

INTERIM REPORT THIRD QUARTER

AND FIRST NINE MONTHS OF 2019



SHORT-CYCLE BUSINESS SOFT, LONG-CYCLE BUSINESS REMAINS ROBUST

CEO'S COMMENT: "Demand in the long-cycle business in the mining and oil & gas industries remained strong, while customer activity in the short-cycle business softened significantly, primarily related to the automotive and general engineering segments. Adjusted earnings remained stable, supported by currency impact. I am pleased about the quarter's strong cash flow, which was the second highest ever, supported by the change in net working capital. Early in the quarter, we announced cost-saving measures to mitigate slower demand to now also include some structural actions to ensure cost optimization in our divisions. I expect the majority of savings from these measures to start filtering through from the end of this year," says Björn Rosengren, President and CEO of Sandvik.

"Overall, order intake remained largely stable year-on-year, declining -1%. This is the result of a sharp downturn in Sandvik Machining Solutions, while both Sandvik Mining and Rock Technology and Sandvik Materials Technology reported mid-single digit growth. Orders decreased in both Europe and Asia, while an increase was reported in North America, supported by the receipt of large orders in Sandvik Materials Technology. In total, large orders amounting to 0.7 billion SEK (0.5) were received in Sandvik Materials Technology, indicating a continued robust market for capex-related products for the oil and gas industry."

"Adjusted operating profit remained stable at 4.6 billion SEK (4.6), supported by the impact of changed exchange rates. The adjusted operating margin decreased to 18.3% (18.9), primarily due to underabsorption of fixed costs in the short-cycle businesses. Operating profit was impacted by -1.6 billion SEK related to activities to support earnings in an environment of slower demand, as announced earlier, as well as by additional long-term efficiency measures. This implies a total personnel reduction of about 2,500, corresponding to a 25% larger reduction than originally announced. Savings from these activities are estimated at 1.7 billion SEK, with the majority reaching full run-rate towards mid-2020."

"We generated free operating cash flow of 5.8 billion SEK on the back of solid earnings and reduced volume in net working capital. The balance sheet remained strong with stable net gearing at 0.27 (0.27)."

"We continued to pursue the process to internally separate Sandvik Materials Technology from the remainder of the Sandvik Group, generating costs of -50 million SEK reported as items affecting comparability. The Board's decision to explore the possibility of a separate listing of Sandvik Materials Technology remains unchanged."

"I am proud that Sandvik was once again selected as a member of the Dow Jones Sustainability Index, which only includes companies ranked in the top 10% of each industry in terms of sustainability performance."

FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
<i>Continuing operations</i>						
Order intake ¹⁾	24 192	24 992	-1	76 812	78 897	-0
Revenues ¹⁾	24 283	25 163	-1	74 104	76 655	+1
Gross profit	10 240	9 646	-6	31 139	31 197	+0
% of revenues	42.2	38.3		42.0	40.7	
Operating profit	5 205	2 996	-42	14 519	12 642	-13
% of revenues	21.4	11.9		19.6	16.5	
Adjusted operating profit	4 587	4 617 ²⁾	+1	13 925	14 152	+2
% of revenues	18.9	18.3		18.8	18.5	
Profit after financial items	5 065	2 798	-45	13 860	11 679	-16
% of revenues	20.9	11.1		18.7	15.2	
Adjusted profit after financial items	4 447	4 419 ²⁾	-1	13 266	13 189	-1
% of revenues	18.3	17.6		17.9	17.4	
Profit for the period	3 928	2 069	-47	10 402	8 815	-15
% of revenues	16.2	8.2		14.0	11.5	
Earnings per share basic, SEK	3.14	1.65	-47	8.30	7.03	-15
Earnings per share diluted, SEK	3.13	1.65	-47	8.28	7.02	-15
Adjusted earnings per share, SEK	2.62	2.61	-1	7.81	7.92	+2
Return on capital employed, % ³⁾	24.6	13.7		28.2	19.1	
Cash flow from operations	+5 399	+6 306	+17	+9 309	+11 981	+29
Net working capital, % ³⁾	27.2	28.3		24.1	25.8	
<i>Discontinued operations</i>						
Result for the period	-158	-33	-79	-283	-143	-49
Earnings per share, SEK	-0.13	-0.02		-0.23	-0.11	
<i>Group total</i>						
Profit for the period	3 770	2 036	-46	10 119	8 672	-14
Earnings per share basic, SEK	3.01	1.63	-46	8.07	6.92	-14
Earnings per share diluted, SEK	3.00	1.62	-46	8.05	6.90	-14
Adjusted earnings per share, SEK	2.50	2.58	+3	7.58	7.80	+3

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

2) Operating profit and profit after financial items adjusted for items affecting comparability of -1.6 billion SEK in Q3 2019, related to efficiency measures and separation costs.

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

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

N/M = not meaningful

MARKET DEVELOPMENT AND EARNINGS

GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	-1	-1
Structure, %	+0	+0
Currency, %	+4	+4
TOTAL, %	+3	+4

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

Both order intake and revenues in the third quarter remained largely stable year-on-year, with an organic decline of -1%. A significant organic decline of -9% in orders in Sandvik Machining Solutions had a negative impact. This more than off-set the positive development in Sandvik Mining and Rock Technology and Sandvik Materials Technology of 5% and 4%, respectively. Sandvik Materials Technology received large orders totaling 690 million SEK for products related to the oil and gas industry, surpassing the 478 million SEK received in the corresponding period last year. Total order growth for the Sandvik Group, excluding the impact from major orders, was -2%.

In the three major geographical regions, order intake declined by -10% in Europe and -5% in Asia, while it increased by 7% in North America, supported by the large orders received.

Customer activity declined in both of the general engineering and automotive segments, while it remained stable in mining, energy, construction and aerospace.

Changed exchange rates had a positive impact of 4% on both order intake and revenues.

Adjusted operating profit remained largely stable year-on-year and amounted to 4,617 million SEK (4,587) and the adjusted operating margin decreased to 18.3% (18.9). Adjusted operating profit improved by 18% in Sandvik Mining and Rock Technology, supported by higher revenues and the impact from changed exchange rates. It remained largely stable in Sandvik Materials Technology at +2% year-on-year. However, it declined sharply by -15% in Sandvik Machining Solutions as lower volumes triggered underabsorption of fixed costs and savings from mitigating actions have only just begun to filter through.

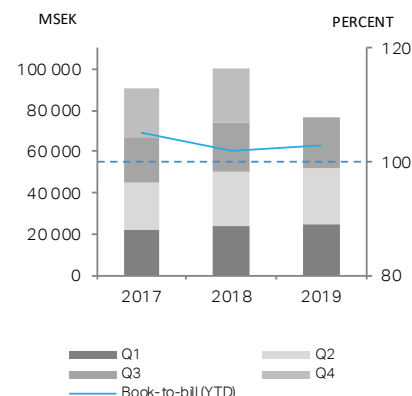
Operating profit was negatively impacted by items affecting comparability in the amount of -1,621 million SEK, comprising costs for the efficiency measures earlier announced (-1,200) with some additional activities identified during the third quarter (-371) as well as costs of -50 million SEK (-10 MSEK in SMT and -40 MSEK in Group activities) related to the internal separation of Sandvik Materials Technology. Of the total items affecting comparability of -1,621 million SEK, about -1,500 million SEK will impact cash flow.

Changed exchange rates positively impacted operating profit by 584 million SEK.

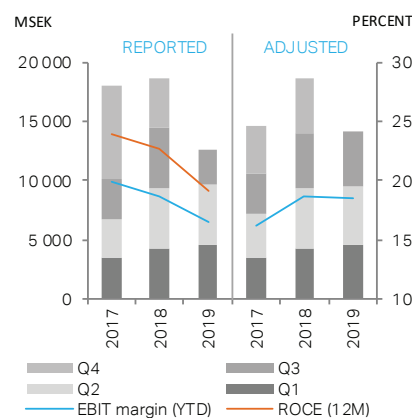
The underlying interest net was reduced to -99 million SEK (-150), excluding the impact of the adoption of the new accounting standard IFRS 16 Leases of -27 million SEK. The total finance net amounted to -198 million SEK (-140) with the increase primarily related to the impact from changed exchange rates.

The adjusted tax rate for continuing operations was 25.8% (26.1) while the figure for the Group total was 26.0% (27.1). The reported tax rate for continuing operations was 26.1% (22.5) and for Group total 26.4% (23.2).

REVENUES AND BOOK-TO-BILL

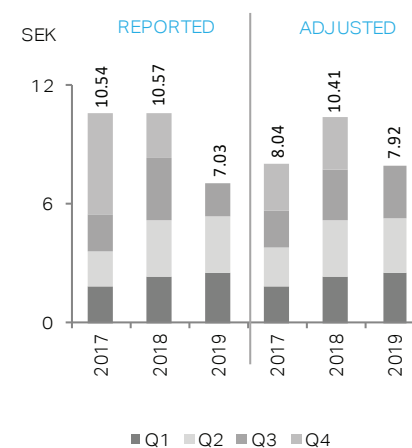


OPERATING PROFIT & RETURN



Reported operating margin impacted by items affecting comparability: 3.5 billion SEK in 2017 and 0.1 billion SEK in 2018 and 1.7 billion in 2019.

EARNINGS PER SHARE



CASH FLOW AND BALANCE SHEET

Capital employed increased year-on-year to 93.2 billion SEK (86.3) primarily related to the impact from the adoption of IFRS 16 of 3.3 billion SEK and changed exchange rates, higher fixed assets due to acquisitions partially mitigated by a lower cash position. Return on capital employed declined to 19.1% (28.2) on the back of lower reported earnings and increased capital employed.

Net working capital amounted to 28.2 billion SEK, increasing year-on-year (25.6) and remaining stable sequentially (28.7). Both accounts receivables and inventories decreased in volume sequentially, on the back of seasonal pattern and focused management of net working capital. However, the impact from changed exchange rates off-set the organic reduction. Net working capital in relation to revenues remained largely stable at 28% (27) for the quarter.

Investments in tangible and intangible assets in the third quarter amounted to 1.0 billion SEK (1.0), corresponding to 93% of scheduled depreciation. Investments are seasonally higher in the second half of the year.

Net debt amounted to 17.1 billion SEK at the end of the third quarter, increasing year-on-year from 15.1 billion SEK, adversely impacted by 3.3 billion SEK due to adoption of IFRS 16. The sequential decrease from 19.3 billion SEK was primarily related to a higher cash position, which was partially off-set by increased pension liabilities. The net debt to equity ratio remained stable year-on-year at 0.27 (0.27). The net pension liability increased year-on-year to 8.6 billion SEK (4.6) due to changed discount rates as well as mark-to-market valuation of assets. The financial net debt decreased to 5.2 billion SEK (10.5). Interest-bearing debt with short-term maturity accounted for 13% of total debt.

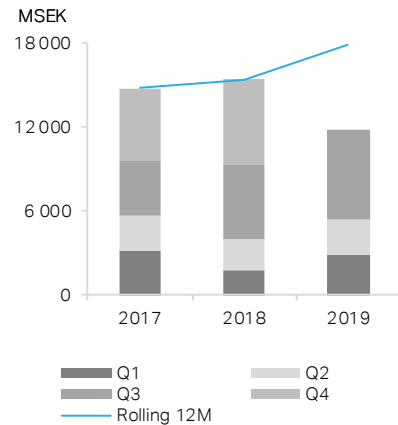
Free operating cash flow increased year-on-year to 5.8 billion SEK (4.7), due to the change in net working capital. Cash flow from operations was 6.3 billion SEK and increased year-on-year (5.4).

	Q3 2018	Q3 2019
EBITDA + non-cash items	5 534	5 533
Net Working Capital change	220	1 392
Capex*	-1 074	-1 085
FREE OPERATING CASH FLOW**	4 679	5 840

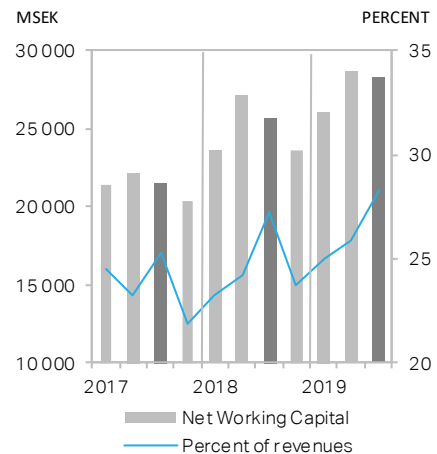
* Including investments and disposals of rental equipment of -203 million SEK (-196) and tangible and intangible assets of -882 million SEK (-878).

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

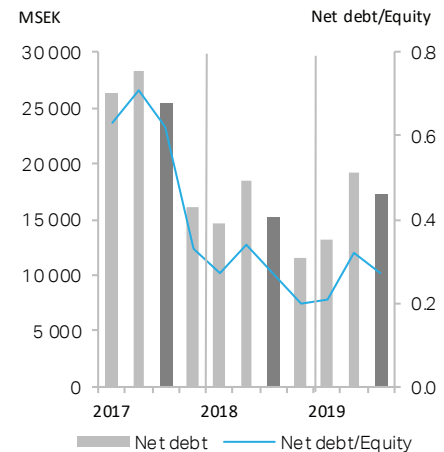
CASH FLOW FROM OPERATIONS



NET WORKING CAPITAL



NET DEBT, GROUP TOTAL



SANDVIK MACHINING SOLUTIONS

DEMAND DECLINED

MARGIN DECLINE DUE TO LOWER VOLUMES

COST AND EFFICIENCY MEASURES ONGOING



GROWTH

	ORDER INTAKE	REVENUES
Q3		
Price/volume, %	-9	-7
Structure, %	+1	+1
Currency, %	+4	+4
TOTAL, %	-4	-2

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 decreased significantly year-on-year by -9% and -7%, respectively, as demand declined in the automotive and general engineering segments. In a weaker market environment the number of large project orders decreased, implying a larger than normal deviation between growth in order intake and revenues.

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

- In Europe, revenues declined by -8% organically, impacted by the negative development in demand in automotive, general engineering and aerospace.
- In North America, organic revenues remained stable supported by deliveries on project orders received earlier, while order intake declined by -4%. Customer activity declined in automotive and energy, while other segments remained largely stable, albeit with increased uncertainty.
- In Asia, revenues declined by -11%, adversely impacted primarily by the general engineering and automotive segments.
- A sharp decline in organic revenues was noted in the tungsten powder business, on the back of high comparables in the year-earlier period as well as lower customer activity in the quarter. The divisional decline impacted total business area growth by -2%.
- The number of working days had a positive impact of 1% on organic growth in orders and revenues.

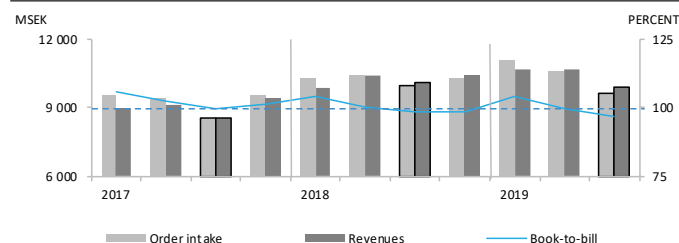
Adjusted operating profit amounted to 2,173 million SEK (2,543) a decrease of -15% year-on-year, including the positive currency effect. The adjusted operating margin declined to 21.9% (25.2).

Items impacting operating profit and operating margin:

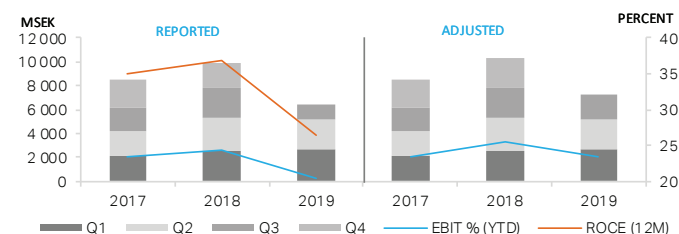
- Underabsorption of fixed costs due to lower volumes, however partially offset by savings (111 MSEK) from earlier announced efficiency measures, impacted the operating margin by -1.0%-points.

- The operating margin was adversely impacted by -1.0%-points due to reduced profitability in the tungsten powder business - albeit from a high level in the year-earlier period - as organic growth declined sharply.
- While inventories were built up in the year-earlier period, they were now reduced - in line with the normal seasonal pattern - implying a negative impact of -1.9%-points on the margin.
- Earnings were adversely impacted by -930 million SEK related to the efficiency program announced earlier, although now somewhat expanded. Total savings are estimated at 980 million SEK, with the majority of the savings achieved by mid-2020.
- Changed exchange rates had a positive impact of 192 million SEK on operating profit year-on-year.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	10 047	9 609	-9*	30 737	31 342	-5*
Revenues	10 100	9 927	-7*	30 351	31 279	-4*
Operating profit	2 543	1 244	-51	7 880	6 380	-19
% of revenues	25.2	12.5		26.0	20.4	
Adjusted operating profit	2 543	2 173 ¹⁾	-15	7 880	7 310	-7
% of revenues	25.2	21.9		26.0	23.4	
Return on capital employed, % ²⁾	36.3	14.8		39.5	26.5	
Number of employees	19 368	18 970	-2	19 368	18 970	-2

Historical numbers are restated to incorporate the transfer of the powder business in to division Additive Manufacturing in Sandvik Machining Solutions

* At fixed exchange rates for comparable units.

For definitions see home.sandvik

1) Operating profit adjusted for items affecting comparability of -930 million SEK in Q3 2019 related to efficiency measures.

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

SANDVIK MINING AND ROCK TECHNOLOGY

SOLID MARKET ACTIVITY
SUPPORTED ORDER INTAKE

EARNINGS GROWTH AND
MARGIN EXPANSION

EFFICIENCY MEASURES INITIATED



GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	+5	+3
Structure, %	+0	+1
Currency, %	+4	+4
TOTAL, %	+10	+8

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 5% as the underlying market activity remained stable at a high level. Revenues improved organically by 3% year-on-year.

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

- In total, orders for equipment remained at a high level and noted a mid-single-digit growth rate, positively impacted primarily by the underground load and haul, crushing and screening, and automation divisions.
- Orders in the aftermarket business increased at a mid-single-digit rate, supported by positive development for both parts & service and for consumables.
- The newly launched product line for surface drilling noted favorable development.
- The aftermarket business accounted for 63% of revenues, while the equipment business accounted for 37%.

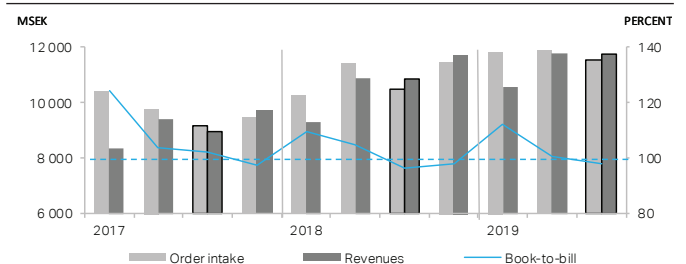
Adjusted operating profit improved by 18% and amounted to 2,329 million SEK (1,966). The adjusted operating margin improved to 19.8% (18.1).

Items impacting operating profit and operating margin:

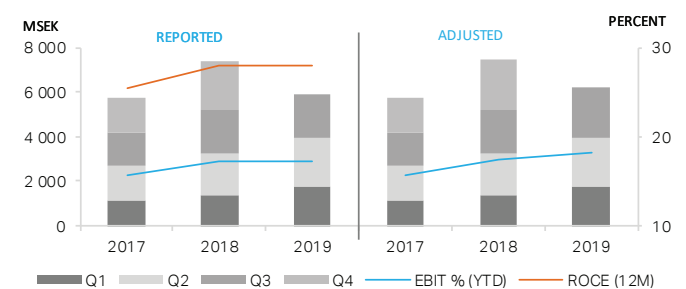
- Operating profit was adversely impacted by -323 million SEK related to the efficiency measures announced earlier. Total savings are estimated at 440 million SEK, with full run-rate achieved by mid-2020.
- Changed exchange rates impacted operating profit positively by 329 million SEK.

Excluding the impact from Varel Oil and Gas, which is under strategic review, the adjusted operating margin for Sandvik Mining and Rock Technology was 20.8% in the third quarter.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	10 468	11 516	+5*	32 103	35 223	+4*
Revenues	10 838	11 754	+3*	31 053	34 110	+4*
Operating profit	1 966	2 006	+2	5 233	5 917	+13
% of revenues	18.1	17.1		16.9	17.3	
Adjusted operating profit	1 966	2 329 ¹⁾	+18	5 233	6 240	+19
% of revenues	18.1	19.8		16.9	18.3	
Return on capital employed, % ²⁾	29.9	25.9		28.0	28.0	
Number of employees	15 552	15 638	+1	15 552	15 638	+1

* At fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of -323 million SEK in Q3 2019 related to efficiency measures.

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

For definitions see home.sandvik

SANDVIK MINING AND ROCK TECHNOLOGY

CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	10 468	11 516	+5*	32 103	35 223	+4*
Revenues	10 838	11 754	+3*	31 053	34 110	+4*
Operating profit	1 966	2 006	+2	5 233	5 917	+13
% of revenues	18.1	17.1		16.9	17.3	
Adjusted Operating Profit	1 966	2 329 ¹⁾	+18	5 233	6 240	+19
% of revenues	18.1	19.8		16.9	18.3	

* At fixed exchange rates for comparable units.

1) Operating profit adjusted for items affecting comparability of -323 million SEK in Q3 2019 related to efficiency measures.

DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	16	5	-72*	73	71	-5*
Revenues	156	25	-85*	749	280	-64*
Operating profit	-158	-33	-79	-291	-143	-51
% of revenues	N/M	N/M		-38.9	-51.2	

* At fixed exchange rates for comparable units.

N/M = not meaningful

The Mining Systems business was divested to FLSmidth and NEPEAN during 2017. Consequently, order intake and revenues in the quarter relate to small bookings of parts and service to already ongoing projects. The projects to be finalized primarily during 2019 by Sandvik, through an operational agreement with FLSmidth, will however remain reported as discontinued operations.

The operating profit amounted to -33 million SEK (-158), adversely impacted by primarily high costs in completion of the remaining ongoing projects. Changed exchange rates impacted earnings positively by +10 million SEK.

SANDVIK MINING AND ROCK TECHNOLOGY TOTAL

FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	10 484	11 521	+5*	32 176	35 294	+4*
Revenues	10 994	11 779	+2*	31 802	34 389	+3*
Operating profit	1 808	1 974	+9	4 942	5 774	+17
% of revenues	16.4	16.8		15.5	16.8	
Adjusted Operating Profit	1 808	2 297 ¹⁾	+27	4 942	6 097	+23
% of revenues	16.4	19.5		15.5	17.7	

* At fixed exchange rates for comparable units.

1) Operating profit adjusted for items affecting comparability of -323 million SEK in Q3 2019 related to efficiency measures.

SANDVIK MATERIALS TECHNOLOGY

LARGE ENERGY ORDERS RECEIVED
EFFICIENCY MEASURES INITIATED
INTERNAL SEPARATION ONGOING



GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	+4	+3
Structure, %	-2	-2
Currency, %	+3	+3
TOTAL, %	+5	+4

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 orders increased by 4% year-on-year. Excluding the impact of large orders, the order level remained largely stable, recording a change of -2%. Alloy prices were neutral for both order intake and revenues.

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

- Underlying customer activity related to tubular products for standardized applications declined, with adverse development across most customer segments.
- Underlying demand for the capex-related tubular offering for the energy segment remained strong. Large orders valued at 690 million SEK were received, compared with 478 million SEK in the year-earlier period.
- Kanthal's orders declined on weaker demand primarily for heating materials, while heating systems remained stable.

Adjusted operating profit excluding metal price effects was 182 million SEK (188) implying an underlying margin of 5.2% (5.6). Adjusted operating profit increased by 2% to 236 million SEK (230) and the adjusted operating margin remained stable at 6.8% (6.9).

Items impacting operating profit and operating margin:

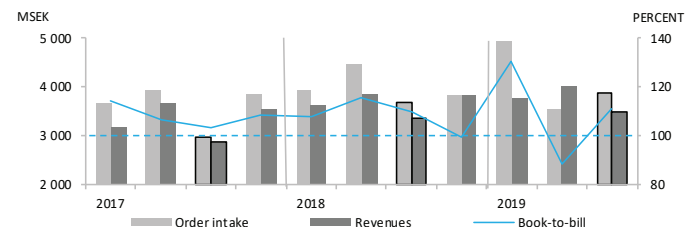
- Higher earnings for energy-related tubular products were more than offset by lower profitability for the more standardized tubular offering on the back of weaker demand.
- Lower profitability in Kanthal as weaker volumes triggered underabsorption of fixed costs.
- While there was a reduction in inventories during the quarter, it was at a lower rate than in the year-earlier period, implying a positive impact of 1.2%-points on the operating margin year-on-year.
- Operating profit was adversely impacted by -278 million SEK related to the efficiency measures earlier announced, which have been somewhat expanded by additional activi-

ties. Total savings are estimated at 220 million SEK, with full run-rate achieved by the end of 2020.

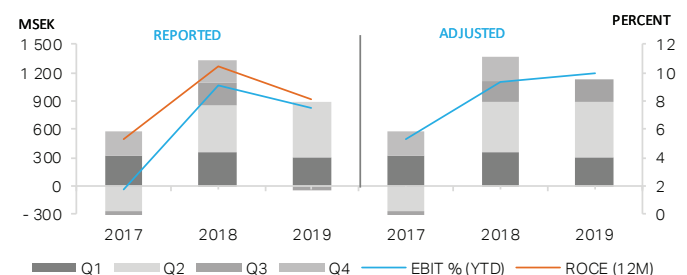
- The process of internal separation of Sandvik Materials Technology from the remainder of Sandvik triggered items impacting comparability of -10 million SEK.
- Changed exchange rates had a positive impact of 54 million SEK on operating profit.
- Changed metal prices had a positive impact of 54 million SEK (43) on operating profit in the quarter.

The Board's decision to explore the possibility of a separate listing of Sandvik Materials Technology remains unchanged.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	3 677	3 867	+4*	12 081	12 331	+1*
Revenues	3 344	3 482	+3*	10 855	11 267	+3*
Operating profit	230	-52	N/M	1 095	840	-23
% of revenues	6.9	-1.5		10.1	7.5	
Adjusted operating profit **	230	236 ¹⁾	+2	1 119	1 128	+1
% of revenues	6.9	6.8		10.3	10.0	
Return on capital employed, % ²⁾	6.8	-1.5		10.5	8.1	
Number of employees	6 015	5 905	-2	6 015	5 905	-2

Historical numbers are restated to incorporate the transfer of the powder business in to division Additive Manufacturing in Sandvik Machining Solutions

* At fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of -288 million SEK in Q3 2019 related to efficiency measures.

²⁾ 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

The divestment of Hyperion to the US listed investment firm KKR was completed in 2018.

FINANCIAL OVERVIEW, MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
Order intake	0	0	0*	1 891	0	0*
Revenues	0	0	0*	1 846	0	0*
Operating profit	584	0	-100	759	72	-90
% of revenues	N/A	0.0		41.1	N/A	
Adjusted operating profit **	-34	0	-100	141	-38	N/A
% of revenues	N/A	0.0		7.6	N/A	
Return on capital employed, % ¹⁾	N/A	0.0		N/A	-38.3	
Number of employees	30	0	-100	30	0	-100

* At fixed exchange rates for comparable units.

**Operating profit adjusted for items affecting comparability of +618 million SEK in Q3 2018 related to the divestment of Hyperion.

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

N/M = not meaningful.

For definitions see home.sandvik

PARENT COMPANY

The parent company's revenues after the first nine months of 2019 amounted to 15,778 million SEK (15,177) and the operating result was 2,945 million SEK (2,771). Income from shares in Group companies consists primarily of dividends and Group contributions to these and amounted after the first nine months

to 2,545 million SEK (944). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 16,177 million SEK (18,968). Investments in property, plant and machinery amounted to 665 million SEK (444).

FIRST NINE MONTHS 2019

For the first nine months of 2019, demand for Sandvik's products remained stable year-on-year, with organic growth in order intake at 0%. Excluding the impact of large orders, growth was -1%. Revenues increased organically by 1%. Underlying demand remained stable in the mining, energy and aerospace segments, while a deterioration was noted in automotive and general engineering. Order intake for Sandvik's products declined at a mid-single-digit rate in Europe and Asia, while North America remained largely stable. Changed exchange rates had a positive impact of 4% on both order intake and revenues. Sandvik's order intake amounted to 78,897 million SEK (76,812), and revenues were 76,655 million SEK (74,104), implying a book-to-bill ratio of 103%.

Adjusted operating profit increased by 2% year-on-year to 14,152 million SEK (13,925) and the adjusted operating margin was 18.5% (18.8), positively impacted in the amount of 1,550 million SEK due to changed exchange rates. The reported operating profit decreased by 13% to 12,642 million SEK (14,519) and the operating margin was 16.5% (19.6). Changed metal prices had a positive impact of 100 million SEK (+341). Net financial items amounted to -963 million SEK (-659) and profit after financial items was 11,679 million SEK (13,860).

The underlying tax rate for continuing operations was 25.7% (26.3). The reported tax rate for continuing operations was 24.5% (24.9). The underlying tax rate for the Group in total was 25.9% (26.9) and the reported tax rate for the Group in total was 24.8% (25.5).

Profit for the period amounted to 8,815 million SEK (10,402) for continuing operations and 8,672 million SEK (10,119) for the Group in total. Earnings per share for continuing operations amounted to 7.03 SEK (8.30) while earnings per share for the Group in total amounted to 6.91 SEK (8.07). The adjusted earnings per share for the continuing operations amounted to 7.92 SEK (7.81) and for the Group total to 7.80 (7.58).

Operating cash flow from continuing operations was 11,981 million SEK (9,309), with the increase primarily supported by a lower build-up of working capital year-on-year. Investments were 2,821 million SEK (2,699). Net debt increased year-on-year to 17.1 billion SEK (15.1), with the increase driven by the adaption to IFRS 16, resulting in a net debt to equity ratio of 0.27 (0.27).

During the first nine months four acquisitions were closed: Sandvik Machining Solutions acquired two round tools companies (Wetmore and OSK). Sandvik Mining and Rock Technology acquired a battery technology company (Artisan) as well as a supplier of leading technology in wireless connectivity to monitor and provide insights on underground operations (Newtrax). In addition Sandvik Machining Solutions acquired a minority stake of 30% in Italian company Beam IT, a leading additive manufacturing service provider.

Progress was made regarding the internal separation of Sandvik Materials Technology. The intention is to increase Sandvik Materials Technology's structural independence from the Sandvik Group, thereby putting greater focus on the business' future development possibilities and creating flexibility. The Board of Directors has also decided to explore the possibility of a separate listing ('Lex Asea') on the Nasdaq Stockholm Exchange, should this be considered to strengthen Sandvik Materials Technology's position and future development.

ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS DURING THE MOST RECENT 12-MONTH PERIOD

	COMPANY / UNIT	CLOSING DATE	ANNUAL REVENUE	NO. OF EMPLOYEES
2018				
Sandvik Machining Solutions	Dura-Mill	3 December 2018	7 MUSD in 2017	30
2019				
Sandvik Machining Solutions	Wetmore Tool & Engineering	9 January 2019	160 MSEK in 2017	170
Sandvik Mining and Rock Technology	Artisan	11 February 2019	12 MUSD in 2017	60
Sandvik Machining Solutions	OSK	10 April 2019	120 MSEK in 2017	90
Sandvik Mining and Rock Technology	Newtrax	17 June 2019	26 MCAD in 2018	120
Sandvik Machining Solutions	Beam IT, 30% stake	12 July 2019	70 MSEK in 2018	38

	Purchase price on cash and debt free basis	Preliminary goodwill and other intangible assets
Acquisitions 2019	1.5 billion SEK	1.4 billion SEK

DIVESTMENTS DURING THE MOST RECENT 12-MONTH PERIOD

	COMPANY / UNIT	CLOSING DATE	ANNUAL REVENUE	NO. OF EMPLOYEES
Sandvik Materials Technology	Stainless Wire	31 August 2018	310 MSEK in 2017	140

SIGNIFICANT EVENTS

DURING THE THIRD QUARTER

- On 12 July, Sandvik Machining Solutions announced that it has acquired a 30% stake in privately owned Italian company Beam IT, a leading provider of metal Additive Manufacturing (AM) services and advanced end-use components. In 2018, Beam IT generated revenues of about 70 million SEK, with its 38 employees. Sandvik has the right to further increase its stake over time.

- On 17 July, Sandvik reported that after a long period of high focus on managing strong growth, Sandvik puts further emphasis on efficiency in order to support profitability through-out the economic cycle. Consequently, the number of personnel will be reduced by about 2,000, including some third-party contractors. These actions are in addition to the 450 already reduced in Sandvik Machining Solutions during the first six months, predominantly by no replacement hirings, with savings expected as from the second half of 2019.

Cost related to these activities is estimated at about 1.2 billion SEK, with the majority impacting cash flow.

Savings of an estimated 1.4 billion SEK should start filtering through towards the end of the year, with full run-rate achieved no later than at the end of 2020.

In conjunction with the third quarter report on 18 October some additional activities were announced to bring the total cost to 1.6 billion SEK with estimated savings of 1.7 billion SEK and a personnel reduction of about 2,500. These actions are in addition to the 450 already reduced in Sandvik Machining Solutions during the first six months.

Table comprises the total efficiency measures initiated in the third quarter 2019.

	SMS	SMRT	SMT	Group	Total
Cost	930*	323	278	40	1 571
Savings	980	440	220	70	~1 710
Personnel reduction					~2 500*

** In addition 450 has left the company during 1H 2019 at very limited cost. Savings filter through during H2 2019 and are included in the total savings number above.*

- On 11 August, Sandvik announced the resignation of CEO, Björn Rosengren who will leave the company as of 1 February 2020 to take up a position externally.

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:

CAPEX (CASH)	Estimated to <4.0 billion SEK for 2019
CURRENCY EFFECTS	Based on currency rates at the end of September 2019, it is estimated that transaction and translation currency effects will have an impact of about +400 million SEK on operating profit for the fourth quarter of 2019, compared with the year-earlier period
METAL PRICE EFFECTS	In view of currency rates, inventory levels and metal prices at the end of September 2019 it is estimated that there will be an impact of about +300 million SEK on operating profit in Sandvik Materials Technology for the fourth quarter of 2019
NET FINANCIAL ITEMS	Estimated to about 1.2 billion SEK in 2019 (increased from previously 1 billion SEK)
TAX RATE	Estimated to 25% - 27% for 2019

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 2019.

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.

Transition to IFRS 16 Leases

Sandvik has assessed the impact of the transition to the new standard IFRS 16 Leases effective 1 January 2019. Sandvik's estimate is that IFRS 16 will have a small positive impact on operating profit and a small negative impact on profit after financial items.

The effects on the balance sheet are presented in the table below. The lease portfolio includes almost 10,000 contracts and covers mainly operational leases for offices, warehouses, company cars, production and office equipment. Existing finance leases measured previously under IAS 17 Leases are reclassified to IFRS 16 to the amounts recognized immediately before the date of application of the new standard.

Sandvik has assessed many contracts concerning premises being open-ended contracts. In many countries local law provides protection to the lessee from being noticed, which

requires the Sandvik lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises. As a consequence these contracts have in many cases had the contract period extended.

Opening balance adjustment

Sandvik has chosen to perform the transition in line with the Cumulative catch-up approach and has applied the expedient to not restate any comparative information. Right-of-use assets have been determined as an amount equal to the lease liabilities as identified at initial application. A single discount rate has been applied per country and per asset classes Land and Buildings respectively Other assets such as machinery, equipment, vehicles and IT. Hindsight has been used to determine the lease terms when an option to terminate or extend has been available. Lease contracts shorter than 12 months or longer contracts due within 12 months at the date of application are considered short-term and hence not recognized as lease liability or right-of-use asset. In addition low value contracts (with a value as new below 5,000 USD) are also excluded from being recognized as lease liability or right-of-use asset.

	Closing balance 31 Dec 2018 before transition to IFRS 16 Leases	Reclassifications of finance leases due to transition to IFRS 16 Leases	Adjustments due to transition to IFRS 16 Leases	Adjusted opening balance 1 Jan 2019
MSEK				
Property, plant and equipment	25 362	-30	-	25 332
Right-of-use assets	-	30	3 359	3 389
Other liabilities	20 431	-30	-	20 401
Non-current lease liabilities	-	30	2 639	2 669
Current lease liabilities	-	-	720	720

P&L - estimated annual net effect on 2019 based on opening balances due to transition to IFRS 16 Leases MSEK rounded numbers

EBITDA	860
Depreciation	-820
EBIT	40
Finance net	-100
Net result	-60

Balance sheet - estimated impact on 2019 balances due to transition to IFRS 16 Leases MSEK rounded numbers

Opening balance Right-of-use assets	3 389
This year's depreciation	-820
Closing balance	2 569
Opening balance Lease liabilities	3 389
Amortization	-860
Accrual of interest	100
Closing balance	2 629

IFRS 16 Leases policy

Sandvik when being lessee identifies if a contract contains a lease by testing if Sandvik has the right to obtain substantially all of the economic benefits from use of the identified assets and has the right to direct the use of the identified asset and that the supplier has no substantial rights of substitution.

Sandvik has decided to separate non-lease component from the lease components in contracts concerning buildings. The non-lease component cost should then be recognized as an expense and not be included in the calculation of a right-of-use asset and lease liability for asset class buildings. For all other asset classes non-lease components are included in the calculation of a right-of-use asset and lease liability. The lease contracts are assessed at the commencement date whether the lessee is reasonably certain to exercise an option to extend the lease; or to exercise an option to purchase the underlying asset; or to exercise an option to terminate the lease. In cases of open-ended contracts local law can provide protection to the lessee from being noticed. This requires the Sandvik lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises.

The leasing liability and right-of-use asset is calculated by using the implicit rate in the contract. If the implicit rate cannot be identified the incremental borrowing rate is instead applied, which is the interest rate the company had been given if the acquisition had been financed through a loan from a financial institute.

Sandvik depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Sandvik has chosen to apply the two expedients concerning leases shorter than one year and low value assets (acquisition value as new lower than 5 000 USD) that need to be taken into consideration when recognizing a lease contract.

Sandvik when being a lessor classifies each of its leases as either an operating lease or a financial lease. The substance of the transaction rather than the form of the contract determines if it is finance or operating lease. This also includes contracts identified under IFRS 15 Revenue from Contracts with customers containing buy-back clauses, which means under certain circumstances that control hasn't transferred to the customer and lease accounting under IFRS 16 Leases apply.

A finance lease is a lease that transfers substantially all the risks and rewards resulting from ownership of an underlying asset to the lessee. An operating lease is a lease that does not transfer substantially all the risks and rewards as a result from ownership of an underlying asset.

A sublease should be classified as finance or operational lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset, e.g item of property, plant or equipment.

Changes due to transition to IFRIC 23

IFRIC 23 Uncertainty over Income Tax Treatments. Sandvik have applied IFRIC 23 from 1 January 2019. The amendment addresses how uncertainty regarding amounts for income taxation shall be reported, how a tax receivable shall be reported when the amount is appealed and discussions are held with tax authorities. IFRIC 23 is expected to have a limited impact on the financial reports. The opening balance for 2019 has been adjusted by reclassifying 1 457 MSEK from Provision for taxes to Income tax liabilities.

TRANSACTIONS WITH RELATED PARTIES

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

RISK ASSESSMENT

As an international Group with a wide geographic spread, Sandvik is exposed to several strategic, business and financial risks. Strategic risk at Sandvik is defined as emerging risks affecting the business long term, such as industry shifts, technological shifts and macroeconomic developments. The business risks can be divided into operational, sustainability, compliance, legal and commercial risks. The financial risks include currency risks, interest rates, raw material prices, tax risks and more. These risk areas can all impact the business negatively both long and short term but often also create business opportuni-

ties if managed well. Risk management at Sandvik begins with an assessment in operational management teams where the material risks for their operations are first identified, followed by an evaluation of the probability of the risks occurring and their potential impact on the Group. Once the key risks have been identified and evaluated risk mitigating activities to eliminate or reduce the risks are agreed on. For a more detailed description of Sandvik's analysis of risks and risk universe, see the Annual Report for 2018.

FINANCIAL REPORTS SUMMARY

THE GROUP

INCOME STATEMENT

MSEK	Q3 2018	Q3 2019	CHANGE %	Q1-Q3 2018	Q1-Q3 2019	CHANGE %
<i>Continuing operations</i>						
Revenues	24 283	25 163	+4	74 104	76 655	+3
Cost of sales and services	-14 043	-15 517	+10	-42 965	-45 459	+6
Gross profit	10 240	9 646	-6	31 139	31 197	+0
% of revenues	42.2	38.3		42.0	40.7	
Selling expenses	-3 247	-3 933	+21	-9 973	-10 829	+9
Administrative expenses	-1 380	-1 834	+33	-4 532	-5 061	+12
Research and development costs	-772	-914	+18	-2 532	-2 790	+10
Other operating income and expenses	364	31	-92	416	126	-70
Operating profit	5 205	2 996	-42	14 519	12 642	-13
% of revenues	21.4	11.9		19.6	16.5	
Financial income	48	110	+128	201	348	+73
Financial expenses	-188	-308	+64	-860	-1 311	+52
Net financial items	-140	-198	+42	-659	-963	+46
Profit after financial items	5 065	2 798	-45	13 860	11 679	-16
% of revenues	20.9	11.1		18.7	15.2	
Income tax	-1 137	-729	-36	-3 458	-2 864	-17
Profit for the period, continuing operations	3 928	2 069	-47	10 402	8 815	-15
% of revenues	16.2	8.2		14.0	11.5	
<i>Discontinued operations</i>						
Revenues	155	25	-84	749	280	-63
Operating result	-158	-33	+79	-291	-143	+51
Result after financial items	-158	-33	+79	-283	-143	+49
Result for the period, discontinued operations	-158	-33	+79	-283	-143	+49
<i>Group total</i>						
Revenues	24 438	25 188	+3	74 854	76 935	+3
Operating profit	5 047	2 963	-41	14 228	12 499	-12
Profit after financial items	4 907	2 765	-44	13 577	11 536	-15
Profit for the period, Group total	3 770	2 036	-46	10 119	8 672	-14
OTHER COMPREHENSIVE INCOME						
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/losses on defined benefit pension plans	-332	-2 039		313	-2 758	
Tax relating to items that will not be reclassified	61	439		-77	583	
	-271	-1 600		236	-2 174	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	-1 203	1 615		1 902	3 540	
Cash flow hedges	20	5		27	-2	
Tax relating to items that may be reclassified	-4	0		-6	0	
	-1 187	1 620		1 923	3 538	
Total other comprehensive income	-1 458	20		2 159	1 364	
Total comprehensive income	2 311	2 056		12 278	10 036	
Profit for the period attributable to						
Owners of the Parent	3 775	2 040		10 122	8 679	
Non-controlling interests	-6	-4		-4	-7	
Total comprehensive income attributable to						
Owners of the Parent	2 317	2 060		12 282	10 043	
Non-controlling interests	-6	-4		-4	-7	
Earnings per share, SEK						
Continuing operations, basic	3.14	1.65	-47	8.30	7.03	-15
Continuing operations, diluted	3.13	1.65	-47	8.28	7.02	-15
Group total, basic	3.01	1.62	-46	8.07	6.92	-14
Group total, diluted	3.01	1.63	-46	8.05	6.90	-14

N/M = non-meaningful.

For definitions see home.sandvik

THE GROUP

BALANCE SHEET

CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2018	30 SEP 2018	30 SEP 2019
Intangible assets	22 250	22 089	24 367
Property, plant and equipment	25 362	24 663	26 232
Right-of-use assets	–	–	3 275
Financial assets	5 664	6 275	7 177
Inventories	24 609	25 820	27 725
Contract Assets	143	73	51
Current receivables	21 593	22 080	23 308
Cash and cash equivalents	18 089	13 703	12 541
Assets held for sale	641	742	378
Total assets	118 351	115 446	125 052
Total equity	58 518	56 756	63 116
Non-current interest bearing liabilities	27 788	27 397	27 002
Non-current non-interest bearing liabilities	5 294	5 216	4 609
Current interest bearing liabilities	2 375	2 308	3 058
Current non-interest bearing liabilities	23 764	23 177	26 863
Liabilities related to assets held for sale	612	592	405
Total equity and liabilities	118 351	115 446	125 052
<i>Group total</i>			
Net working capital ¹⁾	23 803	25 899	28 347
Loans	23 868	24 131	17 716
Non-controlling interests in total equity	42	43	23

1) Total of inventories, trade receivables, accounts payable and other current non-interest bearing receivables and liabilities, excluding tax assets and liabilities.

NET DEBT

MSEK	31 DEC 2018	30 SEP 2018	30 SEP 2019
Interest-bearing liabilities excluding pension liabilities	23 928	24 187	21 090
Net pension liabilities	5 717	4 637	8 595
Cash and cash equivalents	-18 089	-13 703	-12 541
Net debt	11 557	15 121	17 144
Net debt to equity ratio	0.20	0.27	0.27

CHANGES IN EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2018	48 694	28	48 722
Change due to IFRS 9 Financial Instruments	-71		-71
Changes in non-controlling interest	-24	24	–
Total comprehensive income for the period	13 958	-10	13 948
Personnel options program	152		152
Hedge of personnel options program	157		157
Dividends	-4 390		-4 390
Closing equity, 31 December 2018	58 476	42	58 518
Opening equity, 1 January 2019	58 476	42	58 518
Changes in non-controlling interest	4	-4	–
Total comprehensive income for the period	10 043	-7	10 036
Personnel options program	-37		-37
Other options	-60		-60
Dividends	-5 331	-9	-5 340
Closing equity, 30 September 2019	63 095	22	63 116

For definitions see home.sandvik

THE GROUP

CASH FLOW STATEMENT

MSEK	Q3 2018	Q3 2019	Q1-Q3 2018	Q1-Q3 2019
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	5 065	2 798	13 860	11 679
Adjustment for depreciation, amortization and impairment losses	1 135	1 676	3 483	4 531
Other adjustments for non-cash items	-8	1 471	287	1 311
Income tax paid	-816	-828	-2 232	-2 355
Cash flow from operations before changes in working capital	5 375	5 117	15 397	15 165
<i>Changes in working capital</i>				
Change in inventories	-245	512	-3 627	-1 511
Change in operating receivables	1 119	1 421	-1 573	-42
Change in operating liabilities	-655	-541	-425	-1 088
Cash flow from changes in working capital	220	1 392	-5 626	-2 641
Investments in rental equipment	-248	-240	-591	-637
Proceeds from sale of rental equipment	52	36	128	93
Cash flow from operations	5 399	6 306	9 309	11 981
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-4 490	-150	-4 490	-1 481
Proceeds from investment of companies and shares, net of cash divested	3 586	0	4 052	59
Investments in property, plant and equipment	-886	-858	-2 264	-2 378
Proceeds from sale of property, plant and equipment	53	111	184	233
Investments in intangible assets	-142	-152	-435	-443
Proceeds from sale of intangible assets	96	17	96	39
Other investments, net	3	-4	-5	-15
Cash used in investing activities	-1 779	-1 035	-2 863	-3 986
Net cash flow after investing activities	3 620	5 271	6 446	7 995
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-526	-984	-719	-8 302
Dividends paid	0	0	-4 390	-5 340
Cash flow from financing activities	-526	-984	-5 109	-13 643
Total cash flow from continuing operations	3 094	4 287	1 337	-5 648
<i>Discontinued operations</i>				
Cash flow from discontinued operations	-73	13	-305	-95
Cash flow for the period, Group total	3 021	4 301	1 032	-5 743
Cash and cash equivalents at beginning of the period	10 802	8 168	12 724	18 089
Foreign exchange differences in cash and cash equivalents	-120	72	-52	195
Cash and cash equivalents at the end of the period	13 703	12 541	13 703	12 541
<i>Discontinued operations</i>				
Cash flow from operations	-71	13	-306	-94
Cash flow from investing activities	-1	0	3	0
Cash flow from financing activities	-1	1	-2	-1
Total cash flow discontinued operations	-73	14	-305	-95
<i>Group total</i>				
Cash flow from operations	5 328	6 319	9 003	11 886
Cash flow from investing activities	-1 780	-1 035	-2 860	-3 986
Cash flow from financing activities	-527	-984	-5 111	-13 643
Group total cash flow	3 021	4 301	1 032	-5 743

For definitions see home.sandvik

THE PARENT COMPANY

INCOME STATEMENT

MSEK	Q1-Q3 2018	Q1-Q3 2019
Revenues	15 177	15 778
Cost of sales and services	-7 955	-8 124
Gross profit	7 222	7 654
Selling expenses	-955	-903
Administrative expenses	-1 588	-1 949
Research and development costs	-1 084	-1 147
Other operating income and expenses	-824	-710
Operating profit	2 771	2 945
Income/expenses from shares in Group companies	944	2 545
Interest income/expenses and similar items	-423	-292
Profit after financial items	3 292	5 198
Appropriations	-1 180	-374
Income tax expenses	-955	-347
Profit for the period	1 157	4 477

BALANCE SHEET

MSEK	31 DEC 2018	30 SEP 2018	30 SEP 2019
Intangible assets	107	125	95
Property, plant and equipment	7 053	6 913	7 074
Financial assets	42 393	42 452	44 312
Inventories	3 065	3 303	3 235
Current receivables	11 308	11 856	8 923
Cash and cash equivalents	3	-	-
Total assets	63 929	64 649	63 639
Total equity	24 831	24 217	23 938
Untaxed reserves	3 140	1 182	3 515
Provisions	591	555	728
Non-current interest-bearing liabilities	16 963	16 953	15 425
Non-current non-interest-bearing liabilities	907	485	286
Current interest-bearing liabilities	10 823	15 742	13 698
Current non-interest-bearing liabilities	6 674	5 515	6 049
Total equity and liabilities	63 929	64 649	63 639
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	15 059	18 968	16 177
Investments in fixed assets	799	444	665

For definitions see home.sandvik

MARKET OVERVIEW, THE GROUP

ORDER INTAKE PER MARKET AREA

MSEK	Q3 2019	CHANGE *		SHARE	Q1-Q3 2019	CHANGE *		SHARE
		%	% ¹⁾			%	% ¹⁾	
THE GROUP								
Europe	8 558	-10	-10	34	28 797	-4	-5	36
North America	5 872	+7	+3	23	18 122	+1	-1	23
South America	1 270	-0	-0	5	4 046	+7	+7	5
Africa/Middle East	2 594	+33	+33	10	7 261	+4	+4	9
Asia	4 841	-5	-5	19	14 800	-5	-5	19
Australia	1 857	-1	-1	7	5 871	+25	+25	7
Total continuing operations ²⁾	24 992	-1	-2	100	78 897	0	-1	100
Discontinued operations	5	-72	-72	-	71	-5	-5	0
Group total	24 997	-1	-2	-	78 967	0	-1	0
SANDVIK MACHINING SOLUTIONS								
Europe	4 993	-10	-10	52	16 857	-6	-6	54
North America	2 312	-4	-4	24	7 342	+2	+2	23
South America	223	+1	+1	2	640	0	0	2
Africa/Middle East	87	+33	+33	1	246	+2	+2	1
Asia	1 926	-13	-13	20	6 053	-9	-9	19
Australia	68	-10	-10	1	205	-7	-7	1
Total	9 609	-9	-9	100	31 342	-5	-5	100
SANDVIK MINING AND ROCK TECHNOLOGY								
Europe	1 567	-6	-6	14	5 299	0	0	15
North America	2 458	+6	+6	21	7 375	-4	-4	21
South America	964	-5	-5	8	3 225	+7	+7	9
Africa/Middle East	2 443	+35	+35	21	6 835	+5	+5	19
Asia	2 315	-0	-0	20	6 881	0	0	20
Australia	1 769	-1	-1	15	5 608	+26	+26	16
Total continuing operations ²⁾	11 516	+5	+5	100	35 223	+4	+4	100
Discontinued operations	5	-72	-72	-	71	-5	-5	-
Total	11 521	+5	+5	-	35 294	+4	+4	-
SANDVIK MATERIALS TECHNOLOGY								
Europe	1 998	-11	-13	52	6 641	0	-8	54
North America	1 102	+44	+14	28	3 406	+11	-3	28
South America	83	+114	+114	2	181	+28	+28	1
Africa/Middle East	63	-11	-11	2	180	-24	-24	1
Asia	600	+3	+3	16	1 866	-9	-9	15
Australia	21	+37	+37	1	57	+6	+6	0
Total	3 867	+4	-2	100	12 331	+1	-7	100

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 fleet order intake of 198 million SEK recognized according to IFRS 16.

N/M = not meaningful

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

REVENUES PER MARKET AREA

MSEK	Q3 2019	CHANGE *	SHARE	Q1-Q3 2019	CHANGE *	SHARE
		%	%		%	%
THE GROUP						
Europe	8 715	-4	35	28 376	-1	37
North America	5 873	-3	24	17 811	+2	23
South America	1 325	+12	5	3 907	+8	5
Africa/Middle East	2 558	+16	10	7 054	+3	9
Asia	4 784	-8	19	14 590	-2	19
Australia	1 906	+14	8	4 914	+2	6
Total continuing operations ¹⁾	25 161	-1	100	76 652	+1	100
Discontinued operations	25	-85		280	-64	
Group total	25 186	-1		76 932	0	
SANDVIK MACHINING SOLUTIONS						
Europe	5 190	-8	52	16 855	-5	54
North America	2 399	0	24	7 322	+4	23
South America	225	+1	2	642	-1	2
Africa/Middle East	82	+9	1	254	0	1
Asia	1 957	-11	20	5 999	-9	19
Australia	74	0	1	207	-5	1
Total	9 927	-7	100	31 279	-4	100
SANDVIK MINING AND ROCK TECHNOLOGY						
Europe	1 655	-2	14	5 203	+3	15
North America	2 652	-6	23	7 841	+3	23
South America	1 034	+13	9	3 116	+10	9
Africa/Middle East	2 389	+15	20	6 547	+3	19
Asia	2 207	-5	19	6 743	+6	20
Australia	1 814	+15	15	4 656	+2	14
Total continuing operations ¹⁾	11 752	+3	100	34 106	+4	100
Discontinued operations	25	-85		280	-64	
Total	11 777	+3		34 386	+4	
SANDVIK MATERIALS TECHNOLOGY						
Europe	1 869	+7	54	6 318	+7	56
North America	822	-3	24	2 648	-2	24
South America	66	+36	2	149	+18	1
Africa/Middle East	86	+63	2	252	-9	2
Asia	620	-8	18	1 847	0	16
Australia	18	-8	1	52	+10	0
Total	3 482	+3	100	11 267	+3	100

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

1) Includes rental fleet revenue of 281 million SEK recognized according to IFRS 16.

THE GROUP

ORDER INTAKE BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	CHANGE % % ¹⁾	
<i>Continuing operations</i>										
Sandvik Machining Solutions	10 287	10 403	10 047	10 357	41 094	11 105	10 629	9 609	-4	-9
Sandvik Mining and Rock Technology	10 230	11 405	10 468	11 454	43 557	11 839	11 868	11 516	+10	+5
Sandvik Materials Technology	3 935	4 469	3 677	3 817	15 898	4 930	3 535	3 867	+5	+4
Other Operations	967	924	0	0	1 891	0	0	0	N/M	0
Continuing operations	25 419	27 201	24 192	25 627	102 440	27 873	26 031	24 992	+3	-1
Discontinued operations	57	0	16	-3	70	39	27	5	N/M	N/M
Group total	25 476	27 201	24 209	25 624	102 510	27 912	26 058	24 997	+3	-1

REVENUES BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	CHANGE % % ¹⁾	
<i>Continuing operations</i>										
Sandvik Machining Solutions	9 859	10 391	10 100	10 406	40 757	10 679	10 674	9 927	-2	-7
Sandvik Mining and Rock Technology	9 324	10 890	10 838	11 720	42 772	10 573	11 782	11 754	+8	+3
Sandvik Materials Technology	3 640	3 871	3 344	3 842	14 697	3 773	4 011	3 482	+4	+3
Other Operations	862	984	0	0	1 846	0	0	0	N/M	N/M
Group activities	0	0	0	0	0	0	0	0	N/M	N/M
Continuing operations	23 685	26 136	24 283	25 968	100 072	25 025	26 467	25 163	4	-1
Discontinued operations	296	298	156	102	852	155	100	25	-84	-85
Group total	23 981	26 434	24 438	26 070	100 924	25 180	26 567	25 188	3	-1

OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	CHANGE %	
<i>Continuing operations</i>										
Sandvik Machining Solutions	2 555	2 782	2 543	2 041	9 922	2 654	2 483	1 244		-51
Sandvik Mining and Rock Technology	1 402	1 865	1 966	2 148	7 380	1 795	2 115	2 006		2
Sandvik Materials Technology	352	512	230	247	1 341	307	585	-52		N/M
Other Operations	102	72	584	-28	731	-23	96	0		-100
Group activities	-140	-188	-119	-237	-685	-166	-200	-202		69
Continuing operations	4 271	5 043	5 205	4 170	18 689	4 567	5 078	2 996		-42
Discontinued operations	-23	-111	-158	-261	-552	-43	-67	-33		-79
Group total ²⁾	4 248	4 932	5 047	3 909	18 137	4 524	5 012	2 963		-41

OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019
<i>Continuing operations</i>								
Sandvik Machining Solutions	25.9	26.8	25.2	19.6	24.3	24.9	23.3	12.5
Sandvik Mining and Rock Technology	15.0	17.1	18.1	18.3	17.3	17.0	18.0	17.1
Sandvik Materials Technology	9.7	13.2	6.9	6.4	9.1	8.1	14.6	-1.5
Other Operations	11.9	7.3	N/M	N/M	39.6	N/M	N/M	N/M
Continuing operations	18.0	19.3	21.4	16.1	18.7	18.3	19.2	11.9
Discontinued operations	-7.6	-37.2	N/M	N/M	-64.8	-28.1	-66.6	N/M
Group total ²⁾	17.7	18.7	20.7	15.0	18.0	18.0	18.9	11.8

1) Change compared with preceding year at fixed exchange rates for comparable units.

2) Internal transactions had negligible effect on business area profits.

N/M = non-meaningful.

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	CHANGE %
<i>Continuing operations</i>									
Sandvik Machining Solutions	2 555	2 782	2 543	2 480	10 361	2 654	2 483	2 173	-15
Sandvik Mining and Rock Technology	1 402	1 865	1 966	2 238	7 470	1 795	2 115	2 329	+18
Sandvik Materials Technology	352	537	230	247	1 366	307	585	236	+2
Other Operations	102	72	-34	-28	113	-23	-15	0	-100
Group activities	-140	-188	-119	-237	-685	-166	-200	-122	+2
Continuing operations	4 271	5 067	4 587	4 700	18 625	4 567	4 968	4 617	+1
Discontinued operations	-23	-111	-158	-261	-552	-43	-67	-33	-79
Group total ¹⁾	4 248	4 957	4 429	4 439	18 072	4 524	4 901	4 584	+4

ADJUSTED OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019
<i>Continuing operations</i>								
Sandvik Machining Solutions	25.9	26.8	25.2	23.8	25.4	24.9	23.3	21.9
Sandvik Mining and Rock Technology	15.0	17.1	18.1	19.1	17.5	17.0	18.0	19.8
Sandvik Materials Technology	9.7	13.9	6.9	6.4	9.3	8.1	14.6	6.8
Other Operations	11.9	7.3	N/M	N/M	6.1	N/M	N/M	0.0
Continuing operations	18.0	19.4	18.9	18.1	18.6	18.3	18.8	18.3
Discontinued operations	-7.6	-37.2	N/M	N/M	-64.8	-28.1	-66.6	-133.0
Group total ¹⁾	17.7	18.8	18.1	17.0	17.9	18.0	18.4	18.2

ITEMS AFFECTING COMPARABILITY

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019
<i>Continuing operations</i>								
Sandvik Machining Solutions	-	-	-	-439	-439	-	-	-930
Sandvik Mining and Rock Technology	-	-	-	-90	-90	-	-	-323
Sandvik Materials Technology	-	-24	-	-	-24	-	-	-288
Other Operations	-	-	618	-	618	-	110	-
Group activities	-	-	-	-	-	-	-	-80
Continuing operations	-	-24	618	-529	65	-	110	-1 621
Discontinued operations	-	-	-	-	-	-	-	-
Group total	-	-24	618	-529	65	-	110	-1 621

¹⁾ Internal transactions had negligible effect on business area profits.

N/M = non-meaningful.

Q2 2018 - Sandvik Materials Technology reported items affecting comparability of -24 million SEK related to a capital loss in conjunction with the exit from the Fagersta Stainless joint venture.

Q3 2018 - The divestment of Hyperion was completed on 2 July. The divestment resulted in a net capital gain of 618 million SEK reported in Other Operations.

Q4 2018 - Sandvik Machining Solutions reported items affecting comparability of -439 million SEK related to consolidation of the manufacturing footprint.

Q4 2018 - Sandvik Mining and Rock Technology reported items affecting comparability of -90 million SEK related to initiated efficiency measures within the product area Rock Tools.

Q2 2019 - Other Operations reported a capital gain of 110 million SEK related to the final settlement for the divestment of Hyperion.

Q3 2019 - Sandvik reported items affecting comparability of -1,621 million SEK related to cost measures to mitigate a slower demand environment as well as to ensure optimized efficiency (-1,571) and costs related to the internal separation of Sandvik Materials Technology (-50). All business areas announced activities included in the cost measures.

KEY FIGURES

	Q3 2018	Q3 2019	Q1-Q4 2018
<i>Continuing operations</i>			
Tax rate, %	22.5	26.1	27.2
Return on capital employed, % ¹⁾²⁾	24.6	13.7	22.7
Return on total equity, % ¹⁾	28.3	13.3	24.3
Return on total capital, % ¹⁾	18.5	10.2	16.9
Shareholders' equity per share, SEK	45.2	50.3	46.6
Net debt/equity ratio	0.27	0.27	0.20
Net debt/EBITDA	0.66	0.69	0.66
Equity/assets ratio, %	49	51	50
Net working capital, % ¹⁾²⁾	27.2	28.3	24.0
Earnings per share basic, SEK	3.14	1.65	10.57
Earnings per share diluted, SEK	3.13	1.65	10.55
EBITDA, MSEK	6 339	4 673	23 085
Cash flow from operations, MSEK	+5 399	+6 306	+15 353
Funds from operations (FFO), MSEK	5 375	5 117	19 385
Interest coverage ratio, %	2 855	1 660	1 658
Number of employees	41 778	41 279	41 670

1) Quarter is quarterly annualized and the annual number is based on a four quarter average.
2) 12-month rolling Q3 2019 ROCE reported at 19.1% (28.2) and NWC % reported at 25.8 (24.1)

	Q3 2018	Q3 2019	Q1-Q4 2018
<i>Group total</i>			
Tax rate, %	23.2	26.4	28.1
Return on capital employed, % ¹⁾²⁾	23.9	13.5	22.0
Return on total equity, % ¹⁾	27.1	13.1	23.3
Return on total capital, % ¹⁾	17.8	10.1	16.3
Shareholders' equity per share, SEK	45.2	50.3	46.6
Net debt/equity ratio	0.27	0.27	0.20
Net debt/EBITDA	0.67	0.70	0.67
Equity/assets ratio, %	49	50	49
Net working capital, % ¹⁾²⁾	27.3	28.4	24.2
Earnings per share basic, SEK	3.01	1.63	10.14
Earnings per share diluted, SEK	3.00	1.62	10.11
EBITDA, MSEK	6 185	4 640	22 545
Cash flow from operations, MSEK	+5 328	+6 319	+14 914
Funds from operations (FFO), MSEK	5 162	5 062	18 791
Interest coverage ratio, %	2 743	1 642	1 618
Number of employees	41 824	41 292	41 705
No. of shares outstanding at end of period ('000)	1 254 386	1 254 386	1 254 386
Average no. of shares ('000)	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 Q3 2019 ROCE reported at 18.6% (27.6) and NWC % reported at 25.9 (24.1)

For definitions see home.sandvik

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.

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.

ANNUAL GENERAL MEETING

The Board of Directors has decided that the 2020 Annual General Meeting will be held in Sandviken, Sweden, on

28 April 2020. The notice to convene the AGM will be made in the prescribed manner.

Stockholm 18 October 2019
Sandvik Aktiebolag (publ)

Björn Rosengren
President and CEO

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information (interim report) of Sandvik AB as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm 18 October 2019
PricewaterhouseCoopers AB

Peter Nyllinge **Magnus Svensson Henryson**
Authorized Public Accountant Authorized Public Accountant
Lead Partner

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 11.30 CET on 18 October 2019.

Additional information may be obtained from Sandvik Investor Relations on tel +46 8 456 14 94 (Ann-Sofie Nordh), +46 8 456 11 94 (Anna Villogorac).

A webcast and teleconference will be held on 18 October 2019 at 13.00 CET.

Information is available at home.sandvik/ir

CALENDAR:

21 January 2020	Report, fourth quarter 2019
20 April 2020	Report, first quarter 2020
28 April 2020	Annual General Meeting in Sandviken, Sweden
16 July 2020	Report, second quarter 2020
16 October 2020	Report, third quarter 2020

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