

Sandvik A/S

Herstedvang 14, 1.

2620 Albertslund

CVR-nr.: 19430839

Annual Report 2019

The annual Report was presented and
adopted at the Annual General Meeting of
Sandvik A/S on 30 April 2020

Jette Krølbøll Hansen

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 2019 – 31 December 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January 2019 – 31 December 2019.

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

Albertslund, 30 April 2020

Executive Management

Jan Ostenfeldt Rasmussen

Board of Directors

Marcus Franciscus Maria Zwinkels
Chairman

Jan Ostenfeldt Rasmussen

Carl Erik Jansson

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 2019, and of the results of Sandvik A/S' operations for the financial year 1 January - 31 December 2019 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 2019, 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, 30 April 2020

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 2019 – 31 December 2019
Board of Directors	Marcus Franciscus Maria Zwinkels, Chairman Jan Ostenfeldt Rasmussen Carl Erik Jansson
Executive Management	Jan Ostenfeldt Rasmussen, MD
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup CVR-no.: 33771231

Income Statement

	Note	2019 t.kr.	2018 t.kr.
Gross result		30.750	31.830
Staff expense	3	-23.785	-26.517
Profit before interest and tax		6.965	5.313
Finance income		0	0
Finance expenses		-178	-35
Profit before tax		6.787	5.278
Tax expense on activities	4	-1.446	-910
Profit for year		5.341	4.368
Proposed distribution of results			
Proposed dividend recognized in equity		5.200	4.368
Retained earnings		141	0
Distribution of profit		5.341	4.368

Balance Sheet as of 31 December

	Note	2019 t.kr.	2018 t.kr.
Assets			
Goods for resale		1.051	1.613
Inventories		<u>1.051</u>	<u>1.613</u>
Trade receivables		17.720	20.492
Receivables from group enterprises		13.687	10.465
Other receivables		217	326
Corporation tax		0	185
Prepayments		804	167
Deferred tax	5	123	116
Receivables		<u>32.551</u>	<u>31.751</u>
Cash and cash equivalents		<u>0</u>	<u>0</u>
Current assets		<u>33.602</u>	<u>33.364</u>
Total Assets		<u>33.602</u>	<u>33.364</u>

Balance Sheet as of 31 December

	Note	2019 t.kr.	2018 t.kr.
Liabilities			
Share capital		15.000	15.000
Retained earnings		141	0
Proposed dividend for the year		5.200	4.368
Equity		<u>20.341</u>	<u>19.368</u>
Trade payables		346	702
Payables to group enterprises		6.088	6.887
Corporation tax		499	0
Other payables		6.328	6.407
Current liabilities other than provisions		<u>13.261</u>	<u>13.996</u>
Liabilities other than provisions within the business		<u>13.261</u>	<u>13.996</u>
Total liabilities and equity		<u>33.602</u>	<u>33.364</u>
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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 2019	15.000	0	4.368	19.368
Dividend paid	0	0	-4.368	-4.368
Profit (loss)	0	141	5.200	5.341
Equity 31 December 2019	15.000	141	5.200	20.341

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 2019 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 statements are consistent within those of last year except that the income statement is now presented by nature against the previous function breakdown. Thus, comparative figures for 2018 have been adjusted accordingly.

The change has no financial effect on profit, assets, liabilities and equity for neither 2018 nor 2019 but gross profit for 2018 has changed from 29.531 t.kr. to 31.830 t.kr. as a result of that expenses which are not staff expenses are included in gross profit.

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.

Other external expenses

Other external expenses comprise of expenses for premises, sales and distribution as well as office expenses, etc.

Notes

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

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.

Notes

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.

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 additions, 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

	2019	2018
	t.kr.	t.kr.
3. Staff expense		
Wages and salaries	21.762	24.520
Post-employment benefit and expense	1.701	1.719
Social security contributions	322	278
	<u>23.785</u>	<u>26.517</u>
Average number of employees	<u>26</u>	<u>28</u>
4. Tax expense		
Current tax for the year	1.457	886
Deferred tax adjustment for the year	-7	175
Current tax adjustment for previous years	-4	-151
	<u>1.446</u>	<u>910</u>

5. 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. 1.330 (0-1 year: t.kr. 674; 2-5 years: t.kr. 656, and more than 5 years: t.kr. 0)

6. Collaterals and securities

The Company has not provided guarantees at 31 December 2019

Notes

7. 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

8. Subsequent events

The Company's outlook for the coming year will be negatively affected by the Covid-19 outbreak. Currently we do not know the exact financial impact of Covid-19 but we expect our EBIT for the year to be reduced by approximately 25 percent and have as a result taken measures to minimize costs accordingly. Management assesses that the capital resources of the Company are sufficient.