

INTERIM REPORT FIRST QUARTER 2021



RD1840C

LT90

PANTERA™ DP1600i

SUMMARY Q1

POSITIVE MOMENTUM AND BROAD-BASED IMPROVEMENT

- Strong order intake growth of +12% year on year
 - Positive momentum in both the mining and construction segments with record-high order intake level
 - Continued improvement in short-cycle segments driven by automotive and general engineering
 - Demand in the aerospace and energy segments remained low, although some positive signs noted in the energy segment
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STRONG EARNINGS PERFORMANCE AND OPERATIONAL EFFICENCY

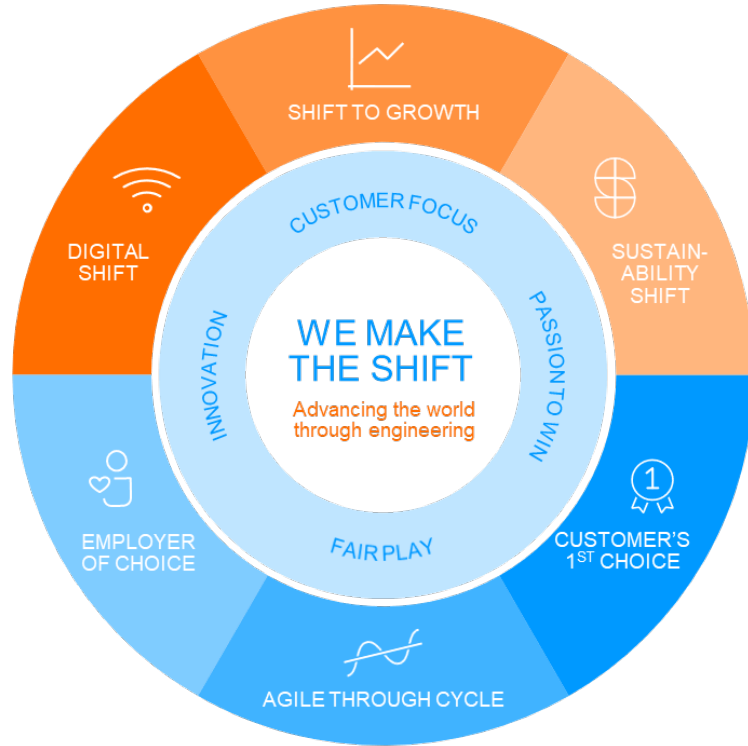
- Significantly stronger adjusted operating profit margin at 19.2% (15.8)
 - R12 month adjusted EBIT margin excl. metal prices 17.6% (17.9)
 - Earnings supported by continued operational efficiency and reduced spend of SEK 550 M
-

ORGANIZATIONAL COMMITMENT TO MAKE THE SHIFT

- Sandvik Mining and Rock Solutions and Sandvik Rock Processing Solutions reported as two separate business areas
- New company purpose and refined strategy to make the shift launched in Q1



A REFINED STRATEGY TO MAKE THE SHIFT



CREATING
VALUE

Q1 LAUNCH –TOP HAMMER XL







NEW GROUND BREAKING DRILLING SYSTEM

- Fully optimized top hammer system for large hole size drilling in surface mining. Increases the application area of top hammer into larger hole diameters
- Serves customers with the best solutions order to maximize customers' productivity with a strong focus on safety and sustainability
- Offers a faster, more fuel-efficient and more cost-effective way to drill holes
- The components of the system – a new drill rig, rock drill and rock tools – are all optimized to work together seamlessly for exceptional drilling results



MARKET DEVELOPMENT

Y/Y UNDERLYING DEMAND TREND

	% of group revenue FY20	Q1 YY order intake
 EUROPE	35%	-1%
 NORTH AMERICA	22%	+5%
 ASIA	20%	+26%
 AFRICA/MIDDLE EAST	9%	+29%
 AUSTRALIA	9%	+38%
 SOUTH AMERICA	5%	+27%

	Mining 40%	Engineering 23%	Automotive 11%	Energy 10%	Construction 8%	Aerospace 5%
	↗	→	↗	↘	→	↘
	↗	→	↗	↘	→	↘
	↗	→	↗	↘	→	↘
	↗	→	↗	↘		
	↗					
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Demand trend Sequential Q/Q

↗
↗
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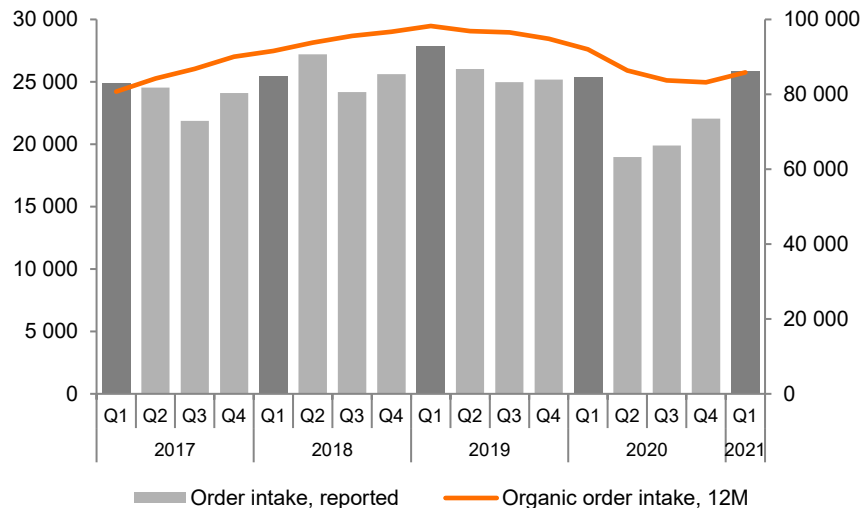
Demand trend Sequential Q/Q

ORDER INTAKE AND REVENUES

ORDER INTAKE

REPORTED P/V
25,847 **12%**

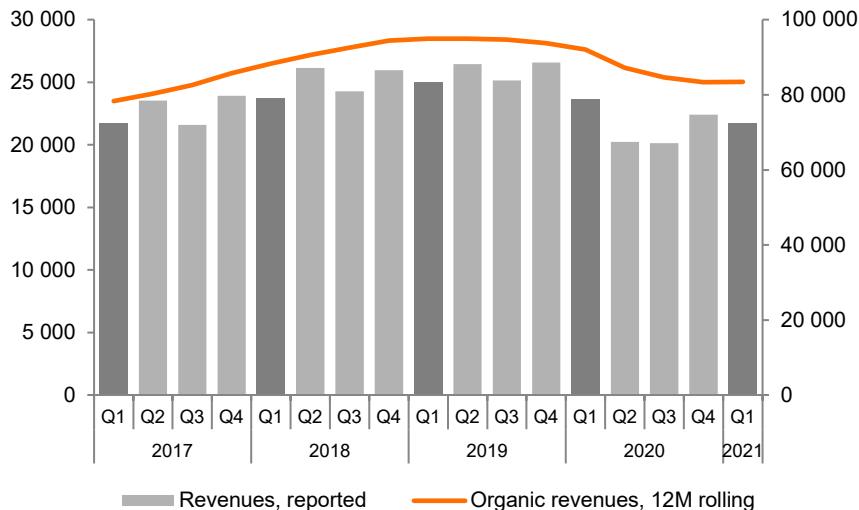
SEK M



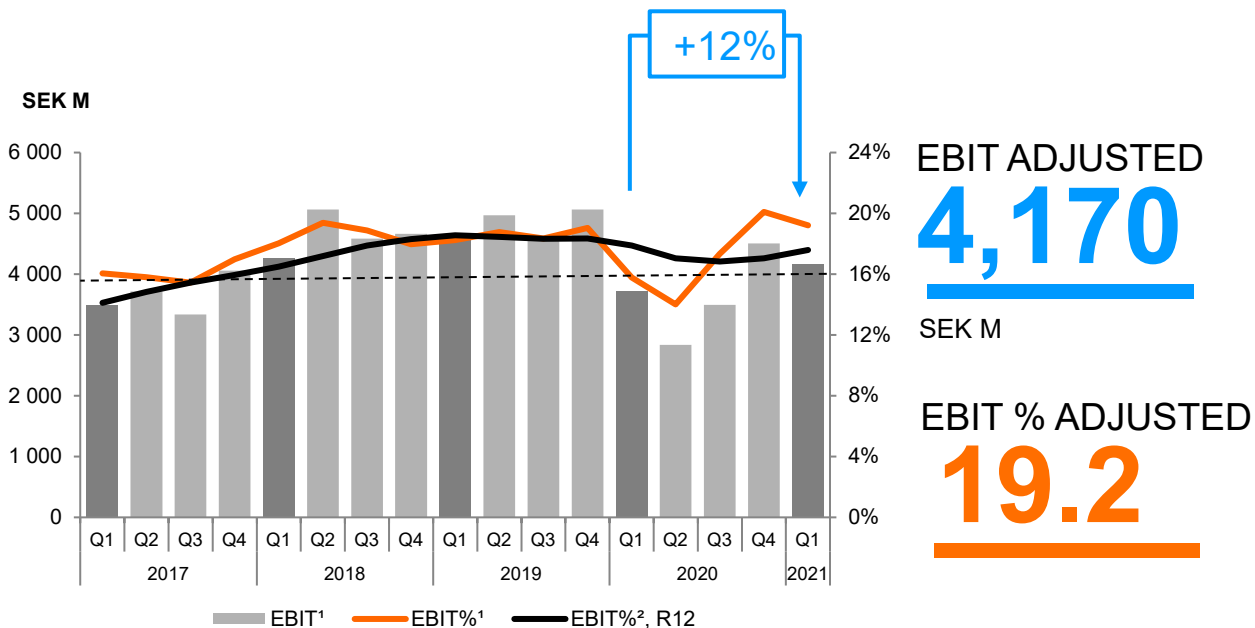
REVENUES

REPORTED P/V
21,691 **1%**

SEK M



EBIT DEVELOPMENT



- Margin at 19.2% (15.8)
 - 18.7% (16.6) excluding metal price effects
 - Currency had a margin diluting impact of -0.3%
 - Operating leverage of +288%
- Resilient earnings performance in all business areas
- Previously announced savings programs and reduced spend of SEK 550 million year on year
- R12 adjusted EBIT excl. metal prices 17.6%

¹Adjusted for items affecting comparability

²Adjusted for items affecting comparability and metal prices

SANDVIK MINING AND ROCK SOLUTIONS

ALL-TIME HIGH ORDER INTAKE

- Organic order intake growth of +36%, with exceptionally strong growth in equipment
- Record high order intake in Load and Haul, Underground drilling, and Surface drilling
- Several significant orders received, including three major orders above SEK 200 M

SOLID MARGIN IMPROVEMENT

- Margin supported by volume growth, improved operational efficiency and lower spend supported by previously announced savings programs and reduced spend of SEK 85 M

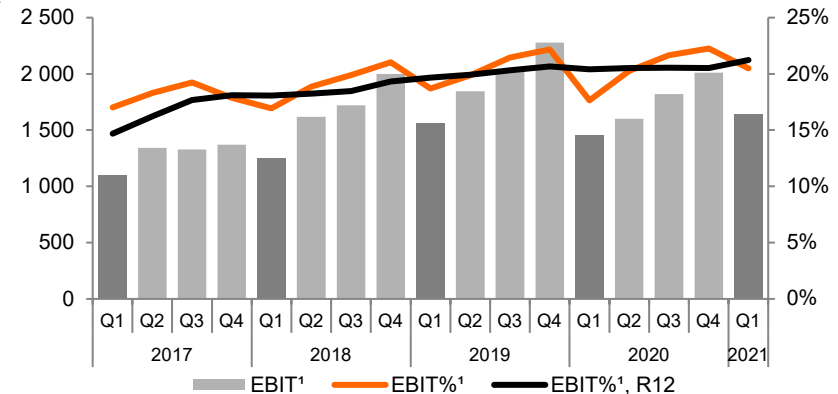
POSITIONED FOR CONTINUED GROWTH

- Launch of Top Hammer XL, a new surface drilling system that reduces total drilling cost and environmental impact
- Previously announced acquisition of DSI Underground is expected to close latest in Q3 2021

SEK M	Q1 2020	Q1 2021	CHANGE
ORDER INTAKE	8,598	10,469	36%*
REVENUES	8,244	8,019	8%*
ADJ. OP. PROFIT	1,453	1,644	13%
% OF REVENUES	17.6%	20.5%	

*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

ORDER INTAKE INCREASED ORGANICALLY BY +28%

- Strong organic order intake growth in both the mining and construction segments
- Aftermarket order intake increased organically by +22% driven by a strong development in Stationary
- Organic order intake in equipment grew by +33% year on year

STRONG MARGIN

- Margin improvement mainly driven by increased volumes, but also supported by low A&S spend run rate in first quarter
- Margins supported by previously announced savings programs and reduced spend of SEK 20 M

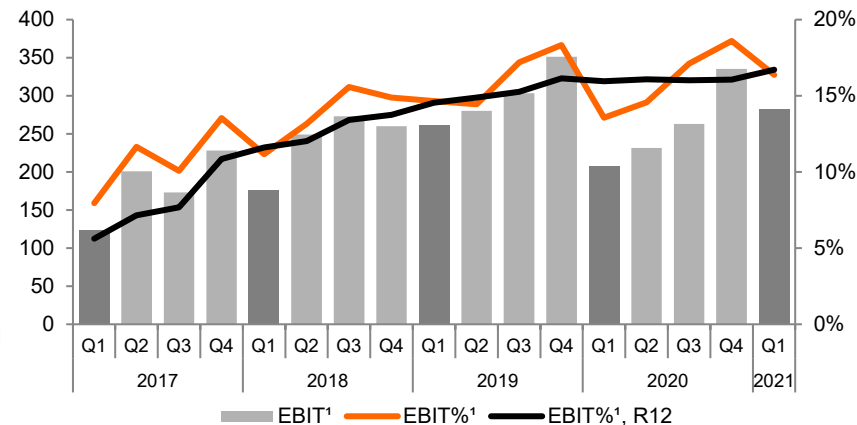
NEW INNOVATIONS

- Sandvik UK373 wheeled cone crusher was launched and introduced in North America

SEK M	Q1 2020	Q1 2021	CHANGE
ORDER INTAKE	1,973	2,358	28%*
REVENUES	1,531	1,727	19%*
ADJ. OP. PROFIT	208	283	36%
% OF REVENUES	13.6%	16.4%	

*At fixed exchange rates for comparable units. Last years figures have been restated due to the new BA structure from 2021.

EBIT DEVELOPMENT



SANDVIK MANUFACTURING AND MACHINING SOLUTIONS

ORDER INTAKE ON PAR WITH LAST YEAR

- The automotive and general engineering segments continued to be the main drivers of the improvement
- Strong sequential improvement in organic order intake growth
- Daily order intake in beginning of April started with a low to mid-single digit improvement rate compared to the first quarter 2021
- Continued strong development in Wolfram, the tungsten powder business

IMPROVED MARGINS

- Stronger margins despite lower revenues
- Margins supported by previously announced savings programs and reduced spend of SEK 320 M

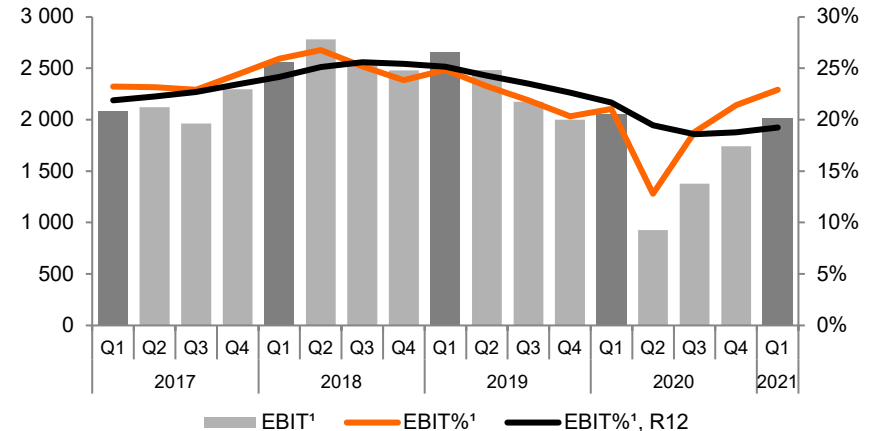
HIGH PACE IN PRODUCT LAUNCHES

- New cutting tool Turbo 16 and inserts, the first Seco products with data matrix tags and scannable codes for product and batch information storing

SEK M	Q1 2020	Q1 2021	CHANGE
ORDER INTAKE	10,124	9,379	0%*
REVENUES	9,766	8,782	-3%*
ADJ. OP. PROFIT	2,054	2,013	-2%
% OF REVENUES	21.0%	22.9%	

*At fixed exchange rates for comparable units

EBIT DEVELOPMENT



SANDVIK MATERIALS TECHNOLOGY

POSITIVE YOY GROWTH OF +3% EX. MAJOR ORDERS

- Strong development in consumer-related segments as well as in industrial heating, and a significant recovery noted for standardized application tubing
- The oil & gas and aerospace segments still on low levels, but with some minor umbilical orders received towards the end of the quarter

RESILIENT PROFITABILITY PERFORMANCE

- Earnings affected by revenue decline but with resilience in margins
- Supported by SEK 95 M from previously announced savings programs and reduced spend

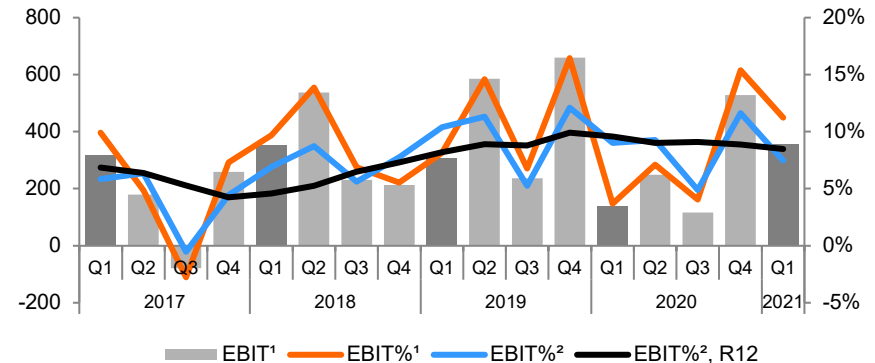
TOWARDS SEPARATE LISTING

- Continuing preparation for listing planned by 2022, pending shareholders' approval

SEK M	Q1 2020	Q1 2021	CHANGE
ORDER INTAKE	4,365	3,641	-13%*
REVENUES	3,782	3,162	-13%*
ADJ. OP. PROFIT	139	355	155%
% OF REVENUES	3.7%	11.2%	
UNDERLYING MARGIN ²	9.0%	7.5%	

*At fixed exchange rates for comparable units

EBIT DEVELOPMENT



TOMAS ELIASSON
CFO

$$= 13$$

$$= 7$$

$$= -10$$

$$= 7$$

FINANCIAL SUMMARY Q1

GROWTH Q121, %

	ORDER REVENUES	INTAKE
ORGANIC:	12	1
CURRENCY:	-9	-9
STRUCTURE:	0	0
TOTAL	2	-8

SEK M	Q1 2020	Q1 2021	CHANGE %
ORDER INTAKE ¹	25,356	25,847	12
REVENUES ¹	23,620	21,691	1
ADJUSTED OPERATING PROFIT	3,728	4,170	12
<i>% OF REVENUES</i>	<i>15.8</i>	<i>19.2</i>	
NET FINANCIAL ITEMS	-416	-271	-35
TAX RATE EXCLUDING IAC	19.2	20.7	
NWC % ²	26.8	24.7	
FREE OPERATING CASH FLOW ³	3,176	2,946	-7
ADJUSTED ROCE % ²	16.1	18.3	
ADJUSTED EPS, DILUTED	2.14	2.46	

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 Free operating cash flow before acquisitions and disposals, financial items and taxes

BRIDGE ANALYSIS

SANDVIK GROUP

GROUP
LEVERAGE:

+288%

SEK M	Q1 2020	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	METAL PRICE EFFECTS SMT	STRUCTURE	Q1 2021
REVENUES	23,620	+227	-2,133	+89	-113	21,691
ADJUSTED EBIT	3,728	+654	-483	+320	-10	4,170
ADJUSTED EBIT MARGIN	15.8%					19.2%

MARGIN ACCRETION / DILUTION

+2.6%

-0.3%

+1.3%

-0.2%

Includes metal price effects within Sandvik Materials Technology of SEK 89 M in alloy surcharges on revenues and SEK +119 M (-201) in metal price effect on EBIT. Structure in revenues and EBIT includes predominately divestment of Varel.

SUMMARY SAVINGS PROGRAMS Q1

SEK M	SANDVIK MINING & ROCK SOLUTIONS	SANDVIK ROCK PROCESSING SOLUTIONS	SANDVIK MANUFACTURING & MACHINING SOLUTIONS	SANDVIK MATERIALS TECHNOLOGY	GROUP COMMON	Total	Annualized full run rate savings
<i>Program from Q3 2019</i>	10	-	50	5	5	70	1,700 ✓
<i>New program announced in Q1 & Q2 2020</i>	-	-	60	60	5	125	510*
Total permanent savings	10		110	65	10	195	
<i>Work time reduction</i>	-	5	50	5	-	60	
<i>Other temporary savings</i>	75	15	160	25	20	295	
Total temporary savings	75	20	210	30	20		
Total	85	20	320	95	30	550	

NET FINANCIALS

SEK M	Q1 20	Q1 21
Interest net	-126	-90
Pension	-31	-30
Bank charges	-14	-16
Other fin income & costs	-10	2
Leases IFRS16	-25	-23
FX & other asset classes	-210	-113
Total	-416	-271

- Interest net down year on year due to debt re-payments and lower hedging costs
- Temporary revaluations of currency hedges and positive effects from electricity and commodity hedges

TAX RATE

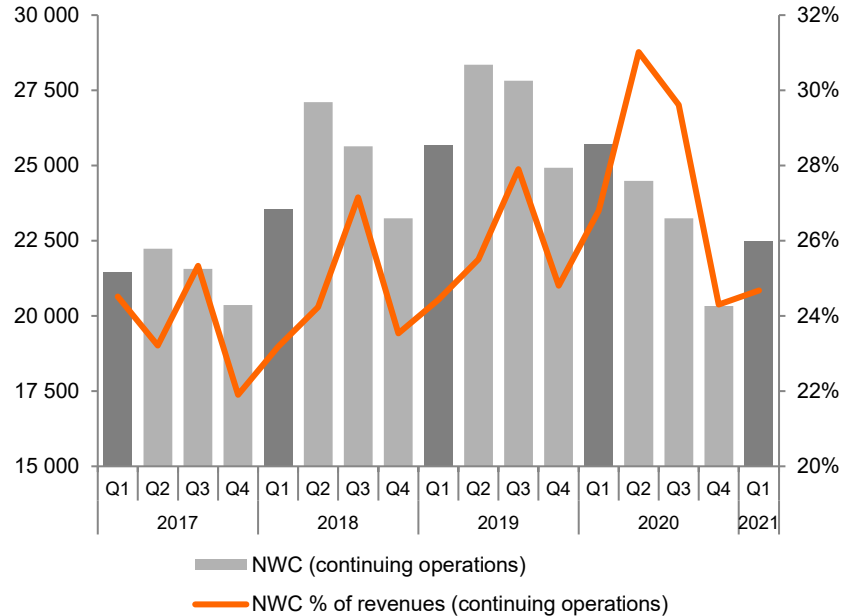
	Q1 2020	Q1 2021
REPORTED	21.8%	20.1%
EXCLUDING IAC	19.2%	20.7%
NORMALIZED	23.1%	22.4%

IN LINE WITH 22-24% GUIDANCE FOR 2021

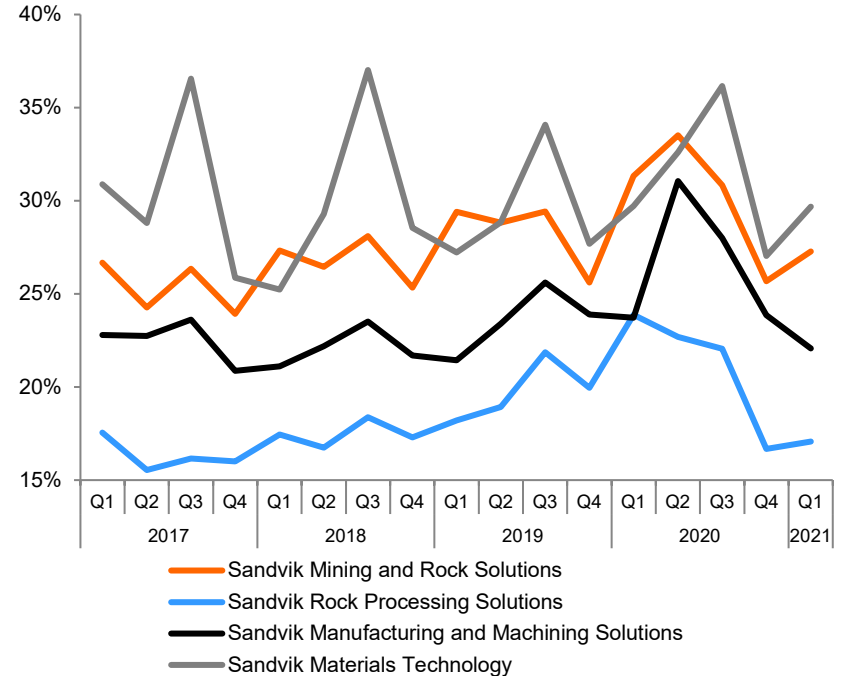
NET WORKING CAPITAL

NET WORKING CAPITAL

SEK M

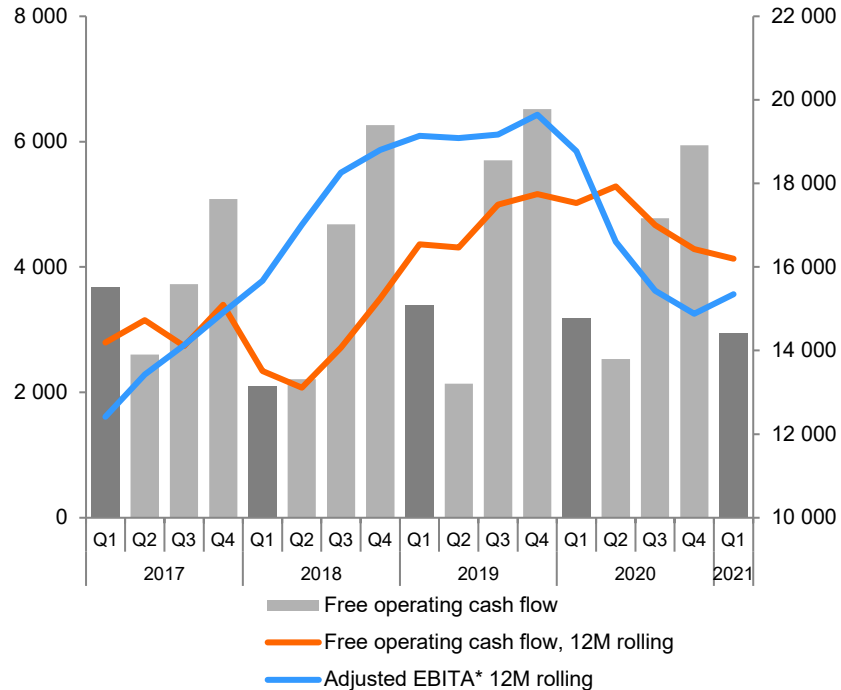


NET WORKING CAPITAL AS % OF REVENUES



FREE OPERATING CASH FLOW

SEK M



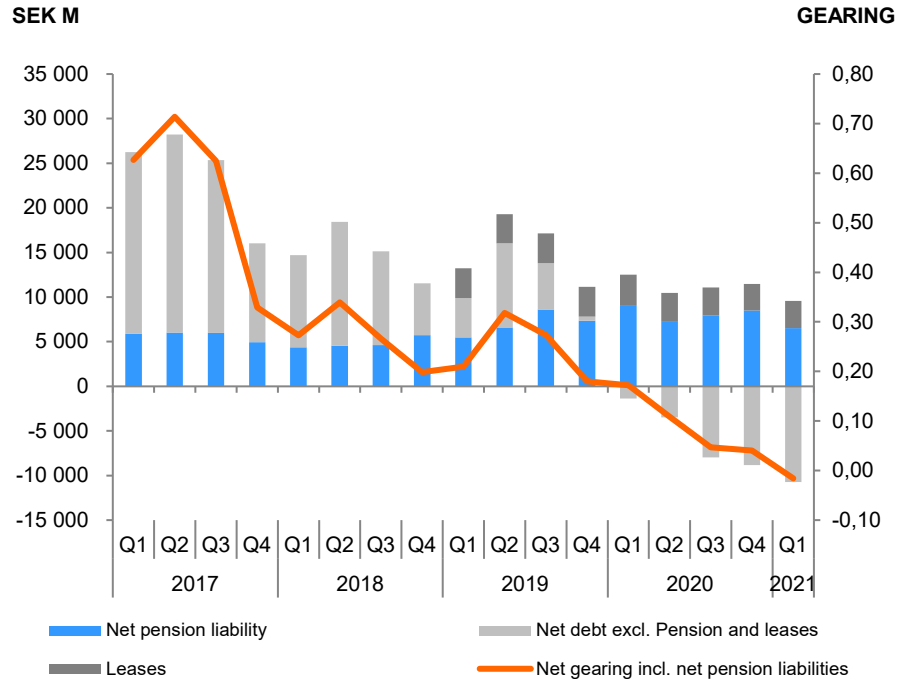
SEK M

SEK M	Q1 2020	Q1 2021
EBITDA + non-cash	4,553	4,902
NWC change	-697	-1,156
Capex*	-680	-800
FOCF**	+3,176	+2,946

*Including investments and disposals in rental, tangible and intangible assets

**Cash flow before acquisitions and disposals, financial items and taxes

NET DEBT



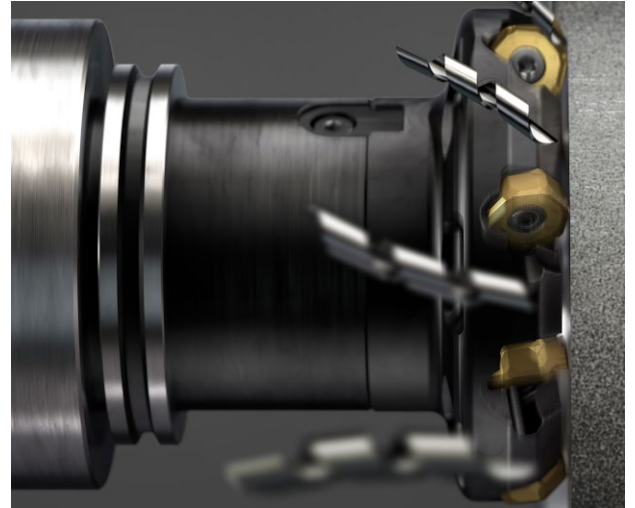
- Net gearing at -0.02
- Financial Net Cash position SEK 10.7 B

OUTCOME Q1

Q1 2021

Underlying currency yoy effect (SEK M):	- 789	(-750)
Total currency yoy effect (SEK M):	- 483	
Metal price effect in quarter (SEK M):	+119	(+60)

Capex (SEK B):	0.8
Interest net (SEK B):	0.1
Underlying tax rate (%):	20.7



GUIDANCE Q221 AND FY2021

CAPEX (CASH)

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

CURRENCY EFFECTS

Given currency rates at end of March 2021 the effect on operating profit from transaction and translation would be **SEK -350 M for Q2 2021**

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of March 2021, it is estimated that effect on operating profit in **Q2 2021 will be SEK +50 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**

SETTING THE SCENE FOR GROWTH

POSITIVE MOMENTUM AND SOLID RESULTS

- Strong momentum and growth in the mining and construction segments
 - Gradual improvement in our short-cycle businesses driven by automotive and general engineering
 - Solid results and significantly stronger margins
-

MARKET CONDITIONS IMPROVING

- High commodity prices and global industry production trends on a positive trajectory
 - Expect some challenges to manage upturn with component supply chain constraints and cost inflation
 - Continued focus on operational efficiency and increased agility
-

SETTING THE SCENE FOR SUSTAINABLE SHIFT TO GROWTH

- New purpose and refined strategy launched
- New Group structure implemented & SMT listing process proceeding as planned
- Continued good speed in innovations with successful launches
- High organizational commitment to execute on strategic objectives



BACK-UP SLIDES

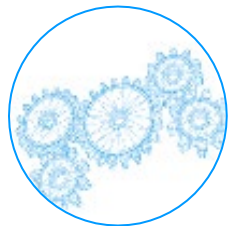




MINING
(40%)



ENERGY
(10%)



**GENERAL
ENGINEERING**
(23%)



CONSTRUCTION
(8%)



AUTOMOTIVE
(11%)



AEROSPACE
(5%)

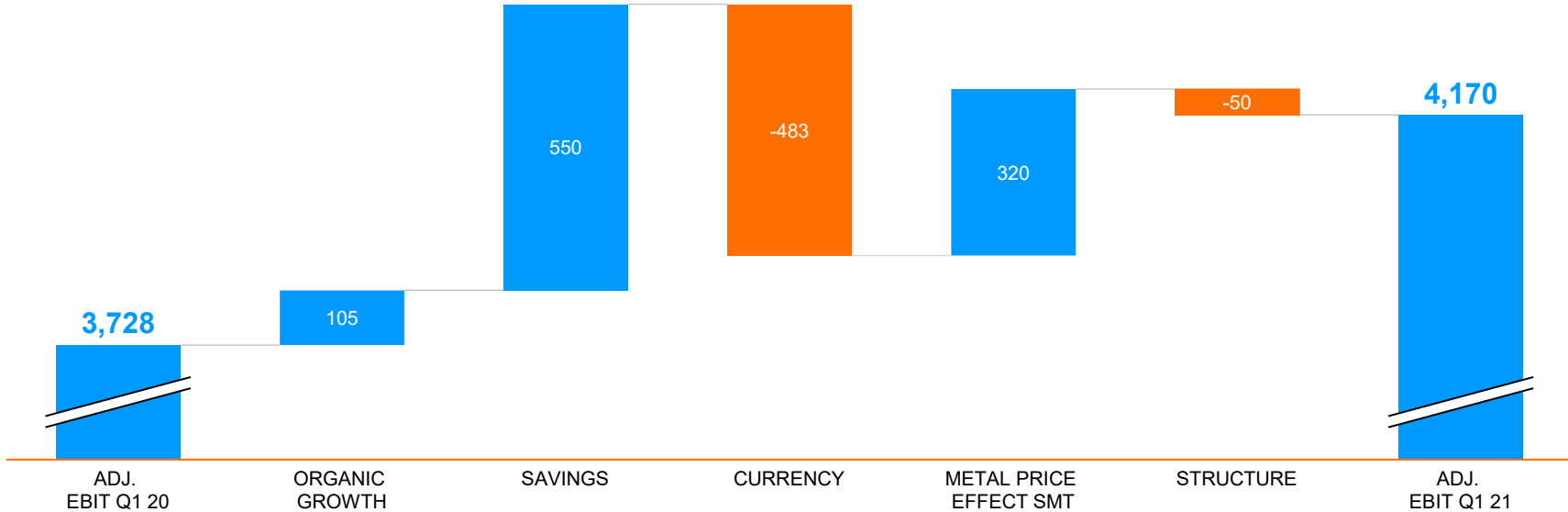
END-CUSTOMER SEGMENTS

(% 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:

+288%



ADJUSTED
EBIT MARGIN

15.8%

19.2%

BRIDGE ANALYSIS

SEK M	Q1 2020	PRICE/ VOLUME/ PRODUCTIVITY	CURRENCY	STRUCTURE/ METALS SMT*	Q1 2021
MINING AND ROCK SOLUTIONS					
REVENUES	8,244	679	-904	-	8,019
ADJUSTED EBIT	1,453	321	-124	-7	1,644
ADJUSTED EBIT MARGIN	17.6%	47%	-	-	20.5%
ROCK PROCESSING SOLUTIONS					
REVENUES	1,531	295	-173	73	1,727
ADJUSTED EBIT	208	133	-63	5	283
ADJUSTED EBIT MARGIN	13.6%	45%	-	-	16.4%
MANUFACTURING AND MACHINING SOLUTIONS					
REVENUES	9,766	-242	-866	124	8,782
ADJUSTED EBIT	2,054	250	-251	-40	2,013
ADJUSTED EBIT MARGIN	21.0%	N/A	-	-	22.9%
MATERIALS TECHNOLOGY					
REVENUES	3,782	-505	-190	75	3,162
ADJUSTED EBIT	139	-85	-25	326	355
ADJUSTED EBIT MARGIN	3.7%	-17%	-	-	11.2%

Includes metal price effects within Sandvik Materials Technology of SEK 89 M in alloy surcharges on revenues and SEK +119 M (-201) in metal price effect on EBIT. Structure in revenues and EBIT includes predominately divestment of Varel.

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	9,012	6 years
Bank loans	27	2 years
Share swap	-	-



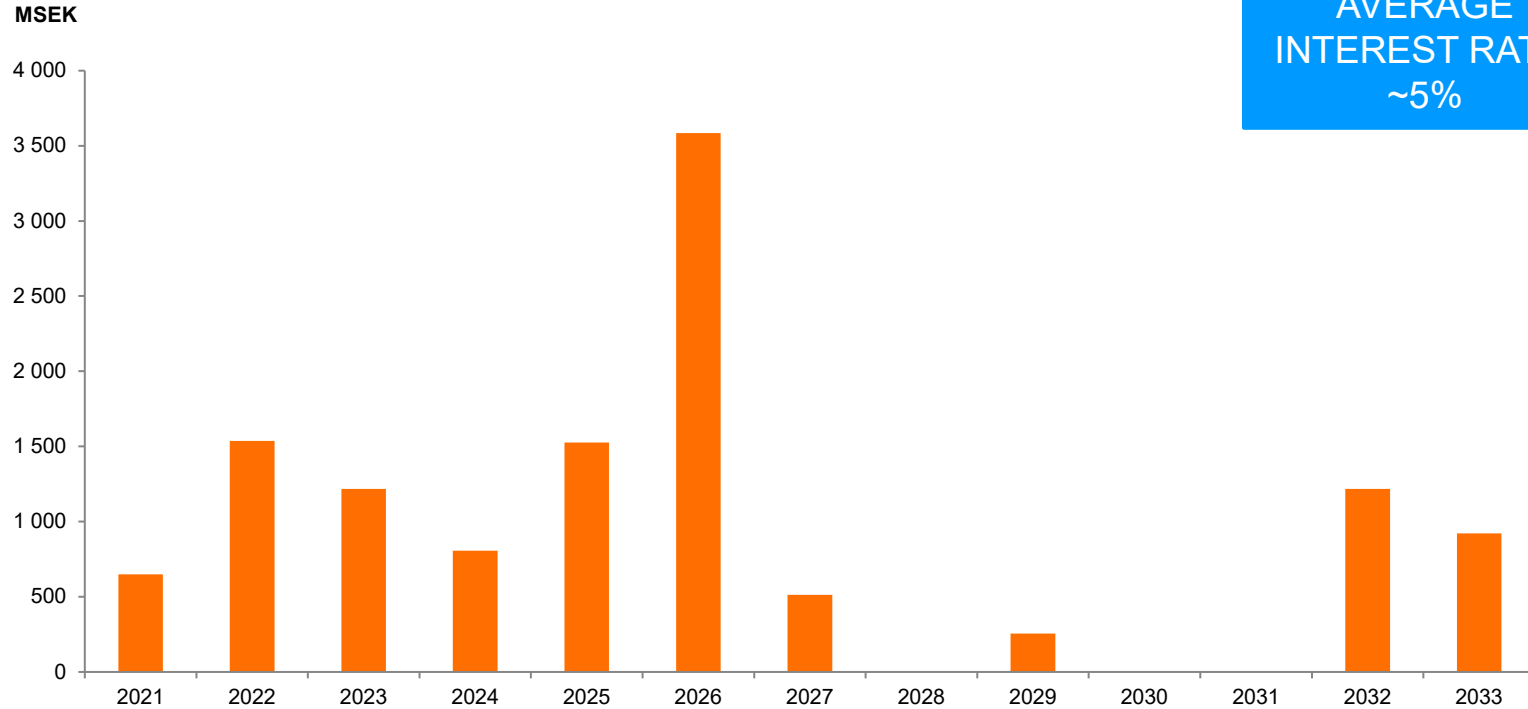
SHORT TERM
19%

US Private Placement	-	-
Fin institutions, EIB, NIB	-	-
Swedish MTN	650	7 months
European MTN	1,531	11 months
Bank loans	189	2 months
Share swap	-	-

Cash position **SEK 23,137 M**
Committed Credit facilities **SEK 9,100 M**

TOTAL	12,409	5 years
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LOAN MATURITY PROFILE



**AVERAGE
INTEREST RATE:
~5%**

An abstract graphic consisting of several bright blue lines that intersect to form a series of triangles and polygons, set against a solid 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.”