

INTERIM REPORT FOURTH QUARTER

AND FULL YEAR OF 2019



STRONG EARNINGS AND CASH FLOW COMPLETES A RECORD YEAR

CEO'S COMMENT: "In the fourth quarter, demand remained at a high level in the long-cycle mining and energy businesses, although a significant decrease was reported for our short-cycle businesses. Entering the quarter, our clear ambition was to reduce inventories, and I am pleased that all business areas played a part in bringing inventories down to a satisfactory level. Earnings were partially supported by the cost measures initiated and, going forward, we should see savings being increasingly realized as activities are executed. I am pleased we achieved a strong free cash flow of 6.6 billion SEK in the quarter, completing a new all-time-high for the year. This further strengthened the balance sheet, enabling a continued healthy pace in M&A activities as Sandvik adds to an already strong platform," says Björn Rosengren, President and CEO of Sandvik.

"For Sandvik Machining Solutions, organic order intake decreased by -10%, with all three major regions noting a deterioration. In Sandvik Mining and Rock Technology, order intake remained at a high level, although a large order received in the year-earlier period impacted reported growth to -7%. Sandvik Materials Technology's order intake increased organically by 6%, including large orders valued at 1.1 billion SEK for advanced tubular products related to the energy segment. However, a broad decline in customer activity in the short-cycle business was reported across the business area."

"Adjusted operating profit increased by 9% and totaled 5.1 billion SEK (4.7). Earnings were supported by efficiency measures as well as changed exchange rates and metal prices, which more than offset the adverse impact of lower customer activity and inventory reductions. The adjusted operating margin improved to 19.1% (18.0%)."

"As previously announced, net profit was impacted by the impairment of -3.9 billion SEK related to the ongoing divestment of Sandvik Drilling and Completions (Varel). Closure of this transaction is expected to take place in the first quarter of 2020."

"**Full-year 2019** was a record 12 months for order intake, revenues, adjusted operating profit, adjusted operating margin and cash flow. Book-to-bill was positive at 101%, despite declining customer activity across the three major regions in the short-cycle businesses in the latter half of the year. The downturn triggered a number of activities to protect profitability. While it was a necessary measure, implementing staff reductions is a difficult task, but I am pleased about how all of our divisions stepped up to the challenge. As we entered 2019, our clear ambition was to utilize our strong financial position for acquisitions. We announced a total of nine deals, adding about 1.2 billion SEK in combined annualized revenues, including technologies for a broader customer offering. We strengthened the balance sheet through strong cash flow generation, and are virtually in a net cash position. This provides opportunities for additional M&A activities moving forward. We announced new financial and sustainability targets, both of which I hope will boost confidence in Sandvik and in what the Group will deliver in the future. During the year, we gained several recognitions for sustainability, which I view as evidence of the deep integration of the sustainable mindset at Sandvik. The Board of Directors proposes a dividend of 4.50 SEK per share (4.25). This represents a year-on-year increase of 6%, while still prioritizing a solid balance sheet. The dividend proposal represents 41% (43) of adjusted EPS for the Sandvik Group total."

FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
<i>Continuing operations</i>						
Order intake ¹⁾	25 627	25 179	-6	102 440	104 075	-2
Revenues ¹⁾	25 968	26 583	-2	100 072	103 238	-0
Gross Profit	9 839	10 380	5	40 978	41 576	1
% of revenues	37.9	39.0		40.9	40.3	
Operating profit	4 136	744	-82	18 655	13 386	-28
% of revenues	15.9	2.8		18.6	13.0	
Adjusted operating profit ²⁾	4 665	5 066	9	18 590	19 219	3
% of revenues	18.0	19.1		18.6	18.6	
Profit after financial items	4 000	471	-88	17 860	12 150	-32
% of revenues	15.4	1.8		17.8	11.8	
Adjusted profit after financial items ²⁾	4 529	4 792	6	17 795	17 982	1
% of revenues	17.4	18.0		17.8	17.4	
Profit for the period	2 812	-87	N/M	13 214	8 728	-34
% of revenues	10.8	-0.3		13.2	8.5	
Earnings per share basic, SEK	2.25	-0.06	N/M	10.54	6.97	-34
Earnings per share diluted, SEK	2.24	-0.06	N/M	10.52	6.96	-34
Adjusted earnings per share, SEK	2.59	3.21	24	10.39	11.12	7
Return on capital employed, % ³⁾	19.7	3.9		22.7	15.2	
Cash flow from operations	6 044	5 826	-4	15 353	17 807	16
Net working capital % ³⁾	23.5	24.8		24.0	25.2	
<i>Discontinued operations</i>						
Profit for the period	-262	-62	-76	-545	-205	-62
Earnings per share, SEK	-0.21	-0.05		-0.43	-0.16	
<i>Group Total</i>						
Profit for the period	2 551	-149	N/M	12 669	8 523	-33
Earnings per share basic, SEK	2.04	-0.11	N/M	10.11	6.81	-33
Earnings per share diluted, SEK	2.03	-0.11	N/M	10.09	6.79	-33
Adjusted earnings per share, SEK	2.38	3.16	33	9.95	10.96	10

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

2) Profit adjusted for items affecting comparability of -4.3bn in Q4 2019 (-529) related to impairment, SMT separation costs and reversal of provision. For FY 2019 it is -5.8 billion SEK (65) primarily related to efficiency measures, impairment and divestment of Hyperion. See page 23.

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

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

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

For definitions see home.sandvik

N/M = not meaningful

MARKET DEVELOPMENT AND EARNINGS

GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	-6	-2
Structure, %	1	0
Currency, %	4	4
TOTAL, %	-2	2

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

Order intake in the fourth quarter declined organically by -6%, year-on-year. The decline in revenues was slightly more modest at -2%, supported by previously received orders with longer delivery schedules. With pressure on the short-cycle businesses in the Group, Sandvik Machining Solutions reported the most tangible decline in organic orders at -10% year-on-year. While underlying customer activity in the mining industry remained stable at a high level, Sandvik Mining and Rock Technology's order intake declined by -7%, adversely impacted by a high comparable in the year-earlier period. Excluding the impact of large orders, Sandvik Mining and Rock Technology's order intake declined by -3%. Sandvik Materials Technology secured large orders with a combined value of 1,100 million SEK for advanced tubular products for the energy segment, and organic order intake thereby rose by 6%. Excluding the impact of large orders, order intake declined by -16%.

In relative terms, Europe noted the largest decline at -19%, or -13% excluding the impact of large orders received in the earlier-year period. North America remained stable overall, although a decline of -18% was noted excluding the impact of large orders received. Asia improved by +2%, with improvement noted in China primarily driven by Sandvik Mining and Rock Technology.

Underlying customer activity remained stable in the mining and construction segments. Automotive, general engineering and energy deteriorated, while an improvement was noted in aerospace.

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

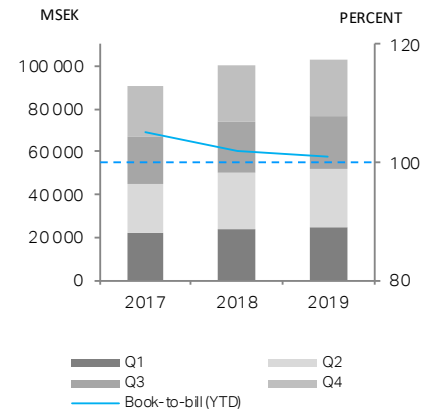
Despite slightly negative organic revenue growth, adjusted operating profit reached a historically high level of 5,066 million SEK (4,665). The adjusted operating margin improved to 19.1% (18.0). The adjusted operating profit improved by 9% year-on-year, supported by savings of 250 million SEK from previously announced cost measures and the year-on-year impact of changed exchange rates of 297 million SEK. In addition, changed metal prices impacted positively by 174 million SEK in the period (-85). These effects more than offset the adverse impact of negative organic growth of -2%. Total costs for sales and administration rose by 13%, primarily due to the impairment. The organic development was -10%, supported by increased efficiency.

Operating profit was adversely impacted by items affecting comparability totaling -4,322 million SEK, comprising the previously announced impairment of -4,233 million SEK related to the divestment of Sandvik Drilling and Completions (Varel), costs of -103 million SEK for the internal separation of Sandvik Materials Technology and a positive impact of +14 million SEK in Sandvik Mining and Rock Technology due to a reversal of an earlier provision not fully utilized.

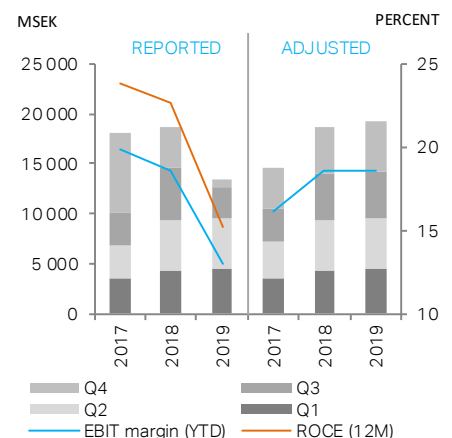
Interest net was reduced to -120 million SEK (-133), excluding the impact of the adoption of the new "IFRS 16 Leases" accounting standard of -28 million SEK. The total finance net amounted to -274 million SEK (-136), with the increase primarily due to changed exchange rates and revaluation effects.

The underlying tax rate for continuing operations was 17.5% (30.1), excluding the adverse impact of the announced impairment. The reported tax rate for continuing operations was 118.5% (29.4) and 136.5% (31.5) for the Group in total.

REVENUES AND BOOK-TO-BILL

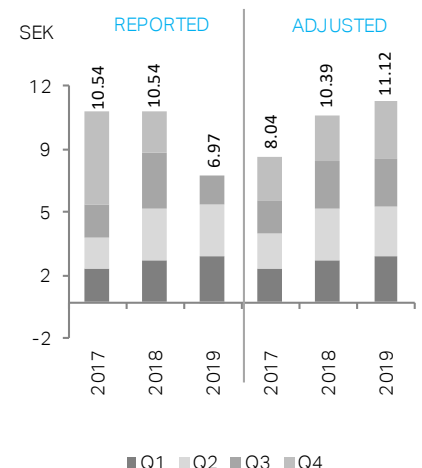


OPERATING PROFIT & RETURN



Reported operating margin impacted by items affecting comparability: 3.5 billion SEK in 2017 and 0.1 billion SEK in 2018 and -5.8 billion SEK in 2019.

EARNINGS PER SHARE



CASH FLOW AND BALANCE SHEET

Capital employed increased year-on-year to 90.4 billion SEK (88.3) with the increase driven by the adoption of the new IFRS 16 accounting standard, changed exchange rates and increased fixed assets although partially offset by the impairment and a lower cash position. Return on capital employed declined to 15.2% (22.7) as a result of lower reported earnings and increased capital employed.

Net working capital amounted to 24.9 billion SEK, increasing year-on-year (23.2) but falling sequentially (27.8). All business areas reduced inventory volumes sequentially at a value totaling -1.9 billion SEK, with some further reduction reported due to changed exchange rates. Net working capital in relation to revenues was 25% (24) for the quarter.

Investments in tangible and intangible assets in the fourth quarter amounted to 1.3 billion SEK (1.2), corresponding to 128% of scheduled depreciations. Investments are seasonally higher in the second half of the year.

Net debt amounted to 11.1 billion SEK at the end of the fourth quarter, remaining largely stable compared with last year's 11.6 billion SEK, adversely impacted by 3.3 billion SEK due to adoption of IFRS 16. Sequentially, net debt was reduced from 17.1 billion SEK due to an increased cash position. Financial net debt was reduced to 0.5 billion SEK (5.8), with the decrease primarily supported by higher cash position. The net debt to equity ratio remained largely stable year-on-year at 0.18 (0.20). The net pension liability increased year-on-year to 7.3 billion SEK (5.7), due primarily to changed discount rates. Interest-bearing debt with short-term maturity accounted for 13% of total debt.

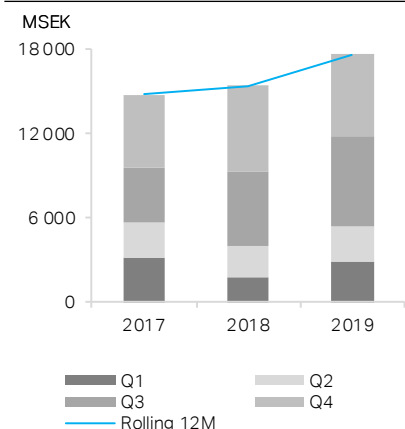
Free operating cash flow increased year-on-year to 6.6 billion SEK (6.3). Cash flow from operations was 5.8 billion SEK and remained largely stable year-on-year (6.0).

	Q4 2018	Q4 2019
EBITDA + non-cash items	5 432	5 899
Net Working Capital change	2 273	2 093
Capex*	-1 442	-1 381
FREE OPERATING CASH FLOW**	6 263	6 611

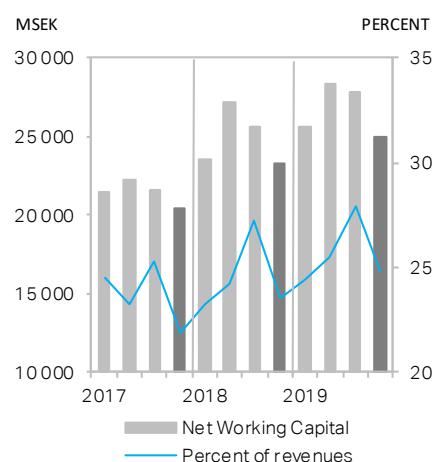
* Including investments and disposals of rental equipment of -221 million SEK (-216) and tangible and intangible assets of -1 160 million SEK (-1 225).

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

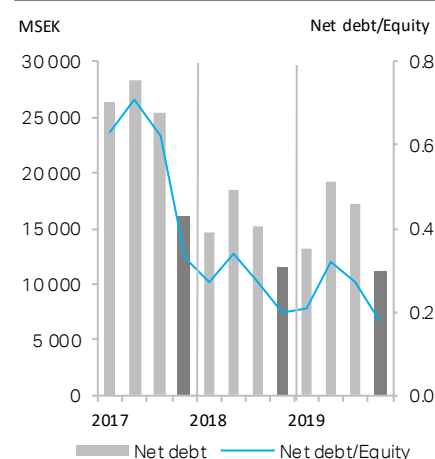
CASH FLOW FROM OPERATIONS



NET WORKING CAPITAL



NET DEBT, GROUP TOTAL



SANDVIK MACHINING SOLUTIONS

CHALLENGING MARKETS

INVENTORY REDUCTIONS

TWO ACQUISITIONS ANNOUNCED

GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	-10	-10
Structure, %	1	1
Currency, %	5	5
TOTAL, %	-5	-5

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

Order intake and revenues declined year-on-year as customer activity weakened in all three major regions and the two largest segments, automotive and general engineering.

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

- Europe noted the largest relative decline, with organic revenues at -12% driven by negative development across most segments.
- In North America, revenues declined organically by -7%, with pressure from the general engineering and automotive segments.
- In Asia, revenues declined by -10%, burdened by a negative trend in the general engineering segment.
- A sharp decline in organic revenues was noted in the tungsten powder business (Wolfram) resulting from lower customer activity as well as declining market prices for tungsten powder (APT). The divisional decline weighed on the business area's organic growth by -1%.

Adjusted operating profit amounted to 2,000 million SEK (2,480), decreasing 19% year-on-year. The adjusted operating margin declined to 20.3% (23.8).

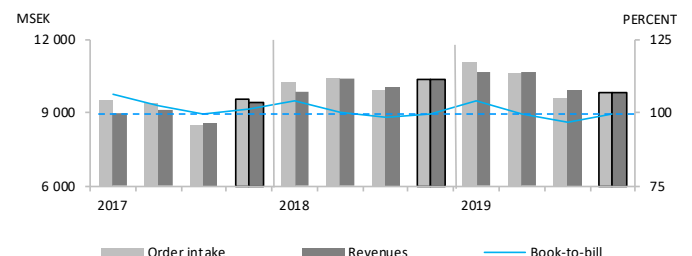
Items impacting operating profit and operating margin:

- Underabsorption of fixed costs due to lower production volumes as a result of declining customer activity adversely impacted the operating margin by -4.2%-points year-on-year.
- Lower production volumes to reduce inventories to match underlying demand adversely impacted the margin by -0.6%-points year-on-year.
- Savings of 150 million SEK related to previously announced cost measures.
- Changed exchange rates had a positive impact of 105 million SEK on operating profit year-on-year.

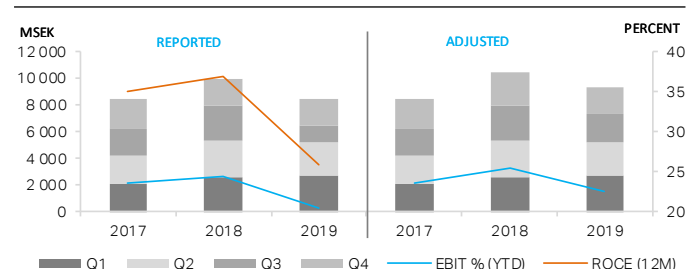
After the close of the period, the potential closure of a production plant in Germany was announced. The closure would generate annual savings of about 110 million SEK by mid-2021. Costs of about -365 million SEK will impact operating profit in the first quarter of 2020, with the majority affecting cash flow over time.

Two acquisitions were announced: Melin Tool Company (closed on 31 December) and the cutting tools division of QCT (expected closing during the second quarter of 2020). Combined, these add about 300 million SEK to Sandvik Machining Solutions in annualized revenues.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	10 357	9 820	-10	41 094	41 163	-6
Revenues *	10 406	9 844	-10	40 757	41 123	-6
Operating profit	2 041	2 000	-2	9 922	8 380	-16
% of revenues	19.6	20.3	24.3	20.4		
Adjusted operating profit ¹⁾	2 480	2 000	-19	10 361	9 310	-10
% of revenues	23.8	20.3	25.4	22.6		
Return on capital employed ²⁾	27.7	24.5	36.8	25.9		
Number of employees	19 470	18 453	-5	19 470	18 453	-5

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

* Change at fixed exchange rates for comparable units.

For definitions see home.sandvik

¹⁾ Operating profit adjusted for items affecting comparability of -930 million SEK in 2019 (-439) related to efficiency measures.

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

SANDVIK MINING AND ROCK TECHNOLOGY

CUSTOMER ACTIVITY STABLE
AT A HIGH LEVEL

RECORD HIGH EARNINGS AND
MARGIN

REDUCED NET WORKING CAPITAL



GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	-7	3
Structure, %	0	1
Currency, %	4	4
TOTAL, %	-3	8

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

Demand in the mining industry remained robust, with order intake at a high level, although a high comparable impacted organic order intake to -7%. Excluding the impact of large orders, order intake declined by -3%.

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

- Excluding the impact of large orders, order intake for mining equipment declined at a low double-digit rate, with underground mining equipment noting the largest decline in relative terms.
- Orders in the aftermarket business increased at a mid-single-digit rate.
- The aftermarket business accounted for 57% of revenues while the equipment business accounted for 43%.

Both earnings and margin reached all-time-high levels, with adjusted operating profit increasing by 16% to 2,630 million SEK (2,260). The adjusted operating margin improved to 21.6% (20.1).

Items impacting operating profit and operating margin:

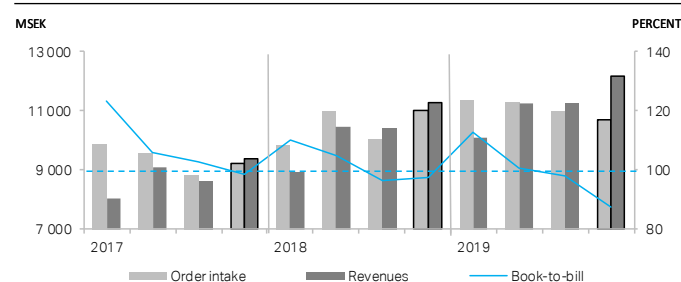
- Savings from previously announced cost measures of 80 million SEK.
- Positive impact from favorable mix in equipment deliveries and a focused cost awareness in the quarter.
- Changed exchange rates impacted operating profit positively by 150 million SEK.

Inventories were significantly reduced sequentially and the ratio for net working capital to revenues was 24.7%, down from 28.2% in the previous quarter, while it increased slightly year-on-year from 24.1%.

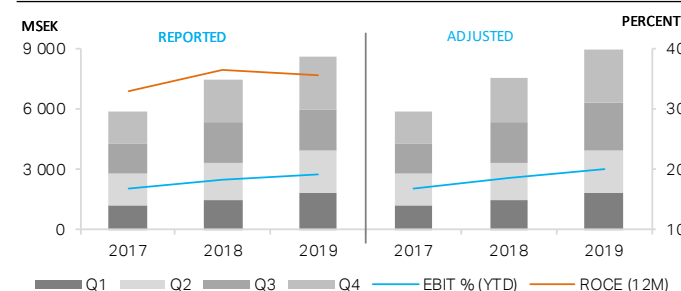
To align with the decentralized business model the lease stock related to mining equipment has been re-allocated from Group activities to Sandvik Mining and Rock Technology, increasing the business area's capital employed by about 3 billion SEK. Historical numbers have been restated accordingly.

The divestment of Drilling and Completions (Varel) is expected to close during the first quarter 2020 and the operations have been transferred to Other Operations and historical numbers restated.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	10 988	10 685	-7	41 842	44 379	1
Revenues *	11 254	12 197	3	41 058	44 777	4
Operating profit	2 170	2 645	22	7 452	8 602	15
% of revenues	19.3	21.7		18.2	19.2	
Adjusted operating profit ¹⁾	2 260	2 630	16	7 542	8 911	18
% of revenues	20.1	21.6		18.4	19.9	
Return on capital employed, % ²⁾	40.3	42.2		36.5	35.5	
Number of employees	14 385	14 229	-1	14 385	14 229	-1

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of +14 million in Q4 2019 (-90) related to a provision reversal. For 2019 it is -309 million SEK related to efficiency measures and provision reversal.

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

SANDVIK MINING AND ROCK TECHNOLOGY

CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	10 988	10 685	-7	41 842	44 379	1
Revenues *	11 254	12 197	3	41 058	44 777	4
Operating Profit	2 170	2 645	22	7 452	8 602	15
% of revenues	19.3	21.7		18.2	19.2	
Adjusted operating profit ¹⁾	2 260	2 630	16	7 542	8 911	18
% of revenues	20.1	21.6		18.4	19.9	

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of +14 million in Q4 2019 (-90) related to a provision reversal. For 2019 it is -309 million SEK (0) related to efficiency measures and provision reversal.

DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	-3	1	N/M	70	71	-0
Revenues *	102	15	-85	852	295	-66
Operating profit	-261	-61	-77	-552	-204	-63
% of revenues	-255.0	-394.2		-64.8	-69.1	
Adjusted operating profit	-261	-61	-77	-552	-204	-63
% of revenues	-255.0	-394.2		-64.8	-69.1	

* Change at fixed exchange rates for comparable units.

N/M = not meaningful

The Mining Systems business was divested to FLSmidth and NEPEAN during 2017. Consequently, order intake and revenues in the quarter relate to small bookings of parts and service to already ongoing projects. The projects to be finalized during 2020 by Sandvik, through an operational agreement with

FLSmidth, will however remain reported as discontinued operations. The operating profit amounted to -61 million SEK (-261), adversely impacted by primarily high costs in completion of the remaining ongoing projects. Changed exchange rates impacted earnings by -3 million SEK.

SANDVIK MINING AND ROCK TECHNOLOGY TOTAL

FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	10 985	10 686	-7	41 912	44 450	1
Revenues *	11 357	12 212	3	41 910	45 072	2
Operating profit	1 909	2 584	35	6 900	8 398	22
% of revenues	16.8	21.2		16.5	18.6	
Adjusted operating profit ¹⁾	1 999	2 570	29	6 990	8 707	25
% of revenues	17.6	21.0		16.7	19.3	

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of +14 million in Q4 2019 (-90) related to a provision reversal. For 2019 it is -309 million SEK (0) related to efficiency measures and provision reversal.

SANDVIK MATERIALS TECHNOLOGY

LARGE ORDERS RECEIVED

ACHIEVED MARGIN TARGET FOR 2019

TWO ACQUISITIONS ANNOUNCED



GROWTH

Q4	ORDER INTAKE	REVENUES
Price/volume, %	6	1
Structure, %	-0	-0
Currency, %	2	3
TOTAL, %	9	4

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

Organic orders improved by 6% year-on-year, supported by large orders received in the period. Excluding the impact of large orders, order intake declined by -16%. Alloy prices had a positive impact of 4% on both order intake and revenues.

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

- Customer activity surrounding the capex-related tubular offering remained strong. The business area received large orders valued at a total of 1.1 billion SEK for advanced tubular products for the energy segment. This can be compared with 0.3 billion SEK booked in the year-earlier period.
- Demand declined significantly across the board for standardized application tubing.
- In the Kanthal division, demand declined for both heating materials and heating systems.
- In the Strip division, demand remained largely stable at a low level.

Adjusted operating profit excluding metal price effects totaled 485 million SEK (297), implying an underlying margin of 12.1% (7.7). Adjusted operating profit increased significantly to 659 million SEK (212) and the adjusted operating margin increased to 16.4% (5.5).

Items impacting operating profit and operating margin:

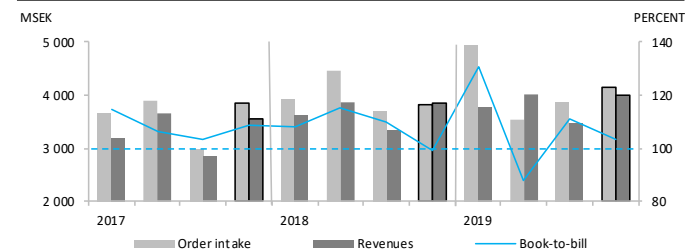
- A positive mix due to increased deliveries and improved profitability for advanced tubular products more than offset the adverse impact from lower volumes for standardized application tubing.
- Savings of 10 million SEK from previously announced cost measures.
- Costs of -56 million SEK related to the internal separation of the business area from the rest of Sandvik.
- Inventory reductions adversely impacted the margin by -1.4%-points year-on-year.

- Changed exchange rates impacted operating profit positively by 58 million SEK.
- Changed metal prices had a positive impact of 174 million SEK (-85) in the quarter.

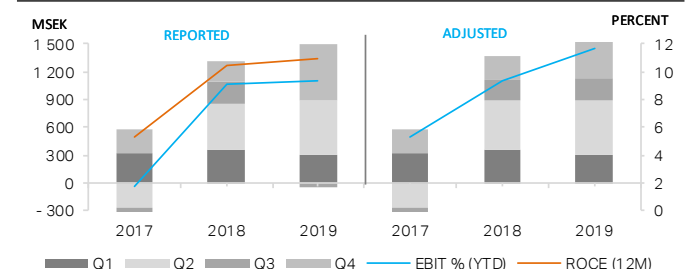
Two acquisitions were announced in the period: Summerill Tube Corporation (closed in January 2020) and Thermatelk (closed during the fourth quarter). Combined, these add about 230 million SEK to Sandvik Materials Technology in annualized revenues.

The stated target for the operating margin of 10% for full-year 2019 was achieved. The target excludes items impacting comparability and impacts from changed metal prices.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	3 817	4 144	6	15 898	16 475	2
Revenues *	3 842	4 013	1	14 697	15 279	3
Operating profit	212	604	N/M	1 307	1 444	10
% of revenues	5.5	15.0		8.9	9.4	
Adjusted operating profit ¹⁾	212	659	N/M	1 331	1 787	34
% of revenues	5.5	16.4		9.1	11.7	
Return on capital employed, % ²⁾	6.6	18.5		10.1	11.0	
Number of employees	5 916	5 726	-3	5 916	5 726	-3

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

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for IAC of -56 million SEK in Q4 2019 (0) related to separation costs. For 2019 it is -343 million SEK (-24) related to efficiency measures and separation costs

²⁾ Quarterly number is annualized and the year-to-date number is based on four quarter average

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OTHER OPERATIONS

Sandvik Drilling and Completions (Varel) is being divested and in the period it was transferred from Sandvik Mining and Rock Technology to Other Operations. Historical numbers have been restated accordingly. Closure of the transaction is expected to take place in the first quarter of 2020.

Operating profit was impacted by an impairment of -4,233 million SEK related to the ongoing divestment of Sandvik Drilling and Completions. Adjusted operating profit includes a provision of -39 million SEK in Varel, related to a potential penalty related to previous product deliveries. Changed exchange rates had a negative impact on operating profit of -31 million SEK.

FINANCIAL OVERVIEW, MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
Order intake *	465	529	8	3 605	2 059	4
Revenues *	465	529	8	3 560	2 059	4
Operating profit	-50	-4 295	N/M	659	-4 263	N/M
% of revenues	-10.8	-811.3		18.5	-207.0	
Adjusted operating profit ¹⁾	-50	-62	-23	41	-140	N/M
% of revenues	-10.8	-11.6		1.1	-6.8	
Return on capital employed, % ²⁾	-4.4	-535.4		10.3	-100.1	
Number of employees	1 089	1 081	-1	1 089	1 081	-1

* Change at fixed exchange rates for comparable units.

¹⁾ Operating profit adjusted for items affecting comparability of -4,233 million SEK in Q4 2019 related to the divestment of Varel. For 2019 it is -4,123 million SEK (618) related to impairment of Varel and capital gain from the divestment of Hyperion.

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

N/M = not meaningful

PARENT COMPANY

For full year 2019 the parent company's revenues amounted to 21,038 million SEK (20,141) and the operating result was 4,224 million SEK (2,566). Income from shares in Group companies consists primarily of dividends and Group contributions from these and amounted after the fourth quarter to 11,989 million

SEK (4,364). Appropriations amounted for full year to -82 million SEK (-3,138). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 15,601 million SEK (15,059). Investments in property, plant and machinery amounted to 976 million SEK (799).

FULL YEAR 2019

For the full year of 2019, demand for Sandvik's products declined slightly year-on-year, with organic growth in order intake recorded at -2%. Revenues remained stable at 0%. Underlying demand remained stable in the long-cycle businesses of mining, energy and aerospace segments, while a deterioration was noted in the shortcycle business automotive and general engineering during the latter part of the year. Order intake for Sandvik's products improved by 1% in North America while it declined by -8% in Europe and -3% Asia. Changed exchange rates had a positive impact of 4% on both order intake and revenues. Sandvik's order intake amounted to 104,075 million SEK (102,440), and revenues were 103,238 million SEK (100,072), implying a book-to-bill ratio of 101%.

Adjusted operating profit increased by 3% year-on-year to 19,219 million SEK (18,590) positively impacted in the amount of 1,847 million SEK due to changed exchange rates. The adjusted operating margin remained stable at 18.6% (18.6). The reported operating profit decreased by -28% to 13,386 million SEK (18,655) and operating margin was 13.0% (18.6). Changed metal prices had a positive impact of 274 million SEK (255). Net financial items amounted to -1,237 million SEK (-795) impacted by -200 million SEK related to the redemption of US private placement notes and a bilateral loan. Profit after financial items was 12,150 million SEK (17,860).

The underlying tax rate for continuing operations was 23.5% (27.2). The reported tax rate for continuing operations was 28.2% (26.0). The underlying tax rate for the Group in total was 23.8% (28.1) and the reported tax rate for the Group in total was 28.6% (26.8).

Profit for the period amounted to 8,728 million SEK (13,214) for continuing operations and 8,523 million SEK (12,669) for the Group in total. Diluted earnings per share for continuing operations amounted to 6.96 (10.52) while diluted earnings per share for the Group in total amounted to 6.79 SEK (10.09).

Operating cash flow from continuing operations was 17 807 million SEK (15 353), with the increase primarily supported by a lower build-up of working capital year-on-year. Investments were 4 136 million SEK (3 920). Net debt decreased year-on-year to 11.1 billion SEK (11.6), resulting in a net debt to equity ratio of 0.18 (0.20).

During the year seven acquisitions were closed: Sandvik Machining Solutions acquired three round tools companies (Wetmore, OSK and Melin Tooling Company). Sandvik Mining and Rock Technology acquired a battery technology company (Artisan) as well as a supplier of leading technology in wireless connectivity to monitor and provide insights on underground operations (Newtrax). Sandvik Materials Technology acquired a manufacturer of high temperature furnace systems and metallic heating elements (Thermaltek). In addition, Sandvik Machining Solutions acquired a minority stake of 30% in Italian company Beam IT, a leading additive manufacturing service provider.

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

ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS DURING THE MOST RECENT 12-MONTH PERIOD

	COMPANY/UNIT	CLOSING DATE	REVENUES	NO. OF EMPLOYEES
2019				
Sandvik Machining Solutions	Wetmore Tool & Engineering	9 January 2019	160 MSEK in 2017	170
Sandvik Mining and Rock Technology	Artisan	11 February 2019	12 MUSD in 2017	60
Sandvik Machining Solutions	OSK	10 April 2019	120 MSEK in 2017	90
Sandvik Mining and Rock Technology	Newtrax	17 June 2019	26 MCAD in 2018	120
Sandvik Machining Solutions	Beam IT, 30% stake	12 July 2019	70 MSEK in 2018	38
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
			Purchase price on cash and debt free basis	Preliminary goodwill and other intangible assets
Acquisitions 2019			1.9 billion SEK	1.8 billion SEK

DIVESTMENTS DURING THE MOST RECENT 12-MONTH PERIOD

No divestments in the period

- In October 2019 Sandvik signed an agreement to divest the majority of Drilling and Completions (Varel) to the private equity firm Blue Water Energy and its co-investor, the privately owned Nixon Energy Investments. Sandvik will remain as minority owner of 30% of the company and hold a position on the board. Since the recovery of the investment is principally through sale the assets and liabilities were classified as a disposal group held for sale. The disposal group was measured at fair value less costs to sell. The transaction triggered a write-down of goodwill and

other intangible assets with an effect on net result of SEK 3,9 million. The foreign currency translation differences relating to the Varel disposal group amounts to - 428 million SEK at the balance sheet date. At the disposal date, Sandvik, will recognize the remaining 30 percent of Drilling and Completion (Varel) as an associated company. The associate will be measured at fair value at disposal date (closing date) and is subsequently accounted for using the equity method. Closing of the transaction is expected during the first quarter of 2020.

SIGNIFICANT EVENTS

DURING THE FOURTH QUARTER

- On 25 October 2019, Sandvik announced that the Board of Directors had appointed Stefan Widing as new President and CEO of Sandvik. Stefan Widing succeeds Björn Rosengren, who as previously announced is leaving Sandvik to take up an external position. Stefan Widing has served as Executive Vice President of Assa Abloy and President of HID Global Corporation, a technology division within Assa Abloy, since 2015. He will assume his position with Sandvik on 1 February 2020.

- On 28 October 2019 Sandvik signed an agreement to divest the majority of Drilling and Completions (Varel) to the private equity firm Blue Water Energy and its co-investor, the privately owned Nixon Energy Investments. Sandvik will remain as minority owner of 30% of the company and hold a position on the board. The deal is expected to close during the first quarter of 2020.

- On 20 December 2019, Sandvik Materials Technology announced that it had signed an agreement to acquire Summerill Tube Corporation. In 2018, Summerill Tube Corporation generated revenues of about 100 million SEK, with 45 employees. Closure of the transaction was completed in early January 2020.

- On 20 December 2019, Sandvik Machining Solutions announced it had signed an agreement to acquire the cutting tools division of QUIMMCO CENTRO TECNOLOGICO (QCT). In 2018, QCT's cutting tools division generated revenues of about 90 million SEK, with 130 employees. Closure of the transaction is expected no later than in the second quarter of 2020.

- On 2 January 2020, Sandvik Machining Solutions announced it had reached an agreement to acquire the Melin Tool Company. In the 12-month period ending September 2019, Melin Tool Company generated revenues of 22 million USD with 100 employees. The transaction was closed on 31 December 2019.

- On 6 January 2020, Sandvik Materials Technology announced that it had acquired the privately owned Thermaltek. In the 12-month period ending in September 2019, Thermaltek generated revenues of 13 million USD with 30 employees. The transaction was closed on 31 December 2019.

AFTER THE FOURTH QUARTER

- On 10 January 2020, Sandvik issued restated numbers for Sandvik Mining and Rock Technology and Other Operations to account for the transfer of Sandvik Drilling and Completions (Varel) to Other Operations. Simultaneously, the lease stock related to mining equipment was reallocated from Group activities to Sandvik Mining and Rock Technology, hence the business area's capital employed increased by about 3 billion SEK.

- On 20 January 2020, Sandvik Machining Solutions announced its decision to examine the conditions for a potential closure of a production plant in Germany. If the closure is implemented, it is expected to be finalized by mid-2021, with a full run-rate of net savings of about 110 million SEK. Costs related to the restructuring, amounting to about -365 million SEK, will impact Sandvik Machining Solutions' operating profit in the first quarter of 2020, with the majority impacting future cash flow.

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 about 4 billion SEK for 2020.
CURRENCY EFFECTS	Based on currency rates at the end of December 2019, it is estimated that transaction and translation currency effects will have an impact of about +150 million SEK on operating profit for the first 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 December 2019 it is estimated that there will be an impact of about -200 million SEK on operating profit in Sandvik Materials Technology for the first quarter of 2020.
INTEREST NET	Estimated at about -0.5 billion SEK in 2020.
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 from 1 January 2019.

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

Transition to IFRS 16 Leases

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

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

Sandvik has assessed many contracts concerning premises being open-ended contracts. In many countries local law provides protection to the lessee from being noticed, which requires the Sandvik lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises. As a consequence these contracts have in many cases had the contract period extended.

Opening balance adjustment

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

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

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

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

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

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

IFRS 16 Leases policy

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

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

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

Sandvik depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Sandvik has chosen to apply the two expedients concerning leases shorter than one year and low value assets that need to be taken into consideration when recognizing a lease contract. Sandvik when being a lessor classifies each of its leases as either an operating lease or a financial lease. The substance of the transaction rather than the form of the contract determines if it is finance or operating lease. This also includes contracts identified under IFRS 15 Revenue from Contracts with customers containing buy-back clauses, which means under certain circumstances that control hasn't transferred to the customer and lease accounting under IFRS 16 Leases apply.

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

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

Changes due to transition to IFRIC 23

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

Items affecting comparability

Sandvik reports an adjusted EBIT for comparison reasons. The result is adjusted for larger acquisitions and divestments, 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.

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 2018.

FINANCIAL REPORTS SUMMARY

THE GROUP

INCOME STATEMENT

MSEK	Q4 2018	Q4 2019	CHANGE %	Q1-Q4 2018	Q1-Q4 2019	CHANGE %
<i>Continuing operations</i>						
Revenues	25 968	26 583	2	100 072	103 238	3
Cost of sales and services	-16 129	-16 203	0	-59 094	-61 662	4
Gross profit	9 839	10 380	5	40 978	41 576	1
% of revenues	37.9	39.0		40.9	40.3	
Selling expenses	-3 404	-4 117	21	-13 377	-14 946	12
Administrative expenses	-1 648	-1 582	-4	-6 180	-6 643	7
Research and development cost	-1 003	-884	-12	-3 535	-3 674	4
Other operating income and expenses	353	-3 052	N/M	769	-2 926	N/M
Operating profit	4 136	744	-82	18 655	13 386	-28
% of revenues	15.9	2.8		18.6	13.0	
Financial income	173	144	-17	374	492	32
Financial expenses	-309	-417	35	-1 169	-1 729	48
Net financial items	-136	-274	N/M	-795	-1 237	56
Profit after financial items	4 000	471	-88	17 860	12 150	-32
% of revenues	15.4	1.8		17.8	11.8	
Income tax	-1 188	-558	-53	-4 646	-3 421	-26
Profit for the period, continuing operations	2 812	-87	N/M	13 214	8 728	-34
% of revenues	10.8	-0.3		13.2	8.5	
<i>Discontinued operations</i>						
Revenues	102	15	-85	852	295	-65
Operating result	-261	-61	-77	-552	-204	-63
Profit after financial items	-262	-62	-76	-545	-205	-62
Profit for the period, discontinued operations	-262	-62	-76	-545	-205	-62
<i>Group total</i>						
Revenues	26 070	26 598	2	100 924	103 533	3
Operating profit	3 875	684	-82	18 103	13 182	-27
Profit after financial items	3 738	409	-89	17 315	11 945	-31
Profit for the period, Group total	2 551	-149	N/M	12 669	8 523	-33
OTHER COMPREHENSIVE INCOME						
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/losses on defined benefit pension plans	-997	1 120		-684	-1 638	
Tax relating to items that will not be reclassified	240	-260		163	323	
	-757	859		-522	-1 315	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	-150	-1 638		1 752	1 880	
Cash flow hedges	-9	0		18	20	
Tax relating to items that may be reclassified	2	0		-4	0	
	-157	-1 638		1 766	1 900	
Total other comprehensive income	-914	-779		1 244	585	
Total comprehensive income	1 636	-927		13 914	9 108	
Profit for the period attributable to						
Owners of the parent	2 557	-140		12 679	8 539	
Non-controlling interest	-6	-9		-10	-16	
Total comprehensive income attributable to						
Owners of the parent	1 642	-919		13 924	9 124	
Non-controlling interest	-6	-9		-10	-16	
Earnings per share, SEK						
Continuing operations, basic	2.25	-0.06	N/M	10.54	6.97	-34
Continuing operations, diluted	2.24	-0.06	N/M	10.52	6.96	-34
Group total, basic	2.04	-0.11	N/M	10.11	6.81	-33
Group total, diluted	2.03	-0.11	N/M	10.09	6.79	-33

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

THE GROUP

BALANCE SHEET CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2018	31 DEC 2019
Intangible assets	22 250	20 074
Property, plant and equipment	25 362	25 643
Right-of-use assets	0	3 172
Financial assets	5 664	6 562
Inventories	24 393	24 243
Contract Assets	143	77
Current receivables	21 470	21 885
Cash and cash equivalents	18 089	16 953 ²⁾
Assets held for sale	641	1 815
Total assets	118 011	120 423
Total equity	58 163	61 858
Non-current interest-bearing liabilities	27 788	25 383
Non-current non-interest-bearing liabilities	5 294	3 790
Current interest bearing liabilities	2 375	3 026
Current non-interest-bearing liabilities	23 780	25 486
Liabilities related to assets held for sale	612	880
Total equity and liabilities	118 011	120 423
<i>Group total</i>		
Net working capital ¹⁾	23 447	25 027
Loans	23 868	17 434
Non-controlling interests in total equity	42	14

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

2) Not including Assets held for sale of 34 million SEK

NET DEBT

MSEK	31 DEC 2018	31 DEC 2019
Interest-bearing liabilities excluding pension liabilities	23 928	20 770
Net pension liabilities	5 717	7 348
Cash and cash equivalents	-18 089	-16 987
Net debt	11 557	11 131
Net debt to equity ratio	0.20	0.18

CHANGES IN EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2018	48 694	28	48 722
Net working capital adjustment	-312		-312
Adjusted opening balance	48 381	28	48 409
Change due to IFRS 9 Financial Instruments	-71		-71
Changes in non-controlling interest	-24	24	-
Total comprehensive income for the period	13 914	-10	13 904
Personnel options program	152		152
Hedge of personnel options program	157		157
Dividends	-4 390		-4 390
Closing equity, 31 December 2018	58 120	42	58 162
Opening equity, 1 January 2019	58 120	42	58 162
Changes in non-controlling interest	3	-3	0
Total comprehensive income for the period	9 124	-16	9 108
Personnel options program	-72	-	-72
Other options			
Dividends	-5 331	-9	-5 340
Closing equity, 31 December 2019	61 844	14	61 858

For definitions see home.sandvik.com

THE GROUP

CASH FLOW STATEMENT

MSEK	Q4 2018	Q4 2019	Q1-Q4 2018	Q1-Q4 2019
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	4 000	471	17 860	12 150
Adjustment for depreciation, amortization and impairment loss	914	5 537	4 396	10 067
Other adjustments for non-cash items	-180	-811	108	499
Income tax paid	-746	-1 243	-2 978	-3 598
Cash flow from operations before changes in working capital	3 988	3 953	19 385	19 119
<i>Changes in working capital</i>				
Change in inventories	1 543	1 911	-2 084	400
Change in operating receivables	179	915	-1 394	873
Change in operating liabilities	550	-733	125	-1 821
Cash flow from changes in working capital	2 273	2 093	-3 353	-548
Investments in rental equipment	-234	-274	-825	-911
Proceeds from sales of rental equipment	18	53	146	147
Cash flow from operations	6 044	5 826	15 353	17 807
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash acquired	-141	-389	-4 631	-1 870
Proceeds from sale of companies and shares, net of cash divested	0	37	4 052	95
Investments in tangible assets	-1 046	-1 095	-3 310	-3 472
Proceeds from sale of tangible assets	26	153	210	386
Investments in intangible assets	-175	-221	-611	-664
Proceeds from sale of intangible assets	-30	3	66	42
Other investments, net	-57	-1	-63	-16
Cash flow from investing activities	-1 424	-1 514	-4 286	-5 500
Net cash flow after investing activities	4 621	4 312	11 067	12 307
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-138	286	-856	-8 016
Dividends paid	-0	0	-4 390	-5 340
Cash flow from financing activities	-138	286	-5 247	-13 356
Total cash flow from continuing operations	4 483	4 599	5 820	-1 050
<i>Discontinued operations</i>				
Cash flow from discontinued operations	-133	-43	-438	-138
Cash flow for the period, Group total	4 350	4 556	5 382	-1 188
Cash and cash equivalents at beginning of the period	13 703	12 541	12 724	18 089
Exchange rate differences in cash and cash equivalents	35	-109	-17	86
Cash and cash equivalents at the end of the period	18 089	16 987 *	18 089	16 987 *
<i>Discontinued operations</i>				
Cash flow from operations	-133	-58	-439	-152
Cash flow from investing activities	-0	17	2	16
Cash flow from financing activities	0	-1	-2	-2
Total cash flow discontinued operations	-133	-43	-438	-138
<i>Group Total</i>				
Cash flow from operations	5 912	5 768	14 914	17 654
Cash flow from investing activities	-1 424	-1 497	-4 284	-5 484
Cash flow from financing activities	-138	285	-5 248	-13 358
Group total cash flow	4 350	4 556	5 382	-1 188

* Included assets held for sale of 34 million SEK

For definitions see home.sandvik

THE PARENT COMPANY

INCOME STATEMENT

MSEK	Q1-Q4 2018	Q1-Q4 2019
Revenues	20 141	21 038
Cost of sales and services	-11 103	-10 038
Gross profit	9 038	11 000
Selling expenses	-1 321	-1 259
Administrative expenses	-2 393	-2 724
Research and development costs	-1 492	-1 588
Other operating income and expenses	-1 266	-1 205
Operating profit	2 566	4 224
Income/expenses from shares in Group companies	4 364	11 989
Interest income/expenses and similar items	-576	-310
Profit after financial items	6 354	15 903
Appropriations	-3 138	-82
Income tax expenses	-1 481	-684
Profit for the period	1 735	15 137

BALANCE SHEET

MSEK	31 DEC 2018	31 DEC 2019
Intangible assets	107	85
Property, plant and equipment	7 053	7 089
Financial assets	42 393	54 338
Inventories	3 065	3 229
Current receivables	11 308	12 056
Cash and cash equivalents	3	-
Total assets	63 929	76 797
Total equity	24 831	34 565
Untaxed reserves	3 140	3 222
Provisions	591	770
Non-current interest-bearing liabilities	16 963	15 124
Non-current non-interest-bearing liabilities	907	245
Current interest-bearing liabilities	10 823	15 238
Current non-interest-bearing liabilities	6 674	7 633
Total equity and liabilities	63 929	76 797
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	15 059	15 601
Investments in fixed assets	799	976

For definitions see home.sandvik

MARKET OVERVIEW, THE GROUP

ORDER INTAKE BY REGION

MSEK	Q4 2019	CHANGE *		SHARE	Q1-Q4 2019	CHANGE *		SHARE
		%	% ¹⁾	%		%	% ¹⁾	%
THE GROUP								
Europe	8 433	-19	-13	33	37 230	-8	-7	36
North America	6 190	-0	-18	25	24 313	1	-6	23
South America	1 241	-2	-2	5	5 288	5	5	5
Africa/Middle East	2 285	3	3	9	9 546	4	4	9
Asia	5 059	2	2	20	19 859	-3	-3	19
Australia	1 970	12	12	8	7 841	21	21	8
Total Continuing Operations ²⁾	25 179	-6	-8	100	104 075	-2	-3	100
Discontinued Operations	1	N/M	N/M		71	-0	-0	
Group total	25 179	-6	-8		104 147	-2	-3	
SANDVIK MACHINING SOLUTIONS								
Europe	5 232	-12	-12	53	22 089	-8	-8	54
North America	2 273	-11	-11	23	9 615	-1	-1	23
South America	199	-1	-1	2	839	0	0	2
Africa/Middle East	81	-7	-7	1	326	-0	-0	1
Asia	1 975	-7	-7	20	8 028	-9	-9	20
Australia	60	-9	-9	1	266	-7	-7	1
Total	9 820	-10	-10	100	41 163	-6	-6	100
SANDVIK MINING AND ROCK TECHNOLOGY								
Europe	1 623	-28	-11	15	6 717	-9	-3	15
North America	1 942	-23	-23	18	8 682	-10	-10	20
South America	937	-7	-7	9	4 107	4	4	9
Africa/Middle East	1 908	1	1	18	8 201	3	3	18
Asia	2 384	10	10	22	9 175	2	2	21
Australia	1 892	13	13	18	7 497	23	23	17
Total continuing operations ²⁾	10 685	-7	-3	100	44 379	1	2	100
Discontinued Operations	1	N/M	N/M		71	-0	-0	
Total	10 686	-7	-3		44 450	1	2	
SANDVIK MATERIALS TECHNOLOGY								
Europe	1 507	-30	-20	36	8 148	-7	-11	49
North America	1 799	84	-27	43	5 204	29	-10	32
South America	90	64	64	2	271	37	37	2
Africa/Middle East	77	11	11	2	257	-16	-16	2
Asia	656	2	2	16	2 522	-7	-7	15
Australia	16	-20	-20	0	73	-1	-1	0
Total	4 144	6	-16	100	16 475	2	-9	100

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

²⁾ Includes rental fleet order intake in Q4 of 242 million SEK and for FY19 894 million SEK recognized according to IFRS 16.

N/M = not meaningful

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

REVENUES BY REGION

MSEK	CHANGE *			CHANGE *		
	Q4 2019	%	SHARE	Q1-Q4 2019	%	SHARE
THE GROUP						
Europe	9 552	-6	36	37 928	-2	37
North America	5 790	-3	22	23 601	1	23
South America	1 360	3	5	5 267	7	5
Africa/Middle East	2 541	0	10	9 595	2	9
Asia	5 265	-4	20	19 855	-2	19
Australia	2 075	17	8	6 992	6	7
Total Continuing Operations ¹⁾	26 583	-2	100	103 238	-0	100
Discontinued Operations	15	-85		295	-66	
Group total	26 598	-3		103 533	-1	
SANDVIK MACHINING SOLUTIONS						
Europe	5 247	-12	53	22 102	-7	54
North America	2 249	-7	23	9 571	1	23
South America	196	1	2	838	-1	2
Africa/Middle East	87	16	1	341	3	1
Asia	2 003	-10	20	8 002	-9	19
Australia	62	-8	1	269	-6	1
Total	9 844	-10	100	41 123	-6	100
SANDVIK MINING AND ROCK TECHNOLOGY						
Europe	1 991	0	16	6 989	2	16
North America	2 410	-3	20	9 617	1	21
South America	1 093	3	9	4 154	8	9
Africa/Middle East	2 175	-3	18	8 181	1	18
Asia	2 535	8	21	9 188	6	21
Australia	1 993	18	16	6 648	7	15
Total continuing operations ¹⁾	12 197	3	100	44 777	4	100
Discontinued Operations	15	-85		295	-66	
Total	12 212	3		45 072	2	
SANDVIK MATERIALS TECHNOLOGY						
Europe	2 244	4	56	8 562	6	56
North America	953	15	24	3 601	2	24
South America	55	10	1	205	16	1
Africa/Middle East	59	22	1	311	-5	2
Asia	683	-21	17	2 531	-7	17
Australia	17	-0	0	69	7	0
Total	4 013	1	100	15 279	3	100

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

¹⁾ Includes rental fleet revenues in Q4 of 273 million SEK and for FY19 1,099 million SEK recognized according to IFRS 16.

THE GROUP

ORDER INTAKE BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	CHANGE		Q1-Q4
	2018	2018	2018	2018	2018	2019	2019	2019	2019	%	%*	2019
Sandvik Machining Solutions	10 287	10 403	10 047	10 357	41 094	11 105	10 629	9 609	9 820	-5	-10	41 163
Sandvik Mining and Rock Technology	9 832	10 986	10 036	10 988	41 842	11 369	11 318	11 006	10 685	-3	-7	44 379
Sandvik Materials Technology	3 935	4 469	3 677	3 817	15 898	4 930	3 535	3 867	4 144	9	6	16 475
Other Operations	1 365	1 343	432	465	3 605	471	549	510	529	14	8	2 059
Continuing operations	25 419	27 201	24 192	25 627	102 440	27 873	26 031	24 992	25 179	-2	-6	104 075
Discontinued operations	57	-1	16	-3	70	39	27	5	1	N/M	N/M	71
Group Total	25 476	27 201	24 209	25 624	102 510	27 912	26 058	24 997	25 179	-2	-6	104 147

REVENUES BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	CHANGE		Q1-Q4
	2018	2018	2018	2018	2018	2019	2019	2019	2019	%	%*	2019
Sandvik Machining Solutions	9 859	10 391	10 100	10 406	40 757	10 679	10 674	9 927	9 844	-5	-10	41 123
Sandvik Mining and Rock Technology	8 926	10 471	10 406	11 254	41 058	10 103	11 233	11 244	12 197	8	3	44 777
Sandvik Materials Technology	3 640	3 871	3 344	3 842	14 697	3 773	4 011	3 482	4 013	4	1	15 279
Other Operations	1 260	1 403	432	465	3 560	471	549	510	529	14	8	2 059
Continuing operations	23 685	26 136	24 283	25 968	100 072	25 025	26 467	25 163	26 583	2	-2	103 238
Discontinued operations	296	298	156	102	852	155	100	25	15	-85	-85	295
Group Total	23 981	26 434	24 438	26 070	100 924	25 180	26 567	25 188	26 598	2	-3	103 533

OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	CHANGE		Q1-Q4
	2018	2018	2018	2018	2018	2019	2019	2019	2019	%	%*	2019
Sandvik Machining Solutions	2 555	2 782	2 543	2 041	9 922	2 654	2 483	1 244	2 000		-2	8 380
Sandvik Mining and Rock Technology	1 422	1 867	1 993	2 170	7 452	1 817	2 126	2 014	2 645		22	8 602
Sandvik Materials Technology	352	512	230	212	1 307	307	585	-52	604		N/M	1 444
Other Operations	82	70	557	-50	659	-45	85	-8	-4 295		N/M	-4 263
Group activities	-140	-188	-119	-237	-685	-166	-200	-202	-209		-12	-776
Continuing operations	4 271	5 043	5 205	4 136	18 655	4 567	5 078	2 996	744		-82	13 386
Discontinued operations	-23	-111	-158	-261	-552	-43	-67	-33	-61		-77	-204
Group Total ¹⁾	4 248	4 932	5 047	3 875	18 103	4 524	5 012	2 963	684		-82	13 182

OPERATING MARGIN BY BUSINESS AREA

%	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	
	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019	
Sandvik Machining Solutions	25.9	26.8	25.2	19.6	24.3	24.9	23.3	12.5	20.3	20.4	
Sandvik Mining and Rock Technology	15.9	17.8	19.2	19.3	18.2	18.0	18.9	17.9	21.7	19.2	
Sandvik Materials Technology	9.7	13.2	6.9	5.5	8.9	8.1	14.6	-1.5	15.0	9.4	
Other Operations	6.5	5.0	N/M	-10.8	18.5	-9.5	15.4	-1.6	N/M	N/M	
Continuing operations	18.0	19.3	21.4	15.9	18.6	18.3	19.2	11.9	2.8	13.0	
Discontinued operations	-7.6	-37.2	N/M	N/M	-64.8	-28.1	-66.6	N/M	N/M	-69.1	
Group Total ¹⁾	17.7	18.7	20.7	14.9	17.9	18.0	18.9	11.8	2.6	12.7	

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

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

N/M = Non-meaningful.

THE GROUP

ADJUSTED OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	CHANGE %	Q1-Q4 2019
Sandvik Machining Solutions	2 555	2 782	2 543	2 480	10 361	2 654	2 483	2 173	2 000	-19	9 310
Sandvik Mining and Rock Technology	1 422	1 867	1 993	2 260	7 542	1 817	2 126	2 338	2 630	16	8 911
Sandvik Materials Technology	352	537	230	212	1 331	307	585	236	659	N/M	1 787
Other Operations	82	70	-61	-50	41	-45	-26	-8	-62	-23	-140
Group activities	-140	-188	-119	-237	-685	-166	-200	-122	-161	32	-649
Continuing operations	4 271	5 067	4 587	4 665	18 590	4 567	4 968	4 617	5 066	9	19 219
Discontinued operations	-23	-111	-158	-261	-552	-43	-67	-33	-61	-77	-204
Group Total ¹⁾	4 248	4 957	4 429	4 404	18 038	4 524	4 901	4 584	5 005	14	19 015

ADJUSTED OPERATING MARGIN BY BUSINESS AREA

%	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019
Sandvik Machining Solutions	25.9	26.8	25.2	23.8	25.4	24.9	23.3	21.9	20.3	22.6
Sandvik Mining and Rock Technology	15.9	17.8	19.2	20.1	18.4	18.0	18.9	20.8	21.6	19.9
Sandvik Materials Technology	9.7	13.9	6.9	5.5	9.1	8.1	14.6	6.8	16.4	11.7
Other Operations	6.5	5.0	-14.2	-10.8	1.1	-9.5	-4.7	-1.6	-11.6	-6.8
Continuing operations	18.0	19.4	18.9	18.0	18.6	18.3	18.8	18.3	19.1	18.6
Discontinued operations	-7.6	-37.2	N/M	N/M	-64.8	-28.1	-66.6	N/M	N/M	-69.1
Group Total ¹⁾	17.7	18.8	18.1	16.9	17.9	18.0	18.4	18.2	18.8	18.4

ITEMS AFFECTING COMPARABILITY

MSEK	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1-Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1-Q4 2019
Sandvik Machining Solutions	0	0	0	-439	-439	0	0	-930	-0	-930
Sandvik Mining and Rock Technology	0	0	0	-90	-90	0	0	-323	14	-309
Sandvik Materials Technology	0	-24	0	-0	-24	0	0	-288	-56	-343
Other Operations	0	0	618	0	618	0	110	0	-4 233	-4 123
Group activities	0	0	0	0	0	0	0	-80	-47	-127
Continuing operations	0	-24	618	-529	65	0	110	-1 621	-4 322	-5 832
Discontinued operations	0	0	0	0	0	0	0	-0	0	0
Group Total ¹⁾	0	-24	618	-529	65	0	110	-1 621	-4 322	-5 832

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

N/M = Non-meaningful.

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

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

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

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

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

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

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

KEY FIGURES

CONTINUING OPERATIONS	Q4 2018	Q4 2019	Q1-Q4 2018	Q1-Q4 2019
Tax rate, %	29.7	118.5	26.0	28.2
Return on capital employed, % ¹⁾	19.7	3.9	22.7	15.2
Return on total equity, % ¹⁾	19.6	-0.6	24.3	14.2
Return on total capital, % ¹⁾	14.9	2.9	16.9	11.4
Shareholders' equity per share, SEK	46.3	49.3	46.3	49.3
Net debt/equity ratio	0.20	0.18	0.20	0.18
Net debt/EBITDA	0.66	0.62	0.66	0.62
Equity/assets ratio, %	50	51	50	51
Net working capital, % ¹⁾	23.5	24.8	24.0	25.2
Earnings per share, basic, SEK	2.25	-0.06	10.54	6.97
Earnings per share diluted, SEK	2.24	-0.06	10.52	6.96
EBITDA, MSEK	5 050	6 281	23 051	23 454
Cash flow from operations, MSEK	6 044	5 826	15 353	17 807
Funds from operations (FFO), MSEK	3 988	3 953	19 385	19 119
Interest coverage ratio, %	1 291	947	1 658	1 106
Number of employees	41 670	40 235	41 670	40 235

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

GROUP TOTAL	Q4 2018	Q4 2019	Q1-Q4 2018	Q1-Q4 2019
Tax rate, %	31.8	136.4	26.8	28.6
Return on capital employed, % ¹⁾	18.5	3.6	22.0	15.0
Return on total equity, % ¹⁾	17.8	-1.0	23.3	13.9
Return on total capital, % ¹⁾	13.9	2.7	16.3	11.2
Shareholders' equity per share, SEK	46.3	49.3	46.3	49.3
Net debt/equity ratio	0.20	0.18	0.20	0.18
Net debt/EBITDA	0.67	0.62	0.67	0.62
Equity/assets ratio, %	49	51	49	51
Net working capital, % ¹⁾	23.7	24.9	24.1	25.3
Earnings per share, basic, SEK	2.04	-0.11	10.11	6.81
Earnings per share diluted, SEK	2.03	-0.11	10.09	6.79
EBITDA, MSEK	4 792	6 229	22 510	23 260
Cash flow from operations, MSEK	5 912	5 768	14 914	17 654
Funds from operations (FFO), MSEK	3 794	3 866	18 791	18 865
Interest coverage ratio, %	1 226	924	1 618	1 091
Number of employees	41 705	40 246	41 705	40 246
No. of shares outstanding at end of period ('000)	1 254 386	1 254 386	1 254 386	1 254 386
Average no. of shares	1 254 386	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

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

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

DISCLAIMER STATEMENT

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

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

DIVIDEND PROPOSAL FOR THE AGM 2020

The Annual General Meeting will be held in Sandviken, Sweden, on 28 April 2020 at 15.00 CET. The Board of Directors proposes a dividend of 4.50 SEK per share (4.25), or a total of 5,645 million SEK (5,331) for 2019. The proposal corresponds to 41% (43) of Sandvik Group total's adjusted earnings per share.

The proposed record date to receive dividends is 30 April 2020. Assuming the general meeting accepts the dividend proposal the date to receive dividends is 6 May 2020.

Stockholm 21 January 2020
Sandvik Aktiebolag (publ)

The Board of Directors

The Company's Auditor has not reviewed the report for the full year of 2019.

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 about 08.00 CET on 21 January 2020.

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

A webcast and teleconference will be held on 21 January 2020 at 10.00 CET.

Information is available at home.sandvik/ir

CALENDAR

13 March 2020	Preliminary date for publishing of Annual Report 2019
20 April 2020	Report, first quarter 2020
28 April 2020	Annual General Meeting in Sandviken, Sweden
30 April 2020	Proposed record date to receive dividends
6 May 2020	Proposed date to receive dividends
20 July 2020	Report, second quarter 2020
16 October 2020	Report, third quarter 2020
3 November 2020	Capital Markets Day in Austria

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