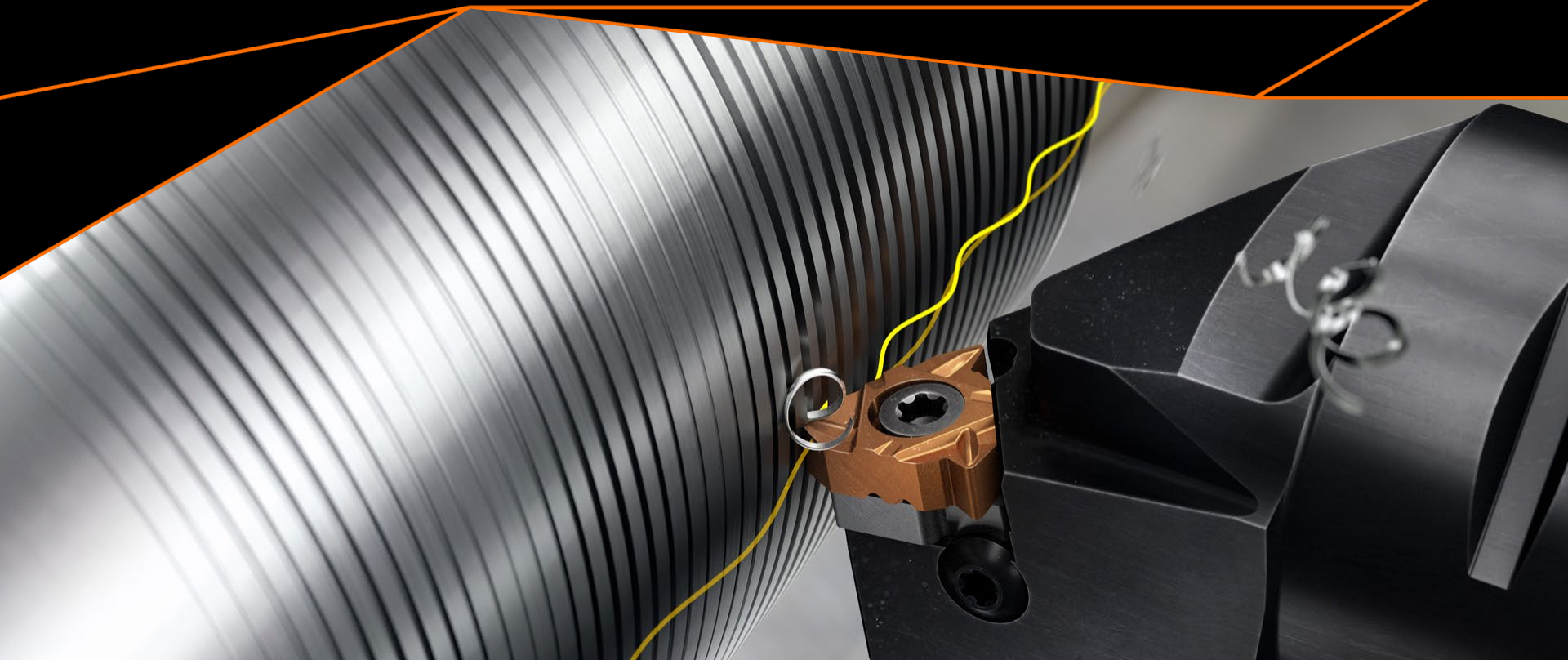


# INTERIM REPORT SECOND QUARTER 2021



# SUMMARY Q2

## STRONG EXECUTION IN A HIGH-DEMAND ENVIRONMENT

- Order intake growth of 43% year on year
  - Strong underlying demand in both the mining and construction segments with order intake well above pre-covid levels
  - Robust demand in automotive and general engineering with positive signs of improvement in the aerospace and energy segments
  - Revenues grew 22% on the back of strong order backlogs and despite supply chain challenges
- 

## SOLID EARNINGS PERFORMANCE

- Adjusted operating profit margin at 19.1% (14.0)
  - R12 month adjusted EBIT margin excl. metal prices 18.7% (17.0)
  - Permanent savings amounted to SEK 190 M, while reversal of temporary savings had a negative impact of SEK -765 M year on year
- 

## CONTINUING THE SHIFT TO GROWTH

- Record order month for battery electric mining vehicles with connected Battery as a Service agreements
- The rock processing digital service, SAM by Sandvik, launched in April
- Closed the acquisition of DSI Underground and announced five acquisitions during and after the quarter



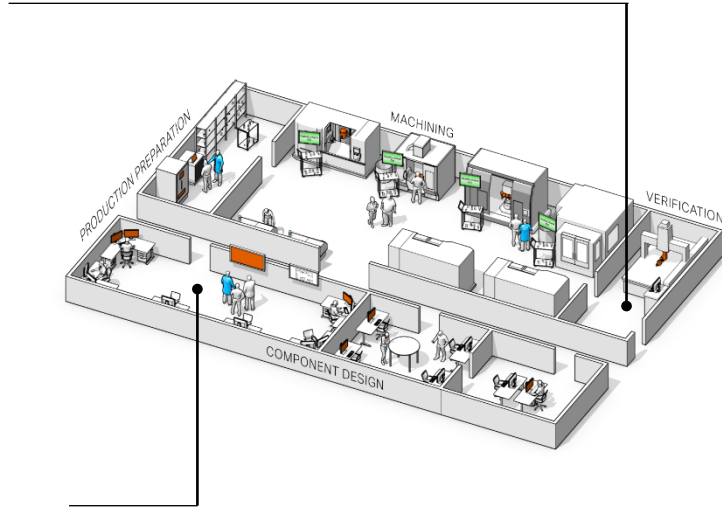
# STEPPING UP THE DIGITAL SHIFT

**DWFritz®**  
PRECISION AUTOMATION

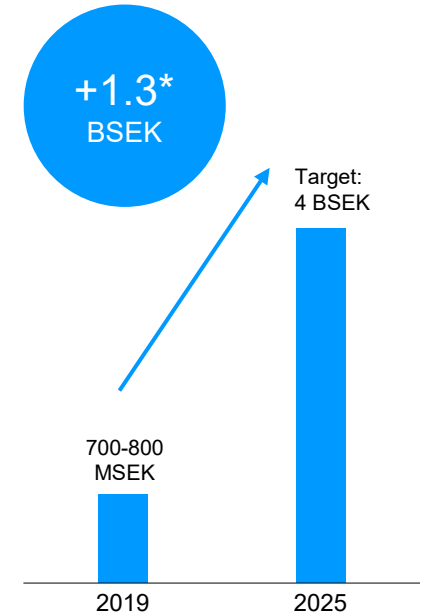
With DWFritz Automation, Sandvik will take a leading position in high-speed, non-contact, in-line metrology and precision automation



A leading company with an end-to-end portfolio in CAD/CAM software for manufacturing industries.



SANDVIK MANUFACTURING SOLUTIONS ON TRACK TO MEET THE TARGET

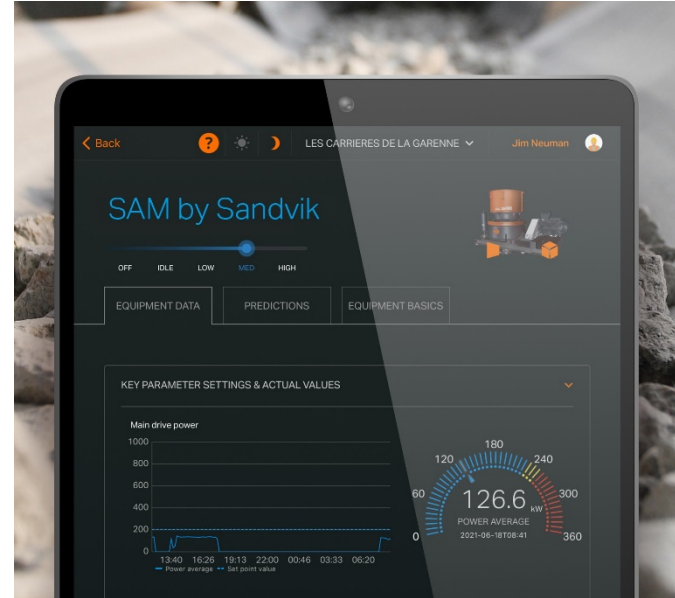


\*Based on revenues 2020

# STAYING AHEAD THROUGH INNOVATION







## SAM BY SANDVIK



- SAM by Sandvik, launched in April, is our rock processing digital service
- Designed specifically for team members responsible for running daily operations
- It will give customers direct access to:
  - data, analytics
  - communications
  - e-commerce
  - inspection tools
  - custom on-site reporting
  - information and predictions based on our AI modelling for customers connected equipment



# MARKET DEVELOPMENT

## Y/Y UNDERLYING DEMAND TREND

	% of group revenue FY20	Q2 Y/Y order intake
 EUROPE	35%	<b>+63%</b>
 NORTH AMERICA	22%	<b>+49%</b>
 ASIA	20%	<b>+34%</b>
 AFRICA/MIDDLE EAST	9%	<b>+15%</b>
 AUSTRALIA	9%	<b>+1%</b>
 SOUTH AMERICA	5%	<b>+88%</b>

	 Mining 40%	 Engineering 23%	 Automotive 11%	 Energy 10%	 Construction 8%	 Aerospace 5%
	↗	↗	↗	↗	↗	↗
	↗	↗	↗	↗	↗	↗
	↗	↗	→	→	↗	↗
	↗	↗	↗	→		
	↗					
	↗					
	↗					
	→	↗	→	↗	→	→

Demand trend  
Sequential Q/Q

→
↗
→
↗
↗
↗
↗

Demand trend  
Sequential Q/Q

# ORDER INTAKE AND REVENUES

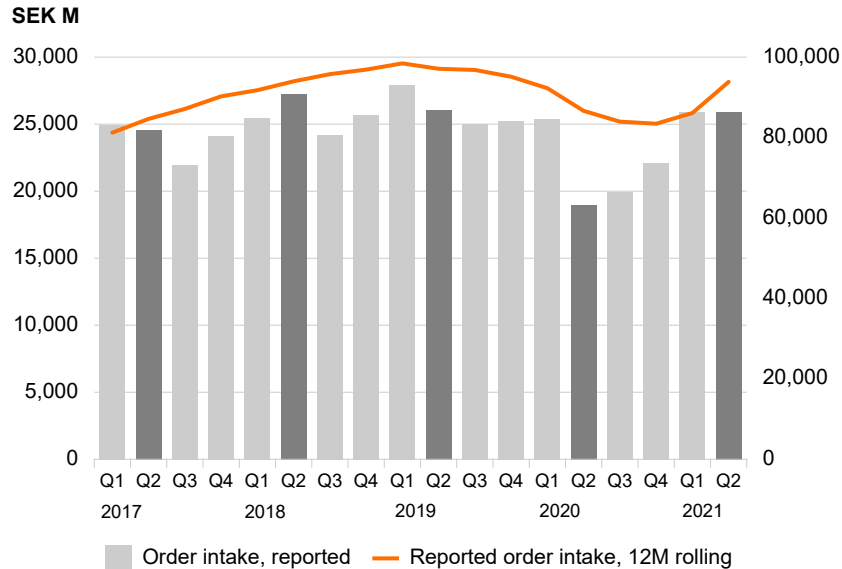
## ORDER INTAKE

REPORTED

P/V

25,857

43%



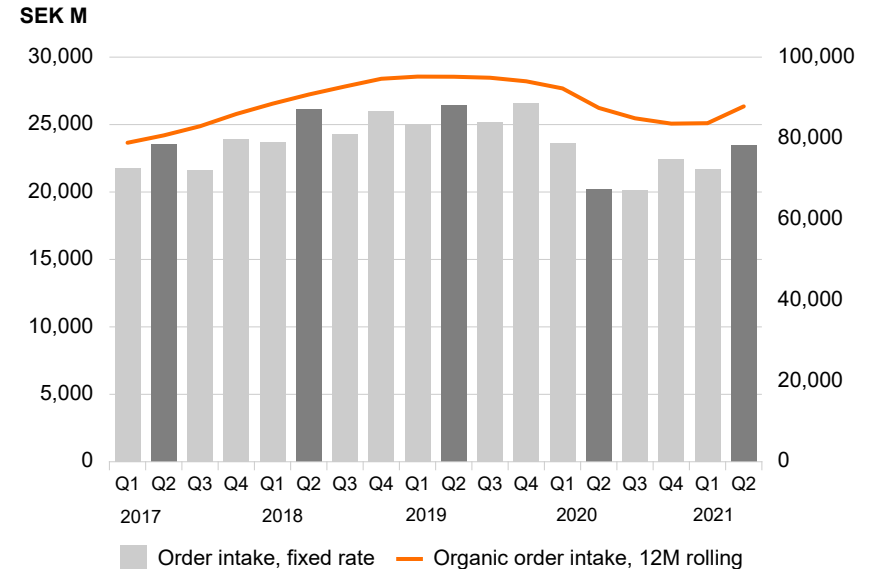
## REVENUES

REPORTED

P/V

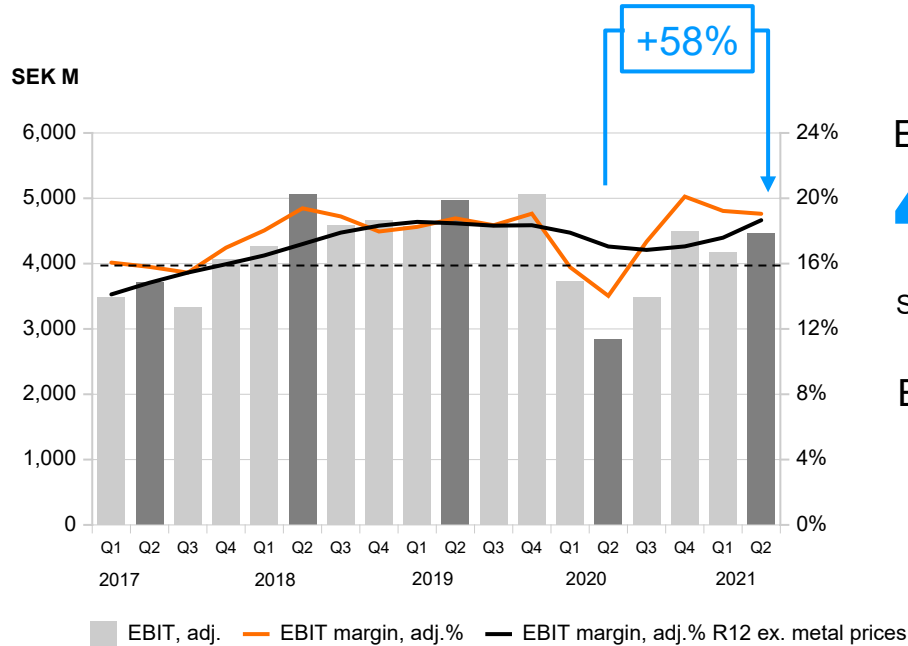
23,460

22%



# EBIT DEVELOPMENT

GROUP  
LEVERAGE:  
**+50%**



EBIT ADJUSTED  
**4,469**

SEK M

EBIT % ADJUSTED  
**19.1%**

- Margin at 19.1% (14.0)
  - 18.8% (14.4) excluding metal price effects
  - Currency had a margin diluting impact
- Permanent savings from the 2020 program had a positive SEK 190 M impact
- Reversal of temporary savings had a negative SEK -765 M impact year on year
- R12 adjusted EBIT excl. metal prices 18.7% (17.0)

<sup>1</sup>Adjusted for items affecting comparability

<sup>2</sup>Adjusted for items affecting comparability and metal prices

# SANDVIK MINING AND ROCK SOLUTIONS

## STRONG UNDERLYING DEMAND

- Organic order intake growth of 31% year on year and two consecutive quarters with orders above SEK 10 B
- Strong performance in both equipment and aftermarket
- One major order received of SEK 248 M and a record month for battery electric vehicles orders of SEK 140 M

## MARGINS ON PAR

- Margin slightly down year on year with increase in volumes negatively offset by FX and a negative impact from reversal of temporary savings of SEK -195 M
- Margin on par with first quarter, increased revenues negatively offset primarily by mix, ramp-up costs and logistics challenges

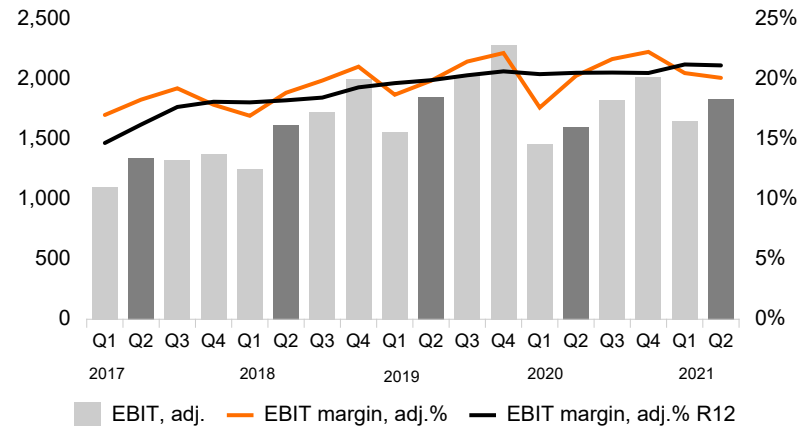
## POSITIONED FOR CONTINUED GROWTH

- Previously announced acquisition of DSI Underground closed on July 7 and announced acquisition of Tricon

SEK M	Q2 2020	Q2 2021	CHANGE
ORDER INTAKE	8,400	10,399	31%*
REVENUES	7,899	9,090	21%*
ADJ. OP. PROFIT	1,601	1,827	14%
% OF REVENUES	20.3%	20.1%	

\*At fixed exchange rates for comparable units. Last years figures has been restated due to the new BA structure

## EBIT DEVELOPMENT







# SANDVIK ROCK PROCESSING SOLUTIONS

## CONTINUED MOMENTUM

- Strong year on year organic order intake growth in both mining and construction, and order levels well above pre-covid levels
- Organic order intake growth for equipment was +92% and +38% for aftermarket
- Solid revenues despite some logistics challenges

## STRONG MARGIN

- Margin improvement due to increased volumes and favorable product mix
- Impact from permanent savings was SEK 5 M and reversal of temporary savings had a negative impact of SEK -20 M year on year

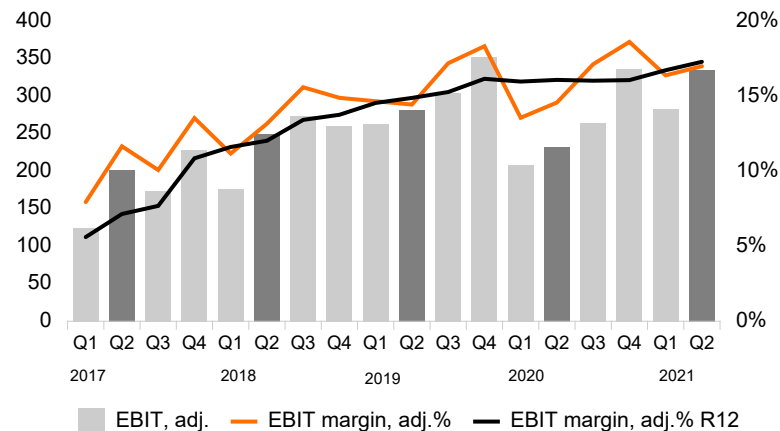
## FIRST ACQUISITION ANNOUNCED

- Announced the acquisition of the South African screens and feeders manufacturer Kwatani

SEK M	Q2 2020	Q2 2021	CHANGE
ORDER INTAKE	1,373	2,147	61%*
REVENUES	1,590	1,964	29%*
ADJ. OP. PROFIT	232	334	44%
% OF REVENUES	14.6%	17.0%	

\*At fixed exchange rates for comparable units. Last years figures has been restated due to the new BA structure

## EBIT DEVELOPMENT



# SANDVIK MANUFACTURING AND MACHINING SOLUTIONS

## GOOD UNDERLYING DEMAND

- Organic order intake grew 44% year on year
- Demand in automotive and general engineering on robust levels
- Daily order intake at the beginning of July started with a 20% improvement rate compared to the first weeks of July last year

## SOLID MARGINS

- Solid margins supported by increased volumes somewhat offset by negative FX
- Impact from permanent savings was SEK 105 M and reversal of temporary savings had a negative impact of SEK -485 M year on year

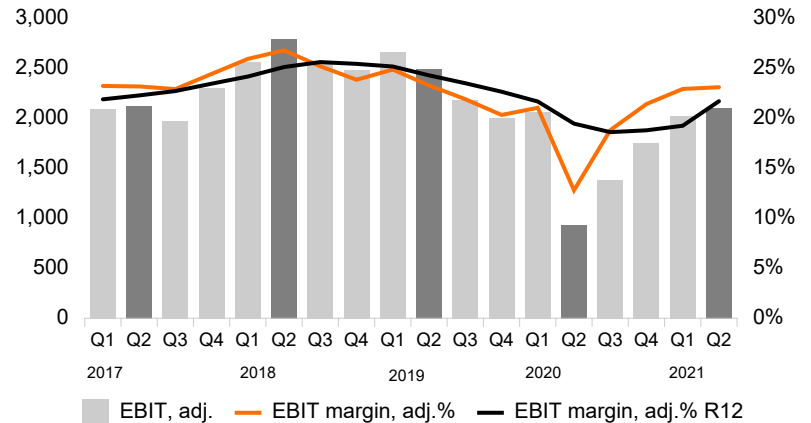
## ACCELERATION IN M&A ACTIVITIES

- Three acquisitions announced post the second quarter that will enhance our digital- and round tools offering

SEK M	Q2 2020	Q2 2021	CHANGE
ORDER INTAKE	6,821	9,270	44%*
REVENUES	7,247	9,083	33%*
ADJ. OP. PROFIT	927	2,097	126%
<i>% OF REVENUES</i>	12.8%	23.1%	

\*At fixed exchange rates for comparable units.

## EBIT DEVELOPMENT





# SANDVIK MATERIALS TECHNOLOGY

## STRONG ORDER INTAKE GROWTH

- Strong absolute order intake level indicating a healthy underlying demand across majority of end customer segments
- Positive development in the oil & gas and aerospace segments, albeit still on low levels

## MARGIN RESILIENCE

- Margin improvement driven by a favorable mix in Kanthal and Strip and despite low revenues for umbilicals
- Normal inventory build-up had a year on year impact of +200 bps
- Supported by permanent savings of SEK 75 M, partly offset by a negative impact from reversal of savings of SEK -40 M

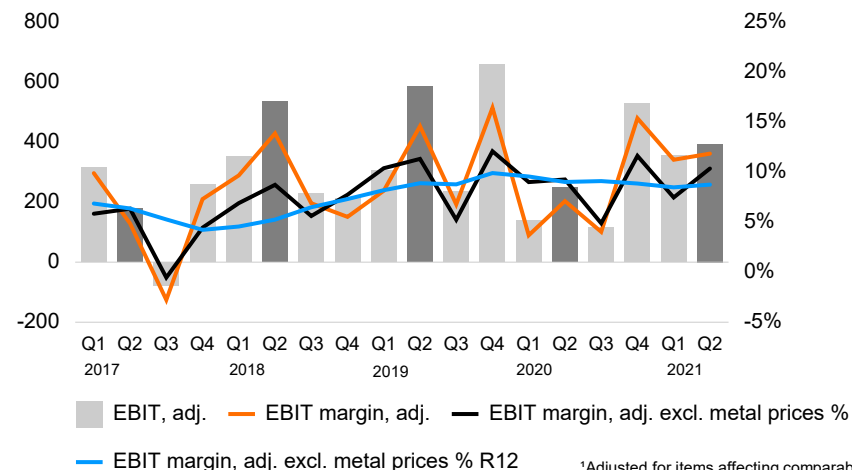
## ELECTRIC HEATING MOMENTUM

- Kanthal signed a Strategic partnership with HYBRIT (Hydrogen Breakthrough Ironmaking Technology)

SEK M	Q2 2020	Q2 2021	CHANGE
ORDER INTAKE	2,377	4,041	74%*
REVENUES	3,495	3,324	-4%*
ADJ. OP. PROFIT	248	394	59%
% OF REVENUES	7.1%	11.8%	
UNDERLYING MARGIN <sup>2</sup>	9.3%	10.4%	

\*At fixed exchange rates for comparable units.

## EBIT DEVELOPMENT



<sup>1</sup>Adjusted for items affecting comparability  
<sup>2</sup>Adjusted for items affecting comparability and metal prices

TOMAS ELIASSON  
CFO

$$= 13$$

$$= 7$$

$$= -10$$

$$= 7$$

# FINANCIAL SUMMARY Q2

SEK M	Q2 2020	Q2 2021	CHANGE %
ORDER INTAKE <sup>1</sup>	18,971	25,857	43%
REVENUES <sup>1</sup>	20,230	23,460	22%
ADJUSTED OPERATING PROFIT	2,837	4,469	58%
<i>% OF REVENUES</i>	<i>14.0%</i>	<i>19.1%</i>	
NET FINANCIAL ITEMS	20	-97	-580%
TAX RATE EXCLUDING IAC	24.3%	22.8%	
NWC, % <sup>2</sup>	31.0%	24.2%	
FREE OPERATING CASH FLOW <sup>3</sup>	2,531	3,088	22%
ADJUSTED ROCE, % <sup>2</sup>	12.5%	20.0%	
ADJUSTED EPS, DILUTED	1.73	2.69	

## GROWTH, % Q2 2021

	ORDER INTAKE	REVENUES
ORGANIC	43%	22%
CURRENCY	-6%	-6%
STRUCTURE	1%	1%
TOTAL	36%	16%

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

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

<sup>3</sup> Free operating cash flow before acquisitions and disposals, financial items and taxes

# BRIDGE ANALYSIS

GROUP  
LEVERAGE:  
**+50%**

## SANDVIK GROUP

SEK M	Q2 2020	ORGANIC	CURRENCY	METAL PRICE EFFECT SMT	STRUCTURE	Q2 2021
REVENUES	20,230	4,399	-1,499	134	196	23,460
ADJUSTED EBIT	2,837	2,188	-659	125	-22	4,469
ADJUSTED EBIT MARGIN	14.0%	+50%				19.1%

MARGIN ACCRETION / DILUTION

6.4%

-1.6%

0.5%

-0.2%

Includes metal price effects within Sandvik Materials Technology of SEK 134 M in alloy surcharges on revenues and SEK +50 M (-76) in metal price effect on EBIT. Structure in revenues includes predominately CGTech and Miranda Tools and EBIT includes mainly M&A costs.

# SAVINGS

	SANDVIK MINING & ROCK SOLUTIONS	SANDVIK ROCK PROCESSING SOLUTIONS	SANDVIK MANUFACTURING & MACHINING SOLUTIONS	SANDVIK MATERIALS TECHNOLOGY	GROUP COMMON	Total	Annualized run-rate savings
<i>Program from Q3 2019</i>	-	-	-	-	-	-	1,700*
<i>New program announced in Q1 &amp; Q2 2020</i>	-	5	105	75	5	190	~760**
<b>Total permanent savings</b>	-	5	105	75	5	190	
<i>Work time reduction</i>	-150	-20	-330	-45	-15	-560	
<i>Other temporary savings</i>	-45	0	-155	5	-10	-205	
<b>Total temporary savings</b>	-195	-20	-485	-40	-25	-765	
<b>Total</b>	-195	-15	-380	35	-20	-575	

\*Finalized in Q2 2020, no bridge effects left

\*\*Out of SEK 1.3 B in targeted annualized savings



# NET FINANCIALS

SEK M	Q2 2020	Q2 2021
INTEREST NET	-90	-88
PENSION	-32	-31
BANK CHARGES	-10	-11
OTHER FINANCIAL INCOME & COST	-10	-5
LEASES IFRS16	-27	-24
FX & OTHER ASSET CLASSES	189	61
<b>TOTAL</b>	<b>20</b>	<b>-97</b>

- Interest net down year on year due to reduced debt portfolio and higher interest of deposits
- Temporary revaluations of currency hedges and positive effects from electricity and commodity hedges



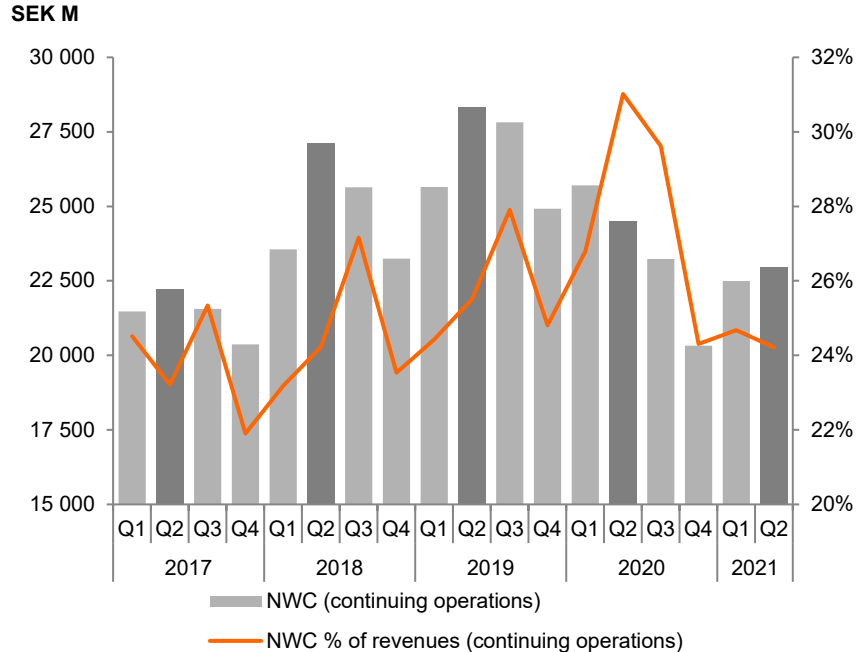
# TAX RATE

	Q2 2020	Q2 2021
<b>REPORTED</b>	<b>28.1%</b>	<b>24.5%</b>
EXCLUDING IAC	24.3%	22.8%
NORMALIZED	24.3%	22.8%

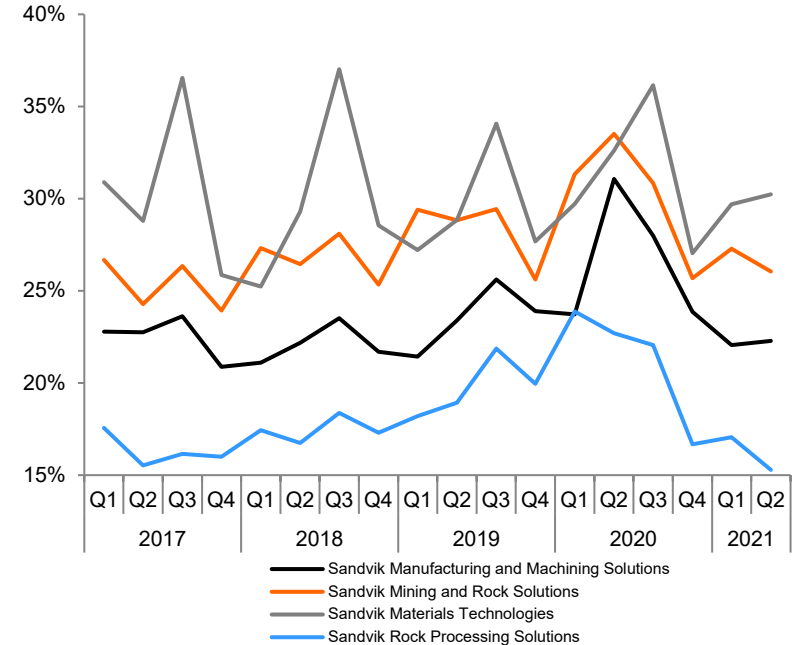
IN LINE WITH 22-24% GUIDANCE FOR 2021

# NET WORKING CAPITAL

## NET WORKING CAPITAL

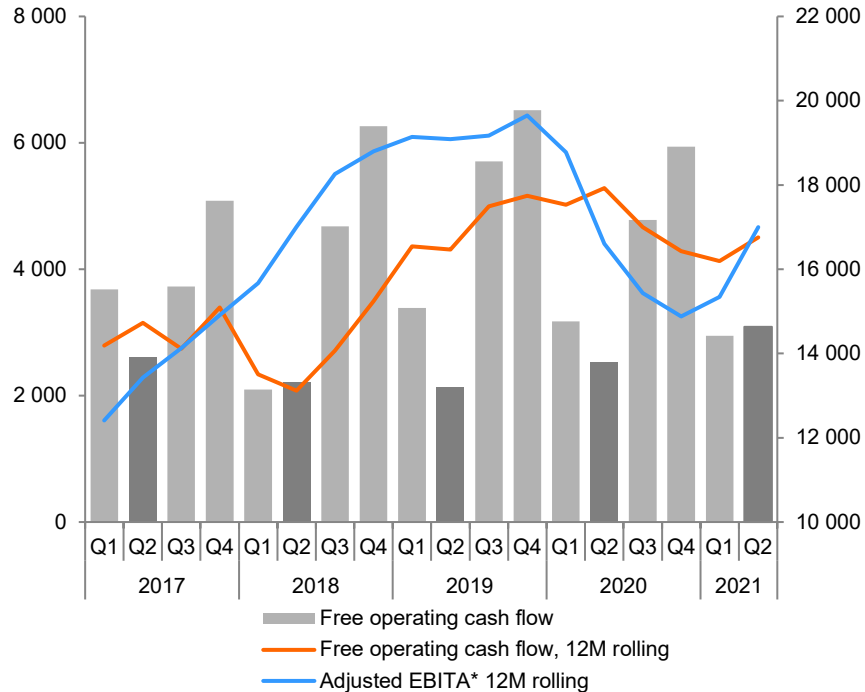


## NET WORKING CAPITAL AS % OF REVENUES



# FREE OPERATING CASH FLOW

SEK M

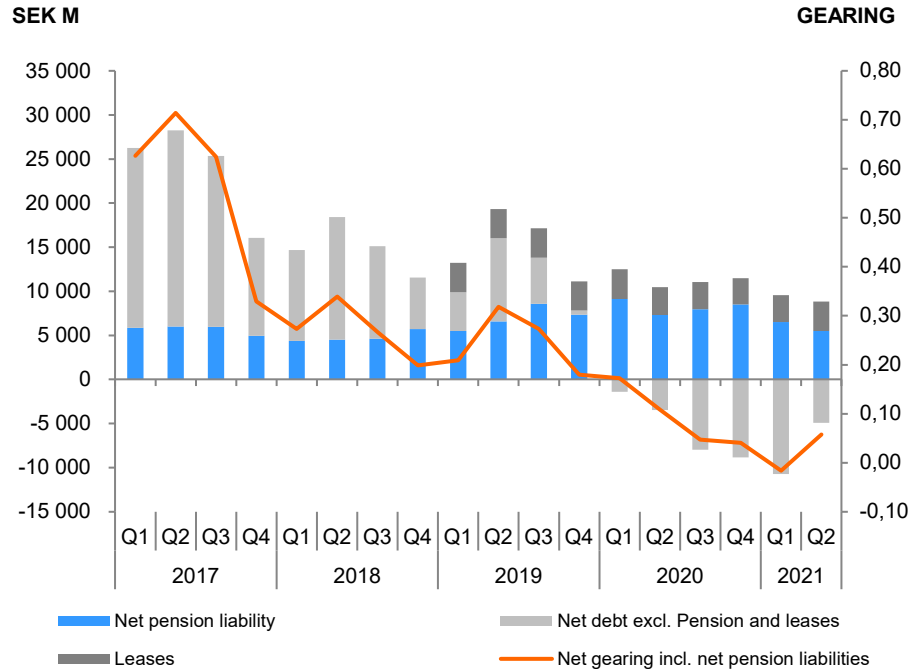


SEK M	Q2 2020	Q2 2021
EBITDA + NON-CASH	3,514	5,162
NWC CHANGE	-89	-1,152
CAPEX*	-894	-921
FOFC**	2,531	3,088

\*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 0.06
- Financial net cash SEK 4.9 billion
- Net debt SEK 3.9 billion

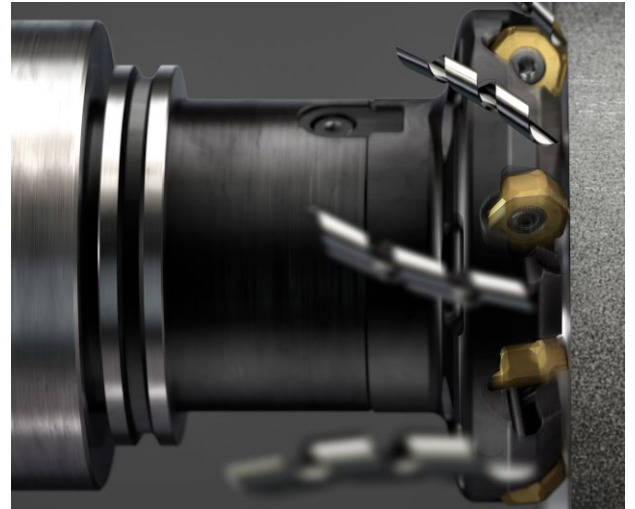
# OUTCOME Q2

## Q2 2021

	Outcome	Guidance
Underlying currency yoy effect (SEK M):	-632	-350
Total currency yoy effect (SEK M):	-659	-
Metal price effect in quarter (SEK M):	+50	+50

---

Capex (SEK B):	-0.9	
Interest net (SEK B):	-0.1	
Tax rate ex. IAC (%):	22.8%	



# GUIDANCE Q321 AND FY2021

## CAPEX (CASH)

Estimated to **<SEK 4.0 B for 2021**

---

## CURRENCY EFFECTS

Given currency rates at end of June 2021 the effect on operating profit from transaction and translation would be **SEK +/- 0 M for Q3 2021**

---

## METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of June 2021, it is estimated that effect on operating profit in **Q3 2021 will be SEK +200 M**

---

## INTEREST NET

Underlying interest net is estimated at about **SEK -400 M for 2021**

---

## TAX RATE

The tax rate excluding IAC is estimated to **22%-24% for 2021**

# CONTINUING THE SHIFT TO GROWTH

## OVERALL SOLID DEMAND

- Strong and broad-based demand for our products and services with order intake levels in mining and construction above pre-covid levels and robust demand in our short-cyclical businesses
  - Global supply chain challenges managed well in the quarter although with some impact on the operations
  - Solid profitability levels, with three consecutive quarters with margins above 19%
- 

## ECONOMIC RECOVERY AND HIGH MARKET ACTIVITY

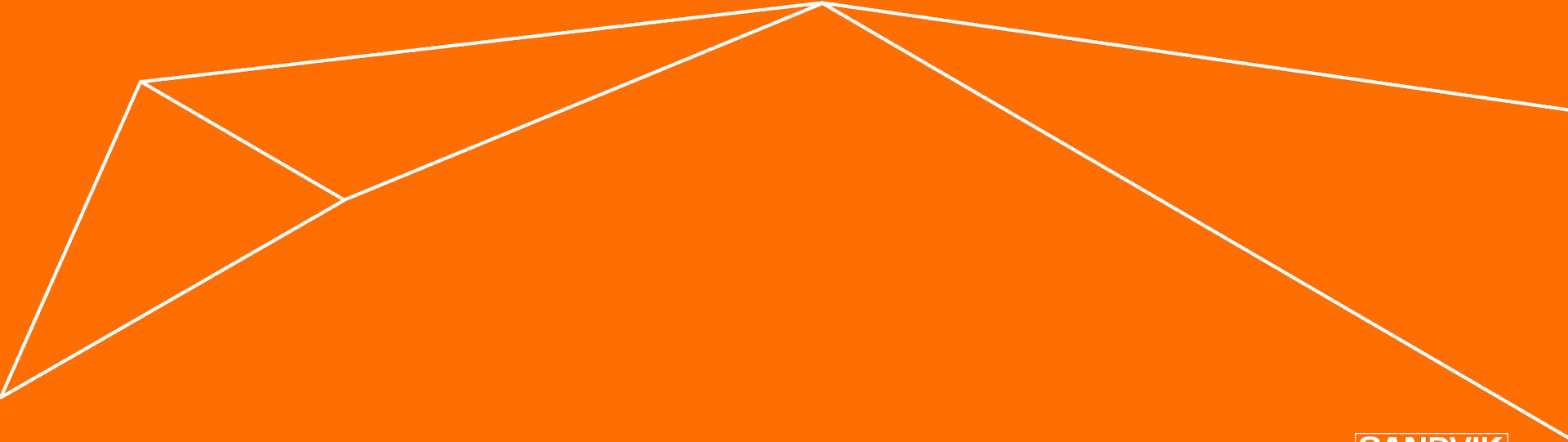
- High metal prices and global industry production on a positive trajectory
  - Signs of improvement in the energy and aerospace segments
  - Some uncertainties connected to global supply chain constraints
- 

## EXECUTING THE STRATEGY

- Accelerated M&A activities with five signed acquisitions during and after the quarter
- Important steps taken to expand the digital offering
- Continued pace in innovations and accelerated interest for battery electrical vehicles



# BACK-UP SLIDES



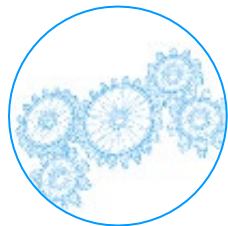




**MINING**  
(40%)



**ENERGY**  
(10%)



**GENERAL  
ENGINEERING**  
(23%)



**CONSTRUCTION**  
(8%)



**AUTOMOTIVE**  
(11%)



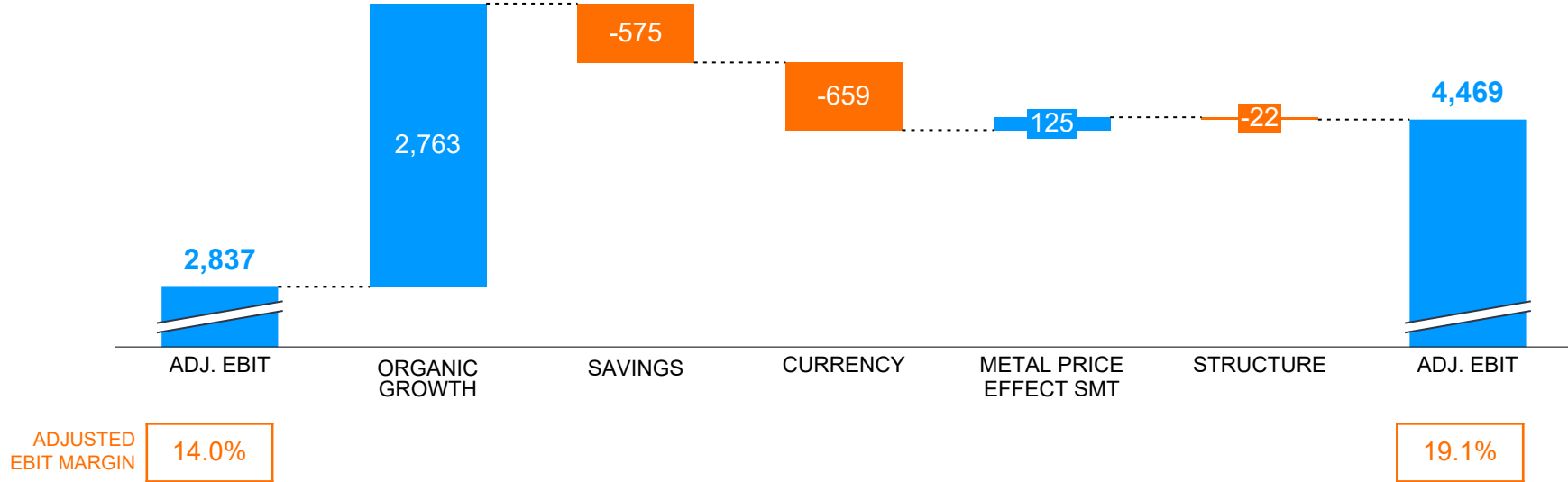
**AEROSPACE**  
(5%)

## END-CUSTOMER SEGMENTS

*(% of group revenues 2020 excl. Mining systems, Varel Oil & Gas and Other Operations; Other e.g. consumer goods, electronics, chemical and miscellaneous accounted for 3%.)*

# PROFITABILITY DEVELOPMENT

GROUP  
LEVERAGE:  
**+50%**



# BRIDGE ANALYSIS

SEK M	Q2 2020	ORGANIC	CURRENCY	STRUCTURE/META LS SMT*	Q2 2021
<b>MINING AND ROCK SOLUTIONS</b>					
REVENUES	7,899	1,678	-487		9,090
ADJUSTED EBIT	1,601	474	-236	-12	1,827
ADJUSTED EBIT MARGIN	20.3%				20.1%
<b>ROCK PROCESSING SOLUTIONS</b>					
REVENUES	1,590	458	-140	56	1,964
ADJUSTED EBIT	232	198	-101	5	334
ADJUSTED EBIT MARGIN	14.6%				17.0%
<b>MANUFACTURING AND MACHINING SOLUTIONS</b>					
REVENUES	7,247	2,395	-699	140	9,083
ADJUSTED EBIT	927	1,488	-304	-14	2,097
ADJUSTED EBIT MARGIN	12.8%				23.1%
<b>MATERIALS TECHNOLOGY</b>					
REVENUES	3,495	-131	-174	134	3,324
ADJUSTED EBIT	248	36	-15	125	394
ADJUSTED EBIT MARGIN	7.1%				11.8%

Includes metal price effects within Sandvik Materials Technology of SEK 134 M in alloy surcharges on revenues and SEK +50 M (-76) in metal price effect on EBIT. Structure in revenues includes predominately CGTech and Miranda Tools and EBIT includes mainly M&A costs.

# LOAN AND DURATION PROFILE



LONG TERM  
**81%**

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	1,000	3 years
European MTN	8,935	6 years
Bank loans	38	2 years
Share swap	-	-



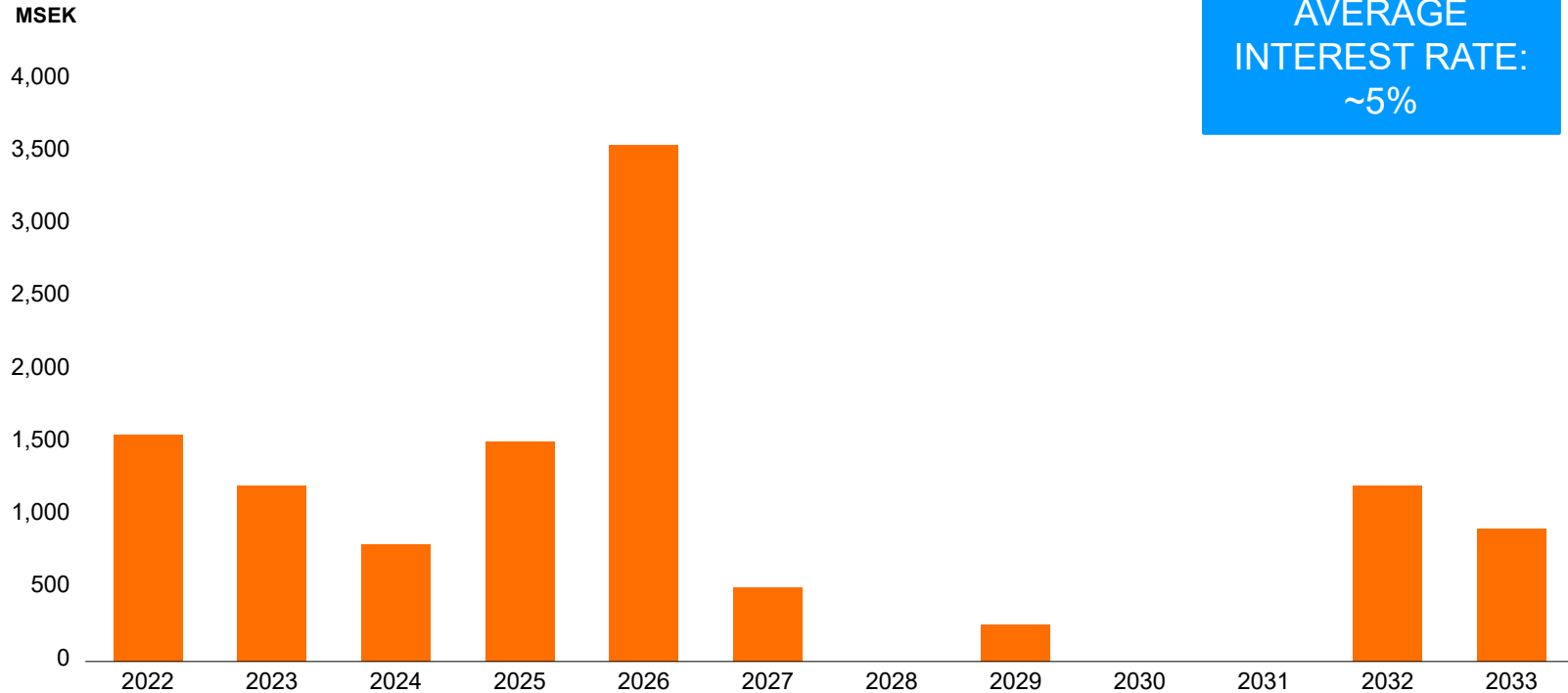
SHORT TERM  
**19%**

US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	650	4 months
European MTN	1,518	8 months
Bank loans	173	0 months
Share swap	-	-

Cash position **SEK 17,251 M**  
Committed Credit facilities **SEK 9,100 M**

<b>TOTAL</b>	<b>12,314</b>	<b>5 years</b>
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# LOAN MATURITY PROFILE



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.”

