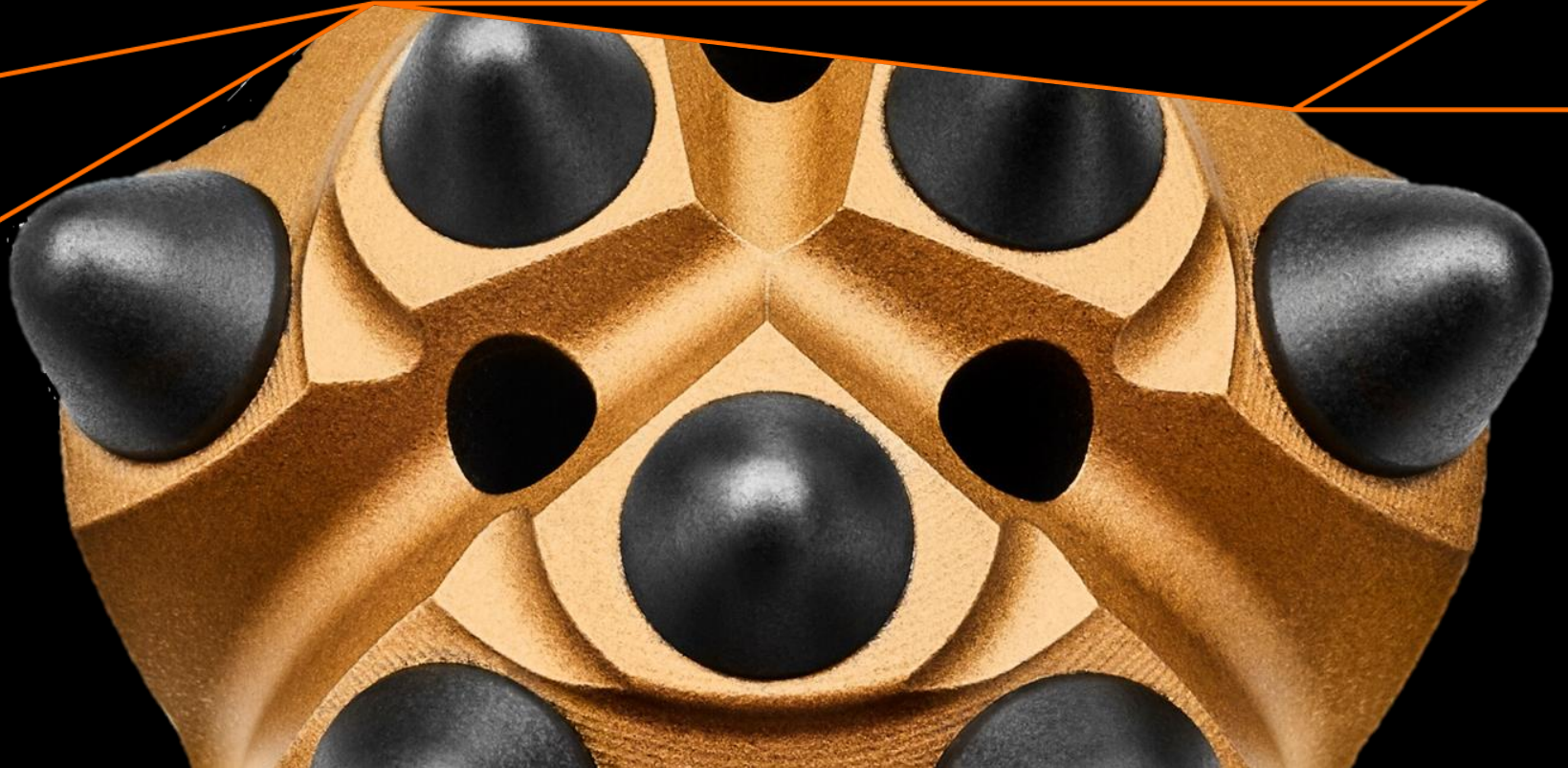


# INTERIM REPORT FOURTH QUARTER 2018

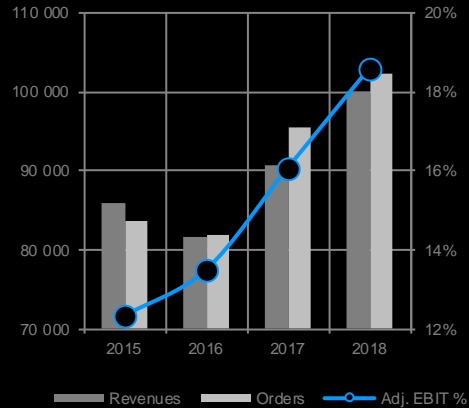


# 2018 - RECORD YEAR IN MANY ASPECTS

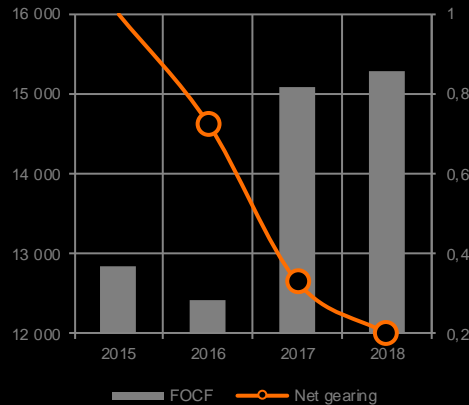
## RECORD ORDERS, REVENUES AND MARGIN

CAGR ~21% in earnings growth 2015-18

All segments, regions and business areas in growth



## RECORD-HIGH CASH FLOW AND 0.2 GEARING...



## ...WHILST INCREASING PACE OF M&A

~1.3 BSEK in acquired revenues

6 acquisitions signed in 2018/2019, highest number in 10 years

**3**   
ROUND TOOL COMPANIES

**1**   
SOFTWARE MEASUREMENT COMPANY

**1**   
CONSUMABLES COMPANY

**1**   
HEATING SYSTEMS COMPANY

# SUMMARY Q4

## ROBUST DEMAND

- ORDER INTAKE +6%
  - MAJOR ORDERS RECEIVED IN SMRT AND SMT
  - POSITIVE DEVELOPMENT IN ALL BUSINESS AREAS
- 

## STRONG ADJUSTED EARNINGS AND MARGIN AT 18.1%

- NEGATIVE IMPACT OF ~70 BPS FROM PLANNED DESTOCKING
  - SUPPORTED BY REVENUE GROWTH AND FX
- 

## RECORD CASH FLOW ~6.3 BSEK

- NET GEARING AT LOW 0.20
  - RELATIVE NWC AT 23.7%
- 

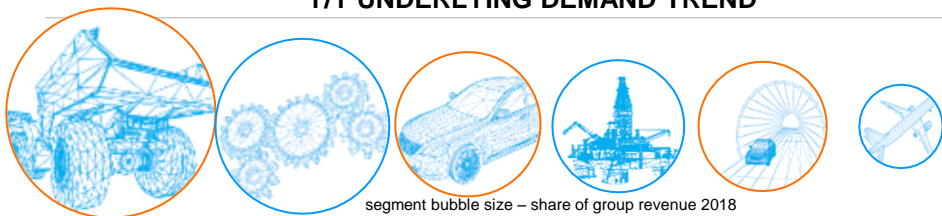
## DIVIDEND PROPOSAL: 4.25 SEK

- INCREASE BY 21% VS. LAST YEAR



# MARKET DEVELOPMENT

## Y/Y UNDERLYING DEMAND TREND



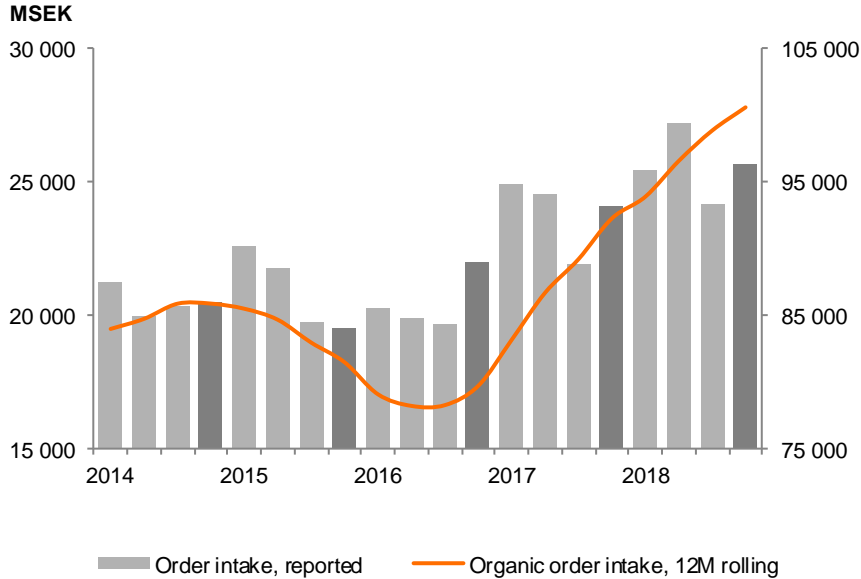
segment bubble size – share of group revenue 2018

	% of group revenue FY18	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Sequential underlying demand trend (Q3/Q4)
EUROPE	38%	+3%	→	↗	↘	↗	→	→	↘
NORTH AMERICA	21%	+14%	→	↗	→	↗	→	↗	↗
ASIA	20%	+2%	→	→	↘	→	→	↗	↘
AFRICA/MIDDLE EAST	9%	-3%	→	→					→
SOUTH AMERICA	5%	+21%	→						→
AUSTRALIA	7%	+21%	↗						→

# ORDER INTAKE

RECORD-HIGH FOR SMRT

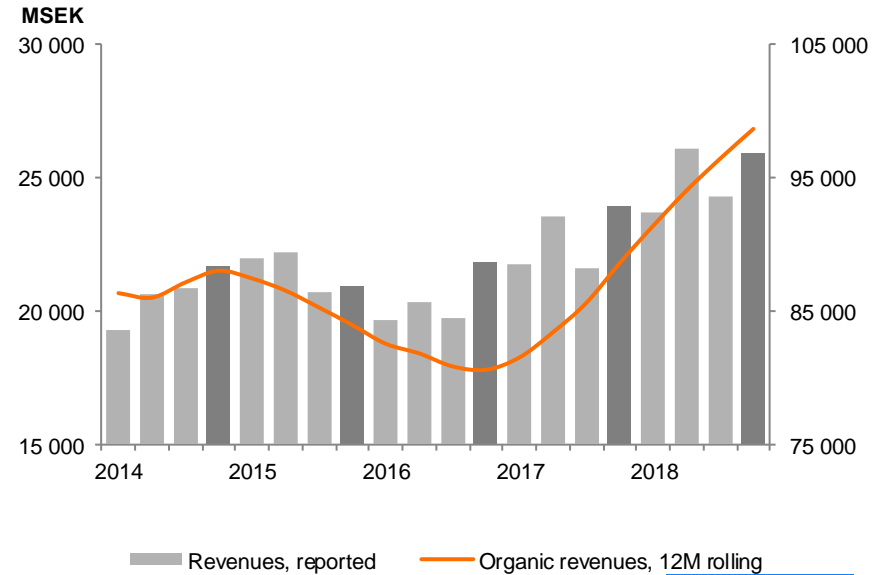
REPORTED P/V  
**25 627** **6%**



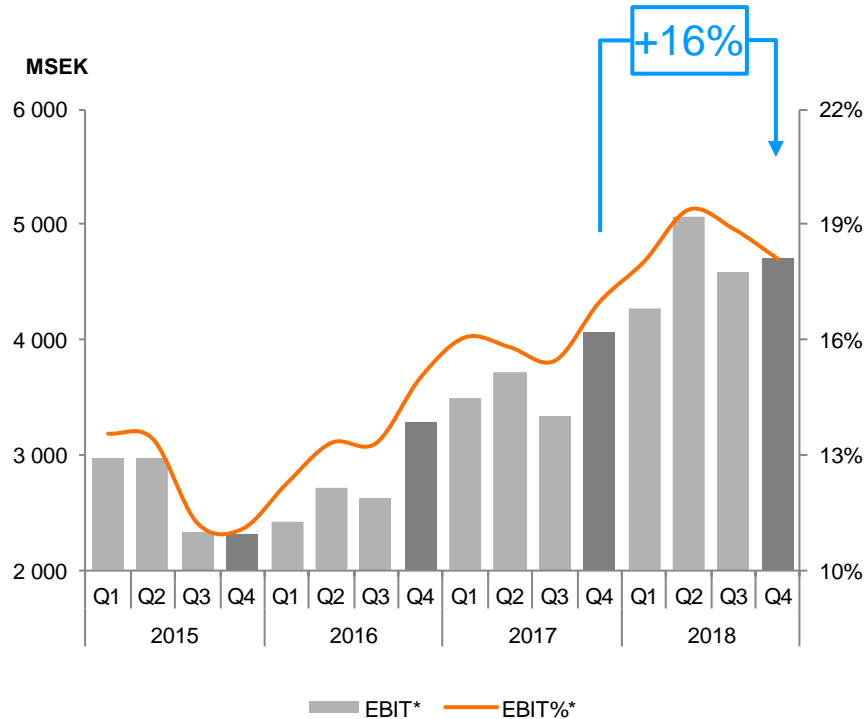
# REVENUES

POSITIVE GROWTH IN ALL THREE BUSINESS AREAS

REPORTED P/V  
**25 968** **9%**



# EBIT DEVELOPMENT



EBIT ADJUSTED  
**4 700**  
 MSEK

EBIT % ADJUSTED  
**18.1**

- ~11% GROWTH EXCLUDING FX, STRUCTURE AND METALS
- SUPPORTED BY STRONG REVENUE GROWTH

\*Adjusted for items affecting comparability





# SANDVIK MACHINING SOLUTIONS

## GROWTH ON ALREADY HIGH DEMAND LEVEL

- Europe stable, NA in strong growth, Asia in slight decline
- Weaker Automotive in Asia and EU

## EARNINGS IMPACTED BY DESTOCKING

- Planned destocking offset positive impact from revenue growth and favorable FX
- Stock reduction impacted the margin by ~160bps

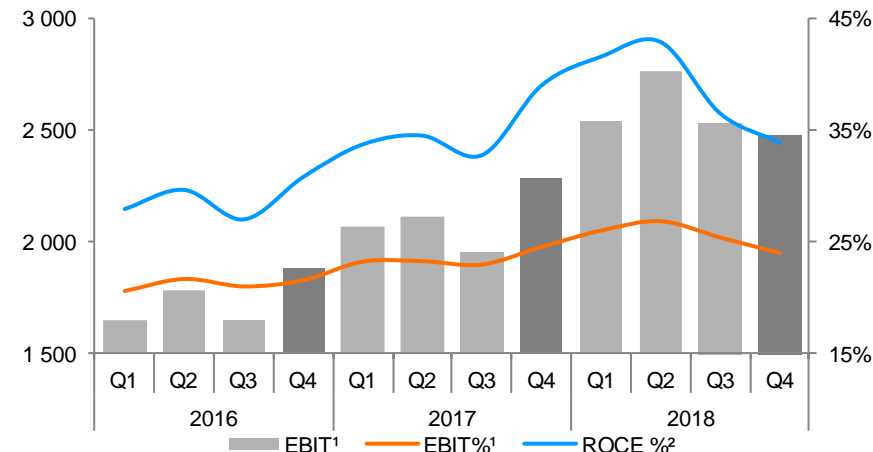
## ACQUISITION OF DURA-MILL

## POWDER BUSINESS TRANSFERRED TO ADDITIVE MANUFACTURING AS OF 1 JAN 2019

MSEK	Q4 2017	Q4 2018	CHANGE
ORDER INTAKE	9 424	10 258	+2%*
REVENUES	9 313	10 305	+3%*
ADJ. OP. PROFIT	2 285	2 475	+8%
% OF REVENUES	24.5%	24.0%	

\*At fixed exchange rates for comparable units

## EBIT & ROCE DEVELOPMENT





# SANDVIK MINING AND ROCK TECHNOLOGY

## RECORD-HIGH ORDERS IN STRONG UNDERLYING MARKET

- Double-digit growth in equipment and aftermarket
- Large mechanical cutting order ~400 MSEK
- Order for digital transformation of Hindustan Zinc mine

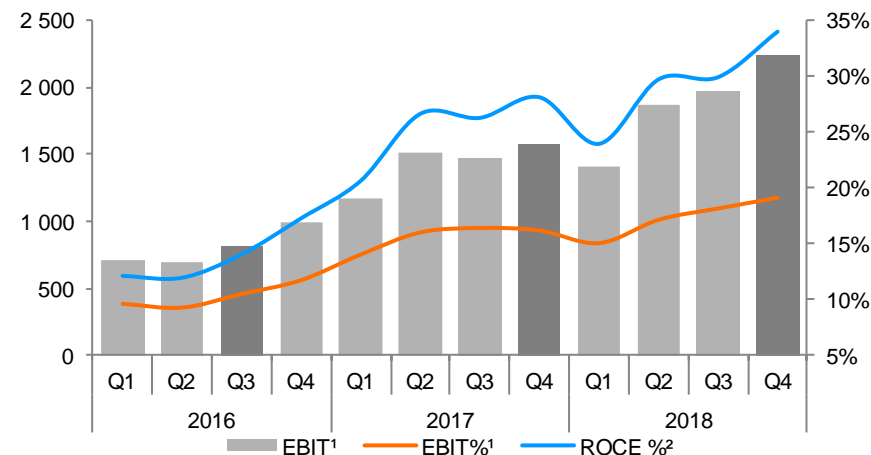
## RECORD-HIGH REVENUES AND EARNINGS

- Earnings primarily supported by significant revenue growth
- Excluding FX earnings improved by 28%

MSEK	Q4 2017	Q4 2018	CHANGE
ORDER INTAKE	9 586	11 454	+15%*
REVENUES	9 721	11 720	+15%*
ADJ. OP. PROFIT	1 572	2 238	+42%
% OF REVENUES	16.2%	19.1%	

\*At fixed exchange rates for comparable units

## EBIT & ROCE DEVELOPMENT







# SANDVIK MATERIALS TECHNOLOGY

## STRONG MARKETS

- Improvement in capex-related energy segment
- Order growth +11% excl. large orders
- Large energy order of ~260 MSEK (LY: 630)

## UNDERLYING MARGIN IMPROVEMENT

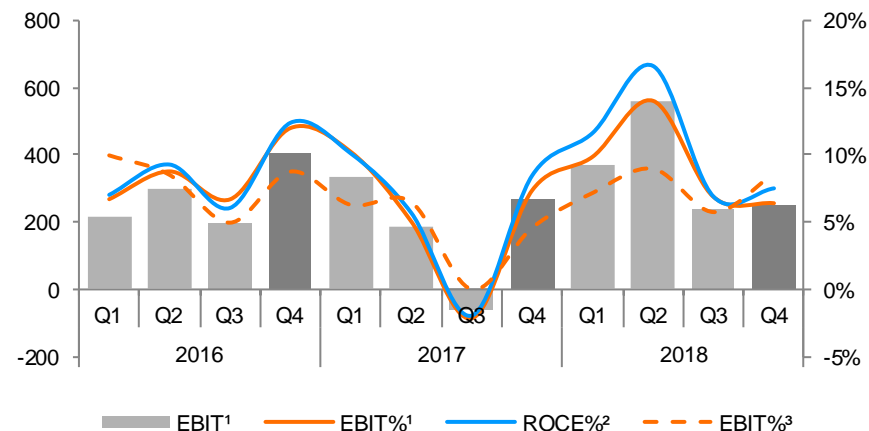
- Supported by revenue growth albeit with an unfavorable mix – more standardized products
- Ongoing efficiency measures

## POST Q4: ENERGY ORDERS ~1 BSEK BOOKED

MSEK	Q4 2017	Q4 2018	CHANGE
ORDER INTAKE	3 964	3 915	+0%*
REVENUES	3 630	3 942	+10%*
OPERATING PROFIT	267	252	-6%
<i>% OF REVENUES</i>	7.4%	6.4%	
<i>UNDERLYING MARGIN<sup>3</sup></i>	4.6%	8.6%	

\*At fixed exchange rates for comparable units

## EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON  
CFO

= 13

= 7

= -10

= 7

# FINANCIAL SUMMARY Q4 AND FY18

## GROWTH Q418, %

	ORDER REVENUES INTAKE	
ORGANIC:	+6	+9
CURRENCY:	+4	+4
STRUCTURE:	-4	-5
<b>TOTAL</b>	<b>+6</b>	<b>+9</b>

MSEK	Q4 2017	Q4 2018	CHANGE %	Q1-4 2017	Q1-4 2018	CHANGE %
ORDER INTAKE	24 107	25 627	+6 <sup>1</sup>	95 444	102 440	+9 <sup>1</sup>
REVENUES	23 929	25 968	+9 <sup>1</sup>	90 827	100 072	+11 <sup>1</sup>
ADJUSTED OPERATING PROFIT	4 062	4 700	+16	14 613	18 625	+27
<i>% OF REVENUES</i>	<i>17.0</i>	<i>18.1</i>		<i>16.1</i>	<i>18.6</i>	
FINANCE NET	-275	-136	-50	-1 081	-795	-26
UNDERLYING TAX RATE	27.3	25.6		27.0	26.1	
NWC % <sup>2</sup>	21.9	23.7		23.5	24.0	
CASH FLOW <sup>3</sup>	+5 085	+6 298	+24	+15 095	+15 281	+1
ROCE % <sup>3</sup>	22.4	22.3		19.4	22.6	
ADJUSTED EPS CONT. OPS.	2.35	2.62	+11	8.04	10.41	+29

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

<sup>2</sup> Quarterly calculation i.e. annualized adj. EBIT or revenues and 1Q average CE or NWC

<sup>3</sup> Cash flow before acquisitions and disposals, financial items and taxes

# BRIDGE ANALYSIS

## SANDVIK GROUP

GROUP  
LEVERAGE:

**+21%**

MSEK	Q4 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q4 2018
REVENUES	23 929	2 060	+1 024	-1 045	25 968
ADJUSTED EBIT	4 062	439	+494	-294	4 700
ADJUSTED EBIT MARGIN	17.0%	21%	-	-	18.1%

MARGIN ACCRETION / DILUTION

+0.3%

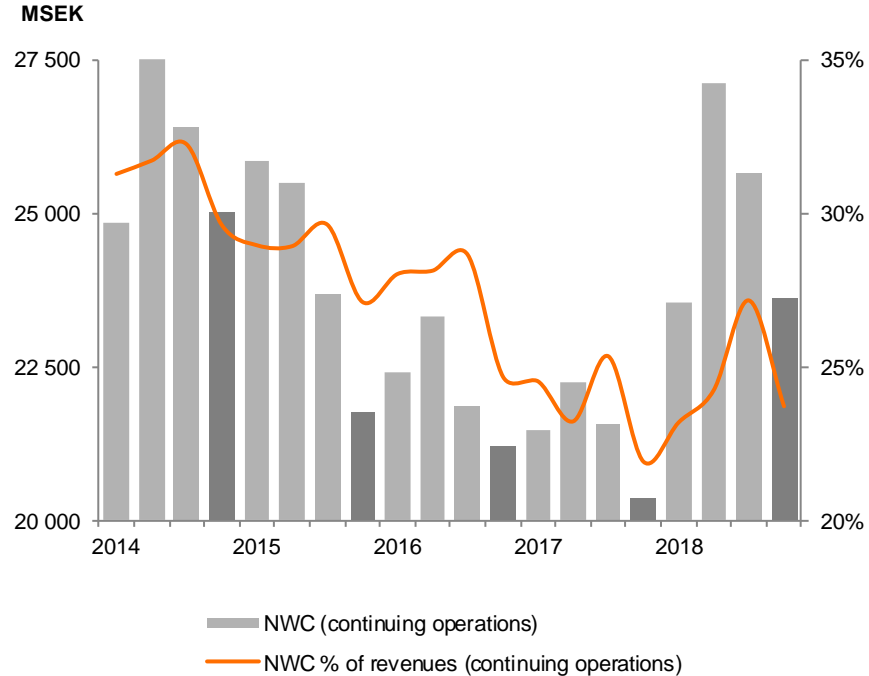
+1.3%

-0.5%

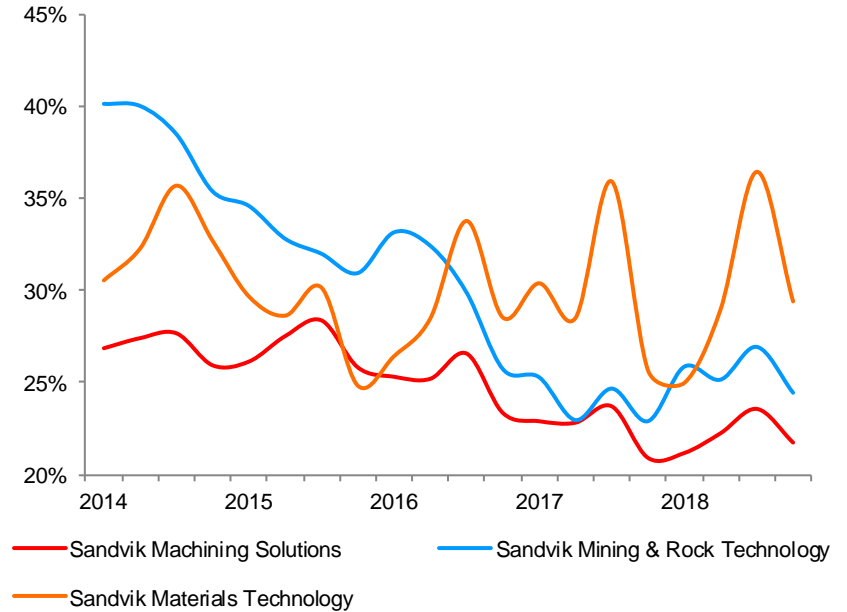
- Includes metal price effects within Sandvik Materials Technology of +118 MSEK in alloy surcharges on revenues and -187 MSEK in metal price effect on EBIT (+101 Q4 2017 vs. -86 Q4 2018). Structure -1 265 MSEK topline and -148 MSEK for EBIT for Other operations (SPS/Hyperion). Structure SMT -204 MSEK on topline and -7 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +221 MSEK on topline and +39 MSEK on EBIT (Hyperion & Metrologic Group). Structure +85 MSEK SMRT on topline and +9 MSEK on EBIT for Inrock.

# NET WORKING CAPITAL

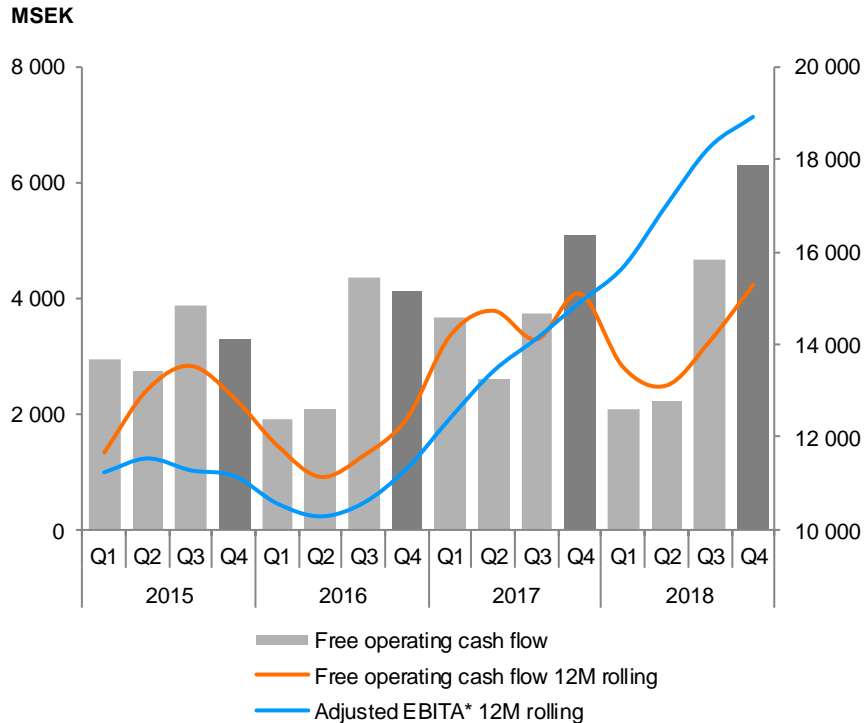
## INVENTORY REDUCTION ACROSS BA:S



# RELATIVE NWC BY BA



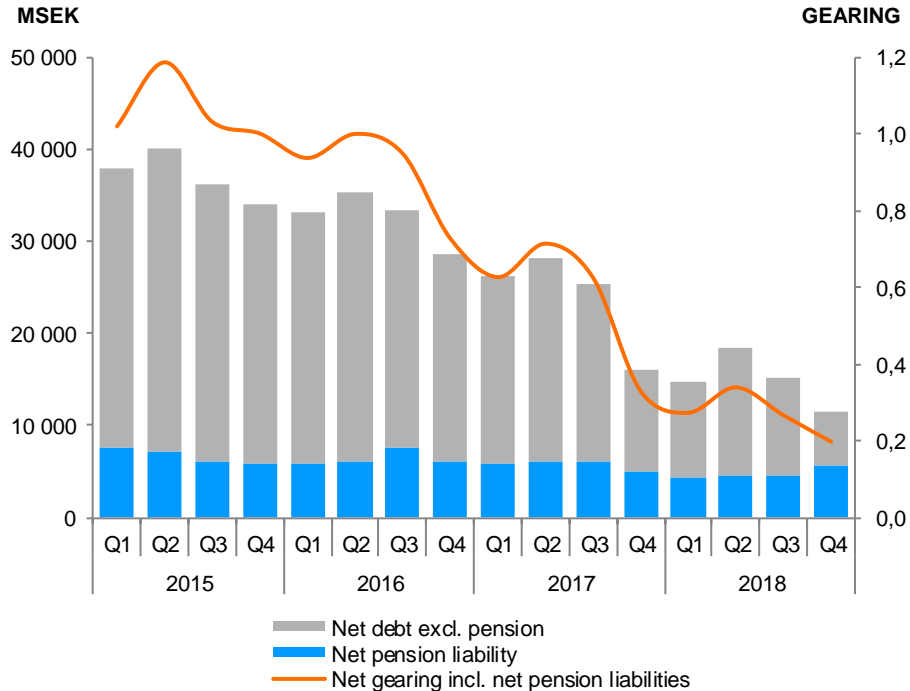
# FREE OPERATING CASH FLOW



MSEK	Q4 2017	Q4 2018
EBITDA + non-cash	5 223	5 466
NWC change	+1 216	+2 273
Capex*	-1 354	-1 441
FOCF**	5 085	6 298

\*Including investments and disposals in rental, tangible and intangible assets  
 \*\*Cash flow before acquisitions and disposals, financial items and taxes

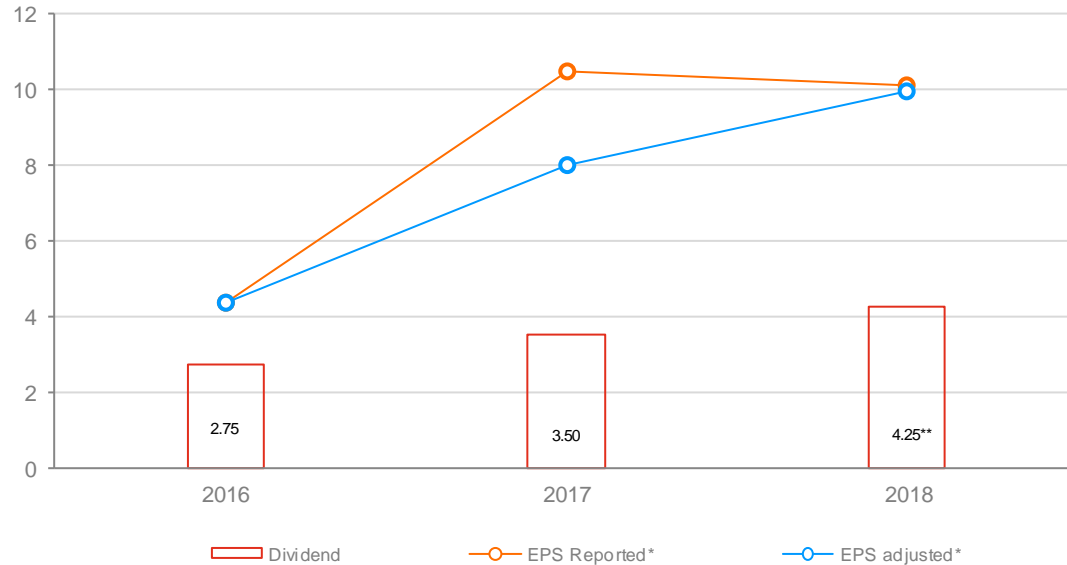
# FINANCIAL NET DEBT



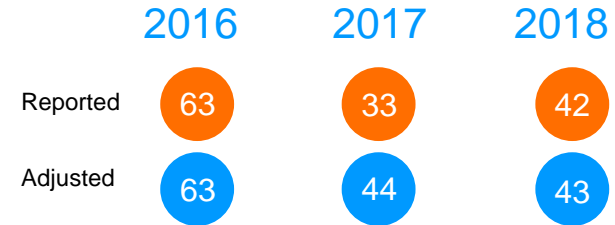
- NET GEARING AT 0.2
- ~6 BSEK IN NET DEBT EXCL. PENSIONS (~12 BSEK IN TOTAL)

# DIVIDEND PROPOSAL

## 19% INCREASE P.A. SINCE 2015



### Payout ratio %



\*Group total i.e. including discontinued operations

\*\*Proposed dividend



# OUTCOME Q4 AND 2018

## Q4 2018

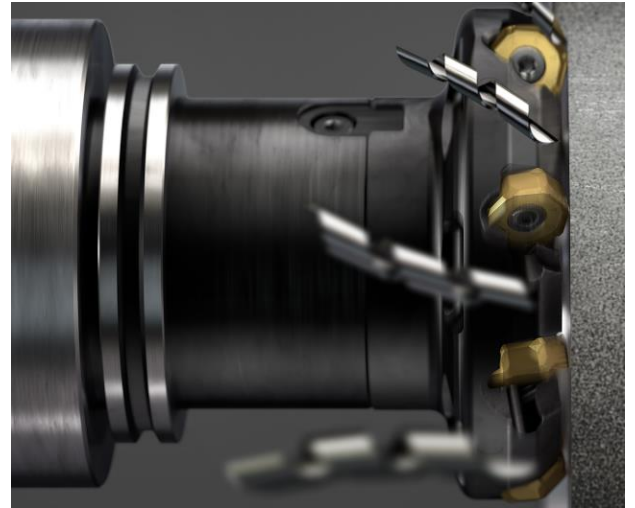
Underlying currency effect (MSEK):	+528	(~400)
Total currency effect (MSEK):	+494	
Metal price effect in quarter (MSEK):	-86	(-100)

## FULL YEAR 2018

Capex (BSEK):	~4	(Q4: 1.2; FY18: 3.9)
Net financial items (BSEK):	~1	(Q4: 0.14; FY18: 0.8)
Underlying tax rate (%):	26-28	(Q4: 25.6; FY18: 26.1)

\*Based on currency rates end of December 2018

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



# GUIDANCE 1Q19 AND FY2019

## CAPEX

Estimated to **<4 BSEK for 2019**

---

## CURRENCY EFFECTS

Given currency rates at end of December 2018 the effect on operating profit from transaction and translation would be **+500 MSEK for Q1 2019**

---

## METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of December 2018, it is estimated that effect on operating profit in **Q1 2019 will be -150 MSEK**

---

## NET FINANCIAL ITEMS

Net financial items is estimated to **<1 BSEK for 2019**

---

## TAX RATE

The tax rate is estimated to **25-27% for 2019**

# LOOKING FORWARD



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CONTINUOUS PERFORMANCE IMPROVEMENTS

---

FOCUS ON CORE

---

CONTINUE ACQUIRING GROWTH

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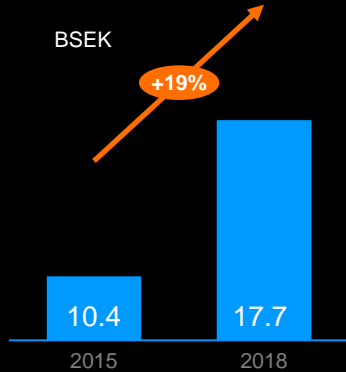
# BACK-UP SLIDES



# OVERACHIEVEMENT OF TARGETS

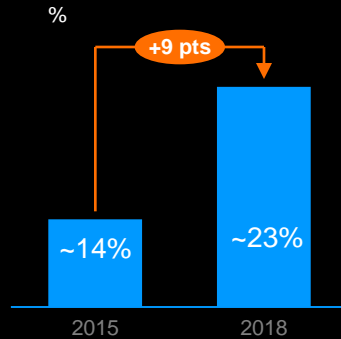
ABSOLUTE  
EBIT GROWTH

≥7% ✓



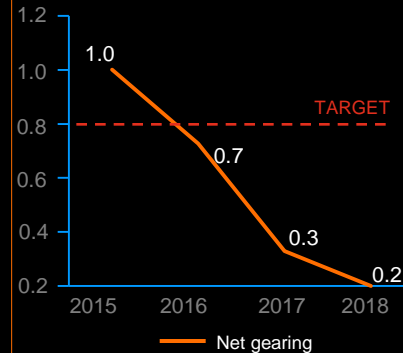
ROCE  
IMPROVEMENT

≥3%PTS ✓



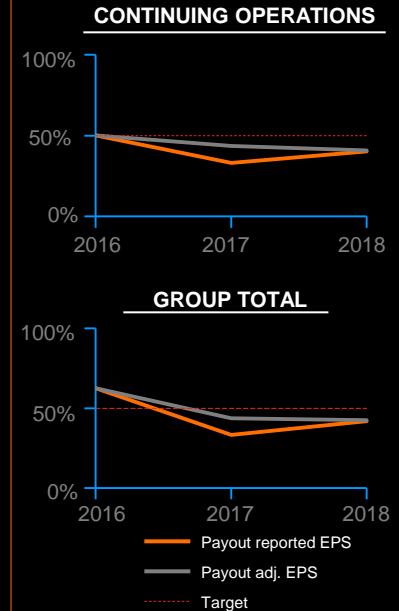
NET DEBT/  
EQUITY RATIO

<0.8 ✓



DIVIDEND  
PAYOUT RATIO

50% ✗

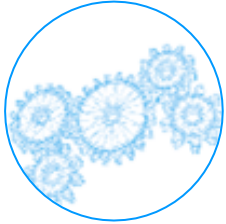




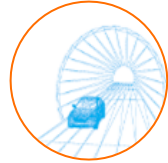
**MINING**  
(34%)



**ENERGY**  
(11%)



**GENERAL  
ENGINEERING**  
(23%)



**CONSTRUCTION**  
(9%)



**AUTOMOTIVE**  
(12%)



**AEROSPACE**  
(6%)

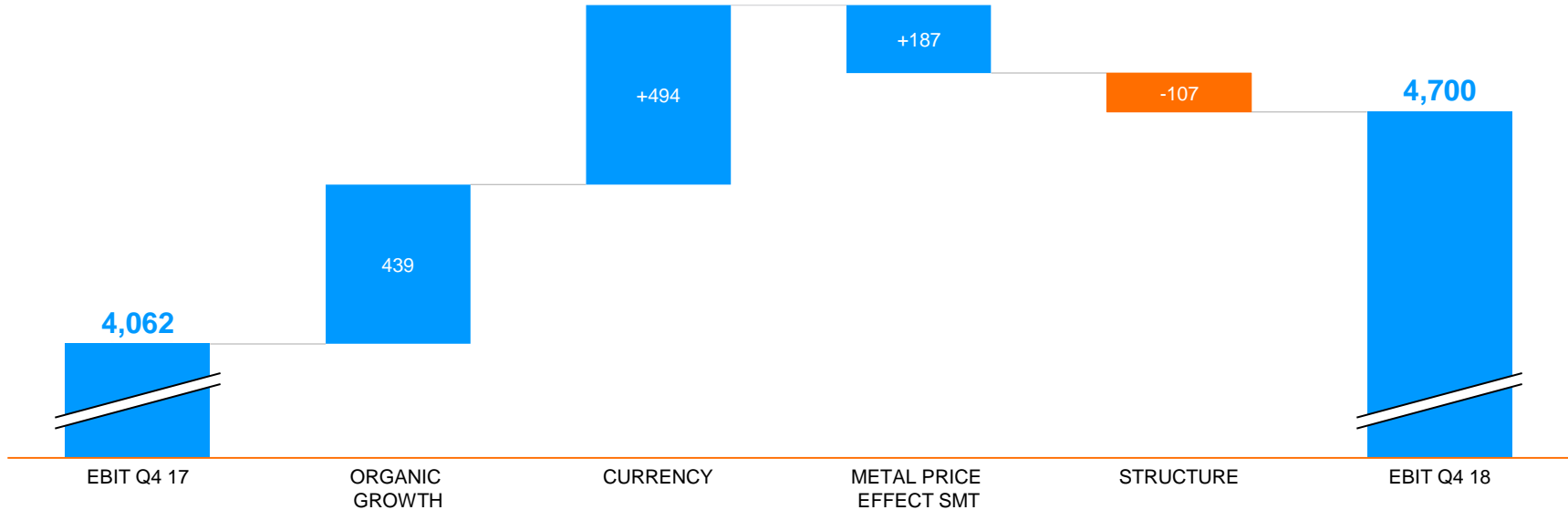
## END-CUSTOMER SEGMENTS

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

# PROFITABILITY DEVELOPMENT

GROUP  
LEVERAGE:

**+21%**



ADJUSTED  
EBIT MARGIN

**17.0%**

**18.1%**

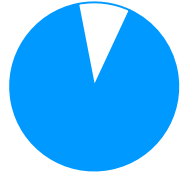
# BRIDGE ANALYSIS

MSEK	Q4 2017	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE ONE-OFFS*	Q4 2018
<b>MACHINING SOLUTIONS</b>					
REVENUES	9 313	297	+474	+221	10 305
ADJUSTED EBIT	2 285	-51	+202	+39	2 475
ADJUSTED EBIT MARGIN	24.5%	N/A	-	-	24.0%
<b>MINING AND ROCK TECHNOLOGY</b>					
REVENUES	9 721	1 502	+412	+85	11 720
ADJUSTED EBIT	1 572	428	+229	+9	2 238
ADJUSTED EBIT MARGIN	16.2%	+28%	-	-	19.1%
<b>MATERIALS TECHNOLOGY</b>					
REVENUES	3 630	260	+138	-86	3 942
ADJUSTED EBIT	267	110	+69	-194	252
ADJUSTED EBIT MARGIN	7.4%	+42%	-	-	6.4%

- \* Includes metal price effects within Sandvik Materials Technology of +118 MSEK in alloy surcharges on revenues and -187 MSEK in metal price effect on EBIT (+101 Q4 2017 vs. -86 Q4 2018). Structure -1 265 MSEK topline and -148 MSEK for EBIT for Other operations (SPS/Hyperion). Structure SMT -204 MSEK on topline and -7 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +221 MSEK on topline and +39 MSEK on EBIT (Hyperion & Metrolog Group). Structure +85 MSEK SMRT on topline and +9 MSEK on EBIT for Inrock.

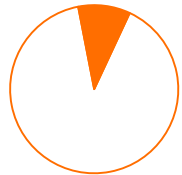


# LOAN AND DURATION PROFILE



LONG TERM  
**90%**

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	3 346	3 years
Fin institutions, EIB, NIB	1 100	5 years
Swedish MTN	5 652	2 years
European MTN	11 314	8 years
Bank loans	142	1 year
Share swap	-	-



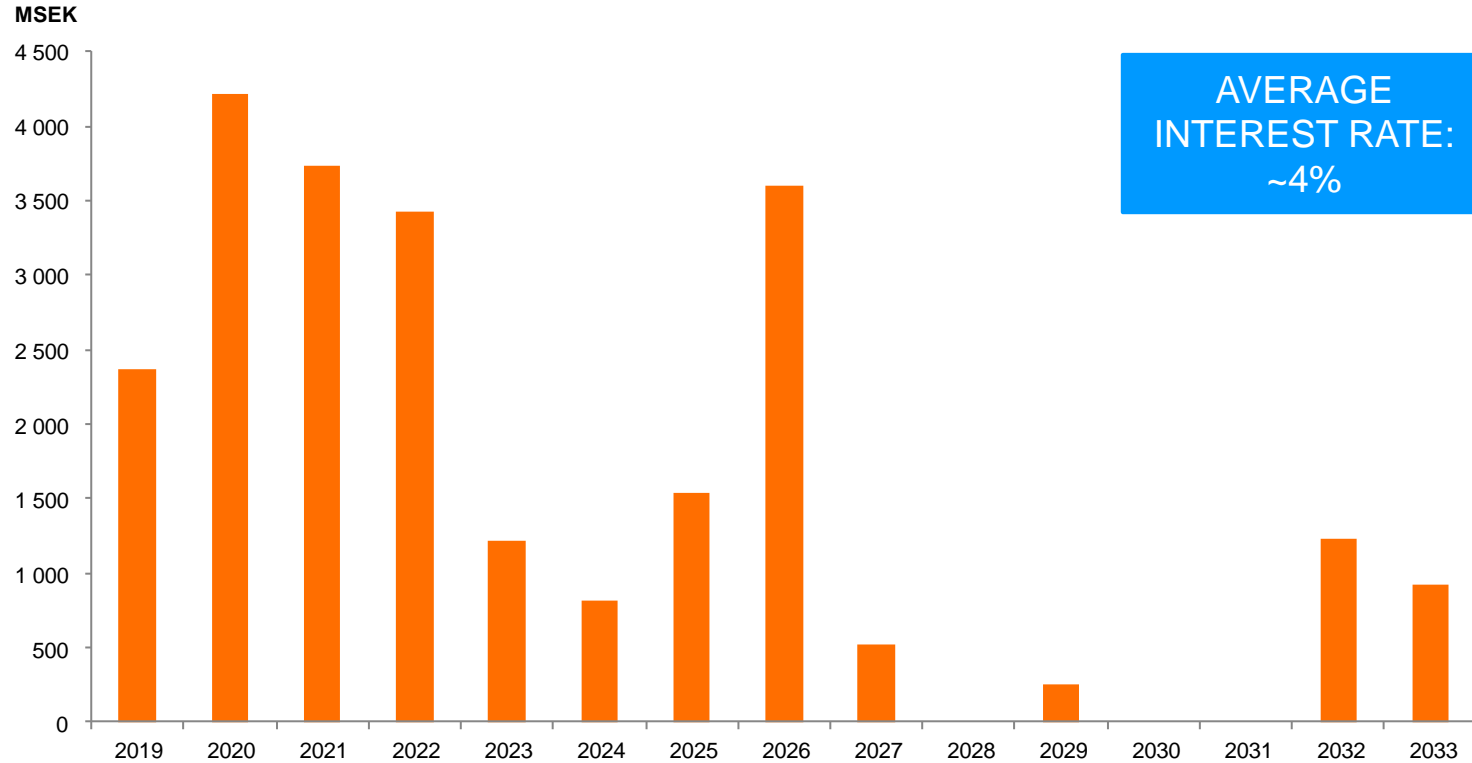
SHORT TERM  
**10%**

US Private Placement	1 787	6 months
Fin institutions, EIB, NIB	368	10 months
Swedish MTN	-	-
Bank loans	220	5 months
Share swap	-	-

Cash position **18 089 MSEK**  
Revolving Credit facilities **9 100 MSEK**

<b>TOTAL</b>	<b>23 928</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.

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“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.”