

INTERIM REPORT THIRD QUARTER 2018



SUMMARY

DEMAND ON HIGH LEVEL

- LARGE O&G ORDERS IN SMT

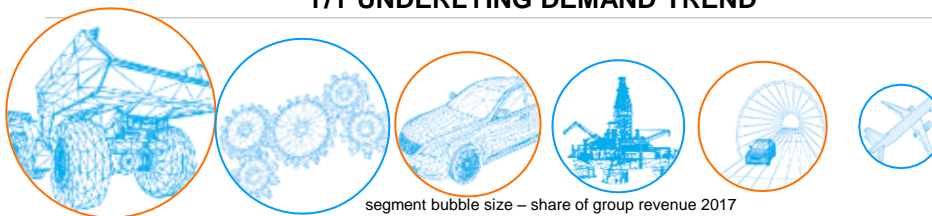
RECORD-HIGH Q3 EARNINGS AND MARGIN AT 18.9%

STRONG CASH FLOW



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



segment bubble size – share of group revenue 2017

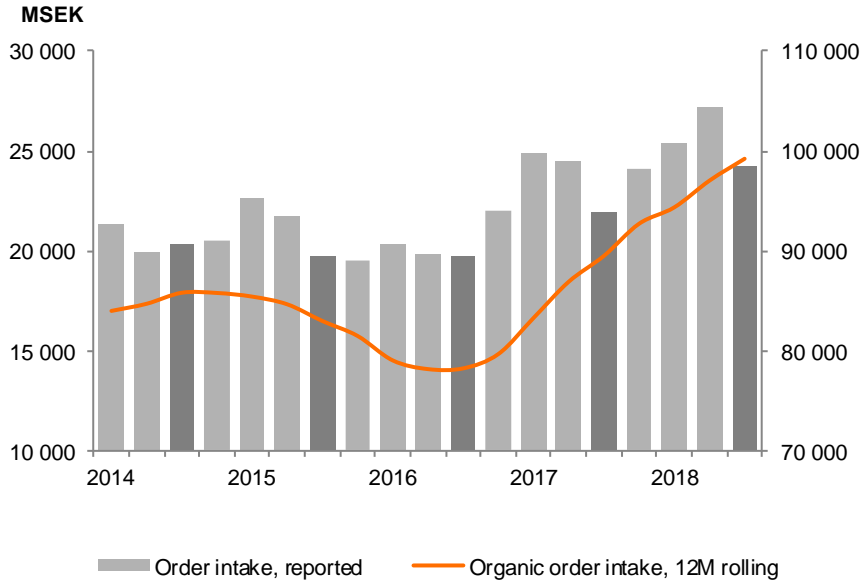
	% of group revenue FY17	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Sequential underlying demand trend (Q2/Q3)
EUROPE	39%	+10%	→	↗	→	↗	↗	↗	→
NORTH AMERICA	21%	+14%	→	↗	→	↗	→	↗	↗
ASIA	20%	+10%	→	↗	→	→	↗	↗	→
AFRICA/MIDDLE EAST	9%	-16%	↗	↗					→
SOUTH AMERICA	5%	+3%	↗						→
AUSTRALIA	6%	+27%	↗						→

ORDER INTAKE

LARGE ORDERS IN SMT

REPORTED P/V

24 192 9%

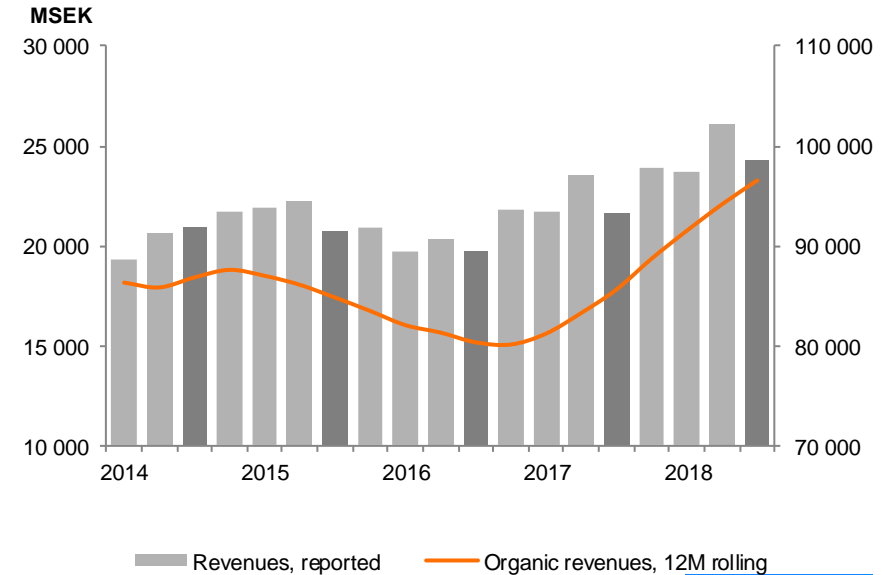


REVENUES

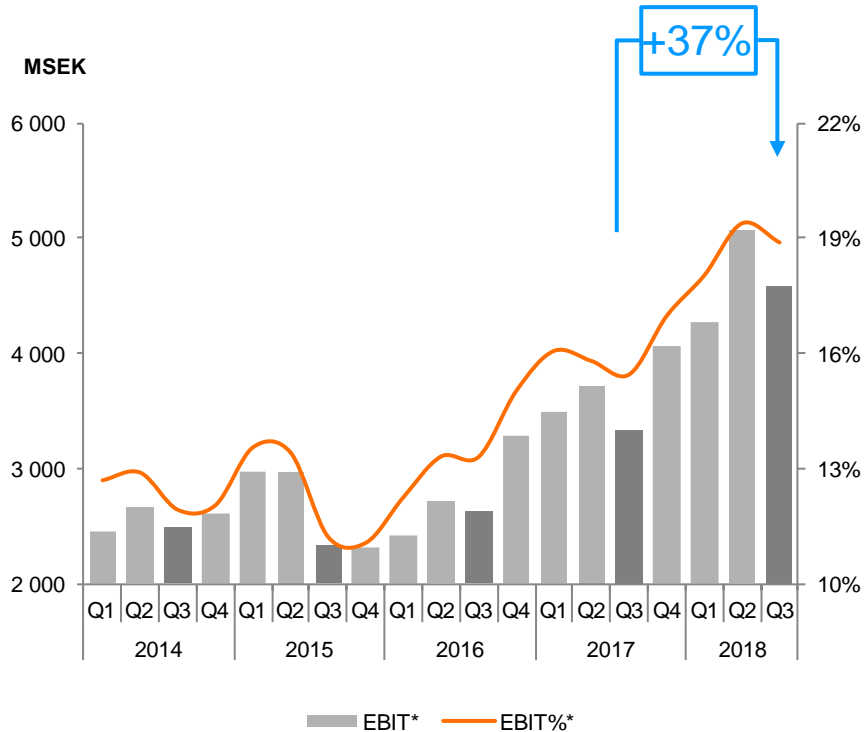
SUPPORT FROM ALL BUSINESS AREAS

REPORTED P/V

24 283 10%



EBIT DEVELOPMENT



EBIT ADJUSTED

4 587

MSEK

EBIT % ADJUSTED

18.9

- ~25% GROWTH EXCLUDING FX, STRUCTURE AND METALS
- SUPPORTED BY STRONG REVENUE GROWTH

*Adjusted for items affecting comparability





SANDVIK MACHINING SOLUTIONS

STRONG DEMAND

- Positive development in all major regions
- All segments strong barring for automotive which remained stable across major regions

RECORD HIGH Q3 EARNINGS AND MARGIN

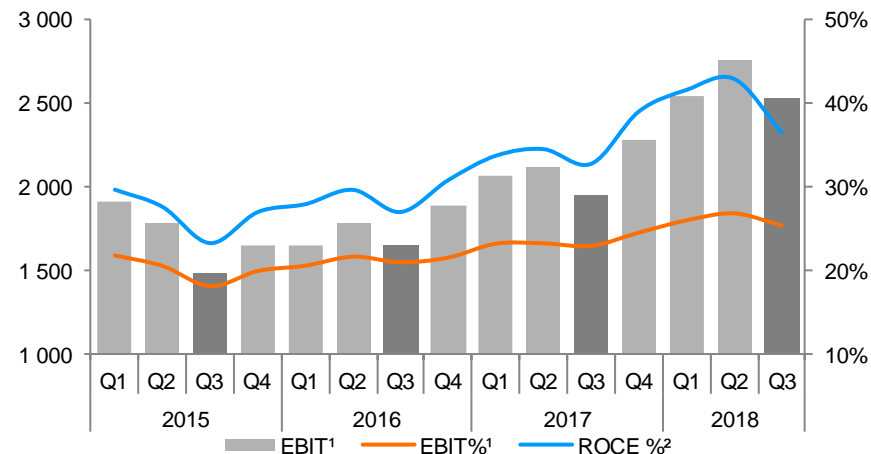
- Supported primarily by revenue growth, FX and some stock build-up
- Earnings grew by 14% excl. FX and structure; implying a 24.5% margin

IMTS AWARD: COROMANT SILENT TOOLS™ PLUS

MSEK	Q3 2017	Q3 2018	CHANGE
ORDER INTAKE	8 450	9 942	+8%*
REVENUES	8 487	9 990	+7%*
OPERATING PROFIT	1 949	2 536	+30%
% OF REVENUES	23.0%	25.4%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

ROBUST UNDERLYING MARKET

- Strong growth in the aftermarket business
- Equipment overall stable on tough comparables in the year-earlier period

SIGNIFICANT EARNINGS/MARGIN IMPROVEMENT

- Earnings primarily supported by significant revenue growth and some stock build-up
- Implied margin of 18.6% excluding FX

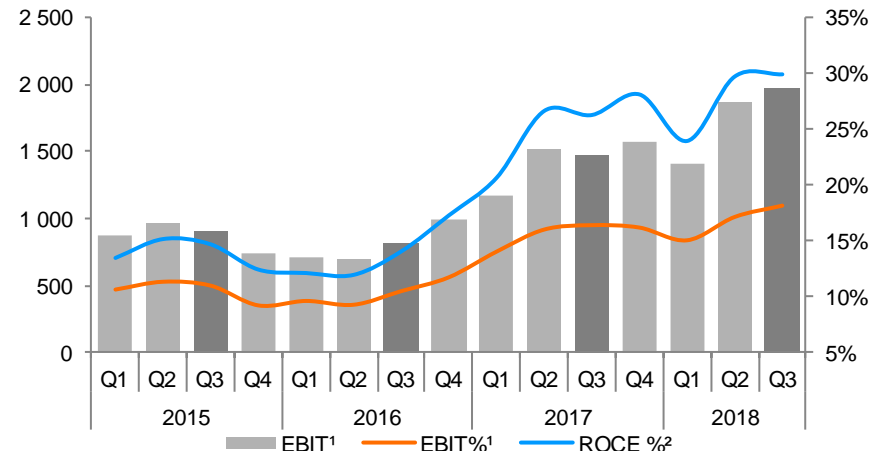
M&A

- Inrock acquired
- Varel in process of being divested; about -1%-ppts on margin in Q3

MSEK	Q3 2017	Q3 2018	CHANGE
ORDER INTAKE	9 191	10 468	+8%*
REVENUES	8 974	10 838	+14%*
OPERATING PROFIT	1 471	1 966	+34%
% OF REVENUES	16.4%	18.1%	

*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 +17% excl. large orders
- Larger energy orders of 480 MSEK, some initial signs of improved market sentiment

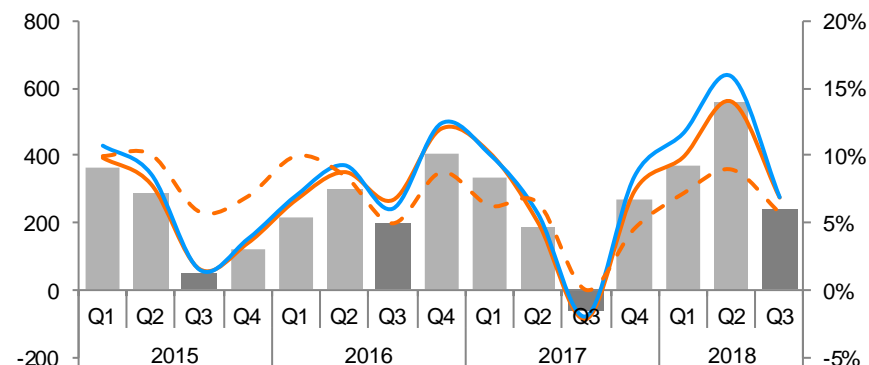
UNDERLYING MARGIN IMPROVEMENT

- Supported by strong revenue growth
- Significant support from on-going efficiency measures

MSEK	Q3 2017	Q3 2018	CHANGE
ORDER INTAKE	3 045	3 782	+22%*
REVENUES	2 955	3 454	+16%*
OP. PROFIT	-64	237	n/a
% OF REVENUES	-2.2%	6.9%	
UNDERLYING MARGIN ³	0.0%	5.7%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



■ EBIT¹ — EBIT%¹ — ROCE%² - - - EBIT%³

TOMAS ELIASSON
CFO

FINANCIAL SUMMARY Q3 AND YTD

GROWTH Q318, %

	ORDER REVENUES INTAKE	
ORGANIC:	+9	+10
CURRENCY:	+6	+6
STRUCTURE:	-5	-5
TOTAL	+11	+12

MSEK	Q3 2017	Q3 2018	CHANGE %	Q1-3 2017	Q1-3 2018	CHANGE %
ORDER INTAKE	21 888	24 192	+9 ¹	71 337	76 812	+9 ¹
REVENUES	21 608	24 283	+10 ¹	66 898	74 104	+12 ¹
ADJUSTED OPERATING PROFIT	3 338	4 587	+37	10 550	13 925	+32
<i>% OF REVENUES</i>	15.4	18.9		15.8	18.8	
FINANCE NET	-193	-140	-28	-806	-659	-18
UNDERLYING TAX RATE	25.6	26.1		26.9	26.3	
NWC % ²	25.3	27.2		24.4	24.1	
CASH FLOW ³	+3 726	+4 679	+26	+10 010	+8 983	-10
ROCE % ³	18.0	24.6		17.6	28.2	
ADJUSTED EPS CONT. OPS.	1.87	2.62	+40	5.69	7.81	+37

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	Q3 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q3 2018
REVENUES	21 608	2 125	+1 390	-840	24 283
ADJUSTED EBIT	3 338	839	+381	+29	4 587
ADJUSTED EBIT MARGIN	15.4%	39%	-	-	18.9%
MARGIN ACCRETION / DILUTION		+2.2%	+0.5%	+0.8%	

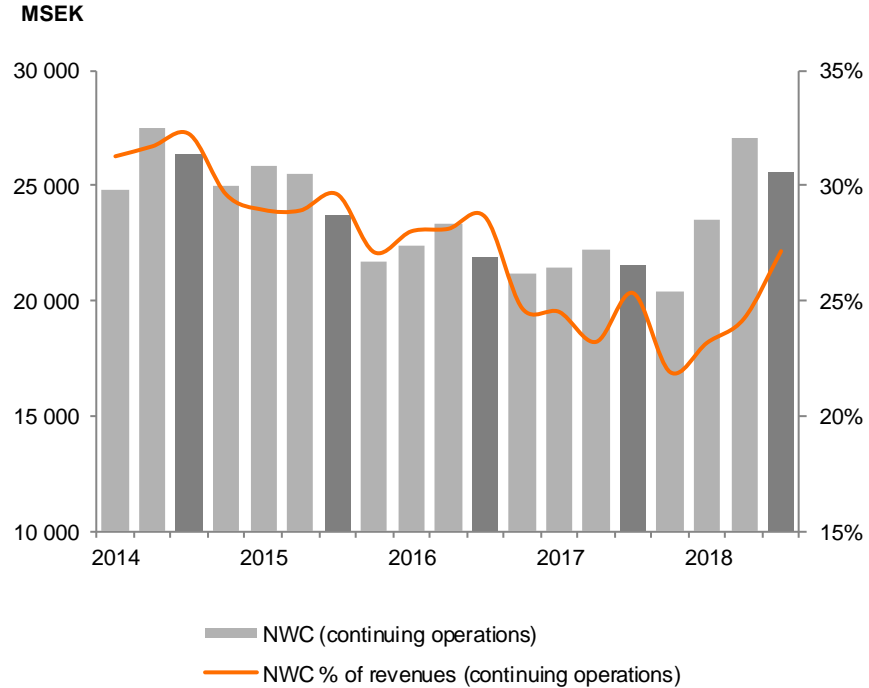
- * Includes metal price effects within Sandvik Materials Technology of +171 MSEK in alloy surcharges on revenues and +103 MSEK in metal price effect on EBIT (-64 Q3 2017 vs. +39 Q3 2018). Structure -1 191 MSEK topline and -151 MSEK for EBIT for Other operations (SPS & Hyperion). Structure SMT -147 MSEK on topline and +17 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +249 MSEK on topline and +51 MSEK on EBIT (Hyperion & Metrologic Group). Structure +78 MSEK SMRT on topline and +9 MSEK on EBIT for Inrock.

REPORTED AND UNDERLYING TAX RATE

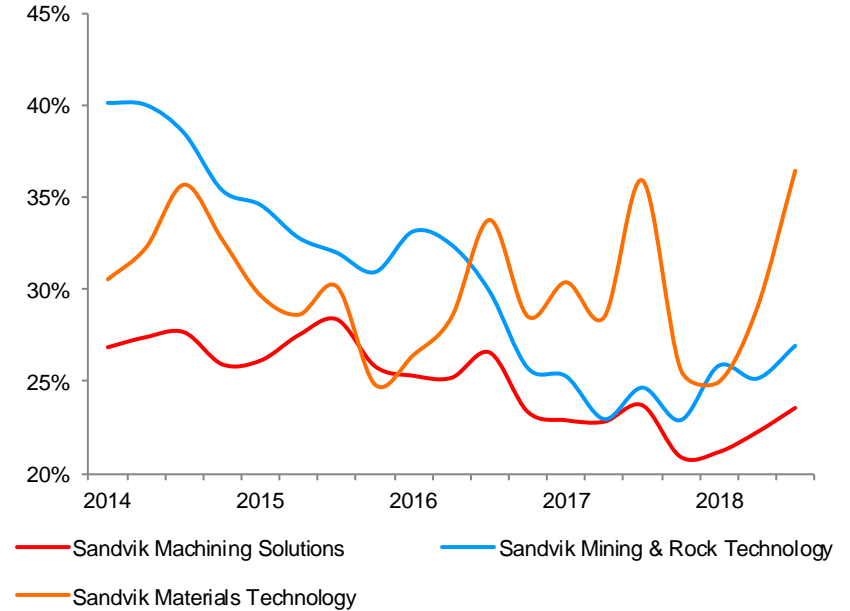
	Q3 2018	Q1-3 2018
REPORTED	22.5	24.9
EXCL. CAPITAL GAIN HYPERION (UNDERLYING RATE)	26.1	26.3

TAX RATE 26-28% STILL VALID FOR 2018

NET WORKING CAPITAL



RELATIVE NWC BY BA



FREE OPERATING CASH FLOW

MSEK



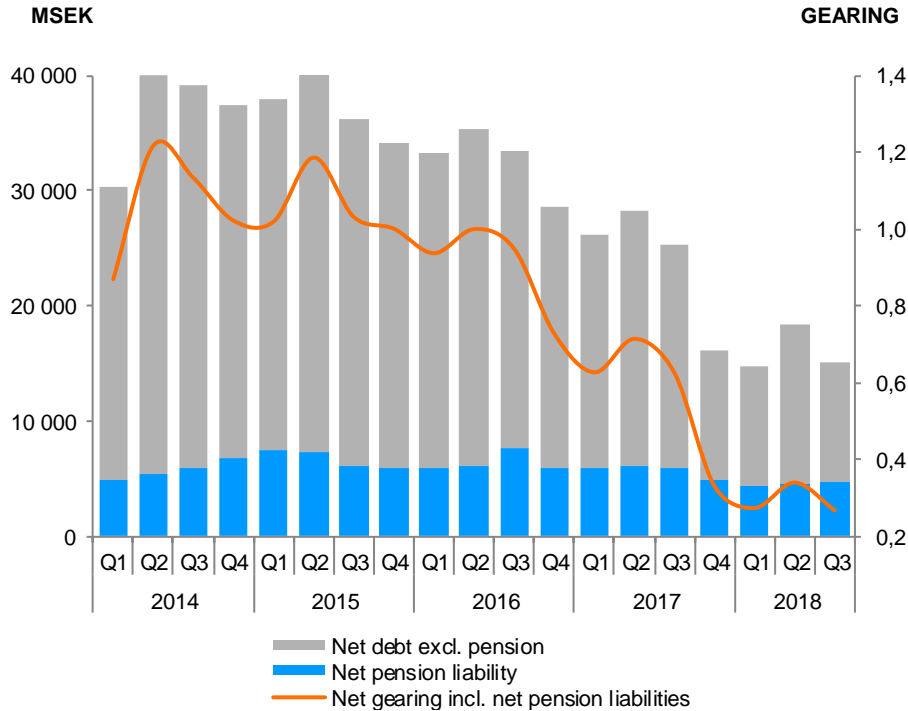
MSEK

MSEK	Q3 2017	Q3 2018
EBITDA	4 832	6 339
Non-cash items	447	-806
NWC change	-651	+220
Capex*	-902	-1 075
FOCF**	3 726	4 679

*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 LOW 0.27
- NET DEBT INCREASED ONLY BY ~0.7 BSEK FROM M&A



OUTCOME AND GUIDANCE

Q3 2018

Underlying currency effect (MSEK):	+608	(~650)
Total currency effect (MSEK):	+381	
Metal price effect in quarter (MSEK):	+39	(~100)

Q4 2018

Underlying currency effect (MSEK):	~400*
Metal price effect in quarter (MSEK):	-100**

FULL YEAR 2018

Capex (BSEK):	~4	(Q3: 1.1; YTD: 2.7)
Net financial items (BSEK):	~1	(Q3: 0.14; YTD: 0.66)
Underlying tax rate (%):	~26-28	(Q3: 26.1; YTD: 26.3)

*Based on currency rates end of September 2018

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



SUMMARY

DEMAND ON A HIGH LEVEL

RECORD Q3 WITH STRONG BALANCE SHEET

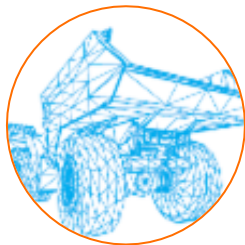
AWARD-WINNING PRODUCTS & SUSTAINABILITY RECOGNITION

- IMTS AWARD: COROMANT SILENT TOOLS™ PLUS
 - INCLUSION IN DOW JONES SUSTAINABILITY INDEX
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CAPITAL MARKETS DAY 21-22 MAY 2019 IN FINLAND

BACK-UP SLIDES

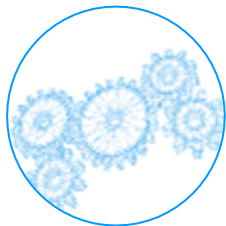




MINING
(31%)



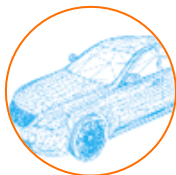
ENERGY
(11%)



**GENERAL
ENGINEERING**
(24%)



CONSTRUCTION
(11%)



AUTOMOTIVE
(13%)



AEROSPACE
(6%)

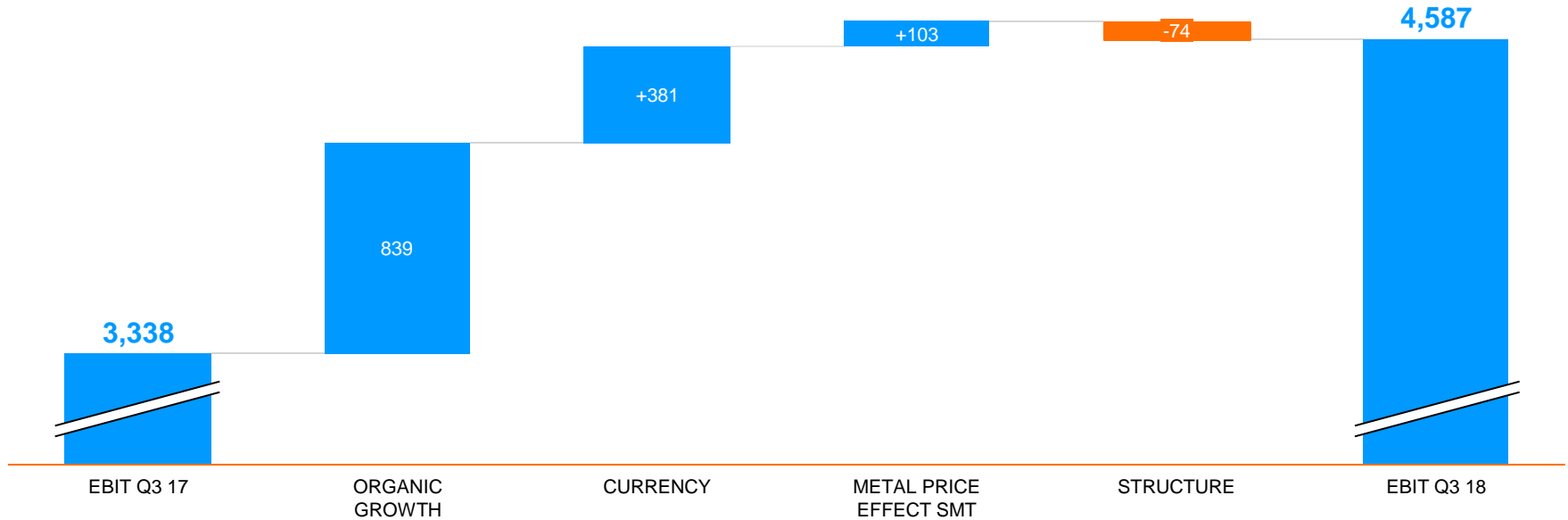
END-CUSTOMER SEGMENTS

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

PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

+39%



ADJUSTED
EBIT MARGIN **15.4%**

18.9%

BRIDGE ANALYSIS

MSEK	Q3 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q3 2018
MACHINING SOLUTIONS					
REVENUES	8 487	577	+677	+249	9 990
EBIT	1 949	274	+262	+51	2 536
EBIT MARGIN	23.0%	+47%	-	-	25.4%
MINING AND ROCK TECHNOLOGY					
REVENUES	8 974	1 250	+536	+78	10 838
EBIT	1 471	434	+52	+9	1 966
EBIT MARGIN	16.4%	+35%	-	-	18.1%
MATERIALS TECHNOLOGY					
REVENUES	2 955	298	+177	+24	3 454
ADJUSTED EBIT	-64	133	+48	+120	237
ADJUSTED EBIT MARGIN	-2.2%	+45%	-	-	6.9%

*Includes metal price effects within Sandvik Materials Technology of +171 MSEK in alloy surcharges on revenues and +103 MSEK in metal price effect on EBIT (-64 Q3 2017 vs. +39 Q3 2018). Structure SMT -147 MSEK on topline and +17 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +249 MSEK topline and +51 MSEK EBIT (Metrologic group 122 MSEK topline, 51 MSEK EBIT; Hyperion 127 MSEK topline). Structure SMRT Inrock; topline 78 MSEK, EBIT 9 MSEK.



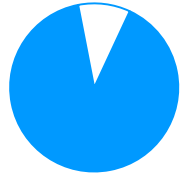
OTHER OPERATIONS

ALL BUSINESSES DIVESTED

- Capital gain of 618 MSEK booked in Q3
 - VAT provision -130 MSEK
- Project related costs as well as some operational cost amounted to -34 MSEK
- Hyperion now an external customer to SMS, adding 127 MSEK on topline
 - Reported as structure in Q3

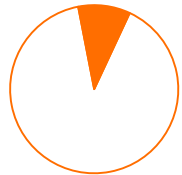


LOAN AND DURATION PROFILE



LONG TERM
90%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	3 309	3 years
Fin institutions, EIB, NIB	1 470	5 years
Swedish MTN	5 648	3 years
European MTN	11 304	8 years
Bank loans	148	1 year
Share swap	-	-



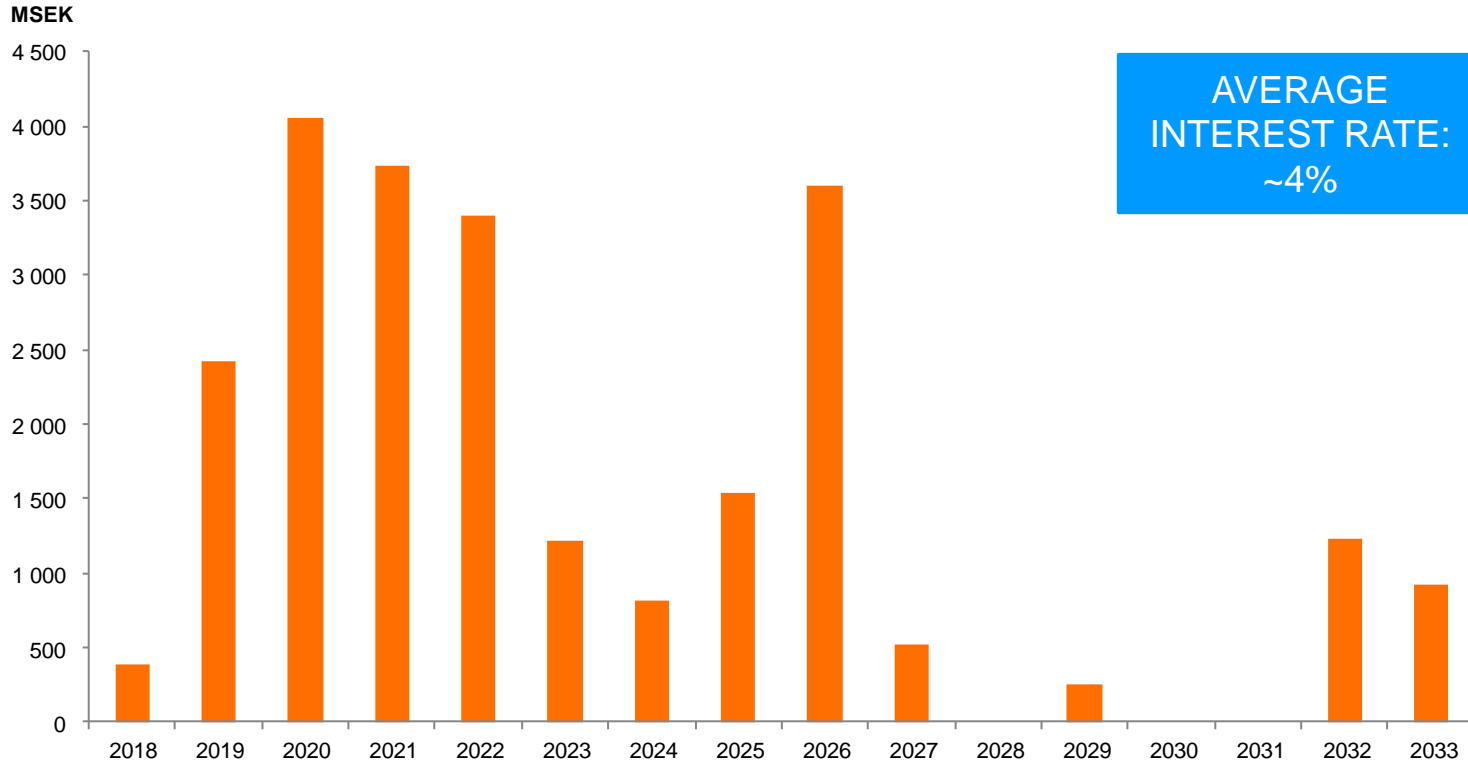
SHORT TERM
10%

US Private Placement	1 764	8 months
Fin institutions, EIB, NIB	368	0 months
Bank loans	177	8 months

Cash position **13 703 MSEK**
Revolving Credit facilities **9 100 MSEK**

TOTAL	24 187	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 September 2018 the effect on operating profit from transaction and translation would be +400 MSEK for Q4 2018

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of September 2018, it is estimated that effect on operating profit in Q4 2018 will be -100 MSEK

NET FINANCIAL ITEMS

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

TAX RATE

The underlying 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.”

