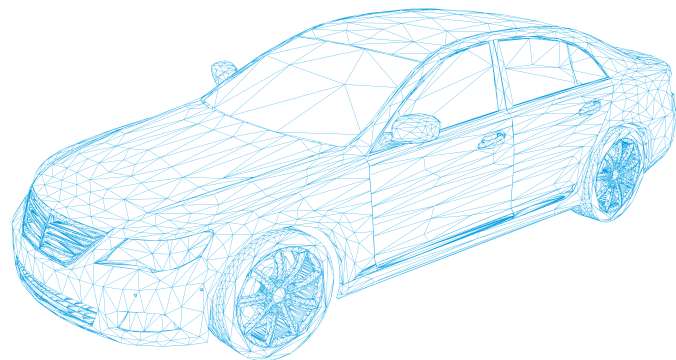


ENERGY

13%*

AUTOMOTIVE

11%*

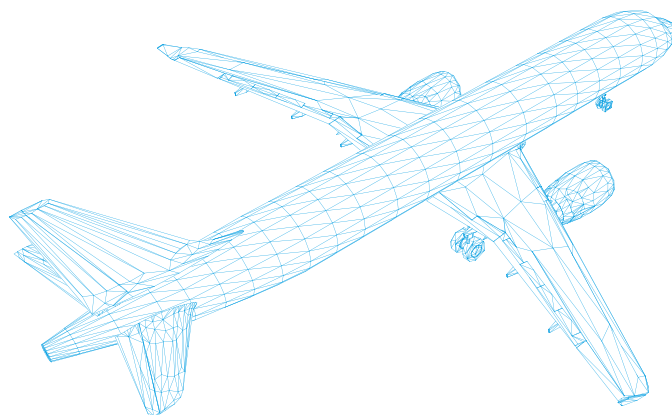


CONSTRUCTION

10%*

AEROSPACE

5%*



**Share of the Group's 2015 total invoiced sales; consumer goods, chemical and miscellaneous totals 6%.*

MINING

Sandvik delivers drill rigs, rock-drilling tools and systems, mobile and stationary crushers, load and haul machines, tunneling equipment, continuous mining and mechanical cutting equipment, and various solutions to increase automation.

DRILLING

Our blasthole drill rigs are renowned for quality, reliability and productivity.



LOADING AND HAULING

Our loading trucks are engineered for safety, productivity and reliability in the toughest of applications.



AUTOMATION AND MONITORING

Our Mine Automation Systems cover all aspects of automation, from single equipment to full fleet control.

ENGINEERING

Our tools and tooling systems for metal cutting and advanced materials and components are used in engineering industries worldwide, improving productivity and increasing profitability.



SHOULDER MILLING TOOLS

Shoulder milling generates two faces simultaneously, which requires peripheral milling in combination with face milling.

EXTERNAL TURNING TOOLS

Turning generates cylindrical and rounded forms with a single-point tool. The tool remains stationary while the work piece rotates.



HOLEMAKING TOOLS

We provide holemaking tools for every need; there are a multitude of characteristics to consider, such as positioning accuracy, hole geometry and surface finish.



ENERGY

We offer solutions for all forms of energy production. These include tools and systems to satisfy the industry's metal-cutting needs as well as finished products and materials.



OIL AND GAS EXPLORATION & PRODUCTION

Our super-duplex stainless steel tubes have become industry standard due to their corrosion resistance, reliability and ability to withstand extreme temperatures and pressures.

NUCLEAR POWER GENERATION

We provide safe, qualitative and trouble-free products in advanced stainless steels and special alloys. With >50 years in the industry, we have delivered steam generator tubes to more than 100 nuclear reactors worldwide.

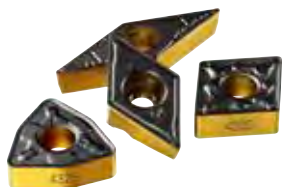


RENEWABLE ENERGY

We offer several products used in power generation and other types of renewable energy, such as products used in linear fresnels and solar towers.

AUTOMOTIVE

Our cemented-carbide tools and systems for turning, milling and drilling in metals raise productivity when manufacturing such components as engines and transmissions. Our materials are found in, for example, safety belts, airbags, brakes and various instruments.



METAL-CUTTING TOOLS

Tools for manufacturing transmission and engine components in, for example, steel, stainless steel, aluminum and cast iron.

COMPRESSOR VALVE STEEL

Compressor valve steel with extremely high fatigue strength used in car AC systems. Designed to meet the tough demands on highly energy-efficient compressors.



GASOLINE DIRECT INJECTION TUBES

PRESSURFECT™ – seamless stainless steel tubing developed for high-pressure gasoline direct injection (GDI) engines. Significantly reduces fuel consumption. Strong, lightweight and corrosion resistant.

CONSTRUCTION

Providing solutions for the breaking, drilling and crushing niches of the construction industry.



CRUSHING AND SCREENING

Stationary and mobile crushers, together with a wide range of screens and feeders, service applications such as quarrying, mining and aggregate production.

DRILLING AND TUNNELING

Our offering powers with precision in equipment such as surface drill rigs, roadheaders, tunneling jumbos and load and haul equipment.



BREAKING

Our hydraulic breakers, booms, tools and accessories enable trouble-free performance in applications such as quarrying, demolition, tunneling and road construction.

AEROSPACE

As aerospace companies apply new materials to manufacture airplanes that are lighter, safer and more fuel efficient, advanced tooling solutions are critical to their success.

MILLING TOOLS

Material and application knowledge and performance tooling solutions are the basic set of requirements needed to succeed when machining components for landing gear and turbine blades.



STAINLESS STEEL AND TITANIUM TUBES

Our seamless tubular products are used in applications such as fuel lines, hydraulic lines, instrumentation systems, pressure gauging and structural tubing for aircraft seats.



DRILLING TOOLS

There are approximately one million holes in an airplane, which requires several drilling operations. Our range of drills has been designed with optimum hole quality in mind.

OUR WAY FORWARD

To strengthen our leading position and increase our growth and return rates, we are developing an increasingly customer-oriented, fast-moving, sustainable and global organization

VISION - WHAT WE STRIVE FOR

WE SET THE INDUSTRY STANDARD

STRATEGIC DIRECTION - WHAT WE NEED TO BE

GROWTH-ORIENTED

FLEXIBLE AND AGILE

TRULY GLOBAL

TECHNOLOGY LEADER

EXCEPTIONAL PEOPLE

BUSINESS AREA STRATEGIES - HOW WE DO IT

SANDVIK MACHINING SOLUTIONS

SANDVIK MINING

SANDVIK MATERIALS TECHNOLOGY

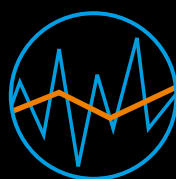
SANDVIK CONSTRUCTION

SANDVIK VENTURE

GROUP FINANCIAL OBJECTIVES



PROFITABLE GROWTH



YIELD INCREASING RETURNS



REDUCE EARNINGS VOLATILITY

GROUP FINANCIAL TARGETS

GROWTH

8%

Over a cycle incl. acquisitions
Outcome 2015: 2%

RETURN ON CAPITAL EMPLOYED

25%

Over a cycle
Outcome 2015: 7.9%

NET DEBT/ EQUITY RATIO

<0.8

Excluding major acquisitions
Outcome 2015: 0.74

DIVIDEND PAYOUT RATIO*

50%

Of earnings per share
Yearly outcome 2015:
140% of reported and
57% of adjusted

* Proposed dividend.

WORLD-LEADING POSITIONS

Our operations are based on extensive expertise in materials technology and applications, close collaboration with our customers and a unique ability to industrialize high-tech products, machinery and tools.

We are world-leading in the following areas:

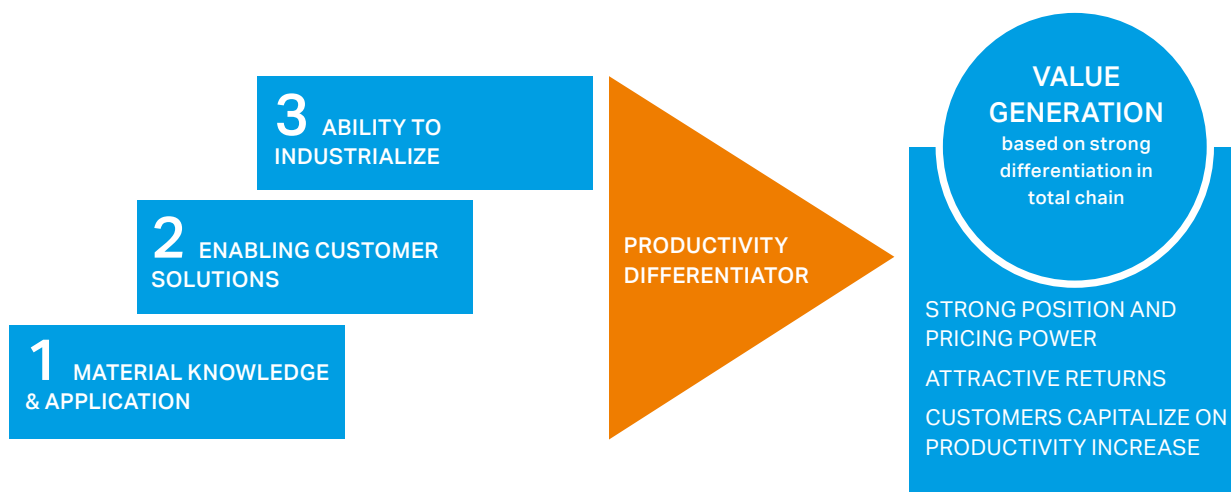
- Tools and tooling systems for metal cutting and components in cemented carbide and other hard materials.
- Equipment and tools as well as various types of process systems for the mining and construction industries.

- Products in advanced stainless steels, special alloys, titanium, and metallic and ceramic resistance materials.

We aim to be growth-oriented and global in both mindset and footprint, flexible and able to respond to changes in the marketplace. We strive to provide leading solutions for our customers, capitalizing on new trends, and it is imperative that we employ exceptional people and create a culture that utilizes their full potential.

SANDVIK CORE CAPABILITIES DRIVE VALUE

THE CHAIN IS COMMON, APPLICATION IS DIFFERENT



Our products, services and solutions increase our customers' productivity by lowering their costs, and enhancing the efficiency and reliability of their production operations.

GLOBAL DRIVERS

Global business drivers in our external environment that influence the conditions for our operations comprise a key basis for our focus.

- **Demographic changes:** rapid population growth, increased life expectancies and higher living standards are contributing to the shift in commercial attractiveness.
- **Urbanization:** soaring relocation to urban areas from the countryside is contributing to increased demand on adapted urban solutions and infrastructure.
- **Globalization:** technical developments, such as transportation and information technology, have led to a more rapid

exchange of perspectives and reduced barriers to flows of goods, services, capital and people.

- **Climate change and a lack of resources:** reduced access to energy and clean water in some countries, together with climate change, are contributing to increased demand for new technologies that counter the trend and reduce negative effects.
- **Development of information and communication technology:** new technology has paved the way for new business models, where service and systemized thinking are increasingly important.

FOCUS AREAS

We have a clear direction for Sandvik as a Group and strategic priorities for each respective business area to ensure that we retain and strengthen our leading positions. The objectives are profitable growth, increasing returns and reduced earnings volatility.

CUSTOMER ORIENTATION

We strive to work ever-closer to our customers in deep partnerships and over the full product lifecycle, not least within service and support.

INNOVATION

We maintain intense focus on innovation and endeavor to further increase the launch rate of new products. For example, in 2015, Sandvik Machining Solutions launched more than 15,000 new products. The aim is to strengthen the position in core segments and also to advance the positions in the mid-market segment and in emerging markets. Research and development comprise the foundation of our operations.

ACTIVE PORTFOLIO MANAGEMENT

We continuously evaluate our portfolio and divest non-core operations and less profitable parts to increase profitability and free capital for new growth-promoting investments.

EMERGING MARKETS

Globalization and urbanization create new markets for our products. We are reorganizing operations to increase exposure in fast-growing industrial segments and in emerging markets such as India and China. We work to identify sustainable solutions for growing cities and more digital, global solutions.

AFTERMARKET

Our relationship with customers does not end when we deliver a product or solution, rather this marks the beginning of a long partnership. Our service offering has been substantially strengthened over the past few years and has contributed to reducing volatility in our earnings.

LEAN

We work with optimizing our supply chain by reducing the total number of production units and moving parts of production to Asia, which we expect to comprise the largest market in the future. We are also working to improve our internal efficiency at all units, in our business areas and at Group level through Lean processes. We are adapting our production to become more user-friendly and enhance efficiency, thereby increasing competitiveness.

SUSTAINABLE BUSINESS

Sustainability is integrated in our core operations and it is our ambition to remain at the forefront in this area. Working together with our customers is key to achieving this. By launching leading energy-efficient solutions, we enable our customers to reduce their environmental impact. Furthermore, our solutions aim to increase health and safety for both our customers and their employees.

PROGRESS 2015

- Record-high number of new products launched, >15,000
- Divestment of Sandvik Mining Systems initiated
- Acquisition of SGL Technology, which designs, manufactures and installs machinery and equipment for the food sector
- Continued advances in streamlining the supply chain, eight (8) facilities closed
- About 850 patents granted
- Inclusion in the Dow Jones Sustainability Index
- Global roll-out of a revised Code of Conduct and accompanying reporting tool

STRATEGIC PRIORITIES IN OUR BUSINESS AREAS

Our strategic agenda is implemented in our five business areas. Group-wide IT, finance, HR and talent development service functions support business area operations. Each business area is autonomous and acts within its specific industry segment. Their strategic priorities strengthen the Group's overall objectives and business goals.

SANDVIK MACHINING SOLUTIONS

- Leverage from multi-brand model, with back-end synergies
- Increase pace of core product launches and digital offering
- Invest in growth areas and mid-market
- Conduct bolt-on acquisitions
- Continue with supply chain optimization and drive productivity in administration, sales and R&D

SANDVIK MINING

- Cost efficiency in sourcing, administration and sales
- Sales excellence
- Grow share of aftermarket sales
- New offering including mid-market

SANDVIK MATERIALS TECHNOLOGY

- Accelerate growth of strategic products, mainly in energy and energy efficiency
- Continue materials evolution
- Safeguard position in core and standard products through a lean business model
- Secure utilization and cost leadership in the primary system
- Continue to exit non-core businesses

SANDVIK CONSTRUCTION

- Supply chain and footprint optimization
- Aftermarket development
- Focus on growth areas
- Grow mid-market exposure
- Structured transformation program

SANDVIK VENTURE

- Increased growth
- New product launches
- Continued globalization
- Complementary acquisitions



SUSTAINABILITY – A BASE FOR PROFITABLE GROWTH

Sustainability is integrated into our business and our ambition is to remain at the forefront in this area. We work in close collaboration with our customers to continuously develop our business in a sustainable way. By gaining a detailed understanding of what our customers need, we are able to provide products, services and solutions that strengthen their productivity, reduce environmental impact and improve safety for their employees, thereby increasing their competitiveness.

In 2015, we updated our strategy for sustainable business. We aim to focus more intently on our customers and offerings, thereby enhancing the identification of improvement areas in our internal operations. By breaking down the strategy to apply to each of the eight dimensions of "Our offerings" and "Our operations", we maximize our possibilities to measure, control and follow up our sustainability impact. We have defined goals and have strengthened our follow-up processes.

We conduct a materiality analysis on a regular basis. This analysis provides us with a clear direction and indicates the most significant matters for us at that particular point in time. It is conducted by members of the Group Executive Management, with important input from our stakeholders and from international frameworks and institutions, such as the Global Reporting Initiative (GRI), the Dow Jones Sustainability Index and the UN Global Compact. The materiality analysis is continuously updated.

Read more about our prioritized sustainability aspects on page 67 or in our Sustainable Business Report at sandvik.com.

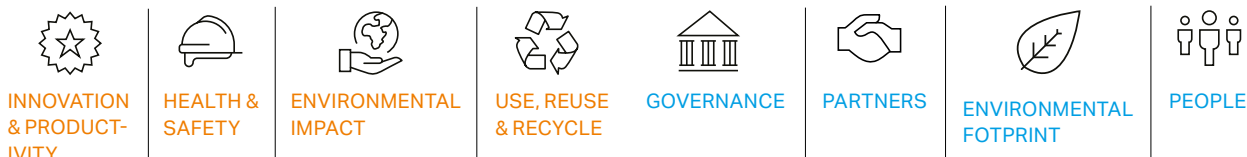
PRIORITIZED SUSTAINABILITY ASPECTS

- Compliance
- Sustainable supplier management
- Use, reuse and recycling of materials and natural resources
- Energy, emissions and climate change
- Health and safety
- Diversity and inclusion, including non-discrimination
- Talent attraction, development and retention

TWO IMPACT AREAS – EIGHT DIMENSIONS

OUR OFFERINGS
The impact occurs outside of our operations

OUR OPERATIONS
The impact of our operations - everything we do to produce products and services



This year, we were included in the Dow Jones Sustainability Index, one of the world's most reputable, independent sustainability indices. We continue to be included in the FTSE-4Good Index, Ethibel Excellence Investment Register and RobecoSAM's Sustainability Yearbook.

BUILDING A HIGH-PERFORMING ORGANIZATION

Enabling a high-performing organization with empowered people is crucial for us. We strive to foster a culture of customer focus and innovation by securing a professional way of working and continuous development of our employees and their performance. Looking ahead, the ability to leverage our diverse talents and the skills of our employees in an open internal job market will be critical in driving growth and profitability.

SECURING HIGH PERFORMANCE

A strong performance culture is vital to leverage the full potential of our employees and achieve profitable growth. Initiatives to strengthen the performance culture include focus on performance management throughout the Group. All managers in the organization are offered performance-management training in close alignment with our target-setting process. The aim is to strengthen the quality of target setting, dialogs and follow-through on execution.

ATTRACTING PEOPLE – BUILDING FOR THE FUTURE

We work actively to attract, develop and retain exceptional people. All activities are aligned with business needs.

We offer talent development programs and activities on a global level and in selected countries, such as China, India and the US.

FOUR FOCUS AREAS

- Drive performance
- Develop leaders
- Grow talent
- Lead change

LEADERSHIP PROGRAMS

We offer Group leadership programs for managers at different levels, based on the business strategy and our leadership model. Participants create a diverse group and represent all business areas and Group functions as well as geographies. Within the Group, we also drive a Next Generation Leadership Program with focus on developing the next generation of leaders.

CORE VALUES

Our core values are built on our rich heritage and support our ambitions for the future.

CUSTOMER FOCUS

We constantly strive to exceed our customers' expectations and enable them to excel in their business.

FAIR PLAY

We conduct business in a sustainable and responsible manner.

INNOVATION

We shape the future by creating pioneering solutions throughout our operations.

PASSION TO WIN

We are passionate about making our company number one.

OUR EMPLOYEES

GLOBAL TRAINEE PROGRAM

To attract talented people and secure our global talent pool, we have a Global Trainee Program. Our Trainee Program is one key activity in the area of Employer Branding. Currently, we have two parallel programs running. The first program started in September 2014 with participants from China, India and Sweden. The second started in September 2015, with participants from China, India, Sweden, South Africa and the US.

APPRENTICE PROGRAMS

We have a number of local apprentice programs for operators and production employees running globally. Through an internal analysis, we identified a need for mechanical, diesel and electrical artisan skills, and this has led to a number of dedicated apprentice programs. Since the programs started, we have trained more than 760 apprentices.

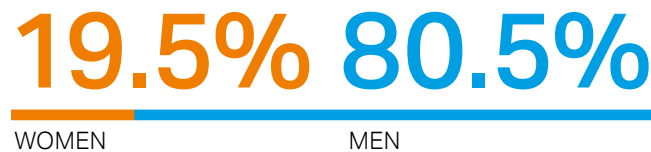
EXPERT TRAINING

We have clear specialist and expert career paths for our R&D professionals, and a strong focus on training and development programs. In addition, a separate career path for project managers was recently introduced.

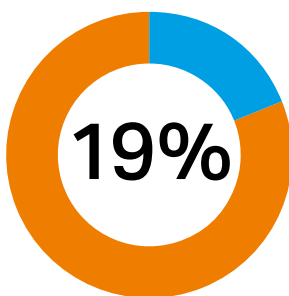
DIVERSITY AND INCLUSION

Diversity and inclusion are crucial when working toward becoming a truly global company. We view diversity as a competitive advantage and inclusion as the means to utilize it and we work continuously to improve in these areas. Our main challenge going forward is to attract and retain a diverse range of employees.

TOTAL WORKFORCE 2015



NON-EUROPEANS IN BUSINESS AREA MANAGEMENT TEAMS



DIVERSE GROUP EXECUTIVE MANAGEMENT

3 NATIONALITIES

33.3% WOMEN

39-65 AGE SPREAD

SHARE OF WOMEN IN MANAGERIAL POSITIONS

16.5%

Share of Women in Managerial Positions
16.5%



Dynamic meeting in the recently refurbished Sandvik US headquarters in Fair Lawn, September 2015.

CREATING A SUCCESSFUL CULTURE

Michael Eneberg is Sales Manager for Sandvik Coromant, Sandvik Machining Solutions, in Indonesia.

Learn more about his views on leadership, performance and career opportunities:

"I base my thinking on a team effort. My salespeople are the front line of the fully integrated value chain that comprises our operations. We are strongest when we communicate the entire chain to our customers and, accordingly, I invest substantial time in ensuring that everyone understands how everything is interlinked. Asia is a region where the markets and customer needs are developing rapidly, and to create results, everyone has to be able to take their own initiative and meet these needs. We have to be better at everything, the products themselves, technical advice, our ability to keep promises and the service we provide.

The creation of a performance-based culture is important and a factor in profitable growth, but perceptions vary between regions as to what actually comprises performance. In Indonesia, as in Japan where I worked previously, the collective result is what is most important. What is good for the group is good for me. Creating a successful and profitable culture means identifying the right balance between the responsibility of the individual and that of the group.

I joined Sandvik because of the many opportunities provided by working for a large international company. My experiences since then have far exceeded my expectations. The possibilities are endless, but you must keep performing, at all times. Competition is intense, some of the best people in every field work here. At the same time, this drives us to show what we can do, and to constantly accept new challenges, just as I have now done with Indonesia."



Michael Eneberg, Sales Manager, bases his thinking on team efforts.

SAFETY FIRST

To ensure a safe and healthy workplace for those who work in our company, safety is always our first priority. This is especially relevant because we are active in heavy industry, where the work environment and manufacturing processes in our operations hold several potential risk elements.

We strive to constantly improve the safety culture and focus intently on holding all managers accountable for EHS (Environment, Health, Safety) matters within their sphere of influence. To support this, we have introduced a structured approach throughout and have achieved a high level of control in our management systems.

We have seen that our focused work has yielded good results and we have significantly improved our safety performance. For example, we have succeeded in reducing our frequency of lost time accidents from 17.2 to 2.1 with year-on-year improvements all years except one since 2006.

LEADING SOLUTIONS FOR INCREASED CUSTOMER VALUE

Research and development (R&D) comprise the bedrock of our operations and are key success factors to create long-term, sustainable growth. Our guiding star is to collaborate closely with customers on the development of products, solutions and services. The aim is to support them and their goals to increase productivity, strengthen competitiveness, reduce environmental impact and improve health and safety.

We systematically seek out new technologies that can strengthen our position and expand our core operations, and carry out trend analysis to identify strategic development areas and ensure that we continue to focus on the right areas. Our ambition is to continuously increase the pace of new product launches. More than 2,700 engineers at research centers around the world work to realize this goal.

Their scope spans from nanotechnology to mining equipment.

Research is focused on a number of priority areas, such as developing new materials, efficient industrial processes including automation and information and communication technology (ICT), energy efficiency and additive manufacturing (3D printing).

R&D CREATES NEW OPPORTUNITIES

NUMBER OF R&D EMPLOYEES:

2,700

R&D EXPENDITURE:

3,532 MSEK

ACTIVE PATENTS AND OTHER
INTELLECTUAL PROPERTY RIGHTS:

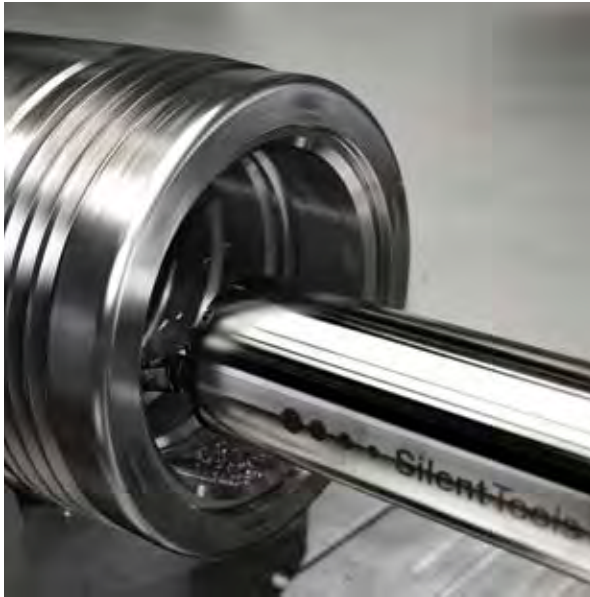
8,000

PATENTS GRANTED IN 2015:

850

NUMBER OF R&D CENTERS
AROUND THE WORLD:

60



Silent Tools® – eliminating vibrations



Anders Digernes – Product Developer of the Year

AWARD-WINNING SILENT TOOLS® ELIMINATES VIBRATIONS

When machining components with long overhangs – such as landing gears and jet engines for aircrafts, valves for oil rigs and seamless tubes for electric power stations – vibration is a very common issue. It affects quality and productivity, due to the problems caused for surface finishing and in relation to a smooth machining process.

Anders Digernes, from Sandvik Coromant in Norway, led the development of a new generation of the technology behind our vibration-dampened tools – Silent Tools®. Anders was named Product Developer of the Year for his efforts and received the 2015 Wilhelm Haglund medal.

The tools are designed with a dampener inside the tool body, which minimizes or even completely eliminates vibration. This enables a safe machining process even for extremely long overhangs. For shorter overhangs, they work perfectly as productivity boosters, as the cutting data can be increased without experiencing vibration.

The new Silent Tools® series secures Sandvik Coromant's market-leading position in vibration-reducing tools, and enables partnerships with high-end customers.

The Wilhelm Haglund Medal for the Product Developer of the Year is our foremost award for industrial innovations of great commercial value to Sandvik. It is named after the legendary Managing Director Wilhelm Haglund, who laid the foundations for the Group's successes in the cemented-carbide area.

R&D FOCUS IN THE BUSINESS AREAS

SANDVIK MACHINING SOLUTIONS

- Renewal of the product offering
- Leading competence in metal-cutting materials technology
- Drive R&D efficiency
- Active intellectual property portfolio management

SANDVIK MINING

- Advanced energy storage and electric drive technologies
- Hard-rock mechanical cutting and predictive performance testing
- Underground hard-rock drilling with built-in intelligent feedback
- Hoseless technologies to eliminate hydraulic hosing

SANDVIK MATERIALS TECHNOLOGY

- Material evolution toward even more advanced materials
- The energy segment and energy-efficiency solutions

- Powder technology for near-net-shape products
- Service offering in materials technology
- Digital solutions and connected products and services

SANDVIK CONSTRUCTION

- Products with leading performance levels and improved safety
- Innovative service solutions for existing customers

SANDVIK VENTURE

R&D is kept within the four product areas.

- Application development and engineering for Sandvik Process Systems
- Customized tungsten carbide powders and recycling processes for Sandvik Wolfram
- Advanced hard and super-hard materials for applications requiring wear resistance for Sandvik Hyperion
- Efficient drill bits for oil and gas as well as mining applications for Sandvik Drilling and Completions

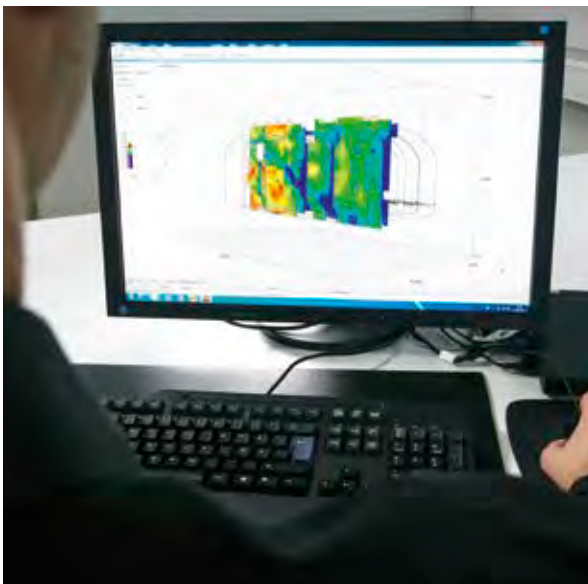
AN EFFICIENT R&D ORGANIZATION

Our business areas are responsible for and drive R&D efforts in line with their respective strategies and core operations. Their main focus is to develop core products, production methods, technology platforms and solutions adapted to meet their customers' needs. To remain relevant and competitive, the business areas work together with customers to develop new solutions.

Initiatives are being carried out to strengthen and complement the business areas' R&D investments by coordinating activities that involve several business areas. Joint projects comprise one aspect that advances positions for Sandvik, expands core operations and contributes to the Group's growth and profitability.

RESEARCH DRIVERS

To maintain our position in a competitive and challenging market, we monitor and analyze global trends that impact conditions for our operations. Demographic changes, urbanization, globalization, climate changes and a lack of resources, together with the development of information and communication technology, comprise a key foundation for the priority areas targeted by our research.



geoSURE – provides immediate information about the drilled rock mass.

geoSURE TURNS DRILL RIGS INTO ANALYZERS

Sandvik Construction now defines the way rock-mass analysis will be conducted in the future. geoSURE is the first fully rig-integrated, real-time, data analysis and visualization system that provides customers with immediate information about the drilled rock mass. This unique innovation for underground construction drill rigs improves customer productivity while advancing and speeding up geological analysis. This is crucial, since increasing reporting demands and quality requirements pose a productivity challenge for our customers.

"The system enables faster planning, mobilization and scheduling of resources"

CONTRACTOR IN THE DRILLING INDUSTRY

In the end, the new methods of operation improve the quality, efficiency and safety of underground construction operations. To create a user-friendly solution fit for our customers' needs, Sandvik Construction included tunneling contractors and geologists as well as software architecture experts and research institutes in the development process of geoSURE.

In addition to contractors, the system is used in rock engineering and by consultants, which creates new customer groups for Sandvik.

COMPUTER SIMULATION SPEEDS UP DEVELOPMENT WORK

Our R&D Center in Pune, India, specializes in modeling and simulation as a key technology, and carries out computational research and experiments for our business areas. The center has a team of scientists with world-leading knowledge in the field. Dr Supriya Sarkar is a key team member:

"Computer-based modeling has become a crucial tool in our R&D. Not only does it speed up development by performing trials using software, it also allows us to gain an understanding of processes and phenomena that are otherwise very difficult to observe."

Modeling reduces the development time for alloys and metallurgical products, such as tubes, strips and wires, by a process of simulation and optimization using high-tech computational systems. It reduces the need for experimentation and enables faster introductions of new products. This benefits customers and, at the same time, we secure our technological leadership.

"One of my projects has been to build an understanding of powder automatization by developing a computer-based model of the process. We have also developed models of the heat flow within Sandvik Materials Technology's Kanthal furnaces. This has enabled us to increase our service by predicting how the furnace should be configured to meet the exact needs of the customer."

"Computer-based modeling reduces the development time for alloys and metallurgical products, such as tubes, strips and wires."

DR SUPRIYA SARKAR



Dr Supriya Sarkar - R&D Manager at the R&D Center in Pune, India.

SYNCHRONIZED COOPERATION FOR EFFICIENT PRODUCTION

Rapidly growing companies often have a great need for close collaboration with their suppliers.

LEAX Group in Köping, Sweden, a manufacturer of components for industries including the heavy vehicle industry, has had a close and productive partnership with the Sandvik-owned Seco Tools for over 20 years, a period during



which LEAX has increased its sales by an average of 30% each year. When it was time to address the troublesome production line for synchronizing rings, which comprise key transmission components, this coincided with the launch of Seco Tools' new generation of indexable inserts featuring Duratomic technology.

"We suffered numerous production outages and it was difficult to assess whether the inserts were worn and needed changing. It was obvious that we were in need of a change when, out of the blue, I received information from Seco Tools about its new Duratomic inserts in my e-mail. There was no hesitation. I rang immediately," says Mikael Axelsson, Production Engineer at LEAX Mekaniska in Köping.

EXPECTATIONS WERE MET

A team from Seco Tools arrived quickly at the Köping plant and over a two-week period tested and adjusted indexable inserts to obtain the optimal solution for the complex production process. The TP1501 insert is one of three new types

of inserts that utilize Duratomic technology for steel turning applications.

"We were extremely pleased with how they worked. In parallel with our decision to buy the inserts for the entire production line, we visited two different trade fairs where we were able to spend more time in discussion with Seco personnel and understand more about the Duratomic technology. This just deepened our conviction."

Six months later, Mikael and his colleagues were able to note that the inserts continue to deliver. They have resulted in stable and also expanded production without interruption.

"We have increased productivity and reduced our costs. In addition, since the inserts have the new Chrome Used-Edge-Detection, the operators can easily identify which cutting edges are used. This guarantees stable turning operations and ensures we do not discard cutting edges that are still serviceable."

MORE APPLICATIONS ARE BEING INVESTIGATED

The manufacture of synchronization rings comprises one of eight production lines at the Köping plant. LEAX Group also has production units at four other locations in Sweden as well as units in Latvia, Hungary, Germany, China and Brazil. Given the intensive growth phase the company is experiencing, the natural course is to review possibilities for updating other parts of production with inserts based on the new Duratomic technology.

"The new TP grades are outstanding inserts for turning steel and other hard materials. We have finished our analysis and there is a high likelihood that we will proceed with the TP1501 and other Duratomic technology-based inserts. Furthermore, Seco is one of our prioritized suppliers that not only has excel-

lent products, it also provides high-quality service. We believe it is important to continue to solve bottlenecks and other production problems together with Seco to ensure the continued successful development of the LEAX Group," concludes Mikael.

"We believe it is important to continue together with Seco to ensure the continued successful development of the LEAX Group"



Mikael Axelsson, Production Engineer, LEAX Group.

30%

LEAX's yearly average sales have increased over the past 20 years.

CRUSHING PERFORMANCE

UAE Company National Quarries LLC had a problem. While the work of its existing crushing plant was satisfactory, scope existed to improve performance. Together with Sandvik Construction, it identified a solution using a CH660 cone crusher. The result was higher plant capacity, lower fuel consumption and an increased service life for wear parts.

National Quarries is a leading aggregate supplier in the UAE (United Arab Emirates). It uses a three-stage crushing process to produce the large amount of accurately sized aggregates demanded. This consists of jaw crusher as a primary, a cone working as the secondary and two impact crushers operating in a tertiary

"It was clear that the Sandvik team had very good technical knowledge and took the task very seriously," says Mr. Muslem, General Manager of National Quarries LLC.

SIMULATION TOOL FOR OPTIMAL SOLUTION

To achieve the best solution possible, Sandvik used its PlantDesigner® simulation tool to check different scenarios and different machines. Changing the secondary crusher to a Sandvik CH660 would not only increase throughput in the secondary stage, but also increase net production in the impactors due to the decreased percentage going in closed circuit. Based on this analysis, National Quarries decided to replace its

ity has increased 25% and we are now able to reduce the output to 0–63 mm. This has led to a higher reduction rate, resulting in an increase of 65% in the service life for wear parts in the impactors. We are also using 20% less fuel in our generators due to lower power consumption. I could never have dreamed that such major improvements could have been achieved by changing only one machine," concludes Mr. Muslem.

CH660 LEADS TO GREATER INVESTMENT

In 2015, it was time for National Quarries to invest in a new crushing plant. During the evaluation process, the Sandvik and National Quarries teams again worked closely together, which resulted in an

25%

Higher plant capacity

20%

Lower fuel consumption

65%

Increase in the service life of wear parts



capacity. The plant has been producing well, but the secondary cone comprised a bit of a bottleneck. In 2012, Sandvik Construction was invited to take a look at the existing operation.

existing cone crusher with the CH660.

"The results have been amazing and our investment paid off much faster than we thought possible. Plant capac-

order for three additional high-performance crushers, one primary feeder and three product screens.

NEW CLASS FOR DRILLING

The DC170 has a new design and features, and is fitted with the latest technology. It is stronger due to the volume of carbide material used, and disruptive vibrations during drilling are reduced to a minimum by the special orientation of the lands.

Its cooling effect counteracts the high temperature generated during drilling.

Cooling grooves have the additional function of providing a regrind scale, which makes it easy to calculate the remaining reconditioning potential.

In short: the DC170 brings four key benefits to the customer: increased tool life, higher drilling quality, reduced production costs and a reliable process.



GAME-CHANGING TECHNOLOGY

For the foreseeable future, we will still need coal-fired thermal power plants. But thanks to more advanced technology and a new unique material, it is now possible to produce cleaner coal power, reducing CO₂-emissions by up to 30%.

We have a long history of working closely with customers to make innovative technology shifts possible and to tackle the metallurgical and material challenges of the future.

The latest innovation in this field is Sanicro™25.

Timo Peltola, Global Product Manager at Sandvik Materials Technology, what is so unique with Sanicro™25?

In short, it can handle the changing and extreme demands being placed on coal-fired power plants. One big challenge has been finding

What benefits will this bring to the industry?

Sandvik has delivered innovative products and materials to energy producing industries for over 50 years, tailoring each product to customers' needs and requirements. With Sanicro™25, we will help power plant owners to future-proof their energy production and build more energy-efficient plants by increasing steam temperatures from today's 620°C to 650°C. The strength of the material also makes it possible to increase the pressure in the boilers, which further improves the efficiency of coal combustion. This not only saves money over

ready to launch, with the market in China as our top priority. The country is the world's largest consumer of coal, and has an urgent need to cut emissions from their large number of thermal plants to be able to improve air quality in many cities. Since coal will continue to be the main energy source in China for many decades, demand for green technologies is vast. Sanicro™25 has just been certified by the Chinese Pressure Vessel Committee, which means that it is fully compliant for the design, fabrication and assembly of the most demanding boilers. So, bring on the heat, we have the game-changing technology that our planet deserves.



advanced stainless steel materials that enable the superheaters and reheaters in ultra-supercritical steam boilers to combat steam oxidation and corrosion at higher temperatures. Sanicro™25 solves all of this. It has the highest creep strength of any commercial heat-resistant austenitic stainless steel and can safely and reliably achieve higher efficiency in boilers.

the life-cycle of the power plant, it is now possible to reduce CO₂-emissions by up to 30% due to less coal consumption.

What will be your next steps?

After having put much time and effort into product development, we are now

KEY BENEFITS OF SANICRO™25

- Very high creep strength
- High oxidation resistance
- High structural stability
- Good fabricability
- Excellent welding properties





Karari is a new underground mine in the north-eastern goldfields of Western Australia being developed into a cornerstone of Saracen's Carosue Dam Operations. Since the exploration decline, RUC Mining, the contractor, has developed 3,500 meters in 11 months – 45 days ahead of schedule – and produced its first ore for Saracen several weeks early in August 2015. RUC Mining's strategy is to bring a product to the client, done on-time, and as safe as possible.

EXCEEDING EXPECTATIONS

"THE RIGHT GEAR"

When RUC Mining (RUC) initiated its search for a single supplier of equipment, tools and service for the Karari project, Barry Upton, a 33-year underground contract mining veteran, prioritized criteria in the process.

The contractor sought a versatile jumbo drill and a powerful loader to complement one another for its required development and cycle times, ultimately selecting a Sandvik DD421 twin-boom jumbo and a Sandvik LH517 loader for the project.

"We made a conscious decision to go with a single supplier of the drill rig, the loader, the drill consumables, steels, couplings, and additional. The relationship is long-term and includes after-service. If you're a contractor, you need to have a reputable company to supply you with tools and parts, very quickly, or it can turn quite disastrous," says Upton.

"Most people would probably say capital cost is most important in equipment selection, but I think that's sec-

ondary," he says. "You can have the best unit in the world but if there's no service support and no reliable parts supply, it's going to result in downtime."

RUC relies on Sandvik for more than just equipment, tools, parts and technical support. Sandvik even resharpenes dull drill bits at its workshop in Kalgoorlie.

"RUC and Sandvik are partners in many senses of the word – working together to improve performance," Upton adds.

A JUMBO OF ALL TRADES

"The loader suits us perfectly," Upton says. "We needed flexibility to operate in a number of different size headings without compromising productivity in the larger headings."

"Sandvik DD421 improves safety for us and is also very fitter-friendly. Everything is serviced from the ground and nobody has to climb on the rig. The jumbo has delivered 30 to 40 metres a month more than the contractor expected."

"We've been very pleased with the performance," Upton says. It's actually close to 20% above our expectations when we bid the job, so it's set a new benchmark for our company. We're proud of our performance at Karari, both in terms of quantity and quality of the work."

"Working together to improve performance"

BARRY UPTON
CONTRACT MINING VETERAN

SANDVIK MACHINING SOLUTIONS



Value of accessible market, SEK billion	160
Market characteristics	The premium market is highly consolidated with product solutions and service levels acting as differentiators. The mid-market has a low level of consolidation, has a lower service level and is relatively more price-sensitive.
Share of Sandvik invoicing, %	36
Drivers	Global industrial production and primary metals consumption, e.g. automotive, aerospace, general engineering, new technology and new materials, e.g. titanium and composites, and increasing focus on productivity in emerging markets.
Market growth	Growth in the cutting tool market has historically averaged 2%–4%.
Way to market	Premium: highly advanced products, high service levels with on-site support and 24-hour delivery. Comprises direct and in-direct sales. Mid-market: sales via distributors, a limited service offering.
Growth strategy	Increased pace of core product launches. Focus areas: automotive, aerospace, advanced materials and emerging markets, digital offering and service and mid-market. Bolt-on acquisitions.
Major competitors	<ul style="list-style-type: none"> – Kennametal with brands Kennametal and Widia – IMC Group with the Iscar and Taegutec brands – Mitsubishi – Smaller niche players

2015 IN FIGURES

Sales: 32,652 million SEK (30,856) with –3% organic growth
 Operating profit: 5,269 million SEK (6,159)
 Operating margin: 16.1% (20.0%)
 Adjusted operating profit: 6,579 million SEK (6,159)
 Adjusted operating margin: 20.1% (20.0%)

Sandvik Machining Solutions is the leading supplier in the global cutting tool industry.

MARKET DEVELOPMENT

Customer activity declined during 2015 as the general macro environment weakened. As the year progressed, total organic growth rates deteriorated, however regional trends differed significantly. Demand in North America and Asia declined from high levels at the end of last year, most notably in the US and China. In contrast, Europe showed a stable development. Low oil prices had a negative impact on demand from the energy segment as well as an indirect negative impact on demand in general engineering. The automotive segment remained largely stable, barring a slight softening in China. Favorable demand persisted within the Aerospace industry.

MARKET PRESENCE

This year was a record year with 15,000 new products, including the new insert family Duratomic from Seco Tools, the launch of which was aimed at core segments, such as automotive and general engineering. The global market-leading position is based on the productivity solutions offering, which stems from our unique material and application knowledge and long customer relationships. The premium segment is the historical core market for Sandvik Machining Solutions and represents the vast majority of the customer base, where we are represented by the three premium brands Sandvik Coromant, Walter and Seco. From 2015, the Dormer Pramet brand represents the mid-market offering.

"SOLID PERFORMANCE IN A CHALLENGING MARKET ENVIRONMENT AND STRONG YEAR FOR PRODUCT LAUNCHES".

Jonas Gustavsson
President of Sandvik Machining Solutions



OPERATIONAL EXCELLENCE

Further progress with the Supply Chain Optimization Program was accomplished through rationalization of the production structure by consolidating plants and, thereby moving production volumes into fewer but larger units. In addition, operational efficiency measures

were initiated within sales, administration and R&D. Sandvik Machining Solutions has a high degree of vertical integration, which makes it volume-dependent and hence emphasizing the importance of streamlining the cost base to maintain continued high returns and create value, even in a low-growth operating environment.

NEW PRODUCTS



Walter M4000 inserts – High performance made universal

The Walter product area's M4000 indexable inserts are part of a tooling system that can be used universally for numerous machining requirements, thereby reducing complexity and susceptibility to production errors, while improving cost-efficiency.



Sandvik Coromant CoroMill® 390 end mill with size O7 inserts

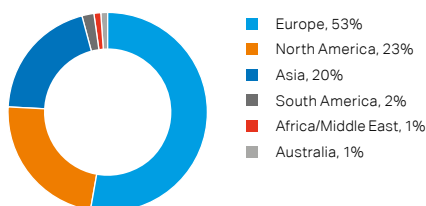
With new, small diameter end mills equipped with size O7 inserts, the CoroMill® 390 is ideal for component features that have limited cutting depths. These smaller inserts deliver a higher cutter-teeth density giving superior productivity in any type of milling operation.



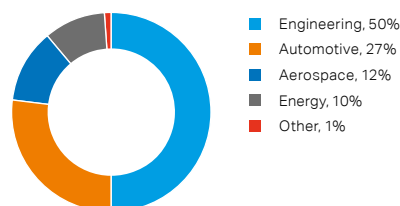
Seco – Duratomic TP grades

The new steel-turning grades from Seco Tools, based on Duratomic technology, dramatically improve customers' productivity, process reliability and cost efficiency. The Duratomic TP grades have been profoundly updated and include the new generation innovative coating technology with improved mechanical properties, and increased thermal and chemical inertness.

INVOICED SALES BY MARKET AREA, %



INVOICED SALES BY CUSTOMER SEGMENT, %



SANDVIK MINING



Value of accessible market, SEK billion	130
Market characteristics	<p><i>Continuing operations</i> A consolidated market exists for the core area of underground hard-rock mining. A large after-market consisting of service, spare parts and rock tools.</p> <p><i>Discontinued operations</i> Materials handling systems, a fragmented market for large projects within materials handling systems.</p>
Share of Sandvik invoicing, %	30
Drivers	GDP growth rate and resource intensity, metal and mineral prices, production levels in existing mines and expansion projects, demand in the areas of technology, health, safety and environment.
Market growth	Prior to the mining downturn, historical growth rates averaged 6–8% with large fluctuations. Recent growth rates have been lower or negative, in the mining downturn, and more dependent on mining volume output levels rather than expansion.
Way to market	95% direct sales. A consolidated customer base with about 200 large customers globally and a worldwide service network.
Growth strategy	Increased pace of new product launches and aftermarket penetration, mining automation and data-driven productivity, mid-market and local premium offerings.
Major competitors	<ul style="list-style-type: none"> – Atlas Copco – Metso Minerals – Caterpillar – Joy Global

2015 IN FIGURES

Continuing operations

Sales: 22,421 million SEK (20,543) with 1% organic growth

Operating profit: 2,585 million SEK (2,483)

Operating margin: 11.5% (12.1%)

Adjusted operating profit: 3,296 million SEK (2,483)

Adjusted operating margin: 14.7% (12.1%)

Discontinued operations

Sales: 4,977 million SEK (6,288) with –20% organic growth

Operating profit: –1,209 million SEK (–85)

Operating margin: –24.3% (–1.3%)

Adjusted operating profit: –108 (–85)

Adjusted operating margin: –2.2% (–1.3%)

Sandvik Mining is a leading supplier of equipment, tools, service and technical solutions for exploration, excavation and processing of rock and minerals.

MARKET DEVELOPMENT

The underlying demand remained low in 2015 as mining companies maintained a cautious approach to investments, not least due to negative price trends for many raw materials, such as coal, iron ore and copper. Material output levels continued to rise during the first half of the year, supporting mining companies' investments in replacement equipment, while in the second half of the year output stagnated and capacity was curtailed for many commodities. The overall business activity remained largely stable with variations between the different product areas. Mining Equipment posted favorable growth in order intake, primarily within underground drilling, and load and haul. Equipment orders are relatively large and a stochastic order pattern is not unusual. Demand for aftermarket products and services remained largely stable, however with a slight softening in the latter part of the year. Demand within Mining Systems deteriorated throughout the year.

MARKET PRESENCE

Sandvik Mining is a leading supplier of equipment, tools, service and technical solutions for exploration, excavation and processing of rock and minerals in the mining industry, both for underground and surface mines. The offering includes highly

"OVERALL BUSINESS ACTIVITY REMAINED LARGELY STABLE; PORTFOLIO OPTIMIZATION ONGOING".

Lars Engström
President of Sandvik Mining



advanced products and solutions for mature customers and markets with requirements for advanced automation and equipment monitoring capabilities. New drill rigs based on a modular design that targets small to mid-size underground hard rock mining applications were introduced during the year. The equipment is primarily sold directly to end users. A shared trait among our customers is the demand for more productive and safe equipment. This includes solutions for autonomous operations and remote control and monitoring, all combined with an ever-increasing focus on lowered emissions and energy consumption. Our aftermarket offering was further improved, for example, through the easy access repair and service kits. On 1 October 2015, we announced our intention to divest our Mining Systems operations, which is

a project business focused on the design, engineering and assembly of materials handling systems. Through the divestment, we will become more focused on our core capabilities, namely, mining equipment and the aftermarket for both underground and surface mines. Mining Systems is reported as a discontinued operation in the financial statements.

OPERATIONAL EXCELLENCE

The Supply Chain Optimization Program progressed throughout the year, consolidating the footprint. These actions, combined with additional internal efficiency measures and adjustments to market activity levels, resulted in improved profitability for the business area. The focus on further improvement of internal efficiency will continue going forward.

NEW PRODUCTS



MB670-1

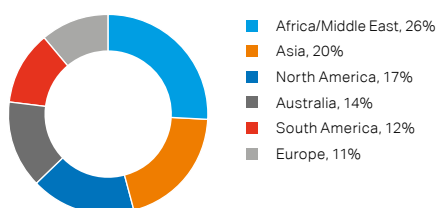
MB670-1 increases productivity, reduces the total cost of ownership, and improves operator safety and ergonomics. This upgraded bolter miner is purpose-built for roadway development in longwall mines. The fully automatic cutting cycle results in constant and faster advances, thereby shortening panel development times by up to 30%.



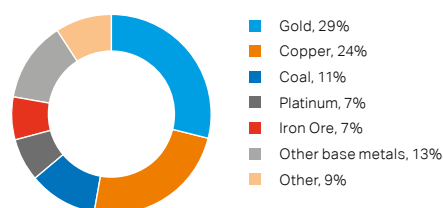
DR461i

The Sandvik DR461i is a diesel-powered, self-propelled, crawler-mounted blasthole drill rig that is automation-ready and features forward-thinking design and technology for bulk mining operations. The DR461i is extremely reliable, easy to maintain and safe.

INVOICED SALES BY MARKET AREA, %



INVOICED SALES BY CUSTOMER SEGMENT, %



SANDVIK MATERIALS TECHNOLOGY



2015 IN FIGURES

Sales: 13,909 million SEK (14,907) with –8% organic growth
Operating profit: 8 million SEK (1,880)
Operating margin: 0.1% (12.6%)
Adjusted operating profit: 818 million SEK (1,809)
Adjusted operating margin: 5.9% (12.1%)

Operating profit, excluding metal price effects totalling –340 million SEK and adjusted for nonrecurring charges of 810 million SEK, amounted to 1,158 million SEK, with an underlying operating margin of 8.3%.

Sandvik Materials Technology is a leading developer and manufacturer of advanced stainless steels and special alloys for the most demanding industries.

MARKET DEVELOPMENT

The market situation became increasingly challenging as the year progressed, most notably in the energy segment where low and volatile oil prices hampered activity. This resulted in increased competition also for the more standardized tubular offering as free capacity was used for other segments. Demand from the automotive segment improved. Customer activity picked up within the nuclear industry, albeit from a low level. Excluding oil and gas, Europe was stable at a low level and market activity in North America remained more positive. In Asia, market activity was mixed and increasingly volatile in the second half of the year.

MARKET PRESENCE

The new strategy implementation continued during the year, with focus on profitable growth in sectors with extremely high demands on materials, such as energy and energy efficiency-related applications as well as the aerospace and chemical industries. To strengthen the leading position in strategic niches, material evolution activities continued with focused R&D efforts and new product and material launches. These included the introduction of the unique material Sanicro™25 for cleaner coal power, Kanthal® Flow Heater for clean gas flows, used in renewable energy applications and the aerospace industry, for example, as well as Sanergy HT 441 for solid oxide fuel cells.

Value of accessible market, SEK billion	>130
Market characteristics	Selected niches in demanding industries where material requirements as well as product quality and reliability are extremely high.
Share of Sandvik invoicing, %	15
Drivers	Energy demand, global industrial production, environmental legislation and demand for safer industrial processes, aerospace and automotive production.
Market growth	Historical growth rates have been about 4–6%. The market has been negatively affected since the end of 2014 due to the drop in oil price.
Way to market	Sales split: 80% direct sales and 20% via distributors.
Growth strategy	Increased focus on products for energy and energy efficiency solutions and continued material evolution through focused R&D efforts.
Major competitors	<ul style="list-style-type: none"> – Nippon Steel & Sumitomo Metal – Vallourec – Tubacex – Hitachi – Smaller niche players

"CHALLENGING MARKET SITUATION DUE TO LOW OIL PRICE; CONTINUED FOCUS ON MITIGATING ACTIONS".

Petra Einarsson
President of Sandvik Materials Technology



OPERATIONAL EXCELLENCE

The work to improve capital efficiency continued, as well as the implementation of a lean business model for the more standardized product program, including the Supply Chain Optimization Program. However, the main focus during the year was to continuously implement measures to adjust costs and capacity – to compensate for the downturn in oil and gas. Mitigating activities included reducing shift forms, the use of different flexibility solutions such as time banks, reducing the number of employees,

consultants and contractors, focusing on cost containment and increased sales in areas unaffected by the downturn. As a result of the ongoing efficiency measures to protect profitability, the total number of employees, including third-party, were reduced by 480 during the year. Net working capital reductions have also been successful in lowering relative net working capital to 24.8% of invoicing at the end of 2015. Contingency plans are in place to manage different market scenarios going forward.

NEW PRODUCTS



Kanthal® Flow Heater for clean gas flows

This ground-breaking solution, used for heating gases and deployed in renewable energy applications and the aerospace industry, allows a gas outlet temperature up to 400°C higher than existing, conventional technologies. While most flow heater designs are limited to a gas temperature of 800°C, the Kanthal® Flow Heater operates up to 1200°C. Benefits compared to gas burners: increased safety, improved efficiency, easier installation and a cleaner work environment.



Sanicro™25 for boiler tubes ensuring cleaner coal power

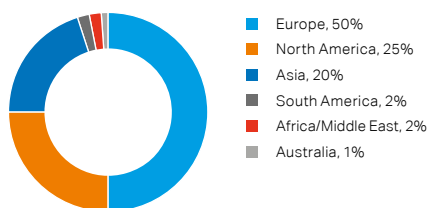
Sanicro™25 is the next-generation austenitic stainless steel alloy developed by Sandvik to cope with extreme heat, up to 650°C. The unique material contributes to greater efficiency and significantly lower CO₂ emissions. Its superior material properties make it a highly suitable option for use in heaters in advanced coal-fired power plants, contributing to the production of cleaner coal power energy.



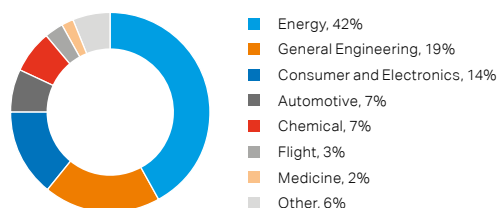
Sandvik Sanergy HT 441 for solid-oxide fuel cells

Sandvik Sanergy HT 441 is mainly used in stationary fuel cells, such as auxiliary power units, but is suitable for all types of fuel-cell technology applications. Its unique material properties and production technology rule out the need for other more expensive materials.

INVOICED SALES BY MARKET AREA, %



INVOICED SALES BY CUSTOMER SEGMENT, %



SANDVIK CONSTRUCTION



Value of accessible market, SEK billion	140
Market characteristics	Fragmented customer base, with more than 25,000 individual customers. Local business. Significant aftermarket.
Share of Sandvik invoicing, %	10
Drivers	Global infrastructure investments and increased focus on productivity.
Market growth	Historical average growth rate of 4%, higher in drilling.
Way to market	Sales split: 50% direct and 50% via distributors.
Growth strategy	Sales efficiency and commercial excellence, increased aftermarket penetration and focus on growth regions.
Major competitors	<ul style="list-style-type: none"> – Atlas Copco – Terex – Metso – Furukawa

2015 IN FIGURES

Sales: 8,551 million SEK (8,553) with –9% organic growth

Operating profit: 28 million SEK (45)

Operating margin: 0.3% (0.5%)

Adjusted operating profit: 381 million MSEK (45)

Adjusted operating margin: 4.5% (0.5%)

Sandvik Construction provides solutions in niches such as quarrying, tunneling, demolition, dimensional stone, recycling and civil engineering.

MARKET DEVELOPMENT

The market for construction equipment remained challenging but stable with some regional differences. Europe was stable with low activity levels and Asia posted a further slight decline from an already depressed level. North America noted positive growth. The underlying market activity remained higher for surface drilling and tunneling and was more challenging for crushing and screening. The market for services, rock tools and consumables was stable as customer production rates remained intact.

MARKET PRESENCE

With an improved time-to-market in recent years, we continue to launch new productivity-enhancing products in the market. This includes the launch of products such as a fully automated tunneling jumbo drill rig which offers customers exceptional reliability and versatility. Several new breakers were launched under the premium brand Rammer and the mid-market brand Bretec to further strengthen our market position in this niche application. Sandvik Construction is also moving towards a more complete offering within down-the-hole (DTH) drilling with a patented tool solution for well and foundation drilling. The Top Hammer business remained a solid base for the aftermarket business as the TH tunneling is strong in 2015. Within crushing and screening, the product portfolio for mobile equipment has been revised in order to best meet the customers demand and the organizational structure adjusted for enhanced customer service. Through the recent product launches within stationary crushing and screening, the CH500 family and HSI range

"IMPROVED EARNINGS AS A RESULT OF ONGOING EFFICIENCY MEASURES".

Dinggui Gao
President of Sandvik Construction



and screens, Sandvik has strengthened the position as the premium supplier. We have also broadened our customer offer by including spare and wear parts for non-Sandvik crushers which give us a competitive advantage on the market.

OPERATIONAL EXCELLENCE

Earnings recovered during the year as a result of ongoing efficiency measures. Under the Supply Chain Optimization Program, one production unit was

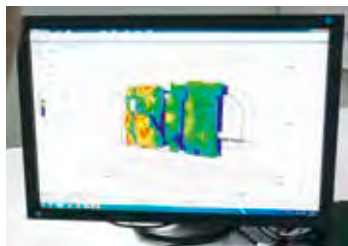
closed at the beginning of the year, which resulted in significantly increased efficiency in the supply chain for mobile crushing equipment. Productivity improved during the year through a continued emphasis on capacity utilization and increased capital efficiency through improved forecast-order-delivery processes. Profitability was further supported by efficiency measures in the sales organisation.

NEW PRODUCTS



DT922i

DT922i is a computer-controlled electro-hydraulic drilling jumbo especially designed for changing rock conditions. The jumbo's fast and adaptive drilling control enables optimal functionality.



geoSURE

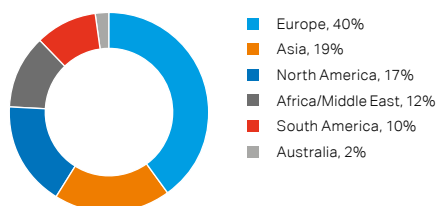
geoSURE is a fully rig-integrated, real-time, rock mass analysis and visualization system used during percussive drilling to overcome productivity challenges in mining and rock excavation.



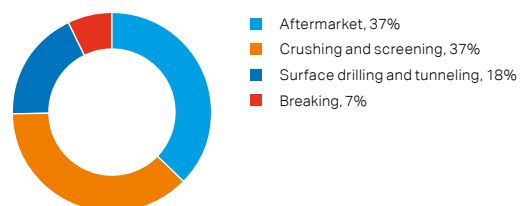
SanRemo

Software updates for SanRemo, a remote machine monitoring service with easy web access for accurate real-time jobsite data relating to productivity, performance, maintenance and fleet location.

INVOICED SALES BY MARKET AREA, %



INVOICED SALES BY CUSTOMER SEGMENT, %



SANDVIK VENTURE



2015 IN FIGURES

Sales: 8,292 million SEK (7,658) with –13% organic growth
 Operating profit: 529 million SEK (888)
 Operating margin: 6.4% (11.6%)
 Adjusted operating profit: 579 million SEK (967)
 Adjusted operating margin: 7.0% (12.6%)

Sandvik Venture’s product areas – Process Systems, Hyperion, Wolfram and Drilling and Completions (Varel) – are leading suppliers of products and applications in their respective niches and also serve as enablers for other Sandvik business areas.

MARKET DEVELOPMENT

- Hyperion – Overall, the market was stable, however demand from the energy and mining segments decreased, most notably in North America for oil and gas.
- Drilling & Completions (Varel) – Market conditions became increasingly challenging as low oil prices affected onshore drilling activity, most notably in North America, as the active rig count dropped sharply. In other regions, the market was hesitant but more stable than in North America.
- Process Systems – Market activity for the project business softened as customers held back on investments. Aftermarket sales held up well.
- Wolfram – Volume demand remained stable at a high level, however, continuing declining APT notation puts pressure on price.

MARKET PRESENCE PER PRODUCT AREA

- Hyperion – Possesses unique knowledge of hard and super-hard materials and of customers’ applications. The global technical sales team provides customers with solutions based on strong R&D capabilities.
- Drilling & Completions – One of the largest independent players in drill bits for oil and gas, and mining drilling solutions, including casing consumables for oil and gas production. Rapid product development with direct sales and close end-customer relationships.

Value of accessible market, SEK billion	~100
Market characteristics	<ul style="list-style-type: none"> – Hyperion: diverse customer base, highly volume dependent – Drilling & Completions: diverse customer base, productivity and reliability as key drivers – Process Systems: fairly consolidated market for high-value project business – Wolfram: consolidated supplier market with high tonnage volume
Share of Sandvik invoicing, %	9
Drivers	<ul style="list-style-type: none"> – Hyperion: global industrial production – Drilling & Completions: onshore oil and gas drilling activity – Process Systems: drive for increased productivity as well as impact from gradually tightening environmental regulations – Wolfram: global industrial production and metal consumption
Market growth	<ul style="list-style-type: none"> – Hyperion: largely in line with global GDP – Drilling and Completions: historically some 7%, lower in 2015 due to oil price weakness – Process Systems: over time approximately 2%–4% – Wolfram: historical average of about 2–4% (market for hard metals production)
Way to market	Primarily direct sales for all four product areas.
Growth strategy	Increased growth through new products, continued globalization and bolt-on acquisitions.
Major competitors	<ul style="list-style-type: none"> – Hyperion: Element Six, US Synthetic, Ceratizit, Kennametal, Iscar – Drilling & Completions: Schlumberger Halliburton/BakerHughes, NOV – Process Systems: Berndorf, Enersul, SBS – Wolfram: HC Starck, GTP, GESAC

"CHALLENGING BUSINESS CLIMATE WITH VARIATIONS IN DEMAND BETWEEN THE PRODUCT AREAS".

Jim Nixon
President of Sandvik Venture



- Process Systems – Is the global market leader for industrial processing solutions, both for process turnkey equipment and aftermarket sales. Strong engineering and production capabilities create high entry barriers.
- Wolfram – Market leader with close technical customer cooperations and tailor-made products. Flexibility in recycling of used hard-metal products and concentrates from mines provides a competitive advantage and reduces material costs.

OPERATIONAL EXCELLENCE

- Hyperion – In addition to the manufacturing footprint review, actions have been taken to mitigate the immediate effects of lower oil and gas prices and the mining downturn.

- Drilling & Completions – Actions to mitigate the impact from lower oil prices have been implemented to partly offset the drop in volumes. The savings encompassed a reduction of the workforce, delayering of managerial levels as well as flexible savings, for example, furlough agreements to safeguard opportunities to capitalize on a future market recovery.
- Process Systems – Focused on application growth by means of an expanded product portfolio, partially through acquisitions. Growing share of aftermarket sales.
- Wolfram – Further focus on improving net working capital, mainly by optimizing tungsten stock, but also by taking measurements to broaden the recycling opportunities.

NEW PRODUCTS



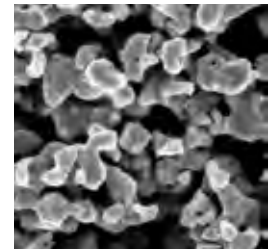
Drilling & Completions
Drilling & Completions launched the CaseRUNNER, specifically designed for challenging casing-while-drilling applications, is robust enough to handle high axial/lateral loading together with severe vibration.



Hyperion
Hyperion introduced premium carbide grades (AM50, AM70 and PN90) tailored for aerospace and hardened steel-milling applications and demonstrating industry-leading performance.

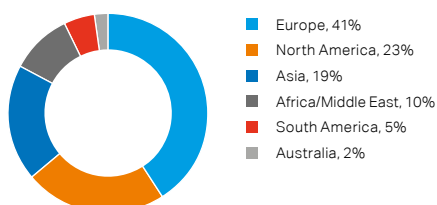


Process Systems
Process systems launched Procool – a compact, energy-efficient, and virtually maintenance-free cooling unit, thereby strengthening the sulphur-handling offering.

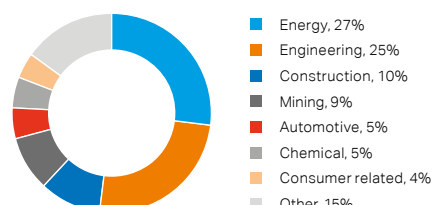


Wolfram
Wolfram introduced CRC 3.0, a tungsten-carbide powder with ultra-fine grain size for cemented-carbide applications with higher sinter stability.

INVOICED SALES BY MARKET AREA, %



INVOICED SALES BY CUSTOMER SEGMENT, %



THE SANDVIK SHARE

Our growth prospects are based on our ability to continuously provide superior customer productivity enhancements as part of our offerings of products and services. We can do so by leveraging our core capabilities in materials knowledge and industrial applications, enabling customer solutions and ability to industrialize advanced products.

Sandvik's share is listed on Nasdaq Stockholm. During 2015, the share price decreased by 3%, while the OMXS 30-index on Nasdaq Stockholm decreased by 1.2%. At year-end 2015, the share was quoted at 74.1 SEK, corresponding to a market capitalization of 92.9 billion SEK, placing Sandvik as the 14th (17th) largest company on Nasdaq Stockholm.

SHARE TRADING

A total of 2,385 million shares (1,772) were traded for a total value of 207 billion SEK (153). Trading in Sandvik shares on the Nasdaq Stockholm accounted for 63% (67%) of the total volume of Sandvik shares traded. Other markets, BATS Chi-X, Turquoise etc. accounted for 37% (33%). The Sandvik share can be traded in the US in the form of American Depositary Receipts (ADRs), a process handled by Deutsche Bank Trust Company Americas as a depository bank. In 2015, the average daily ADR trading volume was 25,463 (18,438). At the end of 2015 there were 1,858,336 ADRs outstanding.

DIVIDEND AND TOTAL SHAREHOLDER RETURN

Our yearly target is that the dividend will amount to 50% of earnings per share. The Board has proposed a dividend of 2.50 SEK (3.50) per share to the 2016 Annual General Meeting, corresponding to approximately 3.1 billion SEK (4.4) and a dividend yield of 3.4% based on the share price at year-end. Assuming the approval of the proposed dividend for 2015 of 2.50 SEK, Sandvik's dividend over the past five years has averaged 3.25 SEK annually, and a total of 75% of earnings per share has been distributed.

SHARE CAPITAL

The number of Sandvik shares amounts to 1,254,385,923. Each share has a nominal value of 1.2 SEK and the share capital amounts to 1,505,263,108 SEK. Sandvik's share capital comprises one series of share, with each share carrying equal voting rights and equal rights to a dividend. Sandvik does not hold any shares in treasury and the most recent occasion when new shares were issued was in conjunction with the acquisition of the shares outstanding in Seco Tools in 2012.

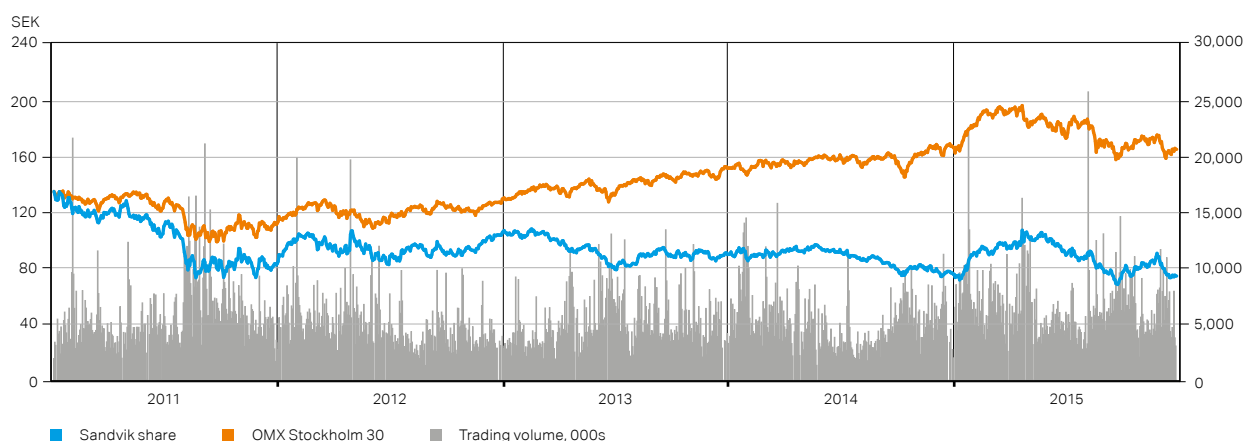
OWNERS

In 2015, the number of shareholders increased to about 117,600 (115,000). There are shareholders in 91 countries, and the total ownership outside of Sweden amounted to 30% (31%) at year-end. The ten largest individual shareholders accounted for 39% of the share capital at the same date. At 31 December 2015, members of Sandvik's Group Executive Management owned a total of 198,301 shares in Sandvik. Members of the Board of Sandvik owned a total of 317,071 shares in Sandvik. Total ownership of Group Executive Management and the Board corresponds to approx. 0.04% of the capital and voting rights.

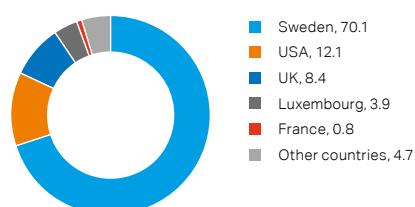
DOW JONES SUSTAINABILITY INDEX AND FTSE4GOOD INDEX SERIES

Sandvik has been included in the Dow Jones Sustainability Index (DJSI) for 2015, meaning that Sandvik is regarded as among the top 10% most sustainable companies in its industry. Sandvik was also included in the FTSE4Good Index Series for the twelfth consecutive year. It is an international index for global companies that assume their responsible business practices. Sandvik's inclusion in these indexes serves as confirmation of the Group's work in relation to environmental, financial and social responsibility issues.

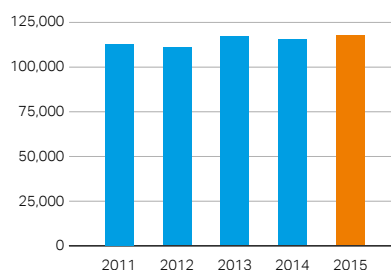
THE SANDVIK SHARE, FIVE-YEAR TREND



DISTRIBUTION OF SHAREHOLDING BY COUNTRY, 31 DECEMBER 2015, %



NUMBER OF SHAREHOLDERS, 31 DECEMBER 2011–2015



KEY FIGURES

	2014	2015
Number of shares at year-end (millions)	1,254	1,254
Market capitalization at year-end (SEK billion)	95.8	92.9
Number of shareholders	115,339	117,583
Share price at year-end, SEK	76.4	74.1
Earnings per share, SEK	4.79	1.79
P/E ratio at year-end	15.9	41.4
Change in share price during the year, %	-16	-3
Regular dividend, SEK/share	3.50	2.50*
Dividend as a percentage of earnings per share	73	140
Total dividend yield (price increase + dividend), %	-12	+0.6
Proportion of shares in Sweden, %	69	70
Proportion of shares owned by the ten largest shareholder groups, %	33	39

* Proposed dividend.

THE TEN LARGEST SHAREHOLDER GROUPS, AT 31 DECEMBER, 2015, %

	2014	2015
AB Industrivärden	11.7	11.7
Alecta Pension Insurance	4.8	4.9
Handelsbanken's Pension	3.8	3.8
AMF – Insurance and Funds	2.0	3.5
Swedbank Robur Funds	3.2	3.4
SSB CL Omnibus*	4.0	3.4
JPM Chase NA*		2.5
L E Lundbergföretagen AB	2.4	2.4
Nordea Investment Funds	1.9	2.0
Göransson's Foundations	1.9	1.8

* Shares held in trust.

Source: Euroclear Sweden

DIALOG WITH ANALYSTS

Approximately 25 analysts cover Sandvik on a continuous basis. At year-end 2015, the breakdown of recommendations relating to the Sandvik share was as follows: 44% buy/increase, 24% retain/neutral and 32% sell/decrease according to Bloomberg. Some of the most frequent topics discussed in 2015 were:

SANDVIK HAS A NEW CEO SINCE NOVEMBER, WHEN CAN WE EXPECT TO HEAR MORE ABOUT A NEW STRATEGY?

The change of CEO has not impacted the continuous efforts to deliver on the already ongoing initiatives to further improve Sandvik's performance and competitiveness. During 2016, we will return with more information about any changes to the strategy, one important date will be our Capital Markets Day, which is planned for 24 May 2016.

WHAT ABOUT THE SANDVIK PORTFOLIO – WILL YOU DIVEST ANY OF THE BUSINESS AREAS?

Active portfolio management and a focus on core operations will drive efficiency within the different business areas. We continuously review all business areas to optimize our portfolio as exemplified by the decision during 2015 to initiate the divestment of Mining Systems.

WHAT WILL BE THE MAIN GROWTH DRIVER GOING FORWARD?

Product development is the key source of growth, especially in a low macro-growth environment, supporting both sales and margin. Being a technology leader and thereby enhancing our customers' productivity is the key to our success. Additionally, we see significant opportunities to grow the aftermarket business with a higher penetration of the installed base in Sandvik Mining. We are also continuously evaluating acquisition opportunities.

MINERAL PRICES HAVE CONTINUED TO DECLINE DURING 2015 FROM ALREADY DEPRESSED LEVELS, IS THERE A RISK FOR FURTHER DETERIORATION OF DEMAND IN THE AFTERMARKET IN THE MINING INDUSTRY?

Underlying demand for mining equipment and aftermarket was stable in 2015, however, order intake varied between quarters. We do not expect mining expansion capital expenditure to recover significantly

in the short term. As a result, current demand for both equipment and aftermarket is most closely linked to production rates, which have increased to date since the downturn. In a scenario where production rates decrease, there is some degree of risk to current sales levels, but we also see great potential in developing our mining aftermarket business, supporting the top line and reducing the earnings volatility for Sandvik.

WHAT ARE YOU DOING TO IMPROVE PROFITABILITY IN SANDVIK MINING?

Sandvik Mining is part of the ongoing Supply Chain Optimization Program, through which we will reduce the number of units, move production closer to the customers and drive best-cost country sourcing. We have seen benefits from these actions during 2015 and they will continue in 2016. In addition, we are taking actions to grow the aftermarket sales business, which is less volatile and offers good profitability.

CAN SANDVIK MACHINING SOLUTIONS IMPROVE PROFITABILITY IN A LOW-GROWTH ENVIRONMENT?

Sandvik Machining Solutions runs a fully vertically integrated business model, hence is sensitive to volume changes. However, during 2015 the business area has launched some 15,000 new products. This aims to support our competitive advantage going forward, even in a low macro-growth environment. Sandvik Machining Solutions will generate additional savings from the Supply Chain Optimization Program as well as from general tight cost control, supporting future profitability.

SANDVIK MATERIALS TECHNOLOGY AND SANDVIK VENTURE HAVE BEEN SEVERELY IMPACTED BY THE LOWER OIL PRICE AND THE SUBSEQUENT LOWER SPEND IN THE OIL SECTOR, WHAT ARE YOU DOING TO RESTORE PROFITABILITY?

The low oil price has put significant pressure on spending in the oil sector, which has impacted our business most notably in Sandvik Venture and Sandvik Materials Technology, but also to some extent in Sandvik Machining Solutions. We need to ensure good profitability also in a low-growth environment. Although measures to support profitability have been activated, in such a sharp downturn as that seen in 2015, it is challenging. However, we are acting to ensure good profitability also in a low-growth environment.

REPORT OF THE DIRECTORS

GROUP SUMMARY*

In 2015, market conditions deteriorated as the year progressed. The negative development was primarily driven by the slowdown in China and the US combined with overall weak demand in the Energy segment due to the low oil price. Consequently, Sandvik's order intake and invoicing declined by 8% (-2) and 6% (-2), respectively at fixed rates for comparable units.

FINANCIAL TARGETS

Sandvik's financial targets are based on assessments of the company's strength and how it is positioned for the future. The Group's targets and target fulfillment are presented in the table below.

TARGET FULFILLMENT

The financial targets span across a business cycle. The outcome since 2006 corresponds to average annual growth of 4% and a return on capital employed of 16%. In 2015, growth was 2% and the return on capital employed was 8%. At the end of 2015, the net debt/equity ratio was 0.7. The proposed dividend for 2015 corresponds to a payout ratio of 140% of reported earnings per share and 57% of adjusted earnings per share.

EARNINGS AND RETURNS

Sandvik's order intake amounted to 86,378 million SEK in 2015 (85,957), and invoicing totaled 90,822 million SEK (88,821). The operating profit was 6,062 million SEK (10,120), corresponding to 7% (11) of invoiced sales. As a result of restructuring measures

and impairment losses, earnings were negatively impacted by 4,425 million SEK (-8). Movements in metal prices made a negative contribution to operating profit of 338 million SEK (302). Changes in foreign exchange rates since the beginning of the year affected earnings positively by about 1,950 million SEK (-40) compared with the preceding year.

Net financial items amounted to -2,003 million SEK (-1,856). Results after financial income and expenses for the Group was 4,059 million SEK (8,264), and 5,308 million SEK (8,369) for continuing operations. Income tax had a total impact of -1,865 million SEK (-2,272) on earnings, corresponding to 46% (27) of profit before taxes. Profit for the year attributable to equity holders of the Parent Company was 2,247 million SEK (6,011). Earnings per share for the Group amounted to 1.79 SEK (4.79), and 2.79 SEK (4.88) for continuing operations. Return on capital employed was 8% (13) and return on equity was 6% (17).

FINANCIAL POSITION

Cash flow from operating activities increased to 11,952 million SEK (9,515), driven by improvements in

TARGETS AND TARGET FULFILLMENT	TARGET 2015	OUTCOME 2015	2006-2015
Annual growth over a business cycle, %	8	2	4
Return on capital employed over a business cycle, %	25	7.9	16
Net debt/equity ratio, times	<0.8	0.7	—
Payout ratio, % of earnings per share	50	140**	67

** Proposed dividend.

*The Group summary section includes discontinued operations.

net working capital. Cash flow after investments was 7,791 million SEK (4,812). At the end of the year, cash and cash equivalents amounted to 6,376 million SEK (6,327).

Interest-bearing liabilities, excluding net provisions for pensions, less cash and cash equivalents, yielded a net debt of 28,173 million SEK (30,742). Sandvik's two credit facilities of 650 million EUR and 5,000 million SEK were unutilized at year-end. Under the Swedish bond program totaling 15,000 million SEK, bonds corresponding to a nominal amount of 11,011 million SEK were outstanding at year-end. Under the European bond program totaling 3,000 million EUR, a nominal amount of 1,103 million EUR was outstanding at year-end. In addition, there were bonds outstanding in the US for a nominal amount of 740 million USD. The remaining maturity of bonds averaged 3.3 years for Swedish bonds, 10.5 years for European bonds and 4 years for US bonds. At year-end, the international credit-rating agency Standard & Poor's had a rating of BBB for Sandvik's long-term borrowings, and A-2 for short-term borrowings.

WORKING CAPITAL

Net working capital at the end of the year was 26% (28) of invoiced sales, a year-on-year improvement of two percentage points. Inventory levels at the end of the year corresponded to 26% (26) of invoiced sales, and trade receivables remained unchanged at 15% (15) of invoiced sales. The volume of net working capital changed by -3,340 million SEK (-487) compared with the preceding year, driven by lower levels of inventory and accounts receivable. Changed currency rates reduced net working capital by 195 million SEK (2,624) compared with the preceding year. The structural effect from acquisitions and divestments increased working capital by 14 million SEK (-168). Net working capital amounted to 21,726 million SEK (25,250) at the end of the year.

EQUITY

Equity at year-end amounted to 34,060 million SEK (36,672), or SEK 27.1 per share (29.1). The equity ratio was 34% (34).

INVESTMENT ACTIVITIES

Investments in non-current assets amounted to 4,161 million SEK, equivalent to 87% of scheduled depreciation. Proceeds from the sales of companies and shares amounted to 0 million SEK (460). Investments in internally generated intangible assets increased to 869 million SEK (772).

PORTFOLIO MANAGEMENT

Sandvik Mining announced the intention to divest its Mining Systems product area on 1 October 2015. The product area is primarily a design and engineering supplier of material handling systems for the mining industry. Mining Systems' offering consists primarily of project-based solutions, which is a non-core business for Sandvik Mining. In 2015, invoiced sales amounted to approximately 5,000 million SEK, operating profit corresponded to -24% of invoiced sales, and the total number of employees was about 1,150.

Sandvik Venture acquired SGL Technology BV (SGL) on 16 September 2015. SGL is based in Breda, the Netherlands, and is a manufacturer of processing equipment for the food production industry. The core capabilities of SGL are within steel belt-based equipment for industrial processing of chocolate and other belt equipment for processing of agri-food and non-food products. In 2014, SGL's revenues totaled approximately 60 million SEK and the total number of employees was approximately 20.

FUTURE PROSPECTS

The global market conditions remained unchanged at the beginning of 2016. Over the next three to four years, the Group will focus on its development toward fast-growing markets, generating a high rate of return and reducing earnings volatility. To achieve this, accountability will be transferred closer to operations for improved transparency and speed, to ensure a stronger performance.

PARENT COMPANY¹⁾

The Parent Company's invoicing for 2015 amounted to 15,667 million SEK (16,475) and the operating result was -761 million SEK (-1,165). Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 9,346 million SEK (8,224). Interest-bearing liabilities, excluding cash and cash equivalents and interest-bearing assets, amounted to 11,132 million SEK (9,561). The Parent Company's total assets decreased by 1,191 million SEK (from 74,989 million SEK to 73,798 million SEK). Investments in non-current assets amounted to 907 million SEK (1,227). The number of employees in the Parent Company and the subsidiaries operating on commission for Sandvik AB at 31 December 2015 was 7,729 (8,024).

¹⁾ The Parent Company includes subsidiaries operating on commission for Sandvik AB. These are presented in Note 15.

EVENTS AFTER THE CLOSE OF THE PERIOD

The Sandvik Group has no material events after the close of the period to report.

EMPLOYEES

The average number of employees declined to 46,563 (47,328), of whom 10,430 (10,760) work in Sweden. The employee turnover rate was 11% (10%) in 2015. Wages, salaries and other remunerations for the year totaled 20,604 (19,620) million SEK, of which 5,385 (5,230) million SEK, was paid in Sweden.

The global HR organization aims to enable a high-performing organization and create value for Sandvik at the right cost. During 2015, initiatives continued within areas such as leadership development, compensation and benefits, succession planning, talent development, employer branding, culture, diversity and inclusion, and securing internal career paths.

A strong performance culture is vital to be able to leverage the full potential of our employees. During the year, we continued to strengthen our performance culture in order to support our vision – We set the industry standard.

A global remuneration strategy has been introduced throughout the Group. The remuneration structure is designed to be competitive, fair and easy to understand.

Activities related to the performance dialog process, which encompasses all employees, follow a clear structure. In 2015, we continued the focus on a more efficient method for cascading objectives throughout the organization and ensuring that this method permeates the performance dialog process at all levels in the Group.

CAPITAL EXPENDITURE	2014	2015
Investments in non-current assets, MSEK	4,703	4,161
as a % of invoiced sales	5.3	4.6
as a % of scheduled depreciation	116	87

QUARTERLY TREND OF INVOICED SALES AND PROFIT AFTER FINANCIAL ITEMS

MSEK	INVOICED SALES	PROFIT AFTER FINANCIAL ITEMS	NET MARGIN, %	
2014	Q1	20,783	2,042	10
	Q2	22,051	2,099	10
	Q3	22,593	2,001	9
	Q4	23,394	2,121	9
2015	Q1	23,334	563	2
	Q2	23,398	2,367	10
	Q3	22,092	856	4
	Q4	21,998	272	1

Sandvik has leadership programs for managers at different levels, based on the business strategy and leadership model. Participants in the leadership programs represent all business areas, with Group functions, geographies and experience playing a vital role in creating a diverse and dynamic group. During the year, we launched our second Global Trainee Program and we now have two programs running in parallel. Participants from China, India, South Africa, Sweden and the US are enrolled in the two Global Trainee programs.

SAFETY FIRST

Sandvik's EHS (Environment, Health & Safety) vision is Zero Harm and the Group's motto is "Safety First". We aim to achieve this vision by constantly trying to improve our safety culture. A great deal of emphasis is placed on holding managers accountable for EHS matters within their sphere of influence. We support our culture change with a structured approach in which we exercise good control through our management system.

Our 2020 EHS strategy is divided into five areas, with supporting objectives and targets. These areas are: EHS as a business advantage, EHS Leadership, Environment, Health and Safety. During the year,

EARNINGS AND RETURN	2014	2015
Operating profit, MSEK	10,120	6,062
as a % of invoiced sales	11.4	6.7
Profit after financial income and expenses, MSEK	8,264	4,059
as a % of invoiced sales	9.3	4.5
Return on capital employed, %	13.4	7.9
Return on equity, %	17.4	6.2
Basic earnings per share, SEK	4.79	1.79
Diluted earnings per share, SEK	4.79	1.79

Whereof continuing operations

Operating profit, MSEK	10,205	7,271
as a % of invoiced sales	12.4	8.5
Profit after financial income and expenses, MSEK	8,369	5,308
as a % of invoiced sales	10.1	6.2
Basic earnings per share, SEK	4.88	2.79

FINANCIAL POSITION	2014	2015
Cash flow from operating activities, MSEK	9,515	11,952
Cash flow after capital expenditures, MSEK	4,812	7,791
Cash and cash equivalents and short-term investments at 31 December, MSEK	6,327	6,376
Net debt at 31 December, MSEK	30,742	28,173
Net financial items, MSEK	-1,856	-2,003
Equity ratio, %	34	34
Net debt/equity ratio, times	0.7	0.7
Equity at 31 December, MSEK	36,672	34,060
Equity per share at 31 December, SEK	29.1	27.1

Sandvik worked toward achieving a lost time injury frequency rate (LTIFR) target of 1.9. Sandvik's LTIFR improved by 15% in 2015 and was 2.1 at year-end, compared to 2.5 at year-end 2014.

During the year, we unfortunately had three work-related fatalities. These incidents are being investigated thoroughly to find the root cause, and to identify whether there are shortcomings in our routines that can be corrected.

Despite a significant improvement in the Group's LTIFR in recent years, Sandvik's safety work remains a top priority. Several initiatives were introduced in 2015 to increase employee awareness in the area. The goal is to create an industry-leading safety culture and pass this culture on to our customers and suppliers. Given the challenges and risks facing the industries in which we operate, maintaining a safe work environment must always be a top priority – out of respect for both our employees and our customers.

Our safety work primarily focuses on two overall areas. The aim of the first focus area is to identify the risks – even if the risk is extremely low but the potential consequences are serious – and to eliminate or, if this is not possible, control these risks. All business areas conduct ongoing safety assessments to identify potential substantial risks and implement systems for monitoring and minimizing these risks. The aim of the second focus area is to reduce the number of

accidents and work-related illnesses. We are also working to strengthen our existing safety systems, implementing campaigns and expanding our focus on active and visible leadership, all with the aim of changing our corporate culture and our employees' behavior.

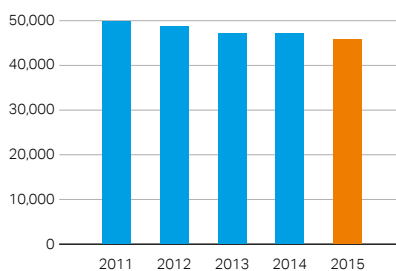
DIVERSITY AND INCLUSION

Diversity and inclusion are vital parts of our people strategy. The recruitment of individuals with diverse backgrounds has a strong impact on Sandvik's creativity and capacity for innovation. Continued efforts related to diversity and inclusion are also a prerequisite for succeeding in the continued globalization of business. During the year, each business area conducted status analyses and identified improvement areas for driving and accelerating diversity and inclusion efforts. Actions for managing these improvement areas have been taken during 2015.

The Group Executive Management is a diverse group with different backgrounds and experiences. In terms of nationality, in addition to Swedes, the Group Executive Management has members from China and the UK.

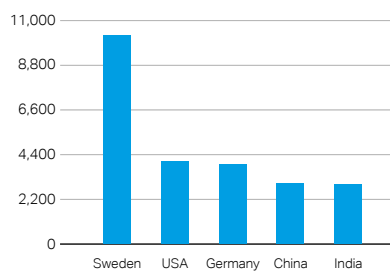
Within the Group, the share of women in the management teams of the business areas continued to rise and is now 25% (23%). There was also an increase in the proportion of women in the pool of next-generation managers who are preparing for

NUMBER OF EMPLOYEES, 2011–2015*



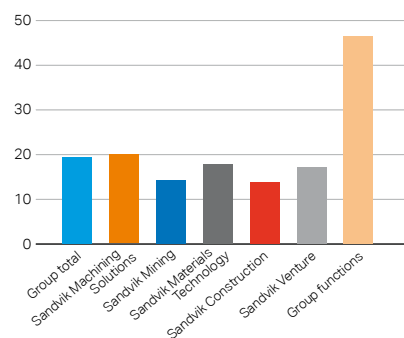
* Restated to Full Time Equivalents (FTEs) at 31 December 2015.

NUMBER OF EMPLOYEES, FIVE LARGEST COUNTRIES*

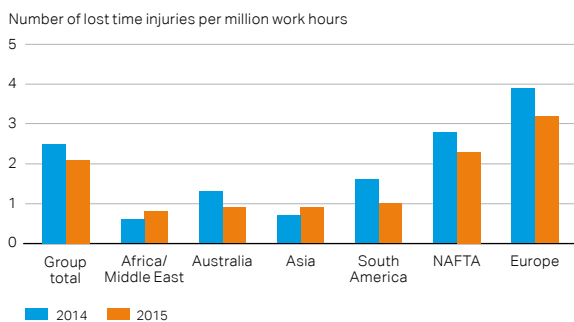


* Restated to Full Time Equivalents (FTEs) at 31 December 2015.

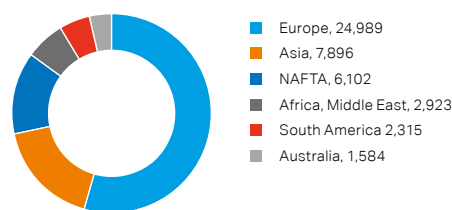
SHARE OF WOMEN, %



LTIFR BY MARKET AREA, 2014–2015



NUMBER OF EMPLOYEES BY MARKET AREA, 2015*



* Restated to Full Time Equivalents (FTEs) at 31 December 2015.

CODES OF CONDUCT

Our Code of Conduct and our Supplier Code of Conduct were revised during 2014 and the global roll-out began in 2015. Our Codes confirm our strong commitment to ethical and responsible business practices and compliance with the relevant laws and regulations in all markets where we operate. Our Code of Conduct is supported by a global reporting tool called "Speak Up".

senior managerial positions in the future. The ambition is to continue increasing the share of women in both managerial positions and as a percentage of all employees across the entire Group.

EMPLOYMENT CONDITIONS

Sandvik's employment conditions are based on the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. All employees have the right to, if they so choose, join any union and be covered by a collective agreement. The Group has several unions represented in various countries. We always endeavor to maintain a constructive dialog with our employees and provide them with the opportunity to influence their working conditions, regardless of whether they are a member of a union or not.

PROPOSAL REGARDING GUIDELINES FOR THE REMUNERATION OF SENIOR EXECUTIVES

The Board proposes that the Annual General Meeting resolve to adopt the following guidelines for the remuneration of senior executives for the period extending until the 2017 Annual General Meeting. These guidelines correspond essentially to those adopted by the 2015 Annual General Meeting.

The remuneration of the Group Executive Management is to comprise fixed salary, variable salary, pension and other benefits. The total remuneration package should be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as the Group's earnings trend.

The variable salary may comprise short-term incentives in cash, and long-term incentives in cash, shares and/or share-based instruments in Sandvik AB. Variable salary in cash is conditional upon the fulfillment of defined and measurable goals and should be maximized in relation to the fixed salary. Long-term incentives in the form of shares and/or share-based instruments in Sandvik AB may be provided through participation in long-term incentive programs approved by the General Meeting. Terms and conditions for variable salary should be designed so that the Board, if exceptional economic circumstances prevail, has the option of limiting or refraining from

payment of variable salary if such a measure is considered reasonable.

In specific cases, agreements may be reached regarding one-off remuneration amounts. Such remuneration may not exceed an amount corresponding to the individual's annual fixed salary and maximum variable salary in cash, and may not be paid more than once per year.

Pension benefits should either be defined benefit or defined contribution, or a combination thereof.

Normally, severance pay is paid when employment is terminated by Sandvik. Members of the Group Executive Management generally have a period of notice of not more than 12 months in combination with severance pay corresponding to 6–12 months fixed salary. An alternative solution may be applied to the President comprising a period of notice of 24 months and no severance pay. No severance pay will be paid when employment is terminated by the employee.

The Board is to have the right to depart from the guidelines resolved on by the Annual General Meeting if, in an individual case, there are special reasons for this.

The sphere of senior executives encompassed by the guidelines comprises the President and other members of the Group Executive Management.

For information concerning the current remuneration of senior executives, including ongoing long-term incentive programs, refer to Note 3.5.

The guidelines adopted by the 2015 Annual General Meeting are presented in Note 3.5.

RESEARCH AND DEVELOPMENT (R&D)

Each business area is responsible for its own R&D program that focuses on product and production development, technology platforms and new innovations. At a Group level, initiatives are carried out to strengthen and complement the business areas' R&D operations, and coordinate activities.

An R&D Board is responsible for the strategic direction of Sandvik's joint research activities, where projects are one component. The Board is led by the Executive Vice President and Head of Group R&D and includes representatives from Sandvik's business areas and Sandvik Intellectual Property.

Sandvik has a portfolio of approximately 8,000 active patents and other intellectual property rights. 850 (800) new patents and other intellectual property rights were granted in 2015. Investments in R&D increased by 15% to 3,532 million SEK (3,076) in 2015, corresponding to 4% (3%) of the Group's sales. The number of employees in R&D including Quality Assurance was approximately 2,700 (2,700) during the year. Read more about R&D on pages 20–23.

ENVIRONMENT

Sandvik respects and complies with environmental legislation in all countries where it operates.

The environmental impact from Sandvik's own operations is both direct and indirect.

The significant environmental aspects are:

- Energy use, emissions and climate change
- Use, reuse & recycling of materials and natural resources
- Waste management
- Water management

Sandvik's emissions to the atmosphere comprise carbon dioxide, acidifying substances, particulate matters and organic substances. These emissions are mainly caused by the company's production processes and combustion of fossil fuels in conjunction with heating and transportation, and indirectly from purchases of electricity produced using fossil fuels.

Sandvik uses freshwater and discharges treated process wastewater and cooling water. Economizing with freshwater is important, particularly in water-stressed regions. A survey has been carried out of the facilities' locations relative to various water-related stress factors. Five facilities in India and one in China have reported some activities for more efficient use of water.

The indirect environmental impact relates to parts of the value chain that are not owned by Sandvik, meaning in the supplier, distribution and customer stages and the phasing out or recycling of products. Therefore, it is vital to consider the entire value chain when describing relative changes in environmental impacts. In certain cases, the environmental impact from raw materials, production and the delivery of products, can be substantially offset by environmental savings in the user phase, for example, as a result of potential energy optimization in the customer stage.

ENVIRONMENTAL PERMITS

Sandvik has approximately 130 production, distribution or service sites worldwide that, where required, hold various types of environmental permits. Sandvik is entirely dependent on the environmental permits granted for these sites. In Sweden, Sandvik conducts licensed operations in accordance with the Environmental Code at 12 plants (Sandviken, Gimo, Stockholm - Västberga, Halmstad, Hallstahammar, Surahammar, Svedala, Köping, Fagersta, Arboga, Norrköping and Ludvika) and notifiable operations in Norberg. All licensed plants hold the requisite envi-

ronmental permits for operations. The environmental permits relate to such activities as the manufacturing of steel and ingots/CC-blooms/CC-billets, the further processing of steel for bar, tube, strip and wire products, rock-drilling products, the manufacture of ceramics, metal powder, cemented-carbide products, castings and various equipment, and tools. For plants holding permits in Sweden, public environmental reports are submitted annually to supervisory authorities.

During 2015, the Land and Environmental court in Sweden issued final conditions for emissions of mercury from the melt shop in Sandviken. The decision from the Land and Environmental court specifies a limit value for mercury and the requirement of continuous measurement. This was the final decision on environmental conditions, thereby closing the environmental permit case in Sandviken, which started in 2002. In 2015, an investigation regarding ethanol emissions to air from Seco Tools' operation in Fagersta was submitted to the Land and Environmental Court. A decision is expected in 2016.

No breaches of permissible manufacturing volumes or limit values prescribed in the permit conditions under the Environmental Code occurred during the year. A number of guideline values were exceeded for noise and emissions to air and water at the plants in Hallstahammar and Sandviken. Actions are taken to comply with these target values, often in consultation with the supervisory authorities.

In other countries where Sandvik operates, some target values were exceeded and acted upon in cooperation with relevant environmental authorities.

Investigations and remediation activities have been performed at production sites with ground pollution. These activities are always performed in close cooperation with environmental authorities.

CHANGES IN SWEDEN DURING THE YEAR

The production unit in Halmstad was closed during 2015. Environmental Due Diligence will be performed during 2016. Two small notifiable units in Haparanda and Nora, Sweden, is under closure.

CARBON EMISSIONS

The plants in Sandviken and Hallstahammar are included in the EU's carbon emissions trading scheme. For 2015, emission rights corresponding to 87,609 tons of CO₂ were assigned.

For additional information, see the Sandvik Sustainable Business Report at sandvik.com.

DEVELOPMENT IN BUSINESS AREAS

Sandvik was organized into five business areas during 2015: Sandvik Machining Solutions, Sandvik Mining, Sandvik Materials Technology, Sandvik Construction and Sandvik Venture.

The overall market environment was challenging in many of Sandvik's end-segments during 2015, in particular in the second half of the year. The oil price continued to fall throughout the year, reaching the lowest point in ten years. This had a negative impact on the demand in the energy segment but also an indirect adverse effect on the general engineering segment, particularly in North America. The indirect impact occurs when customers in the general engineering segment suffer from lower demand due to low activity in the Energy segment to which they deliver. Sandvik Materials Technology and Sandvik Venture were directly impacted by the softening of the energy segment while the indirect exposure affected Sandvik Machining Solutions. In the latter part of the year, uncertainty increased in the mining segment with falling mineral prices and further capital expenditure cuts in the industry. As a consequence, a softening of the after-market business for Sandvik Mining was noted toward year-end. All end-segments deteriorated in China, as the slowdown in the Chinese economy continued during the year. The construction segment remained lacklustre.

Consequently, Sandvik's order intake amounted to 86,378 million SEK (85,957), an organic decrease of 8%, and invoiced sales totaled 90,822 million SEK (88,821), down 6% compared with the preceding year at fixed exchange rates for comparable units. On the back of the bleak market environment, several large structural improvement projects were introduced, including phase II and III of the Supply Chain Optimization Program with the target to close 23 production units over a four-year period. During the year, progress was also made on the initiatives to structurally right-size and adjust the cost base to current demand. Total savings generated from the program and other efficiency measures amounted to 1.1 billion SEK in annual run-rate at year-end 2015,

of the total of 2.1 billion SEK targeted by year-end 2017. The end of 2015 marked the completion of the first phase of the Supply Chain Optimization Program with the closure of a total of 11 units.

The positive effect from the savings made in addition to changes in foreign exchange rates of about 1,950 million SEK(-40) for the full-year were not enough to offset the negative effects from the organic decrease. In addition, nonrecurring charges related to the restructuring measures and impairments impacted earnings negatively in the amount of 4,425 million SEK (-8). Raw material price changes, primarily related to nickel, had an adverse impact on earnings of -338 million SEK (+302). As a result, the operating margin decreased to 6.7% (11.4%) of invoiced sales in 2015.

ORDER INTAKE BY BUSINESS AREA

MSEK	2014	2015	CHANGE, %	CHANGE, %*
Sandvik Machining Solutions	31,328	32,682	4	-5
Sandvik Mining	19,633	21,247	8	0
Sandvik Materials Technology	14,713	12,625	-14	-15
Sandvik Construction	8,571	8,928	4	-4
Sandvik Venture	7,795	8,097	4	-17
Group activities	17	18	6	n/m
Continued op.	82,057	83,597	2	-6
Discontinued op.	3,900	2,781	-29	-32
Group total	85,957	86,378	0	-8

* Change compared with the preceding year, at fixed exchange rates for comparable units.

INVOICED SALES BY BUSINESS AREA

MSEK	2014	2015	CHANGE, %	CHANGE, %*
Sandvik Machining Solutions	30,856	32,652	6	-3
Sandvik Mining	20,543	22,421	9	1
Sandvik Materials Technology	14,907	13,909	-7	-8
Sandvik Construction	8,553	8,551	0	-9
Sandvik Venture	7,658	8,292	8	-13
Group activities	16	20	25	n/m
Continued op.	82,533	85,845	4	-5
Discontinued op.	6,288	4,977	-21	-20
Group total	88,821	90,822	2	-6

* Change compared with the preceding year, at fixed exchange rates for comparable units.

OPERATING PROFIT BY BUSINESS AREA

MSEK	2014	% OF INVOICED SALES	2015	% OF INVOICED SALES	CHANGE, %	CHANGE, %*
Sandvik Machining Solutions	6,159	20	5,269	16	-14	-29
Sandvik Mining	2,483	12	2,585	12	-4	-23
Sandvik Materials Technology	1,880	13	8	0	-100	-108
Sandvik Construction	45	1	28	0	-38	-500
Sandvik Venture	888	12	529	6	-40	-27
Group activities	-1,250	—	-1,147	n/m	-8	-5
Continued operations	10,205	12	7,271	8	-29	-47
Discontinued operations	-85	-1	-1,209	-24	—	—
Group total	10,120	11	6,062	7	-40	-58

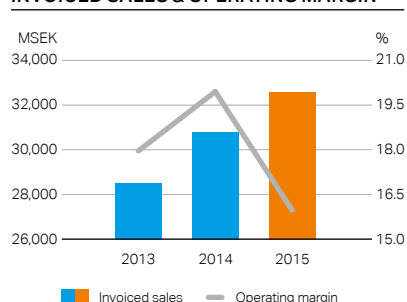
* Change compared with the preceding year, at fixed exchange rates for comparable units.

SANDVIK MACHINING SOLUTIONS

Sandvik Machining Solutions is the leading supplier in the global cutting tool industry. Customer activity weakened during 2015 as the general macro environment deteriorated. Organic invoicing declined by 5%. Demand in North America and Asia weakened from the high levels noted at the beginning of the year, and this was most evident in China and the US. Europe remained largely stable. Low oil prices had a negative

impact on demand from the energy segment as well as an indirect adverse impact on demand in general engineering. Operating profit declined by 14% and amounted to 5,269 million SEK. Internal efficiency measures and the ongoing Supply Chain Optimization Program partially offset the adverse impact of negative organic growth. The operating margin was 16%.

INVOICED SALES & OPERATING MARGIN



FINANCIAL OVERVIEW, MSEK

	2013	2014	2015
Order intake	28,715	31,328	32,682
Invoiced sales	28,543	30,856	32,652
Operating profit	5,205	6,159	5,269
Operating margin, %	18.2	20.0	16.1
Adjusted operating profit*	5,695	6,159	6,579
Adjusted operating margin, %	20.0	20.0	20.1
Return on capital employed, %	26.30	29.5	24.1
Number of employees	19,055	18,927	18,120

* Operating profit adjusted for nonrecurring charges of 1,310 million SEK in 2015, and 490 million SEK in 2013.

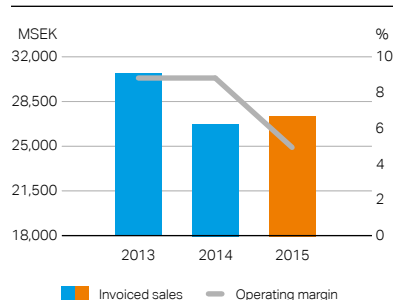
SANDVIK MINING

Sandvik Mining is a leading supplier of equipment, tools, service and technical solutions for exploration, excavation and processing of rock and minerals. Throughout 2015, mining companies remained cautious regarding investments due to the continued negative price trend for many raw materials. However, material output levels continued to rise during the first half of the year, supporting investments for replacement equipment, while the second half of the year showed stagnating output levels and capacity curtailments for multiple commodities. For Sandvik Mining, overall business activity remained largely stable, although a slight

softening for consumables was noted during the second half of the year. Adjusted operating profit for continuing operations increased to 3,296 million SEK, supported by ongoing internal efficiency measures. The adjusted operating margin increased to 15%. On 1 October 2015, the business area announced its intention to divest its Mining Systems operations, which is a project business focused on the design, engineering and assembly of material handling systems. Market activity for Mining Systems weakened as the year progressed, with customers postponing orders for large projects.

SANDVIK MINING, TOTAL

INVOICED SALES & OPERATING MARGIN



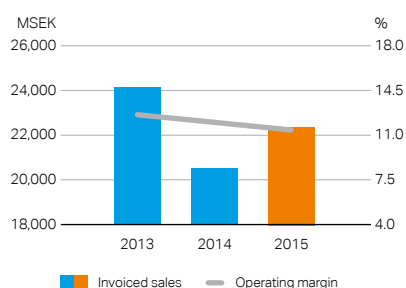
FINANCIAL OVERVIEW, MSEK

	2013	2014	2015
Order intake	27,882	23,533	24,028
Invoiced sales	30,744	26,831	27,398
Operating profit	2,743	2,398	1,375
Operating margin, %	8.9	8.9	5.0
Adjusted operating profit*	3,993	2,398	3,188
Adjusted operating margin, %	13.0	8.9	11.6
Return on capital employed, %	18.5	16.7	10.3
Number of employees	12,965	11,815	11,651

* Operating profit adjusted for nonrecurring charges of 1,814 million SEK in 2015, and 1,250 million SEK in 2013.

SANDVIK MINING, CONTINUING OPERATIONS

INVOICED SALES & OPERATING MARGIN



FINANCIAL OVERVIEW, MSEK

	2013	2014	2015
Order intake	21,991	19,633	21,247
Invoiced sales	24,205	20,543	22,421
Operating profit	3,073	2,483	2,585
Operating margin, %	12.7	12.1	11.5
Adjusted operating profit*	3,798	2,483	3,296
Adjusted operating margin, %	15.7	12.1	14.7
Return on capital employed, %	20.9	18.1	20.0
Number of employees	11,549	10,541	10,507

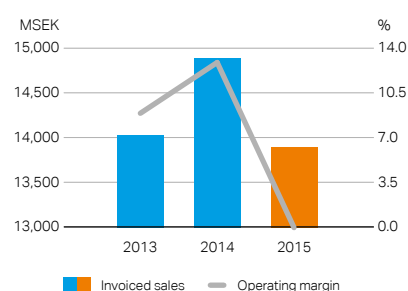
* Operating profit adjusted for nonrecurring charges of 712 million SEK in 2015, and 725 million SEK in 2013.

SANDVIK MATERIALS TECHNOLOGY

Sandvik Materials Technology is a leading developer and manufacturer of advanced stainless steels and special alloys for the most demanding industries. The market situation became increasingly challenging as the year progressed, most notably in the oil and gas segment, where a low and volatile oil price hampered activity. This also resulted in increased competition for the more standardized tubular offering as unutilized capacity was deployed for other segments.

Demand from the automotive segment improved. Activity in the nuclear segment improved somewhat, albeit from a low level. Lower volumes could partly be offset by measures to adjust costs and capacity – and, as such, adjusted operating profit decreased to 818 million SEK. The adjusted operating margin decreased to 6%. Excluding metal price effects the margin was 8.3% for the full year.

INVOICED SALES & OPERATING MARGIN



FINANCIAL OVERVIEW, MSEK

	2013	2014	2015
Order intake	13,415	14,713	12,625
Invoiced sales	14,035	14,907	13,909
Operating profit	1,270	1,880	8
Operating margin, %	9.0	12.6	0.1
Adjusted operating profit*	1,270	1,809	818
Adjusted operating margin, %	9.0	12.1	5.9
Return on capital employed, %	9.8	13.7	0.1
Number of employees	7,113	6,914	6,533

* Operating profit adjusted for nonrecurring charges of 810 million SEK in 2015 and –71 million in 2014.

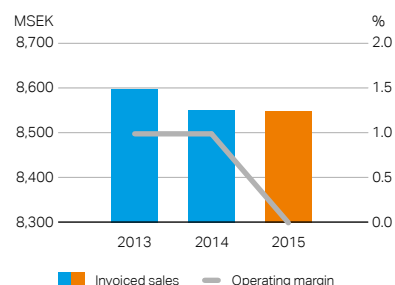
In 2015 operating profit, excluding metal price effects totalling –340 million SEK and adjusted for nonrecurring charges of 810 million SEK, amounted to 1,158 million SEK, with an underlying operating margin of 8.3% (10.1% in 2014 and 11.1% in 2013).

SANDVIK CONSTRUCTION

Sandvik Construction provides solutions in niches such as quarrying, tunneling, demolition, dimensional stone, recycling and civil engineering. The market for construction equipment remained challenging but stable, with some regional differences. Europe was stable with a low activity level while Asia declined somewhat further from an already depressed level. North America noted positive growth while South America remained challenging. The underlying

market activity remained higher for surface drilling and tunneling, while it was more challenging for crushing and screening. The market for services, rock tools and consumables was stable as customer production rates remained intact. The adjusted operating profit increased to 381 million SEK supported by the implemented efficiency measures. The adjusted operating margin increased to 5%.

INVOICED SALES & OPERATING MARGIN



FINANCIAL OVERVIEW, MSEK

	2013	2014	2015
Order intake	8,521	8,571	8,928
Invoiced sales	8,601	8,553	8,551
Operating profit	110	45	28
Operating margin, %	1.3	0.5	0.3
Adjusted operating profit*	310	45	381
Adjusted operating margin, %	3.6	0.5	4.5
Return on capital employed, %	1.9	0.8	0.5
Number of employees	3,147	2,815	2,927

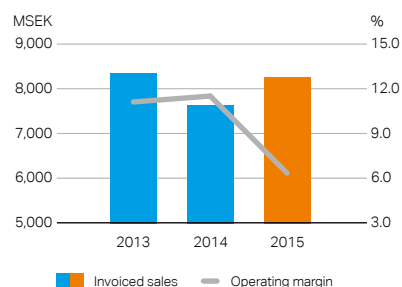
* Operating profit adjusted for nonrecurring charges of 353 million SEK in 2015, and 200 million SEK in 2013.

SANDVIK VENTURE

Sandvik Venture's product areas – Process Systems, Hyperion, Wolfram and Drilling and Completions (Varel) – are leading suppliers of products and applications in their respective niches and also serve as enablers for other Sandvik business areas. The market situation became increasingly challenging as the year progressed, most notably in the energy segment, where a low and volatile oil price hampered activity.

This was most pronounced for Sandvik Drilling and Completions, but it indirectly affected most product areas. The adjusted operating profit declined by 40% and amounted to 579 million SEK. Internal efficiency measures only partly offset the adverse impact from negative organic growth. The adjusted operating margin was 7%.

INVOICED SALES & OPERATING MARGIN



FINANCIAL OVERVIEW, MSEK

	2013	2014	2015
Order intake	5,535	7,795	8,097
Invoiced sales	5,394	7,658	8,292
Operating profit	606	888	529
Operating margin, %	11.2	11.6	6.4
Adjusted operating profit*	806	967	579
Adjusted operating margin, %	14.9	12.6	7.0
Return on capital employed, %	0.1	7.4	3.8
Number of employees	2,635	4,074	3,829

* Operating profit adjusted for nonrecurring charges of 50 million SEK in 2015, 79 million SEK in 2014 and 200 million SEK in 2013.

INTEGRATED RISK MANAGEMENT

The aim of Sandvik’s risk management activities is to manage the risks involved in achieving the company’s objectives and to ensure optimal leveraging of potential opportunities. Through its global presence and many product areas, Sandvik has a favorable risk diversification, with sales in about 20 product areas and a variety of industries in more than 130 countries.

The Sandvik Group applies a Group-wide, comprehensive risk management program – Enterprise Risk Management (ERM). The program covers all business areas and Group functions. ERM is an integral part of Sandvik’s operational and strategic management and assists the company in making decisions and taking action when it encounters change, whether triggered by internal or external factors. Refer also to the Financial Risk Management Report on pages 53–60.

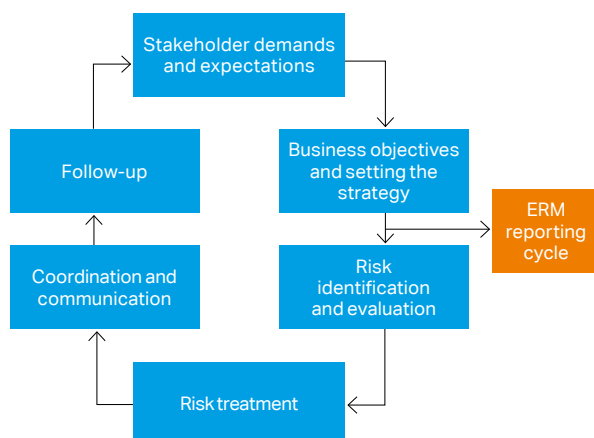
The main components of risk management are identification, evaluation, treatment, monitoring and reporting of risks at different levels in the Group. At Sandvik, formal procedures have been established for the entire ERM process and, during the year, the existing ERM policy was updated to clarify the requirements of the company’s risk management work. Once risks have been identified according to the standardized methodology, action plans are created to accept, reduce, eliminate or transfer the identified risks or to leverage the potential opportunities. During 2015, two consolidated ERM Reports were submitted to the Group Executive Management and a year-end ERM report was provided to the Sandvik Board of Directors.

THE PURPOSE OF INTEGRATED RISK MANAGEMENT

- Create heightened risk awareness in the organization, from operational decision-makers to the Board of Directors. Transparent and consistent reporting of risks forms the basis for a shared approach to what is to be prioritized and managed
- Support the Board of Directors and the Group Executive Management in strategic decision-making through continuous identification and evaluation of strategic risks
- Contribute to improvements in operational decision-making by managers at various levels by ensuring that operational risks are evaluated and managed
- Improve control of the company’s exposure to risk by implementing a Group-wide model and methodology to consolidate risks
- Improve understanding of how various risks interact

In 2015, risk management efforts focused on the Group’s business risks and on risks associated with Sandvik’s sustainability commitment. The Group’s sustainability strategy was revised in order to meet the identified risks. The Group launched a revised Code of Conduct that is supported by Group policies. New processes and a new global reporting tool to address possible breaches of the Code of Conduct were launched together with the Code. The Group also strengthened its processes around sustainable supplier management.

ERM PROCESS, OVERVIEW



BUSINESS RISKS

At Sandvik, the ERM activities are focused in the different business areas and include both a top-down and bottom-up risk-mapping perspective. This means each manager with operational responsibilities is expected to ensure that risks associated with the operations are appropriately identified, evaluated and managed. Business risks include market and country risks, R&D risks, product risks, production risks, health

and safety risks, environmental risks, corruption risks and human rights risks. The risk profiles are consolidated and escalated. Identified key risks for the Sandvik Group, business areas, Group functions and some countries are assigned to risk owners who are responsible for managing the key risks according to developed action plans. Refer also to the Sustainable Business Report at sandvik.com for more information.

LITIGATION

On occasion, Sandvik is party to litigation and administrative proceedings related to its operations, including responsibility for products, the environment, health and safety. Sandvik does not expect that any of these ongoing proceedings and processes will significantly affect the Sandvik Group.

PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

In order to protect its return on investments in marketing, research and development, the Group has a strategy to actively safeguard its marketing and technical achievements against trademark/patent infringements and copying. Sandvik enforces its intellectual property rights through legal proceedings when necessary.

TAX DISPUTES

Sandvik is a multinational Group with many cross-border transactions. Therefore, transfer pricing and indirect taxes comprise two main areas that are the subject of investigations by the tax authorities of various countries.

At times, Sandvik is involved in discussions with the tax authorities concerning transfer pricing issues, meaning the prices applied to transactions between Sandvik companies globally. The Group maintains detailed transfer pricing documentation to support the transfer prices applied. If the tax authorities' opinion in a transfer pricing matter differs from Sandvik's position, this may have implications for the Group's revenue recognition among countries.

When deemed necessary, a provision for disputed taxes is recognized in accordance with the valid financial accounting policies. For further information on the current provision, see Note 10 Income tax on page 101.

COMPLIANCE RISKS

Sandvik conducts its business within the framework of rules and regulations that apply in the various countries, markets and industry sectors where it is active. The Group has an established governance framework including Group policies, Group procedures and other steering documentation. The scope of the governance framework, including the controls implemented, is based on legal requirements and risk exposures. In 2015, the Group consolidated management of legal compliance risks with a view to providing integrated principles, oversight and delivery of the Group's compliance programs. The consolidation included anti-bribery and anti-corruption, competition law, customs and export controls and data privacy. In addition, the Group took further steps to embed compliance resources and responsibility into the line businesses.

FINANCIAL REPORTING RISKS

Operating companies within the Sandvik Group present reports on their financial performance and economic status on a regular basis in accordance with internal reporting rules and the accounting policies applied by Sandvik, the International Financial Reporting Standards (IFRS). The Group's Finance function validates and analyzes the financial information as part of the quality control of financial reporting. Refer also to the Corporate Governance Report on pages 61-69.

ONE-OFF RISKS

Through recurring updates conducted as part of the Group's ERM activities, specific changes in the business or the factors affecting the business are identified. These may relate to the acquisition of a new company, a major investment, new legislation, changes in political or market conditions, technical innovations, etc., whose implications are assessed on a case-by-case basis.

INSURABLE RISKS

Sandvik has tailored insurance programs that transfer the risks associated with the Group's property and liability exposures. Insurable risks are continuously evaluated. Actions are taken to reduce these insurable risks, as part of Sandvik's loss-prevention strategy. Supported by the Sandvik loss-prevention standard, risk evaluations highlight opportunities to reduce the potential for significant losses and to ensure the Group's ability to deliver to its customers.

FINANCIAL RISK MANAGEMENT

Sandvik Financial Services is the functional organization responsible for managing the greater part of the Group's financial risks. The primary objective of the function is to contribute to the creation of value by managing the financial risks to which the Group is exposed to during the ordinary course of business, and to optimize the Group's financial net.

Through its comprehensive and international operations, Sandvik is exposed to financial risks. The Board of Directors is responsible for establishing the Group's finance policy, which comprises guidelines, objectives and limits for financial management and the management of financial risks within the Group.

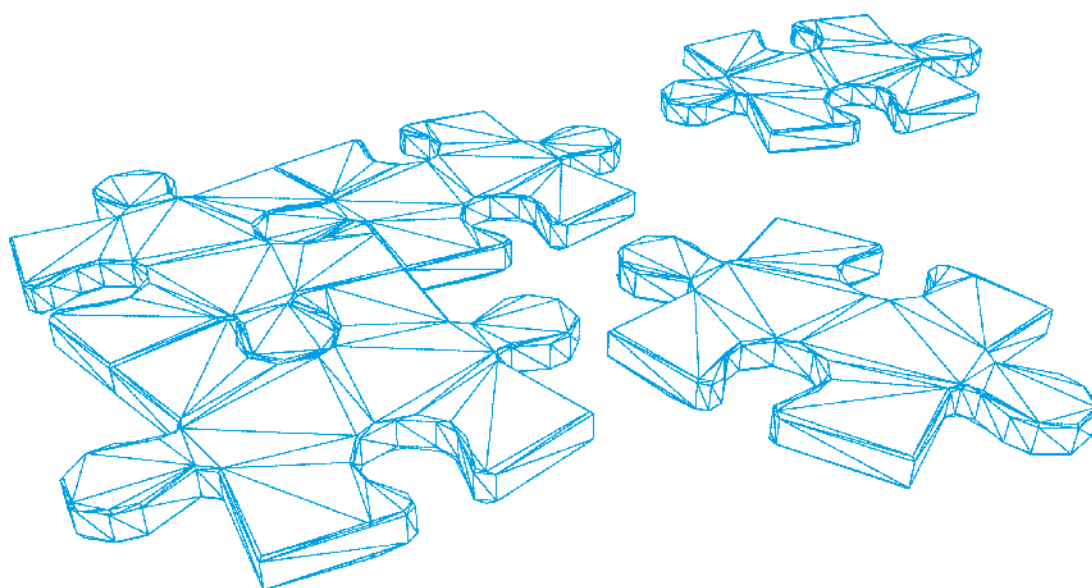
Sandvik Financial Services provides services to Group companies and its task is to support subsidiaries with loans, deposits and foreign exchange deals, and to act as an advisor in financial matters. The function conducts internal banking operations and is based at the head office in Stockholm. The internal bank is also responsible for the Group's cash management.

In addition, Sandvik Financial Services conducts operations for payment advice and trade finance, and is responsible for the Group's global policy for granting credit to customers in conjunction with sales. This activity is carried out mainly through the head office in Stockholm and at several locations worldwide.

Finally, Sandvik Financial Services also manages the financial risks associated with the company's defined-benefit pension plans.

Only entities with a solid financial position and high credit ratings are accepted as Sandvik's counterparties in financial transactions.

The presentations comply with the reporting requirements stated in IFRS (IFRS 7 and IAS 39).



CURRENCY RISK

RISK

Currency risks refer to the foreign-exchange movements affecting profit for the year, other comprehensive income, and the company's competitive situation in various ways:

Transaction exposure

Profit for the year is affected when sales and purchases are made in different currencies.

Translation exposure

- Profit for the year is affected when assets and liabilities are denominated in different currencies
- Profit for the year is affected when the financial results of subsidiaries are translated to SEK
- Other comprehensive income is affected when the net assets of subsidiaries are translated to SEK

Sandvik manages the currency risks that arise in the manner described in the following section. The manner in which the currency risk is managed has not been changed compared with the preceding year.

TRANSACTION EXPOSURE

<p>RISK</p>	<p>Sandvik's annual transaction exposure, meaning the Group's net flow of currencies, after full offsetting of the countervalue in the exporting companies' local currencies, and measured at the average exchange rate, amounted to 16,400 million SEK (13,400) in 2015. The most important currencies for one year of exposure are shown in the diagram below.</p>																														
<p>EXPOSURE</p>	<p>Net flow in foreign currencies, MSEK</p>  <table border="1"> <thead> <tr> <th>Currency</th> <th>2014 (MSEK)</th> <th>2015 (MSEK)</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>1,800</td> <td>600</td> </tr> <tr> <td>USD</td> <td>8,400</td> <td>9,700</td> </tr> <tr> <td>AUD</td> <td>1,400</td> <td>1,500</td> </tr> <tr> <td>CNY</td> <td>2,300</td> <td>2,200</td> </tr> <tr> <td>ZAR</td> <td>1,300</td> <td>1,000</td> </tr> <tr> <td>RUB</td> <td>1,200</td> <td>1,200</td> </tr> <tr> <td>CAD</td> <td>900</td> <td>1,100</td> </tr> <tr> <td>CHF</td> <td>-4,800</td> <td>-3,400</td> </tr> <tr> <td>Other</td> <td>900</td> <td>2,500</td> </tr> </tbody> </table>	Currency	2014 (MSEK)	2015 (MSEK)	EUR	1,800	600	USD	8,400	9,700	AUD	1,400	1,500	CNY	2,300	2,200	ZAR	1,300	1,000	RUB	1,200	1,200	CAD	900	1,100	CHF	-4,800	-3,400	Other	900	2,500
Currency	2014 (MSEK)	2015 (MSEK)																													
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CHF	-4,800	-3,400																													
Other	900	2,500																													
<p>COMMENTS</p>	<p>Sandvik generally offers customers the possibility to pay in their own currencies through the global sales organization. As a result, the Group is continuously exposed to currency risks associated with accounts receivables denominated in foreign currency and with future sales to foreign customers. Since a large percentage of production is concentrated to a few countries, while sales occur in many countries, Sandvik is exposed to a large net inflow of foreign currencies. To reduce exposure to foreign currencies, currencies received are used to pay for purchases in the same currency.</p> <p>A certain portion of the anticipated net flow of sales and purchases is hedged through financial instruments in accordance with guidelines set in the Group's finance policy. In addition, major project orders are currency hedged to safeguard the gross margin. Under the finance policy, the CFO has a mandate to hedge the annual transaction exposure. At year-end, the total hedged amount was 1,365 million SEK (3,262). The average duration for the hedged volume of foreign currency was about 4 months (4). Unrealized losses from outstanding currency contracts for hedging of future net flows amounted to 73 million SEK (-63) at year-end. Of this amount, 74 million SEK related to contracts maturing in 2016 and -1 million SEK to contracts maturing in 2017 or later. Hedge accounting in line with IAS 39 is applied for the bulk of the hedge transactions. For a more detailed breakdown of the quarterly effects on cash flow of the transactions that have been recognized in the hedge reserve, see Note 27.</p>																														

TRANSLATION EXPOSURE

RISK

Under normal circumstances, Sandvik's subsidiaries should not be subject to any extensive translation risk in their balance sheets, since the objective is that a subsidiary's receivables and liabilities in foreign currency are to be balanced (currency hedged).

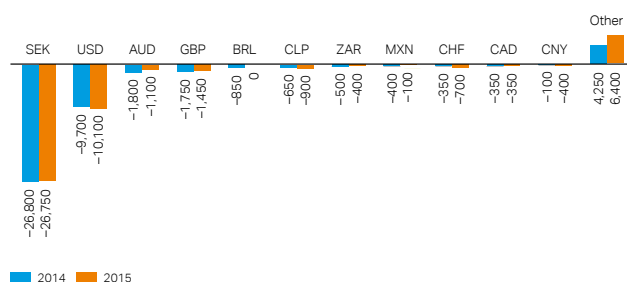
Profit/loss in a foreign subsidiary is translated to SEK based on the average rate for the period to

which the profit/loss relates, which means that the Group's earnings are exposed to a translation risk.

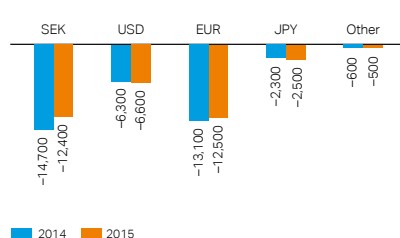
Net assets, meaning the subsidiaries' shareholders equity, are translated to SEK at the rate applying on the balance-sheet date. At 31 December, the Group's net assets in subsidiaries in foreign currency totaled 36,600 million SEK (35,700).

EXPOSURE

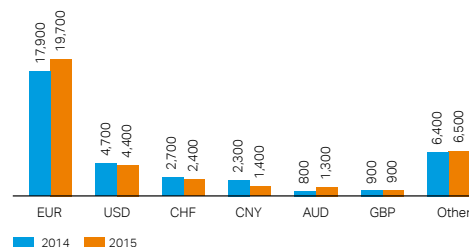
FINANCING OF SUBSIDIARIES BY CURRENCY (NET), MSEK



GROUP'S EXTERNAL BORROWING BY CURRENCY, MSEK



NET ASSETS BY FOREIGN CURRENCY, MSEK



COMMENTS

To avoid translation risk in the balance sheets of subsidiaries, they are financed in local currency through the internal bank. The currencies required by the subsidiaries are shown in the above diagram. External borrowing often takes place in a specific currency, as shown in the following diagram. The currency risk that arises in the internal bank as a result of this is managed using various derivatives, thus minimizing the translation risk.

Sandvik has chosen not to hedge future profits in foreign subsidiaries. Net assets are also not hedged, but the differences that arise due to changes in exchange rates since the preceding quarter are recognized directly in other comprehensive income. The final diagram shows the distribution of net assets among various currencies.

EXCHANGE-RATE SENSITIVITY

RISK

To gain a comprehensive understanding of how exchange-rate fluctuations impact the Group's operating profit, consideration must be given to the transaction exposure, the operating profit of the subsidiaries in their respective currencies and implemented hedges.

The sensitivity of the Group's other comprehensive income to exchange rates depends on the size

of net assets. In addition to net assets, other comprehensive income is also exposed to exchange-rate risk, since certain derivative contracts are subject to hedge accounting, which means that unrealized changes in the market value of these contracts are recognized directly in other comprehensive income instead of in profit for the year.

EXPOSURE

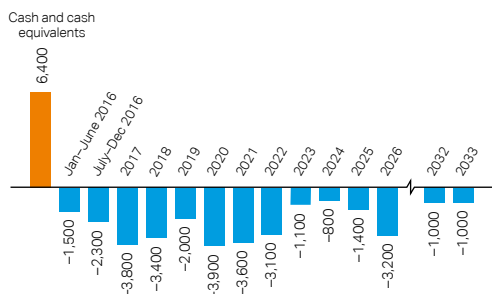
If the exchange rates for the exposure currencies were to change by 5% in an unfavorable direction, total operating profit over a 12-month period would change by approximately -2,500 million SEK (-1,800), assuming that the composition is the same as it was at year-end.

The net effect on other comprehensive income of a similar change to exchange rates would be approximately -2,000 million SEK (-2,000). This net effect primarily comprises translation exposure in equity.

INTEREST-RATE RISK

RISK	Interest-rate risk is defined as the risk that changes in market interest rates will have an adverse impact on the Group's net interest items. The impact on net interest items of a change in interest rates depends on the interest terms of assets or liabilities. Sandvik measures interest-rate risk as the change over the forthcoming 12 months given a	1-percentage-point change in interest rates. Interest-rate risk arises in two ways: – The company may have invested in interest-bearing assets, the value of which changes when the interest rate changes. – The cost of the company's borrowing fluctuates when the general interest-rate situation changes.																																							
EXPOSURE	<p>If market rates were to rise by 1 percentage point across all terms at 1 January 2016, in relation to loans for which the interest rate will be reset during the coming year, loans would be impacted by –91 million SEK.</p> <p>INTEREST RATES AND FIXED-INTEREST TERMS ON OUTSTANDING LOANS</p> <table border="1" data-bbox="395 763 1385 1122"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">INCLUDING EFFECTS OF INTEREST-RATE DERIVATIVES</th> </tr> <tr> <th>EFFECTIVE RATE OF INTEREST, %</th> <th>FIXED-INTEREST TERM, MONTHS</th> <th>RECOGNIZED LIABILITY, MSEK</th> </tr> </thead> <tbody> <tr> <td>Bond loans, Swedish MTN</td> <td>2.8</td> <td>21</td> <td>11,044</td> </tr> <tr> <td>Bond loans, European MTN</td> <td>3.6</td> <td>106</td> <td>10,022</td> </tr> <tr> <td>Private placement</td> <td>4.1</td> <td>42</td> <td>6,606</td> </tr> <tr> <td>Commercial papers</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Other loans from banks</td> <td>1.7</td> <td>16</td> <td>6,876</td> </tr> <tr> <td>Total loans</td> <td>3.0</td> <td>49</td> <td>34,548</td> </tr> <tr> <td>Interest effect of currency derivatives</td> <td>1.8</td> <td></td> <td></td> </tr> <tr> <td>Total incl. currency derivatives</td> <td>4.8</td> <td></td> <td></td> </tr> </tbody> </table>		INCLUDING EFFECTS OF INTEREST-RATE DERIVATIVES			EFFECTIVE RATE OF INTEREST, %	FIXED-INTEREST TERM, MONTHS	RECOGNIZED LIABILITY, MSEK	Bond loans, Swedish MTN	2.8	21	11,044	Bond loans, European MTN	3.6	106	10,022	Private placement	4.1	42	6,606	Commercial papers	0	0	0	Other loans from banks	1.7	16	6,876	Total loans	3.0	49	34,548	Interest effect of currency derivatives	1.8			Total incl. currency derivatives	4.8			<p>An interest-rate sensitivity analysis of interest-swap agreements valid at year-end, and to which hedge accounting was applied, shows that other comprehensive income would change by 128 million SEK as a result of a 1-percentage-point increase of the interest-rate curve.</p>
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COMMENTS	<p>In the event that Sandvik has surplus liquidity, it is placed in bank deposits or in short-term money-market instruments (durations of up to 90 days), which means that the interest-rate risk (the risk of a change in value) is low.</p> <p>The Group's interest-rate risk arises mainly in connection with borrowing. Interest-rate swap agreements are sometimes used to achieve the desired fixed-interest term. The Group CFO has a mandate to vary the average fixed-interest term of the Group's debt portfolio, provided that it does not exceed 60 months. The average fixed-interest term on Sandvik's borrowing was 49 months (52) at year-end, with consideration given to interest-rate swap agreements entered into.</p> <p>In line with the Group's finance policy, internal lending to foreign subsidiaries is hedged. Consequently, there is an interest-rate effect in currency derivatives of 1.8 % between the currencies the Group borrows and the currencies the Group lends.</p>	<p>The Group's average interest expense, including other loans and effects of various derivatives, was 4.8 % (4.8).</p> <p>Hedge accounting is applied when an effective link exists between hedged loans and interest-rate swaps. Accordingly, changed market interest rates could also impact other comprehensive income, since the Group has interest-rate swap agreements to which it applies cash-flow hedging. This means that changes in the market values of these swaps are recognized directly in other comprehensive income instead of in profit for the year. A presentation of all interest-rate swap agreements entered into, and information regarding their duration, can be found in Note 27.</p> <p>Sandvik's loan conditions do not currently entail financial covenants linked to key figures. Only under exceptional circumstances are assets pledged in connection with the raising of loans. Such pledging is disclosed in Note 26.</p>																																							

LIQUIDITY AND REFINANCING RISK

RISK	<p>Liquidity and refinancing risk is defined as the risk that financing possibilities will be limited when loans must be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity.</p>																																				
EXPOSURE	<p>MATURITY PROFILE FOR BORROWING AND LIQUID ASSETS Nominal amount, MSEK</p>  <p>BORROWING, SIZE OF PROGRAMS AND REMAINING CREDIT PERIODS</p> <table border="1" data-bbox="391 851 1396 1164"> <thead> <tr> <th></th> <th>CURRENCY</th> <th>RECOGNIZED LIABILITY, MSEK</th> <th>SIZE OF PRO-GRAMS, MSEK</th> <th>AVERAGE REMAINING CREDIT PERIOD (YEARS)</th> </tr> </thead> <tbody> <tr> <td>Bond loans, Swedish MTN</td> <td>SEK</td> <td>11,044</td> <td>15,000</td> <td>3.3</td> </tr> <tr> <td>Bond loans, European MTN</td> <td>EUR</td> <td>10,022</td> <td>27,409</td> <td>10.5</td> </tr> <tr> <td>Private placement</td> <td>USD</td> <td>6,606</td> <td>—</td> <td>4.0</td> </tr> <tr> <td>Commercial papers</td> <td>EUR, SEK</td> <td>0</td> <td>16,852</td> <td>0.0</td> </tr> <tr> <td>Other loans from banks</td> <td>Others</td> <td>6,876</td> <td>—</td> <td>3.2</td> </tr> <tr> <td>Total borrowing</td> <td></td> <td>34,548</td> <td>59,261</td> <td>5.5</td> </tr> </tbody> </table>			CURRENCY	RECOGNIZED LIABILITY, MSEK	SIZE OF PRO-GRAMS, MSEK	AVERAGE REMAINING CREDIT PERIOD (YEARS)	Bond loans, Swedish MTN	SEK	11,044	15,000	3.3	Bond loans, European MTN	EUR	10,022	27,409	10.5	Private placement	USD	6,606	—	4.0	Commercial papers	EUR, SEK	0	16,852	0.0	Other loans from banks	Others	6,876	—	3.2	Total borrowing		34,548	59,261	5.5
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Private placement	USD	6,606	—	4.0																																	
Commercial papers	EUR, SEK	0	16,852	0.0																																	
Other loans from banks	Others	6,876	—	3.2																																	
Total borrowing		34,548	59,261	5.5																																	
COMMENTS	<p>According to the finance policy, the Group's capital employed excluding cash and cash equivalents should be financed on a long-term basis and the short-term liquidity reserve should correspond to at least two weeks' operating expenses. At year-end, the Group's capital employed, excluding cash and cash equivalents, was 71,300 million SEK and long-term financing, including share capital, pension liabilities, long-term tax liabilities, long-term provisions and guaranteed credit facilities, amounted to 80,600 million SEK. The short-term liquidity reserve amounted to 14,100 million SEK, comprising credit facilities and accessible cash and cash equivalents less loans that mature for payment over the next six months. This amount should be compared with two weeks' estimated operating expenses of 2,800 million SEK.</p> <p>Sandvik has credit facilities totaling 650 million EUR and 5,000 million SEK. The facilities, which are the Group's primary liquidity reserve, were unutilized at year-end.</p> <p>The aim of Sandvik's financing strategy is to achieve a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk. The share of long-term loans in relation to total borrowing was 85% at year-end 2015 compared with 93% one year earlier. The maturity structure for the Group's financial liabilities and derivatives is presented in Note 27.</p> <p>At year-end, Standard & Poor's, the international credit rating agency, had assigned a BBB credit rating to Sandvik's long-term borrowing and A-2 for its short-term borrowing. For a continuous update on Sandvik's credit rating, refer to www.sandvik.com.</p>																																				

CREDIT RISK

RISK	<p>The Group's commercial and financial transactions give rise to credit risk in relation to Sandvik's counterparties. Credit risk or counterparty risk is defined as the risk for losses if the counterparty does not fulfill its commitments.</p>	<p>The credit risk to which Sandvik is exposed can be divided into three categories:</p> <ul style="list-style-type: none"> – Financial credit risk – Credit risk in trade receivables – Credit risk in customer financing 																								
EXPOSURE	<table border="1"> <thead> <tr> <th colspan="3" data-bbox="395 551 874 584">TOTAL CREDIT RISK – FINANCIAL INSTRUMENTS</th> </tr> <tr> <th data-bbox="395 584 459 607">MSEK</th> <th data-bbox="986 584 1050 607">2014</th> <th data-bbox="1102 584 1166 607">2015</th> </tr> </thead> <tbody> <tr> <td data-bbox="395 607 571 629">Trade receivables</td> <td data-bbox="975 607 1050 629">13,840</td> <td data-bbox="1091 607 1166 629">12,238</td> </tr> <tr> <td data-bbox="395 629 655 651">Cash and cash equivalents</td> <td data-bbox="986 629 1050 651">6,327</td> <td data-bbox="1102 629 1166 651">6,376</td> </tr> <tr> <td data-bbox="395 651 687 674">Unrealized gains on derivatives</td> <td data-bbox="995 651 1050 674">963</td> <td data-bbox="1123 651 1166 674">708</td> </tr> <tr> <td data-bbox="395 674 571 696">Other receivables</td> <td data-bbox="995 674 1050 696">428</td> <td data-bbox="1123 674 1166 696">418</td> </tr> <tr> <td data-bbox="395 696 587 719">Outstanding credits</td> <td data-bbox="986 696 1050 719">1,088</td> <td data-bbox="1102 696 1166 719">1,324</td> </tr> <tr> <td data-bbox="395 719 459 741">Total</td> <td data-bbox="970 719 1050 741">22,646</td> <td data-bbox="1075 719 1166 741">21,064</td> </tr> </tbody> </table>		TOTAL CREDIT RISK – FINANCIAL INSTRUMENTS			MSEK	2014	2015	Trade receivables	13,840	12,238	Cash and cash equivalents	6,327	6,376	Unrealized gains on derivatives	963	708	Other receivables	428	418	Outstanding credits	1,088	1,324	Total	22,646	21,064
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COMMENTS	<p>Sandvik has entered into agreements with the banks that are most important to the company covering such matters as the right to offset receivables and liabilities that arise from financial derivative transactions, so-called ISDA agreements. This means that the company's counterparty exposure to the financial sector is limited to the unrealized positive results that arise in derivative agreements, and investments and bank balances. At 31 December 2015, the value of these amounted to 7,084 million SEK (7,290).</p> <p>Sandvik companies are exposed to the credit risk associated with outstanding trade receivables from ongoing sales. Credit risk is diversified over a large number of customers in all business areas and satisfactorily reflects the spread of sales. The credit quality of the trade receivables that have not fallen due for payment is good. In 2015, the change in Sandvik's customer bad debts amounted to –226 million SEK (–133), which corresponds to about 0.3% of sales. The total gross value of</p> <p>outstanding trade receivables was 13,058 million SEK (14,753) at 31 December. Total impairment of these was –820 million SEK (–913). Age analysis of trade receivables at 31 December is presented in Note 19.</p> <p>Sandvik offers short and long-term customer financing through its own financing companies and in partnership with financial institutions and banks. At year-end, the value of outstanding credits was 1,375 million SEK (1,126), of which –51 million SEK (–39) was reserved for doubtful receivables.</p> <p>Sandvik regularly provides buyback guarantees, that is, a promise to repurchase a machine at a price established in advance. At year-end, the outstanding buyback guarantees amounted to 89 million SEK (94).</p> <p>In addition to the traditional financing of equipment, Sandvik also offers short-lease machinery. At year-end, the net carrying amount of this short-lease machinery was 541 million SEK (573).</p>																									

RAW MATERIALS PRICE EXPOSURE

RISK	Sandvik's financial risks related to raw materials are primarily concentrated to nickel and electricity. The	price risk associated with these is partially hedged through the signing of financial contracts.
EXPOSURE	<p>When Sandvik Materials Technology obtains a customer order at a fixed price for nickel, molybdenum or copper, the price of these materials is hedged by signing financial contracts. This means that Sandvik's operating profit is not impacted by movements in the price of these raw materials, relating to the aforementioned orders at a fixed price.</p> <p>The Group pursues hedging aimed at eliminating the metal price risk in connection with transactions conducted at a variable metal price. The measurement of inventory is not affected by hedging.</p> <p>Changes in metal prices impact the result as a</p>	<p>consequence of the rules regarding revaluation of inventory. The net effect is presented in the "Development in business areas" section.</p> <p>For Sandvik's large production units in Sweden, the electricity price is continuously hedged through derivatives. Electricity consumption at these units normally totals some 800 GWh. The hedging horizon at year-end was about 19 months' (17) expected consumption.</p>
COMMENTS	<p>Net total consumption of nickel amounted to about 12,700 metric tons during the year.</p> <p>At year-end, the volume of hedged nickel inventory was 2,447 metric tons (1,306). The market value of commodity derivatives entered into was -63 million SEK (-12).</p> <p>The market value of electricity derivatives was 402 million SEK (424) at year-end. The result of these derivative contracts amounted to -133 million SEK (-86). A change in the electricity price of SEK 0.1 per</p>	<p>kWh is estimated to impact Sandvik's operating profit and other comprehensive income by plus or minus 80 million SEK on an annual basis, based on the prevailing conditions at year-end 2015.</p> <p>Hedge accounting in accordance with IAS 39 is applied to the majority of the raw materials and electricity derivatives. To see how recognized hedging transactions will impact profit for the year, refer to Note 27.</p>

PENSION COMMITMENTS

<p>RISK</p>	<p>Sandvik has comprehensive pension obligations for its employees in the countries in which it operates. The pension solutions vary depending on leg-</p>	<p>islation and local agreements. The most comprehensive agreements are found in Sweden, Finland, Germany, the UK, Canada and the US.</p>																								
<p>EXPOSURE</p>	<p>The average interest-rate duration for the Group's interest-bearing assets in the pension portfolio is 7.2 years, and 16.8 years for pension commitments. Since the durations of the assets and liabilities differ, a change in interest rates of 1 percentage point would have a net impact of approximately 2,300 million SEK. A 20% movement in the stock market would change assets by about 1,250 million SEK.</p> <p>If longevity assumptions are changed by one year, the pension liability would change by about 4%, which corresponds to 700 million SEK. The risk, measured as Value at Risk (VaR), meaning the highest amount Sandvik risks losing (with a confidence interval of 95%) during one year given the market's current volatility and correlations, is approximately 4,000 million SEK.</p>	<p>TREND OF PENSION LIABILITY AND MANAGED CAPITAL</p> <table border="1"> <caption>Trend of Pension Liability and Managed Capital (2011-2015)</caption> <thead> <tr> <th>Year</th> <th>Liabilities (M SEK)</th> <th>Assets (M SEK)</th> <th>Funding (%)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>15,000</td> <td>13,000</td> <td>87</td> </tr> <tr> <td>2012</td> <td>17,000</td> <td>14,000</td> <td>82</td> </tr> <tr> <td>2013</td> <td>18,000</td> <td>15,000</td> <td>83</td> </tr> <tr> <td>2014</td> <td>22,000</td> <td>18,000</td> <td>82</td> </tr> <tr> <td>2015</td> <td>22,800</td> <td>18,900</td> <td>83</td> </tr> </tbody> </table>	Year	Liabilities (M SEK)	Assets (M SEK)	Funding (%)	2011	15,000	13,000	87	2012	17,000	14,000	82	2013	18,000	15,000	83	2014	22,000	18,000	82	2015	22,800	18,900	83
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<p>COMMENTS</p>	<p>To ensure the efficient administration of the substantial pension plans and efficient management of funds reserved for pension plans, Sandvik has established a separate entity for this purpose, the Sandvik Pensions Supervisory Board. In each country, local pension boards are also established that are responsible for compliance with legislation and local agreements.</p> <p>The defined-benefit pension plans are described in Note 20.</p>	<p>In 2015, managed capital totaled 18,900 million SEK (18,400) and the corresponding pension commitments amounted to 22,800 million SEK (22,700), which is equal to a consolidation level of 83% (81). The return on Sandvik's pension assets was 2.1% (11.7). Unfunded pension plans amounted to 1,900 million SEK (2,300).</p>																								

CORPORATE GOVERNANCE REPORT

Sandvik AB has its head office in Stockholm and is the Parent Company of the Sandvik Group, with subsidiaries in more than 60 countries. The Sandvik Group has about 46,000 employees and its operations are global with sales in more than 150 countries. Sandvik AB is a public company with its shares listed on Nasdaq Stockholm (the "Stock Exchange").

Corporate governance at Sandvik comprises the system – encompassing the principles, guidelines, structures and processes – through which the Group is managed and controlled. The aim is to ensure efficient and value-creating decision-making by clearly specifying the division of roles and responsibilities among the shareholders, the Board and the Group Executive Management.

Corporate governance is based on the Swedish Companies Act, the Stock Exchange's Rule Book for Issuers and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant laws and regulations. The Code is available from corporategovernanceboard.se. In 2015, Sandvik applied the Code without deviating from any of its regulations.

OWNERSHIP STRUCTURE

At 31 December 2015, Sandvik's share capital amounted to 1,505,263,107.60 SEK represented by

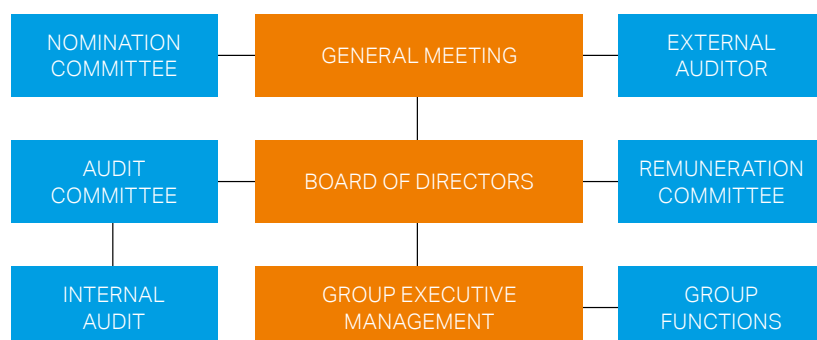
1,254,385,923 shares. Each share carries one vote at General Meetings of Shareholders. According to the share register, Sandvik had about 117,600 shareholders at 31 December 2015. AB Industrivärden was the largest owner with about 11.7% of the share capital. Of the total share capital at year-end, nearly 30% was owned by investors outside Sweden.

GENERAL MEETING

Pursuant to the Swedish Companies Act, the General Meeting of Shareholders is the highest decision-making body. At the Annual General Meeting, the shareholders are given the possibility to exercise their voting rights in relation to, for example, the Annual Report, dividends, election of the Board and appointment of auditor, and other matters stipulated in the Companies Act, the Articles of Association and, where applicable, the Code.

All shareholders who have been entered in the share register and have informed the company of

CORPORATE GOVERNANCE MODEL



As a component in the governance of the Sandvik Group, committees and other coordination and preparatory bodies have been established comprising representatives from business areas and Group functions. Examples of such bodies include the Finance Management Team, IT Board, R&D Board and Communication Management Team.

YEAR IN BRIEF

- Björn Rosengren took office as new President and CEO in November 2015
- Lars Engström joined the Group Executive Management as new President of Sandvik Mining in December 2015
- Jennifer Allerton, Claes Boustedt and Johan Molin were elected new members of the Board, with Johan Molin as Chairman of the Board in May 2015
- Annual election of the auditor was introduced.
- Launch of the revised Code of Conduct



Well-attended Annual General Meeting on 7 May 2015 at the Göransson Arena in Sandviken, Sweden.

their attendance within the time limit stated in the notice of the meeting are entitled to participate at Sandvik's General Meetings and vote according to the number of shares held. Shareholders are also entitled to be represented by a proxy at the Meeting.

2015 ANNUAL GENERAL MEETING

Shareholders representing 52.31% of the share capital and votes attended the Annual General Meeting held on 7 May 2015 in Sandviken, Sweden. Sven Unger, attorney-at-law, was elected to chair the meeting. Resolutions passed at the meeting included the following:

- Dividend of 3.50 SEK per share
- Election of Jennifer Allerton, Claes Boustedt and Johan Molin as new members of the Board and re-election of Board members Olof Faxander, Jürgen Geissinger, Johan Karlström, Hanne de Mora and Lars Westerberg. Election of Johan Molin as new Chairman of the Board
- Guidelines for remuneration of senior executives
- A long-term incentive program in the form of a performance share program for about 350 senior executives and key employees in the Group
- Adoption of revised articles of association, resulting in annual election of the auditor
- Re-election of KPMG AB as auditor

For additional information about the Annual General Meeting, including the minutes, refer to sandvik.com.

2016 ANNUAL GENERAL MEETING

The next Annual General Meeting will be held on 28 April 2016 in Sandviken, Sweden. More information is available at sandvik.com.

NOMINATION COMMITTEE

The Nomination Committee is a preparatory body that prepares proposals for, among other things, the election of the Board of Directors, the Chairman of the Board and auditors as well as fees for adoption at the General Meeting. The Annual General Meeting has adopted an instruction for the Nomination Committee,

THE TEN LARGEST SHAREHOLDER GROUPS AT 31 DECEMBER 2015, %

AB Industrivärden	11.7
Alecta Pension Insurance	4.9
Handelsbanken Pension	3.8
AMF – Insurance and Funds	3.5
Swedbank Robur Funds	3.4
SSB CL Omnibus*	3.4
JPM Chase NA*	2.5
L E Lundbergföretagen AB	2.4
Nordea Investment Funds	2.0
Göranssonska Foundations	1.8

* Shares held in trust.

which includes a procedure for appointing the Nomination Committee, valid until a General Meeting resolves on a change. In accordance with this instruction, the Nomination Committee should comprise representatives of the four largest shareholders, in terms of the number of votes, on the final business day in August plus the Chairman of the Board (convener).

NOMINATION COMMITTEE FOR 2016 AGM

For the 2016 Annual General Meeting, the Nomination Committee consists of Fredrik Lundberg, Chairman (Industrivärden), Kaj Thorén (Alecta), Pär Boman (Handelsbanken AB, Handelsbanken's Pension Foundation and Handelsbanken's Pension Fund), Tomas Hedberg (Swedbank Robur Funds) and Johan Molin (Sandvik's Chairman of the Board). Up to the date of the Annual General Meeting, the Nomination Committee met on at least three occasions. Through Sandvik's Chairman of the Board, the Nomination Committee has been informed of the results of the Board's own evaluation and the company's operations, stage of development and overall status. The Nomination Committee has discussed the general criteria that Board members should fulfill, including the independence requirement, and has reviewed the number of Board assignments that each Board member has in other companies. Furthermore, the Nomination Committee has paid special attention to the requirements relating to diversity and breadth as well as the requirement to strive for even gender distribution.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's organization and the management of the company's business. The Board is required to continuously monitor the company's and the Group's financial position.

The Board is to ensure that the company's organization is designed in a way that ensures that the financial

NOMINATION COMMITTEE'S TASKS AHEAD OF THE 2016 ANNUAL GENERAL MEETING

- Proposal concerning the Chairman of the Meeting
- Proposal concerning the number of Board members
- Proposal concerning remuneration of each Board member
- Proposal concerning the Board and Chairman of the Board
- Proposal concerning auditor and remuneration of the auditor
- If deemed necessary, proposal for changes to the Nomination Committee's instruction concerning the procedure for appointment of the Nomination Committee for the forthcoming Annual General Meeting and its assignment

statements, the management of assets and the company's financial condition in general are controlled in a reassuring manner.

The President is appointed by the Board and is responsible for the daily operations pursuant to guidelines and instructions issued by the Board. The distribution of responsibilities between the Board and the President is laid down in written instructions.

The Board's Procedural Guidelines and instruction for work delegation between the Board and the President, as well as for financial reporting, are reviewed and adopted each year. The review is based on such aspects as the Board's evaluation of the individual and collective work that the Board performs.

In addition to financial reporting and the monitoring and follow-up of daily operations and profit trend, Board meetings address the goals and strategies for the operations, acquisitions and significant investments, as well as matters relating to the capital structure. Senior executives report business plans and strategic issues to the Board on an ongoing basis.

COMPOSITION OF THE BOARD AT 31 DECEMBER 2015

NAME	FUNCTION	INDEPENDENT IN ACC. WITH THE CODE	SHAREHOLDING, NUMBER ¹⁾ 31 DEC 2015	ELECTED	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Jennifer Allerton	Member	Yes	10,000	2015		
Thomas Andersson	Deputy*		612	2012		
Claes Boustedt	Member	Yes	10,000	2015	Member	
Jürgen M Geissinger	Member	Yes	0	2012		
Johan Karlström	Member	Yes	5,000	2011		Member
Jan Kjellgren	Member*		570	2008		
Tomas Kärnström	Member*		2,889	2006		
Mats W Lundberg	Deputy*		0	2015		
Johan Molin	Chairman	Yes	260,000 ²⁾	2015	Member	Chairman
Hanne de Mora	Member	Yes	16,000	2006	Chairman	
Lars Westerberg	Member	Yes	12,000	2010		Member

* Employee representatives (both members and deputy members participate in Board meetings). Jan Kjellgren (member) and Mats W Lundberg (deputy) represent Unionen/Ledarna/Swedish Association of Graduate Engineers. Tomas Kärnström (member) and Thomas Andersson (deputy) represent IF Metall.

1) Pertains to own and closely related persons' shareholdings.

2) The shares are held through capital redemption policy. Johan Molin also holds 1,000,000 call options in Sandvik AB.

COMPOSITION

As per 31 December 2015, Sandvik’s Board comprised seven members elected by the Annual General Meeting. Pursuant to Swedish legislation, trade unions are entitled to representation on the Board and they have appointed two members and two deputies.

In accordance with the Nomination Committee’s proposal, Jennifer Allerton, Claes Boustedt and Johan Molin were elected new members of the Board, and Olof Faxander, Jürgen Geissinger, Johan Karlström, Hanne de Mora and Lars Westerberg were re-elected members of the Board at the 2015 Annual General Meeting. Johan Molin was elected new Chairman of the Board. Anders Nyrén and Simon Thompson had declined re-election. The trade unions appointed Tomas Kärnström and Jan Kjellgren as Board members, and Thomas Andersson and Mats W Lundberg as deputies. Sandvik’s General Counsel Åsa Thunman served as secretary of the Board, and the Remuneration and Audit Committees. Olof Faxander subsequently resigned from the Board in August 2015 in connection with the termination of his employment as President and CEO.

The Board members are presented in more detail on pages 124–125.

INDEPENDENCE

All seven Board members elected by the General Meeting are independent in relation to Sandvik and its executive management, as well as the company’s major shareholders. Accordingly, the composition of the Board complies with the requirements of the Code that the majority of the members elected by the

General Meeting be independent in relation to the company and its executive management and that a minimum of two of those members that are independent in relation to the company and its executive management are also to be independent in relation to the company’s major shareholders.

BOARD PROCEEDINGS DURING 2015

During the year, the Board held 13 meetings. The Board addressed strategic issues. The executive managements of all five business areas presented their goals and strategies. The Board also addressed matters related to human resources, such as incentive programs, environment, health and safety, and issues concerning investments and the review of previously made investments, as well as acquisitions and divestments. The Remuneration and Audit Committees submitted reports from their respective meetings. In autumn 2015, the Board traveled around Sweden and Finland, which included visits to the Sandvik sites in Gimo (Sandvik Coromant), Fagersta (Seco Tools) and Tampere (Sandvik Mining and Sandvik Construction).

REMUNERATION OF THE BOARD

As resolved at the 2015 Annual General Meeting, the Chairman’s fee is 1,700,000 SEK and the fee to each of the non-executive Board members elected by the General Meeting is 600,000 SEK.

In addition, 175,000 SEK was paid to the Chairman of the Audit Committee and 150,000 SEK to each of the other Committee members, in total 475,000 SEK.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2015

MEMBER	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
<i>Total number of meetings</i>	13	5	3
Jennifer Allerton ¹⁾	9		
Thomas Andersson	12		
Claes Boustedt ¹⁾	9	3	
Alicia Espinosa ²⁾	4		
Olof Faxander ³⁾	7		
Jürgen M Geissinger	11		
Johan Karlström	12		3
Jan Kjellgren	13		
Tomas Kärnström	12		
Mats W Lundberg ⁴⁾	9		
Johan Molin ¹⁾	9	3	2
Hanne de Mora	12	5	
Anders Nyrén ⁵⁾	4	2	1
Simon Thompson ⁵⁾	4	2	
Lars Westerberg	13		3

1) Elected new Board member at the Annual General Meeting on 7 May 2015.

2) Left the Board in capacity of deputy employee representative in conjunction with the Annual General Meeting on 7 May 2015.

3) Left the Board in August 2015

4) Joined the Board in capacity of deputy employee representative in conjunction with the Annual General Meeting on 7 May 2015.

5) Left the Board in conjunction with the Annual General Meeting on 7 May 2015.

THE PRINCIPAL TASKS OF THE BOARD

- Establish the overall objectives and strategy for the operations
- Appoint, evaluate and, if necessary, discharge the President and otherwise ensure that the company's executive management functions efficiently and is suitably remunerated
- Ensure that the provision of information by the company is transparent, correct, relevant and reliable
- Ensure that there are effective systems for the monitoring and control of the company's operations
- Monitor and evaluate the company's development and advise and support the President in taking necessary measures
- Ensure that there is adequate control of compliance with laws and regulations governing the company's operations
- Define appropriate guidelines to govern the company's conduct in society, with the aim of ensuring its long-term value creation capability
- Ensure that there is an appropriate system for follow-up and control of the company's operations and the risks to the company that are associated with its operations
- Ensure that necessary ethical guidelines are established for the company's conduct
- Decide on acquisitions, divestments and investments
- Propose the dividend to the Annual General Meeting

The Chairman of the Remuneration Committee was paid 125,000 SEK and each of the other Committee members 100,000 SEK, in total 325,000 SEK. For more detailed information on remuneration of the Board members, see Note 3.5.

EVALUATION OF THE WORK OF THE BOARD

To ensure the quality of the work of the Board and to identify the possible need for further expertise and experience, a systematic and structured process is implemented annually to evaluate the work of the Board and its members. In 2015, the evaluations, which were led by the Chairman of the Board, were carried out by way of each Board member responding to an online questionnaire. The compiled results were distributed in writing to the Board members, who then discussed the results at the final Board meeting of the year. The Chairman of the Board also presented the results of the evaluations at a meeting with the Nomination Committee.

BOARD COMMITTEES

The tasks of the Committees and their work procedures are stipulated in written instructions issued by the Board. The Committees' primary task is to prepare issues and present them to the Board for resolution.

REMUNERATION COMMITTEE

Since the 2015 Annual General Meeting, the members of the Remuneration Committee are the Chairman of the Board Johan Molin (Chairman of the Committee), Johan Karlström and Lars Westerberg. The tasks of the Remuneration Committee are, among others, those prescribed by the Code, which include preparing proposals regarding guidelines for remuneration of senior executives and long-term incentive programs for senior executives.

Based on the recommendations of the Remuneration Committee, the Board decides the remuneration and terms of employment for Sandvik AB's President.

The President decides on the remuneration to be paid to the Group Executive Management in consultation with the Remuneration Committee. For additional information, see Note 3.5.

During 2015, the Remuneration Committee held three meetings.

AUDIT COMMITTEE

Since the 2015 Annual General Meeting, the members of the Audit Committee are Hanne de Mora (Chairman of the Committee), Claes Boustedt and Johan Molin. Areas addressed by the Audit Committee mainly related to:

- Financial reporting.
- Effectiveness of the system of internal control.
- Planning, scope and follow-up of the internal and external audit for the year.
- The Group's systematic processes for risk management, including legal disputes, accounting procedures, taxation, finance operations and pension issues.
- The development and effectiveness of compliance processes and Speak-up, Sandvik's global whistleblowing system.

In 2015, the Audit Committee held five meetings at which Sandvik's external auditor and representatives of the company's management were present.

EXTERNAL AUDITOR

At the 2015 Annual General Meeting, the audit firm KPMG AB was re-elected auditor of Sandvik AB for the period until the 2016 Annual General Meeting, with George Pettersson as the auditor-in-charge.

The progress of the audit is reported regularly during the year to the management teams of individual companies and the business areas, to the Group Executive Management, the Audit Committee and to the Board of Sandvik AB. The auditor meets with the Board at least once a year without the President or

any other member of the Group Executive Management attending.

The independence of the external auditor is governed by a special instruction decided by the Audit Committee setting out the non-audit services that the external auditors may provide to Sandvik.

Audit fees are paid continuously over the period in office on an approved current account basis. For more detailed information on fees paid to the auditor, see Note 3.6.

OPERATIONAL MANAGEMENT

The five business areas – Sandvik Machining Solutions, Sandvik Mining, Sandvik Materials Technology, Sandvik Construction and Sandvik Venture – comprise Sandvik's operational structure. The presidents of the business areas report directly to the President of Sandvik AB and are responsible for the business activities of their respective areas. In turn, the business areas are organized into various product areas or customer segments.

Visit sandvik.com for more detailed information relating to the Group's operational organization and business activities.

PRESIDENT AND GROUP EXECUTIVE MANAGEMENT

In 2015, the Group Executive Management comprised Olof Faxander (until 10 August 2015), President and CEO; Björn Rosengren (from 1 November 2015), President and CEO; Mats Backman, Executive Vice President and CFO, and acting President and CEO (10 August–31 October 2015); Jonas Gustavsson, President of Sandvik Machining Solutions; Scot Smith (until 14 December 2015), President of Sandvik Mining; Lars Engström (from 15 December 2015), President of Sandvik Mining; Petra Einarsson, President of Sandvik Materials Technology; Dinggui Gao, President of Sandvik Construction; Jim Nixon, President of Sandvik Venture; Åsa Thunman, Executive Vice President and General Counsel; Anna Vikström Persson, Executive Vice President and Head of Human Resources; Jessica Alm, Executive Vice President and Head of Group Communications; Zhiqiang (ZZ) Zhang, Executive Vice President and Head of Emerging Markets, and Olle Wijk (until 31 December 2015), Executive Vice President and Head of Group R&D. The President and other members of the Group Executive Management are presented on pages 126-127.

The Group Executive Management meet each month and deal with the Group's financial development, Group-wide development projects, leadership and competence sourcing, and other strategic issues.

Sandvik has established Group functions responsible for Group-wide activities such as legal affairs, communication, finance and HR. In addition to the Group Executive Management, business areas and Group functions, a number of committees and other coordination and preparatory bodies are commissioned to coordinate Group-wide strategic areas, such as environment, health and safety, research and development, purchasing, IT, finance and HR.

In all countries where Sandvik has registered sales, a Group Management Representative (GMR) has been appointed by the President and CEO to ensure that Sandvik, in the country or region to which the GMR is assigned, has an adequate country or regional organization to drive synergies and safeguard compliance and efficient coordination and performance of support activities in the country. The GMR should act as chairman in the country boards of his/her assignment or delegate this to a Deputy GMR and, if so, lead the regional country management team.

Each country in which Sandvik has a subsidiary has a Country Manager who acts as the representative of the Group Executive Management for a country/region, with an overall responsibility for Sandvik ownership-related matters and overall business activities. The Country Manager acts as a counterpart to the GMR or Deputy GMR and is responsible for promoting the wider Sandvik Group interest and initiating activities that should increase the efficiency of business operations and leverage the synergy opportunities within the Group.

REMUNERATION OF SENIOR EXECUTIVES

For guidelines, remuneration and other benefits payable to the Group Executive Management, refer to Proposal regarding guidelines for the remuneration of senior executives on page 45 and Note 3.5.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has the overall responsibility to ensure that the Group's system for risk management and internal control is effective. The Group applies a comprehensive risk management program, Enterprise Risk Management (ERM). ERM is an integral part of Sandvik's operational and strategic management and assists the company in taking action when change occurs, whether triggered by internal or external factors.

The guidelines for Sandvik's operations are assembled in Power of Sandvik, which is the governance framework incorporating the Group's strategy, Code of Conduct and policies that regulate the governance of the Sandvik Group.

GOVERNANCE OF SUSTAINABLE BUSINESS

With Sandvik's Sustainable Business strategy and Code of Conduct as the basis, risks and opportunities are analyzed. Objectives and targets are set to address the risks identified by the Group and to efficiently leverage the opportunities available.

The Board adopts the Group's Code of Conduct and the Group Executive Management establishes objectives and performance indicators for sustainability operations. At the end of 2014, the Board of Directors adopted a revised Code of Conduct, which was launched in 2015. Each business area assumes responsibility for ensuring compliance with the Code and that the goals are cascaded down in the organization. The business areas are also responsible for the assessment of sustainability risks (for example, environment, health, safety, corruption, human rights, working conditions and supplier responsibility) in their operations, and specific teams are appointed in each business area to coordinate issues and support the local management.

Sandvik conducts a materiality analysis on a regular basis. In 2013, and confirmed in 2014 and 2015, the following aspects were identified as material:

COMPLIANCE

Compliance includes four areas: anticorruption compliance, competition law, trade compliance and data protection. The main purpose is to ensure a well-functioning structure with control over Sandvik's international business and to manage compliance risks.

SUSTAINABLE SUPPLIER MANAGEMENT

A sustainable supply chain and strong supplier relationships are central to Sandvik's commitment to provide customers with the best and most innovative offerings.

USE, REUSE AND RECYCLING OF MATERIALS AND NATURAL RESOURCES

Comprehensive recycling programs are underway in all parts of the Group. The global raw material shortage is an impediment for a successful business. Recycling results in less virgin raw material used, lower energy consumption and reduced emissions, acidifying substances and waste water discharge, in addition to less waste. Factors important to Sandvik, the Group's customers and society at large.

ENERGY, EMISSIONS AND CLIMATE CHANGE

Climate change affects Sandvik and we need to mitigate this risk. In addition, a high degree of energy efficiency increases the value of the energy source, resulting in lower costs and emissions, both for Sandvik and its customers.

HEALTH AND SAFETY

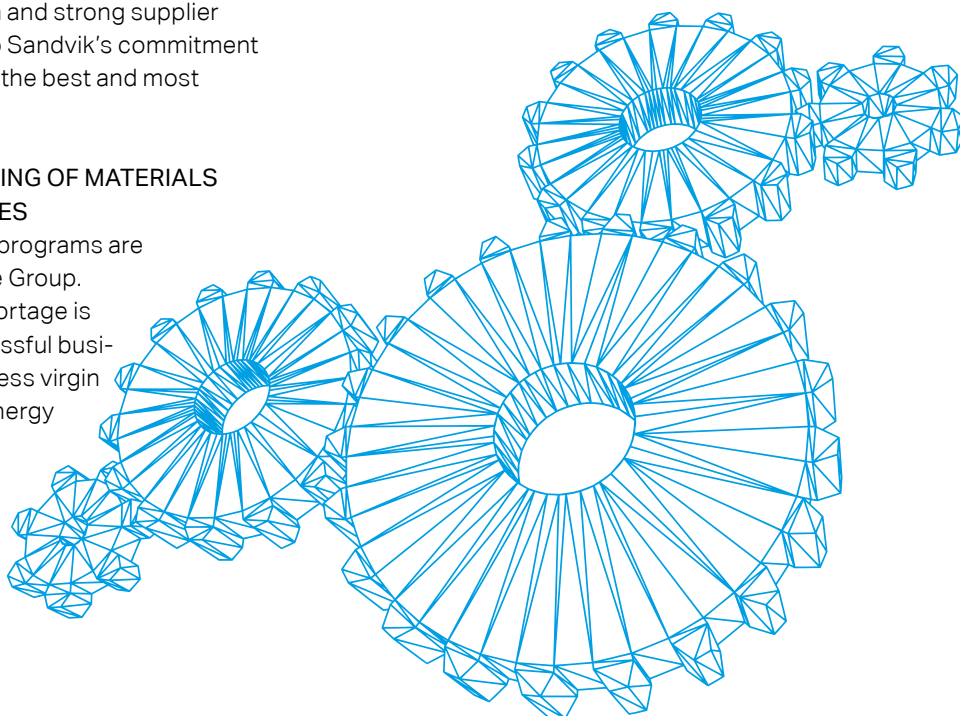
Maintaining a safe work environment will always be a top priority, out of respect for both Sandvik's employees and customers. The Group's performance is meeting growing expectations from its customers and other stakeholders. Health and safety is a significant competitive advantage to Sandvik.

DIVERSITY AND INCLUSION

Sandvik's view is that diverse teams are more effective, more likely to think and act outside the box and contribute to greater creativity and innovation. Diversity and inclusion are integral parts of a modern society and, for Sandvik, a strong competitive advantage. Having the right mix of people, reflecting Sandvik's markets, will support the business and our ambition to meet the needs of global and local customers.

TALENT ATTRACTION, DEVELOPMENT AND RETENTION

Sandvik must ensure that it has the right people in the right positions. In order to retain the Group's market-leading position in a challenging market, a high-performing culture is important.



INTERNAL CONTROL OF FINANCIAL REPORTING

The financial statements are established in accordance with prevailing legislation, International Financial Reporting Standards (IFRS) as adopted by EU and the listing agreement with Nasdaq Stockholm. This description of internal control over financial reporting has been prepared in accordance with the Annual Accounts Act and constitutes an integrated part of the Corporate Governance Report.

Sandvik's finance organization manages a well-established financial reporting process aimed at ensuring a high level of internal control.

The internal control system aligns with the conceptual framework of COSO, which is based on five key components that jointly facilitate good internal control. The five components are Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring and Follow-up. The internal control procedures cover all stages of the financial reporting process, from the initial recording of transactions in each subsidiary and reporting entity, the validation and analysis of each business area through to the consolidation, quality assurance, analysis and reporting at Group level. The application of the COSO framework is described below.

CONTROL ENVIRONMENT

The Power of Sandvik regulates the governance of the Sandvik Group. It includes the Sandvik Code of Conduct, delegation of responsibilities, including signatory and authorization principles for decision making and cost approvals, and request and approval procedures in respect of investments and acquisitions, among other items.

The Sandvik Financial Reporting Policies and Procedures govern control over financial reporting. These documents contain detailed instructions regarding accounting policies and financial reporting procedures to be applied by all Sandvik reporting entities. In the 20 major countries where Sandvik operates, Country Finance Managers are appointed to support local management and finance organizations and to provide a link between reporting entities and Group finance. At Group level, Group Financial Control manages the reporting process to ensure the

completeness and accuracy of financial reporting and compliance with IFRS requirements. Group Business Control performs business analysis and compiles reports on operational performance. Both statutory and management reporting is conducted in close cooperation with business areas and specialist functions such as tax, financial services and legal to ensure the correct reporting of the income statement, balance sheet, equity and cash flow.

RISK ASSESSMENT AND RISK MANAGEMENT

The Enterprise Risk Management (ERM) process at Sandvik, which is described in the Integrated Risk Management Report on pages 54–55, encompasses the area of financial reporting. Risk management is a normal component of the daily work on financial reporting. Specific activities have been established with the purpose of identifying risks, weaknesses and any changes needed to the financial reporting process to minimize risks. The amalgamation of roles and responsibilities, work descriptions, IT systems, skills and expertise creates an environment that is monitored continuously to identify and manage potential risks.

CONTROL ACTIVITIES

Internal Control activities have been effected in all areas that impact upon financial reporting. The internal control activities follow the logic of the reporting process and the finance organization. In each reporting entity, the finance staff is responsible for accurate accounting and the closing of books. Finance staff adheres to the Sandvik Financial Reporting Policies and Procedures and validate and reconcile local accounts before submitting them to business area management and Group finance for consolidation.

Controllers in the product and business areas perform analytical reviews and investigations, conduct business trend analyses and update forecasts and budgets. They investigate certain issues related to the financial information as and when needed. All business areas present their financial performance in written reports to the Group Executive Management on a monthly and quarterly basis.

Group Financial Control and Group Business Control all have key responsibilities for control activities regarding financial reporting.

INFORMATION AND COMMUNICATION

Financial reports setting out the Group's financial position and the earnings trend of operations are submitted regularly to Sandvik's Board. The Board deals with all quarterly interim reports as well as the Annual Report prior to publishing and monitors the audit of internal control and financial statements conducted by Internal Audit and the external auditors.

The business areas and major countries also have a system of internal Board meetings with a formal agenda, including financial information, monitoring and decisions related to financial and accounting matters.

Steering documents, such as policies and procedures, as well as instructions, are updated regularly on the company's intranet and are available to all of Sandvik's employees. Reporting requirements are also updated on the company's intranet and are communicated through formal and informal channels, as well as at regular meetings and conferences.

Information to external parties is communicated regularly on Sandvik's website, which contains news and press releases. Quarterly interim reports are published externally and are supplemented by investor meetings attended by the Group Executive Management. In addition, there is an established agenda for communicating information on shareholder meetings and other information to investors. The Annual Report is made available to shareholders and the general public, both as a printed version and on Sandvik's website.

MONITORING AND FOLLOW-UP

Each business entity manager and their respective finance organization is ultimately responsible for continuously monitoring the financial information of the various entities. The information is also monitored at a business area level, by Group staff functions, the Group Executive Management and by the Board. The Audit Committee at Sandvik is to ensure that the company's financial reports are produced in accordance with legislation, applicable accounting standards

and other requirements for listed companies. The Audit Committee prepares issues and presents them to the Board for resolution.

The quality of the financial reporting process and internal controls is assessed by Group Finance every month as part of the quality assurance of reporting. The Sandvik internal audit function independently reviews the internal control system of financial reporting as part of its audit plan.

The external auditors continuously examine the level of internal control over financial reporting. They review the third-quarter interim report and study the financial reports prepared for the other quarters. In conjunction with the close of the third quarter, the external auditors perform a more detailed examination of the operations, as part of a hard-close audit, which includes an assessment of the Parent Company's reporting and internal control over financial reporting in the business areas, subsidiaries and Group functions. Finally, the external auditors perform an examination of the annual accounts and the Annual Report.

INTERNAL AUDIT

The Internal Audit function audits the corporate governance, internal control and risk-management procedures.

Internal Audit is subordinated to the Board's Audit Committee and the head of the unit reports to the Audit Committee.

Internal audits include, as a basis, the Group's guidelines and policies for corporate governance, risk management and internal control with regard to areas such as financial reporting, compliance with the Code of Conduct and IT. The outputs of the audits include action plans and programs for improvement. Findings are reported to the Group Executive Management and the business area management and to the Board's Audit Committee.

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CONSOLIDATED INCOME STATEMENT

MSEK	NOTE	2014	2015
Continuing operations			
Revenue	1, 2	82,533	85,845
Cost of sales and services		-51,329	-55,239
Gross profit		31,204	30,606
Selling expenses		-11,639	-13,116
Administrative expenses		-6,459	-7,079
Research and development costs	4	-2,609	-3,001
Share of results of associated companies		24	8
Other operating income	5	177	157
Other operating expenses	6	-493	-304
Operating profit	1, 3, 7, 8	10,205	7,271
Financial income		163	173
Financial expenses		-1,999	-2,136
Net financing cost	9	-1,836	-1,963
Profit after financial items		8,369	5,308
Income tax	10	-2,272	-1,865
Profit for the year, continuing operations		6,097	3,443
Discontinued operations			
Revenue		6,288	4,977
Operating profit		-85	-1,209
Profit after financial items		-105	-1,249
Profit for the year, discontinued operations	30	-105	-1,249
Group total			
Revenue		88,821	90,822
Operating profit		10,120	6,062
Profit after financial items		8,264	4,059
Profit for the year, Group total		5,992	2,194
Other comprehensive income			
<i>Items that cannot be reclassified to profit/loss for the year</i>			
Actuarial gains/losses on defined-benefit pension plans	20	-1,847	589
Tax relating to items that cannot be reclassified to profit/loss for the year	10	452	-139
		-1,395	450
<i>Items that can be reclassified to profit/loss for the year</i>			
Translation differences during the year		3,120	-972
Fair-value changes in cash-flow hedges		-391	-107
Fair-value changes in cash-flow hedges transferred to profit/loss for the year		10	162
Tax related to fair-value changes in cash-flow hedges	10	78	-7
		2,817	-924
Total other comprehensive income for the year		1,422	-474
Total comprehensive income for the year		7,414	1,720
Profit for the year attributable to:			
Equity holders of the Parent		6,011	2,247
Non-controlling interests		-19	-53
Total comprehensive income for the year attributable to:			
Equity holders of the Parent		7,432	1,770
Non-controlling interests		-17	-50
Earnings per share, SEK *			
Continuing operations	11	4.88	2.79
Discontinued operations	11	-0.08	-1.00
Group Total	11	4.79	1.79

* No dilution effects during the period.

CONSOLIDATED BALANCE SHEET

MSEK	NOTE	31 DEC. 2014	31 DEC. 2015
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents and other intangible assets	12	5,580	5,656
Goodwill	12	12,743	12,657
Total		18,323	18,313
<i>Property, plant and equipment</i>			
Land and buildings	12	9,240	9,083
Plant and machinery	12	13,331	13,062
Equipment, tools, fixtures and fittings	12	1,822	1,691
Construction in progress and advance payments	12	3,216	2,495
Total		27,609	26,331
<i>Financial assets</i>			
Investments in associated companies	1,15	239	236
Financial assets		80	83
Deferred tax assets	10	6,245	6,237
Non-current receivables	16	1,715	1,258
Total		8,279	7,814
Total non-current assets		54,211	52,458
Current assets			
<i>Inventories</i>			
	17	24,056	21,522
<i>Current receivables</i>			
Trade receivables	18	13,840	12,238
Due from associated companies		115	77
Income tax receivables	10	1,162	1,067
Other receivables	16	5,626	4,279
Prepaid expenses and accrued income		982	1,106
Total		21,725	18,767
<i>Cash and cash equivalents</i>		6,327	6,376
<i>Assets held for sale</i>	30	—	2,119
Total current assets		52,108	48,784
TOTAL ASSETS		106,319	101,242

For information on contingent liabilities and pledged assets, refer to Note 26.

CONSOLIDATED BALANCE SHEET (CONTINUED)

MSEK	NOTE	31 DEC. 2014	31 DEC. 2015
EQUITY AND LIABILITIES			
Equity			
Share capital		1,505	1,505
Other paid-in capital		7,678	7,678
Reserves		3,178	2,251
Retained earnings including profit/loss for the year		24,177	22,545
Equity attributable to equity holders of the Parent		36,538	33,979
Non-controlling interests		134	81
TOTAL EQUITY	19	36,672	34,060
Non-current liabilities			
<i>Interest-bearing liabilities</i>			
Provisions for pensions	20	7,036	6,252
Loans from financial institutions		4,094	2,059
Other liabilities	23	30,296	27,299
Total		41,426	35,610
<i>Non-interest-bearing liabilities</i>			
Deferred tax liabilities	10	1,665	1,992
Provisions for taxes	10	916	1,060
Other provisions	21	855	1,105
Other non-current liabilities	24	148	105
Total		3,584	4,262
Total non-current liabilities		45,010	39,872
Current liabilities			
<i>Interest-bearing liabilities</i>			
Loans from financial institutions		1,798	2,177
Other liabilities	23	881	3,013
Total		2,679	5,190
<i>Non-interest-bearing liabilities</i>			
Advance payments from customers		2,004	2,115
Accounts payable		6,762	5,953
Due to associated companies		8	3
Income tax liabilities	10	1,194	871
Other liabilities	24	4,365	3,011
Provisions	21	1,165	2,365
Accrued expenses and deferred income		6,460	5,913
Total		21,958	20,231
Liabilities directly attributed to assets held for sale	30	—	1,889
Total current liabilities		24,637	27,310
TOTAL LIABILITIES		69,647	67,182
TOTAL EQUITY AND LIABILITIES		106,319	101,242

For information on contingent liabilities and pledged assets, refer to Note 26.

CONSOLIDATED CHANGES IN EQUITY

MSEK	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					NON- CON- TROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	RESERVES	RETAINED EARNINGS INCL. PROFIT/ LOSS FOR THE YEAR	TOTAL		
Equity at 1 January 2014	1,505	7,678	361	23,966	33,510	100	33,610
Profit for the year	—	—	—	6,011	6,011	-19	5,992
Other comprehensive income/loss	—	—	2,817	-1,395	1,422	2	1,424
Total comprehensive income/loss for the year	—	—	2,817	4,616	7,433	-17	7,416
Acquisition of non-controlling interest	—	—	—	—	—	33 ¹	33
New stock issue to non-controlling interest	—	—	—	—	—	23	23
Share-based payment settled by equity instruments	—	—	—	-81	-81	—	-81
Payment of options on treasury shares, hedging of options program 2012	—	—	—	12	12	—	12
Other options	—	—	—	13	13	—	13
Dividends, hedged options program 2011	—	—	—	41	41	—	41
Dividend	—	—	—	-4,390	-4,390	-5	-4,395
Equity at 31 December 2014	1,505	7,678	3,178	24,177	36,538	134	36,672
Equity at 1 January 2015	1,505	7,678	3,178	24,177	36,538	134	36,672
Profit for the year	—	—	—	2,247	2,247	-53	2,194
Other comprehensive income/loss	—	—	-927	450	-477	3	-474
Total comprehensive income/loss for the year	—	—	-927	2,697	1,770	-50	1,720
Share-based payment settled by equity instruments	—	—	—	25	25	—	25
Payment of options on treasury shares, hedging of options program 2013	—	—	—	3	3	—	3
Other options	—	—	—	-8	-8	—	-8
Dividends, hedged options program 2011	—	—	—	41	41	—	41
Dividend	—	—	—	-4,390	-4,390	-3	-4,393
Equity at 31 December 2015	1,505	7,678	2,251	22,545	33,979	81	34,060

1) The increase in ownership is attributable to the acquisition of Varel.

CONSOLIDATED CASH-FLOW STATEMENT

MSEK	NOTE	2014	2015
Group total			
<i>Cash flow from operating activities</i>			
Income after financial income and expenses		8,264	4,059
Adjustment for depreciation, amortization and impairment losses		4,145	5,350
Adjustment for non-cash items, etc.		-1,114	1,569
Income tax paid		-1,899	-1,939
Cash flow from operating activities before changes in working capital		9,396	9,039
<i>Changes in working capital</i>			
Change in inventories		1,464	2,187
Change in operating receivables		778	1,035
Change in operating liabilities		-1,755	118
Cash flow from changes in working capital		487	3,340
Investments in rental equipment		-561	-625
Divestments of rental equipment		193	198
Cash flow from operating activities		9,515	11,952
<i>Cash flow from investing activities</i>			
Acquisition of companies and shares, net of cash acquired	30	-2,834	-7
Disposal of operations		460	
Acquisition of tangible assets		-3,820	-3,265
Proceeds from sale of tangible assets		230	251
Acquisition of intangible assets		-839	-949
Proceeds from sale of intangible assets		8	7
Other investments, net		-44	53
Net cash used in investing activities		-6,839	-3,910
Net cash flow after investing activities		2,676	8,042
<i>Cash flow from financing activities</i>			
Proceeds from borrowings		12,683	923
Repayment of borrowings		-9,925	-4,493
Dividends paid		-4,395	-4,393
Cash flow from financing activities		-1,637	-7,963
Cash flow for the year		1,039	79
Cash and cash equivalents at beginning of year		5,076	6,327
Foreign exchange differences on cash and cash equivalents		212	-30
Cash and cash equivalents at end of year		6,327	6,376
Continuing operations			
Cash flow from operations		9,898	12,793
Cash flow from investing activities		-6,780	-3,865
Cash flow from financing activities		-1,639	-7,963
Cash flow from continuing operations		1,479	965

For supplementary information, refer to Note 29 and Note 30.

PARENT COMPANY FINANCIAL STATEMENTS

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PARENT COMPANY INCOME STATEMENT

MSEK	NOTE	2014	2015
Revenue	2	16,475	15,667
Cost of sales and services		-12,042	-10,154
Gross profit		4,433	5,513
Selling expenses		-662	-551
Administrative expenses		-2,160	-2,864
Research and development costs	4	-1,335	-1,521
Other operating income	5	60	105
Other operating expenses	6	-1,501	-1,443
Operating loss	3, 8	-1,165	-761
Income from shares in Group companies	9	8,224	9,346
Income from shares in associated companies	9	10	10
Interest income and similar items	9	998	1,072
Interest expenses and similar items	9	-1,978	-1,402
Profit after financial items		6,089	8,265
Appropriations		0	-6
Income tax	10	-237	-137
Profit for the year		5,852	8,122

Profit for the year corresponds to total comprehensive income for the year.

The classification of certain profit and loss items has changed as from 2015 affecting administrative expenses and other operating income and expenses.

Comparative figures have been adjusted accordingly.

PARENT COMPANY BALANCE SHEET

MSEK	NOTE	31 DEC. 2014	31 DEC. 2015
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Patents and other intangible assets	13	8	20
Total		8	20
<i>Property, plant and equipment</i>			
Land and buildings	13	961	1,082
Plant and machinery	13	4,612	4,926
Equipment, tools, fixtures and fittings	13	434	432
Construction in progress and advance payments	13	1,733	1,285
Total		7,740	7,725
<i>Financial assets</i>			
Shares in Group companies	14	32,241	33,221
Due from Group companies		13,762	13,621
Investments in associated companies	15	4	4
Other investments		1	1
Non-current receivables	16	30	31
Deferred tax assets	10	332	261
Total		46,370	47,139
Total non-current assets		54,118	54,884
Current assets			
<i>Inventories</i>			
	17	3,591	3,186
<i>Current receivables</i>			
Trade receivables		631	463
Due from Group companies		15,162	13,759
Due from associated companies		114	76
Income tax receivables	10	180	179
Other receivables	16	362	319
Prepaid expenses and accrued income		830	931
Total		17,279	15,727
<i>Cash and cash equivalents</i>		1	1
Total current assets		20,871	18,914
TOTAL ASSETS		74,989	73,798

PARENT COMPANY BALANCE SHEET (CONTINUED)

MSEK	NOTE	31 DEC. 2014	31 DEC. 2015
EQUITY AND LIABILITIES			
Equity			
<i>Non-distributable equity</i>			
Share capital		1,505	1,505
Statutory reserve		1,611	1,611
Total		3,116	3,116
<i>Distributable equity</i>			
Share premium reserve		0	0
Profit brought forward		19,228	20,759
Profit for the year		5,852	8,122
Total		25,080	28,881
TOTAL EQUITY	19	28,196	31,997
<i>Untaxed reserves</i>			
Other untaxed reserves		4	11
Total		4	11
<i>Provisions</i>			
Provisions for pensions	20	362	350
Other provisions	21	238	398
Total		600	748
<i>Non-current interest-bearing liabilities</i>			
Loans from financial institutions	22	3,926	2,499
Loans from Group companies	22	363	452
Other liabilities	22	21,472	18,051
Total		25,761	21,002
<i>Non-current non-interest-bearing liabilities</i>			
Other liabilities		47	59
Total		47	59
<i>Current interest-bearing liabilities</i>			
Loans from financial institutions		541	1,352
Loans from Group companies		7,112	9,761
Other liabilities		825	2,999
Total		8,478	14,112
<i>Current non-interest-bearing liabilities</i>			
Advance payments from customers		589	500
Accounts payable		1,499	1,574
Due to Group companies		6,970	1,181
Due to associated companies		0	0
Other liabilities		524	607
Accrued expenses and deferred income	25	2,321	2,007
Total		11,903	5,869
TOTAL EQUITY AND LIABILITIES		74,989	73,798
Pledged assets	26	—	—
Contingent liabilities	26	15,938	15,583

PARENT COMPANY CHANGES IN EQUITY

MSEK	SHARE CAPITAL	STATUTORY RESERVE	DISTRIBUTABLE EQUITY	TOTAL
Equity at 1 January 2014	1,505	1,611	23,646	26,762
Comprehensive income for the year	—	—	5,852	5,852
Dividend	—	—	-4,390	-4,390
Share-based payment settled by equity instruments	—	—	-81	-81
Payment of options on treasury shares, hedging of options program 2012	—	—	12	12
Dividends, hedged option program 2011	—	—	41	41
Equity at 31 December 2014	1,505	1,611	25,080	28,196
Comprehensive income for the year	—	—	8,122	8,122
Dividend	—	—	-4,390	-4,390
Share-based payment settled by equity instruments	—	—	24	24
Payment of options on treasury shares, hedging of options program 2013	—	—	4	4
Dividends, hedged options program 2011	—	—	41	41
Equity at 31 December 2015	1,505	1,611	28,881	31,997

PARENT COMPANY CASH-FLOW STATEMENT

MSEK	2014	2015
Cash flow from operating activities		
Profit before tax	6,089	8,265
Adjustment for depreciation, amortization and impairment losses	819	881
Adjustment for non-cash items, etc.	758	201
Income tax paid	-36	-65
Cash flow from operating activities before changes in working capital	7,630	9,282
Changes in working capital		
Changes in inventories	47	406
Changes in operating receivables	-6,206	994
Changes in operating liabilities	5,924	-5,958
Cash flow from operating activities	7,395	4,724
Cash flow from investing activities		
Acquisition of companies and shares, net of cash acquired	-600	-1,232
Acquisition of property, plant and equipment	-1,227	-907
Proceeds from sale of companies and shares, net of cash disposed of	22	211
Proceeds from sale of property, plant and equipment	86	62
Change in non-current receivables	—	—
Net cash used in investing activities	-1,719	-1,866
Net cash flow after investing activities	5,676	2,858
Cash flow from financing activities		
Changes in advances/loans to/from Group companies, net	-6,550	3,392
Proceeds from external borrowings	11,471	—
Repayment of external borrowings	-6,206	-1,860
Dividend paid	-4,390	-4,390
Net cash used in financing activities	-5,675	-2,858
Cash flow for the year	1	—
Cash and cash equivalents at beginning of year	—	1
Cash and cash equivalents at end of year	1	1

Supplementary information, Note 29.

SIGNIFICANT ACCOUNTING POLICIES – ASSESSMENTS AND ASSUMPTIONS FOR ACCOUNTING PURPOSES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, the recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied.

The Parent Company has applied the same accounting policies as those applied in the consolidated financial statements except as set out below in the section "Parent Company's accounting policies."

The financial statements are presented on pages 41-122 in the printed Annual Report. The Parent Company's Annual Report and the consolidated financial statements were approved for issuance by the Board of Directors on 19 February 2016. The Group's and the Parent Company's income statements and balance sheets are subject to adoption at the Annual General Meeting on 28 April 2016.

BASIS OF MEASUREMENT

Assets and liabilities are stated on a historical cost basis except for certain financial assets and liabilities, which are stated at their fair value. Financial assets and liabilities measured at fair value comprise derivative instruments. Receivables and liabilities and items of income and expense are offset only when required or expressly permitted in an accounting standard.

The preparation of financial statements in conformity with IFRS requires management to make assessments, estimates and assumptions that affect the application of accounting policies and recognized amounts of assets and liabilities, income and expenses. Actual results may differ from these assessments. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year, are further discussed below. Events after the balance sheet date refer to both favorable and unfavorable events that have occurred after the balance sheet date but before the date the financial statements were authorized for issue by the Board of Directors. Significant non-adjusting events, that is, events indicative

of conditions that arose after the balance sheet date, are disclosed in the financial statements. Only adjusting events, that is, those that provide evidence of conditions that existed at the balance sheet date, have been considered in the final establishment of the financial statements. The most significant accounting policies for the Group, as set out below, have been applied consistently to all periods presented in these consolidated financial statements except as specifically described. Moreover, the Group's accounting policies have been consistently applied in the Group reporting by all members of the Group and also in the Group reporting of associated companies, where necessary, by adaptation to Group policies.

CHANGES IN ACCOUNTING POLICIES

The below amendments of standards and new and amended interpretations came into effect 1 January 2015. None of these standards had any material impact on Sandvik's financial statements.

- IFRIC 21 Levies. Provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. It does not include income taxes, fines and other penalties.

NEW STANDARDS PUBLISHED BY IASB, BUT NOT YET EFFECTIVE

- IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement by 1 January 2018. The standard has not yet been adopted by the EU. The company has not yet performed any evaluation of the effects of such a change.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interest in Joint Operations.
- IFRS 15 Revenue from Contracts with Customers. The standard will be effective from 1 January 2018 and is expected to be adopted by the EU in the first quarter of 2016. The standard is not expected to have any material impact on Sandvik's financial statements, but it will require more extensive disclosures. There are three alternative ways of implementing the new standard: Full retroactivity, Partial retroactivity and Accumulated effect method, whereby equity is adjusted per 1 January 2018 with the contracts still open according to the previous standards IAS 11 and IAS 18.

- IFRS 16 Leases. The standard will be effective from 1 January 2019. The standard has not yet been adopted by the EU. The company has not yet performed any evaluation of the effects of such a change. Early adoption will be permitted, provided the company has adopted IFRS 15 Revenue from Contracts with Customers.
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization.
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans - Employee Contributions. The amendment eases the disclosure of Defined Benefit Plans where fees to such a Plan come from employees or third parties.
- Amendments to IAS 27 Equity Method in Separate Financial Statements.
- Annual Improvements to IFRSs (2010 – 2012) and (2012–2014).

BASIS OF CONSOLIDATION

The consolidated accounts are prepared in accordance with the Group's accounting principles and include the accounts of the Parent Company and all Group companies. Group companies are consolidated from the date the Group exercises control or influence over the company. Divested companies are included in the consolidated accounts until the date the Group ceases to control or exercise influence over them. In preparing Sandvik's consolidated financial statements, any Intra-Group transactions have been eliminated.

SUBSIDIARIES

Subsidiaries are entities over which the Parent Company has a controlling influence. Controlling influence exists if the Parent Company has the power over the investee, meaning the investor has existing rights that give it the ability to direct the relevant activities, is exposed to or has the rights to variable return from its involvement in the investee and can, through its influence, affect the return from the involvement in the investee. In assessing controlling interest, de facto control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the controlling influence commences until the date that control ceases.

For cases in which the subsidiary's accounting policies do not coincide with the Group's accounting policies, adjustments were made to comply with the Group's accounting policies.

The consolidated financial statements are prepared in accordance with the purchase method. In business combinations, acquired assets and assumed liabilities are identified and classified, and measured at fair value on the date of acquisition (also known as a purchase price allocation).

Transaction costs in conjunction with acquisitions are recognized directly in profit or loss for the year as other operating expenses.

Contingent considerations are recognized as financial liabilities and at fair value on the acquisition date. Contingent considerations are remeasured at each reporting period with any change recognized in profit or loss for the year.

In step acquisitions, when a controlling interest is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. If the controlling interest is lost upon divestment, net profit is recognized in profit or loss. Any residual holding in the divested business is then measured at fair value on the date of divestment and its effect is recognized in profit or loss for the year.

NON-CONTROLLING INTERESTS

Non-controlling interests are recognized as a separate item in the Group's equity.

Acquisitions of non-controlling interests are recognized as a transaction within shareholders' equity, meaning between the Parent Company's owners and non-controlling interests. Accordingly, goodwill does not arise in conjunction with such transactions. Gains or losses on disposals to non-controlling interests are also recognized in equity.

ASSOCIATED COMPANIES

Associated companies are partly owned entities over which the Group commands a significant influence, but not control, over the financial and operating policies. Normally this means a shareholding of between 20% and 50% of the voting rights. Interests in associated companies are recognized in accordance with the equity method in the consolidated financial statements. Under the equity method, the carrying amounts of interests in associated companies correspond to the recognized equity of associated companies, any goodwill and any other remaining fair value adjustments recognized at acquisition date. Sandvik's share of the associated company's income, adjusted for dissolution of acquired surplus or deficit values, is recognized as a separate item in the consolidated income statement.

FOREIGN CURRENCY

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. All amounts are in million SEK unless otherwise stated.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into functional currency at the foreign exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the Group entities operate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign

SIGNIFICANT ACCOUNTING POLICIES

exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in profit or loss for the year. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are retranslated to the functional currency at the exchange rate prevailing at the date that the fair value was determined.

FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, at foreign exchange rates prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a translation reserve. When the foreign operation is divested, the accumulated translation differences attributable to the divested foreign operation are reclassified from equity to profit or loss for the year as a reclassification adjustment at the date on which the profit or loss of the divestment is recognized. For cases in which divestments made include a residual controlling influence, the proportionate share of accumulated translation differences from other comprehensive income is transferred to non-controlling interests.

NET INVESTMENTS IN FOREIGN OPERATIONS

Monetary non-current receivables or monetary non-current liabilities to a foreign operation for which no settlement is planned or is not likely to take place in the foreseeable future are, in practice, part of the company's net investment in foreign operations. A foreign exchange difference arising on the monetary non-current receivable or monetary non-current liability is recognized in other comprehensive income and accumulated in a separate component of shareholders' equity, entitled translation reserve. When a foreign operation is divested, the accumulated foreign exchange differences attributable to monetary non-current receivables or monetary noncurrent liabilities are included in the accumulated translation differences reclassified from the translation reserve in equity to profit or loss for the year.

FINANCIAL INSTRUMENTS

Financial instruments recognized in the balance sheet include assets, such as cash and cash equivalents, loan and trade receivables, financial investments and derivatives, and liabilities such as loan liabilities, accounts payable and derivatives.

RECOGNITION AND DERECOGNITION

A financial asset or a financial liability is recognized on the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Trade receivables are recognized upon issuance of the invoice. A liability is recognized when the counterparty has performed under the agreement and the company is contractually obliged to settle the obligation, even if no invoice has been received.

A financial asset is derecognized when the rights under the agreement are realized or have expired, or when control of the contractual rights is lost. The same applies to a portion of a financial asset. A financial liability is derecognized when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability are offset and presented in a net amount in the balance sheet only if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

CLASSIFICATION AND MEASUREMENT

A non-derivative financial instrument is initially recognized at fair value plus any transaction costs. The Group classifies its financial instruments based on the purpose for its acquisition. Management decides its classification on initial recognition. The classification of a financial asset determines how it is measured after initial recognition, as described below.

Cash and cash equivalents comprise cash balances and bank deposits, and short-term investments that have a maturity of no more than three months from the date of acquisition, and are exposed only to an insignificant risk of changes in value.

FINANCIAL ASSETS AND LIABILITIES ARE CLASSIFIED AS FOLLOWS:

Financial assets and financial liabilities measured at fair value in profit or loss.

Financial assets and financial liabilities held for trading, which comprise all derivatives held by Sandvik to which hedge accounting is not applied. Derivative agreements are entered mainly to hedge the Group's foreign exchange and interest-rate risks. Derivatives with positive fair values are recognized as other short-term or long-term receivables (unrealized profits), while derivatives with negative fair values are recognized as other short-term or long-term liabilities (unrealized losses).

The assets held for trading consist of investments in non-listed shares. The fair value cannot be established reliably and the shares are thus measured at cost. The shares are tested regularly for impairment.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at

amortized cost using the effective interest method, less any impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and points paid or received between contractual parties that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Bad debt provisions are made based on negative information and observed non-payment patterns. A provision for 50-100% of the value is made for receivables overdue by between 181 and 360 days, while a provision for 100% of the value is made for receivables overdue by 361 days or more.

FINANCIAL LIABILITIES

Group borrowings are classified as short-term liabilities and long-term liabilities. Borrowings are initially measured at fair value net of transaction costs. Subsequently, borrowings are measured at amortized cost. Any difference between the loan amount, net of transaction costs, and the repayable amount is allocated to profit or loss for the year over the term of the loan using the effective interest method.

DERIVATIVES AND HEDGE ACCOUNTING

All derivatives are initially recognized at fair value excluding any transaction costs. After initial recognition, derivatives not qualified for hedge accounting are measured at fair value and the change in value is recognized in profit or loss either as other operating income or expenses or financial income or expenses.

HEDGE ACCOUNTING

To meet the criteria for hedge accounting, there must be a clear-cut relation to the hedged item and the hedge must be expected to be highly effective and it must be possible to measure such effectiveness reliably. Moreover, the hedge must be formally designated and documented. Gains and losses on hedges are recognized in profit or loss for the year at the same time that the gains and losses are recognized for the hedged items. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below under cash-flow or fair-value hedges.

Cash-flow hedges

Hedge accounting is applied when hedging a particular risk associated with highly probable future cash flows and forecast transactions. The effective portion of the change in fair value for the year, of derivatives that are qualified as cash flow hedges, is recognized in other comprehensive income and the accumulated changes in a separate component of shareholders' equity. The ineffective portion of a gain or loss is immediately recognized in profit or loss for the year. When the hedged item impacts profit or loss for the year,

the accumulated changes in value of the hedging instrument are reclassified to profit or loss for the year.

The accumulated gain or loss recognized in equity is reclassified into profit or loss for the year in the periods during which the hedged item affects profit or loss (for instance, when the forecast sales that are hedged take place). If the hedged forecast transaction subsequently results in the recognition of a non-financial asset (for instance, inventories or an item of property, plant and equipment), or a non-financial liability, the hedging reserve is dissolved and the gain or loss is included in the operating profit.

Fair-value hedges

When a hedging instrument is used to hedge the exposure to changes in fair value, changes in the fair value of the instrument are recognized in profit or loss for the year. The gain or loss on the hedged item attributable to the hedged risk, adjusts the carrying amount of the hedged liability and the change for the period is recognized in profit or loss.

Fair-value hedges are used to hedge the fair value of fixed rate funding recognized in the balance sheet, provided that the hedged item is otherwise recognized at amortized cost. The derivative instrument used is interest rate swaps to hedge fixed interest rate risk on borrowings. If the hedge relationship is discontinued, the carrying amount of the hedged item is adjusted with the accumulated amount referring to the hedge relationship.

Foreign currency gains and losses are recognized net.

REPORTING OF OPERATING SEGMENTS

Sandvik's business is organized in a manner that allows the Group's chief operating decision maker, meaning the CEO, to monitor results, return and cash flow generated by the various products and services in the Group. Each operating segment has a president that is responsible for day-to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business's result and decides on the distribution of resources based on the products the Group manufactures and sells and the services it provides, these constitute the Group's operating segments.

The Group's operations are organized in a number of business areas based on products and services. The market organization also reflects this structure. In accordance with IFRS 8, segment information is presented only on the basis of the consolidated financial statements.

Segment results, assets and liabilities include only those items that are directly attributable to the segment and the relevant portions of items that can be allocated on a reasonable basis to the segments. Unallocated items comprise interest and dividend income, gains on disposal of financial investments, interest expense, losses on the disposal of financial investments, income tax expense and certain administrative expenses. Unallocated assets and liabilities include income tax receivables and payables, financial investments and financial liabilities.

SIGNIFICANT ACCOUNTING POLICIES

REVENUE

REVENUE FROM SALES AND SERVICES

Revenue from the sale of goods is recognized in profit or loss for the year when the significant risks and rewards of ownership have been transferred to the buyer, that is, normally in connection with delivery. If the product requires installation at the buyer, and installation is a significant part of the contract, revenue is recognized when the installation is completed. Buy-back commitments may entail that sales revenue cannot be recognized if the agreement with the customer in reality implies that the customer has only rented the product for a certain period of time.

Revenue from service assignments is normally recognized in connection with the rendering of the service. Revenue from service and maintenance contracts is recognized in accordance with the percentage of completion method. The stage of completion is normally determined based on the proportion of costs incurred on the balance sheet date in relation to the estimated total costs of the assignment. Only expenditures relating to work carried out or to be carried out are included in calculating the total costs.

CONSTRUCTION CONTRACTS

Construction contracts exist to some extent, mainly in the business areas Sandvik Mining and Sandvik Construction and Sandvik Venture's product area Process Systems. Contract revenue and expenses are recognized in profit or loss for the year in proportion to the stage of completion of the contract, if the customer contract is considered enforceable, contains a customer specific delivery and the proportion of stage of completion can be estimated reliably. The stage of completion is based on the input method and is determined based on the proportion that contract costs incurred to date bear to the estimated total contract costs. Expected losses are immediately recognized as an expense in consolidated profit or loss for the year.

OTHER REVENUE

Revenue in the form of royalty is recognized on the basis of the financial implications of the agreement.

GOVERNMENT GRANTS

Government grants are recognized as deferred income in the balance sheet when there is reasonable assurance that the grant will be received and that the entity will comply with the conditions attaching to them. Grants are recognized in profit or loss for the year in the same way and over the same periods as the related costs that they are intended to compensate, on a systematic basis. Grants related to assets are presented by deducting the grant from the carrying amount of the asset.

FINANCIAL INCOME AND EXPENSES

Financial expenses consists of interest expense on borrowings, interest income and expenses on interest swaps that are recognized net as an interest expense. Credit losses on financial assets and foreign exchange gains and losses on hedging instruments are recognized in profit or loss for the year.

INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transaction is recognized in other comprehensive income. In these cases, the associated tax effects are recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Current tax liabilities are offset against current tax receivables and deferred tax assets are offset against deferred tax liabilities when the entity has a legal right to offset these items.

Deferred tax is recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their value for tax purposes. Deferred taxes are measured at their nominal amount and based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates and fiscal regulations enacted or substantively enacted at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable they can be utilized against future taxable profits.

INTANGIBLE ASSETS

GOODWILL

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and an annual impairment test is made in the fourth quarter or when there is an indication of impairment. Impairment losses on goodwill are not reversed. Goodwill arising on the acquisition of an associated company is included in the carrying amount of participations in associated companies.

RESEARCH AND DEVELOPMENT

Expenditure on research activities related to the obtaining of new scientific or technical knowledge is expensed as incurred. Expenditure on development activities, whereby the research results or other knowledge is applied to accomplish new or improved products or processes, is recognized as an intangible asset in the balance sheet, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset.

The carrying amount includes the directly attributable expenditure, such as the cost of materials and services, costs of employee benefits, fees to register intellectual property rights and amortization of patents and licenses. Other expenses for development are expensed as incurred. In the balance sheet, capitalized development expenditure is stated at cost less accumulated amortization and any impairment losses.

OTHER INTANGIBLE ASSETS

Other intangible assets acquired by the company are recognized at cost less accumulated amortization and any impairment losses. Capitalized expenditure for the development and purchase of software for the Group's IT operations are included here.

Intangible assets also include patents, trademarks, licenses, customer relationships and other rights. They are split between acquired and internally generated intangible assets.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization is charged to profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment annually or as soon as there is an indication that the asset may be impaired. Intangible assets with a finite useful life are amortized as of the date the asset is available for use.

The estimated useful lives are as follows:

- Patents and trademarks 10–20 years.
- Customer relationships 10 years.
- Capitalized development costs 3–7 years.
- Software for IT operations 3 years.

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses.

LEASED ASSETS

In the consolidated financial statements, leases are classified as either finance leases or operating leases. Further details on how Sandvik recognizes leases are found below.

DEPRECIATION OF TANGIBLE ASSETS

Depreciation is based on cost less estimated residual value. The assets are depreciated over the estimated useful lives, as follows:

- Plant and machinery is generally depreciated on a straight-line basis over 5–10 years,
- Rental assets over 3 years,
- Buildings over 10–50 years,
- Site improvements over 20 years.
- Land is regarded as having an indefinite useful life.
- Computer equipment is depreciated over 3–5 years using the reducing balance method.

If an item of property, plant and equipment comprises components with different useful lives, each such significant component is depreciated separately. Depreciation methods and estimated residual values and useful lives are reviewed at each year-end.

IMPAIRMENT AND BORROWING COSTS

IMPAIRMENT AND REVERSALS OF IMPAIRMENT

Assets with an indefinite useful life are not amortized, but tested annually for impairment. Assets that are amortized or depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the greater of the fair value less selling costs and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In respect of items of property, plant and equipment and intangible fixed assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

BORROWING COSTS FOR INTANGIBLE AND TANGIBLE ASSETS

Borrowing costs attributable to the construction of qualifying assets are capitalized as a portion of the qualifying asset's cost. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. The Group considers a period in excess of one year to be a substantial period of time. For the Group, the capitalization of borrowing costs relating to intangibles is mainly relevant for capitalized expenditure for the development of

SIGNIFICANT ACCOUNTING POLICIES

new data systems. For tangibles it relates to the construction of production buildings on a proprietary basis.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value, with due consideration of obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the first-in/first-out (FIFO) principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

EQUITY

Dividends are recognized as a liability in the period in which they are resolved at a shareholders' meeting.

EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit or loss attributable to ordinary equity holders of the Parent Company and the weighted average number of ordinary shares outstanding during the year. When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential ordinary shares, which during reported periods relates to options issued to employees. The options are dilutive if the exercise price is less than the quoted stock price and increases with the size of the difference.

EMPLOYEE BENEFITS

THE GROUP'S PENSION PLANS

The Group sponsors a number of defined-contribution and defined-benefit pension plans, some of which with plan assets held by separate foundations or equivalent. A number of Group entities also provide post-employment medical benefits.

Whenever possible, Sandvik nowadays seeks defined-contribution pension solutions and in recent years defined-benefit plans have as far as possible been closed for new entrants in connection with negotiations about defined-contribution pension arrangements. The Group's Swedish companies offer all newly hired salaried employees, regardless of age, the defined-contribution pension solution (ITP 1) resulting from the renegotiation of the ITP Plan between the Confederation of Swedish Enterprise and the Negotiation Cartel for Salaried Employees in the Private Business Sector.

Defined-contribution plans

A defined-contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obliga-

tion to pay further amounts. The size of the pension that the employee will ultimately receive in such case depends on the size of the contributions that the entity pays to the plan or an insurance company and the return that the contributions yield. Obligations for contributions to defined-contribution pension plans are recognized as an employee benefit expense in profit or loss for the year as the employee renders services to the entity.

Defined-benefit plans

The Group's net obligation in respect of defined-benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have vested in return for their service in the current and prior periods. This benefit is discounted to its present value. The discount rate is the yield on high-quality corporate bonds, mortgage bonds – or if there is no deep market for such bonds, government bonds – that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary. In addition, the fair value of any plan assets is assessed. This method of accounting is applied to the most significant defined-benefit plans in the Group. A number of plans, which neither individually nor in the aggregate are significant in relation to the Group's total pension obligations, are still recognized in accordance with local regulations.

In measuring the present value of pension obligations and the fair value of plan assets, actuarial gains and losses may accrue either because the actual outcome differs from earlier assumptions (so-called experience adjustments) or the assumptions are changed. These actuarial gains and losses are recognized in the balance sheet and in profit or loss under other comprehensive income.

When the benefits under a plan are improved, the portion of the increased benefits that relate to past service by employees is recognized in profit or loss for the year. The amount of obligations recognized in the balance sheet for pensions and similar obligations reflects the present value of the obligations at the balance sheet date, less the fair value of any plan assets.

PENSION ASSUMPTIONS

Actuarial assumptions are important ingredients in the actuarial methods used to measure pension obligations and they can significantly affect the recognized net liability and the annual pension cost. One critical assumption – the discount rate – is essential for the measurement of both the expense of the year and the present value of the defined-benefit obligations' current year. The discount rate is used both for calculating the present value of the obligation and as an estimate for the return on plan assets. The discount rate is reviewed quarterly, which affects the net liability, and annually, which also affects the expense for coming years. Other assumptions are reviewed annually, which can relate to demographic factors such as pension

age, mortality rates and employee turnover. A lower discount rate increases the present value of the pension obligation and the annual pension cost.

TERMINATION BENEFITS

When employment is terminated, a provision is recognized only when the entity is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal retirement age or provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the latter case, a liability and an expense are recognized if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

SHARE-BASED PAYMENTS

Share-based payments refer to remuneration to employees in accordance with employee option programs and a share saving program.

Share option programs allow employees to acquire shares in the company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value as measured at the grant date is spread over the vesting period. The fair value of the options is measured using the Black & Scholes formula, taking into account the terms and conditions upon which the options were granted. The share-based program for 2014 includes two types of rights. Matching share rights provide entitlement to shares in Sandvik if the participant remains employed and retains the saving share that has been purchased initially. Performance share rights provide entitlement to shares subject to the same conditions and if goals relating to operating performance are achieved.

The amount recognized as an expense is adjusted to reflect the actual number of share options/rights vested.

In order to meet its commitments under the option program, Sandvik has entered into an equity swap agreement with a financial institution. Under the agreement, the financial institution undertakes to distribute Sandvik shares to participants in the program when the date for allotment occurs in accordance with the terms and conditions of the program. The fair value of the Sandvik share when the swap agreement was signed is recognized as a financial liability and as a reduction of equity in accordance with IAS 32.

Social costs relating to share-based payments to employees are expensed over the accounting periods during which the services are provided. The charge is based on the fair value of the options at the reporting date. The fair value is calculated using the same formula as that used when the options were granted.

PROVISIONS

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will

be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The provisions are mainly related to warranty commitments, restructuring, environmental obligations, long-term incentives and legal disputes and claims, such as value added tax issues, customer and supplier claims relating to ongoing or finished projects.

WARRANTIES

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes with their associated probabilities.

RESTRUCTURING

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. No provision is posted for future operating costs.

SITE RESTORATION

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when land has become contaminated.

ONEROUS CONTRACTS

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group are lower than the unavoidable cost of meeting its obligations under the contract.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is a present obligation that cannot be recognized as a liability because it is not probable that an outflow of resources will be required, alternatively because the amount of the obligation cannot be measured with sufficient reliability.

DISCONTINUED OPERATIONS

To qualify as Discontinued operations, a component of Sandvik group must have been classified as held for sale and represent a separate major line of business or is a part of a single coordinated plan to dispose of a separate major line of business. Product area Mining System within Business Area Mining is classified as discontinued operation and reported as held for sale. The discontinued operation is

SIGNIFICANT ACCOUNTING POLICIES

measured at fair value less cost to sell. See Consolidated financial statements and Notes for further information.

LEASING

There are two basic categories of leases, finance and operating. Lease contract terms, under which the lessor has transferred the majority of the risks and rewards of ownership to the lessee, are classified as finance leases. All other leases are classified as operating leases.

SANDVIK AS A LESSEE

Under a finance lease, the lessee recognizes the leased asset measured at the lower of its fair value and the present value of future lease payments. Simultaneously, a liability corresponding to future lease expenses is recognized. The asset is depreciated according to the proper accounting policy valid for the type of asset. However, depreciation may never exceed the lease term. The lease payments are recognized against the lease liability. Operating leases are not recognized in the balance sheet. Expenses attributable to an operating lease are recognized in profit or loss for the year on a straight line basis following the lease term.

SANDVIK AS A LESSOR

Under a finance lease, the lessor recognizes a sale and a financial receivable equal to the future lease installments and residual values that might have been guaranteed to the lessee. For the duration of the lease term, interest revenue is recognized in profit or loss for the year, while amortization is recognized as a decline of the financial receivable. Under an operating lease, the lessor recognizes the equipment as an asset, and revenue and depreciation are recognized on a straight line basis over the lease term.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the standard, RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board. The interpretations issued by the Financial Reporting Board valid for listed companies have also been applied. Under RFR 2, the Parent Company in its Annual Report is to apply all the IFRS and IFRIC interpretations approved by the EU to the extent possible within the framework of the Annual Accounts Act, the Act on Income Security, and taking into account the close tie between financial reporting and taxation. The standard specifies what exceptions from or additions to the IFRS shall be made.

CHANGED ACCOUNTING POLICIES

Unless otherwise stated below, the Parent Company's accounting policies in 2015 changed in accordance with the amendments described above for the Group's accounting policies.

CLASSIFICATION AND PRESENTATION

The Parent Company's income statement and balance sheet adhere to the presentation included in the Annual Accounts Act. The differences compared with IAS 1 Presentation of Financial Statements applied when presenting the consolidated financial statements mainly pertain to the presentation of finance income and expenses, non-current assets, equity and the presentation of provisions as a separate heading in the balance sheet.

SHARES IN GROUP COMPANIES AND ASSOCIATED COMPANIES

The Parent Company recognizes shares in Group companies and associated companies in accordance with the cost model, meaning that transaction costs are included in the carrying amount of holdings in subsidiaries and associated companies. Transaction costs related to shares in Group companies are recognized directly in profit or loss in the consolidated financial statements when they arise. Contingent consideration is valued based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/deducted from the cost. Contingent consideration is measured at fair value in the consolidated financial statements with changes in value recognized in profit or loss. Dividends from subsidiaries are recognized in full as income in profit or loss for the year.

LEASED ASSETS

The Parent Company recognizes all lease contracts according to the rules for operating leases.

INTANGIBLE ASSETS

The Parent Company recognizes all expenditure for research and development conducted on a proprietary basis as an expense in profit or loss.

BORROWING COSTS

In the Parent Company, borrowing costs are expensed in the periods to which they relate. Borrowing costs for assets are not capitalized.

EMPLOYEE BENEFITS

The Parent Company calculates expenses for defined-benefit pension plans differently from the manner prescribed in IAS 19. The Parent Company applies the Act on Income Security and regulations issued by the Swedish Financial Supervisory Authority, which is a prerequisite for income tax purposes. Compared to IAS 19, the most significant differences relate to the determination of the discount rate and the fact that the obligation is calculated based on the current salary level disregarding assumptions about future levels.

INCOME TAX

The Parent Company recognizes untaxed reserves including the deferred tax component.

In the consolidated financial statements, untaxed reserves are recognized in their equity and deferred tax components. Correspondingly, portions of appropriations are not allocated to deferred tax expenses in the Parent Company's income statement.

GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTIONS IN LEGAL ENTITY ACCOUNTS

Group contributions that a Parent Company receives from a subsidiary are recognized in the Parent Company in accordance with the same policies as normal dividends from subsidiaries. Group contributions paid by the Parent Company to subsidiaries are recognized as investments in shares in the subsidiaries.

ANTICIPATED DIVIDENDS

Anticipated dividends from subsidiaries are recognized in cases where the Parent Company unilaterally may determine the size of the dividend and provided that the Parent Company has made such a decision before it published its financial statements.

FINANCIAL GUARANTEES

The Parent Company applies a relaxation rule permitted by the Swedish Financial Reporting Board to the reporting of financial guarantees as opposed to the rules stipulated by IAS 39. This relaxation rule pertains to financial guarantee agreements issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company recognizes financial guarantees as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the commitment.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS KEY SOURCES OF ESTIMATION UNCERTAINTY

In order to prepare the financial statements, management and the Board make various judgments and estimates that can affect the amounts recognized in the financial statements for assets, liabilities, revenues and expenses as well as information in general, including issues with regard to contingent liabilities. The judgments and estimates discussed in this section are those deemed to be most important for an understanding of the financial statements, considering the level of significant estimations and uncertainty. The conditions under which Sandvik operates are gradually changing meaning that the judgments also change.

IMPAIRMENT TESTS OF GOODWILL

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate or a decision taken either to sell or close down certain operations. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in Note 12. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

IMPAIRMENT TESTS OF OTHER NON-CURRENT ASSETS

Sandvik's property, plant and equipment and intangible assets – excluding goodwill – are stated at cost less accumulated depreciation/amortization and any impairment losses. Other than goodwill, Sandvik has not identified any intangible assets with indefinite useful lives. The assets are depreciated or amortized over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

The carrying amount of the Group's non-current assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered. The carrying amount of intangible assets not yet available for use is tested annually. If such analysis indicates an excessive carrying amount, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the asset's fair value less selling costs, and its value in use. Value in use is measured as the discounted future cash flows of the asset, alternatively the cash-generating unit to which the asset belongs. The rental fleets of the Sandvik Mining, Sandvik Construction and Sandvik Venture business areas are subject to special examination considering their dependence on the business climate in the mining- and oil industry and the risk that rental agreements may be cancelled. The carrying amount of the rental fleets at the end of 2015 was 541 million SEK (573).

A call for an impairment test also arises when a non-current asset is classified as being held for sale, at which time it must be remeasured at the lower of its carrying amount and fair value less cost to sell.

SIGNIFICANT ACCOUNTING POLICIES

INCOME TAX

Significant estimates are made to determine both current and deferred tax liabilities/assets, not least the value of deferred tax assets. The company must then determine the possibility that deferred tax assets will be utilized and offset against future taxable profits. The actual results may differ from these estimates, for instance due to changes in the business climate, changed tax legislation, or the outcome of the final review by tax authorities and tax courts of tax returns. At year-end 2015, Sandvik recognized deferred tax assets of 6,237 million SEK (6,245). Furthermore, the Group had additional tax loss carry-forward of about 2,052 million SEK (762) at the end of 2015 for which no deferred tax assets are recognized since utilization of these losses is not deemed probable. A change in the estimate of the possibility for utilization thus can affect results both positively and negatively. The expenditure recognized as a provision for ongoing tax litigations is based on management's best estimate of the outcome, and amounted to 1,060 million SEK (916) at the end of 2015.

POST-EMPLOYMENT BENEFITS

Sandvik provides pension solutions and other post-employment benefits to employees throughout the Group. In certain countries defined-benefit plans are provided and the accounting for these plans is complex because actuarial

assumptions are required to determine the obligation and the expense. Life expectancy, inflation and discount rate are examples of assumptions used for the calculations. Furthermore, the obligations are measured on a discounted basis since they may be settled many years after the employment. The applied actuarial assumptions as well as a sensitivity analysis are presented in Note 20. Some of the defined-benefit plans are funded, with plan assets held by separate foundations or equivalent. The financial risk management associated with the defined-benefit plans are presented in the Report of Directors in the section Financial Risk Management.

DISPUTES

Sandvik is besides the tax litigation cases set out above – party to a number of disputes and legal proceedings in the ordinary course of business. Management consults with legal experts on issues related to legal disputes and with other experts internal or external to the Company on issues related to the ordinary course of business. It is management's best estimate that neither the Parent Company, nor any subsidiary, is involved in legal proceedings or arbitration that may be deemed to have a materially negative effect on the business, the financial position or results of operations.

For additional information on risks related to disputes, refer to the Risks and Risk Management section.

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NOTES

Consolidated and Parent Company financial statements
(Amounts in tables in MSEK, unless otherwise stated)

NOTE 1 SEGMENT INFORMATION

1.1 INFORMATION ON BUSINESS SEGMENTS/BUSINESS AREAS, CONTINUING OPERATIONS

	SANDVIK MACHINING SOLUTIONS		SANDVIK MINING		SANDVIK MATERIALS TECHNOLOGY		SANDVIK CONSTRUCTION		SANDVIK VENTURE		CORPORATE		ELIMINATIONS		GROUP TOTAL	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Revenue																
External revenue	30,856	32,652	20,543	22,421	14,907	13,909	8,553	8,551	7,658	8,292	16	20			82,533	85,845
Internal revenue	250	209	33	30	329	313	72	79	817	655	2	—	-1,503	-1,286		
Group total	31,106	32,861	20,576	22,451	15,236	14,222	8,625	8,630	8,475	8,947	18	20	-1,503	-1,286	82,533	85,845
Share of results of associated companies	11	8	6	7	15	-14	—	—	—	—	-8	7			24	8
Operating profit/loss by business area	6,159	5,269	2,483	2,585	1,880	8	45	28	888	529	-1,250	-1,148			10,205	7,271
Net financing cost															-1,836	-1,963
Income tax expense for the year															-2,272	-1,865
Profit for the year															6,097	3,443
Other disclosures																
Assets	26,408	25,550	18,050	16,859	17,093	15,598	8,019	7,625	15,305	14,825	2,127	2,376			87,002	82,833
Investments in associates	40	37	57	64	143	129	—	—	—	—	-1	6			239	236
Total assets	26,448	25,587	18,107	16,923	17,236	15,727	8,019	7,625	15,305	14,825	2,126	2,382			87,241	83,069
Unallocated assets															16,295	16,054
Group total															103,536	99,123
Liabilities	4,438	5,052	4,288	4,851	3,397	3,587	2,402	2,594	1,738	1,628	1,656	1,706			17,919	19,418
Unallocated liabilities															49,675	45,874
Group total															67,594	65,292
Capital expenditure	2,106	1,905	632	447	890	948	211	194	618	415	180	186			4,636	4,095
Depreciation/Amortization	-1,720	-1,794	-575	-719	-736	-779	-392	-396	-469	-676	-109	-141			-4,001	-4,505
Impairment losses	29	-66	-17	-37	2	-511	41	-184	—	—	-27	-18			27	-816
Other non-cash expenses	-251	798	-262	370	-276	75	-151	28	-3	14	-198	104			-1,142	1,389

All transactions between the business areas are on market terms. For information regarding business combinations, see Note 30.

1.2 INFORMATION BY COUNTRY, CONTINUING OPERATIONS

REVENUE BY COUNTRY, GROUP	2014	2015	NON-CURRENT ASSETS BY COUNTRY, GROUP	2014	2015
USA	12,814	13,598	Sweden	14,040	13,994
Germany	6,801	6,980	USA	10,435	10,840
China	6,435	6,406	Germany	3,736	3,591
UK	3,060	3,799	Austria	2,655	2,548
Australia	4,379	3,625	UK	2,063	1,979
Sweden	3,407	3,525	Finland	1,816	1,716
Italy	3,249	3,245	China	2,250	1,643
South Africa	2,954	2,979	India	1,080	1,239
France	3,145	2,834	Australia	1,098	962
Canada	2,261	2,499	France	955	878
Russia	2,534	2,350	Czech Republic	739	721
India	1,870	2,300	Japan	583	588
Mexico	1,774	2,197	Canada	441	470
Japan	1,797	2,079	Italy	374	423
Indonesia	1,299	1,542	Netherlands	322	326
Other countries	24,754	25,887	Other countries	2,907	2,726
Total	82,533	85,845	Total	45,494	44,644

Income is specified by country based on where customers are located.

Non-current assets are specified by country based on where they are located.

NOTE 2 CATEGORIES OF REVENUE

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Sale of goods	79,120	82,008	16,467	15,658
Contract revenue	64	442	0	0
Rendering of services	2,457	2,469	8	7
Rental income	892	926	0	2
Total	82,533	85,845	16,475	15,667

NOTE 3 PERSONNEL INFORMATION AND REMUNERATION OF MANAGEMENT AND AUDITORS

3.1 AVERAGE NUMBER OF EMPLOYEES

	GROUP				PARENT COMPANY			
	2014		2015		2014		2015	
	NUMBER	WOMEN, %	NUMBER	WOMEN, %	NUMBER	WOMEN, %	NUMBER	WOMEN, %
Sweden	10,760	24	10,430	24	8,003	22	7,874	22
Rest of Europe	14,966	20	14,847	20	—	—	—	—
Total Europe	25,726	21	25,277	21	8,003	22	7,874	22
NAFTA	5,882	18	6,256	17	2	50	2	50
South America	2,736	14	2,482	15	—	—	—	—
Africa, Middle East	2,833	16	2,820	17	—	—	—	—
Asia	8,490	16	8,224	16	—	—	—	—
Australia	1,661	17	1,504	14	—	—	—	—
Total	47,328	19	46,563	19	8,005	22	7,876	22
Whereof discontinued operations	1,346		1,210					
Continuing operations	45,982		45,353					

3.2 WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL COSTS

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Wages, salaries and other remuneration	19,620	20,604	3,948	4,039
Social costs	5,231	5,263	1,882	1,876
Employee profit sharing	113	13	96	10
Total	24,964	25,880	5,926	5,925
Whereof discontinued operations	646	533	—	—
Continuing operations	24,318	25,347	5,926	5,925
Of which, pension costs recognized in social costs	1,703	1,426	661	476

A total of 87 million SEK (63) of the Group's pension costs relates to Boards and presidents. The Group's pension liability to these persons amounted to 175 million SEK (207). Correspondingly, 21 million SEK (13) of the Parent Company's pension costs related to the Boards and presidents. The Parent Company's pension liability relating to these persons amounted to 4 million SEK (50).

EMPLOYEE PROFIT-SHARING PROGRAM

To promote performance that is favorable to the Group's long-term development and also to stimulate continued employee loyalty, Sandvik has had a profit-sharing system for all employees in wholly owned companies in Sweden since 1986. The Group's return during 2015 resulted in an allocation of 13 million SEK (113) to the profit-sharing foundation.

3.3 WAGES, SALARIES AND OTHER REMUNERATION BY MARKET AREA

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Sweden	5,230	5,385	3,948	4,039
Rest of Europe	7,235	7,404	—	—
Total Europe	12,465	12,789	3,948	4,039
NAFTA	2,957	3,522	0	—
South America	835	707	—	0
Africa, Middle East	701	806	—	—
Asia	1,495	1,835	—	—
Australia	1,167	945	—	—
Total	19,620	20,604	3,948	4,039
Whereof discontinued operations	476	394	—	—
Total continuing operations	19,144	20,210	3,948	4,039
Of which, to Boards of Directors and presidents				
Salaries and other remuneration	478	605	46	40
of which, variable salary	53	75	9	6

3.4 GENDER DISTRIBUTION IN SENIOR MANAGEMENT

PROPORTION OF WOMEN, %	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Gender distribution in senior management	12	12	10	20
Other senior executives	20	21	36	36

3.5 REMUNERATION OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

THE BOARD

Fees to the Chairman and other external Board members are paid in accordance with the resolution at the Annual General Meeting. No Board fees are paid to the President and the employee representatives. In accordance with the resolution of the 2015 Annual General Meeting, the total fee to the external Board members elected at the Meeting amounts to 5,300,000 SEK on an annual basis. Of this amount, 1,700,000 SEK is payable to the Chairman of the Board (Johan Molin) and 600,000 SEK to each of the other external Board members (Jennifer Allerton, Claes Boustedt, Jürgen M Geissinger, Johan Karlström, Hanne de Mora and Lars Westerberg).

In addition to these amounts, the Annual General Meeting resolved that a fee for committee work should be paid to Board members elected by the Meeting in an amount totaling 475,000 SEK to the members of the Audit Committee (Hanne de Mora 175,000 SEK, Claes Boustedt 150,000 SEK and Johan Molin 150,000 SEK) and in an amount totaling 325,000 SEK to the members of the Remuneration Committee (Johan Molin 125,000 SEK, Johan Karlström 100,000 SEK and Lars Westerberg 100,000 SEK).

PRESIDENT AND OTHER SENIOR EXECUTIVES

PRINCIPLES OF REMUNERATION

The following guidelines approved by the Annual General Meeting for remuneration of senior executives have been applied since the Annual General Meeting in 2015:

The remuneration of the Group Executive Management is to comprise fixed salary, variable salary, pension and other benefits. The total remuneration package should be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as the Group's earnings trend.

The variable salary may comprise short-term incentives in cash and long-term incentives in cash, shares and/or share-based instruments in Sandvik AB. Variable salary in cash is conditional upon the fulfillment of defined and measurable goals and should be maximized in relation to the fixed salary. Long-term incentives in the form of shares and/or share-based instruments in Sandvik AB may be provided through participation in long-term incentive programs approved by the General Meeting. Terms and conditions for variable salary should be designed so that the Board, if exceptional economic circumstances prevail, has the option of limiting or refraining from payment of variable salary if such a measure is considered reasonable.

NOTES

cont. **NOTE 3.5**

In specific cases, agreements may be reached regarding one-off remuneration amounts provided that such remuneration does not exceed an amount corresponding to the individual's annual fixed salary and maximum variable salary in cash, and is not paid more than once per year and individual.

Pension benefits should either be defined benefit or defined contribution, or a combination thereof. The minimum retirement age for the President is 60 and for other members of the Group Executive Management the minimum retirement age is 62.

Normally, severance payment is made when employment is terminated by Sandvik. Members of the Group Executive Management generally have a period of notice of not more than 12 months, in combination with severance pay corresponding to 6–12 months' fixed salary. An alternative solution may be applied to the President comprising a period of notice of 24 months and no severance pay. No severance payment will be made when employment is terminated by the employee.

The Board is to have the right to depart from the guidelines resolved on by the Annual General Meeting if, in an individual case, there are special reasons for this. The sphere of senior executives encompassed by the guidelines comprises the President and other members of the Group Executive Management.

The proposal for principles for remuneration that the Board intends to submit to the 2016 Annual General Meeting for resolution is presented in the Report of the Directors, in the Employees section.

PRESIDENT AND CEO

Effective 1 November 2015, Sandvik's President and CEO, Björn Rosengren, was paid an annual fixed salary of 12,500,040 SEK and received the fringe-benefit value of a car provided by the company. In addition, an annual variable cash-based salary of not more than 75% of the fixed salary is payable. The variable salary for 2015 amounted to 468 752 SEK.

Björn Rosengren is entitled to retire with pension at age 65. A premium of 37.5% of his annual fixed salary is reserved annually. In the event of termination of employment by the company, Björn Rosengren has a notice period of 12 months and 12 months' severance pay.

In 2015, Sandvik expensed and reserved 31 million SEK in severance pay for Olof Faxander. The amount pertains to salary and pension benefits for 24 months' notice period.

OTHER SENIOR EXECUTIVES

For other members of the Group Executive Management who are covered by a Swedish pension plan (ITP1 or ITP2), the pension age is 62. For members that are covered by the ITP 1 plan (defined contribution) a supplement of 5% of the salary portions in excess of 7.5 income base amounts applies. For members that are covered by the ITP 2 plan (defined benefit), a supplementary defined-contribution plan under which the company each year contributes 28–38% (depending on age) of fixed salary portions in excess of 20 price base amounts applies. Of the seven members of the Group Executive Management who are covered by a Swedish pension plan and were employed as of 31 December 2015, three are encompassed by the ITP 1 plan and four are encompassed by the ITP 2 plan. Members of the Group Executive Management who are not covered by a Swedish pension plan have defined-contribution plans under which the company contributes up to 15% of the fixed annual salary.

Severance pay is due in the event that the company terminates employment. The severance pay equals 6–12 months' fixed salary in addition to the notice period, which is normally 12 months. Any other income from employment is normally deducted from the severance pay.

LONG-TERM INCENTIVE PROGRAM

SHARE-BASED INCENTIVE PROGRAM 2011–2013

The 2011, 2012 and 2013 Annual General Meetings approved the Board proposals to introduce a share-based LTI program for each year. The programs are

aimed at about 400 senior executives and key individuals in the Sandvik Group and encompass a maximum total of 35,124,878 Sandvik shares.

The program participants have been allotted employee stock options that entitle the employee to acquire Sandvik shares after three years at a set exercise price, on condition that certain performance targets linked to the Sandvik Group's growth in value – Sandvik Value Added (SVA) – are met ("performance shares"). For the President, senior executives and certain top level executives, a personal investment in Sandvik shares ("saving shares"), corresponding to 10% of fixed annual pre-tax salary for the year in which the investment in saving shares is made, was required in order to receive allotment of employee stock options. Provided that such a personal investment in Sandvik shares has been made, these executives also received allotment of "matching rights" (one per saving share acquired) that entitle the executive to acquire Sandvik shares after three years at a set exercise price ("matching shares"). Employee stock options and matching rights are non-transferrable.

Each employee stock option entitles the employee to acquire one performance share not earlier than three years and not later than five years following allocation of the employee stock option. The number of the allotted employee stock options that will eventually provide entitlement to the acquisition of performance shares depends on the development of SVA over the three fiscal years following approval of the program by the Annual General Meeting. The exercise of the employee stock options to acquire performance shares requires continued employment at Sandvik and that all acquired saving shares are held for a three-year period after the allotment of the employee stock options.

Each matching right provides entitlement to acquire a matching share not earlier than three and not later than five years after the allotment of the matching rights. The exercise of matching rights to acquire matching shares requires continued employment at Sandvik and that all acquired saving shares are held for a three-year period after the allotment of matching rights.

The exercise price to acquire a performance share or matching share equals an amount corresponding to 110% and 75%, respectively, of the average volume-weighted price paid for the Sandvik share on Nasdaq Stockholm during a period of ten trading days immediately following the Annual General Meeting that approved the program. The average volume-weighted price paid was determined for 2011 at 117.20 SEK, for 2012 at 97.12 and for 2013 at 92.41 SEK.

For the 2011 LTI program, encompassing the years 2011–2013, no employee stock options were vested, since the performance targets set by the Board of Directors were not met.

For the 2012 LTI program, encompassing the years 2012–2014, 36% of the employee stock options were vested.

For the 2013 LTI program, encompassing the years 2013–2015, no employee stock options will be vested, since the performance targets set by the Board of Directors were not met.

The number of allotted employee stock options and acquired matching rights under the 2012 program for the President and other members of the Group Executive Management on 31 December 2015 corresponds to the number of outstanding employee stock options and matching rights at year-end.

The number of allotted matching rights under the 2011 and 2013 programs corresponds to the number of outstanding matching rights at 31 December 2015.

The expected volatility was determined by analyzing the historical volatility of Sandvik AB and some comparable listed companies. When determining the expected maturity, assumptions were made regarding expected behavior patterns for exercising the employee stock options and acquired matching rights among the program participants.

SHARE-BASED INCENTIVE PROGRAM 2014–2015

The 2014 and 2015 Annual General Meetings approved the Board proposal to introduce a performance share program for each year for about 350 senior executives and key individuals in the Sandvik Group, divided into four categories. For all participants, a personal investment is required in each separate program and the programs encompass a maximum total of 4,436,665 shares.

REMUNERATION AND OTHER BENEFITS PERTAINING TO 2015 EXPENSED DURING THE YEAR, SEK

POSITION	FIXED SALARY/ BOARD FEE	ANNUAL VARIABLE SALARY ¹⁾	OTHER BENEFITS ²⁾	LONG-TERM VARIABLE SALARY ³⁾	PENSION COSTS
Chairman of the Board	1,975,000 ⁴⁾				
Other Board members	4,125,000 ⁴⁾				
President and CEO Björn Rosengren	2,083,340 ⁵⁾	468,752	224	—	64
Former President and CEO Olof Faxander	31,150,351 ⁶⁾	2,586,956	296,510	786,027	11,016,285
Other senior executives ⁷⁾	72,522,312	14,299,606	2,501,232	2,625,904	13,065,188
Sum	111,856,003	17,355,313	2,797,966	3,411,931	24,081,537

1) Amount pertaining to 2015 and expected to be paid in 2016.

2) Relates mainly to the fringe-benefit value of housing and company car.

3) The amounts pertain to changes in provisions made for the 2013, 2014 and 2015 LTI programs.

4) Expensed during 2015 and will be paid in 2016.

5) Björn Rosengren's fixed salary as of 1 November 2015 amounts to 12,500,040 SEK, the remaining amount relates to vacation pay, etc. Board fees are not payable to executive Board members.

6) Pertains to January–July 2015 and severance pay.

7) Pertains to the following persons in 2015: Jessica Alm, Mats Backman, Petra Einarsson, Lars Engström (Dec), Dinggui Gao, Jonas Gustavsson, Jim Nixon, Scot Smith, Åsa Thunman, Anna Vikström Persson, Olle Wijk and ZZ Zhang. The amounts also include severance pay for the former President of the Sandvik Mining business area, who left his position during the year.

cont. NOTE 3.5

All program participants have invested in Sandvik shares ("investment shares"), up to an amount corresponding to 10% of their fixed annual pre-tax salary at the time of the investment.

Each acquired investment share entitles participants to be allotted, free of charge, after a period of three years, one Sandvik share ("matching share") and provided certain performance targets are met, further Sandvik shares ("performance shares"). The maximum number of performance shares that may be allotted for each acquired investment share depends on the category to which the participant belongs.

The number of performance shares that will finally be allotted to the participant for each acquired investment share is dependent on the development of the Sandvik Group adjusted Earnings Per Share ("EPS") during the financial year that the investment shares were acquired, compared to adjusted EPS for the previous financial year.

In January 2014 and 2015 respectively the Board of Directors established the levels regarding adjusted EPS for the year in question that had to be attained for allotment of a certain number of performance shares. For the 2014 LTI program only matching shares will be allotted during 2017, if all the prerequisites for allotment are met. No performance shares will be allotted since the performance targets set by the Board of Directors were not met. In order for any performance shares to be allotted in the 2015 LTI program, adjusted EPS growth for the financial year 2015 must exceed 5% in relation to adjusted EPS for the financial year 2014. For the maximum number of performance shares to be allotted in the 2015 LTI program, adjusted EPS growth for the financial year 2015 must attain 24% in relation to adjusted EPS for the financial year 2014. Within the range, a proportional linear number of performance shares will be allotted.

Adjusted EPS for the financial year 2014 amounted to 4.83 SEK. For the financial year 2015, adjusted EPS amounted to 4.72 SEK, which means that the performance targets have not been met and no performance shares will be vested.

The allotment of matching and performance shares, respectively, requires continuous employment and that all investment shares be held during a period of three years from the acquisition of the investment shares.

The right to be allotted matching shares under the 2015 LTI program presupposes that the 2016 Annual General Meeting decides on dividends for the financial year 2015. Whether or not dividends are decided on does not impact a participant's right to be allotted performance shares.

If all the prerequisites for allotment are met, allotment of matching shares under the 2015 LTI program will take place during 2018, and no later than 30 June 2018.

The number of allotted matching shares under the 2015 program for the President and other members of the Group Executive Management on 31 December 2015 corresponds to the number of outstanding performance shares and matching shares at year-end.

The number of allotted matching shares under the 2014 program for the President and other members of the Group Executive Management on 31 December 2015 corresponds to the number of outstanding performance shares and matching shares at year-end.

The expected volatility was determined by analyzing the historical volatility of Sandvik AB and some comparable listed companies.

COSTS FOR THE PROGRAMS

In accordance with IFRS 2, the total expense for the 2015 LTI program amounted to 32 million SEK excluding social costs, of which 5.8 million SEK for the President and other senior executives. During the year the following provisions were established: 11 million SEK, excluding social costs, for the 2015 LTI program, of which 1.9 million SEK for the President and other senior executives; 9.2 million SEK, excluding social costs, for the 2014 LTI program, of which 1.2 million SEK for the President and other senior executives; and 0.8 million SEK, excluding social costs, for the 2013 LTI program, of which 0.3 million SEK for the President and other senior executives.

The employee stock options, matching rights, matching shares and performance shares are expensed as an employee expense (excluding social costs) over the vesting period and are recognized directly against equity. The amount recognized is continuously revised throughout the vesting period of each program. Social costs are expensed during the vesting period of each program based on the change in value of the employee stock options, matching rights, matching shares and performance shares.

PREPARATION AND DECISION-MAKING PROCESS

The Board's Remuneration Committee prepares issues relating to the Group Executive Management's remuneration. The Committee met three times during the year. Issues dealt with included the remuneration level in connection with completed recruitments, distribution between fixed and variable salary, the magnitude of any pay increases and the long-term variable incentive program.

ASSUMPTIONS FOR DETERMINING THE VALUE BASED ON THE BLACK & SCHOLES MODEL, 2011–2013 LTI PROGRAMS

ASSUMPTIONS	PROGRAM 2011 (ON DATE OF ISSUE)	PROGRAM 2012 (ON DATE OF ISSUE)	PROGRAM 2013 (ON DATE OF ISSUE)
Share price	117 SEK	92.65 SEK	94.65 SEK
Exercise price	129.00/87.90 SEK	106.80/72.80 SEK	101.70/69.30 SEK
Expected volatility	32 %	36.50 %	35 %
Expected maturity	3 years	3 years	3 years
Present value of forecasted future dividends ¹⁾	13.10 SEK	12.17 SEK	12.22 SEK
Risk-free interest rate	2.6 %	0.95 %	0.91 %

¹⁾ Based on analysts' combined expectations.

NUMBER AND EXERCISE PRICE, GROUP (INCLUDING PARENT COMPANY), 2011–2013 LTI PROGRAMS

	EMPLOYEE STOCK OPTIONS 2011	MATCHING RIGHTS 2011	EMPLOYEE STOCK OPTIONS 2012	MATCHING RIGHTS 2012	EMPLOYEE STOCK OPTIONS 2013	MATCHING RIGHTS 2013
Outstanding at beginning of year	—	44,956	3,407,328	101,206	—	119,304
Allotted during the period	—	—	—	—	—	—
Exercised during the year	—	-6,335	—	-3,941	—	—
Forfeited during the year	—	-1,919	-209,448	-3,437	—	-7,616
Outstanding at year-end	—	36,702	3,197,880	93,828	—	111,688
Theoretical value when allotted acc. to Black & Scholes, SEK	17	33.10	13	24	14.30	26.30
Exercise price, SEK	129	87.90	106.80	72.80	101.70	69.30

NUMBER AND EXERCISE PRICE, PARENT COMPANY, 2011–2013 LTI PROGRAMS

	EMPLOYEE STOCK OPTIONS 2011	MATCHING RIGHTS 2011	EMPLOYEE STOCK OPTIONS 2012	MATCHING RIGHTS 2012	EMPLOYEE STOCK OPTIONS 2013	MATCHING RIGHTS 2013
Outstanding at beginning of year	—	23,384	503,280	28,265	—	37,869
Allotted during the year	—	—	—	—	—	—
Exercised during the year	—	-2,443	—	—	—	—
Forfeited during the year	—	—	-70,200	—	—	—
Outstanding at year-end	—	20,941	433,080	28,265	—	37,869
Theoretical value when allotted acc. to Black & Scholes, SEK	17	33.10	13	24	14.30	26.30
Exercise price, SEK	129	87.90	106.80	72.80	101.70	69.30

NOTES

cont. NOTE 3.5

The Board discussed the Remuneration Committee's proposals and made a decision, using the Committee's proposal as a basis. Based on the Remuneration Committee's proposals, the Board decided on the remuneration of the President for 2015. The President decided on remuneration to other senior executives after consultation with the Remuneration Committee. The Remuneration Committee performed its task supported by expertise on remuneration levels and structures. For information on the composition of the Committee, refer to the Corporate Governance Report.

ASSUMPTIONS FOR DETERMINING THE VALUE, 2014 - 2015 LTI PROGRAMS

ASSUMPTIONS	PROGRAM 2014 (ON DATE OF ISSUE)	PROGRAM 2015 (ON DATE OF ISSUE)
Share price	96.45 SEK	103.60 SEK
Present value of forecasted future dividends ¹	11.58 SEK	11.51 SEK
Risk-free interest rate	0.71%	0.0%

¹) Based on analysts' combined expectations.

NUMBER OF SHARES, GROUP (INCLUDING PARENT COMPANY), 2014 - 2015 LTI PROGRAMS

	PERFORMANCE SHARES 2014	MATCHING SHARES 2014	PERFORMANCE SHARES 2015	MATCHING SHARES 2015
Outstanding at beginning of year	—	373,863	—	—
Allotted during the year	—	—	1,803,798	359,332
Forfeited during the year	—	-24,774	-1,803,798	-14,530
Outstanding at year-end	—	349,089	—	344,802
Theoretical value when allotted, SEK	84.90	84.90	92.10	92.10

NUMBER OF SHARES, PARENT COMPANY, 2014 - 2015 LTI PROGRAMS

	PERFORMANCE SHARES 2014	MATCHING SHARES 2014	PERFORMANCE SHARES 2015	MATCHING SHARES 2015
Outstanding at beginning of year	—	63,012	—	—
Allotted during the year	—	—	421,600	63,561
Forfeited during the year	—	-7,893	-421,600	-11,488
Outstanding at year-end	—	55,119	—	52,073
Theoretical value when allotted, SEK	84.90	84.90	92.10	92.10

3.6 FEES AND REMUNERATION TO THE GROUP'S AUDITORS

Fees and remuneration to the Group's auditors were as follows:

	KPMG		OTHER		TOTAL	
	2014	2015	2014	2015	2014	2015
AUDIT						
Parent Company	13.9	11.5	0.0	0.0	13.9	11.5
Subsidiaries	70.9	74.8	4.0	3.0	74.9	77.8
Group	84.8	86.3	4.0	3.0	88.8	89.3
TAX CONSULTANCY SERVICES						
Parent Company	0.0	0.3				
Subsidiaries	10.3	6.3				
Group	10.3	6.6				
OTHER SERVICES						
Parent Company	4.5	3.5				
Subsidiaries	3.2	3.6				
Group	7.7	7.1				

Audit refers to the statutory audit of the financial statements, the accounting records and the administration of the business by the Board of Directors and the President and CEO, and auditing and other review procedures performed in accordance with agreements or contracts. This includes other procedures required to be performed by the company's auditors as well as other services caused by observations during the performance of such examination and other procedures.

Tax consultancy services relate to services in the tax area. Other services essentially comprise advice in areas closely related to the audit, such as advice on accounting issues and due-diligence services in connection with acquisitions.

NOTE 4 RESEARCH, DEVELOPMENT AND QUALITY ASSURANCE

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
EXPENDITURE FOR				
research and development	3,076	3,532	1,490	1,714
quality assurance	569	496	262	279
Total	3,645	4,028	1,752	1,993
of which expensed, total	3,178	3,498	1,596	1,800
of which expensed relating to research and development	2,609	3,001	1,335	1,521

Research and quality assurance expenditures are expensed as incurred. Expenditure for development is recognized as an intangible asset if it meets the criteria for recognition as an asset in the balance sheet.

NOTE 5 OTHER OPERATING INCOME

CONTINUING OPERATIONS

Other operating income amounted to 157 million SEK (177). The amounts includes gains on the divestment of operations and non-current assets, in addition to a number of smaller items recognized under operating income.

PARENT COMPANY

The Parent Company's other operating income mainly pertains to foreign exchange gains on operating receivables and payables and realized hedges.

NOTE 6 OTHER OPERATING EXPENSES

CONTINUING OPERATIONS

Other operating expenses amounted to -304 million SEK (-493). Of this amount, -114 million SEK (-253) comprised foreign exchange losses on operating receivables and payables, in addition to legal expenses and legal agreements as well as a number of smaller items recognized as operating expenses.

PARENT COMPANY

The Parent Company's other operating expenses pertain mainly to royalties between Group companies, foreign exchange losses on operating receivables and payables and losses on the divestment of non-current assets.

NOTE 7 OPERATING EXPENSES

GROUP	2014	2015
Cost of goods and material	-28,114	-28,639
Employee benefit expense	-24,318	-25,347
Depreciation and amortization	-4,001	-4,505
Impairment losses, inventories	-463	-397
Impairment losses and reversal impairment losses, non-current assets	27	-816
Impairment losses, doubtful receivables	-111	-226
Other expenses	-15,549	-18,809
Total	-72,529	-78,739

Other expenses mainly relate to purchases of services and consumables.

NOTE 8 FEES FOR FINANCE AND OPERATING LEASES

FINANCE LEASES

FINANCE LEASES WITH SANDVIK AS LESSEE

The Group leases assets under finance lease agreements. At 31 December 2015, the planned residual value of such leased assets was 69 million SEK (76). Variable fees recognized as expenses totaled 0 million SEK (1).

Future minimum lease payments in respect of non-cancellable contracts fall due as follows:

GROUP	NOMINAL FEE		PRESENT VALUE	
	2014	2015	2014	2015
Within one year	18	19	13	13
Between one and five years	50	55	30	50
Later than five years	31	7	15	3
Group total	99	81	58	66

FINANCE LEASES WITH SANDVIK AS LESSOR

The Group's investments in finance leases amounted to 1,191 million SEK (1,045) at year-end 2015. Variable fees recognized in profit/loss, and unguaranteed residual values accruing to the benefit of the lessor, were minor.

The gross investment and the present value of minimum lease payments fall due as follows:

GROUP	NOMINAL FEE		PRESENT VALUE	
	2014	2015	2014	2015
Within one year	566	794	533	749
Between one and five years	478	380	447	362
More than five years	1	17	1	9
Group total	1,045	1,191	981	1,120

OPERATING LEASES

OPERATING LEASES WITH SANDVIK AS LESSEE

Leasing fees for assets under operating leases, such as leased premises, machinery and major items of computer and office equipment, are recognized within operating expenses. In 2015, the Group expensed 840 million SEK (780), including minimum lease payments of 837 million SEK (760), variable fees of 7 million SEK (24), and net of sublease income of -4 million SEK (-4). The Parent Company expensed 211 million SEK (191).

Future minimum lease payments under non-cancellable operating lease contracts fall due as follows:

GROUP	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Within one year	683	754	182	195
Between one and five years	1,465	1,579	602	594
Later than five years	590	634	396	418
Group total	2,738	2,967	1,180	1,207

Future minimum lease payments under non-cancellable lease contracts that pertain to subleased items amounted to 6 million SEK (20).

OPERATING LEASES WITH SANDVIK AS LESSOR

The planned residual value of the Group's rental fleet is 541 million SEK (573). Depreciation for the year amounted to 457 million SEK (280). The future minimum lease payments under non-cancellable leases amount to 514 million SEK (377). Variable fees amounted to 5 million SEK (13).

cont. NOTE 8

Future minimum lease payments under non-cancellable operating lease contracts fall due as follows:

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Within one year	237	224	1	1
Between one and five years	140	290	—	—
Later than five years	—	—	—	—
Group total	377	514	1	1

NOTE 9 NET FINANCING COST

GROUP	2014	2015
Interest income	129	130
Dividend	3	9
OTHER INVESTMENTS INCL. DERIVATIVES		
Net gain on remeasurement of financial assets/liabilities	12	22
Net foreign-exchange gains	14	—
Other financial income	5	11
Financial income	163	173
Interest expense	-1,935	-1,880
OTHER INVESTMENTS INCL. DERIVATIVES		
Net loss on remeasurement of financial assets/liabilities	-44	-180
Net foreign-exchange losses	—	-22
Other financial expenses	-40	-55
Financial expenses	-2,019	-2,136
Net financing cost	-1,856	-1,963

Net interest income/expense from financial assets and liabilities not measured at fair value through profit or loss amounted to -1,782 million SEK (-1,775). In 2015, the hedging of fair values resulting from the valuation of hedged items had an effect of -8 million SEK (-15) on the result, while the valuation of hedged instruments affected the result by 8 million SEK (15). No inefficiencies in cash-flow hedges impacted profit for the year (0). For further information regarding valuation policies for financial instruments, refer to Note 27.

PARENT COMPANY	INCOME FROM SHARES IN GROUP COMPANIES		INCOME FROM SHARES IN ASSOCIATED COMPANIES	
	2014	2015	2014	2015
Dividend, net of withholding tax	5,254	7,966	10	10
Group contributions paid/received	3,141	1,422	—	—
Gain on sale of shares and participations	12	116	—	—
Impairment	-183	-157	—	—
Reversed impairment	—	—	—	—
Total	8,224	9,346	10	10

PARENT COMPANY	INTEREST INCOME AND SIMILAR ITEMS	
	2014	2015
Interest income, Group companies	995	1,009
Other interest income	3	0
Derivatives, Group companies	—	62
Other	0	—
Total	998	1,072

PARENT COMPANY	INTEREST EXPENSE AND SIMILAR ITEMS	
	2014	2015
Interest expense, Group companies	-638	-659
Other interest expense	-1,182	-731
Derivatives, Group companies	-143	—
Other	-15	-13
Total	-1,978	-1,402

NOTES

NOTE 10 INCOME TAX

RECOGNIZED IN PROFIT AND LOSS

INCOME TAX EXPENSE FOR THE YEAR	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Current tax	-1,768	-1,590	-26	-32
Adjustment of taxes attributable to prior years	-29	-260	—	-34
Total current tax expense	-1,797	-1,850	-26	-66
Deferred taxes relating to temporary differences and tax loss carry-forward	-475	-15	-211	-71
Total tax expense	-2,272	-1,865	-237	-137

The Group recognized tax expense for the continuing operations for the year of 1,865 million SEK (2,272) or 35.1% (27.1) of profit after financial items.

RECONCILIATION OF THE GROUP'S TAX EXPENSE

The Group's weighted average tax rate for the continuing operations, calculated in accordance with the statutory tax rates in each country, is 16.9% (20.4). The tax rate in Sweden is 22% (22). Reconciliation of the Group's weighted average tax rate, based on the tax rates in each country, and the Group's actual tax expense:

CONTINUING OPERATIONS	2014		2015	
	MSEK	%	MSEK	%
Profit after financial items	8,369		5,308	
Weighted average tax based on each country's tax rate	-1,710	-20.4	-896	-16.9
TAX EFFECT OF				
Non-deductible expenses	-336	-4.0	-234	-4.4
Tax-exempt income	44	0.5	54	1.0
Adjustments relating to prior years	-29	-0.3	-260	-4.9
Effects of tax loss carry-forward, net	-152	-1.8	-467	-8.8
Other	-89	-1.1	-62	-1.1
Total recognized tax expense	-2,272	-27.1	-1,865	-35.1

The weighted average tax rate for Group total, based on the statutory tax rates in each country, is 22.1% (20.7).

RECOGNIZED IN THE BALANCE SHEET

DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following assets and liabilities (liabilities shown with a minus sign).

GROUP	2014			2015		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
Intangible assets	2,370	-1,390	980	1,746	-1,342	404
Property, plant and equipment	122	-1,091	-969	118	-1,082	-964
Financial non-current assets	97	-81	16	56	-90	-34
Inventories	1,165	-105	1,060	962	-79	883
Receivables	331	-129	202	260	-120	140
Interest-bearing liabilities	1,522	0	1,522	1,478	-4	1,474
Non-interest-bearing liabilities	987	-585	402	1,124	-143	981
Other	32	—	32	13	—	13
Tax loss carry-forward	1,335	—	1,335	1,348	—	1,348
Total	7,961	-3,381	4,580	7,105	-2,860	4,245
Offsetting within companies	-1,716	1,716	—	-868	868	—
Total deferred tax assets and liabilities	6,245	-1,665	4,580	6,237	-1,992	4,245

GROUP TOTAL	2014		2015	
	MSEK	%	MSEK	%
Profit after financial items	8,264		4,059	
Weighted average tax based on each country's tax rate	-1,710	-20.7	-896	-22.1
TAX EFFECT OF				
Non-deductible expenses	-336	-4.1	-234	-5.8
Tax-exempt income	44	0.5	54	1.3
Adjustments relating to prior years	-29	-0.4	-260	-6.4
Effects of tax loss carry-forward, net	-152	-1.8	-467	-11.5
Other	-89	-1.1	-62	-1.4
Total recognized tax expense	-2,272	-27.5	-1,865	-45.9

RECONCILIATION OF THE PARENT COMPANY'S TAX EXPENSE

The Parent Company's effective tax rate is less than the nominal tax rate in Sweden, mainly due to tax-exempt dividend income from subsidiaries and associated companies.

Reconciliation of the Parent Company's nominal tax rate and actual tax expense:

PARENT COMPANY	2014		2015	
	MSEK	%	MSEK	%
Profit before tax	6,089		8,265	
Tax based on the nominal tax rate for the Parent Company	-1,340	-22	-1,818	-22
TAX EFFECTS OF				
Non-deductible expenses	-54	-0.9	-45	-0.5
Tax-exempt income	1,187	19	1,816	21.9
Adjustments relating to prior years	-30	-0.5	-90	-1.1
Total recognized tax expense	-237	-4.4	-137	-1.7

TAX ITEMS ATTRIBUTABLE TO OTHER COMPREHENSIVE INCOME

GROUP	2014			2015		
	BEFORE TAX	TAX	AFTER TAX	BEFORE TAX	TAX	AFTER TAX
Actuarial gains/losses attributable to defined-benefit pension plans	-1,847	452	-1,395	589	-139	450
Translation differences for the year	3,120	—	3,120	-972	—	-972
Fair-value changes in cash-flow hedges for the year	-391	80	-311	-107	29	-78
Fair-value changes in cash-flow hedges carried forward to profit/loss for the year	10	-2	8	162	-36	126
Other comprehensive income	892	530	1,422	-328	-146	-474

cont. NOTE 10

	2014			2015		
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	NET
PARENT COMPANY						
Property, plant and equipment	—	-28	-28	—	-28	-28
Inventories	—	-4	-4	1	—	1
Provisions	33	-6	27	54	-11	43
Non-interest-bearing assets and liabilities	13	—	13	77	—	77
Tax loss carry-forward	324	—	324	168	—	168
Total	370	-38	332	300	-39	261
Offsetting	-38	38	—	-39	39	—
Total deferred tax assets and liabilities	332	—	332	261	—	261

UNRECOGNIZED DEFERRED TAX ASSETS

The Group has additional tax loss carry-forward of 2,052 million SEK (762). The expiry dates of these tax loss carry-forwards are distributed as follows:

YEAR	MSEK
2016	174
2017	147
2018	83
2019	99
2020 and later	585
No expiry date	964
Total	2,052

Related deferred tax assets were not recognized since utilization of the tax losses against future taxable profits is not deemed probable in the foreseeable future. The tax value of the unrecognized tax loss carry-forwards amounted to 573 million SEK.

CHANGE OF DEFERRED TAX IN TEMPORARY DIFFERENCES AND UNUSED TAX LOSSES

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Balance at beginning of year, net	4,953	4,580	544	332
Recognized in profit and loss	-475	-15	-212	-71
Acquisitions/disposals of subsidiaries	-468	-4	—	—
Recognized in other comprehensive income	530	-146	—	—
Translation differences	40	-170	—	—
Balance at end of year, net	4,580	4,245	332	261

In addition to the deferred tax assets and liabilities, Sandvik reports the following tax liabilities and receivables:

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Other provisions for taxes	-916	-1,060	—	—
Income tax liabilities	-1,194	-871	—	—
Income tax receivables	1,162	1,067	180	179
Net tax liabilities/receivables	-32	196	180	179

Other provisions for taxes of -1,060 million SEK (-916) relate to ongoing disputes and assessed tax risks.

NOTE 11 EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE, SEK

	BASIC		DILUTED	
	2014	2015	2014	2015
Earnings per share, Group total	4.79	1.79	4.79	1.79
Earnings per share, continuing operations	4.88	2.79	4.88	2.79

The calculation of the numerators and denominators used in the above calculations of earnings per share is shown below.

BASIC EARNINGS PER SHARE

The calculation of earnings per share for 2015 is based on the profit for the year attributable to the equity holders of the Parent Company, Group total of 2,247 million SEK (6,011), continuing operations of 3,496 million SEK (6,116) and the weighted average number of shares (thousands) of 1,254,386 (1,254,386) during 2015. These two components have been calculated as follows:

PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY, BASIC

	2014	2015
Profit for the year attributable to the equity holders of the Parent Company, Group total	6,011	2,247
Profit for the year attributable to equity holders of the Parent Company, continuing operations	6,116	3,496

WEIGHTED AVERAGE NUMBER OF SHARES, BASIC

IN THOUSANDS OF SHARES	2014	2015
Total number of ordinary shares at 1 January	1,254,386	1,254,386
Effects of reacquisitions and redemption	—	—
Weighted average number of shares outstanding during the year, basic	1,254,386	1,254,386

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share for 2015 is based on the profit attributable to the equity holders of the Parent Company, Group total of 2,247 million SEK (6,011), continuing operations of 3,496 million SEK (6,116) and the weighted average number of shares (thousands) of 1,254,386 (1,254,386) during 2015. The two components have been calculated as follows:

PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY, DILUTED

	2014	2015
Profit for the year attributable to equity holders of the Parent Company, Group total	6,011	2,247
Profit for the year attributable to equity holders of the Parent Company, continuing operations	6,116	3,496

WEIGHTED AVERAGE NUMBER OF SHARES, DILUTED

IN THOUSANDS OF SHARES	2014	2015
Weighted average number of shares, basic	1,254,386	1,254,386
Effect of share options	—	—
Weighted average number of shares outstanding during the year, diluted	1,254,386	1,254,386

The 2014 and 2015 Annual General Meetings approved a share-based LTI program. This could entail future dilution effects. For information about the program, refer to Note 3.5.

NOTES

NOTE 12 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, GROUP

INTANGIBLE ASSETS	INTERNALLY GENERATED INTANGIBLE ASSETS					ACQUIRED INTANGIBLE ASSETS						TOTAL
	CAPITAL- IZED R&D EXPENDI- TURE	IT SOFT- WARE	PATENTS, LICENSES, TRADE- MARKS, ETC.	OTHER	SUB- TOTAL	CAPITAL- IZED R&D EXPENDI- TURE	IT SOFT- WARE	PATENTS, LICENSES, TRADE- MARKS, ETC.	GOOD- WILL	OTHER	SUB- TOTAL	
COST												
At 1 January 2014	2,337	1,460	227	136	4,160	26	484	772	8,979	1,288	11,549	15,709
Additions	467	296	10	—	772	—	23	2	—	40	65	837
Business combinations	—	—	—	—	—	—	-2	1,051	2,439	880	4,368	4,368
Divestments and disposals	-89	-5	—	-1	-95	—	-13	—	—	-5	-18	-113
Reclassifications	-46	50	-6	—	-1	—	17	7	—	45	69	68
Translation differences for the year	53	11	27	20	111	1	34	268	1,325	328	1,956	2,067
At 31 December 2014	2,722	1,812	258	155	4,947	27	543	2,100	12,743	2,576	17,989	22,936
At 1 January 2015	2,722	1,812	258	155	4,947	27	543	2,100	12,743	2,576	17,989	22,936
Additions	531	321	8	9	869	16	39	12	—	13	80	949
Business combinations	—	—	—	—	—	—	—	15	—	—	15	15
Divestments and disposals	-127	-64	—	—	-190	-15	-5	—	—	-5	-25	-215
Impairment losses	—	—	—	—	—	—	—	—	-101	—	-101	-101
Reclassifications	53	-44	—	—	9	—	38	-4	—	3	37	46
Translation differences for the year	-42	—	-3	3	-41	—	-8	77	127	72	268	226
Transfer to held for sale	-11	—	—	—	-11	—	—	—	-112	—	-112	-123
At 31 December 2015	3,126	2,025	263	167	5,583	28	607	2,200	12,657	2,659	18,151	23,733
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES												
At 1 January 2014	1,028	988	69	99	2,185	16	421	389	—	751	1,576	3,761
Divestments and disposals	-51	-5	—	-1	-57	—	-12	—	—	—	-12	-69
Impairment losses	38	—	—	1	39	—	—	—	—	—	—	39
Reclassifications	—	22	-7	-22	-7	—	1	-2	—	-28	-29	-36
Amortization for the year	225	128	12	18	383	1	33	124	—	165	323	706
Translation differences for the year	24	5	6	14	49	—	27	40	—	96	163	212
At 31 December 2014	1,264	1,138	80	109	2,591	17	470	551	—	984	2,022	4,613
At 1 January 2015	1,264	1,138	80	109	2,591	17	470	551	—	984	2,022	4,613
Divestments and disposals	-71	-47	—	-2	-119	-15	-2	—	—	—	-17	-136
Impairment losses	64	—	—	18	82	—	—	21	—	55	76	158
Reclassifications	19	—	—	—	19	—	12	-5	—	—	7	26
Amortization for the year	260	117	12	7	396	2	38	122	—	231	392	788
Translation differences for the year	-19	-1	-5	3	-21	—	-7	-1	—	—	-8	-29
At 31 December 2015	1,517	1,207	87	135	2,948	4	511	688	—	1,270	2,472	5,420
NET CARRYING AMOUNTS												
1 January 2014	1,309	472	158	37	1,975	10	63	383	8,979	538	9,973	11,948
31 December 2014	1,458	674	178	46	2,356	10	73	1,549	12,743	1,592	15,967	18,323
1 January 2015	1,458	674	178	46	2,356	10	73	1,549	12,743	1,592	15,967	18,323
31 December 2015	1,609	818	176	32	2,635	24	96	1,512	12,657	1,389	15,678	18,313
AMORTIZATION FOR THE YEAR IS INCLUDED IN THE FOLLOWING LINES IN THE 2014 INCOME STATEMENT												
Cost of sales	—	-8	—	—	-8	—	-20	-64	—	-35	-119	-127
Selling expenses	—	-2	-1	-2	-5	—	-5	-53	—	-123	-181	-186
Administrative expenses	-225	-118	-11	-16	-370	-1	-8	-7	—	-7	-23	-393
Total	-225	-128	-12	-18	-383	-1	-33	-124	—	-165	-323	-706
AMORTIZATION FOR THE YEAR IS INCLUDED IN THE FOLLOWING LINES IN THE 2015 INCOME STATEMENT												
Cost of sales	—	-8	—	—	-8	—	-18	-107	—	-40	-165	-173
Selling expenses	—	-3	-1	-3	-7	—	-7	-9	—	-188	-204	-211
Administrative expenses	-260	-106	-11	-4	-381	-2	-13	-6	—	-3	-24	-405
Total	-260	-117	-12	-7	-396	-2	-38	-122	—	-231	-392	-788
IMPAIRMENT LOSSES PER LINE IN THE INCOME STATEMENT 2014												
R&D expenditure included in administrative expenses	38	—	—	1	39	—	—	—	—	—	—	39
Total	38	—	—	1	39	—	—	—	—	—	—	39
IMPAIRMENT LOSSES/REVERSAL OF IMPAIRMENT LOSSES PER LINE IN THE INCOME STATEMENT 2015												
Cost of sales	—	—	—	18	18	—	—	—	—	37	37	55
Selling expenses	—	—	—	—	—	—	—	22	101	18	141	141
Administrative expenses	64	—	—	—	64	—	—	—	—	—	—	64
Total	64	—	—	18	82	—	—	22	101	55	178	260

For 2015, the impairment losses/reversal of impairment losses amounted to 260 million SEK and were related to the business areas Sandvik Mining 50 million SEK, Sandvik Materials Technology 18 million SEK, Sandvik Construction 179 million SEK and Group common 13 million SEK.

PROPERTY, PLANT AND EQUIPMENT

COST	LAND AND BUILDINGS	PLANT AND MACHINERY	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	CONSTRUCTION IN PROGRESS	TOTAL
At 1 January 2014	14,562	36,982	5,876	2,879	60,299
Additions	315	1,531	314	2,221	4,381
Business combinations	48	240	3	—	291
Divestments and disposals	-265	-1,655	-314	-59	-2,293
Reclassifications	455	681	226	-1,990	-628
Translation differences for the year	983	2,112	331	162	3,588
At 31 December 2014	16,098	39,891	6,436	3,213	65,638
At 1 January 2015	16,098	39,891	6,436	3,213	65,638
Additions	211	1,387	230	2,062	3,890
Business combinations	—	2	—	—	2
Divestments and disposals	-408	-1,627	-262	-16	-2,313
Reclassifications	659	1,737	112	-2,668	-160
Translation differences for the year	-99	-336	-100	6	-530
Transfer to held for sale	-212	-272	-84	-102	-670
At 31 December 2015	16,249	40,782	6,332	2,495	65,857
DEPRECIATION AND IMPAIRMENT LOSSES					
At 1 January 2014					
Business combinations	6,225	24,618	4,214	-13	35,044
Divestments and disposals	-157	-1,330	-276	—	-1,763
Reclassifications	-96	-464	-3	13	-550
Depreciation for the year	493	2,397	449	—	3,339
Impairment losses	34	29	1	2	66
Reversal of earlier impairment losses	-40	-72	-12	-6	-130
Translation differences for the year	399	1,382	242	—	2,023
At 31 December 2014	6,858	26,560	4,615	-4	38,029
At 1 January 2015	6,858	26,560	4,615	-4	38,029
Business combinations	—	—	—	—	—
Divestments and disposals	-271	-1,332	-237	—	-1,840
Reclassifications	73	-263	-62	4	-248
Depreciation for the year	526	2,760	463	—	3,749
Impairment losses	343	468	1	—	812
Reversal of earlier impairment losses	-218	-42	—	—	-260
Translation differences for the year	-67	-255	-77	—	-399
Transfer to held for sale	-79	-177	-62	—	-318
At 31 December 2015	7,166	27,720	4,641	0	39,526
NET CARRYING AMOUNTS					
1 January 2014	8,337	12,363	1,663	2,892	25,255
31 December 2014	9,240	13,331	1,822	3,216	27,609
1 January 2015	9,240	13,331	1,822	3,216	27,609
31 December 2015	9,083	13,062	1,691	2,495	26,331

NOTES

cont. NOTE 12

IMPAIRMENT LOSSES/REVERSAL OF IMPAIRMENT LOSSES PER LINE IN THE INCOME STATEMENT 2015	LAND AND BUILDINGS	PLANT AND MACHINERY	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	CONSTRUCTION IN PROGRESS	TOTAL
Cost of sales	137	402	—	—	539
Selling expenses	—	3	—	—	3
Administrative expenses	-11	20	1	—	10
Total	126	426	1	—	552

IMPAIRMENT LOSSES/REVERSAL OF IMPAIRMENT LOSSES PER BUSINESS AREA 2015					
Machining Solutions	-10	76	—	—	66
Mining	-3	-11	1	—	-14
Materials Technology	124	368	—	—	492
Construction	15	-11	—	—	4
Venture	—	—	—	—	—
Group Common	—	4	—	—	4
Total	126	426	1	—	552

In 2014, restructuring activities implemented gave rise to a net reversal of impairment of 63 million SEK mainly attributable to Sandvik Machining Solutions and Sandvik Mining. Reversal of impairment totaling 87 million SEK was included in cost of goods sold and impairment losses amounting to 24 million SEK were included in other operating expenses.

ADDITIONAL INFORMATION

Items of property, plant and equipment totaling 205 million SEK (213) have been pledged as security for liabilities. In 2015, contractual commitments for the acquisition of property, plant and equipment amounted to 321 million SEK (277).

Borrowing costs included in the cost of assets during the year amounted to zero for 2015 and 2014.

DISCLOSURE REGARDING GOVERNMENT GRANTS IN THE GROUP

Government grants during the year amounted to 37 million SEK (18).

IMPAIRMENT TESTS OF GOODWILL

Goodwill was impairment tested on the balance sheet date of 31 December 2015. As stated below, the carrying amount of goodwill in the consolidated balance sheet is 12,657 million SEK (12,743), essentially related to a number of major business combinations.

GOODWILL BY CASH-GENERATING UNIT	CARRYING AMOUNT	
	2014	2015
SANDVIK MACHINING SOLUTIONS		
Walter Group	1,056	1,014
Seco Tools	244	237
Business area level	1,221	1,268
Total	2,521	2,519
SANDVIK MINING		
Business area level	2,094	2,008
Total	2,094	2,008
SANDVIK MATERIALS TECHNOLOGY		
Business area level	1,114	1,117
Total	1,114	1,117
SANDVIK CONSTRUCTION		
Mobile Crushing and Screening (earlier Extec/Fintec)	1,292	1,315
Shanghai Jianshe Luqiao	96	—
Business area level	329	325
Total	1,717	1,640
SANDVIK VENTURE		
Hyperion	904	960
Wolfram	1,455	1,396
Drilling and Completions (earlier Varel)	2,899	3,089
Total	5,258	5,445
Other	39	40
Group total	12,743	12,769
Transfer to held for sale		-112
Continuing operations		12,657

Consolidated goodwill is allocated to the cash-generating units stated above. The recoverable amount of all of the cash-generating units has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a four-year period, which are in turn based on the three-year plans prepared annually by each of the business areas and approved by Sandvik Group Executive Management. These plans are founded on the business areas' strategies and an analysis of the current and anticipated business climate, and the impact this is expected to have on the market in which the business area operates. A range of economic indicators, which differ for each market, and external and internal studies of these, are used in the analysis of the business situation. The forecasts form the basis for how the values of the material assumptions are established.

The most material assumptions when determining the value in use include anticipated demand, growth rate, operating margin, working capital requirements and the discount rate. The factor used to calculate growth in the terminal period after four years was 2% (3) for Walter, Seco Tools, Machining Solutions business area level and Hyperion. All other cash-generating units used 3% (3). Need of working capital beyond the four-year period is deemed to increase approximately as the expected growth in the terminal period. The discount rate consists of a weighted average cost of capital for borrowed capital and shareholders' equity and was assumed to amount to 10% (10) before tax. These assumptions apply to all cash-generating units. The specific risks of the cash-generating units have been adjusted for in the future cash flow estimates.

Production and marketing processes of acquired businesses have, in most cases, been integrated into other Sandvik operations to such an extent that it is no longer possible to identify the cash flows and assets of the originally acquired businesses. For such reason, the impairment tests were largely made at a higher level although in no case above segment level. At present, the activities of Walter, Seco Tools, Mobile Crushing and Screening (earlier Extec/Fintec), Shanghai Jianshe Luqiao, Hyperion, Wolfram and Drilling and Completions (earlier Varel) are conducted in such a way that it has been possible to separately test goodwill allocated to these acquisitions.

Goodwill attributable to Shanghai Jianshe Luqiao was impaired and 101 million SEK was charged to selling expenses in 2015. The recoverable amount for Shanghai Jianshe Luqiao is based on the value in use and amounts to 196 million SEK. The discount rate applied in calculations of the impairment loss was 10% before tax. Shanghai Jianshe Luqiao is a professional crushing and screening equipment supplier in China. The product line comprises jaw crusher, cone crusher, vertical shaft impact crusher, hammer crusher, screens and feeder, spare parts and wear parts. Impairment of this goodwill was the result of declining demand in the markets in which Shanghai Jianshe Luqiao's customers operate.

Other testing of goodwill values did not indicate any impairment requirement. Sensitivity in the calculations of Mobile Crushing and Screening and Drilling and Completions implies that the goodwill value would not be maintained if the discount rate was increased by 1 percentage point or if the long-term growth rate was lowered by 1 percentage point. Sensitivity in calculations of all other cash-generating units implies that the goodwill value would be maintained even if the discount rate was increased by 2 percentage points or if the long-term growth rate was lowered by 2 percentage points. The goodwill value would also be maintained, given an operating margin drop by 2 percentage points.

OTHER IMPAIRMENT TESTS

Intangible assets, other than goodwill, with an indefinite useful life were also tested for impairment. Property, plant and equipment and intangible assets with a definite useful life were tested for impairment when an indication for impairment was identified. The tests resulted in impairment losses of 711 million SEK (24) for 2015. For property, plant and equipment the amount was 552 million SEK and for intangible assets 159 million SEK (excluding goodwill). These were mainly related to operations in China.

NOTE 13 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT, PARENT COMPANY

INTANGIBLE ASSETS	PATENTS AND OTHER INTANGIBLE ASSETS	PATENTS AND OTHER INTANGIBLE ASSETS
COST		ACCUMULATED AMORTIZATION
At 1 January 2014	101	97
Additions	9	—
Divestments and disposals	-5	0
At 31 December 2014	105	97
At 1 January 2015	105	97
Additions	14	9
Divestments and disposals	-21	-15
Reclassifications	14	1
At 31 December 2015	112	92
		Net carrying amount at end of year
		8
		20

AMORTIZATION FOR THE YEAR IS INCLUDED IN THE FOLLOWING LINES IN THE INCOME STATEMENT

	2014	2015
Administrative expenses	0	1
Total	0	1

PROPERTY, PLANT AND EQUIPMENT	LAND AND BUILDINGS	PLANT AND MACHINERY	EQUIPMENT, TOOLS, FIXTURES AND FITTINGS	CONSTRUCTION IN PROGRESS	TOTAL
COST					
At 1 January 2014	1,348	13,305	1,392	1,551	17,596
Additions	24	163	31	1,000	1,218
Divestments and disposals	-12	-344	-29	—	-385
Reclassifications	174	575	69	-818	0
At 31 December 2014	1,534	13,699	1,463	1,733	18,429
At 1 January 2015	1,534	13,699	1,463	1,733	18,429
Additions	21	189	54	641	905
Divestments and disposals	-21	-444	-35	—	-500
Reclassifications	169	880	26	-1,089	-14
At 31 December 2015	1,703	14,324	1,508	1,285	18,820
REVALUATIONS					
At 1 January 2014	41	—	—	—	41
At 31 December 2014	41	—	—	—	41
At 1 January 2015	41	—	—	—	41
At 31 December 2015	41	—	—	—	41
DEPRECIATION					
At 1 January 2014	580	8,671	957	—	10,208
Divestments and disposals	-5	-263	-29	—	-297
Reclassifications	0	0	0	—	0
Depreciation for the year	39	675	101	—	815
Impairment losses	—	18	—	—	18
Reversal of impairment losses	—	-14	—	—	-14
At 31 December 2014	614	9,087	1,029	—	10,730
At 1 January 2015	614	9,087	1,029	—	10,730
Divestments and disposals	-5	-378	-32	—	-415
Reclassifications	5	3	-17	—	-9
Depreciation for the year	48	702	96	—	846
Impairment losses	—	2	—	—	2
Reversal of impairment losses	—	-18	—	—	-18
At 31 December 2015	662	9,398	1,076	—	11,136
NET CARRYING AMOUNTS					
1 January 2014	809	4,634	435	1,551	7,429
31 December 2014	961	4,612	434	1,733	7,740
1 January 2015	961	4,612	434	1,733	7,740
31 December 2015	1,082	4,926	432	1,285	7,725

NOTES

NOTE 14 SHARES IN GROUP COMPANIES

	PARENT COMPANY		PARENT COMPANY	
	2014	2015	2014	2015
COST				
At beginning of year	32,240	32,744		
Capital contributions	600	1,232		
Divestments	-96	-95		
Total	32,744	33,881		
ACCUMULATED IMPAIRMENT LOSSES				
At beginning of year			-422	-519
Impairment losses for the year			-183	-157
Impairment reversed during the year			86	—
Total			-519	-676
ACCUMULATED REVALUATIONS				
At beginning of year			16	16
Total			16	16
Carrying amount at year-end			32,241	33,221

SANDVIK AB'S HOLDINGS OF SHARES AND PARTICIPATIONS IN SUBSIDIARIES, DIRECT HOLDINGS, ACCORDING TO BALANCE SHEET AT 31 DECEMBER

COMPANY, DOMICILE	CORP. REG. NUMBER	2014			2015		
		NO. OF SHARES	HOLDING, % ²⁾	CARRYING AMOUNT 000S SEK	NO. OF SHARES	HOLDING, % ²⁾	CARRYING AMOUNT 000S SEK
SWEDEN							
Förvaltningsbolaget Predio 4 KB, Sandviken	916624-2181	—	0 ³⁾	0	—	0 ³⁾	0
Gimo Utbildningsaktiebolag, Gimo	556061-4041	1,000	91	2,591	1,000	91	2,591
Gusab Holding AB, Sandviken	556001-9290	1,831,319	100	53,474	1,831,319	100	53,474
Gusab Stainless AB, Mjölby	556012-1138	200,000	100	23,788	200,000	100	23,788
Industri AB Skomab, Sandviken	556008-8345	2,000	100	99,346	2,000	100	51,888
Rammer Svenska AB, Sandviken	556249-4004	3,000	100	851	3,000	100	851
Tamrock Svenska AB, Sandviken	556189-1085	100	100	123	—	—	—
Sandvik Global Purchasing AB, Stockholm	556052-4315	1,000	100	50	1,000	100	50
AB Sandvik Bruket, Sandviken	556028-5784	13,500	100	1,698	—	—	—
Sandvik Mining AB, Sandviken ¹⁾	556659-6952	1,000	100	100	1,000	100	100
AB Sandvik Coromant, Sandviken ¹⁾	556234-6865	1,000	100	50	1,000	100	50
Sandvik Coromant Sverige AB, Stockholm ¹⁾	556350-7846	1,000	100	100	1,000	100	100
Sandvik Far East Ltd. AB, Sandviken	556043-7781	10,000	100	10,000	10,000	100	10,000
Sandvik Försäkrings AB, Sandviken	516401-6742	1,500	100	15,000	1,500	100	15,000
Sandvik Hyperion AB, Stockholm ¹⁾	556234-6857	1,000	100	50	1,000	100	50
Sandvik Besökservice AB, Sandviken ¹⁾	556235-3838	1,000	100	50	1,000	100	50
Sandvik Intellectual Property AB, Sandviken	556288-9401	1,000,000	100	3,499,950	1,000,000	100	3,499,950
AB Sandvik International, Sandviken ¹⁾	556147-2977	1,000	100	50	1,000	100	50
Sandvik Materials Technology EMEA AB, Stockholm	556734-2026	501,000	100	50,100	501,000	100	50,100
AB Sandvik Materials Technology, Sandviken ¹⁾	556234-6832	1,000	100	50	1,000	100	2,050
Sandvik Construction AB, Sandviken ¹⁾	556664-9983	1,000	100	100	1,000	100	100
Sandvik Mining and Construction Sverige AB, Sandviken ¹⁾	556288-9443	1,000	100	50	1,000	100	50
Sandvik Mining and Construction Tools AB, Sandviken ¹⁾	556234-7343	1,000	100	50	1,000	100	50
Sandvik Nora AB, Nora	556075-0506	80,000	100	34,923	80,000	100	8,000
Sandvik Powder Solutions AB, Surahammar	556032-6760	600	100	60,000	600	100	60,000
AB Sandvik Process Systems, Sandviken ¹⁾	556312-2992	1,000	100	100	1,000	100	100
Sandvik Rotary Tools AB, Köping	556191-8920	101,000	100	150,177	101,000	100	150,177
AB Sandvik Skogsfastigheter, Sandviken	556579-5464	1,000	100	51	1,000	100	51
AB Sandvik Steel Investment, Sandviken	556350-7853	1,000	100	100	1,000	100	100
Sandvik Stål Försäljnings AB, Stockholm ¹⁾	556251-5386	1,000	100	50	1,000	100	50
Sandvik Systems Development AB, Sandviken ¹⁾	556407-4184	1,000	100	100	—	—	—
Sanrip AB, Sandviken ¹⁾	556692-0038	1,000	100	100	1,000	100	100
Sandvik Machining Solutions AB, Sandviken ¹⁾	556692-0053	1,000	100	100	1,000	100	100
Sandvik Utbildnings AB, Sandviken	556304-8791	910	91	91	910	91	91
Sandvikens Brukspersonals Byggnadsförening upa, Sandviken	785500-1686	—	100	0	—	100	0
Dormer Tools AB, Halmstad	556240-8210	80,000	100	25,145	80,000	100	46,145
Walter Norden AB, Halmstad	556752-4698	15,000	100	5,139	15,000	100	5,139
Sandvik Mining and Construction Köping AB, Köping ¹⁾	556776-9525	1,000	100	100	1,000	100	100
Wire Sandviken AB, Sandviken ¹⁾	556779-3897	1,000	100	100	1,000	100	100
Sandvik IT Services AB, Sandviken ¹⁾	556788-9059	1,000	100	100	1,000	100	100
Sandvik Venture AB, Stockholm ¹⁾	556868-7155	1,000	100	100	1,000	100	100
Sandvik Credit AB, Stockholm	556843-7296	10,000	100	50,000	10,000	100	50,000
Seco Tools AB, Fagersta	556071-1060	145,467,690	100	15,658,859	145,467,690	100	15,658,859
Svensk Export Flyg AB, Stockholm	556934-7452	100,000	100	100	100,000	100	25,100

1) Subsidiaries conducting business on behalf of the Parent Company.

2) Refers to voting rights, which also equals share of capital unless otherwise indicated.

3) Remaining shares are held by other Group companies.

4) Share of capital 94%.

5) Shares up to an ownership interest of 100% are held by other Group companies.

cont. NOTE 14

SANDVIK AB'S HOLDINGS OF SHARES AND PARTICIPATIONS IN FOREIGN SUBSIDIARIES, DIRECT HOLDINGS, ACCORDING TO BALANCE SHEET AT 31 DECEMBER

COUNTRY	COMPANY	2014			2015		
		NO. OF SHARES	HOLDING, % ²⁾	CARRYING AMOUNT 000S SEK	NO. OF SHARES	HOLDING, % ²⁾	CARRYING AMOUNT 000S SEK
AUSTRALIA	Sandvik Australia Pty. Ltd.	—	18 ^{3,4)}	1,539,205	—	18 ^{3,4)}	1,539,205
	Sandvik Australian Ltd. Partnership	—	99	—	—	99	—
BRAZIL	Dormer Tools S.A.	2,137,623,140	100	200,000	2,137,623,140	100	454,184
	Sandvik do Brasil S.A.	1,894,797,190	100	577,468	1,894,797,190	100	821,575
	Sandvik Materials Technology do Brasil S.A.	10,877,380	100	116,677	10,877,380	100	142,093
	Sandvik MGS S.A.	14,999,998	100	458,423	14,999,998	100	797,845
	Sandvik Mining and Construction do Brasil S.A.	85,329,996	100	749,696	85,329,996	100	943,172
	Walter do Brasil Ltda	1,809,999	100	65,464	1,809,999	100	109,574
BULGARIA	Sandvik Bulgaria Ltd.	—	100	0	—	100	0
CHILE	Sandvik Credit Chile S.A.	9,900	99	39,631	9,900	99	39,631
CHINA	Sandvik China Holding Co Ltd.	—	100	668,890	—	100	668,890
	Sandvik Materials Technology (China) Ltd.	—	58 ³⁾	207,854	—	58 ³⁾	207,854
CZECH REPUBLIC	Sandvik CZ s.r.o.	—	100	0	—	100	0
DEMOCRATIC REPUBLIC OF CONGO	Sandvik Mining and Construction DRC S.P.R.L.	9,990	100	66	9,990	100	66
HUNGARY	Sandvik Magyarorszag Kft.	—	100	3,258	—	100	3,258
INDIA	Sandvik Asia Ltd.	16,030,246	17 ⁵⁾	277,028	16,030,241	17 ⁵⁾	277,028
IRELAND	Sandvik Mining and Construction Logistics Ltd.	100	100	5,508	100	100	5,508
JAPAN	Sandvik K.K.	2,780,000	100	224,701	2,780,000	100	224,701
KOREA	Sandvik Korea Ltd.	752,730	100	46,856	752,730	100	46,856
MALI	Sandvik Mining and Construction Mali	25,000	100	3,462	25,000	100	3,462
MEXICO	Sandvik Mexicana S.A. de C.V.	406,642,873	90 ³⁾	71,000	406,642,873	90 ³⁾	71,000
MONGOLIA	Sandvik Mongolia LLC.	400,000	100	2,682	400,000	100	2,682
NETHERLANDS	Sandvik Finance B.V.	18,788	100	7,093,582	18,788	100	7,093,582
PERU	Sandvik del Perú S.A.	6,562,795	90 ³⁾	26,025	6,562,795	90 ³⁾	26,025
POLAND	Sandvik Polska Sp. z.o.o.	3,211	100	93,197	—	—	—
SLOVAKIA	Sandvik Slovakia s.r.o.	—	100	1,238	—	100	1,238
TURKEY	Sandvik Endüstriyel Mamüller Sanayi ve Ticaret A.S.	125,154,588	100	3,200	125,154,588	100	3,200
UAE	Sandvik Middle East FZE.	1	100	19,886	1	100	19,886
ZIMBABWE	Sandvik Mining and Construction Zimbabwe (Pty) Ltd.	233,677	100	3,269	233,677	100	3,269
Total				32,241,322			33,220,538

1) Subsidiaries conducting business on behalf of the Parent Company.

2) Refers to voting rights, which also equals share of capital unless otherwise indicated.

3) Remaining shares are held by other Group companies.

4) Share of capital 94%.

5) Shares up to an ownership interest of 100% are held by other Group companies.

NOTES

cont. NOTE 14

SANDVIK AB'S HOLDINGS OF SHARES AND PARTICIPATIONS IN SUBSIDIARIES. INDIRECT HOLDINGS IN OPERATING GROUP COMPANIES GROUP HOLDING, %

COUNTRY	COMPANY	2014 ¹⁾	2015 ¹⁾
SWEDEN	Sandvik Heating Technology AB	100	100
	Sandvik SRP AB	100	100
	Sandvik Treasury AB	100	100
	Alfa Tool International AB	100	100
ARGENTINA	AB Sandvik Materials Technology (fastighetsbolaget)	100	100
	Sandvik Argentina S.A.	100	100
AUSTRALIA	Sandvik Mining and Construction Argentina S.A.	100	100
	Sandvik Mining and Construction Pty. Ltd. Australia	100	100
	Sandvik Mining and Construction Australia (Production Supply) Pty. Ltd	100	100
	Seco Tools Australia Pty. Ltd.	100	100
AUSTRIA	Varel International (Australia) Pty., Ltd.	—	100
	Walter Austria GmbH	100	100
	Wolfram Bergbau und Hütten AG	100	100
	Sandvik in Austria Ges.m.b.H.	100	100
	Sandvik Mining and Construction GmbH	100	100
BELGIUM	Sandvik Mining and Construction Materials Handling GmbH & Co. KG	100	100
	Seco Tools Gesellschaft m.b.H.	100	100
	Walter Benelux N.V./S.A.	100	100
	S.A. Seco Tools Benelux N.V.	100	100
BOTSWANA	Sandvik Botswana Pty Ltd.	100	100
BRAZIL	Seco Tools Indústria e Comércio Ltda	100	100
CANADA	Sandvik Canada Inc.	100	100
	Varel Rock Bits Canada, Inc.	—	100
CHILE	Sandvik Chile S.A.	100	100
	Sandvik Mining and Construction Chile S.A.	100	100
CHINA	Sandvik International Trading (Shanghai) Co. Ltd.	100	100
	Sandvik Mining and Construction (China) Co. Ltd.	100	100
	Sandvik Mining and Construction Trading (Shanghai) Co. Ltd.	100	100
	Sandvik Hyperion (Wuxi) Co., Ltd.	100	100
	Sandvik Process Systems (Shanghai) Co. Ltd.	100	100
	Sandvik Tooling Round Tools Langfang Co., Ltd.	100	100
	Sandvik Tooling Production (Langfang) Co. Ltd.	100	100
	Sandvik Coromant Cutting Tools (Shanghai) Ltd.	100	100
	Sandvik (Qingdao) Ltd.	100	100
	Walter Wuxi Co. Ltd.	100	100
	Shanghai Jianshe Luqiao Machinery Co. Ltd	80	80
	Shandong Energy Machinery Group ZhongRui Mining Equipment Manufacturing Co., Ltd.	50 ²⁾	50 ²⁾
	Seco Tools (Shanghai) Co. Ltd.	100	100
Pramet Tools (Shanghai) Co. Ltd.	100	100	
Dormer Tools (Shanghai) Co Ltd	—	100	
COLOMBIA	Sandvik Colombia S.A.S.	70	70
CZECH REPUBLIC	Sandvik Chomutov Precision Tubes s.r.o.	100	100
	Walter CZ s.r.o.	100	100
	Seco Tools CZ s.r.o.	100	100
	Pramet Tools s.r.o.	100	100
DENMARK	Sandvik A/S	100	100
	Seco Tools A/S	100	100
FINLAND	Sandvik Mining and Construction Finland Oy	100	100
	Sandvik Mining and Construction Oy	100	100
	Seco Tools Oy	100	100
FRANCE	Sandvik Mining and Construction Chauny S.A.S.	100	100
	Sandvik Hyperion S.A.S.	100	100
	Sandvik Materials Technology France S.A.S.	100	100
	Sandvik Mining and Construction Lyon S.A.S.	100	100
	Sandvik Mining and Construction France S.A.S.	100	100
	Sandvik Tooling France S.A.S.	100	100
	Gunther Tools S.A.S.	100	100
	Safety Production S.A.S.	100	100
	Walter France S.A.S.	100	100
	Seco Tools France S.A.S.	100	100
	SECO - E.P.B S.A.S.	100	100
Varel Europe S.A.S.	—	100	
Seco Tools Reaming SAS	—	100	
GERMANY	Sandvik Mining and Construction Crushing Technology GmbH	100	100
	Prototyp-Werke GmbH	100	100
	Sandvik Materials Technology Deutschland GmbH	100	100
	Sandvik Mining and Construction Europe GmbH	100	100
	Sandvik Mining and Construction Supply GmbH	100	100
	Sandvik Tooling Deutschland GmbH	100	100
	TDM Systems GmbH	100	100
	Walter AG	100	100
	Walter Deutschland GmbH	100	100
	Werner Schmitt PKD-Werkzeug GmbH	100	100
	Seco Tools GmbH	100	100
Pramet GmbH	100	100	
Sandvik Mining & Construction Central Europe GmbH	100	100	
GHANA	Sandvik Mining and Construction Ghana Ltd.	100	100
HONG KONG	Sandvik Hong Kong Ltd.	100	100
HUNGARY	Walter Hungaria Kft.	100	100
	Seco Tools Kft.	100	100
INDIA	Walter Tools India Pvt. Ltd.	100	100
	Seco Tools India Private Limited	100	100
INDONESIA	PT Sandvik Indonesia	100	100
	PT Sandvik Mining and Construction Indonesia	100	100
	PT Sandvik SMC	100	100
ITALY	Sandvik Italia S.p.A.	100	100
	Walter Italia S.R.L.	100	100
	Seco Tools Italia S.p.A.	100	100

cont. NOTE 14

**SANDVIK AB'S HOLDINGS OF SHARES AND PARTICIPATIONS IN SUBSIDIARIES. INDIRECT HOLDINGS IN OPERATING GROUP COMPANIES
GROUP HOLDING, %**

COUNTRY	COMPANY	2014 ¹⁾	2015 ¹⁾
JAPAN	Sandvik Tooling Supply Japan K.K.	100	100
	Walter Japan K. K.	100	100
	Seco Tools Japan K.K.	100	100
KAZAKHSTAN	Sandvik Mining and Construction Kazakhstan Ltd	100	100
KOREA	Sandvik SuhJun Ltd.	100	100
	Walter Korea Ltd.	100	100
	Seco Tools Korea Ltd.	100	100
MALAYSIA	Sandvik Malaysia Sdn. Bhd.	100	100
	Sandvik Mining and Construction (Malaysia) Sdn. Bhd.	100	100
MEXICO	Sandvik de México S.A. de C.V.	100	100
	Sandvik Mining and Construction de México S.A. de C.V.	100	100
	Walter Tools S.A. de C.V.	100	100
	Sandvik Hard Materials de Mexico S.A. de C.V.	100	100
	Varel de Mexico S.A. de C.V.	—	100
	Varel International de Mexico S.A. de C.V.	—	100
NAMIBIA	Sandvik Namibia Pty Ltd	100	100
NETHERLANDS	Sandvik Benelux B.V.	100	100
	Jabro Tools B.V.	100	100
	SGL Technology B.V.	—	100
NIGERIA	Sandvik Mining and Construction Nigeria Ltd.	100	100
NORWAY	Teeness ASA	100	100
	Sandvik Norge AS	100	100
	Seco Tools AS	100	100
NEW ZEALAND	Sandvik New Zealand Ltd.	100	100
PHILIPPINES	Sandvik Tamrock (Philippines) Inc.	100	100
POLAND	Walter Polska Sp. z.o.o.	100	100
	Sandvik Mining and Construction Sp. z.o.o.	100	100
	Seco Tools (Poland) Sp. z.o.o.	100	100
ROMANIA	Sandvik SRL	100	100
	Walter Tools SRL	100	100
RUSSIA	LLC Sandvik	100	100
	OOO Walter	100	100
	Sandvik Mining and Construction CIS LLC	100	100
	Sandvik-MKTC OAO	100	100
	Firma ALG LLC	100	100
	LLC Pramet	100	100
	LLC "Seco Tools"	100	100
SINGAPORE	Sandvik Mining and Construction S.E. Asia Pte. Ltd.	100	100
	Sandvik South East Asia Pte. Ltd.	100	100
	Walter AG Singapore Pte. Ltd.	100	100
	Seco Tools (SEA) Pte. Ltd.	100	100
SLOVENIA	Sandvik D.o.o.	—	100
SOUTH AFRICA	Sandvik Mining RSA (Pty) Ltd.	100	100
	Sandvik (Pty) Ltd.	100	100
	Seco Tools South Africa (Pty) Ltd.	100	100
SPAIN	Sandvik Española S.A.	100	100
	Walter Tools Iberica S.A.U.	100	100
	Seco Tools España S.A.	100	100
SWITZERLAND	Sandvik AG	100	100
	Santrade Ltd.	100	100
	Walter (Schweiz) AG	100	100
	Seco Tools AG	100	100
TAIWAN	Sandvik Hyperion Taiwan Limited	100	100
	Sandvik Taiwan Ltd.	100	100
TANZANIA	Sandvik Mining and Construction Tanzania Ltd.	100	100
THAILAND	Sandvik Thailand Ltd.	100	100
	Walter (Thailand) Co. Ltd.	100	100
	Seco Tools (Thailand) Co., Ltd	—	100
TURKEY	Walter Cutting Tools Industry and Trade LLC	100	100
	Seco Tools Kesici Takımlar Makina San.Tic. A.S	—	100
UK	Dormer Tools Ltd.	100	100
	Sandvik Construction Mobile Crushers and Screens Ltd.	100	100
	Sandvik Materials Technology UK Ltd.	100	100
	Sandvik Ltd.	100	100
	Sandvik Osprey Ltd.	100	100
	Walter GB Ltd.	100	100
	Seco Tools (U.K) Ltd.	100	100
	Sandvik Mining and Construction Ltd.	100	100
	Downhole Products Limited	—	100
	UKRAINE	Sandvik Ukraine	100
US	Diamond Innovations Inc.	100	100
	Sandvik Wire and Heating Technology Corporation	100	100
	Sandvik Thermal Process Inc.	100	100
	Pennsylvania Extruded Tube Co.	70	70
	Precision Dormer LLC	100	100
	Sandvik Customer Finance LLC	100	100
	Sandvik Inc.	100	100
	Sandvik Mining and Construction USA LLC	100	100
	Sandvik Process Systems LLC	100	100
	Sandvik Special Metals LLC	100	100
	Walter USA LLC	100	100
	Seco Tools Inc	100	100
	Niagara Cutter, LLC	100	100
	Precorp Inc.	100	100
	Varel International Ind., L.P.	—	100
Aberdeen Products, Inc.	—	100	
ZAMBIA	Sandvik Mining and Construction Zambia Ltd.	100	100

1) Refers to share of capital, which also corresponds to voting rights for the total number of shares, unless otherwise stated.
2) Share of votes 60% (60).

NOTES

NOTE 15 INVESTMENTS IN ASSOCIATED COMPANIES

GROUP SHARES IN ASSOCIATED COMPANIES			PARENT COMPANY'S SHARES IN ASSOCIATED COMPANIES		
	2014	2015		2014	2015
ACCUMULATED SHARE OF EQUITY			ACCUMULATED COST		
At beginning of year	211	239	At beginning of year	4	4
Acquisition of associates	6	—	Carrying amount at end of year	4	4
Divestment of associates	—	-1			
Share of profits for the year	24	8			
Less dividend received	-11	-11			
Translation differences during the year	9	1			
Carrying amount at end of year	239	236			

SUMMARIZED FINANCIAL INFORMATION OF ASSOCIATED COMPANIES, AND THE GROUP'S SHARE

2015	COUNTRY	REVENUE	PROFIT	ASSETS	LIABILITIES	EQUITY	GROUP'S SHARE, %
OWNED DIRECTLY BY SANDVIK AB							
Oerlikon Balzers Sandvik Coating AB	Sweden	93	17	95	31	64	49.0
OWNED INDIRECTLY BY SANDVIK AB							
Eimco Elecon	India	270	29	307	52	254	25.1
Fagersta Stainless AB	Sweden	1,285	-25	637	373	264	50.0
Fagersta Seco AB	Sweden	0	0	3	2	1	50.0
Fagerstahälsan AB	Sweden	7	0	9	7	2	50.0
S.C.I. Le Palatinat	France	0	0	—	—	—	—
Shanghai Innovatools Co. Ltd.	China	7	-2	13	3	10	40.0
Bromma Business Jet AB	Sweden	84	0	445	436	10	45.0

2014	COUNTRY	REVENUE	PROFIT	ASSETS	LIABILITIES	EQUITY	GROUP'S SHARE, %
OWNED DIRECTLY BY SANDVIK AB							
Oerlikon Balzers Sandvik Coating AB	Sweden	92	20	101	35	66	49.0
OWNED INDIRECTLY BY SANDVIK AB							
Eimco Elecon	India	225	23	276	46	227	25.1
Fagersta Stainless AB	Sweden	1,392	40	875	582	292	50.0
Fagersta Seco AB	Sweden	0	0	3	2	1	50.0
Fagerstahälsan AB	Sweden	7	0	9	7	2	50.0
S.C.I. Le Palatinat	France	1	1	2	0	2	49.0
Shanghai Innovatools Co. Ltd.	China	15	1	17	5	12	40.0
Bromma Business Jet AB	Sweden	141	6	499	483	16	45.0

ADDITIONAL INFORMATION

The close of the reporting period for the associate Eimco Elecon is 31 March 2015. The dividend paid in 2015 is included in the calculation of the proportion of equity. No financial statements as of a later date have been obtained. Other associates are recognized one month in arrears. The outstanding shares in the associated company S.C.I. Le Palatinat were acquired in 2015. Revenue and profit were recognized up to the date of acquisition. In 2015, Sandvik signed an agreement to divest its interest in Bromma Business Jet AB.

	CORP. REG. NO.	SHARE OF CAPITAL AND VOTING RIGHTS, %
2015		
Oerlikon Balzers Sandvik Coating AB, Stockholm	556098-1333	49
2014		
Oerlikon Balzers Sandvik Coating AB, Stockholm	556098-1333	49

NOTE 16 NON-CURRENT RECEIVABLES AND OTHER CURRENT RECEIVABLES

GROUP	2014	2015
NON-CURRENT RECEIVABLES		
Derivatives designated as hedging instruments	110	18
Funded pension plans	301	334
Other non-interest-bearing receivables	488	338
Other interest-bearing receivables	816	651
Total	1,715	1,341
Whereof discontinued operations		-83
Continuing operations		1,258
OTHER CURRENT RECEIVABLES		
Derivatives held as investments	—	—
Derivatives designated as hedging instruments	853	691
Due from customers for contract work	1,300	804
Other non-interest-bearing receivables	2,285	2,303
Other interest-bearing receivables	675	897
Advances to suppliers	513	414
Total	5,626	5,109
Whereof discontinued operations		-830
Continuing operations		4,279

PARENT COMPANY	2014	2015
NON-CURRENT RECEIVABLES		
Derivatives	1	2
Other non-interest-bearing receivables	0	0
Other interest-bearing receivables	29	29
Total	30	31
OTHER CURRENT RECEIVABLES		
Derivatives	38	33
Other non-interest-bearing receivables	315	283
Other interest-bearing receivables	9	3
Total	362	319
CONSTRUCTION CONTRACTS, GROUP	2014	2015
Contract costs incurred and recognized profits (less recognized losses)	13,156	12,505
Advances received	1,778	358
Amounts retained by customers	120	79
Gross amount due from customers	1,300	804
Gross amount due to customers	1,000	748

NOTE 17 INVENTORIES

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Raw materials and consumables	6,570	5,141	1,430	877
Work in progress	3,949	3,936	1,204	1,548
Finished goods	13,537	12,622	957	761
Total	24,056	21,699	3,591	3,186
Whereof discontinued operations		-177		
Continuing operations		21,522		

Cost of sales of the Group includes impairment of inventories of 397 million SEK (463) while cost of sales of the Parent Company includes impairment of 128 million SEK (80). There were no significant reversals of impairment losses during 2015 and 2014.

NOTE 18 TRADE RECEIVABLES

AGE ANALYSIS OF TRADE RECEIVABLES, GROUP

	2014			2015		
	GROSS	ALLOWANCE FOR BAD DEBTS	NET CARRYING AMOUNT	GROSS	ALLOWANCE FOR BAD DEBTS	NET CARRYING AMOUNT
Current receivables	11,099	-149	10,950	10,610	-69	10,541
Past due receivables 0-3 months	2,268	-53	2,216	1,820	-57	1,763
Past due receivables 3-12 months	658	-201	457	608	-185	423
Past due receivables >12 months	728	-511	217	601	-541	60
Group total	14,753	-913	13,840	13,639	-852	12,787
Whereof discontinued operations				-581	32	-549
Continuing operations				13,058	-820	12,238

NOTE 19 CAPITAL AND RESERVES

GROUP	2014	2015
DETAILS OF RESERVES		
TRANSLATION RESERVE		
At beginning of year	394	3,514
Translation differences during the year	3,120	-975
At end of year	3,514	2,539
HEDGING RESERVE		
At beginning of year	-33	-336
Cash-flow hedges recognized in other comprehensive income	-303	48
At end of year	-336	-288
TOTAL RESERVES		
Reserves at beginning of year	361	3,178
CHANGES IN RESERVES:		
Translation reserve	3,120	-975
Hedging reserve	-303	48
Reserves at end of year	3,178	2,251

OTHER PAID-IN CAPITAL

Relates to payments made by owners and includes share premium reserve transferred to the statutory reserve at 31 December 2005. Any share premium as from 1 January 2006 and onwards is also recognized as paid-in capital.

RESERVES

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations stated in a currency different from the Group's presentation currency. Translation reserves relating to divested assets are not material.

The Parent Company's and the Group's presentation currency is Swedish kronor (SEK).

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash-flow hedging instruments related to hedged transactions that have not yet occurred. The change in cash-flow hedges that was transferred to profit/loss for the year amounted to 162 million SEK (10).

NOTES

cont. [NOTE 19](#)

RETAINED EARNINGS INCLUDING PROFIT OR LOSS FOR THE YEAR

Retained earnings including profit or loss for the year comprises the earned profit of the Parent Company and its subsidiaries and associated companies.

MANAGEMENT OF CAPITAL FINANCIAL GOALS

Growth, total, over a business cycle	8%
Return on capital employed, over a business cycle	25%
Net debt/equity ratio	<0.8
Dividend payout percentage	50%

PARENT COMPANY

SHARE CAPITAL

According to the Articles of Association of Sandvik AB, the share capital shall amount to a minimum of 700,000,000 SEK and a maximum of 2,800,000,000 SEK. All issued shares are fully paid, have the same voting rights and are equally entitled to the company's assets.

Share capital has changed as follows over the past two years:

	NO. OF SHARES	QUOTIENT VALUE SEK/SHARE	SHARE CAPITAL SEK
Share capital at 31 December 2013	1,254,385,923	1.20	1,505,263,108
Share capital at 31 December 2014	1,254,385,923	1.20	1,505,263,108
Share capital at 31 December 2015	1,254,385,923	1.20	1,505,263,108

A dividend is proposed by the Board of Directors in accordance with the stipulations in the Swedish Companies' Act, and is approved at the Annual General Meeting. The proposed, not yet resolved, dividend for 2015 is estimated to amount to 3,136 million SEK (2.50 SEK per share). This amount has not been recognized as a liability.

No shares have been reserved for transfer under options or other agreements.

The Sandvik share is officially listed only on the Nasdaq Stockholm. Shares can also be traded in the US in the form of ADRs (American Depositary Receipts).

UNDISTRIBUTABLE EQUITY

Undistributable equity may not be paid to the shareholders in the form of dividends.

STATUTORY RESERVE

The purpose of the statutory reserve has been to tie up part of the net profit that is not needed to cover an accumulated deficit. The statutory reserve

EQUITY

Equity is defined as total shareholders' equity, including non-controlling interests.

EQUITY	2014	2015
Share capital	1,505	1,505
Other paid-in capital	7,678	7,678
Reserves	3,178	2,251
Retained earnings including profit for the year	24,177	22,545
Equity attributable to equity holders of the Parent	36,538	33,979
Non-controlling interests	134	81
Total equity	36,672	34,060

The Board of Directors has proposed to the 2016 Annual General Meeting a dividend of 2.50 SEK per share (3.50). The proposal corresponds to approximately 140% of the recognized earnings per share. No changes were made to the processes for managing capital during the year. Neither the Parent Company nor any of its subsidiaries have to comply with externally imposed capital requirements.

	NO. OF SHARES	QUOTIENT VALUE SEK/SHARE	SHARE CAPITAL SEK
Share capital at 31 December 2013	1,254,385,923	1.20	1,505,263,108
Share capital at 31 December 2014	1,254,385,923	1.20	1,505,263,108
Share capital at 31 December 2015	1,254,385,923	1.20	1,505,263,108

includes amounts that before 1 January 2006 were included in the share premium reserve.

DISTRIBUTABLE

SHARE PREMIUM RESERVE

Comprises the value of shares that have been issued at a premium, meaning the price paid was in excess of the share's quotient value. The amount received in excess of the quotient value was transferred to the share premium reserve.

RETAINED EARNINGS

Retained earnings comprise the distributable reserves recognized in the preceding year less any dividend declared. The total of such profits brought forward and the profit for the year constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders.

NOTE 20 PROVISIONS FOR PENSION AND OTHER NON-CURRENT POST-EMPLOYMENT BENEFITS

Sandvik provides direct pension solutions and otherwise participates in a number of defined-benefit, defined-contribution and other plans for long-term post-employment benefits to employees throughout the Group. The plans are structured in accordance with local regulations and practices. In recent years, Sandvik has sought to move from defined-benefit based plans to pension solutions that are defined-contribution plans and, to an ever increasing extent, the total pension expense comprises the costs for such plans. In principle, the plans cover all employees. The Group's most significant defined-benefit pension plans are described below.

SWEDEN

The Swedish pension plan is funded through a foundation and is based on salary at the time of retirement and is partly closed for new participants, meaning that only new employees born prior to 1979 have the option of joining the plan. Employees born after 1979 are encompassed by a defined-contribution plan. There are no funding requirements for the defined-benefit plan. Pension payments to retirees are made directly from Sandvik.

The commitment for family pension, also a defined-benefit plan, is insured with Alecta. Sufficient information to use defined-benefit accounting for this plan was not available, which is why these commitments are recognized as a defined-contribution plan. At the end of 2015, Alecta reported a preliminary plan surplus of 153% (144).

UK

The main pension plan in the UK is funded through a foundation, which is closed for new participants and the pension is based on salary at the time of retirement. The funding level is revalued every three years, and if this valuation indicates a requirement to increase the funding, the company pays money into the plan over a certain period of time. The plan is governed by Trustees who make investment decisions after having consulted with the company. As a part of the actuarial valuation, Sandvik and the Trustees have agreed a plan to clear shortfall and meet the costs of the further build-up of benefits. Pension payments to retirees are made from the plan.

US

There are a number of pension plans in the US, including commitments for medical benefits. The largest pension plan covers approximately 75% of the total commitment in the US. The pension is based on salary at the time of retirement and is closed for new participants. The funding level is revalued every year with a target of restoring the funding level over a seven-year period. Pension payments to retirees are primarily made from the plan.

FINLAND

In Finland, Sandvik sponsors a defined-benefit pension plan funded in a foundation. The benefits offered include an old-age pension and disability pension. In addition to the benefits guaranteed by the Finnish subsidiary, there is also a defined-contribution pension component. Pension payments to retirees are made from the plan.

cont. NOTE 20

GERMANY

In Germany, Sandvik has defined-benefit pension plans. A few years ago, Sandvik formed a foundation, a Contractual Trust Agreement (CTA), which covers the current employees in most of Sandvik's German companies. The pension commitments for retirees and paid-up policyholders remain unfunded. The pension is based on salary at the time of retirement and other parameters. There are no funding requirements and employees in the plan are required to contribute a certain percentage of their salary to the plan. Pension payments to retirees are mainly made from the company.

CANADA

There are a number of pension plans in Canada. The pension is based on average salary at the time of retirement and is closed for new participants for non-bargaining unit plans starting 2008. The funding level is revalued every year or up to every three years for the plans, and is based on the solvency ratio determined by actuaries. Pension payments to retirees are mainly made from the company. Employees who joined the company after 1 January 2008 are included in a defined-contribution plan.

INFORMATION BY COUNTRY, 31 DECEMBER 2014

	SWEDEN	UK	US	FINLAND	GERMANY	CANADA	OTHER	TOTAL
Amount in the balance sheet								
Present value of funded and unfunded pension obligations	4,668	6,241	5,884	3,190	2,405	597	1,973	24,958
- of which for actives	2,389	1,540	3,159	833	1,209	309	1,232	10,671
- of which for vested deferreds	901	1,749	798	961	195	29	439	5,072
- of which for retirees	1,378	2,952	1,927	1,396	1,001	259	302	9,215
Plan assets	2,228	5,805	4,601	2,935	1,171	613	1,083	18,436
Total surplus/(deficit)	-2,440	-436	-1,283	-255	-1,234	16	-890	-6,522
Funding level, %	48%	93%	78%	92%	49%	103%	55%	74%
Pension plans recognized according to local rules								
Duration (remaining term of pension obligation), years	23	18	15	18	10	18	—	17
Amount in income statement/other comprehensive income								
Current service cost	-133	-78	-136	-51	-16	-16	-36	-466
Net interest	-56	-36	-34	10	-32	1	-20	-167
Actuarial gains/(losses)	-899	453	-366	-518	-277	-9	-231	-1,847
Total cost of defined-benefit pension plans before tax	-1,088	339	-536	-559	-325	-24	-287	-2,480
Amount in cash flow								
Employer contributions to pension plans		-134	-185	6	-33	-27	-64	-437
Pension payments directly from the company	-103		-21		-66	-2	-48	-240
Settlements paid					-86			-86
Key assumptions used in the valuation of the pension liability								
Life expectancy, years ¹	22	22	21	19	19	21	—	—
Inflation, %	1.50%	3.20%	2.50%	2.00%	2.00%	2.00%	—	2.32%
Discount rate, % (weighted average)	2.65%	3.90%	3.96%	2.25%	1.90%	4.00%	—	3.15%
Future salary increases (weighted average)	3.00%	3.36%	3.00%	2.50%	3.00%	3.00%	—	3.05%

1) Expressed as the expected remaining life expectancy of a 65 year old in number of years.

INFORMATION BY COUNTRY, 31 DECEMBER 2015

	SWEDEN	UK	US	FINLAND	GERMANY	CANADA	OTHER	TOTAL
Amount in the balance sheet								
Present value of funded and unfunded pension obligations	4,256	6,409	6,055	3,206	2,330	527	1,853	24,636
- of which for actives	2,316	1,554	3,007	862	1,115	275	1,193	10,322
- of which for vested deferreds	836	1,752	853	938	170	26	379	4,954
- of which for retirees	1,104	3,103	2,195	1,406	1,045	226	281	9,360
Plan assets	2,275	5,904	4,943	2,916	1,191	560	1,157	18,946
Total surplus/(deficit)	-1,981	-505	-1,112	-290	-1,139	33	-696	-5,690
Funding level, %	53%	92%	82%	91%	51%	106%	62%	77%
Pension plans recognized according to local rules								
Duration (remaining term of pension obligation), years	23	17	14	17	10	15	—	16
Amount in income statement/other comprehensive income								
Current service cost	-190	-70	-176	-77	-48	-20	-60	-641
Net interest	-62	-15	-41	-6	-26	1	-23	-172
Actuarial gains/(losses)	564	-136	-14	43	15	16	101	589
Total cost of defined-benefit pension plans before tax	312	-221	-231	-40	-59	-3	18	-224
Amount in cash flow								
Employer contributions to pension plans		-159	-348	4	-37	-21	-60	-621
Pension payments directly from the company	-102		-27		-67	-2	-35	-233
Settlements paid	-46		-85				-40	-171
Key assumptions used in the valuation of the pension liability								
Life expectancy, years ¹	22	22	21	21	19	21	—	—
Inflation, %	1.50%	3.11%	2.50%	2.00%	2.00%	2.00%	—	2.31%
Discount rate, % (weighted average)	3.35%	3.89%	4.34%	2.40%	1.91%	4.12%	—	3.41%
Future salary increases (weighted average)	3.00%	3.20%	3.00%	2.50%	2.99%	3.00%	—	3.00%

1) Expressed as the expected remaining life expectancy of a 65 year old in number of years.

NOTES

cont. NOTE 20

PRESENT VALUE OF FUNDED AND UNFUNDED PENSION OBLIGATIONS	2014	2015
At 1 January	19,577	24,958
Current service cost	466	641
Settlements	-86	-187
Interest expense	805	802
Employee contributions	23	27
Pension payments	-863	-893
Actuarial gains/(losses) attributable to:		
- Financial assumptions	3,012	-1,209
- Demographic assumptions	224	188
- Experience adjustments	-248	186
Other	-77	-42
Foreign exchange differences	2,125	164
At 31 December	24,958	24,636

PLAN ASSETS	2014	2015
At 1 January	15,177	18,436
Interest income	638	630
Settlements	-86	-187
Employer contributions to pension plans	437	621
Pension payments directly from the company	240	233
Settlements paid by employer	86	170
Employee contributions	23	27
Pension payments	-863	-893
Return on plan assets, excluding amount included in interest income	1,141	-246
Other	-84	-18
Foreign exchange differences	1,727	173
At 31 December	18,436	18,946

An asset is recognized if the value of the plan assets for a certain plan exceeds the liability. Funded pension plans are recognized as an asset in the amount of 334 million SEK (301) in the item non-current receivables. Provisions for pensions include pension plans of 6,252 million SEK (7,036). The total net liability is 5,918 million SEK (6,735).

RISKS AND CASH FLOWS

Three main categories of risks are associated with the company's defined-benefit pension plans. The first category is linked to future pension payments. Greater life expectancy, increased inflation assumptions and higher salaries can increase future pension payments and thus also the liability for the pension obligation. The second category refers to the assets in the foundations that are funded. Low returns may, in the future, lead to the assets being insufficient for covering future pension payments. The third and final category pertains to the measurement methods and accounting of defined-benefit pension plans, primarily regarding the discount rate utilized in the measurement of the present value of the pension obligations. This rate can fluctuate, leading to major changes in the recognized pension liability. The discount rate also affects the interest rate component of the pension liability and that is recognized in net financial items.

To determine the discount rate, AA credit rated corporate bonds are used that correspond to the duration of the pension obligation. If there is no deep market for corporate bonds, government bonds are instead used as the basis for determining the discount rate. Mortgage bonds are used in Sweden and Norway to determine the discount rate.

A sensitivity analysis of the most important assumptions affecting the recognized pension liability is provided below. Note that this sensitivity analysis is not intended to be the expression of an opinion by the company regarding the probability of such events occurring.

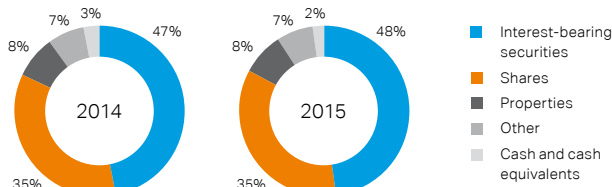
SENSITIVITY ANALYSIS, CHANGE IN PENSION PROVISION (NET)	SE	UK	US	FI	DE	CA	TOTAL
Life expectancy, +1 year	180	211	137	127	8	15	678
Inflation, +1.0%	127	336	1	7	25	3	499
Discount rate, -1%	939	255	528	517	69	-14	2,294
Shares -20%	92	337	547	209	47	22	1,254
	1,338	1,139	1,213	860	149	26	4,725

Sandvik estimates that approximately 670 million SEK (800) will be paid into existing defined-benefit plans in 2016.

PLAN ASSETS

Plan assets amounted to 18,946 million SEK (18,436). Actual return on plan assets was 384 million SEK (1,779) in 2015. The consolidation ratio for funded plans is 83% (81). For all plans including unfunded plans, the consolidation ratio is 77% (74).

CLASS OF ASSETS



Assets without quoted prices amounted to approximately 8% (9) of the total plan assets of 18,946 million SEK.

The fair value of plan assets on 31 December 2015 included loans of 33 million SEK (32) to Sandvik companies and the value of properties leased to Sandvik of 211 million SEK (245).

GOVERNANCE

The defined-benefit and defined-contribution plans are governed through Sandvik's Pension Supervisory Board (PSB). PSB meets twice a year and has the following areas of responsibility:

- Implement policies and directives
- Ensure efficient administration of the major pension plans and efficient management of reserved plan assets
- Approve establishment of new plans, material changes or closure of existing plan
- Approve guidelines for management of assets

The Group Pension Committee (GPC) is another operating body, which is also preparatory to the PSB, that has representatives from countries with large defined-benefit plans and the relevant Group functions. The GPC's task is to monitor developments in countries, submit proposals on changes to pension plans to the PSB and approve the principle of how actuarial assumptions are established. GPC meets twice a year.

INVESTMENT STRATEGY

The aims of the investment decisions made in the foundations managing plan assets are as follows:

- Ensure that the plan assets are sufficient to cover the foundation's future pension commitments
 - Achieve optimal returns while taking into account a reasonable level of risk
- Each foundation is to have a written investment policy approved by GPC. Reviews are performed annually. The foundation makes its own decisions on its investment strategy and takes into consideration the composition of the pension commitments, requirements of cash and cash equivalents and available investment opportunities. The investment strategy is to be long term and in line with the guidelines established by PSB. An investment committee is to be in place.

PARENT COMPANY

The Parent Company's recognized pension provision was 350 million SEK (362). The Parent Company's PRI pensions are secured through Sandvik's own pension foundation, the Sandvik Pension Foundation in Sweden. Sandvik AB and most of its Swedish subsidiaries are members of the foundation. The total value of the assets held by the foundation was 2,275 million SEK (2,228), which was 384 million SEK lower than the capital value of the corresponding pension obligations for the entire foundation. The deficit was recognized as a liability in the companies. The Parent Company's funded obligations mainly comprise ITP Plans.

PRESENT VALUE OF FUNDED AND UNFUNDED PENSION OBLIGATIONS	2014	2015
Present value of funded and unfunded pension obligations	1,967	2,063
Plan assets	1,733	1,760
Deficit in the assets of the pension foundation	-128	-47
Net amount recognized for pension obligations	-362	-350

NOTE 21 OTHER PROVISIONS

GROUP	WARRANTIES	RESTRUCTURING	EMPLOYEE BENEFITS	ENVIRONMENTAL OBLIGATIONS	LEGAL DISPUTES	OTHER OBLIGATIONS	TOTAL
Balance at 31 December 2014	498	522	325	349	107	219	2,020
Provisions made during the year	323	2,876	323	20	74	454	4,070
Provisions used during the year	-250	-1,379	-213	-65	-20	-139	-2,066
Unutilized provisions reversed during the year	-72	-69	-15	-2	-4	-12	-174
Reclassifications	-2	10	0	0	0	-8	0
Translation differences	-11	-6	-18	-16	-11	-7	-69
Transfer to liabilities held for sale	-61	-8	-30	—	-12	-200	-311
Balance at 31 December 2015	425	1,946	372	286	134	307	3,470
of which current	325	1,496	150	76	86	231	2,364
of which non-current	100	450	222	210	48	76	1,106

PARENT COMPANY

Balance at 31 December 2014	17	122	88	11	—	1	238
Provisions made during the year	23	202	100	4	—	1	330
Provisions used during the year	-3	-88	-70	-1	—	-1	-162
Unutilized provisions reversed during the year	-2	-6	0	—	—	—	-8
Reclassifications	—	—	0	—	—	—	0
Balance at 31 December 2015	35	230	118	14	—	1	398

WARRANTIES

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

RESTRUCTURING

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

EMPLOYEE BENEFITS

A provision for personnel-related benefits is recognized in accordance with agreements entered for long-term incentive programs, local bonus programs, part-time pensions and other personnel obligations.

ENVIRONMENTAL OBLIGATIONS

Environment-related provisions include provisions for environmental remediation measures related to the Group's sites.

LEGAL DISPUTES

Legal disputes include provisions for claims which, at the balance sheet date, had not been closed.

OTHER OBLIGATIONS

Other obligations include provisions for onerous contracts and obligations within the scope of Sandvik Försäkring AB's operations. Provisions classified as current are expected to result in an outflow of resources within twelve months from the balance sheet date.

NOTE 22 NON-CURRENT INTEREST-BEARING LIABILITIES

PARENT COMPANY

Non-current interest-bearing liabilities fall due as follows:

	2014			2015		
	WITHIN ONE TO FIVE YEARS	LATER THAN FIVE YEARS	TOTAL	WITHIN ONE TO FIVE YEARS	LATER THAN FIVE YEARS	TOTAL
Loans from financial institutions	—	3,926	3,926	2,499	—	2,499
Loans from Group companies	—	363	363	452	—	452
Other liabilities	5,397	16,075	21,472 ¹⁾	4,352	13,699	18,051 ¹⁾
Total	5,397	20,364	25,761	7,303	13,699	21,002

¹⁾ Other liabilities mainly comprise bond loans.

NOTE 23 OTHER INTEREST-BEARING LIABILITIES

GROUP	2014	2015
NON-CURRENT LIABILITIES		
Bond issues	27,800	24,657
Other	2,496	2,642
Total	30,296	27,299
CURRENT LIABILITIES		
Bond issues	826	3,001
Other	55	12
Total	881	3,013

For information on contractual terms, scheduled repayments and the exposure to interest risk and foreign-currency risk, refer to the section "Financial risk management."

NOTE 24 OTHER NON-INTEREST-BEARING LIABILITIES

GROUP	2014	2015
OTHER NON-CURRENT LIABILITIES		
Derivatives designated as hedging instruments	100	67
Other	48	38
Total	148	105
OTHER CURRENT LIABILITIES		
Derivatives designated as hedging instruments	1,478	804
Bills payable	110	71
Gross amount due to construction contract customers	1,002	748
Other	1,775	2,094
Total	4,365	3,717
Whereof discontinued operations		-706
Continuing operations		3,011

NOTES

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

PARENT COMPANY	2014	2015
Personnel related	1,811	1,341
Expenses related to finance	383	366
Other	127	300
Total	2,321	2,007

NOTE 26 CONTINGENT LIABILITIES AND PLEDGED ASSETS

On occasion, Sandvik is party to litigation and administrative proceedings related to its operations, including responsibility for products, the environment, health and safety. However, Sandvik does not deem that any of these ongoing proceedings and processes will significantly affect the Sandvik Group.

CONTINUING OPERATIONS

CONTINGENT LIABILITIES	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
Bills discounted	11	13	—	—
Other surety undertakings and contingent liabilities	326	258	15,937	15,583
Total	337	271	15,937	15,583
of which for subsidiaries			15,488	15,112

The Parent Company's surety undertakings and contingent liabilities amounted to 15,583 million SEK (15,937), of which 8,508 million SEK (8,930) related to the Parent Company's guarantees for Sandvik Treasury AB's financial borrowings. The remainder comprised mainly indemnity bonds for commitments of Group companies to their customers and vendors, and to financial institutions relating to local borrowings, guarantees on advances received and various types of performance bonds.

The Group's surety undertakings and contingent liabilities amounted to 271 million SEK (337) and mainly comprised pension guarantees and ongoing proceedings.

PLEDGED ASSETS

Pledged assets for own liabilities and provisions.

GROUP	2014	2015
Property mortgages	213	205
Chattel mortgages	101	94
Total	314	299

No assets of the Parent Company had been pledged in 2015 and 2014.

NOTE 27 SUPPLEMENTARY INFORMATION – FINANCIAL RISK MANAGEMENT

DISCLOSURE REGARDING FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

Under the IFRS 13 disclosure requirements, the method applied to the valuation of assets and liabilities measured at fair value in the balance sheet is presented below. The valuation is divided into three levels:

Level 1: Fair value is determined according to prices listed on an active market for the same instrument.

Level 2: Fair value is determined based on either directly (as a price) or indirectly (derived from prices) observable market data that is not included in level 1.

Level 3: Fair value is determined based on input data that is not observable in the market.

All of Sandvik's financial instruments are measured according to Level 2.

Information on financial risks is also presented in the financial risk section of the Report of the Directors.

MEASUREMENTS OF FAIR VALUE

The following is a summary of the methods and assumptions primarily applied to determine the fair value of the financial instruments presented in the table below.

The fair value of foreign exchange contracts is determined based on observable market prices. The fair value of interest-rate swaps is based on discounting estimated future cash flows under the contractual terms and conditions and maturity dates and based on the market interest rate for similar instruments on the balance sheet date. Where discounted cash flows are used, the future cash flows are calculated on the best assessments of company management. The discount rate applied is the market-based interest rate of similar instruments on the balance sheet date.

All valuation techniques applied are accepted in the market and take into account all parameters that the market would consider in its pricing. These techniques are reviewed regularly so as to ensure their reliability. Applied assumptions are compared against actual outcomes to identify any needs for adjusting the measurement or forecasting tools.

For means of payment, receivables and liabilities with variable interest and current receivables and liabilities (for example, trade receivables and accounts payable), the fair value has been considered to correspond to the carrying amount.

THE GROUP'S FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE IN THE BALANCE SHEET

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE		2014	2015
Financial assets			
Derivatives	Foreign exchange contracts	837	657
	Foreign currency options	23	0
	Interest-rate swaps	37	32
	Commodity and electricity derivatives	67	19
Total		964	708
Financial liabilities			
Derivatives	Foreign exchange contracts	1,135	433
	Foreign currency options	—	—
	Interest-rate swaps	327	232
	Commodity and electricity derivatives	116	199
Total		1,578	864

Financial assets and liabilities are not offset in the balance sheet. Derivative contracts are subject to framework agreements governing offsetting, and the carrying amounts of assets not offset in the balance sheet amounted to 708 million SEK. The carrying amount of corresponding liabilities was -864 million SEK. No collateral has been received or pledged. In the event of a default by a derivative counterparty, assets and liabilities for a total value of 460 million SEK would be offset in accordance with the framework agreement governing off-setting.

cont. NOTE 27

Financial assets and liabilities, except financial derivatives, are measured at amortized cost. Calculation at fair value would increase the Group's non-current borrowings by 2,154 million SEK (2,975). When measuring interest-bearing liabilities, the company's Swedish and European bond loans have then been remeasured using observable market prices for identical securities to value the Group's marketable debt instruments. Other non-current debt has been remeasured in accordance with the principles described above. For short-term

loans and deposits, no remeasurement was carried out, given that the carrying amount is considered to represent a good approximation of the fair value due to the short duration.

The table below shows the fair value of financial assets and liabilities compared with their carrying amounts. Fair value is the amount at which an asset or liability can be sold between well-informed partners who are independent in relation to each other and who have a vested interest in completing the transaction.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES BY VALUATION CATEGORY

BALANCE-SHEET ITEMS	ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS										FAIR VALUE	
	DERIVATIVES FOR HEDGE ACCOUNTING ¹⁾		DERIVATIVES HELD FOR TRADING ²⁾		AVAILABLE-FOR-SALE FINANCIAL ASSETS		LOANS AND RECEIVABLES		TOTAL CARRYING AMOUNT		2014	2015
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
FINANCIAL ASSETS												
Financial investments	—		—		80	83			80	83	80	83
Trade receivables	—		—		—		13,840	12,238	13,840	12,238	13,840	12,238
Other receivables ³⁾	—		—		—		1,646	1,638	1,646	1,638	1,646	1,638
Derivatives ⁴⁾	178	118	786	592	—		—		964	710	964	710
Cash and cash equivalents	—		—		—		6,327	6,376	6,183	6,315	6,183	6,315
Total financial assets	178	118	786	592	80	83	21,813	20,252	22,713	20,984	22,713	20,984

BALANCE-SHEET ITEMS	LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS										FAIR VALUE	
	DERIVATIVES FOR HEDGE ACCOUNTING ¹⁾		DERIVATIVES HELD FOR TRADING ²⁾		OTHER FINANCIAL LIABILITIES		TOTAL CARRYING AMOUNT		2014	2015	2014	2015
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
FINANCIAL LIABILITIES												
Borrowings ⁵⁾	—		—		37,070	34,548			37,070	34,548	40,045	36,702
Derivatives ⁶⁾	565	458	1,013	413	—				1,578	871	1,578	871
Accounts payable	—		—		6,762	5,953			6,762	5,953	6,762	5,953
Due to associates	—		—		8	3			8	3	8	3
Other liabilities ⁷⁾	—		—		110	71			110	71	110	71
Total financial liabilities	565	458	1,013	413	43,950	40,575			45,528	41,446	48,503	43,600

1) Of which -369 million SEK (-424) pertains to cash-flow hedges recognized in the hedging reserve in equity and 35 million SEK (21) pertains to fair-value hedges recognized in profit or loss.

2) Of which 179 million SEK (-227) pertains to financial hedges; hedge accounting is not applied.

3) Comprises parts of the Group's non-current receivables, accrued income and other receivables recognized in the balance sheet.

4) Derivatives form part of the other receivables recognized in the balance sheet.

5) Recognized in the balance sheet as non-current and current liabilities to financial institutions and other liabilities.

6) Derivatives form part of the other liabilities recognized in the balance sheet.

7) Form part of the Group's non-current liabilities, accrued expenses and other liabilities recognized in the balance sheet.

NET RESULT PER VALUATION CATEGORY

In addition to fair value adjustment, interest and currency movement effects are included.

	2014	2015
Assets and liabilities at fair value (Derivatives)	-1,083	-185
Loans and accounts receivables	959	42
Available-for-sale financial assets	3	9
Financial liabilities	-1,813	-1,771

The company's financial liabilities amounted to 41,446 million SEK (45,528) at year-end.

GROUP'S MATURITY STRUCTURE RELATING TO UNDISCOUNTED CASH FLOWS FOR FINANCIAL LIABILITIES AND DERIVATIVES, NOMINAL AMOUNTS

		2014				2015			
		<6 MONTHS	6-12 MONTHS	1-5 YEARS	>5 YEARS	<6 MONTHS	6-12 MONTHS	1-5 YEARS	>5 YEARS
		Bank loans	SEK	-1,924	-45	-4,802	-703	-547	-406
Commercial papers	SEK	—	—	—	—	—	—	—	—
Medium Term Notes	SEK	-458	-543	-7,992	-3,729	-1,088	-2,055	-7,573	-1,027
European Medium Term Notes	EUR	-254	-123	-1,886	-12,806	-244	-118	-1,825	-12,177
Private placement	USD	-166	-166	-5,505	-1,429	-176	-176	-5,593	-1,440
Derivatives									
- Currency derivatives		-45	-17	41	—	176	37	-1	0
- Interest-rate derivatives		-48	-24	-231	-144	-55	-40	-260	-101
- Commodity and electricity derivatives		-17	-40	-47	—	-49	-82	-62	0
Finance leases		-9	-9	-50	-31	-10	-9	-55	-7
Accounts payable		-6,762	—	—	—	-5,953	—	—	—
Total		-9,683	-967	-20,472	-18,842	-7,946	-2,849	-19,673	-15,412

NOTES

cont. NOTE 27

PERIODS WHEN HEDGED CASH FLOWS ARE EXPECTED TO OCCUR AND AFFECT EARNINGS

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2018 AND LATER
Currency derivatives	7	20	16	15	-1	0	0	0	0
Interest derivatives	—	—	—	-34	—	—	-33	0	-165
Commodity and electricity derivatives	-28	-22	-5	-76	-4	-1	-1	-46	-11
Total	-21	-2	11	-95	-5	-1	-34	-46	-176

NOTE 28 RELATED PARTIES

RELATED-PARTY TRANSACTIONS

The Group's sales to associated companies amounted to 721 million SEK (860). The Group's purchases from associated companies amounted to 219 million SEK (309). Loans to associated companies amounted to 206 million SEK (219). Interest income on loans to associated companies amounted to 6 million SEK (7). Guarantees have been made for the obligations of associated companies in the amount of 0 million SEK (0). All transactions are carried out on market terms.

Sales to Group companies from the Parent Company amounted to 12,121 million SEK (13,277), or 77% (81) of total sales. The share of exports was 73% (72). The Parent Company's purchases from Group companies amounted to 2,575 million SEK (1,942), or 17% (12) of total purchases. The Parent Company granted no loans to associated companies. Guarantees have been made for obligations of associated companies in the amount of 0 million SEK (0). All transactions are effected on an arm's length basis.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Except as indicated in Note 3.5, Remuneration of the Board of Directors and senior executives, and in the description of the Board of Directors, no transactions took place with persons closely associated with the company.

NOTE 29 SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

CASH AND CASH EQUIVALENTS	2014	2015
GROUP		
Cash and cash equivalents comprise:		
Cash and bank	4,100	3,586
Short-term investments comparable to cash and cash equivalents	2,227	2,790
Total in the balance sheet	6,327	6,376
Total in the cash-flow statement	6,327	6,376
PARENT COMPANY		
Cash and cash equivalents comprise:		
Cash and bank	1	1
Total in the balance sheet	1	1
Total in the cash-flow statement	1	1

A short-term investment is classified as a cash and cash equivalent if:

- The risk of changes in value is insignificant.
- It is readily convertible into cash.
- It has a maturity of no more than three months from the date of acquisition.

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
INTEREST AND DIVIDEND PAID AND RECEIVED				
Dividend received	3	9	5,264	7,975
Interest received	128	134	1,083	1,087
Interest paid	-1,944	-1,891	-2,001	-1,405
Total	-1,813	-1,748	4,346	7,657

cont. NOTE 29 SUPPLEMENTARY INFORMATION TO THE CASH-FLOW STATEMENT

	GROUP		PARENT COMPANY	
	2014	2015	2014	2015
ADJUSTMENT FOR NON-CASH ITEMS, ETC.				
Changes in value of financial instruments	—	—	235	-31
Unappropriated results of associated companies	-14	3	—	—
Gains and losses on disposal of non-current assets	-38	-72	1	-34
Provisions for pensions	—	—	34	6
Other provisions	-1,089	1,832	38	142
Unrealized foreign exchange differences	—	—	384	—
Other	27	-194	66	118
Total	-1,114	1,569	758	201

	2014	2015
ACQUISITIONS OF SUBSIDIARIES AND OTHER BUSINESS OPERATIONS – GROUP		
Net assets acquired:		
Intangible assets	1,929	15
Property, plant and equipment	291	2
Financial assets	242	—
Inventories	725	3
Current receivables	568	5
Cash and cash equivalents	118	4
Total assets	3,873	29
Interest-bearing liabilities	-2,279	—
Non-interest-bearing liabilities	-1,081	-18
Total provisions and liabilities	-3,360	-18
Net identifiable assets and liabilities	513	11

In 2015, acquired assets and liabilities refer to the acquisition of SGL Technology B.V.

	2014	2015
DIVESTMENTS OF SUBSIDIARIES AND OTHER BUSINESS UNITS – GROUP		
Divested assets and liabilities:		
Property, plant and equipment	106	—
Inventories	310	—
Current receivables	1	—
Cash and cash equivalents	—	—
Total assets	417	—
Non-interest-bearing liabilities	-28	—
Total liabilities	-28	—
Net identifiable assets and liabilities	389	—
Purchase consideration received	460	—

NOTE 30 ACQUISITION AND DIVESTMENT OF OPERATIONS AND DISCONTINUED OPERATIONS

The business combinations effected during 2014 and 2015 are set out below. Annual revenue and number of employees reflect the situation at the date of the respective acquisition.

BUSINESS AREA	COMPANY	ACQUISITION DATE	ANNUAL REVENUE	NO. OF EMPLOYEES
Sandvik Venture	Varel International Energy Services Inc.	21 May 2014	2,300	1,300
Sandvik Venture	SGL Technology B.V.	15 September 2015	60	20

On 15 September 2015, Sandvik acquired 100% of the shares in SGL Technology B.V. A cash payment of 11 million SEK was made for the shares. SGL is a manufacturer of industrial processing equipment for the food processing industry. The core capabilities of the company are within steel belt-based equipment for industrial processing of chocolate and other belt equipment for processing of agri-food and non-food products. SGL's offering consists of new equipment as well as service and spare parts. The company has over 30 years of experience in developing processing solutions for customers in the food segment. The acquisition will widen Sandvik's product portfolio of industrial solutions for customers in the food processing business and, in combination with Sandvik's existing capabilities, it will strengthen the market position of Sandvik.

The fair value of assets and liabilities in SGL Technology B.V. is presented in the table below.

TOTAL FAIR VALUE OF ASSETS AND LIABILITIES OF ACQUIRED BUSINESSES IN 2015

	FAIR VALUE RECOGNIZED IN THE GROUP
Intangible assets	15
Property, plant and equipment	2
Inventories	3
Current receivables	5
Cash and cash equivalents	4
Non-interest-bearing liabilities	-18
Net identifiable assets and liabilities	11
Purchase consideration	11
Cash and cash equivalents in acquired businesses	-4
Net cash outflow	7

The value of acquired assets and assumed liabilities has been finalized for the acquisition of SGL Technology B.V. A fair-value measurement increased the value of net assets by 11 million SEK.

GOODWILL

No goodwill arose relating to the acquisition of SGL Technology B.V.

ACQUISITION-RELATED EXPENSES

Acquisition-related expenses amounted to 2 million SEK. The expenses relate to consultant fees in conjunction with due diligence and were recognized as other operating expenses.

ACQUIRED RECEIVABLES

The fair value of trade receivables amounts to 3 million SEK.

TRANSFERRED COMPENSATION

Cash and cash equivalents	11
Contingent purchase consideration	—
	11

TOTAL FAIR VALUE OF ASSETS AND LIABILITIES OF ACQUIRED BUSINESSES IN 2014

The value of acquired assets and assumed liabilities has been finalized for the acquisition of Varel International Energy Services Inc., which was implemented in 2014. No adjustment was made to the acquisition values.

	FAIR VALUE RECOGNIZED IN THE GROUP
Intangible assets	1,929
Property, plant and equipment	291
Financial assets	242
Inventories	725
Current receivables	568
Cash and cash equivalents	118
Interest-bearing liabilities	-2,279
Non-interest-bearing liabilities	-1,081
Net identifiable assets and liabilities	513
Goodwill	2,439
Purchase consideration	2,952
Cash and cash equivalents in acquired businesses	-118
Net cash outflow	2,834

CONTRIBUTIONS FROM COMPANIES ACQUIRED IN 2015 BY BUSINESS AREA

	SANDVIK MACHINING SOLUTIONS	SANDVIK MINING	SANDVIK MATERIALS TECHNOLOGY	SANDVIK CONSTRUCTION	SANDVIK VENTURE	TOTAL
CONTRIBUTIONS AS OF ACQUISITION DATE						
Revenue	—	—	—	—	25	25
Profit/loss for the year	—	—	—	—	1	1
CONTRIBUTIONS AS THOUGH THE ACQUISITION DATE HAD BEEN 1 JANUARY 2015						
Revenue	—	—	—	—	67	67
Profit/loss for the year	—	—	—	—	3	3

NOTES

cont. [NOTE 30](#)

CONTRIBUTIONS FROM COMPANIES ACQUIRED IN 2014 BY BUSINESS AREA

	SANDVIK MACHINING SOLUTIONS	SANDVIK MINING	SANDVIK MATERIALS TECHNOLOGY	SANDVIK CONSTRUCTION	SANDVIK VENTURE	TOTAL
CONTRIBUTIONS AS OF ACQUISITION DATE						
Revenue	—	—	—	—	1,547	1,547
Profit/loss for the year	—	—	—	—	100	100
CONTRIBUTIONS AS THOUGH THE ACQUISITION DATE HAD BEEN 1 JANUARY 2014						
Revenue	—	—	—	—	2,457	2,457
Profit/loss for the year	—	—	—	—	145	145

DISCONTINUED OPERATIONS

On 1 October 2015, Sandvik announced its intention to divest the product area Mining Systems, which is a separate product area within Sandvik Mining and a supplier of design and engineering of material handling systems for the mining industry. The divestment of Mining Systems will make Sandvik Mining more focused on its core operations. 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 write-down of assets, related to projects, and the provision for estimated selling costs amount to 998 million SEK. As from the third quarter 2015 and until closure of the divestment, Mining Systems operations will be reported as discontinued operations in the Sandvik Group's financial statements. The divestment is expected to be completed during 2016.

The following tables present the income statement of Mining Systems for the financial year, the balance sheet in summary at 31 December 2015 and the condensed cash flow statement for the financial year.

INCOME STATEMENT FOR DISCONTINUED OPERATIONS

	2014	2015
Revenue	6,288	4,977
Cost of sales and services	-5,889	-5,512
Gross profit	399	-535
Selling expenses	-228	-201
Administrative expenses	-260	-404
Research and development costs	-20	-13
Other operating income	31	1
Other operating expenses	-7	-57
Operating loss	-85	-1,209
Financial income	—	—
Financial expenses	-20	-40
Net financing costs	-20	-40
Loss after financial items	-105	-1,249
Income tax	—	—
Loss for the year	-105	-1,249

ASSETS AND LIABILITIES HELD FOR SALE

	2015
Non-current assets	558
Current assets	1,561
Total assets	2,119
Non-current liabilities	26
Current liabilities	1,863
Total liabilities	1,889

CASH-FLOW STATEMENT FOR DISCONTINUED OPERATIONS

	2014	2015
Cash flow from operating activities	-383	-841
Cash flow from investing activities	-58	-45
Cash flow from financing activities	2	0
Cash flow from discontinued operations	-440	-886

NOTE 31 PARENT COMPANY PARTICULARS

Sandvik Aktiebolag, corporate registration number 556000-3468, is a Swedish limited liability company. The registered office of its Board of Directors is in Stockholm, Sweden. The address of the head office is PO Box 510, SE-101 30 Stockholm, Sweden. The visiting address is World Trade Center, Kungsbron 1, section G, floor 6.

The Parent Company's shares are quoted on Nasdaq Stockholm. Shares can also be traded in the US in the form of ADRs (American Depositary Receipts).

The 2015 consolidated financial statements comprise the Parent Company and all its subsidiaries, jointly the Group. The Group also includes the owned share of investments in associated companies.

NOTE 32 INFORMATION ON SHARES, OWNERS AND RIGHTS

The following information is presented in accordance with the provisions of Chapter 6, Section 2.a. of the Swedish Annual Accounts Act.

The Parent Company has issued one series of shares and each share carries one vote. The total number of shares shall be no less than 1,000,000,000 and no more than 4,000,000,000.

At the end of 2015, 1,254,385,923 shares (1,254,385,923) with a quotient value of 1.20 SEK per share had been issued. Shareholders have a preferential right to subscribe to newly issued shares issued for cash or with terms and conditions concerning rights of setoff. All shares are fully negotiable.

Shareholdings that directly and indirectly represent at least 10% of the voting rights are held by AB Industrivärden (11.7%).

Sandvik AB's Articles of Association govern such policies as the direction of the business, domicile and share capital (minimum and maximum capital). The Articles do not stipulate that the members of the Board of Directors shall be elected in any other way than at the Annual General Meeting. However, Board representatives of the employees are appointed by the trade unions under the Private Sector Employees (Board Representation) Act.

Companies in the Group entered into borrowing agreements that include conditions coming into effect should the control of the company change as a result of a public takeover bid.

There are no agreements between the companies in the Group and the Parent Company's directors or employees if those persons give notice of termination, or their services are improperly terminated, or the employment is terminated as a consequence of a public takeover bid.

BOARD STATEMENT ON DIVIDEND PROPOSAL

Board statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The nature and extent of the company's operations are stated in the Articles of Association and issued annual reports.

Such nature and extent do not entail risks over and above those inherent, or reasonably to be expected, in the industry or otherwise inherent in business operations. For information on significant events, reference is made to the Report of the Directors.

The company's financial position at 31 December 2015 is apparent from this Annual Report. The proposed dividend does not infringe on investments deemed to be required. In addition, the company's liquidity reserve is in the form of two unutilized credit facilities amounting to 650 million EUR

and 5,000 million SEK, respectively, which means that the company should reasonably be able to meet unexpected events and temporary fluctuations in cash flows of reasonable proportions. The company's financial position supports the assessment that the company will be able to continue its business and meet its obligations in both the short and long term.

In view of the above and based on what the Board is otherwise aware, the proposed dividend in the Board's opinion is justified considering the requirements which the nature, extent and risks associated with the operations place on the size of the equity of the company, and also taking into consideration the company's need to strengthen its balance sheet, liquidity and financial position in general.

Stockholm, 19 February 2016
Sandvik Aktiebolag (publ)
BOARD OF DIRECTORS

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors and the President and CEO proposes that the profits at the disposal of the Annual General Meeting:

profits carried forward	20,758,977,502
and result for the year	8,121,615,476
SEK	28,880,592,978

be appropriated as follows:

a dividend of 2.50 SEK per share to the shareholders	3,135,964,808
profits carried forward	25,744,628,170
SEK	28,880,592,978

The proposed record date for dividends is Monday, 2 May 2016.

The income statements and the balance sheets of the Group and of the Parent Company are subject to the adoption by the Annual General Meeting on 28 April 2016.

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated 19 July 2002, pertaining to the application of international financial reporting standards. The Annual Report and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results. The Report of the Directors pertaining to the Parent Company and the Group gives a fair overview of the development of the Parent Company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 19 February 2016

Johan Molin
Chairman

Jennifer Allerton
Board member

Claes Boustedt
Board member

Jürgen M Geissinger
Board member

Johan Karlström
Board member

Jan Kjellgren
Board member

Tomas Kärnström
Board member

Hanne de Mora
Board member

Lars Westerberg
Board member

Björn Rosengren
President and CEO

Our audit report was submitted on 1 March 2016

KPMG AB

George Pettersson
Authorized Public Accountant

AUDITOR'S REPORT

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Sandvik AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 41–122.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President and CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF SANDVIK AB (PUBL), CORP. ID. 556000-3468

Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President and CEO of Sandvik AB (publ) for the year 2015.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President and CEO are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President and CEO is liable to the company. We also examined whether any member of the Board of Directors or the President and CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President and CEO be discharged from liability for the financial year.

Stockholm 1 March 2016

KPMG AB

George Pettersson
Authorized Public Accountant

BOARD OF DIRECTORS



JOHAN MOLIN



JENNIFER ALLERTON



CLAES BOUSTEDT



JÜRGEN M GEISSINGER



JOHAN KARLSTRÖM



HANNE DE MORA



LARS WESTERBERG



JAN KJELLGREN



TOMAS KÄRNSTRÖM

DEPUTY MEMBERS



THOMAS ANDERSSON



MATS W LUNDBERG

MEMBERS OF THE BOARD

JOHAN MOLIN, b. 1959.

Chairman of the Board since 2015. Chairman of the Remuneration Committee and member of the Audit Committee.

Education and business experience: Degree from the Stockholm School of Economics. President and CEO of ASSA ABLOY since 2005, President and CEO of Nilfisk-Advance 2001–2005 and various positions within the Atlas Copco Group 1983–2001.

Current Board assignments: Board member of ASSA ABLOY AB.

Shareholding in Sandvik (own and closely related persons): 260,000 (through capital redemption policy), 1,000,000 call options.

JENNIFER ALLERTON, b. 1951.

Board member since 2015.

Education and business experience: M.Sc. in Physics and B.Sc. in Mathematics, Physical Sciences and Geosciences. Chief Information Officer at F. Hoffmann-La Roche Ltd 2002–2012, Technology Director at Barclaycard 1999–2002 and various positions at ServiceNet, USA, BOC (now Linde), Cable & Wireless Business Networks and Unilever plc.

Current Board assignments: Board member of Iron Mountain Inc, AVEVA Group plc and Oxford Instruments plc.

Shareholding in Sandvik (own and closely related persons): 10,000.

CLAES BOUSTEDT, b. 1962.

Board member since 2015. Member of the Audit Committee.

Education and business experience: MBA. Vice President of L E Lundbergföretagen AB since 1997 and President of L E Lundberg Kapitalförvaltning AB since 1995.

Current Board assignments: Board member of Hufvudstaden AB.

Shareholding in Sandvik (own and closely related persons): 10,000.

JÜRGEN M GEISSINGER, b. 1959.

Board member since 2012.

Education and business experience: PhD in Mechanical Engineering. CEO of Servion Holding GmbH since 2015. President and CEO of Schaeffler AG 1998–2013, various senior positions at ITT Automotive 1992–1998.

Current Board assignments: Member of the Supervisory Board of MTU Aero Engines AG.

Shareholding in Sandvik (own and closely related persons): 0.

JOHAN KARLSTRÖM, b. 1957.

Board member since 2011. Member of the Remuneration Committee.

Education and business experience: M.Sc. (Eng.) President of Skanska AB since 2008, various senior positions at BPA (currently Bravida) 1995–2000.

Current Board assignments: Board member of Skanska AB.

Shareholding in Sandvik (own and closely related persons): 5,000.

HANNE DE MORA, b. 1960.

Board member since 2006. Chairman of the Audit Committee.

Education and business experience: B.Sc. (Econ.), MBA, IESE, Barcelona. One of the founders and owners, also Chairman of the Board of the management company a-connect (group) ag since 2002, partner in McKinsey & Company Inc. 1989–2002, various positions within brand management and controlling at Procter & Gamble 1986–1989.

Current Board assignments: Board member of AB Volvo and IMD Foundation Board.

Shareholding in Sandvik (own and closely related persons): 16,000.

LARS WESTERBERG, b. 1948.

Board member since 2010. Member of the Remuneration Committee.

Education and business experience: M.Sc. (Eng.) and B.Sc. (Econ.). President and CEO of Autoliv Inc. 1999–2007, Gränges AB 1994–1999 and ESAB 1991–1994. Various positions at ESAB and ASEA from 1972.

Current Board assignments: Chairman of Husqvarna AB, Board member of SSAB, AB Volvo, Stena AB and Meda AB.

Shareholding in Sandvik (own and closely related persons): 12,000.

JAN KJELLGREN, b. 1952.

Board member since 2008 (Employee representative).

Education and business experience: Senior R&D engineer, AB Sandvik Coromant. Various positions at Sandvik since 1981.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 570.

TOMAS KÄRNSTRÖM, b. 1966.

Board member since 2006 (Employee representative).

Education and business experience: Principal safety representative Sandvik Materials Technology. Various positions at Sandvik since 1986.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 2,889.

DEPUTY BOARD MEMBERS

THOMAS ANDERSSON, b. 1962.

Deputy Board member since 2012 (Employee representative).

Education and business experience: Chairman of the Union Committee, Metal Workers' Union, Sandvik Coromant, Gimo. Various operator positions at Gimoverken since 1984. Construction firm Anders Diös 1980–1984.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 612.

MATS W LUNDBERG, b. 1974.

Deputy Board member since 2015 (Employee representative).

Education and business experience: Master of Science and PhD in Chemical Engineering. Principal R&D Engineer, Sandvik Materials Technology since 2010. Scientist and postdoctoral researcher at Risø DTU, Denmark 2007–2010 and Technical Sales Specialist at Spectral Solutions AB 2005–2007.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 0.

HONORARY CHAIRMAN

PERCY BARNEVIK, b. 1941.

Chairman of the Board of Sandvik AB 1983–2002.

BOARD SECRETARY

ÅSA THUNMAN, b. 1969.

Secretary to the Sandvik Board of Directors since 2014.

Education and business experience: Master of Laws (LL.M). Securitas Group 2009–2014, general counsel from 2011, Elekta AB 1999–2009, several senior positions, including general counsel.

Lagerlöf & Leman law firm 1996–1999.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 3,034.

AUDITOR

KPMG AB

Auditor-in-charge:

George Pettersson, b. 1964.

Authorized Public Accountant.

Other auditing assignments: Auditor in charge for Skanska AB, Nobia AB, Lagercrantz Group AB and Addtech AB, among others.

Shareholding in Sandvik (own and closely related persons): 0.

Information regarding Board assignments and holdings of shares as of 31 December 2015. Current Board assignments refers to assignments in companies outside the Sandvik Group.

GROUP EXECUTIVE MANAGEMENT



BJÖRN ROSENGREN



JESSICA ALM



MATS BACKMAN



PETRA EINARSSON



LARS ENGSTRÖM



DINGGUI GAO



JONAS GUSTAVSSON



JIM NIXON



ÅSA THUNMAN



ANNA VIKSTRÖM PERSSON



ZHIQIANG (ZZ) ZHANG

BJÖRN ROSENGREN, b. 1959.

President and CEO of Sandvik AB since November 2015.

Education and business experience: M.Sc. in Technology. President and CEO of Wärtsilä 2011–2015. Senior Executive Vice President Atlas Copco AB and Business Area President for Construction and Mining Technique 2002–2011. President of the Atlas Copco Rock Drilling Equipment division 2001–2002. President of the Atlas Copco Craelius division 1998–2001. GM of Nordhydraulic, Nordwin AB, Sweden 1995–1998. Various positions within ESAB Group 1985–1995.

Current Board assignments: Member of the Board of Danfoss A/S.

Shareholding in Sandvik (own and closely related persons): 65,000

JESSICA ALM, b. 1977.

Executive Vice President and Head of Group Communications, Sandvik AB, since 2013.

Education and business experience: M.Sc. in Geological and Earth Sciences/Geosciences, and Journalism. Employed at Sandvik since 2006. Various senior positions, including Vice President Communication and Marketing at Sandvik Coromant 2012–2013 and Internal Communication Manager at Sandvik Coromant 2010–2012.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 3,851.

MATS BACKMAN, b. 1968.

Executive Vice President and Chief Financial Officer, Sandvik AB, since 2013.

Education and business experience: B.Sc. in Business Administration and Economics. Various senior positions at Sandvik since 2007. Outokumpu Oy 2001–2007, Nordea 1999–2001, Bollden 1996–1999.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 24,030.

PETRA EINARSSON, b. 1967.

President of the Sandvik Materials Technology business area since 2013.

Education and business experience: B.Sc. in Business Administration and Economics. Employed at Sandvik since 1990. Various senior positions, including Financial Manager at Sandvik Materials Technology 2004–2007, President of the Strip product area 2007–2011 and President of the Tube product area 2011–2013.

Current Board assignments: Board member of SSAB, the Swedish Association of Industrial Employers and the Council of the Swedish Steel Producers' Association.

Shareholding in Sandvik (own and closely related persons): 16,443.

LARS ENGSTRÖM, b. 1963.

President of the Sandvik Mining business area since December 2015.

Education and business experience: M.Sc. Industrial Engineering and Management. Acting President and CEO BE Group AB 2014–2015, Acting President and CEO Munters AB 2006–2014. Various senior positions within Atlas Copco 1994–2006, such as President of the Atlas Copco Rock Drilling Equipment/Underground Rock Excavation Division 2002–2006 and General Manager Atlas Copco CMT Australia and New Zealand 2000–2002. Various positions within Seco Tools 1988–1994.

Current Board assignments: Board member of Studsvik AB.

Shareholding in Sandvik (own and closely related persons): 0.

DINGGUI GAO, b. 1964.

President of the Sandvik Construction business area since 2013.

Education and business experience: MBA and B.Sc. in Mechanical Engineering. Various senior positions at Bosch, Eagle Ottawa China, Honeywell Automotive Parts and Sinotruk Hong Kong 1991–2013.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 9,034.

JONAS GUSTAVSSON, b. 1967.

President of the Sandvik Machining Solutions business area since 2013.

Education and business experience: M.Sc. (Eng.) Various senior positions at Sandvik since 2008, including President of the Sandvik Materials Technology business area between 2011 and 2013. Vice President Operations at Rotax 2002–2007, various senior positions at Bombardier 1997–2002 and ABB 1995–1997.

Current Board assignments: Board member of the Steel and Metal Employers Association.

Shareholding in Sandvik (own and closely related persons): 29,674.

JIM NIXON, b. 1956.

President of the Sandvik Venture business area since January 2015.

Education and business experience: ONC in Mechanical Engineering and The City and Guilds of London Institute full technician's certificate in production engineering. President and CEO of Varel International Energy Services 1998–2014. Various positions at the Dresser Industries Group 1990–1998.

Current Board assignments: Advisory Board member of Ecoserv, LLC.

Shareholding in Sandvik (own and closely related persons): 7,006.

ÅSA THUNMAN, b. 1969.

Executive Vice President and General Counsel, Sandvik AB, since 2014.

Education and business experience: Master of Laws (LL.M). Securitas Group 2009–2014, general counsel from 2011, Elekta AB 1999–2009, several senior positions, including general counsel. Lagerlöf & Leman law firm 1996–1999.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 3,034.

ANNA VIKSTRÖM PERSSON, b. 1970.

Executive Vice President and Head of Human Resources, Sandvik AB, since 2011.

Education and business experience: Master of Laws. Executive Vice President and Head of Human Resources at SSAB 2006–2011. Head of Human Resources for Ericsson's Swedish operations 2004–2006. Various senior positions in Human Resources and Organizational Development for the Ericsson Group 1998–2006.

Current Board assignments: —

Shareholding in Sandvik (own and closely related persons): 18,426.

ZHIQIANG (ZZ) ZHANG, b. 1961.

Executive Vice President and Head of Emerging Markets, Sandvik AB. Country Manager China and Managing Director Sandvik China Holding Co. Ltd. Joined the Group Executive Management in 2014.

Education and business experience: MBA, Bachelor in Electronic Engineering. Employed at Sandvik since 2012. Various senior positions at the Siemens Group 1987–2012, including President Siemens VDO China 1998–2005 and President Nokia Siemens Networks China 2007–2012.

Current Board assignments: Board member of Georg Fischer AG.

Shareholding in Sandvik (own and closely related persons): 21,803.

MEMBERS WHO LEFT THE GROUP EXECUTIVE MANAGEMENT DURING 2015:**OLOF FAXANDER**, b. 1970.

President and CEO and member of the Board of Sandvik AB.

SCOT SMITH, b. 1962.

President of the Sandvik Mining business area.

OLLE WIJK, b. 1951.

Executive Vice President and Head of Group R&D, Sandvik AB.

Information regarding Board assignments and holdings of shares as of 31 December 2015. Current Board assignments refers to assignments in companies outside the Sandvik Group.

ANNUAL GENERAL MEETING AND DIVIDEND

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 28 April 2016 at 5:00 p.m. at the Göransson Arena, Sättragatan 21, Sandviken, Sweden.

Shareholders who wish to participate in the Meeting must notify the company either by letter to Computershare AB, "Sandvik's AGM", Box 610, SE-182 16 Danderyd, Sweden, by telephone +46 26 26 09 40 from 9:00 a.m. to 4:00 p.m. on weekdays, or at sandvik.com. Such notification must reach Sandvik AB not later than Friday, 22 April 2016. Shareholders must also have been entered in the share register kept by Euroclear Sweden AB on Friday, 22 April 2016 to be entitled to participate in the Meeting.

Shareholders whose shares are registered in the name of a nominee must have the shares temporarily re-registered with Euroclear Sweden AB in their own name on Friday, 22 April 2016 to be entitled to participate in the Meeting. Note that this procedure also applies with respect to shares held on a bank's shareholder deposit account and certain investment savings accounts.

When providing notification, please state your name, personal or corporate registration number, address and telephone number, and details of any assistants. If you plan to be represented at the Meeting by proxy, such proxy must be sent to Sandvik AB prior to the Meeting.

DIVIDEND

The Board proposes that the 2016 Annual General Meeting declare a dividend of 2.50 SEK per share.

The proposed record date is Monday, 2 May 2016. If this proposal is adopted by the Annual General Meeting, it is expected that dividends will be paid on Thursday, 5 May 2016. Dividends will be sent to those who, on the record date, are entered in the share register or on the separate list of assignees, etc. To facilitate the distribution of dividends, shareholders who have changed address should report their change of address to their bank in sufficient time prior to the record date.

ANNUAL REPORT

The Annual Report is available at sandvik.com, where a printed copy can also be ordered.

DEFINITIONS

EARNINGS PER SHARE

Profit/loss for the year attributable to equity holders of the Parent Company divided by the average number of shares outstanding during the year.

EQUITY RATIO

Shareholders' equity including non-controlling interests in relation to total capital.

NET DEBT/EQUITY RATIO

Interest-bearing current and non-current debts (excluding net provisions for pensions) less cash and cash equivalents divided by shareholders' equity excluding accumulated actuarial gains/losses on benefit-based pension plans after tax and including non-controlling interests.

RATE OF CAPITAL TURNOVER

Invoiced sales divided by average total capital.

RELATIVE WORKING CAPITAL

Average working capital divided by invoicing in the most recent quarter adjusted to annual rate.

RETURN ON CAPITAL EMPLOYED

Profit/loss after financial income and expenses, plus interest expenses, as a percentage of average total capital, less non-interest-bearing debts.

RETURN ON SHAREHOLDERS' EQUITY

Consolidated net profit/loss for the year as a percentage of average shareholders' equity during the year.

RETURN ON TOTAL CAPITAL

Profit/loss after financial income and expenses, plus interest expenses, as a percentage of average total capital.

WORKING CAPITAL

Total of inventories, trade receivables, accounts payable and other non-interest-bearing receivables and liabilities, excluding tax assets and liabilities.

Do you have any comments on our Annual Report, please contact us at Group Communications, +46 8 456 11 00 or info@sandvik.com.

KEY FIGURES, GROUP TOTAL

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Invoiced sales, MSEK	72,289	86,338	92,654	71,937	82,654	94,084	98,529	87,328	88,821	90,822
Change, %	+14	+19	+7	-22	+15	+14	+5	-11	+2	+2
of which organic, %	+14	+18	+5	-30	+17	+20	+5	-7	-2	-6
of which structural, %	+1	+3	+2	0	+1	0	0	0	+2	0
of which currency, %	-1	-2	0	+10	-2	-5	0	-5	+2	+8
Operating profit/loss, MSEK	12,068	14,394	12,794	-1,412	11,029	10,148	13,490	8,638	10,120	6,062
as % of invoicing	17	17	14	-2	13	11	14	10	11	7
Profit/loss after financial items, MSEK	11,113	12,997	10,577	-3,472	9,412	8,179	11,516	6,753	8,264	4,059
as % of invoicing	15	15	11	-5	11	9	12	8	9	4
Consolidated net profit for the year, MSEK	8,107	9,594	7,836	-2,596	6,943	5,861	8,107	5,008	5,992	2,194
Shareholders' equity ¹⁾ , MSEK	27,198	29,823	36,725	29,957	33,813	31,264	32,536	33,610	36,672	34,060
Equity ratio ¹⁾ , %	41	35	36	33	38	32	31	36	34	34
Net debt/equity ratio ³⁾ , multiple	0.6	1.0	0.9	1.0	0.7	0.7	0.6	0.7	0.7	0.7
Rate of capital turnover ³⁾ , %	115	112	101	73	92	100	97	89	89	86
Cash and cash equivalents, MSEK	1,745	2,006	4,998	7,506	4,783	5,592	13,829	5,076	6,327	6,376
Return on shareholders' equity ¹⁾ , %	31.8	34.4	24.8	-7.9	22.1	18.5	25.3	15.3	17.4	6.2
Return on capital employed ¹⁾ , %	27.6	27.0	19.9	-1.3	17.4	16.0	19.8	12.6	13.4	7.9
Investments in non-current assets, MSEK	4,175	4,811	6,634	4,006	3,378	4,994	4,820	4,185	4,703	4,161
Total investments, MSEK	5,455	9,480	7,766	6,161	4,493	5,332	4,859	4,674	7,537	4,168
Cash flow from operations, MSEK	7,741	5,076	9,335	11,792	12,149	7,764	11,892	5,133	9,515	11,952
Cash flow, MSEK	357	179	2,764	2,471	-2,642	907	8,450	-8,656	1,039	79
Number of employees, 31 December	41,743	47,123	50,028	44,355	47,064	50,030	48,742	47,338	47,318	45,808

¹⁾ As of 2011, comparative figures adjusted due to amended accounting policies.

²⁾ Total equity, including minority interest.

³⁾ As of 2011, comparative figures adjusted due to changed definition. For definitions, see page 128.

PER-SHARE DATA

(All historical figures are adjusted taking into account the 5:1 split.)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Basic earnings ¹⁾	6.45	7.65	6.30	-2.24	5.59	4.63	6.51	4.00	4.79	1.79
Diluted earnings ²⁾	6.45	7.65	6.29	-2.24	5.59	4.63	6.51	4.00	4.79	1.79
Equity ³⁾	22.00	24.10	30.00	24.4	27.5	25.2	25.9	26.7	29.1	27.1
Dividend (2015 as proposed)	3.25	4.00	3.15	1.00	3.00	3.25	3.50	3.50	3.50	2.50
Direct return ⁴⁾ , %	3.3	3.6	6.4	1.2	2.3	3.8	3.4	3.9	4.6	3.4
Payout percentage ⁵⁾ , %	50	52	50	—	54	70	54	88	73	140
Quoted prices, Sandvik share, highest	106	151	108	90	133	135	107	108	97	107
lowest	71	96	42	41	76	73	82	79	74	68
year-end	100	111	49	86	131	84	103.50	90.70	76.40	74.05
No. of shares at year-end, million	1,186.3	1,186.3	1,186.3	1,186.3	1,186.3	1,186.3	1,254.4	1,254.4	1,254.4	1,254.4
Average no. of shares, million	1,186.3	1,186.3	1,186.3	1,186.3	1,186.3	1,186.3	1,245.9	1,254.4	1,254.4	1,254.4
P/E ratio ⁶⁾	15.4	14.5	7.8	—	23.5	18.2	15.9	22.7	15.9	41.4
Quoted price, % of equity ^{2) 7)}	452	462	163	352	476	333	400	340	261	273

¹⁾ Profit/loss for the year per share.

²⁾ Profit/loss for the year per share after dilution of outstanding convertible program.

³⁾ As of 2011, comparative figures adjusted due to amended accounting policies.

⁴⁾ Dividend by the quoted price at year-end.

⁵⁾ Dividend by basic earnings per share.

⁶⁾ Market price of share at year-end in relation to earnings per share.

⁷⁾ Market price of share at year-end, as a percentage of equity per share.

Supplementary definitions, see page 128.

DEVELOPMENT BY BUSINESS AREA, GROUP TOTAL

	INVOICED SALES				OPERATING PROFIT AND OPERATING MARGIN							
	2012 MSEK	2013 MSEK	2014 MSEK	2015 MSEK	MSEK	2012 %	MSEK	2013 %	MSEK	2014 %	MSEK	2015 %
Sandvik Machining Solutions	28,482	28,543	30,856	32,652	6,256	22	5,205	18	6,159	20	5,269	16
Sandvik Mining	37,762	30,744	26,831	27,398	6,004	16	2,743	9	2,398	9	1,375	5
Sandvik Materials												
Technology	15,366	14,035	14,907	13,909	592	4	1,270	9	1,880	13	8	0
Sandvik Construction	9,683	8,601	8,553	8,551	748	8	110	1	45	1	28	0
Sandvik Venture	7,194	5,394	7,658	8,292	1,238	17	606	11	888	12	529	6

