

INTERIM REPORT

SECOND QUARTER 2017



SUMMARY

STRONG MOMENTUM

ORDER INTAKE +17%

REVENUES +9%

POSITIVE DEVELOPMENT IN ALL BUSINESS AREAS AND REGIONS

EARNINGS GROWTH AND MARGIN IMPROVEMENT

ALSO EXCLUDING POSITIVE IMPACT FROM FX

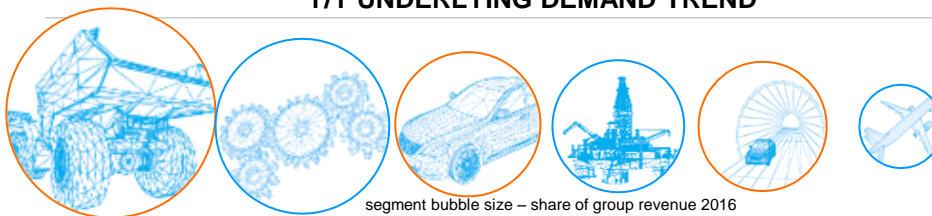
IMPORTANT STEPS TOWARDS PORTFOLIO CONSOLIDATION

- MINING SYSTEMS
 - SPS
 - NEW ANNOUNCEMENT: WIRE
-



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



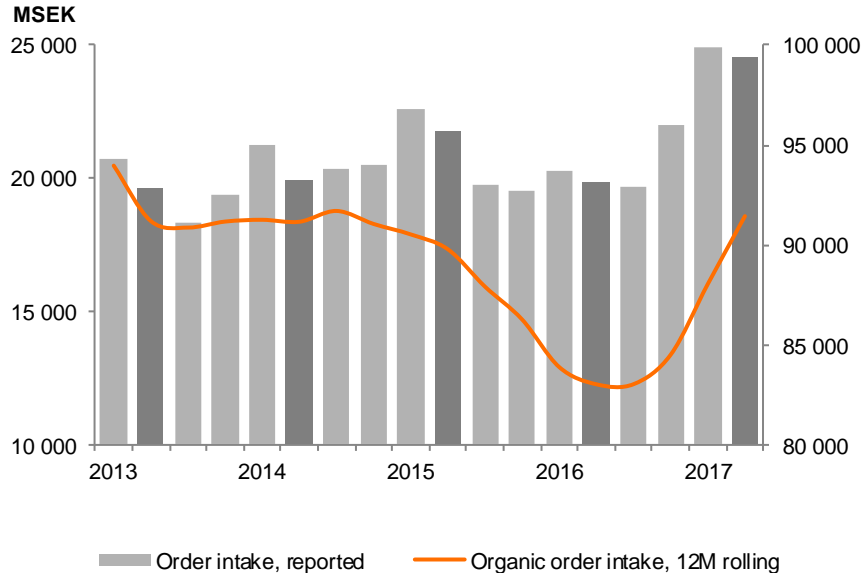
segment bubble size – share of group revenue 2016

	% of group revenue FY16	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Q/Q underlying demand trend
EUROPE	40%	+5%	↗	↗	↗	→	↗	→	↗
NORTH AMERICA	20%	+40%	↗	↗	→	↗	→	↗	→
ASIA	20%	+4%	↗	↗	↗	→	↗	→	→
AFRICA/MIDDLE EAST	9%	+35%	↗	↗					→
SOUTH AMERICA	5%	+17%	↗						→
AUSTRALIA	6%	+42%	↗						↗

ORDER INTAKE

STRONG ORDER GROWTH; 12% EXCL. MAJOR ORDERS

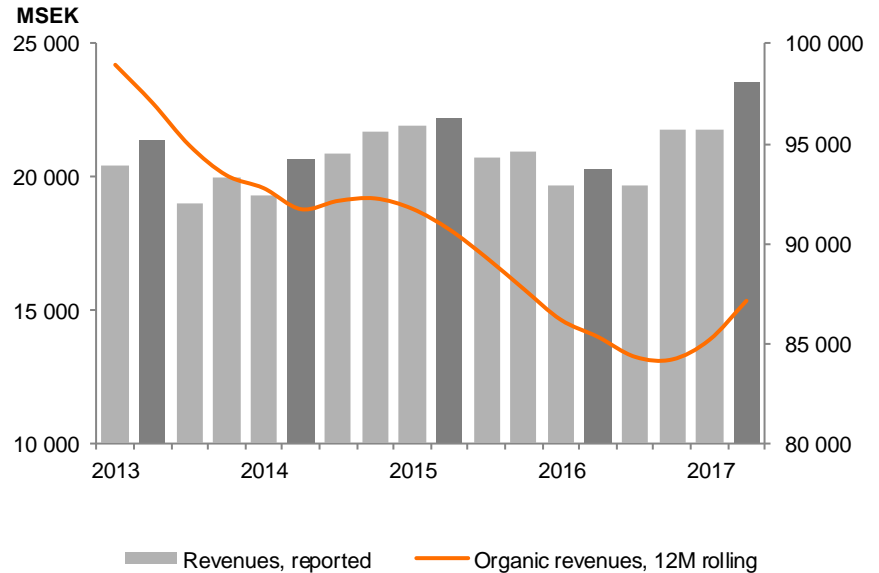
REPORTED P/V
24 533 **17%**



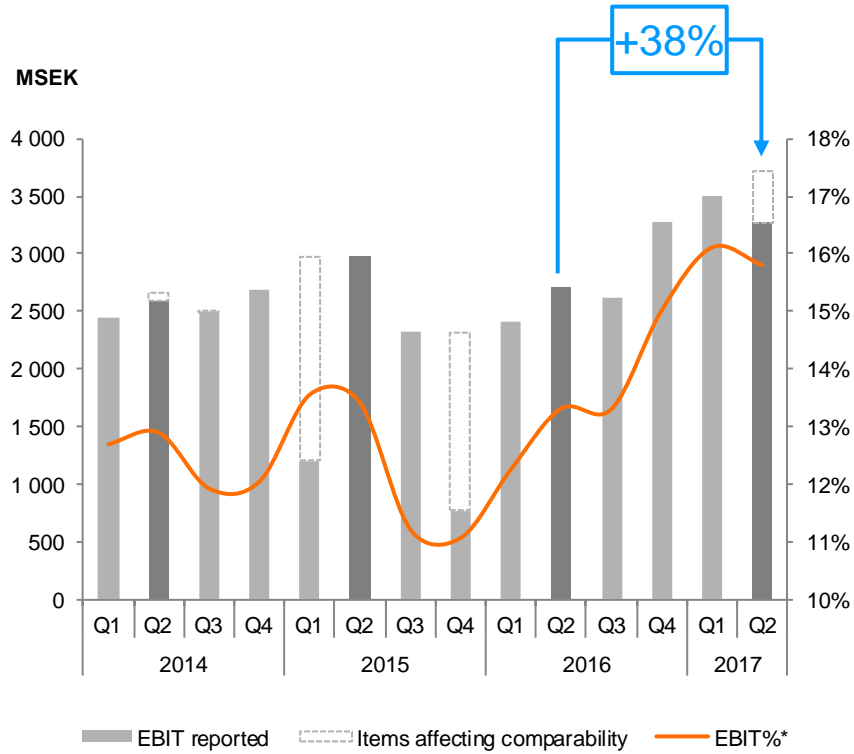
REVENUES

GROWTH IN ALL BUSINESS AREAS AND MAJOR REGIONS

REPORTED P/V
23 553 **9%**



EBIT DEVELOPMENT



- 30% EBIT GROWTH EXCLUDING FX AND METAL
- HIGHEST EARNINGS IN FIVE YEARS
- SUPPORTED BY SIGNIFICANT REVENUE GROWTH AND SAVINGS

*Adjusted for items affecting comparability

SANDVIK MACHINING SOLUTIONS

STRONG UNDERLYING GROWTH

- Negative working day effect of -3%
- Larger orders PBT +1%
- Positive development in all major regions
- Increased activity in automotive, general engineering and energy

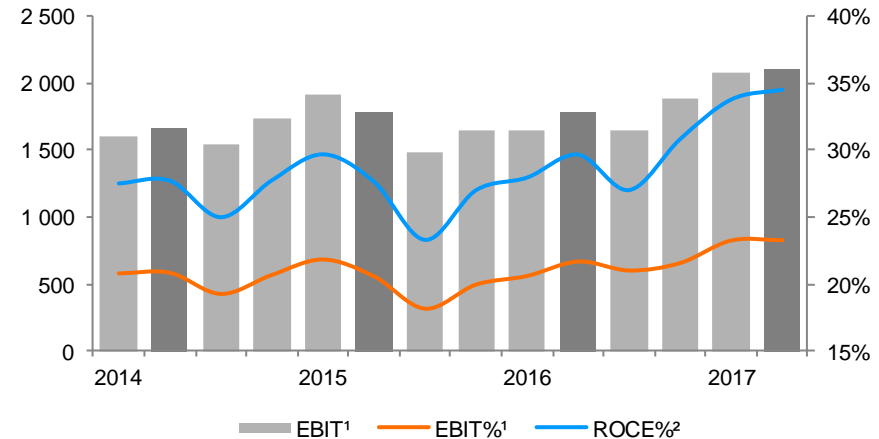
EARNINGS AND MARGIN IMPROVEMENT

- 15% earnings growth excluding positive FX
- Support from revenue growth and structural efficiency measures

MSEK	Q2 2016	Q2 2017	CHANGE
ORDER INTAKE	8 320	9 312	+6%*
REVENUES	8 235	9 071	+5%*
OPERATING PROFIT	1 785	2 110	+18%
% OF REVENUES	21.7%	23.3%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



SANDVIK MINING AND ROCK TECHNOLOGY

STRONG ORDER INTAKE

- Strong development in replacement equipment
- Strong growth in aftermarket business
- Gold, silver and zinc strongest commodities, signs of improvement for copper

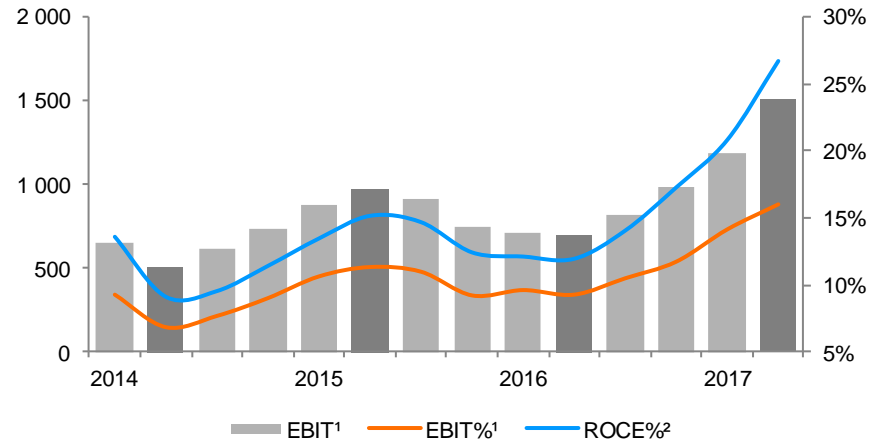
SIGNIFICANT EARNINGS AND MARGIN GROWTH

- Earnings primarily supported by significant revenue growth
- Previous year period impacted by some merger activities (Sandvik Mining and Sandvik Construction)
- Highest profit and margin in five years

MSEK	Q2 2016	Q2 2017	CHANGE
ORDER INTAKE	7 539	9 949	+23%*
REVENUES	7 540	9 450	+17%*
OPERATING PROFIT	698	1 512	n/a
% OF REVENUES	9.3%	16.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MATERIALS TECHNOLOGY

STABLE ALBEIT COMPETITIVE ENVIRONMENT

- Stable underlying order development ~0%
 - Alloy surcharges impacted order intake by +6%
 - Large orders by +34%
- Energy segment stabilizing
- Increased competition for standardized products

MIX DETERIORATION IMPACT OPERATING PROFIT

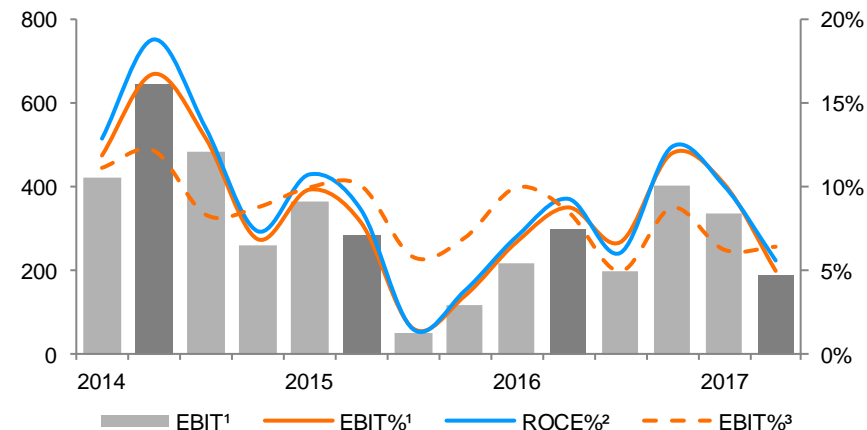
- Underlying revenues +2% excl. alloy surcharges
- Unfavorable mix for core- and standard

PORTFOLIO ADJUSTMENT - WIRE

MSEK	Q2 2016	Q2 2017	CHANGE
ORDER INTAKE	2 753	3 985	+40%*
REVENUES	3 389	3 755	+7%*
ADJ. OP. PROFIT	297	187	-37%
<i>% OF REVENUES¹</i>	8.8%	5.0%	
<i>UNDERLYING MARGIN³</i>	8.5%	6.4%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON

CFO



FINANCIAL SUMMARY Q2

GROWTH, %

	ORDER REVENUES INTAKE	
ORGANIC:	+17	+9
CURRENCY:	+6	+6
STRUCTURE:	0	0
TOTAL	+23	+16

MSEK	Q2 2016	Q2 2017	CHANGE %
ORDER INTAKE	19 869	24 533	+17 ¹
REVENUES	20 321	23 553	+9 ¹
ADJUSTED OPERATING PROFIT ²	2 705	3 721	+38
<i>% OF REVENUES</i>	13.3	15.8	
NWC % ³	28.1	23.3	
CASH FLOW ⁴	2 067	2 602	+26
ROCE % ³	14.6	19.3	
EPS CONT. OPS., SEK	1.35	1.75	+30
EPS GROUP TOTAL, SEK	1.31	1.76	+35

¹ At fixed exchange rates for comparable units

² Profit adjusted for items affecting comparability of -450 million SEK in Q2 2017

³ Quarterly calculation i.e. annualized adj. EBIT or revenues and 1Q average CE or NWC

⁴ Cash flow before acquisitions and disposals, financial items and taxes

BRIDGE ANALYSIS

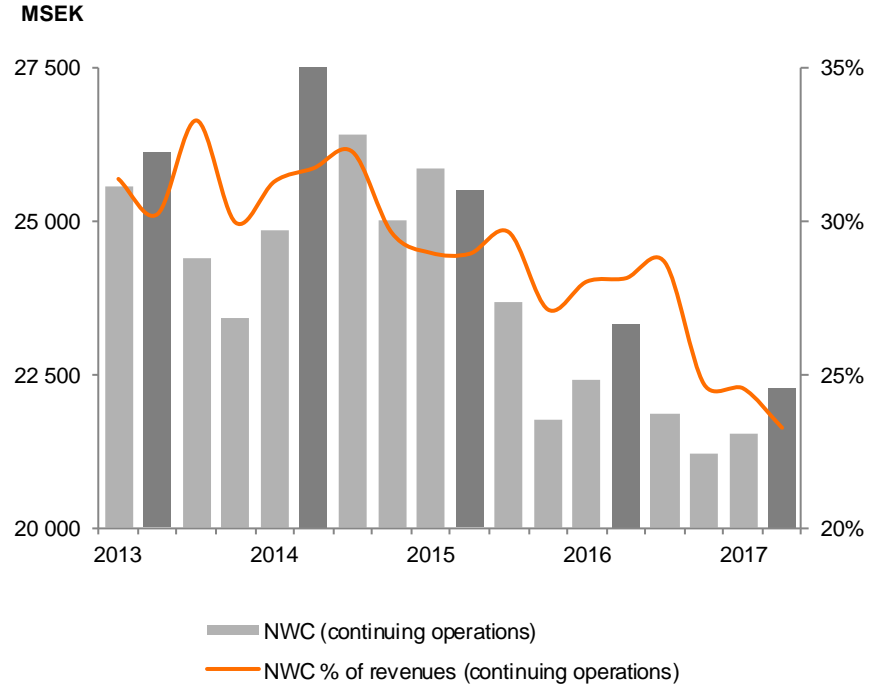
SANDVIK GROUP

MSEK	Q2 2016	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2017
REVENUES	20 321	1 738	1 312	182	23 553
ADJUSTED EBIT	2 705	815	264	-63	3 721
ADJUSTED EBIT MARGIN	13.3%	47%	-	-	15.8%
MARGIN ACCRETION / DILUTION		+2.7%	+0.2%	-0.4%	

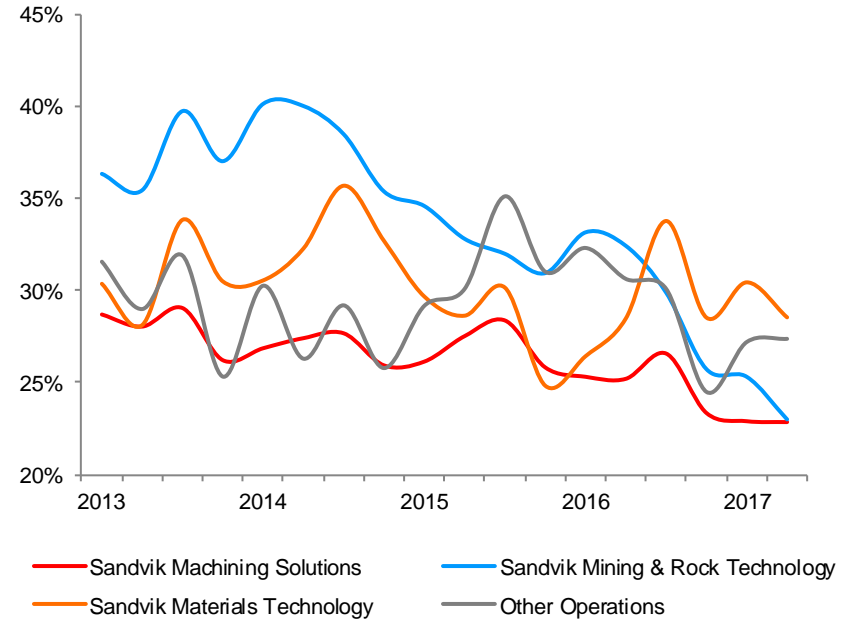
* Includes metal price effects within Sandvik Materials Technology of +177 MSEK in alloy surcharges on revenues and -63 MSEK in metal price effect on EBIT (+9 Q2 2016 vs. -54 Q2 2017). Structure +5 topline for SMS, 0 on EBIT.

NET WORKING CAPITAL

RATIO ON RECORD-LOW LEVEL

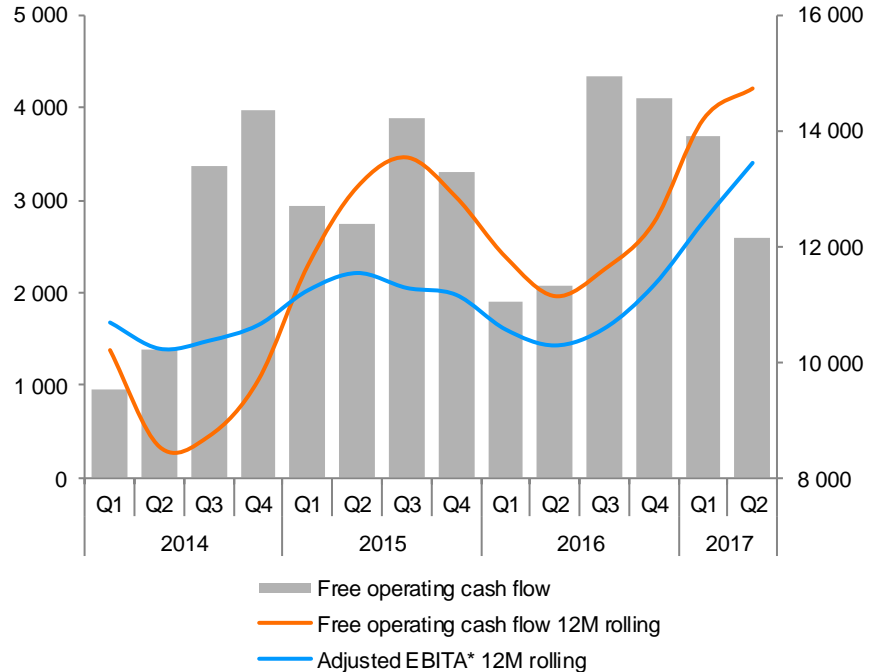


RELATIVE NWC BY BA



FREE OPERATING CASH FLOW

MSEK



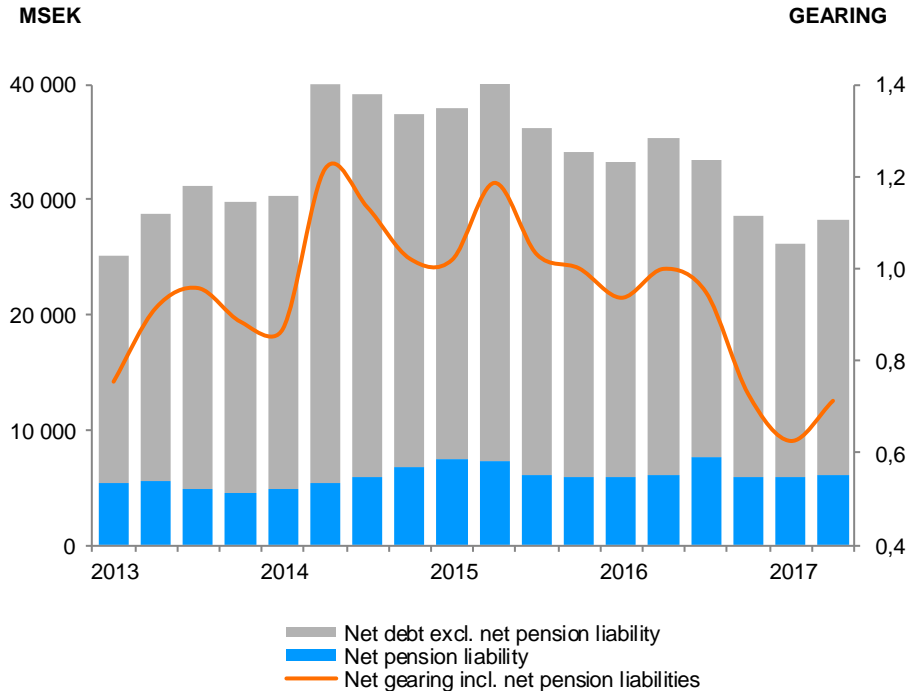
MSEK

MSEK	Q2 2016	Q2 2017	Δ
EBITDA + non cash	3 441	4 813	+1 372
NWC change	-413	-1 267	-854
Capex*	-961	-944	+17
FOCF**	2 067	2 602	+535

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

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

FINANCIAL NET DEBT



- NET DEBT LOWERED BY -20% Y/Y TO 28 BILLION SEK
- NET GEARING 0.71
 - IN LINE WITH TARGET OF <0.8
 - INCLUDING DIVIDEND PAYMENT

OUTCOME AND GUIDANCE

Q2 2017

Underlying currency effect (MSEK):	+409	(+400)
Total currency effect (MSEK):	+264	
Metal price effect (MSEK):	-54	(~0)

Q3 2017

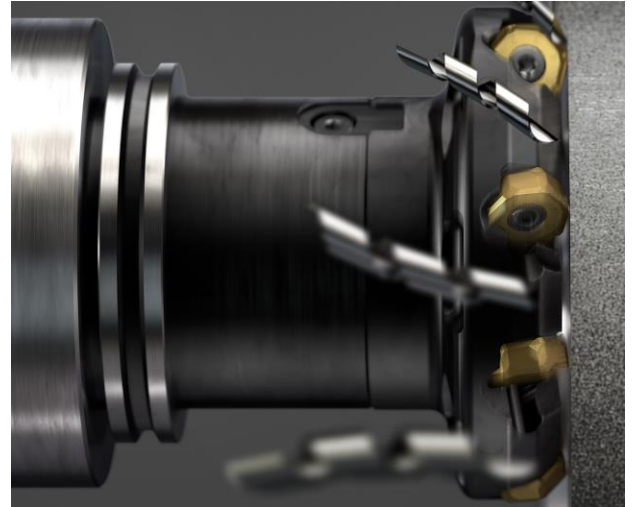
Underlying currency effect (MSEK):	+0*	
Metal price effect (MSEK):	-100**	

FULL YEAR 2017

Capex (BSEK):	~3.9	(H1: 1.5)
Net financial items (BSEK):	-1.4 to -1.5	(H1: -0.6)
Tax rate (%):	26-28	(H1: 27.5)

*Based on currency rates end of June 2017

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



MINING SYSTEMS EXIT

SIGNED DISPOSAL
AGREEMENT WITH
FLSMIDTH

Mining-related projects

SIGNED
SUBCONTRACTOR
AGREEMENT WITH
FLSMIDTH

Non-mining related projects
+ mining projects close to
finalization

~80%

SIGNED WITH NEPEAN CONVEYORS

Conveyor components

~20%

Earlier announced charge of -847 MSEK remains unchanged



SUMMARY

REVENUE GENERATION ON BACK OF RECENT STRONG ORDER INTAKE

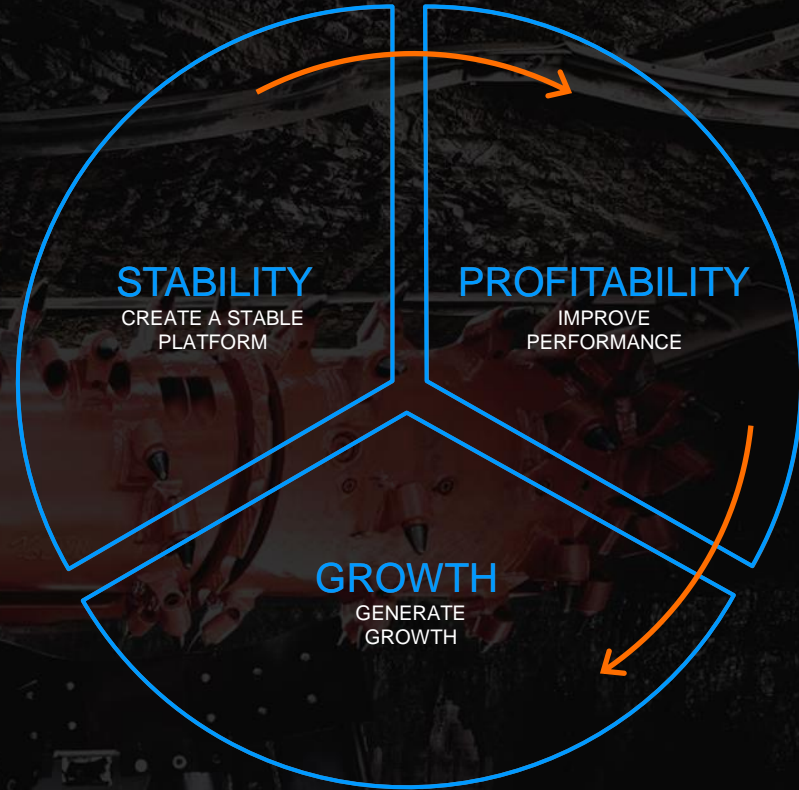
REVENUE GROWTH +9%

POSITIVE DEVELOPMENT IN ALL BUSINESS AREAS AND MAJOR REGIONS

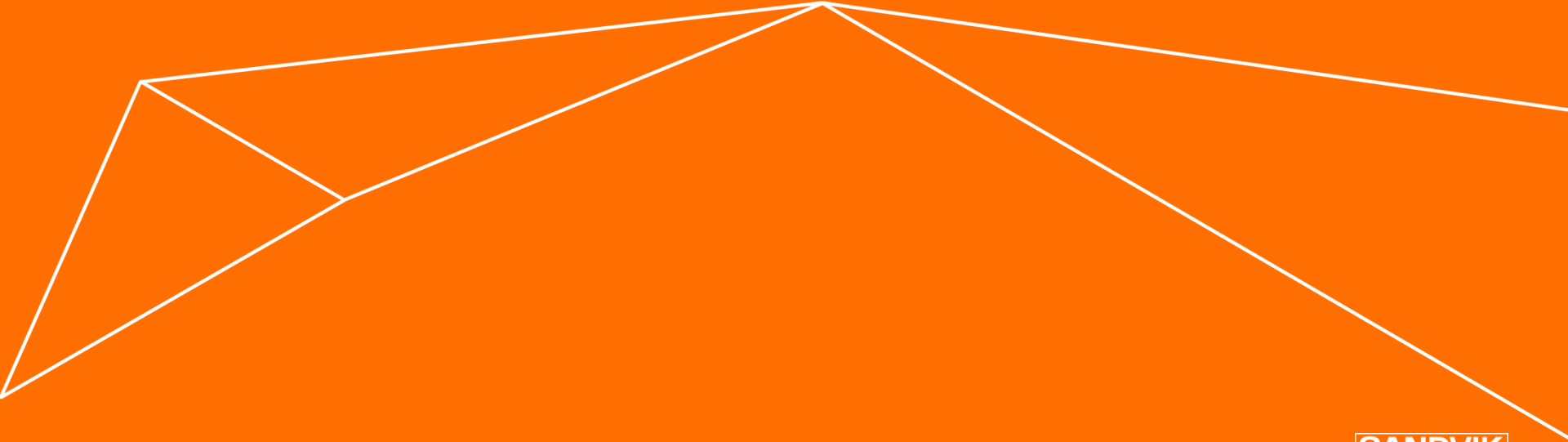
IMPROVED PERFORMANCE

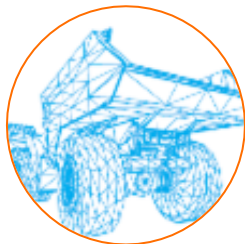
EARNINGS GROWTH AND MARGIN IMPROVEMENT ALSO WHEN EXCLUDING POSITIVE IMPACT FROM FX

PORTFOLIO CONSOLIDATION



BACK-UP SLIDES

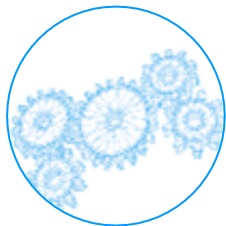




MINING
(27%)



ENERGY
(12%)



**GENERAL
ENGINEERING**
(23%)



CONSTRUCTION
(12%)



AUTOMOTIVE
(14%)



AEROSPACE
(6%)

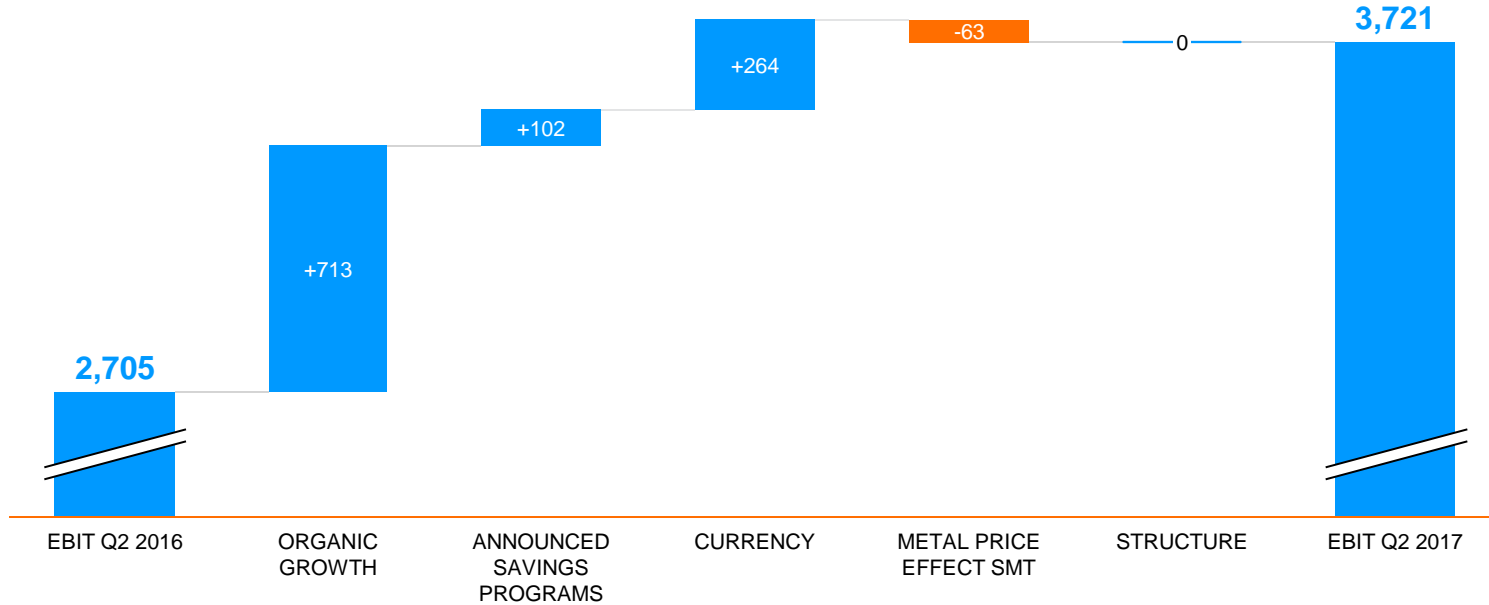
END-CUSTOMER SEGMENTS

(% of group revenues 2016 excl. Mining systems; Other e.g. consumer goods, electronics, chemical and miscellaneous was 6%)

PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

+47%



ADJUSTED
MARGIN

13.3%

15.8%





BRIDGE ANALYSIS

MSEK	Q2 2016	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2017
MACHINING SOLUTIONS					
REVENUES	8 235	378	453	5	9 071
EBIT	1 785	276	49	0	2 110
EBIT MARGIN	21.7%	+73%	-	-	23.3%
MINING AND ROCK TECHNOLOGY					
REVENUES	7 540	1 251	659	-	9 450
EBIT	698	622	192	-	1 512
EBIT MARGIN	9.3%	50%	-	-	16.0%
MATERIALS TECHNOLOGY					
REVENUES	3 389	62	127	177	3 755
ADJUSTED EBIT	297	-88	41	-63	187
ADJUSTED EBIT MARGIN	8.8%	n/a	-	-	5.0%

* Includes metal price effects in SMT, bottom line: +9 in Q2 2016 vs. -54 in Q2 2017, alloy surcharges topline: +177MSEK. Structure SMS: topline: 5MSEK and bottom line: 0

CREATING A LEANER COMPANY

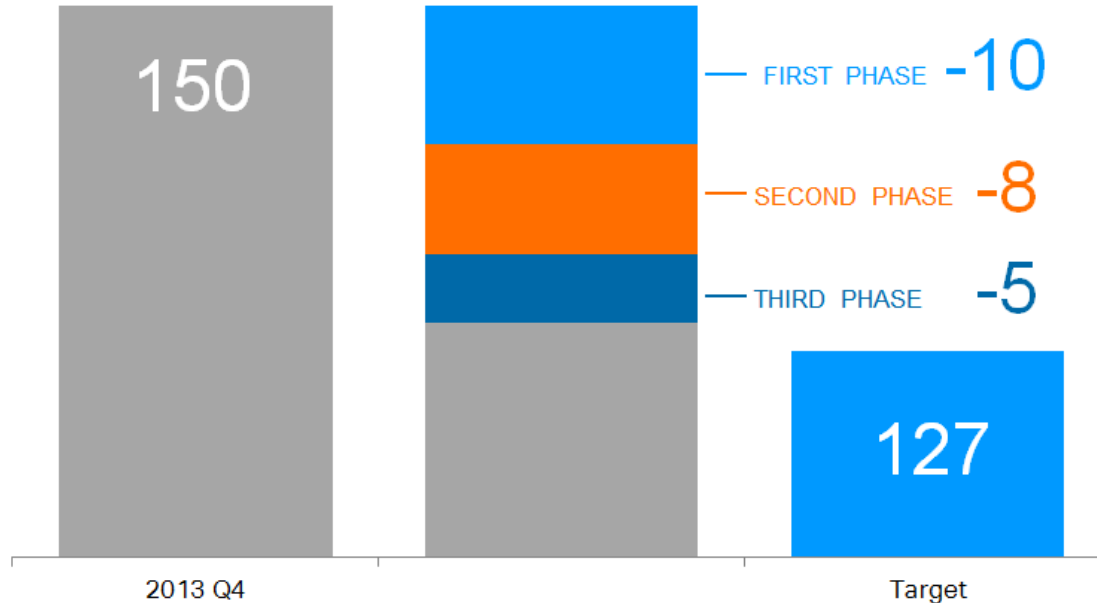
SAVINGS ANNUAL RUN-RATE (MSEK) VS. LAST YEAR AND TOTAL

	 SANDVIK MACHINING SOLUTIONS	 SANDVIK MINING AND ROCK TECHNOLOGY	 SANDVIK MATERIALS TECHNOLOGY	GROUP ACTIVITIES	TOTAL ANNUAL RUN-RATE VS. LAST YEAR	 TARGET 2.1 BSEK SAVINGS ANNUAL RUN-RATE
SUPPLY CHAIN OPTIMIZATION	213	0	26	0	239*	
ADJUST OF COST BASE/ RIGHT SIZING	157	0	5	0	162	711 (762)
TOTAL	370	0	31	0	401*	1 875 (2 095)

*Other operations contributed by 0 MSEK on annual run-rate compared with previous year to the supply chain optimization program

20 PRODUCTION UNITS CLOSED END OF Q2

SUPPLY CHAIN OPTIMIZATION PROGRAM CONTINUING OPERATIONS



FIRST PHASE

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

SECOND PHASE

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

THIRD PHASE

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





OTHER OPERATIONS

NON-STRATEGIC ASSETS

SIGNED CONTRACT FOR PROCESS SYSTEMS DISPOSAL

- Expected closure no later than Q1 2018

STRONG UNDERLYING DEMAND

- Underlying demand developed positively for both Hyperion and Process Systems
- Some timing issues for Process Systems

EARNINGS IMPACTED BY TRANSACTION RELATED COSTS

- Earnings growth off-set by about -40MSEK in transaction related costs
- Underlying margin at 12.8%





SHARE OF
REVENUES 2016

6%

OTHER OPERATIONS

NON-STRATEGIC ASSETS

ORDER INTAKE

1 287

MSEK

REVENUES

1 276

MSEK

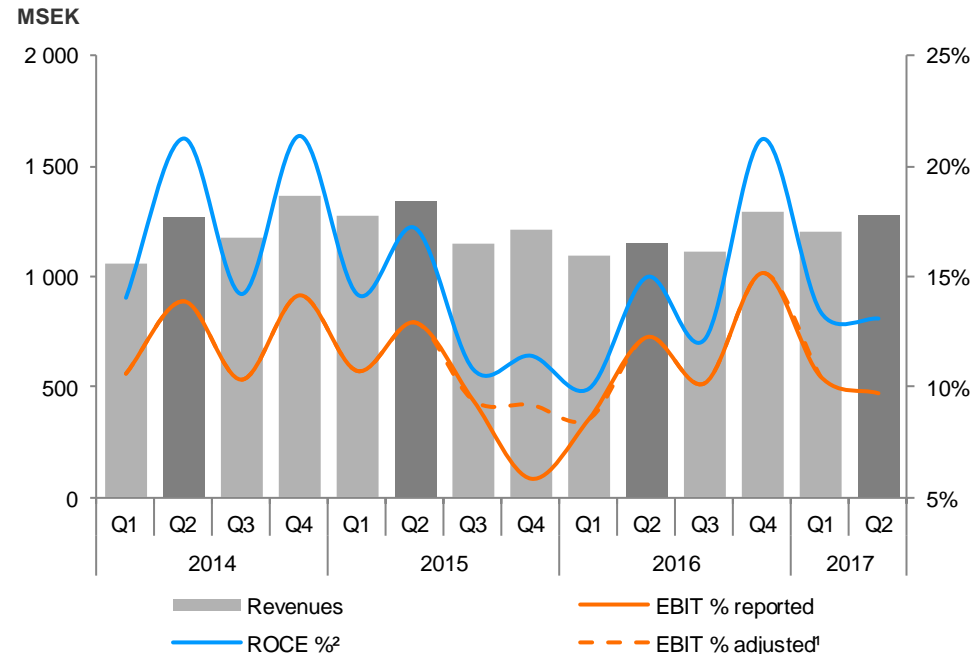
EBIT

124

MSEK

ROCE

13.1%

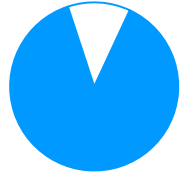


¹Adjusted for items affecting comparability

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

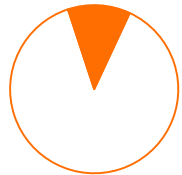


LOAN AND DURATION PROFILE



LONG TERM
88%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	4,952	3 years
Fin institutions, EIB, NIB	1,728	6 years
Swedish MTN	5,928	4 years
European MTN	10,620	9 years
Bank loans	2,901	2 years
Share swap	-	-



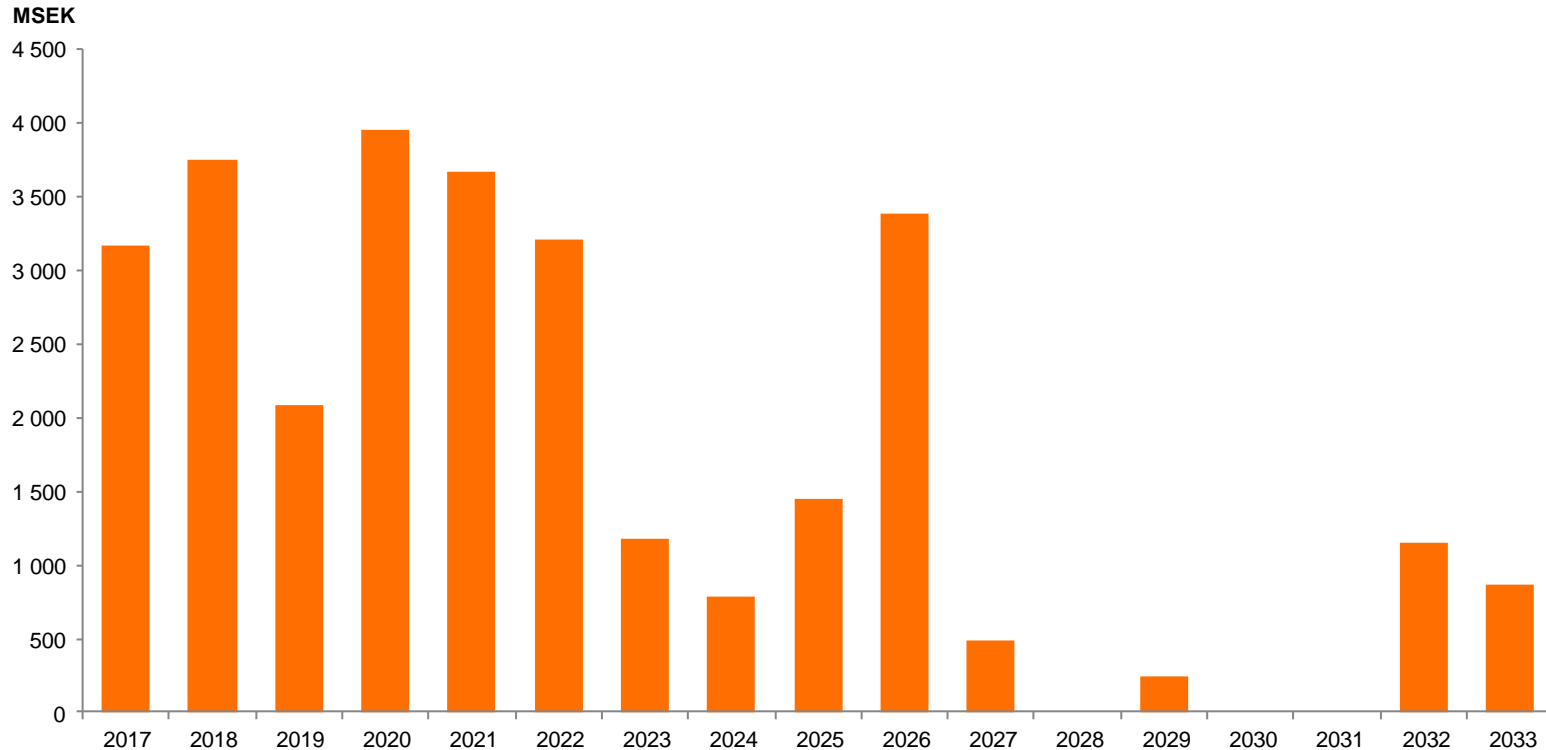
SHORT TERM
12%

US Private Placement	937	4 months
Fin institutions, EIB, NIB	346	4 months
Swedish MTN	2,092	2 months
Bank loans	93	1 month
Share swap	85	1 month

Cash position **7,451 MSEK**
Revolving Credit facilities **9,100 MSEK**

TOTAL	29,681	5 years
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LOAN MATURITY PROFILE



GUIDANCE

CAPEX

Estimated at about 3.9 BSEK for 2017

CURRENCY EFFECTS

Given currency rates at end of June 2017 the effect on operating profit from transaction and translation would be +0 MSEK for Q3 2017

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of June 2017, it is estimated that effect on operating profit in Q3 2017 will be about -100 MSEK

NET FINANCIAL ITEMS

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

TAX RATE

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

An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, set against a black background. The lines are thin and create a sense of depth and movement.

DISCLAIMER STATEMENT

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