

INTERIM REPORT THIRD QUARTER 2020

AND FIRST NINE MONTHS OF 2020



STRONG MARGINS THROUGH THE RECOVERY PHASE

CEO'S COMMENT: Following a highly challenging second quarter, the third quarter of 2020 was characterized by stabilization and a gradual recovery for several of our businesses. As expected, the recovery has been gradual, due to various end-market segments and geographies being in different phases. During the pandemic, we have continued to focus on the health and safety of our people and to provide the best possible service to our customers. The strong margins delivered in the quarter are further proof to our resilience, and I am confident that we will effectively continue to manage the situation. I am also happy with the significant steps we have taken in this quarter towards building an even more agile and growth-focused Sandvik.

Sentiment in the mining industry remained robust during the quarter, with metal prices at high levels and mines being operational in most parts of the world. Consequently, Sandvik Mining and Rock Technology increased orders by +2% year on year driven by continued strong order intake for equipment. However, this was partly offset by a single-digit decline in the aftermarket resulting from local access issues due to Covid-19 as well as record-high comparisons year on year.

Sandvik Machining Solutions' orders declined by -19%, mainly driven by the continued weakness of the aerospace and energy segments. Overall, the significant improvement observed in June and early July was followed by flattish sequential development through the low-activity summer months, followed by improvement in September. For Sandvik Machining Solutions, the daily order intake in September was in the negative mid-teens year on year, and with a strengthening to negative lower double digit figures noted in the first weeks of October.

Sandvik Materials Technology noted a significant decline in order intake of -34%. Excluding major orders, the decline was -20%, highlighting the continued weakness of oil & gas capex.

This was partly offset by a good recovery in industrial heating, which reported a year on year increase in orders.

We expect the gradual recovery to continue, but the market conditions will be uncertain until we have put the pandemic firmly behind us. We are continuing to shift our short-term savings toward permanent initiatives to adjust to the suppressed demand also in the mid-term in aerospace and oil & gas. This is being implemented through our decentralized operating model, while we are also investing to capitalize on the faster recovery and growth opportunities in other key verticals. During the quarter, we delivered approximately SEK 1.4 billion in savings and lower discretionary spend for the Group compared with the preceding year. Our adjusted operating margin reached 17.3% (18.3) despite -11% organic decline in revenues, with the rolling 12-month margin staying well above our trough margin target.

Following the organizational changes announced last quarter in Sandvik Machining Solutions, I am pleased that we have announced several important steps in our journey to become even more agile, focused and growth-oriented. The board has decided to proceed with the process towards a separate listing of Sandvik Materials Technology, pending our shareholders' approval in 2022, provided that the circumstances are deemed right at the time. On 1 January 2021, we will also separate our market leading Crushing and Screening division to its own business area, called Sandvik Rock Processing Solutions.

I would also like to take this opportunity to welcome you to Sandvik's virtual Capital Markets Day on 3 November, where we will further elaborate on these exciting new steps.

Stefan Widing
President and CEO



FINANCIAL OVERVIEW, MSEK	Q3 2019	Q3 2020	CHANGE %	Q1-Q3 2019	Q1-Q3 2020	CHANGE %
<i>Continuing operations</i>						
Order intake ¹⁾	24,992	19,909	-11	78,897	64,236	-15
Revenues ¹⁾	25,163	20,145	-11	76,655	63,996	-13
Gross Profit	9,646	7,810	-19	31,197	23,593	-24
% of revenues	38.3	38.8		40.7	36.9	
Operating profit	2,996	3,459	15	12,642	7,729	-39
% of revenues	11.9	17.2		16.5	12.1	
Adjusted operating profit ²⁾	4,617	3,493	-24	14,152	10,059	-29
% of revenues	18.3	17.3		18.5	15.7	
Profit after financial items	2,798	3,988	43	11,679	7,863	-33
% of revenues	11.1	19.8		15.2	12.3	
Adjusted profit after financial items ³⁾	4,419	3,436	-22	13,189	9,605	-27
% of revenues	17.6	17.1		17.2	15.0	
Profit for the period	2,069	3,186	54	8,815	6,119	-31
% of revenues	8.2	15.8		11.5	9.6	
Earnings per share, basic, SEK	1.65	2.54	54	7.03	4.89	-30
Earnings per share, diluted, SEK	1.65	2.54	54	7.02	4.88	-30
Adjusted earnings per share, basic, SEK ^{2, 3)}	2.61	2.09	-20	7.92	5.96	-25
Return on capital employed, % ⁴⁾	13.7	18.1		19.1	10.3	
Cash flow from operations	6,306	4,845	-23	11,981	10,539	-12
Net working capital % ⁴⁾	27.9	29.6		25.5	27.9	
<i>Discontinued operations</i>						
Profit for the period	-33	-3	-91	-143	-19	-87
Earnings per share, basic, SEK	-0.03	-0.00	-91	-0.11	-0.02	
<i>Group Total</i>						
Profit for the period	2,036	3,183	56	8,672	6,100	-30
Earnings per share, basic, SEK	1.63	2.54	56	6.92	4.87	-30
Earnings per share, diluted, SEK	1.62	2.54	57	6.90	4.87	-29
Adjusted earnings per share, SEK ^{2, 3)}	2.58	2.09	-19	7.80	5.95	-24

1) Change from the preceding year at fixed exchange rates for comparable units. **2)** Profit adjusted for items affecting comparability of SEK 0 billion in Q3 2020 (-1.6) and to SEK -2.3 billion YTD 2020 (-1.5). 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 Q3 2019 it was primarily related to savings measurements. See page 23. **3)** Profit adjusted for items affecting comparability of SEK 0.6 billion in Q3 2020 (-1.6) and to SEK -2.3 billion YTD 2020 (-1.5). These are primarily related to capital gain from disposal of minority holding, see page 23. **4)** 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

Q3	ORDER INTAKE	REVENUES
Price/volume, %	-11	-11
Structure, %	-2	-2
Currency, %	-8	-8
TOTAL, %	-20	-20

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

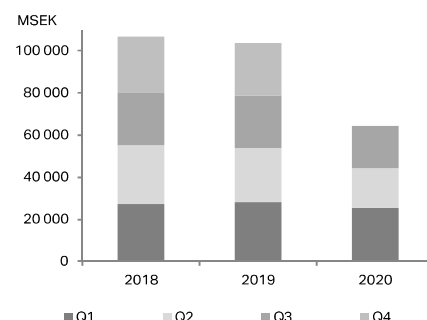
During the quarter, both order intake and revenues declined organically by -11% year on year. Excluding major orders in Sandvik Materials Technology, the decline in order intake was -9%.

A gradual recovery from the significant decline in demand during the second quarter, was noted during the third quarter, and both orders and revenues declined organically by -11% year on year. The last month of the quarter showed a slight increase in the pace of recovery, although with lingering uncertainty in major segments such as energy and aerospace, offsetting the improved sentiment in automotive. Consequently, Sandvik Machining Solutions reported a decline in order intake of -19% year on year. The underlying development in the Sandvik Mining and Rock Technology segment remained robust and order intake increased organically by 2% year on year driven by strong development in equipment orders. Sandvik Materials Technology reported an order intake rate at -34% year on year. Excluding major orders last year of SEK 690 million, the order intake in Sandvik Materials Technology was -20%. Order intake was negatively impacted by the continued uncertainty in the oil & gas segment. The decline in revenues was more moderate at -13%, protected by the order backlog.

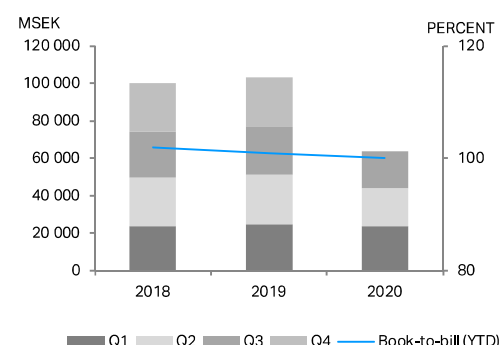
All the major regions noted a sequentially improved pace of recovery for the period compared to the second quarter. The two major regions Europe and North America declined year on year by -21% and -22% respectively. Asia reported a less severe drop of -4%, with a positive development of 8% noted in China compared with the preceding year.

Changed exchange rates had a negative impact of -8% on order intake and -8% on revenues.

ORDER INTAKE



REVENUES AND BOOK-TO-BILL



Q3

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%	-21% (-17%)	→	→	→	→	→	→
North America	23%	-22% (-19%)	→	→	→	→	→	→
Asia	19%	-4% (-4%)	→	→	→	→	→	→
Africa/ Middle East	9%	+2% (+2%)	→	→				
Australia	7%	-24% (-24%)	→					
South America	5%	0% (0%)	→					

EARNINGS

Adjusted gross profit declined by -24% to SEK 7,810 million (10,257) and the adjusted gross margin decreased to 38.8% (40.8), impacted by the organic revenue decline of -11%.

Sales and administration costs excluding items affecting comparability declined by -29% year on year, with similar decline rates noted in both of these areas. The overall ratio to revenues on reported basis decreased to 16.9% (19.0).

The adjusted operating profit declined by -23% and amounted to 3,493 million SEK (4,617) and the adjusted operating margin declined to 17.3% (18.3). The adjusted operating profit, excluding metal price effects in Sandvik Materials Technology of -25 million SEK in the period, declined by -21% to SEK 3,518 million (4,465). The adjusted operating margin excluding metal price effects was 17.5% (18.1) for the third quarter, and 16.8% (18.3) for the last twelve months. The impact from changed exchange rates was negative at SEK -525 million year on year. Cost savings measures offset the impact of the negative year on year organic growth of -11%. Savings from the cost-reduction activities announced in July 2019 amounted to approximately SEK 0.3 billion in the quarter. Temporary savings in the quarter amounted to 1.1 billion SEK, related to work time reductions and lower discretionary spending.

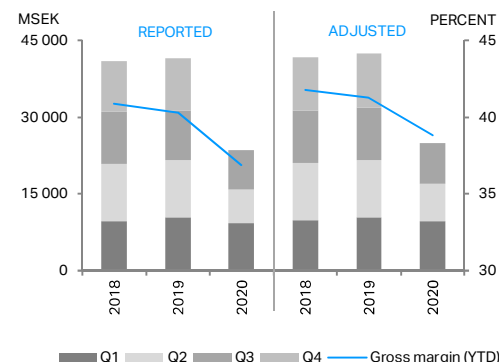
Reported operating profit was impacted by SEK -35 million related to adjustments from the divestment of Varel Oil & Gas and the internal separation of Sandvik Materials Technology from the remainder of the Sandvik Group.

The interest net was reduced to SEK -79 million (-99). Net financial items amounted to SEK 529 million (-198), with the increase mainly related to the capital gain from the divestment of the associated company Xiamen Golden Egret Special Alloy Co., Ltd. (Gesac) of SEK 588 million.

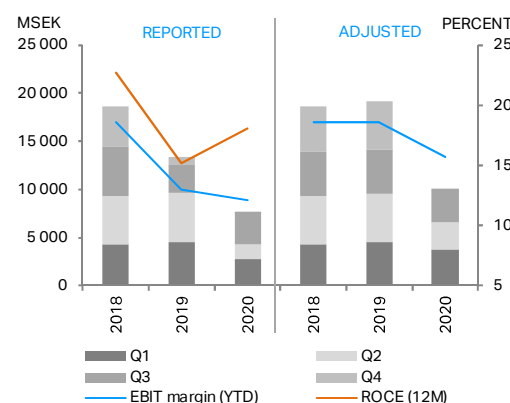
The underlying tax rate for continuing operations was 23.6% (25.8) excluding the adverse impact related to items affecting comparability in operating profit. The reported tax rate for continuing operations was 20.1% (26.1%) and 20.1% (26.4) for the Group in total.

The net result amounted to SEK 3,186 million (2,069), corresponding to earnings per share of SEK 2.54 (1.65) and adjusted earnings per share of SEK 2.09 (2.61).

GROSS PROFIT AND MARGIN

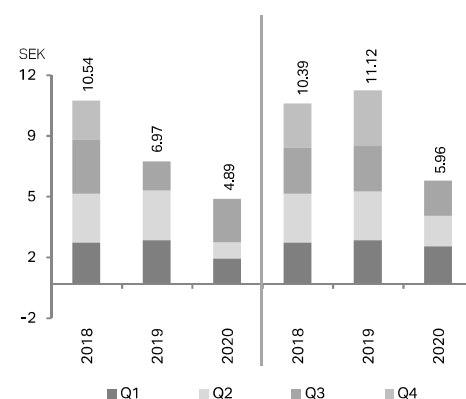


OPERATING PROFIT & RETURN



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



BALANCE SHEET AND CASH FLOW

Capital employed remained stable year on year at SEK 92.9 billion (92.8), however, it increased excluding currency effects due to a higher cash position. Furthermore, capital employed increased sequentially from 90.7 again due to a higher cash position. Return on capital employed was 18.1% and increased year on year (13.7) and sequentially (6.9), as previous quarter was impacted by items affecting comparability.

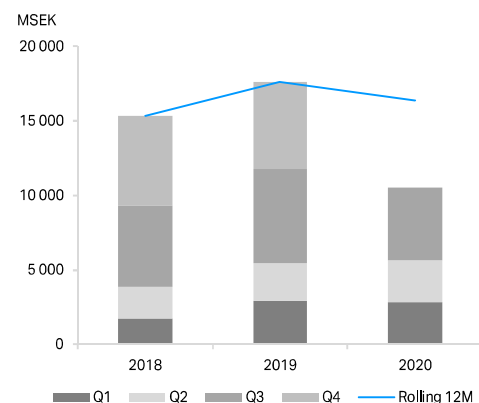
Net working capital amounted to SEK 23.2 billion, decreasing year on year (27.8) and sequentially (24.5), due to declines in inventory volumes and changed exchange rates. Inventory volumes declined by SEK -0.9 billion sequentially as a result of reductions across all business areas. Relative net working capital increased to 29.6% (27.9) for the quarter. Credit days for customers have remained unchanged during this downturn, and through tight credit control, overdue have reduced and there has been no increase in credit losses.

Investments in tangible and intangible assets in the third quarter amounted to SEK 0.6 billion (1.0), corresponding to 59% of scheduled depreciation.

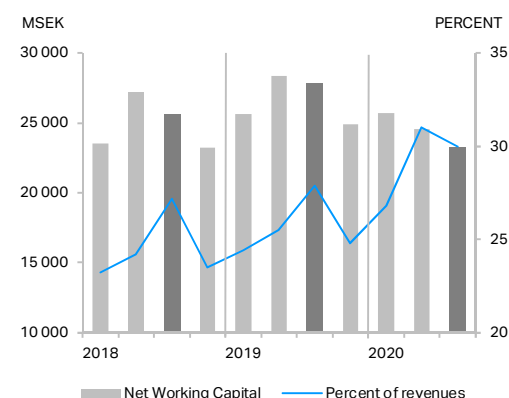
The **financial net cash** position was SEK 8.0 billion, which compares to a financial net cash position of SEK 3.5 billion in the previous quarter and a financial net debt position of SEK 5.2 billion in the year-earlier period. The net pension liability decreased year on year to SEK 8.0 billion (8.6), due primarily to changed discount rates. Net debt amounted to SEK 3.1 billion at the end of the third quarter, declining year on year from SEK 17.1 billion. Sequentially, it decreased from SEK 7.0 billion reported in the previous quarter. The net debt to equity ratio declined year on year to 0.05 (0.27). Interest-bearing debt related to loans with short-term maturity accounted for 19% of total loans.

Free operating cash flow decreased year on year to SEK 4.9 billion (5.8).

CASH FLOW FROM OPERATIONS



NET WORKING CAPITAL

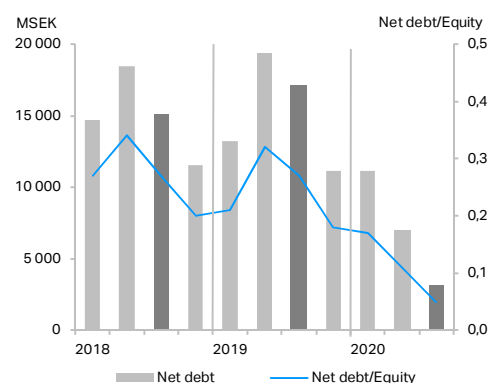


FREE OPERATING CASH FLOW, MSEK	Q3 2019	Q3 2020
EBITDA + non-cash items	5,533	4,739
Net Working Capital change	1,392	877
Capex*	-1,085	-749
FREE OPERATING CASH FLOW**	5,840	4,867

* Including investments and disposals of rental equipment of SEK -129 million (-203) and tangible and intangible assets of SEK -620 million (-881).

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

NET DEBT, GROUP TOTAL



SANDVIK MINING AND ROCK TECHNOLOGY

GROWTH IN ORDER INTAKE DRIVEN BY EQUIPMENT ORDERS

CONTINUED STRONG MARGINS WITH FURTHER IMPROVEMENT YOY

FORMING A NEW BUSINESS AREA: SANDVIK ROCK PROCESSING SOLUTIONS



GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	2	-2
Structure, %	0	0
Currency, %	-10	-10
TOTAL, %	-8	-12

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 increased organically by 2% year on year with strong development for equipment, offset by negative growth in aftermarket. The underlying sentiment remained robust and several significant orders were received during the period.

Key items impacting order intake and revenues year on year:

- Total equipment orders increased by 20% supported by an overall robust sentiment and orders for underground mining equipment in Australia and Asia.
- Aftermarket orders declined by -9%, negatively impacted by local access issues due to Covid-19 and record-high comparables vs. last year.
- A flat to slightly positive development was noted in Africa/Middle East and Asia, while Europe and North America noted a mid to high-single digit decline.
- The aftermarket business accounted for 58% (59) of revenues while the equipment business accounted for 42% (41).

The adjusted operating profit decreased by -11% year on year, due to exchange rates. The adjusted operating margin increased to 21.0% (20.8) supported by savings measures.

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

- Savings from cost measures announced in 2019 amounted to SEK 110 million and temporary savings amounted to approximately SEK 315 million.
- Negative mix due to higher share of equipment in revenues was primarily offset by savings and lower discretionary spending in general.
- Exchange rates had a negative impact of SEK -321 million year on year.

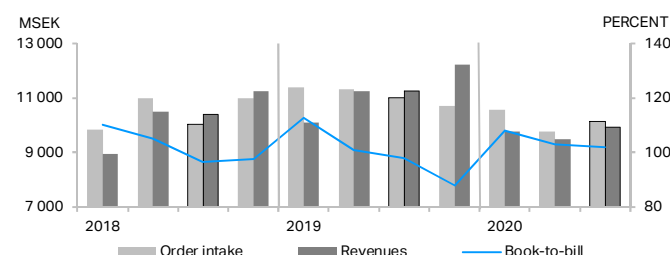
Reported operating profit of SEK 2,083 million (2,041) and operating margin of 21.0% (17.9).

As of 1 January 2021, Crushing and Screening will form a new business area – Sandvik Rock Processing Solutions (SRP), to further accelerate profitable growth within rock processing.

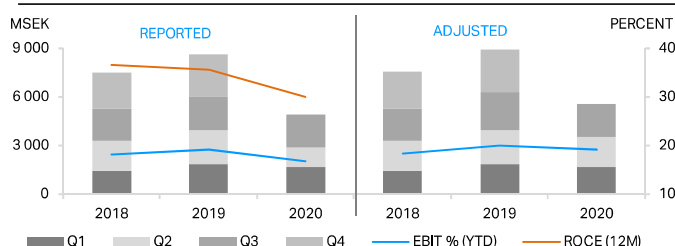
Covid-19 update

The impact on production was only minor during the quarter, and both supply and distribution proceeded as planned. Due to Covid-19, lower maintenance levels related to access issues had a negative impact on the aftermarket and the ability to provide service to customers.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2019**	Q3 2020	CHANGE %	Q1-Q3 2019**	Q1-Q3 2020	CHANGE %
Order intake *	11,006	10,133	2	33,693	30,477	-5
Revenues *	11,244	9,935	-2	32,580	29,199	-6
Operating profit	2,014	2,083	3	5,957	4,909	-18
% of revenues	17.9	21.0		18.3	16.8	
Adjusted operating profit ¹⁾	2,338	2,083	-11	6,280	5,577	-11
% of revenues	20.8	21.0		19.3	19.1	
Return on capital employed ²⁾	28.7	31.3		31.3	27.7	
Number of employees ³⁾	14,543	13,662	-6	14,543	13,662	-6

* Change at fixed exchange rates for comparable units. ** Last years figures has been restated due to movement of Varel to Other Operation and classified as asset held for sale.

¹⁾ Operating profit adjusted for items affecting comparability of SEK 0 million Q3 2020 (-323) for YTD 2020 it was SEK -667 million (-323) related to structural and volume related saving measures. 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

GRADUAL RECOVERY WITH IMPROVED SENTIMENT IN AUTOMOTIVE

CONTINUED WEAKNESS IN AEROSPACE AND ENERGY

STRONG MARGINS PRIMARILY DUE TO SAVINGS



GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	-19	-21
Structure, %	1	0
Currency, %	-7	-7
TOTAL, %	-24	-26

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

Overall sentiment improved sequentially, while order intake and revenues decreased significantly year on year as customer activity remained subdued across all segments, with aerospace and energy accounting for the largest declines. Demand declined year on year across all markets, with sequential recovery noted mainly in Europe, China and North America.

Key items impacting order intake and revenues year on year:

- Organic order intake declined in two of the major geographical regions, Europe and North America by -19% and -25% respectively. The decline in Asia was less steep at -15%.
- Continued weakness in the energy and aerospace segments while automotive noted positive sequential development.
- Slight improvement in sentiment in September and beginning of October predominantly in Europe, China and in the automotive segment.
- The number of working days had a positive impact of 1.2% on both orders and revenues.

The adjusted operating profit amounted to 1,377 million SEK (2,173), decreasing -37% year on year. The adjusted operating margin declined to 18.8% (21.9).

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

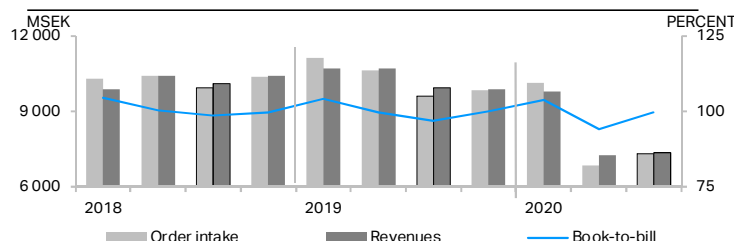
- Savings from the cost measures announced in 2019 amounted to SEK 160 million and temporary savings were approximately SEK 675 million.
- Changed exchange rates had a negative year on year impact of SEK -140 million.
- Inventory destocking in the quarter had a neutral year on year impact on the margin.

Reported operating profit of SEK 1,377 million (1,244) and operating margin of 18.8% (12.5).

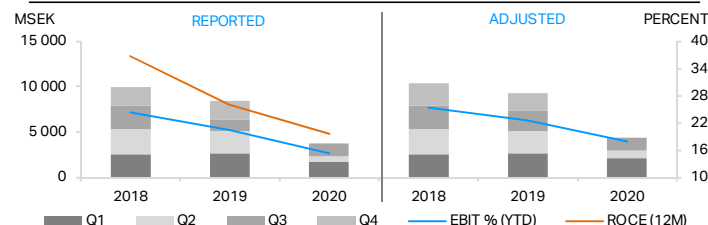
Covid-19 update

The business area only experienced some disruptions to its production. However, demand is still recovering from low levels due to Covid-19.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2019	Q3 2020	CHANGE %	Q1-Q3 2019	Q1-Q3 2020	CHANGE %
Order intake *	9,609	7,298	-19	31,342	24,243	-22
Revenues *	9,927	7,325	-21	31,279	24,338	-22
Operating profit	1,244	1,377	11	6,380	3,712	-42
% of revenues	12.5	18.8		20.4	15.3	
Adjusted operating profit ¹⁾	2,173	1,377	-37	7,310	4,357	-40
% of revenues	21.9	18.8		23.4	17.9	
Return on capital employed ²⁾	14.8	18.1		26.5	17.9	
Number of employees ³⁾	18,970	15,724	-17	18,970	15,724	-17

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of SEK 0 million in Q3 2020 (-930) and SEK -646 million YTD 2020 (-930) all related to savings measures. 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.

For definitions see home.sandvik

SANDVIK MATERIALS TECHNOLOGY

CONTINUED UNCERTAINTY IN OIL & GAS AND AEROSPACE SEGMENTS

POSITIVE DEVELOPMENT IN INDUSTRIAL HEATING

BOARD ANNOUNCED INTENTION TO PROCEED WITH LISTING



GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	-34	-13
Structure, %	1	0
Currency, %	-4	-5
TOTAL, %	-36	-17

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 declined organically by -34% year on year primarily due to uncertainty in the oil & gas and aerospace segments. Excluding major orders last year, the order intake was -20%. The decline for revenues was less steep at -13%, supported by a strong backlog. Order intake in the major regions with the exception of Asia, declined year on year.

Key items impacting order intake and revenues year on year:

- Orders booked in China for application tubing were the main contributors to the positive year on year development in Asia.
- The weakest segments were oil & gas and aerospace, with no signs of sequential improvement.
- Improved sentiment in medical and consumer related segments as well as in industrial heating.
- Alloy surcharges accounted for approximately -1.8% of order intake and -2.2% of revenues year on year.

The adjusted operating profit excluding metal price effects totaled SEK 141 million (182), yielding an underlying margin of 4.9% (5.2). Including slightly negative metal price effects, the adjusted operating profit decreased to SEK 116 million (236) and the adjusted operating margin decreased to 4.0% (6.8).

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

- Positive mix within Tube business with higher share of advanced oil & gas products.
- Savings from cost measures announced in 2019 amounted to SEK 25 million and temporary savings were approximately SEK 70 million.
- Exchange rates had a negative impact of SEK -28 million year on year.
- Changed metal prices had a negative impact of SEK -25 million in the quarter.

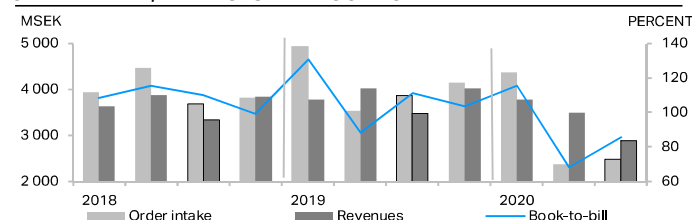
Reported operating profit was SEK 110 million (-52) and operating margin was 3.8% (-1.5).

The Board announced its intention to proceed with the listing of Sandvik Materials Technology, pending shareholders' approval in 2022 given that the circumstances are deemed right at the time.

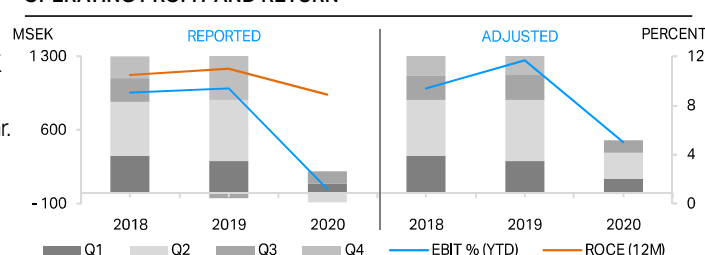
Covid-19 update

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 and aerospace segments.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2019	Q3 2020	CHANGE %	Q1-Q3 2019	Q1-Q3 2020	CHANGE %
Order intake *	3,867	2,477	-34	12,331	9,219	-26
Revenues *	3,482	2,886	-13	11,267	10,162	-10
Operating profit	-52	110	N/M	840	121	-86
% of revenues	-1.5	3.8		7.5	1.2	
Adjusted operating profit ¹⁾	236	116	-51	1,128	504	-55
% of revenues	6.8	4.0		10.0	5.0	
Return on capital employed, % ²⁾	-1.6	3.5		8.0	5.6	
Number of employees ³⁾	5,905	5,079	-14	5,905	5,079	-14

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of SEK -6 million in Q3 2020 (-288) and SEK -383 million YTD 2020 (-288) related to savings measures and the internal separation of Sandvik Materials Technology. See page 23. ²⁾ Quarterly number is annualized and the year-to-date number is based on four quarter average. ³⁾ Full-time equivalent.

SUSTAINABLE BUSINESS

SIGNIFICANT REDUCTION IN GREENHOUSE GAS EMISSIONS

INCREASED SHARE OF FEMALE MANAGERS

INNOVATION IN INTERNAL SCRAP RECYCLING



Activity levels remained generally low and GHG emissions continued to fall, which was mainly Covid-19 related. Efforts to **MAKE THE SH/FT** continued in our business operations. Ongoing projects include improvement activities within sustainable supplier management, progressing our clean energy initiative and initiation of scope 3 emission monitoring in areas such as transportation of products and people.

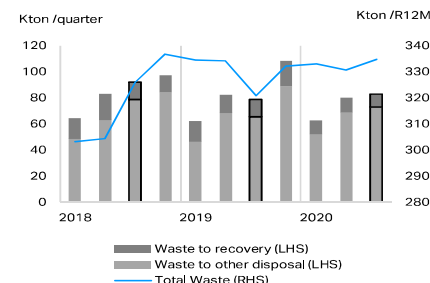
Third quarter 2020

- Greenhouse gas emissions fell by nearly 25%. The North American and European markets accounted for most of the reduction while Asia and India in particular reported higher emissions sequentially, albeit still lower than a year ago.
- For total operations the waste recovery rate decreased to 12.2%. Total waste increased 5% in the quarter.
- Excluding tailings from our mine operations and slag from our steel manufacturing, the recovery rate was 64% in the quarter and total waste decreased 26%. The total waste volume from these two operations constitute more than 80% of the total waste generated in the company.
- Injury rates developed favorably and the Total Recordable Injury Frequency Rate (TRIFR) was 3.3, thereby surpassing the annual 3.4 target level.
- A tragic incident occurred during the quarter at the production unit in Gimo, which sadly led to two fatalities among our employees. The incident is still under investigation.

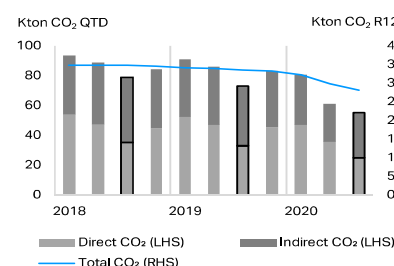
Case of the quarter

Circularity is one of the key areas addressed within Sandvik's long-term sustainability targets. A key contributor to reaching these targets is our Crushing and Screening division and its work with circular manganese steel wear parts for Sandvik's cone crushers. Premium parts for our cone crushers are produced in Svedala, Sweden, by one of the world's most sustainable manganese foundries. This is because the parts are made using 91% circular scrap. Sandvik uses worn-out wear parts from other cone crushers to produce new parts, meaning that we can minimize the impact from using virgin material that would have had a significantly higher CO₂ impact. Sandvik has also invested in internal metal chip recycling from the other operations conducted at the Svedala site, enabling the company to achieve more than 90 % circularity in the use of raw materials over the past number of years. This innovation in internal scrap recycling has increased circularity and had a positive sustainable and financial impact, both for Sandvik and our customers.

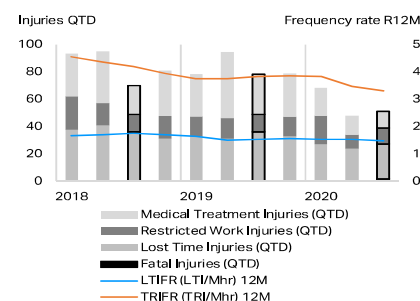
CIRCULARITY - WASTE



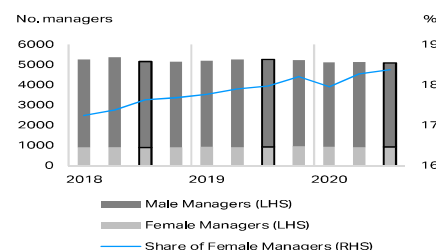
CLIMATE - CO₂ EMISSIONS



PEOPLE - ZERO HARM



PLAY FAIR - DIVERSITY



SUSTAINABILITY OVERVIEW		Q3 2019	Q3 2020	CHANGE %	Rolling 12 months
Circularity	Total waste, thousand tonnes*	79	83	5.2	335
Circularity	Waste recovered, % of total	16.8	12.2	-27.5	15.5
Climate	Total CO ₂ , thousand tonnes*	73	55	-24.6	280
People	Total recordable injury frequency rate, R12M frequency / million working hours	3.8	3.3	-14.1	3.3
People	Lost time injury frequency rate, R12M frequency / million working hours	1.5	1.5	-3.8	1.5
Fair play	Share of female managers, %	18.0	18.4	2.3	18.4

* Period is June 2020 to August 2020

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

PARENT COMPANY

The parent company's invoiced sales after the first nine months of 2020 amounted to SEK 7,085 million (15,778) and the operating result was SEK 2,742 million (2,945). The result from shares in Group companies of SEK -1,544 million (2,545) for the first nine months consists primarily of costs related to the separation of Sandvik Materials Technology, partially offset by dividends.

FIRST NINE MONTHS 2020

For the first nine 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 -15%, however, noting a sequential growth from the second to third quarter. Excluding the impact of large orders, the decline was -14%. Revenues decreased organically by -13%. Underlying customer activity decreased in most customer segments, with the least negative impact noted in mining. The first nine months revealed high levels of uncertainty in the energy, automotive and aerospace segments, with improved sentiment for automotive during the latter part of the period. Order intake for Sandvik's products declined at a rate of -22% in the two major regions Europe and North America and at a mid-single digit rate in Asia. Changed exchange rates had a negative impact on order intake and revenues of -3% respectively. Sandvik's order intake amounted to SEK 64,236 million (78,897), and revenues were SEK 63,996 million (76,655), implying a book-to-bill ratio of 100%.

Adjusted operating profit decreased by -29% year on year to SEK 10,059 million (14,152) and the adjusted operating margin was 15.7% (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 -39% to SEK 7,729 million (12,642) and the operating margin was 12.1% (16.5). Changed metal prices had a negative impact of SEK -302 million (+100). Net financial items amounted to SEK 133 million (-963) and profit after financial items was SEK 7,863 million (11,679).

Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 7,481 million (16,177). Investments in property, plant and machinery amounted to SEK 259 million (665).

The underlying tax rate for continuing operations was 22.3% (25.7). The underlying tax rate for the Group total was 22.3% (25.9) and the reported tax rate for Group total was 22.2% (24.8).

Profit for the period amounted to SEK 6,119 million (8,815) for continuing operations and SEK 6,100 million (8,672) for the Group total. Earnings per share for continuing operations amounted to SEK 4.89 (7.03) while earnings per share for the Group total amounted to SEK 4.87 (6.92).

Net debt decreased year-on-year to SEK 3.1 billion (17.1), resulting in a net debt to equity ratio of 0.05 (0.27).

During the first nine 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, as well as the divestment of the minority stake in Xiamen Golden Egret Special Alloy Co., Ltd. (Gesac).

ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS DURING THE LAST 12 MONTHS

	COMPANY/UNIT	CLOSING DATE	REVENUES	NO. OF EMPLOYEES
2019				
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 Machining Solutions	Xiamen Golden Egret Special Alloy Co., Ltd. (Gesac) **	15 July 2020	N/A	N/A

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

**Sandvik divested its 10% minority holding.

SIGNIFICANT EVENTS

DURING THE THIRD QUARTER

- On 9 July, Sandvik Mining and Rock Technology announced that it had acquired Allied Construction Products LLC (Allied).
- 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. The change means that Sandvik Machining Solutions will be renamed Sandvik Manufacturing and Machining Solutions (SMM) as of 1 January 2021, and will consist of two business area segments: Sandvik Machining Solutions (SMS), and Sandvik Manufacturing Solutions (SMF).
- On 24 September, Sandvik announced the appointment of the Nomination Committee for the 2021 Annual General Meeting.

AFTER THE THIRD QUARTER

- On 1 October, it was announced that Sandvik Mining and Rock Technology completed the acquisition of Allied Construction Products LLC (Allied).
- On 9 October, it was announced that Sandvik Mining and Rock Technology divests its Exploration business. The transaction is expected to close during Q4 2020.
- On 16 October, Sandvik Board of Directors decided that following the completion of the internal separation of Sandvik Materials Technology, Sandvik will proceed with the preparation to distribute SMT to Sandvik's shareholders and list the company's shares on the Nasdaq Stockholm Exchange. The Board intends to propose the distribution and listing of the SMT shares at a shareholders' meeting in 2022, provided that the circumstances are deemed right at the time.
- On 16 October, Sandvik announced that it has decided to establish a new business area, Sandvik Rock Processing Solutions (SRP), as of 1 January 2021. The new business area will consist of the current Crushing and Screening division, which today is part of the Sandvik Mining and Rock Technology business area. The reason is to further accelerate profitable growth within rock processing.

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 outcome is provided in the table below:

CAPEX (CASH)	Estimated at SEK <3.5 billion for 2020.
CURRENCY EFFECTS	Based on currency rates at the end of September 2020, it is estimated that transaction and translation currency effects will have an impact of about SEK -350 million on operating profit for the forth 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 September 2020 it is estimated that there will be an impact of about SEK +50 million on operating profit in Sandvik Materials Technology for the forth quarter of 2020.
INTEREST NET	Estimated at less than about SEK -0.5 billion 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 2020, IASB issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. On 12 October 2020, the European Union has published a Commission Regulation endorsing of the Amendment to IFRS 16 Leases Covid-19-Related Rent Concessions. The Amendments are effective for annual periods beginning on or after 1 June 2020.

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 COVID-19

Goodwill

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% 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% 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. Since 2020 Sandvik calculates a pre-tax discount rate for each CGU. As of September it varied between 9.3% and 12.6%; Sandvik Mining and Rock Technology 12.6%, Sandvik Machining Solutions 10.1%, Coromant 11.7%, Seco Tools 10.6%, Dormer Pramet 10.5%, Walter Group 11.1% and Sandvik Materials Technology 10.2%. Last year all CGUs applied a pre-tax discount rate of 10% 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 SEK 304 million was written down in the second quarter due to a closure of smaller business. The cost is booked in Other operating income and expenses.

Impairment tests have been performed in the second and the third quarter of 2020 in response to the Covid-19 pandemic. 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 SEK 265 million in the third quarter of 2020. 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 September, there is no significant impact on the valuation of inventory related to the Covid-19 pandemic.

Expected credit losses

As of 30 September, 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 to varying degrees. The overall recovery has and is expected to be gradual, given the low business activity in several key end-market segments. While there were signs of stabilizing markets, 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	Q3 2019	Q3 2020	CHANGE %	Q1-Q3 2019	Q1-Q3 2020	CHANGE %
<i>Continuing operations</i>						
Revenues	25,163	20,145	-20	76,655	63,996	-17
Cost of sales and services	-15,517	-12,336	-21	-45,459	-40,403	-11
Gross profit	9,646	7,810	-19	31,197	23,593	-24
% of revenues	38.3	38.8		40.7	36.9	
Selling expenses	-3,933	-2,335	-41	-10,829	-8,030	-26
Administrative expenses	-1,834	-1,085	-41	-5,061	-4,052	-20
Research and development cost	-914	-735	-20	-2,790	-2,469	-11
Other operating income and expenses	31	-196	N/M	126	-1,312	N/M
Operating profit	2,996	3,459	15	12,642	7,729	-39
% of revenues	11.9	17.2		16.5	12.1	
Financial income	110	686	N/M	348	874	N/M
Financial expenses	-308	-157	-49	-1,311	-740	-44
Net financial items	-198	529	N/M	-963	133	N/M
Profit after financial items	2,798	3,988	43	11,679	7,863	-33
% of revenues	11.1	19.8		15.2	12.3	
Income tax	-729	-802	10	-2,864	-1,743	-39
Profit for the period, continuing operations	2,069	3,186	54	8,815	6,119	-31
% of revenues	8.2	15.8		11.5	9.6	
<i>Discontinued operations</i>						
Revenues	25	-	-98	280	2	-99
Operating result	-33	-3	-91	-143	-19	-87
Profit after financial items	-33	-3	-91	-143	-19	-87
Profit for the period, discontinued operations	-33	-3	-91	-143	-19	-87
<i>Group total</i>						
Revenues	25,188	20,146	-20	76,935	63,998	-17
Operating profit	2,963	3,456	17	12,499	7,710	-38
Profit after financial items	2,765	3,986	44	11,536	7,844	-32
Profit for the period, Group total	2,036	3,183	56	8,672	6,100	-30
OTHER COMPREHENSIVE INCOME						
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/losses on defined benefit pension plans	-2,039	-706		-2,758	-537	
Tax relating to items that will not be reclassified	439	163		583	129	
	-1,600	-543		-2,174	-407	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	1,615	-953		3,540	-1,834	
Cash flow hedges	5	8		-2	16	
Tax relating to items that may be reclassified	-	-2		-	-5	
	1,620	-947		3,538	-1,823	
Total other comprehensive income	20	-1,490		1,364	-2,230	
Total comprehensive income	2,056	1,694		10,036	3,871	
Profit for the period attributable to						
Owners of the parent company	2,040	3,184		8,679	6,114	
Non-controlling interest	-4	-1		-7	-13	
Total comprehensive income attributable to						
Owners of the parent company	2,060	1,693		10,043	3,883	
Non-controlling interest	-4	1		-7	-11	
Earnings per share, SEK						
Continuing operations, basic	1.65	2.54	54	7.03	4.89	-30
Continuing operations, diluted	1.65	2.54	54	7.02	4.88	-30
Group total, basic	1.63	2.54	56	6.92	4.87	-30
Group total, diluted	1.62	2.54	57	6.90	4.87	-29

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

THE GROUP

BALANCE SHEET

CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2019	30 SEP 2019	30 SEP 2020
Intangible assets	20,074	24,367	18,945
Property, plant and equipment	25,643	26,232	24,531
Right-of-use assets	3,172	3,275	3,020
Financial assets	6,562	7,177	7,123
Inventories	24,243	27,489	23,543
Contract Assets	77	51	115
Current receivables	21,885	23,173	18,849
Cash and cash equivalents	16,953	12,541	23,443
Assets held for sale	1,815	378	135
Total assets	120,423	124,683	119,705
Total equity	61,858	62,728	65,949
Non-current interest-bearing liabilities	25,383	27,002	23,188
Non-current non-interest-bearing liabilities	3,790	4,609	3,464
Current interest bearing liabilities	3,026	3,058	3,711
Current non-interest-bearing liabilities	25,486	26,881	23,228
Liabilities related to assets held for sale	880	405	164
Total equity and liabilities	120,423	124,683	119,705
<i>Group total</i>			
Net working capital ¹⁾	25,027	27,959	23,273
Loans	17,434	17,716	15,460
Non-controlling interests in total equity	14	23	1

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 SEP 2019	30 SEP 2020
Interest-bearing liabilities excluding pension liabilities and leases	17,453	17,738	15,478
Less cash and cash equivalents	-16,987	-12,541	-23,443
Financial net debt/net cash	466	5,198	-7,966
Net pensions liabilities	7,348	8,595	7,969
Leases	3,317	3,351	3,093
Net debt	11,131	17,144	3,097
Net debt to equity ratio	0.18	0.27	0.05

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	-
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	3,883	-11	3,872
Personnel options program	219	-	219
Closing equity, 30 September 2020	65,948	1	65,949

For definitions see home.sandvik

THE GROUP

CASH FLOW STATEMENT

MSEK	Q3 2019	Q3 2020	Q1-Q3 2019	Q1-Q3 2020
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	2,798	3,988	11,679	7,863
Adjustment for depreciation, amortization and impairment loss	1,676	1,376	4,531	4,484
Other adjustments for non-cash items	1,471	-658	1,311	760
Income tax paid	-828	-609	-2,355	-2,251
Cash flow from operations before changes in working capital	5,117	4,098	15,165	10,856
<i>Changes in working capital</i>				
Change in inventories	512	876	-1,511	14
Change in operating receivables	1,421	214	-42	1,274
Change in operating liabilities	-541	-213	-1,088	-1,197
<i>Cash flow from changes in working capital</i>	<i>1,392</i>	<i>877</i>	<i>-2,641</i>	<i>91</i>
Investments in rental equipment	-240	-198	-637	-633
Proceeds from sales of rental equipment	36	68	93	226
Cash flow from operations	6,306	4,845	11,981	10,539
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-150	100	-1,481	-121
Proceeds from sale of companies and shares, net of cash divested	-	-21	59	778
Investments in tangible assets	-858	-465	-2,378	-1,782
Proceeds from sale of tangible assets	111	-34	233	201
Investments in intangible assets	-152	-121	-443	-335
Proceeds from sale of intangible assets	17	-	39	-
Other investments, net	-4	-32	-15	-34
Cash flow from investing activities	-1,035	-573	-3,986	-1,293
Net cash flow after investing activities	5,271	4,272	7,995	9,246
<i>Cash flow from financing activities</i>				
Change in interest-bearing net debt	-984	-333	-8,302	-3,063
Divestment of financial assets	-	633	-	633
Dividends paid	-	-	-5,340	-
Cash flow from financing activities	-984	300	-13,643	-2,430
Total cash flow from continuing operations	4,287	4,573	-5,648	6,817
<i>Discontinued operations</i>				
Cash flow from discontinued operations	14	-5	-95	-66
Cash flow for the period, Group total	4,301	4,567	-5,743	6,751
Cash and cash equivalents at beginning of the period	8,168	18,952	18,089	16,987
Exchange rate differences in cash and cash equivalents	72	-76	195	-295
Cash and cash equivalents at the end of the period	12,541	23,443	12,541	23,443
<i>Discontinued operations</i>				
Cash flow from operations	13	-5	-94	-67
Cash flow from investing activities	-	-	-	1
Cash flow from financing activities	1	-	-1	1
Total cash flow discontinued operations	14	-5	-95	-66
<i>Group Total</i>				
Cash flow from operations	6,319	4,840	11,886	10,473
Cash flow from investing activities	-1,035	-573	-3,986	-1,293
Cash flow from financing activities	-984	301	-13,643	-2,429
Group total cash flow	4 301	4 567	-5 743	6 751

For definitions see home.sandvik

THE PARENT COMPANY

INCOME STATEMENT

MSEK	Q1-Q3 2019	Q1-Q3 2020
Revenues	15,778	7,085
Cost of sales and services	-8,124	-1,214
Gross profit	7,654	5,871
Selling expenses	-903	-706
Administrative expenses	-1,949	-1,012
Research and development costs	-1,147	-952
Other operating income and expenses	-710	-459
Operating profit	2,945	2,742
Income/expenses from shares in group companies	2,545	-1,544
Interest income/expenses and similar items	-292	-102
Profit after financial items	5,198	1,096
Appropriations	-374	2,281
Income tax expenses	-347	-553
Profit for the period	4,477	2,824

BALANCE SHEET

MSEK	31 DEC 2019	30 SEP 2019	30 SEP 2020
Intangible assets	85	95	48
Property, plant and equipment	7,089	7,074	3,182
Financial assets	54,338	44,312	54,551
Inventories	3,229	3,235	756
Current receivables	12,056	8,923	4,899
Cash and cash equivalents	–	–	–
Total assets	76,797	63,639	63,436
Total equity	34,565	23,938	37,697
Untaxed reserves	3,222	3,515	941
Provisions	770	728	745
Non-current interest-bearing liabilities	15,124	15,425	12,514
Non-current non-interest-bearing liabilities	245	286	167
Current interest-bearing liabilities	15,238	13,698	8,624
Current non-interest-bearing liabilities	7,633	6,049	2,748
Total equity and liabilities	76,797	63,639	63,436
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	15,601	16,177	7,481
Investments in fixed assets	976	665	259

For definitions see home.sandvik

MARKET OVERVIEW, THE GROUP

ORDER INTAKE BY REGION

MSEK	Q3 2020	CHANGE * %	CHANGE * % ¹⁾	SHARE %	Q1-Q3 2020	CHANGE * %	CHANGE * % ¹⁾	SHARE %
THE GROUP								
Europe	6,414	-21	-17	32	22,012	-22	-22	34
North America	3,999	-22	-19	20	13,679	-22	-18	21
South America	970	-0	-0	5	3,087	-10	-10	5
Africa/Middle East	2,147	2	2	11	6,335	-1	-1	10
Asia	4,168	-4	-4	21	13,330	-7	-7	21
Australia	2,211	24	24	11	5,792	2	2	9
Total Continuing Operations ²⁾	19,909	-11	-9	100	64,236	-15	-14	100
SANDVIK MINING AND ROCK TECHNOLOGY								
Europe	1,296	-9	-9	13	4,227	-16	-16	14
North America	1,873	-6	-6	18	6,154	-7	-7	20
South America	790	4	4	8	2,386	-14	-14	8
Africa/Middle East	1,990	0	0	20	5,796	-2	-2	19
Asia	2,045	1	1	20	6,350	-2	-2	21
Australia	2,140	26	26	21	5,564	3	3	18
Total ²⁾	10,133	2	2	100	30,477	-5	-5	100
SANDVIK MACHINING SOLUTIONS								
Europe	3,871	-19	-19	53	12,936	-22	-22	53
North America	1,623	-25	-25	22	5,426	-28	-28	22
South America	150	-6	-6	2	426	-17	-17	2
Africa/Middle East	68	-14	-14	1	202	-14	-14	1
Asia	1,525	-15	-15	21	5,067	-16	-16	21
Australia	61	-6	-6	1	186	-7	-7	1
Total	7,298	-19	-19	100	24,243	-22	-22	100
SANDVIK MATERIALS TECHNOLOGY								
Europe	1,247	-37	-19	50	4,807	-28	-25	52
North America	503	-54	-41	20	1,984	-45	-26	22
South America	30	-36	-36	1	268	65	65	3
Africa/Middle East	89	42	42	4	227	26	26	2
Asia	598	7	7	24	1,895	1	1	21
Australia	10	-48	-48	0	38	-33	-33	0
Total	2,477	-34	-20	100	9,219	-26	-18	100

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

1) Excluding major orders which is defined as above SEK 400 million in Sandvik Mining and Rock Technology and above SEK 200 million in Sandvik Materials Technology. **2)** Includes rental fleet order intake in Q3 of SEK 197 million and YTD SEK 646 million recognized according to IFRS 16.

N/M = not meaningful

REVENUES BY REGION

MSEK	Q3 2020	CHANGE * %	SHARE %	Q1-Q3 2020	CHANGE * %	SHARE %
THE GROUP						
Europe	6,550	-21	33	22,468	-19	35
North America	4,446	-14	22	14,469	-16	23
South America	903	-13	4	2,887	-14	5
Africa/Middle East	2,027	-2	10	5,860	-6	9
Asia	4,353	1	22	12,880	-9	20
Australia	1,867	2	9	5,431	14	8
Total Continuing Operations¹⁾	20,145	-11	100	63,996	-13	100
SANDVIK MINING AND ROCK TECHNOLOGY						
Europe	1,358	-10	14	4,497	-8	15
North America	1,951	-10	20	5,843	-16	20
South America	685	-17	7	2,189	-19	7
Africa/Middle East	1,898	-2	19	5,372	-5	18
Asia	2,249	16	23	6,099	-4	21
Australia	1,794	3	18	5,199	16	18
Total ¹⁾	9,935	-2	100	29,199	-6	100
SANDVIK MACHINING SOLUTIONS						
Europe	3,903	-21	53	13,012	-22	53
North America	1,619	-28	22	5,454	-27	22
South America	138	-14	2	426	-18	2
Africa/Middle East	64	-14	1	198	-18	1
Asia	1,537	-16	21	5,065	-15	21
Australia	63	-11	1	183	-8	1
Total	7,325	-21	100	24,338	-22	100
SANDVIK MATERIALS TECHNOLOGY						
Europe	1,288	-29	45	4,918	-22	48
North America	875	10	30	3,056	12	30
South America	79	54	3	265	102	3
Africa/Middle East	65	-21	2	180	-28	2
Asia	567	-2	20	1,699	-7	17
Australia	11	-38	0	45	-13	0
Total	2,886	-13	100	10,162	-10	100

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

¹⁾ Includes rental fleet revenues in Q3 of SEK 225 million and YTD SEK 650 million 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	Q3 2020	CHANGE	
									%	% *
Sandvik Mining and Rock Technology	11,369	11,318	11,006	10,685	44,379	10,570	9,773	10,133	-8	2
Sandvik Machining Solutions	11,105	10,629	9,609	9,820	41,163	10,124	6,821	7,298	-24	-19
Sandvik Materials Technology	4,930	3,535	3,867	4,144	16,475	4,365	2,377	2,477	-36	-34
Other Operations	471	549	510	529	2,059	297	0	0	-100	0
Continuing operations	27,873	26,031	24,992	25,179	104,075	25,356	18,971	19,909	-20	-11
Discontinued operations	39	27	5	1	71	0	0	0	N/M	N/M
Group Total ¹⁾	27,912	26,058	24,997	25,179	104,147	25,356	18,971	19,909	-20	-11

REVENUES BY BUSINESS AREA

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	Q3 2020	CHANGE	
									%	% *
Sandvik Mining and Rock Technology	10,103	11,233	11,244	12,197	44,777	9,775	9,489	9,935	-12	-2
Sandvik Machining Solutions	10,679	10,674	9,927	9,844	41,123	9,766	7,247	7,325	-26	-21
Sandvik Materials Technology	3,773	4,011	3,482	4,013	15,279	3,782	3,495	2,886	-17	-13
Other Operations	471	549	510	529	2,059	297	0	0	0	0
Continuing operations	25,025	26,467	25,163	26,583	103,238	23,620	20,230	20,145	-20	-11
Discontinued operations	155	100	25	15	295	2	-1	0	-98	-98
Group Total ¹⁾	25,180	26,567	25,188	26,598	103,533	23,623	20,229	20,146	-20	-11

OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	Q3 2020	CHANGE	
									%	
Sandvik Mining and Rock Technology	1,817	2,126	2,014	2,645	8,602	1,661	1,166	2,083		3
Sandvik Machining Solutions	2,654	2,483	1,244	2,000	8,380	1,690	645	1,377		11
Sandvik Materials Technology	307	585	-52	604	1,444	94	-83	110		N/M
Other Operations	-45	85	-8	-4,295	-4,263	-515	-42	-22		N/M
Group activities	-166	-200	-202	-209	-776	-168	-178	-89		-56
Continuing operations	4,567	5,078	2,996	744	13,386	2,762	1,508	3,459		15
Discontinued operations	-43	-67	-33	-61	-204	-12	-4	-3		-91
Group Total ¹⁾	4,524	5,012	2,963	684	13,182	2,750	1,504	3,456		17

OPERATING MARGIN BY BUSINESS AREA

%	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	Q3 2020	
Sandvik Mining and Rock Technology	18.0	18.9	17.9	21.7	19.2	17.0	12.3	21.0	
Sandvik Machining Solutions	24.9	23.3	12.5	20.3	20.4	17.3	8.9	18.8	
Sandvik Materials Technology	8.1	14.6	-1.5	15.0	9.4	2.5	-2.4	3.8	
Other Operations	-9.5	15.4	-1.6	N/M	N/M	N/M	0.0	0.0	
Continuing operations	18.3	19.2	11.9	2.8	13.0	11.7	7.5	17.2	
Discontinued operations	-28.1	-66.6	N/M	N/M	-69.1	N/M	N/M	N/M	
Group Total ¹⁾	18.0	18.9	11.8	2.6	12.7	11.6	7.4	17.2	

* 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

	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	CHANGE
MSEK	2019	2019	2019	2019	2019	2020	2020	2020	%
Sandvik Mining and Rock Technology	1,817	2,126	2,338	2,630	8,911	1,661	1,833	2,083	-11
Sandvik Machining Solutions	2,654	2,483	2,173	2,000	9,310	2,054	927	1,377	-37
Sandvik Materials Technology	307	585	236	659	1,787	139	248	116	-51
Other Operations	-45	-26	-8	-62	-140	11	-42	-0	-98
Group activities	-166	-200	-122	-161	-649	-138	-129	-82	-32
Continuing operations	4,567	4,968	4,617	5,066	19,219	3,728	2,837	3,493	-24
Discontinued operations	-43	-67	-33	-61	-204	-12	-4	-3	-91
Group Total ¹⁾	4,524	4,901	4,584	5,005	19,015	3,716	2,833	3,491	-24

ADJUSTED OPERATING MARGIN BY BUSINESS AREA

	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3
%	2019	2019	2019	2019	2019	2020	2020	2020
Sandvik Mining and Rock Technology	18.0	18.9	20.8	21.6	19.9	17.0	19.3	21.0
Sandvik Machining Solutions	24.9	23.3	21.9	20.3	22.6	21.0	12.8	18.8
Sandvik Materials Technology	8.1	14.6	6.8	16.4	11.7	3.7	7.1	4.0
Other Operations	-9.5	-4.7	-1.6	-11.6	-6.8	3.8	0.0	0.0
Continuing operations	18.3	18.8	18.3	19.1	18.6	15.8	14.0	17.3
Discontinued operations	-28.1	-66.6	N/M	N/M	-69.1	N/M	N/M	N/M
Group Total ¹⁾	18.0	18.4	18.2	18.8	18.4	15.7	14.0	17.3

ITEMS AFFECTING COMPARABILITY ON OPERATING PROFIT

	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3
MSEK	2019	2019	2019	2019	2019	2020	2020	2020
Sandvik Mining and Rock Technology	0	0	-323	14	-309	0	-667	-0
Sandvik Machining Solutions	0	0	-930	-0	-930	-364	-282	0
Sandvik Materials Technology	0	0	-288	-56	-343	-45	-331	-6
Other Operations	0	110	0	-4,233	-4,123	-526	0	-21
Group activities	0	0	-80	-47	-127	-30	-49	-7
Continuing operations	0	110	-1,621	-4,322	-5,832	-965	-1,329	-35
Discontinued operations	0	0	-0	0	0	0	0	0
Group Total	0	110	-1,621	-4,322	-5,832	-965	-1,329	-35

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

N/M = Non-meaningful.

Items affecting comparability on operating profit

Q3 2019 - Sandvik reported items affecting comparability of SEK -1,621 million 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 SEK -4,322 million. This comprises SEK -3,966 million of costs related to the divestment of Varel, out of which SEK -4,233 million impacted the operating profit and SEK +267 million in positive tax impact. In addition a total of SEK -103 million in separation costs, out which SEK -56 million in Sandvik Materials Technology and SEK -47 million in Group activities. Sandvik Mining and Rock Technology was impacted by SEK +14 million in a reversal of a provision.

Q1 2020 - Sandvik reported items affecting comparability of total SEK -965 million, comprising of costs of SEK-364 million related to Sandvik Machining Solutions and the closure of a manufacturing plant in Germany. Other operations included a negative impact of SEK -526 million related to the realized effect from reversal of the accumulated currency translation in

Other Comprehensive Income due to the divestment of Varel. An additional SEK -75 million of costs related to the internal separation of Sandvik Materials Technology, out of which SEK -45 million in Sandvik Materials Technology and SEK -30 million in Group activities.

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

Q3 2020 - Sandvik reported items affecting comparability of SEK -35 million, comprising of SEK -21 million of final purchase price adjustment of the divestment of Varel. As well as cost related to the separation of Sandvik Materials Technology of SEK -13 million.

Items affecting comparability on net financial items

Q3 2020 - Sandvik reported items affecting comparability of SEK 588 million on net financial items related to the disposal of the minority holding in Xiamen Golden Egret Special Alloy Co., Ltd. (Gesac).

KEY FIGURES

Continuing Operations	Q3 2019	Q3 2020	Q1-Q4 2019
Tax rate, %	26.1	20.1	28.2
Return on capital employed, % ^{1,2)}	13.7	18.1	15.2
Return on total equity, % ¹⁾	13.4	19.6	14.2
Return on total capital, % ¹⁾	10.2	14.0	11.4
Shareholders' equity per share, SEK	50.0	52.6	49.3
Net debt/equity ratio	0.27	0.05	0.18
Net debt/EBITDA	0.69	0.54	0.62
Equity/assets ratio, %	50	55	51
Net working capital, % ^{1,2)}	27.9	29.6	25.2
Earnings per share, basic, SEK	1.65	2.54	6.97
Earnings per share diluted, SEK	1.65	2.54	6.96
EBITDA, MSEK	4,673	4,835	23,454
Cash flow from operations, MSEK	6,306	4,845	17,807
Funds from operations (FFO), MSEK	5,117	4,098	19,119
Interest coverage ratio, %	1,660	2,611	1,106
Number of employees ³⁾	41,279	34,969	40,235

¹⁾ Quarter is quarterly annualized and the annual number is based on a four quarter average. ²⁾ 12-month rolling 3Q 2020 ROCE reported at 10.3 % (19.1%) and NWC % reported at 27.9 (25.5). ³⁾ Full-time equivalent.

Group total	Q3 2019	Q3 2020	Q1-Q4 2019
Tax rate, %	26.4	20.1	28.6
Return on capital employed, % ^{1,2)}	13.6	18.1	15.0
Return on total equity, % ¹⁾	13.2	19.6	13.9
Return on total capital, % ¹⁾	10.1	13.9	11.2
Shareholders' equity per share, SEK	50.0	52.6	49.3
Net debt/equity ratio	0.27	0.05	0.18
Net debt/EBITDA	0.70	0.54	0.70
Equity/assets ratio, %	50	55	51
Net working capital, % ^{1,2)}	28.0	29.7	25.3
Earnings per share, basic, SEK	1.63	2.54	6.81
Earnings per share diluted, SEK	1.62	2.54	6.79
EBITDA, MSEK	4,640	4,832	23,260
Cash flow from operations, MSEK	6,319	4,840	17,654
Funds from operations (FFO), MSEK	5,062	4,084	18,865
Interest coverage ratio, %	1,642	2 602	1,091
Number of employees ³⁾	41,292	34,972	40,246
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
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 3Q 2020 ROCE reported at 10.2 % (18.7%) and NWC % reported at 27.9 (25.6). 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 movements, political risks, impact of competing products and their pricing, product development, commercialization and technological difficulties, supply disturbances, and major customer credit losses.

Stockholm 16 October 2020
Sandvik Aktiebolag (publ)

Stefan Widing
President and CEO

ANNUAL GENERAL MEETING

The Board of Directors has decided that the 2021 Annual General Meeting will be held in Sandviken, Sweden on 27 April 2021. The notice to convene the Annual General Meeting will be made in the prescribed manner.

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information (interim report) of Sandvik AB as of 30 September 2020 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 16 October 2020
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Lead Partner

Magnus Svensson Henryson
Authorized Public Accountant

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

Additional information may be obtained from Sandvik Investor Relations (Emelie Alm) on tel +46 79 060 87 17

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

Information is available at home.sandvik.ir

CALENDAR

3 November 2020	Virtual Capital Markets Day
21 January 2021	Report, forth quarter 2020
20 April 2021	Report, first quarter 2021
27 April 2021	Annual General Meeting in Sandviken, Sweden
16 July 2021	Report, second quarter 2021
18 October 2021	Report, third quarter 2021

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