

# INTERIM REPORT FIRST QUARTER 2017



# SUMMARY

## STRONG MOMENTUM

ORDER INTAKE +16%

POSITIVE DEVELOPMENT IN ALL BUSINESS AREAS AND REGIONS

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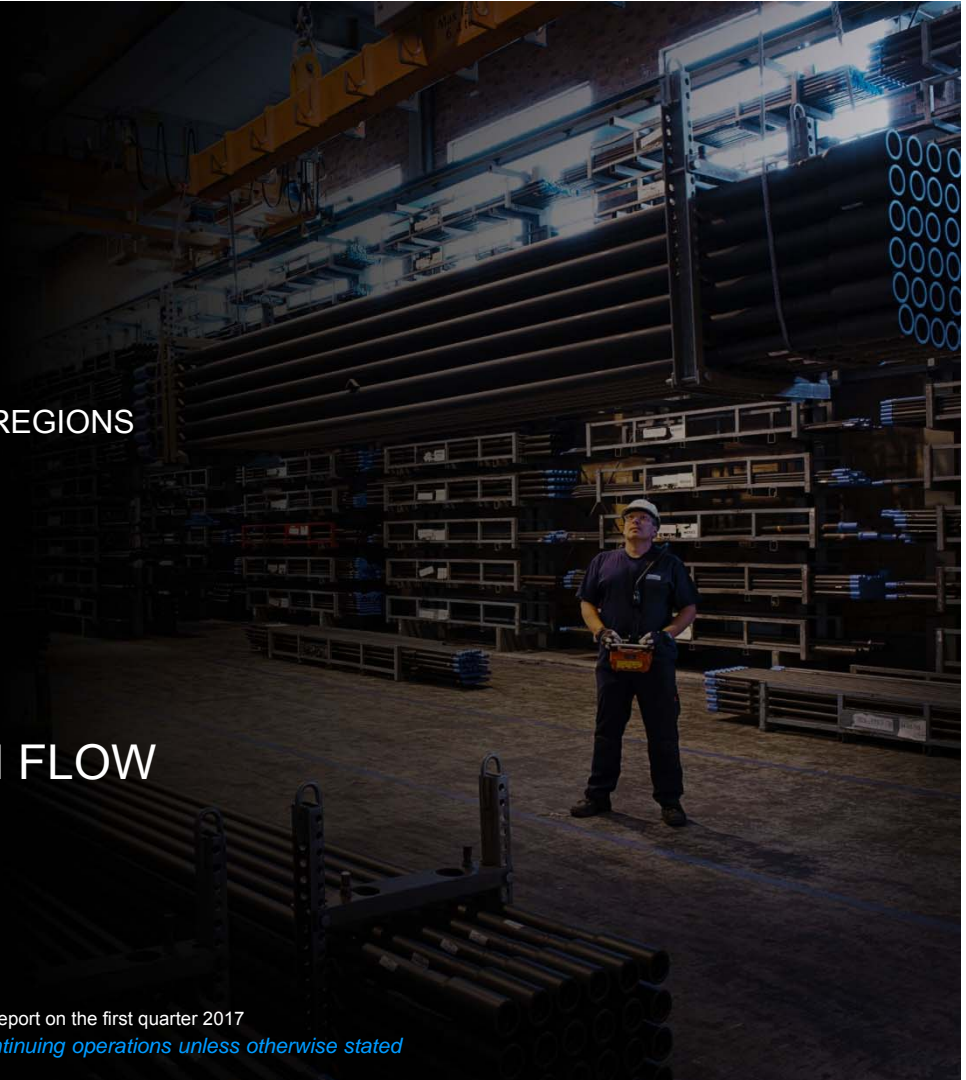
## EARNINGS GROWTH AND MARGIN IMPROVEMENT

ALSO EXCLUDING POSITIVE IMPACT FROM FX

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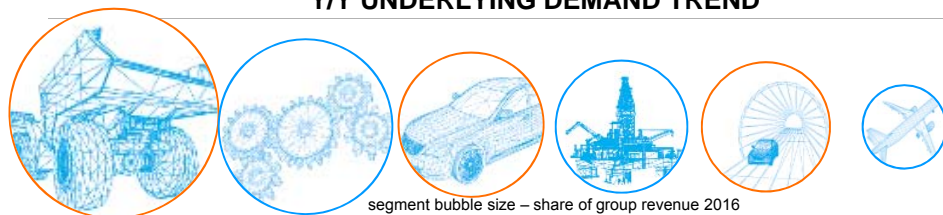
## RECORD-HIGH FIRST QUARTER CASH FLOW

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# MARKET DEVELOPMENT

## Y/Y UNDERLYING DEMAND TREND

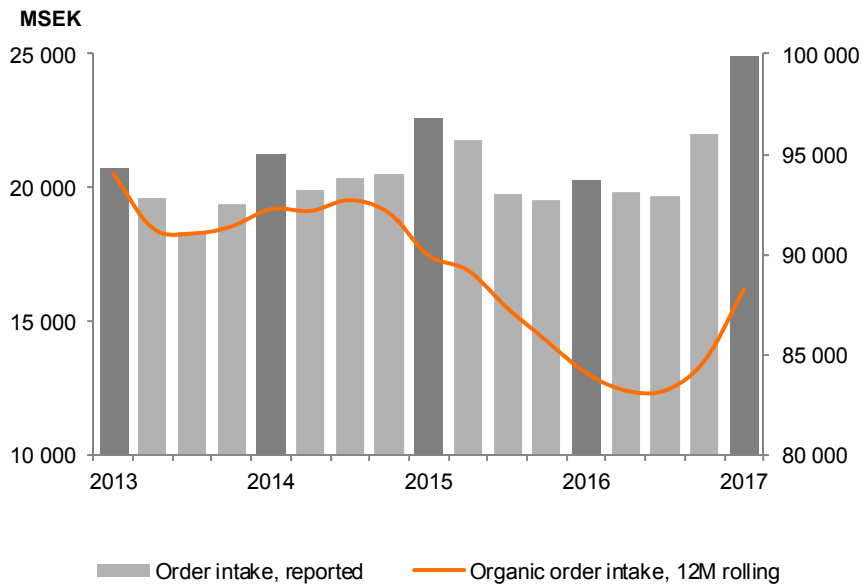


	% of group revenue FY16	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Q/Q underlying demand trend
EUROPE	40%	+5%	↗	↗	→	→	→	→	→
NORTH AMERICA	20%	+41%	↗	↗	↘	↗	→	→	↗
ASIA	20%	+7%	↗	↗	↗	→	↗	↗	→
AFRICA/MIDDLE EAST	9%	+36%	↗	→					→
SOUTH AMERICA	5%	+8%	↗						↗
AUSTRALIA	6%	+29%	↗						↗

# ORDER INTAKE

STRONG ORDERS AND BOOK-TO-BILL OF 114%

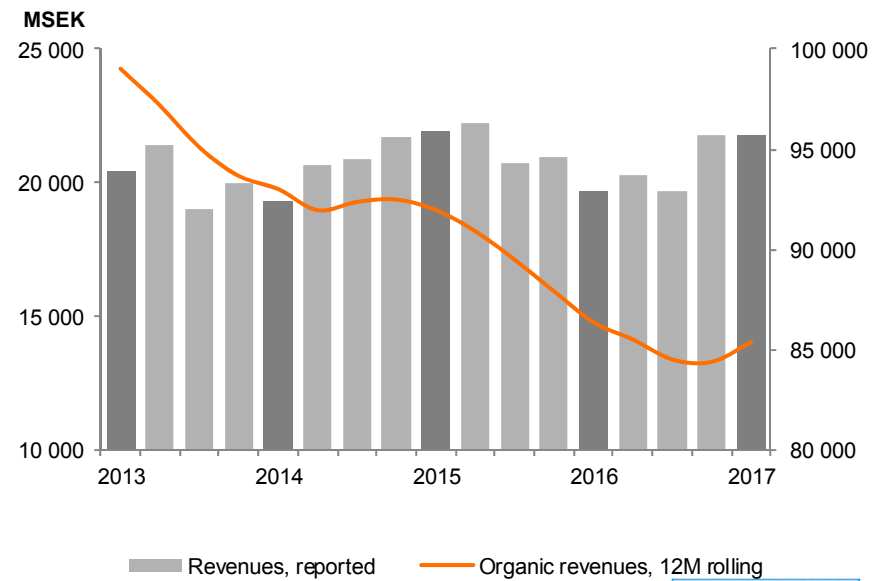
REPORTED P/V  
**24 916** **16%**



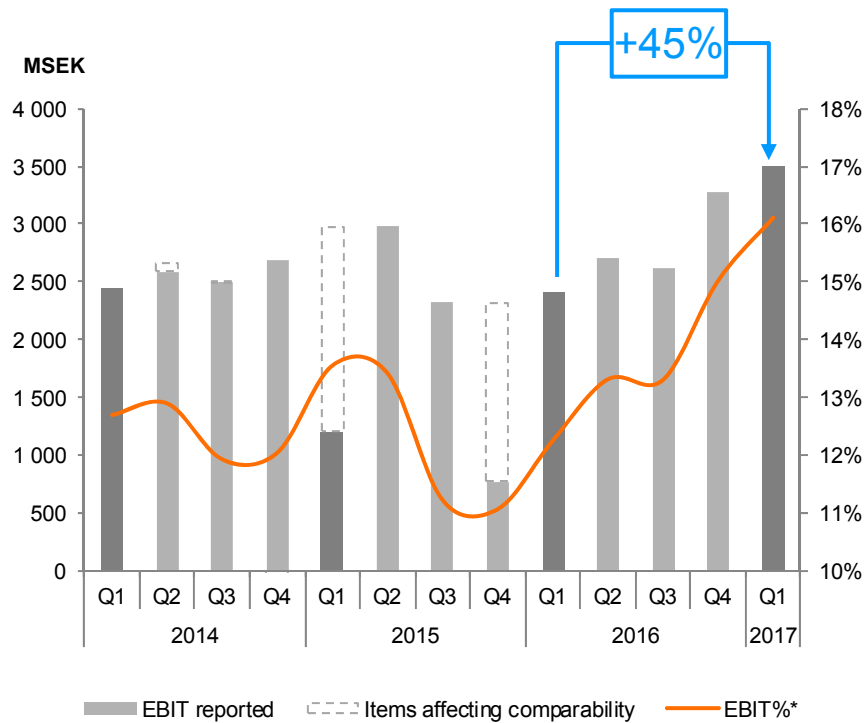
# REVENUES

GROWTH IN ALL THREE MAJOR REGIONS

REPORTED P/V  
**21 767** **5%**



# EBIT DEVELOPMENT



\*Adjusted for items affecting comparability

REPORTED  
**3 507**

MSEK

EBIT %

**16.1**

- 18% EBIT GROWTH EXCLUDING FX AND METAL PRICE EFFECTS
- SUPPORTED BY HEALTHY REVENUE GROWTH SAVINGS MEASURES





SHARE OF  
REVENUES 2016  
**40%**

# SANDVIK MACHINING SOLUTIONS

## IMPROVING MARKET CONDITIONS

- Support from working days of 3%
- Blanket orders received for Powder & blanks, ~2% on order intake
- Positive underlying development in North America and Asia, while Europe largely stable

## EARNINGS AND MARGIN IMPROVEMENT

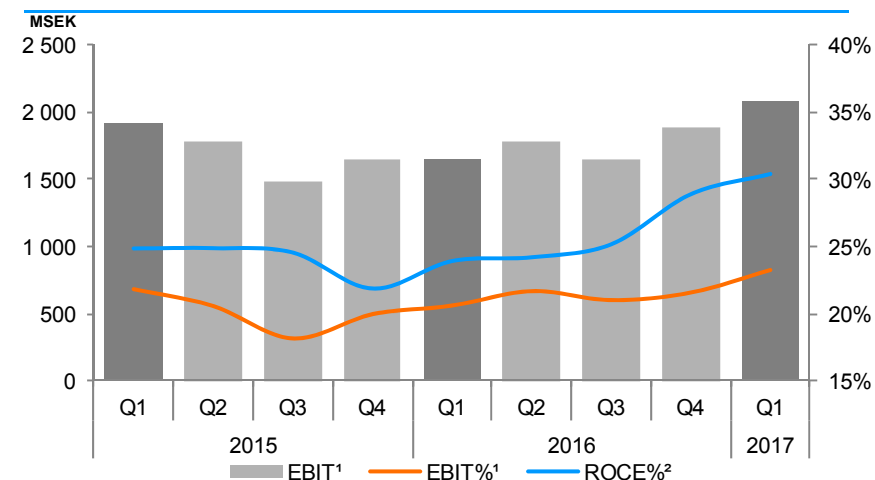
- 14% earnings growth excluding positive FX
- Support from revenue growth and structural efficiency measures
- Negative impact of ~50bps on margin primarily related to contribution to profit-sharing foundation

## RECORD LOW NWC IN RELATION TO REVENUES

MSEK	Q1 2016	Q1 2017	CHANGE
ORDER INTAKE	8 304	9 450	+10%*
REVENUES	8 025	8 909	+7%*
OPERATING PROFIT	1 652	2 071	+25%
% OF REVENUES	20.6%	23.2%	

\*At fixed exchange rates for comparable units

## EBIT & ROCE DEVELOPMENT





SHARE OF REVENUES 2016

38%

# SANDVIK MINING AND ROCK TECHNOLOGY

## STRONG ORDER INTAKE

- Order growth driven primarily by equipment replacements
  - Large order in underground drilling and load and haul in North America
- Positive development in the aftermarket business
- Gold, silver and zink strongest commodities, signs of improvement for copper

## SIGNIFICANT EARNINGS AND MARGIN GROWTH

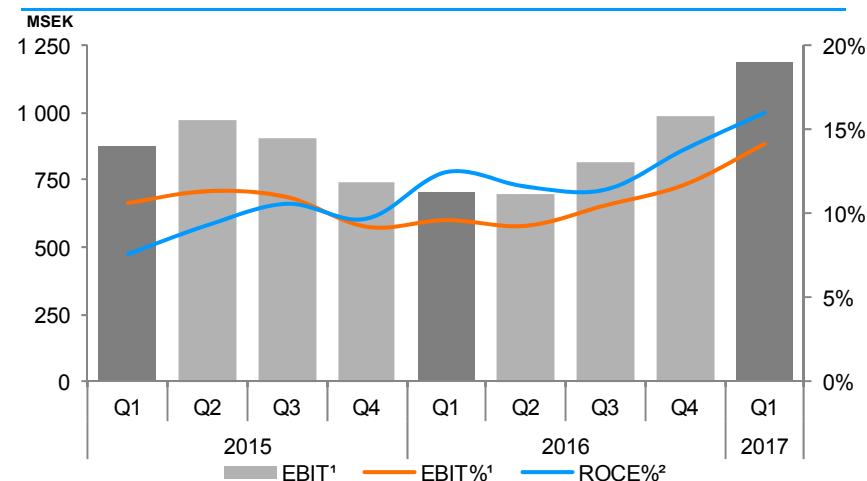
- Earnings primarily supported by efficiency measures and revenue growth
- Release of bad debt provisions of 40 MSEK supported the margin by ~50bps

## RECORD LOW RELATIVE NWC ~25%

MSEK	Q1 2016	Q1 2017	CHANGE
ORDER INTAKE	7 266	10 247	+30%*
REVENUES	7 344	8 378	+6%*
OPERATING PROFIT	705	1 184	+68%
% OF REVENUES	9.6%	14.1%	

\*At fixed exchange rates for comparable units

## EBIT & ROCE DEVELOPMENT



SANDVIK: Interim Report on the first quarter 2017

Comments and numbers refer to continuing operations unless otherwise stated

<sup>1</sup>Adjusted for items affecting comparability  
<sup>2</sup>ROCE: EBIT adj. annualized, CE 1Q avg.



SHARE OF  
REVENUES 2016  
**16%**

# SANDVIK MATERIALS TECHNOLOGY

## STABILIZING MARKETS

- Stable underlying order development
  - Alloy surcharges impacted order intake by +5%
- One large umbilicals order received
- Energy segment stabilizing
- Initial signs of improvement in early-cycle businesses

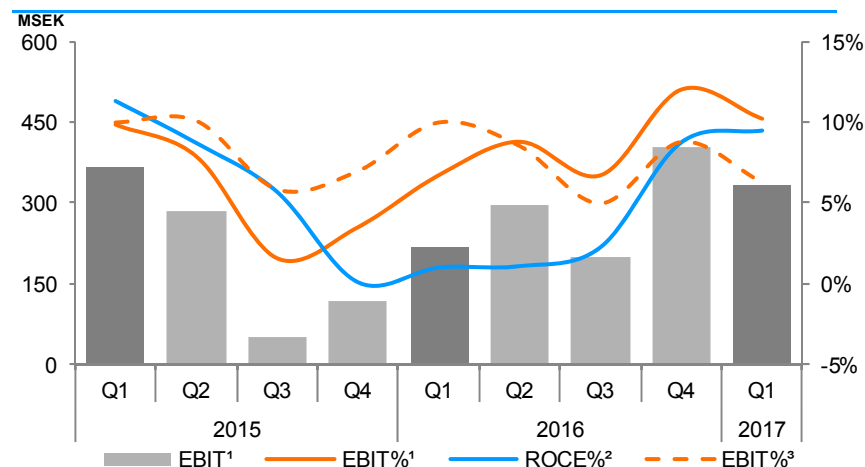
## LOWER VOLUMES IMPACTED EARNINGS

- Underlying revenues -6% excl. alloy surcharges
  - primarily related to core and standard tubular offering
- Impact from inventory build-up largely off-set by planned maintenance stoppage

MSEK	Q1 2016	Q1 2017	CHANGE
ORDER INTAKE	3 488	3 746	+5%*
REVENUES	3 231	3 275	-1%*
OPERATING PROFIT	216	334	+54%
% OF REVENUES <sup>1</sup>	6.7%	10.2%	
UNDERLYING MARGIN <sup>3</sup>	10.0%	6.3%	

\*At fixed exchange rates for comparable units

## EBIT & ROCE DEVELOPMENT





# TOMAS ELIASSON

## CFO

# FINANCIAL SUMMARY Q1

GROWTH, %		
	ORDER REVENUES INTAKE	
ORGANIC:	+16	+5
CURRENCY:	+5	+5
STRUCTURE:	0	0
<b>TOTAL</b>	<b>+23</b>	<b>+10</b>

MSEK	Q1 2016	Q1 2017	CHANGE %
ORDER INTAKE	20 299	24 916	+16 <sup>1</sup>
REVENUES	19 700	21 767	+5 <sup>1</sup>
OPERATING PROFIT	2 413	3 507	+45
<i>% OF REVENUES</i>	12.2	16.1	
NWC % <sup>2</sup>	28.0	24.5	
CASH FLOW <sup>3</sup>	1 899	3 682	+94
ROCE % <sup>2</sup>	13.2	18.0	
EPS CONT. OPS., SEK	1.16	1.82	+56
EPS GROUP TOTAL, SEK	1.12	1.81	+62

<sup>1</sup> At fixed exchange rates for comparable units

<sup>2</sup> Quarterly calculation i.e. annualized adj. EBIT or revenues and 1Q average CE or NWC

<sup>3</sup> Cash flow before acquisitions and disposals, financial items and taxes



# BRIDGE ANALYSIS

## SANDVIK GROUP

MSEK	Q1 2016	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2017
REVENUES	19 700	822	1 049	196	21 767
EBIT	2 413	458	401	235	3 507
EBIT MARGIN	12.2%	56%	-	-	16.1%
MARGIN ACCRETION / DILUTION		+1.7%	+1.1%	+1.1%	

\* Includes metal price effects within Sandvik Materials Technology of +182 MSEK in alloy surcharges on revenues and 235 MSEK in metal price effect on EBIT (-106 Q1 2016 vs. +129 Q1 2017). Structure +14 topline for SMS, 0 on EBIT.

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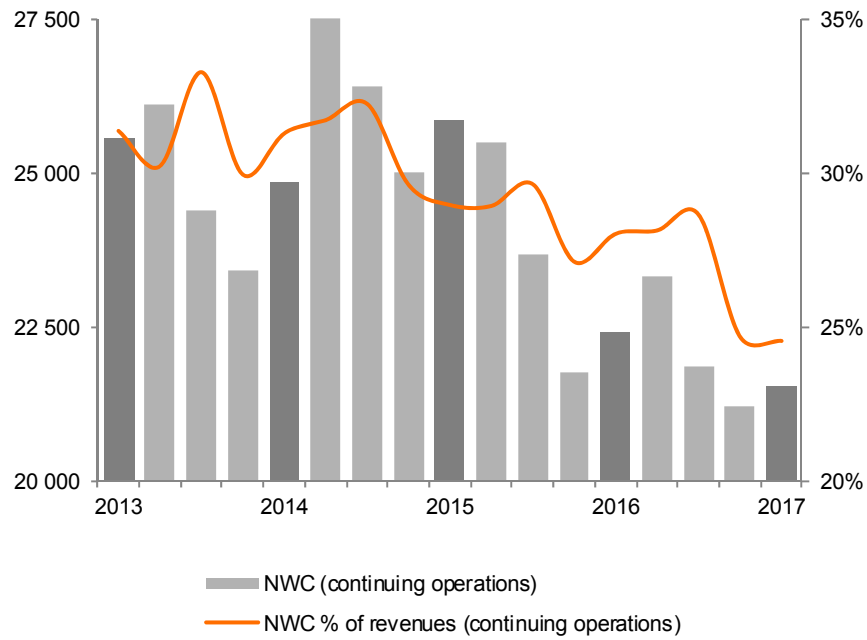
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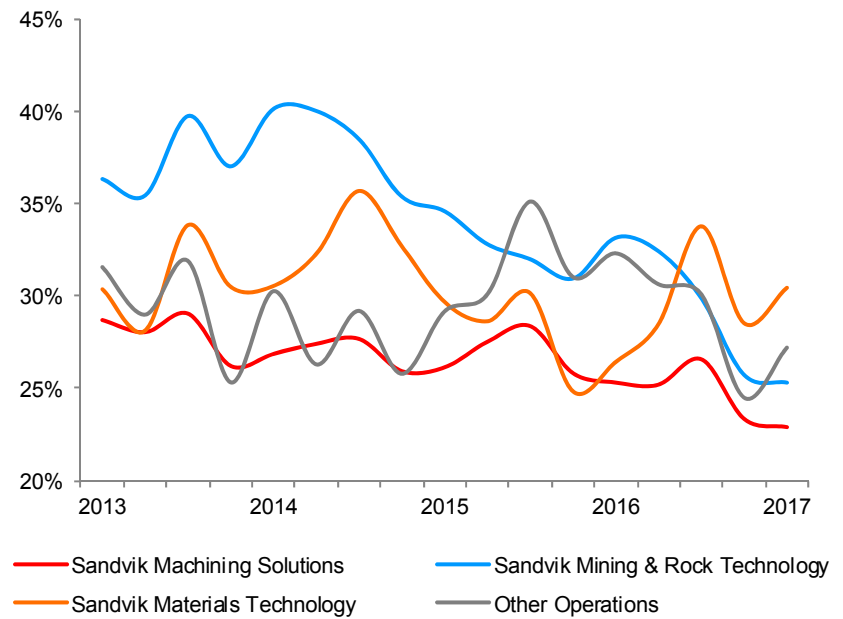


# NET WORKING CAPITAL

MSEK

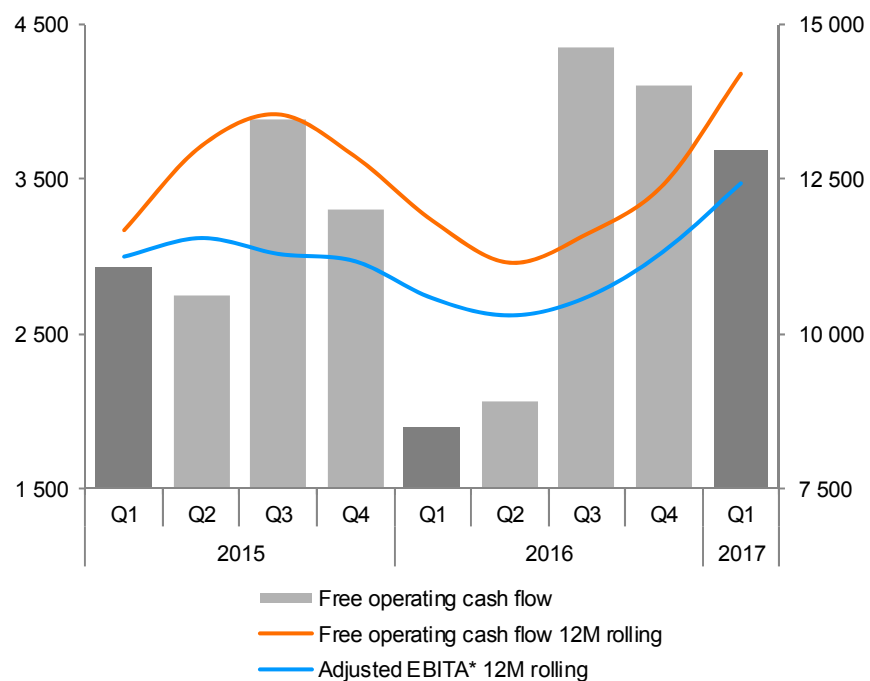


# RELATIVE NWC BY BA



# FREE OPERATING CASH FLOW

MSEK



MSEK	Q1 2016	Q1 2017	Δ
EBITDA + non cash	3 377	4 772	+1 395
NWC change	-736	-226	+510
Capex*	-742	-864	-122
<b>FOCF**</b>	<b>1 899</b>	<b>3 682</b>	<b>+1 783</b>

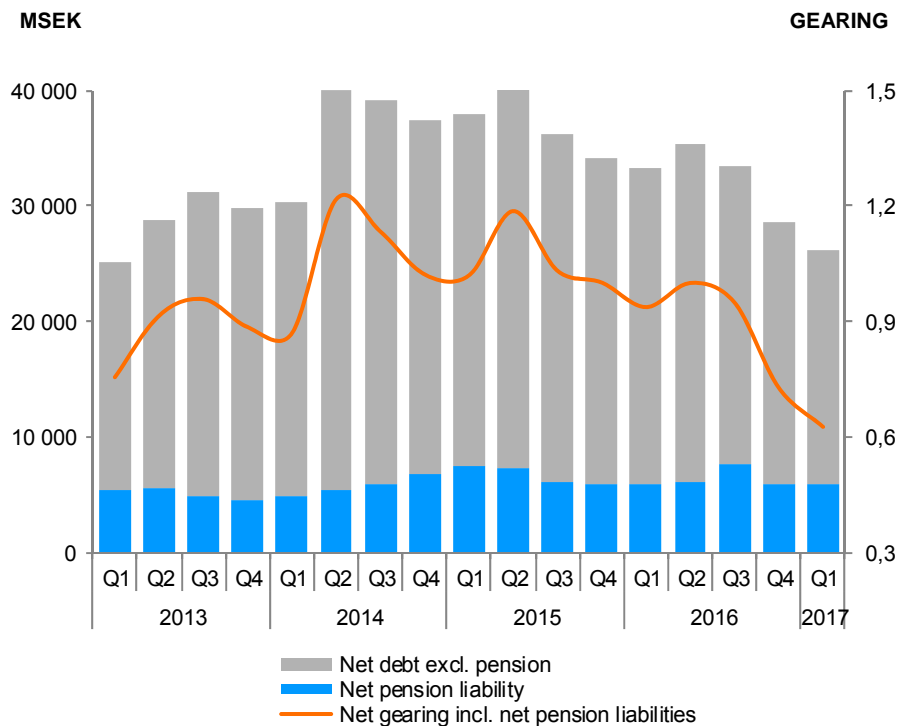
\*Including investments and disposals in rental, tangible and intangible assets

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

\*Adjusted for items affecting comparability



# FINANCIAL NET DEBT



- NET DEBT LOWERED BY -21% Y/Y TO 26 BILLION SEK
- NET GEARING 0.63  
— IN LINE WITH TARGET OF <0.8
- S&P CREDIT RATING OUTLOOK IMPROVED



# OUTCOME AND GUIDANCE

## Q1 2017

Currency effect (MSEK):	+401 (+400)
Metal price effect (MSEK):	+129 (~0)

## Q2 2017

Currency effect (MSEK):	+400*
Metal price effect (MSEK):	+0**

## FULL YEAR 2017

Capex (BSEK):	~3.9	(Q1: 703)
Net financial items (BSEK):	-1.4 to -1.5	(Q1: -387)
Tax rate (%):	26-28	(Q1: 26.9)

\*Based on currency rates end of March 2017

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

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SANDVIK: Interim Report on the first quarter 2017

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# SUMMARY

STRONG MOMENTUM IN ORDERS  
SUPPORT FUTURE REVENUE  
GENERATION

IMPROVED PERFORMANCE

STRENGTHENING OF BALANCE SHEET

- RECORD-HIGH Q1 CASH FLOW
- NET GEARING ON LOWEST LEVEL IN RECENT HISTORY

STABILITY

CREATE A STABLE  
PLATFORM

PROFITABILITY

IMPROVE  
PERFORMANCE

GROWTH

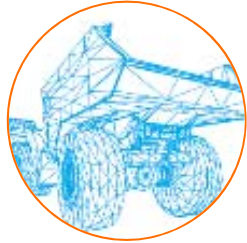
GENERATE  
GROWTH

SANDVIK



# BACK-UP SLIDES





**MINING**  
(27%)



**ENERGY**  
(12%)



**GENERAL  
ENGINEERING**  
(23%)



**CONSTRUCTION**  
(12%)



**AUTOMOTIVE**  
(14%)



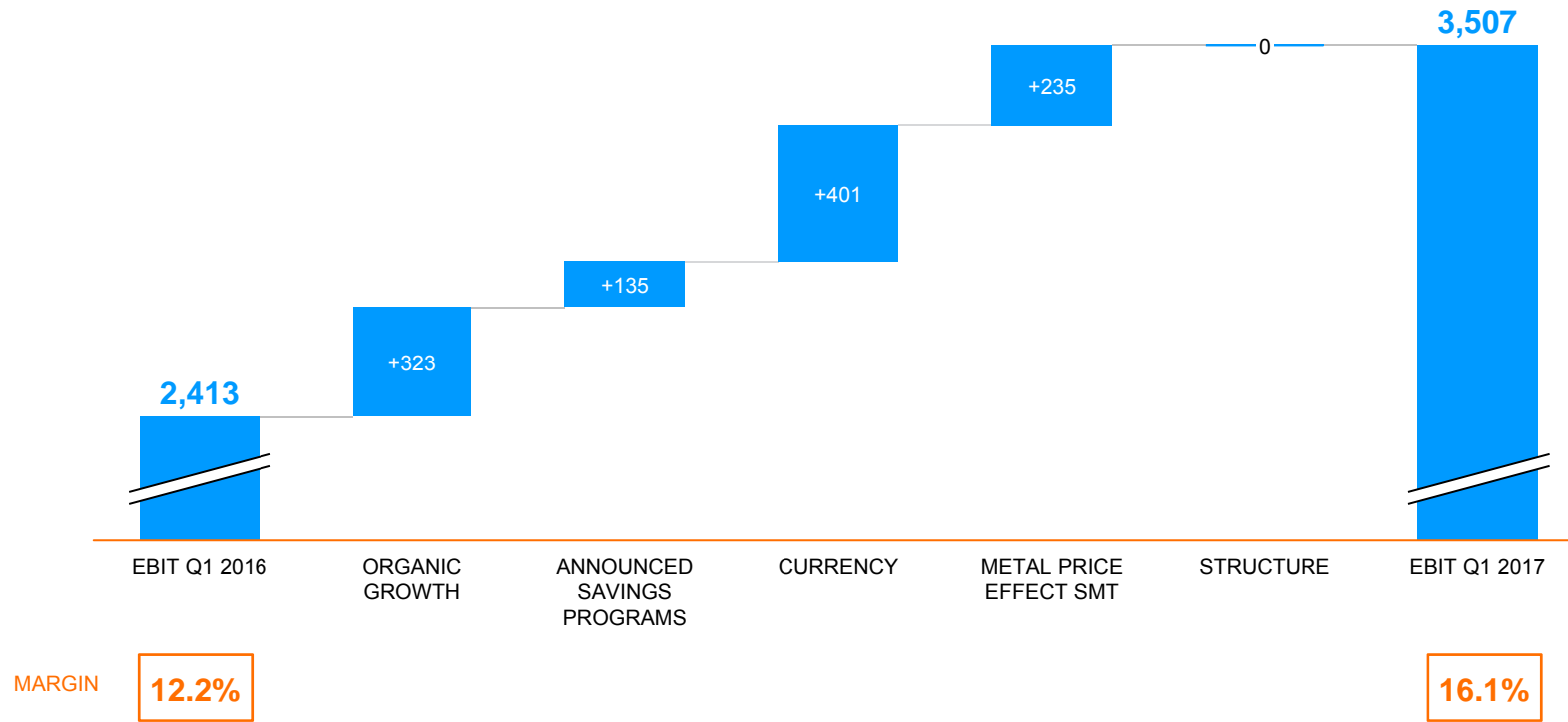
**AEROSPACE**  
(6%)

## 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:  
**+56%**






# BRIDGE ANALYSIS

MSEK	Q1 2016	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2017
<b>MACHINING SOLUTIONS</b>					
REVENUES	8 025	559	311	14	8 909
EBIT	1 652	227	192	0	2 071
EBIT MARGIN	20.6%	+41%	-	-	23.2%
<b>MINING AND ROCK TECHNOLOGY</b>					
REVENUES	7 344	419	615	-	8 378
EBIT	705	296	183	-	1 184
EBIT MARGIN	9.6%	71%	-	-	14.1%
<b>MATERIALS TECHNOLOGY</b>					
REVENUES	3 231	-207	69	182	3 275
EBIT	216	-103	-14	235	334
EBIT MARGIN	6.7%	-50%	-	-	10.2%

\* Includes metal price effects in SMT, bottom line: -106 in Q1 2016 vs. +129 in Q1 2017, alloy surcharges topline: +182MSEK. Structure SMS: topline: 14MSEK and bottom line: 0

# CREATING A LEANER COMPANY

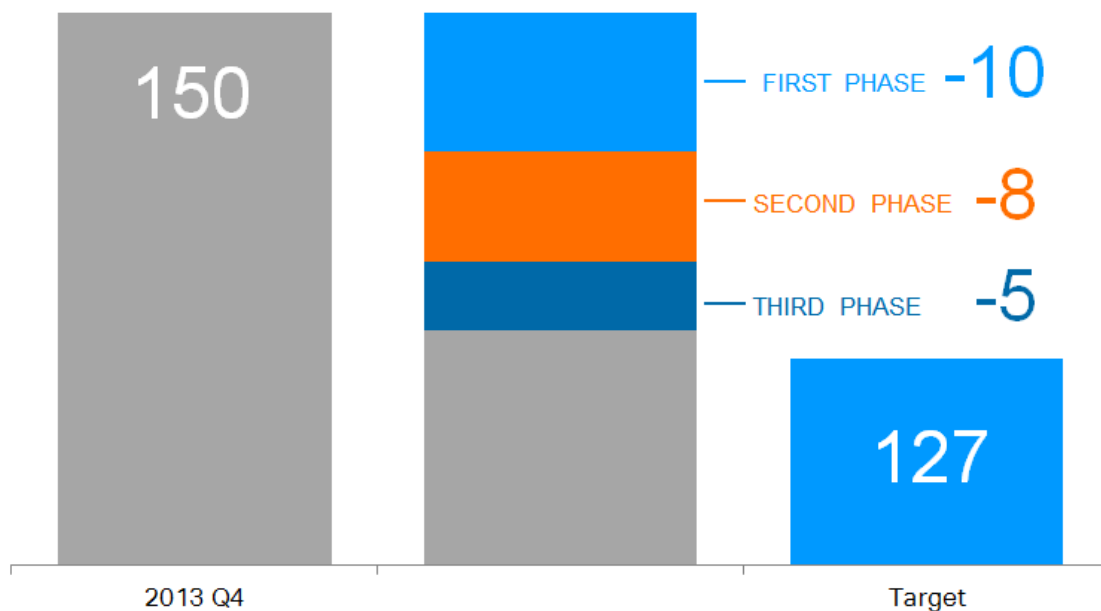
## SAVINGS ANNUAL RUN-RATE (MSEK) VS. LAST YEAR AND TOTAL

	 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 OPTIMIZATON	225	64	41	0	345*	1 149 (1 333)
ADJUST OF COST BASE/ RIGHT SIZING	165	0	9	19	193	711 (762)
<b>TOTAL</b>	<b>390</b>	<b>64</b>	<b>50</b>	<b>19</b>	<b>538*</b>	<b>1 860 (2 095)</b>

\*Other operations contributed by 15MSEK on annual run-rate compared with previous year to the supply chain optimization program

# 19 PRODUCTION UNITS CLOSED END OF Q1

## 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  
 (2 UNITS CLOSED)  
 - TARGET SAVINGS 323 MSEK  
 at year end 2017





SHARE OF  
REVENUES 2016

6%

# OTHER OPERATIONS

## NON-STRATEGIC ASSETS

### IMPROVED DEMAND, BOOK-TO-BILL 1.2

- Increased demand in particular for Hyperion with some larger blanked orders booked
- Solid order intake also for Process System

### EARNINGS SUPPORTED BY FX

- Despite revenue growth of +5%, earnings improved only slightly
  - Negative mix in Process Systems (higher share of smaller projects, lower share of Belts)





SHARE OF REVENUES 2016

6%

# OTHER OPERATIONS

NON-STRATEGIC ASSETS

ORDER INTAKE

1 473

MSEK

REVENUES

1 205

MSEK

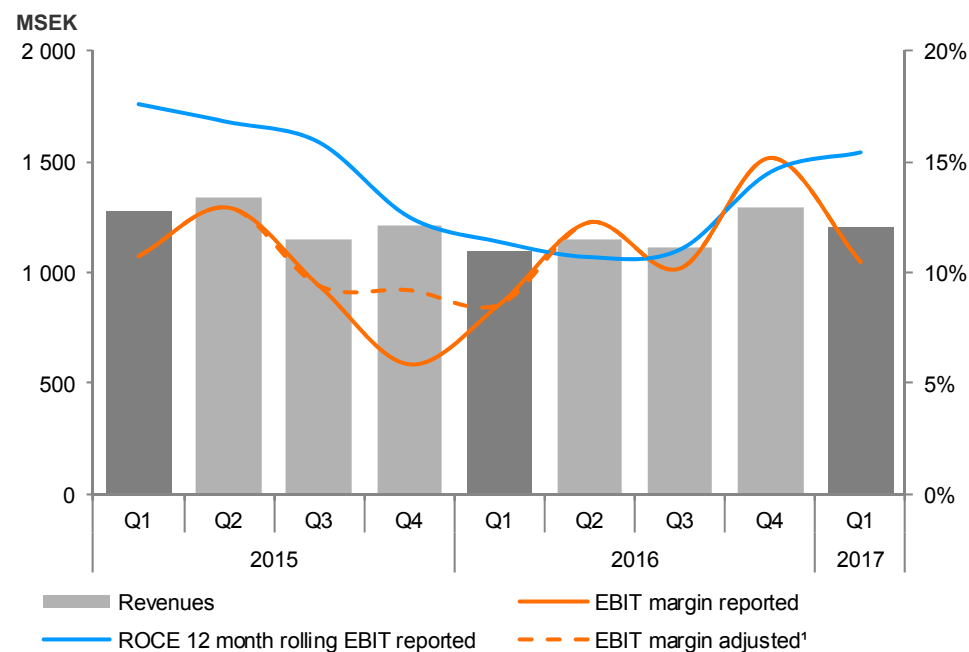
EBIT

126

MSEK

ROCE

13.4%



<sup>1</sup>Adjusted for items affecting comparability  
<sup>2</sup>ROCE: EBIT adj. annualized, CE 1Q avg.





# LOAN AND DURATION PROFILE



LONG TERM  
**86%**



SHORT TERM  
**14%**

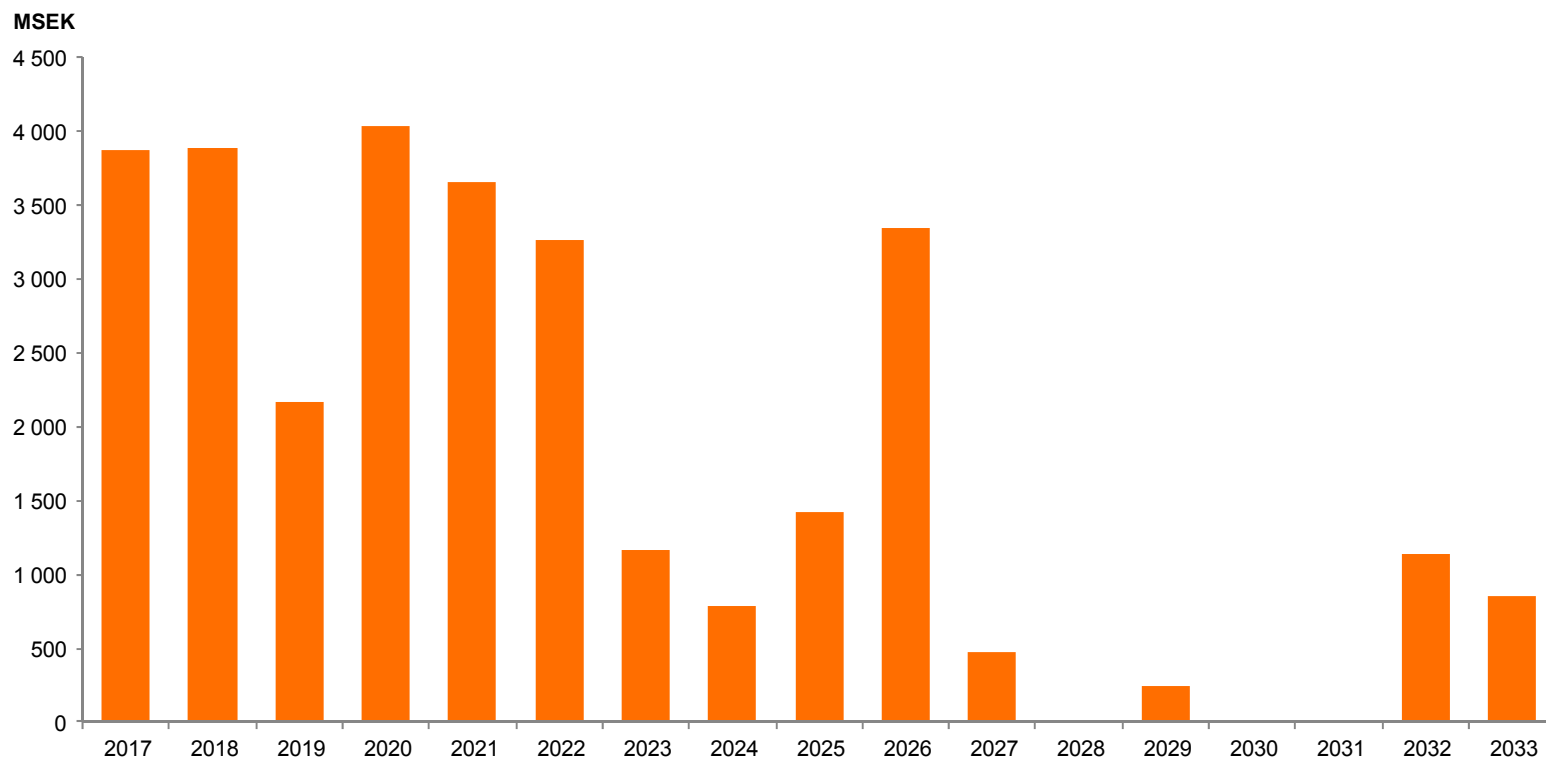
Cash position	<b>10,798 MSEK</b>
Revolving Credit facilities	<b>9,000 MSEK</b>

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	5,230	4 years
Fin institutions, EIB, NIB	1,704	7 years
Swedish MTN	6,230	4 years
European MTN	10,475	9 years
Bank loans	3,035	2 years
Share swap	-	-

US Private Placement	1,667	5 months
Fin institutions, EIB, NIB	341	6 months
Swedish MTN	1,790	4 months
Bank loans	86	2 months
Share swap	617	2 months

<b>TOTAL</b>	<b>31,176</b>	<b>5 years</b>
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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 March 2017 the effect on operating profit from transaction and translation would be +400 MSEK for Q2 2017
METAL PRICE EFFECTS	Given currency rates, stock levels and metal prices at the end of March 2017, it is estimated that effects on operating profit in Q2 2017 will be about 0 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

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# 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."

