

INTERIM REPORT FIRST QUARTER 2018



SUMMARY Q1

STRONG START TO THE YEAR

- +7% ORDER GROWTH DESPITE DIFFICULT COMPARABLES
 - POSITIVE DEVELOPMENT IN ALL BUSINESS AREAS
-

RECORD HIGH EARNINGS AND IMPROVED MARGIN

- IMPROVED OPERATING MARGIN IN ALL BUSINESS AREAS
-

NWC BUILD-UP IMPACT CASH FLOW

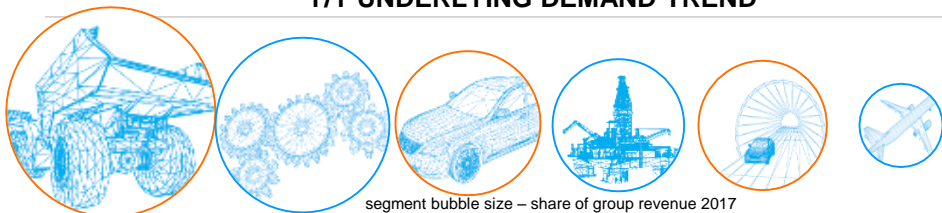
ACTIVE PORTFOLIO MANAGEMENT

- INVESTMENTS IN TITANIUM POWDER PLANT
- CLOSED DIVESTMENT OF WELDING WIRE BUSINESSES



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



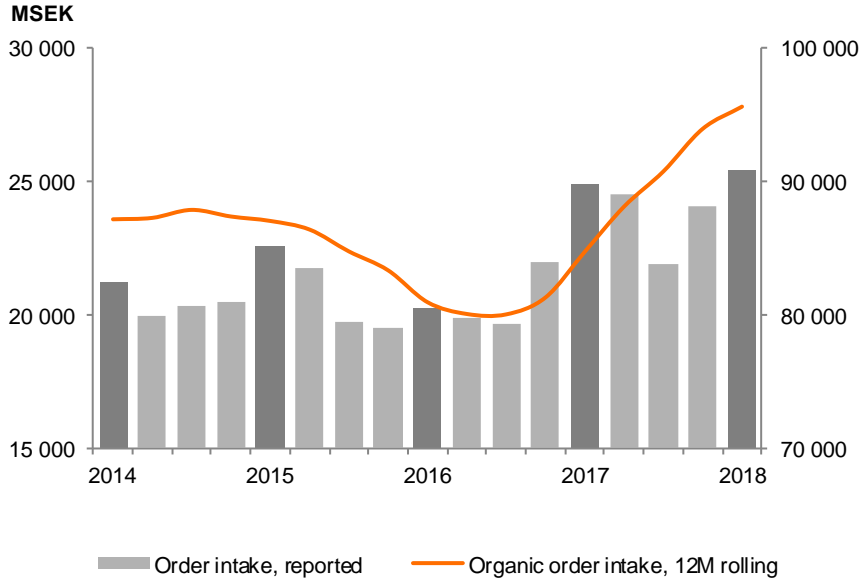
segment bubble size – share of group revenue 2017

	% of group revenue FY17	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Sequential underlying demand trend
EUROPE	39%	+6%	→	↗	↗	↗	↗	↗	→
NORTH AMERICA	21%	+0%	↗	↗	→	↗	↗	↗	↗
ASIA	20%	+19%	↗	↗	↗	↗	↗	↗	↗
AFRICA/MIDDLE EAST	9%	+1%	→	↗					→
SOUTH AMERICA	5%	+9%	→						↗
AUSTRALIA	6%	+8%	↗						→

ORDER INTAKE

RECORD HIGH ORDER INTAKE FOR SMS

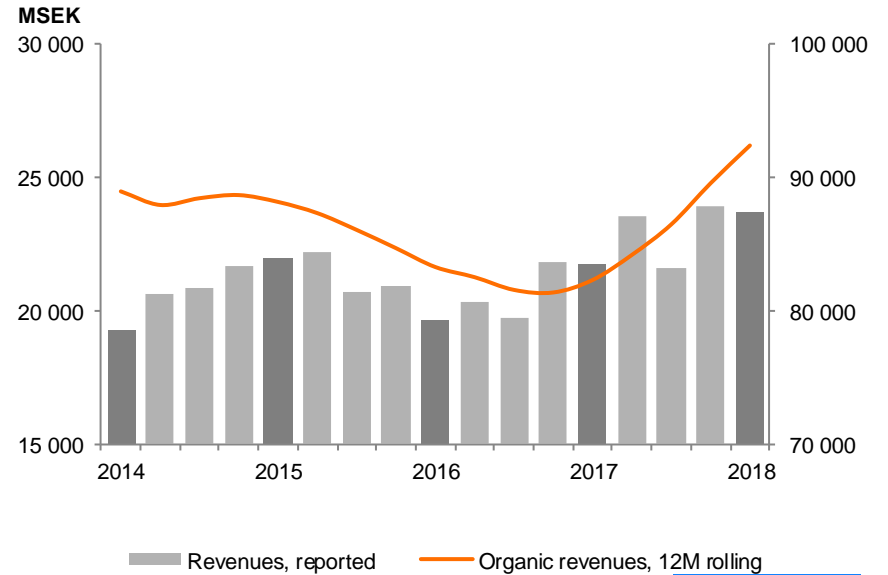
REPORTED P/V
25 419 **7%**



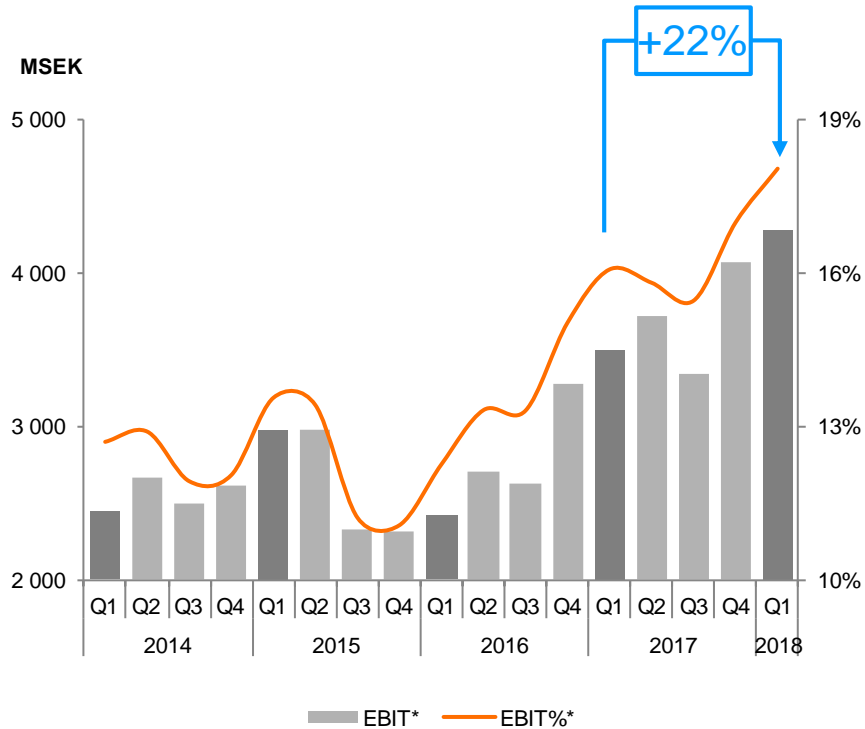
REVENUES

DOUBLE DIGIT GROWTH IN ALL BA:S

REPORTED P/V
23 685 **14%**



EBIT DEVELOPMENT



EBIT REPORTED

4 271

MSEK

EBIT % REPORTED

18.0

- ~31% GROWTH EXCLUDING FX AND METALS
- SUPPORTED BY STRONG REVENUE GROWTH

*Adjusted for items affecting comparability



SANDVIK MACHINING SOLUTIONS

RECORD-HIGH ORDER LEVEL

STRONG MARKETS

- Positive development in all segments and regions
- Negative working day effect of -1%
- Large orders PBT +1%

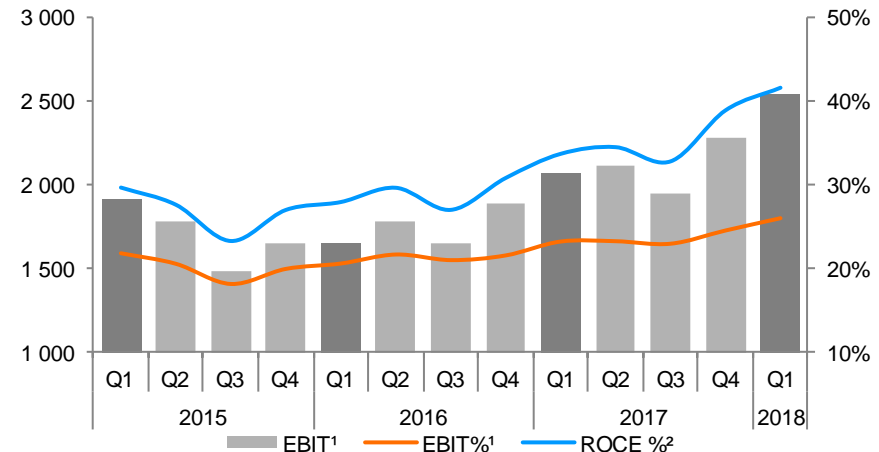
RECORD-HIGH EARNINGS

- Supported by strong revenue growth and slight impact from stock build-up

MSEK	Q1 2017	Q1 2018	CHANGE
ORDER INTAKE	9 450	10 198	+8%*
REVENUES	8 904	9 761	+10%*
OPERATING PROFIT	2 068	2 538	+23%
% OF REVENUES	23.2%	26.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

STRONG UNDERLYING MARKET CONTINUED

- Underlying equipment demand overall stable Y/Y. Order intake slightly down on tough comparables and timing
- Strong growth in aftermarket business
- Growth in automation business from low base

MARGIN EXPANSION HAMPERED BY FX

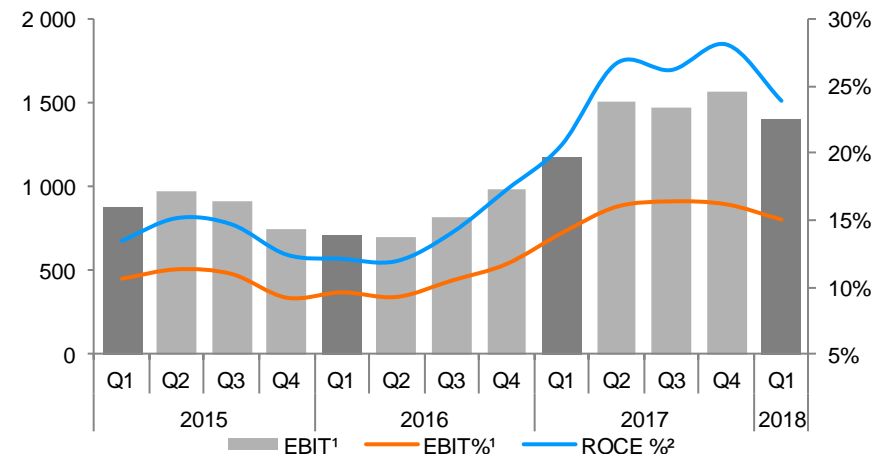
- Earnings primarily supported by significant revenue growth
- Excluding FX earnings improved by 41% implying a 17% margin

INCREASED FOCUS ON EFFICIENCY MEASURES

MSEK	Q1 2017	Q1 2018	CHANGE
ORDER INTAKE	10 247	10 230	+4%*
REVENUES	8 371	9 324	+16%*
OPERATING PROFIT	1 173	1 402	+19%
% OF REVENUES	14.0%	15.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



SANDVIK MATERIALS TECHNOLOGY

STRONG RECOVERY IN SHORT-CYCLE BUSINESS

- Most notable improvement for core- and standard tubular offering
- Order growth +27% excl. large order last year
- Alloy surcharges +2%

UNDERLYING MARGIN IMPROVEMENT

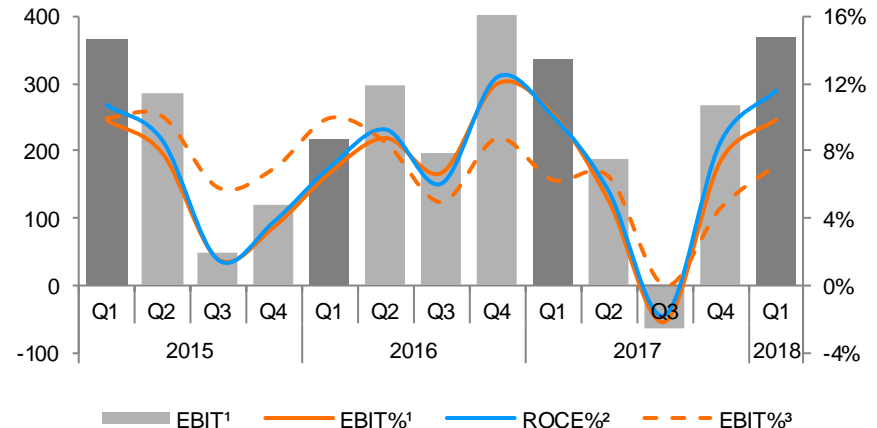
- Supported by revenue growth
- Slightly positive pricing

EFFICIENCY MEASURES AND PORTFOLIO CONSOLIDATION ACCORDING TO PLAN

MSEK	Q1 2017	Q1 2018	CHANGE
ORDER INTAKE	3 746	4 024	+13%*
REVENUES	3 277	3 738	+18%*
OPERATING PROFIT	335	369	+10%
<i>% OF REVENUES</i>	10.2%	9.9%	
<i>UNDERLYING MARGIN³</i>	6.3%	7.2%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON
CFO

FINANCIAL SUMMARY Q1

GROWTH, %

	ORDER REVENUES INTAKE	
ORGANIC:	+7	+14
CURRENCY:	-2	-2
STRUCTURE:	-3	-2
TOTAL	+2	+9

MSEK	Q1 2017	Q1 2018	CHANGE %
ORDER INTAKE	24 916	25 419	+7 ¹
REVENUES	21 758	23 685	+14 ¹
OPERATING PROFIT	3 495	4 271	+22
<i>% OF REVENUES</i>	<i>16.1</i>	<i>18.0</i>	
NWC % ²	24.5	23.2	
CASH FLOW ³	3 682	2 095	-43
ROCE % ³	18.0	21.6	
EPS CONT. OPS., SEK	1.81	2.35	+30
EPS GROUP TOTAL, SEK	1.80	2.34	+30

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:

+39%

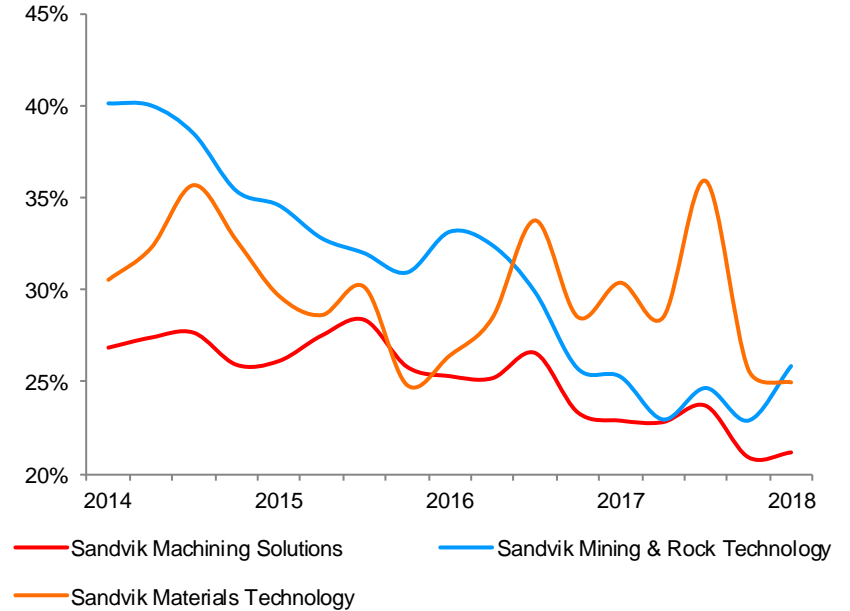
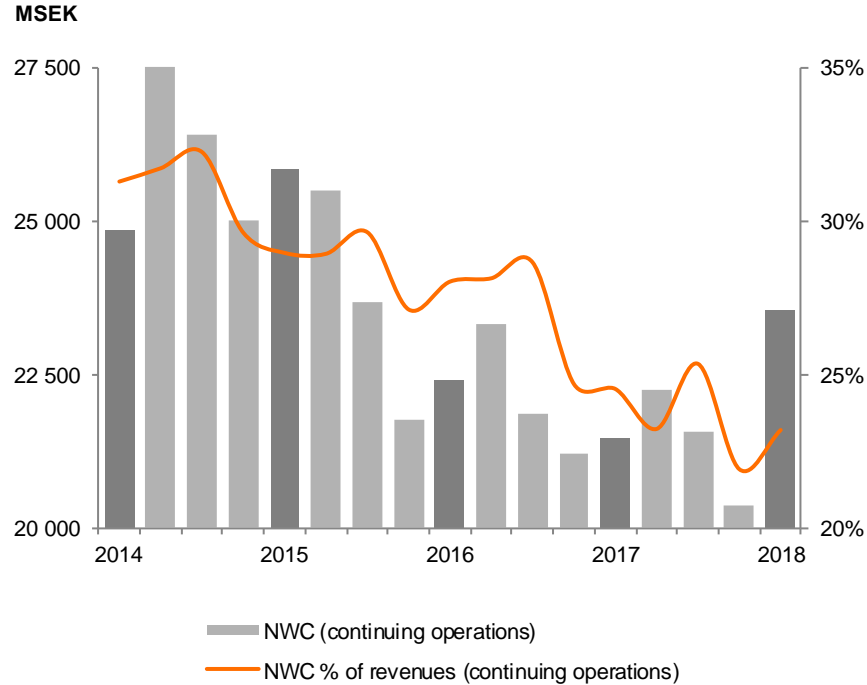
MSEK	Q1 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2018
REVENUES	21 758	2 861	-517	-417	23 685
ADJUSTED EBIT	3 495	1 113	-255	-82	4 271
ADJUSTED EBIT MARGIN	16.1%	39%	-	-	18.0%
MARGIN ACCRETION / DILUTION		+2.7%	-0.7%	-0.1%	

- Includes metal price effects within Sandvik Materials Technology of +65 MSEK in alloy surcharges on revenues and -28 MSEK in metal price effect on EBIT (+129 Q1 2017 vs. +101 Q1 2018). Structure -403 MSEK topline and -56 MSEK for EBIT for Other operations (SPS). Structure SMT -79 MSEK on topline and 0 MSEK on EBIT (Welding wire and Benton Harbor). Capital gain of +135 MSEK in SMT (Welding wire) as well as efficiency measures of -133 MSEK, net of +2 MSEK.

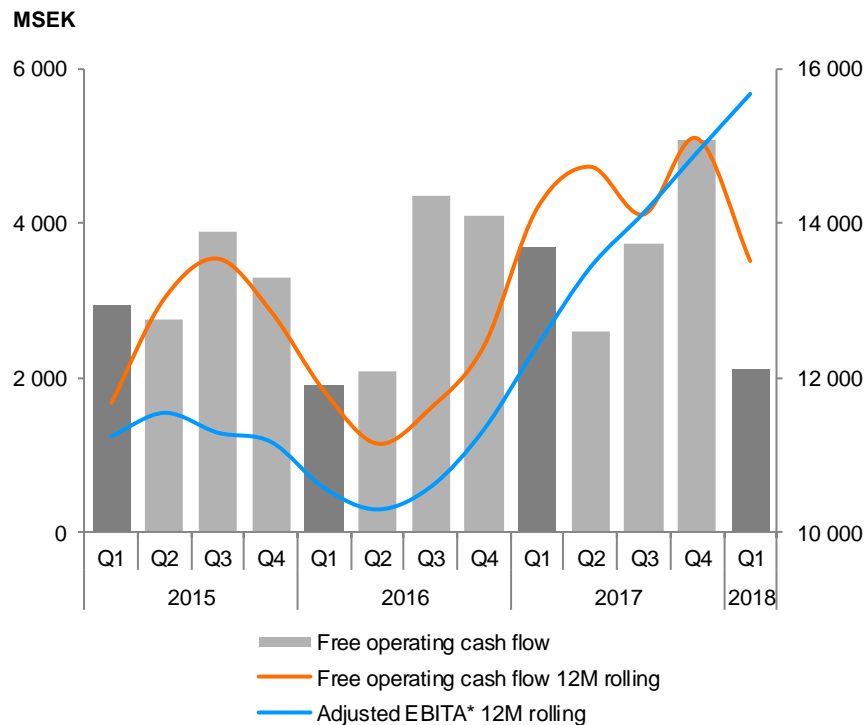
NET WORKING CAPITAL

BUILD-UP TO SUPPORT ORDER INTAKE

RELATIVE NWC BY BA



FREE OPERATING CASH FLOW

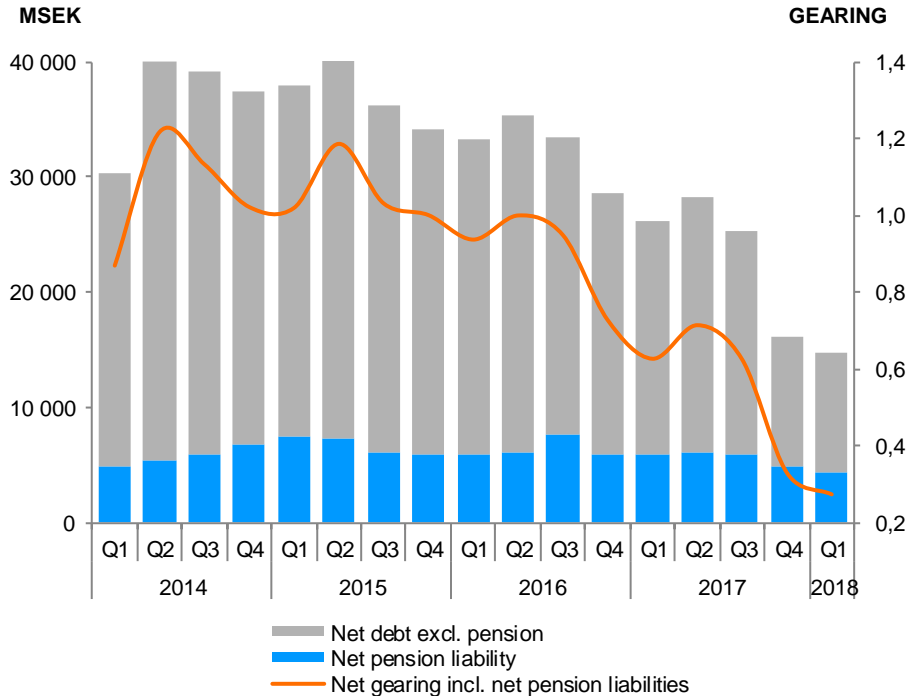


MSEK	Q1 2017	Q1 2018	Δ
EBITDA + non cash	4 760	5 670	+910
NWC change	-213	-2 710	-2 497
Capex*	-864	-865	-1
FOCF**	3 682	2 095	-1 587

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

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

FINANCIAL NET DEBT



- NET GEARING AT 0.27
- STANDARD & POOR'S OUTLOOK UPGRADE TO POSITIVE

OUTCOME AND GUIDANCE

Q1 2018

Underlying currency effect (MSEK):	-263	(-250)
Total currency effect (MSEK):	-255	
Metal price effect in quarter (MSEK):	+101	(~100)

Q2 2018

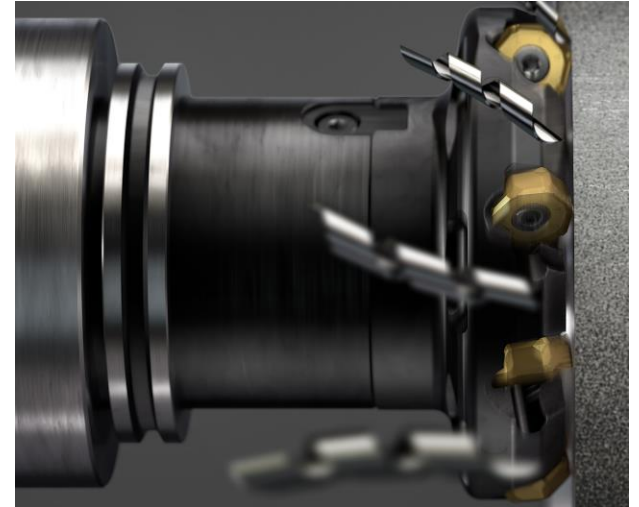
Underlying currency effect (MSEK):	~0*	
Metal price effect in quarter (MSEK):	+100**	

FULL YEAR 2018

Capex (BSEK):	~4	(Q1: 0.74)
Net financial items (BSEK):	~1	(Q1: 0.25)
Tax rate (%):	26-28	(Q1: 26.5)

*Based on currency rates end of March 2018

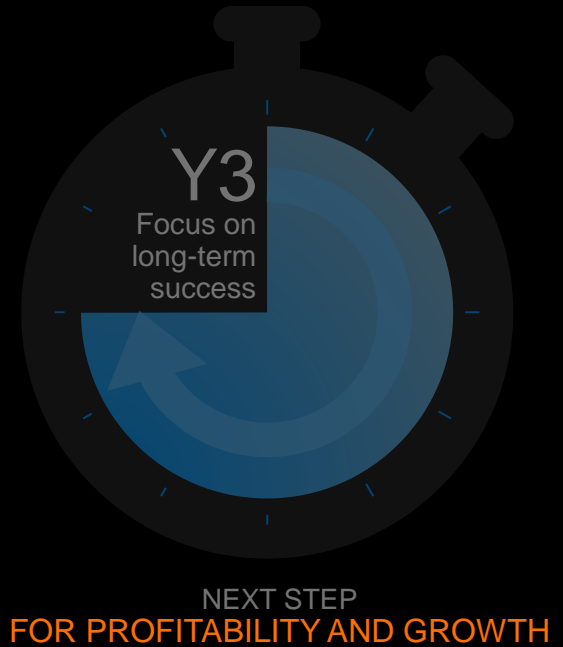
**Based on currency rates, stock levels and metal prices at the end of March 2018



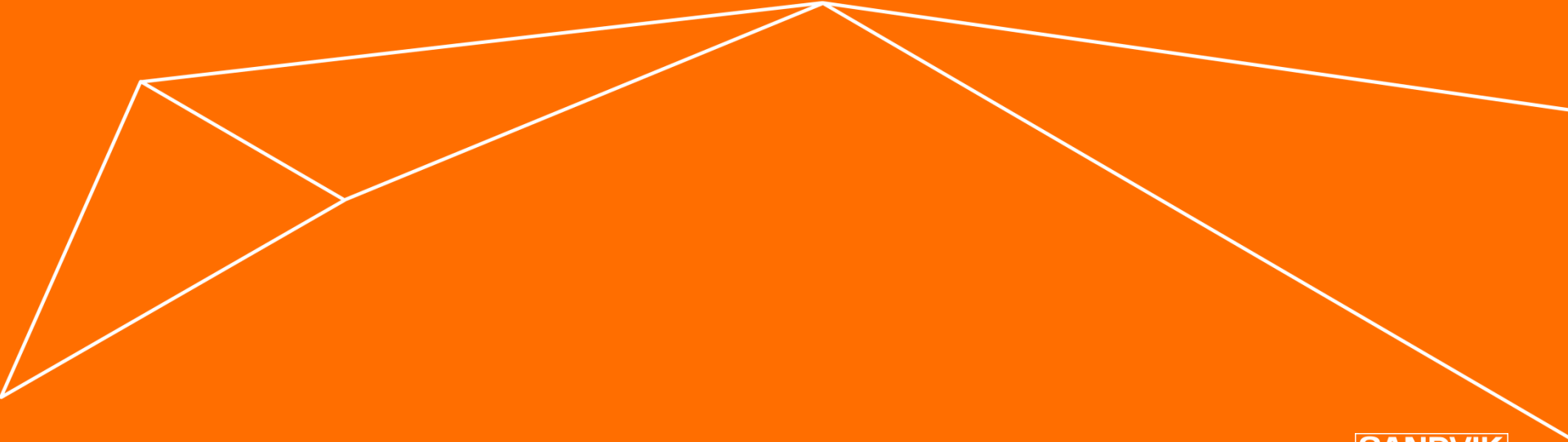
LOOKING FORWARD

FOCUS ON EFFICIENCY MEASURES

GRASP GROWTH OPPORTUNITIES



BACK-UP SLIDES

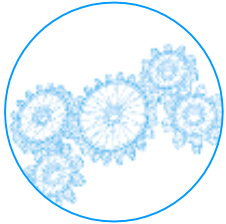




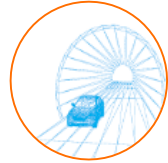
MINING
(31%)



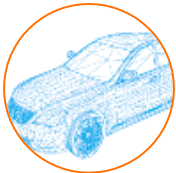
ENERGY
(11%)



**GENERAL
ENGINEERING**
(24%)



CONSTRUCTION
(11%)



AUTOMOTIVE
(13%)



AEROSPACE
(6%)

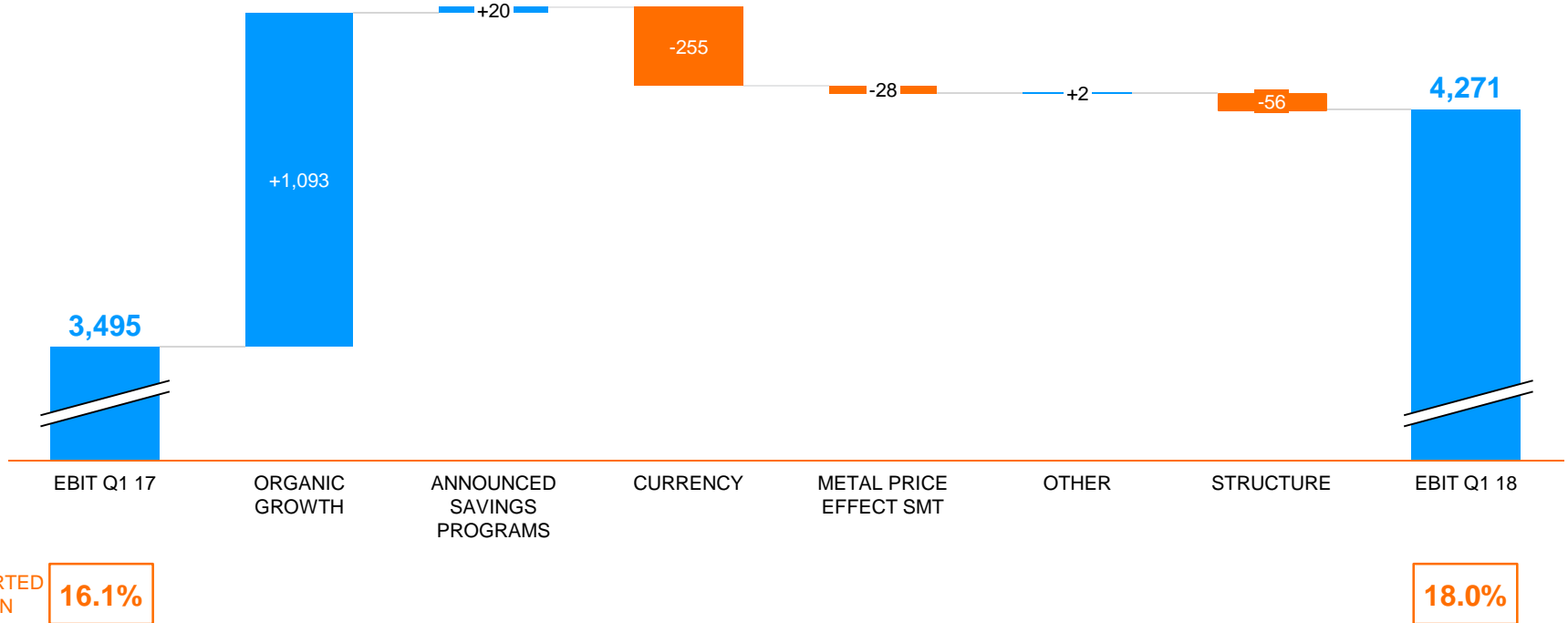
END-CUSTOMER SEGMENTS

(% of group revenues 2017 excl. Mining systems; Other e.g. consumer goods, electronics, chemical and miscellaneous was 4%)

PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

+39%



BRIDGE ANALYSIS

MSEK	Q1 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q1 2018
MACHINING SOLUTIONS					
REVENUES	8 904	907	-50	-	9 761
EBIT	2 068	501	-31	-	2 538
EBIT MARGIN	23.2%	+55%	-	-	26.0%
MINING AND ROCK TECHNOLOGY					
REVENUES	8 371	1 365	-412	-	9 324
EBIT	1 173	481	-252	-	1 402
EBIT MARGIN	14.0%	35%	-	-	15.0%
MATERIALS TECHNOLOGY					
REVENUES	3 277	513	-38	-14	3 738
ADJUSTED EBIT	335	27	+33	-26	369
ADJUSTED EBIT MARGIN	10.2%	+5%	-	-	9.9%

*Includes metal price effects within Sandvik Materials Technology of +65 MSEK in alloy surcharges on revenues and -28 MSEK in metal price effect on EBIT (+129 Q1 2017 vs. +101 Q1 2018). Structure SMT -79 MSEK on topline and 0 MSEK on EBIT (Welding wire and Benton Harbor). Capital gain of +135 MSEK in SMT (Welding wire) as well as efficiency measures of -133 MSEK, net of +2 MSEK.



OTHER OPERATIONS

HYPERION

CLOSURE EXPECTED DURING SUMMER 2018

- Carve-out process progressing according to plan

ROBUST UNDERLYING MARKET

- Strong revenue development +7%
- Margin at 11.9%





SHARE OF REVENUES 2017

5%

OTHER OPERATIONS

NON-STRATEGIC ASSETS - HYPERION

ORDER INTAKE

967

MSEK

REVENUES

862

MSEK

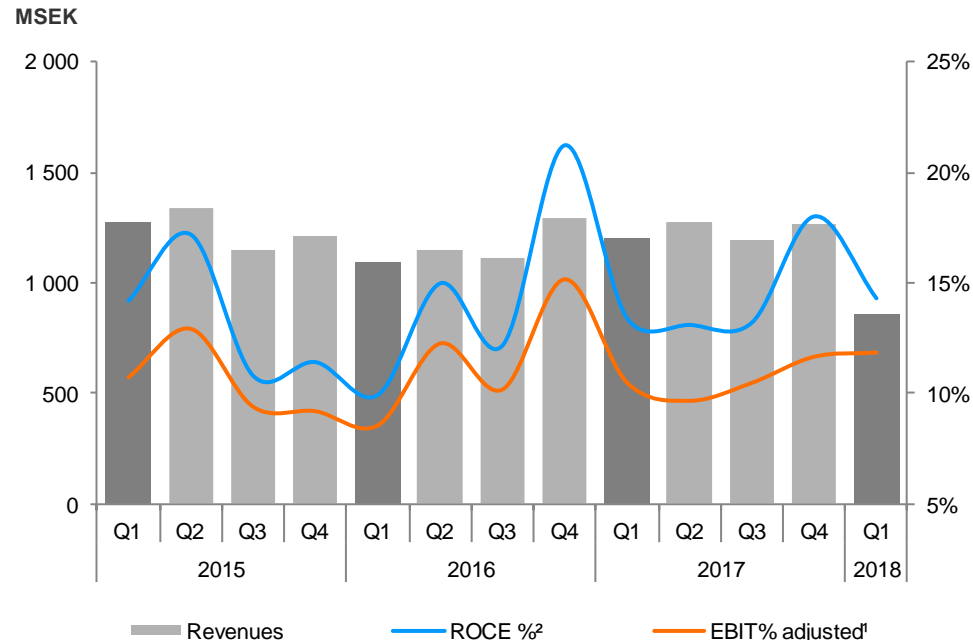
EBIT

102

MSEK

ROCE²

14.3%



¹Adjusted for items affecting comparability

²ROCE: EBIT adj. annualized, CE 1Q avg.



LOAN AND DURATION PROFILE



LONG TERM
96%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	4 831	3 years
Fin institutions, EIB, NIB	1 469	5 years
Swedish MTN	5 647	3 years
European MTN	11 290	8 years
Bank loans	174	1 year
Share swap	-	-



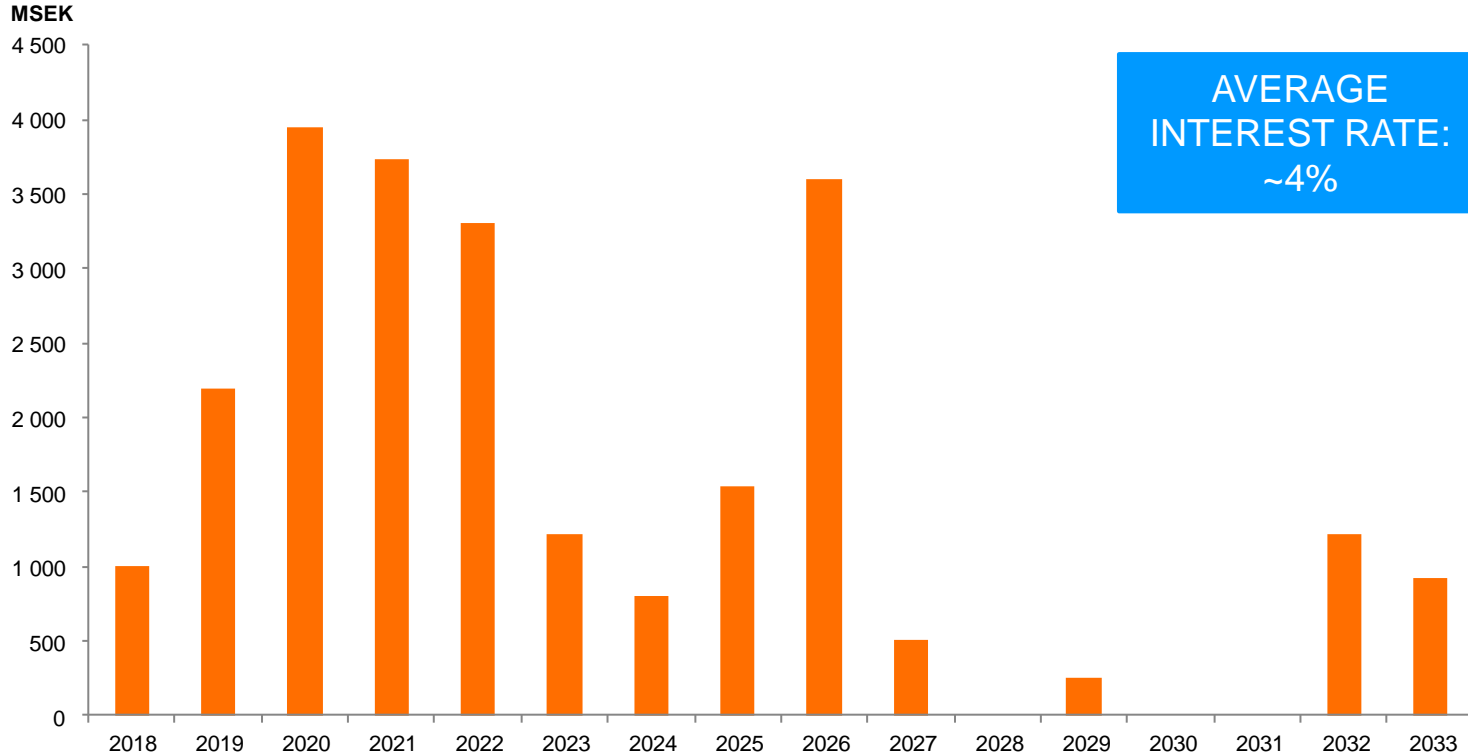
SHORT TERM
4%

US Private Placement	0	0 month
Fin institutions, EIB, NIB	367	7 months
Swedish MTN	573	2 months
Bank loans	63	0 month
Share swap	3	0 month

Cash position **14 110 MSEK**
Revolving Credit facilities **9 100 MSEK**

TOTAL	24 417	5 years
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LOAN MATURITY PROFILE



GUIDANCE

CAPEX

Estimated at about 4 BSEK for 2018

CURRENCY EFFECTS

Given currency rates at end of March 2018 the effect on operating profit from transaction and translation would be ~0 MSEK for Q2 2018

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of March 2018, it is estimated that effect on operating profit in Q2 2018 will be +100 MSEK

NET FINANCIAL ITEMS

Net financial items is estimated to be about 1 BSEK for 2018

TAX RATE

The tax rate is estimated to about 26–28% for 2018

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.”

