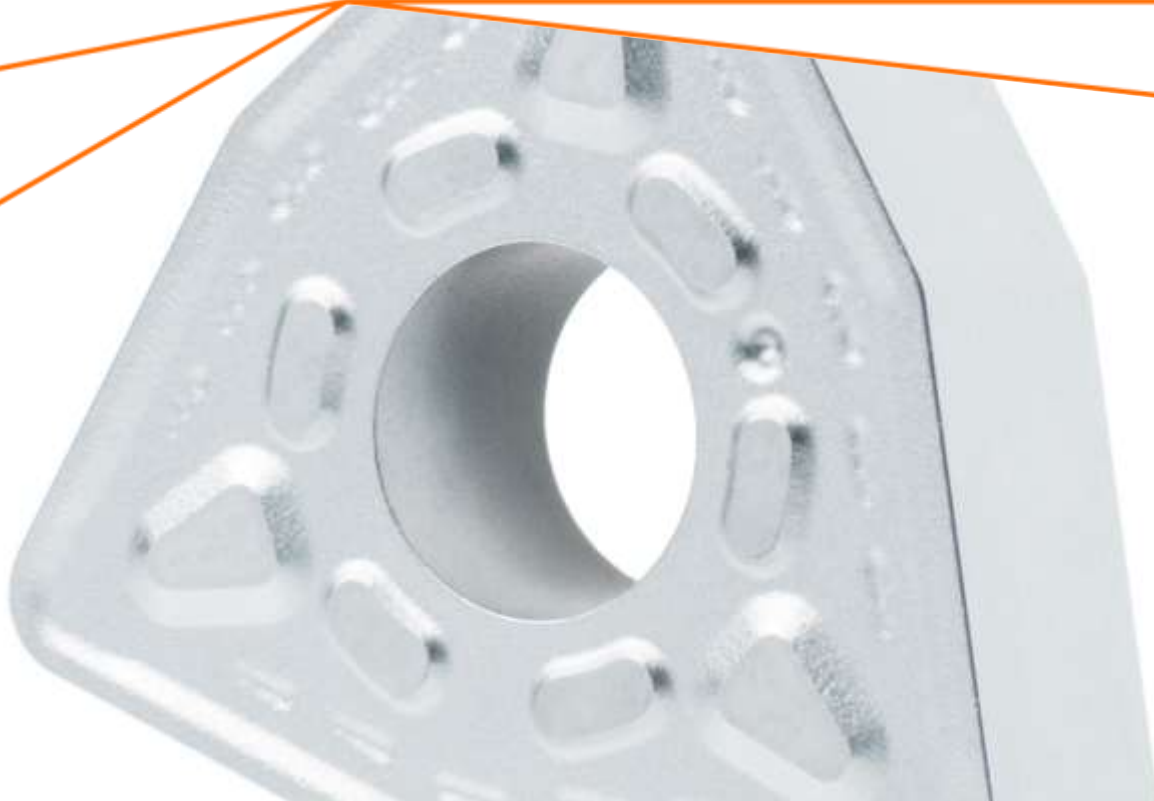


# INTERIM REPORT JULY 17

## SECOND QUARTER 2015



# SUMMARY Q2 2015

## STRONG CASH FLOW

- Continued focus on net working capital

## EARNINGS GROWTH

- EBIT 2,903 MSEK, 12.4%
- Currency effect +775 MSEK
- Savings 162 MSEK

## SOFT DEMAND

- Stable market in Europe with signs of improvement in western regions
- North America at a lower level but stable
- Weak and volatile market in Asia
- Challenging market conditions in oil and gas

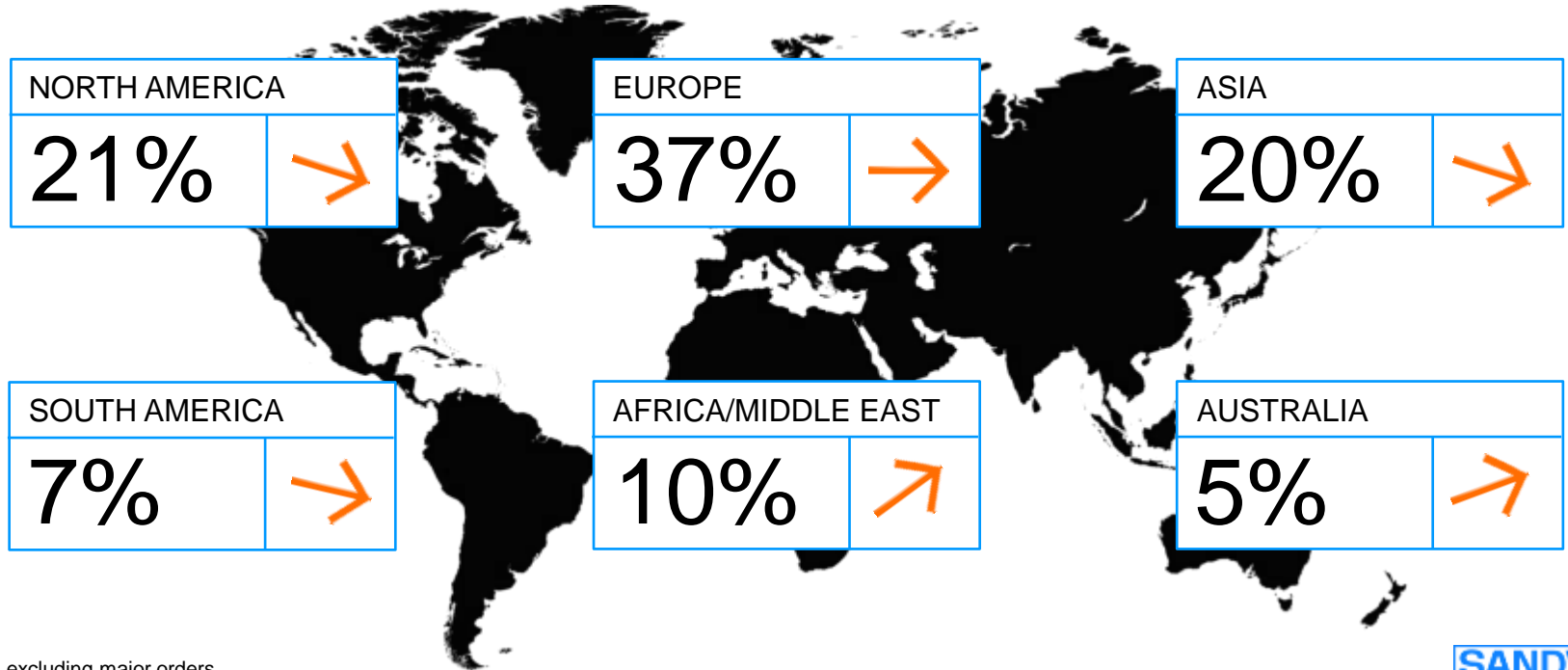
## FOCUS ON NEW PRODUCT INTRODUCTIONS AND INTERNAL EFFICIENCY MEASURES



# INVOICING BY MARKETS

## SALES Q2 2015 SHARE OF GROUP TOTAL

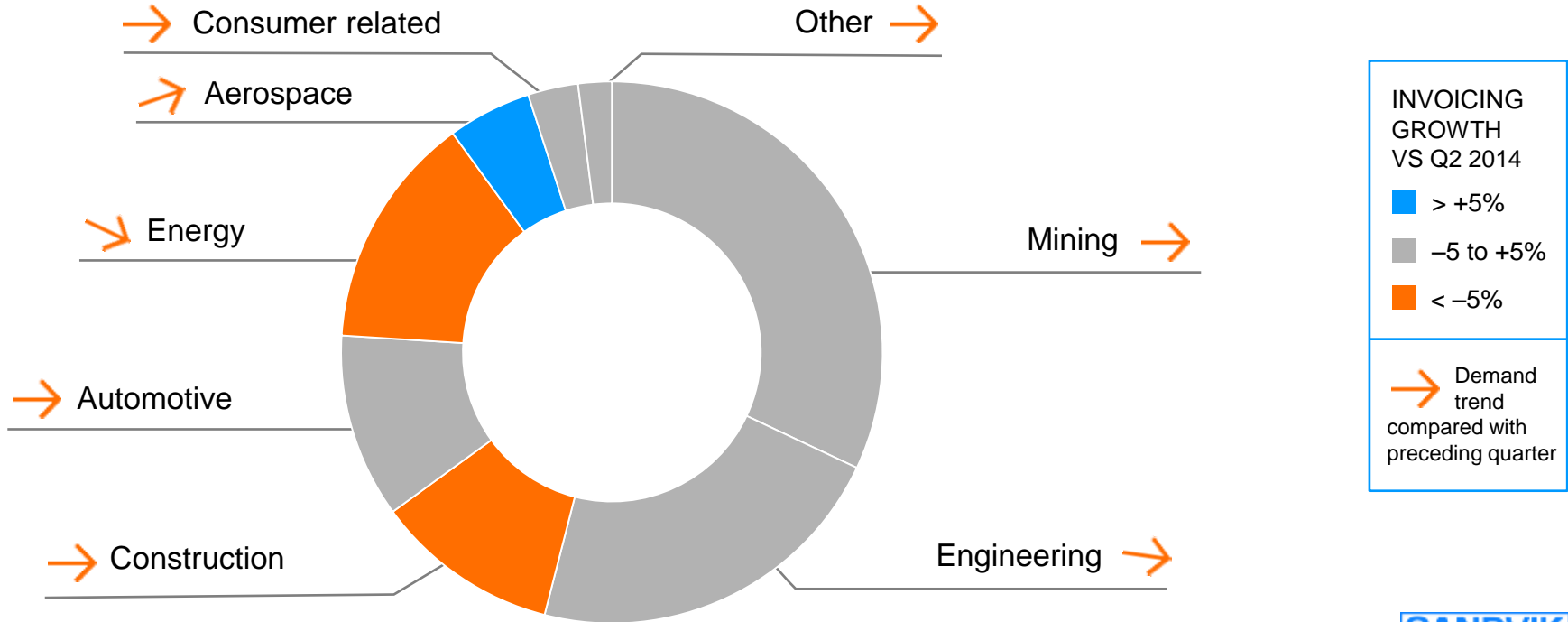
→ Order intake compared with preceding quarter\*



\*) excluding major orders

# INVOICING BY SEGMENTS

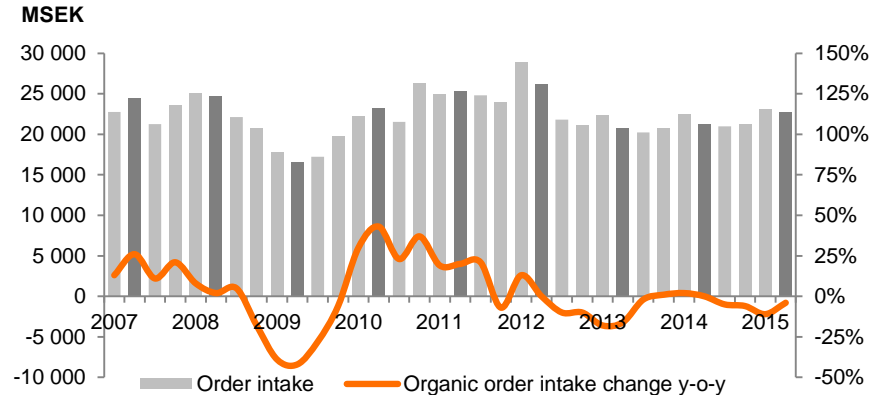
## CUSTOMER SEGMENTS



# ORDER INTAKE

## 22,743 MSEK

CHANGE P/V -4%

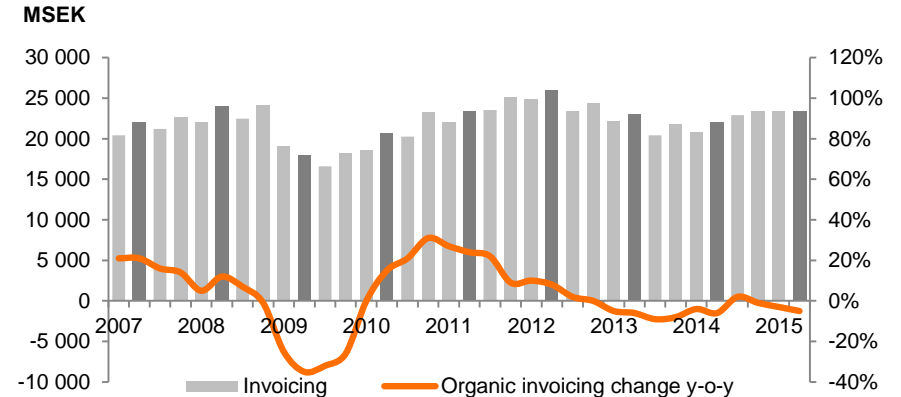


- Neutral book-to-bill for Mining, adversely impacted by low order intake for Mining Systems.
- Continued challenging market conditions in the oil and gas segment
- Sequential decline of -2% P/V

# INVOICING

## 23,398 MSEK

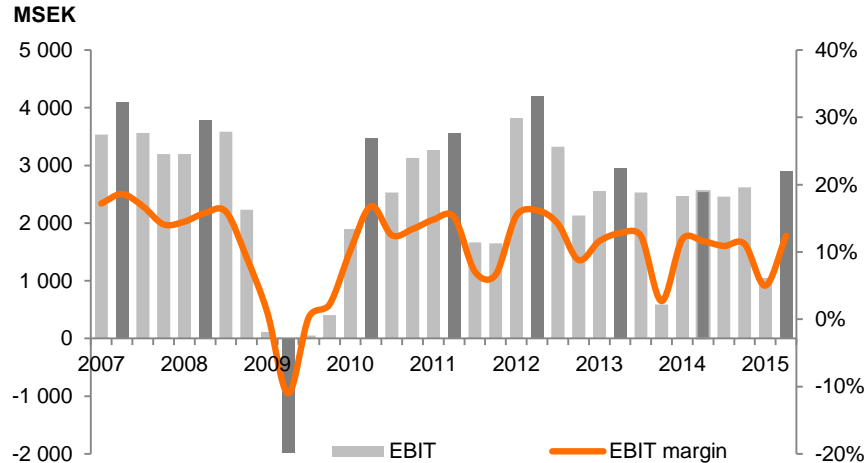
CHANGE P/V -5%



- Negative organic growth across BA's.
- Mining stable at a low level (P/V -2%)

# EBIT 2,903 MSEK

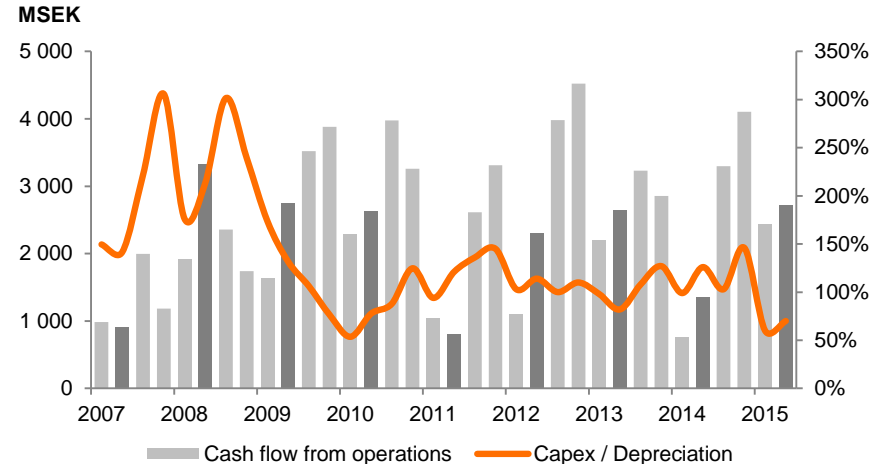
EBIT MARGIN 12.4%



- Year-on-year adjusted earnings growth supported by currency and effects from savings initiatives
- Positive currency effect +775 MSEK
- Savings of 162 MSEK versus the same quarter previous year

# CASH FLOW

CASH FLOW FROM OPERATIONS 2,723 MSEK



- Continued strong cash flow
- Stable NWC in contrast to normal seasonal increase
- Investments 1.0 BSEK in Q2

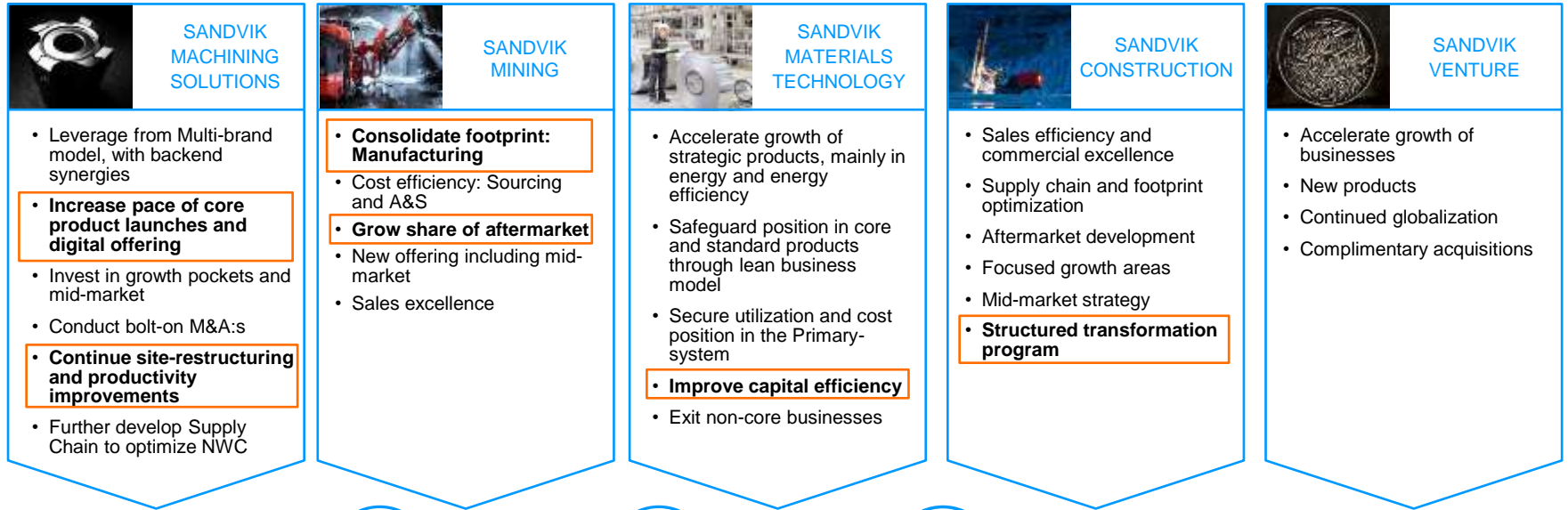
# FINANCIAL TARGETS

	CURRENT	TARGET	MANAGEMENT FOCUS
GROWTH	6%	8%*	<ul style="list-style-type: none"> <li>• Product launches through focused R&amp;D</li> <li>• Increase exposure towards high growth markets and segments</li> <li>• Adjust geographic footprint</li> </ul>
ROCE	12%	25%	<ul style="list-style-type: none"> <li>• Reduce Net Working Capital</li> <li>• Strict capital allocation (investments)</li> <li>• Restore earnings in Sandvik Mining and Sandvik Construction</li> </ul>
NET DEBT/EQUITY RATIO	0.85	< 0.80	<ul style="list-style-type: none"> <li>• Dividend paid in Q2</li> <li>• Strong cash flow generation</li> </ul>
DIVIDEND	73% for 2014	50% of EPS	<ul style="list-style-type: none"> <li>• Proposed dividend maintained at 3.50 SEK per share (3.50)</li> <li>• Uninterrupted dividend since 1870</li> </ul>

\* Over a business cycle including M&A

# OUR WAY FORWARD

## KEY PRIORITIES BY BUSINESS AREA



YIELD HIGHER RETURNS



REDUCE EARNINGS VOLATILITY



DEVELOP MORE TOWARDS FAST GROWING MARKETS

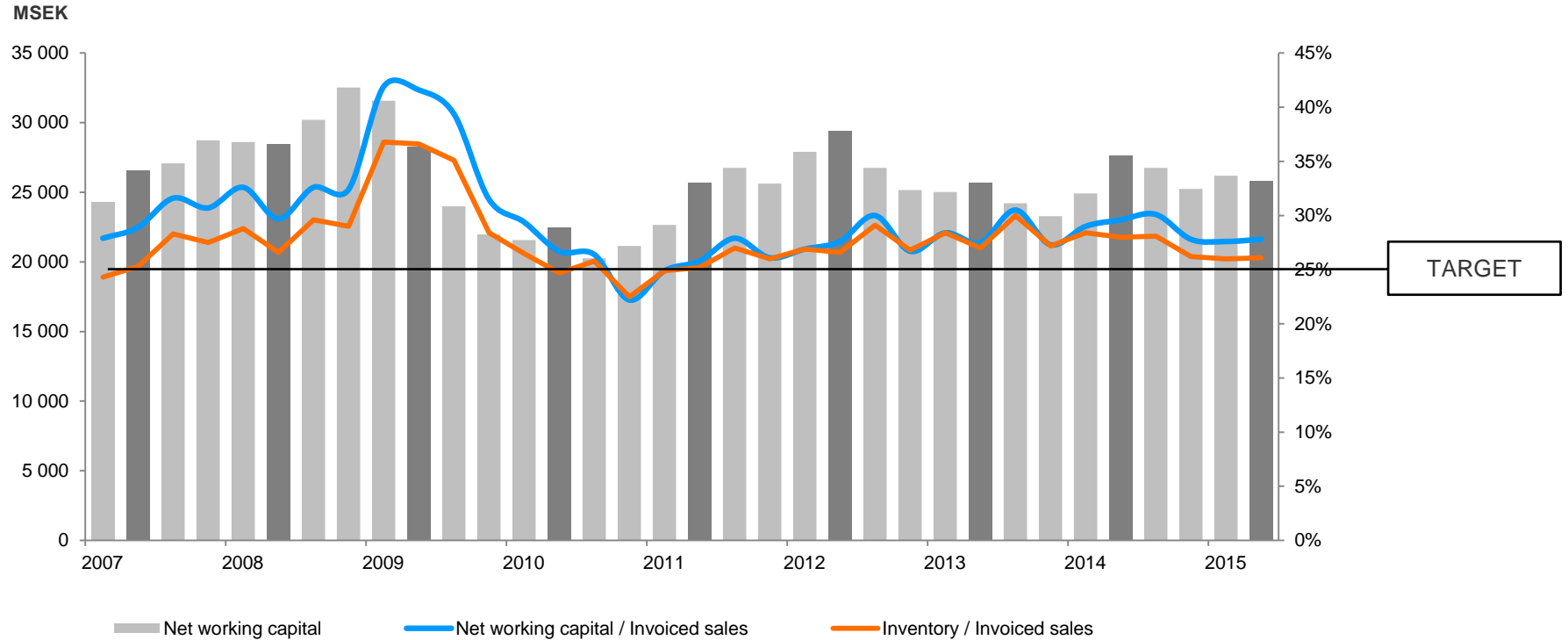


# MATS BACKMAN

## CFO



# NET WORKING CAPITAL



# CREATING A LEANER COMPANY

## SAVINGS Q2 ANNUAL RUNRATE (MSEK)

	 SANDVIK MACHINING SOLUTIONS	 SANDVIK MINING	 SANDVIK MATERIALS TECHNOLOGY	 SANDVIK CONSTRUCTION	 Target 1,9 bn.  SAVINGS ANNUAL RUN-RATE
SUPPLY CHAIN OPTIMIZATION	166	212	-	124	<b>502</b> (1,400)
ADJ COST BASE **)	38	-	24	68	<b>160**</b> (480)
<b>TOTAL</b>	<b>204</b>	<b>212</b>	<b>24</b>	<b>192</b>	<b>662</b> (1,880)

\*) 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 30 MSEK related to Sandvik Venture

# GUIDANCE

## POSITIVE CURRENCY EFFECT OF +775 MSEK IN Q2

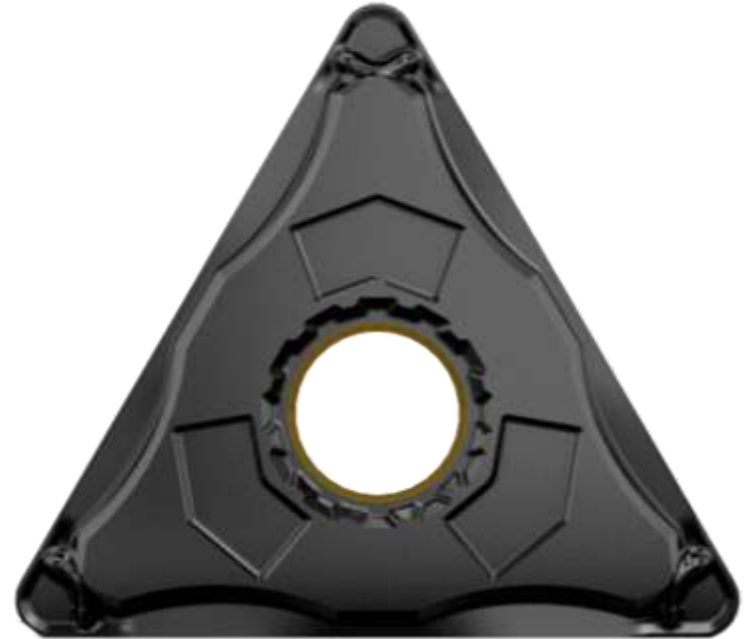
- Guidance +900 MSEK based on currency rates at the end of March
- Difference driven by SEK strengthening towards the end of the quarter against primarily USD and CNY.

## GUIDANCE Q3 2015

CURRENCY EFFECT:	+500 MSEK
METAL PRICE EFFECT:	-100 MSEK

## FULL YEAR GUIDANCE 2015

CAPEX:	About 4.5 bn. SEK
NET FINANCIAL ITEMS:	-1.8 to -2.0 bn. SEK
TAX RATE:	26-28% for 2015



# LOOKING FORWARD



## >15,000 NEW PRODUCT LAUNCHES

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Sandvik Machining Solutions

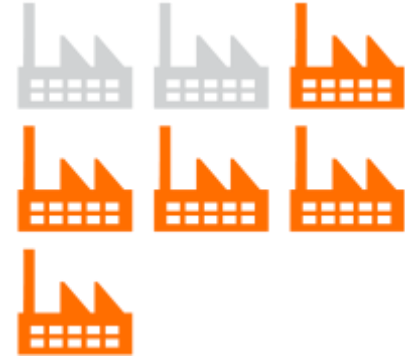


## GROW THE AFTERMARKET BUSINESS

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Sandvik Mining rock drill campaign

- Performance upgrades
- Repair kits
- Price per hour maintenance option



## CREATING A LEANER COMPANY

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Supply Chain Optimization

Focus on internal efficiency measures

# SUMMARY Q2 2015

STRONG CASH FLOW

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EARNINGS GROWTH

---

SOFT DEMAND

---

FOCUS ON NEW PRODUCT INTRODUCTIONS  
AND INTERNAL EFFICIENCY



# BACK-UP SLIDES



# BRIDGE ANALYSIS

## SANDVIK GROUP

MSEK	Q2 2014	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2015
INVOICING	22,051	-1,100	2,300	140	23,398
EBIT	2,556	-210	775	-220	2,903
EBIT MARGIN	12%	-19%	-	-	12%

\* Includes metal price effects



# BRIDGE ANALYSIS

MSEK	Q2 2014	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2015
<b>MACHINING SOLUTIONS</b>					
INVOICING	7,676	-200	870	-	8,339
EBIT	1,561	-145	285	-	1,701
EBIT MARGIN	20%	-72%	-	-	20%
<b>MINING</b>					
INVOICING	6,385	-150	680	-	6,908
EBIT	452	80	250	-	786
EBIT MARGIN	7%	N/A	-	-	11%
<b>MATERIALS TECHNOLOGY</b>					
INVOICING	3,866	-270	300	-260	3,639
EBIT	647	-180	90	-270	286
EBIT MARGIN	17%	-67%	-	-	8%

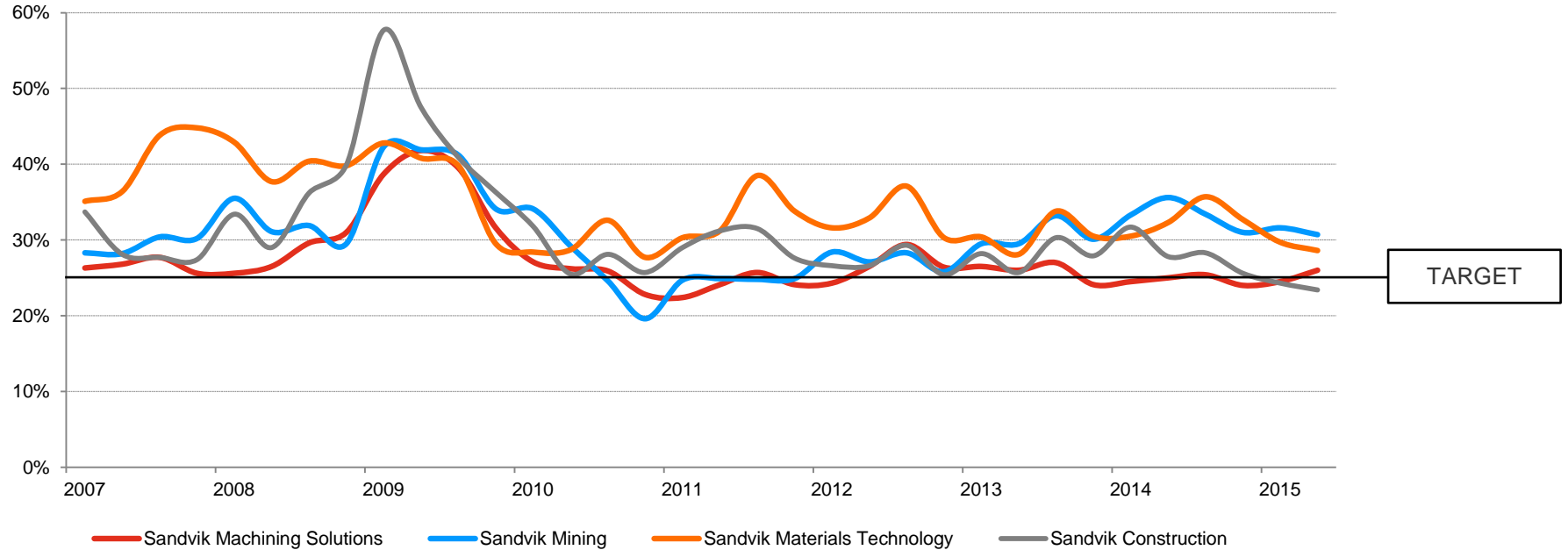
\* Includes metal price effects

# BRIDGE ANALYSIS

MSEK	Q2 2014	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS	Q2 2015
<b>CONSTRUCTION</b>					
INVOICING	2,281	-260	260	-	2,283
EBIT	51	-	100	-	151
EBIT MARGIN	2%	N/A	-	-	7%
<b>VENTURE</b>					
INVOICING	1,841	-200	180	400	2,226
EBIT	187	10	-40	50	210
EBIT MARGIN	10%	N/A	-	-	9%

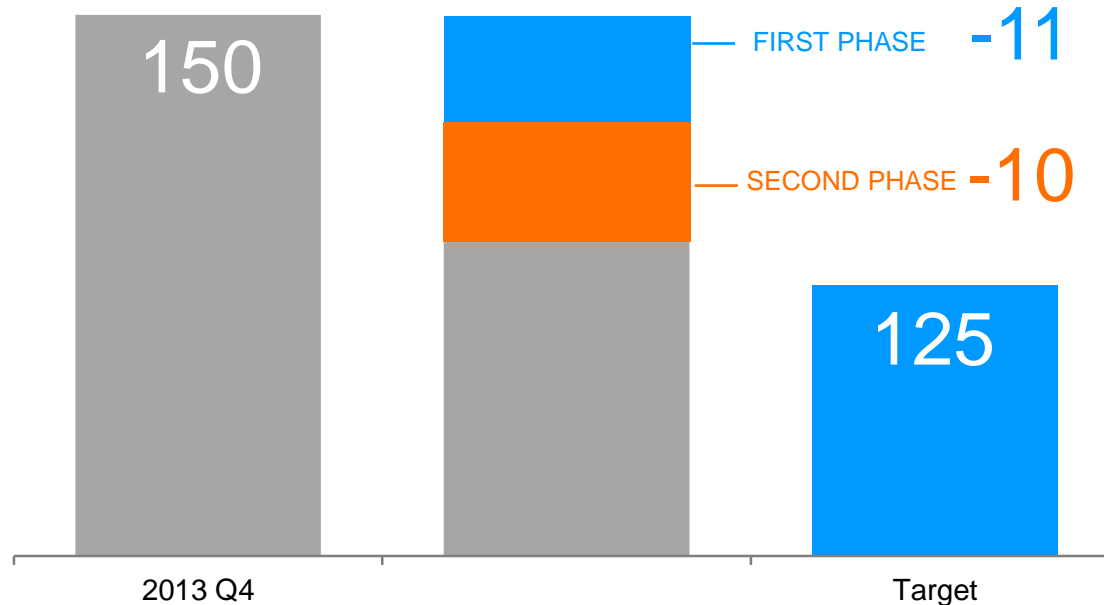
# NET WORKING CAPITAL

## % OF INVOICING BY BUSINESS AREA



# RESTRUCTURING OUR FOOTPRINT

## SUPPLY CHAIN OPTIMIZATION PROGRAM



### FIRST PHASE

TOTAL 7 UNITS CLOSED TO DATE (No units closed in Q2)

4 UNITS REMAINING in H2 2015

RUNRATE SAVINGS 502 MSEK  
END OF Q2 out of 800 MSEK  
target at year end 2015

### SECOND PHASE

4 UNITS INITIATED of which 1 in  
the second quarter (6 Remaining)

TARGET SAVINGS at year end  
2016 600 MSEK

# SANDVIK MACHINING SOLUTIONS – Q2 2015

## STRONG CASH FLOW

- Inventory reduction in contrast to normal seasonality

## SOFT GENERAL DEMAND

- Stable demand in Europe with signs of improvement in western regions
- Stable demand at a lower level in North America
- Mixed demand in Asia

## EBIT 1,701 MSEK, 20.4%

- Currency effects +285 MSEK
- Savings 47 MSEK



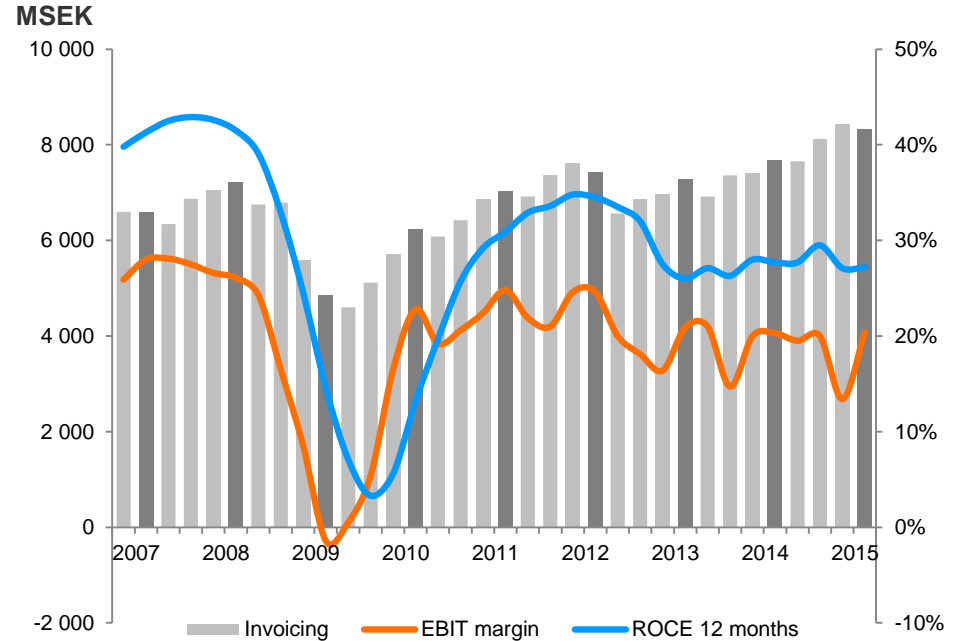
# SANDVIK MACHINING SOLUTIONS – Q2 2015

ORDER INTAKE  
**8,355**  
MSEK

INVOICING  
**8,339**  
MSEK

EBIT  
**1,701**  
MSEK

ROCE  
**27.2%**



# SANDVIK MINING – Q2 2015

## NEUTRAL BOOK-TO-BILL FOR EQUIPMENT AND AFTERMARKET COMBINED

- One large order but continued low demand for Mining Systems

## EBIT 786 MSEK, 11.4%

- Currency effects +250 MSEK
- Savings +53 MSEK

## SUPPLY CHAIN OPTIMIZATION

- One additional unit closure communicated



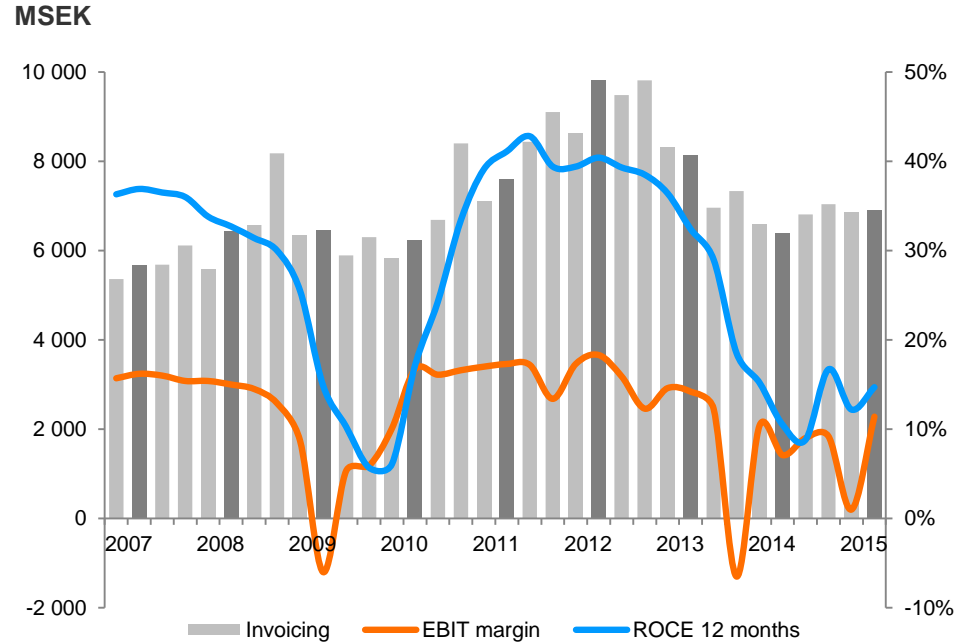
# SANDVIK MINING – Q2 2015

ORDER INTAKE  
**6,817**  
MSEK

INVOICING  
**6,908**  
MSEK

EBIT  
**786**  
MSEK

ROCE  
**14.7**





# SANDVIK MATERIALS TECHNOLOGY – Q2 2015

## CHALLENGING MARKET CONDITIONS

- Persistently weak demand in oil and gas
- Increased competition in standardized tubular products
- Signs of improvement within automotive

## EBIT 286 MSEK, 7.9%

- Excluding metal price effect 10.1 %
- Metalprice effect -80 MSEK
- Currency effects +90 MSEK
- Adjustment of cost base ongoing

## STRONG CASH FLOW

- Further net working capital reductions



# SANDVIK MATERIALS TECHNOLOGY – Q2 2015

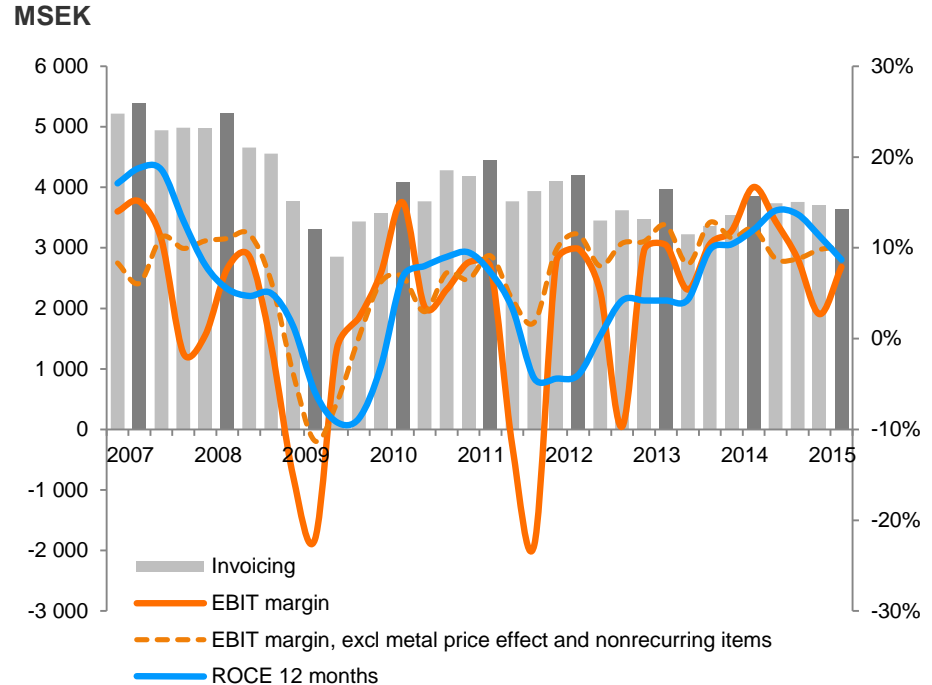
ORDER INTAKE  
**3,054**  
 MSEK

INVOICING  
**3,639**  
 MSEK

EBIT  
**286**  
 MSEK

ROCE  
**8.7%**

Excluding metal price effects and nonrecurring items, 366 MSEK, 10.1 %



# SANDVIK CONSTRUCTION – Q2 2015

## STABLE MARKET CONDITIONS

- Slightly higher activity in North America
- One large order received in Australia

## PERFORMANCE IMPROVEMENT

- EBIT 151 MSEK, 6.6%
- Currency effect +100 MSEK
- Savings 48 MSEK

## ONGOING EFFICIENCY MEASURES

- Within the sales and marketing organization progressing according to plan.



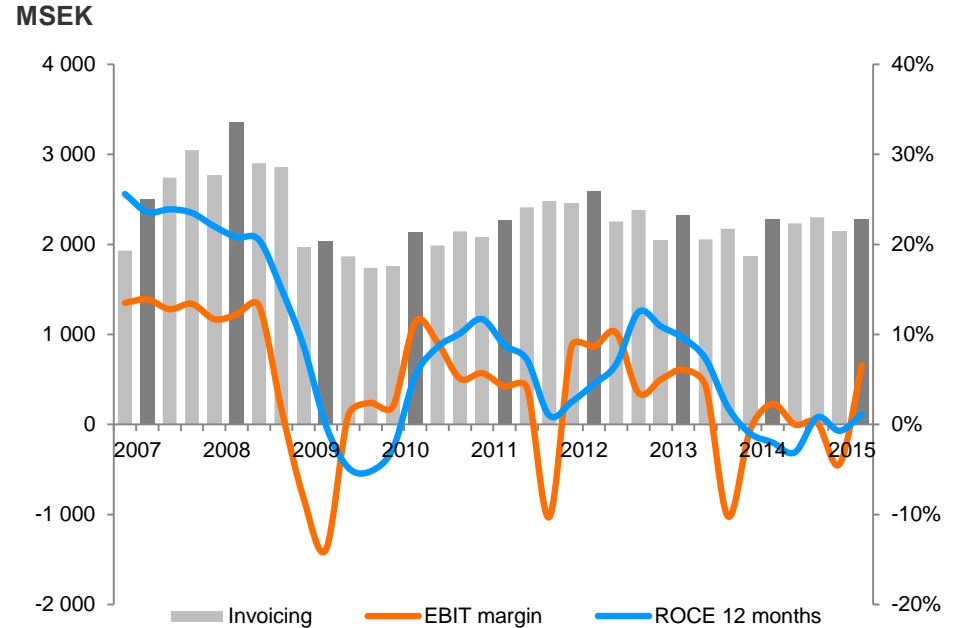
# SANDVIK CONSTRUCTION – Q2 2015

ORDER INTAKE  
**2,348**  
MSEK

INVOICING  
**2,283**  
MSEK

EBIT  
**151**  
MSEK

ROCE  
**1.1%**



# SANDVIK VENTURE – Q2 2015

## MIXED DEMAND PATTERN

## SAVINGS SUPPORT EARNINGS

- EBIT 210 MSEK, 9.5%
- Savings 8 MSEK
- Currency effect -40 MSEK

## CHALLENGING MARKET IN OIL & GAS CONSUMABLES



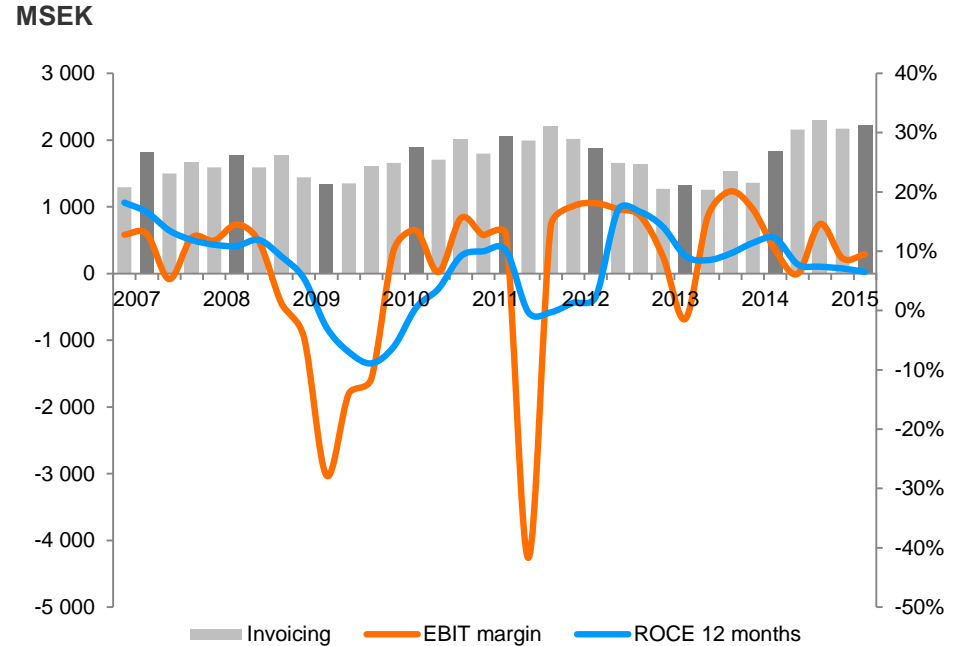
# SANDVIK VENTURE – Q2 2015

ORDER INTAKE  
**2,165**  
MSEK

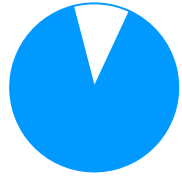
INVOICING  
**2,226**  
MSEK

EBIT  
**210**  
MSEK

ROCE  
**6.5%**



# LOAN AND DURATION PROFILE



LONG TERM  
**89%**

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	6,585	4 years
Fin institutions, EIB, NIB	2,306	7 years
Swedish MTN	10,043	4 years
European MTN	10,115	11 years
Bank loans	2,838	3 years
Share swap	75	1 years



SHORT TERM  
**11%**

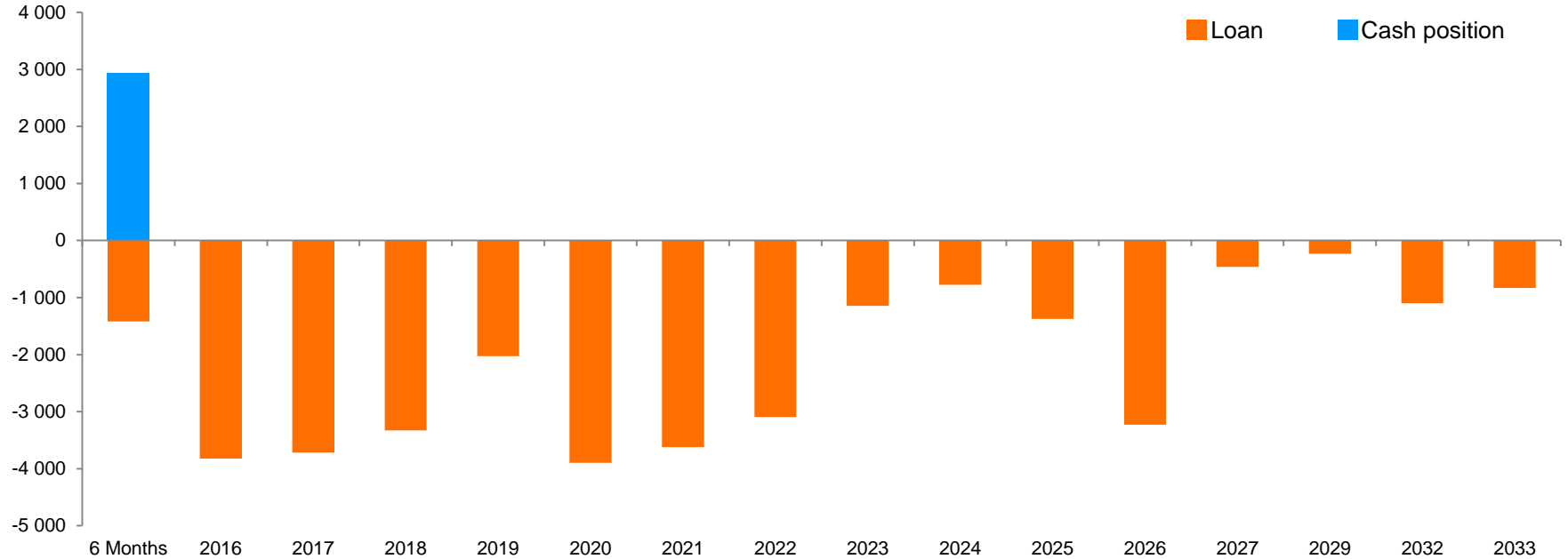
Commercial paper	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	1,475	8 months
Bank loans	943	0 months
Share swap	1,503	0 months

Cash position **2,936 MSEK**  
Revolving Credit facilities **10,995 MSEK**

<b>TOTAL</b>	<b>35,883</b>	<b>6 years</b>
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# LOAN MATURITY PROFILE

MSEK





# UPDATED GUIDANCE

## CAPEX

Estimated at about 4.5 bn. SEK for 2015.

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## CURRENCY EFFECTS

Given currency rates at end of June the effect on EBIT would be +500 MSEK for Q3 2015.

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## METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of June, it is estimated that effects on operating profit Q3 2015 will be about -100 MSEK.

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## NET FINANCIAL ITEMS

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

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## 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.

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“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.”