

INTERIM REPORT SECOND QUARTER 2018



SUMMARY Q2

DEMAND ON RECORD LEVEL

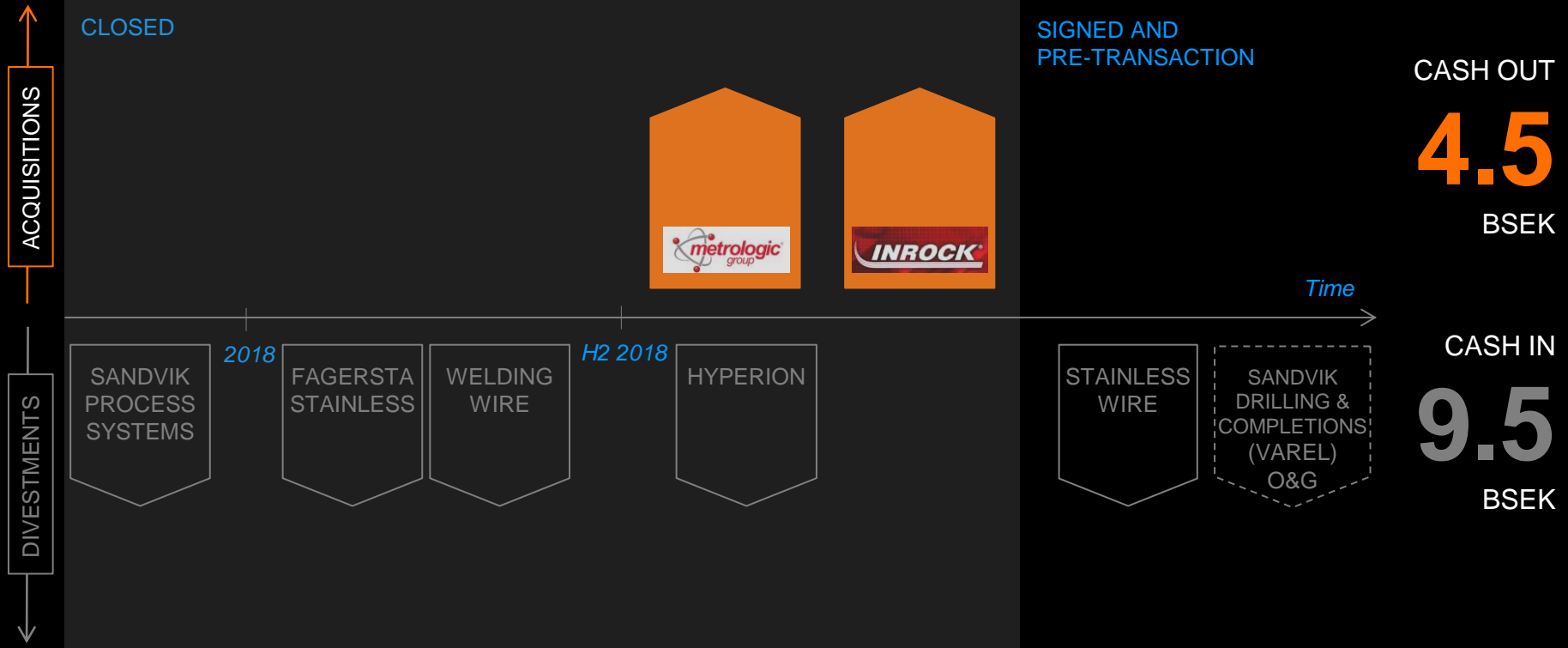
- STRONG GROWTH IN ALL BUSINESS AREAS
- SMS ORDERS ON RECORD-HIGH LEVEL
- LARGE ORDER IN SMT

ALL-TIME HIGH EARNINGS AND MARGIN AT 19.4%

ACTIVE PORTFOLIO MANAGEMENT

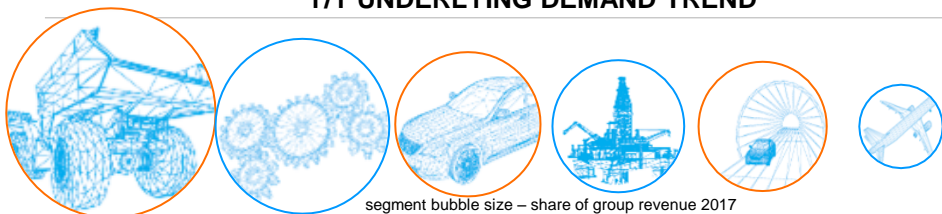


INCREASED PACE IN M&A



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



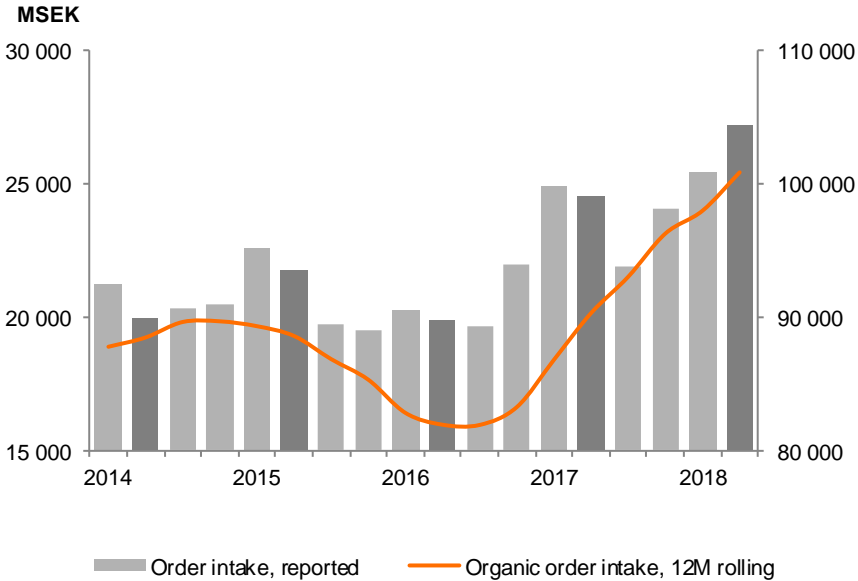
segment bubble size – share of group revenue 2017

	% of group revenue FY17	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Sequential underlying demand trend (Q1/Q2)
EUROPE	39%	+16%	↗	↗	↗	↗	↗	↗	→
NORTH AMERICA	21%	+8%	↗	↗	→	↗	↗	↗	↗
ASIA	20%	+17%	↗	↗	↗	→	↗	↗	→
AFRICA/MIDDLE EAST	9%	+7%	↗	↗					→
SOUTH AMERICA	5%	+13%	↗						↗
AUSTRALIA	6%	-5%	↗						→

ORDER INTAKE

BOOK-TO-BILL 104%

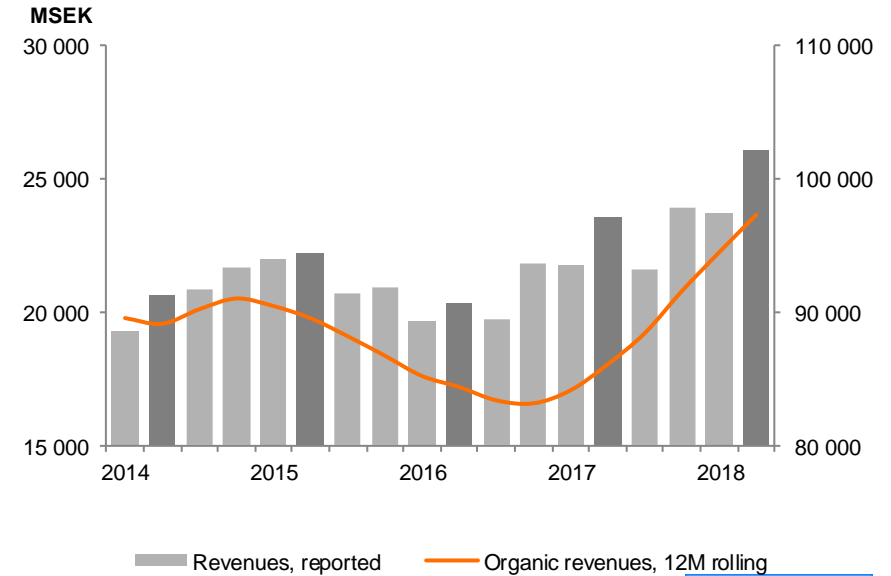
REPORTED P/V
27 201 **12%**



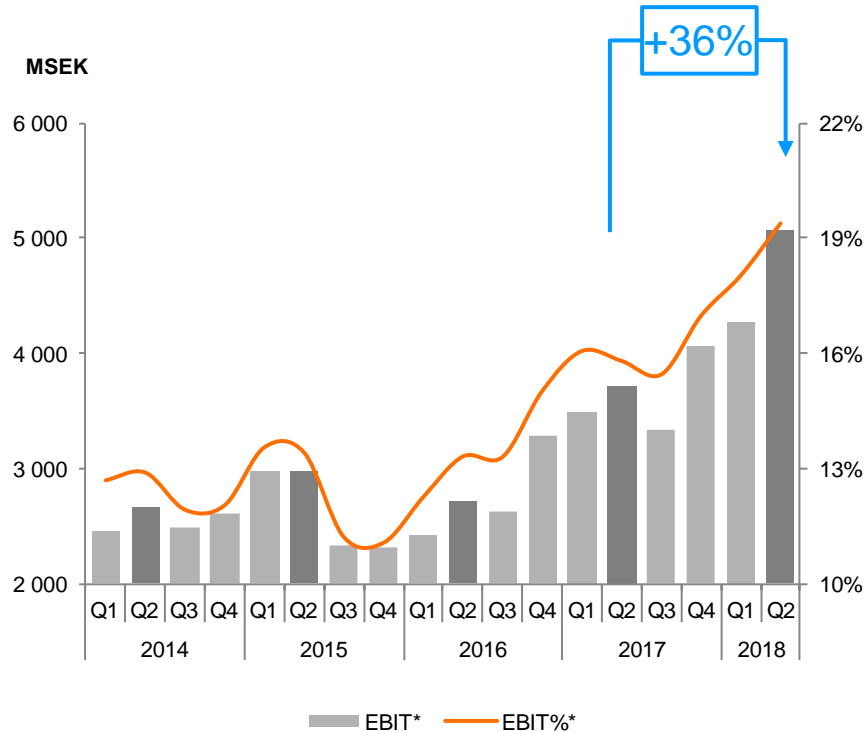
REVENUES

DOUBLE-DIGIT GROWTH FOR SMS AND SMRT

REPORTED P/V
26 136 **12%**



EBIT DEVELOPMENT



EBIT ADJUSTED
5 067
 MSEK

EBIT % ADJUSTED
19.4

- ~28% GROWTH EXCLUDING FX, STRUCTURE AND METALS
- SUPPORTED BY STRONG REVENUE GROWTH

*Adjusted for items affecting comparability





SANDVIK MACHINING SOLUTIONS

RECORD-HIGH ORDER AND REVENUE LEVEL

STRONG MARKETS

- Positive development in all segments and major regions
- Positive working day effect of +1%

RECORD-HIGH EARNINGS

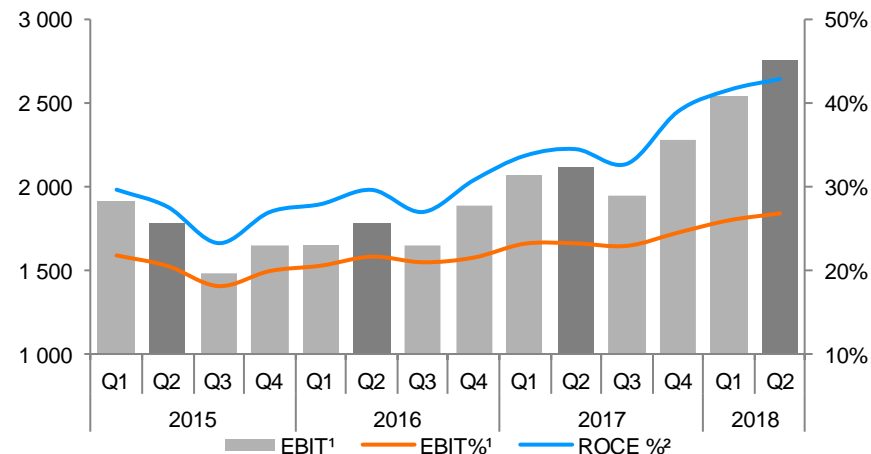
- Supported by strong revenue growth, planned stock build-up and FX
- Earnings grew by 22% excl. FX; implying a 25.7% margin

ACQUISITION OF METROLOGIC POST Q2

MSEK	Q2 2017	Q2 2018	CHANGE
ORDER INTAKE	9 312	10 322	+8%*
REVENUES	9 073	10 286	+10%*
OPERATING PROFIT	2 110	2 761	+31%
% OF REVENUES	23.3%	26.8%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

STRONG UNDERLYING MARKET

- Double-digit growth in equipment and aftermarket
- Strong growth for both underground and surface equipment
- AutoMine® and OptiMine® orders

STRONG REVENUES SUPPORT THE MARGIN

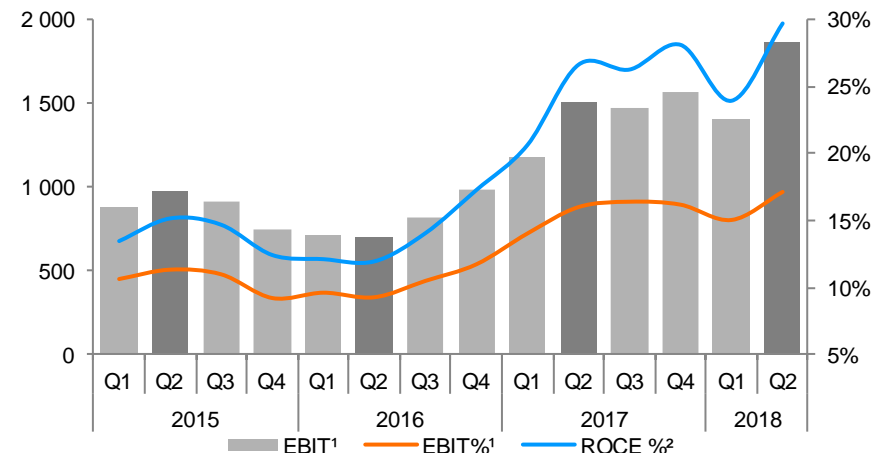
- Earnings primarily supported by significant revenue growth
- Excluding FX earnings improved by 32% implying a margin of 18.2%

ACQUISITION OF INROCK POST Q2

MSEK	Q2 2017	Q2 2018	CHANGE
ORDER INTAKE	9 949	11 405	+15%*
REVENUES	9 429	10 890	+16%*
OPERATING PROFIT	1 508	1 865	+24%
% OF REVENUES	16.0%	17.1%	

*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 +37% excl. large orders
- Larger energy order of 517 MSEK, delivery beyond 2019

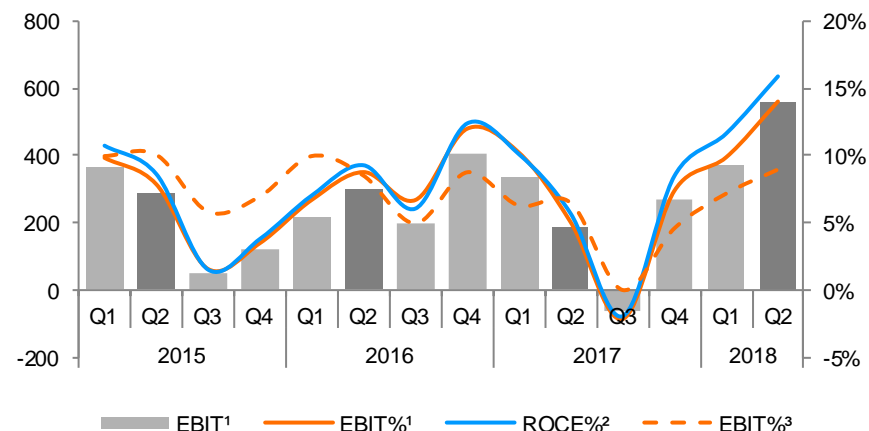
UNDERLYING MARGIN IMPROVEMENT

- Supported by revenue growth albeit with an unfavorable mix – more standardized products
- Ongoing efficiency measures

MSEK	Q2 2017	Q2 2018	CHANGE
ORDER INTAKE	3 985	4 550	+17%*
REVENUES	3 755	3 976	+8%*
ADJ. OP. PROFIT	189	558	n/a
% OF REVENUES	5.0%	14.0%	
UNDERLYING MARGIN ³	6.5%	9.0%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON
CFO

FINANCIAL SUMMARY Q2 AND YTD

GROWTH Q218, %

	ORDER REVENUES INTAKE	
ORGANIC:	+12	+12
CURRENCY:	+1	+1
STRUCTURE:	-2	-2
TOTAL	+11	+11

MSEK	Q2 2017	Q2 2018	CHANGE %	Q1-2 2017	Q1-2 2018	CHANGE %
ORDER INTAKE	24 533	27 201	+12 ¹	49 449	52 620	+9 ¹
REVENUES	23 532	26 136	+12 ¹	45 290	49 822	+13 ¹
ADJUSTED OPERATING PROFIT	3 718	5 067	+36	7 213	9 338	+29
<i>% OF REVENUES</i>	15.8	19.4		15.9	18.7	
FINANCE NET	-225	-266	-18	-614	-519	+15
TAX RATE	28.2	26.3		27.5	26.4	
NWC % ²	23.2	24.2		25.4	24.1	
CASH FLOW ³	+2 602	+2 208	-15	+6 284	+4 304	-32
ROCE % ³	17.0	24.4		16.6	26.5	
ADJUSTED EPS CONT. OPS.	2.01	2.82	+40	3.82	5.17	+35

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	Q2 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2018
REVENUES	23 532	2 709	+293	-398	26 136
ADJUSTED EBIT	3 718	1 051	+145	+153	5 067
ADJUSTED EBIT MARGIN	15.8%	39%	-	-	19.4%

MARGIN ACCRETION / DILUTION

+2.4%

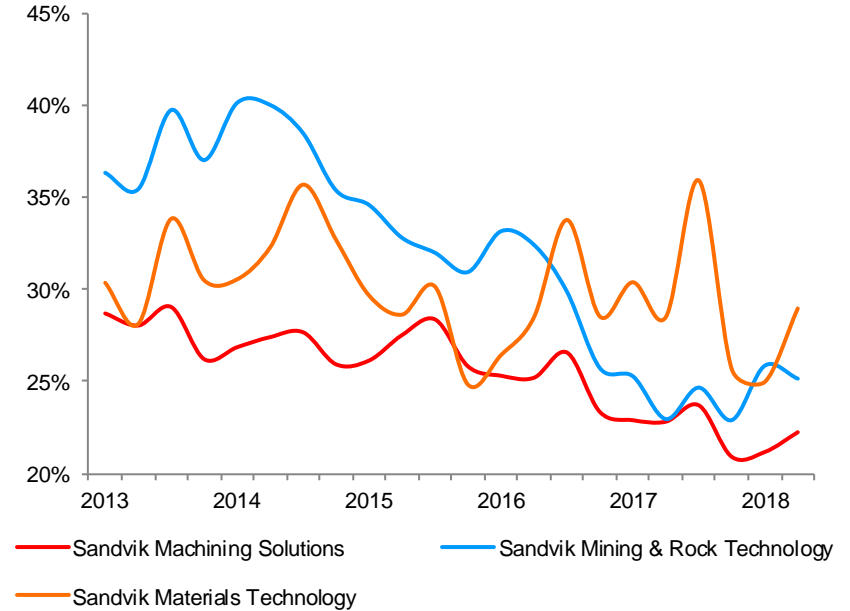
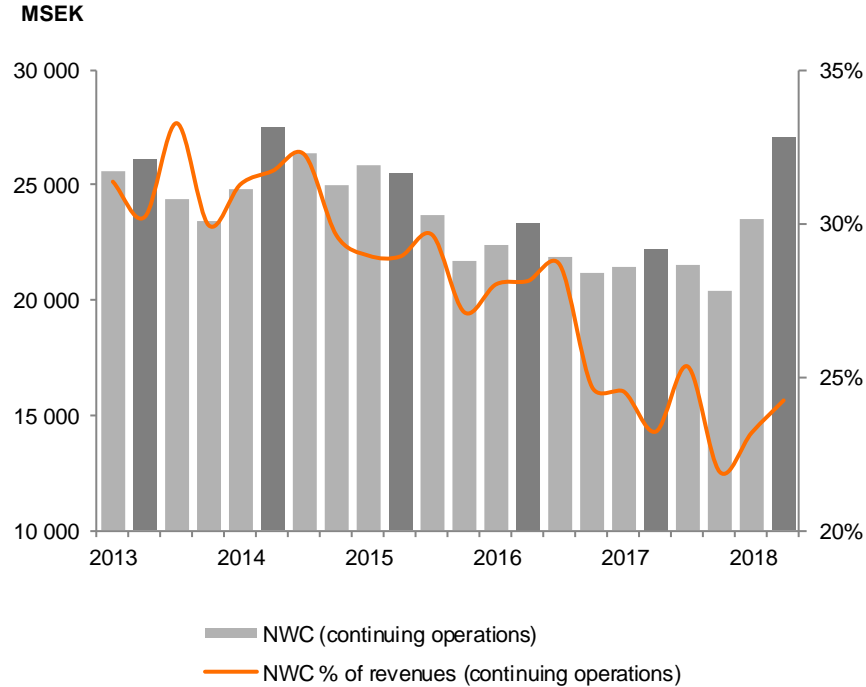
+0.3%

+0.9%

- Includes metal price effects within Sandvik Materials Technology of +155 MSEK in alloy surcharges on revenues and +255 MSEK in metal price effect on EBIT (-54 Q2 2017 vs. +201 Q2 2018). Structure -436 MSEK topline and -92 MSEK for EBIT for Other operations (SPS). Structure SMT -117 MSEK on topline and -10 MSEK on EBIT (Welding wire and Benton Harbor).

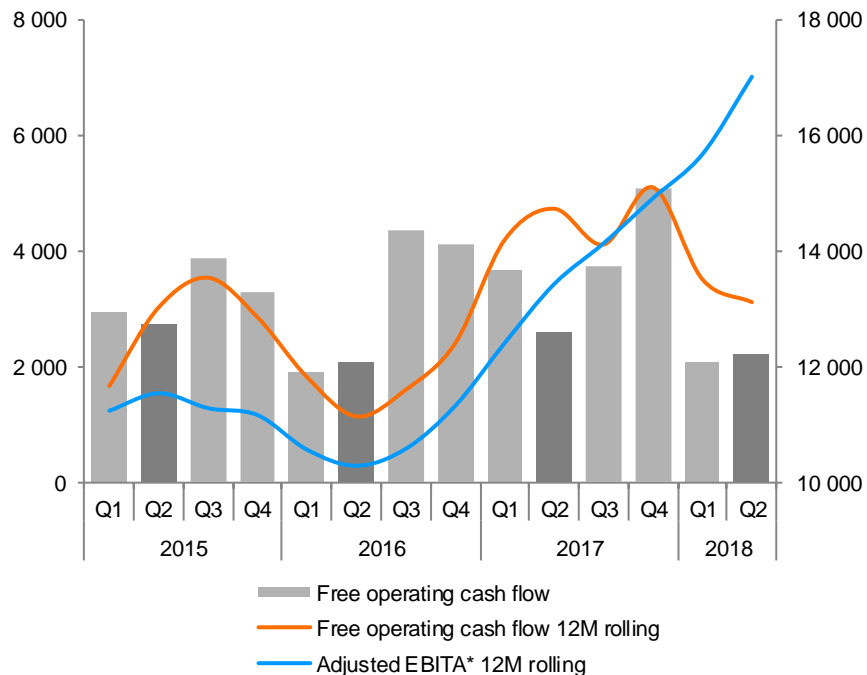
NET WORKING CAPITAL RELATIVE NWC BY BA

STRONG MARKETS AND SEASONAL BUILD-UP



FREE OPERATING CASH FLOW

MSEK



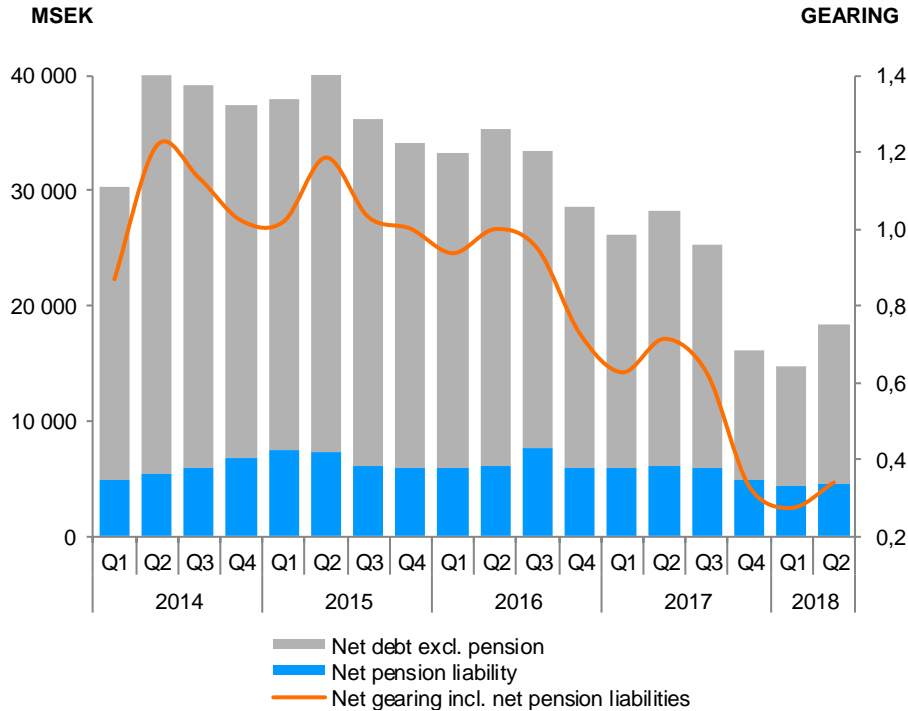
MSEK

MSEK	Q2 2017	Q2 2018
EBITDA + non cash	4 163	6 289
NWC change	-618	-3 136
Capex*	-944	-945
FOCF**	2 602	2 208

*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 0.34
- DIVIDEND PAYMENT

OUTCOME AND GUIDANCE

Q2 2018

Underlying currency effect (MSEK):	+140	(~0)
Total currency effect (MSEK):	+145	
Metal price effect in quarter (MSEK):	+201	(~100)

Q3 2018

Underlying currency effect (MSEK):	~650*
Metal price effect in quarter (MSEK):	+100**

FULL YEAR 2018

Capex (BSEK):	~4	(Q2: 0.93; YTD: 1.67)
Net financial items (BSEK):	~1	(Q2: 0.27; YTD: 0.52)
Tax rate (%):	26-28	(Q2: 26.3; YTD: 26.4)

*Based on currency rates end of June 2018

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



SUMMARY Q2 AND FIRST SIX MONTHS

ROBUST UNDERLYING DEMAND

RECORD EARNINGS AND STRONG BALANCE SHEET

INCREASED PACE IN M&A

BACK-UP SLIDES

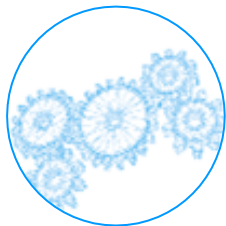




MINING
(31%)



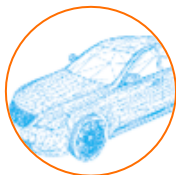
ENERGY
(11%)



**GENERAL
ENGINEERING**
(24%)



CONSTRUCTION
(11%)



AUTOMOTIVE
(13%)



AEROSPACE
(6%)

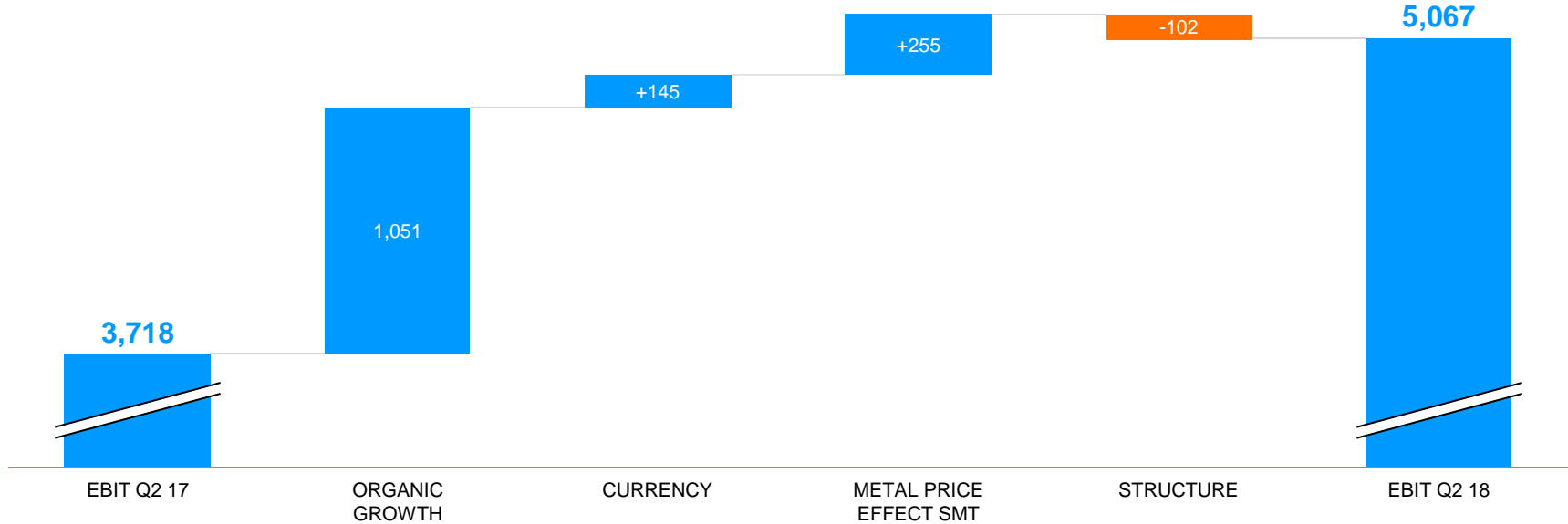
END-CUSTOMER SEGMENTS

(% 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 **15.8%**

19.4%

BRIDGE ANALYSIS

MSEK	Q2 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q2 2018
MACHINING SOLUTIONS					
REVENUES	9 073	948	+265	-	10 286
EBIT	2 110	465	+186	-	2 761
EBIT MARGIN	23.3%	+49%	-	-	26.8%
MINING AND ROCK TECHNOLOGY					
REVENUES	9 429	1 499	-38	-	10 890
EBIT	1 508	476	-119	-	1 865
EBIT MARGIN	16.0%	+32%	-	-	17.1%
MATERIALS TECHNOLOGY					
REVENUES	3 755	135	+48	+38	3 976
ADJUSTED EBIT	189	52	+72	+245	558
ADJUSTED EBIT MARGIN	5.0%	+39%	-	-	14.0%

*Includes metal price effects within Sandvik Materials Technology of +155 MSEK in alloy surcharges on revenues and +255 MSEK in metal price effect on EBIT (-54 Q2 2017 vs. +201 Q2 2018). Structure SMT -117 MSEK on topline and -10 MSEK on EBIT (Welding wire and Benton Harbor).





OTHER OPERATIONS

HYPERION

STRONG UNDERLYING PERFORMANCE

- Transactional related costs -40 MSEK impacted margin negatively
- Underlying Hyperion margin at 11.4% driven by strong revenue growth +9%

HYPERION DE-CONSOLIDATED AS OF Q318

- Capital gain estimated at about 1 BSEK
- Net cash of about 4 BSEK





SHARE OF
REVENUES 2017

5%

OTHER OPERATIONS

NON-STRATEGIC ASSETS - HYPERION

ORDER INTAKE

924

MSEK

REVENUES

984

MSEK

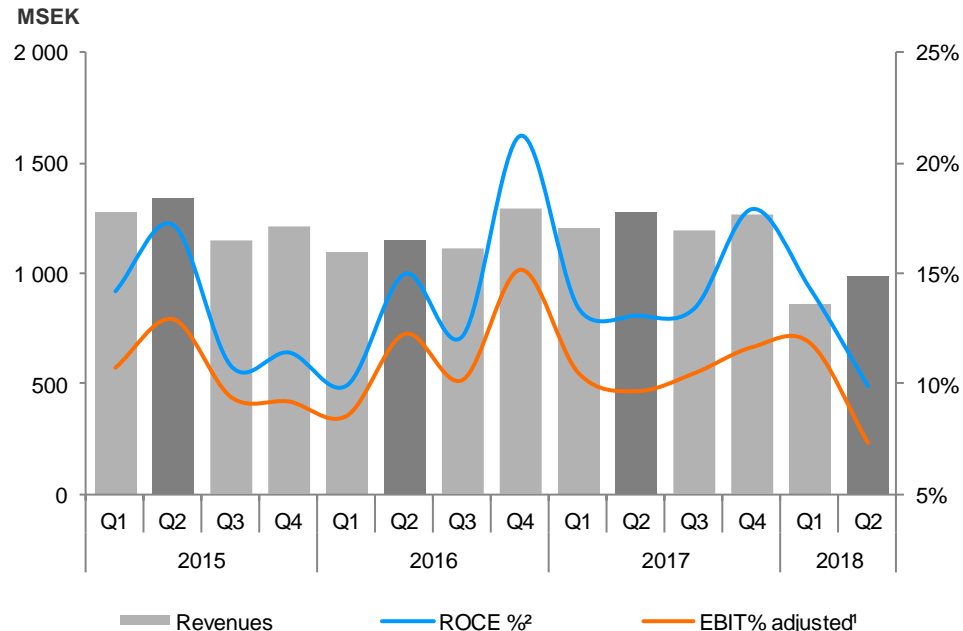
EBIT

72

MSEK

ROCE²

9.9%

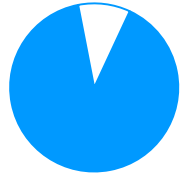


¹Adjusted for items affecting comparability

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



LOAN AND DURATION PROFILE



LONG TERM
90%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	3 364	3 years
Fin institutions, EIB, NIB	1 469	5 years
Swedish MTN	5 647	3 years
European MTN	11 461	8 years
Bank loans	160	1 year
Share swap	-	-



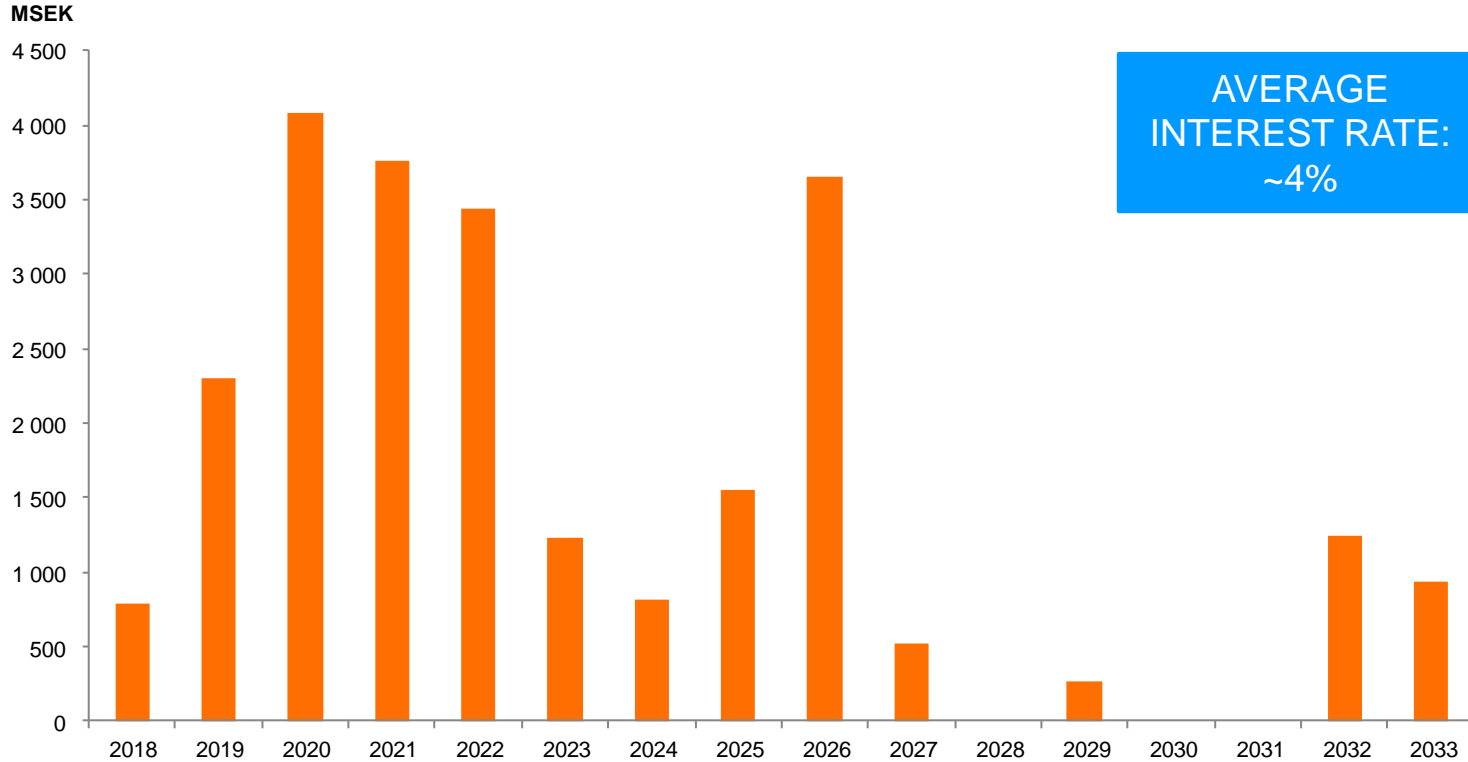
SHORT TERM
10%

US Private Placement	1 792	12 months
Fin institutions, EIB, NIB	373	4 months
Swedish MTN	327	1 month
Bank loans	88	0 month
Share swap	1	0 month

Cash position **10 802 MSEK**
Revolving Credit facilities **9 100 MSEK**

TOTAL	24 703	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 June 2018 the effect on operating profit from transaction and translation would be +650 MSEK for Q3 2018

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of June 2018, it is estimated that effect on operating profit in Q3 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.”