

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 47,000 employees and its operations are global with sales in more than 130 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 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 www.corporategovernanceboard.se. In 2014, Sandvik applied the Code without deviating from any of its regulations.

OWNERSHIP STRUCTURE

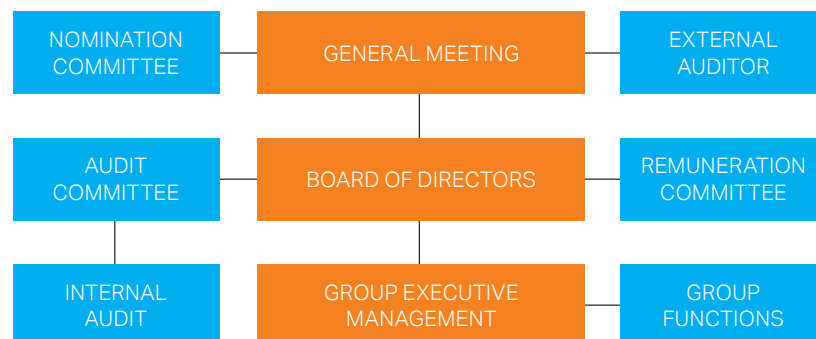
At 31 December 2014, Sandvik's share capital amounted to 1,505,263,107.60 SEK represented by 1,254,385,923 shares. Each share carries one vote at General Meetings of shareholders. According to the share register, Sandvik

had about 115,000 shareholders at 31 December 2014. AB Industrivärden was the largest owner with about 11.7% of the share capital. Of the total share capital at year-end, nearly 31% 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

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

- Four new members added to the Group Executive Management.
- Re-election of all Board members (except Fredrik Lundberg, who declined re-election) and the Chairman of the Board.
- New incentive program for senior executives and key employees adopted by the Annual General Meeting.
- Adoption of revised Code of Conduct, which will be launched during 2015.



Well-attended Annual General Meeting on 13 May 2014 at the Göransson Arena in Sandviken, Sweden.

example, the Annual Report, dividends, election of the Board and, where applicable, 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 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.

2014 ANNUAL GENERAL MEETING
Shareholders representing 55.15% of the share capital and votes attended the Annual General Meet-

ing held on 13 May 2014 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.
- Re-election of all Board members (with the exception of Fredrik Lundberg who had declined re-election) and the Chairman of the Board.
- Guidelines for remuneration of senior executives.
- A new long-term incentive program in the form of a performance share program for about 350 senior executives and key employees in the Group.

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

THE TEN LARGEST SHAREHOLDER GROUPS AT 31 DECEMBER 2014, %

AB Industrivärden	11.7
Alecta Pension Insurance	4.8
SSB CL Omnibus*	4.0
Handelsbanken Pension	3.8
Swedbank Robur Funds	3.2
L E Lundbergföretagen AB	2.4
AMF – Insurance and Funds	2.0
Nordea Investment Funds	1.9
Göranssonska Foundations	1.9
Pensionskassan SHB, försäkringsförening	1.5

** Shares held in trust.*

2015 ANNUAL GENERAL MEETING

The next Annual General Meeting will be held on 7 May 2015 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, election of the Board of Directors and the Chairman of the Board, election of auditors (where necessary) and fees for adoption at the General Meeting. The Annual General Meeting has adopted an instruction for the Nomination Committee, 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 2015 AGM

For the 2015 Annual General Meeting, the Nomination Committee

consists of Anders Nyberg, Chairman (Industrivärden), Håkan Sandberg (Handelsbanken AB, Handelsbanken's Pension Foundation and Handelsbanken's Pension Fund), Kaj Thorén (Alecta), Tomas Hedberg (Swedbank Robur Funds) and Anders Nyrén (Sandvik's Chairman of the Board). Up to the date of the Annual General Meeting, the Nomination Committee will have met on at least four occasions. Through Sandvik's Chairman of the Board, the Nomination Committee has received information concerning 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.

NOMINATION COMMITTEE'S TASKS AHEAD OF THE 2015 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 to the auditor.
- If deemed necessary, proposal for changes in the Nomination Committee's instruction concerning the procedure for appointment of the Nomination Committee for the forthcoming Annual General Meeting and its assignment.

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 finan-

COMPOSITION OF THE BOARD SINCE 2014 ANNUAL GENERAL MEETING

NAME	FUNCTION	INDEPENDENT IN ACC. WITH THE CODE	SHAREHOLDING, NUMBER ³⁾ 31 DEC 2014	ELECTED	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Thomas Andersson	Deputy*		612	2012		
Alicia Espinosa	Deputy*		7,848	2010		
Olof Faxander	Member	No ¹⁾	81,874	2011		
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		
Hanne de Mora	Member	Yes	16,000	2006	Chairman	
Anders Nyrén	Chairman	No ²⁾	10,000	2002	Member	Chairman
Simon Thompson	Member	Yes	0	2008	Member	
Lars Westerberg	Member	Yes	12,000	2010		Member

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

1) Not independent in relation to the company and its executive management.

2) Not independent in relation to major shareholders in the company

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

cial 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

Sandvik's Board comprises 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, Olof Faxander, Jürgen Geissinger, Johan Karlström, Hanne de Mora, Anders Nyrén, Simon Thompson and Lars Westerberg were re-elected at the 2014 Annual General Meeting. Anders Nyrén was re-elected Chairman of the Board. Fredrik Lundberg had declined re-election. The trade unions appointed Tomas Kärnström and Jan Kjellgren as Board members and Alicia Espinosa and Thomas Andersson as deputies. Sandvik's General Counsel (Bo Severin up until 30 September 2014 and thereafter Åsa Thunman) served as secretary of the Board, and the Remuneration and Audit Committees.

The Board members are presented in more detail on pages 126–127.

INDEPENDENCE

Anders Nyrén is not regarded as independent in relation to major shareholders in the company and Olof Faxander is not regarded as independent in relation to the company and its executive management. The other five members elected by the General Meeting are all 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 2014

During the year, the Board held ten 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, succession planning and environment, health and safety, and issues concerning investments and the review of previously made investments, as well as acquisitions, such as the acquisition of Varel International Energy Services, Inc., and divestments. The Remuneration and Audit Committees submitted reports from their respective meetings. In the autumn of 2014, the Board traveled to the US, which included visits to several of Sandvik's production facilities and the Aerospace Application

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2014

MEMBER	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
<i>Total number of meetings</i>	10	5	4
Thomas Andersson	10		
Alicia Espinosa	8		
Olof Faxander	10		
Jürgen M Geissinger	9		
Johan Karlström	10		4
Jan Kjellgren	10		
Tomas Kärnström	10		
Fredrik Lundberg ¹⁾	3		
Hanne de Mora	10	5	
Anders Nyrén	10	5	4
Simon Thompson	10	5	
Lars Westerberg	9		4

¹⁾ Resigned as Board member at the Annual General Meeting on 13 May 2014.

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.
- 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.

Center in the new Sandvik facility in Fair Lawn, as well as a visit to Rolls-Royce's Crosspointe facility.

REMUNERATION OF THE BOARD

As resolved at the 2014 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. 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. The evaluations, which are led by the Chairman of the Board, are performed

individually and the results are discussed in a plenary meeting. The Chairman of the Board presents 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

During 2014, the members of the Remuneration Committee were the Chairman of the Board Anders Nyrén (Chairman of the Committee), Johan Karlström and Lars Westberg. According to the instructions for the Remuneration Committee, the Committee is to undertake the tasks 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 of and terms of employment for Sand-

vik AB's President. The President decides on the remuneration to be paid to the other senior executives following consultation with the Remuneration Committee. For additional information, see Note 3.5.

During 2014, the Remuneration Committee held four meetings.

AUDIT COMMITTEE

During 2014, the members of the Audit Committee were Hanne de Mora (Chairman of the Committee), Anders Nyrén and Simon Thompson. 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.

In 2014, 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 2011 Annual General Meeting, the audit firm KPMG AB was re-elected auditor of Sandvik AB for the period until the 2015 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 2014, the Group Executive Management comprised Olof Faxander, President and CEO; Mats Backman, Executive Vice President and CFO; Gary Hughes (until 18 May 2014), President of Sandvik Mining; Scot Smith (from 19 May 2014), President of Sandvik Mining; Jonas Gustavsson, President of Sandvik Machining Solutions; Petra Einarsson, President of Sandvik Materials Technology; Dinggui Gao, President of Sandvik Construction; Tomas Nordahl (until 31 December 2014), Executive Vice President and Head of IT, sourcing and strategy and President of Sandvik Venture; Bo Severin (until 30 September 2014), Executive Vice President and General Counsel; Åsa Thunman (from 1 October 2014), Executive Vice President and General Counsel; Anna Vikström Persson, Executive Vice President and Head of Human Resources; and Jessica Alm, Executive Vice President Group Communications. In April 2014, Zhiqiang (ZZ) Zhang, Executive Vice President and Head of Emerging Markets, and Olle Wijk, Executive Vice President and Head of Group R&D (previously members of the Extended Group Executive Management) were made members of the Group Executive Management. Jim Nixon was appointed President of Sandvik Venture, and thereby also a member of the Group Executive Management, as of 1 January 2015. The President and other members of the Group Executive Management are presented on pages 128–129.

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, HR and IT, strategy and sourcing. 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* 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 SUSTAINABILITY ACTIVITIES

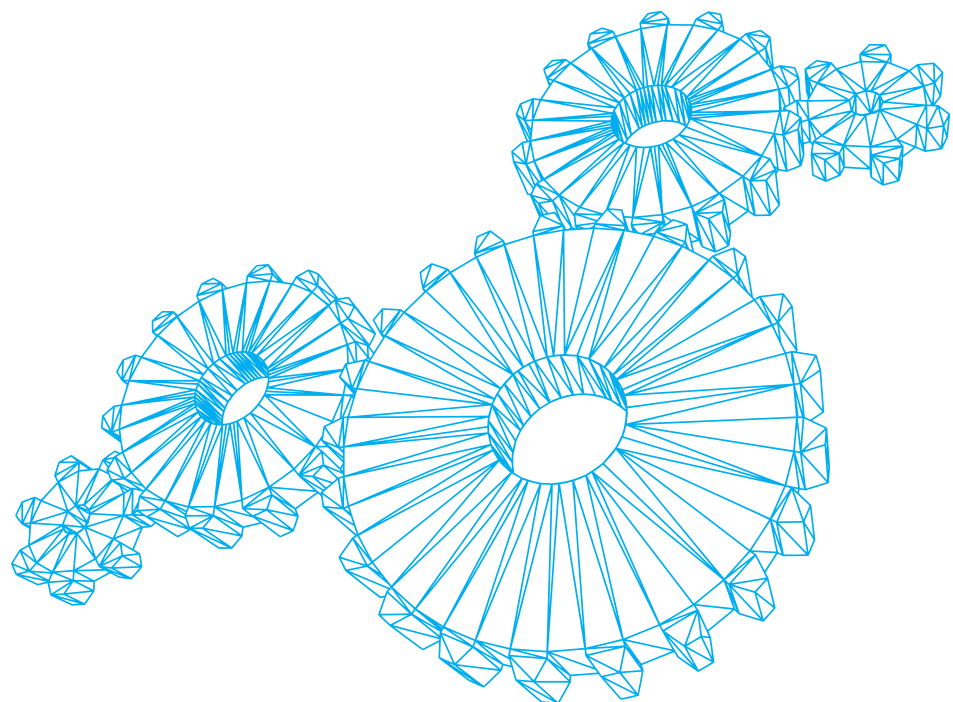
With Sandvik's Sustainable Business strategy and Code of Conduct as the basis, risks and opportunities are analyzed. Objectives and targets are set to address the risks identified by the Group and to efficiently leverage the opportunities available.

The Board adopts the Group's Code of Conduct and the Group Executive Management establishes objectives and performance indicators for sustainability activities. At the end of 2014, the Board adopted a revised Code of Conduct, which will be launched at the beginning of 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 and safety, corruption, human rights, working conditions and supplier responsibility) in its operations, and specific organizations are appointed in each business area to

coordinate issues and support the local management teams.

At Group level, the Head of Sustainable Business leads a sustainability coordination team comprising representatives from various functions and business areas. The team holds regular meetings during which such activities as coordination, development of synergies, and drafting of policy documents and action programs are carried out. Equivalent coordination teams are established in India, China, Mexico, South Africa and Brazil.

The various functions, such as purchasing, risk management, HR and EHS (environment, health and safety), are responsible for their respective areas, preparing policies and standards that are to be introduced in the organization. There are also a number of councils, committees and boards at Group level whose job is to coordinate the work of the business areas and draft joint policies, targets and key performance indicators for presentation to the Group Executive Management.



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 Poli-

cies 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 and 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 a key body in the monitoring of financial reporting and various aspects thereof.

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 a standard examination of the annual accounts and the Annual Report.

INTERNAL AUDIT

The Internal Audit staff 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. In functional terms, the head of Internal Audit reports to Sandvik's CFO.

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.

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 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37–124.

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 2014 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 2014 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 2014.

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, 6 March 2015

KPMG AB

George Pettersson
Authorized Public Accountant