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SUMMARY

DEMAND ON HIGH LEVEL

• LARGE O&G ORDERS IN SMT

RECORD-HIGH Q3 EARNINGS AND MARGIN AT 18.9%

STRONG CASH FLOW
### MARKET DEVELOPMENT

<table>
<thead>
<tr>
<th>Region</th>
<th>% of Group Revenue FY17</th>
<th>Y/Y Order Intake</th>
<th>Sequential Underlying Demand Trend (Q2/Q3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROPE</td>
<td>39%</td>
<td>+10%</td>
<td>→</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>21%</td>
<td>+14%</td>
<td>→</td>
</tr>
<tr>
<td>ASIA</td>
<td>20%</td>
<td>+10%</td>
<td>→</td>
</tr>
<tr>
<td>AFRICA/MIDDLE EAST</td>
<td>9%</td>
<td>-16%</td>
<td>→</td>
</tr>
<tr>
<td>SOUTH AMERICA</td>
<td>5%</td>
<td>+3%</td>
<td>→</td>
</tr>
<tr>
<td>AUSTRALIA</td>
<td>6%</td>
<td>+27%</td>
<td>→</td>
</tr>
</tbody>
</table>

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SANDVIK: Interim Report on the third quarter 2018
ORDER INTAKE
LARGE ORDERS IN SMT

REPORTED

P/V

MSEK

24 192

9%

ORDER INTAKE
LARGE ORDERS IN SMT

REPORTED

P/V

MSEK

24 283

10%

REVENUES
SUPPORT FROM ALL BUSINESS AREAS

REPORTED

P/V

MSEK

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EBIT DEVELOPMENT

EBIT ADJUSTED

+37%

4 587 MSEK

• ~25% GROWTH EXCLUDING FX, STRUCTURE AND METALS

• SUPPORTED BY STRONG REVENUE GROWTH

EBIT % ADJUSTED

18.9

Comments and numbers refer to continuing operations unless otherwise stated. Numbers have been restated to IFRS 15 where applicable.
SANDVIK MACHINING SOLUTIONS

STRONG DEMAND
- Positive development in all major regions
- All segments strong barring for automotive which remained stable across major regions

RECORD HIGH Q3 EARNINGS AND MARGIN
- Supported primarily by revenue growth, FX and some stock build-up
- Earnings grew by 14% excl. FX and structure; implying a 24.5% margin

IMTS AWARD: COROMANT SILENT TOOLS™ PLUS

ORDER INTAKE
- 8 450
- 9 942
- +8%*

REVENUES
- 8 487
- 9 990
- +7%*

OPERATING PROFIT
- 1 949
- 2 536
- +30%

% OF REVENUES
- 23.0%
- 25.4%

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORDER INTAKE</td>
<td>8 450</td>
<td>9 942</td>
<td>+8%*</td>
</tr>
<tr>
<td>REVENUES</td>
<td>8 487</td>
<td>9 990</td>
<td>+7%*</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>1 949</td>
<td>2 536</td>
<td>+30%</td>
</tr>
</tbody>
</table>

*Adjusted for items affecting comparability

ROCE: EBIT adj. annualized, CE 1Q avg.
SANDVIK MINING AND ROCK TECHNOLOGY

ROBUST UNDERLYING MARKET
- Strong growth in the aftermarket business
- Equipment overall stable on tough comparables in the year-earlier period

SIGNIFICANT EARNINGS/MARGIN IMPROVEMENT
- Earnings primarily supported by significant revenue growth and some stock build-up
- Implied margin of 18.6% excluding FX

M&A
- Inrock acquired
- Varel in process of being divested; about -1%-ppts on margin in Q3

<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORDER INTAKE</td>
<td>9 191</td>
<td>10 468</td>
<td>+8%*</td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td>8 974</td>
<td>10 838</td>
<td>+14%*</td>
<td></td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>1 471</td>
<td>1 966</td>
<td>+34%</td>
<td></td>
</tr>
<tr>
<td>% OF REVENUES</td>
<td>16.4%</td>
<td>18.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*At fixed exchange rates for comparable units

EBIT & ROCE DEVELOPMENT

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Adjusted for items affecting comparability
ROCE: EBIT adj., annualized, CE 1Q avg.
SANDVIK MATERIALS TECHNOLOGY

STRONG RECOVERY IN SHORT-CYCLE BUSINESS
- Most notable improvement for core- and standard tubular offering
- Order growth +17% excl. large orders
- Larger energy orders of 480 MSEK, some initial signs of improved market sentiment

UNDERLYING MARGIN IMPROVEMENT
- Supported by strong revenue growth
- Significant support from on-going efficiency measures

<table>
<thead>
<tr>
<th></th>
<th>MSEK</th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORDER INTAKE</td>
<td>3 045</td>
<td>3 782</td>
<td>+22%*</td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td>2 955</td>
<td>3 454</td>
<td>+16%</td>
<td></td>
</tr>
<tr>
<td>OP. PROFIT</td>
<td>-64</td>
<td>237</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>% OF REVENUES</td>
<td>-2.2%</td>
<td>6.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNDERLYING MARGIN³</td>
<td>0.0%</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹Adjusted for items affecting comparability
²ROCE: EBIT adj. annualized, CE 1Q avg.
³EBIT adj. for items affecting comparability and metal prices

EBIT & ROCE DEVELOPMENT

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## FINANCIAL SUMMARY Q3 AND YTD

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2018</th>
<th>CHANGE %</th>
<th>Q1-3 2017</th>
<th>Q1-3 2018</th>
<th>CHANGE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORDER INTAKE</td>
<td>21 888</td>
<td>24 192</td>
<td>+9¹</td>
<td>71 337</td>
<td>76 812</td>
<td>+9¹</td>
</tr>
<tr>
<td>REVENUES</td>
<td>21 608</td>
<td>24 283</td>
<td>+10¹</td>
<td>66 898</td>
<td>74 104</td>
<td>+12¹</td>
</tr>
<tr>
<td>ADJUSTED OPERATING PROFIT</td>
<td>3 338</td>
<td>4 587</td>
<td>+37</td>
<td>10 550</td>
<td>13 925</td>
<td>+32</td>
</tr>
<tr>
<td>% OF REVENUES</td>
<td>15.4</td>
<td>18.9</td>
<td></td>
<td>15.8</td>
<td>18.8</td>
<td></td>
</tr>
<tr>
<td>FINANCE NET</td>
<td>-193</td>
<td>-140</td>
<td>-28</td>
<td>-806</td>
<td>-659</td>
<td>-18</td>
</tr>
<tr>
<td>UNDERLYING TAX RATE</td>
<td>25.6</td>
<td>26.1</td>
<td></td>
<td>26.9</td>
<td>26.3</td>
<td></td>
</tr>
<tr>
<td>NWC %²</td>
<td>25.3</td>
<td>27.2</td>
<td></td>
<td>24.4</td>
<td>24.1</td>
<td></td>
</tr>
<tr>
<td>CASH FLOW³</td>
<td>+3 726</td>
<td>+4 679</td>
<td>+26</td>
<td>+10 010</td>
<td>+8 983</td>
<td>-10</td>
</tr>
<tr>
<td>ROCE %³</td>
<td>18.0</td>
<td>24.6</td>
<td></td>
<td>17.6</td>
<td>28.2</td>
<td></td>
</tr>
<tr>
<td>ADJUSTED EPS CONT. OPS.</td>
<td>1.87</td>
<td>2.62</td>
<td>+40</td>
<td>5.69</td>
<td>7.81</td>
<td>+37</td>
</tr>
</tbody>
</table>

¹ At fixed exchange rates for comparable units
² Quarterly calculation i.e. annualized adj. EBIT or revenues and 1Q average CE or NWC
³ Cash flow before acquisitions and disposals, financial items and taxes

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## BRIDGE ANALYSIS

### SANDVIK GROUP

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Q3 2017</th>
<th>PRICE/ VOLUME/ PRODUCTIVITY</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>21 608</td>
<td>2 125</td>
<td>+1 390</td>
<td>-840</td>
<td>24 283</td>
</tr>
<tr>
<td>ADJUSTED EBIT</td>
<td>3 338</td>
<td>839</td>
<td>+381</td>
<td>+29</td>
<td>4 587</td>
</tr>
<tr>
<td>ADJUSTED EBIT MARGIN</td>
<td>15.4%</td>
<td>39%</td>
<td>-</td>
<td>-</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

**MARGIN ACCRETION / DILUTION**

- +2.2%
- +0.5%
- +0.8%

- Includes metal price effects within Sandvik Materials Technology of +171 MSEK in alloy surcharges on revenues and +103 MSEK in metal price effect on EBIT (-64 Q3 2017 vs. +39 Q3 2018). Structure -1 191 MSEK topline and -151 MSEK for EBIT for Other operations (SPS & Hyperion). Structure SMT -147 MSEK on topline and +17 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +249 MSEK on topline and +51 MSEK on EBIT (Hyperion & Metrologic Group). Structure +78 MSEK SMRT on topline and +9 MSEK on EBIT for Inrock.

**GROUP LEVERAGE:**

+39%
**REPORTED AND UNDERLYING TAX RATE**

<table>
<thead>
<tr>
<th></th>
<th>Q3 2018</th>
<th>Q1-3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPORTED</td>
<td>22.5</td>
<td>24.9</td>
</tr>
<tr>
<td>EXCL. CAPITAL GAIN HYPERION (UNDERLYING RATE)</td>
<td>26.1</td>
<td>26.3</td>
</tr>
</tbody>
</table>

TAX RATE 26-28% STILL VALID FOR 2018

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FREE OPERATING CASH FLOW

MSEK

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>4 832</td>
<td>6 339</td>
</tr>
<tr>
<td>Non-cash items</td>
<td>447</td>
<td>-806</td>
</tr>
<tr>
<td>NWC change</td>
<td>-651</td>
<td>+220</td>
</tr>
<tr>
<td>Capex*</td>
<td>-902</td>
<td>-1 075</td>
</tr>
<tr>
<td>FOCF**</td>
<td>3 726</td>
<td>4 679</td>
</tr>
</tbody>
</table>

*Including investments and disposals in rental, tangible and intangible assets
**Cash flow before acquisitions and disposals, financial items and taxes

*Adjusted for items affecting comparability

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FINANCIAL NET DEBT

- NET GEARING AT LOW 0.27
- NET DEBT INCREASED ONLY BY ~0.7 BSEK FROM M&A
OUTCOME AND GUIDANCE

Q3 2018
Underlying currency effect (MSEK): +608 (~650)
Total currency effect (MSEK): +381
Metal price effect in quarter (MSEK): +39 (~100)

Q4 2018
Underlying currency effect (MSEK): ~400*
Metal price effect in quarter (MSEK): -100**

FULL YEAR 2018
Capex (BSEK): ~4 (Q3: 1.1; YTD: 2.7)
Net financial items (BSEK): ~1 (Q3: 0.14; YTD: 0.66)
Underlying tax rate (%): ~26-28 (Q3: 26.1; YTD: 26.3)

*Based on currency rates end of September 2018
**Based on currency rates, stock levels and metal prices at the end of September 2018

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SUMMARY

DEMAND ON A HIGH LEVEL

RECORD Q3 WITH STRONG BALANCE SHEET

AWARD-WINNING PRODUCTS & SUSTAINABILITY RECOGNITION
  — IMTS AWARD: COROMANT SILENT TOOLS™ PLUS
  — INCLUSION IN DOW JONES SUSTAINABILITY INDEX

CAPITAL MARKETS DAY 21-22 MAY 2019 IN FINLAND
BACK-UP SLIDES
MINING
(31%)

ENERGY
(11%)

GENERAL
ENGINEERING
(24%)

CONSTRUCTION
(11%)

AUTOMOTIVE
(13%)

AEROSPACE
(6%)

END-CUSTOMER SEGMENTS
(\% of group revenues 2017 excl. Mining systems; Other e.g. consumer goods, electronics, chemical and miscellaneous was 4\%)

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PROFITABILITY DEVELOPMENT

EBIT Q3 17

<table>
<thead>
<tr>
<th>Component</th>
<th>Change</th>
<th>Adjusted EBIT Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORGANIC GROWTH</td>
<td>839</td>
<td>15.4%</td>
</tr>
<tr>
<td>CURRENCY</td>
<td>+381</td>
<td></td>
</tr>
<tr>
<td>METAL PRICE EFFECT SMT</td>
<td>+103</td>
<td></td>
</tr>
<tr>
<td>STRUCTURE</td>
<td>-74</td>
<td></td>
</tr>
<tr>
<td>EBIT Q3 18</td>
<td>4,587</td>
<td>18.9%</td>
</tr>
</tbody>
</table>

GROUP LEVERAGE: +39%

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SANDVIK: Interim Report on the third quarter 2018
# Bridge Analysis

<table>
<thead>
<tr>
<th></th>
<th>Q3 2017</th>
<th>PRICE/VOLUME/PAYOFF</th>
<th>CURRENCY</th>
<th>STRUCTURE ONE-OFFS*</th>
<th>Q3 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MACHINING SOLUTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>8 487</td>
<td>577</td>
<td>+677</td>
<td>+249</td>
<td>9 990</td>
</tr>
<tr>
<td>EBIT</td>
<td>1 949</td>
<td>274</td>
<td>+262</td>
<td>+51</td>
<td>2 536</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>23.0%</td>
<td>+47%</td>
<td>-</td>
<td>-</td>
<td>25.4%</td>
</tr>
<tr>
<td><strong>MINING AND ROCK TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>8 974</td>
<td>1 250</td>
<td>+536</td>
<td>+78</td>
<td>10 838</td>
</tr>
<tr>
<td>EBIT</td>
<td>1 471</td>
<td>434</td>
<td>+52</td>
<td>+9</td>
<td>1 966</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>16.4%</td>
<td>+35%</td>
<td>-</td>
<td>-</td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>MATERIALS TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>2 955</td>
<td>298</td>
<td>+177</td>
<td>+24</td>
<td>3 454</td>
</tr>
<tr>
<td>Adjusted EBIT</td>
<td>-64</td>
<td>133</td>
<td>+48</td>
<td>+120</td>
<td>237</td>
</tr>
<tr>
<td>Adjusted EBIT Margin</td>
<td>-2.2%</td>
<td>+45%</td>
<td>-</td>
<td>-</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

*Includes metal price effects within Sandvik Materials Technology of +171 MSEK in alloy surcharges on revenues and +103 MSEK in metal price effect on EBIT (-64 Q3 2017 vs. +39 Q3 2018). Structure SMT -147 MSEK topline and +17 MSEK on EBIT (Wire, Custom Electric Manufacturing). Structure SMS +249 MSEK topline and +51 MSEK EBIT (Metrologic group 122 MSEK topline, 51 MSEK EBIT; Hyperion 127 MSEK topline). Structure SMRT Inrock; topline 78 MSEK, EBIT 9 MSEK.

SANDVIK: Interim Report on the third quarter 2018

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OTHER OPERATIONS

ALL BUSINESSES DIVESTED

- Capital gain of 618 MSEK booked in Q3
  - VAT provision -130 MSEK
- Project related costs as well as some operational cost amounted to -34 MSEK
- Hyperion now an external customer to SMS, adding 127 MSEK on topline
  - Reported as structure in Q3
## Loan and Duration Profile

### Long Term

- US Private Placement: 3,309 MSEK for 3 years
- Fin institutions, EIB, NIB: 1,470 MSEK for 5 years
- Swedish MTN: 5,648 MSEK for 3 years
- European MTN: 11,304 MSEK for 8 years
- Bank loans: 148 MSEK for 1 year
- Share swap: -

### Short Term

- US Private Placement: 1,764 MSEK for 8 months
- Fin institutions, EIB, NIB: 368 MSEK for 0 months
- Bank loans: 177 MSEK for 8 months

### Cash Position and Revolving Credit Facilities

- Cash position: 13,703 MSEK
- Revolving Credit facilities: 9,100 MSEK

### Total

- Total amount: 24,187 MSEK for 5 years

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LOAN MATURITY PROFILE

AVERAGE INTEREST RATE: ~4%

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## GUIDANCE

<table>
<thead>
<tr>
<th><strong>CAPEX</strong></th>
<th>Estimated at about 4 BSEK for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENCY EFFECTS</strong></td>
<td>Given currency rates at end of September 2018 the effect on operating profit from transaction and translation would be +400 MSEK for Q4 2018</td>
</tr>
<tr>
<td><strong>METAL PRICE EFFECTS</strong></td>
<td>Given currency rates, stock levels and metal prices at the end of September 2018, it is estimated that effect on operating profit in Q4 2018 will be -100 MSEK</td>
</tr>
<tr>
<td><strong>NET FINANCIAL ITEMS</strong></td>
<td>Net financial items is estimated to be about 1 BSEK for 2018</td>
</tr>
<tr>
<td><strong>TAX RATE</strong></td>
<td>The underlying tax rate is estimated to about 26-28% for 2018</td>
</tr>
</tbody>
</table>
DISCLAIMER STATEMENT

“Some statements herein are forward-looking and the actual outcome could be materially different. In addition to the factors explicitly commented upon, the actual outcome could be materially affected by other factors for example, the effect of economic conditions, exchange-rate and interest-rate movements, political risks, impact of competing products and their pricing, product development, commercialisation and technological difficulties, supply disturbances, and the major customer credit losses.”