

# Sandvik A/S

Herstedvang 14, 1.

2620 Albertslund

CVR-nr.: 19430839

## Annual Report 2017

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

Sandvik A/S on 2 May 2018

A handwritten signature in blue ink, consisting of a large, stylized initial 'J' followed by several loops and a long horizontal stroke extending to the right.

Chairman

Sandvik A/S

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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 2017 – 31 December 2017.

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 2017 and of the results of the Company's operations for the financial year 1 January 2017 – 31 December 2017.

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

Albertslund, 2 May 2018

## Executive Management

Helen Ida Marie Blomqvist

## Board of Directors



Carolina Yvonne Granat  
Chairman



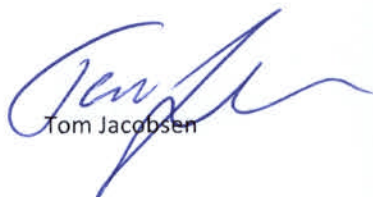
Jan Ostenfeldt Rasmussen



Helen Ida Marie Blomqvist



Hans-Kristian Brünnich Kragesteen



Tom Jacobsen

## 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 January 2017 – 31 December 2017, 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 2017 and of the results of its operations for the financial year 1 January 2017 – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### Basic of the 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 of 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 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 relating 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 auditor's 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 a 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, 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.
- 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 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 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 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.

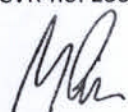
Our responsibility in connection with our audit of the financial statements is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit, or otherwise appears 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 in the Danish Financial Statements Act. In our opinion, the Management's review is not material misstated.

København, 2 May 2018

KPMG  
Statsautoriseret Revisionspartnerselskab  
CVR-no. 25578198



Martin Eiler  
State Authorised Public Accountant  
MNE-nr. 32271

Sandvik A/S

## Company details

<b>Company</b>	Sandvik A/S Herstedvang 14, 1. 2620 Albertslund
Telephone	43 46 51 00
Telefax	43 96 60 81
Website	<a href="http://www.sandvik.dk">www.sandvik.dk</a>
CVR-no.	19430839
Registered office	Albertslund
Financial year	1 January 2017 – 31 December 2017
<b>Board of Directors</b>	Carolina Yvonne Granat, Chairman Helen Ida Marie Blomqvist Jan Ostenfeldt Rasmussen Tom Jacobsen Hans-Kristian Brünnich Kragesteen
<b>Executive Management</b>	Helen Ida Marie Blomqvist, CEO
<b>Auditors</b>	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28 2100 København Ø CVR-no.: 25578198

## **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 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).

### **Development in the year**

The result for 2017 was expected to be in line with 2016, but the result turned out slightly lower than 2016.

### **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 2018 is expected to be in line with the result for 2017.

### **Subsequent events**

No events have occurred after the balance sheet date that may affect assessment of the Annual Report.

## Income Statement

	Note	2017 t.DKK	2016 t.DKK
Gross result		28.649	28.864
Distribution costs	2	-19.710	-18.667
Administrative expenses	2	-3.032	-3.308
<b>Profit from ordinary operating activities</b>		<b>5.907</b>	<b>6.889</b>
Other operating income		135	538
<b>Operating profit</b>		<b>6.042</b>	<b>7.427</b>
Finance income		15	1
Finance expenses		-62	-33
<b>Profit before tax</b>		<b>5.995</b>	<b>7.395</b>
Tax expense on activities	3	-1.350	-1.437
<b>Profit</b>		<b>4.645</b>	<b>5.958</b>
<b>Proposed distribution of results</b>			
Proposed dividend recognized in equity		4.645	5.958
<b>Distribution of profit</b>		<b>4.645</b>	<b>5.958</b>



## Balance Sheet as of 31 December

	Note	2017 t.DKK	2016 t.DKK
<b>Assets</b>			
Inventory		<u>1.238</u>	<u>1.174</u>
		<b>1.238</b>	<b>1.174</b>
Trade receivables		18.303	18.838
Receivables from group enterprises		13.694	17.113
Other receivables		227	56
Prepayments		342	404
Deferred tax	4	<u>291</u>	<u>357</u>
<b>Receivables</b>		<b><u>32.857</u></b>	<b><u>36.768</u></b>
<b>Cash and cash equivalents</b>		<u>0</u>	<u>463</u>
<b>Current assets</b>		<u>34.095</u>	<u>38.405</u>
<b>Total Assets</b>		<u>34.095</u>	<u>38.405</u>

## Balance Sheet as of 31 December

	Note	2017 t.DKK	2016 t.DKK
<b>Liabilities</b>			
Share capital		15.000	15.000
Proposed dividend for the year		4.645	5.958
<b>Equity</b>	5	<u>19.645</u>	<u>20.958</u>
Other provisions	6	820	1.030
<b>Provisions</b>		<u>820</u>	<u>1.030</u>
Trade payables		580	1.097
Payables to group enterprises		6.822	8.440
Other payables, including taxes payable		6.228	6.880
<b>Current liabilities other than provisions</b>		<u>13.630</u>	<u>16.417</u>
<b>Liabilities other than provisions within the business</b>		<u>13.630</u>	<u>16.417</u>
<b>Total liabilities and equity</b>		<u>34.095</u>	<u>38.405</u>
Contingent liabilities	7		
Collaterals and assets pledged as security	8		
Related parties	9		

## Statement of changes in Equity

	Share capital t.DKK	Retained earnings t.DKK	Proposed dividend for the year t.DKK	Total t.DKK
Equity 1 January 2017	15.000	0	5.958	20.958
Dividend paid	0	0	-5.958	-5.958
Profit (loss)	0	0	4.645	4.645
<b>Equity 31 December 2017</b>	<b>15.000</b>	<b>0</b>	<b>4.645</b>	<b>19.645</b>

## Notes

### 1. Accounting policies

#### Reporting Class

The Annual Report of Sandvik A/S for 2017 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

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

##### 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.

##### Other operating income

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

##### 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 and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortization of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.



## Notes

### 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 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 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.

**Notes**

	2017 t.DKK	2016 t.DKK
<b>2. Employee benefits expense</b>		
Wages and salaries	21.463	22.516
Post-employment benefit and expense	1.764	1.922
Social security contributions	274	262
	<u>23.501</u>	<u>24.700</u>
 <i>Employee benefits expense are allocated as follows in the income statement</i>		
Distribution costs	20.469	21.392
Administrative expenses	3.032	3.308
	<u>23.501</u>	<u>24.700</u>
 Average number of employees	<u>28</u>	<u>32</u>
 <b>3. Tax expense</b>		
Current tax for the year	1.047	1.518
Deferred tax adjustment for the year	66	2
Current tax adjustment for previous years	237	-83
	<u>1.350</u>	<u>1.437</u>
 <b>4. Provision for deferred tax</b>		
Property, plant and equipment	104	111
Inventories	6	19
Other provisions	181	227
<b>Transferred to deferred tax asset</b>	<u>291</u>	<u>357</u>

**5. Equity**

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

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

**6. Other provision**

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 KDKK 1.662 (0-1 year: KDKK 892; 2-5 years: KDKK 770, and more than 5 years: KDKK 0).

## Notes

### 7. Contingent liabilities (continued)

The Company is jointly taxed with all other Danish companies in the Sandvik group. As a consolidated entity, the Company has unlimited and joint liability together with the other companies under joint taxation for Danish corporation tax and withholding tax on dividend, interest and royalties within the jointly taxed companies.

### 8. Collaterals and securities

The Company has provided guarantees totaling KDKK 515 at 31 December 2017 (31 December 2016: KDKK 515)

### 9. Related parties

Sandvik A/S' related parties comprise the following:

Controlling interest

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

Sandvik A/S is part of the consolidated financial statements of Sandvik AB, Sandviken, which is the smallest group in which the Company is included as a subsidiary.