

INTERIM REPORT

FOURTH QUARTER 2016



SUMMARY

STABILIZING MARKETS

STRONG ORDER INTAKE +8%
SUPPORTED BY ALL BUSINESS AREAS

EARNINGS GROWTH AND MARGIN IMPROVEMENT

ALSO EXCLUDING POSITIVE IMPACT FROM FX

BALANCE SHEET STRENGTHENED

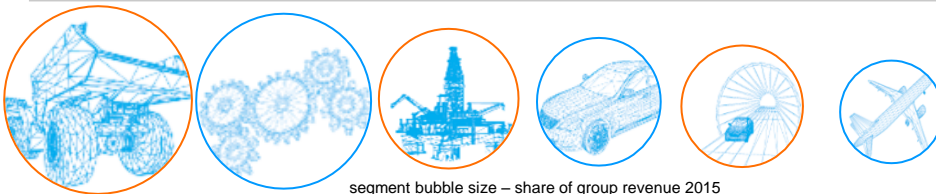
INCREASED DIVIDEND

MINING SYSTEMS PROCESS CONTINUES



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



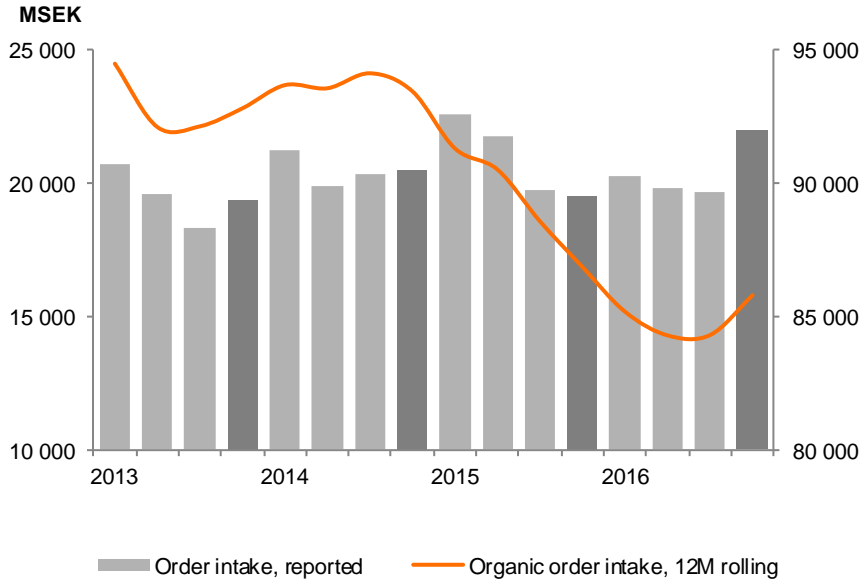
segment bubble size – share of group revenue 2015

| | % of group revenue FY16 | Y/Y order intake | Y/Y UNDERLYING DEMAND TREND | | | | | | Q/Q underlying demand trend |
|--------------------|-------------------------|------------------|-----------------------------|---|---|---|---|---|-----------------------------|
| EUROPE | 40% | +1% | ↗ | ↗ | → | ↘ | → | ↗ | → |
| NORTH AMERICA | 20% | +15% | ↗ | ↘ | → | ↘ | → | → | ↗ |
| ASIA | 20% | +27% | ↗ | ↗ | → | ↗ | → | ↗ | ↗ |
| AFRICA/MIDDLE EAST | 9% | +15% | → | → | ↗ | | | | → |
| SOUTH AMERICA | 5% | -25% | ↘ | | | | | | → |
| AUSTRALIA | 6% | -10% | ↗ | | | | | | ↗ |

ORDER INTAKE

GROWTH IN ALL BUSINESS AREAS AND MAJOR REGIONS

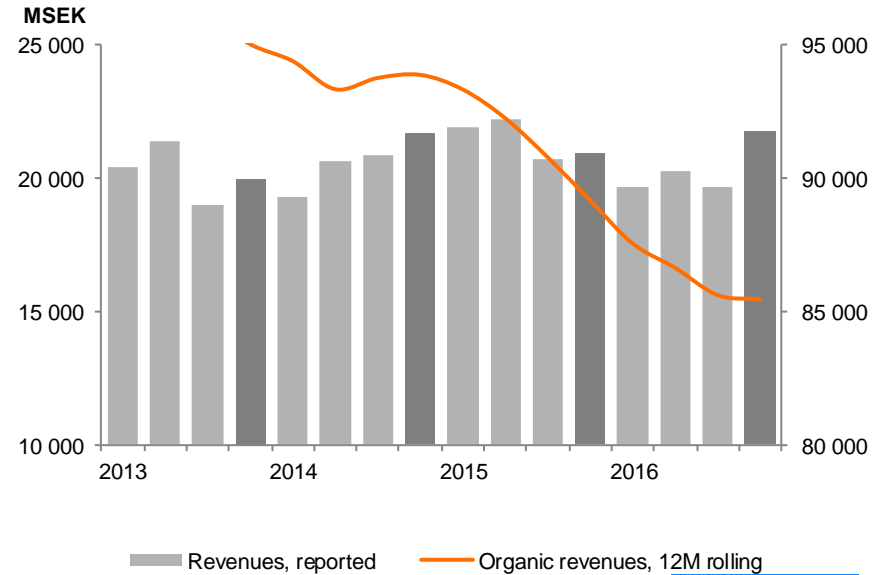
REPORTED P/V
21 993 **8%**



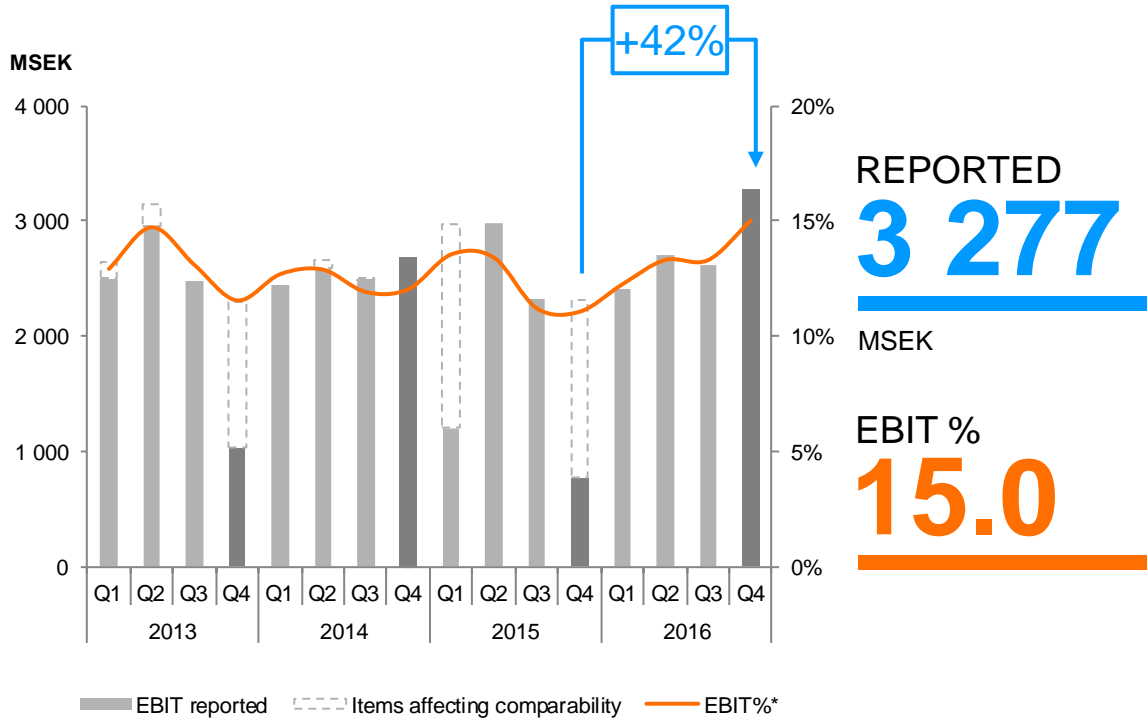
REVENUES

STABLE GROWTH SUPPORTED BY RECENT ORDER INTAKE

REPORTED P/V
21 817 **0%**



EBIT DEVELOPMENT



- 24% EBIT GROWTH EXCLUDING FX
- PAY-OFF FROM SAVINGS ACTIONS SUPPLY CHAIN PROGRAMME ADDITIONAL MEASURES

*Adjusted for items affecting comparability



SANDVIK MACHINING SOLUTIONS

IMPROVING MARKET CONDITIONS

- EU stable
- NA slight decline in most segments; aerospace stable
- Asia, strong growth across most segments – particularly in China

EARNINGS AND MARGIN IMPROVEMENT

- 14% earnings growth, including 11% from positive FX
- Structural efficiency measures

RECORD LOW NET WORKING CAPITAL

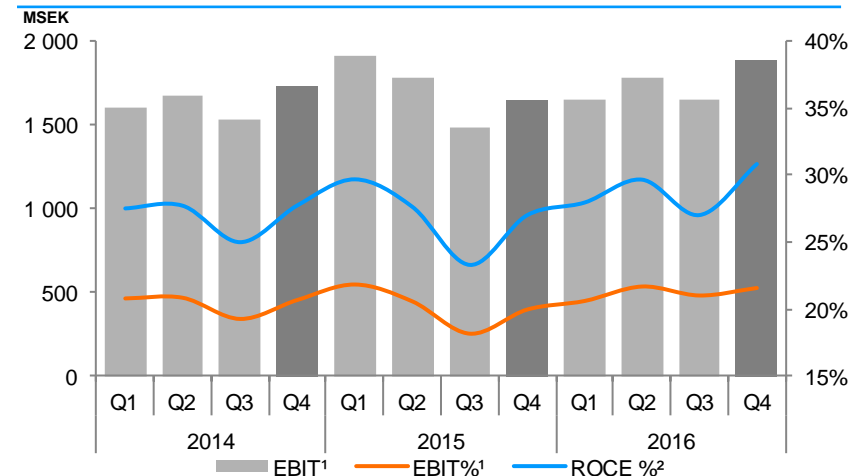
- 23.3% in relation to revenues

NEW ADDITIVE MANUFACTURING PRODUCT AREA

| MSEK | Q4 2015 | Q4 2016 | CHANGE |
|-----------------|---------|---------|--------|
| ORDER INTAKE | 8 116 | 8 688 | +3%* |
| REVENUES | 8 253 | 8 734 | +1%* |
| ADJ. OP. PROFIT | 1 647 | 1 883 | +14% |
| % OF REVENUES | 20.0% | 21.6% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

SIGNIFICANT GROWTH IN ORDER INTAKE

- Order growth driven primarily by equipment replacements
- Large order in stationary C&S
- Growth in the aftermarket business
- Gold and silver strongest commodities

SAVINGS VS SOME ADDITIONAL CLEANING

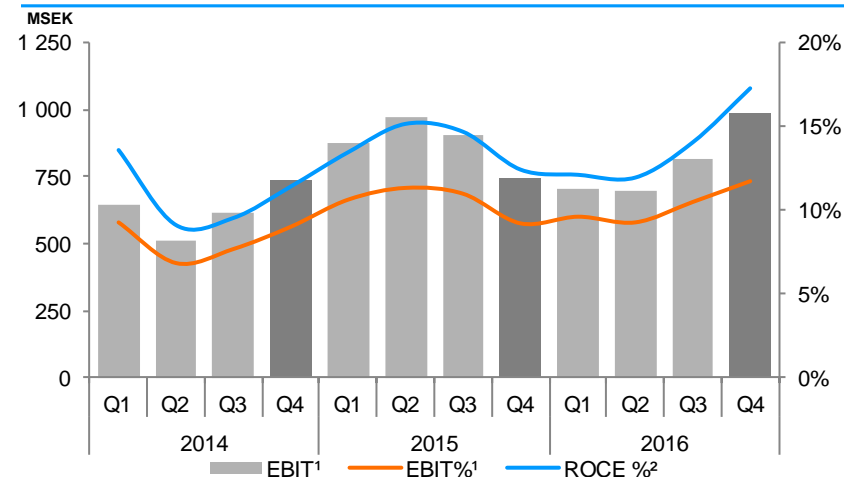
- Earnings supported by FX
- Structural savings off-set write-down on an R&D project

NWC <26% FIRST TIME IN MORE THAN FIVE YEARS

| MSEK | Q4 2015 | Q4 2016 | CHANGE |
|-----------------|---------|---------|--------|
| ORDER INTAKE | 7 322 | 9 145 | +19%* |
| REVENUES | 8 073 | 8 418 | -1%* |
| ADJ. OP. PROFIT | 743 | 986 | +33% |
| % OF REVENUES | 9.2% | 11.7% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MATERIALS TECHNOLOGY

STABLE OVERALL MARKETS

- Initial signs of improved demand for early-cycle products
- Energy segment stabilizing
- +1% underlying order growth
 - Alloy surcharges impacted order intake by +2%
 - Tough comparables in year earlier period (large order)

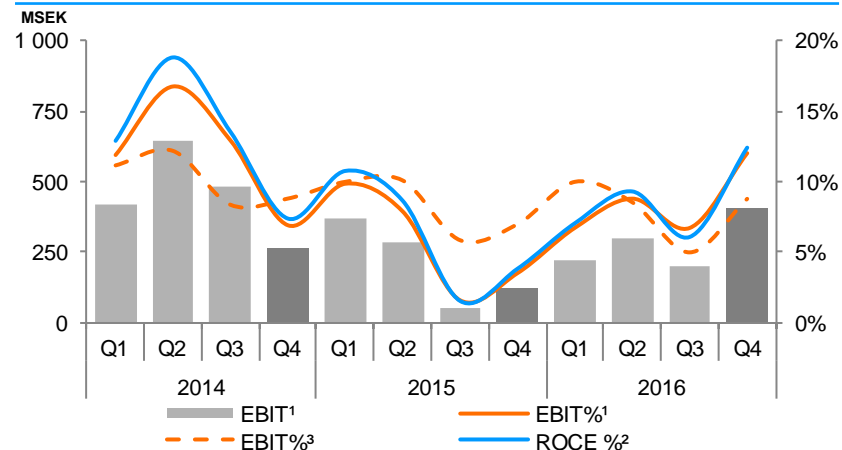
UNDERLYING EARNING SUPPORTED BY SAVINGS AND PRODUCTION RATES

- Earnings improvement despite negative organic growth supported by stringent cost control and structural savings
- Positive impact from lower inventory reductions Y/Y

| MSEK | Q4 2015 | Q4 2016 | CHANGE |
|--------------------------------|---------|---------|--------|
| ORDER INTAKE | 2 999 | 2 943 | -4%* |
| REVENUES | 3 398 | 3 366 | -4%* |
| ADJ. OP. PROFIT | 118 | 404 | N/M |
| % OF REVENUES ¹ | 3.5% | 12.0% | |
| UNDERLYING MARGIN ³ | 7.0% | 8.8% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



DIVIDEND PROPOSAL

2.75 SEK PER SHARE

- 50% of EPS for continuing operations
- 10% higher than previous year
- In line with 50% policy

BALANCE SHEET STRENGTHENED

STRONG CASH FLOW FUNDS DIVIDEND

SAFEGUARD CREDIT RATING



TOMAS ELIASSON

CFO



FINANCIAL SUMMARY Q4

| MSEK | Q4 2015 | Q4 2016 | CHANGE % |
|--------------------------|-------------|-------------|-----------------|
| ORDER INTAKE | 19 531 | 21 993 | +8 ¹ |
| REVENUES | 20 940 | 21 817 | -0 ¹ |
| OPERATING PROFIT | 770 | 3 277 | N/M |
| <i>% OF REVENUES</i> | <i>3.7</i> | <i>15.0</i> | |
| ADJ. OPERATING PROFIT | 2 315 | 3 277 | +42 |
| <i>% OF REVENUES</i> | <i>11.1</i> | <i>15.0</i> | |
| NWC % ² | 27.1 | 24.7 | |
| CASH FLOW ³ | 3 295 | 4 100 | +24 |
| ROCE % ² | 12.4 | 17.1 | |
| ADJ. EPS CONT. OPS., SEK | 0.66 | 1.68 | |
| EPS GROUP TOTAL, SEK | -0.11 | 1.48 | |

GROWTH, %

| | ORDER REVENUES | INTAKE |
|--------------|----------------|-----------|
| ORGANIC: | +8 | -0 |
| CURRENCY: | +5 | +4 |
| STRUCTURE: | 0 | 0 |
| TOTAL | +13 | +4 |

¹ At fixed exchange rates for comparable units

² Quarterly calculation i.e. annualized adj. EBIT or revenues and 1Q average CE or NWC

³ Cash flow before acquisitions and disposals, financial items and taxes

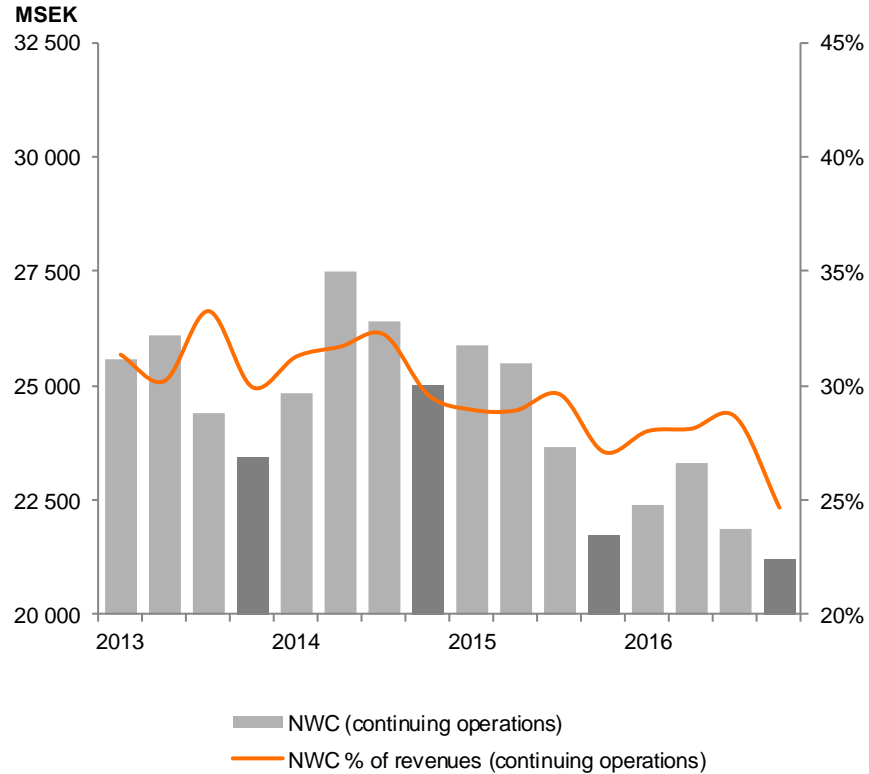
BRIDGE ANALYSIS

SANDVIK GROUP

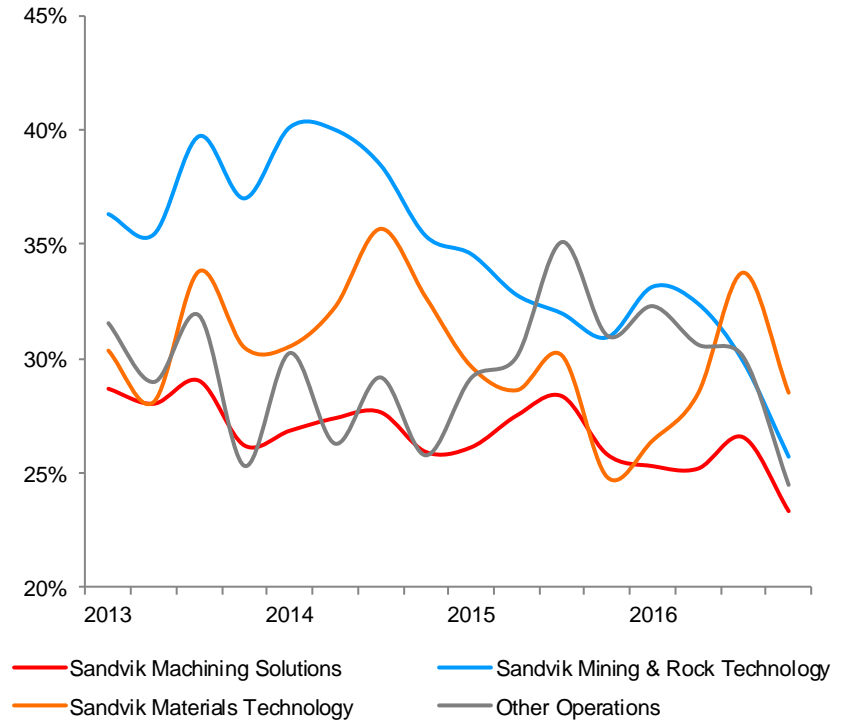
| MSEK | Q4 2015 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS* | Q4 2016 |
|-----------------------------|---------|--------------------------------|----------|------------------------|---------|
| REVENUES | 20 940 | -106 | 929 | 54 | 21 817 |
| ADJUSTED EBIT | 2 315 | 319 | 416 | 227 | 3 277 |
| EBIT MARGIN | 11.1% | n/a | - | - | 15.0% |
| MARGIN ACCRETION / DILUTION | | +1.6% | +1.3% | +1.0% | |

* Includes metal price effects within Sandvik Materials Technology of +45 MSEK in alloy surcharges on revenues and 227 MSEK in metal price effect on EBIT (+109 Q4 2016 vs. -118 Q4 2015). Structure +9 topline for SMS, 0 on EBIT.

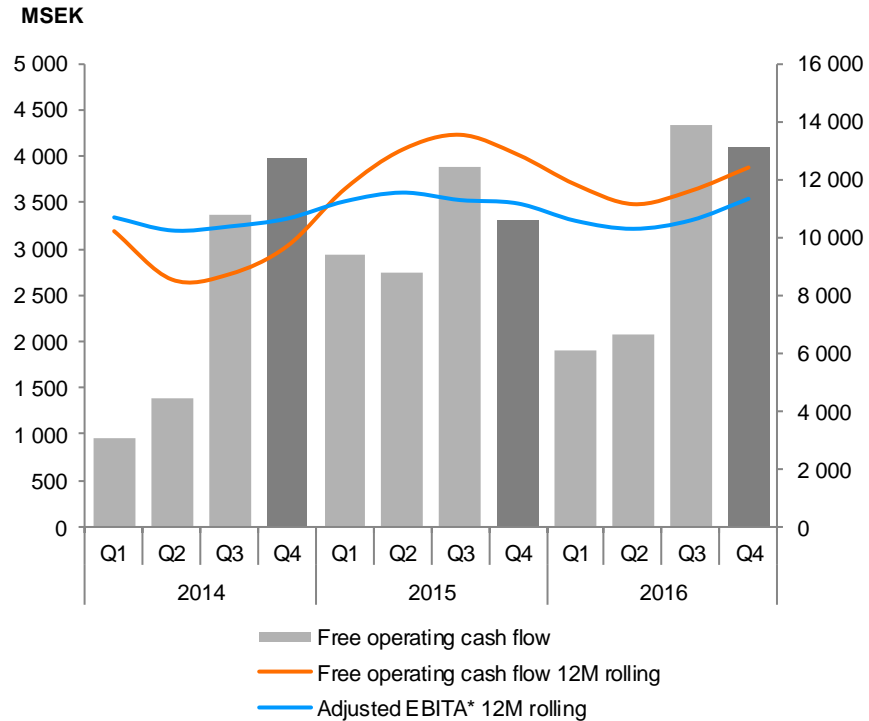
NET WORKING CAPITAL



RELATIVE NWC BY BA



FREE OPERATING CASH FLOW

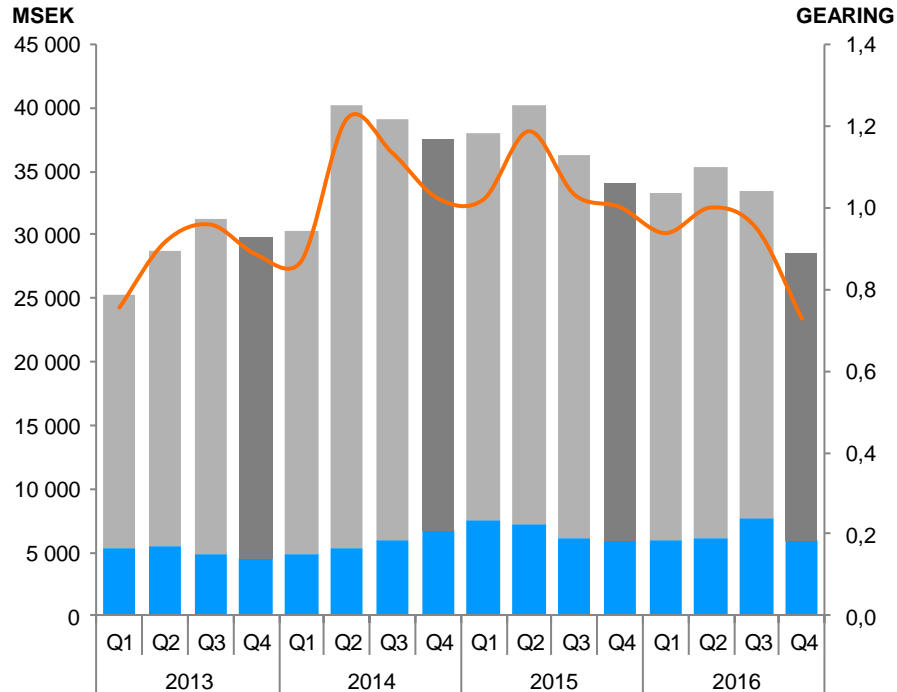


| MSEK | Q4 2015 | Q4 2016 | Δ% |
|-------------------|--------------|--------------|------------|
| EBITDA + non cash | 3 059 | 4 386 | +43 |
| NWC change | +1539 | +968 | -37 |
| Capex* | -1 303 | -1 254 | +4 |
| FOCF** | 3 295 | 4 100 | +24 |

*Including investments and disposals in rental, tangible and intangible assets

**Cash flow before acquisitions and disposals, financial items and taxes

FINANCIAL NET DEBT



Net debt excl. pension
 Net pension liability
 Net gearing incl. net pension liabilities

- NET DEBT LOWERED BY -16% Y/Y
- NET GEARING 0.73
 - IN LINE WITH TARGET OF <0.8

FINANCIAL SUMMARY FULL YEAR 2016

| MSEK | FY 2015 | FY 2016 | CHANGE % |
|--------------------------|---------|---------|-----------------|
| ORDER INTAKE | 83 597 | 81 861 | -1 ¹ |
| REVENUES | 85 845 | 81 553 | -4 ¹ |
| OPERATING PROFIT | 7 271 | 11 018 | +52 |
| <i>% OF REVENUES</i> | 8.5 | 13.5 | |
| ADJ. OPERATING PROFIT | 10 593 | 11 018 | +4 |
| <i>% OF REVENUES</i> | 12.3 | 13.5 | |
| NWC % ² | 28.4 | 27.1 | |
| CASH FLOW ³ | 12 853 | 12 408 | -3 |
| ROCE % ² | 13.8 | 14.7 | |
| ADJ. EPS CONT. OPS., SEK | 4.60 | 5.48 | +19 |
| EPS GROUP TOTAL, SEK | 1.79 | 4.39 | |

GROWTH, %

| | ORDER REVENUES INTAKE | |
|--------------|-----------------------|-----------|
| ORGANIC: | -1 | -4 |
| CURRENCY: | -1 | -1 |
| STRUCTURE: | 0 | 0 |
| TOTAL | -2 | -5 |

¹ At fixed exchange rates for comparable units

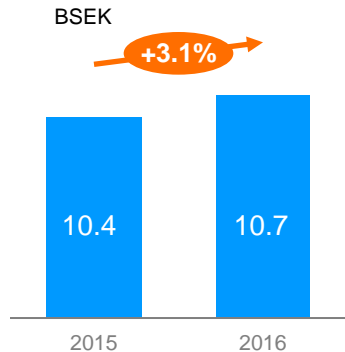
² Yearly calculation i.e. 12 month rolling adj. EBIT or revenues and 4Q average CE or NWC

³ Cash flow before acquisitions and disposals, financial items and taxes

TARGETS - DELIVERING ACCORDING TO PLAN

ABSOLUTE
EBIT GROWTH

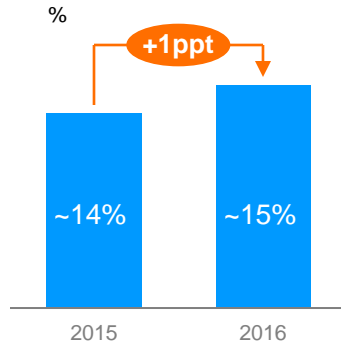
≥7% ✓



- Delivery according to our plans
- -4% revenue decline in 2016
- EBIT growth on average for 2017-18 must reach ~9%

ROCE
IMPROVEMENT

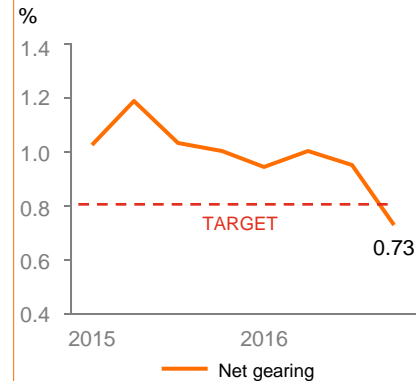
≥3%_{PTS} ✓



- On track – 1/3 of total improvement achieved

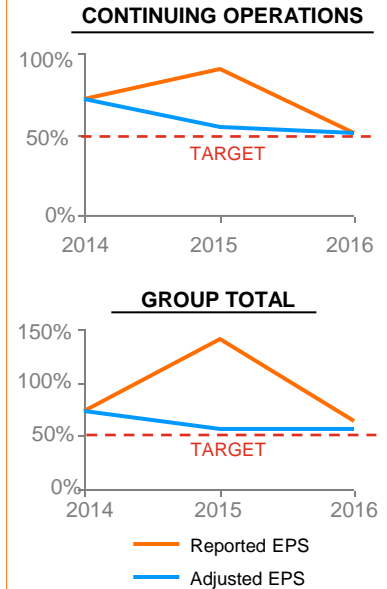
NET DEBT/
EQUITY RATIO

<0.8 ✓



DIVIDEND
PAYOUT RATIO

50% ✓



OUTCOME AND GUIDANCE

Q4 2016

| | |
|----------------------------|-------------|
| Currency effect (MSEK): | +416 (+200) |
| Metal price effect (MSEK): | +109 (+50) |

Q1 2017

| | |
|----------------------------|-------|
| Currency effect (MSEK): | +400* |
| Metal price effect (MSEK): | +0** |

FULL YEAR 2017

| | | |
|-----------------------------|--------------|---------|
| Capex (BSEK): | ~3.9 | (3 673) |
| Net financial items (BSEK): | -1.4 to -1.5 | (1 652) |
| Tax rate (%): | 26-28 | (27) |

*Based on currency rates end of January 2017

**Based on currency rates, stock levels and metal prices at the end of December 2016



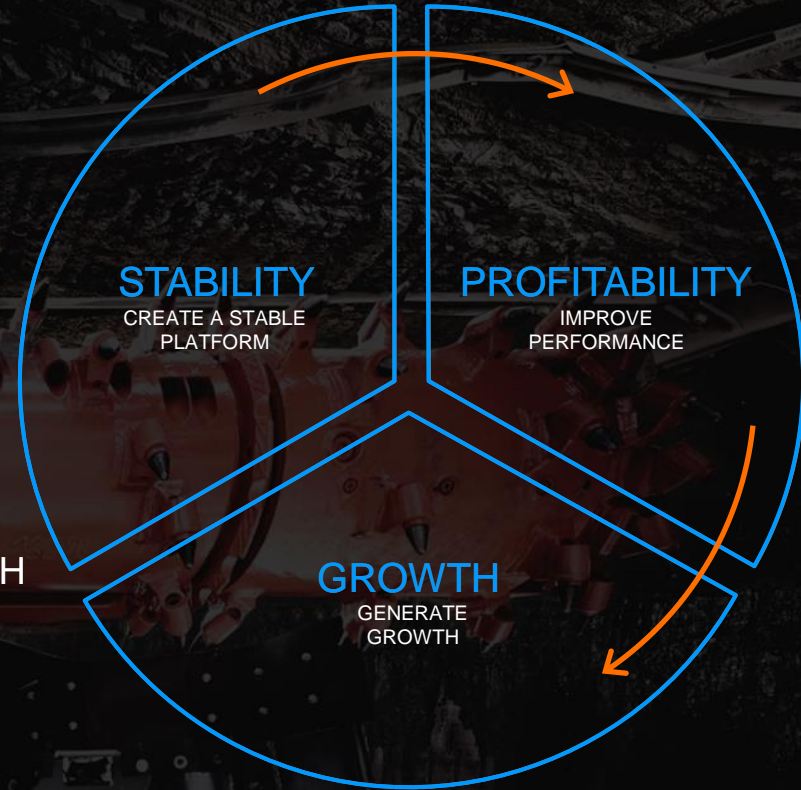
SUMMARY

STRONG FINISH TO THE YEAR

DELIVERING ACCORDING TO PLAN

2016 WAS AN EVENTFUL YEAR

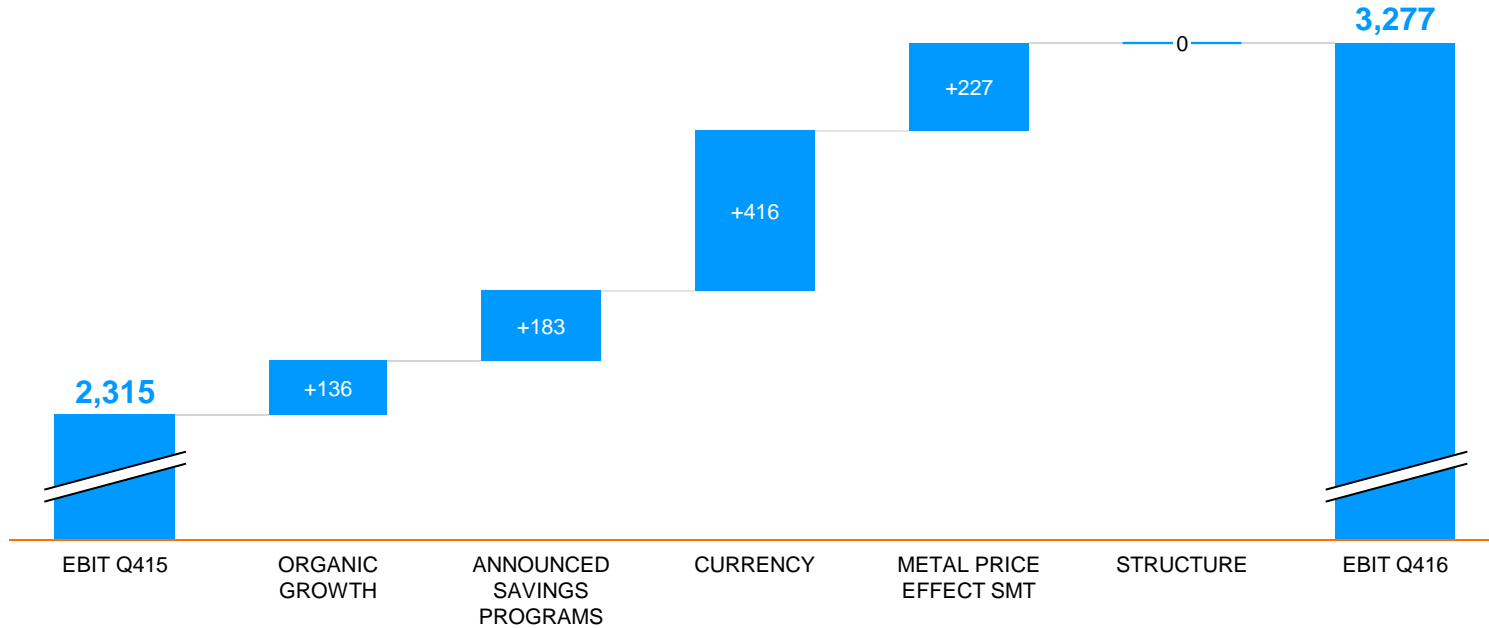
- STRUCTURAL IMPROVEMENTS
 - INCREASED EARNINGS DESPITE NEGATIVE GROWTH
 - STRONGER BALANCE SHEET
 - INCREASED DIVIDEND
-



BACK-UP SLIDES



PROFITABILITY DEVELOPMENT



ADJUSTED MARGIN

11.1%

15.0%

BRIDGE ANALYSIS





| MSEK | Q4 2015 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE ONE-OFFS* | Q4 2016 |
|---------------------------------------|---------|--------------------------------|----------|------------------------|---------|
| MACHINING SOLUTIONS | | | | | |
| REVENUES | 8 253 | 123 | 349 | 9 | 8 734 |
| EBIT | 1 017 | 54 | 182 | 630 | 1 883 |
| EBIT MARGIN | 12.3% | +44% | - | - | 21.6% |
| MINING AND ROCK TECHNOLOGY | | | | | |
| REVENUES | 8 073 | -67 | 412 | - | 8 418 |
| EBIT | 464 | -10 | 253 | 279 | 986 |
| EBIT MARGIN | 5.7% | -15% | - | - | 11.7% |
| MATERIALS TECHNOLOGY | | | | | |
| REVENUES | 3 398 | -172 | 95 | 45 | 3 366 |
| EBIT | -427 | 56 | 3 | 772 | 404 |
| EBIT MARGIN | -12.6% | n/a | - | - | 12.0% |

* Includes metal price effects in SMT, bottom line: +109 in Q4 2016 vs. -118 in Q4 2015, alloy surcharges topline: +45MSEK. One-off costs in Q4 2015: SMS: -630MSEK, SMRT: -279MSEK and SMT: -545MSEK. Structure SMS: topline: 9MSEK and bottom line: 0



CREATING A LEANER COMPANY

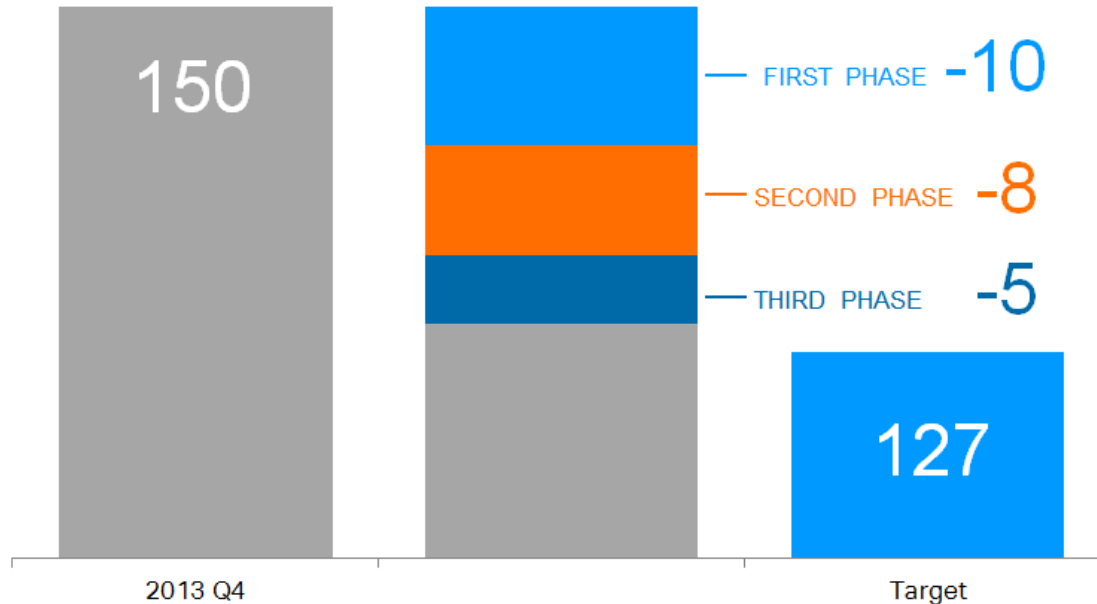
SAVINGS ANNUAL RUN-RATE (MSEK) VS. LAST YEAR AND TOTAL

| |  SANDVIK MACHINING SOLUTIONS |  SANDVIK MINING AND ROCK TECHNOLOGY |  SANDVIK MATERIALS TECHNOLOGY | GROUP ACTIVITIES | TOTAL ANNUAL RUN-RATE VS. LAST YEAR |  TARGET 2.1 BSEK |
|--------------------------------------|--|---|--|------------------|-------------------------------------|---|
| | | | | | | SAVINGS ANNUAL RUN-RATE |
| SUPPLY CHAIN OPTIMIZATION | 222 | 120 | 42 | 0 | 411* | 1 108 (1 333) |
| ADJUST OF COST BASE/ RIGHT SIZING | 213 | 56 | 19 | 29 | 317 | 711 (762) |
| TOTAL | 435 | 176 | 61 | 29 | 728* | 1 819 (2 095) |

*Other operations contributed by 27MSEK on annual run-rate compared with previous year to the supply chain optimization program

18 PRODUCTION UNITS CLOSED END OF Q4

SUPPLY CHAIN OPTIMIZATION PROGRAM CONTINUING OPERATIONS



FIRST PHASE

- FINALIZED AT END Q4 2015
- RUN-RATE SAVINGS 600 MSEK END OF Q4 (out of 690 MSEK target)

SECOND PHASE

- 8 UNITS IN SCOPE (6 UNITS CLOSED)
- TARGET SAVINGS 320MSEK ACHIEVED at year end 2016

THIRD PHASE

- 5 UNITS IN SCOPE (2 UNITS CLOSED)
- TARGET SAVINGS 323 MSEK at year end 2017





OTHER OPERATIONS

NON-STRATEGIC ASSETS

IMPROVED DEMAND FOR PROCESS SYSTEMS

- Increased demand in particular for chemical and food segments for Process Systems
- Persistently weak demand for Hyperion

EARNINGS SUPPORTED BY ADDITIONAL EFFICIENCY MEASURES

- Adjusted EBIT 197 MSEK, >70% increase yoy
- Adjusted EBIT margin at 15.2%, up from 9.2%
- Announced and other savings supported the earnings and margin

RELATIVE NWC <25%, LOWEST IN FIVE YEARS





OTHER OPERATIONS

NON-STRATEGIC ASSETS

ORDER INTAKE

1,211

MSEK

REVENUES

1,296

MSEK

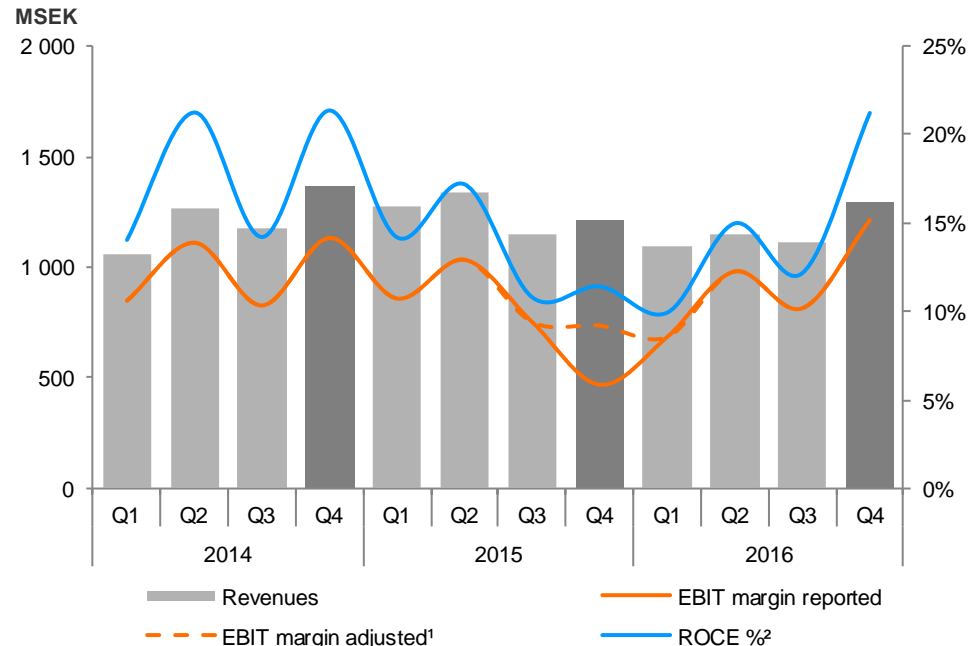
EBIT

197

MSEK

ROCE

21.2%

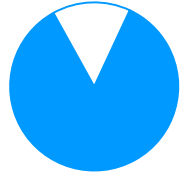


¹Adjusted for items affecting comparability

²ROCE: EBIT adj. annualized, CE 1Q avg.



LOAN AND DURATION PROFILE



LONG TERM
85%

| | AMOUNT MSEK | AVERAGE DURATION |
|----------------------------|-------------|------------------|
| US Private Placement | 5,337 | 4 years |
| Fin institutions, EIB, NIB | 1,706 | 7 years |
| Swedish MTN | 6,235 | 4 years |
| European MTN | 10,486 | 9 years |
| Bank loans | 2,974 | 2 years |
| Share swap | - | - |



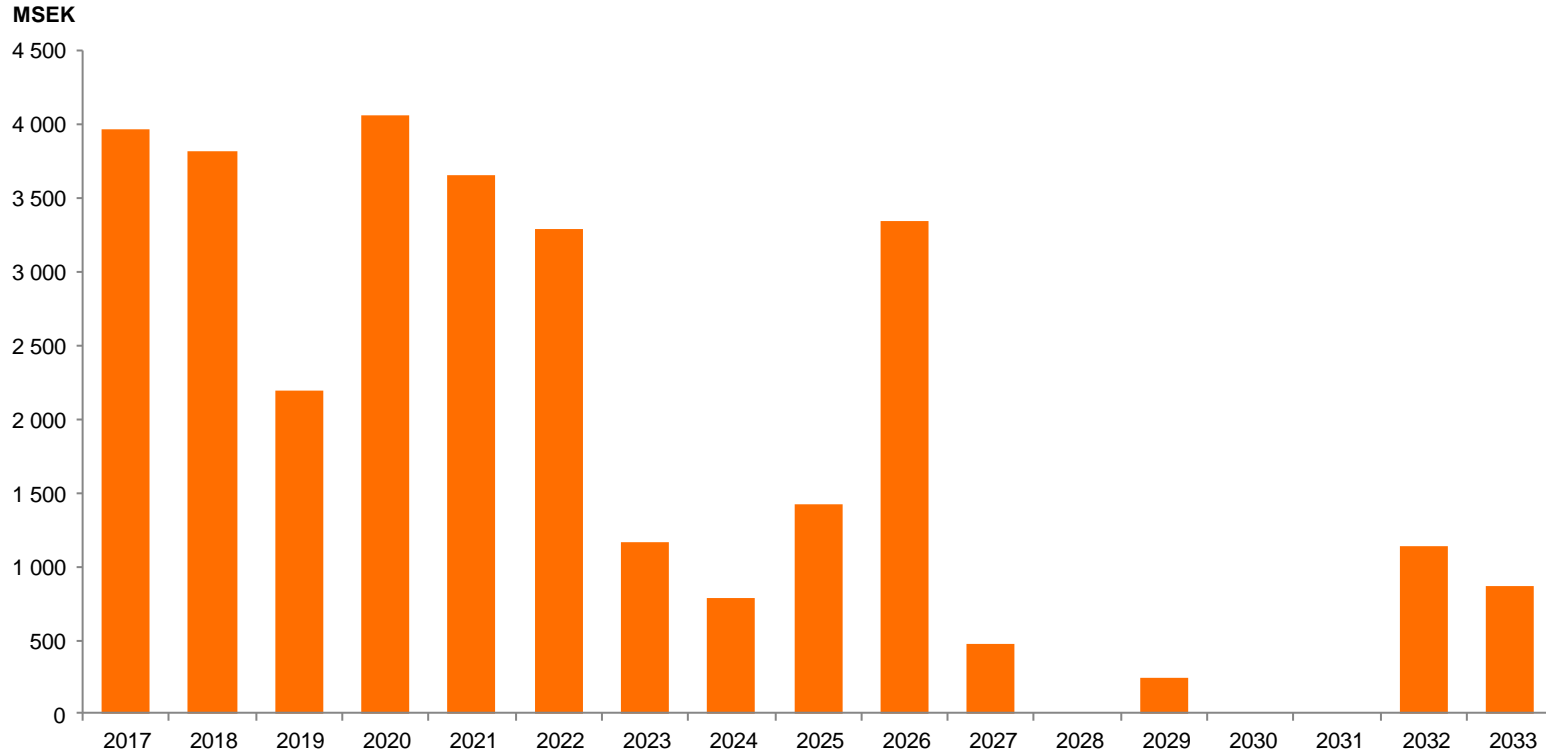
SHORT TERM
15%

| | | |
|----------------------------|-------|----------|
| US Private Placement | 1,705 | 8 months |
| Fin institutions, EIB, NIB | 341 | 9 months |
| Swedish MTN | 1,790 | 5 months |
| Bank loans | 155 | 2 months |
| Share swap | 689 | 5 months |

| | |
|-----------------------------|-------------------|
| Cash position | 8,818 MSEK |
| Revolving Credit facilities | 9,000 MSEK |

| | | |
|--------------|---------------|----------------|
| TOTAL | 31,418 | 5 years |
|--------------|---------------|----------------|

LOAN MATURITY PROFILE



GUIDANCE

CAPEX

Estimated at about 3.9 BSEK for 2017

CURRENCY EFFECTS

Given currency rates at end of January 2017 the effect on operating profit from transaction and translation would be +400 MSEK for Q1 2017

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of December 2016, it is estimated that effects on operating profit in Q1 2017 will be about 0 MSEK

NET FINANCIAL ITEMS

Net financial items is estimated to be -1.4 to -1.5 BSEK for 2017

TAX RATE

The tax rate is estimated to about 26–28% for 2017

An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, creating a dynamic, geometric pattern against the black background.

DISCLAIMER STATEMENT

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”