

Sandvik A/S

Herstedvang 14, 1.

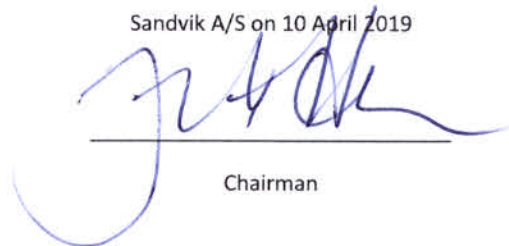
2620 Albertslund

CVR-nr.: 19430839

Annual Report 2018

The annual Report was presented and
adopted at the Annual General Meeting of

Sandvik A/S on 10 April 2019

A handwritten signature in blue ink, consisting of stylized initials and a surname, written over a horizontal line. The signature is positioned above the word 'Chairman'.

Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of Sandvik A/S for the financial year 1 January 2018 – 31 December 2018.

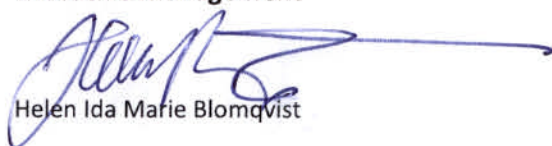
The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a fair view of the assets, liabilities and the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January 2018 – 31 December 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Albertslund, 10 April 2019

Executive Management



Helen Ida Marie Blomqvist

Board of Directors



Carolina Yvonne Granat
Chairman



Jan Ostenfeldt Rasmussen



Helen Ida Marie Blomqvist



Brian Jørgensen



Tom Jacobsen

Independent Auditor's Report

To the shareholder of Sandvik A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of Sandvik A/S at 31 December 2018, and of the results of Sandvik A/S' operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Sandvik A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Sandvik A/S in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing Sandvik A/S' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate Sandvik A/S' or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sandvik A/S' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Sandvik A/S' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Sandvik A/S to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 10 April 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Bo Schou-Jacobsen

State Authorised Public Accountant
mne28703

Anders Røjleskov

State Authorised Public Accountant
mne28699

Company details

Company	Sandvik A/S Herstedvang 14, 1. DK-2620 Albertslund
Telephone	43 46 51 00
Telefax	43 96 60 81
Website	www.sandvik.dk
CVR-no.	19430839
Registered office	Albertslund
Financial year	1 January 2018 – 31 December 2018
Board of Directors	Carolina Yvonne Granat, Chairman Helen Ida Marie Blomqvist Jan Ostenfeldt Rasmussen Tom Jacobsen Brian Jørgensen
Executive Management	Helen Ida Marie Blomqvist, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup CVR-no.: 33771231

Income Statement

	Note	2018 t.kr.	2017 t.kr.
Gross result		29.531	28.784
Distribution costs	3	-19.954	-19.710
Administrative expenses	3	-4.084	-3.032
Profit from ordinary operating activities		5.313	6.042
Finance income		0	15
Finance expenses		-35	-62
Profit before tax		5.278	5.995
Tax expense on activities	4	-910	-1.350
Profit		4.368	4.645
Proposed distribution of results			
Proposed dividend recognized in equity		4.368	4.645
Distribution of profit		4.368	4.645

Balance Sheet as of 31 December

	Note	2018 t.kr.	2017 t.kr.
Assets			
Inventory		<u>1.613</u>	<u>1.238</u>
		1.613	1.238
Trade receivables		20.492	18.303
Receivables from group enterprises		10.465	13.694
Other receivables		326	227
Corporation tax		185	0
Prepayments		167	342
Deferred tax	5	<u>116</u>	<u>291</u>
Receivables		31.751	32.857
Cash and cash equivalents		<u>0</u>	<u>0</u>
Current assets		<u>33.364</u>	<u>34.095</u>
Total Assets		<u>33.364</u>	<u>34.095</u>

Balance Sheet as of 31 December

	Note	2018 t.kr.	2017 t.kr.
Liabilities			
Share capital		15.000	15.000
Proposed dividend for the year		4.368	4.645
Equity		19.368	19.645
Other provisions		0	820
Provisions		0	820
Trade payables		702	842
Payables to group enterprises		6.887	6.822
Corporation tax		0	125
Other payables		6.407	5.841
Current liabilities other than provisions		13.996	13.630
Liabilities other than provisions within the business		13.996	13.630
Total liabilities and equity		33.364	34.095
Core activity	2		
Contingent liabilities	6		
Collaterals and assets pledged as security	7		
Related parties	8		

Statement of changes in Equity

	Share capital t.kr.	Retained earnings t.kr.	Proposed dividend for the year t.kr.	Total t.kr.
Equity 1 January 2018	15.000	0	4.645	19.645
Dividend paid	0	0	-4.645	-4.645
Profit (loss)	0	0	4.368	4.368
Equity 31 December 2018	15.000	0	4.368	19.368

The share capital consists of 1 share of a nominal value of DKK 15,000,000. No shares carry any specific rights.

Notes

1. Accounting policies

Reporting Class

The Annual Report of Sandvik A/S for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies used in preparation of the financial statement are consistent within those of last year.

Translation policies

Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the date of payment are recognized in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognized directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates and the rates at the time when the receivable or the debt arose are recognized in financial income and expenses in the income statement.

Income Statement

Gross profit/loss

The Company has decided to aggregate certain items of the Income Statement in accordance with the provisions of Section 32 of the Danish Financial Act.

Gross profit/loss comprises revenue less cost of sales.

Revenue from the sale of goods for resale and finished goods is recognized in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received.

Revenue is recognized excl. VAT and indirect taxes.

Cost of sales comprises costs incurred in generating revenue for the year. Such costs include direct and indirect costs for raw materials and consumables.

Other operating income comprises items of a secondary nature to the activities of the enterprises.

Distribution costs

Cost incurred in distributing goods sold during the year and in connection with sales campaigns, etc. during the year are recognized as sales and distribution costs. Also, costs relating to staff, advertising, exhibitions and depreciations are recognized as sales and distribution costs.

Administration expenses

Administration expenses comprise expenses incurred during the year for the company management and administration, including expenses for administrative staff, management, office premises and office expenses, and depreciation.

Notes

Financial income and expenses

Financial income and expenses are recognized in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realized and unrealized capital gains, debt and foreign currency transactions, and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognized directly in equity. The Company and Danish group enterprises are taxed jointly. The Danish income tax is distributed between profit- and loss-making Danish enterprises in relation to their taxable income (full distribution).

Balance Sheet

Inventories

Inventories is measured at cost on the basis of the FIFO principle or at the net realizable value if the latter is lower.

Good for resale are measured at cost, comprising purchase price plus delivery costs.

The net realizable value of inventories is calculated at the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Prepayments

Accrued income recognized in assets comprises costs regarding subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Equity

Proposed dividend for the year is recognized as a separate item in equity.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the balance-sheet liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base losses allowed for carryforward, are recognized at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax.

Notes

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognized when, at the balance sheet date, the company has a legal or actual obligation and it is likely that settlement will result in the company spending financial resources.

Provisions that are expected to be settled later than a year from the balance sheet date are measured at the present value and the expected payments. Other provisions are measured at net realizable value.

Other liabilities

Other liabilities are measured at amortized cost which usually corresponds to the nominal value.

Current tax liabilities

Current tax liabilities and current tax receivables are recognized in the Balance Sheet as calculated tax on the expected taxable income for the year, adjusted for tax on taxable income for previous years as well as for tax prepaid.

Contingent assets and liabilities

Contingent assets and liabilities are not recognized in the Balance Sheet but appear only in the notes.

2. Core activity

Sandvik A/S is the legal Centre for a number of representative units of the Swedish ultimate parent company, Sandvik AB. These units have their own management channels and are managed by the parent company, while Sandvik A/S coordinates certain administrative and legal services in Denmark. Accordingly, major changes can be made in one unit without significant effects on other units.

Sandvik A/S is a trading company which sells hard metal and high-speed tools within cutting machining, etc. In addition, Sandvik A/S facilitates the sale of stainless steel through global organization EMEA on behalf of Sandvik AB.

The domicile in Albertslund accommodates and/or manages the following divisions: Sandvik Coromant, Sandvik Material Technology, Sandvik Hard Materials, Dormer Tools and WTP (Walter Titex Prototyp).

Notes

	2018 t.kr.	2017 t.kr.
3. Employee expense		
Wages and salaries	24.520	21.463
Post-employment benefit and expense	1.719	1.764
Social security contributions	278	274
	<u>26.517</u>	<u>23.501</u>
<i>Employee expense are allocated as follows in the income statement</i>		
Distribution costs	22.603	20.469
Administrative expenses	3.914	3.032
	<u>26.517</u>	<u>23.501</u>
Average number of employees	<u>28</u>	<u>28</u>
4. Tax expense		
Current tax for the year	886	1.047
Deferred tax adjustment for the year	175	66
Current tax adjustment for previous years	-151	237
	<u>910</u>	<u>1.350</u>
5. Provision for deferred tax		
Property, plant and equipment	106	104
Inventories	10	6
Other provisions	0	181
Transferred to deferred tax asset	<u>116</u>	<u>291</u>

6. Contingent liabilities

The Company has entered into operating leases and rental agreements with regard to cars and premises with a total lease obligation of t.kr. 1.662 (0-1 year: t.kr. 892; 2-5 years: t.kr. 770, and more than 5 years: t.kr. 0)

7. Collaterals and securities

The Company has no provided guarantees at 31 December 2018 (31 December 2017: t.kr. 515)

Notes

8. Related parties

Consolidated Financial Statements

The company is included in the Group Annual Report of the Parent Company

<u>Name</u>	<u>Place of registered office</u>
Sandvik AB	Sweden

The Group Annual Report of Sandvik AB may be obtained at the following address:

Sandvik AB

Box 510

SE-10130 Stockholm