

INTERIM REPORT THIRD QUARTER 2020



TODAY'S ANNOUNCEMENTS – ONWARDS TO AN EXCITING FUTURE

SMT LISTING UPDATE

- Board decided to proceed with listing of Sandvik Materials Technology
- Greater focus and clarity for both businesses
- Expected listing 2022 given that the circumstances are deemed right at the time

FORMING A NEW BUSINESS AREA

- Crushing and Screening to form a new business area – Sandvik Rock Processing Solutions (SRP)
- Enhanced growth opportunities and increased transparency
- Operates in a different part of the value chain, with different competitive dynamics
- Effective as of 1 January 2021

SUMMARY Q3

GRADUAL RECOVERY

- Partially improved sentiment in SMS offset by aerospace demand
- Continued high uncertainty in O&G affected SMT's order intake
- Mining order intake increased year on year driven by equipment

CONTINUED RESILIENCE IN EARNINGS PERFORMANCE

- Adjusted operating profit at 17.3% (18.3)
- Strong support from previously announced savings programs and reduced spend of SEK 1.4 B
- R12 month adjusted EBIT margin excl. metal prices 16.8%

STRONG BALANCE SHEET







- Cash-flow of SEK 4.9 B driving net gearing to a low 0.05
- One acquisitions and two divestment closed/announced during and after the quarter

FUTURE DEVELOPMENT

- Gradual recovery expected to continue
- Market conditions will remain uncertain until the pandemic is behind us
- Short-term savings gradually shifting to a more permanent character



MARKET DEVELOPMENT

| | % of group revenue 2019 | Y/Y order intake |
|---|-------------------------|------------------|
|  EUROPE | 37% | -21% |
|  NORTH AMERICA | 23% | -22% |
|  ASIA | 19% | -4% |
|  AFRICA/MIDDLE EAST | 9% | +2% |
|  AUSTRALIA | 7% | +24% |
|  SOUTH AMERICA | 5% | 0% |

Demand trend during Q3

Y/Y UNDERLYING DEMAND TREND

| |  Mining 37% |  Engineering 21% |  Automotive 11% |  Energy 12% |  Construction 8% |  Aerospace 7% |
|--|--|--|--|--|---|--|
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Demand trend during Q3

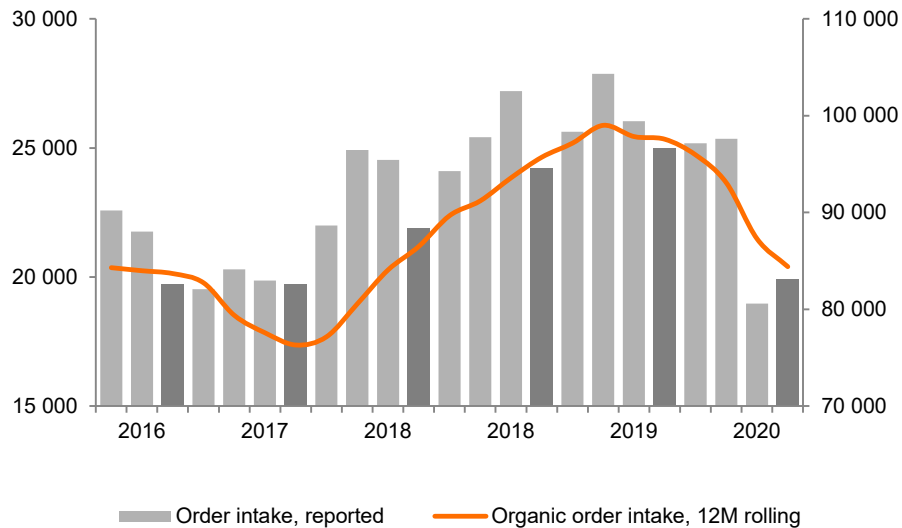
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ORDER INTAKE

COVID-19 RELATED DECLINE WITH SEQUENTIAL IMPROVEMENT

REPORTED P/V
19 909 **-11%**

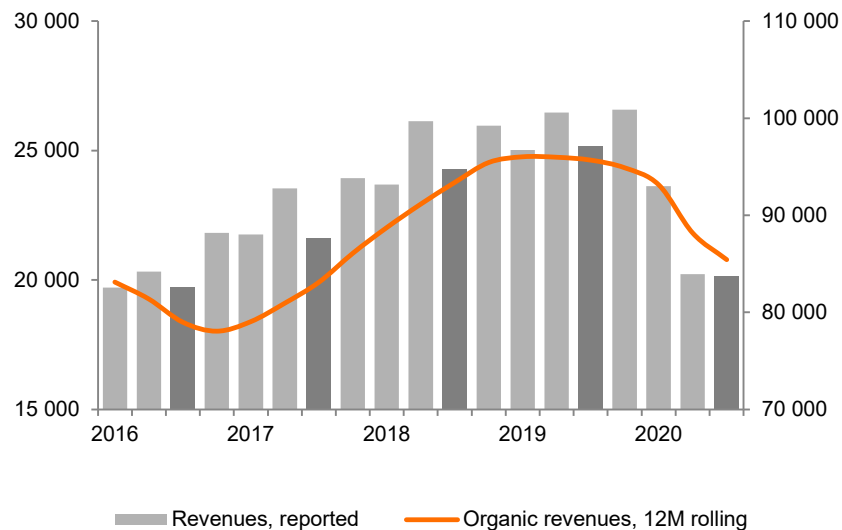
SEK M



REVENUES

REPORTED P/V
20 145 **-11%**

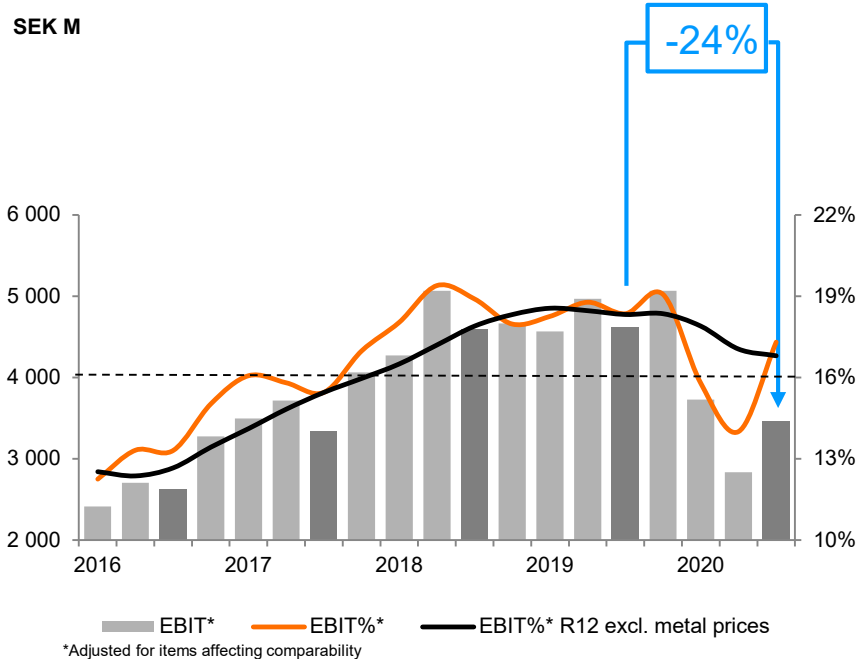
SEK M



EBIT DEVELOPMENT

GROUP
LEVERAGE:

-19%



EBIT ADJUSTED

3,493

SEK M

EBIT % ADJUSTED

17.3

- Margin at 17.3% (18.3)
 - 17.5% (18.1) excluding metal price effects
 - -1.0% negative effect from changed exchange rates
- Resilient earnings performance in all business areas
- Previously announced savings programs and reduced spend in the quarter of SEK 1.4 B
- R12 adjusted EBIT excl. metal prices 16.8%



SHARE OF
REVENUES 2019
44%

SANDVIK MINING AND ROCK TECHNOLOGY

ORDERS INCREASED ORGANICALLY BY 2%

- Equipment orders grew significantly due to robust sentiment and timing
- Aftermarket down high single digit driven by access issues and record-high comparisons
- Launch of first battery operated 18-ton loader

IMPROVED MARGINS YEAR ON YEAR

- Strong earnings performance and margin improvement
- Supported by SEK 425 M from previously announced savings programs and reduced spend
- Announced divestment of the Exploration business in October

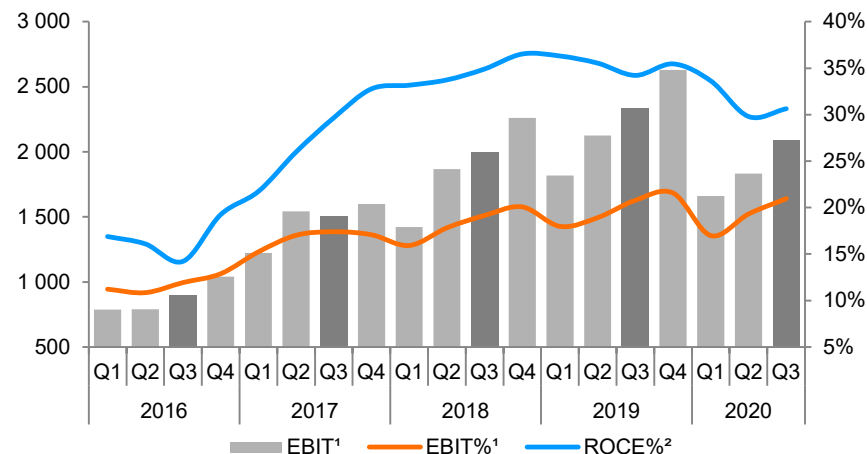
CREATING A NEW BUSINESS AREA

- Sandvik Rock Processing Solutions (SRP) effective as of 1 January 2021
- SMRT changes name to Sandvik Mining and Rock Solutions (SMR)

| SEK M | Q3 2019 | Q3 2020 | CHANGE |
|-----------------|---------|---------|--------|
| ORDER INTAKE | 11,006 | 10,133 | 2%* |
| REVENUES | 11,244 | 9,935 | -2%* |
| ADJ. OP. PROFIT | 2,338 | 2,083 | -11% |
| % OF REVENUES | 20.8% | 21.0% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT





SANDVIK MACHINING SOLUTIONS

GRADUAL RECOVERY

- Europe -19%, North America -25% and Asia -15% year on year
- Significant negative impact from aerospace, more than offsetting improved sentiment in automotive
- Daily order rate in September in the negative mid teens

STRONG MARGINS DESPITE REVENUE DECLINE

- Supported by SEK 835 M from previously announced savings programs and reduced spend
- Neutral impact from production levels

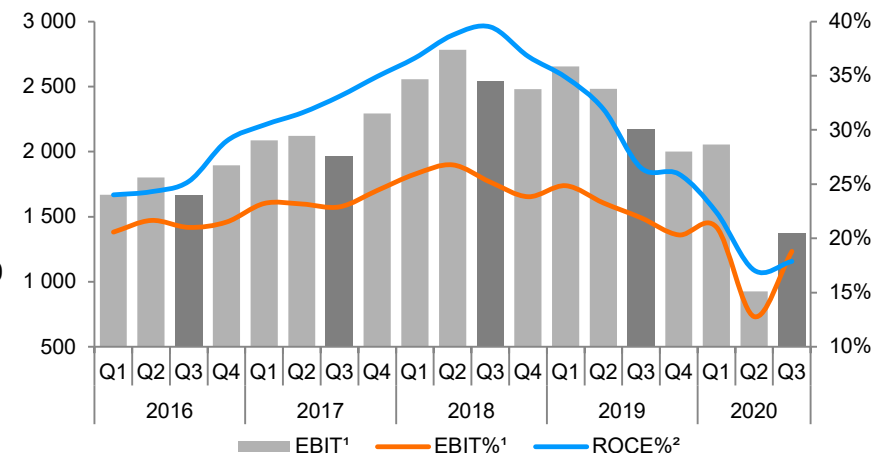
A MORE AGILE AND GROWTH FOCUSED STRUCTURE

- Sandvik Machining Solutions and Sandvik Manufacturing Solutions operating as two separate business area segments since 1 October 2020

| SEK M | Q3 2019 | Q3 2020 | CHANGE |
|----------------------|--------------|--------------|--------|
| ORDER INTAKE | 9,609 | 7,298 | -19%* |
| REVENUES | 9,927 | 7,325 | -21%* |
| ADJ. OP. PROFIT | 2,173 | 1,377 | -37% |
| <i>% OF REVENUES</i> | <i>21.9%</i> | <i>18.8%</i> | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



SANDVIK MATERIALS TECHNOLOGY

OIL & GAS AND AEROSPACE IMPACTS DEMAND

- Continued high uncertainty in the oil and gas segment and soft aerospace demand
- Positive development in industrial heating and positive year on year development in Asia driven by orders in application tubing and oil & gas in China

MARGIN SUPPORTED BY SAVINGS

- Earnings affected by revenue decline but margin showed resilience
- Supported by SEK 95 M from previously announced savings programs and reduced spend
- Revenues supported by order backlog

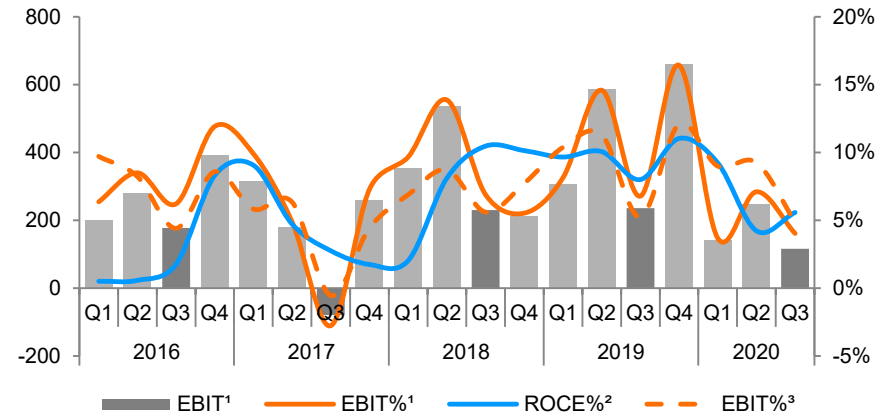
BOARD DECISION TO PROCEED WITH THE LISTING

- Pending shareholders' approval in 2022, given that the circumstances are right deemed at the time

| SEK M | Q3 2019 | Q3 2020 | CHANGE |
|--------------------------------------|---------|---------|--------|
| ORDER INTAKE | 3,867 | 2,477 | -34%* |
| REVENUES | 3,482 | 2,886 | -13%* |
| ADJ. OP. PROFIT | 236 | 116 | -51% |
| <i>% OF REVENUES</i> | 6.8% | 4.0% | |
| <i>UNDERLYING MARGIN³</i> | 5.2% | 4.9% | |

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT



TOMAS ELIASSON
CFO

$x_1 = 13$

$x_2 = 7$

$x_3 = -10$

$x_4 = 7$

FINANCIAL SUMMARY Q3

GROWTH Q320, %

| | ORDER REVENUES | INTAKE |
|--------------|----------------|------------|
| ORGANIC: | -11 | -11 |
| CURRENCY: | -8 | -8 |
| STRUCTURE: | -2 | -2 |
| TOTAL | -20 | -20 |

| SEK M | Q3 2019 | Q3 2020 | CHANGE % | Q1-Q3 2019 | Q1-Q3 2020 | CHANGE % |
|------------------------------|-------------|-------------|------------------|---------------|---------------|------------------|
| ORDER INTAKE | 24,992 | 19,909 | -11 ¹ | 78,897 | 64,236 | -15 ¹ |
| REVENUES | 25,163 | 20,145 | -11 ¹ | 76,655 | 63,996 | -13 ¹ |
| ADJUSTED OPERATING PROFIT | 4,617 | 3,493 | -24 | 14,152 | 10,059 | -29 |
| <i>% OF REVENUES</i> | <i>18.3</i> | <i>17.3</i> | | <i>18.5</i> | <i>15.7</i> | |
| FINANCE NET | -198 | +529 | n/a | -963 | +133 | -n/a |
| NORMALIZED TAX RATE | 25.8 | 23.6 | | 25.7 | 22.3 | |
| NWC % ² | 27.9 | 29.6 | | 25.5 | 27.9 | |
| CASH FLOW ³ | +5,840 | +4,867 | -17 | +11,348 | +10,456 | -8 |
| ADJUSTED ROCE % ² | 20.7 | 15.5 | | 21.3 | 16.6 | |
| ADJUSTED EPS | 2.61 | 2.09 | | 7.92 | 5.96 | |

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:

-19%

| SEK M | Q3 2019 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | METAL PRICE EFFECTS SMT | STRUCTURE | Q3 2020 |
|-------------------------|---------|--------------------------------|----------|----------------------------|-----------|---------|
| REVENUES | 25,163 | -2,749 | -1,732 | -77 | -459 | 20,145 |
| ADJUSTED EBIT | 4,617 | -516 | -525 | -78 | -4 | 3,493 |
| ADJUSTED EBIT MARGIN | 18,3% | -19% | | | | 17.3% |

MARGIN ACCRETION / DILUTION

-0.1%

-1.0%

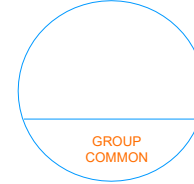
-0.3%

+0.4%

Includes metal price effects within Sandvik Materials Technology of SEK -77 M in alloy surcharges on revenues and SEK -25 M (+54) in metal price effect on EBIT. Structure includes predominately divestment of Varel SEK -510 M on topline and +8 M on EBIT.

SUMMARY SAVINGS PROGRAMS Q3

SEK M



Total Annualized

| | SANDVIK MACHINING SOLUTIONS | SANDVIK MINING & ROCK TECHNOLOGY | SANDVIK MATERIALS TECHNOLOGY | GROUP COMMON | Total | Annualized |
|-------------------------|-----------------------------|----------------------------------|------------------------------|--------------|--------------|--------------|
| Program from Q3 2019 | 160 | 110 | 25 | 20 | 315 | 1,700 |
| Work time reduction | 295 | 110 | 50 | 15 | 470 | n/a |
| Other temporary savings | 380 | 205 | 20 | 25 | 630 | n/a |
| Total | 835 | 425 | 95 | 60 | 1,415 | |

Permanent (structure and volume-driven) savings program announced in Q1 and Q2 2020 with effects starting 2021

1,300

NET FINANCIALS

| SEK M | Q3 19 | Q3 20 |
|--------------------------|-------------|-------------|
| Interest net | -99 | -79 |
| Pension | -35 | -32 |
| Bank charges | -7 | -9 |
| Other fin income & costs | -5 | +591 |
| Leases IFRS16 | -26 | -26 |
| FX & other asset classes | -25 | +84 |
| Total | -198 | +529 |

- Interest net down year on year due to lower debt
- Other financial income & cost impacted by the capital gain of approximately SEK 600 M from the divestment of Gesac

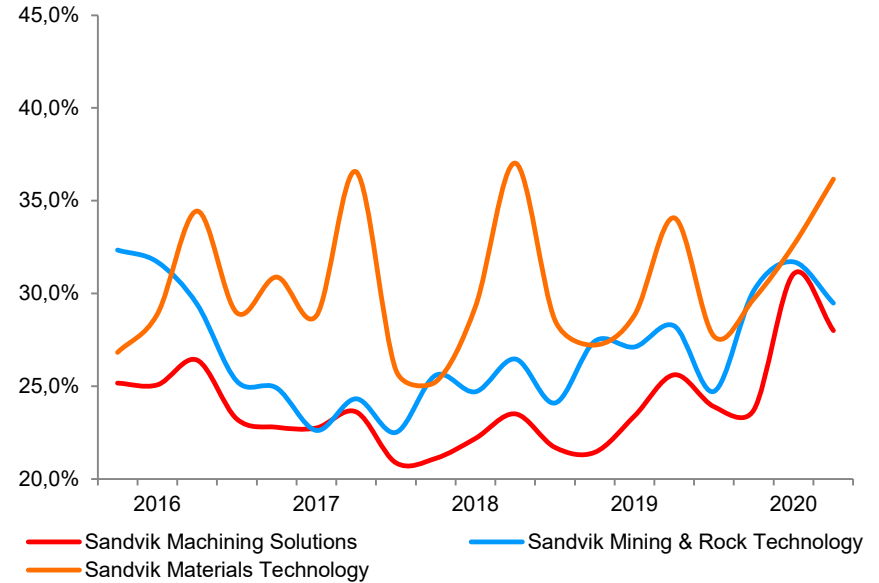
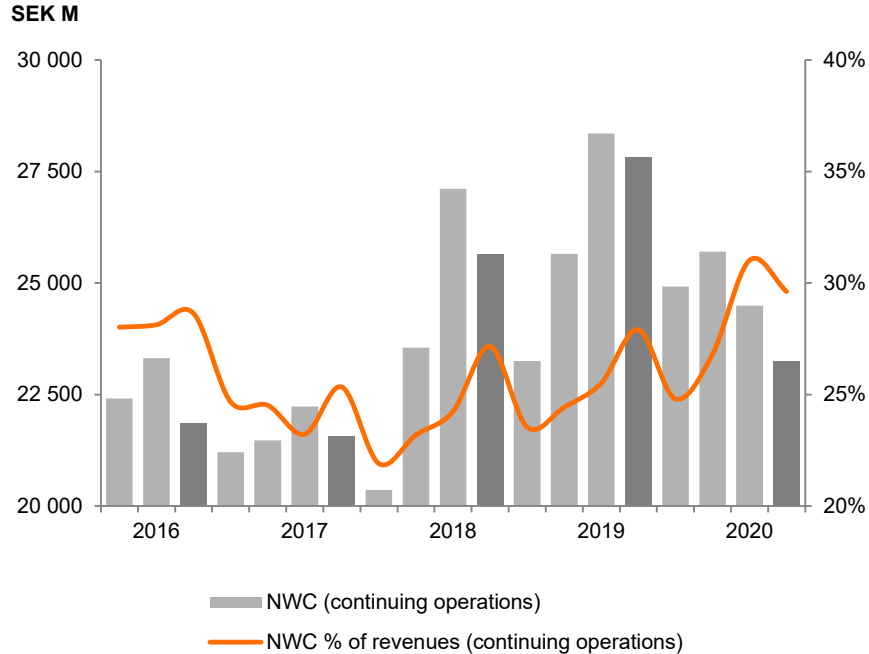
REPORTED AND UNDERLYING TAX RATE

| | Q3 2019 | Q3 2020 |
|---------------|---------|---------|
| REPORTED | 25.8% | 20.1% |
| EXCLUDING IAC | 26.0% | 23.6% |

IN LINE WITH 23-25% GUIDANCE FOR 2020

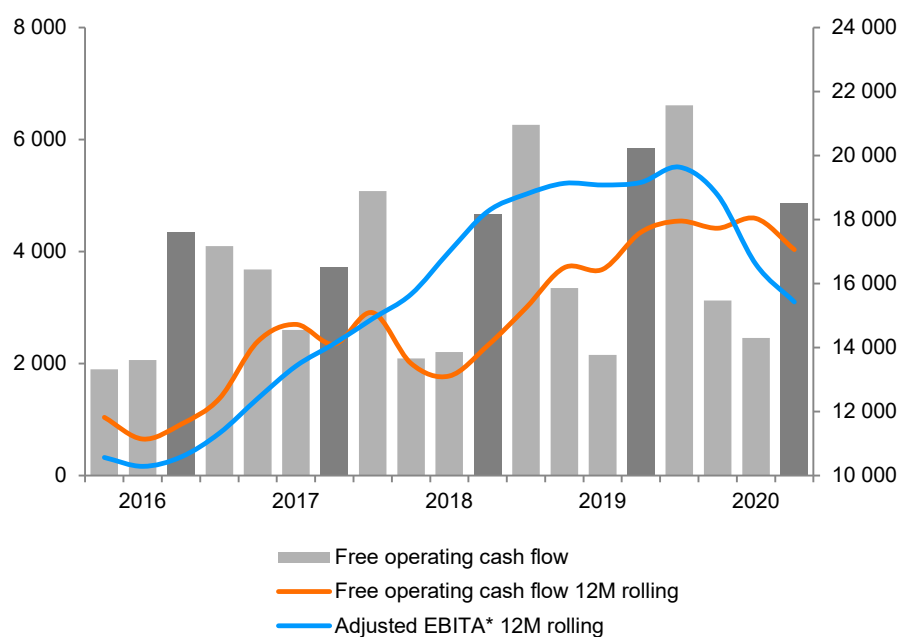
NET WORKING CAPITAL RELATIVE NWC

INVENTORY REDUCTIONS ACROSS ALL BUSINESS AREAS



FREE OPERATING CASH FLOW

SEK M



SEK M

Q3 2019

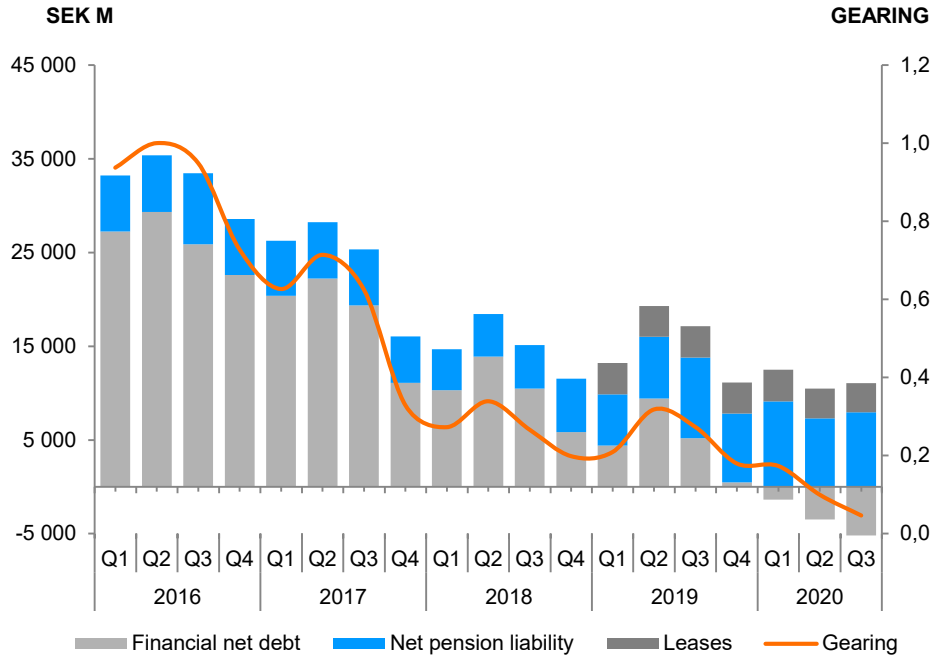
Q3 2020

| | | |
|-------------------|--------|--------|
| EBITDA + non-cash | 5,533 | 4,739 |
| NWC change | 1,392 | 877 |
| Capex* | -1,085 | -749 |
| FOCF** | +5,840 | +4,867 |

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

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

NET DEBT



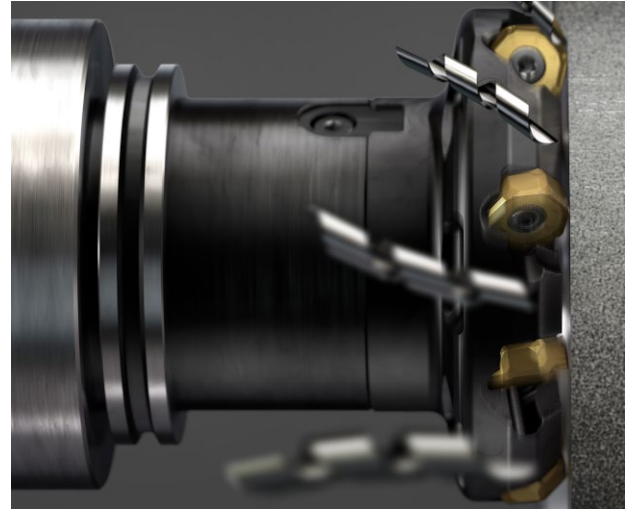
- Net gearing at 0.05
- Net cash position SEK 8.0 B

OUTCOME Q3

Q3 2020

| | | |
|--|------|--------|
| Underlying currency effect (SEK M): | -482 | (-250) |
| Total currency effect (SEK M): | -525 | |
| Metal price effect in quarter (SEK M): | -25 | (-50) |

| | |
|--------------------------|------|
| Capex (SEK B): | 0.6 |
| Interest net (SEK B): | -0.1 |
| Normalized tax rate (%): | 23.6 |



GUIDANCE Q420 AND FY2020

CAPEX (CASH)

Estimated to **<SEK 3.5 B for 2020**

CURRENCY EFFECTS

Given currency rates at end of September 2020 the effect on operating profit from transaction and translation would be **SEK -350 M for Q4 2020**

METAL PRICE EFFECTS

Given currency rates, stock levels and metal prices at the end of September 2020, it is estimated that effect on operating profit in **Q4 2020 will be SEK +50 M**

INTEREST NET

Underlying interest net is estimated at less than about **SEK -500 M for 2020**

NORMALIZED TAX RATE

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

STRONG MARGINS THROUGH RECOVERY PHASE

GRADUAL RECOVERY AND CONTINUED RESILIENCE IN EARNINGS PERFORMANCE

- Stabilization and gradual recovery in several businesses
 - Strong support from previously announced savings programs and reduced spend
-

STRONG BALANCE SHEET

- Good cash flow
 - Net cash position
-

LOOKING AHEAD

- Recovery expected to continue but market conditions will remain uncertain
 - Permanent savings replacing short-term savings going into 2021
-

BUILDING A MORE AGILE AND GROWTH-FOCUSED SANDVIK

- Board decision to proceed with the separate listing of Sandvik Materials Technology
- New business area Sandvik Rock Processing Solutions as of 1 January 2021

BACK-UP SLIDES

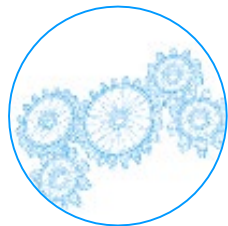




MINING
(37%)



ENERGY
(12%)



**GENERAL
ENGINEERING**
(21%)



CONSTRUCTION
(8%)



AUTOMOTIVE
(11%)



AEROSPACE
(7%)

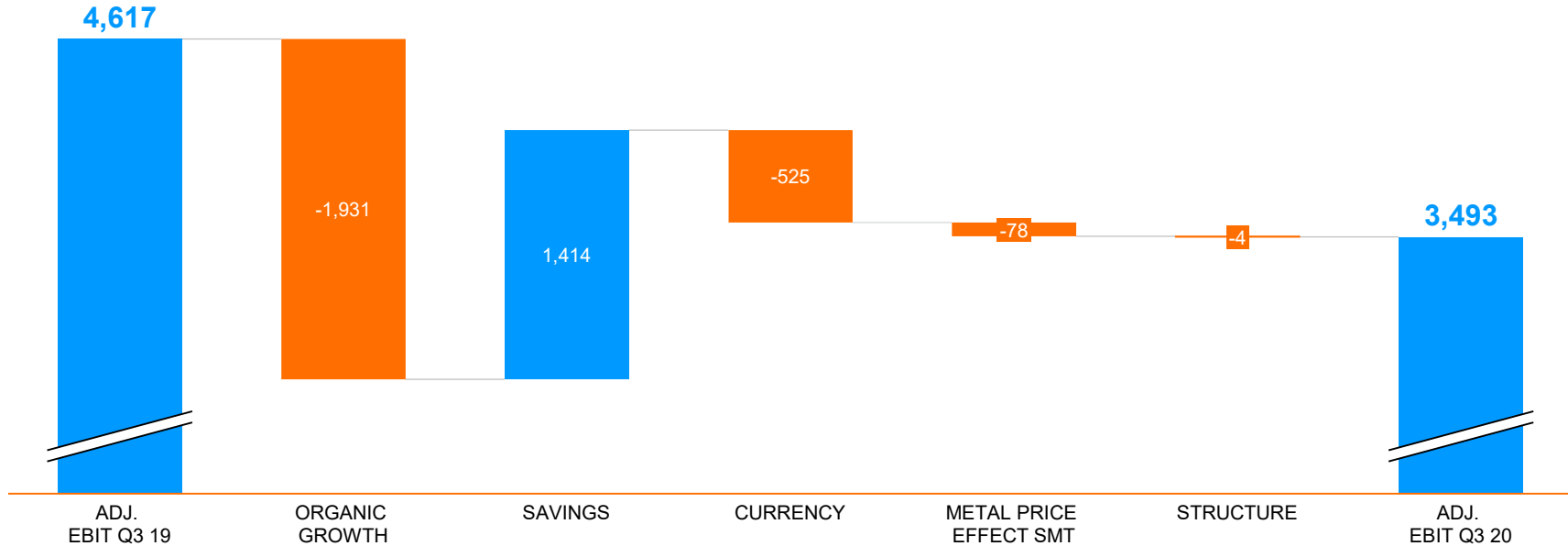
END-CUSTOMER SEGMENTS

(% 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:

-19%



ADJUSTED
EBIT MARGIN

18.3%

17.3%

BRIDGE ANALYSIS

| SEK M | Q3 2019 | PRICE/ VOLUME/ PRODUCTIVITY | CURRENCY | STRUCTURE/ METALS SMT* | Q3 2020 |
|---------------------------------------|---------|--------------------------------|----------|---------------------------|---------|
| MACHINING SOLUTIONS | | | | | |
| REVENUES | 9,927 | -2,127 | -523 | +48 | 7,325 |
| ADJUSTED EBIT | 2,173 | -639 | -140 | -18 | 1,377 |
| ADJUSTED EBIT MARGIN | 21.9% | -30% | - | - | 18.8% |
| MINING AND ROCK TECHNOLOGY | | | | | |
| REVENUES | 11,244 | -235 | -1,066 | -8 | 9,935 |
| ADJUSTED EBIT | 2,338 | +67 | -321 | -1 | 2,083 |
| ADJUSTED EBIT MARGIN | 20.8% | N/A | - | - | 21.0% |
| MATERIALS TECHNOLOGY | | | | | |
| REVENUES | 3,482 | -387 | -144 | -66 | 2,886 |
| ADJUSTED EBIT | 236 | -20 | -28 | -72 | 116 |
| ADJUSTED EBIT MARGIN | 6.8% | -5% | - | - | 4.0% |

Includes metal price effects within Sandvik Materials Technology of SEK -77 M in alloy surcharges on revenues and SEK -25 M (+54) in metal price effect on EBIT. Structure includes predominately divestment of Varel SEK -510 M on topline and +8 M on EBIT.

LOAN AND DURATION PROFILE



LONG TERM
81%

| | AMOUNT MSEK | AVERAGE DURATION |
|----------------------------|-------------|------------------|
| US Private Placement | - | - |
| Fin institutions, EIB, NIB | - | - |
| Swedish MTN | 1,650 | 2 years |
| European MTN | 10,861 | 6 years |
| Bank loans | 32 | 2 years |
| Share swap | - | - |



SHORT TERM
19%

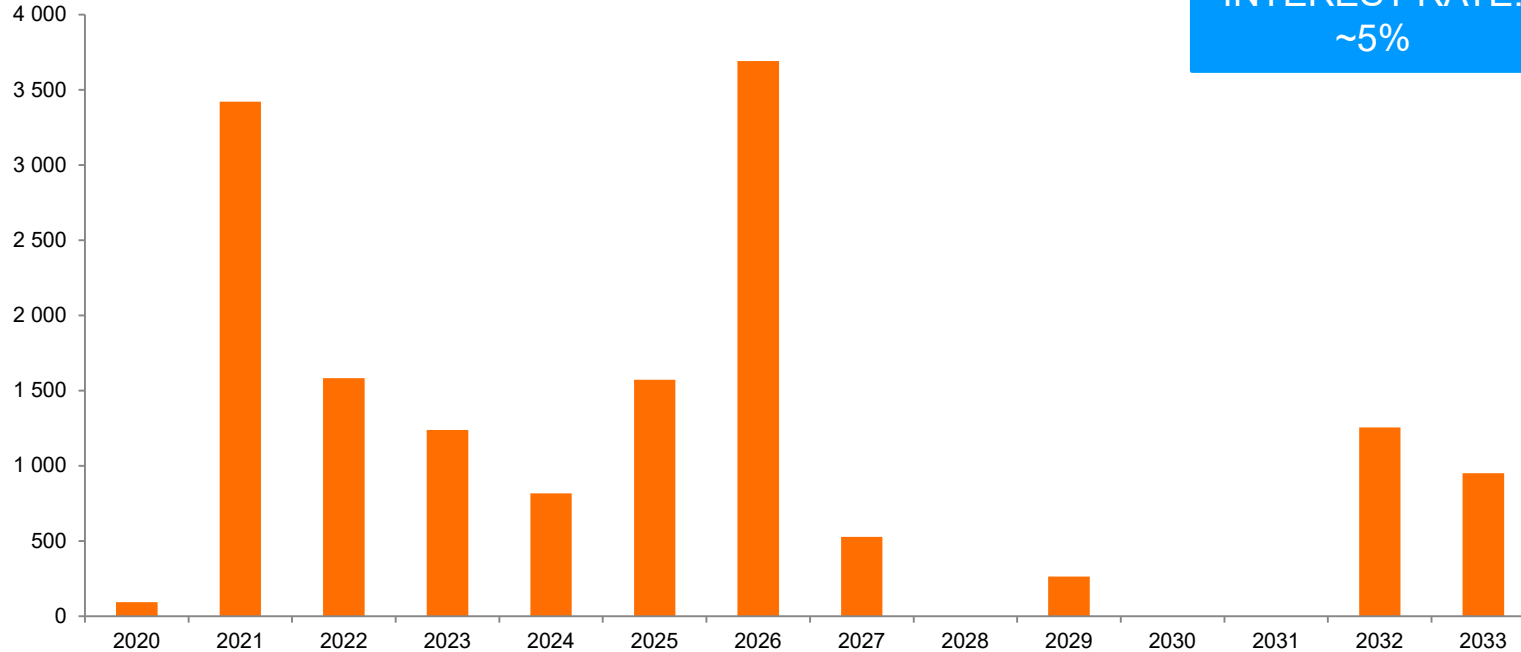
| | | |
|----------------------------|-------|----------|
| US Private Placement | - | - |
| Fin institutions, EIB, NIB | - | - |
| Swedish MTN | 2,000 | 1 month |
| European MTN | 738 | 4 months |
| Bank loans | 197 | 5 months |
| Share swap | - | - |

Cash position **SEK 23,443 M**
Committed Credit facilities **SEK 9,100 M**

| | | |
|--------------|---------------|----------------|
| TOTAL | 15,478 | 5 years |
|--------------|---------------|----------------|

LOAN MATURITY PROFILE

MSEK



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.”

