

INTERIM REPORT OCTOBER 23

THIRD QUARTER 2015



SUMMARY Q3 2015

RECORD HIGH Q3 CASH FLOW

- Continued focus on net working capital

WEAK DEMAND

- Order intake 19,726 MSEK, P/V -8%

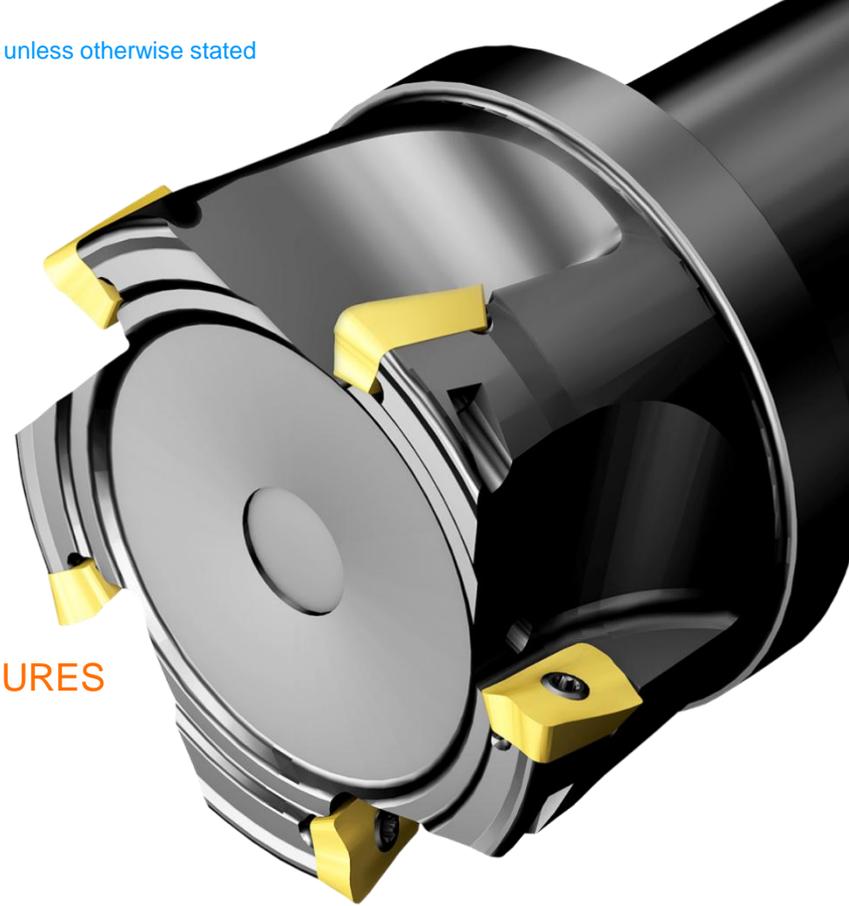
LOW VOLUMES IMPACT PROFITABILITY

- EBIT 2,325 MSEK, 11.2%
- Currency effect +370 MSEK
- Savings from announced programs 200 MSEK

PORTFOLIO REVIEW AND INTERNAL EFFICIENCY MEASURES

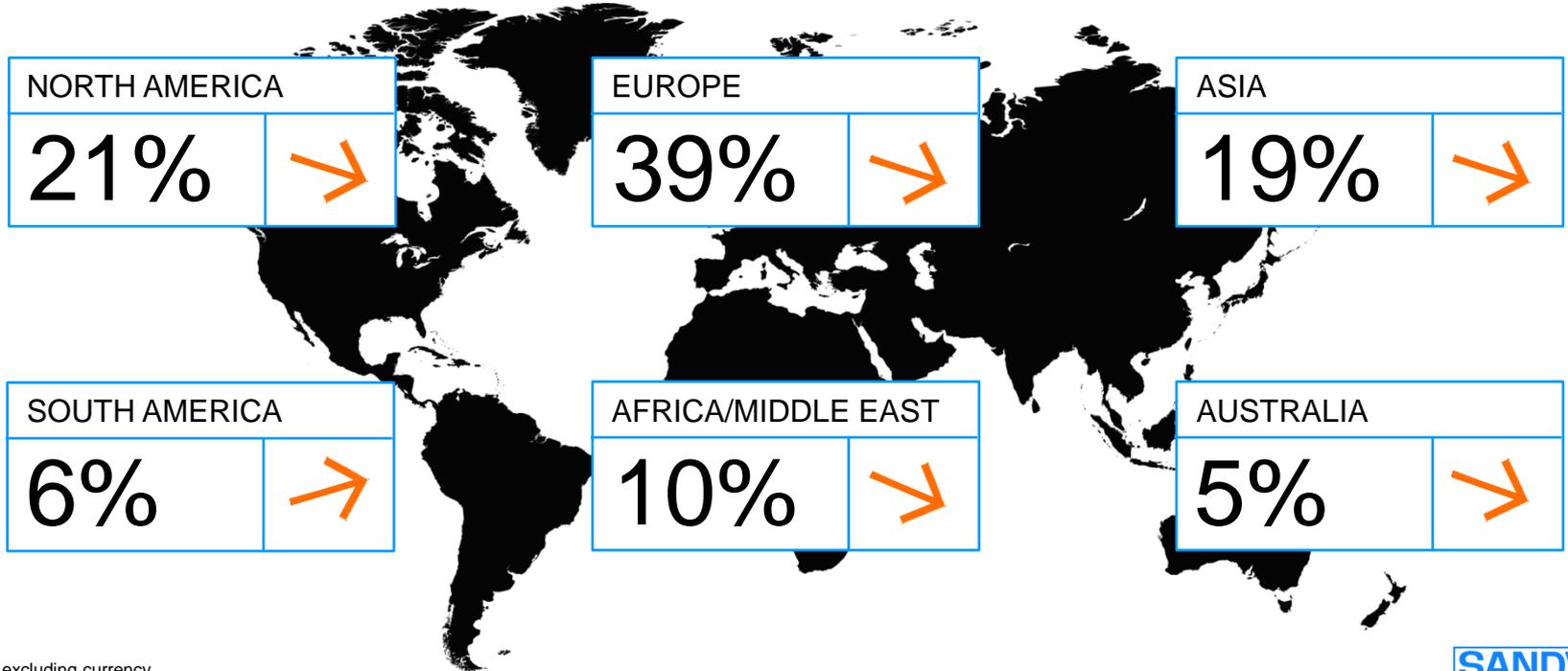
- Intention to divest Mining Systems
- Supply Chain Optimization progressing
- Additional efficiency measures ongoing

BJÖRN ROSENGREN NEW CEO AS OF 1 NOVEMBER



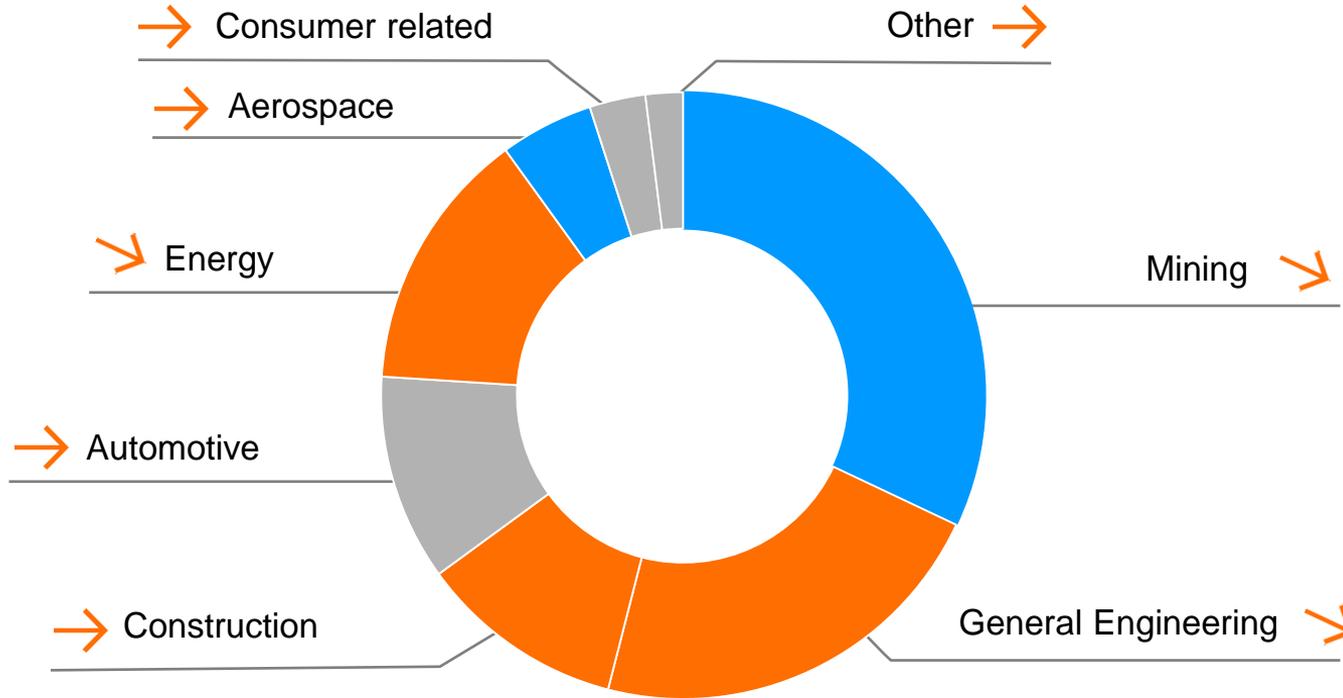
ORDER INTAKE BY MARKETS

ORDER INTAKE Q3 2015 SHARE OF GROUP TOTAL → Order intake compared with preceding quarter*



*) excluding currency

INVOICING BY CUSTOMER SEGMENTS



ORGANIC INVOICING GROWTH VS Q3 2014

-6%

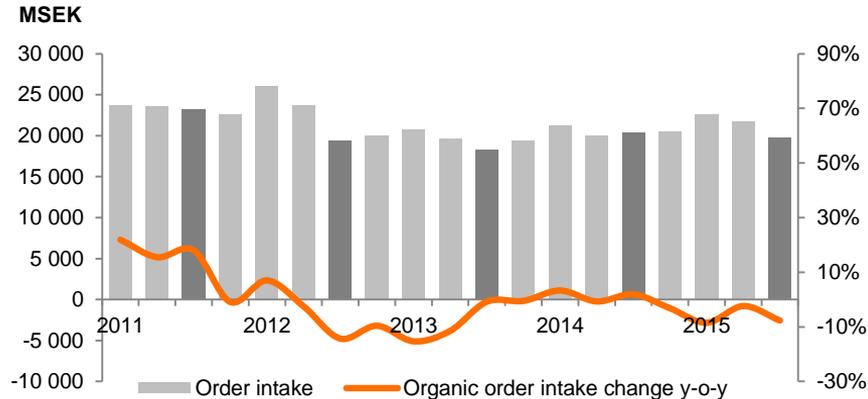
- > +5%
- -5 to +5%
- < -5%

→ Demand trend compared with preceding quarter

ORDER INTAKE

19,726 MSEK

CHANGE P/V -8%

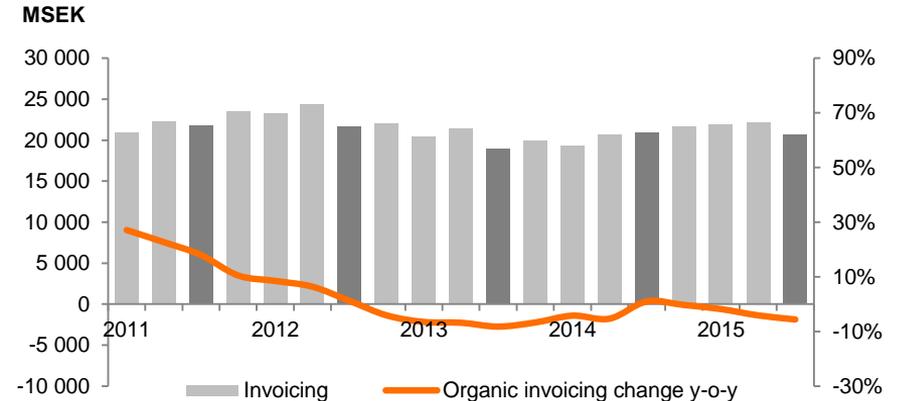


- Book-to-bill 0.95
- Negative organic growth across all regions
- Aerospace and automotive the relatively stronger segments
- Weakness in energy and general engineering

INVOICING

20,745 MSEK

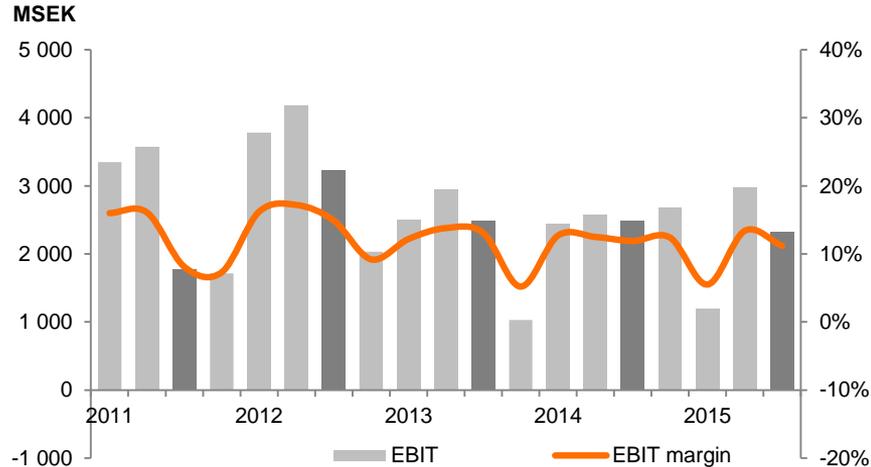
CHANGE P/V -6%



- Negative organic growth for 4 out of 5 BA's
- Mining growth (P/V +7%) supported by strong equipment order intake in H1
- Q3 seasonally weak quarter

EBIT 2,325 MSEK

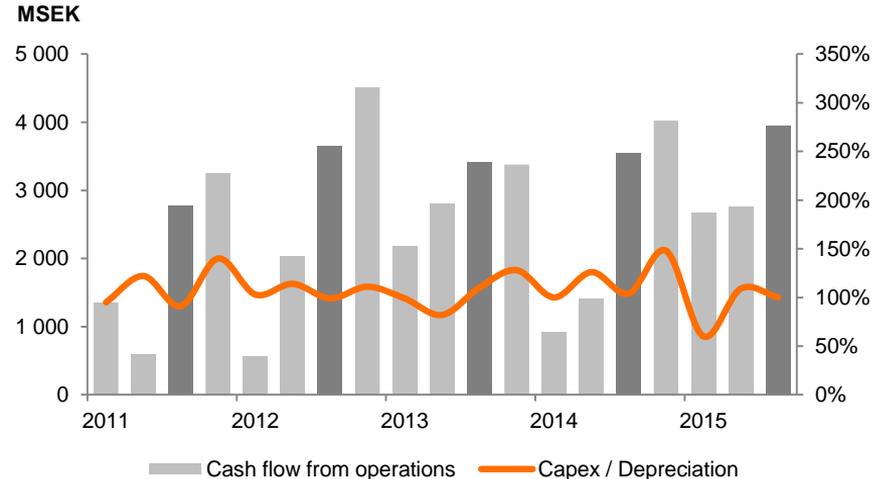
EBIT MARGIN 11.2%



- Year-on-year adjusted earnings decline despite positive currency and effects from savings initiatives
- Currency effect +370 MSEK
- Savings from announced programs 200 MSEK

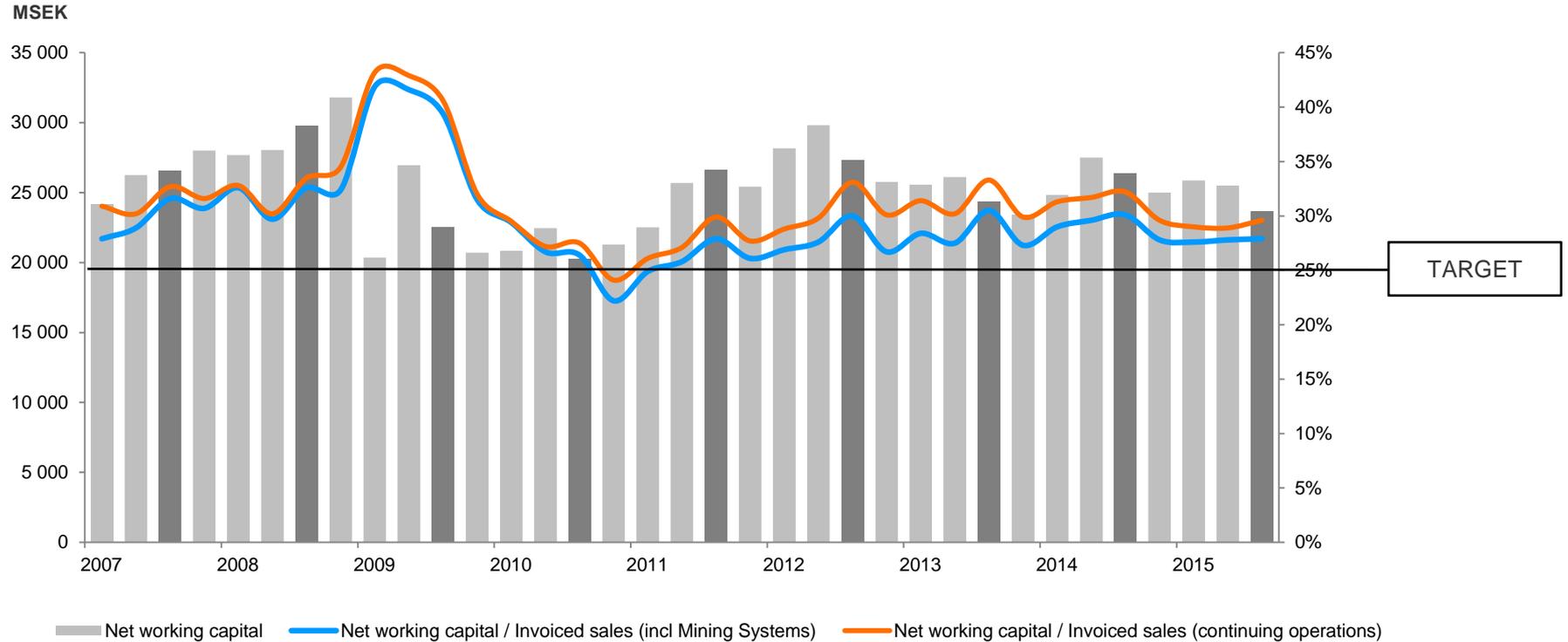
CASH FLOW

CASH FLOW FROM OPERATIONS 3,953 MSEK



- Continued strong cash flow
- Investments 1.0 BSEK in Q3
- Record cash flow year-to-date 9.4 BSEK

NET WORKING CAPITAL



BRIDGE ANALYSIS

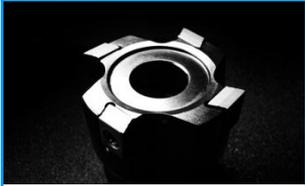
SANDVIK GROUP

MSEK	Q3 2014	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q3 2015
INVOICING	20,907	-1,000	1,270	-440	20,745
EBIT	2,488	-290	370	-250	2,325
EBIT MARGIN	12%	-29%	-	-	11%

* Includes metal price effects

CREATING A LEANER COMPANY

SAVINGS Q3 ANNUAL RUNRATE (MSEK)

	 SANDVIK MACHINING SOLUTIONS	 SANDVIK MINING	 SANDVIK MATERIALS TECHNOLOGY	 SANDVIK CONSTRUCTION	 Target 1.7 bn. SAVINGS ANNUAL RUN-RATE
SUPPLY CHAIN OPTIMIZATION	189	236	10	124	559 (1,240*)
ADJ COST BASE **)	52	-	57	104	285*** (480)
TOTAL	241	236	67	228	844 (1,720)

*) Original target of 1 400 MSEK for SCO included savings for Mining Systems 160 MSEK.

) Run-rate savings **from adjustment of cost base (480 MSEK) includes planned savings from Sandvik Venture (25 MSEK) and Group Activities (50 MSEK) to be achieved at end 2016.

***) Of which 32 MSEK related to Sandvik Venture and 40 MSEK to Group Activities

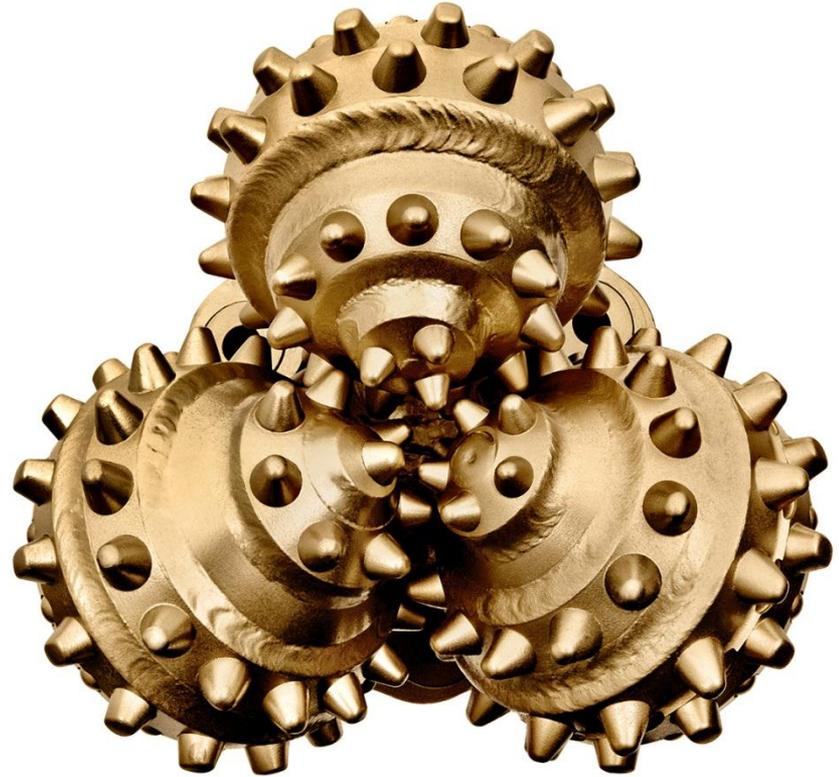
GUIDANCE

GUIDANCE Q4 2015

CURRENCY EFFECT:	+100 MSEK
METAL PRICE EFFECT:	- 100 MSEK

FULL YEAR GUIDANCE 2015

CAPEX:	About 4.0 bn. SEK
NET FINANCIAL ITEMS:	-1.8 to -2.0 bn. SEK
TAX RATE:	26-28% for 2015



SUMMARY Q3 2015

STRONG CASH FLOW

WEAK DEMAND

LOW VOLUMES IMPACT PROFITABILITY

PORTFOLIO REVIEW AND
INTERNAL EFFICIENCY MEASURES

NEW CEO AS OF 1 NOVEMBER



BACK-UP SLIDES



BRIDGE ANALYSIS

MSEK	Q3 2014	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q3 2015
MACHINING SOLUTIONS					
INVOICING	7,658	-390	570	-	7,836
EBIT	1,496	-175	140	-	1,459
EBIT MARGIN	20%	-45%	-	-	19%
MINING					
INVOICING	5,121	360	235	-	5,712
EBIT	640	80	130	-	847
EBIT MARGIN	12%	+22%	-	-	15%
MATERIALS TECHNOLOGY					
INVOICING	3,735	-330	200	-440	3,161
EBIT	482	-165	65	-330	49
EBIT MARGIN	13%	-51%	-	-	2%

* Includes metal price effects

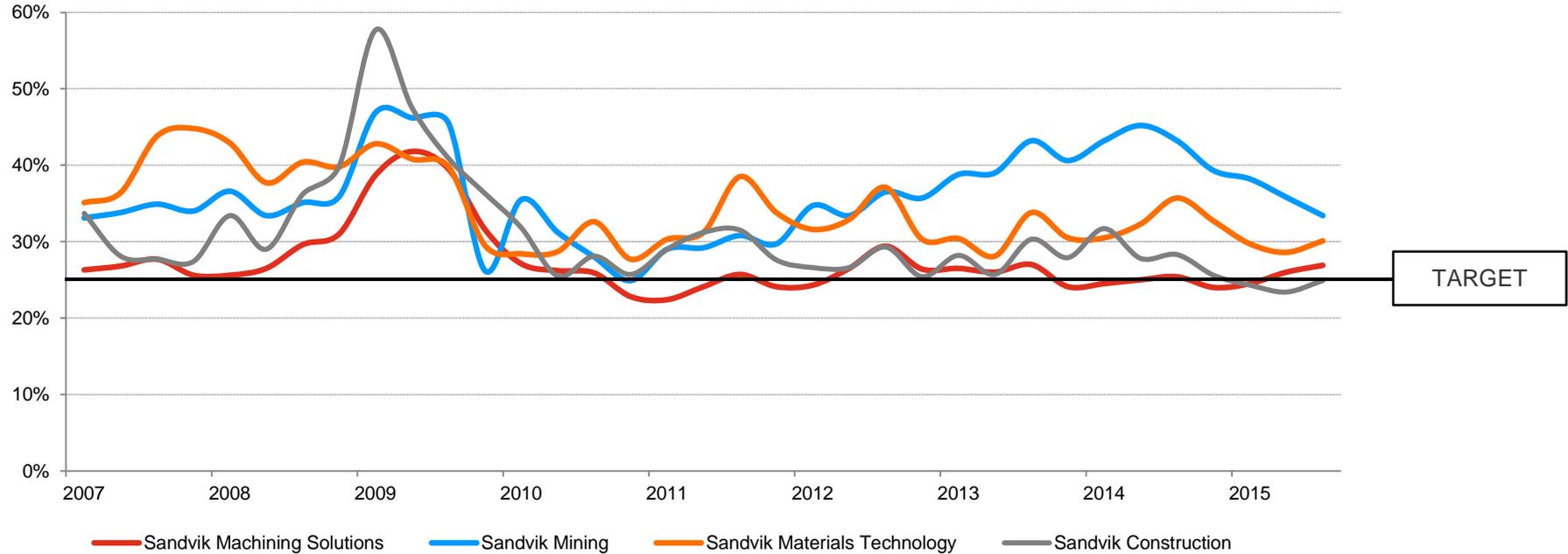
BRIDGE ANALYSIS

MSEK	Q3 2014	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS	Q3 2015
CONSTRUCTION					
INVOICING	2,232	-320	130	-	2,037
EBIT	1	50	45	-	99
EBIT MARGIN	0%	N/A	-	-	5%
VENTURE					
INVOICING	2,155	-300	140	-	1,994
EBIT	133	-90	-35	80*	91
EBIT MARGIN	6%	-30%	-	-	5%

*) PPA assigned to inventories and acquisition related in Q3 2014

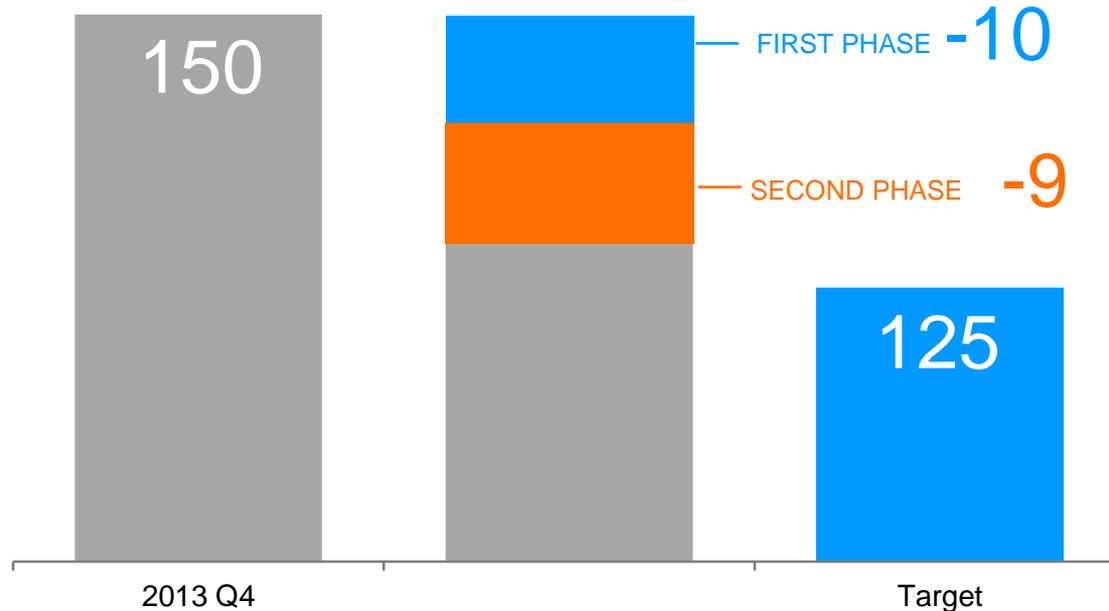
NET WORKING CAPITAL

% OF INVOICING BY BUSINESS AREA



RESTRUCTURING OUR FOOTPRINT

SUPPLY CHAIN OPTIMIZATION PROGRAM



FIRST PHASE

TOTAL 7 UNITS closed to date
(of which 1 unit closed in Q3)

3 UNITS REMAINING in Q4 2015

RUNRATE SAVINGS 549 MSEK
END OF Q3 out of 690 MSEK
target at year end 2015

SECOND PHASE

6 UNITS INITIATED of which 4 in
the third quarter (3 Remaining)

TARGET SAVINGS at year end
2016 550 MSEK

SUPPLY CHAIN OPTIMIZATION

SAVINGS TARGET (MSEK) FOR CONTINUING INFORMATION

	ORIGINAL SAVINGS TARGET FOR MINING	RELATED TO DISCONTINUED OPERATIONS	 NEW TARGET FOR SANDVIK MINING	NEW GROUP TOTAL
SUPPLY CHAIN OPTIMIZATION I	500	-110	390	690
SUPPLY CHAIN OPTIMIZATION II	400	-50	350	550
TOTAL	900	-160	740	-1,140

SANDVIK MACHINING SOLUTIONS – Q3 2015

STRONG CASH FLOW

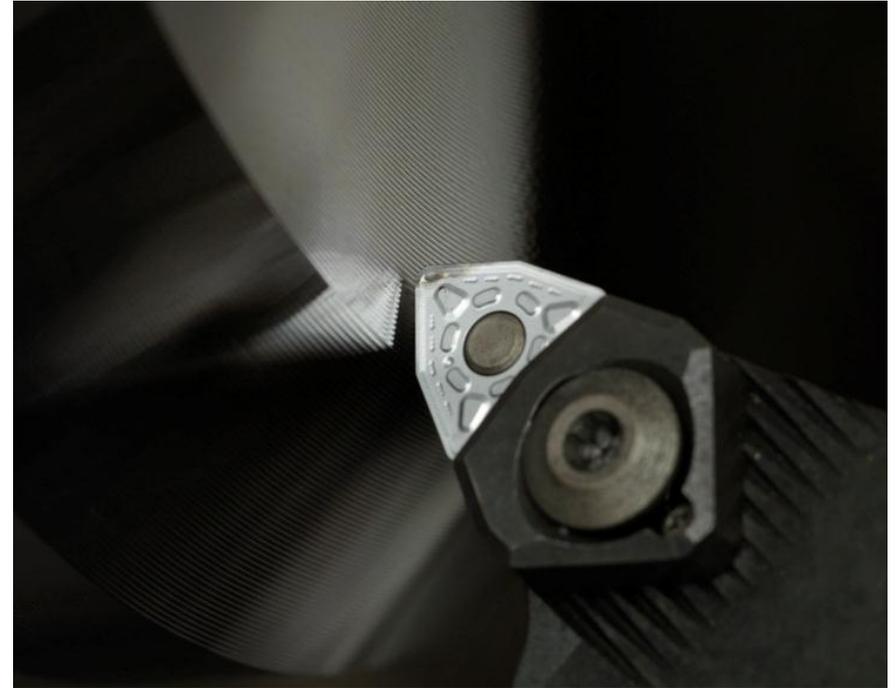
- Continued inventory reduction

CHALLENGING MARKET CONDITIONS

- Mixed development in Europe, overall negative growth
- Indirect oil and gas exposure impacts North America
- Low demand in Asia, Japan the positive exception

EBIT 1,459 MSEK, 18.6%

- Currency effects +140 MSEK
- Savings 60 MSEK
- Additional savings initiated



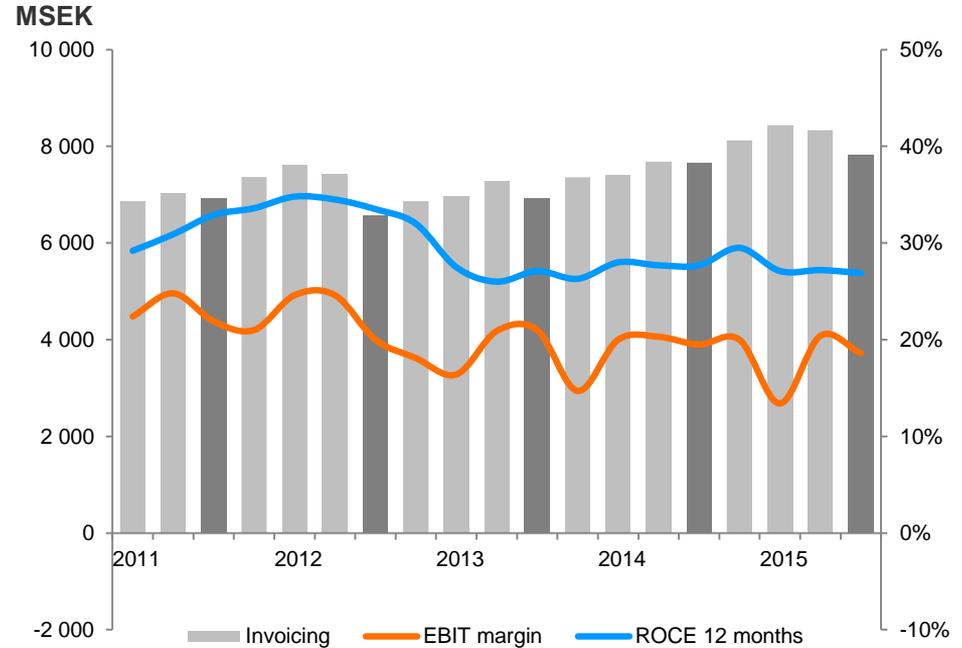
SANDVIK MACHINING SOLUTIONS – Q3 2015

ORDER INTAKE
7,841
 MSEK

INVOICING
7,836
 MSEK

EBIT
1,459
 MSEK

ROCE
26.9%



SANDVIK MINING – Q3 2015

STABLE MARKET CONDITIONS

- But with higher uncertainty

MARGIN IMPROVEMENT

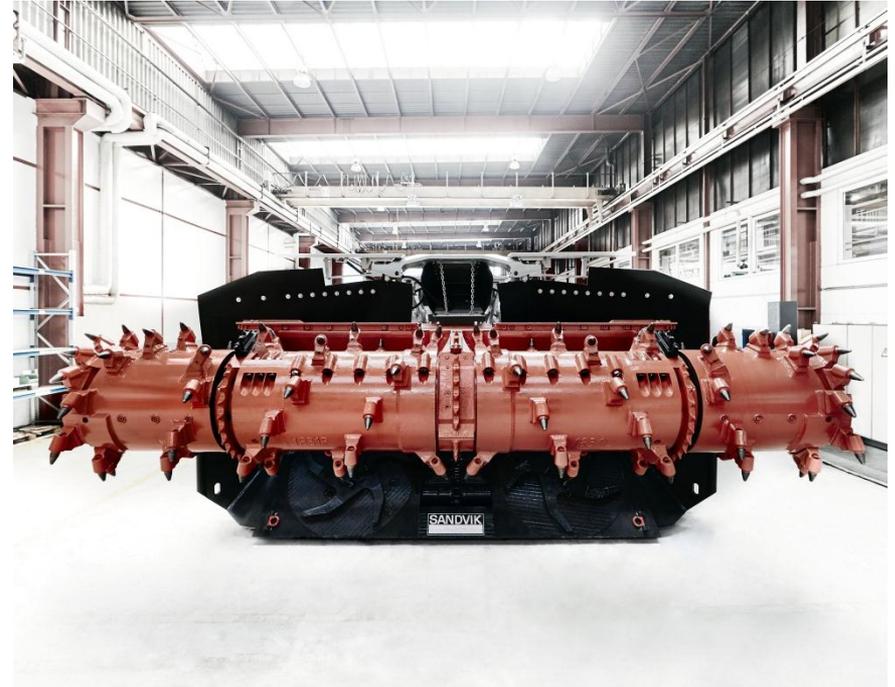
- EBIT 847 MSEK, 14.8%
- Currency effects +130 MSEK
- Savings +74 MSEK

SUPPLY CHAIN OPTIMIZATION

- One additional unit closed

PORTFOLIO REVIEW

- Intent to divest Mining Systems communicated



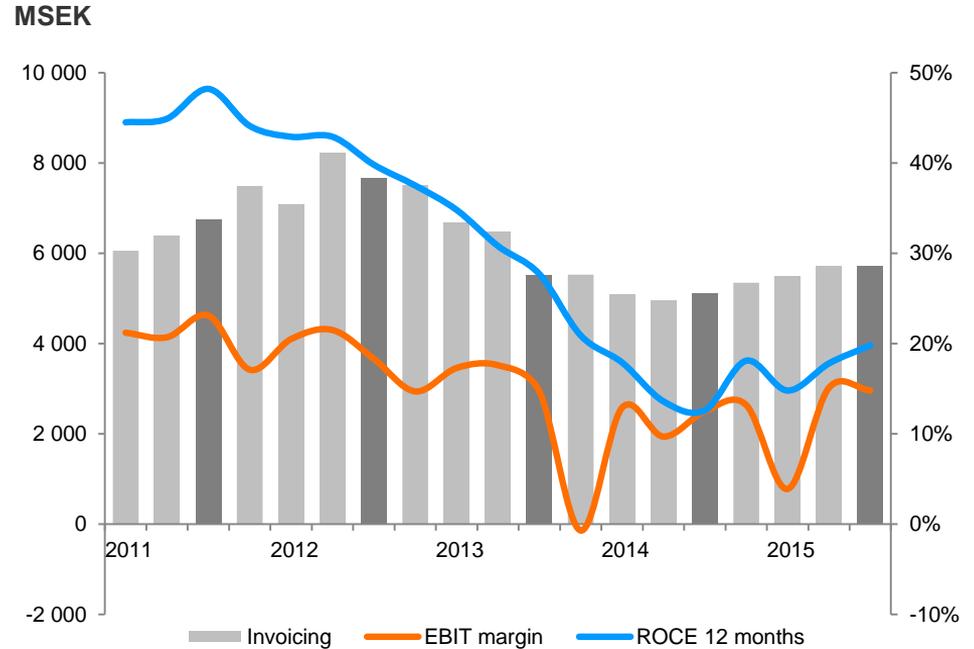
SANDVIK MINING – Q3 2015

ORDER INTAKE
4,977
 MSEK

INVOICING
5,712
 MSEK

EBIT
847
 MSEK

ROCE
19.8



SANDVIK MATERIALS TECHNOLOGY – Q3 2015

CHALLENGING MARKET CONDITIONS

- Persistently weak demand in oil and gas
- Further increased competition in standardized products

EBIT 49 MSEK, 1.5%

- Excluding metal price effect 5.8 %
- Metalprice effect -135 MSEK
- Currency effects +65 MSEK
- Adjustment of cost base ongoing

STRONG CASH FLOW

- Net working capital at historically low levels



SANDVIK MATERIALS TECHNOLOGY – Q3 2015

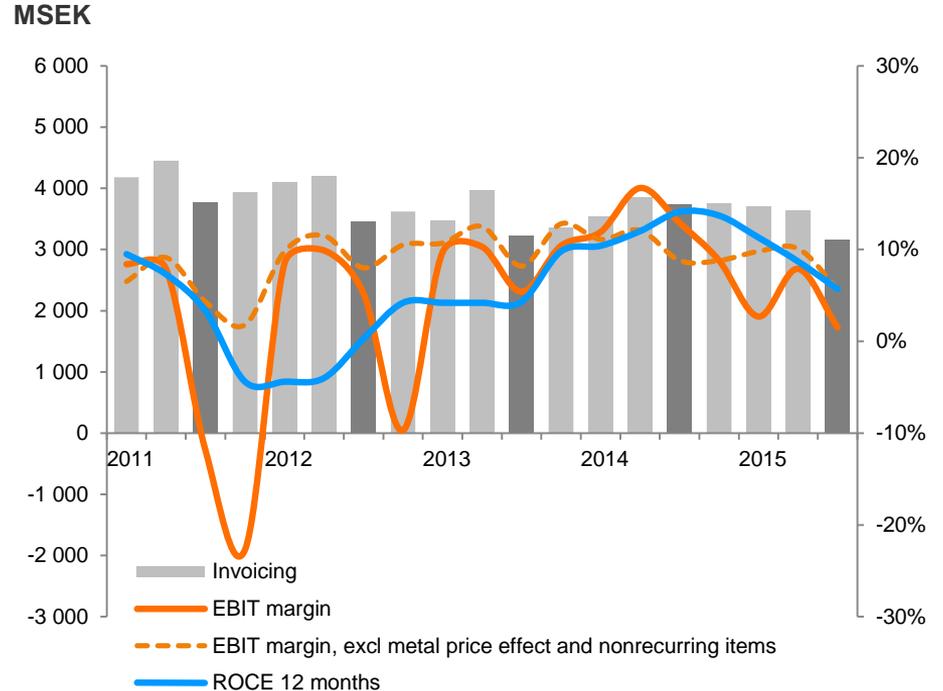
ORDER INTAKE
2,847
MSEK

INVOICING
3,161
MSEK

EBIT
49
MSEK

ROCE
5.7%

Excluding metal price effects and nonrecurring items, 184 MSEK, 5.8 %



SANDVIK CONSTRUCTION – Q3 2015

CHALLENGING MARKET CONDITIONS

- Relatively higher activity in North America

SIGNIFICANT MARGIN IMPROVEMENT

- EBIT 99 MSEK, 4.9%
- Currency effect +45 MSEK
- Savings 57 MSEK

ONE LARGE ORDER

- Tunneling order of 220 MSEK to Australia



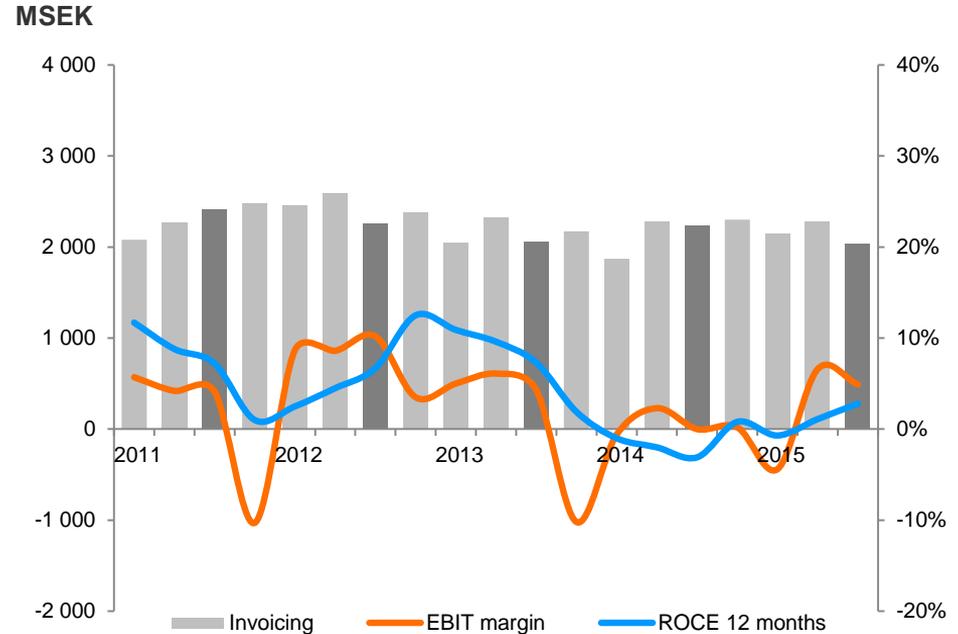
SANDVIK CONSTRUCTION – Q3 2015

ORDER INTAKE
2,179
MSEK

INVOICING
2,037
MSEK

EBIT
99
MSEK

ROCE
2.8%



SANDVIK VENTURE – Q3 2015

PERSISTANTLY CHALLENGING MARKET
CONDITIONS IN OIL AND GAS

SEASONALLY LOW VOLUMES IMPACT
EARNINGS

- EBIT 91 MSEK, 4.6%
- Currency effect -35 MSEK
- Ongoing savings initiatives

ACQUISITION OF EQUIPMENT MANUFACTURER
WITHIN PROCESS SYSTEMS



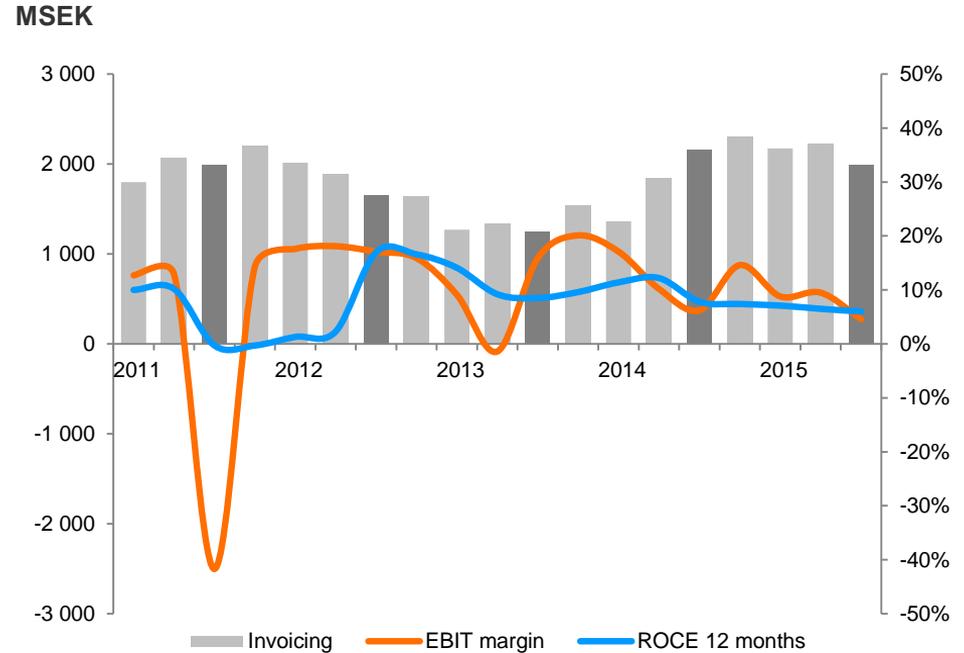
SANDVIK VENTURE – Q3 2015

ORDER INTAKE
1,878
MSEK

INVOICING
1,994
MSEK

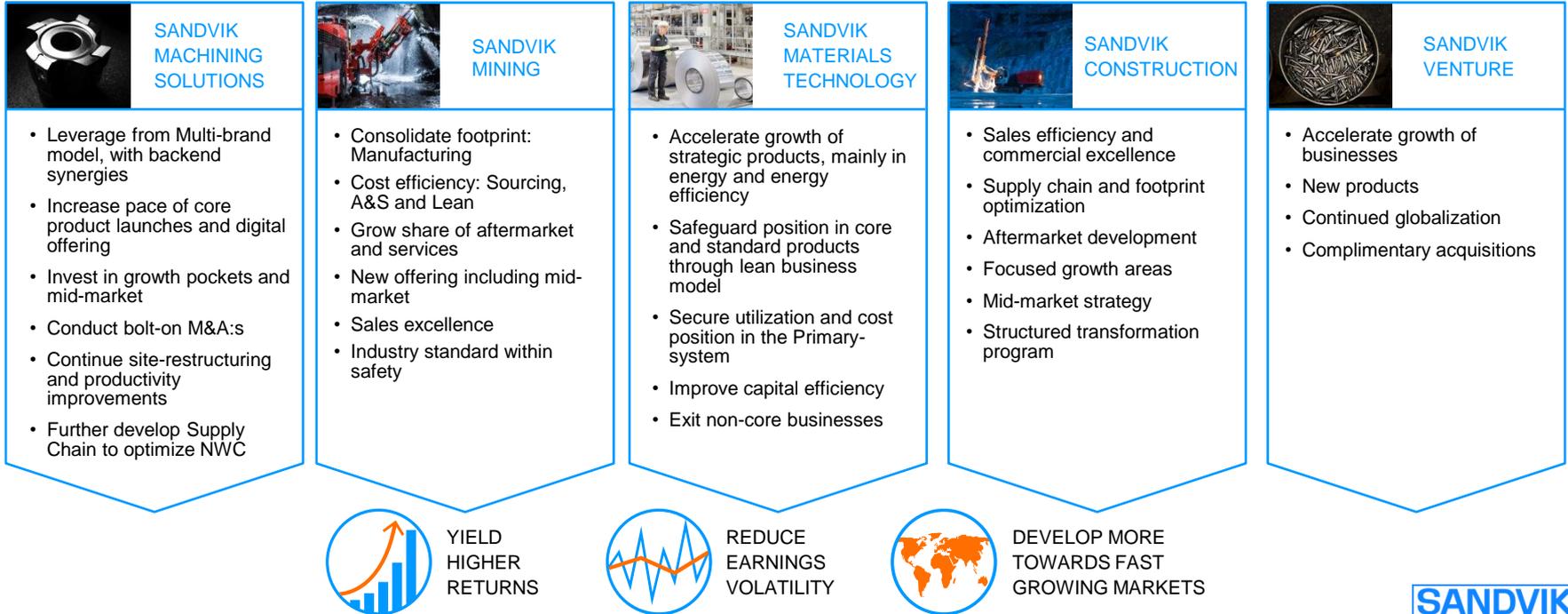
EBIT
91
MSEK

ROCE
6.0%



OUR WAY FORWARD

KEY PRIORITIES BY BUSINESS AREA



LOAN AND DURATION PROFILE



LONG TERM
89%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	6,667	4 years
Fin institutions, EIB, NIB	2,358	7 years
Swedish MTN	10,042	4 years
European MTN	10,345	11 years
Bank loans	2,770	3 years
Share swap	-	-



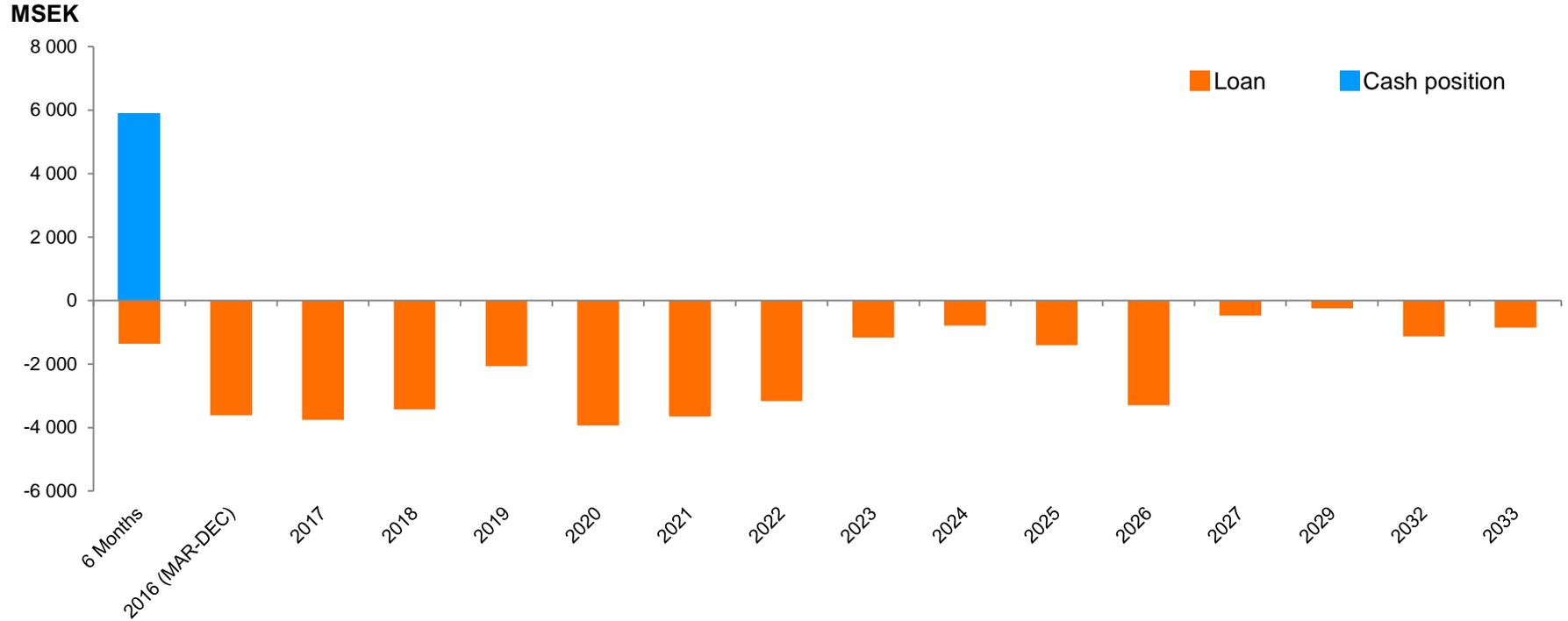
SHORT TERM
11%

Commercial paper	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	1,475	5 months
Bank loans	814	1 month
Share swap	1,579	1 year

Cash position **5,890 MSEK**
Revolving Credit facilities **11,131 MSEK**

TOTAL	36,050	6 years
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LOAN MATURITY PROFILE



UPDATED GUIDANCE

CAPEX

Estimated at about 4 bn. SEK for 2015.

CURRENCY EFFECTS

Given currency rates at end of September the effect on EBIT would be +100 MSEK for Q4 2015.

METAL PRICE EFFECTS

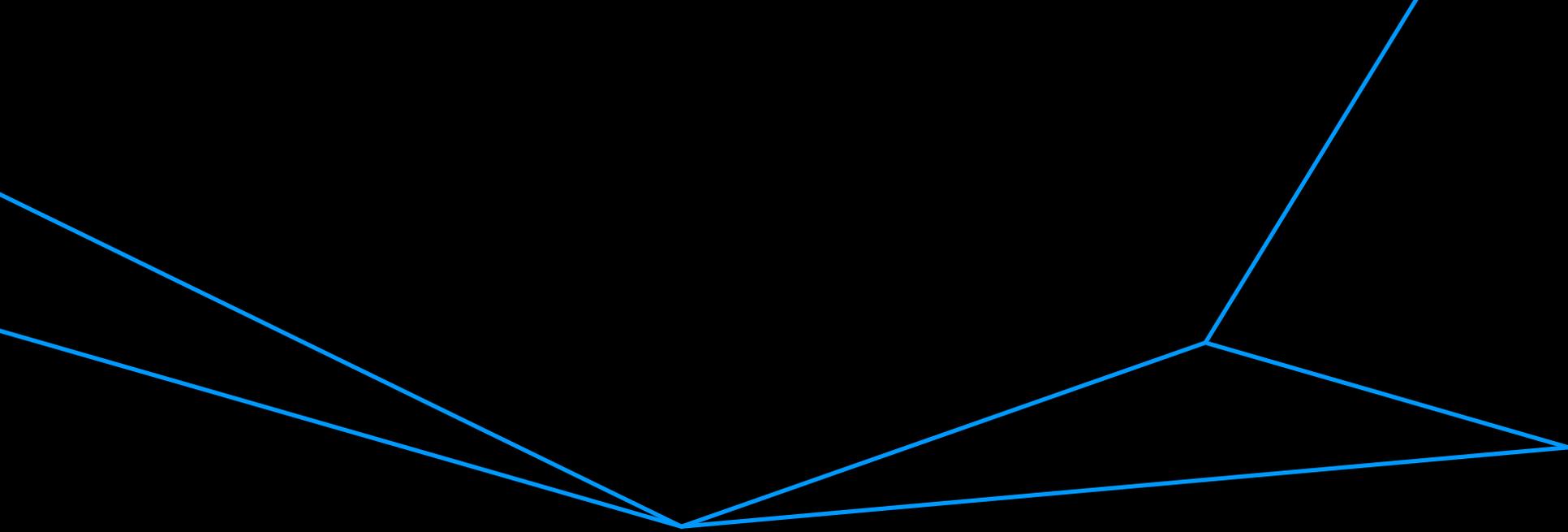
Given currency rates, stock levels and metal prices at the end of September, it is estimated that effects on operating profit Q4 2015 will be about -100 MSEK.

NET FINANCIAL ITEMS

Net financial items is estimated to be -1.8 to -2.0 bn. SEK for 2015.

TAX RATE

The tax rate is estimated to about 26–28% for 2015.

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.”