

INTERIM REPORT FIRST QUARTER 2019



SUMMARY Q1

CUSTOMER ACTIVITY ON A HIGH LEVEL

- ORDER INTAKE +6%
 - BOOK-TO-BILL RATIO OF 111%
 - LARGE ORDERS RECEIVED IN SMT
-

IMPROVED EARNINGS AND MARGIN AT 18.3%

PORTFOLIO ADDITIONS

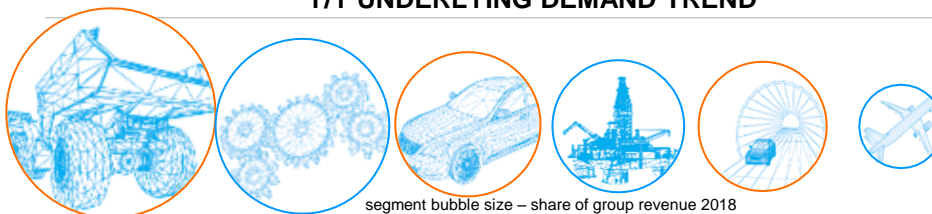
- ROUND TOOLS: WETMORE AND OSK
 - BATTERY TECHNOLOGY AND DIGITAL MINING: ARTISAN AND NEWTRAX
-

S&P UPGRADE TO A- FROM BBB+



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



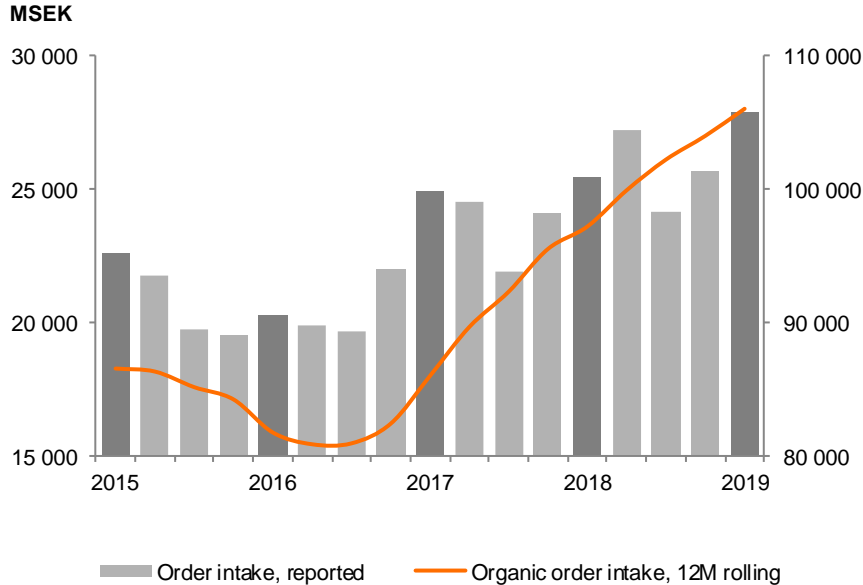
segment bubble size – share of group revenue 2018

	% of group revenue FY18	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Sequential underlying demand trend (Q4/Q1)
EUROPE	38%	+8%	→	→	↘	↗	→	↗	→
NORTH AMERICA	21%	+6%	→	↗	→	↗	→	↗	→
ASIA	20%	-4%	→	↘	↘	→	→	↗	→
AFRICA/MIDDLE EAST	9%	+2%	→	→					→
SOUTH AMERICA	5%	+22%	→						→
AUSTRALIA	7%	+24%	↗						→

ORDER INTAKE

RECORD-HIGH LEVEL FOR SMS AND LARGE ORDER IN SMT

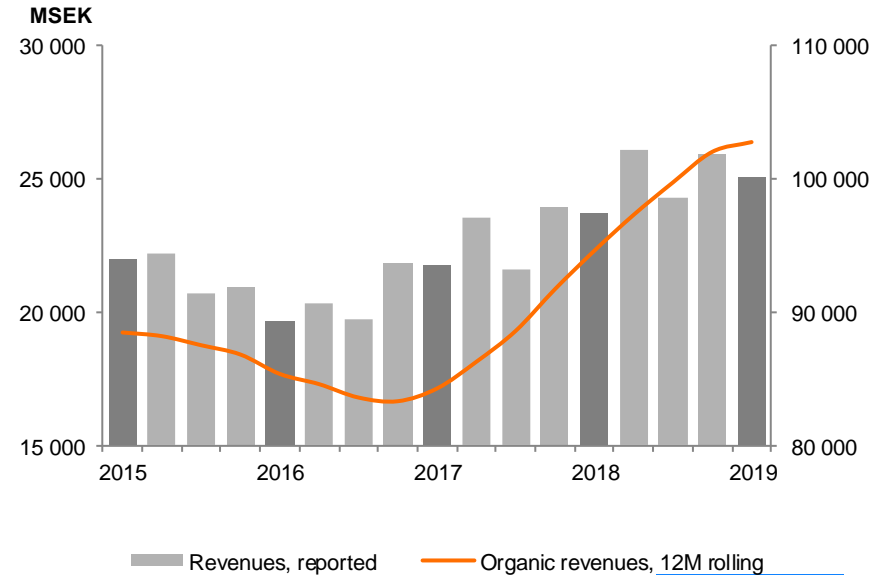
REPORTED P/V
27 873 **6%**



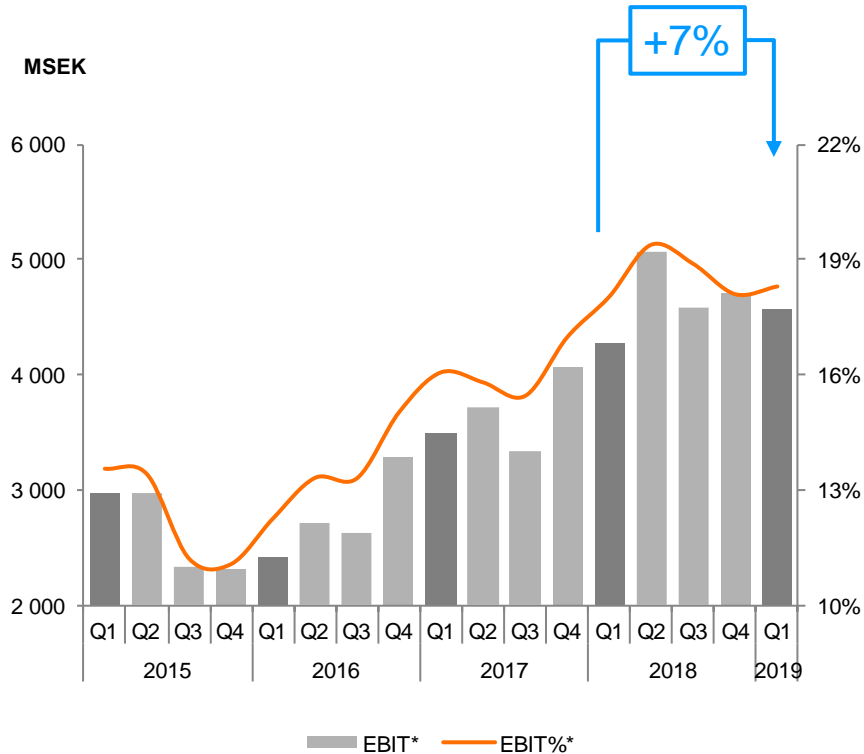
REVENUES

SEASONALLY WEAK FOR SMRT

REPORTED P/V
25 025 **3%**



EBIT DEVELOPMENT



EBIT
4 567
MSEK

EBIT %
18.3

- OVERALL STABLE EXCLUDING FX, STRUCTURE AND METALS
- IMPACTED BY SHARP DECLINE IN TUNGSTEN POWDER BUSINESS

*Adjusted for items affecting comparability





SANDVIK MACHINING SOLUTIONS

ORDERS ON RECORD-HIGH LEVEL

- Tungsten powder business impacted orders/revenues negatively by -1%
- Cutting tools noted stable demand
- Working day impact -1%

EARNINGS SUPPORTED BY FX, OFF-SET BY TUNGSTEN POWDER BUSINESS

- Favorable FX by ~80 bps
- Adverse contribution by ~150 bps related to lower performance in Tungsten powder business

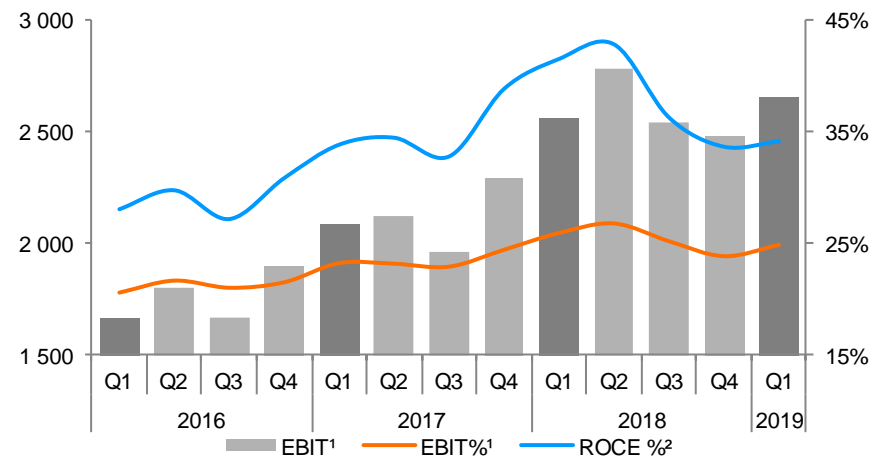
ACQUISITION OF WETMORE ROUND TOOLS

AFTER Q1: KLAS FORSSTRÖM TO LEAVE SANDVIK

MSEK	Q1 2018	Q1 2019	CHANGE
ORDER INTAKE	10 287	11 105	-1%*
REVENUES	9 859	10 679	-1%*
ADJ. OP. PROFIT	2 555	2 654	+4%
% OF REVENUES	25.9%	24.9%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

STRONG UNDERLYING MARKET

- Equipment and aftermarket in strong growth
- Strategic automation order

EARNINGS AND MARGIN IMPROVEMENT

- Earnings primarily supported by revenue growth
- Negative impact from M&A activities -50bps
- Excluding FX earnings improved by 12%

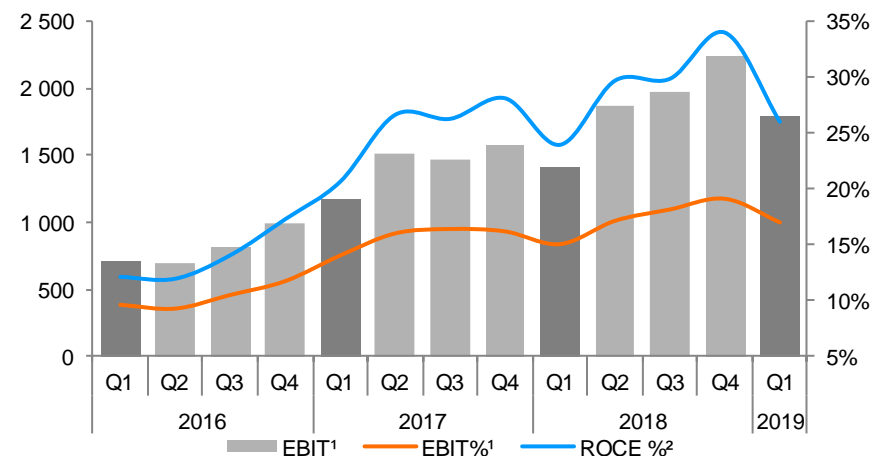
ACQUISITION OF ARTISAN CLOSED AND NEWTRAX ANNOUNCED

HENRIK AGER IS NEW HEAD OF SMRT AS OF 1 APRIL

MSEK	Q1 2018	Q1 2019	CHANGE
ORDER INTAKE	10 230	11 839	+9%*
REVENUES	9 324	10 573	+6%*
ADJ. OP. PROFIT	1 402	1 795	+28%
% OF REVENUES	15.0%	17.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MATERIALS TECHNOLOGY

STRONG DEVELOPMENT IN PROJECT BUSINESS

- Major energy orders of ~1 BSEK
- Improvement in capex-related energy segment
- Order growth -2% excl. large orders on high comparables

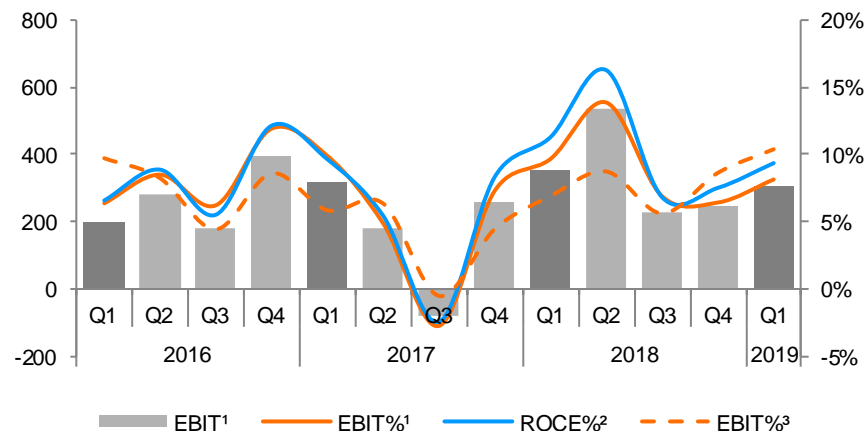
UNDERLYING MARGIN IMPROVEMENT

- Supported by revenue growth and product mix especially for standardized offering
- Ongoing efficiency measures

MSEK	Q1 2018	Q1 2019	CHANGE
ORDER INTAKE	3 935	4 930	+23%*
REVENUES	3 640	3 773	+4%*
OPERATING PROFIT	352	307	-13%
<i>% OF REVENUES</i>	9.7%	8.1%	
<i>UNDERLYING MARGIN³</i>	6.9%	10.4%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON
CFO

= 13

= 7

= -10

= 7

FINANCIAL SUMMARY Q1

GROWTH Q119, %

	ORDER REVENUES INTAKE	
ORGANIC:	+6	+3
CURRENCY:	+6	+6
STRUCTURE:	-2	-3
TOTAL	+10	+6

MSEK	Q1 2018	Q1 2019	CHANGE %	Q1-4 2018
ORDER INTAKE	25 419	27 873	+6 ¹	102 440
REVENUES	23 685	25 025	+3 ¹	100 072
ADJUSTED OPERATING PROFIT	4 271	4 567	+7	18 625
<i>% OF REVENUES</i>	18.0	18.3		18.6
FINANCE NET	-253	-378	-50	-795
UNDERLYING TAX RATE	26.5	25.0		26.1
NWC % ²	23.2	24.8		24.0
CASH FLOW ³	+2 095	+3 352	+60	+15 281
ROCE % ³	21.6	20.3		22.6
ADJUSTED EPS CONT. OPS.	2.35	2.50	+6	10.41

¹ At fixed exchange rates for comparable units

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

³ Cash flow before acquisitions and disposals, financial items and taxes

BRIDGE ANALYSIS

SANDVIK GROUP

GROUP
LEVERAGE:

+9%

MSEK	Q1 2018	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2019
REVENUES	23 685	614	+1 338	-612	25 025
EBIT	4 271	56	+564	-324	4 567
EBIT MARGIN	18.0%	9%	-	-	18.3%
MARGIN ACCRETION / DILUTION		-0.2%	+1.3%	-0.9%	

- Includes metal price effects within Sandvik Materials Technology of +22 MSEK in alloy surcharges on revenues and -186 MSEK in metal price effect on EBIT (+101 Q1 2018 vs. -85 Q1 2019). Structure -862 MSEK topline and -102 MSEK for EBIT for Other operations (SPS/Hyperion). Structure SMT -179 MSEK on topline and -24 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +288 MSEK on topline and +18 MSEK on EBIT (Hyperion, Metrolog Group, Dura-Mill & Wetmore). Structure +118 MSEK SMRT on topline and -31 MSEK on EBIT for Inrock & Artisan.

BRIDGE ANALYSIS

GROUP UNDERLYING
LEVERAGE:

+30%

SANDVIK GROUP EXCL. TUNGSTEN POWDER IMPACT

MSEK	Q1 2018	ORGANIC EXCL. TUNGSTEN	TUNGSTEN BUSINESS	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2019
REVENUES	23 685	752	-137	+1 338	-612	25 025
EBIT	4 271	223	-167	+564	-324	4 567
EBIT MARGIN	18.0%	~30%				18.3%

MARGIN ACCRETION / DILUTION

+0.4%

-0.6%

+1.3%

-0.9%

- Includes metal price effects within Sandvik Materials Technology of +22 MSEK in alloy surcharges on revenues and -186 MSEK in metal price effect on EBIT (+101 Q1 2018 vs. -85 Q1 2019). Structure -862 MSEK topline and -102 MSEK for EBIT for Other operations (SPS/Hyperion). Structure SMT -179 MSEK on topline and -24 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +288 MSEK on topline and +18 MSEK on EBIT (Hyperion, Metrolog Group, Dura-Mill & Wetmore). Structure +118 MSEK SMRT on topline and -31 MSEK on EBIT for Inrock & Artisan.



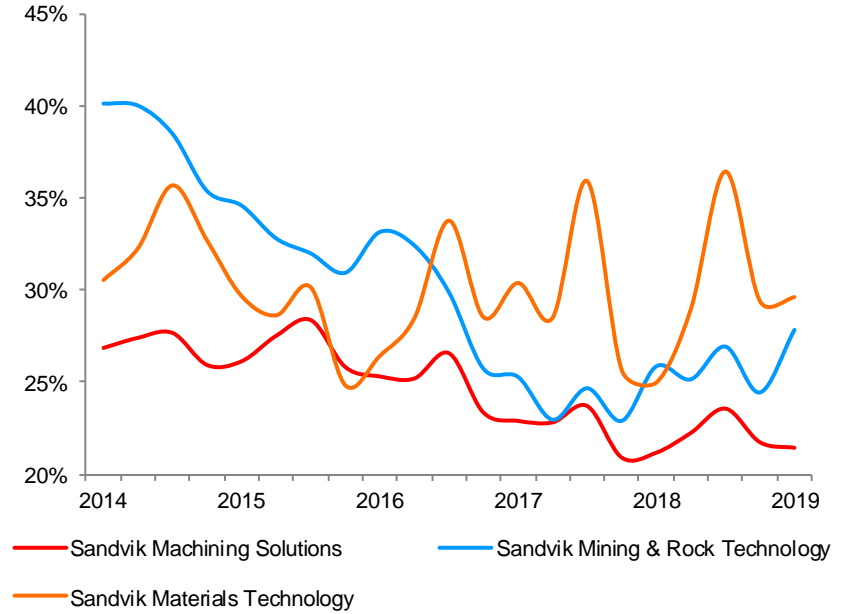
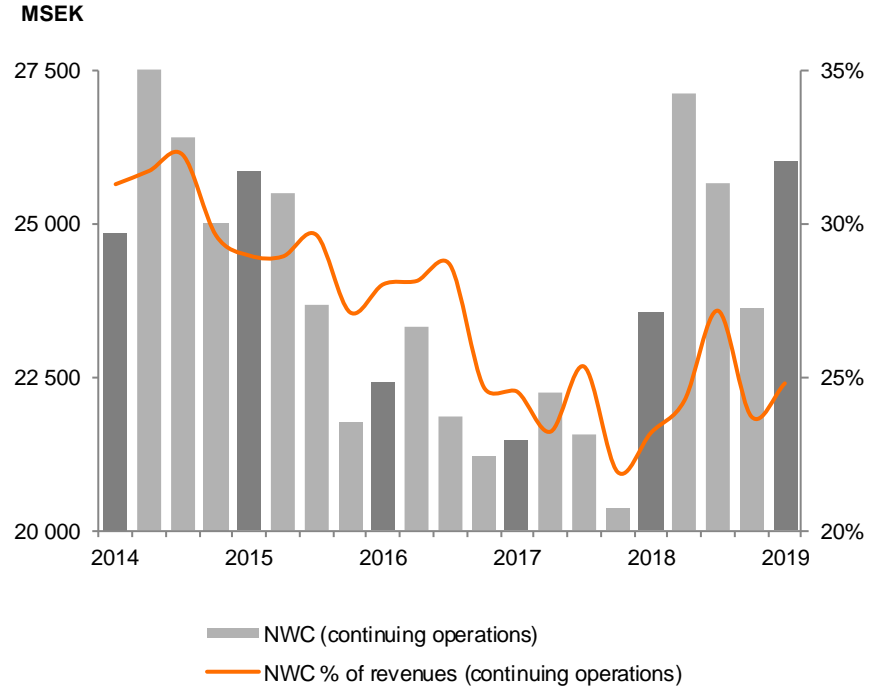
NET FINANCIALS

MSEK	Q1 18	Q1 19
Interest net	-166	-168
Pension	-30	-35
Bank charges	-13	-15
Other fin income & costs	-7	-4
IFRS16		-26
FX & other asset classes	-35	-131
Total	-253	-378

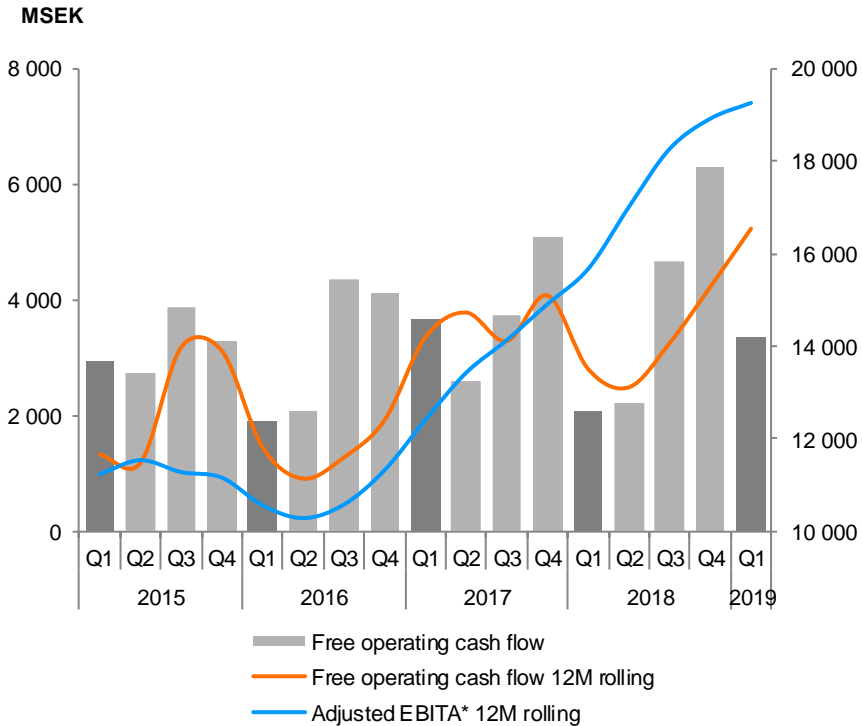
- GUIDANCE UNCHANGED
~1 BSEK
- LOOKING AHEAD: PREMATURE
PAYMENT OF LONG-TERM DEBT

NET WORKING CAPITAL RELATIVE NWC BY BA

RECEIVABLES INCREASE AND DELIVERY PREPARATION IN SMRT AND SMT



FREE OPERATING CASH FLOW

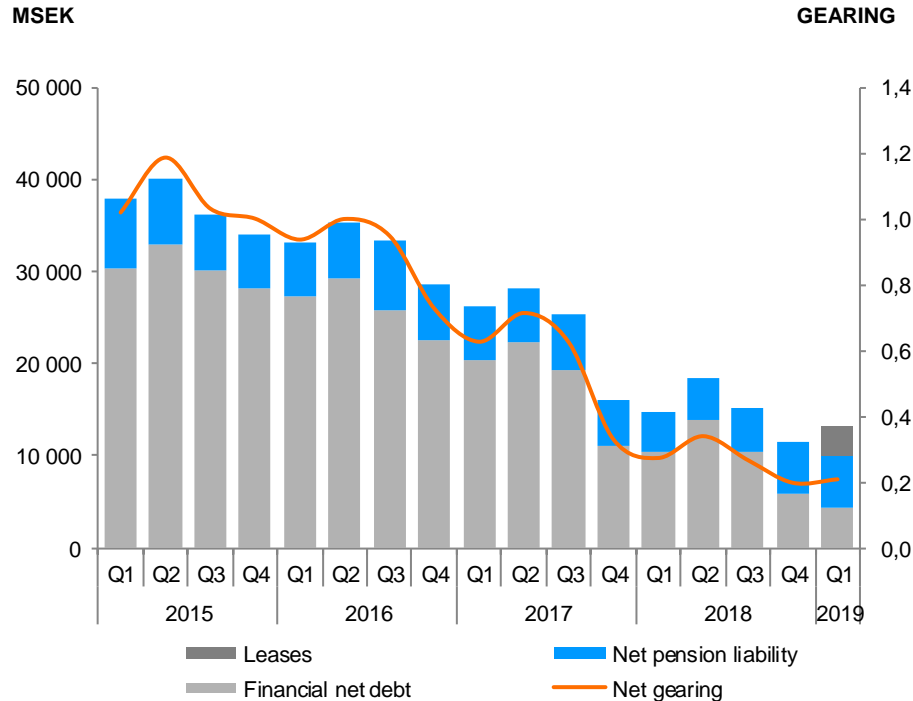


MSEK	Q1 2018	Q1 2019
EBITDA + non-cash	5 670	5 853
NWC change	-2 710	-1 577
Capex*	-864	-924
FOCF**	2 095	3 352

*Including investments and disposals in rental, tangible and intangible assets and right-of-use assets (-37MSEK in Q119)

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

FINANCIAL NET DEBT



- NET GEARING AT 0.2
 - ~3 BSEK ADDED DUE TO IFRS 16

- S&P UPGRADE TO A-

OUTCOME Q1 AND GUIDANCE

Q1 2019

Underlying currency effect (MSEK):	+533	(~500)
Total currency effect (MSEK):	+564	
Metal price effect in quarter (MSEK):	-85	(-150)

Q2 2019

Underlying currency effect (MSEK):	+300*
Metal price effect in quarter (MSEK):	+100**

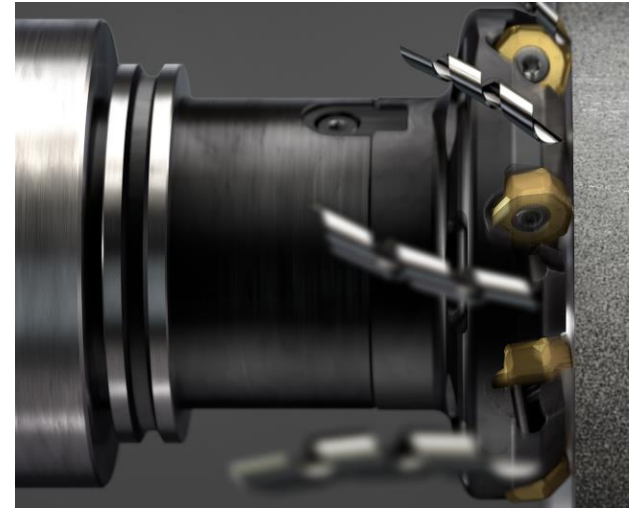
FULL YEAR 2019

Capex (BSEK):	<4.4 (incl. 0.4 due to IFRS 16)	(Q1: 0.9; FY18: 3.9)
Net financial items (BSEK):	~1	(Q1: 0.4; FY18: 0.8)
Underlying tax rate (%):	25-27	(Q1: 25; FY18: 26.1)

*Based on currency rates end of March 2019

**Based on currency rates, stock levels and metal prices at the end of March 2019

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SUMMARY Q1

A nighttime photograph of a city skyline, likely New York City, featuring several prominent skyscrapers with their windows illuminated. The scene is dark, with the city lights providing the primary illumination. The buildings are silhouetted against the dark sky, and the lights from the windows create a dense pattern of small, bright points of light. The overall atmosphere is one of a bustling, active city at night.

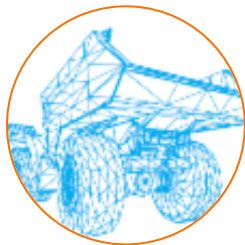
STRONG DEMAND

PROTECT MARGINS

CONTINUE ACQUIRING GROWTH

BACK-UP SLIDES

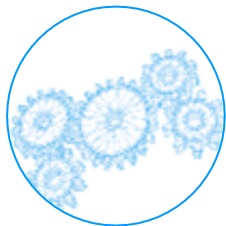




MINING
(34%)



ENERGY
(11%)



**GENERAL
ENGINEERING**
(23%)



CONSTRUCTION
(9%)



AUTOMOTIVE
(12%)



AEROSPACE
(6%)

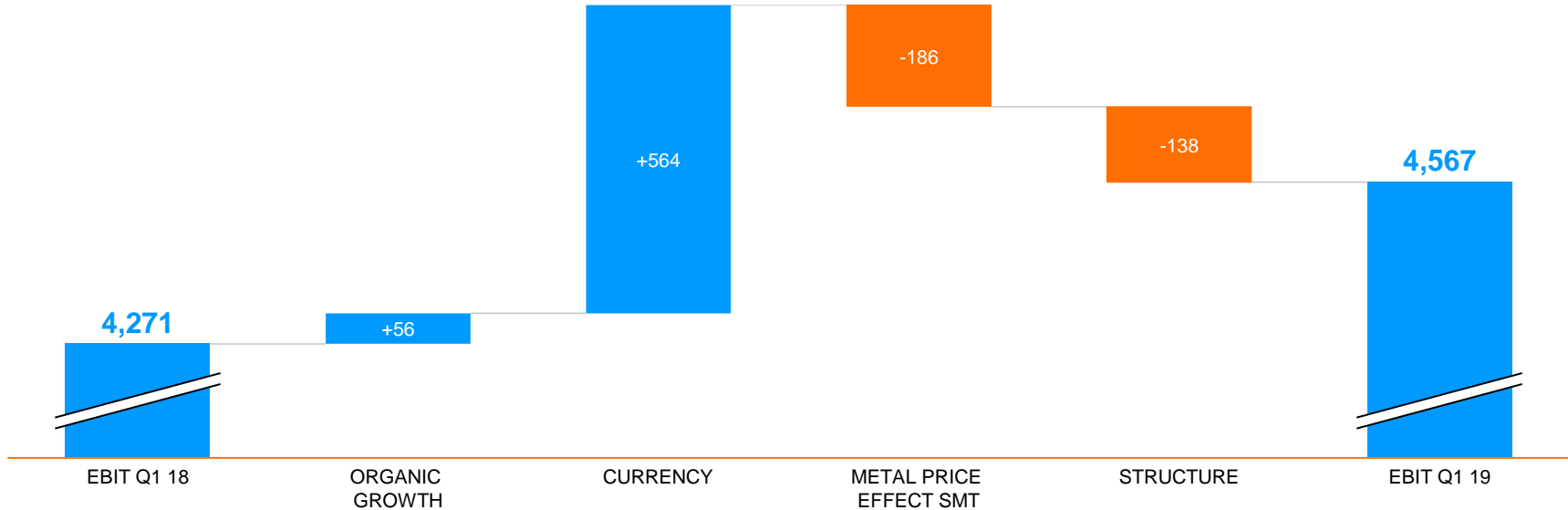
END-CUSTOMER SEGMENTS

% of group revenues 2018 excl. Mining systems; Other e.g. consumer goods, electronics, chemical and miscellaneous was 5% .

PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

+9%



EBIT MARGIN

18.0%

18.3%

BRIDGE ANALYSIS

MSEK	Q1 2018	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2019
MACHINING SOLUTIONS					
REVENUES	9 859	-80	+611	+288	10 679
ADJUSTED EBIT	2 555	-159	+240	+18	2 654
ADJUSTED EBIT MARGIN	25.9%	-199%	-	-	24.9%
MINING AND ROCK TECHNOLOGY					
REVENUES	9 324	574	+558	+118	10 573
ADJUSTED EBIT	1 402	206	+219	-31	1 795
ADJUSTED EBIT MARGIN	15.0%	+36%	-	-	17.0%
MATERIALS TECHNOLOGY					
REVENUES	3 640	120	+169	-156	3 773
ADJUSTED EBIT	352	80	+85	-210	307
ADJUSTED EBIT MARGIN	9.7%	+67%	-	-	8.1%

- * Includes metal price effects within Sandvik Materials Technology of +22 MSEK in alloy surcharges on revenues and -186 MSEK in metal price effect on EBIT (+101 Q1 2018 vs. -85 Q1 2019). Structure -862 MSEK topline and -102 MSEK for EBIT for Other operations (SPS/Hyperion). Structure SMT -179 MSEK on topline and -24 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +288 MSEK on topline and +18 MSEK on EBIT (Hyperion, Metrolog Group, Dura-Mill & Wetmore). Structure +118 MSEK SMRT on topline and -31 MSEK on EBIT for Inrock & Artisan.

LOAN AND DURATION PROFILE



LONG TERM
82%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	3 431	2 years
Fin institutions, EIB, NIB	1 117	4 years
Swedish MTN	3 647	3 years
European MTN	11 448	7 years
Bank loans	138	1 year
Share swap	-	-



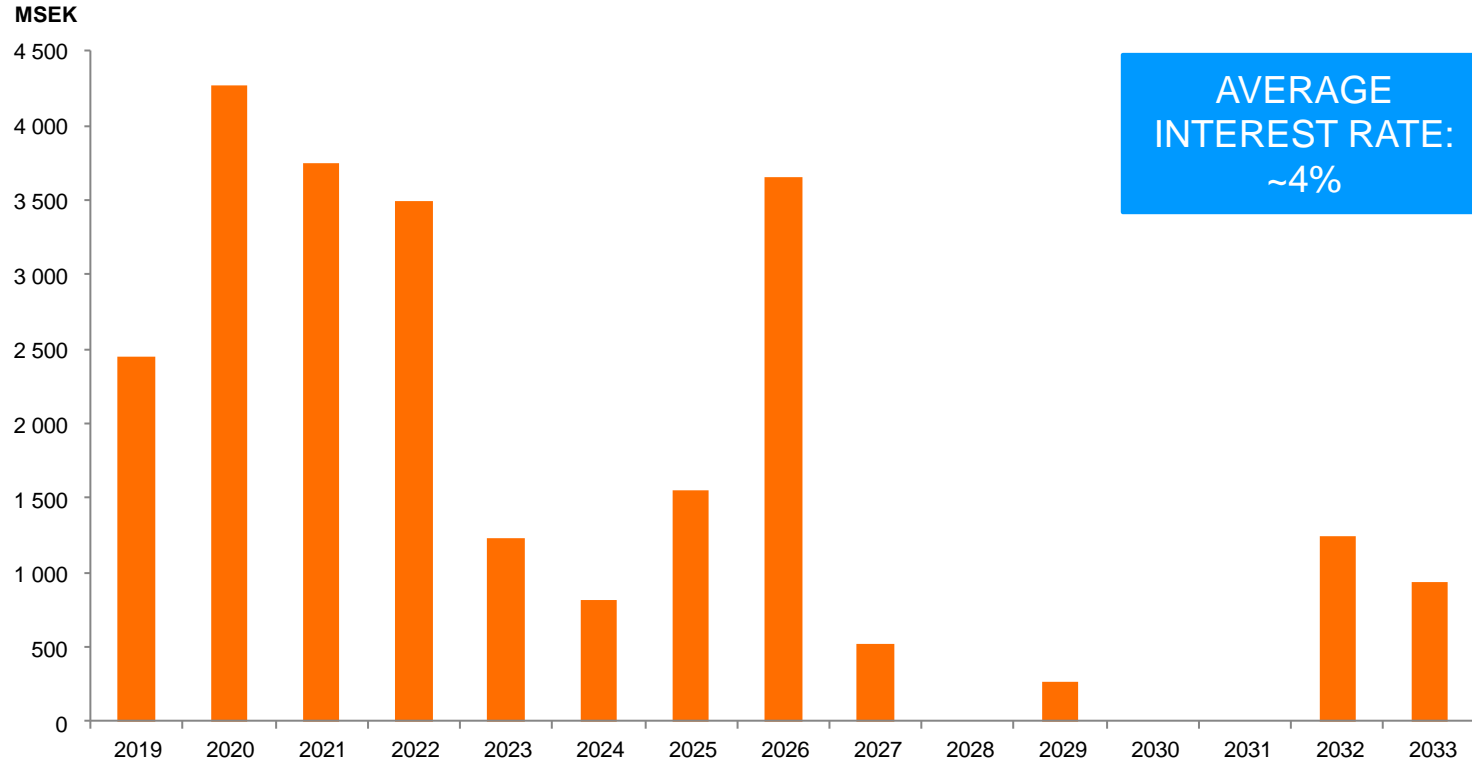
SHORT TERM
18%

US Private Placement	1 837	2 months
Fin institutions, EIB, NIB	372	6 months
Swedish MTN	2 001	5 months
Bank loans	241	2 months
Share swap	-	-

Cash position **19 845 MSEK**
Revolving Credit facilities **9 100 MSEK**

TOTAL	24 233	4 years
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LOAN MATURITY PROFILE



GUIDANCE

CAPEX

Estimated to **<4.4 BSEK for 2019** including 0.4 BSEK due to IFRS 16

CURRENCY EFFECTS

Given currency rates at end of March 2019 the effect on operating profit from transaction and translation would be **+300 MSEK for Q2 2019**

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of March 2019, it is estimated that effect on operating profit in **Q2 2019 will be +100 MSEK**

NET FINANCIAL ITEMS

Net financial items is estimated at **1 BSEK for 2019**

TAX RATE

The tax rate is estimated to **25-27% for 2019**

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.”