

Sandvik A/S

Abildager 26

2605 Brøndby

CVR No. 19430839

Annual Report 2016

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30 May 2017



Chairman

Sandvik A/S

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Sandvik A/S

Management's Statement

Today, Management has considered and adopted the Annual Report of Sandvik A/S for the financial year 1 January 2016 - 31 December 2016.

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

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January 2016 - 31 December 2016.

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

Brøndby, 30 May 2017

Executive Board

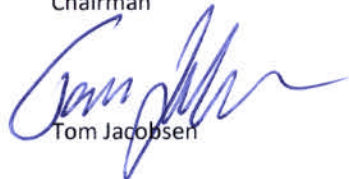


Annette Marie Stadager Bæk
CEO

Supervisory Board



Andrew Taylor
Chairman



Tom Jacobsen



Jan Rasmussen



Annette Marie Stadager Bæk
CEO



Hans-Kristian Brunnich Kragestein

Independent Auditor's Report

To the shareholder of Sandvik A/S

Opinion

We have audited the financial statements of Sandvik A/S for the financial year 1. januar 2016 - 31. december 2016, which comprise an income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31. december 2016 and of the results of its operations for the financial year 1. januar 2016 - 31. december 2016 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in our auditors' report under "Auditors' responsibility for the audit of the financial statements". As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, 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.

Management's responsibility 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 considers 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 the Company'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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- * Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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 the Company's internal control.

Independent Auditor's Report

- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Statement on Management's Review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Brøndby, 30 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR-no. 25578198



Martin Eiler

State Authorised Public Accountant

Sandvik A/S

Company details

Company	Sandvik A/S Abildager 26 2605 Brøndby
Telephone	43 46 51 00
Telefax	43 96 60 81
Website	www.sandvik.dk
CVR No.	19430839
Registered office	Brøndby
Financial year	1 January 2016 - 31 December 2016
Supervisory Board	Andrew Taylor, Chairman Annette Marie Stadager Bæk, CEO Jan Rasmussen Tom Jacobsen Hans-Kristian Brünnich Kragesteen
Executive Board	Annette Marie Stadager Bæk, CEO
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø CVR-no.: 25578198

Sandvik A/S

Management's Review

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 effect 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 the global organisation EMEA on behalf of Sandvik AB.

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

Development in the year

As a result of a minor recovery in the industry in 2014, the results for 2014 were better than in 2013, and as expected, the results for 2015 were in line with the results for 2014.

The result for 2016 were expected to be in line with 2015, but the result turned out to be better.

Outlook

The Danish economy is on the right path even though progress is slow. The recovery is in progress, but it is more modest than forecast. The industry is still challenged by bottlenecks due to lower recruitment of skilled labour than demanded, which may limit growth.

Inflation is low, wage increases are limited, and private consumption has increased slightly. All in all, the economy seems sound and stable.

The results for 2017 are expected to be in line with the results for 2016.

Subsequent events

No events have occurred after the balance sheet date that may affect assessment of the annual report.

Sandvik A/S

Income Statement

	Note	2016 tkr.	2015 tkr.
Gross result		28.864	32.083
Distribution costs	2	-18.667	-22.809
Administrative expenses	2	-3.308	-3.299
Profit from ordinary operating activities		6.889	5.975
Other operating income		538	554
Operating profit		7.427	6.529
Finance income		1	13
Finance expences		-33	-73
Profit before tax		7.395	6.469
Tax expense on activities	3	-1.437	-1.553
Profit		5.958	4.916
Proposed distribution of results			
Proposed dividend recognised in equity		5.958	4.916
Distribution of profit		5.958	4.916

Sandvik A/S

Balance Sheet as of 31. December

	Note	2016 tkr.	2015 tkr.
Assets			
Goods for resale		1.174	1.164
Inventories		<u>1.174</u>	<u>1.164</u>
Trade receivables		18.838	16.809
Receivables from group enterprises		17.113	19.927
Other receivables		56	58
Prepayments		404	648
Deferred tax	4	357	359
Receivables		<u>36.768</u>	<u>37.801</u>
Cash and cash equivalents		<u>463</u>	<u>143</u>
Current assets		<u>38.405</u>	<u>39.108</u>
Assets		<u>38.405</u>	<u>39.108</u>

Balance Sheet as of 31. December

	Note	2016 tkr.	2015 tkr.
Liabilities and equity			
Share capital		15.000	15.000
Proposed dividend for the year		5.958	4.916
Equity	5	<u>20.958</u>	<u>19.916</u>
Other provisions	6	1.030	1.000
Provisions		<u>1.030</u>	<u>1.000</u>
Trade payables		1.097	824
Payables to group enterprises		8.440	9.680
Other payables, including taxes payable		6.880	7.688
Current liabilities other than provisions		<u>16.417</u>	<u>18.192</u>
Liabilities other than provisions within the business		<u>16.417</u>	<u>18.192</u>
Liabilities and equity		<u>38.405</u>	<u>39.108</u>
Contingent liabilities	7		
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Statement of changes in Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	<u>tkr.</u>	<u>tkr.</u>	<u>tkr.</u>	<u>tkr.</u>
Equity 1 January 2016	15.000	0	4.916	19.916
Dividend paid	0	0	-4.916	-4.916
Profit (loss)	0	0	5.958	5.958
Equity 31 December 2016	15.000	0	5.958	20.958

The share capital has remained unchanged for the last 5 years.

Notes

1. Accounting policies

Reporting Class

The Annual Report of Sandvik A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. Consequently, the financial statements for 2016 have been prepared in accordance with the provisions applying to reporting class B entities as opposed to reporting class C medium-sized entities as in previous years. The change has not entailed changes in accounting policies (recognition and measurement provisions) but only a reduction of information presented in the financial statements. Thus, the accounting policies used in the preparation of the financial statement are consistent with those of last year.

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 Statements Act.

Gross profit/loss comprises revenue less cost of sales.

Revenue from the sale of goods for resale and finished goods is recognised 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 recognised excl. VAT and indirect taxes.

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

Sales and distribution costs

Costs incurred in distributing goods sold during the year and in conducting sales campaigns, etc. during the year are recognised as sales and distribution costs. Also, costs relating to sales staff, advertising, exhibitions and depreciation are recognised as sales and distribution costs.

Administration expenses

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

Other operating income

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

Notes

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges 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 recognised directly in equity. The Company and the Danish associates 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 are measured at cost on the basis of the FIFO principle or at the net realisable value if the latter is lower.

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

The net realisable value of inventories is calculated as 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 amortised cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Prepayments

Accrued income recognised in assets comprises prepaid 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 recognised 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 of tax losses allowed for carryforward, are recognised 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 rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Notes

Other provisions

Other provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised 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 realisable value.

Financial liabilities

Fixed-rate loans such as mortgage loans and loans from credit institutions are recognised initially at the proceeds received less transaction expenses incurred. In subsequent periods, loans are measured at amortised cost so that the difference between the proceeds and the nominal value is recognised in the Income Statement as an interest expense over the term of the loan.

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

Current tax liabilities

Current tax liabilities and current tax receivables are recognised 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 recognised in the Balance Sheet but appear only in the notes.

Notes

	2016 tkr.	2015 tkr.
2. Employee benefits expense		
Wages and salaries	22.516	26.456
Post-employment benefit expense	1.922	2.131
Social security contributions	262	317
	<u>24.700</u>	<u>28.904</u>
<i>Employee benefits expense are allocated as follows in the income statement</i>		
Distribution costs	21.392	25.605
Administrative expenses	3.308	3.299
	<u>24.700</u>	<u>28.904</u>
Average number of employees	<u>32</u>	<u>35</u>
3. Tax expense		
Current tax for the year	1.518	1.732
Deferred tax adjustment for the year	2	-179
Deferred tax adjustment for previous years	-83	0
	<u>1.437</u>	<u>1.553</u>
4. Provision for deferred tax		
Property, plant and equipment	111	128
Inventories	19	11
Other provisions	227	220
Transferred to deferred tax asset	<u>357</u>	<u>359</u>

5. Equity

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

The share capital has remained unchanged for the last 5 years.

6. Other provisions

Other provisions related to cost for future vacancy rent and cost for terminated employees.

7. Contingent liabilities

The Company has entered into operating leases and rental agreements with regard to cars and premises with a total lease obligation of DKK 3,122 thousands (0-1 year: DKK 1,586 thousand; 2-5 years: DKK 1,536 thousands, and more than 5 years: DKK 0 thousand).

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Notes

8. Collaterals and securities

The Company has provided guarantees totalling DKK 515 thousand at 31 December 2016 (31 December 2015: DKK 515 thousand).

9. Related parties

Sandvik A/S' related parties comprise the following:

Controlling interest

Sandvik AB, S-81181 Sandviken, Sweden (Ultimate parent company)