

INTERIM REPORT SECOND QUARTER 2019



SUMMARY Q2

MINING ROBUST BUT SLOW-DOWN IN EARLY-CYCLE DEMAND TOWARD THE END OF THE QUARTER

- ORDER INTAKE -5%
 - HISTORICALLY HIGH ORDER LEVEL IN SMRT
-

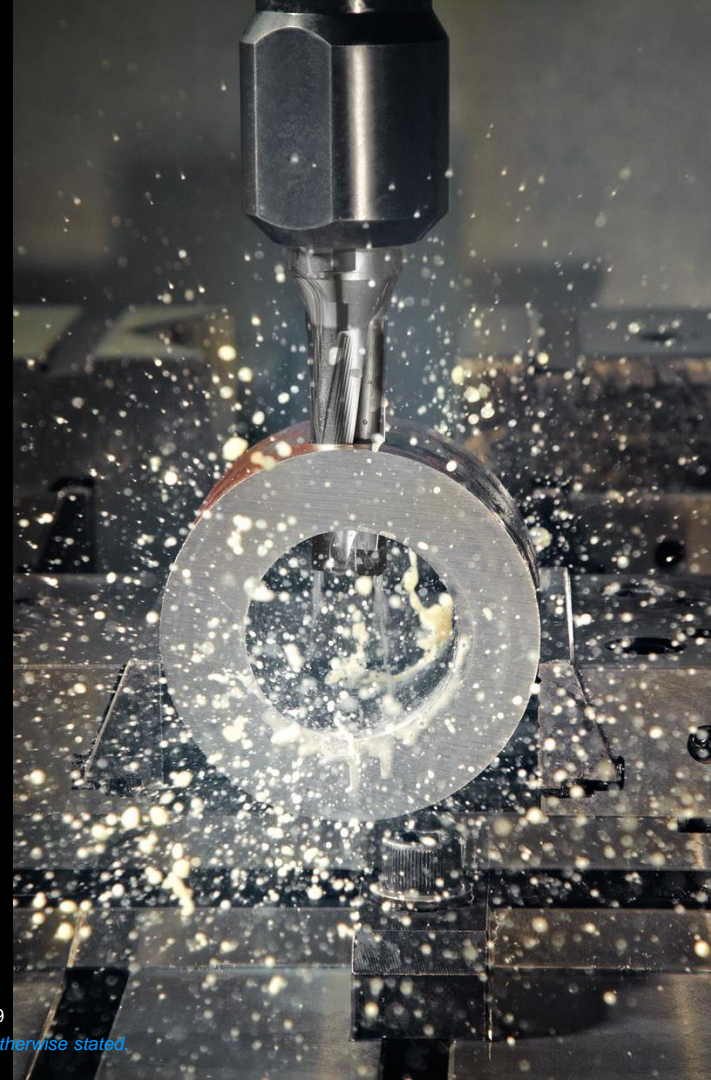
MARGIN IMPACTED BY LOWER VOLUMES IN SMS

- ADJUSTED EBIT MARGIN AT 18.8%
-

IMPORTANT PORTFOLIO DECISIONS

- DECISION TO SEPARATE SMT
 - ACQUISITION OF NEWTRAX AND OSK
-

EFFICIENCY MEASURES INITIATED




COST SCRUTINY

DOING MORE

TOTAL
PERSONNEL REDUCTION

~2 000* 

TOTAL
ESTIMATED SAVING

~1 400 

MSEK, FULL RUN-RATE BY THE END OF 2020

TOTAL
ESTIMATED COSTS, MSEK ~1 200**

PAYBACK TIME, YEARS 0.9

EFFICIENCY FOCUS TO IMPROVE
THROUGH-CYCLE PERFORMANCE

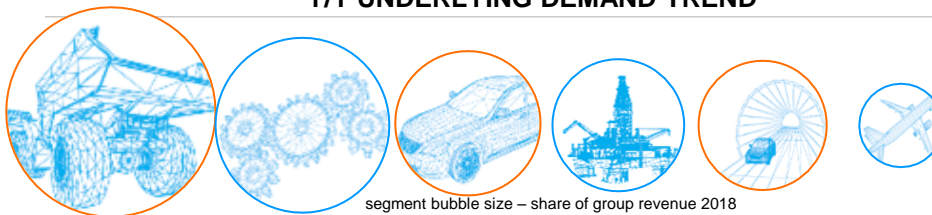
CONTRIBUTION FROM MANY DIVISIONS,
ALL BA:S AND GROUP COMMON

* On top of 450 people whom already left the company H1 2019 however savings to filter through in H2 2019 (Sandvik Machining Solutions), savings are included in the 1.4 billion of total savings. ~15% of personnel is non-Sandvik i.e. third party contractors.

** To be booked during H2 2019

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 (Q1/Q2)
EUROPE	38%	-10%	→	↓	↓	→	→	→	↓
NORTH AMERICA	21%	-8%	→	→	↓	→	→	↗	↓
ASIA	20%	-6%	→	↓	↓	→	→	↗	→
AFRICA/MIDDLE EAST	9%	-16%	→	↓					→
SOUTH AMERICA	5%	+0%	→						→
AUSTRALIA	7%	+57%	↗						→

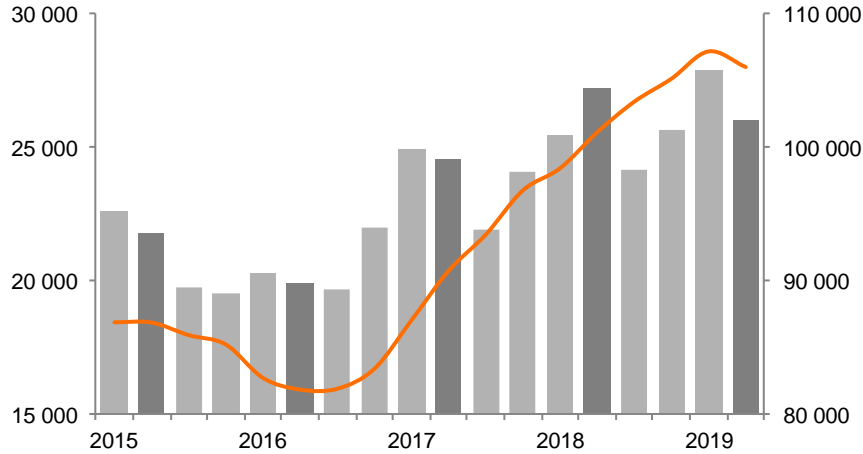
ORDER INTAKE

SLOW-DOWN IN EARLY-CYCLE DEMAND

REPORTED P/V

26 031 -5%

MSEK



Order intake, reported Organic order intake, 12M rolling

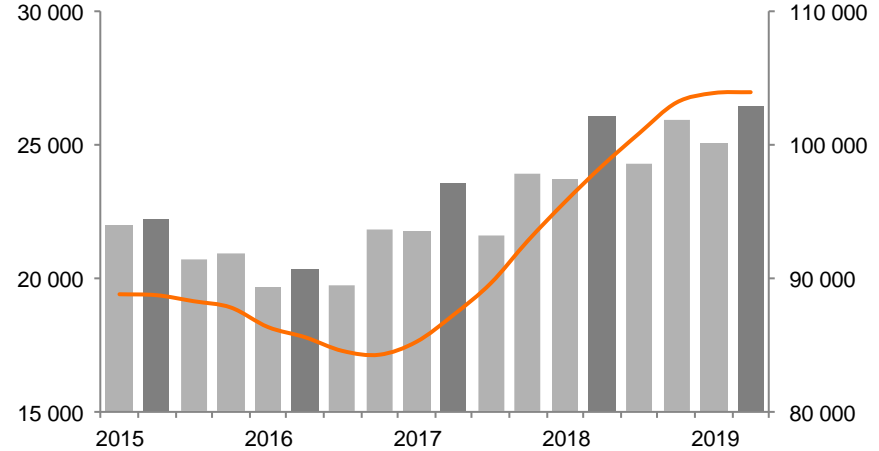
REVENUES

SUPPORTED BY SMRT AND SMT'S BACKLOG

REPORTED P/V

26 467 0%

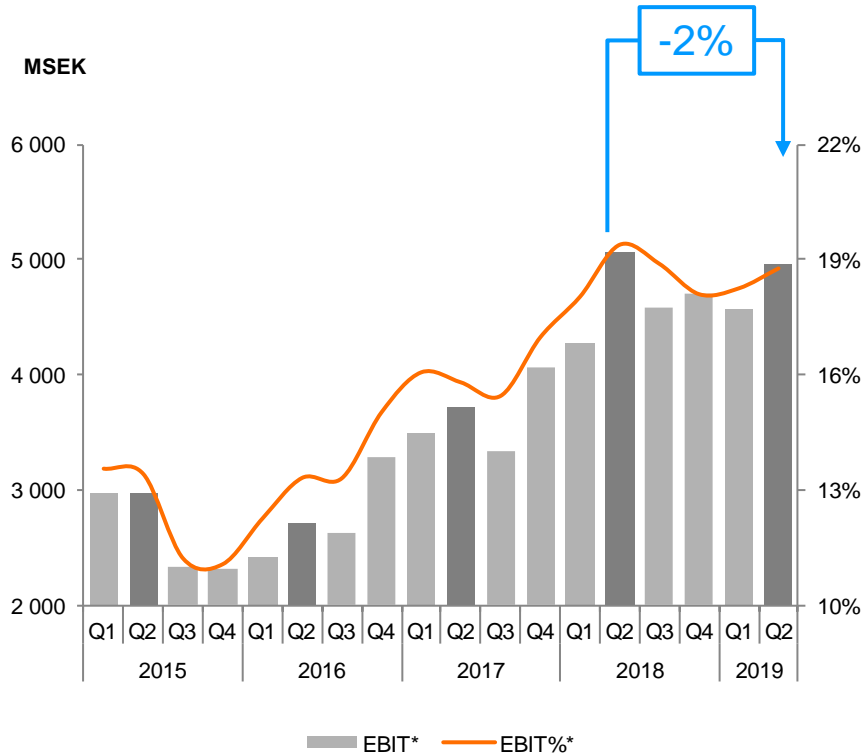
MSEK



Revenues, reported Organic revenues, 12M rolling



EBIT DEVELOPMENT



ADJUSTED EBIT

4 968

MSEK

ADJUSTED EBIT %

18.8

- DECLINE OF -6% EXCLUDING FX, STRUCTURE AND METALS
- IMPACTED BY UNDERABSORPTION OF FIXED COSTS IN SMS

*Adjusted for items affecting comparability



SANDVIK MACHINING SOLUTIONS

SLOWING CUSTOMER DEMAND NOTED, PARTICULARLY IN JUNE

- Tungsten powder business impacted revenues negatively by -1%
- Working day impact -1%
- Cutting tools underlying at -2%

EARNINGS IMPACTED BY LOWER VOLUMES

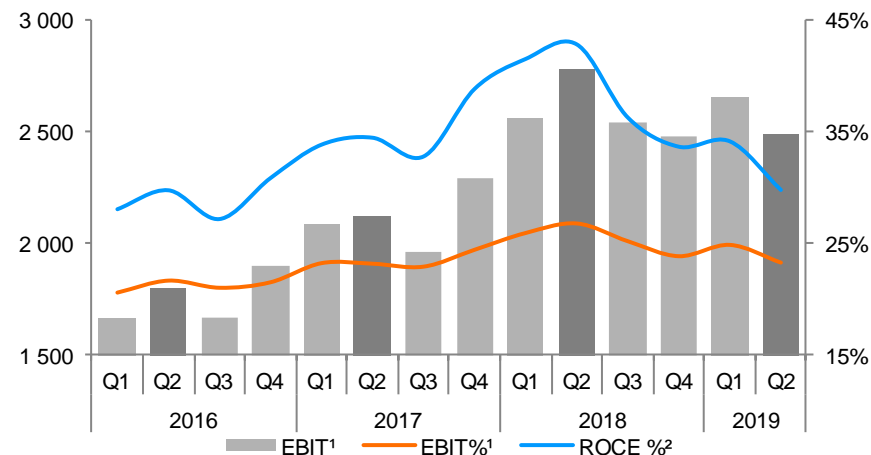
- Adverse contribution by ~270 bps due to volume drop and additional -60 bps from production rates
- FX contributed by 50 bps but largely off-set by production rates

ACTIONS INITIATED TO SUPPORT THE MARGIN

MSEK	Q2 2018	Q2 2019	CHANGE
ORDER INTAKE	10 403	10 629	-4%*
REVENUES	10 391	10 674	-4%*
OPERATING PROFIT	2 782	2 483	-11%
% OF REVENUES	26.8%	23.3%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

DEMAND ON HIGH LEVEL

- Declining growth for most equipment categories on tough comparables
- Aftermarket in mid-single digit growth
- Automation in strong growth

EARNINGS AND MARGIN IMPROVEMENT

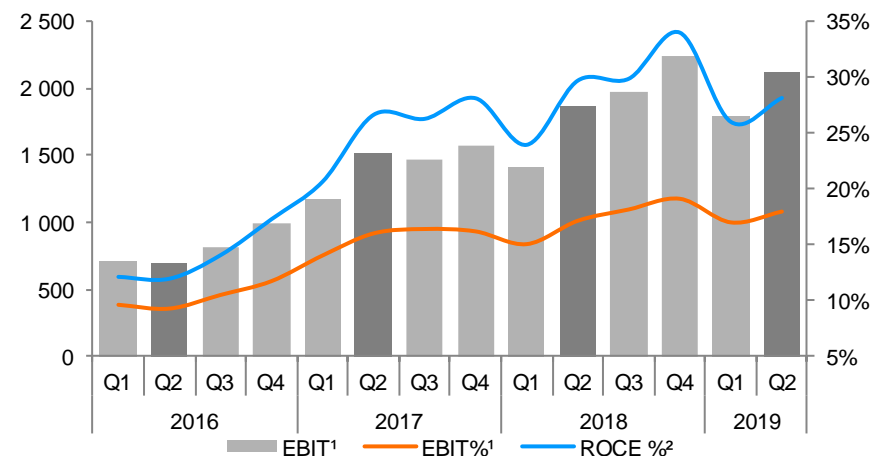
- Earnings primarily supported by FX and revenue growth
- Excluding FX earnings improved by 4%

ACQUISITION OF NEWTRAX

MSEK	Q2 2018	Q2 2019	CHANGE
ORDER INTAKE	11 405	11 868	+0%*
REVENUES	10 890	11 782	+3%*
OPERATING PROFIT	1 865	2 115	+13%
% OF REVENUES	17.1%	18.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MATERIALS TECHNOLOGY

SLOWING GROWTH IN EARLY-CYCLE BUSINESS

- Slowing demand across regions and segments for early-cycle product offering
- Large order booked ~250 MSEK in capex-related energy segment (~500 MSEK last year)

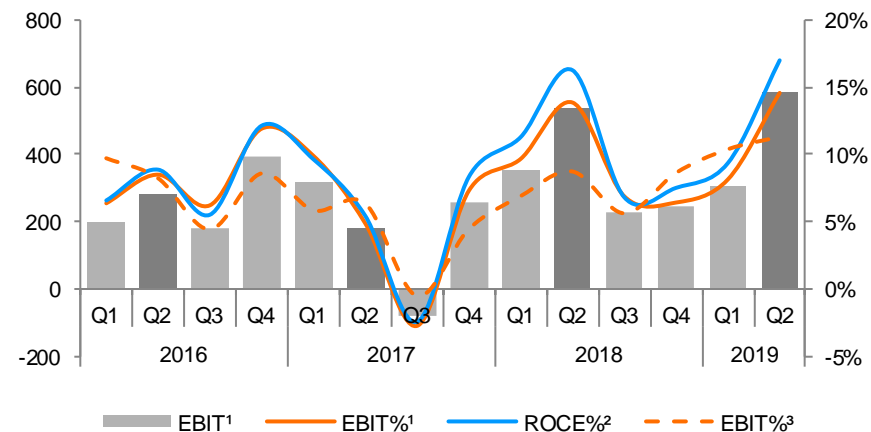
UNDERLYING MARGIN IMPROVEMENT

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

MSEK	Q2 2018	Q2 2019	CHANGE
ORDER INTAKE	4 469	3 535	-20%*
REVENUES	3 871	4 011	+3%*
ADJ. OP. PROFIT	537	585	+9%
<i>% OF REVENUES</i>	13.9%	14.6%	
<i>UNDERLYING MARGIN³</i>	8.7%	11.3%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON
CFO

= 13

= 7

= -10

= 7

FINANCIAL SUMMARY Q2 AND H1

GROWTH Q219, %

	ORDER REVENUES INTAKE	
ORGANIC:	-5	+0
CURRENCY:	+4	+4
STRUCTURE:	-3	-3
TOTAL	-4	+1

MSEK	Q2 2018	Q2 2019	CHANGE %	Q1-2 2018	Q1-2 2019	CHANGE %
ORDER INTAKE	27 201	26 031	-5 ¹	52 620	53 905	+0 ¹
REVENUES	26 136	26 467	+0 ¹	49 822	51 492	+1 ¹
ADJUSTED OPERATING PROFIT	5 067	4 968	-2	9 338	9 535	+2
<i>% OF REVENUES</i>	<i>19.4</i>	<i>18.8</i>		<i>18.7</i>	<i>18.5</i>	
FINANCE NET	-266	-387	+45	-519	-765	+47
UNDERLYING TAX RATE	26.3	26.0		26.4	25.6	
NWC % ²	24.2	25.9		24.2	25.9	
CASH FLOW ³	+2 209	+2 156	-2	+4 304	+5 508	+28
ROCE % ^{2 3}	24.5	21.8		21.6	21.7	
ADJUSTED EPS CONT. OPS.	2.82	2.81	-0	5.17	5.31	

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:

N/A

MSEK	Q2 2018	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2019
REVENUES	26 136	28	+967	-664	26 467
ADJUSTED EBIT	5 067	-294	+390	-195	4 968
ADJUSTED EBIT MARGIN	19.4%	N/A	-	-	18.8%

MARGIN ACCRETION / DILUTION

-1.1%

+0.8%

-0.3%

- Includes metal price effects within Sandvik Materials Technology of -5 MSEK in alloy surcharges on revenues and -68 MSEK in metal price effect on EBIT (+199 Q2 2018 vs. +131 Q2 2019). Structure -984 MSEK topline and -121 MSEK for EBIT for Other operations (Hyperion). Structure SMT -114 MSEK on topline and -18 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +329 MSEK on topline and +26 MSEK on EBIT (Hyperion, Metrologic Group, Dura-Mill, Wetmore & OSK). Structure +110 MSEK SMRT on topline and -14 MSEK on EBIT for Inrock & Artisan (Note that Newtrax was closed at the Q2-end and is not included in Q2-numbers).

SANDVIK: Interim Report on the second quarter 2019

Comments and numbers refer to continuing operations unless otherwise stated.



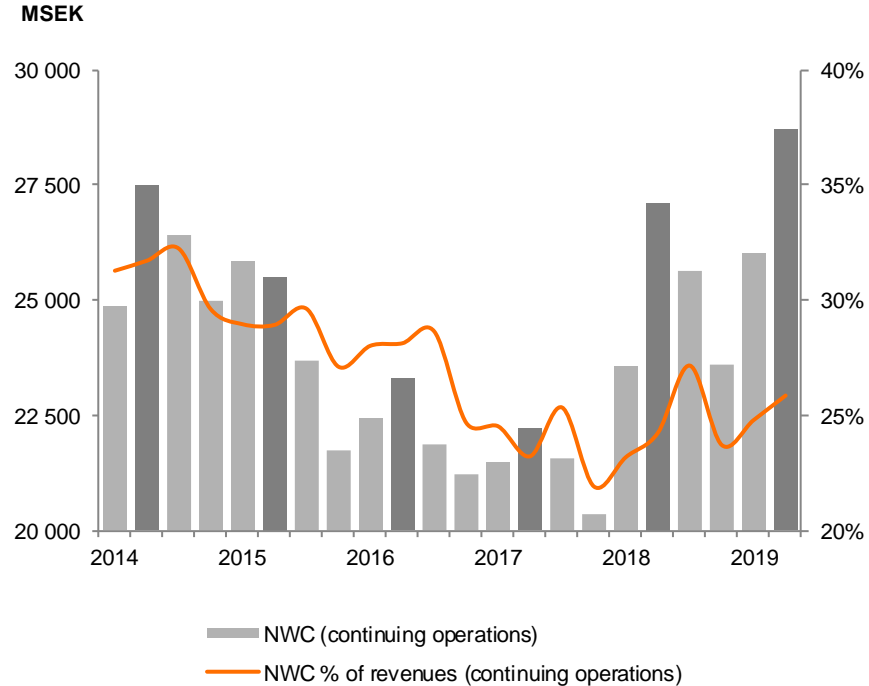
NET FINANCIALS

MSEK	Q2 18	Q2 19
Underlying interest net	-174	-148
One-off, loan redemption		-200
Pension	-31	-34
Bank charges	-16	-10
Other fin income & costs	-11	2
IFRS16		-29
FX & other asset classes	-34	33
Total	-266	-387

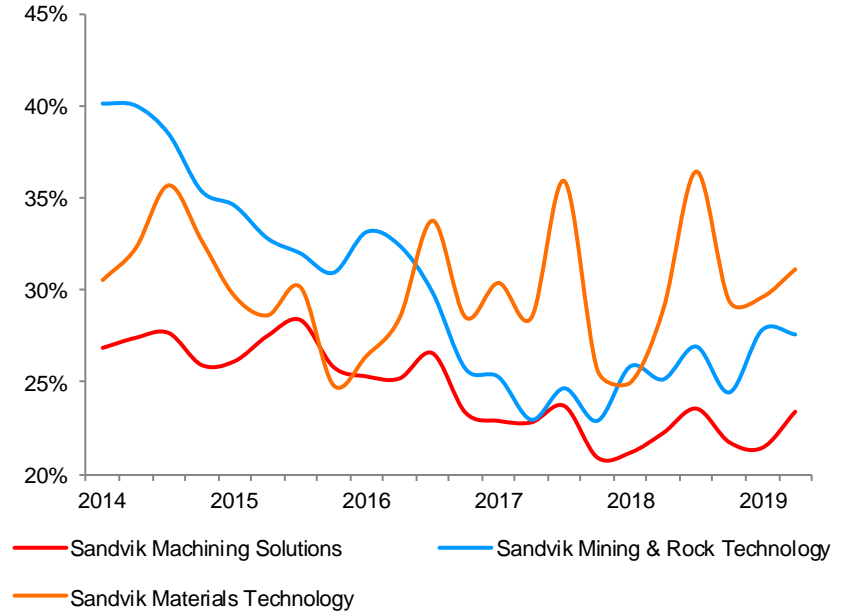
- REDEMPTION OF 5.1 BSEK IN LONG-TERM DEBT
- GUIDANCE UNCHANGED
~1 BSEK

NET WORKING CAPITAL

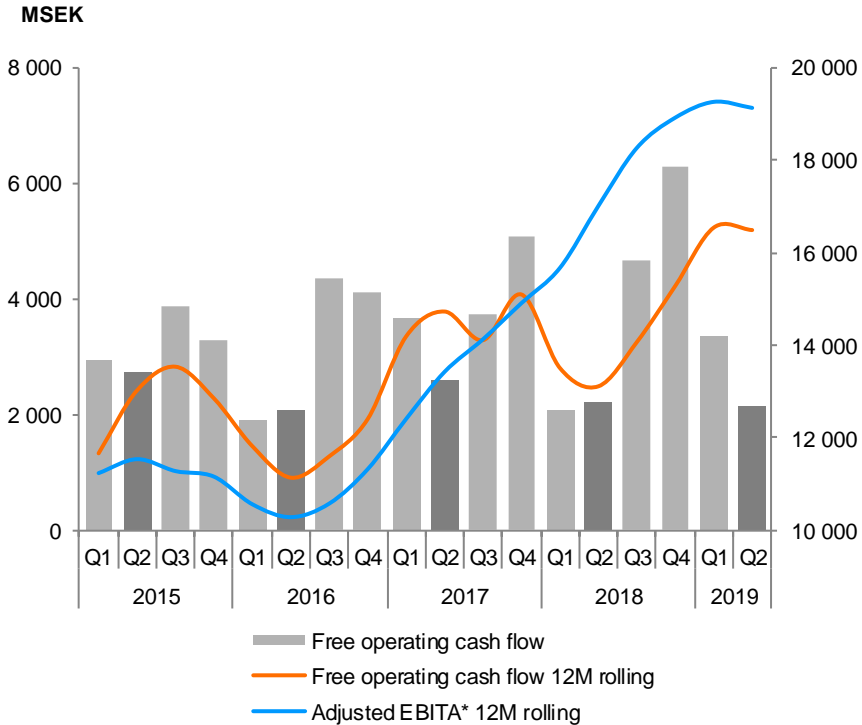
SEASONAL STOCK BUILD UP



RELATIVE NWC BY BA



FREE OPERATING CASH FLOW



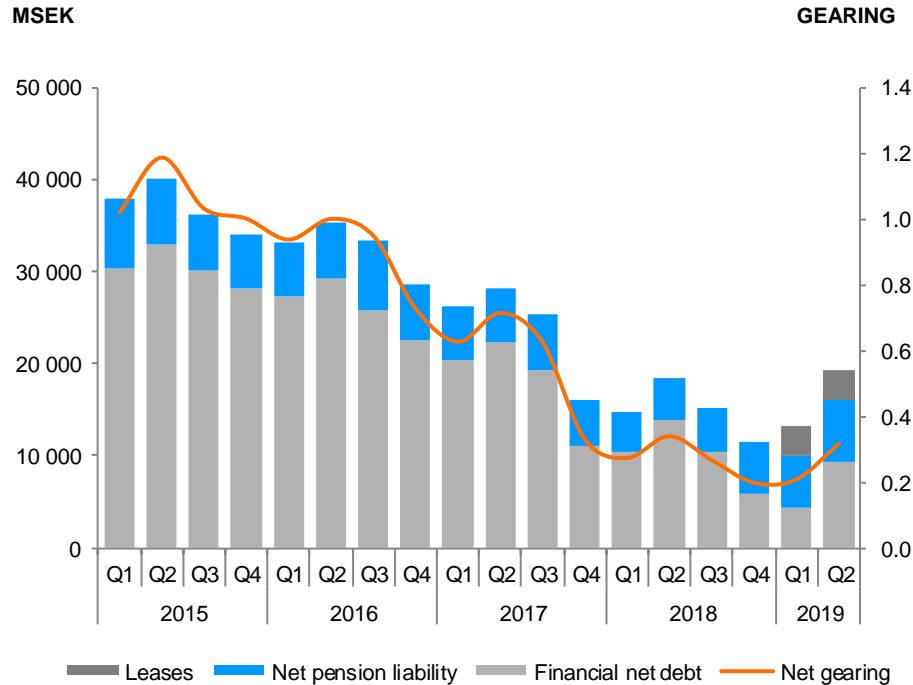
MSEK	Q2 2018	Q2 2019
EBITDA + non-cash*	6 289	5 732
NWC change	-3 135	-2 457
Capex**	-945	-1 121
FOCF***	2 209	2 156

*Including amortization of lease liabilities and IFRS adoption correction from Q1 2019 -195MSEK

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

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

NET DEBT



- **NET GEARING AT 0.32**
 - SEQUENTIAL INCREASE DUE TO DIVIDEND PAYMENT AND PENSION DEBT INCREASE DUE TO CHANGED DISCOUNT RATES
 - Y/Y INCREASE DUE TO IFRS16 ADOPTION
- **DIVIDEND PAID**
 - 5.3 BSEK FOR 2018
- **GROSS DEBT DECREASE BY 20%**

OUTCOME Q2 AND GUIDANCE

Q2 2019

Underlying currency effect (MSEK):	+455	(~300)
Total currency effect (MSEK):	+390	
Metal price effect in quarter (MSEK):	+131	(+100)

Q3 2019

Underlying currency effect (MSEK):	+300*
Metal price effect in quarter (MSEK):	-20**

FULL YEAR 2019

Cash capex (BSEK):	<4	(Q2: 0.9; H1: 1.8)
Net financial items (BSEK):	~1	(Q2: 0.4; H1: 0.8)
Underlying tax rate (%):	25-27	(Q2: 26; H1: 25.6)

*Based on currency rates end of June 2019

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

17

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SUMMARY Q2

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 text is overlaid on the left side of the image, separated by horizontal orange lines.

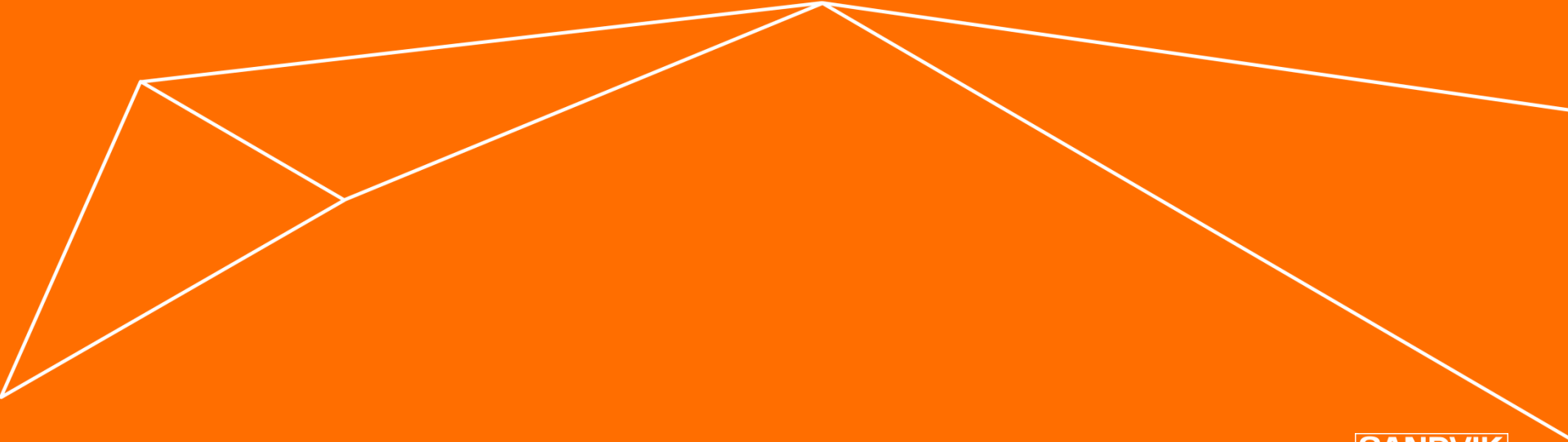
SLOW-DOWN IN EARLY-CYCLE DEMAND

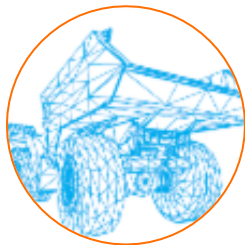
MORE FOCUS ON EFFICIENCY – ACTIONS INITIATED

DECISION INTERNAL SEPARATION OF SMT

NEW FINANCIAL AND SUSTAINABILITY TARGETS

BACK-UP SLIDES

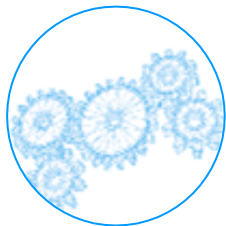




MINING
(34%)



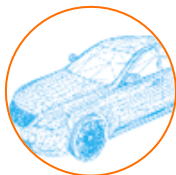
ENERGY
(11%)



**GENERAL
ENGINEERING**
(23%)



CONSTRUCTION
(9%)



AUTOMOTIVE
(12%)



AEROSPACE
(6%)

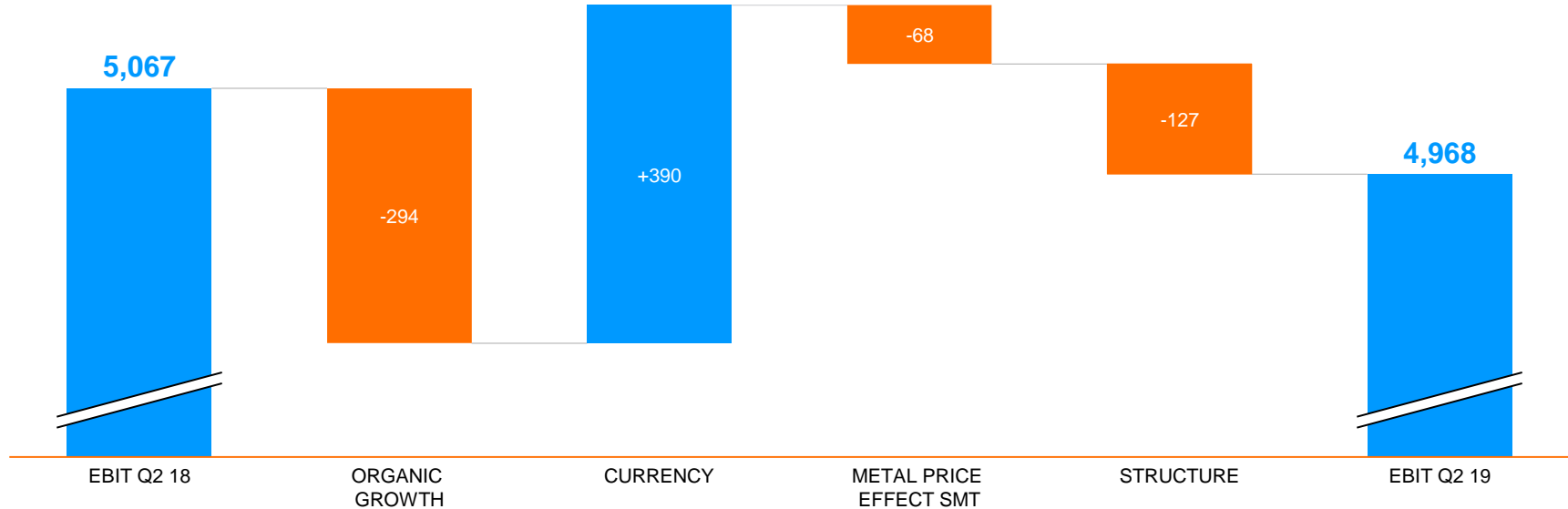
END-CUSTOMER SEGMENTS

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

PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

N/A



ADJUSTED
EBIT MARGIN

19.4%

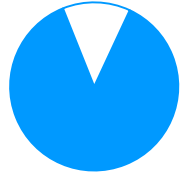
18.8%

BRIDGE ANALYSIS

MSEK	Q2 2018	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2019
MACHINING SOLUTIONS					
REVENUES	10 391	-460	+414	+329	10 674
EBIT	2 782	-488	+163	+26	2 483
EBIT MARGIN	26.8%	-106%	-	-	23.3%
MINING AND ROCK TECHNOLOGY					
REVENUES	10 890	348	+434	+110	11 782
EBIT	1 865	91	+173	-14	2 115
EBIT MARGIN	17.1%	+26%	-	-	18.0%
MATERIALS TECHNOLOGY					
REVENUES	3 871	139	+120	-119	4 011
ADJUSTED EBIT	537	86	+48	-86	585
ADJUSTED EBIT MARGIN	13.9%	+62%	-	-	11.3%

- * Includes metal price effects within Sandvik Materials Technology of -5 MSEK in alloy surcharges on revenues and -68 MSEK in metal price effect on EBIT (+199 Q2 2018 vs. +131 Q2 2019). Structure -984 MSEK topline and -121 MSEK for EBIT for Other operations (Hyperion). Structure SMT -114 MSEK on topline and -18 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +329 MSEK on topline and +26 MSEK on EBIT (Hyperion, Metrologic Group, Dura-Mill, Wetmore & OSK). Structure +110 MSEK SMRT on topline and -14 MSEK on EBIT for Inrock & Artisan (Note that Newtrax was closed at the Q2-end and is not included in Q2-numbers).

LOAN AND DURATION PROFILE



LONG TERM
87%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	0	-
Fin institutions, EIB, NIB	0	-
Swedish MTN	3 648	3 years
European MTN	11 588	7 years
Bank loans	101	1 year
Share swap	-	-



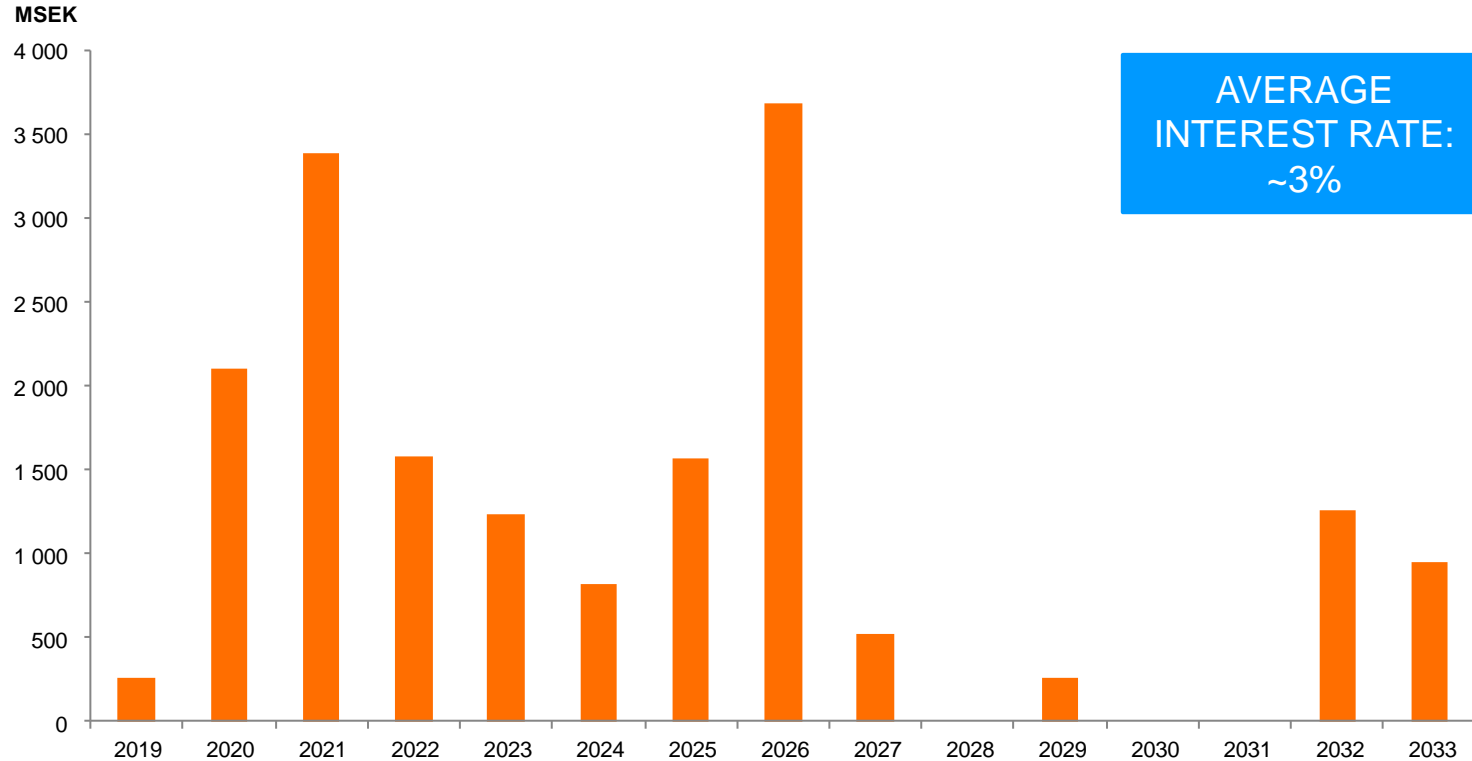
SHORT TERM
13%

US Private Placement	0	-
Fin institutions, EIB, NIB	0	-
Swedish MTN	2 001	4 months
Bank loans	265	<1 months
Share swap	-	-

Cash position **8 168 MSEK**
Committed Credit Facilities **9 100 MSEK**

TOTAL	17 602	5 years
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LOAN MATURITY PROFILE



GUIDANCE

CASH CAPEX

Estimated to **<4 BSEK for 2019**

CURRENCY EFFECTS

Given currency rates at end of June 2019 the effect on operating profit from transaction and translation would be **+300 MSEK for Q3 2019**

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of June 2019, it is estimated that effect on operating profit in **Q3 2019 will be -20 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.”