

# INTERIM REPORT THIRD QUARTER

AND FIRST NINE MONTHS OF 2018



## INCREASED EARNINGS AND STRONG CASH FLOW

**CEO'S COMMENT:** "In the third quarter, order intake improved significantly in all three business areas on the back of strong progress in most customer segments and in the three major geographical regions. An adjusted operating margin of 18.9% was record high for a third quarter. I am also pleased that we made progress on reshaping the business portfolio toward improved long-term sustainable value creation as we closed a number of acquisitions and completed earlier-announced divestments. These structural changes supported the EBIT margin in the period," says Björn Rosengren, President and CEO of Sandvik.

"Earnings for the quarter were positively impacted by the net capital gain of 618 million SEK generated by the divestment of Hyperion. Adjusted operating profit amounted to 4,587 million SEK, representing an increase of 37%. Excluding the positive impact from changed exchange rates, structure and metal price effects in Sandvik Materials Technology, the adjusted operating profit improved by 25%."

"Free operating cash flow increased to 4.7 billion SEK, supported primarily by strong operational performance. We will continue to focus on managing the net working capital to

support cash flow generation. The balance sheet strengthened compared with the year-earlier period, with net gearing at 0.27 (0.62), including the acquisitions of Metrologic, Inrock and Custom Electric Manufacturing as well as finalization of the divestments of Hyperion and the stainless wire business."

"During the quarter, I visited the largest manufacturing show in North America – IMTS. I was pleased to see yet another proof point of Sandvik's technology leadership as the Sandvik Coromant solution Silent Tools™ Plus – which offers anti-vibration tooling that delivers real-time data to the equipment operator – received the 'Most Innovative Product' award."

"I am proud that Sandvik was once again selected as a member of the Dow Jones Sustainability Index, which only includes companies ranked in the top 10% of each industry in terms of sustainability performance. We scored with a percentile ranking of 92, meaning our performance was better than 92% of the assessed companies in our industry. Sustainability is one key factor to our ability to create increased customer value, enabling us to help our customers become safer, more efficient and more productive".

FINANCIAL OVERVIEW, MSEK	Q3 2017 *	Q3 2018	CHANGE %	Q1-Q3 2017*	Q1-Q3 2018	CHANGE %
<b>Continuing operations</b>						
Order intake <sup>1)</sup>	21 888	24 192	+9	71 337	76 812	+9
Revenues <sup>1)</sup>	21 608	24 283	+10	66 898	74 104	+12
Gross profit	8 601	10 240	+19	26 879	31 139	+16
% of revenues	39.8	42.2		40.2	42.0	
Operating profit	3 338	5 205	+56	10 100	14 519	+44
% of revenues	15.4	21.4		15.1	19.6	
Adjusted operating profit <sup>4)</sup>	3 338	4 587	+37	10 550	13 925	+32
% of revenues	15.4	18.9		15.8	18.8	
Profit after financial items	3 145	5 065	+61	9 294	13 860	+49
% of revenues	14.6	20.9		13.9	18.7	
Profit for the period	2 341	3 928	+68	6 794	10 402	+53
% of revenues	10.8	16.2		10.2	14.0	
of which shareholders' interest	2 346	3 933	+68	6 808	10 405	+53
Earnings per share, SEK <sup>2)</sup>	1.87	3.14	+68	5.43	8.30	+53
Adjusted earnings per share, SEK <sup>2) 4)</sup>	1.87	2.62	+40	5.69	7.81	+37
Return on capital employed, % <sup>3)</sup>	18.0	24.6		17.6	28.2	
Cash flow from operations	+3 789	+5 399	+42	+9 485	+9 309	-2
Net working capital, % <sup>3)</sup>	25.3	27.2		24.4	24.1	
<b>Discontinued operations</b>						
Profit for the period	41	-158	N/M	49	-283	N/M
Earnings per share, SEK <sup>2)</sup>	0.03	-0.13	N/M	0.04	-0.23	N/M
<b>Group Total</b>						
Profit for the period	2 382	3 770	+58	6 843	10 119	+48
Earnings per share, SEK <sup>2)</sup>	1.90	3.01	+58	5.47	8.07	+48
Adjusted earnings per share, SEK <sup>2) 4)</sup>	1.90	2.50	+32	5.73	7.58	+32

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

2) Earnings per share after impact from dilution in continuing operations Q3 2018 is 3.13 SEK (1.87) and for Group total 3.0 SEK (1.90). For the first nine months 2018 it is in continuing operations 8.28 SEK (5.42) and Group total 8.05 SEK (5.46).

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

4) Operating profit adjusted for items affecting comparability of +618 million SEK in Q3 2018 compared to no items in Q3 2017. EPS is adjusted for the corresponding tax effects.

\* Restated according to IFRS15, where applicable

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

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

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

N/M = non meaningful

## MARKET DEVELOPMENT AND EARNINGS

### GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	+9	+10
Structure, %	-5	-5
Currency, %	+6	+6
TOTAL, %	+11	+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.

**Order intake and revenues in the third quarter improved organically by 9% and 10%, respectively, with a strong contribution from all three business areas.** Sandvik Machining Solutions reported organic order growth of 8%. In Sandvik Mining and Rock Technology, orders improved organically by 8%. Sandvik Materials Technology reported an increase in orders of 22%. However, excluding the impact of major orders in both the third quarter of 2018 (480 million SEK) and in the third quarter of 2017 (250 million SEK), organic order growth in Sandvik Materials Technology amounted to 17%.

Orders increased at a low double digit pace in all the three major regions. Both Europe and Asia improved by 10%. North America increased by 14% on a reported basis, although excluding large orders, growth was 10%.

Underlying customer activity intensified in all three major geographical regions and improved in all customer segments barring automotive and mining which remained stable.

Changed exchange rates had a positive impact of 6% on both order intake and revenues.

**Adjusted operating profit rose by 37% year-on-year. Excluding structure, changed exchange rates and metal price effects in Sandvik Materials Technology, the adjusted operating profit increased by 25%.**

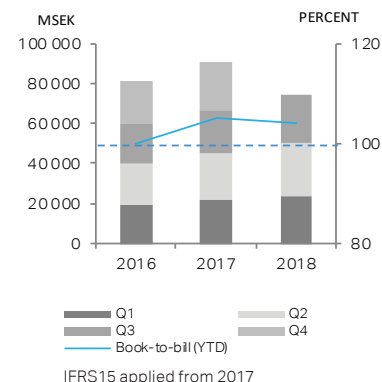
Adjusted operating profit amounted to 4,587 million SEK (3,338) and the adjusted operating margin was 18.9% (15.4), with the improvement supported primarily by the strong organic growth and the tailwind provided by changed exchange rates. All three business areas reported an increase in operating profit of more than 30%. The reported operating profit includes a positive impact of 618 million SEK which is a net capital gain related to the divestment of Hyperion, earlier reported in Other Operations.

Total costs for sales and administration rose by 2%, driven by strong markets and growth activities as well as by structure and currency. In total, the ratio to revenues decreased to 19% (21). Changed exchange rates positively impacted operating profit by 459 million SEK, including the impact of 78 million SEK related to the capital gain due to the divestment of Hyperion. Changed metal prices had a positive impact of 39 million SEK (-64) on results in the quarter.

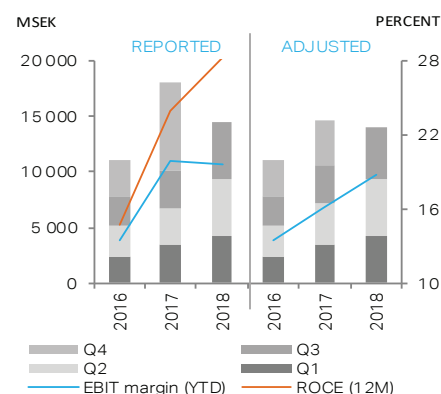
The interest net decreased by 26% year-on-year to -150 million SEK (-202) due to a lower debt level. The total finance net decreased to -140 million SEK (-193), impacted by changed exchange rates and other asset class effects.

The underlying tax rate for continuing operations was 26.1%. The reported tax rate was 22.5% (25.6), including the impact from the capital gain related to the divestment of Hyperion. The underlying tax rate for the Group total, excluding the impact from the net capital gain, was 27.1%. Reported tax rate was 23.2% (25.2) for the quarter.

### REVENUES AND BOOK-TO-BILL



### OPERATING PROFIT & RETURN



### EARNINGS PER SHARE





## CASH FLOW AND BALANCE SHEET

**Capital employed** increased year-on-year to 86.3 billion SEK (75.1) on the back of recent acquisitions and increased net working capital. Return on capital employed improved to 25% (18) on the back of improved profitability.

**Net working capital** amounted to 25.6 billion SEK and increased year-on-year (21.6), however decreased sequentially (27.1). Inventories and accounts receivables increased due to growth in customer demand, which more than offset the higher accounts payable. Net working capital in relation to revenues increased to 27% (25) for the quarter.

**Investments** in tangible and intangible assets in the third quarter amounted to 1.0 billion SEK (0.8), corresponding to 105% of depreciation. Investments are seasonally higher in the second half of the year.

**Net debt** amounted to 15.1 billion SEK at the end of the third quarter, declining year-on-year from 25.3 billion SEK and sequentially from 18.4 billion SEK. The net debt to equity ratio declined year-on-year to 0.27 (0.62). The net pension liability declined year-on-year to 4.6 billion SEK (6.0) due to changed discount rates. Interest-bearing debt with short-term maturity accounted for 10% of total debt.

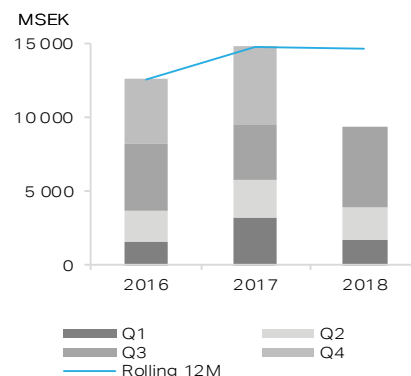
**Free operating cash flow** increased by 26% year-on-year to 4.7 billion SEK (3.7) with contribution from primarily higher operating earnings, as well as from the sequential change in net working capital. Cash flow from operations was 5.4 billion SEK and increased year-on-year (3.8).

CASH FLOW	Q3 2017	Q3 2018
EBITDA	4 832	6 339
Non-cash items	+447	-806
Net Working Capital change	-651	+220
Capex*	-902	-1 074
<b>FREE OPERATING CASH FLOW**</b>	<b>3 726</b>	<b>4 679</b>
Net financial items	-193	-140
Non-cash items	0	+797
Paid tax	-454	-816
Cash flow investing activities (reversed)	+641	+1 779
Acquisitions of companies and shares, net of cash	0	-4 490
Proceeds from sale of companies and shares, net of cash	+81	+3 586
Other investments, net	-11	+4
<b>CASH FLOW FROM OPERATIONS</b>	<b>3 790</b>	<b>5 399</b>

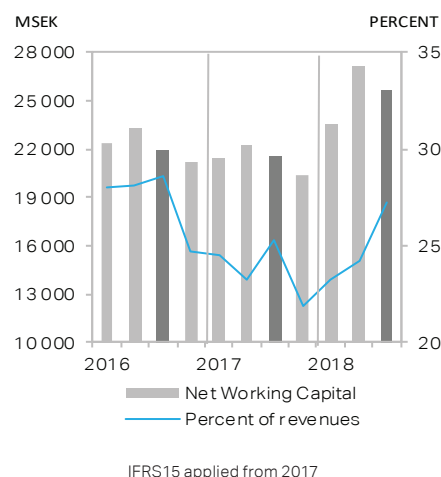
\* Including investments and disposals of rental equipment of -196 million SEK (-191) and investments and disposals of tangible and intangible assets of -878 million SEK (-711).

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

### CASH FLOW FROM OPERATIONS

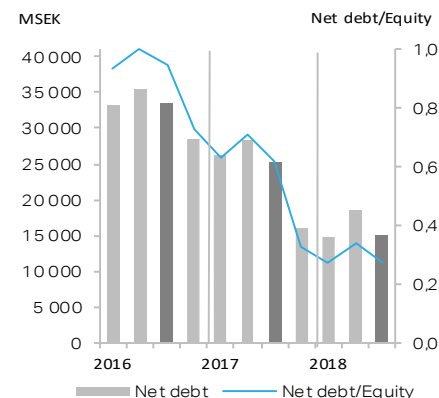


### NET WORKING CAPITAL



IFRS15 applied from 2017

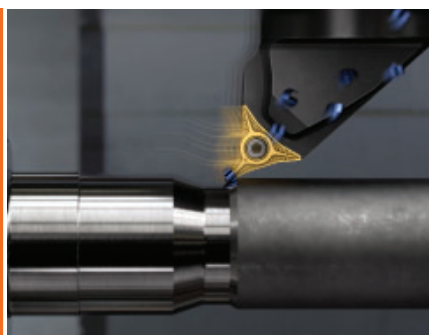
### NET DEBT, GROUP TOTAL



## SANDVIK MACHINING SOLUTIONS

### RECORD-HIGH THIRD QUARTER

### HIGH DEMAND IN ALL REGIONS AND SEGMENTS



### GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	+8	+7
Structure, %	+2	+3
Currency, %	+7	+7
<b>TOTAL, %</b>	<b>+18</b>	<b>+18</b>

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

**Order intake and revenues increased significantly year-on-year by 8% and 7%, respectively. Demand improved in all the major geographical regions, with an increase noted in most segments.**

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

- In Europe, revenues improved organically by 7% on the back of positive development in all segments barring automotive, which remained stable.
- In North America, revenues increased organically by 11% as all segments improved barring automotive, which remained stable.
- Revenues in Asia increased organically by 7%, including good growth in China and positive development in all customer segments barring automotive, which remained stable.

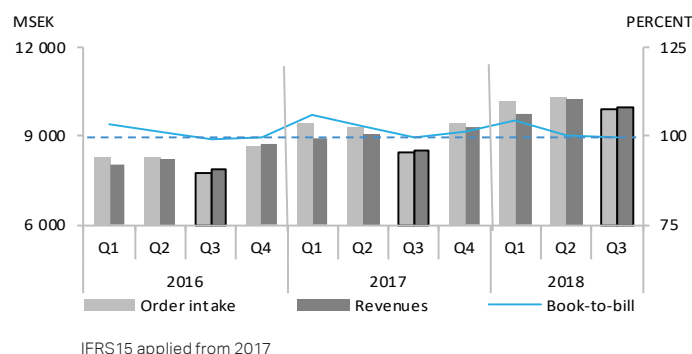
**Operating profit reached a record-high third-quarter level of 2,536 million SEK (1,949) and the operating margin improved significantly to 25.4% (23.0). Operating profit improved by 30% year-on-year, including a positive impact from changed exchange rates.**

Items impacting operating profit and operating margin:

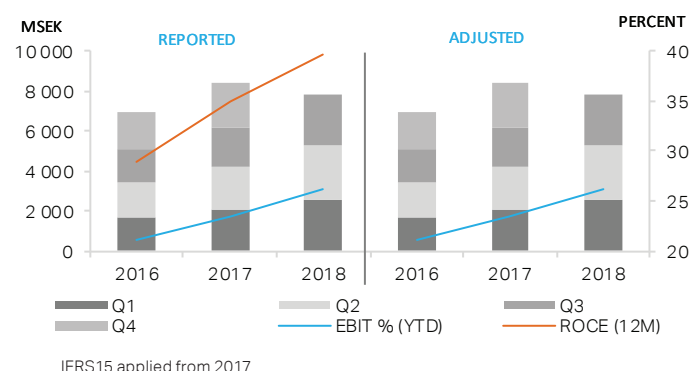
- Positive organic growth in revenues of 7%.
- The inventory build-up was slightly higher compared with the year-earlier period, which positively impacted the operating margin by about 0.6 percentage point year-on-year.
- Changed exchange rates had a positive impact of 262 million SEK on operating profit compared with the year-earlier period.

The acquisition of the metrology software company Metrologic Group was completed. Merging Sandvik Machining Solutions' know-how in the areas of materials, customer applications and machining processes with Metrologic's measurement technology facilitates an expanded productivity offering covering more of the manufacturing value chain.

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



### OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2017	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	8 450	9 942	+8*	27 212	30 462	+8*
Revenues	8 487	9 990	+7*	26 464	30 038	+9*
Operating profit	1 949	2 536	+30	6 127	7 836	+28
% of revenues	23.0	25.4		23.2	26.1	
Return on capital employed, % <sup>1)</sup>	32.8	36.5		33.1	39.6	
Number of employees	18 542	19 188	+3	18 542	19 188	+3

\* At fixed exchange rates for comparable units.

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

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

## SANDVIK MINING AND ROCK TECHNOLOGY

HIGH LEVEL OF  
CUSTOMER ACTIVITY

SIGNIFICANT EARNINGS  
IMPROVEMENT

ACQUISITION OF INROCK



### GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	+8	+14
Structure, %	+1	+1
Currency, %	+5	+5
TOTAL, %	+14	+21

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

**Order intake improved organically by 8% year-on-year as a result of strong development in most product areas. Revenues increased organically by 14% supported by strong order intake in recent quarters and favorable demand in the aftermarket business.**

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

- High level of demand in both the aftermarket and equipment businesses. Demand for equipment was mainly driven by replacement or upgrades of existing machines and fleets, with additional support from expansion activities in existing mines.
- Underlying customer activity remained favorable for mining equipment although impact from timing of sizeable orders hampered growth rates.
- Strong demand in the aftermarket business for both Parts & Service and consumables.
- The aftermarket business accounted for 62% of revenues while the equipment business accounted for 38%.

**Operating profit improved by 34% and the operating margin increased to 18.1% (16.4), including a slightly positive impact from changed exchanged rates.**

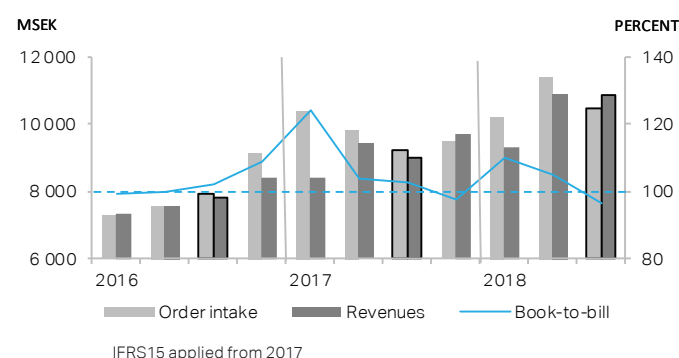
Items impacting operating profit and operating margin:

- Positive organic growth in revenues of 14% improved the absorption of fixed costs in production.
- Changed exchange rates impacted operating profit positively by +52 million SEK, including an adverse effect from balance sheet items.

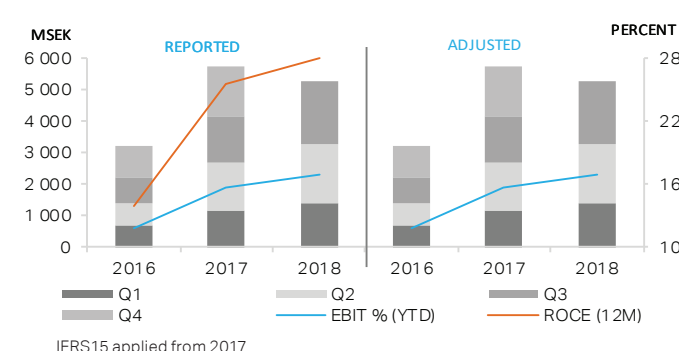
As previously communicated, the strategic options for 70% of Sandvik Drilling and Completions (Varel), relating to the oil and gas industry, are being evaluated.

The acquisition of Inrock was completed. In 2017 Inrock had revenues of 46 million USD and 70 employees. Inrock is a leading supplier of rock drilling tools and services for Horizontal Directional Drilling (HDD) in North America.

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



### OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2017	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	9 191	10 468	+8*	29 387	32 103	+9*
Revenues	8 974	10 838	+14*	26 774	31 053	+15*
Operating profit	1 471	1 966	+34	4 152	5 233	+26
% of revenues	16.4	18.1		15.5	16.9	
Return on capital employed, % <sup>1)</sup>	26.3	29.9		22.7	28.0	
Number of employees	15 040	15 550	+3	15 040	15 550	

\* At fixed exchange rates for comparable units.

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

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

## SANDVIK MINING AND ROCK TECHNOLOGY

### CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q3 2017	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	9 191	10 468	+8*	29 387	32 103	+9*
Revenues	8 974	10 838	+14*	26 774	31 053	+15*
Operating profit	1 471	1 966	+34	4 152	5 233	+26
% of revenues	16.4	18.1		15.5	16.9	

\* At fixed exchange rates for comparable units.

### DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q3 2017 <sup>1)</sup>	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	284	16	-4*	1 201	73	-3*
Revenues	964	155	-3*	2 525	749	+2*
Operating profit	33	-158		33	-291	
% of revenues	3.5	-101.5		1.3	-38.9	

\* At fixed exchange rates for comparable units.

1) Includes Mining Systems as before divestment.

The divestment of Mining Systems to FLSmidth and NEPEAN has been completed. Consequently, order intake and revenues in the quarter relate to small bookings of parts and service to already ongoing projects. The operating profit amounted to -158 million SEK (33), adversely impacted by primarily high costs in completion of the remaining ongoing projects. Changed exchange rates impacted earnings negatively by -25 million SEK.

The exit from the Mining Systems business was announced during 2017.

The Mining Systems project business was divested to FLSmidth.

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

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

### SANDVIK MINING AND ROCK TECHNOLOGY TOTAL

FINANCIAL OVERVIEW, MSEK	Q3 2017	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	9 475	10 484	+7*	30 588	32 176	+8*
Revenues	9 938	10 994	+12*	29 299	31 802	+14*
Operating profit	1 504	1 808	+20	4 186	4 942	+18
% of revenues	15.1	16.4		14.3	15.5	

\* At fixed exchange rates for comparable units.

## SANDVIK MATERIALS TECHNOLOGY

### STRONG DEMAND

### IMPACT FROM EXECUTED EFFICIENCY MEASURES

### IMPROVED OPERATING MARGIN



### GROWTH

Q3	ORDER INTAKE	REVENUES
Price/volume, %	+22	+16
Structure, %	-5	-5
Currency, %	+6	+5
TOTAL, %	+24	+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.

**Organic order intake rose by 22%, although the growth figure was 17% when the impact of large orders is excluded. Revenues rose organically by 16%. Higher alloy prices supported both order intake and revenues by 6%, primarily related to nickel.**

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

- Order intake was positively impacted by the receipt of large orders with a combined value of 480 million SEK (250).
- Strong growth in demand for the more standardized tubular products across all customer segments.
- For the capex-related tubular offering related to the energy segment, demand was stable, however initial signs of improved customer sentiment were noted.
- Increased demand for heating systems and high-alloy metal powder.

**Operating profit rose to 237 million SEK (-64) and the operating margin improved to 6.9% (-2.2), including a positive impact from changed exchange rates and metal prices. Operating profit excluding metal price effects was 198 million SEK (0) implying an underlying margin of 5.7% (0).**

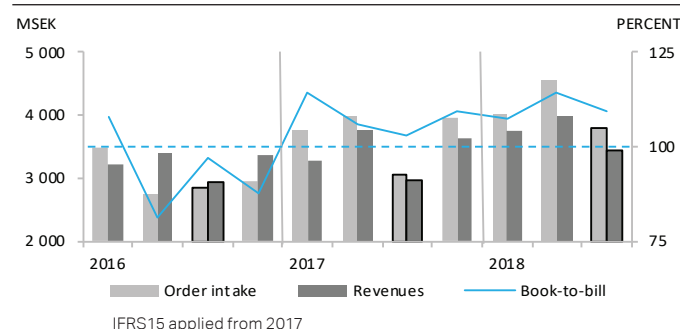
Items impacting operating profit and operating margin:

- Higher absorption of fixed costs in production as well as savings from ongoing efficiency measures.
- Reducing stock levels impacted operating margin by about -1% year-on-year.
- Changed exchange rates had a positive impact of 48 million SEK on operating profit.
- Changed metal prices had a positive impact of 39 million SEK (-64) on operating profit in the quarter.

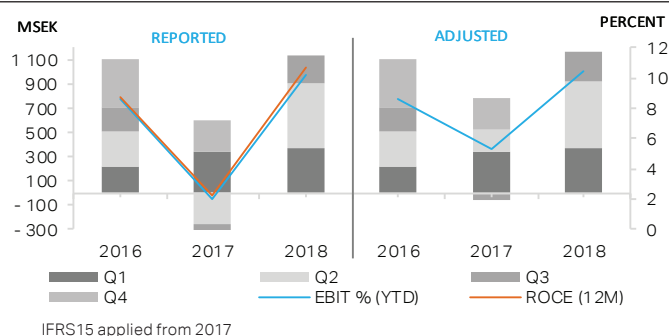
The divestment of the stainless wire business to Zapp Group was completed.

The acquisition of the US company Custom Electric Manufacturing Co. was closed. The company is a manufacturer of original equipment and replacement heating elements in the North American market. In 2017, the company had revenues of 5 million USD, approximately 20 employees and a strong sales network in North America.

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



### OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q3 2017	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	3 045	3 782	+22*	10 775	12 357	+17*
Revenues	2 955	3 454	+16*	9 988	11 168	+13*
Operating profit	-64	237	N/A	10	1 139	N/A
% of revenues	-2.2	6.9		0.1	10.2	
Adjusted operating profit**	-64	237		460	1 164	
% of revenues	-2.2	6.9		4.6	10.4	
Return on capital employed, % <sup>1)</sup>	-2.0	6.9		3.2	10.7	
Number of employees	6 597	6 193	-6	6 597	6 193	-6

\* At fixed exchange rates for comparable units, \*\*Operating profit adjusted for items affecting comparability in Q2 2018 of -24 million SEK (-450).

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

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

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## OTHER OPERATIONS

The divestment of Hyperion to the US listed investment firm KKR was completed. The purchase price of 4 billion SEK on a cash and debt free basis generated a net capital gain of 618 million SEK impacting the quarterly operating profit, reported as items impacting comparability. The capital gain was impacted by a tax issue in Latin America as well as

transaction related adjustments. The capital gain was positively impacted by 78 million SEK due to changed exchange rates. Hyperion, with approximately 1,400 employees, had in 2017 reported revenues of 3.3 billion SEK. Total operating profit in Other Operations includes the capital gain and some remaining operational costs.

FINANCIAL OVERVIEW, MSEK	Q3 2017 <sup>2)</sup>	Q3 2018	CHANGE %	Q1-Q3 2017	Q1-Q3 2018	CHANGE %
Order intake	1 203	0	0*	3 963	1 891	+2*
Revenues	1 191	0	0*	3 672	1 846	+6*
Operating profit	125	584	N/M	375	759	N/M
% of revenues	10.5	N/A		10.2	41.1	
Adjusted operating profit**	125	-34	N/M	375	141	-62
% of revenues	10.5	N/A		10.2	7.6	
Return on capital employed, % <sup>1)</sup>	13.4	170.0		15.3	198.2	
Number of employees	2,006	30	-99	2,006	30	-99

\* At fixed exchange rates for comparable units. \*\*Operating profit adjusted for items affecting comparability in Q3 2018 of 618 million SEK (0).

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

<sup>2)</sup> Includes Process Systems which was divested during 2017.

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

## PARENT COMPANY

The parent company's revenues after the third quarter of 2018 amounted to 15,177 million SEK (13,842) and the operating result was 2,771 million SEK (1,229). Income from shares in Group companies consists primarily of dividends and Group contributions to these and amounted after the third quarter to

944 million SEK (-3,841). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 18,968 million SEK (16,225). Investments in property, plant and machinery amounted to 444 million SEK (533).

## FIRST NINE MONTHS OF 2018

In the first nine months 2018, demand for Sandvik's products improved year-on-year, with order intake noting organic growth of 9%. Excluding the impact from large orders, growth amounted to 11%. Revenues increased by 12%. This was attributable to a broad-based improvement in customer activity in all business areas and in most customer segments. Demand for Sandvik's products improved in all regions. Changed exchange rates had a positive impact of 1% on order intake and 2% on revenues. Sandvik's order intake amounted to 76,812 million SEK (71,337), and revenues were 74,104 million SEK (66,898), implying a book-to-bill ratio of 104%.

Adjusted operating profit increased by 32% year-on-year to 13,925 million SEK (10,550) and the adjusted operating margin was 18.8% (15.8), positively impacted in the amount of 349 million SEK due to changed exchange rates including 78 million SEK related to the capital gain stemming from the divestment of Hyperion. The reported operating profit increased by 44% to 14,519 million SEK (10,100) and the operating margin was 19.6% (15.1). Changed metal prices had a positive impact of 341 million SEK (11). Net financial items amounted to -659 million SEK (-806) and profit after financial items was 13,860 million SEK (9,294).

The tax rate was 24.9% (26.9) for continuing operations and 25.5% for the Group (26.8).

Profit for the period amounted to 10,402 million SEK (6,794) for continuing operations and 10,119 million SEK (6,843) for the Group in total. Earnings per share for continuing operations amounted to 8.30 SEK (5.43) while earnings per share for the Group in total amounted to 8.07 SEK (5.47).

Operating cash flow from continuing operations was 9,309 million SEK (9,485), supported by higher earnings year-on-year, which was however partially offset by an adverse impact from changes in net working capital. Investments were 2,699 million SEK (2,283). Net debt declined to 15.1 billion SEK (25.3), resulting in a net debt to equity ratio of 0.27 (0.62).

The business portfolio was consolidated with the closure of several divestments, such as the stainless and welding wire business in Sandvik Materials Technology which also exited the joint venture with Outokumpu regarding the operations of Fagersta Stainless and the divestment of Hyperion. In parallel, the focus was on growth in the stable and profitable core operations. Sandvik Machining Solutions acquired the French software company Metrologic Group, a market leader in agnostic metrology software. This marked the first material step toward an expanded offering in digital manufacturing and facilitates broader coverage of the total manufacturing value chain, now also including the post-machining process. The acquisition of Inrock was closed, a leading supplier of rock-drilling tools and services for Horizontal Directional Drilling (HDD) in North America focusing on infrastructure applications such as oil and gas pipelines, water and sewer, telecommunications, electricity and alternative energy production and storage. Sandvik Materials Technology acquired Custom Electric Manufacturing Co., a leading manufacturer of heating elements in Wixom, Michigan, USA.

## ACQUISITIONS AND DIVESTMENTS

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

	COMPANY / UNIT	CLOSING DATE	ANNUAL REVENUE	NO. OF EMPLOYEES
Sandvik Mining and Rock Technology	Inrock	2 July 2018	46 MUSD in 2017	70
Sandvik Machining Solutions	Metrologic Group	4 July 2018	43 MEUR in 2017	170
Sandvik Materials Technology	Custom Electric Manufacturing	1 August 2018	5 MUSD in 2017	20

	Purchase price on cash and debt free basis	Goodwill
Acquisitions	4.6 billion SEK	4.5 billion SEK

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

	COMPANY / UNIT	CLOSING DATE	ANNUAL REVENUE, MSEK	NO. OF EMPLOYEES
Discontinued operations	Sandvik Mining Systems	2 November 2017	3,400 (Jan - Oct 2017 annualized)	560
Other operations	Sandvik Process Systems	1 December 2017	1,800 (Jan - Nov 2017 annualized)	520
Sandvik Materials Technology	Welding Wire	31 January 2018	490 in 2017	120
Other Operations	Hyperion	2 July 2018	3,300 in 2017	1,400
Sandvik Materials Technology	Stainless Wire	31 August 2018	310 in 2017	140

- On 4 July 2018, Sandvik acquired 100% of the shares in Metrologic Group. The final consideration totaled 360 million EUR, on a cash and debt-free basis.

Headquartered in Meylan, France, Metrologic Group is a market leader in agnostic software for metrology, automation and robotics control as well as services for calibration and 3D measuring. Products are used globally in most industries, including automotive, aerospace, energy, general engineering and consumer goods, all similar to those served by Sandvik Machining Solutions. Metrologic Group maintains brand independence, in line with Sandvik's decentralized business model and the Metrologic Group management team will remain with the company.

In its fiscal year ending in September 2017, Metrologic Group generated revenues of 43.3 million EUR with an EBITDA margin which would be accretive to that of Sandvik Machining Solutions.

During the period 4 July - 30 September 2018, Metrologic Group contributed revenues of 122 million SEK and operating profit of 51 million SEK to Sandvik's results, excluding acquisition-related costs and amortization of surplus values. If the acquisition had taken place on 1 January 2018 revenues would have amounted to an estimated 334 million SEK and operating profit to an estimated 148 million SEK, with an operating margin of about 44%, excluding acquisition-related costs and amortization of surplus values.

The purchase price allocation and fair value assessment of the different assets is continuing and will be completed when all parameters have been derived and concluded on. At this point in time all surplus values have been treated as goodwill in the consolidated balance sheet.

The goodwill is supported by Metrologic Group's growth and profitability prospects. The combined offering of Sandvik Machining Solutions and Metrologic Group will help customers

achieve a more seamless manufacturing chain by linking the machining and quality assurance processes. By merging Sandvik Machining Solutions' know-how in the areas of materials, customer applications and machining processes with Metrologic Group's deep understanding of measurement technology, we will be able to further expand the offering aimed at increasing productivity to also include the post-machining process.

Sandvik will be able to increase the competitiveness of Metrologic Group by driving its products through Sandvik Machining Solution's extensive network of more than 100,000 customers, not least by exposing Metrologic's products and services in technology centers world wide.

- On 2 July, Sandvik Mining and Rock Technology closed the acquisition of privately owned Inrock. In 2017 Inrock had revenues of 46 million USD and 70 employees.

Inrock is a leading supplier of rock drilling tools and services for Horizontal Directional Drilling (HDD) in North America. Headquartered in Houston, USA, Inrock is a market leader in pilot hole bits, reamers, guidance systems, accessories and services for the premium maxi rig segment within HDD.

The combined expertise of Sandvik Mining and Rock Technology and Inrock will support further development of the HDD product portfolio to customers operating and servicing infrastructure applications such as oil and gas pipelines, water and sewer, telecommunications, electricity and alternative energy production and storage.

The purchase price allocation and fair value assessment of the different assets is continuing and will be completed when all parameters have been derived and concluded on. At this point in time all surplus values have been treated as goodwill in the consolidated balance sheet.



## SIGNIFICANT EVENTS

### DURING THE THIRD QUARTER

- On 2 July, Sandvik Mining and Rock Technology closed the acquisition of privately owned Inrock. In 2017 Inrock had revenues of 46 million USD and 70 employees.

Inrock is a leading supplier of rock drilling tools and services for Horizontal Directional Drilling (HDD) in North America. Headquartered in Houston, USA, Inrock is a market leader in pilot hole bits, reamers, guidance systems, accessories and services for the premium maxi rig segment within HDD.

The combined expertise of Sandvik Mining and Rock Technology and Inrock will support further development of the HDD product portfolio to customers operating and servicing infrastructure applications such as oil and gas pipelines, water and sewer, telecommunications, electricity and alternative energy production and storage.

- On 2 July, Sandvik announced the completion of the divestment of Hyperion. As of 2 July, Hyperion was de-consolidated from Sandvik and a capital gain of 618 million SEK was reported in Sandvik's financial statements. The transaction represents the final divestment of all assets in Other Operations.

- On 4 July, the acquisition of the metrology software company Metrologic Group was completed. Merging Sandvik Machining Solutions' know-how in the areas of materials, customer applications and machining processes with Metrologic's measurement technology facilitates an expanded productivity offering covering more of the manufacturing value chain.

- On 17 July, Sandvik announced it is evaluating the strategic options for Sandvik Drilling and Completions (Varel). The business being reviewed relates to the oil and gas industry, representing about 70% of the total revenues of approximately 2 billion SEK generated in 2017 by Sandvik Drilling and Completions.

- On 1 August Sandvik Materials Technology closed the acquisition of the US company Custom Electric Manufacturing Co. The company is a manufacturer of original equipment and replacement heating elements in the North American market. In 2017, the company had revenues of 5 million USD, approximately 20 employees and a strong sales network in North America.

## GUIDANCE

Guidance below relates to continuing operations.

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

<b>CAPEX</b>	Estimated at about 4 billion SEK for 2018
<b>CURRENCY EFFECTS</b>	Based on currency rates at the end of September 2018, it is estimated that transaction and translation currency effects will have an impact of about +400 million SEK on operating profit for the fourth quarter of 2018, compared with the year-earlier period
<b>METAL PRICE EFFECTS</b>	In view of currency rates, inventory levels and metal prices at the end of September 2018, it is estimated that there will be an impact of about -100 million SEK on operating profit in Sandvik Materials Technology for the fourth quarter of 2018
<b>NET FINANCIAL ITEMS</b>	Estimated at about -1 billion SEK in 2018
<b>TAX RATE</b>	Estimated to about 26% - 28% for 2018, underlying

## ACCOUNTING POLICIES

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

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

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

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

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

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

### Effects from transition to IFRS 9 Financial Instruments

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

### Opening balance adjustments

For IFRS 15 Sandvik applied the partial retrospective approach when transiting to the new standard. The opening balance for 2017 is adjusted for a decrease in equity with -28 million SEK.

For IFRS 9 the opening balance for 2018 is adjusted for a decrease in equity with -72 million SEK.

### IFRS 15 Sandvik accounting policies

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

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

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

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

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

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

Sandvik recognizes revenue over time when any of the three over time indicators in IFRS 15 are identified as being fulfilled. Sandvik applies both the Input and Output method to determine the progress and when revenue should be recognized.

The output method is applied primarily to service contracts and in particular the expedient allowing regularly invoiced amounts to be an approximation of progress.

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

#### IFRS 9 Sandvik accounting policies

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

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

The Group has chosen to continue to apply IAS 39 Financial Instruments: Recognition and Measurement for its hedge accounting equipment. A project is ongoing to assess the magnitude of the financial effects on Sandvik's financial statements and prepare for implementation.

#### Divestments

The Mining System's projects that will be finalized during 2018-2019 by Sandvik remains classified as discontinued operations and in balance sheet as assets held for sale, in accordance with IFRS 5.

#### IFRS 16

Sandvik is presently working with the in-depth analysis of the effect from the new standard. The most essential effect arises from reporting new assets and liabilities due from all operational leasing agreements concerning office, plants and inventory and tools and vehicles.

## TRANSACTIONS WITH RELATED PARTIES

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

## RISK ASSESSMENT

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

ties if managed well. Risk management at Sandvik begins with an assessment in operational management teams where the material risks for their operations are first identified, followed by an evaluation of the probability of the risks occurring and their potential impact on the Group. Once the key risks have been identified and evaluated risk mitigating activities to eliminate or reduce the risks are agreed on. For a more detailed description of Sandvik's analysis of risks and risk universe, see the Annual Report for 2017.

## FINANCIAL REPORTS SUMMARY

### THE GROUP

#### INCOME STATEMENT

MSEK	Q3 2017 <sup>1)</sup>	Q3 2018	CHANGE %	Q1-Q3 2017 <sup>1)</sup>	Q1-Q3 2018	CHANGE %
<i>Continuing operations</i>						
Revenues	21 608	24 283	+12	66 898	74 104	+11
Cost of sales and services	-13 007	-14 043	+8	-40 019	-42 965	+7
<b>Gross profit</b>	<b>8 601</b>	<b>10 240</b>	<b>+19</b>	<b>26 879</b>	<b>31 139</b>	<b>+16</b>
% of revenues	39.8	42.2		40.2	42.0	
Selling expenses	-3 187	-3 247	+2	-9 613	-9 973	+4
Administrative expenses	-1 360	-1 380	+1	-4 374	-4 531	+4
Research and development costs	-700	-772	+10	-2 257	-2 532	+12
Other operating income and expenses	-16	364	N/M	-535	416	N/M
<b>Operating profit</b>	<b>3 338</b>	<b>5 205</b>	<b>+56</b>	<b>10 100</b>	<b>14 519</b>	<b>+44</b>
% of revenues	15.4	21.4		15.1	19.6	
Financial income	60	48	-19	158	201	+27
Financial expenses	-253	-188	-26	-964	-860	-11
<b>Net financial items</b>	<b>-193</b>	<b>-140</b>	<b>-28</b>	<b>-806</b>	<b>-659</b>	<b>-18</b>
<b>Profit after financial items</b>	<b>3 145</b>	<b>5 065</b>	<b>+61</b>	<b>9 294</b>	<b>13 860</b>	<b>+49</b>
% of revenues	14.6	20.9		13.9	18.7	
Income tax	-804	-1 137	+41	-2 500	-3 458	+38
<b>Profit for the period, continuing operations</b>	<b>2 341</b>	<b>3 928</b>	<b>+68</b>	<b>6 794</b>	<b>10 402</b>	<b>+53</b>
% of revenues	10.8	16.2		10.2	14.0	
<i>Discontinued operations</i>						
Revenues	963	155	-84	2 525	750	-70
Operating profit	33	-158	N/M	34	-291	N/M
Profit after financial items	41	-158	N/M	50	-283	N/M
<b>Profit for the period, discontinued operations</b>	<b>41</b>	<b>-158</b>	<b>N/M</b>	<b>49</b>	<b>-283</b>	<b>N/M</b>
<i>Group total</i>						
Revenues	22 571	24 438	+8	69 423	74 854	+8
Operating profit	3 371	5 047	+50	10 134	14 228	+40
Profit after financial items	3 186	4 907	+54	9 344	13 577	+45
<b>Profit for the period, Group total</b>	<b>2 382</b>	<b>3 770</b>	<b>+58</b>	<b>6 843</b>	<b>10 119</b>	<b>+48</b>
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/losses on defined benefit pension plans	-131	-332		-104	313	
Tax relating to items that will not be reclassified	43	61		-1	-77	
	<b>-88</b>	<b>-271</b>		<b>-105</b>	<b>236</b>	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	-1 416	-1 203		-2 369	1 902	
Cash flow hedges	19	20		78	27	
Tax relating to items that may be reclassified	-4	-4		-17	-6	
	<b>-1 401</b>	<b>-1 187</b>		<b>-2 308</b>	<b>1 923</b>	
<b>Total other comprehensive income</b>	<b>-1 489</b>	<b>-1 458</b>		<b>-2 413</b>	<b>2 159</b>	
<b>Total comprehensive income</b>	<b>892</b>	<b>2 311</b>		<b>4 430</b>	<b>12 278</b>	
Profit for the period attributable to						
Owners of the Parent	2 387	3 775		6 857	10 122	
Non-controlling interests	-6	-6		-14	-4	
Total comprehensive income attributable to						
Owners of the Parent	898	2 317		4 444	12 282	
Non-controlling interests	-6	-6		-14	-4	
<b>Earnings per share, SEK *</b>						
Continuing operations	1.87	3.14	+68	5.43	8.30	+53
Discontinued operations	0.03	-0.13	N/M	0.04	-0.23	N/M
Group Total	1.90	3.01	+58	5.47	8.07	+48

\* Earnings per share after impact from dilution in continuing operations Q3 2018 is 3.13 SEK (1.87) and for Group total 3.01 SEK (1.90). For the first nine months 2018 in continuing operations 8.28 SEK (5.42) and Group total 8.05 SEK (5.46).

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

N/M = non-meaningful.

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



## THE GROUP

### BALANCE SHEET

#### CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2017 <sup>1)</sup>	30 SEP 2017 <sup>1)</sup>	30 SEP 2018
Intangible assets	17 376	18 102	22 089
Property, plant and equipment	24 398	24 542	24 663
Financial assets	6 774	7 273	6 275
Inventories	21 416	21 105	25 820
Current receivables	19 562	19 286	22 153
Cash and cash equivalents	12 724	8 565	13 703
Assets held for sale	4 522	2 508	742
<b>Total assets</b>	<b>106 772</b>	<b>101 381</b>	<b>115 446</b>
Total equity	48 722	40 547	56 756
Non-current interest-bearing liabilities	28 463	31 818	27 397
Non-current non-interest-bearing liabilities	4 447	4 324	5 216
Current interest-bearing liabilities	986	2 584	2 308
Current non-interest-bearing liabilities	22 585	20 509	23 177
Liabilities related to assets held for sale	1 570	1 599	592
<b>Total equity and liabilities</b>	<b>106 772</b>	<b>101 381</b>	<b>115 446</b>
<i>Group total</i>			
Net working capital <sup>2)</sup>	20 727	21 575	25 910
Loans	23 751	27 851	24 131
Non-controlling interests in total equity	28	32	43

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

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

### NET DEBT

MSEK	31 DEC 2017	30 SEP 2017	30 SEP 2018
Interest-bearing liabilities excluding pension liabilities	23 828	27 931	24 187
Net pension liabilities	4 936	5 972	4 637
Cash and cash equivalents	-12 724	-8 565	-13 703
<b>Net debt</b>	<b>16 040</b>	<b>25 338</b>	<b>15 121</b>
<b>Net debt to equity ratio</b>	<b>0.33</b>	<b>0.62</b>	<b>0.27</b>

### CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
<b>Opening equity, 1 January 2017</b>	<b>39 197</b>	<b>93</b>	<b>39 290</b>
Change due to IFRS 15 Revenue from Contract with customers	-28		-28
Changes in non-controlling interest	-9	-47	-56
Total comprehensive income for the period	12 639	-14	12 625
Personnel options program	365		365
Hedge of personnel options program	-21		-21
Dividends	-3 449	-4	-3 453
<b>Closing equity, 31 December 2017</b>	<b>48 694</b>	<b>28</b>	<b>48 722</b>
<b>Opening equity, 1 January 2018</b>	<b>48 694</b>	<b>28</b>	<b>48 722</b>
Change due to IFRS 9 Financial Instruments	-72		-72
Changes in non-controlling interest	-19	19	
Total comprehensive income for the period	12 282	-4	12 278
Personnel options program	217		217
Dividends	-4 390		-4 390
<b>Closing equity, 30 September 2018</b>	<b>56 713</b>	<b>43</b>	<b>56 756</b>

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

## THE GROUP

### CASH FLOW STATEMENT

MSEK	Q3 2017	Q3 2018	Q1-Q3 2017	Q1-Q3 2018
<b>Continuing operations</b>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	3 144	5 065	9 294	13 860
Adjustment for depreciation, amortization and impairment losses	1 494	1 135	3 802	3 483
Adjustment for items that do not require the use of cash etc.	447	-8	299	287
Income tax paid	-454	-816	-1 773	-2 232
<b>Cash flow from operations before changes in working capital</b>	<b>4 632</b>	<b>5 375</b>	<b>11 622</b>	<b>15 397</b>
<i>Changes in working capital</i>				
Change in inventories	-398	-245	-1 701	-3 627
Change in operating receivables	-221	1 119	-1 517	-1 573
Change in operating liabilities	-32	-655	1 736	-425
<b>Cash flow from changes in working capital</b>	<b>-651</b>	<b>220</b>	<b>-1 482</b>	<b>-5 626</b>
Investments in rental equipment	-246	-248	-755	-591
Divestments of rental equipment	55	52	100	128
<b>Cash flow from operations</b>	<b>3 789</b>	<b>5 399</b>	<b>9 485</b>	<b>9 309</b>
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash	-	-4 490	-	-4 490
Proceeds from sale of companies and shares, net of cash	81	3 586	81	4 052
Investments in tangible assets	-585	-886	-1 615	-2 264
Proceeds from sale of tangible assets	58	53	227	184
Investments in intangible assets	-185	-142	-668	-435
Proceeds from sale of intangible assets	1	96	1	96
Other investments, net	-11	3	-9	-5
<b>Cash flow from investing activities</b>	<b>-641</b>	<b>-1 779</b>	<b>-1 983</b>	<b>-2 863</b>
<b>Net cash flow after investing activities</b>	<b>3 148</b>	<b>3 620</b>	<b>7 502</b>	<b>6 446</b>
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-1 739	-526	-3 703	-719
Dividends paid	-4	0	-3 453	-4 390
<b>Cash flow from financing activities</b>	<b>-1 743</b>	<b>-526</b>	<b>-7 156</b>	<b>-5 109</b>
<b>Total cash flow from continuing operations</b>	<b>1 405</b>	<b>3 094</b>	<b>346</b>	<b>1 337</b>
Cash flow from discontinued operations	-214	-73	-431	-305
<b>Cash flow for the period, Group total</b>	<b>1 191</b>	<b>3 021</b>	<b>-85</b>	<b>1 032</b>
Cash and cash equivalents at beginning of the period	7 451	10 802	8 818	12 724
Exchange-rate differences in cash and cash equivalents	-77	-120	-168	-53
<b>Cash and cash equivalents at the end of the period</b>	<b>8 565</b>	<b>13 703</b>	<b>8 565</b>	<b>13 703</b>
<b>Discontinued operations</b>				
Cash flow from operations	-220	-71	-435	-306
Cash flow from investing activities	3	-1	1	3
Cash flow from financing activities	3	-1	3	-2
<b>Group Total</b>				
Cash flow from operations	3 569	5 328	9 050	9 003
Cash flow from investing activities	-638	-1 780	-1 982	-2 860
Cash flow from financing activities	-1 740	-527	-7 153	-5 111
<b>Group total cash flow</b>	<b>1 191</b>	<b>3 021</b>	<b>-85</b>	<b>1 032</b>

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

## THE PARENT COMPANY

### INCOME STATEMENT

MSEK	Q1-Q3 2017	Q1-Q3 2018
Revenues	13 842	15 177
Cost of sales and services	-8 306	-7 955
<b>Gross profit</b>	<b>5 536</b>	<b>7 222</b>
Selling expenses	-692	-955
Administrative expenses	-1 604	-1 588
Research and development costs	-990	-1 084
Other operating income and expenses	-1 021	-824
<b>Operating profit</b>	<b>1 229</b>	<b>2 771</b>
Income/expenses from shares in Group companies	-3 841	944
Income from shares in associated companies	77	-
Interest income/expenses and similar items	-109	-423
<b>Profit after financial items</b>	<b>-2 644</b>	<b>3 292</b>
Appropriations	-	-1 180
Income tax expenses	621	-955
<b>Profit for the period</b>	<b>-2 023</b>	<b>1 157</b>

The classification of certain profit and loss items has changed as from Q3 2018 affecting Revenues and Cost of sales and services. Comparative figures have been adjusted accordingly.

### BALANCE SHEET

MSEK	31 DEC 2017	30 SEP 2017	30 SEP 2018
Intangible assets	131	137	125
Property, plant and equipment	7 240	7 469	6 913
Financial assets	44 337	46 643	42 452
Inventories	2 926	3 079	3 303
Current receivables	6 585	7 840	11 856
Cash and cash equivalents	-	-	-
<b>Total assets</b>	<b>61 219</b>	<b>65 168</b>	<b>64 649</b>
Total equity	27 179	24 260	24 217
Untaxed reserves	3	3	1 182
Provisions	560	605	555
Non-current interest-bearing liabilities	16 469	18 731	16 953
Non-current non-interest-bearing liabilities	250	256	485
Current interest-bearing liabilities	6 433	11 277	15 742
Current non-interest-bearing liabilities	10 325	10 036	5 515
<b>Total equity and liabilities</b>	<b>61 219</b>	<b>65 168</b>	<b>64 649</b>
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	11 180	16 225	18 968
Investments in fixed assets	875	533	444

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

## MARKET OVERVIEW, THE GROUP

### ORDER INTAKE PER MARKET AREA

	Q3 2018	CHANGE *		SHARE	Q1-Q3 2018	CHANGE *		SHARE
MSEK		%	% <sup>1)</sup>	%		%	% <sup>1)</sup>	%
THE GROUP								
Europe	9 092	+10	+10	37	29 438	+11	+11	38
North America	5 348	+14	+10	22	16 881	+7	+12	22
South America	1 229	+3	+3	5	3 752	+8	+8	5
Africa/Middle East	1 859	-16	-16	8	6 807	-2	-2	9
Asia	4 804	+10	+10	20	15 249	+16	+16	20
Australia	1 860	+27	+27	8	4 686	+10	+10	6
Total continuing operations <sup>2)</sup>	24 192	+9	+8	100	76 812	+9	+11	100
Discontinued operations	16	N/M	N/M	–	73	N/M	N/M	-
Group total	24 209	+9	+8	–	76 885	+9	+11	-
SANDVIK MACHINING SOLUTIONS								
Europe	5 404	+9	+9	54	16 992	+8	+8	55
North America	2 177	+13	+13	22	6 256	+10	+10	21
South America	207	+10	+10	2	619	+13	+13	2
Africa/Middle East	64	-25	-25	1	237	-13	-13	1
Asia	2 014	+4	+4	20	6 140	+8	+8	20
Australia	75	-59	-59	1	217	-15	-15	1
Total	9 942	+8	+8	100	30 462	+8	+8	100
SANDVIK MINING AND ROCK TECHNOLOGY								
Europe	1 618	+1	+1	16	5 117	+0	+0	17
North America	2 176	+7	+7	21	6 871	+12	+12	21
South America	981	+2	+2	9	2 906	+7	+7	9
Africa/Middle East	1 724	-17	-17	16	6 253	-3	-3	19
Asia	2 199	+29	+29	21	6 572	+26	+26	20
Australia	1 770	+33	+33	17	4 384	+11	+11	14
Total continuing operations <sup>2)</sup>	10 468	+8	+8	100	32 103	+9	+9	100
Discontinued operations	16	N/M	N/M	–	73	N/M	N/M	–
Total	10 484	+7	+7	–	32 176	+8	+8	–
SANDVIK MATERIALS TECHNOLOGY								
Europe	2 069	+25	+29	55	6 615	+33	+35	54
North America	994	+54	+19	26	3 197	-6	+19	26
South America	42	-14	-14	1	162	+12	+12	1
Africa/Middle East	71	+22	+22	2	242	+23	+23	2
Asia	591	-10	-10	16	2 090	+17	+17	17
Australia	15	+55	+55	0	51	+22	+22	0
Total	3 782	+22	+17	100	12 357	+17	+27	100
OTHER OPERATIONS								
Europe					714	-2	-2	38
North America					557	+5	+5	29
South America					64	+7	+7	3
Africa/Middle East					75	+1	+1	4
Asia					447	+3	+3	24
Australia					34	+6	+6	2
Total					1 891	+2	+2	100

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

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

2) Includes rental fleet order intake of 974 million SEK recognized according to IAS17



## REVENUES PER MARKET AREA

MSEK	Q3 2018	CHANGE *	SHARE	Q1-Q3 2018	CHANGE *	SHARE
		%	%		%	%
<b>THE GROUP</b>						
Europe	8 891	+9	36	28 497	+9	40
North America	5 593	+11	23	16 028	+13	21
South America	1 139	+10	5	3 606	+19	5
Africa/Middle East	2 106	-6	9	6 681	+5	9
Asia	4 892	+19	20	14 509	+16	19
Australia	1 660	+14	7	4 783	+19	6
<b>Total continuing operations <sup>1)</sup></b>	<b>24 283</b>	<b>+10</b>	<b>100</b>	<b>74 104</b>	<b>+12</b>	<b>100</b>
<b>Discontinued operations</b>	<b>155</b>	<b>-3</b>	<b>-</b>	<b>750</b>	<b>+2</b>	<b>-</b>
<b>Group total</b>	<b>24 438</b>	<b>+10</b>	<b>-</b>	<b>74 854</b>	<b>+12</b>	<b>-</b>
<b>SANDVIK MACHINING SOLUTIONS</b>						
Europe	5 441	+7	54	16 724	+9	56
North America	2 177	+11	22	6 149	+10	20
South America	209	+10	2	632	+16	2
Africa/Middle East	73	-21	1	249	-4	1
Asia	2 017	+7	20	6 070	+10	20
Australia	73	-52	1	214	-12	1
<b>Total</b>	<b>9 990</b>	<b>+7</b>	<b>100</b>	<b>30 038</b>	<b>+9</b>	<b>100</b>
<b>SANDVIK MINING AND ROCK TECHNOLOGY</b>						
Europe	1 629	+8	16	4 853	+2	15
North America	2 593	+22	24	6 781	+23	22
South America	877	+9	8	2 748	+20	9
Africa/Middle East	1 980	-6	18	6 090	+4	20
Asia	2 191	+34	20	6 084	+27	20
Australia	1 568	+18	14	4 497	+21	14
<b>Total continuing operations <sup>1)</sup></b>	<b>10 838</b>	<b>+14</b>	<b>100</b>	<b>31 053</b>	<b>+15</b>	<b>100</b>
<b>Discontinued operations</b>	<b>155</b>	<b>-3</b>	<b>-</b>	<b>750</b>	<b>+2</b>	<b>-</b>
<b>Total</b>	<b>10 994</b>	<b>+12</b>	<b>-</b>	<b>31 802</b>	<b>+14</b>	<b>-</b>
<b>SANDVIK MATERIALS TECHNOLOGY</b>						
Europe	1 821	+23	51	6 209	+19	56
North America	823	-6	24	2 570	+3	23
South America	54	+37	2	154	+31	1
Africa/Middle East	53	+11	2	281	+46	3
Asia	684	+27	20	1 910	+9	17
Australia	19	+21	1	45	+1	0
<b>Total</b>	<b>3 454</b>	<b>+16</b>	<b>100</b>	<b>11 168</b>	<b>+13</b>	<b>100</b>
<b>OTHER OPERATIONS</b>						
Europe				711	+2	39
North America				529	+9	29
South America				72	+23	4
Africa/Middle East				61	+1	3
Asia				446	+4	24
Australia				27	+9	1
<b>Total</b>				<b>1 846</b>	<b>+6</b>	<b>100</b>

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

<sup>1)</sup> Includes rental fleet revenue of 831 million SEK recognized according to IAS17

## THE GROUP

### ORDER INTAKE BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018	CHANGE % % <sup>1)</sup>	
<i>Continuing operations</i>										
Sandvik Machining Solutions	9 450	9 312	8 450	9 424	36 636	10 198	10 322	9 942	+18	+8
Sandvik Mining and Rock Technology	10 247	9 949	9 191	9 586	38 973	10 230	11 405	10 468	+14	+8
Sandvik Materials Technology	3 746	3 985	3 045	3 964	14 739	4 024	4 550	3 782	+24	+22
Other Operations	1 473	1 287	1 203	1 133	5 096	967	924	0	N/M	0
Group activities	0	0	-1	-1	0	0	0	0		
<b>Continuing operations</b>	<b>24 916</b>	<b>24 533</b>	<b>21 888</b>	<b>24 106</b>	<b>95 444</b>	<b>25 419</b>	<b>27 201</b>	<b>24 192</b>	<b>+11</b>	<b>+9</b>
<b>Discontinued operations</b>	<b>510</b>	<b>407</b>	<b>284</b>	<b>97</b>	<b>1 299</b>	<b>57</b>	<b>0</b>	<b>16</b>	<b>N/M</b>	<b>N/M</b>
<b>Group total</b>	<b>25 426</b>	<b>24 940</b>	<b>22 173</b>	<b>24 204</b>	<b>96 743</b>	<b>25 476</b>	<b>27 201</b>	<b>24 209</b>	<b>+9</b>	<b>+2</b>

### REVENUES BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018	CHANGE % % <sup>1)</sup>	
<i>Continuing operations</i>										
Sandvik Machining Solutions	8 904	9 073	8 487	9 313	35 777	9 761	10 286	9 990	+18	+7
Sandvik Mining and Rock Technology	8 371	9 429	8 974	9 721	36 495	9 324	10 890	10 838	+21	+14
Sandvik Materials Technology	3 277	3 755	2 955	3 630	13 618	3 738	3 976	3 454	+17	+16
Other Operations	1 206	1 275	1 191	1 265	4 937	862	984	0	N/M	N/M
Group activities	0	0	1	0	0	0	0	1		
<b>Continuing operations</b>	<b>21 758</b>	<b>23 532</b>	<b>21 608</b>	<b>23 929</b>	<b>90 827</b>	<b>23 685</b>	<b>26 136</b>	<b>24 283</b>	<b>+12</b>	<b>+10</b>
<b>Discontinued operations</b>	<b>668</b>	<b>894</b>	<b>963</b>	<b>553</b>	<b>3 079</b>	<b>296</b>	<b>298</b>	<b>155</b>	<b>-84</b>	<b>-73</b>
<b>Group total</b>	<b>22 426</b>	<b>24 426</b>	<b>22 571</b>	<b>24 482</b>	<b>93 906</b>	<b>23 981</b>	<b>26 434</b>	<b>24 438</b>	<b>+8</b>	<b>+2</b>

### OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018	CHANGE %
<i>Continuing operations</i>									
Sandvik Machining Solutions	2 068	2 110	1 949	2 285	8 412	2 538	2 761	2 536	+30
Sandvik Mining and Rock Technology	1 173	1 508	1 471	1 572	5 724	1 402	1 865	1 966	+34
Sandvik Materials Technology	335	-261	-64	267	277	369	533	237	N/M
Other Operations	126	123	125	4 058	4 433	102	72	584	N/M
Group activities	-208	-213	-142	-211	-774	-140	-188	-119	-16
<b>Continuing operations</b>	<b>3 495</b>	<b>3 268</b>	<b>3 338</b>	<b>7 973</b>	<b>18 073</b>	<b>4 271</b>	<b>5 043</b>	<b>5 205</b>	<b>+56</b>
<b>Discontinued operations</b>	<b>-13</b>	<b>13</b>	<b>33</b>	<b>-96</b>	<b>-62</b>	<b>-23</b>	<b>-111</b>	<b>-158</b>	<b>N/M</b>
<b>Group total <sup>2)</sup></b>	<b>3 482</b>	<b>3 281</b>	<b>3 371</b>	<b>7 877</b>	<b>18 011</b>	<b>4 248</b>	<b>4 932</b>	<b>5 047</b>	<b>+50</b>

### OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018
<i>Continuing operations</i>								
Sandvik Machining Solutions	23.2	23.3	23.0	24.5	23.5	26.0	26.8	25.4
Sandvik Mining and Rock Technology	14.0	16.0	16.4	16.2	15.7	15.0	17.1	18.1
Sandvik Materials Technology	10.2	-7.0	-2.2	7.4	2.0	9.9	13.4	6.9
Other Operations	10.5	9.7	10.5	N/M	89.8	11.9	7.3	N/M
<b>Continuing operations</b>	<b>16.1</b>	<b>13.9</b>	<b>15.4</b>	<b>33.3</b>	<b>19.9</b>	<b>18.0</b>	<b>19.3</b>	<b>21.4</b>
<b>Discontinued operations</b>	<b>-1.9</b>	<b>1.5</b>	<b>3.5</b>	<b>-17.2</b>	<b>-2.0</b>	<b>-7.6</b>	<b>-37.2</b>	<b>-101.5</b>
<b>Group total <sup>2)</sup></b>	<b>15.5</b>	<b>13.4</b>	<b>14.9</b>	<b>32.2</b>	<b>19.2</b>	<b>17.7</b>	<b>18.7</b>	<b>20.7</b>

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

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

N/M = non-meaningful.

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

## ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018	CHANGE %
<i>Continuing operations</i>									
Sandvik Machining Solutions	2 068	2 110	1 949	2 285	8 413	2 538	2 761	2 536	30
Sandvik Mining and Rock Technology	1 173	1 508	1 471	1 572	5 724	1 402	1 865	1 966	34
Sandvik Materials Technology	335	189	-64	267	727	369	558	237	N/M
Other Operations	126	123	125	148	522	102	72	-34	-41
Group activities	-208	-213	-142	-211	-774	-140	-188	-119	N/M
<b>Continuing operations</b>	<b>3 495</b>	<b>3 718</b>	<b>3 338</b>	<b>4 062</b>	<b>14 612</b>	<b>4 271</b>	<b>5 067</b>	<b>4 587</b>	<b>37</b>
<b>Discontinued operations</b>	<b>-13</b>	<b>13</b>	<b>33</b>	<b>-95</b>	<b>-62</b>	<b>-23</b>	<b>-111</b>	<b>-158</b>	<b>N/M</b>
<b>Group total <sup>1)</sup></b>	<b>3 482</b>	<b>3 731</b>	<b>3 371</b>	<b>3 967</b>	<b>14 550</b>	<b>4 248</b>	<b>4 956</b>	<b>4 429</b>	<b>31</b>

## ADJUSTED OPERATING MARGIN BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018
<i>Continuing operations</i>								
Sandvik Machining Solutions	23.2	23.3	23.0	24.5	23.5	26.0	26.8	25.4
Sandvik Mining and Rock Technology	14.0	16.0	16.4	16.2	15.7	15.0	17.1	18.1
Sandvik Materials Technology	10.2	5.0	-2.2	7.4	5.3	9.9	14.0	6.9
Other Operations	10.5	9.7	10.5	11.7	10.6	11.9	7.3	N/M
<b>Continuing operations</b>	<b>16.1</b>	<b>15.8</b>	<b>15.4</b>	<b>17.0</b>	<b>16.1</b>	<b>18.0</b>	<b>19.4</b>	<b>18.9</b>
<b>Discontinued operations</b>	<b>-1.9</b>	<b>1.5</b>	<b>3.5</b>	<b>-17.2</b>	<b>-2.0</b>	<b>-7.6</b>	<b>-37.2</b>	<b>-101.5</b>
<b>Group total <sup>1)</sup></b>	<b>15.5</b>	<b>15.3</b>	<b>14.9</b>	<b>16.2</b>	<b>15.5</b>	<b>17.7</b>	<b>18.7</b>	<b>18.1</b>

## ITEMS AFFECTING COMPARABILITY

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	Q3 2018
<i>Continuing operations</i>								
Sandvik Machining Solutions	-	-	-	-	-	-	-	
Sandvik Mining and Rock Technology	-	-	-	-	-	-	-	
Sandvik Materials Technology	-	-450	-	-	-450	-	-24	
Other Operations	-	-	-	3 910	3 910	-	-	618
<b>Continuing operations</b>	<b>-</b>	<b>-450</b>	<b>-</b>	<b>3 910</b>	<b>3 460</b>	<b>-</b>	<b>-24</b>	<b>618</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group total</b>	<b>-</b>	<b>-450</b>	<b>-</b>	<b>3 910</b>	<b>3 460</b>	<b>-</b>	<b>-24</b>	<b>618</b>

Q2 2017 - Sandvik Materials Technology announced -450 million SEK of impairments of fixed assets driven by the announcement to divest the welding and stainless wire business

Q4 2017 - The divestment of Sandvik Process Systems was completed on 1 December. The divestment resulted in a capital gain of 3,910 million SEK reported in Other Operations.

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

Q3 2018 - The divestment of Hyperion was completed on 4 July. The divestment resulted in a net capital gain of 618 million SEK reported in Other Operations.

<sup>1)</sup> Internal transactions had negligible effect on business area profits

N/M = non-meaningful.

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

## KEY FIGURES

	Q3 2017	Q3 2018	Q1-4 2017
<i>Continuing operations</i>			
Tax rate, %	25.6	22.5	22.2
Return on capital employed, % <sup>1), 2)</sup>	18.0	24.6	23.8
Return on total equity, % <sup>1)</sup>	23.4	28.3	31.5
Return on total capital, % <sup>1)</sup>	13.4	18.5	17.8
Shareholders' equity per share, SEK	32.3	45.2	38.8
Net debt/equity ratio	0.62	0.27	0.33
Net debt/EBITDA	1.54	0.66	1.08
Equity/assets ratio, %	40	49	46
Net working capital, % <sup>1), 2)</sup>	25.3	27.2	23.5
Earnings per share, SEK <sup>3)</sup>	1.87	3.14	10.54
EBITDA, MSEK	4 832	6 339	23 003
Cash flow from operations, MSEK	3 789	5 399	+14 752
Funds from operations (FFO), MSEK	4 632	5 375	15 877
Interest coverage ratio, %	1 829	2 855	1 086
Number of employees	43 087	41 778	42 858

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

2) 12-month rolling 3Q 2018 ROCE reported at 28.2% (17.6) and NWC % reported at 24.1% (24.4).

3) Diluted earnings per share in Q3 2018 is 3.13 SEK (1.87) and for the full year 2017 it is 10.53 SEK.

	Q3 2017	Q3 2018	Q1-4 2017
<i>Group total</i>			
Tax rate, %	25.2	23.2	22.3
Return on capital employed, % <sup>1), 2)</sup>	18.2	23.9	23.8
Return on total equity, % <sup>1)</sup>	23.8	27.2	31.3
Return on total capital, % <sup>1)</sup>	13.4	17.8	17.6
Shareholders' equity per share, SEK	32.3	45.2	38.8
Net debt/equity ratio	0.62	0.27	0.33
Net debt/EBITDA	1.56	0.67	1.08
Equity/assets ratio, %	40	49	46
Net working capital, % <sup>1), 2)</sup>	24.2	27.3	22.6
Earnings per share, SEK <sup>3)</sup>	1.90	3.01	10.50
EBITDA, MSEK	4 871	6 185	22 947
Cash flow from operations, MSEK	3 569	5 328	+14 286
Funds from operations (FFO), MSEK	4 617	5 162	15 831
Interest coverage ratio, %	1 880	2 743	1 090
Number of employees	43 797	41 824	43 024
No. of shares outstanding at end of period ('000) <sup>3)</sup>	1 254 386	1 254 386	1 254 386
Average no. of shares ('000) <sup>3)</sup>	1 254 386	1 254 386	1 254 386

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

2) 12-month rolling 3Q 2018 ROCE reported at 27.6 % (17.4) and NWC % reported at 24.1% (23.3).

3) Diluted earnings per share in Q3 2018 is 3.0 SEK (1.90) and for the full year 2017 it is 10.50 SEK.

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

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

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



## FINANCIAL REPORTS SUMMARY RESTATE TO IFRS 15

### THE GROUP

#### INCOME STATEMENT RESTATE TO IFRS15

MSEK	Q3 2017 as reported	Q3 2017 restated to IFRS15	Q1-Q3 2017 as reported	Q1-Q3 2017 restated to IFRS15	Q1-Q4 2017 as reported	Q1-Q4 2017 restated to IFRS15
<i>Continuing operations</i>						
Revenues	21 648	21 608	66 968	66 898	90 905	90 827
Cost of sales and services	-13 040	-13 007	-40 065	-40 019	-54 279	-54 226
<b>Gross profit</b>	<b>8 608</b>	<b>8 601</b>	<b>26 903</b>	<b>26 879</b>	<b>36 626</b>	<b>36 601</b>
% of revenues	39.8	39.8	40.2	40.2	40.3	40.3
Total expenses for administration, sales, R&D	-5 264	-5 263	-16 781	-16 779	-18 528	-18 528
<b>Operating profit</b>	<b>3 344</b>	<b>3 338</b>	<b>10 122</b>	<b>10 100</b>	<b>18 098</b>	<b>18 073</b>
% of revenues	15.4	15.4	15.1	15.1	19.9	19.9
Net financial items	-193	-193	-806	-806	-1 080	-1 081
<b>Profit after financial items</b>	<b>3 151</b>	<b>3 145</b>	<b>9 316</b>	<b>9 294</b>	<b>17 018</b>	<b>16 992</b>
% of revenues	14.6	14.6	13.9	13.9	18.7	18.7
Income tax	-804	-804	-2 503	-2 500	-3 783	-3 780
<b>Profit for the period, continuing operations</b>	<b>2 347</b>	<b>2 341</b>	<b>6 813</b>	<b>6 794</b>	<b>13 235</b>	<b>13 212</b>
% of revenues	10.8	10.8	10.2	10.2	14.6	14.5
<i>Discontinued operations</i>						
Revenues	964	963	2 525	2 525	3 080	3 079
Operating profit	33	33	33	34	-61	-62
Profit after financial items	41	41	49	50	-52	-52
<b>Profit for the period, discontinued operations</b>	<b>41</b>	<b>41</b>	<b>50</b>	<b>49</b>	<b>-52</b>	<b>-52</b>
<i>Group total</i>						
Revenues	22 612	22 571	69 493	69 423	93 985	93 906
Operating profit	3 377	3 371	10 155	10 134	18 037	18 011
Profit after financial items	3 192	3 186	9 365	9 344	16 966	16 940
<b>Profit for the period, Group total</b>	<b>2 388</b>	<b>2 382</b>	<b>6 863</b>	<b>6 843</b>	<b>13 183</b>	<b>13 160</b>
<b>Earnings per share, SEK</b>						
Continuing operations	1.88	1.87	5.44	5.43	10.56	10.54
Discontinued operations	0.03	0.03	0.04	0.04	-0.04	-0.04
Group Total	1.91	1.90	5.48	5.47	10.52	10.50

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

MSEK	30 SEP 2017 as reported	30 SEP 2017 restated to IFRS15	31 DEC 2017 as reported	31 DEC 2017 restated to IFRS15
Total fixed assets	49 907	49 918	48 539	48 548
Inventory	21 070	21 105	21 389	21 416
Total current assets	30 404	30 359	36 876	36 808
<b>Total assets</b>	<b>101 381</b>	<b>101 381</b>	<b>106 804</b>	<b>106 772</b>
Total Equity	40 595	40 547	48 771	48 722
Total Liabilities	60 786	60 834	58 033	58 050
<b>Total Equity &amp; Liabilities</b>	<b>101 381</b>	<b>101 381</b>	<b>106 804</b>	<b>106 772</b>

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

## DISCLAIMER STATEMENT

Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors, for example the effect of economic conditions, exchange-rate and interest-rate move-

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

## ANNUAL GENERAL MEETING

The Board of Directors has decided that the 2019 Annual General Meeting will be held in Sandviken, Sweden, on

29 April 2019. The notice to convene the AGM will be made in the prescribed manner.

*Stockholm 23 October 2018*  
**Sandvik Aktiebolag (publ)**

**Björn Rosengren**  
President and CEO

## AUDITORS' REVIEW REPORT

### Introduction

We have reviewed the condensed interim financial information (interim report) of Sandvik AB as of 30 September 2018 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 23 October 2018*  
**PricewaterhouseCoopers AB**

<b>Peter Nyllinge</b>	<b>Magnus Svensson Henryson</b>
Authorized Public Accountant	Authorized Public Accountant
Lead Partner	

This information is information that Sandvik AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at about 12:00 CET on 23 October 2018.

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

A webcast and teleconference will be held on 23 October 2018 at 13:30 CET.

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

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### CALENDAR:

21 January 2019	Report, fourth quarter 2018
18 April 2019	Report, first quarter 2019
29 April 2019	Annual General Meeting in Sandviken, Sweden
21-22 May 2019	Capital Markets Day in Tampere, Finland
17 July 2019	Report, second quarter 2019
18 October 2019	Report, third quarter 2019