

INTERIM REPORT SECOND QUARTER

AND FIRST SIX MONTHS 2018



RECORD QUARTER

CEO'S COMMENT: "On the back of increased demand in all three major geographical regions stemming from positive development in all customer segments, we reported record-high orders and revenues for the second quarter of 2018.

The high activity level in combination with a sustained focus on efficiency resulted in both adjusted operating profit and the operating margin of 19.4% reaching all-time-high levels. I am pleased with the development in the period," says Björn Rosengren, President and CEO of Sandvik.

"All three business areas reported positive growth in orders and revenues, for a total book-to-bill of 104%. Sandvik Machining Solutions reported high customer activity in all segments. Like in the earlier-year period Sandvik Materials Technology received a major order related to the energy segment, supporting long-term deliveries for the business area. I am also pleased to note strong progress in demand for our technology-leading automation offering in Sandvik Mining and Rock Technology, exemplified by a strategic framework agreement in place with Resolute Mining to fully automate a large-scale gold mine in Africa."

"Free operating cash flow of 2.2 billion SEK (2.6) was positively impacted by strong development in operating profit. However, this was more than offset by a seasonal build-up of net working capital to support future deliveries. The balance sheet was strengthened compared with the year-earlier period with net gearing at 0.34 (0.71). I am pleased that our strong operational

performance and financial position was acknowledged by S&P Global Ratings, which revised its outlook for Sandvik AB to positive from stable. At the same time, the credit rating BBB+ was confirmed."

"We made further progress in consolidating the business portfolio as we announced the divestment of the stainless wire business in Sandvik Materials Technology, completing the full scope of the exit plan for the welding and stainless wire operations. This was in addition to Sandvik Materials Technology exiting the Fagersta Stainless joint venture, previously jointly owned with Outokumpu. In parallel, we are focusing on growth in our core operations. Sandvik Machining Solutions acquired the French software company Metrologic Group, a market leader in agnostic metrology software. This marked the first significant step toward an increased offering in digital manufacturing and facilitates broader coverage of the overall manufacturing value chain, now also including the post-machining process.

Shortly after the close of the second quarter, we announced the closing of the divestment of Hyperion. Additionally, we communicated the acquisition of Inrock, a leading supplier of rock-drilling tools and services for Horizontal Directional Drilling (HDD) in North America focusing on infrastructure applications. We have also decided to review the strategic options for Sandvik Drilling and Completions."

FINANCIAL OVERVIEW, MSEK	Q2 2017 *	Q2 2018	CHANGE %	Q1-Q2 2017*	Q1-Q2 2018	CHANGE %
Continuing operations						
Order intake ¹⁾	24 533	27 201	+12	49 449	52 620	+9
Revenues ¹⁾	23 532	26 136	+12	45 290	49 822	+13
Gross profit	9 374	11 183	+19	18 278	20 899	+14
% of revenues	39.8	42.8		40.4	41.9	
Operating profit	3 268	5 043	+54	6 763	9 314	+38
% of revenues	13.9	19.3		14.9	18.7	
Adjusted operating profit ⁴⁾	3 718	5 067	+36	7 213	9 338	+29
% of revenues	15.8	19.4		15.9	18.7	
Profit after financial items	3 043	4 777	+57	6 149	8 795	+43
% of revenues	12.9	18.3		13.6	17.7	
Profit for the period	2 182	3 521	+61	4 453	6 474	+45
% of revenues	9.3	13.5		9.8	13.0	
of which shareholders' interest	2 190	3 519	+61	4 461	6 472	+45
Earnings per share, SEK ²⁾	1.75	2.81	+61	3.56	5.16	+45
Adjusted earnings per share, SEK ²⁾	2.01	2.82		3.82	5.17	
Return on capital employed, % ³⁾	17.0	24.4		16.6	26.5	
Cash flow from operations	+2 493	+2 179	-13	+5 696	+3 909	-31
Net working capital, % ³⁾	23.2	24.2		25.4	24.1	
Discontinued operations						
Profit for the period	19	-105	N/M	9	-125	N/M
Earnings per share, SEK ²⁾	0.01	-0.09	N/M	0.0	-0.10	N/M
Group Total						
Profit for the period	2 201	3 416	+55	4 462	6 349	+42
Earnings per share, SEK ²⁾	1.76	2.72	+55	3.56	5.06	+42
Adjusted earnings per share, SEK ²⁾	2.02	2.74		3.83	5.07	

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

2) Earnings per share after impact from dilution in continuing operations Q2 2018 is 2.80 SEK (1.74) and for Group total 2.72 SEK (1.76). For the first six months 2018 it is in continuing operations 5.15 SEK (3.55) and Group total 5.05SEK (3.56).

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

4) Operating profit adj. for items affecting comparability of -24 million SEK in Q2 2018 compared to -450 million SEK in Q2 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

N/M = non meaningful

MARKET DEVELOPMENT AND EARNINGS

GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	+12	+12
Structure, %	-2	-2
Currency, %	+1	+1
TOTAL, %	+11	+11

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

In the second quarter both order intake and revenues improved at a double-digit pace year-on-year, increasing 12%. A strongly positive development was reported in all three business areas and book-to-bill amounted to 104%. Sandvik Machining Solutions reported organic order growth of 8%. In Sandvik Mining and Rock Technology, orders improved organically by 15%. Sandvik Materials Technology reported an increase in orders of 17%. However, excluding the impact of major orders in both the second quarter of 2018 (517 million SEK) and in the second quarter of 2017 (980 million SEK), organic order growth in Sandvik Materials Technology amounted to 37%.

Orders increased significantly in all the three major regions. Asia improved by 17% and Europe by 16%. North America increased by 8% on a reported basis, although excluding large orders growth amounted to 19%.

The underlying customer activity was high in all customer segments and in all regions.

Changed exchange rates had a positive impact of 1% on both order intake and revenues.

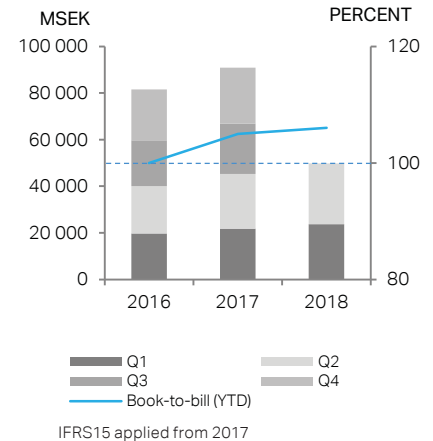
Adjusted operating profit rose by 36% year-on-year. Excluding structure, changed exchange rates and metal prices in Sandvik Materials Technology, adjusted operating profit increased by 28%. Adjusted operating profit amounted to 5,067 million SEK (3,718) and the adjusted operating margin was 19.4% (15.8), with the improvement supported primarily by the strong organic growth. All three business areas reported more than a 20% increase in operating profit, underpinned by organic revenue growth. The reported operating profit includes an adverse impact of -24 million SEK in a capital loss related to Sandvik Materials Technology exiting a joint venture.

Total costs for sales and administration rose by 7% driven by strong markets and growth activities as well as by currency. In total, the ratio to revenues decreased to 20% (21). Changed exchange rates positively impacted operating profit by 145 million SEK. Changed metal prices had a positive impact of 201 million SEK (-54) on results.

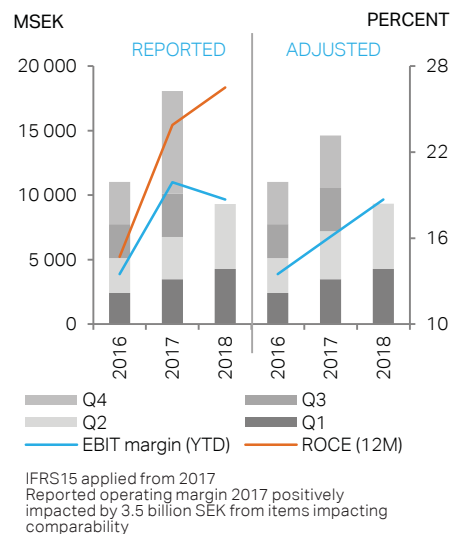
The interest net decreased by 38% year-on-year to -173 million SEK (-278) due to a lower debt level. The total finance net increased to -266 million SEK (-225) impacted by changed exchange rates.

The tax rate was 26.3% (28.2) for continuing operations. The tax rate for the Group in total was 26.9% (28.0) for the quarter.

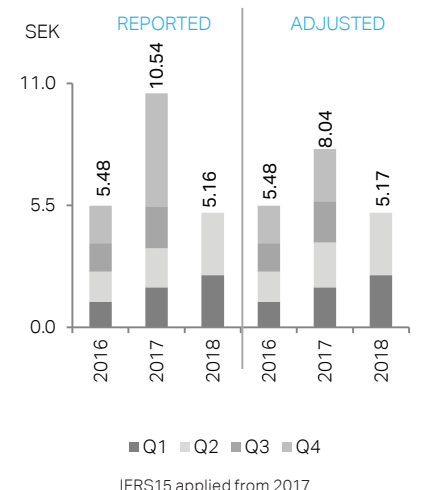
REVENUES AND BOOK-TO-BILL



OPERATING PROFIT & RETURN



EARNINGS PER SHARE



CASH FLOW AND BALANCE SHEET

Capital employed increased year-on-year to 84.2 billion SEK (76.2). Return on capital employed improved to 24% (17) on the back of improved capital turnover ratio and profitability.

Net working capital amounted to 27.1 billion SEK and increased both year-on-year (22.2) and sequentially (23.6). Inventories and accounts receivables increased due to higher customer demand, more than offsetting the higher accounts payable and customer advances. Net working capital in relation to revenues increased to 24% (23) for the quarter.

Investments in tangible and intangible assets in the second quarter amounted to 930 million SEK (810), corresponding to 90% of depreciation. Investments are seasonally higher in the second half of the year.

Net debt amounted to 18.4 billion SEK at the end of the second quarter, declining year-on-year from 28.2 billion SEK while the payment of the dividend in the second quarter implied a sequential increase from 14.7 billion SEK. The net debt to equity ratio declined year-on-year to 0.34 (0.71). The net pension liability declined year-on-year to 4.5 billion SEK (6.0) due to changed discount rates. Interest-bearing debt with short-term maturity accounted for 10% of total debt.

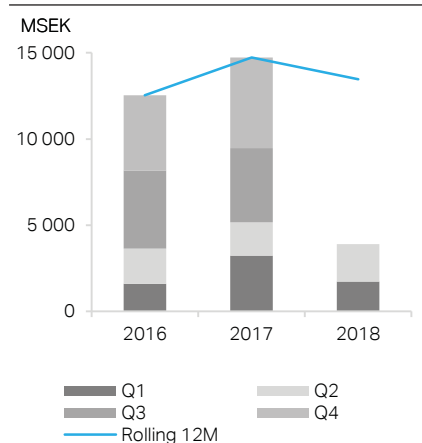
Cash flow from operations was 2.2 billion SEK and declined year-on-year (2.5). The cash flow impact from higher operating earnings was more than offset by higher net working capital due to increased customer activity. Consequently, free operating cash flow declined by 15% year-on-year to 2.2 billion SEK (2.6).

CASH FLOW	Q2 2017	Q2 2018
EBITDA	4 418	6 212
Non-cash items	-255	+77
Net Working Capital change	-618	-3 136
Capex*	-944	-945
FREE OPERATING CASH FLOW**	2 602	2 208
Net financial items	-225	-266
Paid tax	-577	-574
Cash flow investing activities (reversed)	+694	+681
Acquisitions of companies and shares, net of cash	0	0
Proceeds from sale of companies and shares, net of cash	0	+135
Other investments, net	0	-5
CASH FLOW FROM OPERATIONS	2 493	2 179

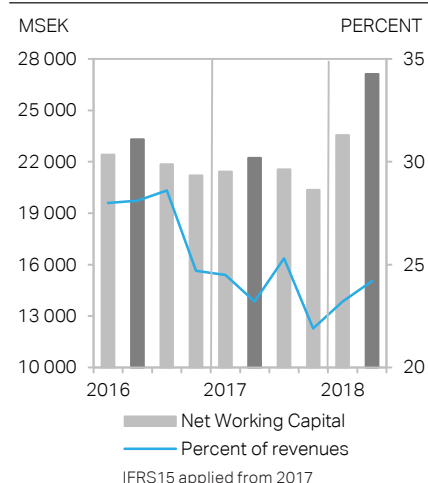
* Including investments and disposals of rental equipment of -134 million SEK (-250) and investments and disposals of tangible and intangible assets of -811 million SEK (-694).

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

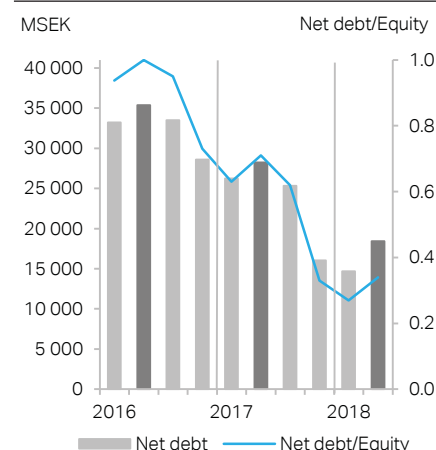
CASH FLOW FROM OPERATIONS



NET WORKING CAPITAL



NET DEBT, GROUP TOTAL



SANDVIK MACHINING SOLUTIONS

RECORD-HIGH LEVEL FOR REVENUES AND OPERATING PROFIT

INCREASED DEMAND IN ALL REGIONS AND SEGMENTS



GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	+8	+10
Structure, %	+0	+0
Currency, %	+3	+3
TOTAL, %	+11	+13

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

Order intake and revenues reached record-high levels and increased significantly year-on-year by 8% and 10%, respectively. Demand improved in all geographical regions with all segments increasing.

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

- Revenues in Asia increased organically by 10%, including strong growth in China and Japan and a positive development in the large segments of automotive and general engineering.
- In Europe, revenues improved organically by 10% on the back of a positive development in all segments.
- Revenues improved organically by 12% in North America, with positive development across most segments.
- The number of working days had a positive impact of about 1% on both order intake and revenues.

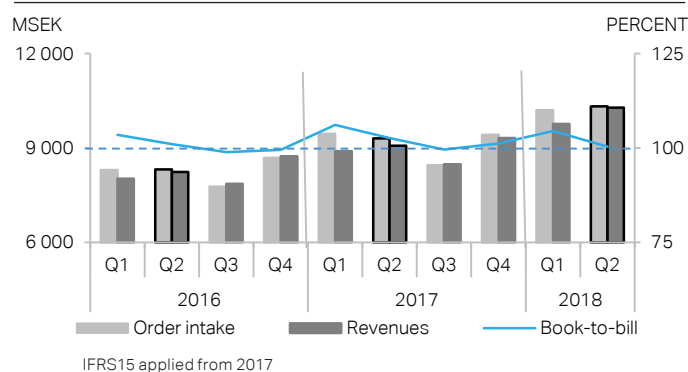
Operating profit reached a record-high quarterly level of 2,761 million SEK (2,110) and the operating margin improved significantly to 26.8% (23.3). Operating profit improved by 31% year-on-year, including a positive impact from changed exchange rates.

Items impacting operating profit and operating margin:

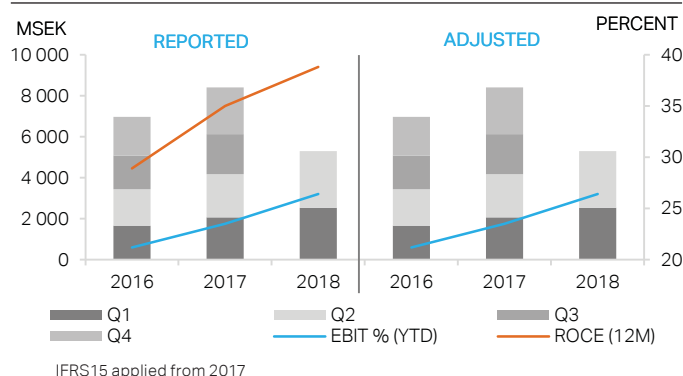
- Positive organic growth in revenues of 10%.
- A higher stock build-up to support deliveries during the summer period as well as securing the long-term service level to customers supported the operating margin by about 1 percentage point year-on-year.
- Changed exchange rates had a positive impact of 186 million SEK on operating profit.

The acquisition of French metrology software company Metrologic Group was announced. Merging Sandvik Machining Solutions' know-how about 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	Q2 2017	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	9 312	10 322	+8*	18 762	20 520	+8*
Revenues	9 073	10 286	+10*	17 977	20 048	+10*
Operating profit	2 110	2 761	+31	4 178	5 299	+27
% of revenues	23.3	26.8		23.2	26.4	
Return on capital employed, % ¹⁾	34.5	42.9		31.5	38.8	
Number of employees	18 527	18 912	+2	18 527	18 912	+2

* At fixed exchange rates for comparable units.

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

For definitions see home.sandvik

SANDVIK MINING AND ROCK TECHNOLOGY

DOUBLE DIGIT GROWTH IN THE EQUIPMENT AND AFTERMARKET BUSINESSES

SIGNIFICANT EARNINGS IMPROVEMENT



GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	+15	+16
Structure, %	+0	+0
Currency, %	-0	-0
TOTAL, %	+15	+15

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 15% year-on-year on strong development in most product areas. Revenues increased organically by 16% 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:

- Order intake was driven by high demand for replacement mining equipment as well as expansion of activities in already existing mines and high customer activity in the aftermarket business.
- Strong growth for both underground and surface mining equipment.
- In the equipment business, drilling, crushing and screening accounted for the strongest growth in relative terms.
- Growth in the aftermarket business improved significantly, with strong development for both parts & service and consumables.
- All geographies noted a strong underlying activity level. The greatest increase in order intake in relative terms was noted in North America, while the timing of orders implied a negative development for Australia.
- The aftermarket business accounted for 60% of revenues while the equipment business accounted for 40%.

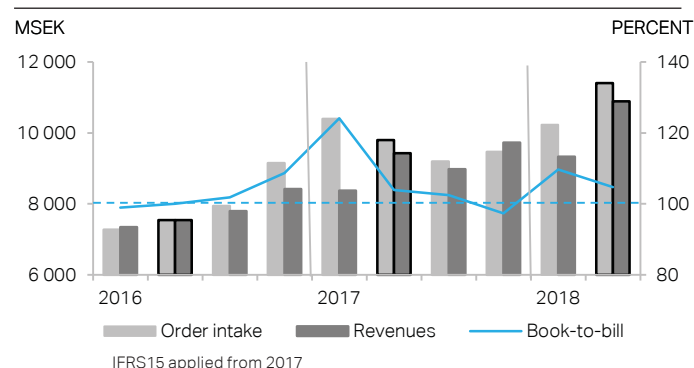
Operating profit improved by 24% and the operating margin increased to 17.1% (16.0), including an adverse impact from changed exchanged rates.

Items impacting operating profit and operating margin:

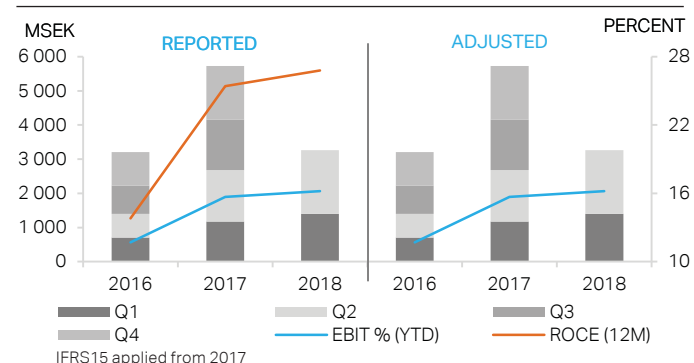
- Positive organic growth in revenues of 16% improved the absorption of fixed costs in production.

- Changed exchange rates impacted operating profit negatively by -119 million SEK.

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q2 2017	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	9 949	11 405	+15*	20 196	21 635	+9*
Revenues	9 429	10 890	+16*	17 800	20 215	+16*
Operating profit	1 508	1 865	+24	2 681	3 267	+22
% of revenues	16.0	17.1		15.1	16.2	
Return on capital employed, % ¹⁾	26.6	29.7		19.6	26.8	
Number of employees	15 009	15 498	+3	15 009	15 498	+3

* At fixed exchange rates for comparable units.

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

For definitions see home.sandvik

SANDVIK MINING AND ROCK TECHNOLOGY

CONTINUING OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q2 2017	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	9 949	11 405	+15*	20 196	21 635	+9*
Revenues	9 429	10 890	+16*	17 800	20 215	+16*
Operating profit	1 508	1 865	+24	2 681	3 267	+22
% of revenues	16.0	17.1		15.1	16.2	

* At fixed exchange rates for comparable units.

DISCONTINUED OPERATIONS

FINANCIAL OVERVIEW, MSEK	Q2 2017 ¹⁾	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	407	0	N/M*	917	57	N/M*
Revenues	894	298	+1*	1 561	594	+3*
Operating profit	13	-111		0	-133	
% of revenues	1.5	-37.2		0.0	-22.4	

* At fixed exchange rates for comparable units.

1) Includes Mining Systems as before divestment.

No orders were booked since the divestment of Mining Systems to FLSmidth and NEPEAN has been completed. Revenues increased by 1% year-on-year at fixed exchange rates for comparable units. The operating profit amounted to -111 million SEK (13), adversely impacted by primarily high costs in completion of the remaining ongoing projects. Changed exchange rates impacted earnings negatively by -38 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	Q2 2017	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	10 356	11 405	+14*	21 114	21 692	9*
Revenues	10 323	11 188	+15*	19 361	20 808	15*
Operating profit	1 521	1 754	+15	2 681	3 134	17
% of revenues	14.7	15.7		13.8	15.1	

* At fixed exchange rates for comparable units.

SANDVIK MATERIALS TECHNOLOGY

STRONG GROWTH

LARGE ORDER SECURED

IMPROVED OPERATING MARGIN



GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	+17	+8
Structure, %	-4	-3
Currency, %	+1	+1
TOTAL, %	+14	+6

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 17%. However, excluding the impact of large orders growth amounted to 37%. Revenues rose organically by 8%. Higher alloy prices supported both order intake and revenues by 4%, primarily related to nickel.

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

- Order intake was positively impacted by a large order received at a value of 517 million SEK. In the earlier year period large orders worth 980 million SEK were booked.
- Demand improved from a low level for the more standardized tubular product offering, primarily due to increased customer activity in the opex-related energy segment.
- For the capex-related tubular offering, demand was stable.
- Higher demand for heating systems and high-alloy metal powder for such applications as additive manufacturing.

Adjusted operating profit rose to 558 million SEK (189) and the adjusted operating margin improved to 14.0% (5.0), including a positive impact from changed exchange rates and metal prices. Adjusted operating profit excluding metal price effects was 356 million SEK (243) implying an underlying margin of 9.0% (6.5).

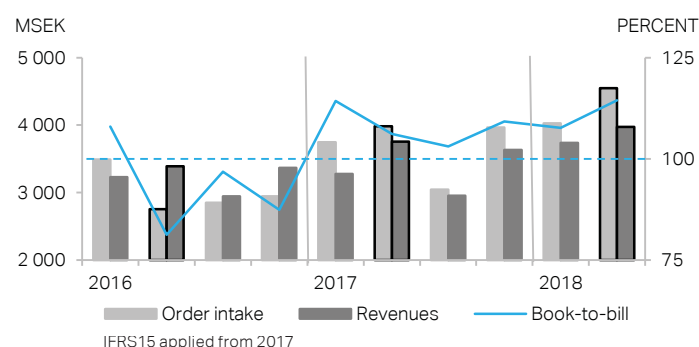
Items impacting operating profit and operating margin:

- Higher absorption of fixed costs in production as well as savings from ongoing efficiency measures were offset by a negative product mix in deliveries.
- Build-up of inventories supported the operating margin by 1% year-on-year.
- Capital loss of -24 million SEK due to the exit from the Fagersta Stainless joint venture, as items affecting comparability.
- Changed exchange rates had a positive impact of 72 million SEK on operating profit.
- Changed metal prices had a positive impact of 201 million SEK (-54) on operating profit in the quarter.

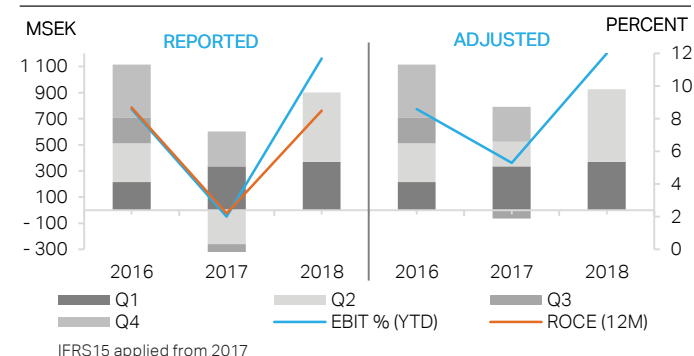
An agreement was signed to divest the stainless wire business to Zapp Group, a leading supplier of advanced metal products.

The divestment of the 50% stake in Fagersta Stainless was closed, a joint venture between Sandvik Materials Technology and Outokumpu. Outokumpu will take full ownership of Fagersta Stainless

ORDER INTAKE, REVENUES AND BOOK-TO-BILL



OPERATING PROFIT AND RETURN



FINANCIAL OVERVIEW, MSEK	Q2 2017	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	3 985	4 550	+17*	7 731	8 574	+15*
Revenues	3 755	3 976	+8*	7 033	7 714	+12*
Operating profit	-261	533	N/M	74	902	N/M
% of revenues	-7.0	13.4		1.1	11.7	
Adjusted operating profit	189	558	N/M	524	926	+77
% of revenues	5.0	14.0		7.4	12.0	
Return on capital employed, % ¹⁾	-7.8	15.9		5.1	8.5	
Number of employees	6 607	6 326	-4	6 607	6 326	-4

* At fixed exchange rates for comparable units. ** Operating profit adjusted for items affecting comparability in Q2 2018 of -24 million SEK (-450).
1) Quarter is quarterly annualized and the year-to-date numbers are based on a four quarter average.

For definitions see home.sandvik

OTHER OPERATIONS

Organic order intake and revenues improved by 3% and 9% respectively on the back of increased customer activity for Hyperion.

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

- Both order intake and revenues were positively impacted by increased customer activity in most segments.

The operating profit amounted to 72 million SEK (123) and the operating margin decreased to 7.3% (9.7) including project costs related to the divestment of Hyperion. Excluding the project costs the operating margin amounted to 11.4%.

Items impacting operating profit and operating margin:

- Operating profit includes divestment-related transaction costs of -40 million SEK.
- Underlying operating margin improved in Hyperion, supported by positive organic growth.
- Changed exchange rates had a minor negative impact of -2 million SEK on operating profit.

On 8 December 2017 Sandvik announced it has signed an agreement to divest Hyperion to the US listed investment firm KKR at a price of 4 billion SEK on a cash and debt free basis. Hyperion, with approximately 1,400 employees, has in 2017 reported revenues of 3.3 billion SEK. The closing of the transaction was announced on 2 July, just after the close of the second quarter. Upon closing, the transaction generated a capital gain of approximately 1 billion SEK to be recognized in Sandvik's financial statements.

GROWTH

Q2	ORDER INTAKE	REVENUES
Price/volume, %	+3	+9
Structure, %	-32	-34
Currency, %	+2	+2
TOTAL, %	-28	-23

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

FINANCIAL OVERVIEW, MSEK	Q2 2017 ²⁾	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
Order intake	1 287	924	+3*	2 760	1 891	+3*
Revenues	1 275	984	+9*	2 481	1 846	+8*
Operating profit	123	72	-41	250	174	-30
% of revenues	9.7	7.3		10.1	9.4	
Return on capital employed, % ¹⁾	13.1	9.9		14.9	13.4	
Number of employees	1 993	1 550	-22	1 993	1 550	-22

* At fixed exchange rates for comparable units.

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

²⁾ Includes Process Systems which was divested during 2017.

For definitions see home.sandvik

PARENT COMPANY

The parent company's revenues after the second quarter of 2018 amounted to 8,837 million SEK (8,784) and the operating result was 1,518 million SEK (810). Income from shares in Group companies consists primarily of dividends and Group contributions to these and amounted after the second quarter to

2,459 million SEK (-1,466). Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to 19,865 million SEK (17,013). Investments in property, plant and machinery amounted to 341 million SEK (331).

FIRST SIX MONTHS 2018

In the first six months 2018, the demand for Sandvik's products improved year-on-year, with order intake noting organic growth of 9%. Excluding the impact from large orders the growth amounted to 11%. Revenues increased by 13%. 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 or remained stable in all regions. Changed exchange rates had a positive impact of 1% on both order intake and revenues. Sandvik's order intake amounted to 52,620 million SEK (49 449), and revenues were 49,822 million SEK (45 290), implying a book-to-bill ratio of 106%.

Operating profit was 9,314 million SEK (6,763) and the operating margin was 18.7% (14.9), negatively impacted in the amount of -110 million SEK due to changed exchange rates. The reported operating profit increased by 38% to 9,314 million SEK (6,763). Changed metal prices had a positive impact of 302 million SEK (75). Net financial items amounted to -519 million SEK (-614) and the profit after financial items was 8,795 million SEK (6,149).

The tax rate was 26.4% (27.5) for continuing operations and 26.8% for the Group (27.5).

Profit for the period amounted to 6,474 million SEK (4,453) for continuing operations and 6,349 million SEK (4,462) for the Group in total. Earnings per share for continuing operations amounted to 5.16 SEK (3.56) while earnings per share for the Group in total amounted to 5.06 SEK (3.56).

Operating cash flow from continuing operations was 3,909 million SEK (5,696), supported by higher earnings year-on-year, which was however more than offset by an adverse impact from changes in net working capital. Investments were 1,671 million SEK (1,513). Net debt declined to 18.4 billion SEK (28.2), resulting in a net debt to equity ratio of 0.34 (0.71). The business portfolio was consolidated with signing and closure of several divestitures, such as the stainless and welding wire business in Sandvik Materials Technology and the stepping out of the joint venture with Outokumpu regarding Fagersta Stainless operations. After the close of the six months period, the closure of the divestments of Hyperion was announced. Simultaneously, growth was in focus 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 towards an increased offering in digital manufacturing and facilitates a broader coverage of the total manufacturing value chain, now also including the post-machining process. Shortly after the close of the first six months period the acquisition of Inrock was announced, 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."

ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS DURING THE MOST RECENT 12-MONTH PERIOD

No acquisitions in the period.

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

SIGNIFICANT EVENTS

- On 31 January Sandvik Materials Technology announced that the divestment of the welding wire business to ESAB was completed.

- On 18 April S&P Global Ratings revised its outlook on Sandvik AB to positive from stable. At the same time the credit rating BBB+ on Sandvik's debt was affirmed.

- On 27 April Sandvik Machining Solutions announced the acquisition of French metrology software company Metrologic Group from Astorg Partners at a price of 360 million EUR, on a cash and debt free basis.

Headquartered in Meylan, France, Metrologic Group is a market leader in agnostic metrology software. 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'.

Metrologic Group's offering includes 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 that of Sandvik Machining Solutions'. The combined offering of Sandvik Machining Solutions and Metrologic Group would help customers achieve a more seamless manufacturing chain by linking the machining and post-machining quality assurance processes. After the close of the second quarter, on 4 July, Sandvik announced the completion of the acquisition of Metrologic Group.

- On 27 April, the annual general meeting decided a dividend of 3.50 kronor for 2017.

- On 15 May Sandvik announced the divestment of its 50% stake in Fagersta Stainless wire rod mill, a joint venture between Sandvik Materials Technology and Outokumpu. Outokumpu will take full ownership of Fagersta Stainless and the purchase price is 184 million SEK. In 2017, the company's revenues were approximately 1.6 billion SEK, with Sandvik's share of the net profit consolidated as income from associated companies in Sandvik's financial statements.

- On 5 June Sandvik Materials Technology announced it had secured a major order for advanced tubes related to the energy segment. The order value is 517 million SEK and deliveries are primarily scheduled as from 2020.

- On 19 June Sandvik Materials Technology announced it had signed an agreement to divest its stainless wire business to Zapp Group, a German family-owned leading supplier of advanced metal products. Revenues for the stainless wire business amounted to 310 million SEK in 2017 and the enterprise value is 183 million SEK.

- On 2 July, after the close of the second quarter, Sandvik Mining and Rock Technology announced the acquisition of privately owned Inrock. In 2017 Inrock had revenues of 46 million USD and 70 employees. The acquisition was closed on 2 July 2018.

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, after the close of the second quarter, Sandvik announced the completion of the divestment of Hyperion. As of 2 July, Hyperion will be de-consolidated from Sandvik and a capital gain of about 1 billion SEK will be reported in Sandvik's financial statements in the third quarter 2018. The transaction represents the final divestment of all assets in Other Operations.

- On 17 July, after the close of the second quarter, 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.

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:

CAPEX	Estimated at about 4 billion SEK for 2018
CURRENCY EFFECTS	Based on currency rates at the end of June 2018, it is estimated that transaction and translation currency effects will have an impact of about +650 million SEK on operating profit for the third quarter of 2018, compared with the year-earlier period
METAL PRICE EFFECTS	In view of currency rates, inventory levels and metal prices at the end of June 2018, it is estimated that there will be an impact of about +100 million SEK on operating profit in Sandvik Materials Technology for the third quarter of 2018
NET FINANCIAL ITEMS	Estimated at about -1 billion SEK in 2018
TAX RATE	Estimated at about 26% - 28% for 2018

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 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 only applied 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 Systems operations and Sandvik Process Systems were divested in the fourth quarter and have been deconsolidated from Sandvik's financial statements. The Mining System's projects that will be finalized during 2018-2019 by Sandvik remains classified as discontinued operations.

In accordance with IFRS 5, the assets and liabilities related to the exit from Hyperion and the planned divestment of the stainless wire businesses in Sandvik Materials Technology are presented as assets/liabilities held for sale in the balance sheet.

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	Q2 2017 ¹⁾	Q2 2018	CHANGE %	Q1-Q2 2017	Q1-Q2 2018	CHANGE %
<i>Continuing operations</i>						
Revenues	23 532	26 136	+11	45 290	49 822	+10
Cost of sales and services	-14 158	-14 953	+6	-27 012	-28 923	+7
Gross profit	9 374	11 183	+19	18 278	20 899	+14
% of revenues	39.8	42.8		40.4	41.9	
Selling expenses	-3 302	-3 494	+6	-6 427	-6 725	+5
Administrative expenses	-1 534	-1 687	+10	-3 012	-3 153	+5
Research and development costs	-809	-927	+15	-1 557	-1 760	+13
Other operating income and expenses	-461	-32	-93	-519	53	N/M
Operating profit	3 268	5 043	+54	6 763	9 314	+38
% of revenues	13.9	19.3		14.9	18.7	
Financial income	49	62	+27	98	153	+56
Financial expenses	-274	-328	+20	-711	-672	-6
Net financial items	-225	-266	+18	-614	-519	-15
Profit after financial items	3 043	4 777	+57	6 149	8 795	+43
% of revenues	12.9	18.3		13.6	17.7	
Income tax	-861	-1 256	+46	-1 696	-2 321	+37
Profit for the period, continuing operations	2 182	3 521	+61	4 453	6 474	+45
% of revenues	9.3	13.5		9.8	13.0	
<i>Discontinued operations</i>						
Revenues	894	298	-67	1 562	593	-62
Operating profit	13	-111	N/M	0	-133	N/M
Profit after financial items	18	-105	N/M	9	-125	N/M
Profit for the period, discontinued operations	19	-105	N/M	9	-125	N/M
<i>Group total</i>						
Revenues	24 426	26 434	+8	46 852	50 415	+8
Operating profit	3 281	4 932	+50	6 763	9 181	+36
Profit after financial items	3 061	4 672	+53	6 158	8 670	+41
Profit for the period, Group total	2 201	3 416	+55	4 462	6 349	+42
<i>Items that will not be reclassified to profit or loss</i>						
Actuarial gains/losses on defined benefit pension plans	-138	-76		27	645	
Tax relating to items that will not be reclassified	4	23		-44	-138	
	-134	-53		-17	507	
<i>Items that will be reclassified subsequently to profit or loss</i>						
Foreign currency translation differences	-1 041	1 476		-953	3 105	
Cash flow hedges	20	-1		59	7	
Tax relating to items that may be reclassified	-4	1		-13	-1	
	-1 025	1 476		-907	3 111	
Total other comprehensive income	-1 159	1 423		-924	3 618	
Total comprehensive income	1 042	4 839		3 538	9 967	
<i>Profit for the period attributable to</i>						
Owners of the Parent	2 208	3 414		4 470	6 347	
Non-controlling interests	-7	2		-8	2	
<i>Total comprehensive income attributable to</i>						
Owners of the Parent	1 049	4 837		3 546	9 965	
Non-controlling interests	-7	2		-8	2	
Earnings per share, SEK *						
Continuing operations	1.75	2.81	+61	3.56	5.16	+45
Discontinued operations	0.01	-0.09	N/M	0.00	-0.10	N/M
Group Total	1.76	2.72	+55	3.56	5.06	+42

* Earnings per share after impact from dilution in continuing operations Q2 2018 is 2.80 SEK (1.74) and for Group total 2.72 SEK (1.76). For the first six months 2018 in continuing operations 5.15 SEK (3.55) and Group total 5.05 SEK (3.56).

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

N/M = non-meaningful.

For definitions see home.sandvik.com

THE GROUP

BALANCE SHEET CONTINUING AND DISCONTINUED OPERATIONS

MSEK	31 DEC 2017 ¹⁾	30 JUN 2017 ¹⁾	30 JUN 2018
Intangible assets	17 376	18 621	18 195
Property, plant and equipment	24 398	25 071	24 888
Financial assets	6 774	7 775	6 423
Inventories	21 416	21 303	25 904
Current receivables	19 562	20 437	22 937
Cash and cash equivalents	12 724	7 451	10 802
Assets held for sale	4 522	2 533	4 839
Total assets	106 772	103 191	113 987
Total equity	48 722	39 545	54 335
Non-current interest-bearing liabilities	28 463	32 636	27 499
Non-current non-interest-bearing liabilities	4 447	4 935	4 934
Current interest-bearing liabilities	986	3 553	2 580
Current non-interest-bearing liabilities	22 585	20 694	23 181
Liabilities related to assets held for sale	1 570	1 829	1 458
Total equity and liabilities	106 772	103 191	113 987
<i>Group total</i>			
Net working capital ²⁾	20 727	22 039	27 519
Loans	23 751	29 581	24 620
Non-controlling interests in total equity	28	41	29

1) Restated to IFRS15 where applicable. For details on restated numbers see home.sandvik.com/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 JUN 2017	30 JUN 2018
Interest-bearing liabilities excluding pension liabilities	23 828	29 681	24 703
Net pension liabilities	4 936	6 004	4 532
Cash and cash equivalents	-12 724	-7 451	10 802
Net debt	16 040	28 234	18 433
Net debt to equity ratio	0.33	0.71	0.34

CHANGE IN TOTAL EQUITY

MSEK	EQUITY RELATED TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL EQUITY
Opening equity, 1 January 2017	39 197	93	39 290
Change due to IFRS 15 Revenue from Contract with customers	-28		-28
Changes in non-controlling interest	-9	-43	-52
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	-8	-3 457
Closing equity, 31 December 2017	48 694	28	48 722
Opening equity, 1 January 2018	48 694	28	48 722
Change due to IFRS 9 Financial Instruments	-72		-72
Changes in non-controlling interest	1	-1	0
Total comprehensive income for the period	9 965	2	9 967
Personnel options program	107		107
Dividends	-4 390		-4 390
Closing equity, 30 June 2018	54 306	29	54 335

For definitions see home.sandvik.com

THE GROUP

CASH FLOW STATEMENT

MSEK	Q2 2017	Q2 2018	Q1-Q2 2017	Q1-Q2 2018
<i>Continuing operations</i>				
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	3 043	4 777	6 149	8 795
Adjustment for depreciation, amortization and impairment losses	1 150	1 169	2 308	2 348
Adjustment for items that do not require the use of cash etc.	-255	77	-148	296
Income tax paid	-577	-574	-1 319	-1 417
Cash flow from operations before changes in working capital	3 361	5 449	6 990	10 022
<i>Changes in working capital</i>				
Change in inventories	-198	-1 961	-1 303	-3 382
Change in operating receivables	-598	-1 192	-1 296	-2 693
Change in operating liabilities	178	17	1 768	229
Cash flow from changes in working capital	-618	-3 136	-831	-5 846
Investments in rental equipment	-254	-167	-508	-344
Divestments of rental equipment	4	33	45	77
Cash flow from operations	2 493	2 179	5 696	3 909
<i>Cash flow from investing activities</i>				
Acquisitions of companies and shares, net of cash	-	-	-	-
Proceeds from sale of companies and shares, net of cash	-	135	-	465
Investments in tangible assets	-548	-786	-1 030	-1 378
Proceeds from sale of tangible assets	116	115	169	130
Investments in intangible assets	-262	-140	-483	-294
Proceeds from sale of intangible assets	-	0	-	0
Other investments, net	-	-5	2	-7
Cash flow from investing activities	-694	-681	-1 342	-1 084
Net cash flow after investing activities	1 799	1 498	4 354	2 825
<i>Cash flow from financing activities</i>				
Change in interest-bearing debt	-1 329	-282	-1 965	-192
Dividends paid	-3 450	-4 390	-3 449	-4 390
Cash flow from financing activities	-4 779	-4 672	-5 414	-4 582
Total cash flow from continuing operations	-2 980	-3 173	-1 060	-1 757
Cash flow from discontinued operations	-269	-137	-217	-232
Cash flow for the period, Group total	-3 249	-3 310	-1 277	-1 989
Cash and cash equivalents at beginning of the period	10 798	14 110	8 818	12 724
Exchange-rate differences in cash and cash equivalents	-98	2	-90	67
Cash and cash equivalents at the end of the period	7 451	10 802	7 451	10 802
<i>Discontinued operations</i>				
Cash flow from operations	-268	-140	-215	-232
Cash flow from investing activities	-1	0	-2	0
Cash flow from financing activities	-	3	-	0
<i>Group Total</i>				
Cash flow from operations	2 225	2 039	5 481	3 677
Cash flow from investing activities	-695	-681	-1 344	-1 084
Cash flow from financing activities	-4 779	-4 668	-5 414	-4 582
Group total cash flow	-3 249	-3 310	-1 277	-1 989

For definitions see home.sandvik

THE PARENT COMPANY

INCOME STATEMENT

MSEK	Q1-Q2 2017	Q1-Q2 2018
Revenues	8 784	8 837
Cost of sales and services	-4 902	-4 298
Gross profit	3 882	4 539
Selling expenses	-468	-657
Administrative expenses	-1 147	-1 144
Research and development costs	-685	-772
Other operating income and expenses	-772	-448
Operating profit	810	1 518
Income/expenses from shares in Group companies	-1 466	2 459
Interest income/expenses and similar items	-108	-390
Profit after financial items	-764	3 587
Income tax expenses	183	-643
Profit for the period	-581	2 944

BALANCE SHEET

MSEK	31 DEC 2017	30 JUN 2017	30 JUN 2018
Intangible assets	131	145	114
Property, plant and equipment	7 240	7 481	7 012
Financial assets	44 337	47 027	44 423
Inventories	2 926	3 261	3 566
Current receivables	6 585	7 510	9 035
Cash and cash equivalents	-	1	-
Total assets	61 219	65 425	64 150
Total equity	27 179	25 619	25 837
Untaxed reserves	3	3	3
Provisions	560	608	578
Non-current interest-bearing liabilities	16 469	19 268	17 109
Non-current non-interest-bearing liabilities	250	250	256
Current interest-bearing liabilities	6 433	11 914	14 466
Current non-interest-bearing liabilities	10 325	7 763	5 901
Total equity and liabilities	61 219	65 425	64 150
Interest-bearing liabilities and provisions minus cash and cash equivalents and interest-bearing assets	11 180	17 013	19 865
Investments in fixed assets	875	331	341

For definitions see home.sandvik

MARKET OVERVIEW, THE GROUP

ORDER INTAKE PER MARKET AREA

MSEK	Q2 2018	CHANGE *		SHARE	Q1-Q2 2018	CHANGE *		SHARE
		%	% ¹⁾	%		%	% ¹⁾	%
THE GROUP								
Europe	10 264	+16	+16	37	20 347	+11	+11	39
North America	6 085	+8	+19	22	11 533	+4	+13	22
South America	1 329	+13	+13	5	2 523	+11	+11	5
Africa/Middle East	2 633	+7	+7	10	4 948	+4	+4	9
Asia	5 368	+17	+17	20	10 445	+18	+18	20
Australia	1 523	-5	-5	6	2 826	+1	+1	5
Total continuing operations ²⁾	27 201	+12	+14	100	52 620	+9	+12	100
Discontinued operations	0	N/M	N/M	-	57	N/M	N/M	-
Group total	27 201	+12	+14	-	52 677	+9	+12	-
SANDVIK MACHINING SOLUTIONS								
Europe	5 722	+8	+8	55	11 588	+8	+8	56
North America	2 119	+10	+10	21	4 079	+9	+9	20
South America	212	+10	+10	2	412	+15	+15	2
Africa/Middle East	82	-13	-13	1	173	-7	-7	1
Asia	2 112	+8	+8	20	4 126	+10	+10	20
Australia	74	+4	+4	1	142	+9	+9	1
Total	10 322	+8	+8	100	20 520	+8	+8	100
SANDVIK MINING AND ROCK TECHNOLOGY								
Europe	1 901	+22	+22	17	3 499	-0	-0	16
North America	2 352	+29	+29	21	4 695	+15	+15	22
South America	1 015	+14	+14	9	1 925	+9	+9	9
Africa/Middle East	2 391	+7	+7	21	4 529	+4	+4	21
Asia	2 337	+23	+23	20	4 373	+25	+25	20
Australia	1 409	-6	-6	12	2 613	+0	+0	12
Total continuing operations ²⁾	11 405	+15	+15	100	21 635	+9	+9	100
Discontinued operations	0	N/M	N/M	-	57	N/M	N/M	-
Total	11 405	+14	+15	-	21 692	+9	+9	-
SANDVIK MATERIALS TECHNOLOGY								
Europe	2 325	+45	+45	50	4 545	+37	+37	54
North America	1 323	-18	+17	29	2 202	-18	+19	26
South America	69	+27	+27	2	121	+26	+26	1
Africa/Middle East	114	+46	+46	3	171	+23	+23	2
Asia	695	+36	+36	15	1 499	+33	+33	17
Australia	23	+31	+31	1	36	+12	+12	0
Total	4 550	+17	+37	100	8 574	+15	+32	100
OTHER OPERATIONS								
Europe	315	-7	-7	35	714	-0	-0	38
North America	290	+11	+11	31	557	+5	+5	29
South America	32	-9	-9	3	64	+5	+5	3
Africa/Middle East	46	+13	+13	5	75	+3	+3	4
Asia	225	+6	+6	24	447	+4	+4	24
Australia	16	+3	+3	2	34	+8	+8	2
Total	924	+3	+3	100	1 891	+3	+3	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 748 million SEK recognized according to IAS17

REVENUES PER MARKET AREA

MSEK	Q2 2018	CHANGE *	SHARE	Q1-Q2 2018	CHANGE *	SHARE
		%	%		%	%
THE GROUP						
Europe	9 998	+10	38	19 606	+9	40
North America	5 662	+12	22	10 435	+14	21
South America	1 357	+30	5	2 467	+24	5
Africa/Middle East	2 571	+18	10	4 574	+11	9
Asia	4 954	+10	19	9 617	+14	19
Australia	1 594	+14	6	3 123	+21	6
Total continuing operations ¹⁾	26 136	+12	100	49 822	+13	100
Discontinued operations	298	+1	-	594	+3	-
Group total	26 434	+12	-	50 415	+12	-
SANDVIK MACHINING SOLUTIONS						
Europe	5 697	+10	55	11 283	+10	56
North America	2 088	+12	20	3 971	+9	20
South America	218	+18	2	423	+19	2
Africa/Middle East	89	+9	1	176	+5	1
Asia	2 120	+10	21	4 052	+12	20
Australia	74	+7	1	142	+10	1
Total	10 286	+10	100	20 048	+10	100
SANDVIK MINING AND ROCK TECHNOLOGY						
Europe	1 780	+1	16	3 224	-1	17
North America	2 304	+24	21	4 188	+23	21
South America	1 042	+32	10	1 871	+25	9
Africa/Middle East	2 305	+16	21	4 109	+9	20
Asia	1 970	+14	18	3 893	+23	19
Australia	1 490	+15	14	2 928	+22	14
Total continuing operations ¹⁾	10 890	+16	100	20 215	+16	100
Discontinued operations	298	+1	-	594	+3	-
Total	11 188	+15	-	20 808	+15	-
SANDVIK MATERIALS TECHNOLOGY						
Europe	2 164	+18	55	4 387	+17	57
North America	979	-8	25	1 747	+8	23
South America	57	+34	1	100	+28	1
Africa/Middle East	137	+60	3	228	+57	3
Asia	625	-2	16	1 226	+1	16
Australia	14	-14	0	26	-9	0
Total	3 976	+8	100	7 714	+12	100
OTHER OPERATIONS						
Europe	359	+5	37	711	+6	39
North America	290	+14	29	529	+10	29
South America	40	+33	4	72	+29	4
Africa/Middle East	40	+14	4	61	+4	3
Asia	239	+7	24	446	+6	24
Australia	16	+7	2	27	+13	1
Total	984	+9	100	1 846	+8	100

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

¹⁾ Includes rental fleet revenue of 557 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	CHANGE %	% ¹⁾
<i>Continuing operations</i>									
Sandvik Machining Solutions	9 450	9 312	8 450	9 424	36 636	10 198	10 322	+11	+8
Sandvik Mining and Rock Technology	10 247	9 949	9 191	9 586	38 973	10 230	11 405	+15	+15
Sandvik Materials Technology	3 746	3 985	3 045	3 964	14 739	4 024	4 550	+14	+17
Other Operations	1 473	1 287	1 203	1 133	5 096	967	924	-28	+3
Group activities	0	0	-1	-1	0	0	0		
Continuing operations	24 916	24 533	21 888	24 106	95 444	25 419	27 201	+11	+12
Discontinued operations	510	407	284	98	1 299	57	0	-100	N/M
Group total	25 426	24 940	22 173	24 204	96 743	25 476	27 201	+9	+2

REVENUES BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	CHANGE %	% ¹⁾
<i>Continuing operations</i>									
Sandvik Machining Solutions	8 904	9 073	8 487	9 313	35 777	9 761	10 286	+13	+10
Sandvik Mining and Rock Technology	8 371	9 429	8 974	9 721	36 495	9 324	10 890	+15	+16
Sandvik Materials Technology	3 277	3 755	2 955	3 630	13 618	3 738	3 976	+6	+8
Other Operations	1 206	1 275	1 191	1 265	4 937	862	984	-23	+9
Group activities	0	0	1	0	0	0	0		
Continuing operations	21 758	23 532	21 608	23 929	90 827	23 685	26 136	+11	+12
Discontinued operations	668	894	963	553	3 079	296	298	-67	+3
Group total	22 426	24 426	22 571	24 482	93 906	23 981	26 434	+8	+4

OPERATING PROFIT BY BUSINESS AREA

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 2018	CHANGE %
<i>Continuing operations</i>								
Sandvik Machining Solutions	2 068	2 110	1 949	2 285	8 412	2 538	2 761	+31
Sandvik Mining and Rock Technology	1 173	1 508	1 471	1 572	5 724	1 402	1 865	+24
Sandvik Materials Technology	335	-261	-64	267	277	369	533	N/M
Other Operations	126	123	125	4 058	4 433	102	72	-41
Group activities	-208	-213	-142	-211	-774	-140	-188	+11
Continuing operations	3 495	3 268	3 338	7 973	18 073	4 271	5 043	+54
Discontinued operations	-13	13	33	-96	-62	-23	-111	N/M
Group total ²⁾	3 482	3 281	3 371	7 877	18 011	4 248	4 932	+50

OPERATING MARGIN BY BUSINESS AREA

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

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 IFRS15. For details on restated numbers see 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	CHANGE %
<i>Continuing operations</i>								
Sandvik Machining Solutions	2 068	2 110	1 949	2 285	8 413	2 538	2 761	31
Sandvik Mining and Rock Technology	1 173	1 508	1 471	1 572	5 724	1 402	1 865	24
Sandvik Materials Technology	335	189	-64	267	727	369	558	N/M
Other Operations	126	123	125	148	522	102	72	-41
Group activities	-208	-213	-142	-211	-774	-140	-188	
Continuing operations	3 495	3 718	3 338	4 062	14 612	4 271	5 067	36
Discontinued operations	-13	13	33	-95	-62	-23	-111	N/M
Group total ¹⁾	3 482	3 731	3 371	3 967	14 550	4 248	4 956	32

ADJUSTED OPERATING MARGIN BY BUSINESS AREA

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

ITEMS AFFECTING COMPARABILITY

MSEK	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1-Q4 2017	Q1 2018	Q2 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	-	-
Continuing operations	-	-450	-	3 910	3 460	-	-24
Discontinued operations	-	-	-	-	-	-	-
Group total	-	-450	-	3 910	3 460	-	-24

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

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.

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.

¹⁾ Internal transactions had negligible effect on business area profits

N/M = non-meaningful.

Restated to IFRS15. For details on restated numbers see home.sandvik.com/investors/financial-tables.

KEY FIGURES

	Q2 2017	Q2 2018	Q1-4 2017
<i>Continuing operations</i>			
Tax rate, %	28.3	26.3	22.2
Return on capital employed, % ^{1),2)}	17.0	24.4	23.8
Return on total equity, % ¹⁾	21.5	26.1	31.5
Return on total capital, % ¹⁾	12.7	18.2	17.8
Shareholders' equity per share, SEK	31.5	43.3	38.8
Net debt/equity ratio	0.71	0.34	0.33
Net debt/EBITDA	1.75	0.80	1.08
Equity/assets ratio, %	39	48	46
Net working capital, % ^{1),2)}	23.2	24.2	23.5
Earnings per share, SEK ³⁾	1.75	2.81	10.54
EBITDA, MSEK	4 418	6 211	23 003
Cash flow from operations, MSEK	+2 493	+2 179	+14 752
Funds from operations (FFO), MSEK	3 361	5 448	15 877
Interest coverage ratio, %	1 226	1 660	1 086
Number of employees	43 120	43 170	42 858

- 1) Quarter is quarterly annualized and the annual number is based on a four quarter average.
 2) 12-month rolling 2Q 2018 ROCE reported at 26.5% (16.6) and NWC % reported at 24.1% (25.4).
 3) Diluted earnings per share in Q2 2018 is 2.80 SEK (1.74) and for the full year 2017 it is 10.53 SEK.

	Q2 2017	Q2 2018	Q1-4 2017
<i>Group total</i>			
Tax rate, %	28.1	26.9	22.3
Return on capital employed, % ^{1),2)}	17.2	23.8	23.8
Return on total equity, % ¹⁾	21.6	25.3	31.3
Return on total capital, % ¹⁾	12.7	17.6	17.6
Shareholders' equity per share, SEK	31.5	43.3	38.8
Net debt/equity ratio	0.71	0.34	0.33
Net debt/EBITDA	1.87	0.81	1.08
Equity/assets ratio, %	38	48	46
Net working capital, % ^{1),2)}	22.0	24.3	22.6
Earnings per share, SEK ³⁾	1.76	2.72	10.50
EBITDA, MSEK	4 430	6 104	22 947
Cash flow from operations, MSEK	+2 225	+2 037	+14 286
Funds from operations (FFO), MSEK	3 361	5 313	15 831
Interest coverage ratio, %	1 253	1 648	1 090
Number of employees	43 865	43 227	43 024
No. of shares outstanding at end of period ('000) ³⁾	1 254 386	1 254 386	1 254 386
Average no. of shares ('000) ³⁾	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 2Q 2018 ROCE reported at 26.3% (15.1) and NWC % reported at 23.8% (24.2).
 3) Diluted earnings per share in Q2 2018 is 2.72 SEK (1.76) and for the full year 2017 it is 10.50 SEK.

For definitions see 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.

FINANCIAL REPORTS SUMMARY

RESTATE TO IFRS 15

THE GROUP

INCOME STATEMENT RESTATE TO IFRS15

MSEK	Q2 2017 as reported	Q2 2017 restated to IFRS15	Q1-Q2 2017 as reported	Q1-Q2 2017 restated to IFRS15	Q1-Q4 2017 as reported	Q1-Q4 2017 restated to IFRS15
<i>Continuing operations</i>						
Revenues	23 553	23 532	45 320	45 290	90 905	90 827
Cost of sales and services	-14 175	-14 158	-27 025	-27 012	-54 279	-54 226
Gross profit	9 378	9 374	18 295	18 278	36 626	36 601
% of revenues	39.8	39.8	40.4	40.4	40.3	40.3
Total expenses for administration, sales, R&D	-6 107	-6 106	-11 517	-11 515	-18 528	-18 528
Operating profit	3 271	3 268	6 778	6 763	18 098	18 073
% of revenues	13.9	13.9	15.0	14.9	19.9	19.9
Net financial items	-226	-225	-613	-614	-1 080	-1 081
Profit after financial items	3 045	3 043	6 165	6 149	17 018	16 992
% of revenues	12.9	12.9	13.6	13.6	18.7	18.7
Income tax	-859	-861	-1 698	-1 696	-3 783	-3 780
Profit for the period, continuing operations	2 186	2 182	4 467	4 453	13 235	13 212
% of revenues	9.3	9.3	9.9	9.8	14.6	14.5
<i>Discontinued operations</i>						
Revenues	893	894	1 561	1 562	3 080	3 079
Operating profit	13	13	0	0	-61	-62
Profit after financial items	19	18	8	9	-52	-52
Profit for the period, discontinued operations	19	19	8	9	-52	-52
<i>Group total</i>						
Revenues	24 446	24 426	46 881	46 852	93 985	93 906
Operating profit	3 284	3 281	6 778	6 763	18 037	18 011
Profit after financial items	3 064	3 061	6 173	6 158	16 966	16 940
Profit for the period, Group total	2 205	2 201	4 475	4 462	13 183	13 160
Earnings per share, SEK						
Continuing operations	1.75	1.75	3.57	3.56	10.56	10.54
Discontinued operations	0.01	0.01	0.00	0.00	-0.04	-0.04
Group Total	1.76	1.76	3.57	3.56	10.52	10.50

SUMMARIZED BALANCE SHEET RESTATE TO IFRS15, GROUP TOTAL

MSEK	30 JUN 2017 as reported	30 JUN 2017 restated to IFRS15	31 DEC 2017 as reported	31 DEC 2017 restated to IFRS15
Total fixed assets	51 456	51 467	48 539	48 548
Inventory	21 301	21 303	21 389	21 416
Total current assets	30 463	30 421	36 876	36 808
Total assets	103 220	103 191	106 804	106 772
Total Equity	39 584	39 545	48 771	48 722
Total Liabilities	63 636	63 646	58 033	58 050
Total Equity & Liabilities	103 220	103 191	106 804	106 772

For details on restated numbers see 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.

CERTIFICATION

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

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

Stockholm 17 July 2018
Sandvik Aktiebolag (publ)

Johan Molin
Chairman of the Board

Jennifer Allerton
Board member

Claes Boustedt
Board member

Marika Fredriksson
Board member

Johan Karlström
Board member

Tomas Kärnström
Board member

Thomas Lilja
Board member

Helena Stjernholm
Board member

Lars Westerberg
Board member

Björn Rosengren
Board member
President and CEO

AUDITORS' REVIEW REPORT

The Company's Auditor has not reviewed the report for the first six months of 2018.

This information is information that Sandvik AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at about 12:00 CET on 17 July 2018.

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

A presentation and teleconference will be held on 17 July 2018 at 13:30 CET at the World Trade Center in Stockholm.

Information is available at home.sandvik.ir

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CALENDAR:

23 October 2018	Report, third quarter 2018
21 January 2019	Report, fourth quarter 2018
18 April 2019	Report, first quarter 2019
17 July 2019	Report, second quarter 2019
18 October 2019	Report, third quarter 2019