

INTERIM REPORT SECOND QUARTER 2020

AND FIRST SIX MONTHS OF 2020



RESILIENCE IN SIGNIFICANTLY WEAKER MARKETS

CEO'S COMMENT: "The second quarter of 2020 was one of the most challenging quarters in our history. Never before have we managed such a significant drop in orders over such a short period of time, while also having to manage both health and safety concerns as well as logistical challenges on a global scale. I am proud of how the Sandvik team has responded to this challenge. While putting the health and safety of our people first, we have continued to serve our customers throughout this period, ensuring that their businesses have continued uninterrupted. At the same time, we have shifted to new ways of working, while quickly and decisively implementing significant cost-saving measures, which unfortunately also means that some of our colleagues have to leave the company. Consequently, we are now able to show the resilience of a decentralized, focused and more agile Sandvik. I want to acknowledge all the hard work and great achievements that have led to the results accomplished this quarter," says Stefan Widing, CEO and President of Sandvik.

"While the impact of Covid-19 was only noted toward the end of Q1, an accelerating order decline was seen in the first half of Q2 with widespread lockdowns across most regions and countries. Consequently, order intake in Sandvik Machining Solutions fell significantly by -35%, with the decline especially pronounced in the automotive and aerospace segments. Furthermore, mining activity was hampered by mine closures, which had a negative impact on both equipment and after-market demand. In total, Sandvik Mining and Rock Technology posted a -10% decline compared with a record-high order level noted in the preceding year. Underlying sentiment remained generally robust in mining and we had a strong order intake towards the end of the quarter. For Sandvik Materials Technology, order intake declined significantly by -33%, a consequence of Covid-19 as well as volatility and uncertainty in the oil & gas segment. Overall, however, there were signs of stabilizing markets towards the end of the quarter as restric-

tions slowly started to ease. This trend continued into the first two weeks of July, at an order intake rate of -20 to -25% compared with last year in Sandvik Machining Solutions."

"Unless there are new lockdowns, the worst should be behind us, but we expect the recovery to be slow given the low business activity in several of our key end-market segments, such as automotive, aerospace and energy. Our savings activities are now shifting from temporary to a more long-term adjustment to this new reality, and I am pleased to see all our businesses implementing and delivering on both short and long-term savings measures. During the quarter, we delivered approximately 1.5 billion SEK in savings and reduced spend for the Group compared with the preceding year. Our adjusted operating margin reached 14.0% (18.8) despite a sharp -20% organic decline in revenues. Reported operating profit was impacted by -1.3 billion SEK in costs related to savings measures."

"At the same time as we are managing the current business climate, we have taken important steps for future growth in Sandvik Machining Solutions. The business area will be renamed Sandvik Manufacturing and Machining Solutions and will consist of two business area segments: Sandvik Machining Solutions (SMS), encompassing our metal cutting divisions and Wolfram, and Sandvik Manufacturing Solutions (SMF), focused on adjacent software and additive manufacturing offerings. I would also like to welcome Nadine Crauwels to the management team as the new President of Sandvik Machining Solutions starting 1 October 2020. I am convinced that these steps will support profitable growth – both organically and through acquisitions – in both these segments, while also enabling collaboration and synergies where this adds value for our customers," says Stefan Widing, CEO and President of Sandvik.



FINANCIAL OVERVIEW, MSEK	Q2 2019	Q2 2020	CHANGE %	Q1-Q2 2019	Q1-Q2 2020	CHANGE %
<i>Continuing operations</i>						
Order intake ¹⁾	26,031	18,971	-23	53,905	44,327	-17
Revenues ¹⁾	26,467	20,230	-20	51,492	43,851	-14
Gross Profit	11,099	6,597	-41	21,551	15,783	-27
% of revenues	41.9	32.6		41.9	36.0	
Operating profit	5,078	1,508	-70	9,646	4,270	-56
% of revenues	19.2	7.5		18.7	9.7	
Adjusted operating profit ²⁾	4,968	2,837	-43	9,535	6,565	-31
% of revenues	18.8	14.0		18.5	15.0	
Profit after financial items	4,692	1,528	-67	8,881	3,874	-56
% of revenues	17.7	7.6		17.2	8.8	
Adjusted profit after financial items	4,581	2,858	-38	8,770	6,169	-30
% of revenues	17.3	14.1		17.0	14.1	
Profit for the period	3,605	1,098	-70	6,746	2,933	-57
% of revenues	13.6	5.4		13.1	6.7	
Earnings per share, basic, SEK	2.88	0.88	-69	5.38	2.35	-56
Earnings per share, diluted, SEK	2.87	0.88	-69	5.37	2.35	-56
Adjusted earnings per share basic, SEK	2.81	1.73	-38	5.31	3.87	-27
Return on capital employed, % ³⁾	22.4	6.9		21.9	9.3	
Cash flow from operations	2,732	2,880	5	5,674	5,694	0
Net working capital % ³⁾	25.5	31.0		25.6	27.5	
<i>Discontinued operations</i>						
Profit for the period	-67	-4	93	-110	-16	85
Earnings per share, SEK	-0.05	0.00		-0.09	-0.01	
<i>Group Total</i>						
Profit for the period	3,539	1,094	-69	6,636	2,917	-56
Earnings per share, basic, SEK	2.83	0.88	-69	5.29	2.34	-56
Earnings per share, diluted, SEK	2.82	0.88	-69	5.28	2.33	-56
Adjusted earnings per share, basic, SEK	2.75	1.73	-37	5.22	3.86	-26

1) Change from the preceding year at fixed exchange rates for comparable units. 2) Profit adjusted for items affecting comparability of -1.3 million SEK in Q2 2020 (0.1) and to -2.3 billion SEK YTD 2020 (0.1). These are primarily related to savings measures, costs related to Varel Oil & Gas disposal as well as costs for the internal separation of Sandvik Materials Technology. For Q2 2019 it was related to the divestment of Hyperion. See page 23. 3) Quarter is quarterly annualized and year-to-date numbers are based on a four quarter average.

Tables and calculations in the report 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

GROWTH		
Q2	ORDER INTAKE	REVENUES
Price/volume, %	-23	-20
Structure, %	-2	-2
Currency, %	-3	-2
TOTAL, %	-27	-24

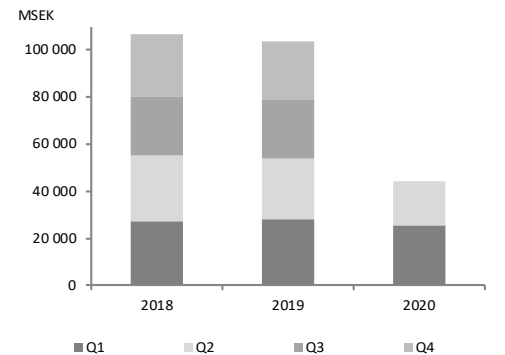
Change compared to same quarter last year. The table is multiplicative, i.e. the different components must be multiplied to determine the total effect.

During the quarter, order intake declined sharply by -23% on an organic basis year on year. The decline in revenues was slightly lower than the decline in orders at -20%, supported by the order backlog.

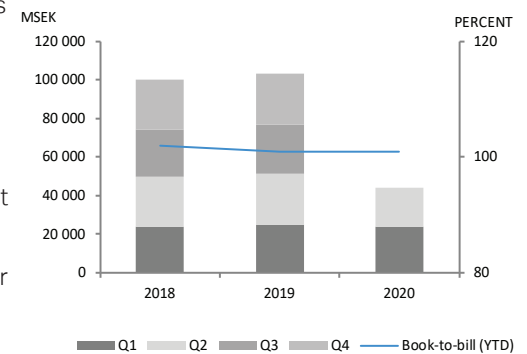
Customer activity was particularly slow during the first half of the quarter, with widespread closures on the back of the Covid-19 pandemic. Recovery was subtle in the major regions of Europe and North America, unlike China, where a more V-shaped recovery was noted during Q1. The last month of the period showed signs of a slight increase in the pace of recovery, although with lingering uncertainty in major segments such as automotive and aerospace. The underlying development in the mining segment was stable despite a negative impact from mine closures predominantly in April, and consequently the order intake decreased organically by -10% year on year. In line with an overall robust sentiment, Sandvik Mining and Rock Technology booked larger orders valued at approximately 600 million SEK for underground equipment, service and automation. For the oil & gas segment, uncertainty remained despite improvement in oil prices as the second quarter progressed.

In Asia and in China in particular, the recovery noted towards the end of the first quarter marked a resumption of more normal demand in the second quarter, where domestic demand in particular showed improvement while exports remained subdued. Overall, all major regions declined at a double-digit pace, with -33% noted for Europe and -30% for North America, while Asia noted the less severe drop of -12%. As a result of the slowdown in the majority of short-cycle segments, order intake decreased organically by -35% year on year in Sandvik Machining Solutions and by -33% for Sandvik Materials Technology where – in addition to short-cycle deterioration – a significant weakening was also noted in the oil & gas segment. Here, uncertainty remained high and we noted several existing orders being delayed due to reduced customer capex. Changed exchange rates had a negative impact of -3% on order intake and -2% on revenues.

ORDER INTAKE



REVENUES AND BOOK-TO-BILL



Q2

UNDERLYING MARKET DEVELOPMENT

	MINING 37% of 2019 revenues	GENERAL ENGINEERING 21%	AUTOMOTIVE 11%	ENERGY 12%	CONSTR. 8%	AERO 7%
	→					
	→					
% of 2019 Group revenue	Order intake Y/Y (excl. large orders)					
Europe	37%	-33% (-33%)	→	→	→	→
North America	23%	-30% (-27%)	→	→	→	→
Asia	19%	-12% (-12%)	→	→	→	→
Africa/Middle East	9%	+4% (+4%)	→	→		
Australia	7%	-14% (-14%)	→			
South America	5%	-27% (-27%)	→			

EARNINGS

Adjusted gross profit declined by -33% to 7,451 million SEK (11,099) and the adjusted gross margin declined to 36.8% (41.9), impacted by the organic decline of -20% in revenues.

Sales and administration costs excluding items affecting comparability declined by -27% year on year, with the largest decline noted in sales costs. The overall ratio to revenues on reported basis remained stable at 19.1% (19.2).

Adjusted operating profit declined by -43% and amounted to 2,837 million SEK (4,968) and the adjusted operating margin declined to 14.0% (18.8). The adjusted operating profit, excluding metal price effects in Sandvik Materials Technology of -76 million SEK in the period, declined by -40% to 2,913 million SEK (4,837). The adjusted operating margin excluding metal price effects was 14.4% (18.3) for the second quarter, and 17.0% (18.5) for the last twelve months. The impact from changed exchange rates was marginally positive at 28 million SEK. Cost savings measures are offsetting some of the impact of the negative year on year organic growth of -20%. Savings from the cost-reduction activities announced in July 2019 amounted to approximately 425 million SEK in the quarter, meaning that the full run-rate savings of 1.7 billion SEK have been achieved. Temporary savings in the quarter amounted to 1.1 billion SEK, related to work time reductions and lower discretionary spending.

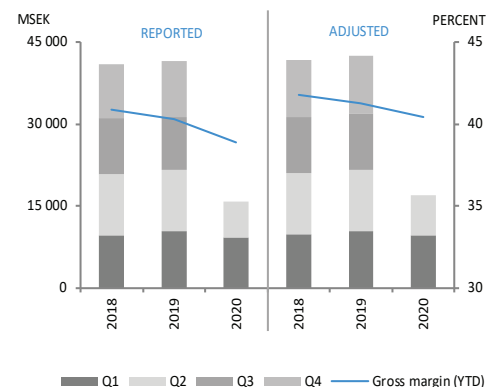
Reported operating profit was adversely impacted by costs of -1,329 million SEK, mainly related to the structural measures on the back of Covid-19 and -24 million SEK related to the internal separation of Sandvik Materials Technology from the remainder of the Sandvik Group.

The interest net was reduced to -90 million SEK (-144). Net financial items amounted to 20 million SEK (-387), with the increase driven by temporary revaluations of commercial hedges.

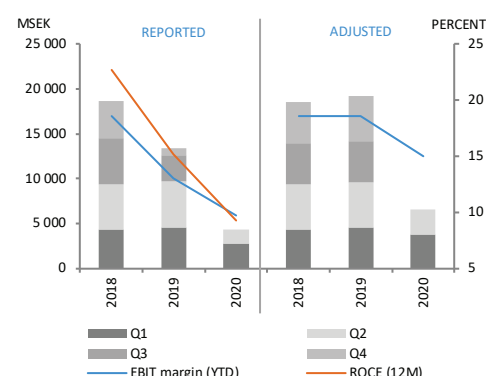
The underlying tax rate for continuing operations was 24.3% (26.0) excluding the adverse impact related to the items affecting comparability in operating profit. The reported tax rate for continuing operations was 28.1% (23.2%) and 28.2% (23.5) for the Group in total.

The net result amounted to 1,098 million SEK (3,605), corresponding to earnings per share of 0.88 SEK (2.88) and adjusted earnings per share of 1.73 SEK (2.81).

GROSS PROFIT AND MARGIN

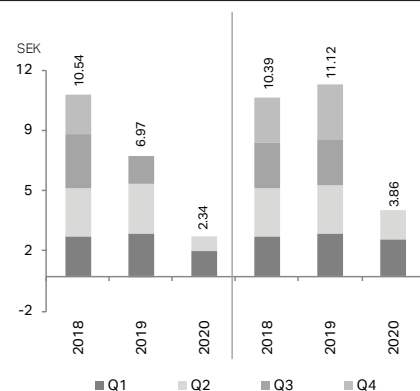


OPERATING PROFIT & RETURN



Reported operating margin impacted by items affecting comparability: 0.1 billion SEK in 2018 and -5.8 billion SEK in 2019 and -2.3 billion SEK in 2020.

EARNINGS PER SHARE



CASH FLOW AND BALANCE SHEET

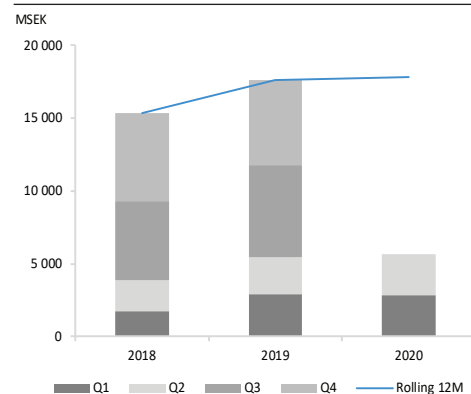
Capital employed increased year on year to 90.7 billion SEK (88.5) and decreased sequentially (93.6). The adjusted return on capital employed, was 18.0% and declined both year on year (21.7) and sequentially (20.1), mainly due to lower reported earnings.

Net working capital amounted to 24.5 billion SEK, decreasing year on year (28.3) and decreased sequentially (25.7), mainly due to changed exchange rates. Inventory volumes declined by -0.3 billion SEK sequentially, instead of the seasonal build up ahead of the summer. Relative net working capital increased to 31% (26) for the quarter. Investments in tangible and intangible assets in the second quarter amounted to 0.8 billion SEK (1.0), corresponding to 84% of depreciation.

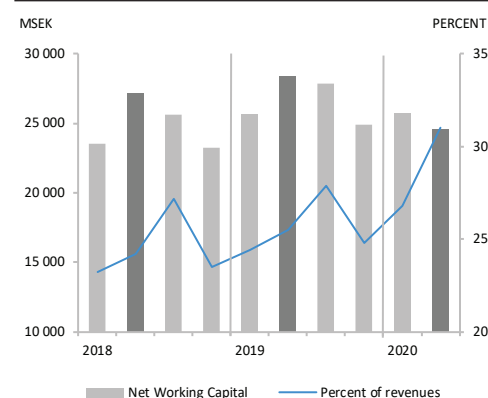
The **financial net cash** position was 3.5 billion SEK, which compares to a financial net cash position of 1.4 billion SEK in the previous quarter and a financial net debt position of 9.4 billion SEK in the year-earlier period. The net pension liability increased year on year to 7.3 billion SEK (6.6), due primarily to changed discount rates. Net debt amounted to 7.0 billion SEK at the end of the second quarter, declining year on year from 19.3 billion SEK. Sequentially, it decreased from 11.1 billion SEK reported in the previous quarter. The net debt to equity ratio declined year on year to 0.11 (0.32). Interest-bearing debt related to loans with short-term maturity accounted for 19% of total loans.

Free operating cash flow increased year on year to 2.5 billion SEK (2.2).

CASH FLOW FROM OPERATIONS



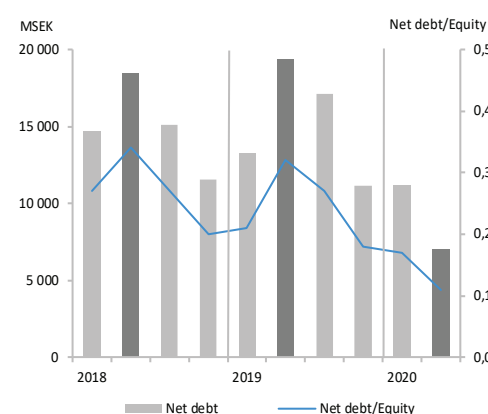
NET WORKING CAPITAL



FREE OPERATING CASH FLOW, MSEK	Q2 2019	Q2 2020
EBITDA + non-cash items ¹⁾	5,733	3,445
Net Working Capital change	-2,457	-89
Capex ²⁾	-1,121	-894
FREE OPERATING CASH FLOW²⁾	2,156	2,461

1) Including investments and disposals of rental equipment of -185 million SEK (-170) and tangible and intangible assets of -709 million SEK (-951). 2) Free operating cash flow before acquisitions and disposals of companies, financial items and paid taxes.

NET DEBT, GROUP TOTAL



SANDVIK MINING AND ROCK TECHNOLOGY

LARGE ORDERS BOOKED,
UNDERLYING SENTIMENT INTACT

AFTERMARKET IMPACTED BY
COVID-19 MINE CLOSURES

STRONG MARGIN RESILIENCE



GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-10	-12
Structure, %	0	0
Currency, %	-4	-4
TOTAL, %	-14	-16

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

Total order intake declined organically by -10% year on year with signs of recovery for both equipment and aftermarket toward the second half of the quarter as mines started to re-open. Despite continued hesitancy in customer decision-making, the underlying sentiment remained robust and several larger orders were booked during the period.

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

- Total equipment orders declined at a mid-single digit rate supported by several large orders for underground mining equipment in Australia and Africa/Middle-East.
- Aftermarket orders contracted at a low-teens rate impacted by mine closures where both parts and services as well as consumables softened by a similar rate of decline.
- The largest geographical markets with the exception of Africa/Middle East, noted high-single digit to low-teens rates of decline.
- The aftermarket business accounted for 57% (60) of revenues while the equipment business accounted for 43% (40).

Adjusted operating profit decreased by -14% year on year, primarily due to lower organic revenues. The adjusted operating margin increased to 19.3% (18.9) supported by savings measures.

Key items impacting adj. operating profit and adj. operating margin:

- Savings from cost measures announced in 2019 amounted to 110 million SEK and temporary savings amounted to approximately 305 million SEK.
- Negative mix due to higher share of equipment in revenues was offset by lower discretionary spending.
- Exchange rates had a neutral impact.

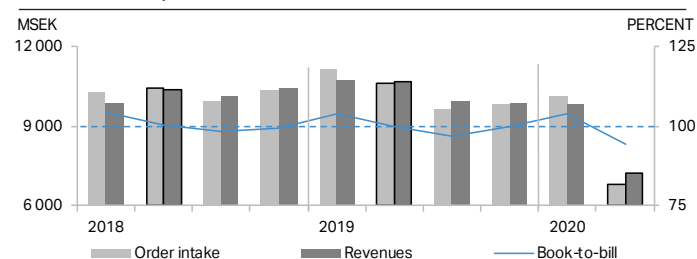
Reported operating profit of 1,166 million SEK (2,126) and

operating margin of 12.3% (18.9) was negatively impacted by -667 million SEK mainly related to structural savings measures.

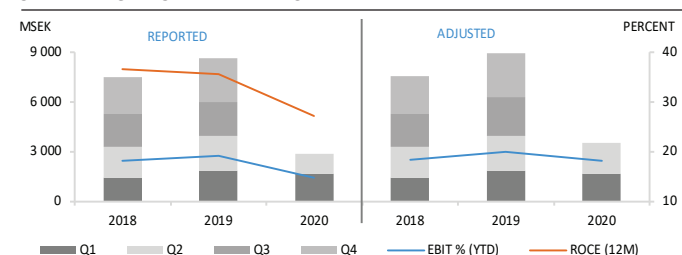
Covid-19 update

Production was impacted only to a minor extent during the quarter, and both supply and distribution proceeded as planned. Mine closures in the first half of the quarter had a negative impact on both equipment and aftermarket, but showed signs of recovery in the second half.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q2 2019	Q2 2020	CHANGE %	Q1-Q2 2019	Q1-Q2 2020	CHANGE %
Order intake *	11,318	9,773	-10	22,687	20,344	-9
Revenues *	11,233	9,489	-12	21,336	19,264	-9
Operating profit	2,126	1,166	-45	3,943	2,827	-28
% of revenues	18.9	12.3		18.5	14.7	
Adjusted operating profit ¹⁾	2,126	1,833	-14	3,943	3,494	-11
% of revenues	18.9	19.3		18.5	18.1	
Return on capital employed ²⁾	31.2	17.2		32.4	27.1	
Number of employees ³⁾	14,782	13,377	-10	14,782	13,377	-10

* Change at fixed exchange rates for comparable units.

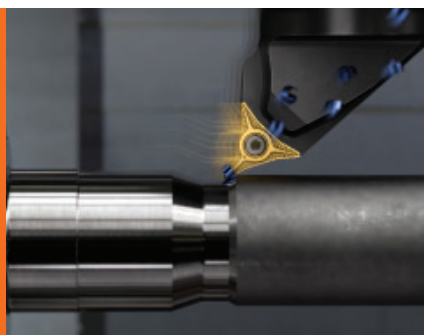
1) Operating profit adjusted for items affecting comparability of -667 million SEK Q2 2020 (0) related to savings measures. There were no such impacts during Q1 2020 nor YTD 2019. See page 23.
2) Quarter is quarterly annualized and the year to date numbers are based on a four quarter average. 3) Full-time equivalent.

SANDVIK MACHINING SOLUTIONS

SIGNIFICANT IMPACT FROM SEGMENTS PARTICULARLY AFFECTED BY LOCKDOWNS

SAVINGS MEASURES SUPPORTED THE MARGIN

NEW ORGANIZATIONAL SET-UP ANNOUNCED



GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-35	-32
Structure, %	0	0
Currency, %	-1	-1
TOTAL, %	-36	-32

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 declined significantly year on year as customer activity softened across all segments, with aerospace and automotive accounting for the largest drop. Demand declined across all markets with sequential recovery in China, mainly driven by domestic consumption.

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

- Organic revenues declined in two of the major geographical regions, Europe and North America by -33% and -40% respectively. The decline in Asia was less steep at -18%, with a slight increase in China compared with the preceding year.
- Weakness in the automotive and aerospace segments intensified as a further drop in production was noted for the quarter in the wake of the Covid-19 pandemic.
- Slight recovery in June and beginning of July predominantly in Europe and in the automotive segment.
- The number of working days had a slightly positive impact of 0.2% on both orders and revenues.

Adjusted operating profit amounted to 927 million SEK (2,483), decreasing -63% year on year. The adjusted operating margin declined to 12.8% (23.3).

Key items impacting adj. operating profit and adj. operating margin:

- Lower production rates had a negative impact on the margin of -1.4%-points year over year.
- Savings from the cost measures announced in 2019 amounted to 270 million SEK and temporary savings of approximately 680 million SEK.
- Changed exchange rates had a positive impact of +38 million year on year.

Reported operating profit of 645 million SEK (2,483) and op-

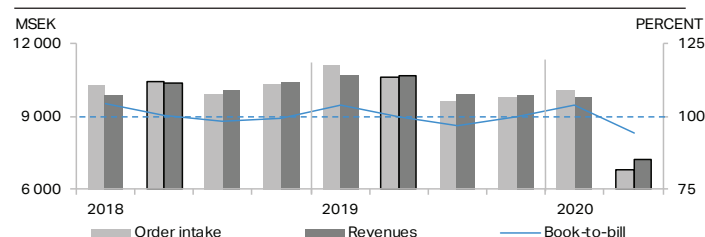
erating margin of 8.9% (23.3) were mainly impacted by costs of -282 million SEK related to the structural savings measures.

It was announced that Sandvik Machining Solutions will be renamed Sandvik Manufacturing and Machining Solutions and will consist of two business area segments: Sandvik Machining Solutions (SMS), and Sandvik Manufacturing Solutions (SMF).

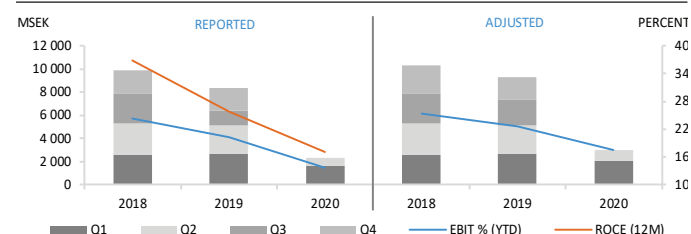
Covid-19 update

The business area only experienced some disruptions to its production, whereof closures in the large sites in India were most challenging. However, a sharper drop in demand was recorded in the beginning of the quarter, with large customer segments impacted by production stoppages and lower business activity.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q2 2019	Q2 2020	CHANGE %	Q1-Q2 2019	Q1-Q2 2020	CHANGE %
Order intake *	10,629	6,821	-35	21,733	16,945	-23
Revenues *	10,674	7,247	-32	21,352	17,013	-22
Operating profit	2,483	645	-74	5,137	2,335	-55
% of revenues	23.3	8.9		24.1	13.7	
Adjusted operating profit ¹⁾	2,483	927	-63	5,137	2,981	-42
% of revenues	23.3	12.8		24.1	17.5	
Return on capital employed ²⁾	29.8	8.0		31.9	17.1	
Number of employees ³⁾	19,277	15,079	-22	19,277	15,079	-22

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of -282 million SEK in Q2 2020 (0) and -646 million SEK YTD 2020 (0) all related to savings measures. ²⁾ Quarter is quarterly annualized and the year to date numbers are based on a four quarter average. See page 23. ³⁾ Full-time equivalent.

For definitions see home.sandvik

SANDVIK MATERIALS TECHNOLOGY

INCREASED SCOPE OF SAVINGS MEASURES

SOLID MARGIN DUE TO SAVINGS AND MIX

UNCERTAINTY IN OIL & GAS SEGMENT



GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	-33	-13
Structure, %	1	1
Currency, %	0	0
TOTAL, %	-33	-13

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 deteriorated significantly by -33% year on year on the back of Covid-19 as well as uncertainty in the oil & gas segment, while revenues performed better supported by a strong backlog. All major regions and customer segments declined during the quarter, except for Asia.

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

- A large order in for the nuclear segment was booked in China and contributed to positive year on year development in Asia.
- The weakest segments were oil & gas and aerospace.
- Tube noted a general decline across regions and the majority of segments for both standardized and value-added products.
- In the Kanthal division, demand declined for both heating materials and heating systems.
- Alloy surcharges accounted for approximately -1.7% of order intake and -1.8% of revenues.

Adjusted operating profit excluding metal price effects totaled 324 million SEK (454), yielding an underlying margin of 9.3% (11.3). Including negative metal price effects, the adjusted operating profit decreased to 248 million SEK (585) and the adjusted operating margin decreased to 7.1% (14.6).

Key items impacting adj. operating profit and adj. operating margin:

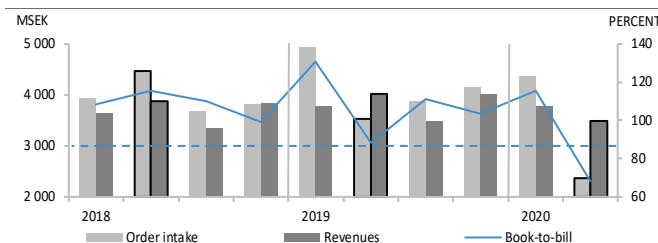
- Positive mix due to higher share of value-added products compared to standardized products.
- Inventory destocking in the quarter as opposed to the normal seasonal build-up last year impacted the margin negatively by -1.3%-points.
- Savings from cost measures announced in 2019 amounted to 25 million SEK and temporary savings of approximately 85 million SEK.
- Exchange rates had a neutral impact on operating profit.
- Changed metal prices had a negative impact of -76 million SEK in the quarter.

Reported operating profit of -83 million SEK (585) and operating margin of -2.4% (14.6) were mainly impacted by costs of -331 million SEK, predominantly related to the structural savings measures. These measures included notice of layoffs of 429 employees in the quarter

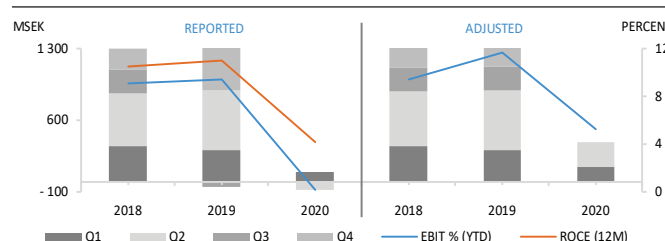
Covid-19 update

Production during the quarter was largely unaffected by the Covid-19 situation. Supply and distribution chains remained largely intact. Market uncertainty remains high in the oil & gas segment and delays were noted for several orders due to reduced customer capex.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q2 2019	Q2 2020	CHANGE %	Q1-Q2 2019	Q1-Q2 2020	CHANGE %
Order intake *	3,535	2,377	-33	8,465	6,742	-22
Revenues *	4,011	3,495	-13	7,784	7,277	-8
Operating profit	585	-83	-114	892	11	-99
% of revenues	14.6	-2.4		11.5	0.2	
Adjusted operating profit ¹⁾	585	248	-58	892	388	-57
% of revenues	14.6	7.1		11.5	5.3	
Return on capital employed, % ²⁾	17.5	-2.5		10.1	4.2	
Number of employees ³⁾	5,970	5,193	-13	5,970	5,193	-13

* Change at fixed exchange rates for comparable units.

1) Operating profit adjusted for items affecting comparability of -331 million SEK in Q2 2020 (0) and -377 million SEK YTD 2020 (0) related to savings measures and the internal separation of Sandvik Materials Technology. 2) Quarterly number is annualized and the year-to-date number is based on four quarter average. See page 23. 3) Full-time equivalent.

SUSTAINABLE BUSINESS

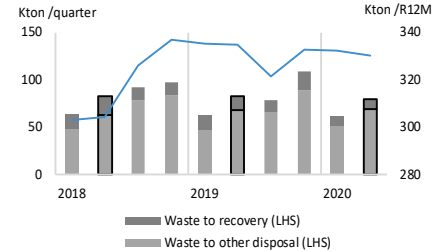
SLOWDOWN IMPACTS GREENHOUSE GAS EMISSIONS

INCREASED SHARE OF FEMALE MANAGERS

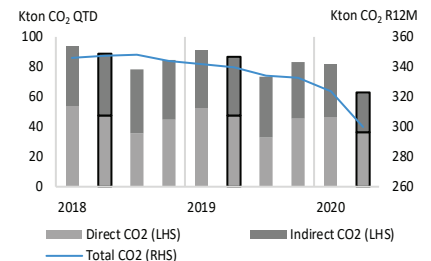
"GAS TO ELECTRIC" WINS FIRST SIGRID GÖRANSSON MEDAL



CIRCULARITY - WASTE



CLIMATE - CO₂ EMISSIONS

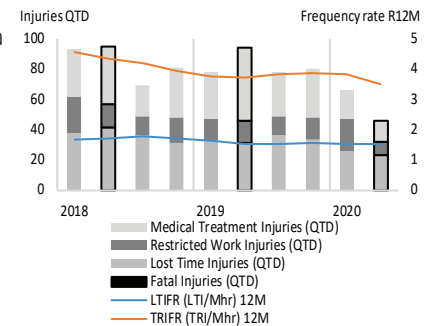


Despite the challenging global situation, our commitment to sustainability has remained strong. Inevitably, the pace has slowed in some projects, while others have been completed. Projects span from changed packaging solutions, promoting circularity, to an ongoing Diversity and Inclusion training program and the introduction of new technology to conserve energy. New sustainability scorecards were added in the financial business reviews to track and monitor the development of some of our key performance indicators

Second quarter 2020

- A sharp reduction in greenhouse gas emissions of -27% was noted compared with the preceding year. Although many initiatives are ongoing to reduce the overall levels of CO₂ emissions, this rapid change was almost entirely attributable to the effects of lockdown situations in all markets. The main impact was seen in Asia, which contributed to 40% of the total reduction. Within Asia, India stood out as the region most heavily impacted. North America and Europe also reported large reductions, which were also Covid-19 related, while the impact was not as substantial in the remaining markets during the quarter.
- The waste recovery rate fell for the Group, but remained at 62% excluding the mine in Austria and Sandvik Materials Technology's Sandviken production unit.
- The number of injuries recorded during the quarter (46) and the Injury Frequency Rate (3.5) marked the lowest outcomes ever for Sandvik.
- The share of female managers increased to a new top level at the end of the quarter. This was attributed to positive contributions from all business areas.
- After the reporting period, there was a serious incident in our production unit in Gimo, which sadly led to two fatalities among our employees. The incident is being investigated.

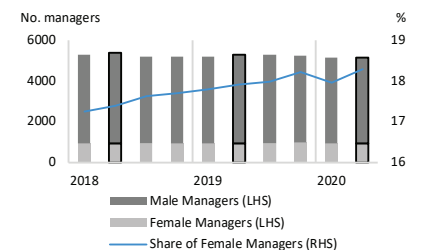
PEOPLE - ZERO HARM



Case of the quarter

One of the enablers for reaching our goals for sustainable business is a new, annual sustainability award: The Sandvik Sustainability Award in Memory of Sigrig Göransson. This year's winners were Daniel Burton, Marcus Andersson and Ole Stadum at Kanthal, who received the award for "Gas to electric," a service solution that helps customers reduce their CO₂ emission by converting from fossil gas furnaces to electrical furnaces. Their customized, on-site evaluation service provides customers with calculation models, reports and recommendations, thereby enabling companies to meet their own sustainability and workplace targets, comply with regional emissions rules and facilitate government support for expansion projects. The Sustainability Award in memory of Sigrig Göransson goes to an employee or group of employees who has made an important and innovative solution with measurable and lasting impact on environmental, economic or social sustainability at Sandvik or in local communities.

PLAY FAIR - DIVERSITY



SUSTAINABILITY OVERVIEW

		Q2 2019	Q2 2020	CHANGE %	Rolling 12 months
Circularity	Total waste, thousand tonnes*	83	80	-2.9	331
Circularity	Waste recovered, % of total	16.8	13.7	-18.4	16.6
Climate	Total CO ₂ , thousand tonnes*	86	63	-27.4	300
People	Total recordable injury frequency rate, R12M frequency / million working hours	3.7	3.5	-6.8	3.5
People	Lost time injury frequency rate, R12M frequency / million working hours	1.5	1.5	0.3	1.5
Fair play	Share of female managers, %	17.9	18.3	+2.1	18.3

* Period is March 2020 to May 2020
For definitions see home.sandvik

PARENT COMPANY

The parent company's invoiced sales for the first six months of 2020 amounted to 5,241 million SEK (11,058) and the operating result was 2,075 million SEK (1,951). Result from shares in group companies of -1,766 million SEK (1,620) for the first six months consists primarily of dividends, group contributions and the costs related to the separation of Sandvik Materials Technology from the commissionaire structure.

FIRST SIX MONTHS 2020

For the first six months of 2020, demand for Sandvik's products declined year on year on the back of Covid-19, with order intake displaying an organic growth of -17%. Excluding the impact of large orders, growth was -16%. Revenues decreased by -14%. Underlying customer activity decreased in all customer segments, with mining showing least negative impact, high levels of uncertainty in energy segment and strongly severely affected in automotive and aerospace. Order intake for Sandvik's products declined at a high teens rate in all three major regions. Changed exchange rates had a neutral impact on order intake and revenues. Sandvik's order intake amounted to 44,327 million SEK (53,905), and revenues were 43,851 million SEK (51,492), implying a book-to-bill ratio of 101%.

Adjusted operating profit decreased by -31% year on year to 6,565 million SEK (9,535) and the adjusted operating margin was 15.0% (18.5), with cost measures offsetting some of the impact of the negative year on year organic revenue growth. The reported operating profit decreased by 55% to 4,270 million SEK (9,646) and the operating margin was 9.7% (18.7). Changed metal prices had a negative impact of -277 million SEK (46). Net financial items amounted to -396 million SEK (-765) and profit after financial items was 3,874 million SEK (8,881).

Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 8,068 million SEK (16,918). Investments in property, plant and machinery amounted to 161 million SEK (394).

The underlying tax rate for continuing operations was 21.6% (25.6). The underlying tax rate for the Group total was 21.6% (25.9) and the reported tax rate for Group total was 24.3% (26.8).

Profit for the period amounted to 2,933 million SEK (6,746) for continuing operations and 2,917 million SEK (6,636) for the Group total. Earnings per share for continuing operations amounted to 2.38 SEK (5.38) while earnings per share for the Group total amounted to 2.34 SEK (5.29).

Net debt decreased year-on-year to 7.0 billion SEK (19.3), as a result of strong cash flow, resulting in a net debt to equity ratio of 0.11 (0.32).

During the first six months, two acquisitions were closed: Sandvik Material Technology acquired Summerill Tube Corporation and Sandvik Machining Solutions acquired Quimmico Centro Tecnológico's (QCT) division for cutting tools. Furthermore, the divestment of Sandvik Drilling and Completions (Varel Oil & Gas) was completed.

ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS DURING THE LAST 12 MONTHS

	COMPANY/UNIT	CLOSING DATE	REVENUES	NO. OF EMPLOYEES
2019				
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
Sandvik Materials Technology	Thermaltek	31 December 2019	13 MUSD in 2019	30
Sandvik Machining Solutions	Melin Tool Company	31 December 2019	22 MUSD in 2019	100
2020				
Sandvik Materials Technology	Summerill Tube Corporation	14 January 2020	100 MSEK in 2018	45
Sandvik Machining Solutions	Quimmico Centro Tecnológico (QCT)	1 June 2020	90 MSEK in 2019	130

	Purchase price on cash and debt free basis	Preliminary goodwill and other intangible assets
Acquisitions 2020	190 million SEK	43 million SEK

DIVESTMENTS DURING LAST 12 MONTHS

	COMPANY/UNIT	CLOSING DATE	REVENUES	NO. OF EMPLOYEES
2020				
Other Operations	Sandvik Drilling & Completions (Varel) *	12 March 2020	2,100 MSEK in 2019	1,100

* Sandvik divested 70% of Varel and remains a minority owner of 30% of the company.

SIGNIFICANT EVENTS

DURING THE FIRST SIX MONTHS

- On 20 January, Sandvik Machining Solutions announced its decision to examine the conditions for a closure of a production plant in Germany. The closure is expected to be finalized by mid-2021, with a full run-rate of net savings of about 110 million SEK. Costs related to the restructuring, amounting to -364 million SEK impacted Sandvik Machining Solutions' operating profit in the first quarter of 2020, with the majority impacting future cash flow.

- On 1 February, Stefan Widing assumed the position as CEO and President of Sandvik.

- On 12 March, the divestment of Sandvik Drilling and Completions (Varel Oil & Gas) was completed.

- On 26 March, Sandvik announced cost measures to mitigate future effects on its businesses from the rapid spread of the coronavirus. Temporary short-term actions primarily related to reduced working hours, will generate savings of about 1.5 billion SEK in 2020. Actions to reduce worktime will mean a temporary negative effect on the compensation for many employees. The members of Sandvik Group Executive Management have therefore also decided to reduce their salary by 10 percent during this period.

In addition, long-term structural measures have been initiated, entailing costs of about 1.4 billion SEK to be reported as items affecting comparability in operating profit for the second quarter of 2020, with the majority impacting cash flow. Savings of about 0.9 billion SEK from these long-term structural measures will reach full annual run-rate by the end of 2021.

- On 7 April, the Board of Directors of Sandvik announced it had decided to withdraw its previous dividend proposal and instead propose that the Annual General Meeting on 28 April resolve that no dividend will be paid for the 2019 fiscal year. When the market has stabilized and the financial position of the company so permits, it is the Board of Directors' intention to re-evaluate the situation. The original proposal was to resolve on a dividend

of SEK 4.50 per share.

-On 1 June, Sandvik Machining Solutions completed the acquisition of Quimmico Centro Tecnológico's (QCT) division for cutting tools.

- On 16 June, Sandvik gave notice of layoffs in Sweden for 429 positions within Sandvik Materials Technology as part of savings measures driven by Covid-19.

- On 18 June, Sandvik Machining Solutions announced that it acquired Miranda Tools. The transaction is expected to be closed during Q3 2020.

- On 29 June, Sandvik provided an update on cost measures and savings. The temporary short-term actions are progressing according to plan and are expected to generate savings of about 1.5 billion SEK in 2020. The savings from long-term measures with full run-rate by the end of 2021 were upgraded from 0.9 billion SEK to about 1.2 billion SEK.

AFTER THE SECOND QUARTER

-On 9 July, Sandvik Mining and Rock Technology announced that it had acquired Allied Construction Products LLC (Allied). The transaction is expected to close during Q3 2020.

-On 15 July, Sandvik Machining Solutions completed the divestment of minority holding in Xiamen Golden Egret Special Alloy Co., Ltd. (Gesac), which was announced on 13 May 2020. The impact on net financial items is estimated to 0.6 billion SEK and was booked in the third quarter.

-On 15 July, it was announced that Nadine Crauwels will become a member of Sandvik Group Executive Management from 1 October 2020, as a result of an upcoming organizational change in Sandvik Machining Solutions. The change means that Sandvik Machining Solutions will be renamed Sandvik Manufacturing and Machining Solutions and will consist of two business area segments: Sandvik Machining Solutions (SMS), and Sandvik Manufacturing Solutions (SMF).

GUIDANCE

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 outcome is provided in the table below:

CAPEX (CASH)	Estimated at <3.5 billion SEK for 2020 (previous guidance: <4 billion SEK)
CURRENCY EFFECTS	Based on currency rates at the end of June 2020, it is estimated that transaction and translation currency effects will have an impact of about -250 million SEK on operating profit for the third quarter of 2020, compared with the year-earlier period.
METAL PRICE EFFECTS	In view of currency rates, inventory levels and metal prices at the end of June 2020 it is estimated that there will be an impact of about -50 million SEK on operating profit in Sandvik Materials Technology for the third quarter of 2020.
INTEREST NET	Estimated at about -0.5 billion SEK in 2020.
NORMALIZED TAX RATE	Estimated at 23% - 25% for 2020

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 as of 1 January 2020.

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.

IASB has published amendments of standards that are effective as of 1 January 2020 or later. The standards have not had any material impact on the financial reports.

On 28 May IASB published Amendment to IFRS 16 Leases Covid-19 Related Rent Concession. The change means that rent discounts that are due to Covid-19 and that meet certain criteria need not to be reported by the lessee as a modification of a lease. For lessors no exceptions are made. The amendment is yet not endorsed by EU and have not been applied in the financial reports.

IBOR transition

Where interest rate hedge accounting is applied Sandvik is exposed to the STIBOR reference rate for hedged instruments together with their hedging instruments. The change of reference rate due to the upcoming IBOR transition will, when implemented, affect future cash-flows on interest income and interest expense but Sandvik expects continued 100% effectiveness of the hedges and no net interest impact. The nominal value of outstanding exposures is SEK 1.5 Billion. Sandvik will

continue to monitor any changes to STIBOR as a reference rate and update, together with counterparties, the relevant financial contracts accordingly as and when these occur.

Items affecting comparability

Sandvik reports an adjusted EBIT for comparison reasons. The result is adjusted for capital gains and losses from divestments and larger restructuring initiatives and impairments.

Loss of control of a wholly owned subsidiary with an interest retained

When the group disposes of a significant part of its interest, and therefore loses control, of a subsidiary, the group de-consolidates the subsidiary. If the retained interest in the entity fulfills the criteria of being an associate, it is accounted for at fair value at the disposal date, and subsequently accounted for using the equity method. The gain or loss of the transaction is the difference between the fair value of the consideration received as well as the fair value of the retained interest, and the carrying value of the former subsidiary's net assets (including any related goodwill), and is recorded in the income statement. Any portion of the gain or loss related to the re-measurement of the retained interest to fair value is disclosed separately.

TRANSACTIONS WITH RELATED PARTIES

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

IMPACT ON THE FINANCIAL REPORTING DUE TO THE COVID-19 PANDEMIC

Goodwill

Impairment tests were performed in the second quarter of 2020 in response to the Covid-19 pandemic. During 2020, Sandvik has redefined the cash-generating units (CGUs) within the business area Sandvik Machining Solutions. Previous year the following CGUs were applied within Sandvik Machining Solutions: Walter, Seco Tools, Wolfram and Sandvik Machining Solutions business area level. The new CGUs for which impairment tests have been performed are Coromant, Seco Tools, Dormer Pramet, Walter Group and Sandvik Machining Solutions business area level. For the business areas Sandvik Mining and Rock Technology and Sandvik Materials Technology, respectively, the CGUs are unchanged, which means that goodwill is tested for impairment at the business area level. Consolidated goodwill is allocated to the CGUs stated above. The recoverable amount of all of the CGUs has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a four-year period, which are in turn based on the three-year plans prepared annually by each of the business areas and approved by Sandvik Group Executive Management.

These plans are founded on the business areas' strategies and an analysis of the current and anticipated business climate, and the impact this is expected to have on the market in which the business area operates. A range of economic indicators, which differ for each market, and external and internal studies of these, are used in the analysis of the business situation. The forecasts form the basis for how the values of the material assumptions are established.

The assumptions mentioned below reflect past experience and are consistent with external information. The most material assumptions when determining the value in use include anticipated demand, growth rate, operating margin, working capital requirements and the discount rate.

The factor used to calculate growth in the terminal period after four years was 2 percent for Seco Tools (2), Walter Group (2), Coromant (not applicable last year), Dormer Pramet (not applicable last year), Sandvik Materials Technology business area level (2), 3 percent for Sandvik Mining and Rock Technology business area level (3) and 3.5% for Sandvik Machining Solutions business area level (2). Need of working capital beyond the

four-year period is deemed to increase approximately as the expected growth in the terminal period. The discount rate consists of a weighted average cost of capital for borrowed capital and shareholders' equity. As of 2020, Sandvik calculates a pre-tax discount rate for each CGU which varied between 9.3 percent and 12.6 percent (Sandvik Mining and Rock Technology 12.6 percent, Sandvik Machining Solutions 9.3 percent, Coromant 10.8 percent, Seco Tools 10.8 percent, Dormer Pramet 10.9 percent, Walter Group 11.1 percent and Sandvik Materials Technology 10.2 percent. Last year all CGUs applied a pre-tax discount rate of 10 percent before tax. The specific risks of the CGUs have been adjusted for in the future cash flow forecasts.

Goodwill attributable to the Sandvik Mining and Rock Technology business area amounting to 304 million SEK has been written down due to a closure of smaller business. The cost is booked in Other operating income and expenses.

The testing of goodwill did not indicate any other impairment requirement. Sensitivity in the calculations implies that the goodwill value would be maintained even if the discount rate was increased by 2 percentage points or if the long-term growth rate was lowered by 2 percentage points. The goodwill value would also be maintained, given an operating margin drop by 2 percentage points.

Government grants

Sandvik has received various forms of government grants in different countries where the Group operates of approximately 310 million SEK. The grants have been recognized as a reduced cost to which the grant is attributable to. The main part is related to personnel costs.

Inventory

As of 30 June, there is no significant impact on the valuation of inventory related to the Covid-19 pandemic.

Expected credit losses

As of 30 June, there are no indications on any significant impact related to the Covid-19 pandemic. Expected credit losses remain on a low level compared to twelve months rolling revenues.

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 opportunities 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 2019.

Impacts from Covid-19

Covid-19 impacted all business areas during the quarter. The recovery is expected to be slow, given the low business activity in several key end-market segments. While there were signs of stabilizing markets as restrictions slowly started to ease up towards the quarter end and beginning of July, there is still a high level of future uncertainty. Sandvik is continuously following up on risks related to the Covid-19 pandemic and mitigating activities to reduce the impacts on the Group.

FINANCIAL REPORTS SUMMARY

THE GROUP

INCOME STATEMENT

MSEK	Q2 2019	Q2 2020	CHANGE %	Q1-Q2 2019	Q1-Q2 2020	CHANGE %
<i>Continuing operations</i>						
Revenues	26,467	20,230	-24	51,492	43,851	-15
Cost of sales and services	-15,368	-13,634	-11	-29,942	-28,068	-6
Gross profit	11,099	6,597	-41	21,551	15,783	-27
% of revenues	41,9	32,6		41,9	36,0	
Selling expenses	-3,477	-2,496	-28	-6,896	-5,695	-17
Administrative expenses	-1,601	-1,374	-14	-3,228	-2,967	-8
Research and development cost	-973	-819	-16	-1,877	-1,734	-8
Other operating income and expenses	31	-400	N/A	96	-1,117	N/A
Operating profit	5,078	1,508	-70	9,646	4,270	-56
% of revenues	19,2	7,5		18,7	9,7	
Financial income	101	83	-17	238	187	-21
Financial expenses	-488	-63	-87	-1,003	-584	-42
Net financial items	-387	20	-105	-765	-396	-48
Profit after financial items	4,692	1,528	-67	8,881	3,874	-56
% of revenues	17,7	7,6		17,2	8,8	
Income tax	-1,086	-430	-60	-2,135	-941	-56
Profit for the period, continuing operations	3,605	1,098	-70	6,746	2,933	-57
% of revenues	13,6	5,4		13,1	6,7	
<i>Discontinued operations</i>						
Revenues	100	-1	-101	255	1	-99
Operating result	-67	-4	-93	-110	-16	-85
Profit after financial items	-67	-4	-93	-110	-16	-85
Profit for the period, discontinued operations	-67	-4	-93	-110	-16	-85
<i>Group total</i>						
Revenues	26,567	20,229	-24	51,747	43,852	-15
Operating profit	5,012	1,504	-70	9,535	4,254	-55
Profit after financial items	4,625	1,524	-67	8,770	3,858	-56
Profit for the period, Group total	3,539	1,094	-69	6,636	2,917	-56
OTHER COMPREHENSIVE INCOME						
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/losses on defined benefit pension plans	-1,067	1,687		-718	169	
Tax relating to items that will not be reclassified	222	-366		144	-34	
	-845	1,321		-575	135	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	212	-2,943		1,925	-881	
Cash flow hedges	-7	7		-7	8	
Tax relating to items that may be reclassified	0	-3		0	-3	
	205	-2,939		1,918	-876	
Total other comprehensive income	-640	-1,618		1,343	-741	
Total comprehensive income	2,898	-524		7,979	2,176	
Profit for the period attributable to						
Owners of the parent	3,544	1,101		6,639	2,930	
Non-controlling interest	-4	-7		-3	-13	
Total comprehensive income attributable to						
Owners of the parent	2,903	-517		7,983	2,189	
Non-controlling interest	-5	-7		-4	-13	
Earnings per share, SEK						
Continuing operations, basic	2.88	0.88	-69	5.38	2.35	-56
Continuing operations, diluted	2.87	0.88	-69	5.37	2.35	-56
Group total, basic	2.83	0.88	-69	5.29	2.34	-56
Group total, diluted	2.82	0.88	-69	5.28	2.33	-56

N/M = not meaningful. For definitions see home.sandvik

THE GROUP

BALANCE SHEET CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2019	30 JUN 2019	30 JUN 2020
Intangible assets	20,074	23,939	19,289
Property, plant and equipment	25,643	25,850	25,048
Right-of-use assets	3,172	3,229	3,083
Financial assets	6,562	6,097	7,342
Inventories	24,243	27,345	24,780
Contract Assets	77	48	127
Current receivables	21,885	23,698	19,421
Cash and cash equivalents	16,953	8,168	18,952
Assets held for sale	1,815	494	152
Total assets	120,423	118,869	118,192
Total equity	61,858	60,649	64,241
Non-current interest-bearing liabilities	25,383	24,748	22,648
Non-current non-interest-bearing liabilities	3,790	4,416	3,802
Current interest bearing liabilities	3,026	3,123	3,755
Current non-interest-bearing liabilities	25,486	25,468	23,568
Liabilities related to assets held for sale	880	465	178
Total equity and liabilities	120,423	118,869	118,192
<i>Group total</i>			
Net working capital ¹⁾	25,027	28,556	24,536
Loans	17,434	17,568	15,450
Non-controlling interests in total equity	14	26	2

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

NET DEBT

MSEK	31 DEC 2019	30 JUN 2019	30 JUN 2020
Interest-bearing liabilities excluding pension liabilities and leases	17,453	17,602	15,467
Less cash and cash equivalents	-16,987	-8,168	-18,952
Financial net debt/net cash	466	9,434	-3,485
Net pensions liabilities	7,348	6,592	7,314
Leases	3,317	3,281	3,157
Net debt	11,131	19,307	6,987
Net debt to equity ratio	0.18	0.32	0.11

CHANGES IN EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT COMPANY	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2019	58,120	42	58,162
Changes in non-controlling interest	3	-3	0
Total comprehensive income for the period	9,124	-16	9,108
Personnel options program	-72	-	-72
Dividends	-5,331	-9	-5,340
Closing equity, 31 December 2019	61,844	14	61,858
Opening equity, 1 January 2020	61,844	14	61,858
Changes in non-controlling interest	2	-2	-
Total comprehensive income for the period	2,187	-11	2,176
Personnel options program	206	-	206
Closing equity, 30 June 2020	64,239	2	64,241

For definitions see home.sandvik

THE GROUP

CASH FLOW STATEMENT

MSEK	Q2 2019	Q2 2020	Q1-Q2 2019	Q1-Q2 2020
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	4,692	1,528	8,881	3,874
Adjustment for depreciation, amortization and impairment loss	1,439	1,637	2,854	3,108
Other adjustments for non-cash items	-16	602	-160	1,418
Income tax paid	-758	-614	-1,527	-1,642
Cash flow from operations before changes in working capital	5,358	3,154	10,048	6,759
<i>Changes in working capital</i>				
Change in inventories	-841	267	-2,023	-863
Change in operating receivables	-221	2,284	-1,462	1,061
Change in operating liabilities	-1,394	-2,640	-548	-984
<i>Cash flow from changes in working capital</i>	<i>-2,457</i>	<i>-89</i>	<i>-4,033</i>	<i>-786</i>
Investments in rental equipment	-188	-307	-398	-436
Proceeds from sales of rental equipment	19	122	57	157
Cash flow from operations	2,732	2,880	5,674	5,694
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-717	-132	-1,331	-221
Proceeds from sale of companies and shares, net of cash divested	51	32	59	799
Investments in tangible assets	-850	-719	-1,520	-1,317
Proceeds from sale of tangible assets	63	111	122	235
Investments in intangible assets	-165	-100	-291	-215
Proceeds from sale of intangible assets	0	0	23	0
Other investments, net	-11	-1	-12	-2
Cash flow from investing activities	-1,629	-810	-2,951	-720
Net cash flow after investing activities	1,103	2,069	2,723	4,974
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-7,411	-358	-7,318	-2,730
Dividends paid	-5,340	-	-5,340	-
Cash flow from financing activities	-12,752	-358	-12,658	-2,730
Total cash flow from continuing operations	-11,649	1,711	-9,935	2,244
<i>Discontinued operations</i>				
Cash flow from discontinued operations	-54	-54	-109	-60
Cash flow for the period, Group total	-11,703	1,657	-10,044	2,184
Cash and cash equivalents at beginning of the period	19,845	17,469	18,089	16,987
Exchange rate differences in cash and cash equivalents	25	-175	123	-219
Cash and cash equivalents at the end of the period	8,168	18,952	8,168	18,952
<i>Discontinued operations</i>				
Cash flow from operations	-51	-54	-107	-62
Cash flow from investing activities	-1	0	0	1
Cash flow from financing activities	-2	0	-1	1
Total cash flow discontinued operations	-54	-54	-109	-60
<i>Group Total</i>				
Cash flow from operations	2,681	2,825	5,567	5,633
Cash flow from investing activities	-1,629	-810	-2,952	-720
Cash flow from financing activities	-12,754	-358	-12,660	-2,729
Group total cash flow	-11,703	1,657	-10,044	2,184

For definitions see home.sandvik

THE PARENT COMPANY

INCOME STATEMENT

MSEK	Q1-Q2 2019	Q1-Q2 2020
Revenues	11,058	5,241
Cost of sales and services	-5,839	-849
Gross profit	5,219	4,392
Selling expenses	-622	-508
Administrative expenses	-1,336	-804
Research and development costs	-821	-633
Other operating income and expenses	-489	-372
Operating profit	1,951	2,075
Income/expenses from shares in group companies	1,620	-1,766
Interest income/expenses and similar items	-166	-71
Profit after financial items	3,405	238
Appropriations	-291	2,559
Income tax expenses	24	-525
Profit for the period	3,138	2,272

BALANCE SHEET

MSEK	31 DEC 2019	30 JUN 2019	30 JUN 2020
Intangible assets	85	105	57
Property, plant and equipment	7,089	7,012	3,183
Financial assets	54,338	44,067	54,492
Inventories	3,229	3,421	806
Current receivables	12,056	7,192	4,269
Cash and cash equivalents	-	-	-
Total assets	76,797	61,797	62,807
Total equity	34,565	22,556	37,132
Untaxed reserves	3,222	3,431	663
Provisions	770	606	593
Non-current interest-bearing liabilities	15,124	15,237	12,461
Non-current non-interest-bearing liabilities	245	255	154
Current interest-bearing liabilities	15,238	13,461	8,060
Current non-interest-bearing liabilities	7,633	6,251	3,744
Total equity and liabilities	76,797	61,797	62,807
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	15,601	16,918	8,068
Investments in fixed assets	976	394	161

For definitions see home.sandvik

MARKET OVERVIEW, THE GROUP

ORDER INTAKE BY REGION

MSEK	Q2 2020	CHANGE * % % ¹⁾		SHARE %	Q1-Q2 2020	CHANGE * % % ¹⁾		SHARE %
THE GROUP								
Europe	6,012	-33	-33	32	15,599	-23	-24	35
North America	3,946	-30	-27	21	9,680	-22	-18	22
South America	796	-27	-27	4	2,117	-15	-15	5
Africa/Middle East	1,917	4	4	10	4,188	-2	-2	9
Asia	4,318	-12	-12	23	9,162	-9	-9	21
Australia	1,981	-14	-14	10	3,581	-8	-8	8
Total Continuing Operations²⁾	18,971	-23	-23	100	44,327	-17	-16	100
Discontinued Operations	0	-100	-100		0	-100	-100	
Group total	18,971	-23	-23		44,327	-17	-16	
SANDVIK MINING AND ROCK TECHNOLOGY								
Europe	1,446	-11	-11	15	2,931	-19	-19	14
North America	1,925	-11	-11	20	4,281	-7	-7	21
South America	651	-27	-27	7	1,596	-21	-21	8
Africa/Middle East	1,785	4	4	18	3,807	-3	-3	19
Asia	2,057	-8	-8	21	4,305	-4	-4	21
Australia	1,910	-13	-13	20	3,424	-8	-8	17
Total continuing operations²⁾	9,773	-10	-10	100	20,344	-9	-9	100
Discontinued Operations	0	-100	-100		0	-100	-100	
Total	9,773	-10	-10		20,344	-9	-9	
SANDVIK MACHINING SOLUTIONS								
Europe	3,550	-37	-37	52	9,066	-24	-24	54
North America	1,469	-43	-43	22	3,803	-28	-28	22
South America	103	-39	-39	2	276	-23	-23	2
Africa/Middle East	43	-38	-38	1	134	-14	-14	1
Asia	1,593	-21	-21	23	3,542	-16	-16	21
Australia	63	-12	-12	1	125	-7	-7	1
Total	6,821	-35	-35	100	16,945	-23	-23	100
SANDVIK MATERIALS TECHNOLOGY								
Europe	1,016	-42	-42	43	3,560	-24	-28	53
North America	552	-47	-29	23	1,480	-40	-17	22
South America	42	8	8	2	239	152	152	4
Africa/Middle East	89	40	40	4	138	18	18	2
Asia	669	4	4	28	1,297	-2	-2	19
Australia	9	-58	-58	0	28	-25	-25	0
Total	2,377	-33	-28	100	6,742	-22	-18	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 in Q2 of 273 million SEK and YTD 449 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 BY REGION

MSEK	Q2 2020	CHANGE * %	SHARE %	Q1-Q2 2020	CHANGE * %	SHARE %
THE GROUP						
Europe	7,190	-25	36	15,919	-19	36
North America	4,395	-27	22	10,023	-17	23
South America	828	-29	4	1,985	-14	5
Africa/Middle East	1,753	-13	9	3,833	-8	9
Asia	4,236	-14	21	8,527	-13	19
Australia	1,829	16	9	3,564	22	8
Total Continuing Operations ¹⁾	20,230	-20	100	43,851	-14	100
Discontinued Operations	-1	N/M		1	-99	
Group total	20,229	-20		43,852	-14	
SANDVIK MINING AND ROCK TECHNOLOGY						
Europe	1,636	-2	17	3,139	-8	16
North America	1,894	-24	20	3,892	-20	20
South America	606	-37	6	1,504	-20	8
Africa/Middle East	1,658	-12	17	3,474	-7	18
Asia	1,945	-14	21	3,850	-14	20
Australia	1,749	17	18	3,405	24	18
Total continuing operations ¹⁾	9,489	-12	100	19,264	-9	100
Discontinued Operations	-1	N/M		1	-99	
Total	9,488	-13		19,266	-10	
SANDVIK MACHINING SOLUTIONS						
Europe	3,806	-33	53	9,109	-22	54
North America	1,535	-40	21	3,834	-26	23
South America	100	-39	1	288	-20	2
Africa/Middle East	49	-36	1	134	-20	1
Asia	1,696	-18	23	3,527	-14	21
Australia	61	-5	1	121	-6	1
Total	7,247	-32	100	17,013	-22	100
SANDVIK MATERIALS TECHNOLOGY						
Europe	1,748	-22	50	3,629	-19	50
North America	966	-4	28	2,180	14	30
South America	122	194	3	186	140	3
Africa/Middle East	46	-50	1	115	-31	2
Asia	594	-5	17	1,133	-9	16
Australia	19	-6	1	34	1	0
Total	3,495	-13	100	7,277	-8	100

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

¹⁾ Includes rental fleet revenues in Q2 of 184 million SEK and YTD 424 million SEK recognized according to IFRS 16.

THE GROUP

ORDER INTAKE BY BUSINESS AREA

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	CHANGE	
								%	% *
Sandvik Mining and Rock Technology	11,369	11,318	11,006	10,685	44,379	10,570	9,773	-14	-10
Sandvik Machining Solutions	11,105	10,629	9,609	9,820	41,163	10,124	6,821	-36	-35
Sandvik Materials Technology	4,930	3,535	3,867	4,144	16,475	4,365	2,377	-33	-33
Other operations	471	549	510	529	2,059	297	0	0	0
Continuing operations	27,873	26,031	24,992	25,179	104,075	25,356	18,971	-27	-23
Discontinued operations	39	27	5	1	71	0	0	N/M	N/M
Group Total ¹⁾	27,912	26,058	24,997	25,179	104,147	25,356	18,971	-27	-23

REVENUES BY BUSINESS AREA

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	CHANGE	
								%	% *
Sandvik Mining and Rock Technology	10,103	11,233	11,244	12,197	44,777	9,775	9,489	-16	-12
Sandvik Machining Solutions	10,679	10,674	9,927	9,844	41,123	9,766	7,247	-32	-32
Sandvik Materials Technology	3,773	4,011	3,482	4,013	15,279	3,782	3,495	-13	-13
Other operations	471	549	510	529	2,059	297	-	-100	-
Continuing operations	25,025	26,467	25,163	26,583	103,238	23,620	20,230	-24	-20
Discontinued operations	155	100	25	15	295	2	-1	N/M	N/M
Group Total ¹⁾	25,180	26,567	25,188	26,598	103,533	23,623	20,229	-24	-20

OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	CHANGE	
								%	% *
Sandvik Mining and Rock Technology	1,817	2,126	2,014	2,645	8,602	1,661	1,166	-45	
Sandvik Machining Solutions	2,654	2,483	1,244	2,000	8,380	1,690	645	-74	
Sandvik Materials Technology	307	585	-52	604	1,444	94	-83	N/M	
Other operations	-45	85	-8	-4,295	-4,263	-515	-42	N/M	
Group activities	-166	-200	-202	-209	-776	-168	-178	-11	
Continuing operations	4,567	5,078	2,996	744	13,386	2,762	1,508	-70	
Discontinued operations	-43	-67	-33	-61	-204	-12	-4	-93	
Group Total ¹⁾	4,524	5,012	2,963	684	13,182	2,750	1,504	-70	

OPERATING MARGIN BY BUSINESS AREA

%	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	CHANGE	
								%	% *
Sandvik Mining and Rock Technology	18.0	18.9	17.9	21.7	19.2	17.0	12.3		
Sandvik Machining Solutions	24.9	23.3	12.5	20.3	20.4	17.3	8.9		
Sandvik Materials Technology	8.1	14.6	-1.5	15.0	9.4	2.5	-2.4		
Other operations	-9.5	15.4	-1.6	N/M	N/M	N/M	-		
Continuing operations	18.3	19.2	11.9	2.8	13.0	11.7	7.5		
Discontinued operations	-28.1	-66.6	N/M	N/M	-69.1	N/M	N/M		
Group Total ¹⁾	18.0	18.9	11.8	2.6	12.7	11.6	7.4		

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

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

N/M = Non-meaningful.

THE GROUP

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	CHANGE %
Sandvik Mining and Rock Technology	1,817	2,126	2,338	2,630	8,911	1,661	1,833	-14
Sandvik Machining Solutions	2,654	2,483	2,173	2,000	9,310	2,054	927	-63
Sandvik Materials Technology	307	585	236	659	1,787	139	248	-58
Other operations	-45	-26	-8	-62	-140	11	-42	62
Group activities	-166	-200	-122	-161	-649	-138	-129	-36
Continuing operations	4,567	4,968	4,617	5,066	19,219	3,728	2,837	-43
Discontinued operations	-43	-67	-33	-61	-204	-12	-4	-93
Group Total ¹⁾	4,524	4,901	4,584	5,005	19,015	3,716	2,833	-42

ADJUSTED OPERATING MARGIN BY BUSINESS AREA

%	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020
Sandvik Mining and Rock Technology	18.0	18.9	20.8	21.6	19.9	17.0	19.3
Sandvik Machining Solutions	24.9	23.3	21.9	20.3	22.6	21.0	12.8
Sandvik Materials Technology	8.1	14.6	6.8	16.4	11.7	3.7	7.1
Other operations	-9.5	-4.7	-1.6	-11.6	-6.8	3.8	-
Continuing operations	18.3	18.8	18.3	19.1	18.6	15.8	14.0
Discontinued operations	-28.1	-66.6	N/M	N/M	-69.1	-N/M	N/M
Group Total ¹⁾	18.0	18.4	18.2	18.8	18.4	15.7	14.0

ITEMS AFFECTING COMPARABILITY

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020
Sandvik Mining and Rock Technology	-	-	-323	14	-309	-	-667
Sandvik Machining Solutions	-	-	-930	0	-930	-364	-282
Sandvik Materials Technology	-	-	-288	-56	-343	-45	-331
Other operations	-	110	-	-4,233	-4,123	-526	-
Group activities	-	-	-80	-47	-127	-30	-49
Continuing operations	-	110	-1,621	-4,322	-5,832	-965	-1,329
Discontinued operations	-	-	-	-	-	-	-
Group Total	-	110	-1,621	-4,322	-5,832	-965	-1,329

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

N/M = Non-meaningful.

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.

Q4 2019 - Sandvik reported items affecting comparability of in total -4,322 million SEK. This comprises -3,966 million SEK of costs related to the divestment of Sandvik Drilling and Completions (Varel), out of which -4,233 million SEK impacted the operating profit and +267 million SEK in positive tax impact. In addition a total of -103 million SEK in separation costs, out of which -56 million SEK in Sandvik Materials Technology and -47 million SEK in Group activities. Sandvik Mining and Rock Technology was impacted by +14 million SEK in a reversal of a provision.

Q1 2020 - Sandvik reported items affecting comparability of in total -965 million SEK, comprising of costs of -364 million SEK related to Sandvik Machining Solutions and the closure of a manufacturing plant in Germany. Other operations included a negative impact of -526 million SEK related to the realized effect from reversal of the accumulated currency translation in Other Comprehensive Income due to the divestment of Varel. An additional -75 million SEK of costs related to the internal separation of Sandvik Materials Technology from the remainder of Sandvik, out of which -45 million SEK in Sandvik Materials Technology and -30 million SEK in Group activities.

Q2 2020 - Sandvik reported items affecting comparability of -1,329 million SEK (110), comprising of cost related to structural and volume related savings measures of -1,334 million SEK. As well as costs related to the separation of Sandvik Materials Technology of -24 million SEK and a capital gain of 29 million SEK in Sandvik Materials Technology.

KEY FIGURES

Continuing Operations	Q2 2019	Q2 2020	Q1-Q4 2019
Tax rate, %	23.2	28.1	28.2
Return on capital employed, % ^{1,2)}	22.4	6.9	15.2
Return on total equity, % ¹⁾	23.3	6.8	14.2
Return on total capital, % ¹⁾	16.8	5.3	11.4
Shareholders' equity per share, SEK	48.3	51.2	49.3
Net debt/equity ratio	0.32	0.11	0.18
Net debt/EBITDA	0.65	0.72	0.62
Equity/assets ratio, %	51	54	51
Net working capital, % ^{1,2)}	25.5	31.0	25.2
Earnings per share, basic, SEK	2.88	0.88	6.97
Earnings per share, diluted, SEK	2.50	0.88	6.96
EBITDA, MSEK	6,518	3,146	23,454
Cash flow from operations, MSEK	+2,732	+2,880	+17,807
Funds from operations (FFO), MSEK	5,358	3,154	19,119
Interest coverage ratio, %	1,099	4,986	1,106
Number of employees ³⁾	41,936	34,174	40,235

1) Quarter is quarterly annualized and the annual number is based on a four quarter average 2) 12-month rolling 2Q 2020 ROCE reported at 9.3% (21.9%) and NWC % reported at 27.5 (25.6). 3) Full-time equivalent.

Group total	Q2 2019	Q2 2020	Q1-Q4 2019
Tax rate, %	23.5	28.2	28.6
Return on capital employed, % ^{1,2)}	22.1	6.9	15.0
Return on total equity, % ¹⁾	22.9	6.8	13.9
Return on total capital, % ¹⁾	16.5	5.2	11.2
Shareholders' equity per share, SEK	48.3	51.2	49.3
Net debt/equity ratio	0.32	0.11	0.18
Net debt/EBITDA	0.66	0.72	0.62
Equity/assets ratio, %	51	54	51
Net working capital, % ^{1,2)}	25.6	31.1	25.3
Earnings per share, basic, SEK	2.83	0.88	6.81
Earnings per share, diluted, SEK	2.46	0.88	6.79
EBITDA, MSEK	6,451	3,141	23,260
Cash flow from operations, MSEK	+2,681	+2,825	+17,654
Funds from operations (FFO), MSEK	5,300	3,082	18,865
Interest coverage ratio, %	1,087	4,872	1,091
Number of employees ³⁾	41,950	34,179	40,246
No. of shares outstanding at end of period, ('000)	1,254,386	1,254,386	1,254,386
Average no. of shares, basic, ('000)	1,254,386	1,254,386	1,254,386
Average no. of shares, diluted, ('000)	1,256,971	1,256,213	1,256,965

1) Quarter is quarterly annualized and the annual number is based on a four quarter average 2) 12-month rolling 2Q 2020 ROCE reported at 9.1% (21.3) and NWC % reported at 27.6 (25.7). 3) Full-time equivalent.

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.

CERTIFICATION

The Board of Directors and the CEO certify that the six-month report gives a fair overview of the Parent Company's and the Group's operations, financial position and results, and describes

the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm 16 July 2020
Sandvik Aktiebolag (publ)

Johan Molin
Chairman of the Board

Jennifer Allerton
Board member

Claes Boustedt
Board member

Marika Fredriksson
Board member

Johan Karlström
Board member

Tomas Kärnström
Board member

Thomas Lilja
Board member

Helena Stjernholm
Board member

Kai Wärn
Board member

Stefan Widing
Board member
President and CEO

The Company's Auditor has not reviewed the report for the first six months of 2020.

This information is information that Sandvik AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publications, through the agency of the contact person set out below, at 11.30 CET on 16 July 2020.

Additional information may be obtained from Sandvik Investor Relations on tel +46 8 456 11 94

A teleconference will be held on 16 July 2020 at 13.00 CET.

Information is available at home.sandvik/ir

CALENDAR

16 October 2020	Report, third quarter 2020
3 November 2020	Virtual Capital Markets Day
21 January 2021	Report, forth quarter 2020

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