

# INTERIM REPORT FIRST QUARTER 2018



## STRONG START TO THE YEAR

**CEO'S COMMENT:** "The year got off to a strong start with a broad-based increase in customer activity resulting in growth in orders and revenues as well as increased earnings and margins compared with the year-earlier period. In addition, we made further progress in relation to our active portfolio management. I am pleased with the performance of the Group," says Björn Rosengren, CEO and President of Sandvik.

"Underlying demand improved in all business areas and geographical regions, yielding a book-to-bill of 107%. The strong growth in revenues supported operating profit, which increased by 22% to a record-high level of 4.3 billion SEK (3.5). All business areas improved their operating margin, contributing to the total improved level of 18.0% (16.1). I am particularly pleased with the performance of Sandvik Machining Solutions. I see additional potential for the operating margin in Sandvik Mining and Rock Technology, driven partially by a

greater focus on internal efficiency. In Sandvik Materials Technology, the ongoing efficiency measures are progressing according to plan."

"The strong operating result in the quarter combined with the recent divestments - in January we completed the divestment of the welding wire business to ESAB - all contributed to a further strengthening of the balance sheet. This creates capacity to grow the core business of Sandvik. At the end of the first quarter, the net gearing had been reduced to 0.27 (0.63)."

"During the quarter, we announced an investment of about 200 million SEK in a new plant for manufacturing titanium and nickel fine metal powders in Sandvik Materials Technology. The new plant will complement our existing stainless-steel powder offering and thereby strengthen our position in the market for metal powder and metal additive manufacturing."

FINANCIAL OVERVIEW, MSEK	Q1 2017*	Q1 2018	CHANGE %	Q1-Q4 2017*
<i>Continuing operations</i>				
Order intake <sup>1)</sup>	24 916	25 419	+7	95 444
Revenues <sup>1)</sup>	21 758	23 685	+14	90 827
Gross profit	8 904	9 716	+9	36 601
% of revenues	40.9	41.0		40.3
Operating profit	3 495	4 271	+22	18 073
% of revenues	16.1	18.0		19.9
Adjusted operating profit <sup>4)</sup>	3 495	4 271	+22	14 613
% of revenues	16.1	18.0		16.1
Profit after financial items	3 107	4 018	+29	16 992
% of revenues	14.3	17.0		18.7
Profit for the period	2 271	2 953	+30	13 212
% of revenues	10.4	12.5		14.5
of which shareholders' interest	2 272	2 953	+30	13 226
Earnings per share, SEK <sup>2)</sup>	1.81	2.35	+30	10.54
Adjusted earnings per share, SEK <sup>2) 4)</sup>	1.81	2.35	+30	8.04
Return on capital employed, % <sup>3)</sup>	18.0	21.6		23.8
Cash flow from operations	+3 202	+1 730	-46	+14 752
Net working capital, % <sup>3)</sup>	24.5	23.2		23.5
<i>Discontinued operations</i>				
Profit for the period	-10	-20	-98	-52
Earnings per share, SEK <sup>2)</sup>	-0.01	-0.01		-0.04
<i>Group Total</i>				
Profit for the period	2 261	2 933	+30	13 160
Earnings per share, SEK <sup>2)</sup>	1.80	2.34	+30	10.50
Adjusted earnings per share, SEK <sup>2) 4)</sup>	1.80	2.34	+30	7.99

1) Change from the preceding year at fixed exchange rates for comparable units.

2) Earnings per share after impact from dilution in continuing operations Q1 2018 is 2.35 SEK (1.81) and for Group total 2.33 SEK (1.80). For full year 2017 in continuing operations 10.53 SEK (5.48) and Group total 10.49 SEK (4.39).

3) Quarter is quarterly annualized and the year-to-date numbers are based on a four quarter average.

4) Operating profit adj. for items affecting comparability of -450 million SEK in Q2 2017 and +3 910 million SEK in Q4 2017. EPS is adjusted for the corresponding tax effects.

\* Restated according to IFRS15, where applicable

Tables and calculations do not always agree exactly with the totals due to rounding.

Comparisons refer to the year-earlier period, unless stated otherwise.

For definitions see [home.sandvik](http://home.sandvik)

N/M = non meaningful

## MARKET DEVELOPMENT AND EARNINGS

### GROWTH

Q1	ORDER INTAKE	REVENUES
Price/volume, %	+7	+14
Structure, %	-3	-2
Currency, %	-2	-2
<b>TOTAL, %</b>	<b>+2</b>	<b>+9</b>

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

**In the first quarter, order intake and revenues improved organically year-on-year by 7% and 14% respectively, with positive development in all business areas.** Excluding the impact from a large order received in the year-earlier period, order intake increased by 9%. Sandvik Machining Solutions reported organic order growth of 8%. In Sandvik Mining and Rock Technology, orders improved organically by 4%, from the high level in the year-earlier period. Sandvik Materials Technology reported an organic increase of 13% in orders and, excluding the impact of the large order received in the year-earlier period, orders increased by 27%.

In the three major regions, Asia displayed strongest momentum with growth of 19%, supported by a significant increase in China. Europe improved by 6% with strong development across most countries. North America posted stable development with 0% growth, however order intake increased by 8% excluding the major order received in the year-earlier period.

Customer activity improved in all customer segments barring mining, which remained stable on a high level.

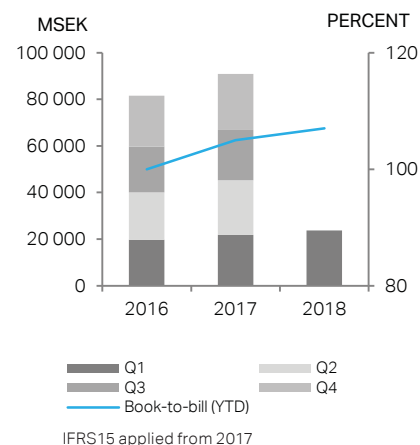
Changed exchange rates had a negative impact of -2% on both order intake and revenues.

**Operating profit rose by 22% year-on-year to 4,271 million SEK (3,495) and the operating margin was 18.0% (16.1), with the improvement supported primarily by the strong organic growth.** All three business areas reported double-digit increases in operating profit, underpinned by strong organic revenue growth. The largest improvements were noted in Sandvik Machining Solutions and Sandvik Mining and Rock Technology at 23% and 19%, respectively. The improvement for Sandvik Materials Technology was 10%.

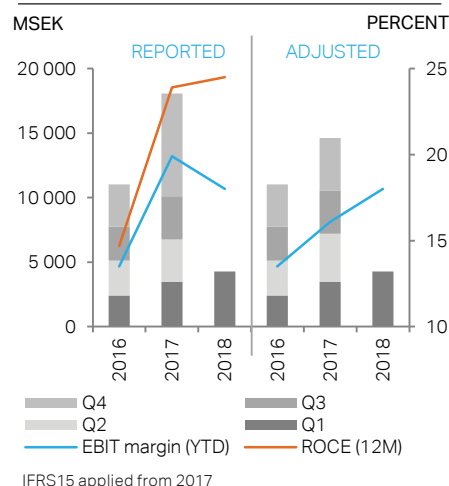
Total costs for sales and administration rose by 2% as an increase in sales costs driven by high market activity more than off-set the reduction driven by currency and changed structure. In total, the ratio to revenues decreased to 20% (21). Changed exchange rates adversely impacted operating profit by -255 million SEK. Changed metal prices had a positive impact of 101 million SEK (129) on results.

Finance net improved significantly year-on-year to -253 million SEK (-388) related to a lower debt level and a reduction in the amount of borrowing in high-yielding currencies due to an increase in capital injections in foreign subsidiaries. The tax rate was 26.5% (26.9) for continuing operations. The tax rate for the Group in total was 26.6% (27.0) for the quarter.

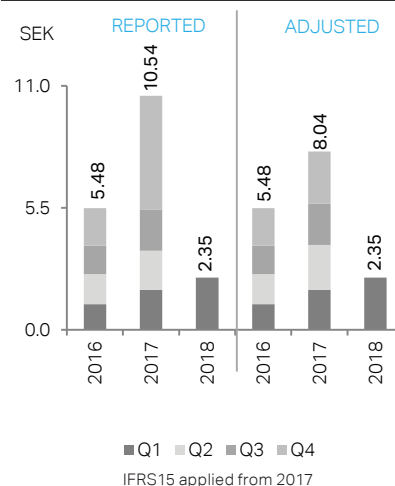
### REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT & RETURN



### EARNINGS PER SHARE



## CASH FLOW AND BALANCE SHEET

**Capital employed** increased year-on-year to 83.2 billion SEK (80.0) due to increased net working capital and a higher cash balance.

**Net working capital** increased year-on-year to 23.6 billion SEK (21.5). Higher inventories and accounts receivables, due to increased customer demand, more than offset the increase in accounts payables and customer advances. Net working capital in relation to revenues declined to 23% (25) for the quarter.

**Investments** in tangible and intangible assets after the first quarter amounted to 741 million SEK (703), corresponding to 72% of depreciation and amortisations. Investments are seasonally higher in the second half of the year.

**Net debt** amounted to 14.7 billion SEK in the first quarter, declining both year-on-year from 26.3 billion SEK and sequentially from 16.0 billion SEK. The net debt to equity ratio declined year-on-year to 0.27 (0.63). The net pension liability declined year-on-year to 4.4 billion SEK (5.9) due to changed discount rates. Interest-bearing debt with short-term maturity accounted for 4% of total debt.

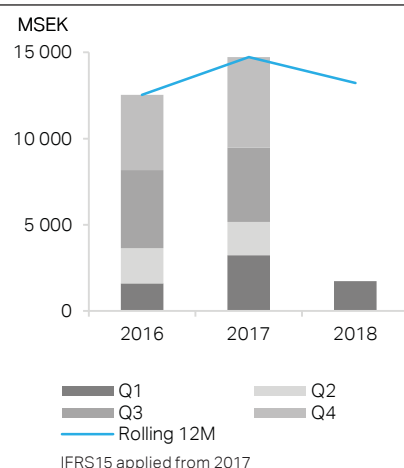
**Cash flow** from operations was 1.7 billion SEK and declined year-on-year (3.2), as higher operating earnings were more than offset by a build-up of working capital required to manage the recent strong order intake as well as to ensure timely customer deliveries in general. Consequently, free operating cash flow decreased by -43% year-on-year to 2.1 billion SEK (3.7).

CASH FLOW	Q1 2017	Q1 2018
EBITDA	4 653	5 450
Non-cash items	+107	+ 220
Net Working Capital change	-213	-2 710
Capex*	-864	-865
<b>FREE OPERATING CASH FLOW**</b>	<b>3 682</b>	<b>2 095</b>
Net financial items	-388	-253
Paid tax	-743	-843
Cash flow investing activities (reversed)	+647	+403
Acquisitions of companies and shares, net of cash	0	0
Proceeds from sale of companies and shares, net of cash	0	+330
Other investments, net	+3	-3
<b>CASH FLOW FROM OPERATIONS</b>	<b>3 202</b>	<b>1 730</b>

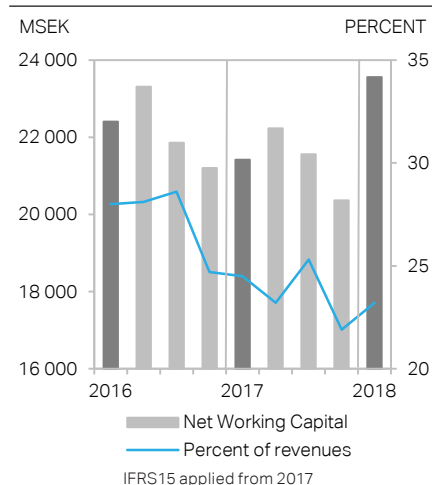
\* Including investments and disposals of rental equipment of -133 million SEK (-214) and investments and disposals of tangible and intangible assets of -731 million SEK (-650).

\*\* Free operating cash flow before acquisitions and disposals of companies, financial items and taxes.

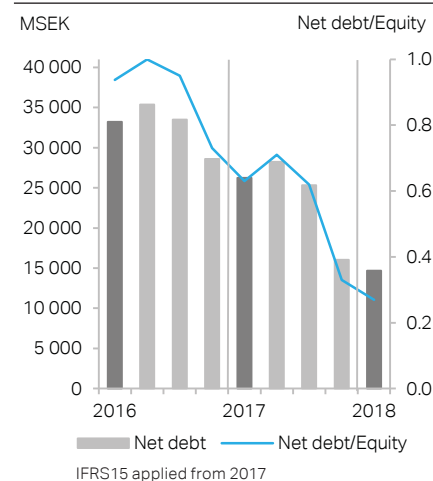
### CASH FLOW FROM OPERATIONS



### NET WORKING CAPITAL



### NET DEBT, GROUP TOTAL



## SANDVIK MACHINING SOLUTIONS

**RECORD-HIGH QUARTER FOR REVENUES AND OPERATING PROFIT**

**STRONG DEMAND IN ALL REGIONS AND CUSTOMER SEGMENTS**

**SLIGHT INVENTORY BUILD-UP TO MAINTAIN SERVICE LEVEL**



### GROWTH

Q1	ORDER INTAKE	REVENUES
Price/volume, %	+8	+10
Structure, %	+0	+0
Currency, %	-0	-1
<b>TOTAL, %</b>	<b>+8</b>	<b>+10</b>

*Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.*

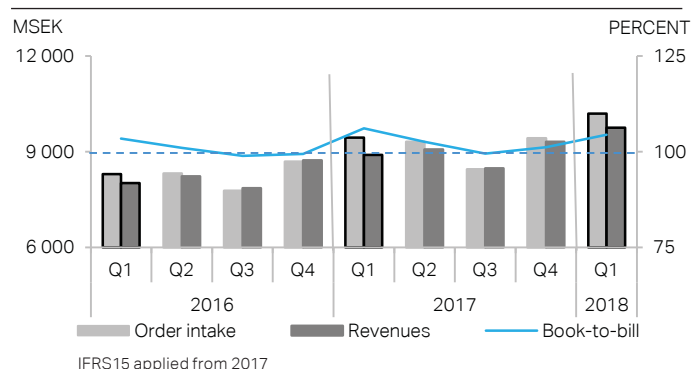
**Order intake and revenues reached record-high levels and increased significantly year-on-year by 8% and 10%, respectively. Demand improved in all geographical regions as customer activity intensified in all segments.**

Key items impacting order intake and revenues compared with the year-earlier period:

- The number of working days had a negative impact of about -1% on both order intake and revenues.
- Revenues in Asia increased organically by 14%, due largely to high customer activity in China and across all segments.
- In Europe, revenues improved organically by 10%, including the above-average adverse impact from working days. Demand improved in all customer segments as well as in most local markets.
- Revenues improved organically by 7% in North America, with positive development across all segments except automotive, which remained stable.

- A slight build-up of inventories to secure future customer deliveries supported the operating margin by 0.5% year-on-year.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL

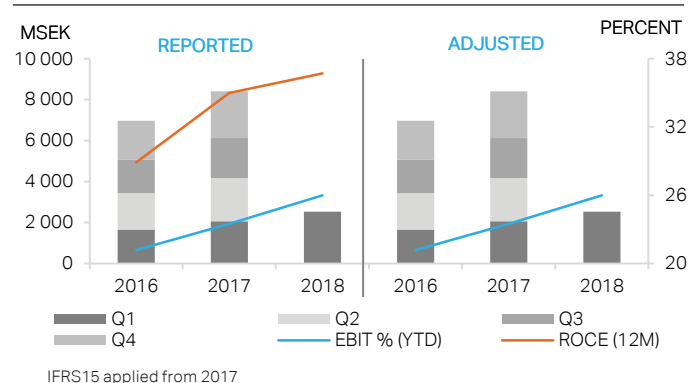


**Operating profit reached a record-high quarterly level of 2,538 million SEK (2,068) and the operating margin improved significantly to 26.0% (23.2). Operating profit improved by 23% year-on-year, including a negative impact from changed exchange rates.**

Items impacting operating profit and operating margin:

- Positive organic growth in revenues of 10%.
- Changed exchange rates had an adverse impact of -31 million SEK on operating profit.
- Year-on-year savings from previously announced and completed efficiency measures amounted to 20 million SEK.

### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2017	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	9 450	10 198	+8 *	36 636
Revenues	8 904	9 761	+10 *	35 777
Operating profit	2 068	2 538	+23	8 413
% of revenues	23.2	26.0		23.5
Return on capital employed, % <sup>1)</sup>	33.7	41.6		35.0
Number of employees	18 650	18 796	+1	18 693

\* At fixed exchange rates for comparable units.

<sup>1)</sup> Quarter is quarterly annualized and the year-to-date numbers are based on a four quarter average.

For definitions see [home.sandvik](http://home.sandvik)

## SANDVIK MINING AND ROCK TECHNOLOGY

HIGH LEVEL OF DEMAND FOR REPLACEMENT EQUIPMENT

HIGH CUSTOMER ACTIVITY IN THE AFTERMARKET BUSINESS

SIGNIFICANT EARNINGS AND MARGIN IMPROVEMENT



### GROWTH

Q1	ORDER INTAKE	REVENUES
Price/volume, %	+4	+16
Structure, %	+0	+0
Currency, %	-4	-4
TOTAL, %	-0	+11

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

Order intake improved organically by 4% year-on-year despite difficult comparisons resulting from the high order level in the year-earlier period. Revenues increased organically by 16% supported by strong order intake in recent quarters and favourable demand in the aftermarket business.

Key items impacting order intake and revenues compared with the year-earlier period:

- Underlying customer activity level for equipment remained stable on a high level year-on-year. Total order intake for equipment declined slightly year-on-year, on tough comparables resulting from the quarterly peak in 2017 and timing in placing orders.
- Demand in the aftermarket business improved significantly, with strong development for both parts & service and consumables.
- In the equipment business, underground loading and hauling reported the strongest contribution to growth in relative terms.
- The strong customer activity was broad based across the major commodity exposures.
- High customer activity level in automation, with strong growth in orders albeit from a low base.
- The aftermarket business accounted for 64% of revenues while the equipment business accounted for 36%.

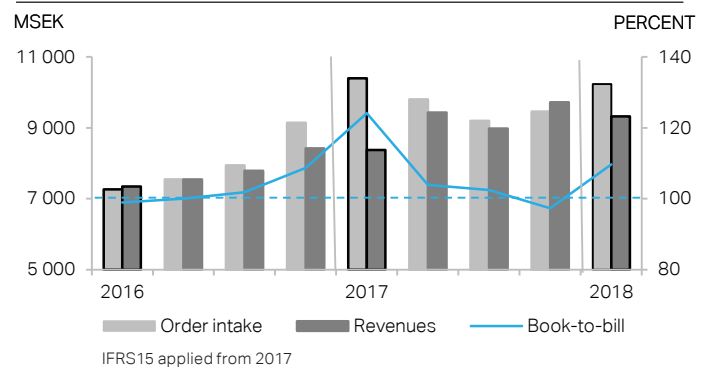
Operating profit improved by 19% and the operating margin increased to 15.0% (14.0), including a significant adverse impact from changed exchange rates.

Items impacting operating profit and operating margin:

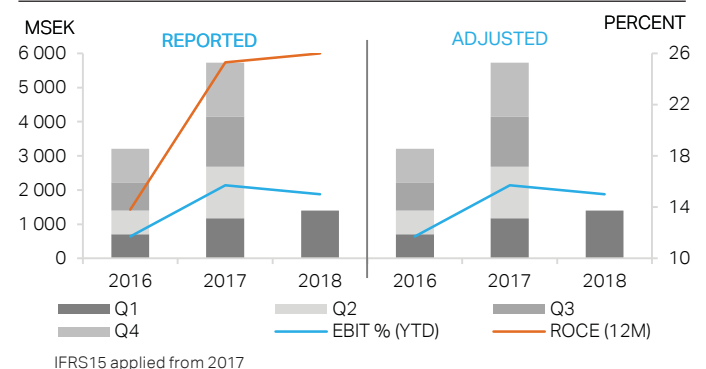
- Positive organic growth in revenues of 16% improved the absorption of fixed costs in production.

- Changed exchange rates impacted operating profit by -252 million SEK.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2017	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	10 247	10 230	+4 *	38 973
Revenues	8 371	9 324	+16 *	36 495
Operating profit	1 173	1 402	+19	5 724
% of revenues	14.0	15.0		15.7
Return on capital employed, % <sup>1)</sup>	20.6	23.9		25.3
Number of employees	14 712	15 256	+4	15 151

\* At fixed exchange rates for comparable units.

<sup>1)</sup> Quarter is quarterly annualized and the year-to-date numbers are based on a four quarter average.

For definitions see [home.sandvik](http://home.sandvik)

## SANDVIK MINING AND ROCK TECHNOLOGY

### CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q1 2017	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	10 247	10 230	+4 *	38 973
Revenues	8 371	9 324	+16 *	36 495
Operating profit	1 173	1 402	+19	5 724
% of revenues	14.0	15.0		15.7

\* At fixed exchange rates for comparable units.

### DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q1 2017 <sup>1)</sup>	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	510	57	-3 *	1 299
Revenues	667	296	+5 *	3 079
Operating profit	-13	-23	-74	-62
% of revenues	-1.9	-7.8		-2.0

\* At fixed exchange rates for comparable units.

<sup>1)</sup> Includes Mining Systems as before divestment.

Order intake declined organically by -3% year-on-year as only a few service related orders were booked as the divestment of Mining Systems to FLSmidth and NEPEAN has been completed. Revenues increased by +5% year-on-year at fixed exchange rates for comparable units. The operating loss amounted to -23 million SEK (-13) million SEK. Changed exchange rates impacted earnings negatively by -4 million SEK.

In the fourth quarter 2017 the closure of the deal exiting the Mining Systems business was announced.

The Mining Systems conveyor components business, including the closely related specialist conveyor systems business in Hollola (Finland), was divested to NEPEAN.

The Mining Systems project business was divested to FLSmidth.

Mining Systems has been reported in discontinued operations and the divested businesses has as of 2 November 2017 been deconsolidated from Sandvik's financial statements. The projects to be finalized during 2018-2019 by Sandvik, through an operational agreement with FLSmidth, will however remain reported in discontinued operations.

### SANDVIK MINING AND ROCK TECHNOLOGY TOTAL

FINANCIAL OVERVIEW, MSEK	Q1 2017	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	10 757	10 287	+4 *	40 272
Revenues	9 038	9 620	+15 *	39 574
Operating profit	1 160	1 379	+19	5 662
% of revenues	12.8	14.3		14.3

\* At fixed exchange rates for comparable units.

## SANDVIK MATERIALS TECHNOLOGY

### SIGNIFICANT ORDER GROWTH

### INCREASED CUSTOMER ACTIVITY IN STANDARDIZED TUBULAR OFFERING

### EFFICIENCY MEASURES ACCORDING TO PLAN



### GROWTH

Q1	ORDER INTAKE	REVENUES
Price/volume, %	+13	+18
Structure, %	-3	-2
Currency, %	-2	-1
<b>TOTAL, %</b>	<b>+7</b>	<b>+14</b>

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect

**Organic order intake increased by 13% although excluding the impact from the major order in the year-earlier period, order intake improved by 27%. Revenues improved organically by 18%. Higher alloy prices positively impacted both order intake and revenues by 2%, primarily related to nickel.**

Key items impacting order intake and revenues compared with the year-earlier period:

- Demand improved for the more standardized tubular product offering. The improvement was broad based with the largest increase in customer demand in relative terms observed in the opex-related energy segment.
- For the more capex-related tubular offering, demand remained stable in the quarter.
- Higher demand for heating systems and high-alloy metal powder for such applications as additive manufacturing.

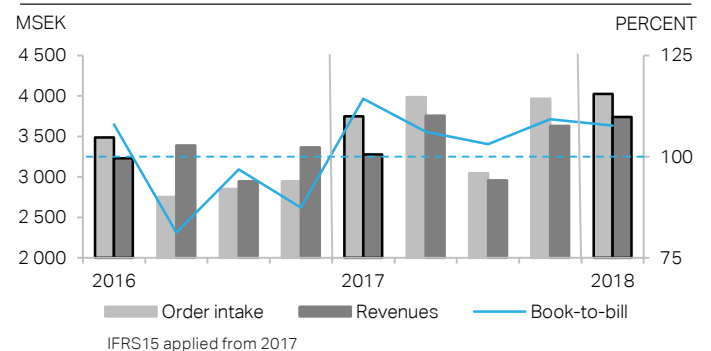
**Operating profit improved to 369 million SEK (335) and the reported operating margin remained largely stable at 9.9% (10.2), including a positive impact from changed exchange rates. Excluding metal price effects, operating profit was 268 million SEK (205) and the operating margin was 7.2% (6.3).**

Items impacting operating profit and operating margin:

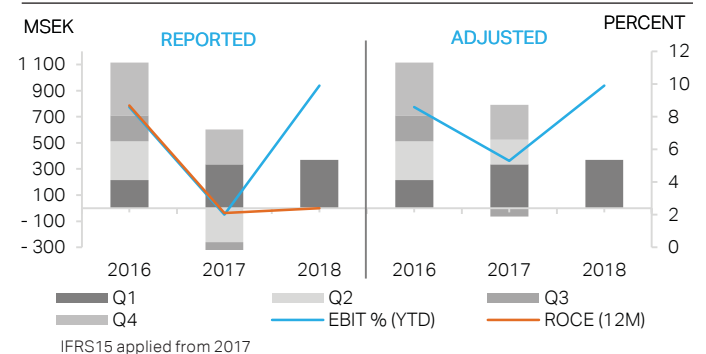
- Excluding the positive impact from alloy prices the organic growth was 16%, which improved the absorption of fixed costs in production.
- In January, Sandvik Materials Technology announced that the divestment of the welding wire business to ESAB had been completed. The divestment generated a capital gain, which had a positive impact on the operating result of 135 million SEK.
- Negative impact of -133 million SEK related to ongoing efficiency measures.

- Inventory build-up was lower year-on-year, implying an adverse impact on the margin of -1% compared with the year-earlier period.
- Changed exchange rates had a positive impact of 33 million SEK on operating profit.
- Changed metal prices had a positive impact of 101 million SEK (129) on operating profit in the quarter.

### ORDER INTAKE, REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT AND RETURN



### FINANCIAL OVERVIEW, MSEK

	Q1 2017	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	3 746	4 024	+13 *	14 739
Revenues	3 277	3 738	+18 *	13 618
Operating profit	335	369	+10	277
% of revenues	10.2	9.9		2.0
Adjusted operating profit **	335	369	+10	727
% of revenues	10.2	9.9		5.3
Return on capital employed, % <sup>1)</sup>	10.1	11.6		2.1
Number of employees	6 575	6 320	-4	6 538

\* At fixed exchange rates for comparable units, \*\* Operating profit adjusted for items affecting comparability of -450 million SEK in Q2 2017.  
<sup>1)</sup> Quarter is quarterly annualized and the year-to-date numbers are based on a four quarter average.

For definitions see home.sandvik

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## OTHER OPERATIONS

### Organic order intake and revenues improved by 4% and 7% respectively, as Hyperion reported an improvement in customer activity.

Key items impacting order intake and revenues compared with the year-earlier period:

- Hyperion reported growth in both order intake and revenues, supported by a general positive trend in customer activity in most segments.

### The operating profit amounted to 102 million SEK (126) and the operating margin increased to 11.9% (10.5).

Items impacting operating profit and operating margin:

- Both operating profit and operating margin improved in Hyperion, supported by positive organic growth.
- Changed exchange rates had an adverse impact of -9 million SEK on operating profit.

During the fourth quarter Sandvik announced it has signed an agreement to divest Hyperion to the US listed investment firm KKR at a price of about 4 billion SEK. Hyperion, with approximately 1,400 employees, has in 2017 reported revenues of 3.3 billion SEK. Hyperion will remain reported in Other Operations in the Sandvik financial statements until closure of the deal. The closing of the transaction is expected during the summer of 2018 and is subject to the approval of relevant authorities. Upon closing, the transaction will generate a capital gain to be reported in Sandvik's financial statements.

### GROWTH

Q1	ORDER INTAKE	REVENUES
Price/volume, %	+4	+7
Structure, %	-36	-33
Currency, %	-2	-2
TOTAL, %	-34	-29

Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

FINANCIAL OVERVIEW, MSEK	Q1 2017 <sup>3)</sup>	Q1 2018	CHANGE %	Q1-Q4 2017
Order intake	1 473	967	+4 *	5 096
Revenues	1 206	862	+7 *	4 937
Operating profit	126	102	-19	4 433
% of revenues	10.5	11.9		89.8
Adjusted operating profit <sup>1)</sup>	126	102		522
% of revenues	10.5	11.9		10.6
Return on capital employed, % <sup>2)</sup>	13.4	14.3		123.9
Number of employees	1 945	1 489	-23	1 531

\* At fixed exchange rates for comparable units.

1) Operating profit adj. for items affecting comparability of +3 910 million SEK in Q4 2017.

2) Quarter is quarterly annualized and the year-to-date numbers are based on a four quarter average.

3) Includes Process Systems which was divested during 2017

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## PARENT COMPANY

The parent company's revenues after the first quarter of 2018 amounted to 4,364 million SEK (4,219) and the operating result was 627 million SEK (522). Income from shares in Group companies consists primarily of dividends and Group contributions to these and amounted after the first quarter to 1,060 million

SEK (-645). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 15,947 million SEK (13,056). Investments in property, plant and equipment amounted to 144 million SEK (174).

## ACQUISITIONS AND DIVESTMENTS

### ACQUISITIONS DURING THE MOST RECENT 12-MONTH PERIOD

No acquisitions in the period.

### DIVESTMENTS DURING THE MOST RECENT 12-MONTH PERIOD

	COMPANY / UNIT	CLOSING DATE	ANNUAL REVENUE MSEK	NO. OF EMPLOYEES
Discontinued operations	Sandvik Mining Systems	2 November 2017	3,400 (Jan - Oct 2017 annualized)	560
Other operations	Sandvik Process Systems	1 December 2017	1,800 (Jan - Nov 2017 annualized)	520
Sandvik Materials Technology	Welding Wire	31 January 2018	490 in 2017	120

## SIGNIFICANT EVENTS

- On 31 January 2018 Sandvik Materials Technology announced that the divestment of the welding wire business to ESAB was completed.

- On April 18, after the close of the first quarter, S&P Global Ratings revised its outlook on Sandvik AB to positive from stable. At the same time the credit rating BBB+ on Sandvik's debt was affirmed.

## GUIDANCE

Guidance below relates to continuing operations.

Sandvik does not provide a market outlook or business performance forecasts. However, guidance relating to certain non-operational key figures considered useful when modeling financial outcomes is provided in the table below:

<b>CAPEX</b>	Estimated at about 4 billion SEK for 2018
<b>CURRENCY EFFECTS</b>	Based on currency rates at the end of March 2018, it is estimated that transaction and translation currency effects will have a largely neutral impact on operating profit for the second quarter of 2018, compared with the year-earlier period
<b>METAL PRICE EFFECTS</b>	In view of currency rates, inventory levels and metal prices at the end of March 2018, it is estimated that there will be a positive impact of about +100 million SEK on operating profit in Sandvik Materials Technology for the second quarter of 2018
<b>NET FINANCIAL ITEMS</b>	Estimated at about -1 billion SEK in 2018
<b>TAX RATE</b>	Estimated at about 26% - 28% for 2018

## ACCOUNTING POLICIES

This interim report was prepared in accordance with IFRS, applying IAS 34, Interim Financial Reporting. The same accounting and valuation policies were applied as in the most recent annual report with the exception of new and revised standards and interpretations effective from 1 January 2018.

The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Securities Market Act, which is in line with standard RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board.

As from 1 January 2018 the Sandvik Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The effect from the transition to the new standards is minor.

### Effects from transition to IFRS 15 Revenue from Contracts with Customers

Effects from applying IFRS 15 are related to the identification of performance obligations where extended warranties now are a separate performance obligation. Certain turn-key projects have been identified as containing performance obligations that shall be bundled. Transfer of control has been identified, for these performance obligations, as taking place over time respectively at a later point in time.

Sandvik has consignment stock arrangements with some customers. By applying transferred physical possession as the indication of transfer of control, it is now identified taking place at an earlier period, when the goods are taken out of inventory by the customer.

### Effects from transition to IFRS 9 Financial Instruments

The new categories of assets introduced are assessed to have minor impact on reporting of trade receivables, loan receivables or investment in securities and shares held on basis of fair value. Sandvik has chosen to make reservations for expected credit losses over the financial assets lifetime based on the simplified model. The Group has chosen to continue to apply IAS 39 Financial Instruments: Recognition and Measurements for its hedge accounting. The Group will not restate prior periods. Any differences between previous carrying amounts and those determined under IFRS 9 at the date of initial application have been included in opening retained earnings and reserves as per 1 January 2018.

### Opening balance adjustments 2018

For IFRS 15 Sandvik applied the partial retrospective approach when transitioning to the new standard. The opening balance for 2018 is adjusted for a decrease in equity with 49 million SEK.

For IFRS 9 the opening balance for 2018 is adjusted for a decrease in equity with 71 million SEK.

### IFRS 15 Sandvik accounting policies

The revenue standard establishes a new five step model of recognizing revenue from customer contracts. It requires revenue to be recognized when control of goods and services are transferred to the customer.

Customer contracts can include variable considerations such as cash discounts, rebates or right of returns. When Sandvik identifies such components the company determines if the identified portion of revenue and any related cost of goods sold should be deferred to a later period. This is established by determining if a significant revenue reversal might not take place, by applying the expected value method or the most likely amount method with the threshold of being highly probable.

If a customer contract is identified including a buy-back clause, exercised at the customer discretion and there is a significant economic incentive for the customer to exercise the option, transfer of control is not considered having taken place. The transaction is then accounted for as an operational leasing in accordance with IAS 17 Leases. If the customer is not considered having a significant economic incentive to exercise the option, the contract is accounted for by applying the principles of right of return in IFRS 15.

Sandvik receives advances from customers, if a significant financing component is identified in the contract the company applies the practical expedient of not recognizing any time value of money for advances being performed upon within 12 months. Sandvik also applies the practical expedient of not recognizing a contract asset for costs to obtain a contract, if the customer contract has duration equal to or shorter than 12 months.

Sandvik allocates the transaction price to each identified performance obligation on a relative stand-alone selling price basis. This means that each performance obligation will be allocated its share of revenue based on its stand-alone selling price put in relation to the sum of all performance obligation's stand-alone selling price. Sandvik usually applies the methods Adjusted market assessment approach and Expected cost plus a margin approach to determine the stand-alone selling price if not observable for one or more of the performance obligations.

Variable consideration is generally allocated proportionally to all performance obligations unless there is evidence that the entire discount does not relate to all performance obligations in the contract.

Sandvik recognizes revenue over time when any of the three over time indicators are identified as being fulfilled. Sandvik applies both the Input and Output method to determine the progress and when revenue should be recognized. The output method is only applied to service contracts and in particular

the expedient allowing regularly invoiced amounts to be an approximation of progress.

The majority of Sandvik's revenues is recognized at a point in time. The transfer of control is identified taking place when any of the five available indicators are fulfilled: significant risks and rewards of ownership, transferred physical possession, the customer has accepted the asset, present right to payment and legal title of goods and services. For sale of goods the transfer of control occurs usually according to the risk and reward criteria. For sale of services the transfer of control usually occurs when the customer has accepted the performed service.

### **IFRS 9 Sandvik accounting policies**

Sandvik's major financial assets are classified as "Hold to collect" and measured at amortized cost. They are impaired by the same impairment model. Sandvik has chosen to make reservations for expected credit losses over the financial asset's lifetime based on the simplified model applying a collective approach.

Equity instruments are measured at FVTPL unless the investment is not held for trading. In this case an irrevocable election can be made to recognize changes in FVTOCI with only dividends recognized in profit and loss.

The Group has chosen to continue to apply IAS 39 Financial Instruments: Recognition and Measurement for its hedge accounting.

### **IFRS16 Leases**

Effective date is 1 January 2019. For Sandvik the application of IFRS 16 will lead to operational leases being recognized on the balance sheet. Sandvik has operational leases regarding offices, warehouses, company cars, production and office equipment. A project is ongoing to assess the magnitude of the financial effects on Sandvik's financial statements and prepare for implementation.

### **Divestments**

The Mining Systems operations and Sandvik Process Systems were divested in the fourth quarter and have been deconsolidated from Sandvik's financial statements. The Mining System's projects that will be finalized during 2018-2019 by Sandvik remains classified as discontinued operations.

In accordance with IFRS 5, the assets and liabilities related to the exit from Hyperion and the planned divestment of the stainless wire businesses in Sandvik Materials Technology are presented as assets/liabilities held for sale in the balance sheet.

## TRANSACTIONS WITH RELATED PARTIES

No transactions between Sandvik and related parties that significantly affected the company's position and results took place.

## RISK ASSESSMENT

Sandvik is a global group represented in 150 countries and as such is exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Sandvik in its work to achieve established targets. Efficient risk management forms part of the ongoing review of the business

and forward-looking assessment of operations. Sandvik's long-term risk exposure is assumed not to deviate from the inherent exposure associated with Sandvik's ongoing business operations. For a more in-depth analysis of risks, refer to Sandvik's Annual Report for 2017.

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q1 2017 <sup>1)</sup>	Q1 2018	CHANGE %	Q1-Q4 2017 <sup>1)</sup>
<i>Continuing operations</i>				
Revenues	21 758	23 685	+9	90 827
Cost of sales and services	-12 854	-13 969	+9	-54 226
<b>Gross profit</b>	<b>8 904</b>	<b>9 716</b>	<b>+9</b>	<b>36 601</b>
% of revenues	40.9	41.0		40.3
Selling expenses	-3 125	-3 231	+3	-12 819
Administrative expenses	-1 478	-1 466	-1	-5 954
Research and development costs	-748	-833	+11	-3 163
Other operating income and expenses	-58	85	N/M	3 408
<b>Operating profit</b>	<b>3 495</b>	<b>4 271</b>	<b>+22</b>	<b>18 073</b>
% of revenues	16.1	18.0		19.9
Net financial items	-388	-253	-35	-1 081
<b>Profit after financial items</b>	<b>3 107</b>	<b>4 018</b>	<b>+29</b>	<b>16 992</b>
% of revenues	14.3	17.0		18.7
Income tax	-836	-1 065	+28	-3 780
<b>Profit for the period, continuing operations</b>	<b>2 271</b>	<b>2 953</b>	<b>+30</b>	<b>13 212</b>
% of revenues	10.4	12.5		14.5
<i>Discontinued operations</i>				
Revenues	668	296	-56	3 079
Operating profit	-13	-23	-74	-62
Profit after financial items	-10	-20	-98	-52
<b>Profit for the period, discontinued operations</b>	<b>-10</b>	<b>-20</b>	<b>-98</b>	<b>-52</b>
<i>Group total</i>				
Revenues	22 426	23 981	+7	93 906
Operating profit	3 482	4 248	+22	18 011
Profit after financial items	3 097	3 998	+29	16 940
<b>Profit for the period, Group total</b>	<b>2 261</b>	<b>2 933</b>	<b>+30</b>	<b>13 160</b>
<i>Items that will not be reclassified to profit or loss</i>				
Actuarial gains/losses on defined benefit pension plans	165	720		860
Tax relating to items that will not be reclassified	-48	-161		-109
	<b>117</b>	<b>560</b>		<b>751</b>
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences	88	1 629		-1 353
Cash flow hedges	39	8		86
Tax relating to items that may be reclassified	-9	-2		-19
	<b>118</b>	<b>1 635</b>		<b>-1 286</b>
<b>Total other comprehensive income</b>	<b>235</b>	<b>2 195</b>		<b>-535</b>
<b>Total comprehensive income</b>	<b>2 496</b>	<b>5 128</b>		<b>12 625</b>
Profit for the period attributable to				
Owners of the Parent	2 262	2 933		13 174
Non-controlling interests	-1	-		-14
Total comprehensive income attributable to				
Owners of the Parent	2 497	5 128		12 639
Non-controlling interests	-1	-		-14
<b>Earnings per share, SEK <sup>2)</sup></b>				
Continuing operations	1.81	2.35	+30	10.54
Discontinued operations	-0.01	-0.01	+0	-0.04
Group Total	1.80	2.34	+30	10.50

<sup>1)</sup> Restated to IFRS 15 where applicable. For details on restated numbers see [home.sandvik.com/investors/financial-tables](http://home.sandvik.com/investors/financial-tables)

<sup>2)</sup> Earnings per share after impact from dilution in continuing operations Q1 2018 is 2.35 SEK (1.81) and for Group total 2.33 SEK (1.80). For full year 2017 in continuing operations 10.53 SEK (5.48) and Group total 10.49 SEK (4.39).

N/M = non-meaningful. For definitions see [home.sandvik.com](http://home.sandvik.com)

## THE GROUP

### BALANCE SHEET CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2017 <sup>1)</sup>	31 MAR 2017 <sup>1)</sup>	31 MAR 2018
Intangible assets	17 376	19 108	17 690
Property, plant and equipment	24 398	26 417	24 636
Financial assets	6 774	7 973	6 629
Inventories	21 416	22 125	23 419
Current receivables	19 562	20 206	21 591
Cash and cash equivalents	12 724	10 798	14 110
Assets held for sale	4 522	430	4 541
<b>Total assets</b>	<b>106 772</b>	<b>107 057</b>	<b>112 616</b>
Total equity	48 722	41 905	53 821
Non-current interest-bearing liabilities	28 463	33 037	28 540
Non-current non-interest-bearing liabilities	4 447	5 000	4 776
Current interest-bearing liabilities	986	4 502	1 006
Current non-interest-bearing liabilities	22 585	21 582	22 853
Liabilities related to assets held for sale	1 570	1 031	1 620
<b>Total equity and liabilities</b>	<b>106 772</b>	<b>107 057</b>	<b>112 616</b>
<i>Group total</i>			
Net working capital <sup>2)</sup>	20 727	21 023	23 966
Loans	23 751	31 093	24 337
Non-controlling interests in total equity	28	95	27

<sup>1)</sup> Restated to IFRS15 where applicable. For details on restated numbers see [home.sandvik.com/investors/financial-tables](http://home.sandvik.com/investors/financial-tables)

<sup>2)</sup> Total of inventories, trade receivables, accounts payable and other current noninterest-bearing receivables and liabilities, excluding tax assets and liabilities.

### NET DEBT

MSEK	31 DEC 2017	31 MAR 2017	31 MAR 2018
Interest-bearing liabilities excluding pension liabilities	23 828	31 176	24 417
Net pension liabilities	4 936	5 875	4 383
Cash and cash equivalents	-12 724	-10 798	-14 110
<b>Net debt</b>	<b>16 040</b>	<b>26 253</b>	<b>14 690</b>
<b>Net debt to equity ratio</b>	<b>0.33</b>	<b>0.63</b>	<b>0.27</b>

### CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2017	39 197	93	39 290
Change due to IFRS 15 Revenue from Contract with customers	-28	-	-28
Non-controlling interest new stock issue	-9	-43	-52
Total comprehensive income for the period	12 639	-14	12 625
Personnel options program	365	-	365
Hedge of personnel options program	-21	-	-21
Dividends	-3 449	-8	-3 457
Closing equity, 31 December 2017	48 694	28	48 722
Opening equity, 1 January 2018	48 694	28	48 722
Change due to IFRS 9 Financial Instruments	-72	-	-72
Changes in non-controlling interest	1	-1	0
Total comprehensive income for the period	5 128	-	5 128
Personnel options program	43	-	43
Closing equity, 31 March 2018	53 794	27	53 821

For definitions see [home.sandvik.com](http://home.sandvik.com)

## THE GROUP

### CASH FLOW STATEMENT

MSEK	Q1 2017	Q1 2018	Q1-Q4 2017
<i>Continuing operations</i>			
<i>Cash flow from operating activities</i>			
Income after financial income and expenses	3 107	4 018	16 992
Adjustment for depreciation, amortization and impairment losses	1 158	1 179	4 930
Adjustment for items that do not require the use of cash etc.	107	219	-3 578
Income tax paid	-743	-843	-2 466
<b>Cash flow from operations before changes in working capital, cont. ops.</b>	<b>3 629</b>	<b>4 573</b>	<b>15 878</b>
<i>Changes in working capital</i>			
Change in inventories	-1 106	-1 421	-2 220
Change in operating receivables	-698	-1 501	-1 454
Change in operating liabilities	1 591	212	3 407
<b>Cash flow from changes in working capital, continuing operations</b>	<b>-213</b>	<b>-2 710</b>	<b>-267</b>
Investments in rental equipment	-255	-177	-985
Divestments of rental equipment	41	44	126
<b>Cash flow from operations, continuing operations</b>	<b>3 202</b>	<b>1 730</b>	<b>14 752</b>
<i>Cash flow from investing activities</i>			
Acquisitions of companies and shares, net of cash	0	0	0
Proceeds from sale of companies and shares, net of cash	0	330	4 786
Investments in tangible assets	-482	-592	-2 688
Proceeds from sale of tangible assets	53	15	331
Investments in intangible assets	-221	-154	-892
Proceeds from sale of intangible assets	0	0	46
Other investments, net	3	-2	9
<b>Cash flow from investing activities, continuing operations</b>	<b>-647</b>	<b>-403</b>	<b>1 592</b>
<b>Net cash flow after investing activities</b>	<b>2 555</b>	<b>1 327</b>	<b>16 344</b>
<i>Cash flow from financing activities</i>			
Change in interest-bearing debt	-635	90	-8 315
Dividends paid	0	0	-3 458
<b>Cash flow from financing activities, continuing operations</b>	<b>-635</b>	<b>90</b>	<b>-11 773</b>
Cash flow from continuing operations	1 920	1 417	4 571
Cash flow from discontinued operations	52	-96	-608
<b>Cash flow for the period, Group total</b>	<b>1 972</b>	<b>1 321</b>	<b>3 963</b>
Cash and cash equivalents at beginning of the period	8 818	12 724	8 818
Exchange rate differences in cash and cash equivalents	9	65	-57
<b>Cash and cash equivalents at the end of the period</b>	<b>10 798</b>	<b>14 110</b>	<b>12 724</b>
<i>Discontinued operations</i>			
Cash flow from operations	54	-92	-466
Cash flow from investing activities	-2	0	-144
Cash flow from financing activities	0	-4	2
<i>Group Total</i>			
Cash flow from operations	3 256	1 638	14 286
Cash flow from investing activities	-649	-403	1 448
Cash flow from financing activities	-635	86	-11 771
<b>Group total cash flow</b>	<b>1 972</b>	<b>1 321</b>	<b>3 963</b>

For definitions see [home.sandvik](http://home.sandvik)

## THE PARENT COMPANY

### INCOME STATEMENT

MSEK	Q1 2017	Q1 2018
Revenues	4 219	4 364
Cost of sales and services	-2 150	-2 363
<b>Gross profit</b>	<b>2 069</b>	<b>2 001</b>
Selling expenses	-218	-314
Administrative expenses	-592	-452
Research and development costs	-324	-369
Other operating income and expenses	-413	-239
<b>Operating profit</b>	<b>522</b>	<b>627</b>
Income/expenses from shares in Group companies	-645	1 060
Income from shares in associated companies	-	-
Interest income/expenses and similar items	-141	-174
<b>Profit after financial items</b>	<b>-264</b>	<b>1 513</b>
Appropriations	-	-
Income tax expenses	58	-327
<b>Profit for the period</b>	<b>-206</b>	<b>1 186</b>

### BALANCE SHEET

MSEK	31 DEC 2017	31 MAR 2017	31 MAR 2018
Intangible assets	131	153	123
Property, plant and equipment	7 240	7 546	7 141
Financial assets	44 337	47 184	44 527
Inventories	2 926	3 235	3 198
Current receivables	6 585	6 901	6 481
Cash and cash equivalents	-	1	-
<b>Total assets</b>	<b>61 219</b>	<b>65 020</b>	<b>61 470</b>
Total equity	27 179	29 351	28 407
Untaxed reserves	3	3	3
Provisions	560	642	562
Non-current interest-bearing liabilities	16 469	19 879	16 938
Non-current non-interest-bearing liabilities	250	270	214
Current interest-bearing liabilities	6 433	7 746	10 410
Current non-interest-bearing liabilities	10 325	7 129	4 936
<b>Total equity and liabilities</b>	<b>61 219</b>	<b>65 020</b>	<b>61 470</b>
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	11 180	13 056	15 947
Investments in fixed assets	875	174	144

For definitions see [home.sandvik](http://home.sandvik)



## MARKET OVERVIEW, THE GROUP

### ORDER INTAKE PER MARKET AREA

MSEK	Q1 2018	CHANGE *		SHARE
		%	% <sup>1)</sup>	
<b>THE GROUP</b>				
Europe	10 082	+6	+6	40
North America	5 448	+0	+8	21
South America	1 194	+9	+9	5
Africa/Middle East	2 315	+1	+1	9
Asia	5 077	+19	+19	20
Australia	1 303	+8	+8	5
<b>Total continuing operations <sup>2)</sup></b>	<b>25 419</b>	<b>+7</b>	<b>+9</b>	<b>100</b>
<b>Discontinued operations</b>	<b>57</b>	<b>-3</b>	<b>-3</b>	<b>-</b>
<b>Group total</b>	<b>25 476</b>	<b>+7</b>	<b>+9</b>	<b>-</b>
<b>SANDVIK MACHINING SOLUTIONS</b>				
Europe	5 866	+7	+7	57
North America	1 959	+7	+7	19
South America	200	+20	+20	2
Africa/Middle East	91	-2	-2	1
Asia	2 014	+11	+11	20
Australia	68	+14	+14	1
<b>Total</b>	<b>10 198</b>	<b>+8</b>	<b>+8</b>	<b>100</b>
<b>SANDVIK MINING AND ROCK TECHNOLOGY</b>				
Europe	1 599	-17	-17	15
North America	2 343	+4	+4	23
South America	910	+5	+5	9
Africa/Middle East	2 138	+2	+2	21
Asia	2 036	+27	+27	20
Australia	1 204	+8	+8	12
<b>Total continuing operations <sup>2)</sup></b>	<b>10 230</b>	<b>+4</b>	<b>+4</b>	<b>100</b>
<b>Discontinued operations</b>	<b>57</b>	<b>-3</b>	<b>-3</b>	<b>-</b>
<b>Total</b>	<b>10 287</b>	<b>+4</b>	<b>+4</b>	<b>-</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>				
Europe	2 219	+30	+30	56
North America	879	-18	+23	22
South America	51	+24	+24	1
Africa/Middle East	57	-5	-5	1
Asia	805	+29	+29	20
Australia	13	-9	-9	0
<b>Total</b>	<b>4 024</b>	<b>+13</b>	<b>+27</b>	<b>100</b>
<b>OTHER OPERATIONS</b>				
Europe	400	+4	+4	41
North America	266	+1	+1	28
South America	32	+16	+16	3
Africa/Middle East	29	-12	-12	3
Asia	222	+2	+2	23
Australia	18	+12	+12	2
<b>Total</b>	<b>967</b>	<b>+4</b>	<b>+4</b>	<b>100</b>

\* At fixed exchange rates for comparable units compared with the year-earlier period.

1) Excluding major orders which is defined as above 400 million SEK in Sandvik Mining and Rock Technology and above 200 million SEK in Sandvik Materials Technology

2) Includes rental income of 327 million SEK recognized according to IAS17

## REVENUES PER MARKET AREA

	Q1 2018	CHANGE *	SHARE
MSEK		%	%
<b>THE GROUP</b>			
Europe	9 608	+9	41
North America	4 773	+17	20
South America	1 109	+18	5
Africa/Middle East	2 003	+4	8
Asia	4 663	+19	20
Australia	1 529	+29	6
<b>Total continuing operations <sup>1)</sup></b>	<b>23 685</b>	<b>+14</b>	<b>100</b>
<b>Discontinued operations</b>	<b>296</b>	<b>+5</b>	<b>-</b>
<b>Group total</b>	<b>23 981</b>	<b>+13</b>	<b>-</b>
<b>SANDVIK MACHINING SOLUTIONS</b>			
Europe	5 585	+10	57
North America	1 883	+7	19
South America	205	+20	2
Africa/Middle East	87	+1	1
Asia	1 933	+14	20
Australia	68	+14	1
<b>Total</b>	<b>9 761</b>	<b>+10</b>	<b>100</b>
<b>SANDVIK MINING AND ROCK TECHNOLOGY</b>			
Europe	1 444	-4	16
North America	1 884	+23	20
South America	830	+18	9
Africa/Middle East	1 805	+2	19
Asia	1 923	+34	21
Australia	1 438	+30	15
<b>Total continuing operations <sup>1)</sup></b>	<b>9 324</b>	<b>+16</b>	<b>100</b>
<b>Discontinued operations</b>	<b>296</b>	<b>+5</b>	<b>-</b>
<b>Total</b>	<b>9 620</b>	<b>+15</b>	<b>-</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>			
Europe	2 225	+15	60
North America	768	+35	21
South America	43	+21	1
Africa/Middle East	90	+52	2
Asia	600	+3	16
Australia	12	-2	0
<b>Total</b>	<b>3 738</b>	<b>+18</b>	<b>100</b>
<b>OTHER OPERATIONS</b>			
Europe	354	+7	41
North America	238	+7	28
South America	32	+24	4
Africa/Middle East	21	-9	2
Asia	206	+5	24
Australia	11	+23	1
<b>Total</b>	<b>862</b>	<b>+7</b>	<b>100</b>

\* At fixed exchange rates for comparable units compared with the year-earlier period.

<sup>1)</sup> Includes rental income of 284 million SEK recognized according to IAS17

## THE GROUP

### ORDER INTAKE BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	CHANGE % % <sup>1)</sup>	
<i>Continuing operations</i>								
Sandvik Machining Solutions	9 450	9 312	8 450	9 424	36 636	10 198	+8	+8
Sandvik Mining and Rock Technology	10 247	9 949	9 191	9 586	38 973	10 230	-0	+4
Sandvik Materials Technology	3 746	3 985	3 045	3 964	14 739	4 024	+7	+13
Other Operations	1 473	1 287	1 203	1 133	5 096	967	-34	+4
Group activities	0	0	-1	-1	0	0		
<b>Continuing operations</b>	<b>24 916</b>	<b>24 533</b>	<b>21 888</b>	<b>24 106</b>	<b>95 444</b>	<b>25 419</b>	<b>+2</b>	<b>+7</b>
<b>Discontinued operations</b>	<b>510</b>	<b>407</b>	<b>284</b>	<b>98</b>	<b>1 299</b>	<b>57</b>	<b>-89</b>	<b>-3</b>
<b>Group total</b>	<b>25 426</b>	<b>24 940</b>	<b>22 173</b>	<b>24 204</b>	<b>96 743</b>	<b>25 476</b>	<b>+0</b>	<b>+7</b>

### REVENUES BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	CHANGE % % <sup>1)</sup>	
<i>Continuing operations</i>								
Sandvik Machining Solutions	8 904	9 073	8 487	9 313	35 777	9 761	+10	+10
Sandvik Mining and Rock Technology	8 371	9 429	8 974	9 721	36 495	9 324	+11	+16
Sandvik Materials Technology	3 277	3 755	2 955	3 630	13 618	3 738	+14	+18
Other Operations	1 206	1 275	1 191	1 265	4 937	862	-29	+7
Group activities	0	0	1	0	0	0		
<b>Continuing operations</b>	<b>21 758</b>	<b>23 532</b>	<b>21 608</b>	<b>23 929</b>	<b>90 827</b>	<b>23 685</b>	<b>+9</b>	<b>+14</b>
<b>Discontinued operations</b>	<b>668</b>	<b>894</b>	<b>963</b>	<b>553</b>	<b>3 079</b>	<b>296</b>	<b>-56</b>	<b>+5</b>
<b>Group total</b>	<b>22 426</b>	<b>24 426</b>	<b>22 571</b>	<b>24 482</b>	<b>93 906</b>	<b>23 981</b>	<b>+7</b>	<b>+13</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	CHANGE %
<i>Continuing operations</i>							
Sandvik Machining Solutions	2 068	2 110	1 949	2 285	8 413	2 538	+23
Sandvik Mining and Rock Technology	1 173	1 508	1 471	1 572	5 724	1 402	+19
Sandvik Materials Technology	335	-261	-64	267	277	369	+10
Other Operations	126	123	125	4 058	4 433	102	-19
Group activities	-208	-213	-142	-211	-774	-140	+33
<b>Continuing operations</b>	<b>3 495</b>	<b>3 268</b>	<b>3 338</b>	<b>7 973</b>	<b>18 073</b>	<b>4 271</b>	<b>+22</b>
<b>Discontinued operations</b>	<b>-13</b>	<b>13</b>	<b>33</b>	<b>-96</b>	<b>-62</b>	<b>-23</b>	<b>-74</b>
<b>Group total<sup>2)</sup></b>	<b>3 482</b>	<b>3 281</b>	<b>3 371</b>	<b>7 877</b>	<b>18 011</b>	<b>4 248</b>	<b>+22</b>

### OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018
<i>Continuing operations</i>						
Sandvik Machining Solutions	23.2	23.3	23.0	24.5	23.5	26.0
Sandvik Mining and Rock Technology	14.0	16.0	16.4	16.2	15.7	15.0
Sandvik Materials Technology	10.2	-7.0	-2.2	7.4	2.0	9.9
Other Operations	10.5	9.7	10.5	N/M	89.8	11.9
<b>Continuing operations</b>	<b>16.1</b>	<b>13.9</b>	<b>15.4</b>	<b>33.3</b>	<b>19.9</b>	<b>18.0</b>
<b>Discontinued operations</b>	<b>-1.9</b>	<b>1.5</b>	<b>3.5</b>	<b>-17.2</b>	<b>-2.0</b>	<b>-7.6</b>
<b>Group total<sup>2)</sup></b>	<b>15.5</b>	<b>13.4</b>	<b>14.9</b>	<b>32.2</b>	<b>19.2</b>	<b>17.7</b>

<sup>1)</sup> Change compared with preceding year at fixed exchange rates for comparable units.

<sup>2)</sup> Internal transactions had negligible effect on business area profits.

N/M = non-meaningful.

Restated to IFRS15. For details on restated numbers see [home.sandvik.com/investors/financial-tables](http://home.sandvik.com/investors/financial-tables)

## ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	CHANGE %
<i>Continuing operations</i>							
Sandvik Machining Solutions	2 068	2 110	1 949	2 285	8 413	2 538	+23
Sandvik Mining and Rock Technology	1 173	1 508	1 471	1 572	5 724	1 402	+19
Sandvik Materials Technology	335	189	-64	267	727	369	+10
Other Operations	126	123	125	148	522	102	-19
Group activities	-208	-213	-142	-211	-774	-140	
<b>Continuing operations</b>	<b>3 495</b>	<b>3 718</b>	<b>3 338</b>	<b>4 062</b>	<b>14 612</b>	<b>4 271</b>	<b>+22</b>
<b>Discontinued operations</b>	<b>-13</b>	<b>13</b>	<b>33</b>	<b>-95</b>	<b>-62</b>	<b>-23</b>	<b>-74</b>
<b>Group total <sup>1)</sup></b>	<b>3 482</b>	<b>3 731</b>	<b>3 371</b>	<b>3 967</b>	<b>14 550</b>	<b>4 248</b>	<b>+22</b>

## ADJUSTED OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018
<i>Continuing operations</i>						
Sandvik Machining Solutions	23.2	23.3	23.0	24.5	23.5	26.0
Sandvik Mining and Rock Technology	14.0	16.0	16.4	16.2	15.7	15.0
Sandvik Materials Technology	10.2	5.0	-2.2	7.4	5.3	9.9
Other Operations	10.5	9.7	10.5	11.7	10.6	11.9
<b>Continuing operations</b>	<b>16.1</b>	<b>15.8</b>	<b>15.4</b>	<b>17.0</b>	<b>16.1</b>	<b>18.0</b>
<b>Discontinued operations</b>	<b>-1.9</b>	<b>1.5</b>	<b>3.5</b>	<b>-17.2</b>	<b>-2.0</b>	<b>-7.6</b>
<b>Group total <sup>1)</sup></b>	<b>15.5</b>	<b>15.3</b>	<b>14.9</b>	<b>16.2</b>	<b>15.5</b>	<b>17.7</b>

<sup>1)</sup> Internal transactions had negligible effect on business area profits  
N/M = non-meaningful.

Restated to IFRS15. For details on restated numbers see [home.sandvik/investors/financial-tables](http://home.sandvik/investors/financial-tables)

## ITEMS AFFECTING COMPARABILITY

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018
<i>Continuing operations</i>						
Sandvik Machining Solutions	0	0	0	0	0	0
Sandvik Mining and Rock Technology	0	0	0	0	0	0
Sandvik Materials Technology	0	-450	0	0	-450	0
Other Operations	0	0	0	3 910	3 910	0
<b>Continuing operations</b>	<b>0</b>	<b>-450</b>	<b>0</b>	<b>3 910</b>	<b>3 460</b>	<b>0</b>
<b>Discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Group total</b>	<b>0</b>	<b>-450</b>	<b>0</b>	<b>3 910</b>	<b>3 460</b>	<b>0</b>

## KEY FIGURES

	Q1 2017	Q1 2018	Q1-4 2017
<i>Continuing operations</i>			
Tax rate, %	26.9	26.5	22.2
Return on capital employed, % <sup>1,2)</sup>	18.0	21.6	23.8
Return on total equity, % <sup>1)</sup>	22.4	23.0	31.5
Return on total capital, % <sup>1)</sup>	13.5	16.1	17.8
Net working capital, % <sup>1,2)</sup>	25	23	24
Earnings per share, SEK <sup>3)</sup>	1.81	2.35	10.54
EBITDA, MSEK	4 653	5 450	23 003
Cash flow from operations, MSEK	+3 202	+1 730	+14 752
Funds from operations (FFO), MSEK	3 629	4 574	15 878
Interest coverage ratio, %	831	1 331	1 086
Number of employees	42 904	42 789	42 858

1) Quarter is quarterly annualized and the annual number is based on a four quarter average.

2) 12-month rolling Q1 2018 ROCE reported at 24.5% and NWC % reported at 23.5 %.

3) Diluted earnings per share is 2.35 SEK in Q1 2018 (1.81) and 10.53 SEK for full year 2017 (5.48).

Restated to IFRS15. For details on restated numbers see [home.sandvik.com/investors/financial-tables](http://home.sandvik.com/investors/financial-tables)

	Q1 2017	Q1 2018	Q1-4 2017
<i>Group total</i>			
Tax rate, %	27.0	26.6	22.3
Return on capital employed, % <sup>1,2)</sup>	18.0	21.5	23.8
Return on total equity, % <sup>1)</sup>	22.3	22.9	31.3
Return on total capital, % <sup>1)</sup>	13.4	15.8	17.6
Shareholders' equity per share, SEK	33.4	42.9	38.8
Net debt/equity ratio	0.63	0.27	0.33
Net debt/EBITDA	2.01	0.93	1.08
Equity/assets ratio, %	39	48	46
Net working capital, % <sup>1,2)</sup>	23	23	23
Earnings per share, SEK <sup>3)</sup>	1.80	2.34	10.50
EBITDA, MSEK	4 640	5 429	22 947
Cash flow from operations, MSEK	+3 256	+1 639	+14 286
Funds from operations (FFO), MSEK	3 641	4 523	15 830
Interest coverage ratio, %	838	1 325	1 090
Number of employees	43 694	42 887	43 024
No. of shares outstanding at end of period ('000) <sup>3)</sup>	1 254 386	1 254 386	1 254 386
Average no. of shares ('000) <sup>3)</sup>	1 254 386	1 254 386	1 254 386

1) Quarter is quarterly annualized and the annual number is based on a four quarter average.

2) 12-month rolling Q1 2018 ROCE reported at 24.5% and NWC % reported at 22.9%.

3) Diluted earnings per share is 2.33 SEK in Q1 2018 (1.80) and 10.49 SEK for full year 2017 (4.39).

Restated to IFRS15. For details on restated numbers see [home.sandvik.com/investors/financial-tables](http://home.sandvik.com/investors/financial-tables)

For definitions see [home.sandvik.com](http://home.sandvik.com)

Sandvik presents certain financial measures that are not defined in the interim report in accordance with IFRS. Sandvik believes that these measures provide useful supplemental information to investors and the company's management when they allow evaluation of trends and the company's performance. As not all companies calculate the financial measures

in the same way, these are not always comparable to measures used by other companies. These financial measures should not be seen as a substitute for measures defined under IFRS. For definitions of key figures that Sandvik uses see website [home.sandvik.com](http://home.sandvik.com).

## FINANCIAL REPORTS SUMMARY RESTATE TO IFRS 15

### THE GROUP

#### INCOME STATEMENT RESTATE TO IFRS15

MSEK	Q1 2017 as reported	Q1 2017 restated to IFRS15	Q1-Q4 2017 as reported	Q1-Q4 2017 restated to IFRS15
<i>Continuing operations</i>				
Revenues	21 767	21 758	90 905	90 827
Cost of sales and services	-12 850	-12 854	-54 279	-54 226
<b>Gross profit</b>	<b>8 917</b>	<b>8 904</b>	<b>36 626</b>	<b>36 601</b>
% of revenues	41.0	40.9	40.3	40.3
Total expenses for administration, sales, R&D	-5 410	-5 409	-18 528	-18 528
<b>Operating profit</b>	<b>3 507</b>	<b>3 495</b>	<b>18 098</b>	<b>18 073</b>
% of revenues	16.1	16.1	19.9	19.9
Net financial items	-387	-388	-1 080	-1 081
<b>Profit after financial items</b>	<b>3 120</b>	<b>3 107</b>	<b>17 018</b>	<b>16 992</b>
% of revenues	14.3	14.3	18.7	18.7
Income tax	-840	-836	-3 783	-3 780
<b>Profit for the period, continuing operations</b>	<b>2 280</b>	<b>2 271</b>	<b>13 235</b>	<b>13 212</b>
% of revenues	10.5	10.4	14.6	14.5
<i>Discontinued operations</i>				
Revenues	669	668	3 080	3 079
Operating profit	-13	-13	-61	-62
Profit after financial items	-11	-10	-52	-52
<b>Profit for the period, discontinued operations</b>	<b>-10</b>	<b>-10</b>	<b>-52</b>	<b>-52</b>
<i>Group total</i>				
Revenues	22 436	22 426	93 985	93 906
Operating profit	3 494	3 482	18 037	18 011
Profit after financial items	3 109	3 097	16 966	16 940
<b>Profit for the period, Group total</b>	<b>2 270</b>	<b>2 261</b>	<b>13 183</b>	<b>13 160</b>
<b>Earnings per share, SEK</b>				
Continuing operations	1.82	1.81	10.56	10.54
Discontinued operations	-0.01	-0.01	-0.04	-0.04
Group Total	1.81	1.80	10.52	10.50

#### SUMMARIZED BALANCE SHEET RESTATE TO IFRS15, GROUP TOTAL

MSEK	Q1 2017 as reported	Q1 2017 restated to IFRS15	Q1-Q4 2017 as reported	Q1-Q4 2017 restated to IFRS15
Total fixed assets	53 486	53 498	48 539	48 548
Inventory	22 125	22 125	21 389	21 416
Total current assets	31 411	31 434	36 876	36 808
Total assets	107 022	107 057	106 804	106 772
Total Equity	41 942	41 905	48 771	48 722
Total Liabilities	65 080	65 152	58 033	58 050
Total Equity & Liabilities	107 022	107 057	106 804	106 772

For details on restated numbers see [home.sandvik.com/investors/financial-tables](http://home.sandvik.com/investors/financial-tables)

## 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 move-

ments, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

*Stockholm, 24 April 2018*  
**Sandvik Aktiebolag (publ)**

Björn Rosengren  
President and CEO

## AUDITORS' REVIEW REPORT

The Company's Auditor has not reviewed the report for the first quarter of 2018.

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This information is information that Sandvik AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at about 13:30 CET on 24 April 2018.

Additional information may be obtained from Sandvik Investor Relations at tel +46 8 456 14 94 (Ann-Sofie Nordh), +46 8 456 11 94 (Anna Vilogorac) or by e-mailing [info.ir@sandvik.com](mailto:info.ir@sandvik.com).

A presentation and teleconference will be held on 24 April 2018 at 15:00 CET at the World Trade Center in Stockholm.

Information is available at [home.sandvik.ir](http://home.sandvik.ir)

### CALENDAR:

27 April 2018	Annual General Meeting in Sandviken, Sweden
2 May 2018	Proposed record date to receive dividends
7 May 2018	Proposed date to receive dividends
17 July 2018	Report, second quarter 2018
23 October 2018	Report, third quarter 2018

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