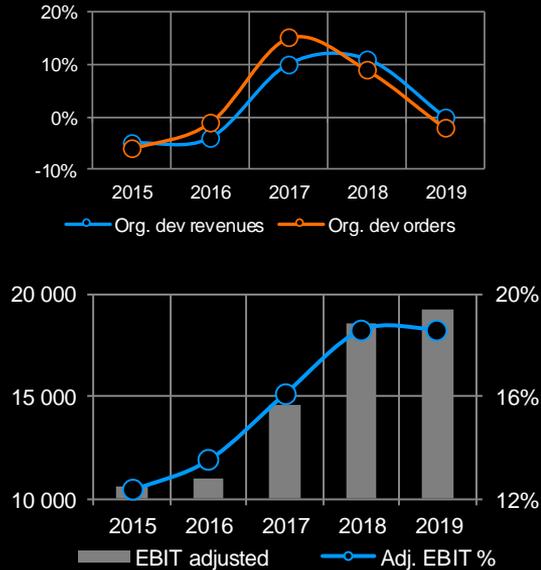


INTERIM REPORT FOURTH QUARTER 2019

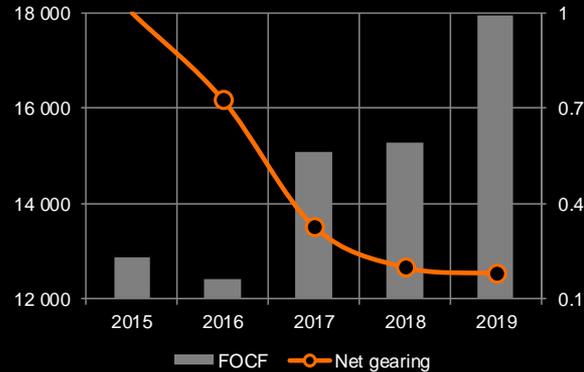


2019 – RECORD EARNINGS AND CASH FLOW

STRONG PERFORMANCE DESPITE LACK OF GROWTH



RECORD-HIGH CASH FLOW AND ESSENTIALLY DEBT-FREE



HIGH PACE IN STRUCTURAL DECISIONS

DECISION TO SEPARATE SMT

VAREL O&G DISPOSAL

9 ACQUISITIONS ANNOUNCED

SUMMARY Q4

ROBUST DEMAND IN MINING AND ENERGY BUT WEAK IN SHORT-CYCLE BUSINESS

- ORDER INTAKE -6%
 - MAJOR ORDERS RECEIVED IN SMT
 - SMRT ORDERS ON HIGH LEVEL; STABILIZING GROWTH
 - SHARP DECLINE IN SMS AND PARTS OF SMT
-

ADJ. EARNINGS AT RECORD LEVEL OF 5.1 BSEK

- SUPPORTED BY SAVINGS, FX AND METAL PRICES
-

RECORD HIGH FREE CASH FLOW AT 6.6 BSEK

- FOCUSED NWC REDUCTION; RELATIVE NWC AT 25%
 - NET GEARING AT LOW 0.18
-

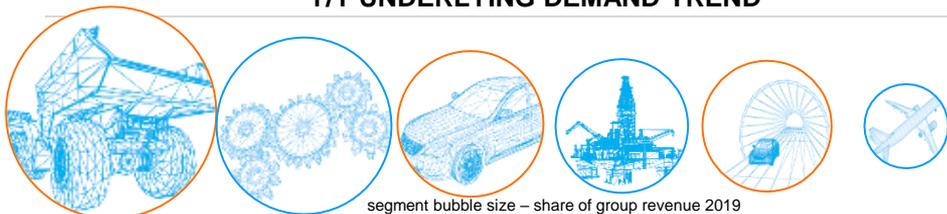
DIVIDEND PROPOSAL: 4.5 SEK

- 18% CAGR SINCE 2016



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND



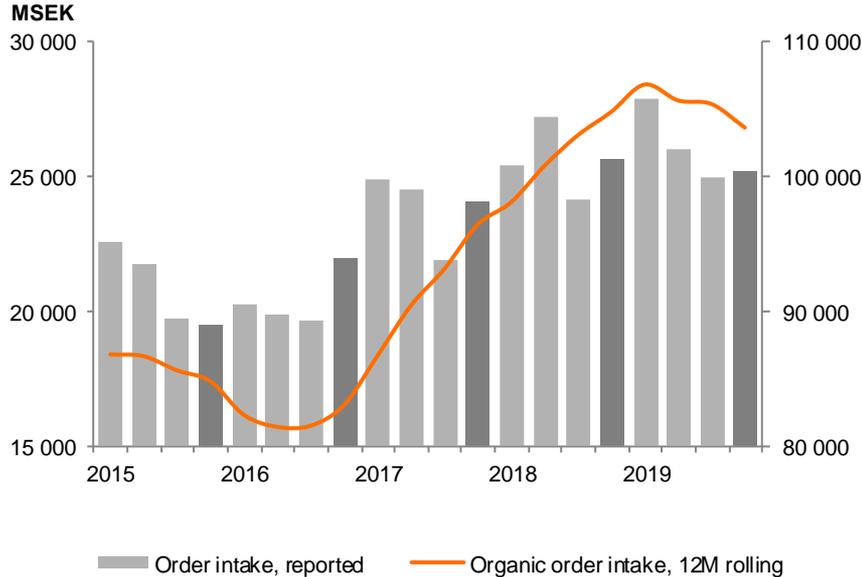
segment bubble size – share of group revenue 2019

	% of group revenue FY19	Y/Y order intake	Y/Y UNDERLYING DEMAND TREND						Sequential underlying demand trend (Q3/Q4)
EUROPE	37%	-19%	→	↘	↘	↘	→	→	↘
NORTH AMERICA	23%	+0%	→	↘	↘	→	→	→	↘
ASIA	19%	+2%	→	↘	→	→	→	↗	→
AFRICA/MIDDLE EAST	9%	+3%	→	→					→
AUSTRALIA	7%	+12%	→						→
SOUTH AMERICA	5%	-2%	→						→

ORDER INTAKE

WEAKNESS IN SHORT-CYCLE BUSINESSES

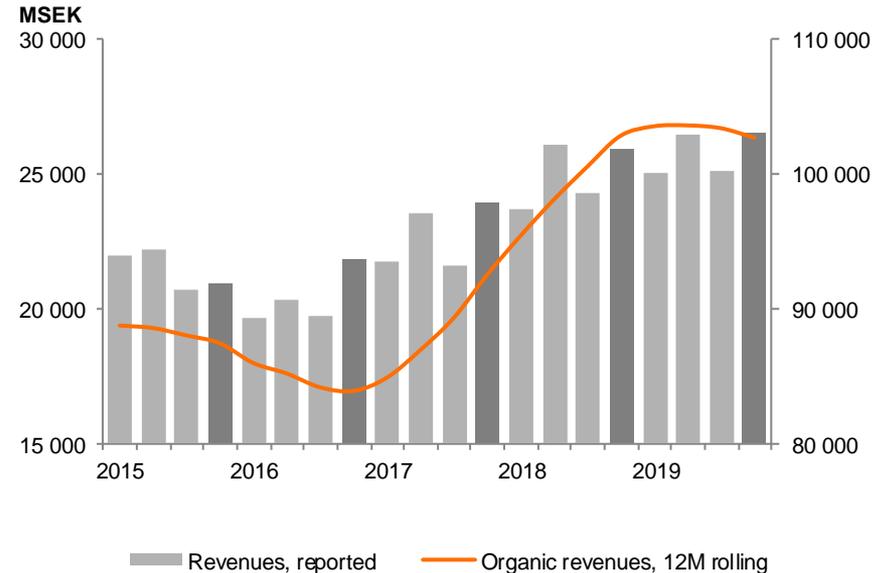
REPORTED P/V
25 179 **-6%**



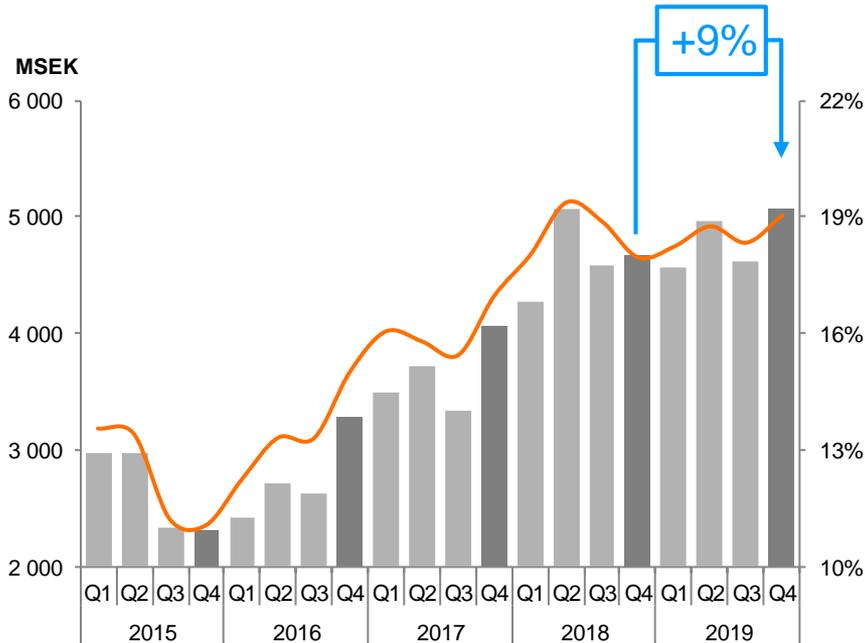
REVENUES

RECORD-HIGH FOR SMRT

REPORTED P/V
26 583 **-2%**



EBIT DEVELOPMENT



EBIT ADJUSTED
5 066
 MSEK

EBIT % ADJUSTED
19.1

- -2% DECLINE EXCLUDING FX, STRUCTURE AND METALS
- SUPPORTED BY SAVINGS OF ~250 MSEK

■ EBIT* — EBIT%*

*Adjusted for items affecting comparability



SANDVIK MACHINING SOLUTIONS

DEMAND DECLINED ACROSS REGIONS AND SEGMENTS

- Mostly notable in EU and the automotive segment

EARNINGS IMPACTED BY UNDERABSORPTION AND DESTOCKING

- Sharp volume drop: negative impact on margin of ~420bps
- Destocking adversely impacted the margin by ~190bps in Q4, partial off-set by savings ~150bps

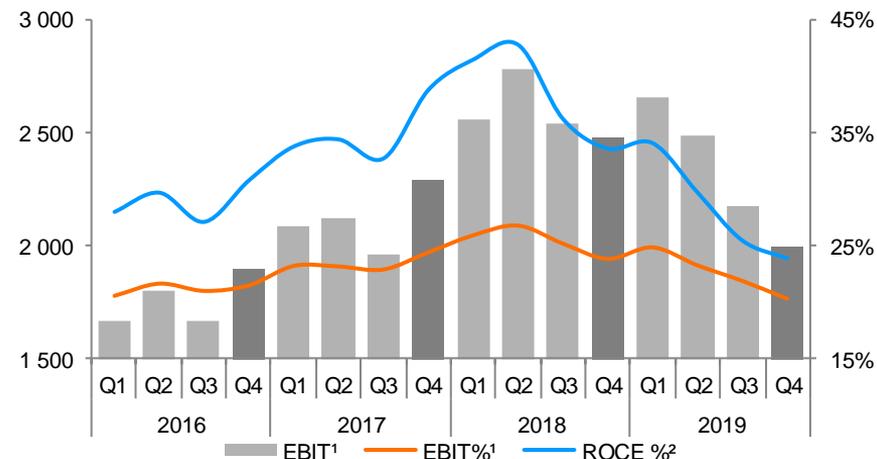
TWO ACQUISITIONS ANNOUNCED

- Growing the round tools business, 300 MSEK added

MSEK	Q4 2018	Q4 2019	CHANGE
ORDER INTAKE	10 357	9 820	-10%*
REVENUES	10 406	9 844	-10%*
ADJ. OP. PROFIT	2 480	2 000	-19%
% OF REVENUES	23.8%	20.3%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MINING AND ROCK TECHNOLOGY

ORDERS ON HIGH LEVEL, STABILIZING GROWTH

- Growth -3% excluding one major order last year
- Equipment underlying stable
- Aftermarket in mid-single digit growth

RECORD REVENUES, EARNINGS & MARGIN

- Earnings primarily supported by favorable mix, savings as well as general cost cautiousness
- Excluding FX earnings improved by 10%

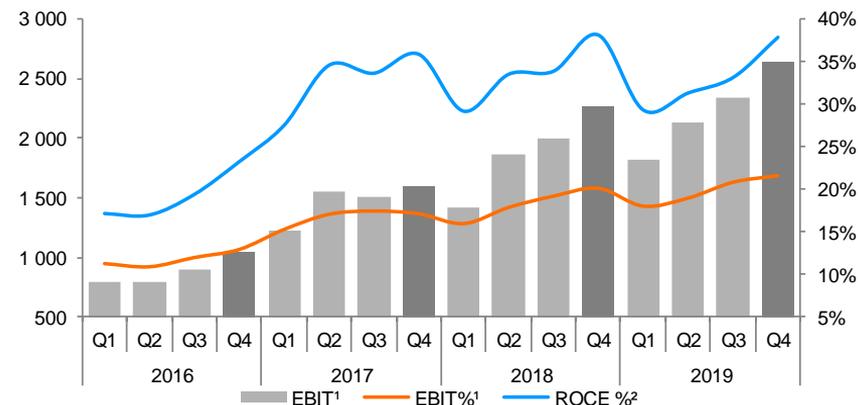
NWC <25% DUE TO INVENTORY REDUCTION

- Contribution across all divisions

MSEK	Q4 2018	Q4 2019	CHANGE
ORDER INTAKE	10 988	10 685	-7%*
REVENUES	11 254	12 197	+3%*
ADJ. OP. PROFIT	2 260	2 630	+16%
% OF REVENUES	20.1%	21.6%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MATERIALS TECHNOLOGY

STRONG ORDERS IN ENERGY

- Large energy orders of 1.1 BSEK (LY: 250 MSEK)
- Order growth -16% excl. large orders due to demand decline for standardized products as well as Kanthal

ADJ. EBIT TARGET ~10% FOR 2019 REACHED

- Q4 margin supported by favorable mix, cost cautiousness as well initiated savings measures

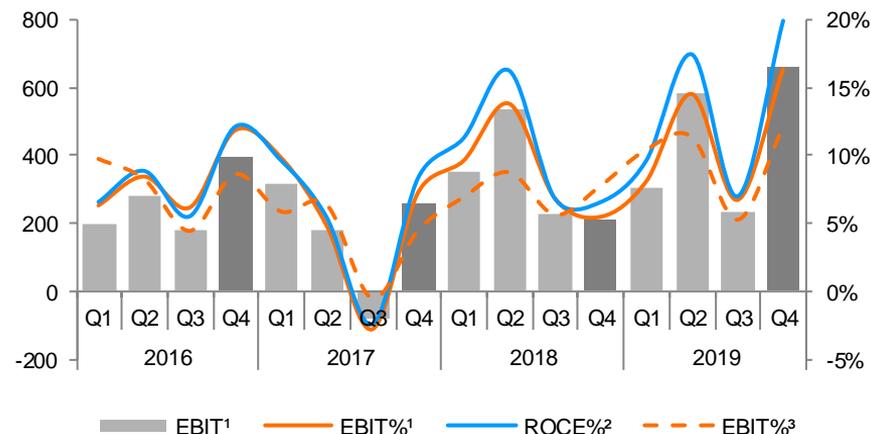
TWO ACQUISITIONS

- Kanthal and Tube, 230MSEK in revenues added
 - Thermaltek and Summerill Tube Corporation

MSEK	Q4 2018	Q4 2019	CHANGE
ORDER INTAKE	3 817	4 144	+6%*
REVENUES	3 842	4 013	+1%*
ADJ. OP. PROFIT	212	659	N/A
<i>% OF REVENUES</i>	5.5%	16.4%	
<i>UNDERLYING MARGIN³</i>	7.7%	12.1%	

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON
CFO

= 13

= 7

= -10

= 7

FINANCIAL SUMMARY Q4 AND FY19

GROWTH Q419, %

	ORDER REVENUES INTAKE	
ORGANIC:	-6	-2
CURRENCY:	+4	+4
STRUCTURE:	+1	+0
TOTAL	-2	+2

MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-4 2018	Q1-4 2019	CHANGE %
ORDER INTAKE	25 627	25 179	-6 ¹	102 440	104 075	-2 ¹
REVENUES	25 968	26 583	-2 ¹	100 072	103 238	+0 ¹
ADJUSTED OPERATING PROFIT	4 665	5 066	+9	18 590	19 219	+3
<i>% OF REVENUES</i>	18.0	19.1		18.6	18.6	
FINANCE NET	-136	-274	-101	-795	-1 237	-56
UNDERLYING TAX RATE	30.1	17.5		27.2	23.5	
NWC % ²	23.5	24.8		24.0	25.2	
CASH FLOW ³	+6 263	+6 611	+6	+15 246	+17 960	+18
ROCE % ³	22.2	22.0		22.6	21.3	
ADJUSTED EPS CONT. OPS.	2.59	3.21	+24	10.39	11.12	+7

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 UNDERLYING
LEVERAGE:

-11%

MSEK	Q4 2018	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	METAL PRICE EFFECTS SMT	STRUCTURE	Q4 2019
REVENUES	25 968	-770	+1 105	+155	+125	26 583
ADJUSTED EBIT	4 665	-87	+297	+259	-68	5 066
ADJUSTED EBIT MARGIN	18.0%	-11%				19.1%

MARGIN ACCRETION / DILUTION

+0.2%

+0.4%

+0.8%

-0.3%

- Includes metal price effects within Sandvik Materials Technology of +155 MSEK in alloy surcharges on revenues and +259 MSEK in metal price effect on EBIT (-85 Q4 2018 vs. +174 Q4 2019). Structure SMT -6 MSEK on topline and 0 MSEK on EBIT (Globar). Structure SMS +73 MSEK on topline and -19 MSEK on EBIT (Dura-Mill, Wetmore, OSK). Structure +58 MSEK SMRT on topline and -49 MSEK on EBIT (Artisan, Newtrax).

REPORTED AND UNDERLYING TAX RATE

	Q4 2019	Q1-4 2019
REPORTED	118.5%	28.2%
EXCL. IAC (VAREL & PROVISIONS)	17.5%	23.5%
NORMALIZED	23.5%	25.1%

IN LINE WITH 25-27% GUIDANCE FOR 2019

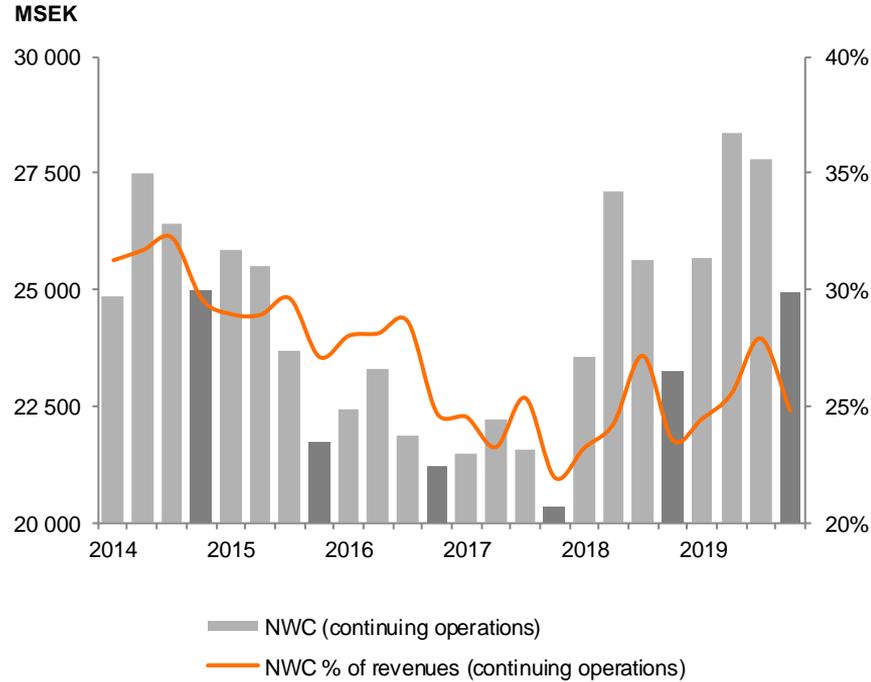
NET FINANCIALS

MSEK	Q4 18	Q4 19	FY 19
Underlying interest net	-133	-120	-532
One-off, loan redemption			-202
Pension	-32	-56	-160
Bank charges	-13	-11	-44
Other fin income & costs	+13	-18	-25
IFRS16		-28	-110
FX & other asset classes	+28	-41	-164
Total	-136	-274	-1 237

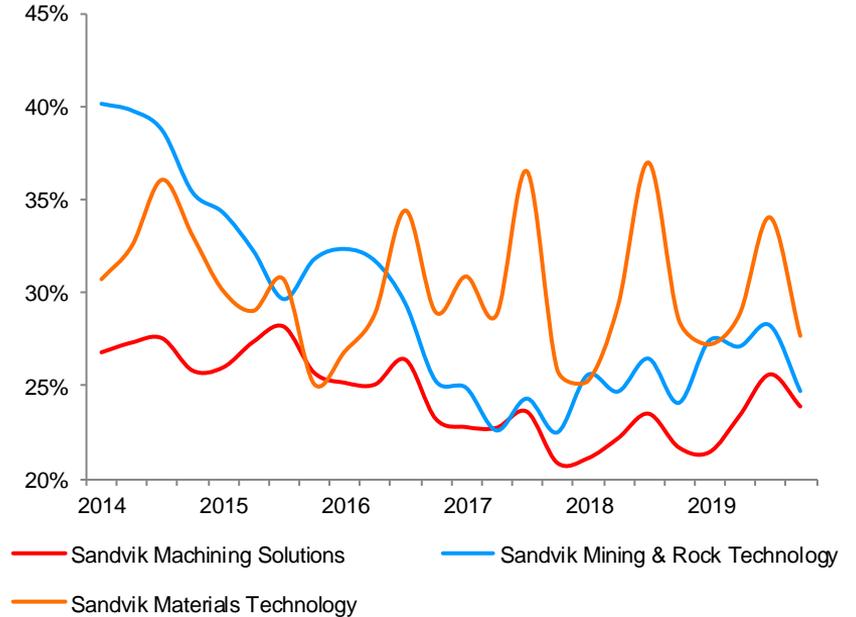
- FY 2019 IMPACTED BY
 - ONE-OFF COST FOR REDEMPTION OF 5.1 BSEK IN LONG-TERM DEBT
- INTEREST NET REDUCTION BY ~50% AS OF H2 2019

NET WORKING CAPITAL

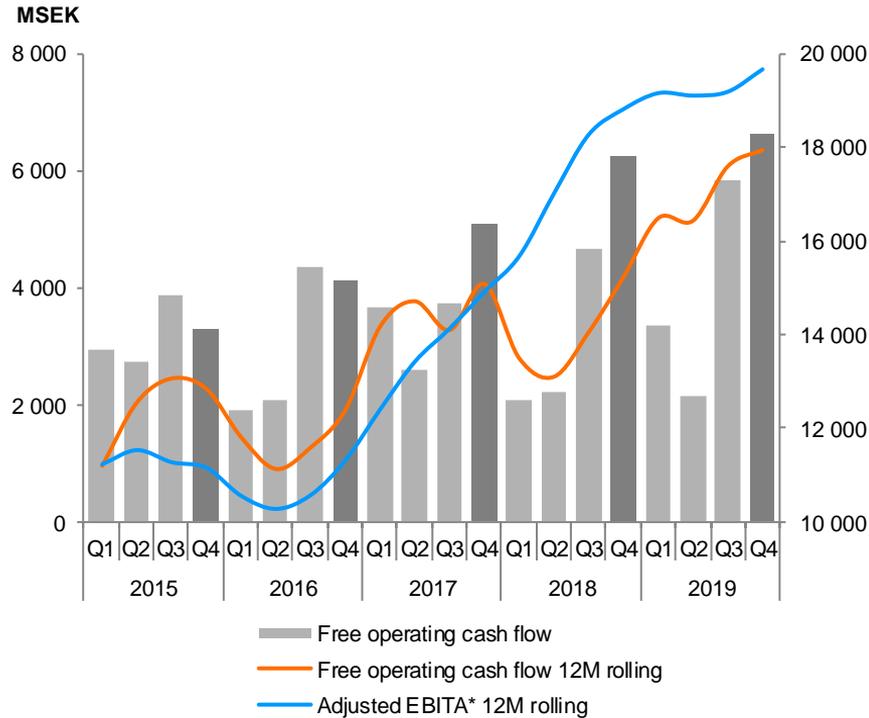
INVENTORY REDUCTION ACROSS BA:S



RELATIVE NWC BY BA



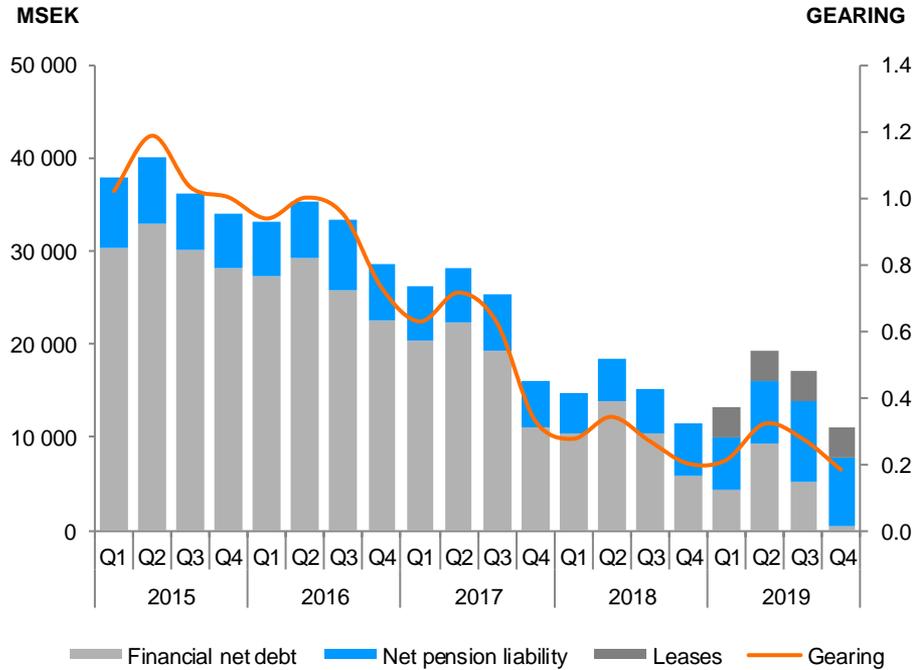
FREE OPERATING CASH FLOW



MSEK	Q4 2018	Q4 2019
EBITDA + non-cash	5 432	5 899
NWC change	+2 273	+2 093
Capex*	-1 442	-1 381
FOCF**	6 263	6 611

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

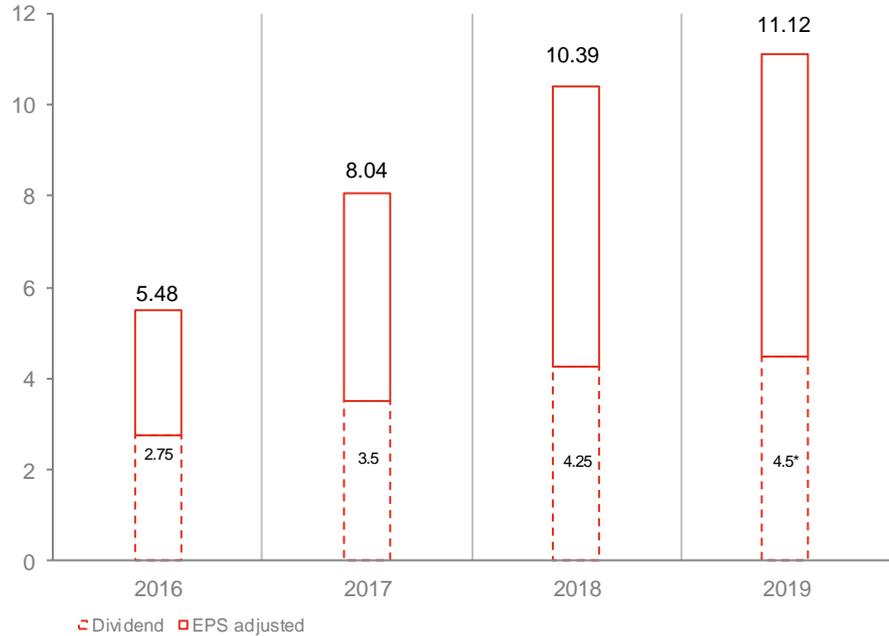
NET DEBT



- NET GEARING AT 0.18
- LOW FINANCIAL NET DEBT OF ~0.5 BSEK

DIVIDEND PROPOSAL

18% ANNUAL INCREASE SINCE 2016, 6% INCREASE VS. LY



*Proposed dividend

Payout ratio %

2016

50

2017

44

2018

41

2019

40

OUTCOME Q4 AND 2019

Q4 2019

Underlying currency effect (MSEK):	+391	(~400)
Total currency effect (MSEK):	+297	
Metal price effect in quarter (MSEK):	+174	(~300)

FULL YEAR 2019

Capex (BSEK):	4.1	(<4)	FY18: 3.9
Net financial items (BSEK):	1.2	(~1.2)	FY18: 0.8
Normalized tax rate (%):	25.1	(25% - 27%)	FY18: 27.2



GUIDANCE 1Q20 AND FY2020

CAPEX (CASH)

Estimated to about **4 BSEK for 2020**

CURRENCY EFFECTS

Given currency rates at end of December 2019 the effect on operating profit from transaction and translation would be **+150 MSEK for Q1 2020**

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of December 2019, it is estimated that effect on operating profit in **Q1 2020 will be -200 MSEK**

INTEREST NET

Underlying interest net is estimated at about **-500 MSEK for 2020**

UPDATED FROM NET FINANCIAL ITEMS

TAX RATE

The tax rate is estimated to **23%-25% for 2020**

WELL POSITIONED FOR THE FUTURE



MARKET LEADER IN ITS NICHES

DECENTRALIZED BUSINESS MODEL

MORE AGILE

INCREASED RESILIENCE

STRONG FINANCIAL POSITION

ADD TO AN ALREADY STRONG PLATFORM

BACK-UP SLIDES



SAVINGS MEASURES AHEAD OF PLAN

1 BSEK IN ANNUALIZED RUN-RATE



SANDVIK MACHINING SOLUTIONS



SANDVIK MINING & ROCK TECHNOLOGY



SANDVIK MATERIALS TECHNOLOGY



GROUP COMMON

ANNUALIZED RUN-RATE SAVINGS END OF 2019

~1 000 €

MSEK, OUT OF 1 700 MSEK IN SCOPE

ACTUAL ACHIEVED IN 2019

~400

MSEK

ACTUAL ACHIEVED IN Q4 2019

~250

MSEK

600

320

40

40

260

80

10

10

150

80

10

10

REDUCTION OF ~1600* EMPLOYEES IN Q3-Q4 2019

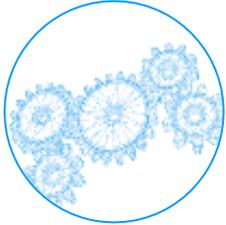
*2000 if employees who left already in H1 2019 in SMS are included



MINING
(37%)



ENERGY
(10%)



**GENERAL
ENGINEERING**
(22%)



CONSTRUCTION
(8%)



AUTOMOTIVE
(12%)



AEROSPACE
(7%)

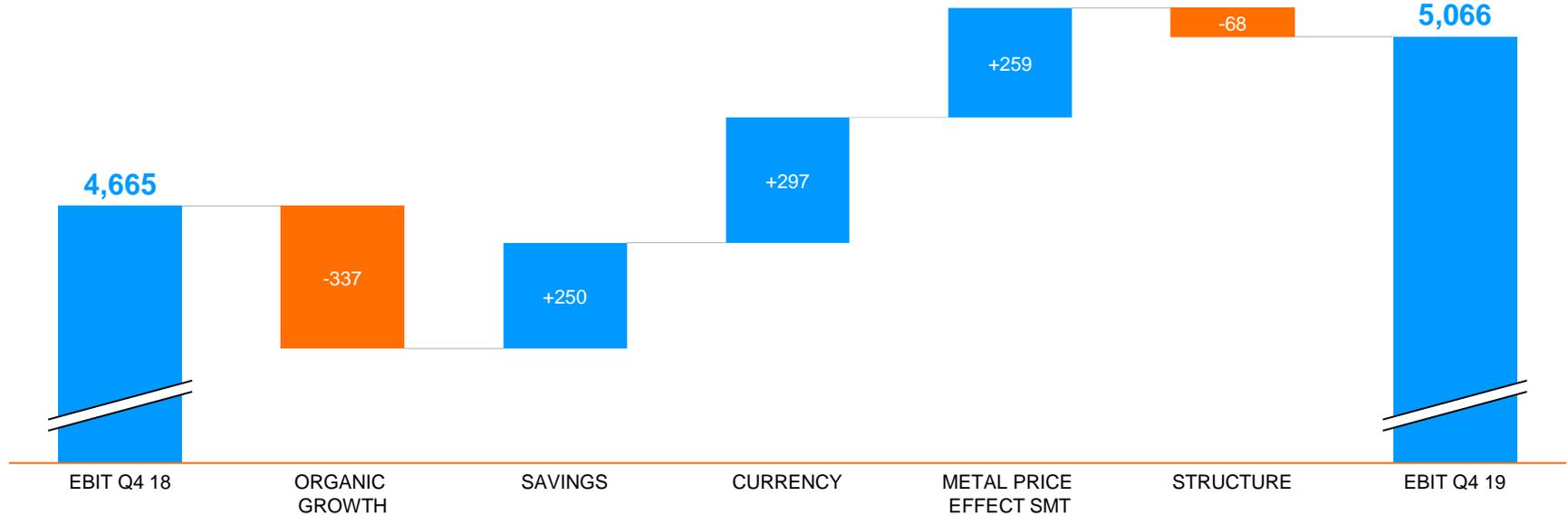
END-CUSTOMER SEGMENTS

(% of group revenues 2019 excl. Mining systems and Other Operations; Other e.g. consumer goods, electronics, chemical and miscellaneous accounted for 4%.)

PROFITABILITY DEVELOPMENT

GROUP
LEVERAGE:

-11%



ADJUSTED
EBIT MARGIN

18.0%

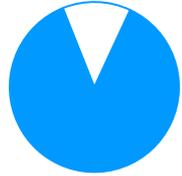
19.1%

BRIDGE ANALYSIS

MSEK	Q4 2018	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE METALS SMT*	Q4 2019
MACHINING SOLUTIONS					
REVENUES	10 406	-1 083	+448	+73	9 844
ADJUSTED EBIT	2 480	-566	+105	-19	2 000
ADJUSTED EBIT MARGIN	23.8%	-52%	-	-	20.3%
MINING AND ROCK TECHNOLOGY					
REVENUES	11 254	375	+510	+58	12 197
ADJUSTED EBIT	2 260	270	+150	-49	2 630
ADJUSTED EBIT MARGIN	20.1%	+72%	-	-	21.6%
MATERIALS TECHNOLOGY					
REVENUES	3 842	-99	+120	149	4 013
ADJUSTED EBIT	212	129	+58	259	659
ADJUSTED EBIT MARGIN	5.5%	N/A	-	-	16.4%

* Includes metal price effects within Sandvik Materials Technology of +155 MSEK in alloy surcharges on revenues and +259 MSEK in metal price effect on EBIT (-85 Q4 2018 vs. +174 Q4 2019). Structure SMT -6 MSEK on topline and 0 MSEK on EBIT (Globar). Structure SMS +73 MSEK on topline and -19 MSEK on EBIT (Dura-Mill, Wetmore, OSK). Structure +58 MSEK SMRT on topline and -49 MSEK on EBIT (Artisan, Newtrax).

LOAN AND DURATION PROFILE



LONG TERM
87%

	AMOUNT MSEK	AVERAGE DURATION
US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	3 648	2 years
European MTN	11 469	7 years
Bank loans	89	1 year
Share swap	-	-



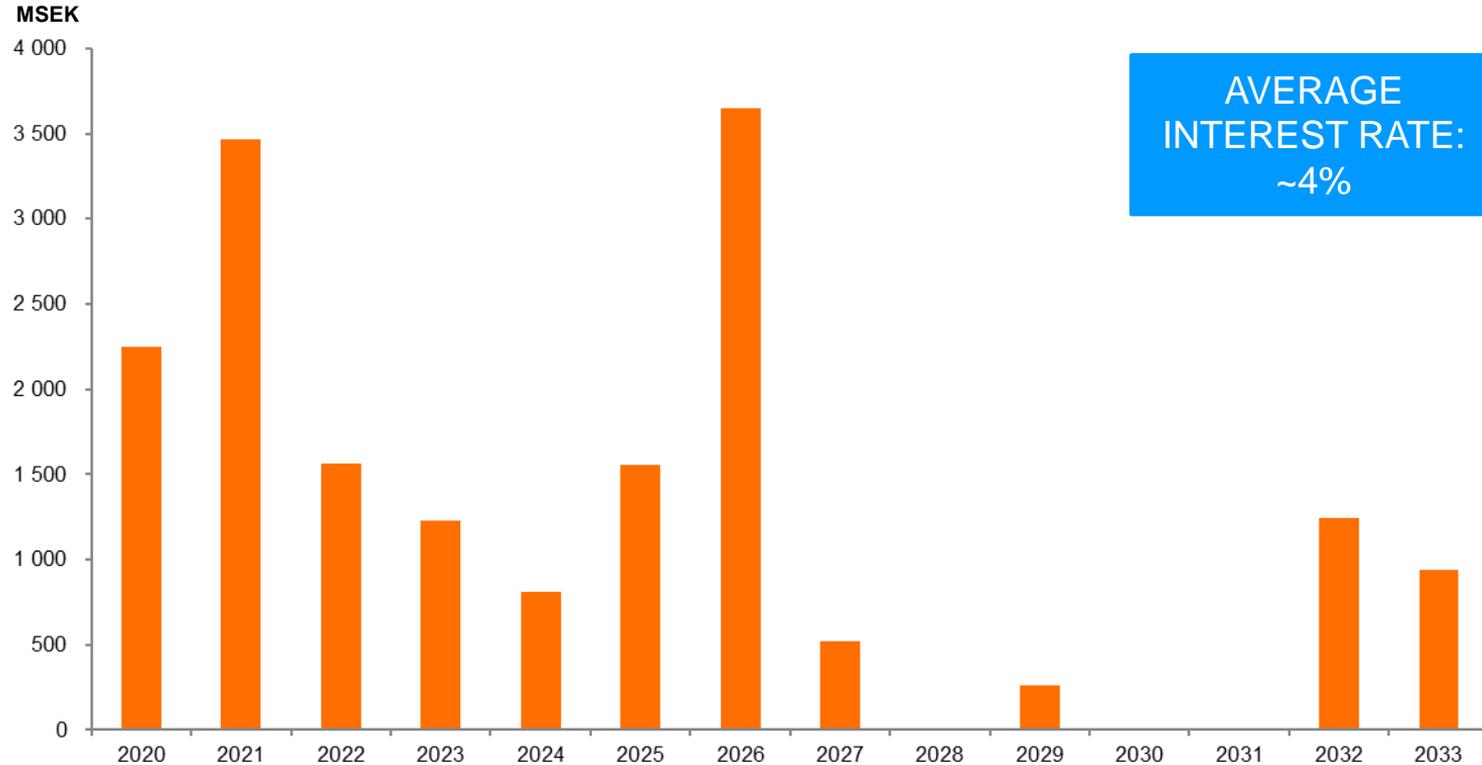
SHORT TERM
13%

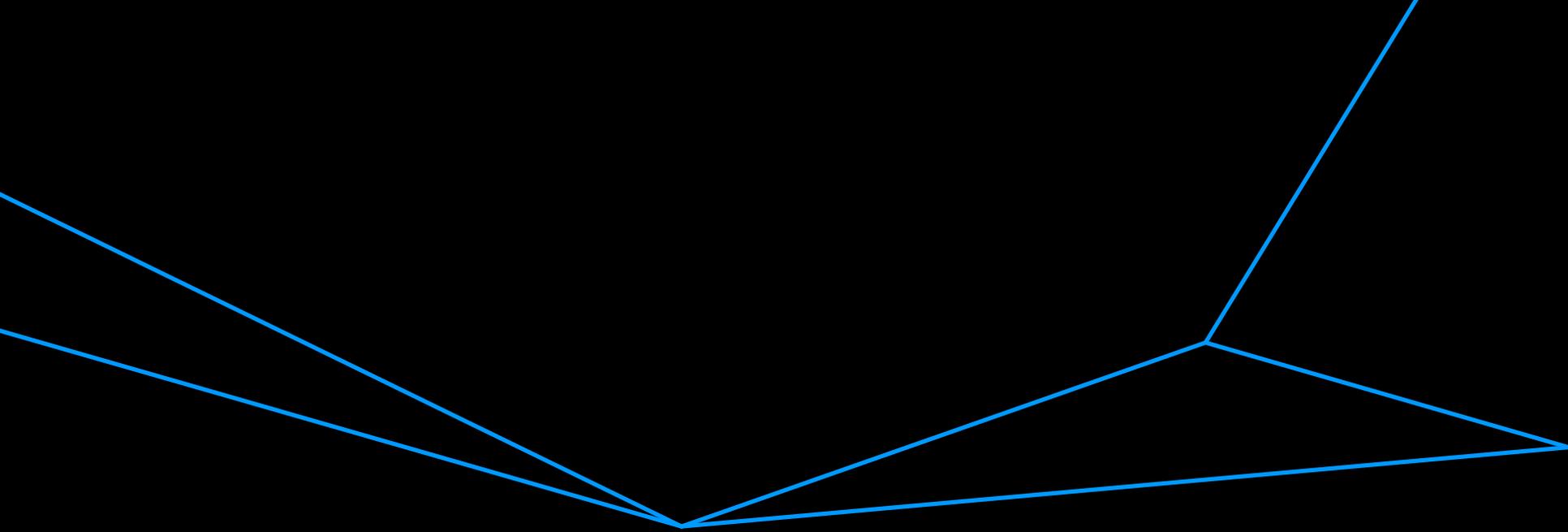
US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	2 002	0 months
Bank loans	246	2 months
Share swap	-	-

Cash position **16 987 MSEK**
Committed Credit facilities **9 100 MSEK**

TOTAL	17 453	5 years
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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, creating a dynamic, geometric pattern against the black background.

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.”