

INTERIM REPORT

THIRD QUARTER 2016



SUMMARY

ORGANIC ORDER GROWTH STABLE

FIRST QUARTER IN TWO YEARS WITHOUT NEGATIVE GROWTH

EARNINGS GROWTH, MARGIN IMPROVEMENT AND RECORD HIGH Q3 CASH FLOW

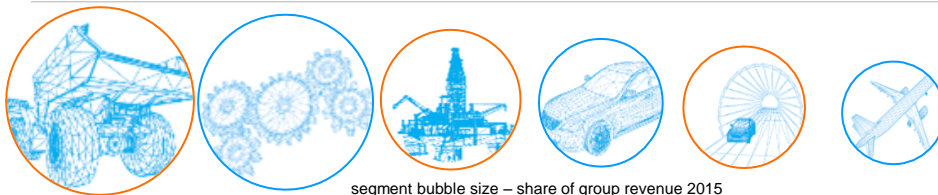
IMPORTANT PRODUCT LAUNCHES

- DIGITAL TOOLS SANDVIK MACHINING SOLUTIONS
- BATTERY POWERED MINING JUMBO AND LOADER



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



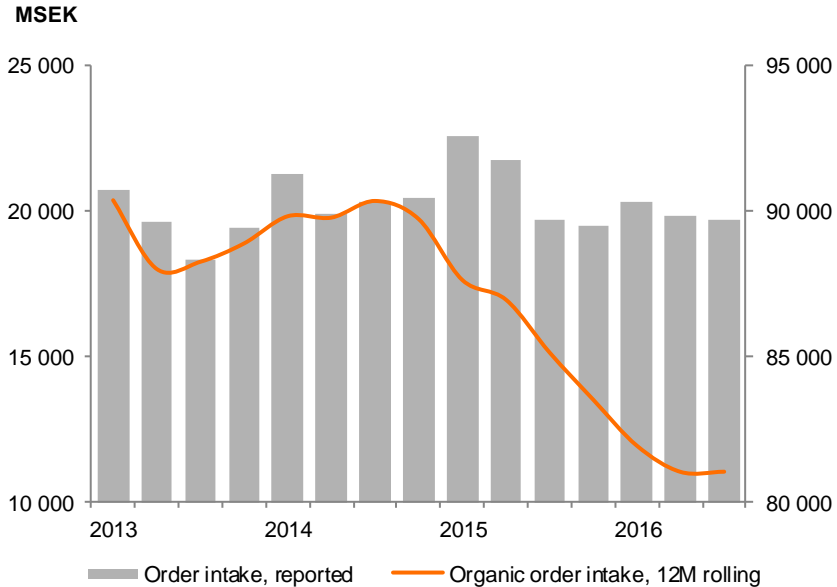
segment bubble size – share of group revenue 2015

	% of group revenue 2015	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Q/Q underlying demand trend
EUROPE	39%	+0%	↗	→	↘	→	→	↗	→
NORTH AMERICA	21%	+2%	→	↘	↘	↘	→	→	→
ASIA	20%	+6%	↗	→	↘	↗	↗	↗	↗
AFRICA/MIDDLE EAST	10%	-3%	↘	→	→				→
SOUTH AMERICA	6%	-13%	→						→
AUSTRALIA	4%	-4%	↗						↗

ORDER INTAKE

POSITIVE BOOK-TO-BILL IN SMRT

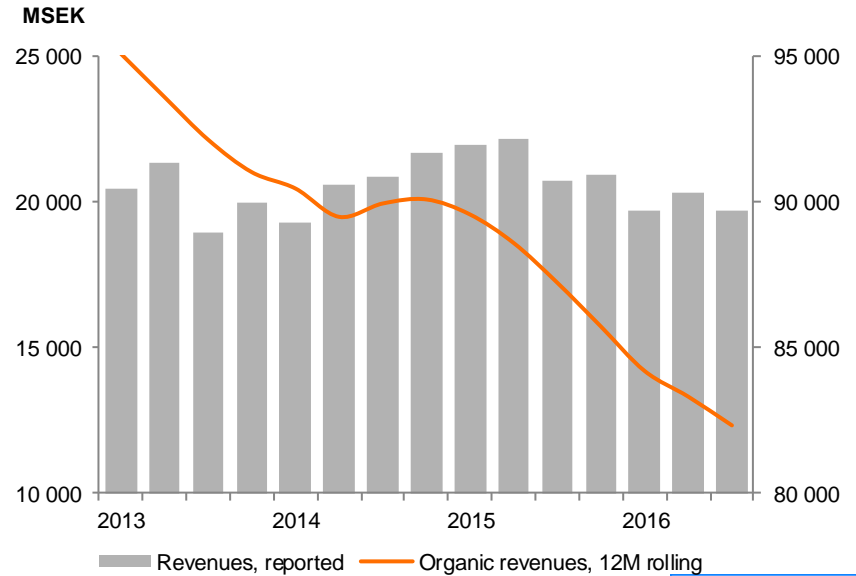
REPORTED P/V
19 700 **0%**



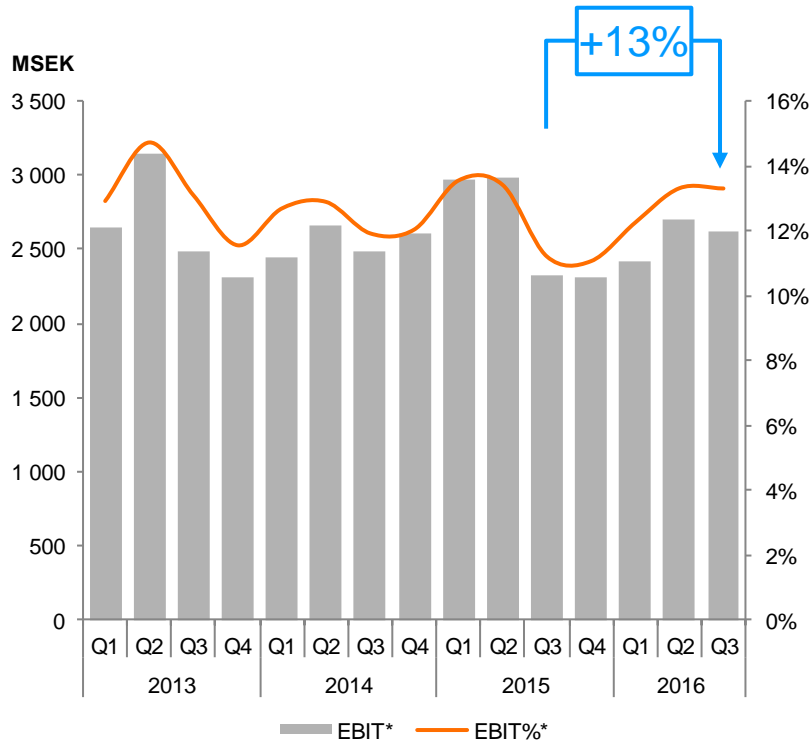
REVENUES

WEAK NORTH AMERICA AND ASIA

REPORTED P/V
19 715 **-5%**



EBIT DEVELOPMENT



REPORTED
2 623

MSEK

EBIT %
13.3

EBIT IMPACTED BY

- SAVINGS ACTIONS MORE THAN OFF-SET NEGATIVE GROWTH
- CURRENCY TAILWIND

*Adjusted for items affecting comparability



SANDVIK MACHINING SOLUTIONS

MUTED MARKET CONDITIONS

- EU generally unchanged; aerospace the relatively stronger segment
- NA challenging across most segments
- Asia overall stable, China supported by automotive and aerospace
- Impact of total -2% on organic growth from number of working days and tough comparables

EARNINGS AND MARGIN IMPROVEMENT

- Structural efficiency measures and tight cost control
- Support from less inventory reductions yoy
- 11% earnings growth, including 3% from positive FX

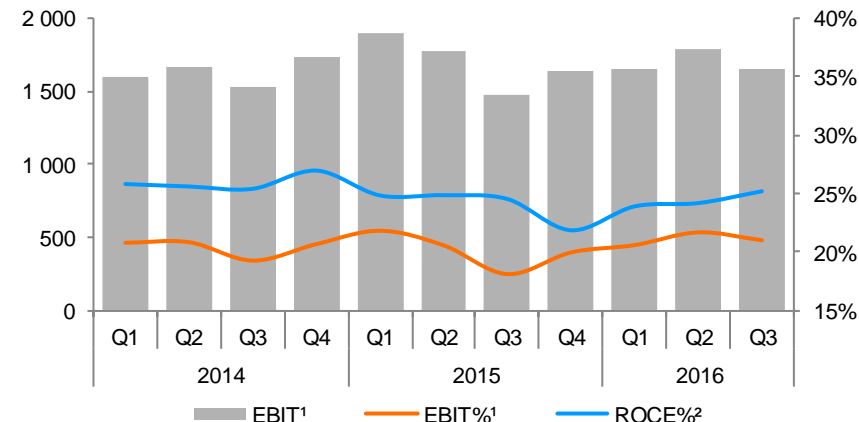
LAUNCH OF DIGITAL TOOLS

- Breaking new ground in the cutting tool industry

MSEK	Q3 2015	Q3 2016	CHANGE
ORDER INTAKE	8 099	7 776	-4%*
REVENUES	8 159	7 859	-4%*
ADJ. OP. PROFIT	1 481	1 650	+11%
% OF REVENUES	18.1%	21.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

POSITIVE BOOK-TO-BILL

- Order growth driven primarily by mining equipment, gold strongest commodity
- Signs of improvement in Mining - quotations for exploration equipment in Australia
- Overall stable aftermarket business, including negative development for oil and gas consumables

EFFICIENCY MEASURES BITE

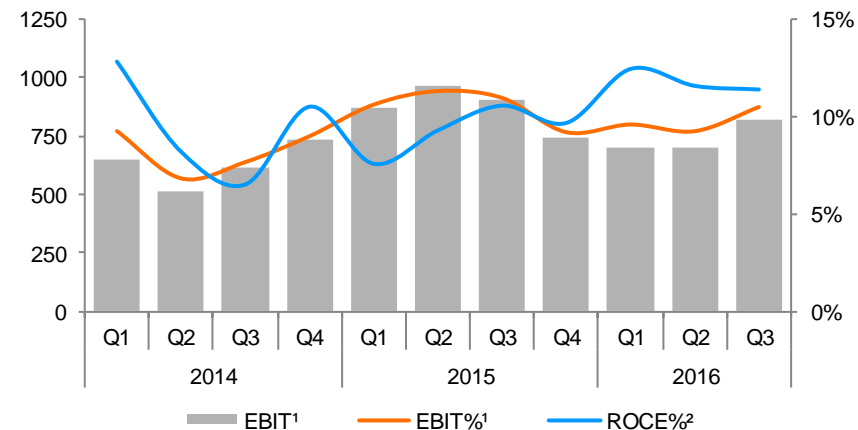
- Earnings supported by savings and tight cost control
- -10% earnings decline, including a negative impact of -3% from currency, on the back of negative organic growth

FOUR YEAR LOW ABSOLUTE AND RELATIVE NWC

MSEK	Q3 2015	Q3 2016	CHANGE
ORDER INTAKE	7 676	7 936	+5%*
REVENUES	8 270	7 791	-5%*
ADJ. OP. PROFIT	907	817	-10%
% OF REVENUES	11.0%	10.5%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MATERIALS TECHNOLOGY

STABLE OVERALL MARKETS

- Large order in capex related Oil & Gas tubular offering
- Tough competitiveness for core and standard tubular products
- Negative alloy surcharges impacted order intake and revenues by -2%

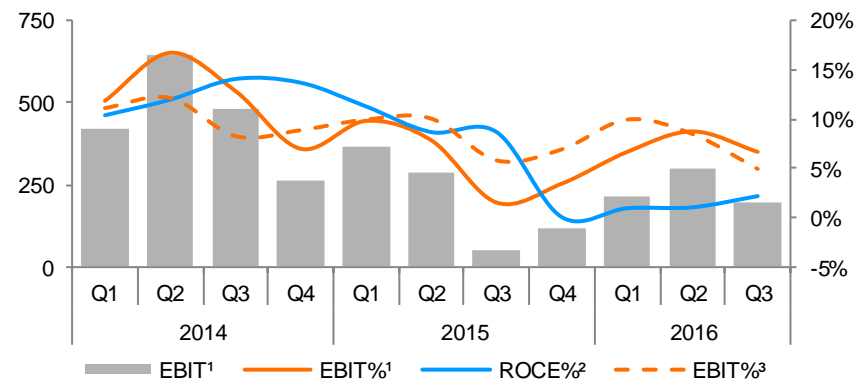
SEASONALLY WEAK QUARTER

- Q3 is seasonally weak on earnings due to summer maintenance period
- Stable earnings despite negative organic growth; excluding raw material impact and currency effect
- Stringent cost control and structural savings supported earnings and margin

MSEK	Q3 2015	Q3 2016	CHANGE
ORDER INTAKE	2 847	2 851	-0%*
REVENUES	3 161	2 945	-7%*
ADJ. OP. PROFIT	49	197	N/M
% OF REVENUES ¹	1.5%	6.7%	
UNDERLYING MARGIN ³	5.8%	5.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON

CFO



FINANCIAL SUMMARY

MSEK	Q3 2015	Q3 2016	CHANGE %
ORDER INTAKE	19 726	19 700	0*
REVENUES	20 745	19 715	-5*
OPERATING PROFIT	2 325	2 623	+13
<i>% OF REVENUES</i>	11.2	13.3	
ADJ. OPERATING PROFIT	2 325	2 623	+13
<i>% OF REVENUES</i>	11.2	13.3	
NWC %	29.6	28.6	
CASH FLOW**	3 881	4 342	+12
ROCE %	11.9	11.4	
ADJ. EPS CONT. OPS., SEK	1.01	1.29	
EPS GROUP TOTAL, SEK	0.20	0.49	

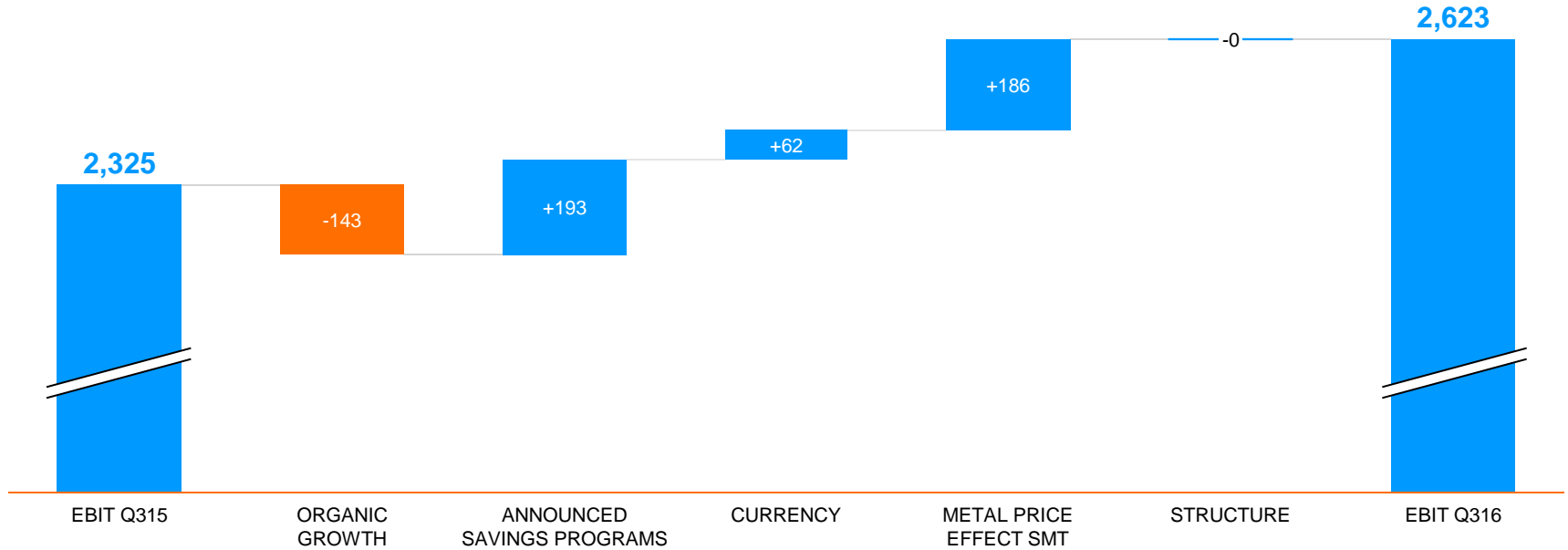
*At fixed exchange rates for comparable units

**Cash flow before acquisitions, financial items and taxes

GROWTH, %

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

PROFITABILITY DEVELOPMENT



ADJUSTED MARGIN

11.2%

13.3%

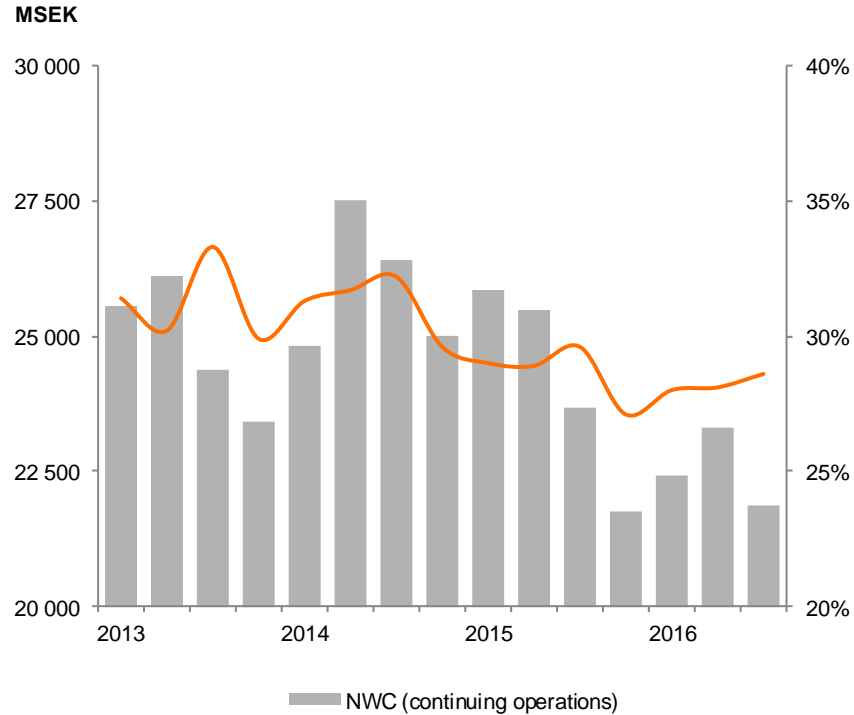
BRIDGE ANALYSIS

SANDVIK GROUP

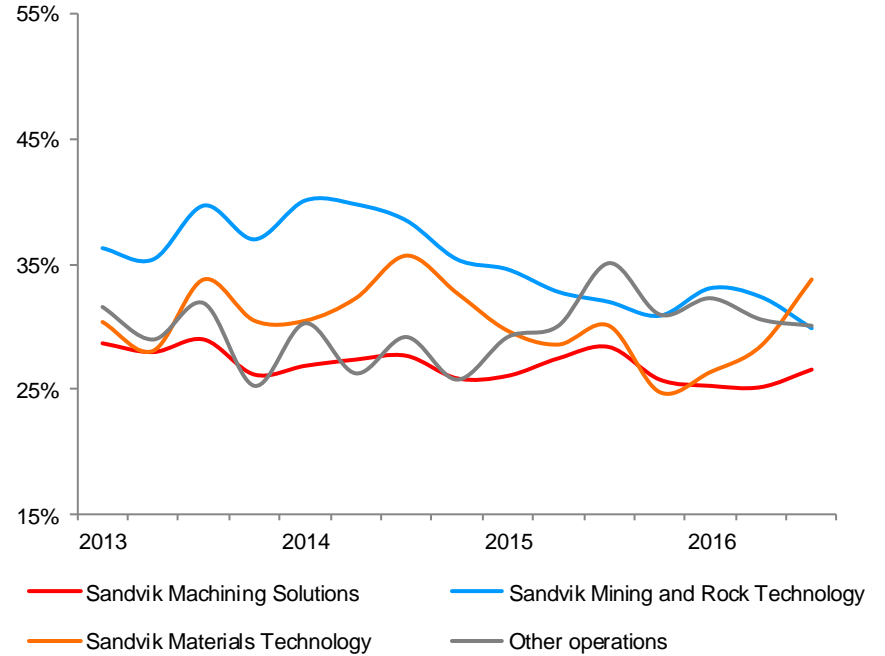
MSEK	Q3 2015	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q3 2016
REVENUES	20 745	-906	-78	-46	19 715
EBIT	2 325	50	62	186	2 623
EBIT MARGIN	11.2%	n/a	-	-	13.3%
MARGIN ACCRETION / DILUTION		+0.8%	+0.4%	+0.9%	

* Includes metal price effects within Sandvik Materials Technology of -71 MSEK in alloy surcharges on revenues and 186 MSEK in metal price effect on EBIT (+51 Q3 2016 vs. -135 Q3 2015)

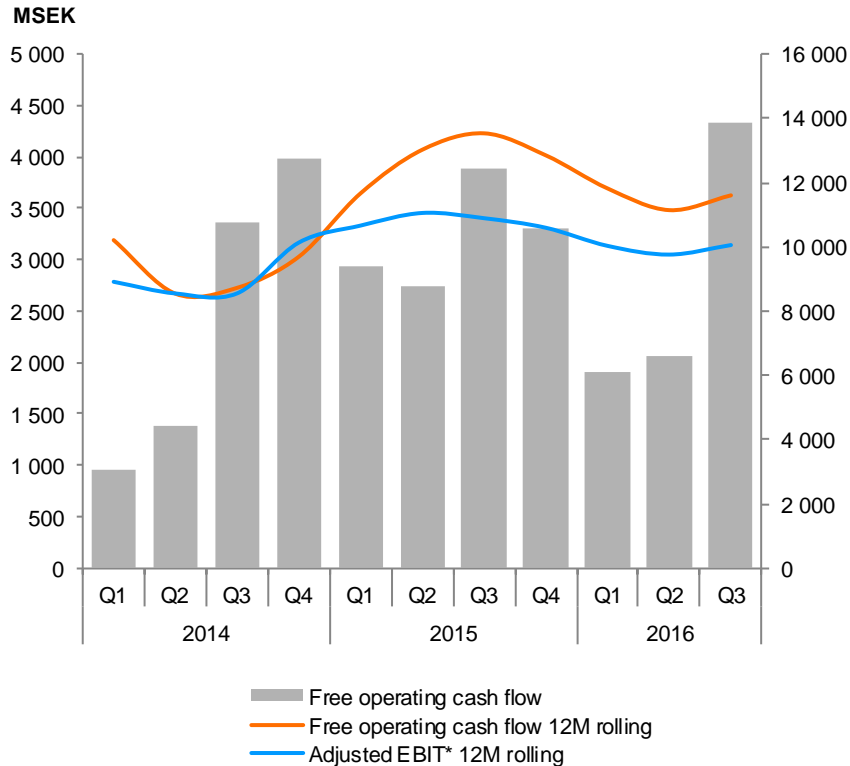
NET WORKING CAPITAL



RELATIVE NWC BY BA



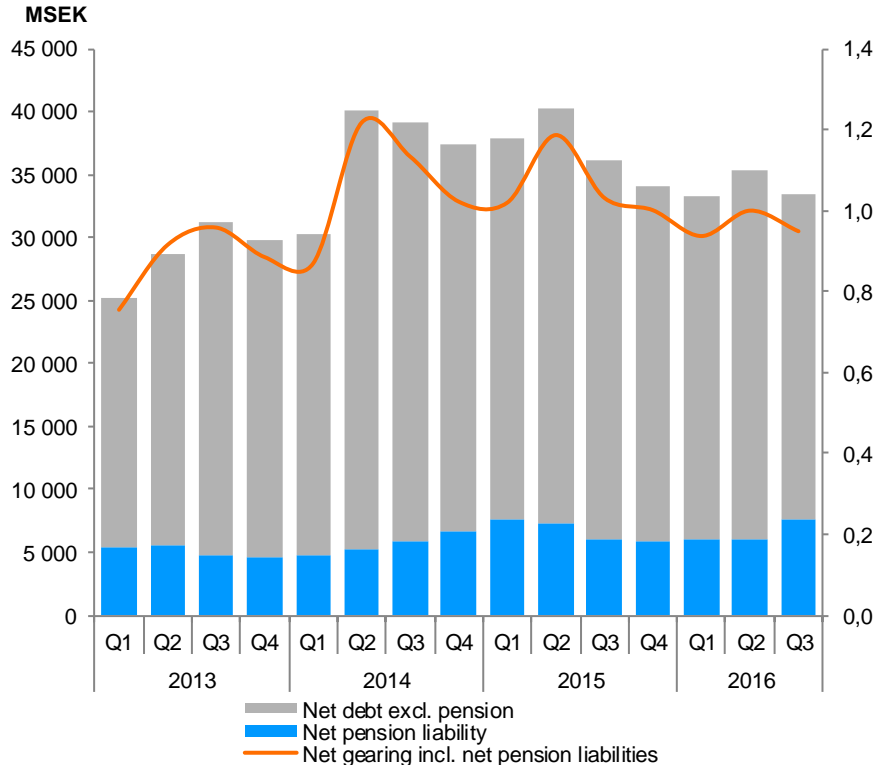
FREE OPERATING CASH FLOW



MSEK	Q3 2015	Q3 2016	Δ%
EBITDA + non cash	3 241	3 556	+10
NWC change	+1719	+1 790	+4
Capex**	-1 079	-1 004	+7
FOCF*	3 881	4 342	+12

**Including investments and disposals in rental, tangible and intangible assets
 *Cash flow before acquisitions, financial items and taxes

FINANCIAL NET DEBT



- NET DEBT LOWERED BY -7% SINCE Q3 2015
- NET GEARING 0.95
 - DESPITE RECORD HIGH NET PENSION LIABILITIES

OUTCOME AND GUIDANCE

Q3 2016

Currency effect (MSEK):	+62 (-100)
Metal price effect (MSEK):	+51 (+30)

Q4 2016

Currency effect (MSEK):	+200
Metal price effect (MSEK):	+50

FULL YEAR 2016 - UPDATED

Capex (BSEK):	<4.1
Net financial items (BSEK):	-1.6 to -1.7 (-1.7 to -1.9)
Tax rate (%):	26-28



SUMMARY

EARNINGS AND MARGIN IMPROVEMENT
DESPITE NEGATIVE ORGANIC GROWTH

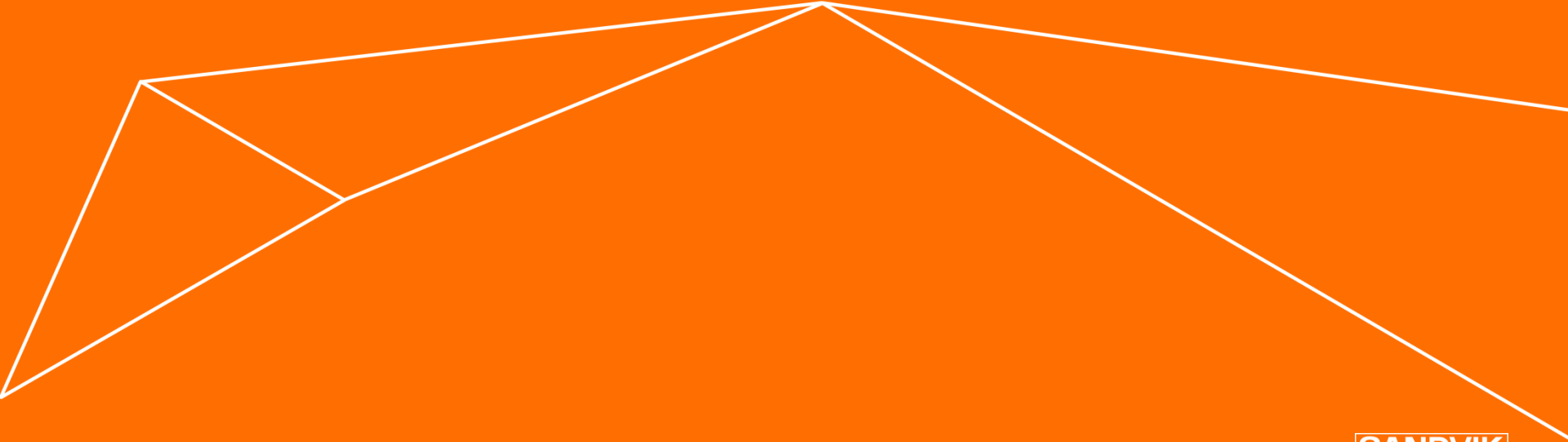
INITIAL SIGNS OF MARKET
IMPROVEMENT IN MINING

BREAKING NEW GROUND WITH
PRODUCT LAUNCHES



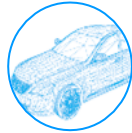
SANDVIK

BACK-UP SLIDES

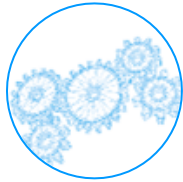




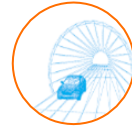
MINING
(28%)



AUTOMOTIVE
(12%)



**GENERAL
ENGINEERING**
(24%)



CONSTRUCTION
(11%)



ENERGY
(13%)



AEROSPACE
(6%)

END-CUSTOMER SEGMENTS

(% OF GROUP REVENUES 2015 EXCL. MINING SYSTEMS)





BRIDGE ANALYSIS

MSEK	Q3 2015	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q3 2016
MACHINING SOLUTIONS					
REVENUES	8 159	-299	-17	16	7 859
EBIT	1 481	105	64	-	1 650
EBIT MARGIN	18.1%	N/A	-	-	21.0%
MINING AND ROCK TECHNOLOGY					
REVENUES	8 270	-389	-90	-	7 791
EBIT	907	-67	-23	-	817
EBIT MARGIN	11.0%	-17%	-	-	10.5%
MATERIALS TECHNOLOGY					
REVENUES	3 161	-157	12	-71	2 945
EBIT	49	-8	-30	186	197
EBIT MARGIN	1.5%	-5%	-	-	6.7%

* Includes metal price effects

CREATING A LEANER COMPANY

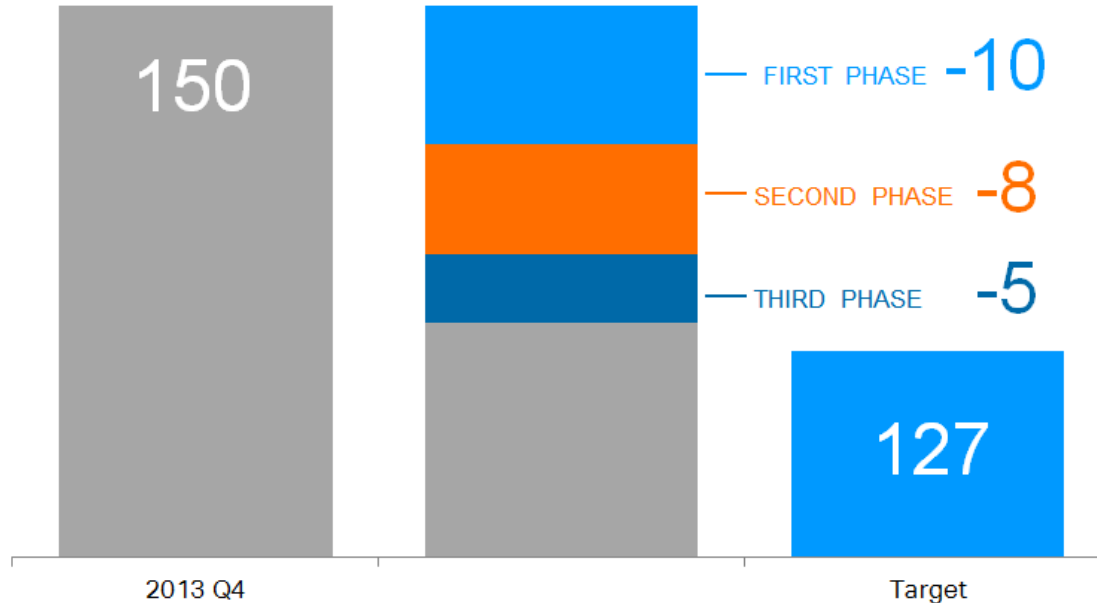
SAVINGS ANNUAL RUN-RATE (MSEK) VS. LAST YEAR AND TOTAL

	 SANDVIK MACHINING SOLUTIONS	 SANDVIK MINING AND ROCK TECHNOLOGY	 SANDVIK MATERIALS TECHNOLOGY	GROUP ACTIVITIES	TOTAL ANNUAL RUN-RATE VS. LAST YEAR	 TARGET 2.1 BSEK
SUPPLY CHAIN OPTIMIZATION	164	160	71	0	422*	SAVINGS ANNUAL RUN-RATE 981 (1 333)
ADJUST OF COST BASE/ RIGHT SIZING	209	56	28	29	322	607 (762)
TOTAL	373	216	99	29	744*	1 588 (2 095)

*Other operations contributed by 28MSEK on annual run-rate compared with previous year to the supply chain optimization program

17 PRODUCTION UNITS CLOSED END OF Q3

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
(5 UNITS CLOSED)
- TARGET SAVINGS 320 MSEK
at year end 2016

THIRD PHASE

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



OTHER OPERATIONS – NON-STRATEGIC ASSETS

NEUTRAL BOOK-TO-BILL ~1

- Positive book-to-bill for Process Systems supported by chemical segment
- Persistently weak demand in oil and gas affecting both Process Systems and Hyperion negatively

EARNINGS SUPPORTED BY CURRENCY AND EFFICIENCY MEASURES

- EBIT 113 MSEK, +5% yoy
- EBIT margin at 10.2%, up from 9.4%
- Earnings decline by -21% excl. currency effect compared with last year
- One unit closed in Hyperion

RELATIVE AND ABSOLUTE NWC REDUCTION



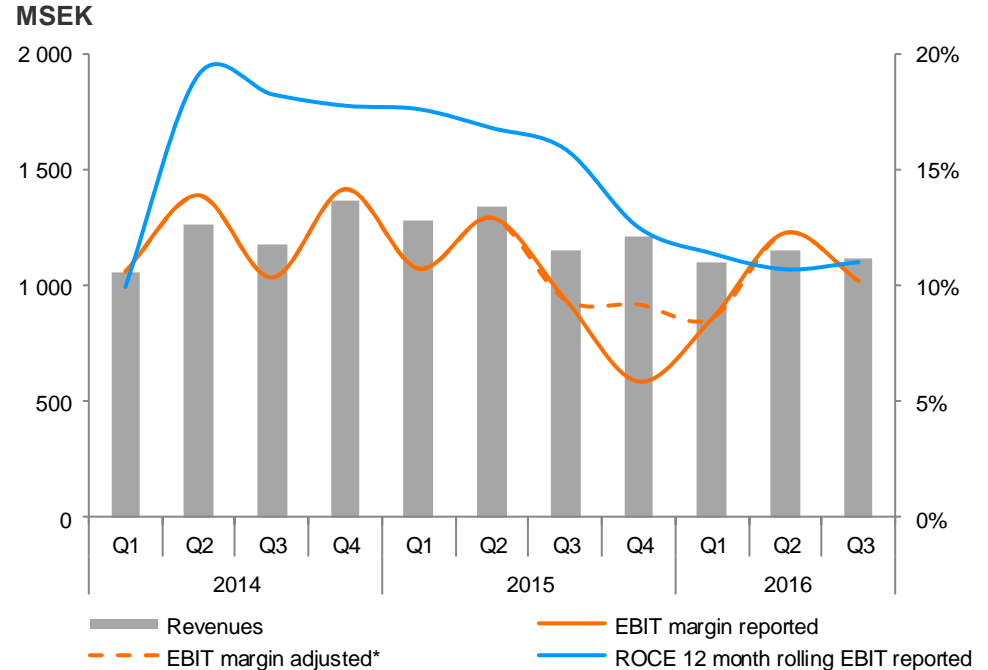
OTHER OPERATIONS – NON-STRATEGIC ASSETS

ORDER INTAKE
1,132
MSEK

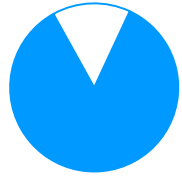
REVENUES
1,113
MSEK

EBIT
113
MSEK

ROCE
11%



LOAN AND DURATION PROFILE



LONG TERM
85%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	6,032	4 years
Fin institutions, EIB, NIB	2,059	7 years
Swedish MTN	6,934	4 years
European MTN	10,541	10 years
Bank loans	3,268	3 years
Share swap	-	-



SHORT TERM
15%

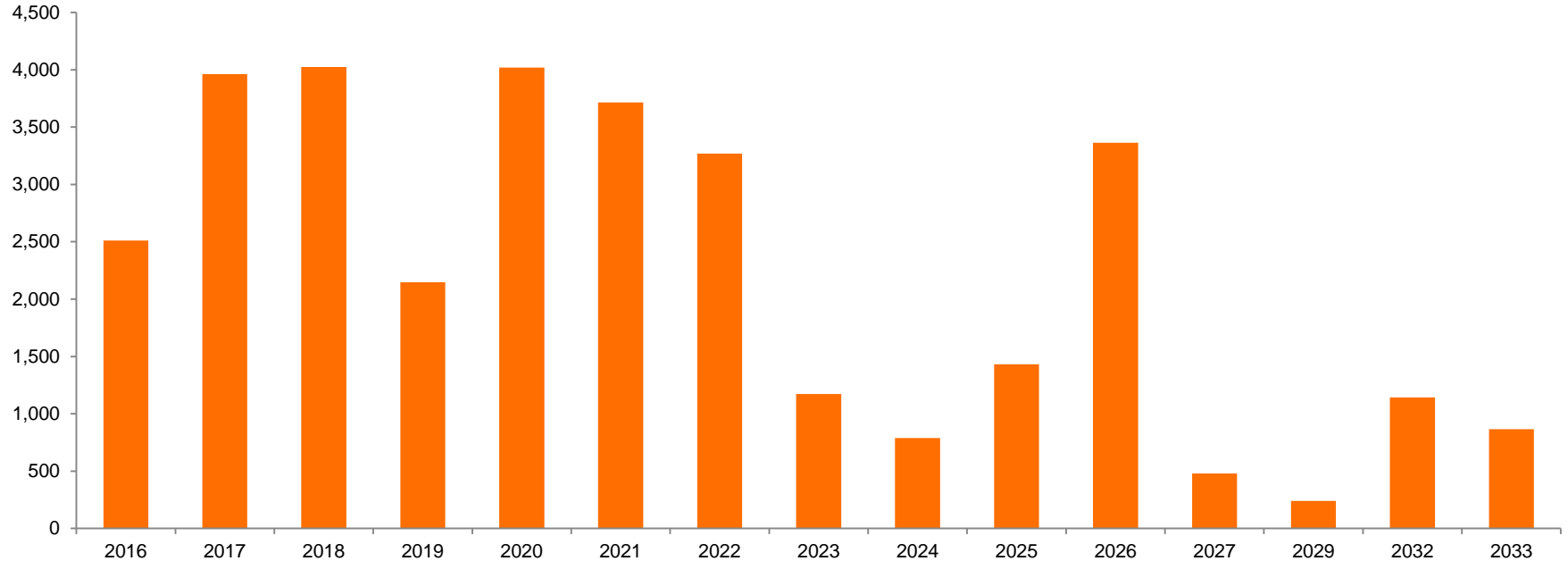
US Private Placement	649	9 months
Fin institutions, EIB, NIB	343	0 months
Swedish MTN	3,090	5 months
Bank loans	172	0 months
Share swap	705	9 months

Cash position **7,927 MSEK**
Revolving Credit facilities **9,000 MSEK**

TOTAL	33,794	5 years
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LOAN MATURITY PROFILE

MSEK



GUIDANCE

CAPEX

Estimated at below 4.1 BSEK for 2016

CURRENCY EFFECTS

Given currency rates at end of September 2016 the effect on operating profit from transaction and translation would be +200 MSEK for Q4 2016

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of September 2016, it is estimated that effects on operating profit in Q4 2016 will be about +50 MSEK

NET FINANCIAL ITEMS

Net financial items is estimated to be -1.6 to -1.7 BSEK for 2016

UPDATED
as of Q316

TAX RATE

The tax rate is estimated to about 26–28% for 2016

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

DISCLAIMER STATEMENT

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