

# INTERIM REPORT FOURTH QUARTER

AND FULL YEAR 2016



## STRONG ORDER INTAKE, MARGIN AND EARNINGS GROWTH WITH GOOD CASH FLOW

**CEO'S COMMENT:** "We had a strong fourth quarter with order growth, margin expansion, increased earnings and a strong cash flow. I am very pleased to see our plans being realized", says Björn Rosengren, President and CEO of Sandvik.

"We achieved organic growth of 8% in order intake - supporting future revenues - due to improved demand in Sandvik Mining and Rock Technology as well as in the shorter-cycle business Sandvik Machining Solutions. While organic revenues remained stable, the structural improvements we have implemented over some time supported the adjusted margin improvement to 15.0% (11.1). Consequently, adjusted operating profit increased by 42% in total, or 24% excluding the positive currency impact."

"Cash flow was strong at 4.4 billion SEK, supported by earnings growth as well as the reduction of net working capital, which was reported at six year low level of 25% in relation to revenues. The balance sheet strengthened with the ratio for net debt to equity reaching 0.7 (1.0)"

"Two out of three business areas as well as Other Operations reported positive organic order growth. Sandvik Materials Technology being the exception due to tough comparable that included a major order received in the year-earlier quarter. Order intake was stable to positive in all the three major geographical regions, with Asia making the most progress supported by a significant improvement in China."

"We have previously communicated the intention to divest the Mining Systems operations during the quarter. I am disappointed that we have not closed the transaction as planned, however all conditions for closure have not been met. We are now proceeding with alternative solutions for the Mining Systems business."

"The year of 2016 was an eventful 12 months as we made several changes to become leaner and faster to respond to changes in customer requirements. Accountability was increased as we moved responsibility for operational decisions deeper in to the operations. The decentralized business model combined with an improved process for performance reviews enhanced transparency. The ambition is that the pace and accuracy of Sandvik's decision-making going forward will be increased as a result of higher accountability and transparency. The market situation improved as the year progressed, particularly in the mining industry. The energy segment stabilized albeit at a low level."

"The Board of Directors proposes a dividend of 2.75 SEK (2.50) per share. This would represent a year-on-year increase of 10%, while still safeguarding a strengthening of the balance sheet in the long term. It represents 63% (140) of reported earnings per share for the Sandvik Group."

FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
<i>Continuing operations</i>						
Order intake <sup>1)</sup>	19 531	21 993	+8	83 597	81 861	-1
Revenues <sup>1)</sup>	20 940	21 817	-0	85 845	81 553	-4
Gross profit	7 112	8 587	+21	30 606	31 671	+3
% of revenues	34.0	39.4		35.7	38.8	
Operating profit	770	3 277	N/M	7 271	11 018	+52
% of revenues	3.7	15.0		8.5	13.5	
Adjusted operating profit <sup>2)</sup>	2 315	3 277	+42	10 593	11 018	+4
% of revenues <sup>2)</sup>	11.1	15.0		12.3	13.5	
Profit after financial items	266	2 860	N/M	5 308	9 366	+76
% of revenues	1.3	13.1		6.2	11.5	
Profit for the period	-178	2 100	N/M	3 443	6 838	+99
% of revenues	-0.9	9.6		4.0	8.4	
of which shareholders' interest	-147	2 111	N/M	3 496	6 878	+97
Earnings per share, SEK <sup>3)</sup>	-0.12	1.68	N/M	2.79	5.48	+96
Return on capital employed, % <sup>4)</sup>	4.3	17.1		9.5	14.7	
Cash flow from operations	+3 404	+4 363	+28	+12 793	+12 542	-2
Net working capital, % <sup>4)</sup>	27	25		28	27	
<i>Discontinued operations</i>						
Profit for the period	7	-255	N/M	-1 249	-1 370	-10
Earnings per share, SEK <sup>3)</sup>	0.01	-0.20	N/M	-1.00	-1.09	-10
<i>Group Total</i>						
Profit for the period	-171	1 845	N/M	2 194	5 468	N/M
Earnings per share, SEK <sup>3)</sup>	-0.11	1.48	N/M	1.79	4.39	N/M

1) Change from the preceding year at fixed exchange rates for comparable units.  
 2) Operating profit adjusted for items affecting comparability of -1.5 billion SEK for the fourth quarter of 2015, and -3.3 billion SEK for the full year of 2015.  
 3) Basic and diluted earnings per share  
 4) Quarter is quarterly annualized and yearly is based on four quarter average

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

# MARKET DEVELOPMENT AND EARNINGS

## GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	+8	-0
Structure, %	0	0
Currency, %	+5	+4
<b>TOTAL, %</b>	<b>+13</b>	<b>+4</b>

*Change compared to same quarter last year.*

**In the fourth quarter, order intake improved 8% year on year, at fixed exchange rates for comparable units, yielding a book-to-bill of 101%.**

Customer activity was stable or improved in all three major geographical regions with double-digit order growth in both North America and Asia, where China outgrew the region as a whole. The positive development was strongest in Sandvik Mining and Rock Technology where orders increased organically by 19%. Sandvik Machining Solutions improved by 3%. Sandvik Materials Technology declined by -4%, as growth rates were impacted by difficult comparable in the year-earlier period when a major order was received.

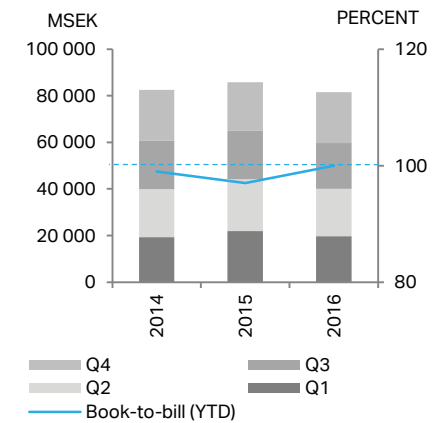
Demand in the mining industry increased both for equipment, as customers placed replacement orders, as well as for the aftermarket business. In addition, customer activity increased in the general engineering and aerospace segments, supported by progress in Europe and Asia. Demand in the automotive segment declined, as positive development in Asia failed to offset the negative development in Europe and North America. Customer activity in the energy segment remained stable compared with the year-earlier period.

Changed exchange rates had a positive impact of 5% on order intake and 4% on revenues.

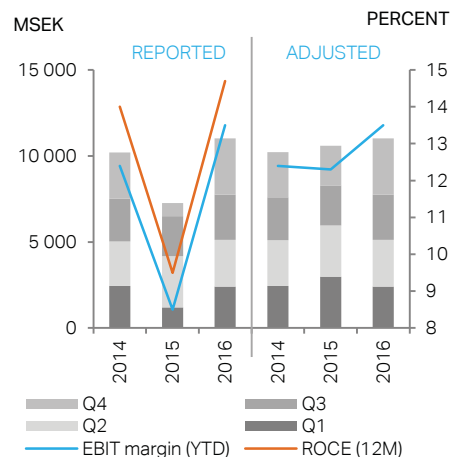
**Adjusted operating profit improved by 42% year on year to 3,277 million SEK (2,315) and the adjusted operating margin reached 15.0% (11.1). Adjusted operating profit improved by 24% excluding the positive impact of changed exchange rates.**

Underlying costs for sales and administration were reduced by -9% year on year to 4,477 million SEK (5,376), excluding the items impacting comparability in the year-earlier period (439). Also, the ratio to revenues declined to 20.5% (reported 25.7% and 23.6% excluding items impacting comparability). Costs for research and development remained stable. Savings from announced efficiency programs amounted to 183 million SEK compared with the preceding year. Changed exchange rates positively impacted operating profit by 416 million SEK (73). Changed metal prices positively impacted results by 109 million SEK (-118). The tax rate in the fourth quarter was 26.6% (167) for continuing operations. The total tax rate for the Group was 29.2% (163) for the quarter. The high tax rate in the year-earlier period was inflated by the previously communicated non-deductible items impacting comparability, mostly related to China.

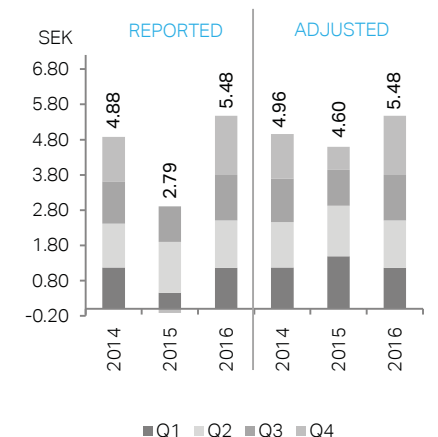
## REVENUES AND BOOK-TO-BILL



## OPERATING PROFIT & RETURN



## EARNINGS PER SHARE



## CASH FLOW AND BALANCE SHEET

**Total assets** for the Group increased somewhat year on year as a result of the impact from changed exchange rates as well as higher equity from earnings growth, which also supported the cash balance. Capital employed increased year on year to 77,697 million SEK (74,631) primarily due to the impact from changed exchange rates and the higher cash balance.

**Net working capital** decreased overall by 0.5 billion SEK year on year to 21.2 billion SEK. The decline primarily related to lower inventory levels. Net working capital in relation to revenues was reduced to 25% (27) for the quarter, a six-year low.

**Investments** in tangible and intangible assets in the fourth quarter amounted to 1,140 million SEK (1,332), corresponding to 102% of depreciations. Investments are seasonally higher in the second half of the year.

**Financial net debt** amounted to 28.6 billion SEK in the fourth quarter, declining year on year (34.1) and sequentially (33.5). Consequently, the net debt to equity ratio was reduced to 0.7 (1.0). The net pension liability remained stable year on year at 6.0 billion SEK (5.9). Interest-bearing debt with short-term maturity accounted for 15% of total debt.

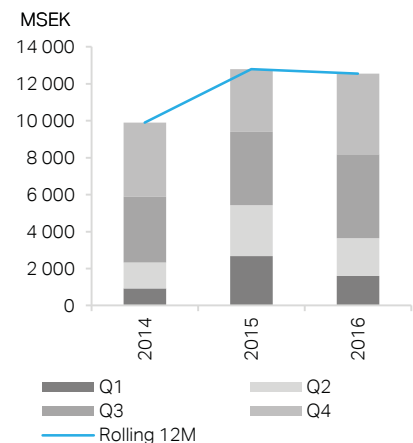
**Cash flow** from operations improved year on year and amounted to 4.4 billion SEK (3.4). The higher level of operating cash flow was primarily related to the strengthened operating result. Free operating cash flow improved by 24% year on year to 4.1 billion SEK (3.3), which should be viewed in relation to operating profit of 3.3 billion SEK.

CASH FLOW	Q4 2015	Q4 2016
EBITDA	2 616	4 529
Non-cash items	+443	-143
Net Working Capital change	+1 539	+968
Capex*	-1 303	-1 254
<b>FREE OPERATING CASH FLOW**</b>	<b>3 295</b>	<b>4 100</b>
Net financial items	-504	-417
Paid tax	-581	-412
Cash flow from investing activities	+1 183	+1 096
Acquisitions of companies and shares, net of cash	0	-8
Proceeds from sale of companies and shares, net of cash	0	0
Other investments, net	+11	+3
<b>CASH FLOW FROM OPERATIONS</b>	<b>3 404</b>	<b>4 363</b>

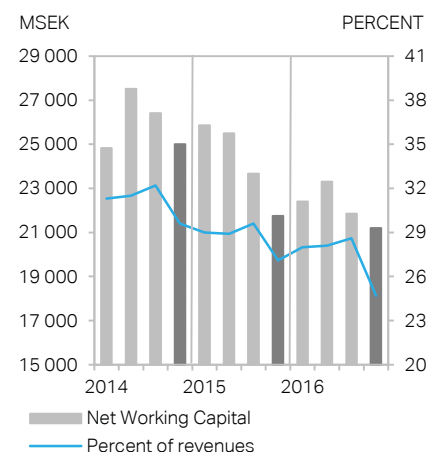
\* Including investments and disposals of rental equipment, tangible and intangible assets

\*\* Free operating cash flow before acquisitions and disposals of companies, financial items and taxes

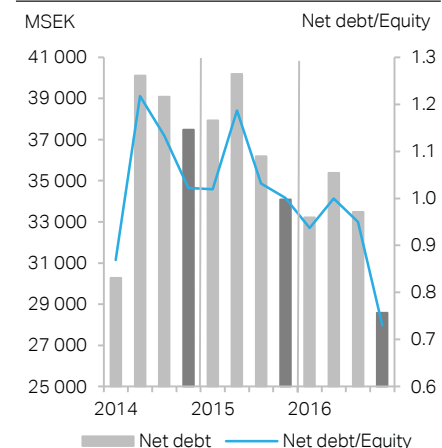
### CASH FLOW FROM OPERATIONS



### NET WORKING CAPITAL



### NET DEBT, GROUP TOTAL



## SANDVIK MACHINING SOLUTIONS

### ORGANIC GROWTH

### INCREASED EARNINGS AND MARGIN EXPANSION

### NEW PRODUCT AREA



### GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	+3	+1
Structure, %	+0	+0
Currency, %	+4	+4
<b>TOTAL, %</b>	<b>+7</b>	<b>+6</b>

Change compared to same quarter last year.

**Total revenues increased by 1% year on year, with overall business activity in Asia increasing by 10%, Europe remaining stable at 1% while North America decreased at -4%.**

Key items impacting orders and revenues compared with the year-earlier period:

- Organic growth in Asia was primarily driven by China, which significantly outperformed the region as a whole. The improvement was noted across most segments.
- Underlying demand in Europe remained stable, with increased demand in the aerospace and general engineering segments. Energy and automotive-related demand declined.
- North America reported a decline and was the weakest market in relative terms, with softer revenues in the automotive, general engineering and energy segments. The aerospace segment remained stable.

The foundation was laid for a new product area - additive manufacturing. By utilizing its leading know-how in materials and the entire manufacturing process, Sandvik Machining Solutions can support customers to achieve additional productivity gains. It aims to broaden the scope of the customer offering by complementing the core offering of deductive manufacturing with additive manufacturing.

**In total, adjusted operating profit improved by 14% and the adjusted operating margin was 21.6% (20.0). The adjusted operating margin improved year on year by 0.6 percentage points, excluding the positive impact from currency, a slightly lower inventory reduction as well as the property sale that positively impacted comparable.**

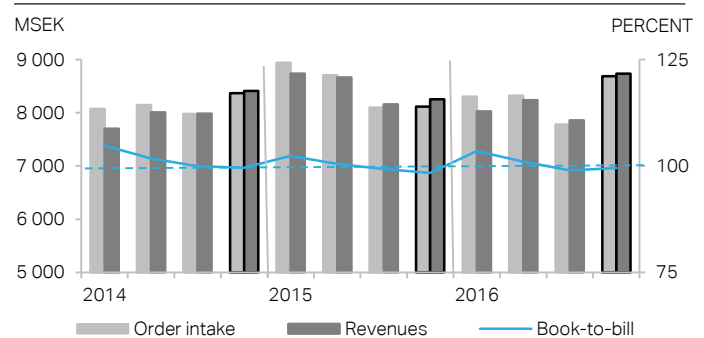
Items impacting operating profit and margin:

- Positive organic growth of 1% in revenues.
- Lower rate of inventory reductions supported the operating margin by about 0.2 percentage points year on year.

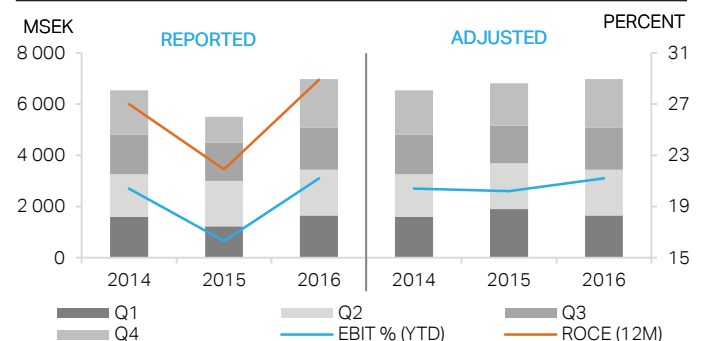
- Changed exchange rates had a positive impact on operating profit of 182 million SEK (79).
- Ongoing announced efficiency measures generated year on year savings of 108 million SEK.

Net working capital in relation to revenues reached an all-time-low of 23.3% (25.8)

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



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	8 116	8 688	+3 *	33 860	33 088	-2*
Revenues	8 253	8 734	+1 *	33 809	32 852	-2*
Operating profit	1 017	1 883	+85	5 504	6 970	+27
% of revenues	12.3	21.6		16.3	21.2	
Adjusted operating profit**	1 647	1 883	+14	6 814	6 970	+2
% of revenues**	20.0	21.6		20.2	21.2	
Return on capital employed, % ***	16.7	30.8		21.9	28.9	
Number of employees	18 713	18 043	-4	18 713	18 043	-4

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -680 million SEK in Q1 2015, -630 million SEK in Q4 2015. \*\*\*Quarter is quarterly annualized and yearly is based on four quarter average

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FOR ADDITIONAL INFORMATION, PLEASE CALL SANDVIK INVESTOR RELATIONS +46 8 456 11 00 OR VISIT SANDVIK.COM

## SANDVIK MINING AND ROCK TECHNOLOGY

### STRONG ORDER GROWTH

IMPROVED DEMAND FOR MINING EQUIPMENT

INCREASED ORDERS IN THE AFTERMARKET BUSINESS



### GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	+19	-1
Structure, %	+0	+0
Currency, %	+5	+5
<b>TOTAL, %</b>	<b>+25</b>	<b>+4</b>

Change compared to same quarter last year.

**Order intake exceeded revenues, yielding a book-to-bill of 109%. Organic order intake improved by 19% year on year. Revenues declined by -1%, due to a certain lead time before the recent positive order growth is converted into deliveries.**

Key items impacting orders and revenues compared with the year-earlier period:

- Positive development in replacement demand for mining equipment, primarily related to the commodities of gold and silver.
- One major order was received for crushing and screening equipment at a value of about 200 million SEK.
- The aftermarket business improved as positive development for orders in the mining segment more than offset the decline in the oil and gas segment.
- Signs of higher customer activity – albeit from a low level – were noted in the mining exploration business.
- Construction-related demand remained stable, with a relatively stronger level of customer activity reported in tunneling.
- Revenues from the aftermarket business were stable.

**33% growth in adjusted operating profit and significant adjusted margin improvement to 11.7% (9.2) supported by positive currency impact.**

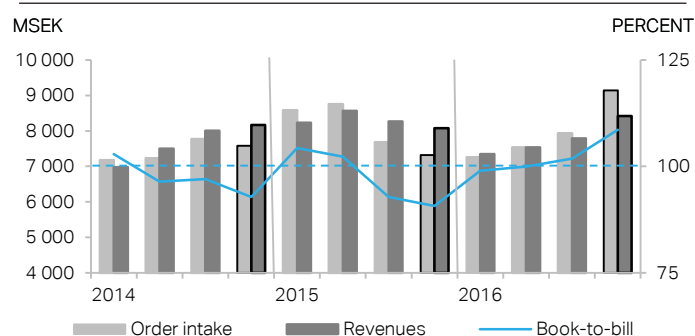
Items impacting operating profit and margin:

- Changed exchange rates positively impacted operating profit by 253 million SEK (4).
- Adverse impact from organic decline in revenues of -1%.
- Operating result included an impairment of -35 million SEK related to a crushing and screening R&D project.

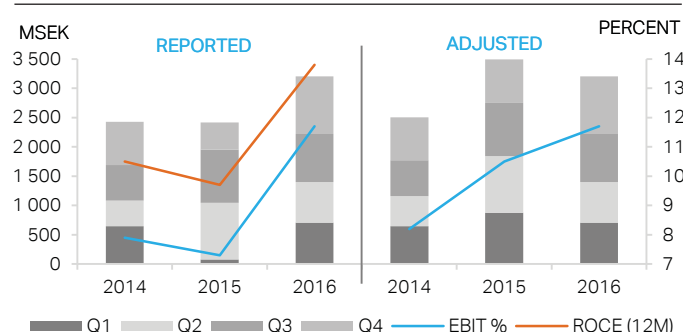
- The completed supply chain optimization and other efficiency programs generated year-on-year savings of 44 million SEK.

A significant reduction in net working capital resulted in a five-year low level in both absolute terms and in relation to revenues.

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



### OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	7 322	9 145	+19 *	32 335	31 886	+1*
Revenues	8 073	8 418	-1 *	33 131	31 093	-3*
Operating profit	464	986	N/M	2 417	3 206	+33
% of revenues	5.7	11.7		7.3	10.3	
Adjusted operating profit**	743	986	+33	3 492	3 206	-8
% of revenues**	9.2	11.7		10.5	10.3	
Return on capital employed, % ***	7.7	17.3		9.7	13.8	
Number of employees	14 595	14 087	-3	14 595	14 087	-3

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -796 million SEK in Q1 2015, -279 million SEK in Q4 2015. \*\*\*Quarter is quarterly annualized and yearly is based on four quarter average

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

## SANDVIK MINING AND ROCK TECHNOLOGY

### CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	7 322	9 145	+19 *	32 335	31 886	+1*
Revenues	8 073	8 418	-1 *	33 131	31 093	-3*
Operating profit	464	986	N/M	2 417	3 206	+33
% of revenues	5.7	11.7		7.3	10.3	
Adjusted operating profit**	743	986	+33	3 492	3 206	-8
% of revenues**	9.2	11.7		10.5	10.3	

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -796 million SEK in Q1 2015, -279 million SEK in Q4 2015.

### DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	745	718	-8 *	2 781	2 372	-11*
Revenues	1 058	718	-37 *	4 977	2 877	-40*
Operating profit	16	-239	N/M	-1 209	-1 361	-13
% of revenues	1.5	-33.4		-24.3	-47.3	
Adjusted operating profit**	16	-239	N/M	-108	-1 361	N/M
% of revenues**	1.5	-33.4		-2.2	-47.3	

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -104 million SEK in Q1 2015, -998 million SEK in Q3 2015.

The underlying market for Mining Systems (discontinued operations) remained challenging as customers continued to defer projects. Consequently, price pressure remained tangible. However, one major order at a value of about 500 million SEK was received. Order intake declined by -8% year on year and revenues declined by -37% year on year at fixed exchange rates for comparable units.

The operating loss amounted to -239 million SEK including operational losses of about -150 million SEK primarily related to two large projects in Canada and South Africa. Changed exchange rates impacted earnings adversely by -54 million SEK (-71).

The previously announced plans to close the Mining Systems transaction during the fourth quarter have not been implemented as all conditions for closure of the deal have not been met.

Sandvik is continuing the exit process with other interested parties. Mining Systems will continue to be reported as discontinued operations in Sandvik's financial statements.

### SANDVIK MINING AND ROCK TECHNOLOGY TOTAL

FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	8 067	9 862	+16 *	35 116	34 258	0*
Revenues	9 131	9 136	-5 *	38 108	33 970	-8*
Operating profit	479	747	+56	1 207	1 845	+53
% of revenues	5.2	8.2		3.2	5.4	
Adjusted operating profit**	758	747	-2	3 384	1 845	-45
% of revenues**	8.3	8.2		8.9	5.4	

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -900 million SEK in Q1 2015, -998 million SEK in Q3 2015 and -279 million SEK in Q4 2015.

## SANDVIK MATERIALS TECHNOLOGY

DEMAND STABILIZING

MITIGATING ACTIONS SUPPORT EARNINGS

MARGIN IMPROVEMENT



### GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	-4	-4
Structure, %	0	0
Currency, %	+3	+3
TOTAL, %	-2	-1

Change compared to same quarter last year.

Organic order intake declined by -4%, adversely impacted by difficult comparable in the year-earlier period when a major order was booked. Excluding the impact from major orders, order intake improved by 3%. Higher alloy prices positively impacted order intake by 2% and revenues by 1%, primarily related to nickel.

Key items impacting orders and revenues compared with the year-earlier period:

- General customer activity remained stable in the strategic CapEx related tubular offering for the oil and gas industry.
- Customer activity for the more standardized tubular offering stabilized somewhat at a low level, with initial signs of improvement in the early-cycle-related offering, for instance products related to the petrochemical industry.
- Improved demand for strip and wire products related to the consumer driven segments, such as automotive components, razor blade steel, etc.
- Market demand for the fine powder offering, used in additive manufacturing for example, and the industrial heating product offering, developed positively.
- Customer activity in the nuclear segment increased, predominantly in Asia, but has yet to be translated in to orders.

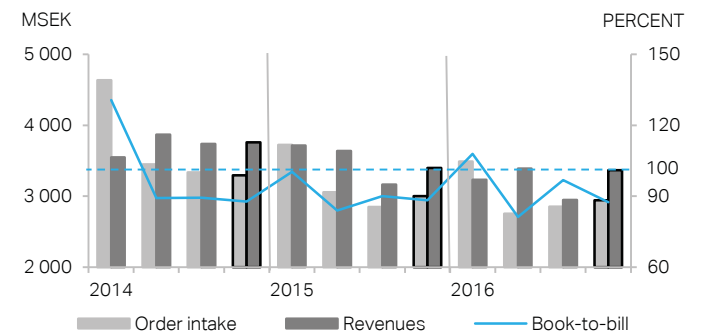
The adjusted operating margin improved significantly to 12.0% (3.5) and the underlying operating margin – excluding the impact of metal price effects – increased to 8.8% (7.0).

Items impacting operating profit and margin:

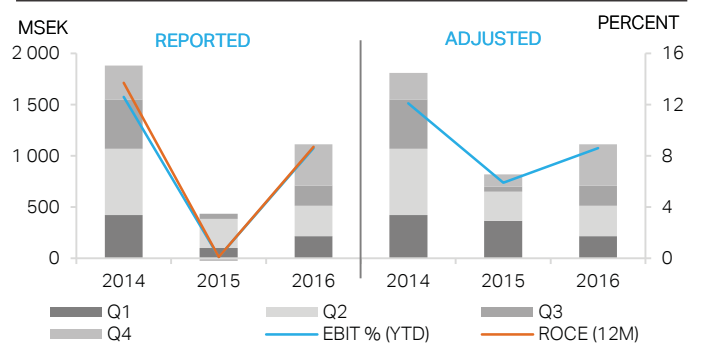
- The ongoing program to mitigate the effects of the downturn in the oil and gas industry progressed, including continued activities to reduce personnel.
- Lower level of inventory reductions, compared with the year-earlier period, supported the operating margin by about 2 percentage points.

- Changed exchange rates had a positive impact of 3 million SEK (0) on operating profit.
- Changed metal prices had a positive impact of 109 million SEK (-118) on the operating profit.
- Savings from announced restructuring programs amounted to 18 million SEK year on year.

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



### OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	2 999	2 943	-4*	12 625	12 036	-5*
Revenues	3 398	3 366	-4*	13 909	12 931	-7*
Operating profit	-427	404	N/M	8	1 115	N/M
% of revenues	-12.6	12.0		0.1	8.6	
Adjusted operating profit**	118	404	N/M	818	1 115	+36
% of revenues**	3.5	12.0		5.9	8.6	
Return on capital employed, % ***	-13.7	12.4		0.1	8.7	
Number of employees	6 533	6 490	-1	6 533	6 490	-1

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -265 million SEK in Q1 2015, -545 million SEK in Q4 2015. \*\*\*Quarter is quarterly annualized and yearly is based on four quarter average.

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



## OTHER OPERATIONS

### Organic order intake improved by 5% and revenues by 1% year on year, supported by a strong development for Process Systems.

Key items impacting orders and revenues compared with the year-earlier period:

- Process Systems: order intake increased significantly due to good progress in all three major geographical regions, with Asia being the strongest in relative terms due to strong development in China. Customer activity intensified across most segments, with the strongest development noted in the food and chemicals segments (e.g. fertilizers).
- Hyperion: both order intake and revenues declined year on year, on the back of weaker customer activity in most segments as well as the timing of placed orders.

### Adjusted operating earnings improved significantly by 77% and the adjusted operating margin increased to 15.2% (9.2), supported primarily by efficiency measures and - to some extent - changed exchange rates.

Items impacting operating profit and margin:

- Operating profit and operating margin improved in both Process Systems and Hyperion, supported by tight cost control and increased revenues in Process Systems.

### GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	+5	+1
Structure, %	0	0
Currency, %	+6	+6
TOTAL, %	+11	+7

Change compared to same quarter last year.

- Changed exchange rates had a positive impact of 15 million SEK (2) on operating profit.
- Savings from announced restructuring programs amounted to 7 million SEK, year on year.

Net working capital in relation to revenues was reduced significantly to five year low level of 24% (31).

FINANCIAL OVERVIEW, MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
Order intake	1 089	1 211	+5*	4 760	4 830	-0*
Revenues	1 210	1 296	+1*	4 976	4 655	-8*
Operating profit	71	197	N/M	489	545	+11
% of revenues	5.9	15.2		9.8	11.7	
Adjusted operating profit**	111	197	+77	529	545	+3
% of revenues**	9.2	15.2		10.6	11.7	
Return on capital employed, % ***	7.3	21.2		12.5	14.5	
Number of employees	2 074	1 913	-8	2 074	1 913	-8

\* At fixed exchange rates for comparable units. \*\* Operating profit adjusted for items affecting comparability of -40 million SEK in Q4 2015. \*\*\*Quarter is quarterly annualized and yearly is based on four quarter average

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## PARENT COMPANY

For full year 2016, revenues amounted to 15,146 million SEK (15,667) and the operating result was 722 million SEK (-761). Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted to 202 million SEK (9,346) for full year 2016. Interest-bearing

liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 14,478 million SEK (11,132). Investments in property, plant and machinery amounted to 975 million SEK (907).

## FULL YEAR 2016

Demand for Sandvik's products during the full year of 2016 remained overall stable compared with the year-earlier period with organic growth in order intake at -1%. Revenues declined by -4%. The market situation improved as the year progressed, particularly in the mining industry. The energy segment declined in total, however stabilized towards the end of the year. The automotive segment remained stable and the general engineering segment was stable to slightly down in the period. In total, in the shorter-cycle business related to the cutting tool industry Sandvik Machining Solutions reported a slight negative growth, however positive growth was reported in the fourth quarter supported primarily by strong improvement in Asia.

The impact from changed exchange rates had a negative impact of -1% on order intake and revenues. Sandvik's order intake amounted to 81,861 million SEK (83,597), and revenues were 81,553 million SEK (85,845), implying a book-to-bill ratio of 100%. Adjusted operating profit was 11,018 million SEK (10,593) and the adjusted operating margin was 13.5% (12.3), adversely impacted by -287 million SEK (1,957) due to changed

exchange rates. Changed metal prices had a positive impact of 63 million SEK (-338). Net financial items amounted to -1,652 million SEK (-1,963) and the profit after financial items was 9,366 million SEK (5,308). The tax rate was 27.0% (35.1) for continuing operations and 31.6% for the Group (45.9). Profit for the period amounted to 6,838 million SEK (3,443) in continuing operations and 5,468 million SEK (2,194) for Group total. Earnings per share for continuing operations amounted to 5.48 SEK (2.79) and for the Group total earnings per share amounted to 4.39 SEK (1.79). Operating cash flow from continuing operations was 12,542 million SEK (12,793), supported by higher earnings year on year, however less support from lower inventory reductions. Net debt was reduced to 28,579 million SEK (34,090), resulting in a net debt to equity ratio of 0.7 (1.0).

The Board of Directors proposes a dividend of 2.75 SEK (2.50) per share. This would represent a year-on-year increase of 10% year, while still safeguarding a strengthening of the balance sheet in the long term. It represents 63% (140) of reported earnings per share for the Sandvik Group.

## ACQUISITIONS AND DIVESTMENTS

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

	COMPANY / UNIT	CLOSING DATE	ANNUAL REVENUE, MSEK	NO OF EMPLOYEES
Sandvik Machining Solutions	Prometec GmbH	25 January 2016	48	35
Sandvik Machining Solutions	Comara GmbH	1 October 2016	8	16

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

No divestments in the period.

## SIGNIFICANT EVENTS AFTER THE FOURTH QUARTER

- On 19 January Sandvik announced that the previously communicated ambition to close the Mining Systems transaction during Q4 2016 will not be finalized according to the original plan as all conditions for closing have not been met.

The process to exit from the Mining Systems business continues with different interested parties. Mining Systems will continue to be reported as discontinued operations in Sandvik's financial statements.

- On 30 January Sandvik announced that Jonas Gustavsson, President of the business area Sandvik Machining Solutions, has decided to leave Sandvik for an external position.

Jonas Gustavsson has worked in Sandvik since 2008. He will leave Sandvik no later than end of July 2017. The process to find a successor is initiated.

## GUIDANCE

Guidance below relates to continuing operations.

Sandvik does not provide a market outlook or business performance forecasts. However, guidance relating to certain non-operational key figures considered useful when modeling financial outcomes is provided in the table below:

<b>CAPEX</b>	Estimated at about 3.9 billion SEK for 2017
<b>CURRENCY EFFECTS</b>	Based on currency rates at end-January 2017, it is estimated that operating profit for the first quarter of 2017 will be impacted by transaction and translation currency effects of about +400 million SEK, compared with the year-earlier period
<b>METAL PRICE EFFECTS</b>	In view of currency rates, inventory levels and metal prices at the end of December 2016, it is estimated that there will be a neutral impact on operating profit in Sandvik Materials Technology for the first quarter of 2017
<b>NET FINANCIAL ITEMS</b>	Estimated at between -1.4 and -1.5 billion SEK in 2017
<b>TAX RATE</b>	Estimated at about 26% - 28% for 2017

## ACCOUNTING POLICIES

This interim report was prepared in accordance with IFRS, applying IAS 34, Interim Financial Reporting. The same accounting and valuation policies were applied as in the most recent annual report with the exception of new and revised standards and interpretations effective from 1 January 2016.

The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Securities Market Act, which is in line with standard RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board.

IASB has published amendments of standards that are effective as of 1 January 2016 or later. The standards have not had

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

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

## TRANSACTIONS WITH RELATED PARTIES

No transactions between Sandvik and related parties that significantly affected the company's position and results took place.

## RISK ASSESSMENT

Sandvik is a global group represented in 150 countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Sandvik in its work to achieve established targets. Efficient risk management forms part of the ongoing review of the business

and forward-looking assessment of operations. Sandvik's long-term risk exposure is assumed not to deviate from the inherent exposure associated with Sandvik's ongoing business operations. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2015.

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q4 2015	Q4 2016	CHANGE %	Q1-4 2015	Q1-4 2016	CHANGE %
<i>Continuing operations</i>						
Revenues	20 940	21 817	+4	85 845	81 553	-5
Cost of sales and services	-13 828	-13 230	-4	-55 239	-49 882	-10
<b>Gross profit</b>	<b>7 112</b>	<b>8 587</b>	<b>+21</b>	<b>30 606</b>	<b>31 671</b>	<b>+3</b>
% of revenues	34.0	39.4		35.7	38.8	
Selling expenses	-3 482	-3 106	-11	-13 116	-11 865	-10
Administrative expenses	-1 894	-1 371	-28	-7 079	-5 842	-17
Research and development costs	-904	-900	-0	-3 001	-3 075	+2
Other operating income and expenses	-62	67	N/M	-139	129	N/M
<b>Operating profit</b>	<b>770</b>	<b>3 277</b>	<b>N/M</b>	<b>7 271</b>	<b>11 018</b>	<b>+52</b>
% of revenues	3.7	15.0		8.5	13.5	
Net financial items	-504	-417	-17	-1 963	-1 652	-16
<b>Profit after financial items</b>	<b>266</b>	<b>2 860</b>	<b>N/M</b>	<b>5 308</b>	<b>9 366</b>	<b>+76</b>
% of revenues	1.3	13.1		6.2	11.5	
Income tax	-444	-760	+71	-1 865	-2 528	+36
<b>Profit for the period, continuing operations</b>	<b>-178</b>	<b>2 100</b>	<b>N/M</b>	<b>3 443</b>	<b>6 838</b>	<b>+99</b>
% of revenues	-0.9	9.6		4.0	8.4	
<i>Discontinued operations</i>						
Revenues	1 058	718	-32	4 977	2 877	-42
Operating profit	16	-239	N/M	-1 209	-1 361	-13
Profit after financial items	7	-255	N/M	-1 249	-1 370	-10
<b>Profit for the period, discontinued operations</b>	<b>7</b>	<b>-255</b>	<b>N/M</b>	<b>-1 249</b>	<b>-1 370</b>	<b>-10</b>
<i>Group total</i>						
Revenues	21 998	22 535	+2	90 822	84 430	-7
Operating profit	786	3 038	N/M	6 062	9 657	+59
Profit after financial items	272	2 605	N/M	4 059	7 996	+97
<b>Profit for the period, Group total</b>	<b>-171</b>	<b>1 845</b>	<b>N/M</b>	<b>2 194</b>	<b>5 468</b>	<b>N/M</b>
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/(losses) on defined benefit pension plans	97	1 744		589	168	
Tax relating to items that will not be reclassified	-18	-456		-139	-82	
	<b>79</b>	<b>1 288</b>		<b>450</b>	<b>86</b>	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	-976	778		-972	2 323	
Cash flow hedges	47	34		55	106	
Tax relating to items that may be reclassified	-6	-7		-7	-22	
	<b>-935</b>	<b>805</b>		<b>-924</b>	<b>2 407</b>	
<b>Total other comprehensive income</b>	<b>-856</b>	<b>2 093</b>		<b>-474</b>	<b>2 493</b>	
<b>Total comprehensive income</b>	<b>-1 028</b>	<b>3 938</b>		<b>1 720</b>	<b>7 961</b>	
<i>Profit for the period attributable to</i>						
Owners of the Parent	-141	1 856		2 247	5 508	
Non-controlling interests	-30	-11		-53	-40	
<i>Total comprehensive income attributable to</i>						
Owners of the Parent	-977	3 949		1 770	8 001	
Non-controlling interests	-51	-11		-50	-40	
<b>Earnings per share, SEK *</b>						
Continuing operations	-0.12	1.68	N/M	2.79	5.48	+96
Discontinued operations	0.01	-0.20	N/M	-1.00	-1.09	-10
Group Total	-0.11	1.48	N/M	1.79	4.39	N/M

\* Basic and diluted EPS, N/M = non-meaningful  
For definitions see home.sandvik

## THE GROUP

### BALANCE SHEET

#### CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2015	31 DEC 2016
Intangible assets	18 313	19 240
Property, plant and equipment	26 331	26 709
Financial assets	7 814	8 036
Inventories	21 522	20 977
Current receivables	18 767	19 362
Cash and cash equivalents	6 376	8 818
Assets held for sale	2 119	358
<b>Total assets</b>	<b>101 242</b>	<b>103 500</b>
Total equity	34 060	39 290
Non-current interest-bearing liabilities	35 610	33 187
Non-current non-interest-bearing liabilities	4 262	4 867
Current interest-bearing liabilities	5 190	4 680
Current non-interest-bearing liabilities	20 231	20 579
Liabilities held for sale	1 889	897
<b>Total equity and liabilities</b>	<b>101 242</b>	<b>103 500</b>
<i>Group total</i>		
Net working capital*	21 726	20 801
Loans	34 439	31 333
Non-controlling interests in total equity	81	93

\* Total of inventories, trade receivables, accounts payable and other current noninterest-bearing receivables and liabilities, excluding tax assets and liabilities.

### NET DEBT

MSEK	31 DEC 2015	31 DEC 2016
Interest-bearing liabilities excluding net pension liabilities	34 548	31 418
Net pension liabilities	5 918	5 979
Cash and cash equivalents	-6 376	-8 818
<b>Net debt</b>	<b>34 090</b>	<b>28 579</b>
<b>Net debt to equity ratio</b>	<b>1.00</b>	<b>0.73</b>

### CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2015	36 538	134	36 672
Total comprehensive income for the period	1 770	-50	1 720
Personnel options program	17	-	17
Hedge of personnel options program	44	-	44
Dividends	-4 390	-3	-4 393
Closing equity, 31 December 2015	33 979	81	34 060
Opening equity, 1 January 2016	33 979	81	34 060
Non-controlling interest new stock issue	-	52	52
Total comprehensive income for the period	8 001	-40	7 961
Personnel options program	61	-	61
Hedge of personnel options program	292	-	292
Dividends	-3 136	-	-3 136
Closing equity, 31 December 2016	39 197	93	39 290

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

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## THE GROUP

### CASH FLOW STATEMENT

MSEK	Q4 2015	Q4 2016	Q1-4 2015	Q1-4 2016
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	266	2 860	5 308	9 366
Adjustment for depreciation, amortization and impairment losses	1 846	1 252	5 321	4 504
Adjustment for items that do not require the use of cash etc.	443	-143	1 389	-762
Income tax paid	-581	-412	-1 939	-1 650
<b>Cash flow from operations before changes in working capital, continuing operations</b>	<b>1 974</b>	<b>3 557</b>	<b>10 079</b>	<b>11 458</b>
<i>Changes in working capital</i>				
Change in inventories	1 110	651	2 108	1 750
Change in operating receivables	811	-602	845	89
Change in operating liabilities	-382	919	188	-230
<b>Cash flow from changes in working capital, continuing operations</b>	<b>1 539</b>	<b>968</b>	<b>3 141</b>	<b>1 609</b>
Investments in rental equipment	-153	-230	-625	-697
Divestments of rental equipment	44	68	198	172
<b>Cash flow from operations, continuing operations</b>	<b>3 404</b>	<b>4 363</b>	<b>12 793</b>	<b>12 542</b>
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash	0	-8	-7	-31
Proceeds from sale of companies and shares, net of cash	0	0	0	53
Investments in tangible assets	-1 077	-892	-3 152	-2 700
Proceeds from sale of tangible assets	134	48	245	211
Investments in intangible assets	-255	-248	-942	-973
Proceeds from sale of intangible assets	4	1	7	26
Other investments, net	11	3	-16	4
<b>Cash flow from investing activities, continuing operations</b>	<b>-1 183</b>	<b>-1 096</b>	<b>-3 865</b>	<b>-3 410</b>
<b>Net cash flow after investing activities</b>	<b>2 221</b>	<b>3 267</b>	<b>8 928</b>	<b>9 132</b>
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-1 453	-2 290	-3 570	-3 185
Dividends paid	0	0	-4 393	-3 136
<b>Cash flow from financing activities, continuing operations</b>	<b>-1 453</b>	<b>-2 290</b>	<b>-7 963</b>	<b>-6 321</b>
Cash flow from continuing operations	768	977	965	2 811
Cash flow from discontinued operations	-235	-167	-886	-523
<b>Cash flow for the period, Group total</b>	<b>533</b>	<b>810</b>	<b>79</b>	<b>2 288</b>
Cash and cash equivalents at beginning of the period	5 890	7 927	6 327	6 376
Exchange-rate differences in cash and cash equivalents	-47	81	-30	154
<b>Cash and cash equivalents at the end of the period</b>	<b>6 376</b>	<b>8 818</b>	<b>6 376</b>	<b>8 818</b>
<i>Discontinued operations</i>				
Cash flow from operations	-174	-168	-841	-510
Cash flow from investing activities	-63	-2	-45	-21
Cash flow from financing activities	2	3	0	8
<i>Group Total</i>				
Cash flow from operations	3 230	4 195	11 952	12 032
Cash flow from investing activities	-1 246	-1 098	-3 910	-3 431
Cash flow from financing activities	-1 451	-2 287	-7 963	-6 313
<b>Group total cash flow</b>	<b>533</b>	<b>810</b>	<b>79</b>	<b>2 288</b>

For definitions see [home.sandvik](#)

## THE PARENT COMPANY

### INCOME STATEMENT

MSEK	Q1-4 2015	Q1-4 2016
Revenues	15 667	15 146
Cost of sales and services	-10 154	-8 418
<b>Gross profit</b>	<b>5 513</b>	<b>6 728</b>
Selling expenses	-551	-820
Administrative expenses	-2 864	-2 144
Research and development costs	-1 521	-1 371
Other operating income and expenses	-1 338	-1 671
<b>Operating profit</b>	<b>-761</b>	<b>722</b>
Income from shares in Group companies	9 346	202
Income from shares in associated companies	10	10
Interest income/expenses and similar items	-330	-518
<b>Profit after financial items</b>	<b>8 265</b>	<b>416</b>
Appropriations	-6	8
Income tax expense	-137	-240
<b>Profit for the period</b>	<b>8 122</b>	<b>184</b>

### BALANCE SHEET

MSEK	31 DEC 2015	31 DEC 2016
Intangible assets	20	161
Property, plant and equipment	7 725	7 610
Financial assets	47 139	47 076
Inventories	3 186	2 927
Current receivables	15 727	8 917
Cash and cash equivalents	1	1
<b>Total assets</b>	<b>73 798</b>	<b>66 692</b>
Total equity	31 997	29 402
Untaxed reserves	11	3
Provisions	748	674
Non-current interest-bearing liabilities	21 002	19 824
Non-current non-interest-bearing liabilities	59	316
Current interest-bearing liabilities	14 112	9 294
Current non-interest-bearing liabilities	5 869	7 179
<b>Total equity and liabilities</b>	<b>73 798</b>	<b>66 692</b>
Contingent liabilities	15 583	13 463
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	11 132	14 478
Investments in fixed assets	907	975

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



## MARKET OVERVIEW, THE GROUP

### ORDER INTAKE AND REVENUES PER MARKET AREA

MARKET AREA	ORDER INTAKE	CHANGE *		SHARE	REVENUES	CHANGE *	SHARE
	MSEK	%	% <sup>1)</sup>	%	MSEK	%	%
<b>THE GROUP</b>							
Europe	8 512	+1	+4	40	8 654	+1	38
North America	4 605	+15	+15	21	4 268	-6	20
South America	983	-25	-25	4	1 056	-23	5
Africa/Middle East	2 263	+15	+4	10	1 885	+6	9
Asia	4 478	+27	+27	20	4 751	+5	22
Australia	1 152	-10	-10	5	1 203	+10	6
<b>Total continuing operations</b>	<b>21 993</b>	<b>+8</b>	<b>+8</b>	<b>100</b>	<b>21 817</b>	<b>-0</b>	<b>100</b>
<b>Discontinued operations</b>	<b>718</b>	<b>-8</b>	<b>-8</b>	<b>-</b>	<b>718</b>	<b>-37</b>	<b>-</b>
<b>Group total</b>	<b>22 711</b>	<b>+7</b>	<b>+7</b>	<b>-</b>	<b>22 535</b>	<b>-2</b>	<b>-</b>
<b>SANDVIK MACHINING SOLUTIONS</b>							
Europe	4 786	+1	+1	55	4 744	+1	54
North America	1 740	-4	-4	20	1 767	-4	20
South America	182	-1	-1	2	176	-0	2
Africa/Middle East	87	+17	+17	1	84	-8	1
Asia	1 829	+15	+15	21	1 899	+10	22
Australia	64	+2	+2	1	64	+4	1
<b>Total</b>	<b>8 688</b>	<b>+3</b>	<b>+3</b>	<b>100</b>	<b>8 734</b>	<b>+1</b>	<b>100</b>
<b>SANDVIK MINING AND ROCK TECHNOLOGY</b>							
Europe	1 609	+18	+18	16	1 551	-12	19
North America	1 892	+48	+48	21	1 540	+8	18
South America	710	-29	-29	8	763	-27	9
Africa/Middle East	2 085	+16	+5	23	1 744	+8	21
Asia	1 787	+57	+57	20	1 709	+4	20
Australia	1 062	-10	-10	12	1 111	+11	13
<b>Total continuing operations</b>	<b>9 145</b>	<b>+19</b>	<b>+16</b>	<b>100</b>	<b>8 418</b>	<b>-1</b>	<b>100</b>
<b>Discontinued operations</b>	<b>718</b>	<b>-8</b>	<b>-8</b>	<b>-</b>	<b>718</b>	<b>-37</b>	<b>-</b>
<b>Sandvik Mining and Rock Technology total</b>	<b>9 862</b>	<b>+16</b>	<b>+14</b>	<b>-</b>	<b>9 136</b>	<b>-5</b>	<b>-</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>							
Europe	1 654	-7	+6	57	1 826	+19	55
North America	600	+0	+0	20	621	-38	18
South America	48	-44	-44	2	62	-27	2
Africa/Middle East	60	-25	-25	2	36	-24	2
Asia	567	+9	+9	19	808	-2	24
Australia	14	-9	-9	0	13	-31	0
<b>Total</b>	<b>2 943</b>	<b>-4</b>	<b>+3</b>	<b>100</b>	<b>3 366</b>	<b>-4</b>	<b>100</b>
<b>OTHER OPERATIONS</b>							
Europe	464	-7	-7	38	535	-8	41
North America	366	+17	+17	30	337	+21	26
South America	43	+14	+14	4	55	+12	4
Africa/Middle East	31	+26	+26	3	21	-29	2
Asia	295	+12	+12	24	334	+1	26
Australia	12	-31	-31	1	14	-10	1
<b>Total</b>	<b>1 211</b>	<b>+5</b>	<b>+5</b>	<b>100</b>	<b>1 296</b>	<b>+1</b>	<b>100</b>

\* At fixed exchange rates for comparable units compared with the year-earlier period

1) Excluding major orders

## THE GROUP

### ORDER INTAKE BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	CHANGE % % <sup>1)</sup>		Q1-4 2016
<i>Continuing operations</i>												
Sandvik Machining Solutions	8 940	8 705	8 099	8 116	33 860	8 304	8 320	7 776	8 688	+7	+3	33 088
Sandvik Mining and Rock Technology	8 580	8 757	7 676	7 322	32 335	7 266	7 539	7 936	9 145	+25	+19	31 886
Sandvik Materials Technology	3 725	3 054	2 847	2 999	12 625	3 488	2 753	2 851	2 943	-2	-4	12 036
Other operations	1 325	1 246	1 099	1 089	4 760	1 236	1 251	1 132	1 211	+11	+5	4 830
Group activities	4	4	5	5	17	5	6	5	6			21
<b>Continuing operations</b>	<b>22 574</b>	<b>21 766</b>	<b>19 726</b>	<b>19 531</b>	<b>83 597</b>	<b>20 299</b>	<b>19 869</b>	<b>19 700</b>	<b>21 993</b>	<b>+13</b>	<b>+8</b>	<b>81 861</b>
<b>Discontinued operations</b>	<b>592</b>	<b>977</b>	<b>466</b>	<b>745</b>	<b>2 781</b>	<b>1 162</b>	<b>273</b>	<b>219</b>	<b>718</b>	<b>-4</b>	<b>-8</b>	<b>2 372</b>
<b>Group total</b>	<b>23 167</b>	<b>22 743</b>	<b>20 192</b>	<b>20 275</b>	<b>86 378</b>	<b>21 461</b>	<b>20 142</b>	<b>19 919</b>	<b>22 711</b>	<b>+12</b>	<b>+7</b>	<b>84 233</b>

### REVENUES BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	CHANGE % % <sup>1)</sup>		Q1-4 2016
<i>Continuing operations</i>												
Sandvik Machining Solutions	8 737	8 661	8 159	8 253	33 809	8 025	8 235	7 859	8 734	+6	+1	32 852
Sandvik Mining and Rock Technology	8 227	8 561	8 270	8 073	33 131	7 344	7 540	7 791	8 418	+4	-1	31 093
Sandvik Materials Technology	3 712	3 639	3 161	3 398	13 909	3 231	3 389	2 945	3 366	-1	-4	12 931
Other operations	1 279	1 335	1 151	1 210	4 976	1 095	1 151	1 113	1 296	+7	+1	4 655
Group activities	5	4	4	6	20	5	6	7	3			22
<b>Continuing operations</b>	<b>21 960</b>	<b>22 200</b>	<b>20 745</b>	<b>20 940</b>	<b>85 845</b>	<b>19 700</b>	<b>20 321</b>	<b>19 715</b>	<b>21 817</b>	<b>+4</b>	<b>0</b>	<b>81 553</b>
<b>Discontinued operations</b>	<b>1 374</b>	<b>1 198</b>	<b>1 347</b>	<b>1 058</b>	<b>4 977</b>	<b>720</b>	<b>715</b>	<b>724</b>	<b>718</b>	<b>-32</b>	<b>-37</b>	<b>2 877</b>
<b>Group total</b>	<b>23 334</b>	<b>23 398</b>	<b>22 092</b>	<b>21 998</b>	<b>90 822</b>	<b>20 420</b>	<b>21 036</b>	<b>20 439</b>	<b>22 535</b>	<b>+2</b>	<b>-2</b>	<b>84 430</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	CHANGE %	Q1-4 2016
<i>Continuing operations</i>											
Sandvik Machining Solutions	1 226	1 781	1 481	1 017	5 504	1 652	1 785	1 650	1 883	+85	6 970
Sandvik Mining and Rock Technology	78	969	907	464	2 417	705	698	817	986	N/M	3 206
Sandvik Materials Technology	100	286	49	-427	8	216	297	197	404	N/M	1 115
Other operations	137	172	108	71	489	94	141	113	197	N/M	545
Group activities	-342	-231	-220	-355	-1 147	-254	-216	-154	-193	+46	-818
<b>Continuing operations</b>	<b>1 199</b>	<b>2 977</b>	<b>2 325</b>	<b>770</b>	<b>7 271</b>	<b>2 413</b>	<b>2 705</b>	<b>2 623</b>	<b>3 277</b>	<b>N/M</b>	<b>11 018</b>
<b>Discontinued operations</b>	<b>-147</b>	<b>-74</b>	<b>-1 004</b>	<b>16</b>	<b>-1 209</b>	<b>-54</b>	<b>-55</b>	<b>-1 012</b>	<b>-239</b>	<b>N/M</b>	<b>-1 361</b>
<b>Group total<sup>2)</sup></b>	<b>1 052</b>	<b>2 903</b>	<b>1 321</b>	<b>786</b>	<b>6 062</b>	<b>2 359</b>	<b>2 650</b>	<b>1 611</b>	<b>3 038</b>	<b>N/M</b>	<b>9 657</b>

### OPERATING MARGIN BY BUSINESS AREA

%	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1-4 2016
<i>Continuing operations</i>										
Sandvik Machining Solutions	14.0	20.6	18.1	12.3	16.3	20.6	21.7	21.0	21.6	21.2
Sandvik Mining and Rock Technology	0.9	11.3	11.0	5.7	7.3	9.6	9.3	10.5	11.7	10.3
Sandvik Materials Technology	2.7	7.9	1.5	-12.6	0.1	6.7	8.8	6.7	12.0	8.6
Other operations	10.7	12.9	9.4	5.9	9.8	8.6	12.3	10.2	15.2	11.7
<b>Continuing operations</b>	<b>5.5</b>	<b>13.4</b>	<b>11.2</b>	<b>3.7</b>	<b>8.5</b>	<b>12.2</b>	<b>13.3</b>	<b>13.3</b>	<b>15.0</b>	<b>13.5</b>
<b>Discontinued operations</b>	<b>-10.7</b>	<b>-6.2</b>	<b>-74.6</b>	<b>1.5</b>	<b>-24.3</b>	<b>-7.5</b>	<b>-7.8</b>	<b>-139.8</b>	<b>-33.4</b>	<b>-47.3</b>
<b>Group total</b>	<b>4.5</b>	<b>12.4</b>	<b>6.0</b>	<b>3.6</b>	<b>6.7</b>	<b>11.6</b>	<b>12.6</b>	<b>7.9</b>	<b>13.5</b>	<b>11.4</b>

1) Change compared with preceding year at fixed exchange rates for comparable units

2) Internal transactions had negligible effect on business area profits

N/M = non-meaningful

## THE GROUP

### ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	CHANGE Q4 %	Q1-4 2016
<i>Continuing operations</i>											
Sandvik Machining Solutions	1 906	1 781	1 481	1 647	6 814	1 652	1 785	1 650	1 883	+14	6 970
Sandvik Mining and Rock Technology	874	969	907	743	3 492	705	698	817	986	+33	3 206
Sandvik Materials Technology	365	286	49	118	818	216	297	197	404	N/M	1 115
Other operations	137	172	108	111	529	94	141	113	197	+77	545
Group activities	-305	-231	-220	-304	-1 060	-254	-216	-154	-193	+37	-818
<b>Continuing operations</b>	<b>2 977</b>	<b>2 977</b>	<b>2 325</b>	<b>2 315</b>	<b>10 593</b>	<b>2 413</b>	<b>2 705</b>	<b>2 623</b>	<b>3 277</b>	<b>+42</b>	<b>11 018</b>
<b>Discontinued operations</b>	<b>-43</b>	<b>-74</b>	<b>-6</b>	<b>16</b>	<b>-108</b>	<b>-54</b>	<b>-55</b>	<b>-1 012</b>	<b>-239</b>	<b>N/M</b>	<b>-1 361</b>
<b>Group total <sup>2)</sup></b>	<b>2 934</b>	<b>2 903</b>	<b>2 319</b>	<b>2 331</b>	<b>10 485</b>	<b>2 359</b>	<b>2 650</b>	<b>1 611</b>	<b>3 038</b>	<b>+30</b>	<b>9 657</b>

### ADJUSTED OPERATING MARGIN BY BUSINESS AREA

%	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1-4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1-4 2016
<i>Continuing operations</i>										
Sandvik Machining Solutions	21.8	20.6	18.1	20.0	20.2	20.6	21.7	21.0	21.6	21.2
Sandvik Mining and Rock Technology	10.6	11.3	11.0	9.2	10.5	9.6	9.3	10.5	11.7	10.3
Sandvik Materials Technology	9.8	7.9	1.5	3.5	5.9	6.7	8.8	6.7	12.0	8.6
Other operations	10.7	12.9	9.4	9.2	10.6	8.6	12.3	10.2	15.2	11.7
<b>Continuing operations</b>	<b>13.6</b>	<b>13.4</b>	<b>11.2</b>	<b>11.1</b>	<b>12.3</b>	<b>12.2</b>	<b>13.3</b>	<b>13.3</b>	<b>15.0</b>	<b>13.5</b>
<b>Discontinued operations</b>	<b>-3.1</b>	<b>-6.2</b>	<b>-0.5</b>	<b>1.5</b>	<b>-2.2</b>	<b>-7.5</b>	<b>-7.8</b>	<b>-139.8</b>	<b>-33.4</b>	<b>-47.3</b>
<b>Group total</b>	<b>12.6</b>	<b>12.4</b>	<b>10.5</b>	<b>10.6</b>	<b>11.5</b>	<b>11.6</b>	<b>12.6</b>	<b>7.9</b>	<b>13.5</b>	<b>11.4</b>

1) Change compared with preceding year at fixed exchange rates for comparable units

2) Internal transactions had negligible effect on business area profits

N/M = non-meaningful

## KEY FIGURES

	Q4 2015	Q4 2016	Q1-4 2016
<i>Continuing operations</i>			
Tax rate, %	167.0	26.6	27.0
Return on capital employed, % <sup>1)</sup>	4.3	17.1	14.7
Return on total equity, % <sup>1)</sup>	-2.1	22.5	19.1
Return on total capital, % <sup>1)</sup>	3.2	13.0	11.2
Shareholders' equity per share, SEK	27.1	31.2	31.2
Net debt/equity ratio	1.0	0.73	0.73
Net debt/EBITDA	2.95	2.12	2.12
Equity/assets ratio, %	34	38	38
Net working capital, % <sup>1)</sup>	27	25	27
Earnings per share, SEK <sup>2)</sup>	-0.12	1.68	5.48
EBITDA, MSEK	2 616	4 529	15 522
Cash flow from operations, MSEK	+3 404	+4 363	+12 542
Funds from operations (FFO), MSEK	1 974	3 557	11 457
Interest coverage ratio, %	358	763	622
Number of employees	44 663	42 908	42 908

	Q4 2015	Q4 2016	Q1-4 2016
<i>Group total</i>			
Tax rate, %	163.0	29.2	31.6
Return on capital employed, % <sup>1)</sup>	4.4	16.0	12.9
Return on total equity, % <sup>1)</sup>	-2.0	19.8	15.2
Return on total capital, % <sup>1)</sup>	3.2	12.0	9.7
Shareholders' equity per share, SEK	27.1	31.2	31.2
Net debt/equity ratio	1.00	0.73	0.73
Net debt/EBITDA	3.26	2.29	2.29
Equity/assets ratio, %	34	38	38
Net working capital, % <sup>1)</sup>	26	24	26
Earnings per share, SEK <sup>2)</sup>	-0.11	1.48	4.39
EBITDA, MSEK	2 633	4 279	14 372
Cash flow from operations, MSEK	+3 230	+4 195	+12 032
Funds from operations (FFO), MSEK	1 972	3 254	10 546
Interest coverage ratio, %	352	675	569
Number of employees	45 808	43 732	43 732
No. of shares outstanding at end of period ('000) <sup>3)</sup>	1 254 386	1 254 386	1 254 386
Average no. of shares ('000) <sup>3)</sup>	1 254 386	1 254 386	1 254 386

1) Quarter is quarterly annualized and yearly is based on four quarter average

2) Basic and diluted earnings per share

3) No dilution effect during the period

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

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

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

## DISCLAIMER STATEMENT

Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors, for example the effect of economic conditions, exchange-rate and interest-rate move-

ments, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

## DIVIDEND PROPOSAL FOR THE 2017 AGM

The Annual General Meeting will be held in Sandviken, Sweden, on 27 April 2017 at 17:00 CET. The Board of Directors proposes a dividend of 2.75 SEK per share (2.50), or a total of 3,450 million SEK (3,136) for 2016. The proposal corre-

sponds to 63% of Sandvik Group reported earnings per share. The proposed record date to receive dividends is 2 May 2017.

*Stockholm, 1 February 2017*  
**Sandvik Aktiebolag (publ)**

The Board of Directors

## AUDIT

The Company's Auditor has not carried out any review of the report for the fourth quarter of 2016.

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This information is information that Sandvik AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 08.00 CET on 1 February 2017.

Additional information may be obtained from Sandvik Investor Relations at tel +46 8 456 14 94 (Ann-Sofie Nordh), +46 8 456 11 94 (Anna Vilogorac) or by e-mailing [info.ir@sandvik.com](mailto:info.ir@sandvik.com).

A presentation and teleconference will be held on 1 February 2017 at 10:00 CET at the World Trade Center in Stockholm.

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Sandvik AB, Corp. Reg. No.: 556000-3468  
Box 510  
SE-101 30 Stockholm  
+46 8 456 11 00

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

### CALENDAR 2017:

20 March, preliminary	Publish annual report 2016
24 April	Report, first quarter 2017
27 April	Annual General Meeting, Sandviken Sweden
2 May	Proposed record day for dividend
17 July	Report, second quarter 2017
24 October	Report, third quarter 2017