

ANNUAL REPORT 2021



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Cover photo: The electric mining jumbo Sandvik® DD422iE.

The formal Annual Report comprises pages 46–136. The Statutory Sustainability Report and Sustainable Business Report include pages 2–3, 7, 14–17, 64–70 and 142–152. Unless otherwise stated, financial data on pages 0–5, 18–45 and 51–52 refers to continuing operations.

IMPORTANT EVENTS

- A strong recovery resulted in an order intake of SEK 108,898 million (86,287). Revenues increased by 15 percent to SEK 99,105 million which, in combination with good cost management, resulted in the adjusted EBITA margin improving to 19.1 percent (17.2).
- The mining segment continued to develop strongly. General engineering recovered to a favorable level while oil and gas, automotive and aerospace noted a slower recovery.
- We revised our strategy, launched six strategic objectives and defined measurable targets for 2025.
- Sandvik signed or closed 14 acquisitions in strategic areas such as CAM software, solid round tools, mine planning and ground support. The acquisition of DSI Underground is one of our largest acquisitions ever.
- The revenue target for 2025 for the Sandvik Manufacturing Solutions business area segment was raised from SEK 4 billion to SEK 6 billion due to acquisitions.
- The preparations to distribute Sandvik Materials Technology to shareholders and list the company's shares on Nasdaq Stockholm continued. The ambition is to complete the listing in the second or third quarter of 2022.
- We committed to the Science Based Targets initiative and made a commitment to reach net zero CO₂ emissions by 2050 at the latest.
- We reduced our CO₂ emissions by 16.4 percent compared with 2020.

INDICES

Sandvik is included in several prestigious sustainability indices and is a signatory of the UN Global Compact (UNGC).



2021 IN BRIEF

Overview, continuing operations	2020	2021
Order intake, MSEK	86,287	108,898
Revenues, MSEK	86,404	99,105
Adjusted EBITA ¹⁾ , MSEK	14,878	18,935
Adjusted EBITA margin ¹⁾ , %	17.2	19.1
EBIT, MSEK	11,216	18,654
EBIT margin, %	13.0	18.8
Adjusted EBIT ¹⁾ , MSEK	14,563	18,116
Adjusted EBIT margin ¹⁾ , %	16.9	18.3
Free operating cash flow, MSEK	16,425	14,578
Return on capital employed, %	13.3	19.5
Earnings per share, SEK	6.99	11.54
Adjusted Earnings per share, SEK ¹⁾	8.64	11.24
Net debt/equity ratio	0.04	0.35
Lost Time Injury Frequency Rate, LTIFR ²⁾	1.4	1.5
Total Recordable Injury Frequency Rate, TRIFR ³⁾	3.2	3.5
Number of employees ⁴⁾	37,125	44,133
Share of women, %	19.6	20.2

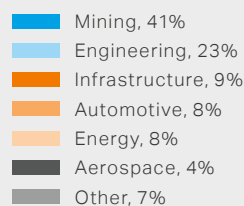
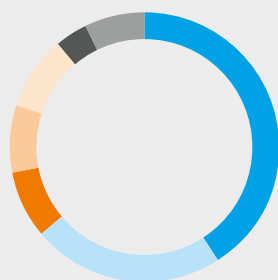
1) Adjusted for items affecting comparability, see page 51. For definitions of alternative performance measures, see page 155.

2) Injuries resulting in lost time per million hours worked.

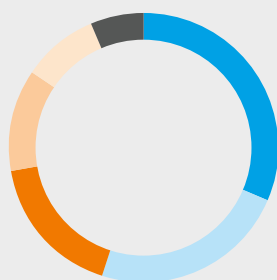
3) Total number of recordable injuries per million hours worked.

4) Full-time equivalent.

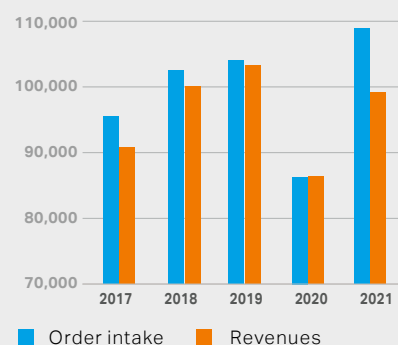
Revenues by customer segment



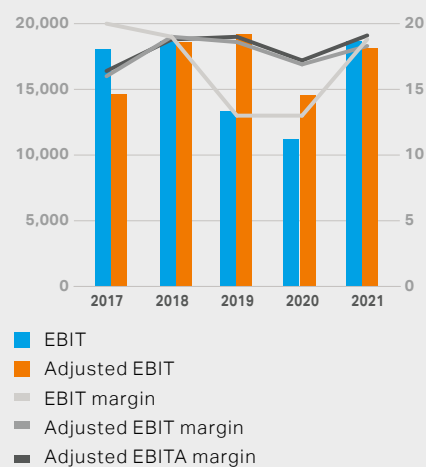
Revenues by market area



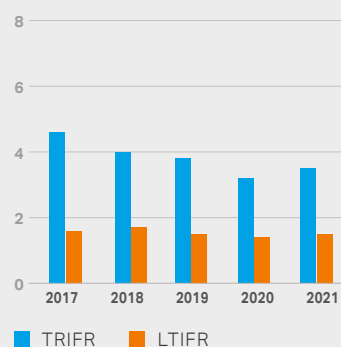
Order intake and revenues, MSEK



EBIT, MSEK and EBIT margin, %



LTIFR and TRIFR



VALUE-CREATING OFFERINGS

BUSINESS AREAS

DIVISIONS

SANDVIK MINING AND ROCK SOLUTIONS



A leading supplier in equipment and tools, service and solutions for the mining industry and rock excavation within the infrastructure industry.

SHARE OF REVENUES	SHARE OF ADJUSTED EBIT
42%	44%

- Underground Drilling
- Load and Haul
- Surface Drilling
- Rotary Drilling
- Mechanical Cutting
- Rock Tools
- Ground Support
- Digital Mining Technologies
- Parts and Services

SANDVIK ROCK PROCESSING SOLUTIONS



A leading supplier of equipment, service and technical solutions for processing rock and minerals in the mining and infrastructure industries.

SHARE OF REVENUES	SHARE OF ADJUSTED EBIT
8%	7%

- Stationary Crushing and Screening
- Mobile Crushing and Screening
- Attachment Tools
- Shanbao

SANDVIK MANUFACTURING AND MACHINING SOLUTIONS



A market-leading manufacturer of tools and tooling systems for advanced metal cutting, expanding into digital manufacturing and software solutions, as well as disruptive technologies like additive manufacturing and in-line metrology.

SHARE OF REVENUES	SHARE OF ADJUSTED EBIT
37%	41%

Sandvik Machining Solutions¹⁾

- Sandvik Coromant
- Seco
- Walter
- Dormer Pramet
- Wolfram

Sandvik Manufacturing Solutions¹⁾

- Design and Planning Automation
- Additive Manufacturing
- Industrial Metrology

SANDVIK MATERIALS TECHNOLOGY



A leading developer and manufacturer of advanced stainless steels, powder-based alloys and special alloys for the most demanding industries.

SHARE OF REVENUES	SHARE OF ADJUSTED EBIT
13%	8%

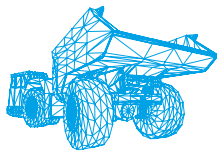
- Tube
- Kanthal
- Strip

¹⁾Business area segments

Revenues and adjusted EBIT are excluding Group activities and EBIT is adjusted for items affecting comparability.

Sandvik is a global, high-tech engineering group with approximately 44,000 employees and sales in about 150 countries. We have a strong focus on enhancing customer productivity, profitability and sustainability.

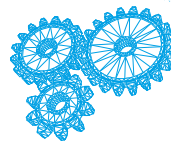
KEY CUSTOMER SEGMENTS/SHARE OF REVENUES



Mining

41%

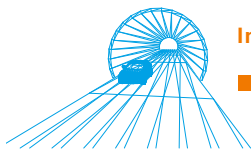
We deliver drill rigs, rock-drilling tools and systems, load and haul machines, tunneling equipment, continuous mining and mechanical cutting equipment, service and digital solutions, and sustainability-driving technologies to increase digitalization, automation, safety and customer productivity.



Engineering

23%

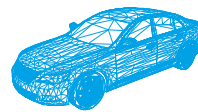
Our tools and tooling systems for metal cutting, manufacturing software as well as advanced materials and components are used in engineering industries worldwide, improving productivity, profitability, quality and safety as well as reducing environmental impact. We are also a global leader in high-alloy metal powder.



Infrastructure

9%

We offer products and services that increase safety and customer productivity in breaking, drilling, crushing and screening within the infrastructure industry. Application areas include tunneling, quarrying, civil engineering, demolition and recycling.



Automotive

8%

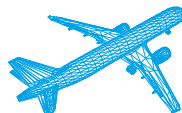
Our software solutions, tools and tooling systems for turning, milling and drilling in metals, as well as our industrial metrology offering, increase productivity when manufacturing, for example, engines and transmissions. Our stainless and high-alloy products are found in air conditioning and air bags, among other things.



Energy

8%

We offer solutions for all forms of energy production, including clean and renewable energy. We supply high-alloy products, such as stainless steel tubes for selected niches in the most demanding industries as well as tools and tooling systems to satisfy the industry's metal-cutting needs.



Aerospace

4%

We work closely with the world's aerospace companies. As they apply new materials to manufacture airplanes that are lighter, safer and more fuel efficient, advanced tooling solutions, end-to-end optimization and lightweight materials are critical.

■ Sandvik Mining and Rock Solutions ■ Sandvik Rock Processing Solutions ■ Sandvik Manufacturing and Machining Solutions ■ Sandvik Materials Technology

The remaining 7 percent includes mainly consumer goods, electronics and chemicals.

STRONG DELIVERY ON THE SHIFT TO GROWTH

2021 was a successful and eventful year for Sandvik, when we delivered on our strategy and made important progress in the shift to growth. It was a year with high acquisition activity and significant new additions that are further strengthening our position, both geographically and technologically in terms of exposure to various customer segments.

We have a strong focus on growth. We have identified a number of key areas in our customers' value chains where we want to establish leading positions, and where we help our customers further enhance their productivity. Key strategic growth areas in which we have significantly advanced our positions include CAM software, industrial metrology, round tools, ground support and mine planning.

With the acquisition of CNC Software – the creators of Mastercam – and the acquisitions of Cambrio and ICAM, we now have a leading global position in CAM, giving us a digital presence with access to hundreds of thousands of workshop customers and a fantastic opportunity to further improve their productivity and automate their manufacturing processes. Round tools is a key area for Sandvik expansion. During the year, we acquired GWS Tool Group in the US and Chuzhou Yongpu in China, which is in line with our ambition to expand our presence in North America and Asia. In industrial metrology, we took another step forward through the acquisitions of DWFritz Automation and Dimensional Control Systems. We completed the acquisition of ground support and rock reinforcement product supplier DSI Underground giving us a world-leading position in an area of utmost importance for our mining customers. We also signed an agreement to acquire Deswik, the leading supplier of mine planning software, that will broaden our digital offering.

As a result of these successful acquisition activities, the Sandvik

Manufacturing Solutions business area segment raised its growth target for 2025 from SEK 4 billion to SEK 6 billion.

Value-creating innovations

We also posted strong organic growth, which shows the strength of our innovative product portfolio. We successfully launched a number of new products, such as the battery-electric truck Sandvik® TH550B which is completely built around the battery, the digitally connected Sandvik® QI353 cone crusher engineered for increased efficiency and lower costs, and we developed a new way to laser tag inserts with scannable Data Matrix codes for full traceability.

Order intake rose 30 percent organically and revenues increased by 15 percent compared with 2020. Overall growth for Sandvik totaled 18 percent. This is clear proof of a well-executed year in our growth strategy with strong growth both organically and through acquisitions.

A more flexible company

We continued to show how flexibility and agility in the Sandvik organization have improved considerably. During 2021, which was a year of recovery with high demand, we successfully managed the challenges that arose in the supply chain in the form of component shortages and a more strained situation in, for example, freight and logistics. We delivered 90 percent of the cost-cutting programs announced in 2020, resulting in annualized run-rate savings of SEK 1.1 billion.

The remaining SEK 0.1 billion will be realized in 2022. We have a continuous cost focus, always striving for more efficient ways of working. The adjusted EBITA margin rose to 19.1 percent for the full-year compared with 17.2 percent in 2020.

Flexibility is more important than ever in a turbulent business environment. The war in Ukraine causes a lot of uncertainty and human suffering and we are continuously following the development. Many of the countries in which we operate were impacted by the pandemic throughout most of 2021, although the trend has moved in the right direction as vaccination programs have been rolled out and we have been able to start traveling again. We took major steps forward in virtual collaborations during the pandemic, which will make us even better and more efficient in how we interact with customers and work in a more flexible manner.

In October, the Board made a decision to continue the process for a distribution of Sandvik Materials Technology to our shareholders and to list the company on Nasdaq Stockholm. I am convinced this is very positive for both Sandvik and Sandvik Materials Technology, which will have even better opportunities and conditions to grow as two separate, and even more focused, world-leading companies. A listing is still subject to a formal Board proposal to a General Meeting and shareholder approval, and the goal is to list the company in the second or third quarter of 2022.

Sustainability

Sustainability represents a major business opportunity for Sandvik. Based on our strong research and development, we develop more efficient, safer and more environmentally sound solutions. We made progress in several of our 2030 sustainability targets during the year. Greenhouse gas emissions decreased 16.4 percent, despite higher levels of activity. In December, we joined the Science Based Targets initiative to have our ambitious climate targets validated by a third party. In addition, this means we have committed to reaching net zero greenhouse gas emissions by 2050 at the latest. This is an important step for Sandvik, and emphasizes our commitment to sustainable business. The health and safety of our employees is always our highest priority. Unfortunately, the injury frequency rate rose. We have a zero accident vision and intensified our focus on this area during the year.


Sandvik will continue to support the principles of the UN Global Compact and contribute to the achievement of the United Nations Sustainable Development Goals.

During the year, we launched our new purpose, "We make the shift – advancing the world through engineering." It summarizes how our innovative solutions are creating value for our customers and employees, as well as for society and the planet, which builds shareholder value. The purpose is a strong upholder of culture that helps to build and clarify the Group's future direction and strategy, while generating employee engagement.

We updated our strategy with six strategic objectives with well-defined and measurable targets for 2025. The underlying idea behind the strategy is to facilitate important shifts taking place around the world, such as digitalization and sustainability.

Finally, I would like to thank our employees whose fantastic work and commitment during a very intense year have laid the foundation for our success. I would also like to thank our shareholders and customers for their continued trust.

Stefan Widing
President and CEO



"The strong organic growth shows the strength of our innovative product portfolio."

FINANCIAL TARGETS

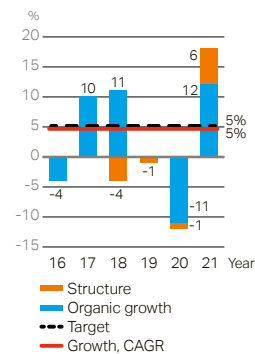
Sandvik has long-term financial targets focusing on growth, profitability, dividend and financial position. The 2030 sustainability targets focus on the areas of circularity, climate, people and fair play.

GROWTH¹⁾

Target: $\geq 5\%$
Outcome: 5%

Target: A growth of ≥ 5 percent through a business cycle, organically and through acquisitions.

Outcome: The revenue growth 2016–2021 was 5 percent. In 2021 the organic growth was 12 percent, and total growth, at fixed exchange rates, was 18 percent.

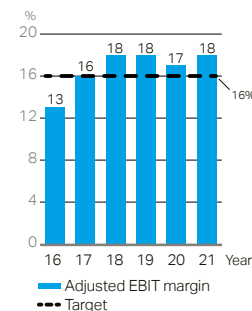


TROUGH EBIT MARGIN

Target: $\geq 16.0\%$
Outcome: 18.3%

Target: A trough EBIT margin of ≥ 16 percent rolling 12 months, adjusted for items affecting comparability and metal prices.

Outcome: The EBIT margin, adjusted for items affecting comparability and metal prices, amounted to 18.3 percent in 2021. The EBITA margin amounted to 19.1 percent.

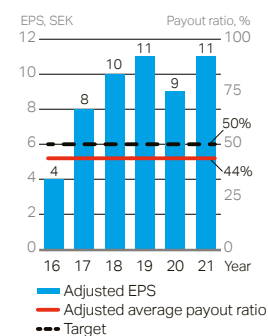


DIVIDEND PAYOUT RATIO¹⁾

Target: 50%
Outcome: 44%

Target: A dividend payout ratio of 50 percent of earnings per share, adjusted for items affecting comparability, through a business cycle.

Outcome: The average payout ratio in 2016–2021 amounted to 44 percent. A solid performance in 2021 resulted in a proposed dividend of SEK 6 billion (8), corresponding to a payout ratio of 42 percent.

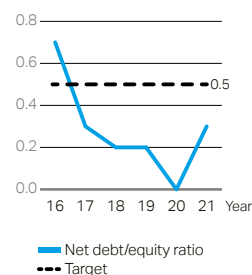


NET DEBT/ EQUITY RATIO

Target: < 0.5
Outcome: 0.35

Target: A net debt/equity ratio below 0.5.

Outcome: The target was achieved as the net debt to equity ratio was 0.35.



¹⁾ The growth and dividend payout ratio targets refer to average through a business cycle, defined as 2016–2021.

SUSTAINABILITY TARGETS

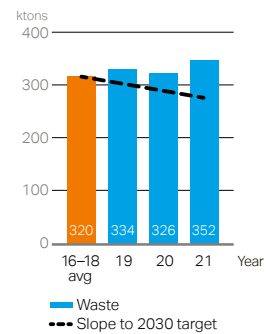
We have 2030 Sustainability Goals in four areas and we report on KPIs for our own operations to track progress towards targets. In addition to our own operations, we also work with customers and suppliers to achieve the goals.

WE BUILD CIRCULARITY

Target: 280 ktons
Outcome: 352 ktons

Target: Our target is to reduce our waste by 50 percent by 2030. To be in line with this target we should reduce waste to 280 ktons by 2021.

Outcome: Our waste amounted to 352 ktons, an 8 percent increase compared to 2020. The increase was attributed to major waste haulages and increased activity levels. This target was revised in 2021 to better reflect our efforts towards circularity and we will report on the new target as of 2022.

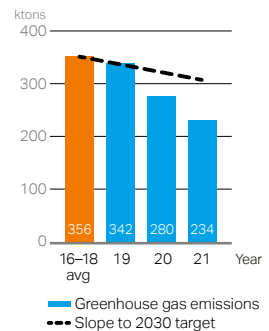


WE SHIFT CLIMATE

Target: 311 ktons
Outcome: 234 ktons

Target: Our target is to reduce our CO₂ emissions by 50 percent by 2030. To be in line with this target we should reduce CO₂ emissions to 311 ktons by 2021.

Outcome: In 2021, we reduced our CO₂ emissions by 16.4 percent to 234 ktons, despite increased production and traveling. Fossil-free energy sourcing was the major contributor.

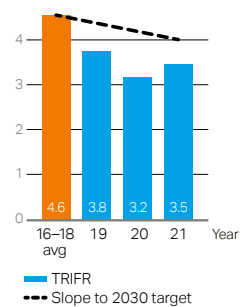


WE CHAMPION PEOPLE

Target: 4.0
Outcome: 3.5

Target: Our target is to reduce our Total Recordable Injury Frequency Rate (TRIFR) to 2.3 by 2030, a 50 percent reduction. To be in line with this target we should reduce the TRIFR to 4.0 by 2021.

Outcome: The TRIFR was 3.5 (3.2), a 9 percent increase but still in line with our 2030 target. Injury rates decreased at the end of the year after a negative trend in the first three quarters. The increase is mainly attributable to a higher number of less severe injuries which accounted for 79 percent of the total increase of incidents.

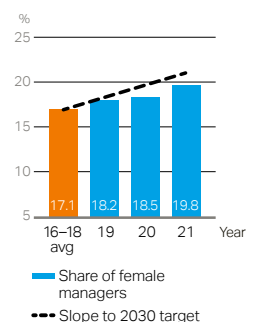


WE PLAY FAIR

Target: 19.5%
Outcome: 19.8%

Target: Our target is to increase the share of women in managerial positions to one third by 2030. Our target was to have 19.5 percent female managers by 2021.

Outcome: The share of female managers rose to a new top level of 19.8 percent, a 7.3 percent increase. It verifies our plan in place to accelerate the increase of female managers in the years to come, which is necessary to achieve the 2030 goal.



The baseline for our Sustainability Goals is the average outcome from 2016–2018. The dotted line is an indication of how well-aligned we are with the 2030 targets. TRIFR and CO₂ emissions are ahead the required results while waste and female managers are behind, in relation to the 2030 slope.

A CHANGING WORLD

Sandvik has defined key external factors and drivers that impact our company. Together with customers and other stakeholders, we will seize the opportunities they create in order to generate profitable growth, manage risks and minimize our environmental impact.



CLIMATE CHANGE

The Paris Climate Agreement's goal to limit global warming to 1.5° C places demands on companies and society for change and new thinking. One consequence is the rapid electrification of society and the need for fossil-free energy sources. Sandvik has set a clear goal of reducing its carbon dioxide impact across the entire value chain. Our largest impact is through our products and solutions. Sandvik, for example, is a world leader in electric mining equipment and we develop components for energy-efficient compressors and hydrogen cars.

More efficient manufacturing methods are another way of reducing climate impact. Sandvik invests in additive manufacturing, or 3D printing, a technology that requires fewer manufacturing steps and reduces impact on the environment by producing lighter products with less raw material. Multi-axle technology, enabling the machining of a material from several different angles, improves efficiency and enables completely new types of products. Optimizing manufacturing processes reduces carbon emissions and costs and increases productivity.



ECONOMIC AND POLITICAL DEVELOPMENTS

Macro factors such as globalization, urbanization, political governance, and cyclical conditions impact Sandvik. Changes in circumstances for trade, such as customs duties or new legal requirements also impact the industry. Our global and local presence and our decentralized way of working allow us to be flexible and adapt to changes in

circumstances. All of our business areas have business and action plans in place to manage changes in market conditions.

An increased focus on health, safety and well-being, for example through our medical precision wire and safe mining solutions, create business opportunities.



DIGITALIZATION AND AUTOMATION

The manufacturing industry is experiencing one of the greatest transformations ever, a transition often referred to as Industry 4.0, and it involves a shift to digitalization and automation. Access to big data, sophisticated analytical tools, robotics and artificial intelligence are creating new business opportunities and improved business intelligence. New ways for people to interact with machines and the ability to transfer digital instructions into physical products enable real-time decisions in the machining process. Such developments contribute to reduced costs, increased productivity and improved management of fluctuations in demand. It also put emphasis on the importance of our coworkers' expertise.

Sandvik offers digitalized solutions and services to optimize its customers' operations pertaining to costs, productivity and environmental impact.

Historically, design, machining and analysis have been three clearly defined phases in metal cutting. New technology, digitalization and metrology are leading to the integration of the three stages to form a seamless automated end-to-end value chain.

Data collection, for example in mining equipment, enables advanced analysis to optimize processes and predict maintenance needs. Other Sandvik solutions include automated mines.



RESOURCE EFFICIENCY

A growing global population and economy will require a transition to more sustainable energy and technologies as well as an increase in recycling.

Sandvik is aiming to increase circularity by using more secondary material in production. We purchase customers'

used cemented-carbide inserts, drill bits and rock tools and recover them into tungsten carbide powders and new tools. Using so called digital twins makes it possible to test the product before you manufacture which reduces energy consumption and waste.

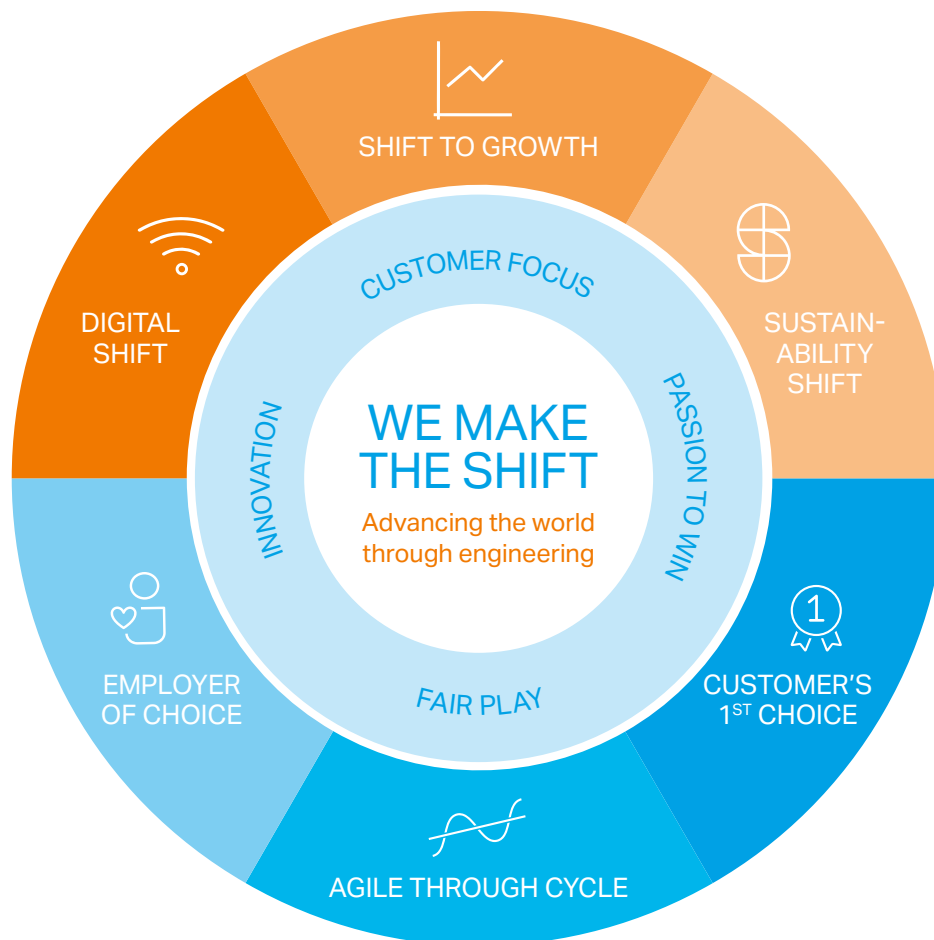
A STRATEGY FOR GROWTH





The Sandvik strategy aims to drive profitable growth, create value for our shareholders and build a strong company. It rests on our core values, explicit target setting in six strategic areas, and a decentralized way of working.

Our core values of Customer Focus, Innovation, Fair Play and Passion to Win represent the essence of the Sandvik culture. Together with our Code of Conduct, they guide us in our daily business decisions and form a solid platform for our strategy.

The strategy is focused on six strategic objectives, addressing growth and operational excellence. Shift to growth, the digital shift and the sustainability shift are of a transformative character while customer's first choice, agile through cycle and employer of choice have more focus on continuous improvements.

For optimal execution of the strategy we have established a decentralized way of working with full profit and loss responsibility at the divisional level, creating transparency and accountability. Decision-making close to the customer will ensure an agile organization that can rapidly respond to customer needs. Strong leaders and engaged employees are key to delivering on this strategy and we make substantial investments in employee and leadership development.



2025 TARGETS	2021 KEY RESULTS
 Shift to growth <ul style="list-style-type: none"> We will grow at least 5 percent (CAGR) through a business cycle, which would make us a SEK 115 billion company by 2025 We will have a New Sales Ratio of 30–35 percent, defined as share of sales of products younger than 5 years 	<ul style="list-style-type: none"> We grew 5 percent (CAGR) in 2016–2021. We added more than SEK 10 billion in annual revenues from strategic acquisitions We achieved a New Sales Ratio of 20–25 percent
 Digital shift <ul style="list-style-type: none"> We will expand our software and digital offering 70 percent of our sites¹⁾ will have modern ERP platforms implemented to enable a seamless flow 	<ul style="list-style-type: none"> Sales from our software and digital offering amounted to SEK 1.9 billion 41 percent of our sites had implemented seamless flow platforms
 Sustainability shift <ul style="list-style-type: none"> We will reduce carbon emission by 25 percent We will reduce waste by 25 percent We will achieve a Total Recordable Injury Frequency Rate (TRIFR) at 2.5 	<ul style="list-style-type: none"> Carbon emissions were reduced by 16.4 percent in 2021 and have decreased 34 percent in relation to the baseline (2016–2018) Total waste increased by 8 percent in 2021 and has decreased by 10 percent compared to the baseline The Total Recordable Injury Frequency Rate increased by 9 percent to 3.5. Compared to the baseline it has decreased by 24 percent
 Customer's first choice <ul style="list-style-type: none"> 100 percent of our divisions will measure customer satisfaction and show verified improvements 	<ul style="list-style-type: none"> The divisions focused on establishing structured ways to measure and improve customer satisfaction.
 Agile through cycle <ul style="list-style-type: none"> We will have a 16 percent trough margin through a business cycle with the ability to fully offset a 10 percent volume decline 	<ul style="list-style-type: none"> The adjusted EBIT margin amounted to 18.3 percent.
 Employer of choice <ul style="list-style-type: none"> We will have 25 percent female managers We will have an employee engagement rate above industry average 	<ul style="list-style-type: none"> At year-end, 19.8 percent of our managers were women The average employee engagement rate was 79 percent

CORE VALUES AND PURPOSE

Customer Focus, Innovation, Fair Play and Passion to Win are our core values. They capture the culture of the company and they guide us in our actions and daily business decisions. **Customer Focus:** We constantly strive to exceed our customers' expectations and enable them to excel in their business. We are decentralized and decisions are taken close to customers. **Innovation:** We always strive for technology leadership and successful partnerships. We work to ensure everyday advancements and innovative shifts. **Fair Play:** We put health and safety first. We are ethical and compliant and conduct our busi-

ness sustainably. **Passion to Win:** We establish our market leadership through strong performance management, continuous improvements and empowered people. We are passionate about making our company number one.

In 2021 we defined a new company purpose: **We make the shift – advancing the world through engineering.** It captures our ambition whereby our innovative solutions make the shift in areas such as digitalization and sustainability, creating value for employees, customers, shareholders and society.

1) Excluding Sandvik Materials Technology



The acquisition of underground safety solutions company DSI Underground is the second largest in the history of Sandvik.

A STRING OF ACQUISITIONS

In 2021, Sandvik delivered on its growth agenda, both organically and through acquisitions. We acquired 14 companies in strategic growth areas such as manufacturing software, solid round tools, ground support and mine planning.

Sandvik is an innovation-driven company, continuously developing new customer solutions and investing heavily in research and development (R&D). In 2021 we invested SEK 3,682 million in R&D and we have about 6,400 active patents.

Shift to growth is a central part of our strategy with a focus on organic growth as well as acquisitions. In 2021, we had a strong order intake of SEK 108,898 million (86,287) and we signed or closed 14 acquisition agreements. We have a strong balance sheet and a good cash-flow generation that allows for further investments.

We also focus on the digital shift where Sandvik enables companies in many industries to boost productivity and become more sustainable with digital solutions, from automated mines with self-driving machines to factories where tool data and machining instructions are updated from the cloud.

Solid round tools is a fast-growing segment in which we want to expand. The demand is driven by the transition towards lighter materials and requirements on high-precision tools. It also brings an opportunity to expand further in sectors such as general engineering.

The acquisitions strengthen our value chains in strategic areas. Orange areas were strengthened by acquisitions, light orange marks presence and grey marks no presence.





The acquisition of GWS Tool Group is in line with the ambition to increase the round tools market share.

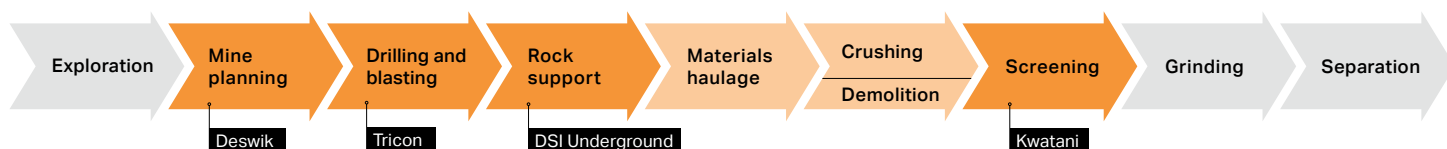


CNC Software is the creator of Mastercam, the most widely used CAM brand in the industry with about 300 000 licenses installed.

SOME OF THE 2021 ACQUISITIONS

- In December 2020 we announced the acquisition of DSI Underground, a world-leading supplier of ground support products, systems and solutions for the underground mining and tunneling industry. This is an area where Sandvik had a limited presence and it enables us to deliver enhanced value and safety to our customers. The acquisition, one our largest ever, was finalized in July 2021.
- We signed an agreement to acquire Australian-based Deswik, a top-tier supplier of integrated software platforms that support digitalization throughout mine planning stages. Combining Deswik’s skills in mine planning and scheduling with our equipment and automation expertise will open up new opportunities for optimizing our mining customers’ value chain.
- We made several acquisitions connected to software solutions for the manufacturing industry, aiming to create an end-to-end machining process including all stages of design, machining and analysis/control. We have an agnostic approach, meaning that our customers can choose to use our tools or tools from our competitors. The acquisitions of US-based companies CNC Software and Cambrio and Canadian ICAM Technologies Corporation, gives us a leading global position in Computer Aided Manufacturing (CAM). CNC Software is the creator of Mastercam, the most widely used CAM brand in the industry. The acquisitions of US-based DWFritz Automation and Dimensional Control Systems enable us to offer our customers full metrology solutions that will reduce costs and improve quality.
- The acquisitions of GWS Tool Group in the US, 67 per cent of Chuzhou Yongpu Carbide Tools in China and Fanar in Poland, improve our geographical presence within round tools in important markets.
- Within the rock processing operations we acquired Kwatani, a South African supplier of screens and feeders for the mining industry. It is in line with our strategy to strengthen our capabilities in comminution process and will add large high-capacity mining screens to our offering.
- Sandvik Materials Technology acquired Swiss-based Accuratech Group, a niche medical wire forming and component manufacturer and Gerling, a German precision tube engineering company (closed in January 2022). The acquisitions will strengthen the offerings in the medical and renewable energy sectors.

ROCK EXCAVATION AND ROCK PROCESSING



SUSTAINABLE SOLUTIONS CREATING VALUE

Sandvik made good progress on our sustainability goals. We reduced our carbon emissions by 16.4 percent and committed to the Science Based Targets initiative and to net-zero emissions by 2050 at the latest. Our main contribution to sustainability is through our solutions and we launched several new products that will make our customers more sustainable.

Our Sustainability Goals 2030 take a holistic approach that includes customers, suppliers and our own operations in its scope.

We launched several new battery-electric mining vehicles (BEVs), for example Sandvik® TH550B, a truck including a system that simplifies the battery swapping process. BEVs reduce emissions, noise and heat in the mines. We

also introduced a method to tag cemented carbide inserts with Data Matrix codes (similar to QR codes). It enables storing of detailed product information which can make the recycling of tools more efficient and precise. We also contribute to improved quality of life with, for example, our ultra-fine medical wire for devices such as pacemakers and hearing implants.

WE SHIFT CLIMATE

We will deliver on our commitments to reduce our climate impact. We are aiming to shift mindsets and outcomes in our own business, for our customers and with our suppliers to help reach our targets.

Our goal: Halve the CO₂ impact

MAKING PROGRESS

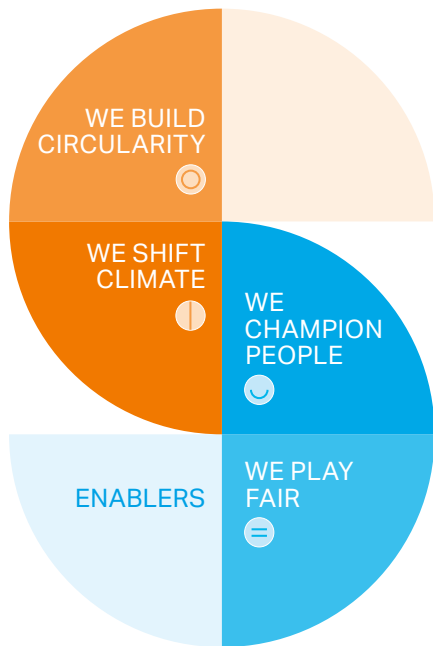
Despite manufacturing higher volumes this year compared to 2020, our greenhouse gas emissions decreased by 16.4 percent. This was largely due to sourcing of fossil-free electricity outside of our European operations. We continued to reduce our customers' emissions and fuel consumption through our products, for example with the Top Hammer XL drilling system, which was launched in 2021. It brings major reductions in fuel consumption and total drilling costs, while increasing productivity. Our manufacturing plant in Turku, Finland installed a low-energy roof technology that reduces energy and converts harmful nitrogen and sulfur oxides into environmentally neutral substances.

OUR IMPACT ACROSS THE VALUE CHAIN

SCOPE 3 UPSTREAM



The illustration shows approximative proportions of CO₂ emissions.



FIVE ENABLERS TO HELP US REACH OUR GOALS

1. PERFORMANCE MANAGEMENT

We integrated sustainability targets in our performance management systems in 2021.

2. GOOD GOVERNANCE

Our Code of Conduct and The Sandvik Way governance framework support well-functioning and efficient governance. The Code of Conduct was updated in 2021 to align with the revised strategy. 97 percent of employees have completed Code of Conduct training.

3. TRANSPARENCY

We drive change through transparency of our progress, learnings and ways of working. In 2021, we updated our waste goal for improved transparency.

4. SHIFT CHAMPIONS

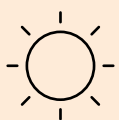
Each year we award the best sustainability innovations within the company with the Sandvik Sustainability Award in Memory of Sigrid Göransson. In 2021, the prize was awarded to Sandvik Rock Processing Solutions for their circularity program for crushing chambers.

5. IDEAS HUB

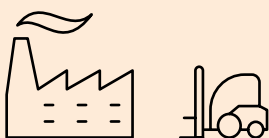
We encourage individuals to present sustainability ideas or innovations through an IT platform. Three pilot projects were finalized in 2021 and the concept is being rolled out in the organization.

SCOPE 1

OUR OPERATIONS



DIRECT OWN EMISSIONS

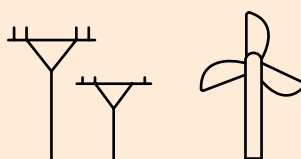


OWN OPERATIONS

SCOPE 2

HEATING AND POWER

HEATING AND POWER



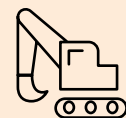
SCOPE 3

DOWNSTREAM

TRANSPORT AND DISTRIBUTION



USE OF SOLD PRODUCTS



CUSTOMERS

WE BUILD CIRCULARITY

We will drive the shift to more circular business models and use of resources, finding ways to close loops and generate new revenue streams from the processes and materials we use.

Our goal: More than 90 percent circular

MAKING PROGRESS

We are working to increase circularity by using more secondary material in production. We purchase customers' used cemented-carbide inserts, drill bits and rock tools and recover them into tungsten carbide powders and new tools. The combined recycling rate for our carbide products and steel tools was 67 percent and we continuously work to take back and recycle used carbide products from our customers. Our innovative process of producing manganese wear parts

for cone crushers uses more than 90 percent recycled steel as raw material. More than 82 percent of the steel we produce is made from recycled material. During the year we replaced some fossil-based shipping packaging with bio-based and recycled plastic and will continue to source suppliers who offer such alternatives. Our Reborn concept reduces material usage and waste generation by restoring or upgrading customers' old mining or crushing equipment.

WE PLAY FAIR

We will constantly aim higher in ethics and transparency, being a leader in playing fair and being open.

Our goal: Always do the right thing

MAKING PROGRESS

By the end of 2021, close to 100 percent of Sandvik entities had implemented our compliance tool, Compliance House. 11,593 employees participated in compliance training, including anti-bribery and corruption, competition law, trade compliance and data privacy. There were multiple diversity and inclusion initiatives throughout

the organization, including cooperation with the non-profit Allbright Foundation, which promotes equality and diversity on the executive business level. Our employees are involved in many Sandvik-supported community projects related to health, education and innovation.

WE CHAMPION PEOPLE

We aspire to the highest standards for people and will continue to raise these standards in line with our goal of zero harm.

Our goal: Zero harm to people

MAKING PROGRESS

Although severe injuries remained low in 2021, there was a brief spike in less severe injuries in the beginning of the year. We conducted campaigns and safety meetings and analyzed the probable causes, eventually improving the situation as the year progressed. By year-end, Sandvik Manufacturing and Machining Solutions, for example, had recorded their lowest ever LTIFR. At our production unit for hydraulic hammers in Lahti Finland, we adopted a zero-

harm ergonomic solution that eliminates slips and falls, along with the shoulder strain injuries caused by repetitive work. The hydraulic nut system makes it possible to bolt heavy machining center work pieces onto fixtures without any force on the part of the operator. In Australia, a solution that minimizes the manual handling when lifting heavy rock tools was introduced.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Sandvik is committed to the UN Sustainable Development Goals (SDGs). We have defined the goals that are most relevant to us and to which we actively contribute. Below are some examples.



SDG	Goal	Examples
	SDG 3 Good health and well-being	In 2021, we launched the battery-electric truck Sandvik® LH550B. It reduces heat and emissions underground, helping mining customers reach their sustainability targets and reduce ventilation costs.
	SDG 5 Gender equality	We drive different initiatives to support gender equality and have set a goal to have one third female managers by 2030. In India, we encourage diversity and make it safer for women to work night shifts by, among other things, providing transportation to and from work. For many years we have been offering daycare for employees' children in India.
	SDG 7 Clean energy	We signed agreements to purchase fossil-free energy in a number of markets and we already purchase clean energy for our European sites. We launched Freeflex™, the next generation compressor valve steel that will make compressors more efficient and reduce CO ₂ emissions.
	SDG 8 Decent work	One of our long-term sustainability goals is zero harm to people. Our AutoMine® mining automation solution is an example where the opportunity to work remotely makes the work safer and healthier.
	SDG 9 Industry innovation	Sandvik was the first to succeed in 3D printing in super-duplex stainless steel, minimizing material waste and reducing energy consumption in the manufacturing process. Hybrit is a Swedish initiative to make fossil-free steel with Sandvik delivering an electric heating solution for the project that heats hydrogen gas.
	SDG 12 Responsible production	Our goal is to drive the shift towards a circular society. We have extensive recycling schemes and buy-back programs in place.
	SDG 13 Climate action	We will halve our CO ₂ impact by 2030. A new electric underground crushing and conveying system at our Wolfram division will reduce CO ₂ emissions by 250 tons annually.

Read more on how we contribute to the UN SDGs at:
home.sandvik/sustainablebusiness





SANDVIK MINING AND ROCK SOLUTIONS

Sandvik Mining and Rock Solutions had a strong year with high order intake, including the highest ever for battery-electric vehicles. The acquisitions of DSI Underground and Deswik will further strengthen our market position and expand our offering into mine planning and ground support.

Sandvik Mining and Rock Solutions brings value to customers through products and services that increase productivity, safety and uptime, while cutting costs. Our portfolio includes equipment such as drill rigs, underground loaders and trucks, rock drills and other tools, parts and services, as well as digital and sustainability-driven solutions for the mining and infrastructure industries. Around 90 percent of our sales are within mining and the aftermarket accounts for 63 percent of our business. Sandvik is the industry leader for automated loading and hauling systems in underground mines and we are focusing our growth on surface mining as well. When it comes to the transition to electrification in mining, we are clearly driving the industry shift.

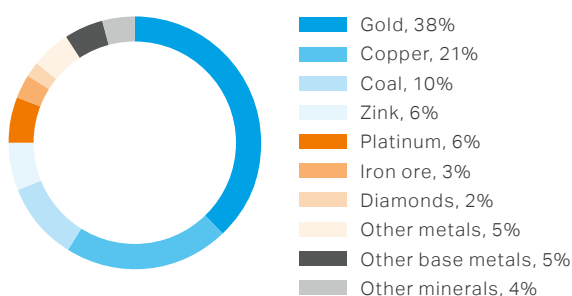
Market overview

2021 was a year characterized by a strong market with good underlying demand across the globe and favorable margins. Commodity prices were high and the market more bullish compared to the previous year. We are well positioned when it comes to commodity exposure – many of our customers extract gold and electrification metals, for example – and we anticipate that demand for the commodities to which we are exposed will be strong going forward.

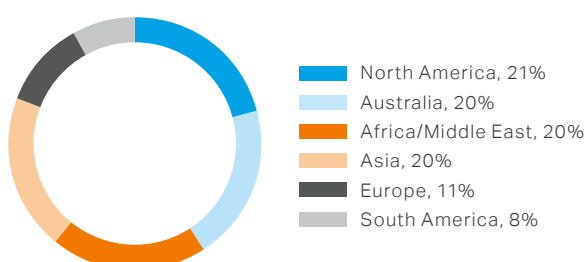
During the year, customers invested across the value chain, both in new equipment and in aftermarket solutions. There was significant interest in our electric mining equipment, with several notable orders.

2021 IN FIGURES

Commodity exposure



Revenues by market area



Overview, MSEK	2020 ¹⁾	2021
Order intake	34,832	47,460
Revenues	33,572	41,409
Adjusted EBITA ²⁾	7,018	8,659
Adjusted EBITA margin ²⁾ , %	20.9	20.9
EBIT	6,400	8,220
EBIT margin, %	19.1	19.9
Adjusted EBIT ²⁾	6,885	8,227
Adjusted EBIT margin ²⁾ , %	20.5	19.9
Return on capital employed ³⁾ , %	29.2	31.2
Number of employees ³⁾	12,442	15,574
Gender balance (men/women), %	84/16	82/18
Women in managerial positions, %	17.8	19.4
Lost time injury frequency rate (LTIFR)	0.8	1.2
Total recordable injury frequency rate (TRIFR)	3.0	3.6

1) Restated due the new business area structure as of January 1, 2021

2) Adjusted for items affecting comparability of SEK -6 million (-485).

3) Full-time equivalent.

Shift to growth

Electrification is a small part of our business today, but we expect it will become a part of most contracts in the future. The electrification of mines is a technology shift that reduces operating costs for customers while substantially increasing their efficiency, sustainability and health and safety.

We lead the market in underground hard rock mining and aim to lead in surface mining as well, by targeting organic growth opportunities and acquisitions. This year we finalized the strategic acquisition of DSI Underground, together with its four joint ventures, and can now offer our customers a complete product portfolio that covers the entire value chain, including systems and solutions for surface mining. DSI Underground is the second largest acquisition ever made by Sandvik and it now forms the new Ground Support Division.

The acquisition of DSI Underground provides us with a technical engineering design team to assist customers with new or non-standard products. The acquisition also expands our footprint, with 22 DSI Underground manufacturing plants around the world that can rapidly adapt products to local needs. In October, we closed another acquisition – Tricon Drilling Solutions, which expands our footprint in Australia and our portfolio of rock tools. Tricon will operate as an independent standalone business unit within our Rock Tools Division.

Digital shift

We lead the industry in the shift to electrification, digitalization and automation through our connected products and solutions. Through digitalization and automation we have the ability to gather data that helps operators and mines with their planning, production or the architecture of the mine. This data supports increased throughput and optimization of work tasks.

Our digital solutions also support the usage of our equipment, such as for remote operation, improving employee safety. Our data support mining fleets by predicting maintenance needs, helping to extend the lifetime of the equipment. Digital monitoring services help mines assess the health of their fleet and reduce the risk of failure.

The acquisition of Deswik, a market-leading and fast-growing mine planning software provider, gives us significant strategic growth possibilities by increasing upstream mining coverage and the ability to offer end-to-end optimization solutions. Deswik will be part of the newly created Digital Mining Technologies Division.

Sustainability shift

Our portfolio helps customers to increase their productivity and safety, and reduce their environmental impact. By shifting to electrification, we are further advancing sustainability. We develop products and solutions that require less energy and offer higher productivity and durability. In 2021 we introduced the Top Hammer XL

drilling system, which brings major reductions in fuel consumption and total drilling costs, while increasing productivity (see page 22). We have developed the process for more effective recycling of used drill bits, including separation of carbide and steel closer to the customers.

Ambitious sustainability goals and targets for 2025 are underway within the business area. Our Rock Tools Division is aiming to become carbon neutral and our production units are progressing well to reach this in 2025.

Customer's first choice

We have developed a variety of flexible customer solutions, such as dynamic pricing models with performance-based contracts. We are increasingly offering our customers bundled deals from across various divisions. This is actively welcomed by many of our customers and we anticipate an increase in the bundling of our products and services moving forward.

We continuously work with our customers to increase their efficiency and productivity. When testing our Autobit™ drill bits across four different Byrnegut Mining sites, the contract mining company was able to increase its drilling penetration rates by 15 percent, reduce total drilling cost by 9 percent and successfully drill full holes without the need for bit changing, among other benefits.

Agile through cycle

Like those in many industries, we were affected by the global supply chain challenges throughout 2021. To alleviate this situation we are revisiting our planning processes from a shipping perspective. A new warehousing facility in Eindhoven, Netherlands, is expected to increase our agility and efficiency.

We are gradually increasing our aftermarket presence, focusing on complementary areas which have greater resilience across the business cycle. Our acquisition of DSI Underground will reduce our vulnerability to market fluctuations. Our robust margins during 2021 are an indication that our resilience to market volatility has already begun. The 2020 cost-cutting programs resulted in annualized run-rate savings of SEK 60 million.

Employer of choice

Our employees are offered coaching, mentorship, interdepartmental collaboration and easily accessible learning paths. Results from the quarterly Sandvik Pulse survey show a consistently high employee engagement rate.

Diversity and inclusion is a high focus area. Each division and sales area has formulated its own diversity and inclusion plan: 280 activities are underway across the organization, 20 percent of which are linked to recruitment. A great deal of effort has been put into the recruitment process in order to attract a broad target group with, for example, gender neutral job advertisements and changes to the way in which interviews are conducted in order to reduce bias. We collaborate with schools and

universities to increase awareness of Sandvik and offer internships.

A few years ago, Sandvik Mining and Rock Solutions introduced the Diamond Award, presented to an employee or group of employees who have achieved significant, sustainable results through diversity and inclusion initiatives in their organization. In 2021, the prize went to Sales Area Canada for their work with the indigenous community.

We place a strong emphasis on health and well-being and programs are in place across our organization. We are adopting a so-called “hybrid approach” at many of our locations with the easing of pandemic restrictions, with a mix of physical and digital work. This enables employees to continue to benefit from the increased flexibility and use of technology gained during the pandemic, whilst restoring the creativity and energy that undoubtedly comes from regular interaction with colleagues.



MEET OUR EMPLOYEES

Brian Huff, VP of Technology, has built his entire career around electrification. And electrification in mining is by far the best business case he has seen so far.



home.sandvik/podcasts

OVERVIEW

Product portfolio

Equipment for drilling, cutting, loading and hauling. Drilling consumables (rock tools), service, spare and wear parts.

Market characteristics

Mining: Consolidated customer base of some 200 global major and junior miners. Remote locations, decreasing ore grades as well as safety requirements drive volume output and need for semiautomated to fully automated solutions. Significant aftermarket business.

Infrastructure: Sandvik is active in the niche area of rock excavation. The customer base is fragmented with more than 25,000 individual customers. Localized offering and local competition.

Demand drivers

Mining:

- GDP growth rate and resource-intensive industry development
- A growing middle class
- Metal and mineral prices
- Production levels in existing mines and expansion projects (greenfield and brownfield)
- Productivity improvements and new technology, for example automation and electrification
- Demand in the areas of environment, health and safety

Infrastructure:

- GDP growth/urbanization
- Infrastructure investments and spending
- Government stimulus programs
- Aggregates production
- Cement consumption

Competitive landscape/Major competitors

Mining: Mainly global competitors such as Epiroc, Caterpillar and Komatsu Mining.

Infrastructure: Some global competitors present in several niches: Epiroc, Caterpillar and Furukawa. Many local players.

Go-to-market model

Mining: Direct sales approximately 95 percent with worldwide service network.

Infrastructure: Due to a fragmented customer base, 50 percent of sales is via distributors. Global sales and service organization.

Growth strategy

Grow aftermarket business on the installed base. Expand market share in surface drilling. Climb the service ladder by data-driven productivity and advanced services. Automation, electrification and exploring complementary technologies and offerings through mergers and acquisitions.

Strategic risk management

Various forms of business environment risk with an impact on the mining and infrastructure market in general, such as increased market competition with new technological developments and the emergence of new competitors, fluctuations in commodity prices and compliance-related risks. Political uncertainty in some parts of the world.

INNOVATIONS CREATING CUSTOMER VALUE

Through automation, electrification and the latest technologies, we are making mining cleaner, safer and more efficient. Sandvik Mining and Rock Solutions is leading this transformation with a wide portfolio of connected products and solutions.

Our battery-electric vehicles (BEVs) are transforming the future of underground mining. During the year we launched several new products, including the battery-electric truck Sandvik® TH550B. This offering includes AutoSwap™, a system that accelerates and simplifies the battery swapping process, allowing batteries to be swapped as fast as in three minutes.

Sandvik has a three-year partnership with Barrick, operator of the single-largest gold-producing complex in the world, to trial BEVs equipped with AutoSwap for the company's underground hard rock mining. Already after the first month in operation, the loader fleet and the truck fleet experienced an increase in engine hours.

During the year, the first Sandvik® LH518B BEV was introduced at the New Afton gold and copper mine in Canada. The electric fleet is an important step in helping the mine achieve its greenhouse gas reduction targets. The mine has calculated a 90 percent reduction in energy costs for a 400-horsepower BEV versus an equivalent diesel loader.

In 2021, we launched our Top Hammer XL drilling system, which expands the hole size range of top hammer drilling technology up to 178 millimeters. The highly effective drilling technology offers a 50 percent reduction in fuel consumption, a 25 percent reduction in total drilling costs and a 15 percent increase in productivity.



Sandvik TH550B represents the third generation BEVs, completely built around the battery.

OUR CUSTOMER OFFERING

GENUINE PARTS AND SERVICES

Sandvik offers round-the-clock service, qualified engineers and genuine parts on demand. Our comprehensive aftermarket offering includes service solutions to add even more value to customer operations and genuine parts to extend equipment lifetime.

SURFACE DRILLING

Sandvik surface drilling equipment is renowned for durability, reliability and productivity. Our surface top hammer, surface down-the-hole and dimensional stone drilling rigs deliver low total cost of ownership in quarrying, opencast mining and infrastructure applications.

UNDERGROUND DRILLING

Our underground drill rigs are engineered to maximize productivity in mining and tunneling applications. Equipped with high performance hydraulic rock drills, they are ergonomic, efficient and reliable. Our underground drill rigs and rock drills are designed to deliver the lowest possible cost per meter drilled and a low life cycle cost.

DIGITAL MINING TECHNOLOGIES

Our mining automation system AutoMine® covers all aspects of automation, from single equipment to full fleet control, remotely controlling and monitoring a fleet of driverless loaders, trucks or drill rigs. Our process optimization system, OptiMine®, is the most comprehensive suite of digital solutions for analyzing and optimizing mining production and processes underground. Our mine planning software offers efficient planning and execution of mining operations.

ROTARY DRILLING

Sandvik rotary drilling is a leading supplier of technologically advanced rotary and down-the-hole blasthole drills for the surface mining market. We leverage the latest digital technology to develop solutions which improve our customers productivity while reducing total cost of ownership.

CONTINUOUS MINING AND TUNNELING

Our continuous mining and tunneling equipment reflects the unique advantages of total in-house control over equipment and cutting tools alike. Optimized cutting technology and machine design result in high productivity, long service life and low total cost.

ROCK TOOLS AND SYSTEMS

Sandvik offers the world's most comprehensive range of rock tools. As world leaders in special steel and cemented carbide technology, our products have revolutionized the rock drilling industry, while our advanced tool systems for mining equipment significantly raise productivity.

GROUND SUPPORT

Ground Support, through DSI Underground, provides a wide range of ground reinforcement products, systems and solutions. DSI Underground's technical engineering design team assists customers with new or customized products.

LOAD AND HAUL

Our underground loaders and haul trucks are engineered for safety, productivity and reliability in the toughest of applications. Rugged, compact and highly maneuverable, the ergonomic products offer enormous capacity for their size and return a very low cost per ton.

Sandvik® LH518B is the most compact 18-ton loader on the market and it's driven with battery-electric power. ▶





SANDVIK ROCK PROCESSING SOLUTIONS

Sandvik Rock Processing Solutions had a solid year with strong organic growth driven largely by higher demand for both infrastructure and mining. The acquisition of South African Kwatani will strengthen our capabilities in the comminution process and expand our footprint in Africa.

Sandvik Rock Processing Solutions was established on January 1, 2021. Prior to that it was a part of Sandvik Mining and Rock Technology. The new business area was formed to accelerate profitable growth within rock processing.

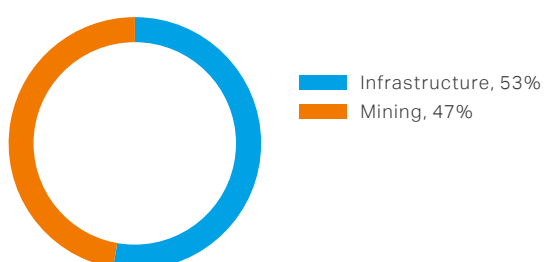
The business area comprises four divisions: Stationary Crushing and Screening, Mobile Crushing and Screening, Attachment Tools, and Shanbao. The rock processing applications include crushing, screening, feeding, breaking, demolition and recycling, primarily within the mining and infrastructure industries.

Market overview

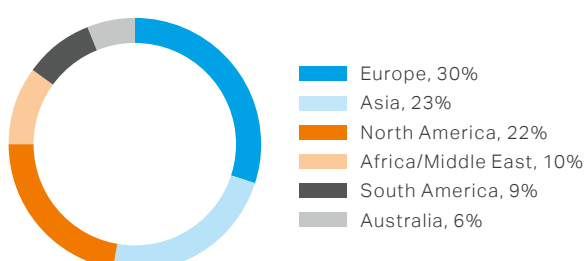
Overall, it was a good year for the new business area. Mining mineral prices were at a high level for much of the year despite a drop in iron ore prices in the third quarter. The high prices helped drive demand for equipment, which accounted for 48 percent of revenues while highest-ever orders in the aftermarket business accounted for 52 percent of revenues. Infrastructure bounced back well from 2020 levels with government infrastructure programs stimulating investments in many countries. Aftermarket sales related to maintenance benefited from a surge in demand following lockdowns in the previous year.

2021 IN FIGURES

Revenues by customer segment



Revenues by market area



Overview, MSEK	2020 ¹⁾	2021
Order intake	6,571	8,524
Revenues	6,459	7,610
Adjusted EBITA ²⁾	1,038	1,255
Adjusted EBITA margin ²⁾ , %	16.1	16.5
EBIT	990	1,255
EBIT margin, %	15.3	16.5
Adjusted EBIT ²⁾	1,038	1,255
Adjusted EBIT margin ²⁾ , %	16.1	16.5
Return on capital employed, %	21.9	28.7
Number of employees ³⁾	1,736	2,091
Gender balance (men/women), %	87/13 ⁴⁾	85/15
Women in managerial positions, %	12.5 ⁴⁾	15.9
Lost time injury frequency rate (LTIFR)	1.7	2.1
Total recordable injury frequency rate (TRIFR)	6.2	4.0

1) Restated due to the new business area structure as of January 1, 2021.

2) Adjusted for items affecting comparability of SEK 0 million (-48).

3) Full-time equivalent.

4) Quarter 1 2021.

Shift to growth

We plan to grow organically by expanding our aftermarket offerings through the life cycle of our equipment to capture a larger portion of that market. Our technology leadership, connectivity and the digitalization of our equipment will help us achieve that. Our ambition is to increase our capture rate of the aftermarket by 30 percent in 2025 compared to 2019.

Acquisitions are crucial as we shift to growth. In 2021, Sandvik acquired the South African-based Kwatani, a supplier of screens and feeders for the mining industry. This acquisition will strengthen our capabilities in the comminution process and further accelerate our growth within rock processing by increasing our equipment range and complementing the existing aftermarket product and services portfolio. It will also expand the Group's presence in Africa. For more than 10 years, Sandvik has been the majority owner in Shanbao, a provider of crushing and screening solutions to the Chinese market. In November, Sandvik acquired the remaining 20 percent of the shares and became the full owner of the company.

Today, most of our customers are in mature markets within developed countries. We will continue to focus on complementary acquisitions and partnerships that help us expand our geographical footprint, as well as extend our capabilities, particularly related to sustainable customer solutions for improvements in water and energy efficiency.

Digital shift

Digitalization is helping our customers gain operational insights to improve their productivity and performance. Through connected equipment we are better able to predict the remaining useful lifetime of products or plan customers' maintenance more accurately and efficiently. Our goal is for 60 percent of our customers to be utilizing our automated and digital solutions by 2025.

In 2021 we introduced SAM™ by Sandvik, our new rock processing digital service. The service drives collaboration, connectivity and productivity across customer operations. It provides customers with direct access to data analytics, communications, e-commerce, inspection tools, custom on-site reporting, information and predictions based on our artificial intelligence modeling for connected equipment. The service was designed using customer personas and was tested at customer sites to ensure ease of use for their operators. The modularity of the platform and focus on usability are some of the features that give Sandvik an edge over the competition.

Sustainability shift

The mining and infrastructure industries are heavy consumers of energy and a growing part of our offering is electrified and designed to make their technologies and processes more energy efficient. This will contribute to the industry's sustainability targets while reducing operational costs for customers. Our solutions also reduce the water consumption in the mining comminution process. Our Reborn™ concept addresses circularity targets by

reducing material usage, waste generation and total cost of ownership. We exchange the customer's worn-out Sandvik stationary cone crusher for a new one, reutilizing the crusher's auxiliaries and infrastructure. To date, more than 130 Reborn solutions have been sold to mining and construction customers globally. We also use genuine OEM parts to restore customers' old equipment, such as crushers, to their original condition – or even improve them with the latest upgrades.

Our Svedala, Sweden plant, where we produce premium parts for Sandvik crushers, is one of the world's most sustainable manganese foundries. This is due to an innovative process to produce manganese wear parts that uses more than 90 percent recycled steel as raw material and no chemical binders in the sand mold. Substantially reducing the use of virgin material, along with internal process improvements, has reduced our CO₂ emissions by over 16,000 tons per year. The team behind this initiative was awarded with The Sandvik Sustainability Award in Memory of Sigrid Göransson 2021.

In 2021, we introduced the first-ever certified Environmental Product Declaration (EPD) in the industry for manganese crusher wear parts.

Customer's first choice

Our focus is on developing high-performing solutions that bring value to our customers by increasing their productivity, safety and sustainability, while also reducing costs. One example of this is the new Sandvik® QI353 mobile impact crusher, which has been designed and tested to deliver increased productivity and more uptime, whilst reducing fuel and energy consumption. Our energy-efficient products and solutions for crushing, screening, feeding, breaking, demolition and recycling applications, together with larger data sets will help customers meet sustainability requirements today and into the future. Australian Enviro Sand, for example, collects glass that was previously sent to landfill. Supported by our VSI crusher, the glass is now crushed and reused as construction material.

Agile through cycle

Collaboration between the back and front ends of the organization, continuous discussions with customers and prioritizing inventories according to need, kept us agile throughout another challenging year. We shifted supplies as needed and maintained multiple suppliers in different countries. This has helped us stay resilient despite the delivery and supply challenges that affected the world at large in 2021. We will continue to maintain several supply chains in different parts of the world to support flexibility and reliability of supply.

We have also been working steadily to remain agile from a cost perspective by having a flexible workforce at our manufacturing sites and continuously reviewing our footprint. The 2020 cost-cutting programs resulted in annualized run-rate savings of SEK 25 million.

Employer of choice

Our traditional industry is undergoing rapid transformation, especially due to automation and digitalization. To stay ahead of the curve, we are recruiting people with digital skills within, for example, user experience design and software engineering. Along with recruiting, we continue to train and develop our existing workforce and maintain the core skills and expertise that make us a strong industrial company. During the year we invested in leadership training with a focus on the skills necessary to manage an organization with such a diverse group of people and expertise.

To encourage gender diversity among leaders we not only aim to hire more female women, but also develop existing talent within our organization. Our diversity

efforts go hand in hand with inclusion and creating equal opportunities. The business area has launched a two-way mentorship program and "lunch and learn" talks with external speakers that focus on ways to improve diversity and inclusion.



MEET OUR EMPLOYEES

Anders Åkesson, EHS Manager and Jörgen Petersson, Foundry Specialist tell the fascinating story of how a savings program resulted in the world's most sustainable manganese foundry.



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OVERVIEW

Product portfolio

Equipment for crushing, screening, feeding, breaking, demolition, tools, service, spare parts, wear parts, digital solutions and sustainability-driving technologies for processing rock.

Market characteristics

Mining: Consolidated customer base of some 200 global major and junior miners. Remote locations, decreasing ore grades as well as increased safety requirements drive volume output and need for eco-efficient comminution as customers focus on energy and water conservation. Significant aftermarket business.

Infrastructure: Sandvik is active in the rock processing areas of crushing, screening, feeding, demolition and recycling. The customer base is fragmented with thousands of individual customers. However, there is an ongoing consolidation towards larger capacity quarries driven by productivity, cost per ton, sustainability and safety. Localized offering and local competition.

Demand drivers

Mining:

- GDP growth rate and resource-intensive industry development
- A growing middle class
- Metal and mineral prices
- Declining ore grades, fewer minerals extracted per ton
- Production levels in existing mines and expansion projects (greenfield and brownfield)
- Productivity improvements and new technology, for example digital solutions and electrification
- Demand in the areas of environment, health and safety, for example Eco-efficient comminution, energy and water conservation

Aggregates:

- GDP growth/urbanization
- Infrastructure investments and spending
- EHS and sustainability trend for premium technology
- Aggregates and cement production
- Growth in emerging markets

Demolition and recycling:

- Laws and regulations
- Transformation in customers' demand
- Focus on recycle and reuse

Competitive landscape/Major competitors

Mining: Mainly global competitors such as Metso Outotec, FLSmidth, WEIR, Terex and Thyssen Krupp.

Infrastructure: Some global competitors present in several niches: Metso Outotec, Terex, Keestrack, Furukawa and Epiroc. Many local players.

Go-to-market model

Mining: Direct sales approximately 90 percent with worldwide service network.

Infrastructure: Due to a fragmented customer base, approximately 75-80 percent of sales is via distributors.

Growth strategy

Grow aftermarket business on the installed base and new offerings. Sales channel optimization, direct sales, distributor sales and OEM. Eco-efficient rock processing offering, automation, digitalization, electrification and exploring complementary technologies and offerings through mergers and acquisitions.

Strategic risk management

Various forms of business environment risks with an impact on the mining and infrastructure market in general, such as increased market competition with new technological developments and the emergence of new competitors, fluctuations in commodity prices and compliance-related risks. Political uncertainty in some parts of the world.

INNOVATIONS CREATING CUSTOMER VALUE

Sandvik Rock Processing Solutions continuously develops services and solutions that help our customers in the mining and infrastructure industries improve their productivity and sustainability.

In 2021 we introduced SAM™ by Sandvik, a rock processing digital service designed to support our customers' crushing and screening plants. Among other things, this subscription-based service offers customers a fleet overview and administrative tools. User-friendly SAM supports operators, service technicians and others responsible for running daily operations with data to improve business performance and optimize work activities.

Innovative new solutions are helping our customers meet their sustainability targets. This year we launched BIO Tool Grease for hydraulic hammers. The new grease is based on biodegradable esters and Polyalphaolefin (PAO) fluids and is suitable for both high and low temperature applications. It is the first product in our Green Range, and the two most important criteria when developing it were environmental criteria and lubricity.

During the year we also launched the digitally con-

nected Sandvik® QI353 impact crusher, a modular platform engineered for high uptime, lower operational costs and increased efficiency. Our impact crushers combine the latest advancements in engineering technology and digitalization and are the result of decades of research and innovation.

Our VSI crusher has been helping Australian company Enviro Sand achieve its business goals and contributes to increased circularity. Enviro Sand collects glass that was previously destined for landfill, and processes it by removing plastics, papers and metals. It then uses the VSI crusher to crush the glass bits that are sold back to industries for construction and asphalt products, among others. The VSI crusher, which uses glass to crush the glass, enables Enviro Sand to produce a more high-grade product. Sandvik also supports the company with aftermarket service, support and ongoing training.



The Sandvik® UK373 wheel crusher is an electrically driven, closed-circuit crushing solution.

OUR CUSTOMER OFFERING

STATIONARY CRUSHING & SCREENING

Our stationary solutions are engineered to deliver the highest productivity in mines, quarries and civil engineering projects. We offer advanced, proven crushing and screening equipment for any size-reduction challenge, including jaw crushers, cone crushers, impact crushers, roll crushers, primary gyratory crushers, screens and feeders for mining, quarrying and aggregate production. Projects range from greenfield mining to expansions, and individual or multi-equipment replacement projects.

PARTS & SERVICE

We are committed throughout the entire life cycle. We supply genuine parts, service solutions, extensive training and a wide range of crushing chamber, screening media and wear solutions that deliver lower operating costs, improved product quality and maximum productivity.

MOBILE CRUSHING & SCREENING

Our wide range of mobile crushers and screens, both tracked and wheeled, help our customers process rock in the toughest conditions. To bring the most powerful rock crushers, scalpers and screeners to the most difficult of jobs, we have pioneered revolutionary machines with the highest levels of agility and mobility.

DIGITAL SERVICES

Our digital services drive collaboration, connectivity and productivity across customer operations. They provide customers with direct access to data analytics, communications, e-commerce, inspection tools, custom on-site reporting, information and predictions based on our artificial intelligence modeling for connected equipment.

BREAKERS, BOOMS & DEMOLITION TOOLS

Our range of hydraulic breakers, demolition tools and breaker boom systems is the most comprehensive on the market – all manufactured to meet rigorous quality and safety standards. Whether a customer is working with demolition, recycling, mining, infrastructure or quarrying, we have the breaker to give the best results.

The Sandvik® Q1353 impact crusher is built to offer more uptime than any other available on the market. ▶





SANDVIK MANUFACTURING AND MACHINING SOLUTIONS

The shift to growth accelerated with several acquisitions related to manufacturing software, industrial metrology and round tools. The acquisitions resulted in an updated 2025 revenue target for Sandvik Manufacturing Solutions. The recovery continued despite a negative impact from supply chain challenges and the pandemic.

Sandvik Manufacturing and Machining Solutions brings together world-leading tools, machining and industrial know-how with the latest in digital manufacturing and software solutions, as well as disruptive technologies like additive manufacturing and in-line metrology. Our end-to-end digital offering is agnostic and automates and connects the component manufacturing value chain – from design and planning to preparation, production and verification.

On January 1, 2021, we formed two business area segments with strong synergies but different challenges and opportunities. Sandvik Machining Solutions comprises machining solutions including traditional metal cutting with the brands Sandvik Coromant, Walter, Wolfram, Seco

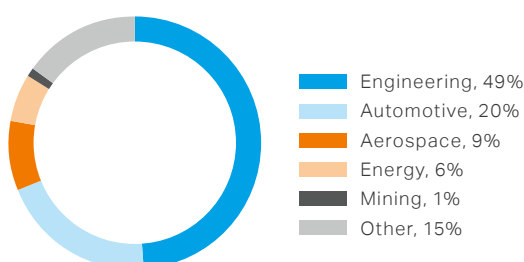
and Dormer Pramet. Sandvik Manufacturing Solutions addresses digital manufacturing and software solutions, additive manufacturing and industrial metrology in three divisions: Design and Planning Automation, Additive Manufacturing and Industrial Metrology.

Market overview

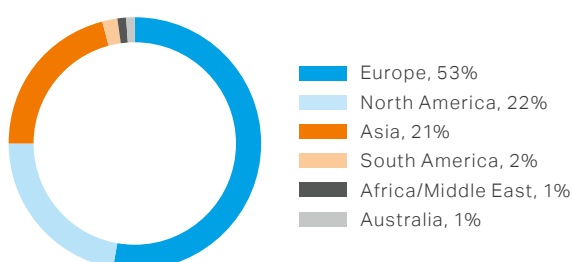
The market continued to be affected by the Covid-19 pandemic in the beginning of the year, with the aerospace and energy segments most affected. The market picked up by mid-year, mainly driven by general engineering. Order intake from the aerospace and energy sectors improved towards the end of the year, but were still at lower levels than prior to the pandemic. Supply chain challenges in the market

2021 IN FIGURES

Revenues by customer segment



Revenues by market area



Overview, MSEK	2020	2021
Order intake	32,677	37,680
Revenues	32,477	36,681
Adjusted EBITA ¹⁾	6,281	8,183
Adjusted EBITA margin ¹⁾ , %	19.3	22.3
EBIT	4,606	8,058
EBIT margin, %	14.2	22.0
Adjusted EBIT ¹⁾	6,100	7,803
Adjusted EBIT margin ¹⁾ , %	18.8	21.3
Return on capital employed, %	14.6	21.6
Number of employees ²⁾	17,301	20,435
Gender balance (men/women), %	79/21	78/22
Women in managerial positions, %	17.7	18.9
Lost time injury frequency rate (LTIFR)	1.3	1.2
Total recordable injury frequency rate (TRIFR)	2.5	2.3

1) Adjusted for items affecting comparability of SEK 255 million in 2021 (-1,494).

2) Full-time equivalent.

affected our business, particularly in the second half of the year. Despite growing underlying demand in the automotive sector, production volumes were lower due to semi-conductor shortages.

We noted positive customer trends arising from the pandemic: Customers have accelerated their digital strategies both to encompass remote work and to be more cost competitive coming out of the downturn.

Shift to growth

The pace of acquisitions accelerated this year and they will strengthen our position in growing industry segments, and broaden our assortment, digital capabilities and geographic footprint. Solid round tools is a prioritized growth area and in 2021 we acquired the Polish manufacturer Fanar and 67 percent of Chuzhou Yongpu Carbide Tools, a China-based premium solid round tools company. We also acquired the US-based round tools manufacturer, GWS Tool Group that will increase our market share in the North American market.

A number of acquisitions were made to expand our capabilities in digital manufacturing and software solutions. As a consequence, we updated our revenue target for Sandvik Manufacturing Solutions from SEK 4 billion for 2025 to 6 billion and set an EBITA margin target of 20 percent by 2025.

In 2021 we acquired three providers of CAD/CAM software solutions for manufacturing industries: Cambrio, CNC Software and ICAM. The acquisitions are in line with our strategic focus to grow in the digital manufacturing space close to component manufacturing and leverage data capture for tool optimization. Cambrio is a leading company with an end-to-end portfolio in CAD/CAM software for manufacturing industries. CNC Software is the company behind Mastercam, the most widely used Computer Aided Manufacturing (CAM) brand in the industry and ICAM provides solutions that translate CAM data into optimized coding for guiding CNC machining operations. Our acquisitions of DWFritz Automation and Dimensional Control Systems (DCS) complements and expands our industrial metrology offering. DWFritz Automation has a leading position in in-line metrology and high-speed, high-volume, non-contact inspection and assembly automation, while DCS is a leading global provider of dimensional quality management software and on-site engineering services.

Digital shift

Our unique value proposition to the market is the ability to offer seamless end-to-end solutions for our customers, ensuring high productivity, high quality and minimal waste. Through our automated, connected and self-learning manufacturing processes, our customers stay competitive and improve their sustainability.

Our digital offering improves customer sustainability in multiple ways. The use of digital twins, and tool data management solutions contribute to more predictable outcomes that improve productivity and reduce material

waste. Our in-line industrial metrology solutions improve monitoring of the outcome, which improves quality and thereby also reduces waste. The digital solutions from Sandvik Manufacturing Solutions are open and agnostic for ease of use with metal cutting tools or software from other suppliers. We see enormous potential for growth since many in the manufacturing industry have yet to begin their digitalization journey.

Sustainability shift

Digital manufacturing, combined with our premium tools optimized for long-life, improve customer productivity and efficiency while reducing energy consumption, emissions and waste. This year, for example, Seco launched its Turbo™ 16 cutting tool, the first Sandvik product to feature data matrix tags, which makes recycling more efficient (see page 34).

Powder-based and near-net-shape technologies like additive manufacturing are labeled "recognized green technologies" and offer many sustainability advantages. Minimal waste, reduced inventories and fewer process steps (reducing energy consumption), are just a few of the advantages. The lighter components that can be achieved via additive manufacturing also contribute to reduced fuel consumption in, for example, aerospace.

We buy back used inserts, extract the tungsten and make new tools. Our combined recycling rate for carbide products and steel tools was 67 percent and our Wolfram division is a world leader in cemented carbide recycling. The strategic supply of tungsten for Sandvik's internal use will be secured further with a new electric underground crushing and conveying system investment. The project, which will be completed in 2023, reduces fuel-related CO₂ emissions by almost 250 tons per year. During the year, Wolfram also started an initiative to source green hydrogen for its tungsten powder manufacturing which further reduces manufacturing CO₂ emissions.

Customer's first choice

This year we opened additional Sandvik Coromant Centers and Walter Centers where we demonstrate our products and solutions and assist our customers with their machining. We regularly monitor customer satisfaction and can clearly see that the ease of doing business and our availability is something our customers truly value. Sandvik Coromant has been supporting Japan's Mitsubishi Heavy Industries Aero Engine Limited ramp up for the future with CAM-based machining. We have been helping them with on-site machining support, continuous improvements, and innovative machining methods that have resulted in cost reductions for the customer.

In February, Sandvik-owned TDM Systems signed a digital tool management cooperation agreement with DMG MORI, a world-leading manufacturer of machine tools. The partnership is an opportunity to bring TDM digital tool management solutions to customers through another global sales channel. Through our integrated pub-

lic cloud-based TDM Web Catalog, end customers have the opportunity to directly and easily access the tool data catalogs of Sandvik Coromant, Seco and Walter.

Agile through cycle

We continued our strong focus on efficiency and profitability during another challenging year and responded to demand fluctuations by promptly adjusting our activity levels and operating costs. Following a strategic review within Sandvik Coromant and Walter, a decision was taken to address our production footprint in the US. We began transferring some production and innovation activities in South Carolina to optimize the focus for both brands and continue growing the solid round tools business in the US.

We consolidated operational activities and completed the closure of the Sandvik Coromant tool site in Orléans, France, which was heavily impacted by Covid-19 and particularly the decline in the aerospace industry. We also discontinued the software solutions UFab™ and PRISM® within our Design and Planning Automation division.

With a growing focus on generating recurring revenues, such as through maintenance contracts for subscription software, we can reduce volatility and stabilize profitability throughout the business cycle.

The 2020 cost-cutting programs resulted in annualized run-rate savings of SEK 640 million.

Employer of choice

We offer our employees a safe and sustainable workplace and will continue to offer job flexibility and remote work. This year, we opened a new tech hub in Stockholm to facilitate collaboration among the digital talent from Sandvik Manufacturing and Machining Solutions and other business areas – and to attract expertise in areas such as industrial software engineering and User Experience (UX) design.

The majority of our sites offer health and well-being programs for employees and we have an ambitious diversity and inclusion agenda. It focuses on an inclusive and psychologically safe workplace, increasing female representation in all job functions, and efforts to address different types of diversity. During the year we held awareness webinars for employees about biases, psychological safety, inclusive meetings and conversations, gender diversity and intersectionality. A global mentoring program was launched comprising a traditional mentoring program and reverse mentoring. Eighty people took part in the first wave of the program. Our quarterly Pulse survey measures and follows up on employee engagement.



MEET OUR EMPLOYEES

Global Technical Support Specialist Irantzu Sacristán Pérez is fulfilling her dream of making the world a smarter place, one idea at a time.



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OVERVIEW

Product portfolio

Providing customers with a leading and sustainable offer delivered via multi divisions and brands in the form of metal cutting tools, digital manufacturing and software solutions, additive manufacturing and industrial metrology.

Market characteristics

Cutting tools represent a small share of the total manufacturing cost for customers, however they are significant for productivity. Service levels and product solutions are the main differentiators for the premium offering, with a lower degree of service for the mid-market which is more price sensitive.

Demand drivers

- Global manufacturing
- Material evolution
- New manufacturing technologies
- Complex component designs and functionalities
- Sustainability
- Automation

Competitive landscape/Major competitors

- Competitors in the premium segment: IMC group (Iscar brand), Kennametal (Kennametal brand)
- Fragmented in mid-market including global premium players present with their mid-market brands: Mitsubishi, IMC group (Taegutec brand), Kennametal (Widia brand), Zhuzhou
- Within software solutions, additive manufacturing and industrial metrology, a mix of larger competitors and smaller niche players

Go-to-market model

Direct sales approximately 55–60 percent. Distribution sales are predominant in North America whereas direct sales are predominant in Europe. In Asia, mainly distribution sales with a limited service offering in the mid-market segment and direct sales, with a high service level, in the premium segment.

Growth strategy

Expansion through organic growth, innovation and niche acquisitions in the core. Expansion into digital and software solutions, additive manufacturing and industrial metrology, supporting customer value chains.

Strategic risk management

Various forms of business environment risks with an impact on the metal cutting market in general, mainly changes in customer behavior, acquisition-related risks, structural changes in our industry, information security risks and compliance-related risks.

INNOVATIONS CREATING CUSTOMER VALUE

We develop products and solutions that increase customer productivity and make their operations more efficient and sustainable. Our expertise across the entire manufacturing value chain and the ability to automate and optimize manufacturing processes, increases speed and the quality of design and planning.

In 2021, Sandvik became the first company to successfully 3D print components in super-duplex stainless steel, which opens up exciting opportunities for offshore industrial segments. The biggest cost in the offshore industry is downtime so customers require expensive safety stocks of spare parts. Producing spare parts by additive manufacturing on demand reduces stock and the working capital for customers.

Customers will increase their efficiency through the ZeroTouch® family of 3D inspection products, developed by DWFritz Automation, which we acquired during the year. The products rapidly capture millions of data points to create high-precision 3D point clouds. ZeroTouch is based on a unique and patented, high-speed, non-contact metrology

platform architecture with micrometer precision. It is a precise inspection system for processing complex geometries in just a fraction of time versus traditional solutions.

Seco has developed a way to laser tag inserts with scannable Data Matrix codes, which enable storing information such as product and batch for each individual tool. This offers the potential for full traceability – something that is extremely valuable in many applications related to the performance and quality of the tool and even when it comes to recycling tools in an efficient way. The tags will be featured in the newly released Turbo™ 16, a square shoulder-milling product that reduces power consumption and tool wear while boosting tool life by up to 130 percent.



Sandvik is the first company ever to successfully 3D print super-duplex stainless steel.

OUR CUSTOMER OFFERING

METAL CUTTING

Our complete range of metal-cutting tools and tooling systems, including agnostic verification and optimization software, help customers optimize the manufacture of high quality components.

DIGITAL AND SOFTWARE SOLUTIONS

Through automation, tool data management, CAD/CAM solutions, machining monitoring and optimized manufacturing processes, we aim to integrate digital systems in an agnostic way – and allow all parts in a machine shop to communicate, all the way from quotation to verification. This increases speed and quality of the design and planning processes, reduces waste and contributes to more sustainable manufacturing.

MILLING

Milling is the process of machining using rotary cutters to remove material. Milling can be done on flat surfaces, shoulders, slots, gears or complex 3D shapes. Milling is used, for example, to produce landing gears and turbine blades for airplanes.

ADDITIVE MANUFACTURING

We have leading expertise across the entire additive manufacturing chain and offer additive manufacturing services as well as the widest range of powder alloys on the market. Additive manufacturing has many clear sustainability advantages, such as minimized waste, reduced inventories and fewer process steps, which reduces energy consumption.

TURNING

Turning generates cylindrical and rounded forms with a single-point tool. The tool remains stationary while the work piece rotates.

INDUSTRIAL METROLOGY

Industrial metrology is the three-dimensional quality assurance and reverse engineering process related to the component manufacturing process. Sandvik's offering includes agnostic software, automation and robotics control, as well as in-line and non-contact assembly and inspection.

DRILLING

When drilling, there are a multitude of characteristics to consider such as positioning accuracy, hole geometry and surface finish. Our range of drills has been designed with optimum hole quality in mind.

Data matrix codes on inserts and tools can contain very specific information that improves traceability and recycling.





SANDVIK MATERIALS TECHNOLOGY

2021 was a successful year for Sandvik Materials Technology with order intake recovery in all segments and strong margin resilience. Preparations are well underway to list the company's shares on the Nasdaq Stockholm Exchange in 2022.

Sandvik Materials Technology develops and manufactures advanced stainless steels and special alloys that are lightweight, durable and corrosion-resistant and can withstand extremely high temperatures and pressures and very demanding applications. Through our products and in-depth expertise in metallurgy and industrial processes, we make customers' processes more efficient, profitable, safer and sustainable.

The Sandvik Board of Directors announced its continued support for a separation and listing of Sandvik Materials Technology in the second or third quarter of 2022, subject to approval by Sandvik shareholders. We now have a clear direction and will utilize our market position as a technology leader and progressive customer partner

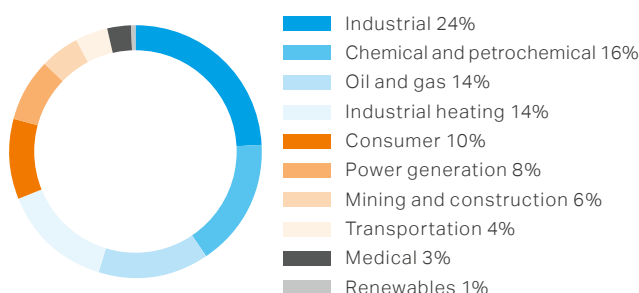
to become a strong and independent company within our industry.

Market overview

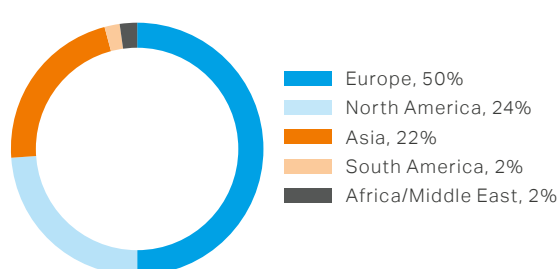
Sandvik Materials Technology performed well throughout the year with positive market development and recovery in all of our segments. All of our major regions noted good order intake compared with last year. Order intake in the oil & gas and aerospace segments started to recover throughout the year but remained on lower levels compared to before the pandemic. Revenues were affected by the backlog in these two segments but were almost offset by strong development in our other customer segments. Despite this, margins demonstrated resilient,

2021 IN FIGURES

Revenues by customer segment



Revenues by market area



Overview, MSEK

	2020	2021
Order intake	11,910	15,234
Revenues	13,598	13,405
Adjusted EBITA ¹⁾	1,032	1,548
Adjusted EBITA margin ¹⁾ , %	7.6	11.6
EBIT	492	1,379
EBIT margin, %	3.6	10.3
Adjusted EBIT ¹⁾	1,032	1,543
Adjusted EBIT margin ¹⁾ , %	7.6	11.5
Return on capital employed, %	3.9	11.3
Number of employees ²⁾	5,084	5,465
Gender balance (men/women), %	81/19	80/20
Women in managerial positions, %	19.4	21.1
Lost time injury frequency rate (LTIFR)	3.9	3.6
Total recordable injury frequency rate (TRIFR)	6.7	8.3

1) Adjusted for items affecting comparability of SEK -164 million (-540).

2) Full-time equivalent.

coming in at a solid level. Both our Kanthal and Strip division showed record-high operating profit this year.

Shift to growth

As an independent company, Sandvik Materials Technology will be able to further focus on growing the business and creating value for our shareholders, our customers and employees. One of our main potentials for growth lies in the industrial heating business and in leveraging on the global electrification trend within industries wishing to lower their CO₂ emissions.

The renewables segment is developing rapidly and we see potential to expand our tube business in several renewable technology fields, such as off-shore wind, solar power, geothermal power, carbon capture and hydrogen. Another interesting growth segment is the chemical and petrochemical industry with Asia driving investments particularly in gas infrastructure and the chemical industry. The medical segment is another clear growth segment, driven by demand for monitoring devices and smaller and thinner materials, such as our medical wires.

We expect to grow organically primarily in our defined growth segments and will add acquisitions onto that in areas where we see growth potential and strong earnings. We made two acquisitions in our defined growth areas: The Swiss-based company Accuratech Group, a niche medical wire forming and component manufacturer, and the German-based company Gerling GmbH (closed January 2022), a precision tube engineering company serving multiple industries, including the fast-developing hydrogen market.

Digital shift

We continued our strong focus on R&D and digital innovations. Data simulations help us make quality and energy-efficiency improvements and we have started using big data to fast track the grade development of alloys. We have also developed a digital solution using facial recognition technology that automatically detects internal surface defects through the patterns in tubes.

This year we accelerated our e-commerce efforts with E-Track, a digital platform that improves the customer experience by providing access to stock levels, order information, certificates and more. The new platform is the first of its kind among steel producers and offers customers an individually adapted interface to meet their demand for information from anywhere, at any time.

Our Sandvik Mobile Service Solutions container continues to gain traction among customers. It uses a digitally connected system to straighten and cut coiled tubing on site to match customer specifications. This significantly reduces waste compared with delivering a standard tube size, leading to substantial material, time and cost savings.

Sustainability shift

Sustainability is strongly integrated into our operations. The main CO₂ emission reductions are made through our products, which increase energy efficiency and thereby decrease the CO₂ footprint of our customers. We aim to be the most carbon-effective company in the industry. We already have a very low operational footprint within Sweden (0.2 percent of total emissions for the entire country at 100,000 tons a year) and globally, Sandvik Materials Technology accounts for a CO₂ footprint of 130,000 tons a year. We already buy fossilfree electricity for our EU operations and are now focusing on clean electricity agreements for our operations in other markets.

Through our recycled steel, products for higher energy efficiency, and solutions that enable a transition to cleaner energy we can help our customers achieve their sustainability goals as well. We offer direct buy-back of materials from customers and end users and are working to increase our use of secondary (scrap) raw material in the steel melting process. Our steel operations use an average of more than 82 percent recycled steel in their production.

Customer's first choice

Sandvik Materials Technology develops products that improve customers' energy efficiency, productivity, profitability and safety. In 2021 we renewed a nearly 20-year alliance with strategic business partner Tenaris to service the oil and gas market. The new five-year agreement is for the supply of OCTG (Oil Country Tubular Goods) with premium connections and specialty steel alloys. We received the first order for Sanicro® 35, a high-alloy stainless steel with extreme pitting resistance, and will supply tubes for two heat exchangers used in a crude unit fractionator at a major refining company in the US. Several years ago, steel producer Ovako began electrifying its heat treatment furnaces with Tubothal® metallic heating elements from Kanthal. So far, the company has converted 14 furnaces and estimates CO₂ savings of up to 2,000 tons per year per furnace and Ovako has also improved the quality and consistency of its product through enhanced temperature control.

Agile through cycle

We continued to prove our resilience in the face of market volatility in 2021, maintaining profitability despite the pandemic. This was achieved through continuous improvements and cost-saving activities, resulting in lower cost levels compared to pre-pandemic levels. In the short-term we managed cost savings through reduced travel and a reduction in the number of employees.

We continued with our footprint optimization program. For example, we finalized the closure of our tube site in Charost, France, exited rental premises in Hallsthammar, Sweden, and announced the closure of our Sonora, US

unit, among our consolidation efforts in North America. At the same time, we are expanding our footprint in Asia and during the year announced an investment in our Mehsana Mill in India to meet increasing customer demand for hydraulic and instrumentation tubing. The 2020 cost-cutting programs resulted in annualized run-rate savings of SEK 310 million.

Employer of choice

The continued uncertainties imposed on our business due to the pandemic remained a challenge in 2021 but we kept our focus on communication and safety routines. This helped us prevent any major outbreaks in our operations during the year.

In order to be fully operational as an independent company in 2022, we have been recruiting to about 150 new functional positions. During the year we initiated a project to structure our work on inclusion, diversity and equality that will form the basis for measures and initiatives going forward. We began cooperating with the Allbright Foundation, which works for equality and diversity in leading positions, and initiated local training programs in Sandviken to promote equality in our operations.



MEET OUR EMPLOYEES

Climate challenges need to be addressed in future business operations. As part of her thesis program, Tove Engvall analyzed how collecting rainwater can help optimize production processes.



home.sandvik/stories/articles

OVERVIEW

Product portfolio

Tubular products, bars, billets, strip, rock drill steel, resistance material, ultra-fine medical wire and wire-based components.

Market characteristics

Selected niches in demanding industries where material requirements, as well as product quality and reliability, are extremely high. High entry barriers.

Demand drivers

- The global demand for energy and hence the demand for energy production
- The shift towards fossil-free energy and energy efficiency
- A growing and aging population with new demands on healthcare combined with technological developments in the medical sector

Competitive landscape/Major competitors

Nippon Steel (tube), Tubacex (tube), Jiuli (tube), Voest-alpine (strip), Aperam (heating elements and systems), Fort Wayne Metals (medical) smaller niche players.

Go-to-market model

About 80 percent direct sales.

Growth strategy

Materials technology is needed in many growth segments, improving efficiency, productivity and sustainability in our customers' processes and applications. The oil and gas industry will remain a profitable segment and we have identified several other key growth segments, such as industrial heating, medical, renewable energy, chemical and petrochemical.

Strategic risk management

Fluctuating oil and gas prices. Increased competition of high-tech material from China. Local protectionism in the steel industry.

INNOVATIONS CREATING CUSTOMER VALUE

For 160 years we have been developing unique materials and alloys and will continue to maintain a strong focus on R&D to broaden our portfolio in line with high growth areas. We have control over the entire supply chain – from R&D to melt to finished product, offering our customers a “one-stop” shop.

The strategic partnership Kanthal has developed with Hybrit (an initiative by SSAB, LKAB and Vattenfall) moves steel towards a completely fossil-free value chain. The initiative in Sweden aims to develop the world’s first fossil-free steelmaking technology. Kanthal has developed a large-scale electric heating solution for the project that heats large volumes of hydrogen gas up to 1,000°C (1,832°F). The new, scalable technology has the potential to be used in the cement, petrochemical and other energy-intensive industries.

During the year we launched Freeflex™, a hardened and tempered

martensitic stainless compressor valve steel with a unique chemical composition. This next generation of compressor valve steel enables our customers to develop more energy-efficient compressors while also using less material to produce the compressors. We see a growing demand for white goods and home appliances and will continue to develop new materials for this industry.

In 2021, our production unit in Zhenjiang, China worked closely with an equipment provider on the Spiral HX technology. This high-pressure, high-ef-

iciency twisted spiral heat exchanger, mainly targets the chemical, petrochemical, and gas segments. The key challenge for the customer was to create long, seamless thin-walled tubes, which can be bent and twisted, suitable for high-pressure equipment within a hydro-treating unit. This project will accelerate the Spiral HX technology adoption into critical equipment supporting efficiency improvements and energy savings for end users.

Fossil-free steel production is becoming reality. Kanthal is supporting with new electric heating solutions.

OUR CUSTOMER OFFERING

TUBULAR PRODUCTS

Our wide range of tubular products in corrosion-resistant alloys contributes to more efficient and reliable industrial processes. Our super-duplex stainless steel tubes for umbilicals have become the industry standard due to their corrosion resistance, reliability and ability to withstand extreme temperatures and pressures. We have delivered steam generator tubes to more than 100 nuclear reactors worldwide. Our Pressurfect® seamless stainless steel tubes, developed for high-pressure gasoline direct injection (GDI) engines, significantly reduce fuel consumption and consequently lower exhaust emissions. We are a market-leading supplier of titanium tubes for aircraft hydraulic systems and these robust, light and thin tubes help modern fleets reduce average per-passenger carbon footprint.

MEDICAL SOLUTIONS

The medical ultra-fine wire and wire-based components marketed under the Exera® brand are used in life-changing or even life-saving medical solutions. The wire is designed and formed to sense, stimulate or transmit signals inside or outside the human body. It is hence applicable in remote monitoring features that are increasingly in demand for future medical devices. Typical applications are pacemakers, continuous glucose monitors for diabetes care and deep brain stimulation.

BAR AND BILLETS

We provide an extensive range of stainless bar and hollow bar for machining. Our program also includes hollow drill steel for the manufacturing of top-hammer rock drill rods. Sanmac® is our family of machinability-improved stainless steels. Demanding customers are welcoming new Sanicro® 825 (Alloy 825) bar and hollow bar as a smart, cost-efficient solution. We also provide round and square billets and continuous cast blooms in a wide range of materials, such as stainless steels, duplex stainless steels and nickel alloys. The program also includes ingots and continuous cast billets.

STRIP STEEL

As a world-leading developer and manufacturer of high-value added precision strip steel, we offer an extensive range of advanced stainless-steel grades and special alloys. We supply materials for the most demanding applications for precision strip steel, for example to the medical sector, compressor industry and consumer products. With an average of more than 82 percent recycled steel in our material we help our customer with more sustainable end products such as scalpels, razor blades, knife steel and compressor valve steels. In 2021 we launched a new material for the compressor industry, enabling design of more energy-efficient compressors to further reduce CO₂ emissions.

HEATING TECHNOLOGY

Our electric heating technology products and materials, marketed under the Kanthal® brand, are used primarily for generation, measurement and control of heat in industrial furnaces and process heating systems as well as for home appliances. Electric heating is more energy efficient than fossil alternatives and emits no CO₂ if renewable energy is used. It also provides a cleaner and safer work environment for employees. As energy intensive industries, such as steel, cement, battery and petrochemical – all dependent on high-temperature processes – are set to lower their CO₂ emissions, the demand for electric heating technology is growing in order to achieve a completely fossil-free value chain.

COATED STRIP STEEL

Sandvik Materials Technology has for several years invested in fuel cell materials research and development. We have a unique, large-scale production facility in Sandviken, Sweden, and offer a breakthrough technology for industrialized pre-coating of coil for fuel cells, avoiding the costly need for the coating of individual plates. Our production of coated strip uses an advanced, environmentally sound process with no discharge to water and air. A fuel cell is an energy converter that can be used to make electricity and heat from hydrogen and the energy conversion takes place without any combustion. The only emission is pure water.

OUR SHARE

During 2021, the share price increased by 25.5 percent, while the OMXS30 index on Nasdaq Stockholm increased by 29.1 percent.

Sandvik shares are listed on Nasdaq Stockholm, Sweden. At year-end 2021, the share price was quoted at SEK 252.6 (201.3), corresponding to a market capitalization of SEK 317 billion, placing Sandvik as the 10th (11) largest company on Nasdaq Stockholm.

Share trading

In 2021, a total of 2.1 billion shares (2.3) were traded for a total value of SEK 460 billion (382). Trading in Sandvik shares on the Nasdaq Stockholm accounted for 29 percent (52) of the total volume of shares traded. Other markets, for example, BATS Chi-X, Turquoise, etc. accounted for 71 percent (48). The Sandvik share can be traded in the US in the form of American Depositary Receipts (ADRs), a process handled by Deutsche Bank Trust Company Americas as a depository bank. In 2021, the average daily ADR trading volume was 81,059 (72,168). At the end of 2021 there were 24,887,171 ADRs outstanding (14,828,937).

Dividend and total shareholder return

Our target is that the dividend will amount to at least 50 percent of adjusted earnings per share, through a business cycle. The Board has proposed a dividend of SEK 4.75 per share (4.50+2.00) to the 2022 Annual General Meeting, corresponding to approximately SEK 6.0 billion (8.2) and a dividend yield of 1.9 percent based on the share price at year-end. The dividend proposal corresponds to 42 percent of adjusted earnings per share after dilution for the Group.

Share capital

The number of Sandvik shares amounts to 1,254,385,923. Each share has a nominal value of SEK 1.2 and the share capital amounts to SEK 1,505,263,108. Sandvik's share capital comprises one series of shares, with each share carrying equal voting rights and equal rights to a dividend. Sandvik does not hold any shares in treasury and the most recent occasion when new shares were issued was in conjunction with the acquisition of the shares outstanding in Seco Tools in 2012.

Authorization on acquisition of the company's own shares

The 2021 Annual General Meeting resolved to authorize the Board of Directors, for the period until the next Annual General Meeting, to decide on acquisitions of Sandvik shares, on one or more occasions, up to a maximum of 10 percent of all the shares in the company. The purpose of the authorization is to enable the Board of Directors to continuously adapt the company's capital structure and thereby contribute to increased shareholder value.

Sustainability indices

Sandvik is included in several sustainability indices, such as FTSE4Good and Ethibel Excellence Europe. These are international indices analyzing global companies that assume their responsible business practices. Sandvik's inclusion in these indices confirms the Group's achievements in relation to sustainable business practices.

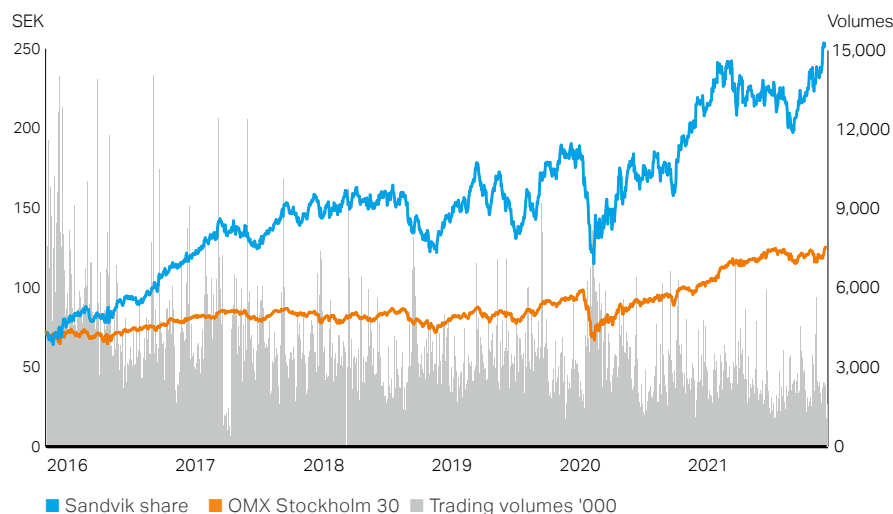
Owners

In 2021 the number of shareholders increased to 129,895 (106,289). There are shareholders in 79 countries, and the total ownership outside of Sweden amounted to 44 percent (43) at year-end. The ten largest individual shareholders accounted for 36 percent of the share capital on the same date. As of December 31, 2021, members of Sandvik's Group Executive Management owned a total of 116,911 shares in Sandvik. Members of the Board of Sandvik owned a total of 917,230 shares in Sandvik (including deputy board members, excluding the CEO). Total ownership of Group Executive Management and the Board corresponds to about 0.07 percent of the capital and voting rights.

Proposed dividend per share, SEK

4.75

The Sandvik share, five-year trend



Key figures	2020	2021
Number of shares at year-end (million)	1,254	1,254
Market capitalization at year-end (billion)	253	317
Number of shareholders	106,289	129,895
Share price at year-end, SEK	201.3	252.6
Earnings per share after dilution, SEK (Group total)	6.95	11.52
Adjusted earnings per share, after dilution, SEK (Group total)	8.61	11.20
P/E ratio at year-end	28.9	22.0
Change in share price during the year, %	+10	+25.5
Dividend, SEK/share	6.50 ¹⁾	4.75 ²⁾
Dividend/adjusted earnings per share, after dilution, %	75	42 ²⁾
Total yield (price increase + dividend), %	13	28
Proportion of shares in Sweden, %	57	56
Proportion of shares owned by the ten largest shareholder groups, %	37	36

1) Including an extra dividend of 2.00 SEK/share.

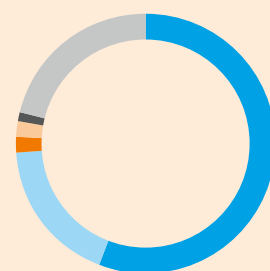
2) Proposed dividend.

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

The ten largest shareholder groups, as of December 31, %	2020	2021
AB Industrivärden	12.5	13.4
Alecta Pension Insurance	5.1	4.5
BlackRock	2.9	3.4
Swedbank Robur Funds	3.4	3.2
Vanguard	2.6	2.8
Lundbergs	2.4	2.7
SEB Funds	2.2	1.9
Fidelity International	1.5	1.6
Norges Bank	1.7	1.5
Handelsbanken Funds	1.5	1.4

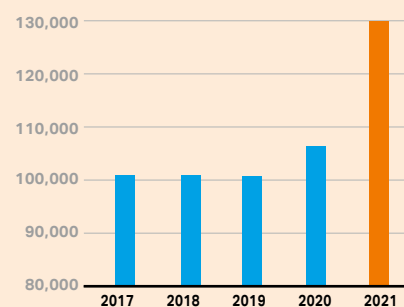
Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

Distribution of shareholding by country, December 31, 2021



Sweden	56%
US	18%
Finland	2%
Norway	2%
UK	1%
Other countries	21%

Number of shareholders, December 31, 2017–2021

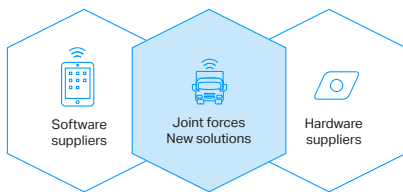


SANDVIK AS AN INVESTMENT

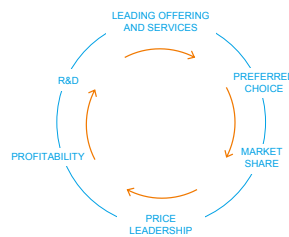
We continuously strive to enhance our value-creating offering through leading productivity and sustainable solutions to our customers. With 160 years of experience in advanced materials and applications know-how, we stay relevant by advancing the world through engineering, expanding our core competencies and adding new digital technologies. In 2021 we made important progress in our shift to growth strategy, acquiring assets with a solid strategic rationale that will strengthen our positions

going forward. Our market-leading position and strong customer relationships combined with a decentralized organization enable us to respond faster to market trends and customer needs. In a cyclical world, our decentralized business model helps us to be more flexible, reduce earnings volatility and increase predictability. Our proven resilience in earnings and a strong balance sheet creates a solid platform from which to leverage interesting growth opportunities.

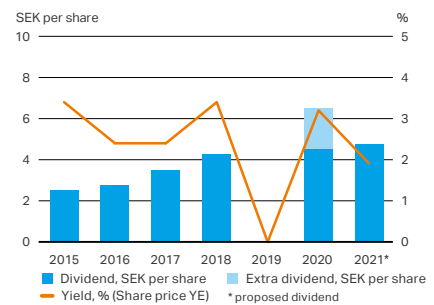
Combine core skills with new technologies



Leading position based on expertise



Shareholders rewarded



MARKET-LEADING POSITIONS – THE CUSTOMER'S FIRST CHOICE

- By providing products and services that improve customers' productivity and sustainability we ensure our market-leading positions and can maintain value-based pricing
- Strategic and long-term relationships with our customers combined with a decentralized decision model enable us to adapt faster to current and future needs
- About 4 percent of our annual revenues are spent on R&D to ensure a leading product offering
- High barriers to entry, resulting from leading technology position, capital intensity and materials know-how

AGILE THROUGH CYCLE – STRONG FINANCIAL PERFORMANCE

- Proven resilience in economic downturns
- Fast adoption through structural and volume cost-savings initiatives
- Solid adjusted EBITA margin of 19.1 percent.
- Solid adjusted EBIT margin, excluding metal price effects, of 17.8 percent delivered in 2021, above trough margin target of ≥16.0 percent
- Continuous work to improve cost structures and operational efficiency

SOLID FINANCIAL POSITION SUPPORTS SHIFT TO GROWTH

- A solid balance sheet, good cashflow generation and a net cash position
- Growth target of at least 5 percent through a business cycle to come from organic and acquired growth
- Capex at <SEK 4 billion in 2021, for 2022 <SEK 5 billion
- Investments in product development, digitalization and automation
- Acquisitions to broaden our value-creating offering, lead digitalization and automation and expand geographically in faster growing markets

SHAREHOLDERS REWARDED

- Responsible and value-creating capital allocation
- Target of 50 percent dividend pay-out ratio through a business cycle
- 10-year average:
 - 68 percent dividend ratio
 - 3.3 percent yield
- During 2021, the Board of Directors confirmed their previous decision to proceed with preparations to distribute Sandvik Materials Technology, in the second or third quarter of 2022, subject to shareholders' approval

DIALOGUE WITH ANALYSTS

26 analysts cover Sandvik on a continuous basis. Below are some of the most frequent questions discussed in 2021, and our answers.

Q: Sandvik has made many acquisitions this year. Could you walk us through the strategic rationale behind and should we expect this acquisition pace going forward?

A: Our shift to growth strategy includes a number of important initiatives that will drive organic and acquisitive growth. The acquisitions made this year fill value gaps in our offering, enhance the core portfolio and regional exposure, and accelerate our digital shift, consequently strengthening our positions going forward. Taking a few examples: Deswik is a leading provider of mine planning software, which is a high-growth area. With Deswik, we fill a gap in our offering and also establish a foothold earlier in our customers' value chain. It opens up new opportunities to provide end-to-end solutions to our customers and contributes to making their operations more sustainable and efficient. With the CNC Software and Cambrio acquisitions within Sandvik Manufacturing and Machining Solutions, we have established a leading position within Computer Aided Manufacturing (CAM). CAM is a vital part in the digital manufacturing process, enabling new and innovative solutions in automated design for manufacturing. This year, we have completed a larger share of acquisitions, and earlier than originally expected. We will continue to seek value-enhancing opportunities that will further strengthen our offering and contribute to profitable growth.

Q: You say you have established a leading position within CAM, how will Sandvik compete against other strong, established brands and how can you reach synergies between your cutting tool business and the software business?

A: CNC Software's brand Mastercam is the most widely used CAM brand in the industry, with about 300,000 licenses installed around the world. Combined with our existing offering, we will be one of the leading companies in the overall CAM market. With our extensive know-how within component manufacturing, leading offering and strong customer relationships we are very well placed to play a leading role. We will compete, but also form partnerships with other players in this field. The synergies between cutting tools and software are about cross-selling, and further down the road, a go-to-market model with Sandvik as a full-solutions provider on the manufacturing shop floor.

Q: Your mining and rock solutions business continued to reach record-high order intake levels throughout the year. Where would you say we are in the mining cycle and what should we expect in terms of levels going forward?

A: We have seen a strong underlying demand this year, driven by high commodity prices. We expected the level of demand in the first quarter to somewhat tail off, but it didn't. We believe we will continue to see solid underlying demand going forward, and on a more long-term horizon, we think demand for the metals that Sandvik has a high exposure to, for example electrification metals, will continue to be good, driven by society's ambitions to reduce CO₂ emissions.

Q: The increased share of electrical vehicles is seen as a headwind for Sandvik Manufacturing and Machining Solutions. You claim you are partly mitigating this headwind already?

A: We made a lot of progress this year in terms of adding digital capabilities to our offering, especially within Sandvik Manufacturing Solutions. Their addressable market within design, planning and automation, additive manufacturing and metrology is expected to grow at least 10 percent CAGR. Assuming, on the conservative side, a high-single digit organic growth for this business, this will add a 1 percent CAGR growth to Sandvik Manufacturing and Machining Solutions, and thereby mitigate the estimated negative impact from BEVs. Furthermore, we aim to lead within round tools and gain market share in Asia and in the mid-market. We are confident that a shift to growth areas such as these will contribute positively, and more than offset this headwind.

BOARD OF DIRECTORS' REPORT

GROUP TOTAL

Order intake and revenue

The year was characterized by high customer activity and strong broad-based demand, with record high order intake levels in mining and infrastructure. Underlying demand in general engineering was solid throughout the year, while the automotive segment was impacted by component shortages. A cautious pick up in aerospace was noted at the beginning of 2021, with significant growth during the second half of the year although against low levels in the preceding year. The energy segment continued to improve, although oil and gas activity did not catch up to pre-pandemic levels. Organic order intake grew at a double-digit rate in all major regions. Changed exchange rates had a negative impact of -3 percent on order intake and revenues, respectively. Sandvik's order intake amounted to SEK 108,900 million (86,288), and revenues were SEK 99,110 million (86,409), implying a book-to-bill ratio of 110 percent.

Earnings and return

Sandvik's revenue totaled SEK 99,110 million (86,409). EBIT was SEK 18,644 million (11,184), corresponding to 18.8 percent (12.9) of revenues. The adjusted EBIT increased to SEK 18,107 million (14,531) and the adjusted EBIT margin increased to 18.3 percent (16.8) compared to the previous year. Movements in metal prices for Sandvik Materials Technology made a positive contribution to EBIT of SEK 487 million (-172). Changes in foreign exchange rates affected earnings negatively by SEK -898 million (-974) compared with the preceding year. Net financial items amounted to SEK -194 million (54).

The result before taxes for the Group was SEK 18,451 million (11,238), and SEK 18,460 million (11,270) for continuing operations. Income tax had a total impact of SEK -3,967 million (-2,517) on earnings, corresponding to 22 percent (22) of profit before taxes. Profit for the year attributable to owners of the Parent Company was SEK 14,461 million (8,735). Basic earnings per share for the Group amounted to SEK 11.53 (6.96) and SEK 11.54 (6.99) for continuing operations. Return on capital employed was 19 percent (13) and return on equity was 20 percent (14).

Working capital

Relative net working capital for the year was 24 percent (28) of revenues. In absolute terms net working capital amounted to SEK 26,803 million (20,096) at the end of the year. In terms of volume, net working capital increased by SEK 3,726 million (-2,055) compared with the preceding year. Changed currency rates increased net working capital by SEK 1,511 million (-2,486) compared with the preceding year. The structural effect from acquisitions and divestments decreased working capital by SEK 1,249 million (-132).

Earnings and return	2020	2021
EBIT, MSEK	11,184	18,644
% of revenue	12.9	18.8
Adjusted EBIT ¹⁾ , MSEK	14,531	18,107
% of revenue	16.8	18.3
Profit before tax, MSEK	11,238	18,451
% of revenue	13.0	18.6
Return on capital employed, %	13.3	19.5
Return on total equity, %	13.6	20.5
Basic earnings per share, SEK	6.96	11.53
Diluted earnings per share, SEK	6.95	11.52
Items affecting comparability ²⁾	-3,347	538
Whereof continuing operations		
EBIT, MSEK	11,216	18,654
% of revenue	13.0	18.8
Adjusted EBIT ¹⁾ , MSEK	14,563	18,116
% of revenue	16.9	18.3
Profit before tax, MSEK	11,270	18,460
% of revenue	13.0	18.6
Basic earnings per share, SEK	6.99	11.54

1) Adjusted for items affecting comparability.

2) For 2021 it is mainly related to a capital gain from divestment of property, partial provision releases related to structural and volume related saving measures in 2020. Partly offset by Sandvik Materials Technology separation costs and the closure of defined benefit plans in the US and the UK. For 2020 primarily related to structural and volume related saving measures and costs related to disposal of Varel Oil & Gas.

Capital expenditure, Group total	2020	2021
Investments in non-current assets, MSEK	3,278	3,598
% of revenue	3.8	3.6
% of scheduled depreciation	87	99

Quarterly trend of revenue and profit before tax

MSEK		Revenue	Profit before tax	Net margin,%
2020	Q1	23,623	2,334	10
	Q2	20,229	1,524	8
	Q3	20,146	3,986	20
	Q4	22,412	3,394	15
2021	Q1	21,693	3,983	18
	Q2	23,461	4,654	20
	Q3	24,828	4,543	18
	Q4	29,128	5,271	18

Cash flow and financing

Cash flow from operating activities decreased to SEK 13,177 million (15,347). Net cash flow after investing activities was SEK -13,014 million (10,571). At the end of the year, cash and cash equivalents amounted to SEK 13,585 million (23,752). Interest-bearing liabilities, including net pension liabilities, less cash and cash equivalents, yielded a net debt of SEK 26,902 million (2,645). The net debt to equity ratio was 0.35 (0.04). Sandvik's revolving credit facility of SEK 9,000 million was unutilized at year-end. Under the Swedish bond program, totaling SEK 15,000 million, bonds corresponding to a nominal amount of SEK 1,000 million were outstanding at year-end. Under the European bond program, totaling EUR 3,000 million, a nominal amount of EUR 1,383 million was outstanding at year-end. The remaining maturity of bonds averaged 2.0 years for Swedish bonds and 5.5 years for European bonds. At year-end, the international credit rating agency Standard & Poor's had a rating of A- for Sandvik's long-term borrowings, and A-2 for Sandvik's short-term borrowings.

Equity

Equity at year-end amounted to SEK 77,332 million (65,082), or SEK 61.6 per share (51.9). The equity ratio was 50 percent (55).

Investments

Investments in non-current assets for the full year 2021 amounted to SEK 3,598 million (3,278) corresponding to 99 percent of scheduled depreciation. Proceeds from the sale of companies and shares, net of cash, amounted to SEK 423 million (778). Acquisition of companies and shares, net of cash, amounted to SEK -23,578 million (-3,274). Investments in internally generated intangible assets were SEK 431 million (405).

Acquisitions during the year

On July 7, Sandvik Mining and Rock Solutions completed the acquisition of DSI Underground which included DSI's ownership stake in joint ventures (Rocbolt Technologies) based in China, South Africa, Mongolia and Australia.

On July 31, Sandvik Manufacturing and Machining Solutions completed the acquisition of 67 percent of

Chuzhou Yongpu, with a call option/put option to buy the remaining part in three years' time.

On September 29, Sandvik Manufacturing and Machining Solutions completed the acquisition of the US-based company CNC Software Inc.

On October 1, Sandvik Manufacturing and Machining Solutions completed the acquisition of the US-based company DWFritz Automation Inc.

On October 1, Sandvik Mining and Rock Solutions completed the acquisition of the Australian-based company Tricon.

On October 4, Sandvik Materials Technology completed the acquisition of Accuratech Group.

On October 15, Sandvik Manufacturing and Machining Solutions completed the acquisition of the US-based company Cambrio.

On November 2, Sandvik Manufacturing and Machining Solutions completed the acquisition of the Polish company Fanar.

On December 9, Sandvik Rock Processing Solutions completed the acquisition of the South African-based company Kwatani.

On December 23, Sandvik Manufacturing and Machining Solutions completed the acquisition of the US-based company GWS Tool Group.

On December 23, Sandvik Manufacturing and Machining Solutions completed the acquisition of the Canada-based company ICAM Technologies Corporation.

On December 27, Sandvik Manufacturing and Machining Solutions completed the acquisition of the US-based company Dimensional Control Systems.

Impact on the financial reporting due to Covid-19

As of December 31, there has been no significant impact on the financial reporting due to Covid-19 related to valuation of goodwill, expected credit losses, valuation of inventory or government grants.

Financial position	2020	2021
Cash flow from operating activities, MSEK	15,347	13,177
Cash flow after investing activities, MSEK	10,571	-13,014
Cash and cash equivalents and short-term investments as of December 31, MSEK	23,752	13,585
Net debt as of December 31, MSEK	2,645	26,902
Net financial items, MSEK	54	-194
Equity ratio, %	55	50
Net debt/equity ratio, times	0.04	0.35
Equity as of December 31, MSEK	65,082	77,332
Equity per share as of December 31, SEK	51.9	61.6

Parent company¹⁾

The Parent Company's revenues for 2021 amounted to SEK 12,244 million (9,599) and the operating result was SEK 4,328 million (2,950). The result from shares in Group companies of SEK 2,205 million (-1,558) for the year consists primarily of contributions and dividends offset by costs related to the separation of Sandvik Materials Technology. Interest-bearing liabilities, minus cash and cash equivalents and interest-bearing assets, amounted to SEK 21,688 million (7,057). The Parent Company's total assets increased by SEK 12,095 million, from SEK 64,335 million to SEK 76,430 million. Investments in non-current assets amounted to SEK 1,070 million (430).

The number of employees in the Parent Company and the subsidiaries operating on commission for Sandvik AB as of December 31, 2021 was 3,703 (3,354).

Dividend

The Board of Directors proposes a dividend of SEK 4.75 per share (4.50+2.00). The dividend proposal represents 42 percent (75) of adjusted earning per share, dilutive for the Sandvik Group in total.

Dividend 4.75 per share	
× number of shares	1,254,385,923
	=5,958,333,134
Profit carried forward	25,529,073,468
Total, SEK	31,487,406,602

Employees

The average number of employees amounted to 40,636 (38,666), of which 20 percent (19) were women. The employee turnover rate was 10 percent (8). Wages, salaries and other remunerations for the year totaled SEK 21,194 million (18,864).

Guidelines for the remuneration of senior executives

The guidelines for the remuneration of senior executives adopted by the 2021 Annual General Meeting are

set out below. The Board of Directors does not propose any new guidelines.

Scope of the guidelines

These guidelines encompass the President and other members of the Group Executive Management. The guidelines do not apply to any remuneration decided on or approved by the General Meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. These guidelines enable the Company to offer senior executives a competitive total remuneration. For more information regarding the Company's business and sustainability strategy, please see the Company's website: home.sandvik.

Types of remuneration

The total remuneration package should be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as the Group's earnings trend. The remuneration may consist of fixed salary, variable remuneration, pension benefits and other benefits.

Fixed salary

The purpose of the fixed salary is to attract and retain senior executives with the right competence for the respective positions. The salary level should be determined by comparing the salary to similarly complex positions within a defined peer group.

Variable remuneration – Variable share related remuneration

The Company may offer long-term share related or share price related

remuneration. Such programs are adopted by the General Meeting and are therefore not covered by these guidelines. There are currently ongoing long-term share related incentive programs for senior executives and key employees in the Group. For more information on these programs, see the Company's website: home.sandvik.

– Variable cash remuneration

The Company may offer short or long-term variable cash remuneration. The fulfillment of objectives for awarding such remuneration shall be measured over a period of one to three years. Such remuneration may amount to not more than 75 percent of the fixed annual salary per year.

Variable cash remuneration shall be conditional upon the fulfillment of defined and measurable criteria. These criteria shall aim at promoting the Company's business strategy and performance as well as its long-term interests, including its sustainability. At the beginning of each year the Board of Directors and the Remuneration Committee shall establish the criteria, including key performance indicators (KPIs) and the target ranges, deemed relevant for the upcoming measurement period. The criteria may be financial, with at least three KPIs, and non-financial, and shall always be related to business performance. At least 80 percent of the variable cash remuneration shall be linked to the financial criteria. The President and Group Function heads shall be measured on Group level KPIs and the Business Area Presidents shall be measured on both Group level and Business Area level KPIs. The established KPIs shall be presented on the Company's website: home.sandvik. The extent to which the criteria for awarding variable cash remuneration have been fulfilled shall be determined when the measurement period has ended and will be published in the Report on Evaluation of Remuneration the following year. For financial criteria, the evaluation shall be based on

1) The Parent Company includes subsidiaries operating on commission for Sandvik AB. These are presented in note P12.

the latest financial information made public by the Company.

– Special arrangements

In specific cases, the Company may offer one-off remuneration provided that such remuneration is only made on an individual basis, for the purpose of recruiting or retaining senior executives, does not exceed an amount corresponding to 100 percent of the individual's fixed annual salary and maximum variable cash remuneration, and is not paid more than once per year and individual.

– Right to withhold or reclaim remuneration

Terms and conditions for variable remuneration shall be designed so that the Board of Directors (i) has the right to limit or refrain from payment of variable remuneration if exceptional economic circumstances prevail and such a measure is considered reasonable, and (ii) has the right to withhold or reclaim variable remuneration paid to an executive based on results that afterwards were found to have been misstated because of wrongdoing or malpractice (so called *malus* and *clawback*).

Pension benefits

For the President, the pension benefit shall be defined contribution and the pension premiums shall amount to not more than 37.5 percent of the fixed annual salary. For the other senior executives, pension benefits shall be defined contribution and amount to not more than 55 percent of the fixed annual salary, in accordance with the Swedish ITP1 pension scheme. Exceptions to this main rule may be decided on for senior executives with existing defined benefit schemes provided that the cost of such schemes does not exceed the above mentioned cap.

Other benefits

Other benefits may include, for example, life insurance, medical

insurance and company car benefit. Such benefits may amount to not more than 5 percent of the fixed annual salary. For senior executives in need of double accommodation, paid accommodation, etc. may be added in line with Sandvik's regulations and such benefits may amount to not more than 20 percent of the fixed annual salary.

Termination of employment

Severance pay may be paid when employment is terminated by Sandvik. The President and the other senior executives may have a period of notice of not more than 12 months, in combination with severance pay corresponding to 6–12 months fixed salary. When employment is terminated by the senior executive, the notice period may not exceed six months and no severance pay shall be paid.

In case a senior executive is not entitled to severance pay, but is covered by a non-compete undertaking, the senior executive may instead be compensated for such a non-compete undertaking. Any remuneration paid as compensation for a non-compete undertaking shall not exceed 60 percent of the fixed salary at the time of notice of termination of the employment and shall not be paid for a longer period than 18 months. Fixed salary during the notice period together with any compensation for the non-compete undertaking shall not exceed an amount equivalent to the senior executive's fixed salary for 24 months.

Consideration of remuneration to the Company's employees

When preparing the proposal for these guidelines, the employment conditions applied within the Company as a whole have been used as a benchmark, following the principle that the remuneration packages of all Sandvik employees should be based on the complexity of the position, performance and market practice.

In general, the same combination of remuneration components such as fixed salary, variable remuneration, pension and other benefits are offered within Sandvik.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for senior executive remuneration. The Board of Directors shall prepare a proposal for guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for senior executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the Remuneration Committee are independent of the Company and its executive management. The President and the other senior executives do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters to the extent that they are affected by such matters.

Decisions on remuneration to the President are taken by the Board of Directors, based on proposals from the Remuneration Committee, and decisions on remuneration to the other senior executives are taken by the Remuneration Committee.

Adjustments to local rules

Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

For information concerning the current remuneration of senior executives, including ongoing long-term incentive programs, refer to note G4.

Research and development (R&D)

Each business area is responsible for its own R&D activities. Focus areas are machining materials and process development, additive manufacturing, alloys, powder metallurgy, electrification and digital solutions.

Sandvik has a portfolio of approximately 6,382 (5,977) active patents. In 2021, 835 (853) new patents were granted. Investments in R&D were SEK 3,682 million (3,429), corresponding to 3.7 percent (4.0) of revenues. The number of employees in R&D, including Quality Assurance, was 2,987 (2,534).

Tax

Sandvik is a multinational group with many inter-company transactions. The OECD has issued guidelines for transfer pricing of cross-border transactions in multinational groups.

Sandvik adheres to these guidelines and also to the local legislation of each country to ensure that a correct pricing model is deployed and that a correct amount of tax is paid in each country. Sandvik monitors the OECD's tax reform work and the EU initiatives on tax transparency carefully and observes these standards as and when enacted. Sandvik strives to have good relations with our stakeholders, such as tax authorities, non-governmental organizations and investors.

Sandvik has initiated cooperation with tax authorities in several countries. We are convinced that an open discussion and cooperation with tax authorities around the globe will help us to reduce uncertainty about the taxes we are obliged to pay. We contribute to the local communities and countries in which we operate in the form of, for example, taxes and employment opportunities. In 2021, the Group paid SEK 4,154 million (3,518) in income taxes globally. Income tax comprises just a portion of all taxes paid by Sandvik worldwide. In addition, we pay social security contributions, environmental and energy taxes, property taxes, etc. Furthermore, Sandvik collects and pays taxes at the request of governments and authorities, including indirect taxes and withholding taxes.

Environment

In Sweden, Sandvik conducts licensed operations at nine plants. All of them hold a requisite environmental permit. A number of guideline values were exceeded for emissions to air and water during the year. All

occurrences were notified to the authorities and corrective actions were taken to comply with the target values. A renewed application for exemption of allowed noise limits for 2022–2024 was submitted.

Statutory sustainability report

Sandvik has, in accordance with the Annual Accounts Act, prepared a statutory sustainability report, approved for issue by the Board of Directors and the President and CEO. The Statutory Sustainability report and Sustainable Business Report comprise pages 2–3, 7, 14–17, 64–70 and 142–152.

Events after the end of the period

From January 1, 2022 Sandvik Materials Technology has been classified as asset held for distribution.

Sandvik appointed Cecilia Felton as Executive Vice President and Chief Financial Officer, CFO, effective February 1, 2022. Cecilia Felton, who served as interim CFO since November 1, 2021, will also be a member of the Group Executive Management.

Sandvik has completed the acquisition of the tube engineering solutions company Gerling GmbH. The company will be reported within Sandvik Materials Technology.

As a result of the ongoing war in Ukraine, Sandvik is continuously following up on risks and mitigating activities to reduce the impacts on the Group. In 2021, revenues from Russian customers amounted to SEK 3.6 billion (3.6 percent of total Group revenue) and from Ukrainian customers to SEK 0.2 billion (0.2 percent of total Group revenue).

DEVELOPMENT IN BUSINESS AREAS

On January 1, 2021, a new business area, Sandvik Rock Processing Solutions, was established, formed out of the former Crushing and Screening division. The remaining operations within Sandvik Mining and Rock Technology changed their name to Sandvik Mining and Rock Solutions. During 2021, Sandvik's operations consisted of four business areas: Sandvik Mining and Rock Solutions, Sandvik Rock Processing Solutions, Sandvik Manufacturing and Machining Solutions and Sandvik Materials Technology.

Order intake by business area

MSEK	2020	2021	Change, %	Change, % ¹⁾
Sandvik Mining and Rock Solutions ²⁾	34,832	47,460	36	29
Sandvik Rock Processing Solutions ²⁾	6,571	8,524	30	32
Sandvik Manufacturing and Machining Solutions	32,677	37,680	15	16
Sandvik Materials Technology	11,910	15,234	28	25
Other operations	297	0	n/m	n/m
Continuing operations	86,287	108,898	26	24
Discontinued operations	1	2	58	0
Group total	86,288	108,900	26	24

1) Change compared with the preceding year, at fixed exchange rates for comparable units.

2) Last years figures have been restated due to the new business area structure as of January 1, 2021.

Revenue by business area

MSEK	2020	2021	Change, %	Change, % ¹⁾
Sandvik Mining and Rock Solutions ²⁾	33,572	41,409	23	16
Sandvik Rock Processing Solutions ²⁾	6,459	7,610	18	19
Sandvik Manufacturing and Machining Solutions	32,477	36,681	13	14
Sandvik Materials Technology	13,598	13,405	-1	-4
Other operations	297	0	n/m	n/m
Continuing operations	86,404	99,105	15	12
Discontinued operations	6	5	-14	0
Group total	86,409	99,110	15	12

1) Change compared with the preceding year, at fixed exchange rates for comparable units.

2) Last years figures have been restated due to the new business area structure as of January 1, 2021.

EBIT and EBIT margin by business area

MSEK	2020	% of revenue	2021	% of revenue	Change, %	Change, % ¹⁾
Sandvik Mining and Rock Solutions ²⁾	6,400	19	8,220	20	28	21
Sandvik Rock Processing Solutions ²⁾	990	15	1,255	16	27	37
Sandvik Manufacturing and Machining Solutions	4,606	14	8,058	22	75	38
Sandvik Materials Technology	492	4	1,379	10	180	61
Other operations	-578	n/m	0	0	n/m	n/m
Group activities	-694	n/m	-257	0	n/m	n/m
Continuing operations	11,216	13	18,654	19	66	31
Discontinued operations	-32	n/m	-10	n/m	n/m	n/m
Group total	11,184	13	18,644	19	67	31

1) Change compared with the preceding year, at fixed exchange rates for comparable units adjusted for items affecting comparability.

2) Last years figures have been restated due to the new business area structure as of January 1, 2021.

n/m=non meaningful.

Sandvik Mining and Rock Solutions

Sandvik Mining and Rock Solutions is a leading supplier of equipment and tools, service and technical solutions for the mining industry and rock excavation within the infrastructure industry. Order intake for the business area amounted to SEK 47,460 million (34,832), an increase of 29 percent at fixed exchange rates for comparable units. Revenue totaled SEK 41,409 million (33,572), an increase of 16 percent at fixed exchange rates for comparable units. The EBIT margin was 19.9 percent (19.1) of revenues and the adjusted EBIT margin was 19.9 percent (20.5) of revenues. The items affecting comparability of SEK -6 million (-485) was primarily additional expenses for a provision taken in 2020.

Financial overview, MSEK ¹⁾	2019	2020	2021
Order intake	36,717	34,832	47,460
Revenue	37,366	33,572	41,409
Adjusted EBITA ²⁾	7,821	7,018	8,659
Adjusted EBITA margin ²⁾ , %	20.9	20.9	20.9
EBIT	7,493	6,400	8,220
EBIT margin, %	20.1	19.1	19.9
Adjusted EBIT ²⁾	7,714	6,885	8,227
Adjusted EBIT margin ²⁾ , %	20.6	20.5	19.9
Return on capital employed, %	34.0	29.2	31.2
Number of employees ³⁾	12,452	12,442	15,574
Items affecting comparability ⁴⁾	-220	-485	-6

1) Figures from preceding years have been restated due to the new business area structure as of January 1, 2021.

2) Adjusted for items affecting comparability.

3) Full-time equivalent.

4) Primarily related to savings measures during 2019–2020.

Sandvik Rock Processing Solutions

A leading supplier of equipment, service and technical solutions for processing rock and minerals in the mining and infrastructure industries. Order intake for the business area amounted to SEK 8,524 million (6,571), an increase of 32 percent at fixed exchange rates for comparable units. Revenue totaled SEK 7,610 million (6,459), an increase of 19 percent at fixed exchange rates for comparable units. The EBIT margin was 16.5 percent (15.3) of revenues and the adjusted EBIT margin was 16.5 percent (16.1) of revenues. The items affecting comparability was SEK 0 million (-48).

Financial overview, MSEK ¹⁾	2019	2020	2021
Order intake	7,661	6,571	8,524
Revenue	7,411	6,459	7,610
Adjusted EBITA ²⁾	1,197	1,038	1,255
Adjusted EBITA margin ²⁾ , %	16.2	16.1	16.5
EBIT	1,109	990	1,255
EBIT margin, %	15.0	15.3	16.5
Adjusted EBIT ²⁾	1,197	1,038	1,255
Adjusted EBIT margin ²⁾ , %	16.2	16.1	16.5
Return on capital employed, %	24.3	21.9	28.7
Number of employees ³⁾	1,777	1,736	2,091
Items affecting comparability ⁴⁾	-88	-48	0

1) Figures from preceding years have been restated due to the new business area structure as of January 1, 2021.

2) Adjusted for items affecting comparability.

3) Full-time equivalent.

4) Primarily related to savings measures during 2019–2020.

Sandvik Manufacturing and Machining Solutions

Sandvik Manufacturing and Machining Solutions is a market-leading manufacturer of tools and tooling systems for advanced metal cutting, expanding into digital manufacturing and software solutions, as well as disruptive technologies like additive manufacturing and in-line metrology. Order intake for the business area amounted to SEK 37,680 million (32,677), an increase of 16 percent at fixed exchange rates for comparable units. Revenue totaled SEK 36,681 million (32,477), an increase of 14 percent at fixed exchange rates for comparable units. The EBIT margin was 22.0 percent (14.2) of revenues and the adjusted EBIT margin was 21.3 percent (18.8) of revenues. The items affecting comparability of SEK 255 million (-1,494) were mainly related to a capital gain from a property divestment and partial reversals of restructuring reserves.

Financial overview, MSEK	2019	2020	2021
Order intake	41,163	32,677	37,680
Revenue	41,123	32,477	36,681
Adjusted EBITA ¹⁾	9,493	6,281	8,183
Adjusted EBITA margin ¹⁾ , %	23.1	19.3	22.3
EBIT	8,380	4,606	8,058
EBIT margin, %	20.4	14.2	22.0
Adjusted EBIT ¹⁾	9,310	6,100	7,803
Adjusted EBIT margin ¹⁾ , %	22.6	18.8	21.3
Return on capital employed, %	25.9	14.6	21.6
Number of employees ²⁾	18,453	17,301	20,435
Items affecting comparability ³⁾	-930	-1,494	255

1) Adjusted for items affecting comparability.

2) Full-time equivalent.

3) Related to long-term savings measures during 2019–2020 and for 2021 mainly capital gain from a property divestment.

Sandvik Materials Technology

Sandvik Materials Technology is a leading developer and manufacturer of advanced stainless steels, powder-based alloys and special alloys for the most demanding industries. Order intake for the business area amounted to SEK 15,234 million (11,910), an increase of 25 percent at fixed exchange rates for comparable units. Revenue totaled SEK 13,405 million (13,598), down -4 percent at fixed exchange rates for comparable units. The EBIT margin was 10.3 percent (3.6) of revenues and the adjusted EBIT margin was 11.5 percent (7.6) of revenues. The items affecting comparability of SEK -164 million (-540) were primarily related to the internal separation of Sandvik Materials Technology, offset by partial provision releases of structural and volume related savings measures taken in 2020.

Financial overview, MSEK	2019	2020	2021
Order intake	16,475	11,910	15,234
Revenue	15,279	13,598	13,405
Adjusted EBITA ¹⁾	1,787	1,032	1,548
Adjusted EBITA margin ¹⁾ , %	11.7	7.6	11.6
EBIT	1,444	492	1,379
EBIT margin, %	9.4	3.6	10.3
Adjusted EBIT ¹⁾	1,787	1,032	1,543
Adjusted EBIT margin ¹⁾ , %	11.7	7.6	11.5
Return on capital employed, %	11.0	3.9	11.3
Number of employees ²⁾	5,726	5,084	5,465
Items affecting comparability ³⁾	-343	-540	-164

1) Adjusted for items affecting comparability.

2) Full-time equivalent.

3) Related to savings measures and the internal separation of Sandvik Materials Technology.

CORPORATE GOVERNANCE REPORT

Sandvik AB has its head office in Stockholm and is the Parent Company of the Sandvik Group, with subsidiaries in about 70 countries. The Group has about 44,000 employees and revenues in about 150 countries. Sandvik AB is a public company with its shares listed on Nasdaq Stockholm.

Corporate governance within Sandvik is based on external rules such as the Swedish Companies Act, the Nordic Main Market Rulebook for Issuers of Shares, the Swedish Code of Corporate Governance (the "Code") and other relevant laws and regulations. The Code is available at corporategovernanceboard.se. In 2021, Sandvik applied the Code without deviating from any of its regulations.

The Sandvik Way

Sandvik's corporate governance framework, The Sandvik Way, implements the external rules mentioned above and also sets out the internal rules and principles for governance that apply specifically within Sandvik. It is based on three building blocks, as set forth in the model below, and

describes how common ways of working have been implemented throughout the entire organization.

Governance model

This block outlines how the Sandvik Group is led and governed. The Board of Directors, elected at the Shareholders' Meeting, sets the strategic direction for the Group. The President carries this out through the Group Executive Management whose members manage and oversee the operations of the Group. The main operational responsibility in the Group lies with the business areas and divisions, with Group functions responsible for functional policies and processes supporting the business.

The Sandvik Way is implemented in the respective business areas, with additional requirements cascaded

down in the operational structure of each business area.

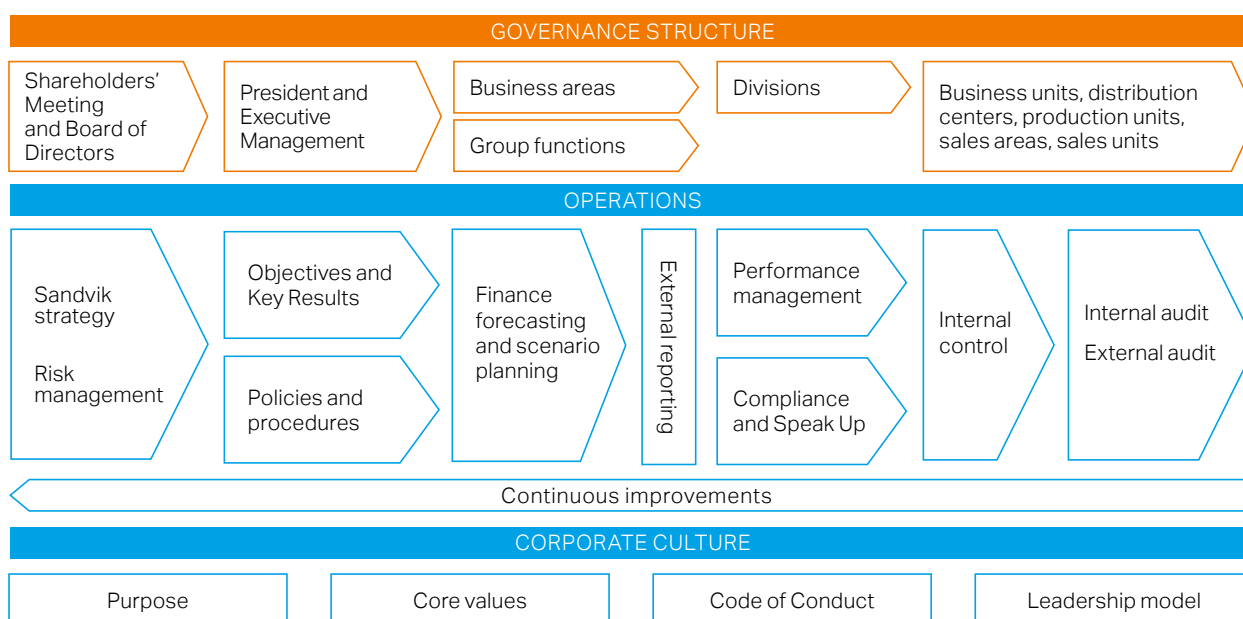
Operations

The detailed controls and risk frameworks common across the Group are detailed in this part. This includes many aspects such as strategy and risk management, policies, financial forecasting and scenario planning, as well as compliance, internal controls and audit. Performance management, controls and continuous improvements provide a solid basis for our ways of working.

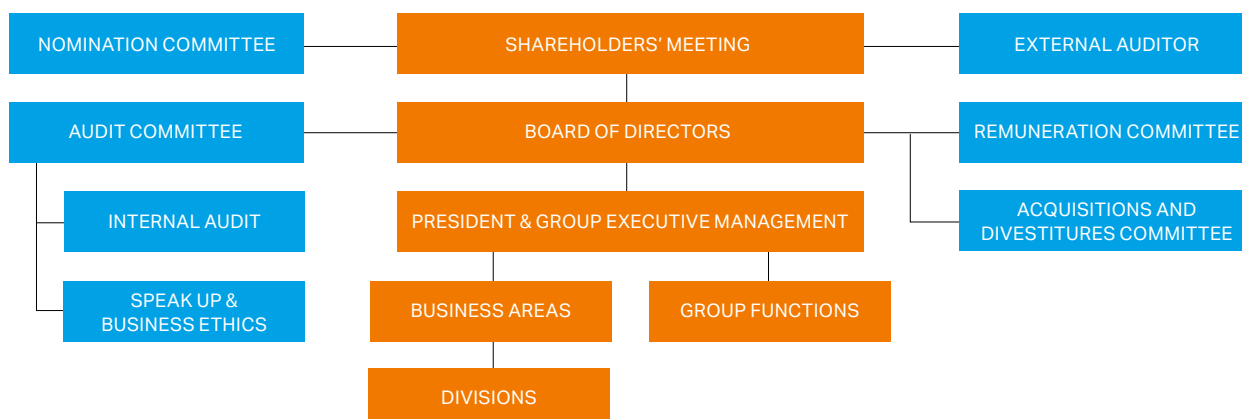
Corporate culture

This block sets the foundation for how we all shape our culture in the company and enable a customer oriented and responsible business. Our operational controls and risk

The Sandvik Way



CORPORATE GOVERNANCE MODEL



frameworks are underpinned by the ambitions and requirements of our purpose, core values, Code of Conduct and leadership model.

Ownership structure

As of December 31, 2021 Sandvik's share capital amounted to SEK 1,505,263,107.60 represented by 1,254,385,923 shares. At year-end Sandvik had about 129,900 shareholders and AB Industrivärden was the largest owner with about 13.4 percent of the share capital. Of the total share capital at year-end, about 44 percent was owned by investors outside Sweden.

Shareholders' meeting

The General Meeting of Shareholders is the highest decision-making body. At the Annual General Meeting, the shareholders are given the possibility to exercise their voting rights in relation to, for example, the Annual Report, dividends, election of the Board and appointment of auditor, and other matters stipulated in the Companies Act, the Articles of Association and, where applicable, the Code.

All shareholders who have been entered in the share register and have informed the company of their participation within the time limit stated in the notice of the General Meeting are entitled to participate at Sandvik's General Meetings and vote according to the number of shares held. Shareholders are also

entitled to be represented by a proxy at the General Meeting. According to the Articles of Association, the Board may also decide to allow shareholders to exercise their voting rights through postal voting before a General Meeting.

All shares in Sandvik carry equal voting rights with one vote per share.

2021 Annual General Meeting

Shareholders representing 55.55 percent of the share capital and votes participated at the Annual General Meeting held on April 27, 2021. Due to the Covid-19 pandemic, and in accordance with temporary legislation applicable in 2021, the Annual General Meeting was conducted without the physical presence of shareholders, representatives and third parties. Instead, shareholders were only entitled to exercise their voting rights by postal voting before the Meeting. However, the company arranged an online shareholder event before the Meeting where shareholders were able to listen to presentations by the President and CEO and Chairman of the Board and ask them questions.

Information on the resolutions passed at the Meeting were disclosed as soon as the outcome of the postal voting had been finally confirmed. Resolutions included the following:

- Dividend of SEK 6.50 per share (consisting of an ordinary dividend of SEK 4.50 and an extra dividend of SEK 2.00)

Ten largest shareholders, December 31, 2021, %

AB Industrivärden	13.4
Alecta Pension Insurance	4.5
BlackRock	3.4
Swedbank Robur Funds	3.2
Vanguard	2.8
Lundbergföretagen AB	2.7
SEB Funds	1.9
Fidelity International	1.6
Norges Bank	1.5
Handelsbanken Funds	1.4

Source: Monitor by Modular Finance AB

- Election of Andreas Nordbrandt as new Board member and re-election of Board members Jennifer Allerton, Claes Boustedt, Marika Fredriksson, Johan Molin, Helena Stjernholm, Stefan Widing and Kai Wärn as well as re-election of Johan Molin as Chairman of the Board
- Re-election of PricewaterhouseCoopers AB as auditor
- Approval of the Board of Directors' remuneration report
- Adoption of a long-term incentive program in the form of a performance share program for about 350 senior executives and key employees in the Group
- Authorization for the Board to decide on acquisition of the company's own shares up to a maximum of 10 percent of all the shares in the company
- Amendments to the Articles of Association, to include a possibility of postal voting before General Meetings



In connection with the 2021 Annual General Meeting, an online shareholder event was broadcasted.

For additional information about the Annual General Meeting, including the minutes, visit home.sandvik.

2022 Annual General Meeting

The next Annual General Meeting will be held on April 27, 2022. More information can be found in the notice convening the General Meeting and at home.sandvik.

Nomination Committee

The Nomination Committee is a preparatory body that prepares proposals for, among other things, the election of the Board of Directors, the Chairman of the Board and auditors as well as fees for adoption at the General Meeting. The Annual General Meeting has adopted an instruction for the Nomination Committee, which

Nomination Committee's tasks ahead of the 2022 Annual General Meeting

- Proposal concerning the Chairman of the Meeting
- Proposal concerning the number of Board members
- Proposal concerning remuneration of each Board member
- Proposal concerning the Board and Chairman of the Board
- Proposal concerning auditor and remuneration of the auditor
- If deemed necessary, proposal for changes to the Nomination Committee's instruction concerning the procedure for appointment of the Nomination Committee for the forthcoming Annual General Meeting and its assignment

includes a procedure for appointing the Nomination Committee, valid until a General Meeting resolves on a change. In accordance with this instruction, the Nomination Committee shall consist of members appointed by each of the four largest shareholders in terms of the number of votes on the final business day in August plus the Chairman of the Board (convener).

Nomination Committee for 2022 AGM

For the 2022 Annual General Meeting, the Nomination Committee consists of Fredrik Lundberg, Chairman (Industrivärden), Anna Magnusson (Alecta), Marianne Nilsson (Swedbank Robur Funds), Lars Pettersson (Lundbergs) and Johan Molin (Sandvik's Chairman of the Board).

Up to the date of this Annual Report, the Nomination Committee met on three occasions. The Nomination Committee was informed of the results of the Board's own evaluation. The Committee met with the President and CEO that presented the company's strategy. The Nomination Committee discussed the general criteria that Board members should fulfill, including the independence requirement, and reviewed the number of Board assignments that each Board member has in other companies. The Nomination Committee applied rule 4.1 of the Code as the diversity policy. This rule states that the Board shall have

an appropriate composition in view of the company's operations, phase of development and other relevant circumstances, display diversity and breadth in terms of qualifications, experience and background of the Board members elected by the General Meeting and that the company shall strive for gender balance.

Board of Directors

The Board of Directors is responsible for the company's organization and the management of the company's business. The Board is required to continuously monitor the company's and the Group's financial position.

The Board is to ensure that the company's organization is designed in a way that ensures that the financial statements, the management of assets and the company's financial condition in general are controlled in a satisfactory manner.

The President is appointed by the Board and is responsible for the daily operations pursuant to guidelines and instructions issued by the Board. The distribution of responsibilities between the Board and the President is laid down in the Board's Procedural Guidelines which are reviewed and adopted each year. The review is based on such aspects as the Board's evaluation of the individual and collective work that the Board performs.

In addition to financial reporting and the monitoring and follow-up of daily operations and profit trend, Board meetings address the goals

and strategies for the operations, significant acquisitions and investments, as well as matters relating to the capital structure. Senior executives report business plans and strategic issues to the Board on an ongoing basis.

Composition

As of December 31, 2021 Sandvik's Board consisted of eight members elected by the Annual General Meeting. The Nomination Committee communicated before the 2021 Annual General Meeting that the Nomination Committee had applied rule 4.1 of the Code as the diversity policy. The current Board composition is the result of the work of the Nomination Committee prior to that General Meeting. The Board consists of members with experience from different geographic areas and different industry sectors. Excluding the President, 43 percent of the Board members elected by the General Meeting are women.

Pursuant to Swedish legislation, trade unions are entitled to representation on the Board and they have appointed two members and two deputies.

The Board members are presented on pages 60–61.

Independence

Marika Fredriksson and Helena Stjernholm are not regarded as inde-

pendent in relation to major shareholders in the company and Stefan Widing is not regarded as independent in relation to the company and its executive management. The other five Board members elected by the General Meeting are all independent in relation to Sandvik and its executive management, as well as the company's major shareholders. Accordingly, the composition of the Board complies with the independence requirements of the Code.

Board proceedings during 2021

During the year, the Board held nineteen meetings. The President presented the 2025 strategy. The Presidents of all business areas presented their goals and strategies and the Board also reviewed the strategies and results from a number of the divisions. During the year there was a special focus on recovery and reconstruction due to the Covid-19 pandemic. The Board addressed matters related to the overall Group

Attendance at Board and Committee meetings in 2021

Member	Board	Audit Committee	Remuneration Committee	Acquisitions and Divestitures Committee
<i>Total number of meetings</i>	19	5	3	10
Jennifer Allerton	19			
Thomas Andersson	19			
Claes Boustedt	19	5		10
Marika Fredriksson	17			
Johan Karlström ¹⁾	6		1	
Erik Knebel ²⁾	14			
Tomas Kärnström	19			
Thomas Lilja	19			
Johan Molin	19	5	3	10
Andreas Nordbrandt ³⁾	13			
Helena Stjernholm	19	5	3	10
Stefan Widing	19			
Kai Wärn ⁴⁾	19		2	

1) Resigned as Board member at the 2021 Annual General Meeting and thereby also as member of the Remuneration Committee.

2) Appointed deputy employee representative in April 2021.

3) Elected Board member at the 2021 Annual General Meeting.

4) Replaced Johan Karlström as member of the Remuneration Committee as of April 27, 2021.

Composition of the Board as of December 31, 2021

Name	Function	Independent in acc. with the Code	Shareholding, number ¹⁾ Dec 31, 2021	Elected	Audit Committee	Remuneration Committee	Acquisitions and Divestitures Committee
Jennifer Allerton	Member	Yes	10,000	2015			
Thomas Andersson	Deputy ²⁾		0	2012			
Claes Boustedt	Member	Yes	50,000	2015	Chairman		Member
Marika Fredriksson	Member	No ³⁾	2,500	2017			
Erik Knebel	Deputy ²⁾		1	2021			
Tomas Kärnström	Member ²⁾		2,889	2006			
Thomas Lilja	Member ²⁾		4,840	2016			
Johan Molin	Chairman	Yes	830,000 ⁴⁾	2015	Member	Chairman	Chairman
Andreas Nordbrandt	Member	Yes	0	2021			
Helena Stjernholm	Member	No ³⁾	5,000	2016	Member	Member	Member
Stefan Widing	Member	No ³⁾	49,489	2020			
Kai Wärn	Member	Yes	12,000	2020		Member	

1) Pertains to own and closely related persons' shareholdings in Sandvik AB.

2) Employee representatives (both members and deputy members participate in Board meetings). Thomas Lilja (member) and Erik Knebel (deputy) represent Unionen/Ledarna/Swedish Association of Graduate Engineers. Tomas Kärnström (member) and Thomas Andersson (deputy) represent IF Metall.

3) Marika Fredriksson and Helena Stjernholm are not regarded as independent in relation to major shareholders in the company and Stefan Widing is not regarded as independent in relation to the company and its executive management.

4) In addition 1,000,000 call options in Sandvik AB.

strategy, including revised purpose, values and key objectives for 2025, IT and cyber security, risk management, human resources, such as environment, health and safety, and issues concerning investments and operational restructuring and reviewed previously made investments. Further, the Board handled the ongoing process of separating the Sandvik Materials Technology (SMT) business area with the target to distribute SMT to the shareholders and separately list it. It also handled a large number of acquisition projects, including the acquisitions of DWFritz Automation, Chuzhou Yongpu Carbide Tools, CNC Software and Cambrio, as well as the agreements to acquire GWS Tool Intermediate Holdings and Deswik.

The Remuneration Committee, Audit Committee and the Acquisitions and Divestitures Committee reported from their respective meetings. In respect to the Audit Committee, reported matters included accounting principles, financial outcome, ERM, compliance, Speak Up and Code of Conduct, internal control and internal audit as well as the result of the external audit. The Committees also submitted matters for resolution by the Board and the minutes and reports from these meetings were made available to the Board members.

Remuneration of the Board

As resolved at the 2021 Annual General Meeting, the fee to the Chairman of the Board is SEK 2,625,000 and the fee to each of the non-executive Board members elected by the General Meeting is SEK 710,000.

In addition, SEK 310,000 was paid to the Chairman of the Audit Committee and SEK 175,000 to each of the other Committee members, in total SEK 660,000. The Chairman of the Remuneration Committee was paid SEK 150,000 and each of the other Committee members SEK 118,000, in total SEK 386,000. The Chairman of the Acquisitions and Divestitures Committee was paid SEK 200,000 and each of the other Committee members SEK 150,000, in total SEK 500,000.

For more detailed information on remuneration of the Board members, see note G4.

Evaluation of the work of the Board

To ensure the quality of the work of the Board and to identify the possible need for further expertise and experience, the work of the Board and its members is evaluated annually. In 2021, the evaluation, which was led by the Chairman of the Board, was carried out by way of each Board member responding anonymously to an online questionnaire. The Chairman also held separate evaluation discussions with all Board members. The compiled results of the evaluations were presented to the Board as well as to the Nomination Committee.

Board Committees

The tasks of the Committees and their work procedures are stipulated in written instructions issued by the Board. The Committees' primary task is to prepare issues and present them to the Board for resolution.

Remuneration Committee

As of the 2021 Annual General Meeting the members of the Remuneration Committee were Johan Molin (Chairman of the Committee), Helena Stjernholm and Kai Wärn. The tasks of the Remuneration Committee are, among others, those prescribed by the Code, which include preparing proposals regarding guidelines for remuneration of senior executives and long-term incentive programs for senior executives.

Based on the recommendations of the Remuneration Committee, the Board decides the remuneration and terms of employment for the President, who in turn decides on the remuneration to be paid to the Group Executive Management in consultation with the Remuneration Committee.

For guidelines, remuneration and other benefits payable to the Group Executive Management, refer to the Guidelines for the remuneration of senior executives on pages 48–50 and note G4.

During 2021 the Remuneration Committee held three meetings.

Audit Committee

During 2021 the members of the Audit Committee were Claes Boustedt (Chairman of the Committee), Johan Molin and Helena Stjernholm. Areas addressed by the Audit Committee mainly related to:

- Monitoring the financial reporting and ensuring its reliability
- Effectiveness of the system of internal control and internal audit
- Planning, scope and follow-up of the internal and external audit for the year
- Assistance to the Nomination Committee with regards to proposal for auditor
- Monitoring of the external auditor's independence and objectivity vis-à-vis the company, including the extent to which the auditor provides other services than auditing services to the company
- The Group's systematic processes for overall corporate risk management (ERM), as well as more detailed risk management matters including legal disputes, compliance, corporate investigations, IT security, Group Digital Security Improvement, accounting procedures, taxation, treasury, finance operations, insurance coverage and pension issues
- The development and effectiveness of compliance processes, with special focus on the roll-out of the compliance program, the Compliance House
- Sandvik's Code of Conduct, some specific cases managed through Speak Up, Sandvik's global whistleblowing system, as well as the overall effectiveness of the system
- Sandvik's sustainable business strategy and materiality analysis

During 2021 the Audit Committee held five meetings at which Sandvik's external auditor and representatives of the company's management were present.

Acquisitions and Divestitures Committee

During 2021 the members of the Acquisitions and Divestitures Committee were Johan Molin (Chairman of the Committee), Claes Boustedt

and Helena Stjernholm. The purpose of the Committee is to provide a better process for preparing major or strategically important acquisitions and divestitures for Board decisions. The Committee meets on an ad hoc basis, at the request of the President and CEO in consultation with the Chairman of the Board.

During 2021 the Acquisitions and Divestitures Committee held ten meetings. The Committee reviewed matters mostly related to the separation and potential distribution and listing of the Sandvik Materials Technology business area, as well as the acquisitions of DW Fritz Automation, CNC Software and Cambrio.

President and Group Executive Management

The President is accountable for Group decision-making in all areas delegated by the Board. In order to ensure a full Group perspective in these matters, the President has appointed the Group Executive Management as an advisory forum, focusing on how to achieve Group targets, strategies, structure and organization. The Group Executive Management meets each month and its members are accountable for implementing the President's decisions.

In 2021, the Group Executive Management consisted of:

- Stefan Widing, President and CEO as well as President of Sandvik Manufacturing and Machining Solutions, and (up until September 30, 2021) President of the Sandvik Manufacturing Solutions business area segment
- Tomas Eliasson, Executive Vice President and Chief Financial Officer (up until October 31, 2021)
- Cecilia Felton, Executive Vice President and Chief Financial Officer (as of February 1, 2022), Vice President Group Control and acting Chief Financial Officer (November 1, 2021–January 31, 2022)
- Nadine Crauwels, President of the Sandvik Machining Solutions business area segment

- Christophe Sut, President of the Sandvik Manufacturing Solutions business area segment (as of October 1, 2021)
- Anders Svensson, President of Sandvik Rock Processing Solutions
- Henrik Ager, President of Sandvik Mining and Rock Solutions
- Göran Björkman, President of Sandvik Materials Technology
- Jessica Alm, Executive Vice President and Head of Group Communications and Sustainability
- Johan Kerstell, Executive Vice President and Head of Human Resources
- Åsa Thunman, Executive Vice President and General Counsel

The members of the Group Executive Management are presented further on pages 62–63.

Business areas

The Sandvik organizational model is based on a decentralized business model. There are four separate business areas – Sandvik Mining and Rock Solutions, Sandvik Rock Processing Solutions, Sandvik Manufacturing and Machining Solutions and Sandvik Materials Technology – each based on distinct product offerings. Each business area has full responsibility and accountability for its respective business results.

Sandvik Manufacturing and Machining Solutions is divided into two business area segments – Sandvik Machining Solutions and Sandvik Manufacturing Solutions. Further, each of the four business areas is organized in a number of divisions based on product offering or brand. The division is the highest operational level in the Sandvik organizational structure. Certain divisions that are based on a product offering are also divided into business units representing a defined part of the product offering.

For an overview of Sandvik's organizational model, refer to page 2 and visit [home.sandvik](https://www.sandvik.com) for more detailed information relating to the Group's business activities and product portfolios.

Group functions

There are five Group functions within Sandvik: Communications and Sustainability, Finance, HR, Legal and IT. Group functions specifically focus on setting the appropriate enabling structures and processes that are common for the Group or cover a specific area for which the Group is responsible.

External auditor

At the 2021 Annual General Meeting, the audit firm PricewaterhouseCoopers AB was re-elected auditor of Sandvik AB for the period until the 2022 Annual General Meeting. Peter Nyllinge is the auditor-in-charge.

The auditor continuously audits and monitors the company's general accounting and the execution by the Board and the President of their respective responsibilities.

The progress of the audit is reported regularly during the year to the management teams of individual companies and the business areas, the Audit Committee and the Board. The auditor meets with the Board at least once a year without the President or any other member of the Group Executive Management attending.

The independence of the external auditor is guaranteed by the Audit Committee having determined the principles for allowing non-audit services to be provided by the auditor and, in some cases, pre-approving non-audit services.

Audit fees are paid continuously over the period in office on an approved current account basis. For detailed information on fees paid to the auditor, see note G5.

Internal control over financial reporting

The Sandvik organization manages a well-established financial reporting process aimed at ensuring a high level of internal control.

The internal control system aligns with the conceptual framework of COSO, which is based on five key components that provide an effective framework for describing and

designing the internal control system implemented in the organization. The five components are Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring and Follow-up. The application of the COSO framework is described below.

Sandvik's Board of Directors is ultimately responsible for the governance of risk management including internal control over financial reporting.

Control environment

Sandvik internal control over financial reporting forms an integral part of the operations, described in The Sandvik Way on page 53, which also includes risk assessments, policies, procedures and compliance.

The Sandvik Financial Reporting Policies and Procedures govern control over financial reporting. These documents contain detailed instructions regarding accounting policies and financial reporting procedures to be applied by all Sandvik reporting entities.

A Sandvik Financial Internal Control Framework has been developed and includes key components such as well-defined roles and responsibilities, internal control procedures and the risk and control matrix which defines a mandatory minimum of control activities that contribute to the mitigation of risks to acceptable levels. Internal control implementation projects continued during 2021 and will be completed in the first quarter of 2022.

Risk assessment and risk management

The Enterprise Risk Management (ERM) process at Sandvik includes the area of financial reporting. Read more about the Enterprise Risk Management (ERM) program on page 64.

Key risks noted in local assessments and observations made by Internal and External Audit are also taken into consideration to ensure that adequate controls exist to mitigate these risks.

Control activities

Mandatory control activities include business process controls, IT controls and corporate governance controls focusing on compliance with policies and procedures. Internal controls are tailored per each operational entity based on risks and applicability. Entity management and process owners are responsible for ensuring that internal controls are operated as per agreed design.

At Group level, Group Control manages the reporting process to ensure the completeness and accuracy of financial reporting and compliance with IFRS requirements.

Controllers in the divisions and business areas perform analytical reviews and investigations, conduct business trend analyses and update forecasts.

Information and communication

Policies and procedures related to financial reporting are updated and communicated on a regular basis to all entities.

Results of monitoring and status of improvement activities related to internal controls are included in the CFO report which is part of the agenda for the Audit Committee meetings.

Quarterly interim reports are published externally and are supplemented by investor meetings attended by members of the Group Executive Management.

Monitoring and follow-up

Entity management as well as local and global process owners are

responsible for testing the effectiveness of internal controls through self-assessments on a quarterly basis and according to the requirements in the Sandvik Internal Control Framework. Results of the self-assessment testing of controls including test evidence are reported and consolidated in a Governance, Risk and Compliance IT tool. The tool also requires reporting of action plans with the purpose to remediate ineffective controls.

Business areas and divisions are to monitor the remediation of ineffective controls. The Audit Committee monitors the effectiveness of internal controls related to financial reporting presented by management with potential deficiencies and suggested actions.

The Board reviews all quarterly interim reports as well as the Annual Report prior to publishing. The Audit Committee reports to the Board regarding internal control matters including matters for resolution. Minutes from Audit Committee meetings are made available to Board members.

Internal audit

Internal Audit is subordinated to the Audit Committee and the Vice President of Internal Audit reports to the Audit Committee.

Internal audits include, as a basis, the Group's policies for corporate governance, risk management and internal control regarding areas such as financial reporting, compliance with the Code of Conduct and IT.

The outputs of the audits include action plans and programs for improvement. Findings are reported to the business area management and to the Audit Committee.

Internal audit interacts with external audit on a periodic basis to discuss and share audit plans and audit results.

BOARD OF DIRECTORS



JOHAN MOLIN

Born 1959. Chairman of the Board since 2015. Chairman of the Remuneration Committee and Acquisitions and Divestitures Committee and member of the Audit Committee.
Education and business experience: M.Sc. in Business and Economics, Stockholm School of Economics. President and CEO of Assa Abloy 2005–2018. President and CEO of Nilfisk-Advance 2001–2005 and various positions within Atlas Copco 1983–2001.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 830,000 as well as 1,000,000 call options.



JENNIFER ALLERTON

Born 1951. Board member since 2015.
Education and business experience: M.Sc. in Physics and B.Sc. in Mathematics, Physical Sciences and Geosciences. Chief Information Officer at F. Hoffmann-La Roche Ltd 2002–2012, Technology Director at Barclaycard 1999–2002 and various positions at ServiceNet, USA, BOC (now Linde), Cable & Wireless Business Networks and Unilever plc.
Current board assignments: Board member of Iron Mountain Inc., AVEVA Group plc. and Barclays Bank Ireland plc.
Shareholding in Sandvik (own and closely related persons): 10,000.



CLAES BOUSTEDT

Born 1962. Board member since 2015. Chairman of the Audit Committee and member of the Acquisitions and Divestitures Committee.
Education and business experience: M.Sc. in Business and Economics, Stockholm School of Economics. Executive Vice President of L E Lundbergföretagen AB since 1997 and President of L E Lundberg Kapitalförvaltning AB since 1995.
Current board assignments: Board member of Hufvudstaden AB, Förvaltnings AB Lunden and Sandvik Materials Technology Holding AB.
Shareholding in Sandvik (own and closely related persons): 50,000.



MARIKA FREDRIKSSON

Born 1963. Board member since 2017.
Education and business experience: Master of Business Administration. CFO and Group Executive Vice President of Vestas Wind Systems A/S 2013–February 2022. CFO of Gambro AB 2009–2012, CFO of Autoliv Inc. 2008–2009 and various positions within Volvo 1996–2008, including CFO and Senior Vice President Finance and Strategy at Volvo Construction Equipment Corporation.
Current board assignments: Board member of AB Industrivärden.
Shareholding in Sandvik (own and closely related persons): 2,500.



ANDREAS NORDBRANDT

Born 1971. Board member since 2021.
Education and business experience: M.Sc. in Mechanical Engineering and Hydraulics. Co-owner of Mälärvillan AB since 2018. President of the Underground Rock Excavation Division within the Epiroc Group 2018. Various positions within the Atlas Copco Group 1995–2018, including President of the Underground Rock Excavation Division, President of the Rocktec Division, Vice President Service Operations and Operations Manager Business Line Manager, Service Division, Atlas Copco Mining and Rock Excavation Australia.
Current board assignments: Chairman of the board of Sandvik Materials Technology Holding AB and board member of Mälärvillan AB.
Shareholding in Sandvik (own and closely related persons): 0.



HELENA STJERNHOLM

Born 1970. Board member since 2016. Member of the Audit Committee, Remuneration Committee and Acquisitions and Divestitures Committee.
Education and business experience: M.Sc. in Business Administration. President and CEO of AB Industrivärden since 2015. Investment manager and subsequently partner at IK Investment Partners 1998–2015 and consultant at Bain & Company 1997–1998.
Current board assignments: Board member of AB Industrivärden, AB Volvo and Telefonaktiebolaget LM Ericsson.
Shareholding in Sandvik (own and closely related persons): 5,000.

Changes in the Board of Directors

In connection with the Annual General Meeting on April 27, 2021, Andreas Nordbrandt was elected as a new Board member and Johan Karlström, Board member, left the Board. Erik Knebel was elected deputy employee representative.

Information regarding Board assignments and holdings of shares as of December 31, 2021. Current Board assignments refer to assignments in companies or organizations outside the Sandvik Group.



STEFAN WIDING

Born 1977. Board member since 2020.
Education and business experience: M.Sc. Applied Physics and Electrical Engineering and Bachelor of Business Administration. President and CEO, Sandvik AB, and President of the Sandvik Manufacturing and Machining Solutions business area since 2020. Various positions within the Assa Abloy Group 2006–2020, including Executive Vice President HID Global division 2015–2020, Director of Product Management and General Manager of Shared Technologies Unit. Various positions in the Saab Group 2001–2006.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 49,489.



KAI WÄRN

Born 1959. Board member since 2020. Member of the Remuneration Committee.
Education and business experience: M.Sc. in Mechanical Engineering, the Royal Institute of Technology, Stockholm, Sweden. President and CEO of Husqvarna AB 2013–2020. Operations partner at IK Investment Partners Norden AB 2011–2013, President and CEO of Seco Tools AB 2004–2010 and various positions within ABB 1985–2004.
Current board assignments: Chairman of the board of Electrolux Professional AB and board member of Målarhamnar AB.
Shareholding in Sandvik (own and closely related persons): 12,000.

EMPLOYEE REPRESENTATIVES



TOMAS KÄRNSTRÖM

Born 1966. Board member since 2006 (employee representative, IF Metall).
Education and business experience: Chairman of the Union Committee, Metal Worker's Union, Sandvik Materials Technology. Various positions within Sandvik since 1986.
Current board assignments: Board member (employee representative) of Sandvik Materials Technology Holding AB.
Shareholding in Sandvik (own and closely related persons): 2,889.



THOMAS LILJA

Born 1975. Board member since 2016 (employee representative, Unionen/Ledarna/Swedish Association of Graduate Engineers).
Education and business experience: Technical College Graduate – Mechanical Engineering. Chairman Trade Union, Unionen Sandvik Sweden and Unionen Coromant and Machining Solutions. Various purchasing positions within Sandvik 2000–2010 and production and logistics positions within Scania 1995–2000.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 4,840.



THOMAS ANDERSSON

Born 1962. Deputy Board member since 2012 (employee representative, IF Metall).
Education and business experience: Chairman of the Union Committee, Metal Workers' Union, Sandvik Coromant, Gimo. Various operator positions at Gimoverken, Sandvik Coromant, since 1984. Construction firm Anders Diös 1980–1984.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 0.



ERIK KNEBEL

Born 1965. Deputy Board member since 2021 (employee representative, Unionen/Ledarna/Swedish Association of Graduate Engineers).
Education and business experience: Technical College Graduate – Mechanical & Automation. Chairman of the Swedish Association of Graduate Engineers Sandvik Sweden and Sandvik Coromant Gimo. Various positions within Sandvik Coromant and Sandvik Machining Solutions since 1990; Production, IT and Quality.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 1.

HONORARY CHAIRMAN

PERCY BARNEVIK

Born 1941. Chairman of the Board of Sandvik AB 1983–2002.

BOARD SECRETARY

ÅSA THUNMAN

Born 1969. Secretary to the Board since 2014. Executive Vice President and General Counsel, Sandvik AB, since 2014.

AUDITOR

PRICEWATERHOUSE-COOPERS AB

Auditor-in-charge: Peter Nyllinge, Authorized Public Accountant.
Other auditing assignments: Saab AB and Getinge AB.

GROUP EXECUTIVE MANAGEMENT



STEFAN WIDING

Born 1977. President and CEO, Sandvik AB, President of the Sandvik Manufacturing and Machining Solutions business area since 2020.
Education and business experience: M.Sc. Applied Physics and Electrical Engineering and Bachelor of Business Administration. Various positions within the Assa Abloy Group 2006–2020, including Executive Vice President HID Global division 2015–2020, Director of Product Management and General Manager of Shared Technologies Unit. Various positions in the Saab Group 2001–2006.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 49,489



HENRIK AGER

Born 1969. President of the Sandvik Mining and Rock Solutions business area since 2021.
Education and business experience: M.Sc. Accounting and Finance. Various positions within Sandvik since 2014, including President of the Sandvik Mining and Rock Technology business area, President of the Rock Tools division, President of the Global Equipment division and Vice President Strategy within Sandvik Mining and Rock Technology. Previously leading positions at McKinsey, Ericsson and several high-tech start-ups.
Current board assignments: Board member of RenewCell.
Shareholding in Sandvik (own and closely related persons): 12,725.



JESSICA ALM

Born 1977. Executive Vice President and Head of Group Communications and Sustainability, Sandvik AB, since 2013.
Education and business experience: M.Sc. in Geological and Earth Sciences/Geosciences, and Journalism. Various positions within Sandvik since 2006, including Vice President Communication and Marketing at Sandvik Coromant.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 6,400



GÖRAN BJÖRKMAN

Born 1965. President of the Sandvik Materials Technology business area since 2017.
Education and business experience: M.Sc. in Mechanical Engineering. Various positions within Sandvik since 1990, including Head of Business Development, Vice President Production Strategy and Vice President Production at Sandvik Coromant and Head of Primary Products at Sandvik Materials Technology.
Current board assignments: Chairman of the Swedish Association of Industrial Employers (Industriarbetsgivarna), board member of the Confederation of Swedish Enterprise (Svenskt Näringsliv) and board member of the Swedish Steel Producers' Association (Jernkontoret).
Shareholding in Sandvik (own and closely related persons): 8,698.



NADINE CRAUWELS

Born 1971. President of the Sandvik Machining Solutions business area segment since 2020.
Education and business experience: M.Sc. in Mechanical Engineering. President of Sandvik Coromant 2017–2020. Various other positions within Sandvik Coromant since 2000, including Vice President Customized Solutions and Strategic Relations, and Sandvik Coromant Manager Switzerland. Project Engineer and Consultant for the metal cutting industry at WTCM (today Sirris) 1995–2000.
Current board assignments: Board member of Rosti Group.
Shareholding in Sandvik (own and closely related persons): 5,400.



CECILIA FELTON

Born 1984. Executive Vice President and Chief Financial Officer, Sandvik AB, since February 1, 2022.
Education and business experience: B.Sc. Environmental Policy with Economics. Various positions within Sandvik since 2013, including acting Chief Financial Officer November 1, 2021–January 31, 2022, Vice President Group Control and Director Group M&A and Investments, and Director Group Business Control. Various positions within Ernst & Young, Operational Transaction Services, London, 2007–2013.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 745.



JOHAN KERSTELL

Born 1970. Executive Vice President and Head of Human Resources, Sandvik AB, since 2016.

Education and business experience:

M.Sc. in Business and Economics. Various positions in Human Resources and Organizational Development within Sandvik since 2004 and consultant at Cap Gemini 1999–2003.

Current board assignments: –

Shareholding in Sandvik (own and closely related persons): 18,850.



CHRISTOPHE SUT

Born 1973. President of the Sandvik Manufacturing Solutions business area segment since October 1, 2021.

Education and business experience:

M.Sc. Marketing and Sales. Executive Vice President and Head of Assa Abloy Global Solutions 2016–2021. Other leading positions within Assa Abloy 2012–2016 and 2001–2010. Global Strategic Marketing Manager within Niscayah Group 2010–2012. Leading positions within ITW Group and SAM Outillage 1997–2001.

Current board assignments: –

Shareholding in Sandvik (own and closely related persons): 7,365



ANDERS SVENSSON

Born 1975. President of the Sandvik Rock Processing Solutions business area since 2021.

Education and business experience:

M.Sc. in Chemical Engineering. President of the Crushing and Screening division 2016–2020. Various positions within Sandvik since 2008, including President Customer Services, SVP Global sales, Sandvik Construction and Chief Purchasing Officer Sandvik Construction/Sandvik Mining. Previously leading positions within Metso Minerals.

Current board assignments: –

Shareholding in Sandvik (own and closely related persons): 3,177.



ÅSA THUNMAN

Born 1969. Executive Vice President and General Counsel, Sandvik AB, since 2014.

Education and business experience:

Master of Laws (LL.M), Sweden and the Netherlands. Various positions within Securitas 2009–2014, including General Counsel, Elekta AB 1999–2009, including General Counsel, and Lagerlöf & Leman law firm 1996–1999.

Current board assignments: Board member of the Swedish Association of Listed Companies (Aktiemarknadsbolagens förening).

Shareholding in Sandvik (own and closely related persons): 4,062.

Changes in the Group Executive Management

Christophe Sut joined Sandvik on October 1, 2021. Tomas Eliasson, Executive Vice President and Chief Financial Officer, left the company as of October 31, 2021. Cecilia Felton took on the position as acting Chief Financial Officer, and was subsequently appointed Executive Vice President and Chief Financial Officer, as of February 1, 2022. Sustainability was transferred from the Legal function to the Communications function as of November 1, 2021.

Information regarding board assignments and holdings of shares as of December 31, 2021. Current board assignments refers to assignments in companies or organizations outside the Sandvik Group.

RISK MANAGEMENT

Sandvik risk management processes support our business to manage and effectively mitigate critical risks with the potential to impact our ability to achieve our financial targets and strategic objectives.

To effectively identify and manage risk is a vital element of business success for all parts of the Sandvik business.

The Group's risk management approach follows our decentralized structure. The Sandvik Board of Directors is ultimately responsible for the governance of risk management. Sandvik's Group Executive Management ensures there is a common and efficient process in place.

All management teams are responsible for their own risk management. The teams must follow the minimum requirements outlined in The Sandvik Way.

Part of the Board's requirements are clear and transparent information about Sandvik's enterprise risks and mitigating activities.

ERM – a part of our strategic work

Sandvik has implemented an Enterprise Risk Management (ERM) program that covers all business areas, divisions and functions within the Group. The management teams analyze risks in their operations and related to their strategic objectives at least annually. Assessment and management of sustainability risks, including climate change, are integrated parts of the ERM program. In addition, the ERM methodology is used as a tool for decision-making, operationally and within projects, as well as in the strategy process in various levels of the Group. The Group Executive Management reviews and

discusses the Sandvik Group risk appetite and decides on the Group risk profile once per year, based on a bottom-up risk assessment, an external risk outlook and top management input. An ERM report, summarizing key risks and mitigating activities across our business, was provided to Sandvik's Audit Committee and Board of Directors in December 2021. The Board of Directors' and the Audit Committee's involvement in the ERM process is further described on pages 55–57.

Insurance as a risk management tool

Sandvik has tailored insurance programs that transfer the risks associated with, amongst others, the Group's property, cargo and liability exposures. Insurable risks are continuously evaluated and actions are taken to reduce these insurable risks, as part of Sandvik's loss-prevention strategy. Supported by our loss-prevention guidelines, risk evaluations highlight opportunities to reduce the potential for business interruption and to ensure the Group's ability to deliver to its customers. In order to ensure cost efficient and tailored insurance solutions, selected risks are reinsured through the Group's captive insurance company.

Business continuity and crisis management

The global risk management policy and related procedures for business continuity and crisis management

set the requirements for local management teams to ensure their ability to successfully respond to disruptive events and continue their business operations on an acceptable level. Once a risk materializes, our crisis management priorities are to minimize harm to people, to the environment, and to minimize damage to Sandvik's business, as well as ensuring a swift return to normal activities and safeguarding the company brands.

Internal audit and internal control in Sandvik's risk work

The internal audit function regularly follows up the implementation of different risk management programs such as ERM, business continuity, crisis management and the insurance programs. Sandvik applies group-wide internal controls to monitor risk mitigations. Read more about the internal controls program at Sandvik on pages 58–59.

Sandvik Group Risk Profile

Sandvik Group risk profile is based on a bottom-up, top-down approach where the divisions, business areas and functions first make their assessment and the Group Risk Management Council makes recommendations for a new Group risk profile based on the outcome of these assessments. The Group Executive Management reviews the proposal from a Group, top-down perspective and makes necessary adjustments. The outcome of this annual cycle is



Fire or explosion is the single most common cause of business losses. Sandvik regularly assesses risks and takes preventive measures, including contingency planning, to reduce the impact. The material damage from a fire is costly but the business interruption costs are many times higher.






presented in the table on page 66 together with examples of what the identified risks mean for Sandvik in different parts of the organization and the mitigating activities taken to manage them.

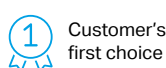
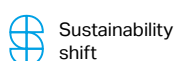
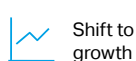
Overall risk mitigation identified aligns well with the Sandvik Strategy and Key Objectives. With regards to IT-related risks, major mitigation activities are ongoing through the





Digital Security Improvement Program. Much focus will be placed on overall risks related to the integration of newly acquired businesses in the coming year. Talent attraction and retention in high focus areas have been further highlighted. For some parts of our business, increasing protectionism and global trade wars are expected challenges to manage. Within Business Interruption, the

shortage of components, freight and energy supply has been added due to the current global situation.

We have chosen to remove the Sustainability Expectations and Requirements risk. The 2030 sustainability targets are in line with current expectations and sustainability exists as a risk factor, with mitigating actions, in many of the risks in the Group risk profile.

Key risk	Description	Risk consequence	Example of risk mitigation actions
Strategic risks			
<p>Industry shifts and market developments</p> <p>Link to strategic objective:</p> 	<p>Changing competitive landscape with decreased demands for certain products or segments and an increased demand for a sustainable offering.</p> <ul style="list-style-type: none"> • Long-term trends away from fossil fuels, affecting the demand for current products and trending towards, e.g. electrification • Structural changes in the industry, leading to changing market dynamics • Changes in the balance in customer value chains towards more digital solutions 	<p>The inability to reach strategic objectives long term, leading to lower growth or lower financial performance.</p>	<ul style="list-style-type: none"> • Ensure alignment of M&A strategies with strategic targets and risks • Strong focus on business development and continued investment in R&D in identified strategic areas • Focus on increasing aftermarket share of business • Expansion in high-growth market segments such as round tools, electrification and automation
<p>Macroeconomic developments/change management/demand readiness</p> <p>Link to strategic objective:</p> 	<p>Our ability to adapt to macroeconomic developments and be agile in our cost base and business models.</p> <ul style="list-style-type: none"> • A potential global economic crisis leading to demand increase or decrease • Changes in market conditions for key segments such as automotive and aerospace • Significantly increasing pricing on key commodities such as electricity or transportation 	<p>The inability to plan long term, leading to less agile business, higher costs or price models, causing lower financial performance long term.</p>	<ul style="list-style-type: none"> • Close monitoring of relevant key risk indicators • Contingency and trigger plans in place to react to change in demand • All businesses are working with strong cost control and cost flexibility • Specific tools for flexibility in costs, such as time banks, flexible employee/consultant ratio, satellite production
<p>Regulatory change and Geopolitical development</p> <p>Link to strategic objective:</p> 	<p>Geopolitical development, increased protectionism or changes in trade laws. Changes in the chemical legislation and/or stricter sustainability requirements.</p> <ul style="list-style-type: none"> • Regulatory changes that result in significant differences in industry regulations • Political upheavals in countries where we do business • Localization/increased taxes requiring local presence • Changes in regulations around core areas such as cobalt or energy 	<p>The inability to quickly respond to new regulations leading to higher costs, fines or the inability to continue manufacturing certain products. Can have a negative reputational impact.</p>	<ul style="list-style-type: none"> • Active monitoring of changing regulatory landscapes, often through business associations such as Swedish Steel Producers' Association, the Swedish Association of Industrial Employers, the Cobalt Institute and the International Tungsten Industry • Follow geopolitical development with focus on risk countries, adapt to local regulations and increase local sourcing and manufacturing
Business risks			
<p>IT failures and/or Insufficient IT security</p> <p>Link to strategic objective:</p> 	<p>Major IT incident causing significant downtime in critical operational IT systems or services. Incident could be caused by cyberattack resulting also in ransom demand and reputational loss.</p> <ul style="list-style-type: none"> • Failure of IT systems supporting order for delivery or services needed to access these 	<p>Inability to deliver products or services on time to customers or timely information to other stakeholders, leading to lower financial performance or negative financial impact due to fines</p>	<p>Mitigating actions are identified, most of them addressed within the Group digital security improvement program</p> <ul style="list-style-type: none"> • Risk review of critical business applications and risk-based network segmentation • Improved resilience of business critical systems and services • Security and privacy by design concept implemented • Continuous awareness training
<p>Business interruptions and Supplier and sourcing management</p> <p>Link to strategic objective:</p> 	<p>Unforeseen major disturbance/failure in production or supply chain.</p> <ul style="list-style-type: none"> • Shortage of components, freight capacity and energy/electricity supply issues • Production site exposure to weather events, machinery breakdown, fires or pandemic resulting in inoperative distribution center or production unit • Lack of availability or high dependency on single suppliers 	<p>Inability to deliver products or services on time to customers or timely information to other stakeholders, leading to lower financial performance or negative financial impact due to fines.</p>	<ul style="list-style-type: none"> • Business continuity planning implemented to ensure ability to successfully respond to a disruptive event and continue business operations on an acceptable level • Preventing property losses is an integral part of the day-to-day business across Sandvik. Risks must be documented with established action plans for risks that are not acceptable • Multisourcing of key components to safeguard production and delivery to customers



Key risk	Description	Risk consequence	Example of risk mitigation actions
<p>Information and data protection</p> <p>Link to strategic objective:</p> 	<p>Leakage of confidential information and unstructured content management for internal systems as well as external platforms.</p> <ul style="list-style-type: none"> • Control of sensitive and critical information • Identity management processes • Control of access rights • Control of supplier access to systems 	<p>Can lead to business critical information being made available to unauthorized individuals or organizations.</p>	<p>Main mitigations are through Group digital security programs and the projects for identity and access management as well as resilience.</p> <ul style="list-style-type: none"> • Implementation of information protection system • Application security monitoring of shared systems
<p>M&A transaction or integration</p> <p>Link to strategic objective:</p> 	<p>Non-delivery on the business case and appropriate integration of acquired targets.</p>	<p>Our growth targets for the coming years are dependent on us delivering on our M&A strategy. Failure in this area could have a major impact on our growth objectives and financial performance.</p>	<ul style="list-style-type: none"> • Continuous improvements of pre- and post-acquisition procedures and tools including revised follow-up process • Focus is on follow up and ensuring resources available for integration and business leverage
<p>Technological shifts and talent attraction, employee retention</p> <p>Link to strategic objective:</p> 	<p>New and evolving technologies or technological demands leads to the need to attract new talent in key competence areas (digitalization, electrification, sustainability etc.).</p> <ul style="list-style-type: none"> • Inability to keep up with the changing market technology • Lack of competence to grow existing business in new areas 	<p>The inability to reach strategic objectives long term, leading to lower growth or financial performance. A general risk of losing competitiveness and business position on the market with a special risk focus if not being able to take a strong position in the digital area fast enough.</p>	<ul style="list-style-type: none"> • Strong focus on R&D as well as proactive business development and M&A activities • Monitoring of new technologies and customer segments • Partnerships with key partners and research centers • Strategic focus on technological development, close to the customers • Identify key competences we need to attract for our digital offer • Development plans for employees to meet future needs (competence shifts) • Benchmark and implement modern compensation and benefit practices that are attractive to future employees
<p>Non-compliance</p> <p>Link to strategic objective:</p> 	<p>Breach of anti-bribery, anti-corruption, competition or anti-trust laws, General Data Protection Regulations (GDPR) or trade compliance.</p> <ul style="list-style-type: none"> • Export controls • Sanction and embargo noncompliance • Environmental incidents within own operations • Not meeting compliance requirements related to competition law, anti-bribery and corruption • Many acquisitions requiring on-boarding of new entities into the Sandvik compliance system 	<p>Worst-case scenarios show high financial impact due to fines in multiple markets. Can have a major negative reputational impact if risk were to materialize.</p>	<ul style="list-style-type: none"> • Compliance House, a system that enables the business to control and understand the status of compliance in our four compliance programs: Anti-bribery and Corruption, Competition Law, Data Privacy and Trade Compliance • Audit including follow-up on findings • Work instructions for customs and export control compliance • Compliance coordinator network • Compliance incident reporting database • Systematic training for employees in identified risk positions, all employees have completed training in Code of conduct • The Sandvik Way, our governance framework, includes Group policies, Group procedures and other steering documentation
<p>Product development, product support and insufficient IT security</p> <p>Link to strategic objective:</p> 	<p>Lack of security in digital offering life cycle</p> <ul style="list-style-type: none"> • Digital offerings to Sandvik customers mean new risks, both in the digital offerings as well as in the backend IT systems 	<p>Risk of compromising data and automation systems with negative reputational and financial impact. Risk of exposure to Sandvik internal IT systems.</p>	<ul style="list-style-type: none"> • All business areas/divisions are identifying the risks associated with their digital offering and taking appropriate actions to mitigate these risks • IT security in new product development process within the mining business implemented and a digital offering security strategy being set • Security & privacy by design concept developed at Sandvik Machining Solutions

SUSTAINABILITY GOVERNANCE

The Sandvik Group's business strategy, business model and the 2030 Sustainability Goals (see page 7) form the basis for the company's sustainable business governance. Relevant goals are set to address material areas and efficiently manage related risks and opportunities. Policies and management systems have been set to ensure financial, environmental and social compliance.

The Sandvik Board of Directors, has the overall responsibility for sustainability within Sandvik, monitored by the Audit Committee. The Group Executive Management has the overall responsibility for Sandvik's sustainability strategy and agenda while the business areas and divisions are responsible for the implementation and follow-up. The Communications and Sustainability function is responsible for the coordination within the Group. The business areas are also responsible for the assessment and management of sustainability risks in their operations. KPIs are consolidated and reported to follow up on goals at Group and business area levels. Each year we evaluate our performance, and set targets and focus actions for the coming year.

The Sustainability Council is a forum for cooperation and best practice sharing across Sandvik. The Council is comprised of representatives from the business areas and group functions. The Sustainable Business function coordinates the sustainability agenda together with the business areas.

Code of Conduct

Sandvik puts ethics and sustainable business practices first.

Sandvik has a long history of working in accordance with applicable laws and internationally recognized

principles, as well as in partnership with our local communities. Our Code of Conduct is built on our internal core values and external principles, such as the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption as outlined in the ten principles of the United Nations Global Compact, in which we participate. We are also committed to adhering to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Code of Conduct is a vital component in The Sandvik Way, our governance framework. It shows us how we need to act as individual employees, as a company and what ethical standards we should adhere to in our day-to-day work, and it is an important enabler for achieving our 2030 Sustainability Goals.

Speak Up

Employees and external parties who witness a violation of the Code of Conduct, laws or our policies can report the violation, anonymously, through the global reporting tool Speak Up. All reports are assigned an investigator from the relevant business area that conducts the investigation. The Ethics Office oversees the effectiveness of the Speak Up process. Reports, investigations and remediations are recorded, monitored and included in reporting to the Audit Committee.

No retaliation may be taken against an employee or business partner who, in good faith, voices their concern, as is outlined in the Speak Up Policy.

Compliance

The Sandvik Compliance System includes four areas: Anti-Bribery and Corruption, Competition Law, Third-Party Management and Data Privacy. To emphasize the importance of a fully embedded and agile Compliance System within the business, the Compliance System is part of our 2030 sustainability goals (see page 7). The purpose is to ensure a well-functioning structure with control over our international business and to manage compliance risks in all countries in which Sandvik operates. The compliance program requirements are set by Group Compliance, including compliance risk identification, policies, applicable training, controls, audits, reporting and monitoring etc., and is implemented by each business area. The Group Compliance function reports to the Sandvik Group General Counsel and the Audit Committee. To ensure continuous alignment and balance between the group compliance requirements and the business implementation, the Sandvik Compliance Functional Council (CFC), which comprises the Group Compliance, business area compliance officers, Head of Governance and Head of Business Integrity, serves the purpose of ensuring efficient, effective and sustainable program initiatives.

Human rights and fair labor conditions

Our commitment to human rights and fair labor conditions is confirmed in our Code of Conduct and in our Supplier Code of Conduct in which we support, amongst others, the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and

Human Rights. The Sandvik Code of Conduct, supported by our core values, also provides guidance in identifying, preventing and mitigating risks related to human rights and fair labor conditions.

To mitigate risks related to human rights, we continuously work to ensure compliance with national legislation and internationally agreed human rights standards and regulations. We regularly evaluate our processes and procedures for identifying, preventing and mitigating these risks in the Group's operations and in our value chain. Our work on human rights and fair working terms is integrated in our regular processes and procedures in different ways, for example, in our Sustainable Supplier Management, our safety work and in our diversity and inclusion scheme. We have zero tolerance for forced labor, slave labor or child labor.

We support children's rights and the right to education. All employees have the right, if they choose, to join a union and to be covered by a collective agreement. We do not accept any form of harassment or bullying and believe in a diverse workforce without any form of discrimination based on gender identity, ethnicity, national origin, age, disability, marital status, social group or any other characteristics.

Employees

Sandvik offers a diverse and inclusive workplace, fair remuneration and working terms that respect the needs of the individual. Sandvik has a People Policy that reflects its commitment to our employees and outlines what employees can expect from us in relation to how we attract, develop and retain our employees and where appropriate, manage their exit from the business.

Leadership development

Our managers play a crucial role in enabling teams to grow and deliver results. Our leadership model and our global leadership programs set clear expectations on both leadership capabilities and behaviours.

Young talent

Through our Global Graduate Program we attract young professionals and provide training at various parts of the Sandvik organization. One of the main purposes with the program is to develop and prepare graduates for future key positions, and after the program they are deployed into different roles within our business.

Diversity and inclusion

Diversity and inclusion are vital aspects of our people strategy and part of the 2030 Sustainability Goals (see page 7).

The responsibility for implementation and communication of the 2030 goals lies within the business and includes securing resource needs and taking appropriate measures to ensure goal achievement. Sandvik has a Diversity and Inclusion forum with representatives from business areas and the Group, with the purpose of working collaboratively to develop a diverse organization and a culture of inclusion. The forum collaborates on joint initiatives and shares best practices and experiences.

Environment, Health and Safety (EHS)

Sandvik has a zero-harm vision for our people, the environment we work in, our customers and our suppliers. All are explicitly included in our 2030 Sustainability Goals (see page 7). Our EHS Policy, Group EHS Objectives and the 2030 Goals drive our health

and safety activities. Each business area works to meet these objectives according to their own plans. Targets are set year on year to drive performance on all organizational levels towards the 2030 goals. In addition to our own internal operations, our EHS Policy includes a commitment to external relationships that Sandvik has in the market.

The Sandvik EHS Council consists of representatives from all business areas with a primary aim to facilitate collaboration across the company that will enhance our progress towards our EHS vision. While EHS activities are decentralized within the business areas, the EHS Council is the forum for identifying, reaching consensus on and implementing common initiatives and procedures. In addition, the Council drafts documents, such as the EHS Policy and objectives and targets, for the Group Executive Management to consider and approve. The council can appoint working groups to work on specific EHS issues, for example environmental working groups.

Our EHS Management systems are based on ISO 14001, ISO 45001, OHSAS 18001 or equivalent standards. Management of individual topics follows the criteria of these frameworks but can go beyond. We have a common EHS Policy for the company and Group Procedures in areas where Sandvik wants to set standards that go above and beyond the requirements of our certified management systems. These procedures handle hazard identification and risk management; incident reporting, investigation and injury management; EHS performance measurement and monitoring; training and competence; small sites and office procedures. Sites with a lower risk profile do not have to go through

the process of external certification. However, these sites will be covered by the requirements in the Group procedure for small sites and offices.

Any specific issues of a more local nature, for example, effluent discharge limits or environmental permits, if not covered in legal requirements, certifications or Group procedures, will be local initiatives adapted to the specific needs at each production unit or business division. The scope of the EHS Management systems also includes relationships outside the company boundaries, and a responsibility to ensure high standards where Sandvik is in control of the work environment. This includes working with risk identification and mitigation in order to prevent any incidents of work-related injuries or occupational illnesses.

Environmental criteria are included in the process for sustainable supplier management and environmental and safety criteria are part of the product development process.

Each Sandvik-controlled location will implement and maintain formal systems and processes for risk assessments. All employees can and are encouraged to report the hazards they observe. The system supports a process for handling all hazards adequately and following them through to completion. The most senior Sandvik manager at each location is responsible for correct handling of the registered hazard.

Each business area / location has an Incident Reporting and Investigation system and is responsible for ensuring the findings from incident investigations are shared within the organization. All employees have access to a colleague in their immediate workplace or as part of their organization who is representing the EHS function within Sandvik.

Health and safety committees are organized depending on the nature of the local organization and the issues within that region. Typically, representatives are from local management, employees and EHS professionals.

Training is provided as part of the induction for all employees and in more depth to EHS professionals. Furthermore, EHS issues are integrated in any training for certain roles. Our training packages vary from classroom training in-house to external training and self-learning, for example, e-learning.

Access to medical and healthcare services is designed based on local needs. It varies from having professional healthcare on site or agreements with external parties where our employees have access to vaccinations, health checks, etc. Health and well-being programs are offered and maintained for all employees. Enrollment is voluntary. The programs are adapted to local needs and address a wide range of issues such as fitness, nutrition, mental health and disease prevention.

Sustainable supplier management

Sandvik is committed to sustainable procurement practices that minimize our negative social and environmental impacts, improve the sustainability performance of our suppliers and create value for the business, our customers and society at large. It is important for us to partner with suppliers who understand and embrace our sustainability standards in areas such as environment, labor, human rights, anti-corruption, circularity of materials and carbon footprint. Our requirements are part of our 2030 Sustainability Goals and are outlined in our Supplier Code of Conduct, which was updated and published

during the year. The responsibility of development and implementation of sustainable supplier management is decentralized and lies within each division.

Community involvement

Sandvik is involved in a wide variety of community relations projects around the world. In 2021 we updated our platform for sponsorship and community involvement to be aligned with our company purpose and revised strategy. We have three focus areas for our community involvement projects: 1) Sustainability Shift – projects related to climate change, resources and waste or clean and sustainable development of communities, 2) Digital Shift – projects building technical and digital skills, supporting innovations and new ideas that help the world advance or introducing people to new technologies, and 3) Societal Impact – projects supporting equality and inclusion, improving health and wellbeing or supporting infrastructure development and local communities where we have business operations.

We view our community projects as investments, for which we require contracts, clear target groups and objectives with measurable results. All activities must comply with our Code of Conduct, which means that we do not engage in any activities of a political or religious nature, or in projects that may be viewed as hazardous to health or the environment. All of our project partners must sign the Sandvik Supplier Code of Conduct and undergo the same screening process as our suppliers. As part of our 2030 Sustainability Goals, we encourage our sites to be engaged in community activities with a positive impact on society.

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

MSEK	Note	2020	2021
Continuing operations			
Revenue	G2, G3	86,404	99,105
Cost of goods and services sold		-54,167	-58,932
Gross profit		32,237	40,173
Selling expenses		-10,710	-11,642
Administrative expenses		-5,504	-6,069
Research and development expenses	G6	-3,429	-3,682
Share of results of associated companies and joint ventures	G2	6	-4
Other operating income	G7	473	1,104
Other operating expenses	G8	-1,858	-1,225
Earnings before interest and tax	G2, G4, G5	11,216	18,654
Financial income		1,163	877
Financial expenses		-1,110	-1,071
Net financial items	G10	54	-194
Profit before tax		11,270	18,460
Income tax	G11	-2,517	-3,967
Profit for the year, continuing operations		8,753	14,493
Loss for the year, discontinued operations	G32	-32	-10
Profit for the year, Group total		8,721	14,484
<i>Profit for the year attributable to:</i>			
Owners of the Parent Company		8,735	14,461
Non-controlling interests		-14	23
<i>Basic earnings per share, SEK</i>			
Continuing operations	G12	6.99	11.54
Discontinued operations		-0.03	-0.01
Group total		6.96	11.53
<i>Diluted earnings per share, SEK</i>			
Continuing operations	G12	6.98	11.52
Discontinued operations		-0.03	-0.01
Group total		6.95	11.52
Consolidated statement of comprehensive income			
Profit for the year		8,721	14,484
Other comprehensive income			
<i>Items that cannot be reclassified to profit (loss) for the year</i>			
Actuarial gains (losses) on defined-benefit pension plans	G22	-1,146	2,492
Tax relating to items that cannot be reclassified	G11	225	-501
Total items that will not be reclassified to profit (loss)		-921	1,991
<i>Items that can be reclassified to profit (loss) for the year</i>			
Translation differences during the year		-4,754	3,846
Fair-value changes in cash flow hedges		28	48
Tax related to fair-value changes in cash-flow hedges	G11	-8	-11
Total items that may be reclassified subsequently to profit (loss)		-4,734	3,882
Total other comprehensive income (loss) for the year		-5,655	5,873
Total comprehensive income		3,066	20,357
<i>Total comprehensive income for the year attributable to:</i>			
Owners of the Parent Company		3,077	20,323
Non-controlling interests		-11	34

CONSOLIDATED BALANCE SHEET

MSEK	Note	31 Dec 2020	31 Dec 2021
Assets			
Non-current assets			
Intangible assets	G13	21,004	47,809
Property, plant and equipment	G14	23,975	26,076
Right-of use assets	G15	2,891	3,840
Shares in associated companies and joint ventures	G16	508	595
Financial assets		81	94
Deferred tax assets	G11	4,098	3,458
Non-current receivables	G17	2,598	3,270
Total non-current assets		55,155	85,143
Current assets			
Inventories	G18	21,473	29,910
Trade receivables	G19	12,369	17,341
Income tax receivables	G11	676	1,158
Other receivables	G20	4,519	6,748
Prepaid expenses and accrued income		822	1,308
Cash and cash equivalents		23,752	13,585
Assets held for sale	G32	361	323
Total current assets		63,973	70,374
Total assets		119,128	155,517
Equity and liabilities			
Equity			
Share capital		1,505	1,505
Other paid-in capital		7,678	7,678
Reserves		2,274	6,145
Retained earnings incl. profit (loss) for the year		53,624	61,872
Equity attributable to owners of the Parent Company		65,081	77,200
Non-controlling interest		1	132
Total equity	G21	65,082	77,332
Non-current liabilities			
Provision for pensions	G22	8,822	6,904
Interest-bearing liabilities	G23, G28	13,536	23,646
Deferred tax liabilities	G11	2,059	2,988
Other provisions	G24	1,409	1,390
Other liabilities	G25	274	971
Total non-current liabilities		26,099	35,900
Current liabilities			
Interest-bearing liabilities	G23, G28	4,352	10,704
Accounts payable		6,974	11,907
Income tax liabilities	G11	2,695	2,820
Other liabilities	G25	4,077	6,306
Other provisions	G24	3,381	2,516
Accrued expenses and deferred income	G26	6,297	7,924
Liabilities directly attributed to assets held for sale	G32	171	107
Total current liabilities		27,947	42,285
Total liabilities		54,046	78,185
Total equity and liabilities		119,128	155,517

CONSOLIDATED CHANGES IN EQUITY

MSEK	Equity attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Reserves	Retained earnings incl. profit (loss) for the year	Total			
Equity at January 1, 2020	1,505	7,678	7,010	45,651	61,844	14	61,858	
Adjustment on correction of error	-	-	-	-53	-53	-	-53	
Equity at January 1, 2020	1,505	7,678	7,010	45,598	61,791	14	61,805	
Profit for the year	-	-	-	8,735	8,735	-14	8,721	
Other comprehensive income (loss)	-	-	-4,736	-921	-5,657	3	-5,655	
Total comprehensive income (loss) for the year	-	-	-4,736	7,814	3,077	-11	3,066	
<i>Transactions with owners</i>								
Changes in non-controlling interest	-	-	-	2	2	-2	0	
Share-based program	-	-	-	210	210	-	210	
Dividend	-	-	-	-	-	-	-	
Equity at December 31, 2020	1,505	7,678	2,274	53,624	65,081	1	65,082	
Equity at January 1, 2021	1,505	7,678	2,274	53,624	65,081	1	65,082	
Adjustment on correction of error	-	-	-	-48	-48	-	-48	
Equity at January 1, 2021	1,505	7,678	2,274	53,575	65,033	1	65,034	
Profit for the year	-	-	-	14,461	14,461	23	14,484	
Other comprehensive income	-	-	3,871	1,991	5,862	11	5,873	
Total comprehensive income (loss) for the year	-	-	3,871	16,452	20,323	34	20,357	
<i>Transactions with owners</i>								
Changes in non-controlling interest	-	-	-	-94	-94	97	3	
Share-based program	-	-	-	78	78	-	78	
Dividend	-	-	-	-8,140	-8,140	-	-8,140	
Equity at December 31, 2021	1,505	7,678	6,145	61,872	77,200	132	77,332	

CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	2020	2021
Group total			
Cash flow from operating activities			
Profit before tax		11,238	18,451
Adjustment for depreciation, amortization and impairment losses		5,964	5,995
Other adjustment for non-cash items	G30	926	-2,356
Payment to pension fund	G22	-674	-457
Income tax paid		-3,518	-4,154
Cash flow from operating activities before changes in working capital		13,935	17,480
Changes in working capital			
Change in inventories		867	-5,245
Change in operating receivables		1,533	-3,477
Change in operating liabilities		-344	4,995
Cash flow from changes in working capital		2,055	-3,726
Investments in rental equipment		-935	-941
Proceeds from sale of rental equipment		292	364
Cash flow from operating activities, net		15,347	13,177
Cash flow from investing activities			
Acquisition of companies and shares, net of cash acquired	G31	-3,274	-23,578
Proceeds from sale of companies and shares, net of cash disposed	G32	778	423
Acquisition of tangible assets		-2,684	-2,936
Proceeds from sale of tangible assets		269	578
Acquisition of intangible assets		-514	-642
Proceeds from sale of intangible assets		0	13
Acquisition of financial assets		-74	0
Proceeds from sale of financial assets		633	141
Other investments, net		89	-190
Cash flow from investing activities, net		-4,775	-26,191
Cash flow from financing activities			
Repayment of borrowing		-2,354	-9,660
Proceeds from borrowings		56	21,312
Dividends paid		-	-8,140
Amortization, lease liabilities		-1,012	-1,025
Cash flow from financing activities, net	G30	-3,310	2,486
Cash flow for the year		7,261	-10,527
Cash and cash equivalents at beginning of year		16,987	23,752
Foreign exchange differences on cash and cash equivalents		-496	360
Cash and cash equivalents at the end of year	G30	23,752	13,585
Continuing operations			
Cash flow from operating activities, net		15,414	13,217
Cash flow from investing activities, net		-4,777	-26,192
Cash flow from financing activities, net		-3,310	2,486
Cash flow from continuing operations		7,327	-10,489

NOTES

G1 SIGNIFICANT ACCOUNTING PRINCIPLES – ASSESSMENTS AND ASSUMPTIONS FOR ACCOUNTING PURPOSES

The consolidated financial statements comprise Sandvik AB, corporate registration number 556000-3468, (the Parent Company) and all its subsidiaries, jointly the Group with registered office in Stockholm, Sweden. The address to head quarter is Box 510, 101 30 Stockholm. The Group also includes the share of investments in associated companies.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and the Group. Accordingly, the financial statements are presented in SEK. All amounts are in million SEK unless otherwise stated. Amounts in tables and calculation in the financial statements and notes do not always agree exactly with the totals due to rounding.

Accounting principles are presented in this note or in connection to the note of which they aim to describe.

§ ACCOUNTING PRINCIPLES

The symbol and heading show where the accounting principles are described in each note.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, the recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, has been applied.

The Parent Company has applied the same accounting principles as those applied in the consolidated financial statements except as set out in note P1 on page 118 in the section "Parent Company's accounting principles."

The financial statements are presented on pages 46–136 in the printed Annual Report. The Parent Company's Annual Report and the consolidated financial statements were approved for issuance by the Board of Directors on March 10, 2022. The Group's and the Parent Company's income statements and balance sheets are subject to adoption at the Annual General Meeting on April 27, 2022.

Basis of measurement

Assets and liabilities are stated on a historical cost basis except for certain financial assets and liabilities, which are stated at their fair value. Financial assets and liabilities measured at fair value are comprised of derivative instruments and plan assets in the defined benefit plans. Receivables and liabilities and items of income and expense are offset only when required or expressly permitted in an accounting standard.

The preparation of financial statements in conformity with IFRS requires management to make assessments, estimates and assumptions that affect the application of accounting policies and recognized amounts of assets and liabilities, income and expenses. Actual results may differ from these assessments. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have had a significant effect on the financial statements and esti-

mates with a significant risk of material adjustment in the next year, are discussed further below.

Events after the balance sheet date refer to both favorable and unfavorable events that have occurred after the balance sheet date but before the date the financial statements were authorized for issue by the Board of Directors. Significant non-adjusting events, that is, events indicative of conditions that arose after the balance sheet date, are disclosed in the financial statements. Only adjusting events, that is, those that provide evidence of conditions that existed at the balance sheet date, have been considered in the final establishment of the financial statements. The most significant accounting policies for the Group, as set out below and in the notes, have been applied consistently to all periods presented in these consolidated financial statements except as specifically described. Moreover, the Group's accounting policies have been consistently applied in the Group reporting by all members of the Group and in the Group reporting of associated companies, where necessary, by adaptation to Group policies.

Basis of consolidation

The consolidated accounts are prepared in accordance with the Group's accounting principles and include the accounts of the Parent Company and all Group companies. Group companies are consolidated from the date the Group exercises control or influence over the company. Divested companies are included in the consolidated accounts until the date the Group ceases to control or exercise influence over them. In preparing Sandvik's consolidated financial statements, intra-group transactions have been eliminated.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into functional currency at the foreign exchange rate prevailing at the date of the transaction. The functional currency is the currency of the primary economic environment in which the Group entities operate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in profit or loss for the year. Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are re-translated to the functional currency at the exchange rate prevailing at the date that the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the foreign operation's functional currency to the Group's reporting currency, SEK, at foreign exchange rates prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to SEK at average rates that approximate the foreign exchange rates prevailing at each of the transaction dates. Translation differences arising from the translation of the net investment in foreign operations are recognized in other comprehensive income and are accumulated in a separate component of equity, a

G1, continued

translation reserve. If the foreign operation is divested, the accumulated translation differences attributable to the divested foreign operation is reclassified from equity to profit or loss for the year as a reclassification adjustment at the date on which the profit or loss of the divestment is recognized. For cases in which divestments made include a residual controlling influence, the proportionate share of accumulated translation differences from other comprehensive income is transferred to non-controlling interests.

Net investments in foreign operations

Monetary non-current receivables or monetary non-current liabilities to a foreign operation for which no settlement is planned or is not likely to take place in the foreseeable future are, in practice, part of the Company's net investment in foreign operations. A foreign exchange difference arising on the monetary non-current receivable or monetary non-current liability is recognized in other comprehensive income and accumulated in a separate component of shareholders' equity, entitled translation reserve. When a foreign operation is divested, the accumulated foreign exchange differences attributable to monetary non-current receivables or monetary non-current liabilities are included in the accumulated translation differences reclassified from the translation reserve in equity to profit or loss for the year.

Changes in accounting policies

IASB has published amendments of standards that are effective as of January 1, 2021 or later. The standards have not had any material impact on the financial reports.

IFRS 3 Business combination

Implementation of a new exception for liabilities and contingent liabilities when applying IAS 37 provisions, contingent liabilities and contingent assets and IFRIC 21 Levies. Clarifies that contingent assets should not be recognized in a business combination.

IAS 16 Property, Plant and Equipment

Clarifies that proceeds before intended use of property, plant and equipment should be recognized in the profit or loss and not deducted from the cost of an item of property, plant, and equipment. The amendment clarifies also that IAS 2 Inventories is applicable for goods produced during this period.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

In the accounting for onerous contracts both direct and indirect cost should be included and accounted for.

IAS 1 Presentation of Financial Statements

Amendment to clarify when a liability is current or non-current and requirement to disclose material accounting policies instead of significant accounting policies.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Definition of accounting estimates to be included to clarify differences between changes in accounting estimates, accounting policies and correction of errors.

IAS 12 Income Taxes

Deferred tax should be recognized for transactions that give rise to equal amounts of deductible and taxable temporary differences such as right of use assets and lease liabilities.

Other changes

Other new or amended accounting standards and interpretations implemented during 2021 or later are not considered to have any material impact on Sandvik's financial statements.

Critical accounting estimates and judgments

Key sources of estimation uncertainty

In order to prepare the financial statements, management and the Board make various judgments and estimates that can affect the amounts recognized in the financial statements for assets, liabilities, revenues and expenses as well as information in general, including contingent liabilities. The judgments and estimates discussed in notes where applicable are those deemed to be most important for an understanding of the financial statements, considering the level of significant estimations and uncertainty. The conditions under which Sandvik operates are gradually changing meaning that the judgments also change.

CRITICAL ESTIMATES AND JUDGMENTS

The symbol and heading show where the estimates and judgments are described in each separate note.

G2 SEGMENT INFORMATION

Information on business segments/business areas, continuing operations

2020	SMR ¹⁾	SRP ¹⁾	SMM	SMT	Other operations	Group activities	Eliminations	Group Total
Revenue								
External revenue	33,572	6,459	32,477	13,598	297	–	–	86,404
Internal revenue	9	–	323	327	–	–	-659	–
Total	33,579	6,462	32,799	13,925	297	–	-659	86,404
Share of results of associated companies	2	–	4	–	–	–	–	6
Earnings before interest and tax	6,400	990	4,606	492	-578	-694	–	11,216
Net financial items	–	–	–	–	–	–	–	54
Income tax	–	–	–	–	–	–	–	-2,517
Profit for the year	6,451	982	4,550	486	-579	-696	–	8,753
<i>Other disclosures</i>								
Assets	27,900	6,149	37,980	15,125	84	1,446	–	88,685
Investments in associates	89	–	174	–	–	244	–	508
Total assets	27,990	6,149	38,153	15,125	84	1,691	–	89,192
Unallocated assets	–	–	–	–	–	–	–	29,575
Group total assets	–	–	–	–	–	–	–	118,767
Liabilities	8,646	2,211	8,748	3,804	115	1,072	–	24,594
Unallocated liabilities	–	–	–	–	–	–	–	29,299
Group total liabilities	–	–	–	–	–	–	–	53,894
Capital expenditure	-642	-80	-1,876	-516	0	-83	–	-3,197
Depreciation/amortization	-1,521	-198	-2,700	-838	-1	-256	–	-5,515
Impairment losses	-286	–	-116	48	2	-98	–	-450
Other non-cash expenses	-727	-75	918	383	507	16	–	1,022
2021								
	SMR	SRP	SMM	SMT	Other operations	Group activities	Eliminations	Group Total
Revenue								
External revenue	41,409	7,610	36,681	13,405	–	–	–	99,105
Internal revenue	17	1	413	442	–	–	-873	–
Total	41,427	7,610	37,094	13,847	–	–	-873	99,105
Share of results of associated companies	8	–	9	–	–	-21	–	-4
Earnings before interest and tax	8,220	1,255	8,058	1,379	–	-257	–	18,654
Net financial items	67	-27	-48	-5	–	-2	–	-194
Income tax	–	–	–	–	–	–	–	-3,967
Profit for the year	8,286	1,228	8,007	1,374	–	-260	–	14,493
<i>Other disclosures</i>								
Assets	47,501	7,224	61,407	17,260	–	1,173	–	134,565
Investments in associates	154	–	192	–	–	249	–	595
Total assets	47,655	7,224	61,599	17,260	–	1,422	–	135,161
Unallocated assets	–	–	–	–	–	–	–	20,033
Group total assets	–	–	–	–	–	–	–	155,193
Liabilities	13,841	2,902	10,771	4,475	–	1,373	–	33,363
Unallocated liabilities	–	–	–	–	–	–	–	44,714
Group total liabilities	–	–	–	–	–	–	–	78,078
Capital expenditure	-912	-112	-2,035	-494	–	-26	–	-3,578
Depreciation/amortization	-1,998	-191	-2,818	-842	–	-202	–	-6,051
Impairment losses	-4	–	-39	99	–	–	–	56
Other non-cash expenses	-2,015	-634	-1,022	-185	–	1,517	–	-2,339

1) Last year's figures have been restated due to the new business area structure as of January 1, 2021.

All transactions between the business areas are on market terms. For information regarding business combinations, see note G31.

G2, continued

Information by country, continuing operations

Revenue by country	2020	2021
USA	13,076	13,566
Australia	7,404	8,857
China	7,315	8,166
Germany	5,837	6,642
Canada	3,574	4,953
Sweden	3,259	3,722
South Africa	2,655	3,703
Italy	2,943	3,588
Russia	3,583	3,584
India	2,275	3,110
Mexico	2,392	2,964
France	2,349	2,611
UK	2,515	2,271
Brazil	1,454	1,912
Japan	1,843	1,872
Indonesia	1,406	1,854
Chile	962	1,331
Austria	1,117	1,320
Poland	967	1,162
Finland	970	1,107
Spain	984	1,063
Korea	957	1,053
Ghana	1,027	990
Kazakhstan	629	946
Norway	973	889
Other countries	13,938	15,869
Total	86,404	99,105

Revenue is specified by country based on where the customers are.

Non-current asset by country	2020	2021
USA	8,964	26,798
Sweden	13,151	12,802
Luxembourg	–	8,149
France	4,330	4,303
Germany	3,904	3,851
Austria	2,524	2,634
China	1,598	2,479
Finland	2,213	2,203
UK	1,940	2,089
India	1,489	1,793
Canada	1,297	1,763
Australia	857	1,533
Czech Republic	980	1,099
Poland	254	747
Switzerland	342	737
Other	4,028	4,745
Total	47,871	77,725

Non-current assets are specified by country based on where the assets are located. Non-current assets consists of intangible assets, property, plant and equipment and right-of-use assets.

ACCOUNTING PRINCIPLES**Reporting of operating segments**

Sandvik's business is organized in a manner that allows the Group's chief operating decision-maker, meaning the CEO, to monitor results, return and cash flow generated by the various products and services in the Group. Each operating segment has a president that is responsible for day-to-day activities and who regularly reports to the CEO regarding the results of the operating segment's work and the need for resources. Since the CEO monitors the business' result and decides on the distribution of resources based on the products the Group manufactures and sells and the services it provides, these constitute the Group's operating segments.

The Group's operations are organized in a number of business areas based on products and services. The market organization also reflects this structure.

Segment information in accordance with IFRS 8 is only provided for the Group.

Segment results, assets and liabilities include only those items that are directly attributable to the segment and the relevant portions of items that can be allocated on a reasonable basis to the segments. Unallocated items comprise interest, gains on disposal of financial investments, interest expense, losses on the disposal of financial investments, income tax expense and certain administrative expenses. Unallocated assets and liabilities include income- and deferred tax receivables and payables, financial investments and financial liabilities. ■

G3 CATEGORIES OF REVENUE

Information on revenue, continuing operations

Primary geographical markets	2020						2021					
	SMR ¹⁾	SRP ¹⁾	SMM	SMT	Other operations	Group	SMR	SRP	SMM	SMT	Other operations	Group
Europe	3,969	2,048	17,432	6,553	42	30,043	4,662	2,285	19,532	6,678	–	33,156
North America	6,521	1,260	7,094	4,052	116	19,043	8,558	1,685	8,003	3,238	–	21,483
South America	2,422	556	588	346	7	3,920	3,453	651	775	273	–	5,151
Africa and Middle East	6,875	664	263	270	110	8,181	8,488	741	301	248	–	9,778
Asia	6,856	1,547	6,861	2,320	17	17,601	7,760	1,799	7,811	2,883	–	20,252
Australia and New Zealand	6,930	384	239	59	4	7,615	8,489	449	260	85	–	9,284
Total	33,572	6,459	32,477	13,598	297	86,404	41,409	7,610	36,681	13,405	–	99,105
<i>Major goods/service lines</i>												
Sale of goods	30,422	6,172	31,905	13,523	236	82,259	38,228	7,349	35,255	13,328	–	94,160
Rendering of services	2,401	278	565	75	–	3,319	2,314	253	1,415	77	–	4,059
Rental income	743	9	3	–	60	815	854	8	5	–	–	866
Other non product related Revenue	6	0	4	0	–	11	13	0	6	0	–	20
Total	33,572	6,459	32,477	13,598	297	86,404	41,409	7,610	36,681	13,405	–	99,105
<i>Major goods/service lines</i>												
Order backlog to be recognized as revenue after 2022 until 2023	435	1	–	891	–	1,327	986	8	10	510	–	1,514

1) Last years figures has been restated due to the new BA structure as of January 1, 2021.

§ ACCOUNTING PRINCIPLES

Revenue from goods and services

Revenue is recognized when the control of goods and services is transferred to the customer at an amount reflecting the expected and entitled consideration for the goods or services provided. The supply of goods and services comprises metal cutting tools, mining equipment, stainless steels, furnaces, installation, support and maintenance.

Allocation of transaction price

The transaction price is allocated 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. Adjusted market assessment approach and expected cost plus a margin approach are normally used to determine the stand-alone selling price if no observable selling price is available 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 variable consideration is related to a specific performance obligation in the contract.

Variable consideration

Customer contracts can include variable considerations such as cash discounts, rebates or right of returns. When such components are identified an assessment is made to determine if the identified portion of revenue and any related cost of goods sold should be deferred to a later period. This is established by applying the expected value method or the most likely amount method with the threshold of being highly probable that a reversal of revenue will not occur.

Significant financing component

When advances are received, Sandvik adjusts the promised amount of consideration for the effects of the time value of money. Sandvik uses the practical expedient to not calculate and account for significant financing component if the period between the transfer of a good or service to a customer and payment is 12 months or less.

Cost to obtain a contract

Contract asset for costs to obtain a contract is not recognized if the contract has a duration equal to or shorter than 12 months.

Goods sold

Revenue from goods sold (e.g. metal cutting tools, mining equipment, high value-added products in advance stainless steels and special alloys, products for industrial heating) is recognized at a point in time

when the control has been transferred to the customer. To assess when the control has been transferred, indicators such as, but not limited to: 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 are considered. For sale of goods the transfer of control usually occurs when the significant risks and rewards are transferred in accordance to the Incoterms. For changes in contract assets and liabilities, see note G20 and G25.

When goods sold are highly customized and there is an enforceable right to payment for performances completed to date, the goods are recognized over time. Progress of satisfaction of each performance obligation is used to measure the revenue by the proportion of cost incurred to date compared to estimated total cost of each performance obligation.

If a customer contract includes a buy-back clause, exercised at the customer discretion and a significant transfer of control has not taken place, the transaction is then accounted for as an operational lease in accordance with IFRS 16 Leases. If the customer is not considered to have a significant economic incentive to exercise the option, the contract is then accounted for by applying the principles of variable consideration.

Payment is generally due between 30–90 days from the transfer of control. In some contracts, short-term advances are required before the equipment is delivered. Some contracts contain right of return, late delivery penalties, volume rebates and trade-in, which give rise to variable consideration subject to constraint.

Rendering of services

Revenue from service contracts (e.g. installation, support and maintenance) is recognized over time since the customer receives and consumes the benefits as it is being provided. Progress of satisfaction of each performance obligation is used to measure the revenue by the proportion of cost incurred to date compared to estimated total cost of each performance obligation. Service contracts where the value transferred to the customer directly corresponds to the invoiced amount is recognized according to the right to invoice.

Payment is generally due between 30–90 days after completion.

Licenses

Revenue from licenses (e.g. automation and optimizations solutions) which are assessed to be separate performance obligations are recognized at point in time if the customer can use the license in its current functionality and no further updates or improvements are expected or required. If the customer has the right to access the license including future updates with improved functionality, the revenue from those licenses is recognized over time on a linear basis over the contract period. ■

G4 PERSONNEL INFORMATION AND REMUNERATION OF MANAGEMENT

Average number of employees

	2020		2021	
	Number	Women, %	Number	Women, %
Sweden	8,311	24	8,187	25
Rest of Europe	12,867	19	13,061	21
Total Europe	21,179	21	21,248	22
North America	4,844	19	5,419	19
South America	1,737	16	1,936	17
Africa, Middle East	2,103	18	2,448	17
Asia	7,858	14	8,360	14
Australia	946	19	1,226	18
Total	38,666	19	40,636	20

Wages, salaries other remuneration and social costs

	2020	2021
Wages, salaries and other remuneration	-18,864	-21,194
Social costs	-3,414	-3,643
Pension costs	-1,649	-1,767
Total	-23,928	-26,604

A total of SEK 46 million (59) of the Group's pension costs relates to Boards and presidents. The Group's pension liability to these persons amounted to SEK 309 million (331).

Remuneration to the board of directors

Fees to the Chairman and other external Board members are paid in accordance with the resolution at the Annual General Meeting. No Board fees are paid to the President and the employee representatives.

In accordance with the resolution of the 2021 Annual General Meeting, the total fee to the external Board members elected at the Meeting amounts to in total SEK 6,885,000 on an annual basis.

SEK	2020					2021				
	Board fee	Audit Committee fee	Remuneration Committee	Acquisition and Dives-titures Committee	Total Board and Committee fee	Board fee	Audit Committee fee	Remuneration Committee	Acquisition and Dives-titures Committee	Total Board and Committee fee
Chairman of the Board (Johan Molin)	-2,550,000	-170,000	-145,000	-	-2,865,000	-2,625,000	-175,000	-150,000	-200,000	-3,150,000
Jennifer Allerton	-690,000	-	-	-	-690,000	-710,000	-	-	-	-710,000
Claes Boustedt	-690,000	-300,000	-	-	-990,000	-710,000	-310,000	-	-150,000	-1,170,000
Marika Fredriksson	-690,000	-	-	-	-690,000	-710,000	-	-	-	-710,000
Johan Karlström ¹⁾	-690,000	-	-115,000	-	-805,000	-	-	-	-	-
Helena Stjernholm	-690,000	-170,000	115,000	-	-975,000	-710,000	-175,000	-118,000	-150,000	-1,153,000
Kai Wärn	-690,000	-	-	-	-690,000	-710,000	-	-118,000	-	-828,000
Andreas Nordbrandt ¹⁾	-	-	-	-	-	-710,000	-	-	-	-710,000
Total	-6,690,000	-640,000	-375,000	-	-7,705,000	-6,885,000	-660,000	-386,000	-500,000	-8,431,000

¹⁾ In connection with the Annual General Meeting on April 27, 2021, Andreas Nordbrandt was elected as a new Board member and Johan Karlström left the Board.

President and other senior executives

Guidelines for remuneration

For information on the current guidelines for remuneration of senior executives, adopted by the 2021 Annual General Meeting, please refer to pages 48–50.

Wages, salaries and other remuneration by market area

	2020	2021
Sweden	-4,624	-5,718
Rest of Europe	-7,180	-7,578
Total Europe	-11,804	-13,296
North America	-2,979	-3,215
South America	-414	-525
Africa, Middle East	-808	-883
Asia	-2,066	-2,178
Australia	-792	-1,098
Total	-18,864	-21,194
<i>of which, to Boards of Directors and presidents</i>		
Salaries and other remuneration	-608	-745
<i>of which, variable salary</i>	-82	-112

Gender distribution in senior management

Proportion of women, %	2020	2021
Gender distribution in senior management	16	18
Other senior executives	25	28

The long-term asset manager and largest shareholder of Sandvik shares, Industrivärden, granted in 2019 the Chairman of the Board one million call options over Sandvik shares with a five-year term and an exercise price of SEK 177. The options were purchased by the chairman of the Board at market price.

President and CEO

Sandvik's President and CEO, Stefan Widing, was paid an annual fixed salary of SEK 13,794,894 and received the fringe-benefit value of a car provided by the company. In addition, an annual variable cash based salary of maximum 75 percent of the fixed salary is payable. The variable salary for 2021 amounted to SEK 8,272,800.

Stefan Widing is entitled to retire at age 65. A pension premium of 37.5 percent of his annual fixed salary is reserved annually.

In the event of termination of employment by the company, Stefan Widing has a notice period of 12 months and 12 months' severance pay.

G4, continued

Other senior executives

Other members of the Group Executive Management are covered by a Swedish pension plan (ITP1 or ITP2) and for one member a Swiss pension plan. The minimum retirement age is 62.

For members that are covered by the ITP plan 1 (defined contribution) a supplement of 5 percent of the salary portions in excess of 7.5 income base amounts may apply.

For members that are covered by the ITP Plan 2 (defined benefit), a supplementary defined-contribution plan apply under which the company each year contributes 25–33 percent (depending on age

and employment start in GEM) of fixed salary portions in excess of 20 price base amounts. One member is covered by a Swiss pension plan under which 21 percent of fixed salary is contributed and whereof 75 percent is paid by the company and 25 percent by the employee.

Severance pay is paid in the event that the company terminates employment. The severance pay equals 6–12 months' fixed salary in addition to the notice period, which is 6–12 months. Any other income from employment may be deducted from the severance pay.

Remuneration and other benefits pertaining to 2020 expensed during 2020, in SEK

Position	Fixed salary	Annual variable salary ¹⁾	Other benefits ²⁾	Long-term variable salary ³⁾	Pension costs ⁴⁾
President and CEO	-11,230,326 ⁵⁾	-1,787,501	-90,007	–	-4,469,080
Former President and CEO	-3,712,316 ⁶⁾	–	-8,194	–	-471,874
Other Senior Executives ⁷⁾	-29,754,859 ⁸⁾	-4,536,867	-544,311	-6,179,976	-11,663,108
Total	-44,697,501	-6,324,368	-642,512	-6,179,976	-16,604,062

1) Amount pertaining to 2020 and expected to be paid in 2021.

2) Relates mainly to the fringe-benefit and company car.

3) The amounts pertain to changes in provisions made for the 2018, 2019 and 2020 LTI programs for the members of the Senior Management at year-end.

4) Amounts pertaining to company paid contributions.

5) The fixed salary during 2020 for Stefan Widing amounts to SEK 11,159,393 after the 10 percent base salary deduction (Apr–Dec) of SEK 975,001 made due to the Covid-19 pandemic. The remaining amount relates to vacation pay, etc. Board fees are not payable to President and CEO.

6) Björn Rosengren's fixed salary 2020 amounts to SEK 1,258,250, the remaining amount relates to vacation pay, etc. Board fees are not payable to President and CEO.

7) Pertains to the following persons in 2020: Johan Kerstell, Tomas Eliasson, Jessica Alm, Åsa Thunman, Göran Björkman, Henrik Ager, Lars Bergström, Nadine Crauwels (Oct–Dec).

8) The temporary 10 percent base salary deduction due to the Covid-19 pandemic was also applicable for other Senior Executives.

Remuneration and other benefits pertaining to 2021 expensed during the year, in SEK

Position	Fixed salary	Annual variable salary ³⁾	Other benefits ⁴⁾	Long-term variable salary ⁵⁾	Pension costs ⁶⁾
President and CEO	-14,070,654 ¹⁾	-8,272,800	-105,049	-3,299,993	-4,899,287
Other Senior Executives ⁷⁾	-45,212,678 ²⁾	-17,727,846	-1,061,371	-7,567,857	-13,231,265
Total	-59,283,332	-26,000,646	-1,166,420	-10,867,850	-18,130,552

1) The fixed salary during 2021 for Stefan Widing amounts to SEK 13,794,894. The remaining amount relates to vacation pay, etc. Board fees are not payable to executive Board members.

2) Fixed salaries pertaining to 2021 and severance expensed in 2021, expected to be paid in 2022.

3) Amount pertaining to 2021 and expected to be paid in 2022.

4) Relates mainly to the fringe-benefit and company car.

5) The amounts pertain to changes in provisions made for the 2021 LTI program for the President and CEO, and for the 2019 and 2021 LTI programs for the members of the Senior Management at year-end.

6) Amounts pertaining to company paid contributions.

7) Pertains to the following persons in 2021: Johan Kerstell, Jessica Alm, Åsa Thunman, Göran Björkman, Henrik Ager, Anders Svensson, Nadine Crauwels, Christophe Sut (Oct–Dec), Cecilia Felton (acting Nov–Dec), Tomas Eliasson (Jan–Oct).

Long-term incentive programs (LTI)**Share-based incentive program 2018–2021**

The 2018–2021 Annual General Meetings approved the Board's proposal to adopt a performance share program for each year for a maximum 350 senior executives and key individuals in the Sandvik Group, divided into four categories. For all participants, a personal investment is required in each separate program and the programs encompass a grant of a maximum total of 4,347,633 shares.

All program participants have invested in Sandvik shares ("investment shares"), up to an amount corresponding to 10 percent of their fixed annual pre-tax salary at the time of the investment.

Performing shares

In LTI 2018–2021, provided certain performance targets are met, Sandvik shares may be allotted ("performances shares"). The maximum number of performance shares that may be allotted for each acquired investment share depends on the category to which the participant belongs.

The number of performance shares that will finally be allotted to the participant for each acquired investment share is dependent on the development of the Sandvik Group adjusted Earnings Per Share ("EPS") during the financial year that the investment shares were acquired, compared to adjusted EPS for the previous financial year.

In January 2018–2021 respectively the Board of Directors established the levels regarding adjusted EPS for the performance year in question that had to be attained for allotment of a certain number of performance shares.

Performance outcome 2018–2021

LTI 2018: Performance shares were allotted since the performance targets set by the Board of Directors were met. The adjusted EPS for the financial year 2018 amounted to SEK 10.58.

LTI 2019: Performance shares will partly be allotted since the performance targets set by the Board of Directors were partly met. The adjusted EPS for the financial year 2019 amounted to SEK 11.20.

LTI 2020: No performance shares will be allotted since the performance targets set by the Board of Directors were not met. Adjusted EPS for the financial year 2020 amounted to SEK 8.74. This means that there will be no allotment of shares under LTI 2020.

LTI 2021: Performance shares will be allotted since the performance targets set by the Board of Directors were met. The adjusted EPS for the financial year 2021 amounted to SEK 11.07. The number of allotted performance shares under the 2018–2021 LTI programs for the President and other members of the Group Executive Management on December 31, 2021, corresponds to the number of outstanding performance shares and matching shares at year-end.

The allotments of performance shares in ongoing programs requires continuous employment and that all investment shares are held during a period of three years from the acquisition of the investment shares.

G4, continued

Costs for the programs

The following IFRS 2 provisions were established during the year:

For LTI 2019 SEK 9.5 million (excluding social costs), of which SEK 1.3 million for the other Senior Executives. The President and CEO did not participate.

For LTI 2020 no IFRS 2 provisions were made during 2021 since the performance targets set by the Board of Directors were not met.

For LTI 2021 SEK 71.51 million (excluding social costs), of which SEK 9.6 million for the President and CEO and other Senior Executives.

Preparation and decision-making process

The Board's Remuneration Committee prepares issues relating to the Group Executive Management's remuneration. The Committee met three times during the year. Issues dealt with included the distribution between fixed and variable salary, the magnitude of any pay increases and the long-term variable incentive program.

The Board discussed the Remuneration Committee's proposals and made a decision, using the Committee's proposal as a basis. Based on the Remuneration Committee's proposals, the Board decided on the remuneration of the President for 2021. The President decided on remuneration to other senior executives after consultation with the Remuneration Committee. The Remuneration Committee performed its task supported by expertise on remuneration levels and structures. For information on the composition of the Committee, refer to the Corporate Governance Report.

Assumptions for determining the value, 2018–2021 LTI Programs

Assumptions	Program 2018 (on date of issue)	Program 2019 (on date of issue)	Program 2020 (on date of issue)	Program 2021 (on date of issue)
Share price, SEK	162.90	153.00	142.25	219.40
Present value of forecasted future dividends, SEK ¹⁾	12.70	14.81	15.75	16.70
Risk-free interest rate, %	-0.41	-0.49	-0.31	-0.22

¹⁾ Based on analysts' 3 year combined expectations

Number of Performance Shares, Group (including Parent Company), 2018 – 2021 LTI programs

	2018	2019	2020	2021
Outstanding at beginning of year	989,745	370,055	–	–
Allotted during the period	–	–	–	1,067,908
Vested during the year	956,193	–	–	–
Forfeited during the year	33,552	30,675	–	9,601
Outstanding at year-end	–	339,380	–	1,058,307
Theoretical value when allotted acc. to Black-Scholes, SEK	150.10	138.19	126.40	202.70

Number of Performance Shares, Parent Company, 2018 – 2021 LTI programs

	2018	2019	2020	2021
Outstanding at beginning of year	122,331	39,418	–	–
Allotted during the period	–	–	–	172,890
Vested during the year	129,488	–	–	–
Forfeited during the year	–	7,918	–	–
Transferred during the year	7,157	5,850	–	–
Outstanding at year-end	–	37,350	–	172,890
Theoretical value when allotted acc. to Black-Scholes, SEK	150.10	138.19	126.40	202.70

§ ACCOUNTING PRINCIPLES**Share-based payments**

Share-based payments refer to remuneration to employees in accordance with employee share saving programs.

The costs for the employee performance shares are expensed as an employee expense (excluding social costs) over the vesting period and are recognized directly against equity. The amount recognized is continuously revised throughout the vesting period of each program. Social costs are expensed during the vesting period of each program based on the change in value of the employee performance shares.

The share-based program, performance share consists of the rights to provide entitlement to shares subject to the same conditions and if goals relating to operating performance are achieved. The amount recognized as an expense is adjusted to reflect the actual number of shares vested.

In order to meet its commitments under the share saving program, Sandvik has entered into an equity swap agreement with a financial institution. Under the agreement, the financial institution undertakes to distribute Sandvik shares to participants in the program when the date for allotment occurs in accordance with the terms and conditions of the program.

The fair value of the Sandvik share when the swap agreement was signed is recognized as a financial liability and as a reduction of equity in accordance with IAS 32. Social costs relating to share-based payments to employees are expensed over the accounting periods during which the services are provided. The charge is based on the fair value of the options at the reporting date. The fair value is calculated using the same formula as that used when the options were granted. ■

G5 REMUNERATION TO AUDITORS

Fees and remuneration to the Group's auditors were as follows:

	2020	2021
PwC		
Audit fees	-83	-78
Audit activities other than the audit assignment	-	-2
Tax consultancy services	-6	-10
Other services	-22	-31
Total	-111	-121
Other Audit firms		
Audit fees	-10	-11
Audit activities other than the audit assignment	-	-3
Tax consultancy services	-37	-17
Other services	-48	-39
Total	-95	-70

Audit refers to the statutory audit of the financial statements, the accounting records and the administration of the business by the Board of Directors and the President and CEO, and auditing and other review procedures performed in accordance with agreements or contracts. This includes other procedures required to be performed by the company's auditors as well as other services caused by observations during the performance of such examination and other procedures.

Tax consultancy services relate to services in the tax area. Other services essentially comprise advice in areas closely related to the audit, such as other assurance, advice on accounting issues and due-diligence services in connection with acquisitions.

G6 RESEARCH AND DEVELOPMENT COSTS

	2020	2021
Expenditure for		
Research and development	-3,604	-3,871
Quality assurance	-445	-406
Total	-4,049	-4,277
of which expensed, total	-3,874	-4,089
of which expensed relating to research and development	-3,429	-3,682

§ ACCOUNTING PRINCIPLES

Research and development

Expenditure on research activities related to the obtaining of new scientific or technical knowledge is expensed as incurred. Expenditure on development activities, whereby the research results or other knowledge is applied to accomplish new or improved products or processes, is recognized as an intangible asset in the balance sheet, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset.

The carrying amount includes the directly attributable expenditure, such as the cost of materials and services, costs of employee benefits, fees to register intellectual property rights and amortization of patents and licenses. Other expenses for development are expensed as incurred. In the balance sheet, capitalized development expenditure is stated at cost less accumulated amortization and any impairment losses.

For further accounting principles on research and development see section in intangible assets note G13. ■

G7 OTHER OPERATING INCOME

Other operating income amounted to SEK 1,104 million (473). The amount is mainly related to gain on disposal of land, buildings and rental fleet of SEK 237 million and gain of divestment of business of SEK 202 million.

For 2020 the amount is mainly related to realized hedges of SEK 169 million and profit from foreign exchange of SEK 96 million.

G8 OTHER OPERATING EXPENSES

Other operating expenses amounted to SEK -1,225 million (-1,858). This comprised mainly of external M&A transactions costs of SEK -467 million and loss on foreign exchange of SEK -354 million,

For 2020, other operating expenses comprised mainly of currency exchange loss from operating receivables and liabilities of SEK -360 million, impairment of goodwill of SEK -304 million and other items with currency components of SEK -784 million.

G9 OPERATING EXPENSES

	2020	2021
Cost of goods and material	-28,099	-31,902
Employee benefit expense	-23,928	-26,604
Depreciation and amortization	-5,515	-6,051
Impairment losses, inventories	-270	-300
Impairment losses and reversal impairment losses, non-current assets	-450	56
Impairment losses, doubtful receivables	-102	-91
Other expenses	-17,305	-16,658
Total	-75,668	-81,550

Other expenses mainly relate to purchases of services and consumables.

G10 NET FINANCIAL ITEMS

	2020	2021
Interest income	335	316
Dividend	5	2
Other investments including derivatives		
Net gain on remeasurements of financial assets/liabilities	195	348
Gain on disposal of financial assets	599	174
Other financial income	30	37
Financial income	1,163	877
Interest expense	-1,001	-945
Other investments including derivatives		
Net loss on remeasurements of financial assets/liabilities	-10	-33
Foreign exchange losses	-5	-33
Other financial expenses	-96	-60
Financial expenses	-1,110	-1,071
Net financial items	54	-194

Net interest income/expense from financial assets and liabilities not measured at fair value through profit or loss amounted to SEK -629 million (-666). No inefficiencies in cash flow hedges impacted profit for the year (0). For further information regarding valuation policies for financial instruments, refer to note G28.

G10, continued

§ ACCOUNTING PRINCIPLES

Financial income and expenses

Financial expenses consist of interest expense on borrowings, interest income and expenses on interest swaps that are recognized net as an interest expense. Credit losses on financial assets and foreign exchange gains and losses on hedging instruments are recognized in profit or loss for the year. ■

G11 INCOME TAX

Recognized in profit and loss

Income tax expense for the year	2020	2021
Current tax	-3,373	-4,356
Adjustment of taxes attributable to prior years	190	574
Total current tax expense	-3,183	-3,782
Deferred taxes relating to temporary differences and tax losses carried forward	666	-185
Total tax expense	-2,517	-3,967

The Group's recognized tax expense for the continuing operations for the year amounted to SEK 3,967 million (2,517) or 21.5 percent (22.3) of profit before tax.

Reconciliation of the tax expense

The Group's weighted average tax rate for the continuing operations, calculated in accordance with the statutory tax rate in each country, is 23.5 percent (21.9). The tax rate in Sweden is 20.6 percent (21.4).

Reconciliation of the Group's weighted average tax rate, based on the tax rate in each country, and the Group's actual tax expense:

	2020		2021	
	MSEK	%	MSEK	%
Profit after financial items	11,270		18,460	
Weighted average tax based on each country's tax rate	-2,469	-21.9	-4,331	-23.5
Tax effect of				
Non-deductible expenses	-231	-2.0	-98	-0.5
Tax-exempt income	48	0.4	126	0.7
Adjustments relating to prior years	190	1.7	574	3.1
Effects of tax losses carried forward, net	-20	-0.2	-157	-0.9
Other	-35	-0.3	-81	-0.4
Total recognized tax expense	-2,517	-22.3	-3,967	-21.5

Tax items attributable to other comprehensive income

	2020			2021		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Actuarial gains/losses attributable to defined-benefit pension plans	-1,146	225	-921	2,492	-501	1,991
Translation differences for the year	-4,754	-	-4,754	3,846	-	3,846
Fair-value changes in cash flow hedges for the year	28	-8	20	48	-11	37
Other comprehensive income	-5,872	217	-5,655	6,385	-512	5,873

Recognized in the balance sheet

Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following assets and liabilities.

	2020			2021		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	197	-1,445	-1,248	49	-2,263	-2,214
Property, plant and equipment	200	-1,475	-1,275	251	-1,534	-1,283
Financial non-current assets	173	-129	44	104	-309	-205
Inventories	853	-52	801	1,163	-94	1,069
Receivables	122	-91	31	177	-197	-20
Interest-bearing liabilities ¹⁾	1,851	-6	1,845	1,717	-101	1,616
Non-interest-bearing liabilities ²⁾	1,446	-28	1,418	1,312	-31	1,281
Other	17	-	17	4	-	4
Tax losses carried forward	386	-	386	222	-	222
Interest expenses carried forward	20	-	20	-	-	-
Total	5,265	-3,226	2,039	4,999	-4,529	470
Offsetting within companies	-1,167	1,167	-	-1,541	1,541	-
Total deferred tax assets and liabilities	4,098	-2,059	2,039	3,458	-2,988	470

1) Mainly related to pensions.

2) Mainly related to provisions.

G11, continued

Unrecognized deferred tax assets

The Group has additional tax losses carried forward of SEK 3,526 million (2,195). The main part of the change for 2021 relates to expiry of tax losses in China and revaluation of tax losses in Austria and Luxembourg. No deferred tax asset was recognized for these tax losses.

The expiry dates of these tax losses carried forward are distributed as follows:

Year	MSEK
2022	51
2023	14
2024	–
2025	25
2026	485
No expiry date	2,951
Total	3,526

Related deferred tax assets were not recognized since utilization of the tax losses carried forward against future taxable profits is not deemed probable in the foreseeable future. The tax value of the unrecognized tax losses amounts to SEK 968 million (639).

Change of deferred tax in temporary differences and unutilized tax losses carried forward

	2020	2021
Balance at the beginning of the year, net	1,498	2,039
Recognized in profit and loss	666	-185
Acquisitions/disposals of subsidiaries	-202	-863
Recognized in other comprehensive income	217	-512
Translation differences	-136	-9
Reclassifications	-4	–
Balance at end of year, net	2,039	470

In addition to the deferred tax assets and liabilities, Sandvik reports the following tax liabilities and receivables:

	2020	2021
Income tax liabilities	-2,695	-2,820
Income tax receivables	676	1,158
Tax liabilities/receivables, net	-2,019	-1,662

ACCOUNTING PRINCIPLES**Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transaction is recognized in other comprehensive income. In these cases, the associated tax effects are recognized in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect to previous years.

Current tax liabilities are offset against current tax receivables and deferred tax assets are offset against deferred tax liabilities when the entity has a legal right to offset these items and intends to do so.

Deferred tax is recognized based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their value for tax purposes. Deferred taxes are measured at their nominal amount and based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates and fiscal regulations enacted or substantively enacted at the balance sheet date.

Deferred tax assets relating to deductible temporary differences and tax losses carried forward are recognized only to the extent that it is probable they can be utilized against future taxable profits. ■

CRITICAL ESTIMATES AND KEY JUDGMENTS**Income tax**

Significant estimates are made to determine both current and deferred tax liabilities/assets, not least the value of deferred tax assets.

The actual results may differ from these estimates, for instance due to changes in the business climate, changed tax legislation, or the outcome of the final review by tax authorities and tax courts of tax returns.

The recognized provision for ongoing tax litigations and other uncertainties amounted to SEK 893 million (1,267) and is based on management's best estimate of the outcome. ■

G12 EARNINGS PER SHARE**Basic and diluted earnings per share, SEK**

	Basic		Diluted	
	2020	2021	2020	2021
Earnings per share, Group total	6.96	11.53	6.95	11.52
Earnings per share, continuing operations	6.99	11.54	6.98	11.52

The calculation of the numerators and denominators used in the above calculations of earnings per share is presented below:

Profit for the year attributable to the equity holders of the Parent Company

	2020	2021
Profit for the year, Group total	8,735	14,461
Profit for the year, continuing operations	8,767	14,470

Weighted average number of shares, in thousands of shares

	2020	2021
Total number of ordinary shares at January 1	1,254,386	1,254,386
Weighted average number of shares outstanding, basic	1,254,386	1,254,386
Effect of share options	1,677	1,425
Weighted average number of shares outstanding, diluted	1,256,063	1,255,811

Diluted earnings per share is related to outstanding share-based LTI programs for 2018, 2019 and 2021. For LTI program for 2020 no performance shares were allotted since the performance targets set by the Board of Directors were not met. Further information about the LTI programs are found in note G4.

ACCOUNTING PRINCIPLES**Earnings per share**

The calculation of basic earnings per share is based on the profit (loss) attributable to ordinary equity holders of the Parent Company divided by the weighted average number of ordinary shares outstanding during the year. The earnings per share is calculated both for the Group total as well as for the continuing operations.

When calculating diluted earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential ordinary shares, which during reported periods relates to share-based payment arrangements issued to employees. All LTI programs within Sandvik are performance-based and are regarded as giving a potential dilutive effect. The shared-based awards are dilutive if the exercise price is less than the quoted stock price and increases with the size of the difference. ■

G13 INTANGIBLE ASSETS

	Internally generated intangible assets					Acquired intangible assets							Total
	Capital- ized R&D expendi- ture	IT software	Patents and licenses	Other	Subtotal	Capital- ized R&D expendi- ture	IT software	Patents and licenses	Trade- marks	Goodwill	Other	Subtotal	
<i>Cost</i>													
January 1, 2020	4,101	3,038	257	163	7,558	482	921	828	685	17,233	3,073	23,224	30,782
Additions	175	222	9	0	405	32	69	7	-	-2	3	109	514
Business combinations	-	-	-	-	-	-	3	-	269	1,788	1,043	3,103	3,103
Divestments and disposals	-76	-192	-9	-1	-279	0	-37	-40	-25	-2,853	-50	-3,005	-3,284
Reclassifications	0	-58	11	-	-46	0	78	-11	-	-	10	77	31
Translation differences	-86	-23	-13	-13	-135	-22	-34	-27	-38	-948	-195	-1,264	-1,399
December 31, 2020	4,114	2,987	255	148	7,503	492	1,001	756	891	15,217	3,884	22,244	29,747
<i>Accumulated amortizations and impairment losses</i>													
January 1, 2020	2,940	1,668	140	116	4,863	160	629	407	299	2,853	1,496	5,844	10,708
Business combinations	-	-	-	-	-	-	3	-	-	-	-	3	3
Divestments and disposals	-22	-173	-7	0	-202	0	-32	-40	-25	-2,853	-50	-3,000	-3,203
Impairment losses	41	51	-	-	92	0	1	-	-	304	0	305	396
Reclassification	-2	-53	5	0	-50	0	2	-9	-	-	5	-2	-52
Amortizations	287	385	12	10	694	40	69	47	43	-	200	399	1,092
Translation differences	-54	-13	-7	-12	-86	-9	-27	5	-2	-	-82	-115	-200
December 31, 2020	3,189	1,866	143	114	5,310	191	644	410	314	304	1,569	3,433	8,743
<i>Net carrying amount</i>													
December 31, 2020	925	1,121	112	34	2,193	301	357	346	576	14,913	2,315	18,811	21,004
<i>Cost</i>													
January 1, 2021	4,114	2,987	255	148	7,503	492	1,001	756	891	15,217	3,884	22,244	29,747
Additions	187	229	10	4	431	115	77	2	-	0	18	212	642
Business combinations	-	-	-	-	-	-	32	611	1,255	17,987	5,844	25,730	25,730
Divestments and disposals	-199	-88	2	0	-285	-	-36	-10	-	-304	-56	-405	-691
Reclassifications	-	-8	-6	-7	-21	-	3	-3	-	-	37	38	17
Translation differences	52	36	12	14	115	14	22	77	118	1,378	390	1,999	2,114
December 31, 2021	4,155	3,156	273	159	7,744	621	1,099	1,434	2,264	34,278	10,117	49,817	57,560
<i>Accumulated amortizations and impairment losses</i>													
January 1, 2021	3,189	1,866	143	114	5,310	191	644	410	314	304	1,569	3,433	8,743
Divestments and disposals	-199	-79	0	0	-277	-	-27	-10	-	-304	-14	-354	-631
Impairment losses	2	53	-	6	61	-	1	-	-	-	-	1	62
Reclassifications	-	-	-4	-10	-14	-	-6	3	1	-	17	15	1
Amortization	238	343	14	-2	594	46	91	60	69	-	442	709	1,303
Translation differences	31	22	4	11	67	6	24	25	31	-	121	207	274
December 31, 2021	3,261	2,205	157	119	5,742	244	728	488	415	-	2,135	4,011	9,752
<i>Net carrying amount</i>													
December 31, 2021	894	952	116	40	2,002	378	372	946	1,849	34,278	7,981	45,806	47,809

Amortization for the year is included in the following lines in the income statement

	2020	2021
Cost of goods and services sold	-123	-320
Selling expenses	-39	-426
Administrative expenses	-585	-287
Research and development expenses	-345	-270
Total	-1,092	-1,303

Impairment losses/reversal of impairment losses per line in the income statement

	2020	2021
Cost of goods and services sold	-1	0
Administrative expenses	-1	-1
Research and development expenses	-91	-61
Other operating expenses	-304	-
Total	-396	-62

Impairment tests of intangible assets

Intangible assets with a definite useful life were tested for impairment when an indication for impairment was identified. Intangible assets with an indefinite useful life were tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount has been impaired. The tests resulted in impairment losses of SEK 62 million (396).

G13, continued

Goodwill

	Carrying amount	
	2020	2021
Goodwill by cash-generating unit		
Sandvik Mining and Rock Solutions¹⁾		
Business area level	3,200	9,954
Total	3,200	9,954
Sandvik Rock Processing Solutions¹⁾		
Business area level	1,506	1,712
Total	1,506	1,712
Sandvik Manufacturing and Machining Solutions		
Walter group	1,887	3,473
Seco Tools	442	667
Sandvik Coromant	2,267	3,102
Dormer Pramet	320	348
Business area level	4,020	13,631
Total	8,937	21,222
Sandvik Materials Technology		
Business area level	1,234	1,352
Total	1,234	1,352
Other Operations	36	39
Group total	14,913	34,278

¹⁾ In 2021 business area Sandvik Mining and Rock Technology was divided into two business areas, Sandvik Mining and Rock Solutions and Sandvik Rock Processing Solutions.

Impairment tests of goodwill

As stated above, the carrying amount of goodwill in the consolidated balance sheet is SEK 34,278 million (14,913), essentially related to a number of major business combinations.

During 2021, Sandvik has divided business area Sandvik Mining and Rock Technology into business area Sandvik Mining and Rock Solutions and business area Sandvik Rock Processing Solutions which has resulted in two new cash-generating units (CGUs). Goodwill for each business area is included in each CGU and was already separately reported before Sandvik Mining and Rock Technology was divided into the new CGUs. The reason for this structural change is to further accelerate profitable growth within rock processing, based on Crushing and Screening addressing separate parts of the value chain and facing different competition to other Sandvik Mining and Rock Technology divisions. For the business areas Sandvik Manufacturing and Machining Solutions and Sandvik Materials Technology, respectively, the CGUs are unchanged. That means that goodwill is tested for impairment at the business area level for Sandvik Materials Technology and on the division/business area level for Sandvik Manufacturing and Machining Solutions with the following CGUs: Sandvik Coromant, Seco Tools, Dormer Pramet, Walter Group and Sandvik Manufacturing and Machining Solutions business area level. Consolidated goodwill is allocated to the CGUs stated above. The recoverable amount of all of the CGUs has been assessed based on estimates of value in use. Calculations of value in use are based on the estimated future cash flows using forecasts covering a four-year period, which are in turn based on the three-year plans prepared annually by each of the business areas and approved by Sandvik Group Executive Management. These plans are founded on the business areas' strategies and an analysis of the current and anticipated business climate, and the impact this is expected to have on the market in which the business area operates. A range of economic indicators, which differ for each market, and external and internal studies of these, are used in the analysis of the business situation. The forecasts form the basis for how the values of the material assumptions are established. The assumptions mentioned below reflect past experience, current and future situation and are consistent with external information. The most material assumptions when determining the value in use include anticipated demand, growth rate, operating margin, working capital requirements and the discount rate. Past assumptions have been impacted by Covid-19 with lower margins and revenues but current margins are on normalized levels for most CGUs. The future revenues

in 2022 are higher due to the acquisitions in 2021 but in 2023 and onwards the revenues and margins are expected to be normalized.

The factor used to calculate growth in the terminal period after four years was 2 percent for Sandvik Mining and Rock Solutions business area level (not applicable last year), 3 percent for Sandvik Rock Processing Solutions business area level (not applicable last year), 2 percent for Walter Group (2), Seco Tools (2), Sandvik Coromant (2), Dormer Pramet (2), Sandvik Manufacturing and Machining Solutions business area level (2) and Sandvik Materials Technology business area level (2). Need of working capital beyond the four-year period is deemed to increase approximately as the expected growth in the terminal period. The discount rate consists of a weighted average cost of capital for borrowed capital and shareholders' equity. Sandvik calculates a pre-tax discount rate for each CGU, which varied between 9.6 percent and 11.7 percent; Sandvik Mining and Rock Solutions 11.7 percent (not applicable last year), Sandvik Rock Processing Solutions 10.1 percent (not applicable last year), Walter Group 9.7 percent (11.1), Seco Tools 9.6 percent (10.6), Sandvik Coromant 9.7 percent (11.7), Dormer Pramet 9.7 percent (10.5), Sandvik Manufacturing and Machining Solutions 9.7 percent (10.1) and Sandvik Materials Technology 8.8 percent (10.2). The specific risks of the CGUs have been adjusted for future cash flow forecasts.

The impairment testing of goodwill performed during the fourth quarter 2021 did not indicate any impairment requirements. Sensitivity in the calculations implies that the goodwill value would be maintained even if the discount rate was increased by 2 percentage points or if the long-term growth rate was lowered by 2 percentage points. The goodwill value would also be maintained, given an operating margin drop 2 percentage points.

§ ACCOUNTING PRINCIPLES**Intangible assets****Goodwill**

Goodwill acquired in a business combination represents the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is measured at cost less any accumulated impairment losses and is reported as an indefinite useful life intangible asset. Goodwill is allocated to CGUs that are expected to benefit from the synergies of the business combination. Impairment losses on goodwill are not reversed. Goodwill arising on the acquisition of an associated company is included in the carrying amount of participation in associated companies.

Other intangible assets

Other intangible assets acquired by the company are recognized at cost less accumulated amortization and any impairment losses. Capitalized expenditure for the development and purchase of software for the Group's IT operations are included here.

Intangible assets also include patents, trademarks, licenses, customer relationships and other rights. They are split between acquired and internally generated intangible assets.

Amortization of intangible assets

Amortization is charged to profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment annually or as soon as there is an indication that the asset may be impaired. Intangible assets with a finite useful life are amortized as of the date the asset is available for use.

The estimated useful lives are as follows:

– Patents	10–20 years
– Trademarks	3–20 years and some with indefinite useful life
– Customer relationships	3–12 years
– Capitalized development costs	3–10 years
– Software for IT operations	3 years

G13, continued

Impairment and reversals of impairment

Assets with an indefinite useful life are not amortized but tested annually for impairment. Assets that are amortized or depreciated are tested for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the greater of the fair value less selling costs and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

In respect to intangible fixed assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Borrowing costs

Borrowing costs attributable to the construction of qualifying assets are capitalized as a portion of the qualifying asset's cost. A qualifying asset is an asset that takes a substantial time period to get ready for its intended use or sale. The Group considers a period in excess of one year to be a substantial time period. For the Group, the capitalization of borrowing costs relating to intangibles is mainly relevant for capitalized expenditure for the development of new data systems.

Cloud computing arrangements

During the year an agenda decision was published by IFRS Interpretations Committee (IFRS IC) on configuration or customization costs in cloud computing arrangements. The consequence of the agenda decision is that some intangible assets might have to be expensed retroactively or reclassified in the balance sheet. Another consequence is that it will not be possible to capitalize future configuration or customization costs in cloud computing arrangements to the same extent as today in future financial reports. Sandvik is carrying out an analysis on the full effects of IFRS IC's agenda decision. It is not considered to have any significant impact on the Group. ■

! CRITICAL ESTIMATES AND KEY JUDGMENTS**Impairment tests of goodwill**

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired, for example due to a changed business climate or a decision taken either to sell or close down certain operations. In order to determine if the value of goodwill has been impaired, the CGU to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Impairment tests of other non-current assets

Sandvik's intangible assets – excluding goodwill and certain trademarks – are stated at cost less accumulated amortization and any impairment losses. Other than goodwill and certain trademarks, Sandvik has not identified any intangible assets with indefinite useful lives. The assets are amortized over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

The carrying amount of the Group's non-current assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered. The carrying amount of intangible assets not yet available for use is tested annually. If such analysis indicates an excessive carrying amount, the recoverable amount of the asset is estimated. The recoverable amount is the higher of the asset's fair value less selling costs, and its value in use. Value in use is measured as the discounted future cash flows of the asset, alternatively the CGU to which the asset belongs.

A call for an impairment test also arises when a non-current asset is classified as being held for sale, at which time it must be remeasured at the lower of its carrying amount and fair value less costs to sell. ■

G14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Rental fleet	Equipment, tools, fixtures and fittings	Construction in progress	Total
<i>Cost</i>						
At January 1, 2020	17,605	40,827	2,342	6,865	2,657	70,296
Additions	251	480	884	221	1,739	3,576
Business combinations	27	357	0	39	2	425
Divestments and disposals	-282	-1,156	-550	-356	-151	-2,495
Reclassifications	307	900	-469	82	-1,665	-845
Translation differences	-815	-1,755	-229	-331	-124	-3,254
At December 31, 2020	17,093	39,652	1,979	6,520	2,458	67,702
<i>Accumulated depreciations and impairment losses</i>						
At January 1, 2020	8,593	29,638	1,309	5,113	-	44,653
Business combinations	9	188	0	26	-	223
Divestments and disposals	-201	-1,031	-389	-338	-	-1,959
Impairment losses	122	94	0	5	-	222
Reversal of impairment losses	-45	-63	-2	-	-	-111
Reclassifications	-7	-250	-317	-91	-	-665
Depreciation	542	1,950	523	426	-	3,442
Translation differences for the year	-396	-1,307	-128	-248	-	-2,079
At December 31, 2020	8,616	29,221	996	4,894	-	43,727
<i>Net carrying amount</i>						
At December 31, 2020	8,477	10,431	983	1,626	2,458	23,975

G14, continued

	Land and buildings	Plant and machinery	Rental fleet	Equipment, tools, fixtures and fittings	Construction in progress	Total
<i>Cost</i>						
At January 1, 2021	17,093	39,652	1,979	6,520	2,458	67,702
Additions	204	512	941	238	1,982	3,877
Business combinations	485	1,009	0	133	96	1,724
Divestments and disposals	-729	-1,466	-647	-360	-71	-3,273
Reclassifications	65	965	-120	305	-1,778	-562
Translation differences	610	1,297	136	192	98	2,333
At December 31, 2021	17,728	41,968	2,288	7,029	2,787	71,801
<i>Accumulated depreciations and impairment losses</i>						
At January 1, 2021	8,616	29,221	996	4,894	-	43,727
Divestments and disposals	-550	-1,314	-412	-341	-	-2,617
Impairment losses	0	18	0	0	-	18
Reversal of impairment losses	-6	-126	0	-1	-	-133
Reclassifications	-84	-91	-69	9	-	-234
Depreciation for the year	519	1,943	562	441	-	3,464
Translation differences	301	971	78	148	-	1,499
At December 31, 2021	8,796	30,623	1,155	5,150	-	45,724
<i>Net carrying amount</i>						
At December 31, 2021	8,932	11,345	1,133	1,879	2,787	26,076

Impairment losses/reversal of impairment losses per line in the income statement

	2020	2021
Cost of goods and services sold	9	108
Administrative expenses	-96	0
Research and development expenses	-25	7
Total	-112	116

Impairment tests

Property, plant and equipment with a definite useful life were tested for impairment when an indication for impairment was identified. The tests resulted in impairment gain of SEK 116 million (-112) as a result of reversals of impairments in projects.

Additional information

Items of property, plant and equipment totaling SEK 230 million (225) have been pledged as security for liabilities. In 2021, contractual commitments for the acquisition of property, plant and equipment amounted to SEK 409 million (265).

ACCOUNTING PRINCIPLES

Owned assets

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment losses.

Rental fleet

The fleet is balanced between Underground Drills, Loaders and Trucks followed by Surface Drills. The largest fleets are based in Northern Europe, Canada, US and Australia.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives. Land is not depreciated. Depreciation is recognized on a straight-line basis (unless otherwise described) based on the cost of the assets, adjusted by residual value when applicable, and estimated useful lives. The following depreciation periods are applied:

Land and buildings:

- Land	indefinite useful life
- Buildings	10-50 years
- Site improvements	20 years

Plant and machinery:

- Plant and machinery	5-15 years
- Rental assets	3 years

Equipment, tools, fixtures and fittings:

- Depreciated over the estimated useful lives.
- Computer equipment is depreciated over 3-5 years using the reducing balance method

If an item of property, plant and equipment comprises components with different useful lives, each such significant component is depreciated separately. Depreciation methods and estimated residual values and useful lives are reviewed at each year-end.

Impairment and reversals of impairment

Impairment and reversals of impairment is applicable also for property, plant and equipment. For details, see section in note G13.

Borrowing costs

For definition of borrowing costs see section in intangible assets, note G13. The capitalization of borrowing costs relating to tangibles is mainly relevant for the construction of production buildings on a proprietary basis. ■

CRITICAL ESTIMATES AND KEY JUDGMENTS

Impairment tests of non-current assets

Sandvik's tangible assets are stated at cost less accumulated depreciation and any impairment losses. The assets are depreciated over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

The carrying amount of the Group's non-current assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered. The rental fleets of Sandvik Mining and Rock Solutions are subject to special examination considering their dependence on the business climate in the mining- and oil industry and the risk that rental agreements may be canceled. The carrying amount of the rental fleets at the end of 2021 was SEK 1,133 million (983).

A call for an impairment test also arises when a non-current asset is classified as being held for sale, at which time it must be remeasured at the lower of its carrying amount and fair value less costs to sell. ■

G15 LEASES

Leases with Sandvik as lessee
Right-of-use assets

	Land and buildings	Plant and machinery	Fixture and fittings	Total
Accumulated acquisition cost				
At January 1, 2020	2,902	374	864	4,137
Additions	431	94	227	753
Remeasurements	214	-10	11	215
Business combinations	26	0	0	26
Divestments and disposals	-197	-51	-107	-355
Reclassifications	2	-54	56	3
Translation differences	-187	-8	-60	-257
At December 31, 2020	3,190	345	990	4,523
<i>Depreciation and impairment losses</i>				
At January 1, 2020	589	103	274	966
Depreciation for the year	541	127	320	987
Impairment losses	0	4	0	5
Reversal of impairment losses	-3	0	0	-3
Divestments and disposals	-82	-43	-97	-222
Reclassifications	-5	-26	22	-8
Translation differences	-57	-4	-31	-92
At December 31, 2020	983	159	489	1,632
<i>Net carrying amount</i>				
At December 31, 2020	2,207	185	501	2,891
Accumulated acquisition cost				
At January 1, 2021	3,190	345	990	4,523
Additions	895	106	327	1,329
Remeasurements	44	6	9	60
Business combinations	469	46	8	522
Divestments and disposals	-207	-105	-202	-513
Reclassifications	2	0	2	4
Translation differences	149	9	36	195
At December 31, 2021	4,542	407	1,172	6,121
<i>Depreciation and impairment losses</i>				
At January 1, 2021	983	159	489	1,632
Depreciation for the year	613	126	334	1,073
Reversal of impairment losses	0	-3	0	-3
Divestments and disposals	-178	-102	-193	-473
Reclassifications	-8	1	-19	-26
Translation differences	53	5	20	78
At December 31, 2021	1,463	187	631	2,281
<i>Net carrying amount</i>				
At December 31, 2021	3,079	221	540	3,840

Depreciation per line in the income statement	2020	2021	Amounts recognized in the income statement	2020	2021
Cost of goods and services sold	-300	-346	Depreciations for the year	-987	-1,073
Selling expenses	-355	-362	Impairment losses/reversal of impairment losses	-2	2
Administrative expenses	-255	-278	Interest expenses related to lease liabilities	-104	-114
Research and Development expenses	-79	-87	Expenses for low value assets	-51	-61
Total	-988	-1,073	Expenses for short-term leases	-49	-25
			Expenses related to variable lease expenses not included in the lease liability	-3	-5
Impairment losses/reversal of impairment losses per line in the income statement	2020	2021	Gains/losses related to sale and leaseback transactions	-1	-1
Cost of goods and services sold	3	0	Total amounts recognized in the income statement	-1,197	-1,277
Selling expenses	-4	2	The total cash outflow for leases during the year	-1,118	-1,230
Total	-1	2			

G15, continued

Contracts not yet commenced

Contracts not yet commenced amounted to SEK 186 million (111). For maturity analysis of the lease liability, see note G28.

Sandvik as lessor

The Group's investments in financial leases amounted to SEK 4,237 million (3,751) at year-end 2021. Finance income was SEK 190 million (187). Average margin was 28 percent. Variable fees recognized in profit (loss), and unguaranteed residual values accruing to the benefit of the lessor, were minor.

The planned residual value of the Group's rental fleet is SEK 1,133 million (983). Depreciation for the year amounted to SEK -562 million (-523). Gain on disposed assets was SEK 9 million (-6). Variable fees amounted to SEK -6 million (-2).

As of December 31, 2021, the future minimum lease payments under non-cancellable operating leases amounted to SEK 648 million (663).

Maturity analysis of lease payments receivable	Finance leases	Operating leases
2022	2,335	275
2023	1,070	137
2024	568	82
2025	200	22
2026	43	19
2027 or later	19	114
Total undiscounted lease payments	4,237	648

ACCOUNTING PRINCIPLES**Right-of-use assets**

In the consolidated financial statements, leases when Sandvik being a lessee are recognized as right-of-use assets and when being a lessor either as a finance lease or an operational lease.

Impairment and reversals of impairment

Impairment and reversals of impairment is applicable also for right-of-use assets. For details see section in note G13.

Sandvik as a lessee

For all contracts an evaluation is done to identify if a lease exists by testing if Sandvik has the right to obtain substantially all of the economic benefits from use of the identified assets and has the right to direct the use of the identified asset and that the supplier has no substantial rights of substitution.

Sandvik has decided to separate non-lease components from the lease components in contracts concerning buildings. The non-lease component cost should then be recognized as an expense and not be included in the calculation of a right-of-use asset and lease liability for asset class buildings. For all other asset classes non-lease components are included in the calculation of a right-of-use asset and lease liability.

The lease contracts are assessed at the commencement date whether the lessee is reasonably certain to exercise an option to extend the lease; or to exercise an option to purchase the underlying asset; or not to exercise an option to terminate the lease. In cases of open-ended contracts local law can provide protection to the lessee from being given notice. This requires the Sandvik lessee to determine the contract period instead of considering the termination clause. The lessee then determines the length of the contract period based on factors such as the importance of building to the business, any planned or made leasehold investments and the market situation for premises.

The leasing liability and right-of-use asset is calculated by using the implicit rate in the contract. If the implicit rate cannot be identified the incremental borrowing rate is instead applied, which is the interest

rate the company had been given if the investment had been financed through a loan from a financial institute. The measurement of the right-of-use asset includes amount of initial measurement of lease liability, lease payments at or before the commencement date, any initial direct cost and restoration costs. Sandvik depreciates the right-of-use asset from the commencement date up to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At commencement day the lease liability is measured by the present value of future unpaid lease payments. The measurement of the initial lease liability includes fixed payments, variable lease payments, payments under residual value guarantees, purchase and termination options as well as penalties. When payments are done, they are booked between amortization of the liability and interest paid.

After commencement date the carrying amount of the lease liability and the right-of-use asset is remeasured to reflect any modification or reassessment of a lease contract.

Sandvik has chosen to apply the two expedients concerning leases shorter than one year and low value assets that need to be taken into consideration when a lease contract is recognized.

Sandvik as a lessor

As a lessor, Sandvik classifies each of its leases as an operating lease or a financial lease. The substance of the transaction rather than the form of the contract determines if it is a finance or operating lease. This also includes contracts identified under IFRS 15 Revenue from contracts with customers containing buy-back clauses, which means under certain circumstances that control hasn't transferred to the customer and instead lease accounting under IFRS 16 Leases apply.

A finance lease is a lease that transfers substantially all the risks and rewards resulting from ownership of an underlying asset to the lessee. An operating lease is a lease that does not transfer substantially all the risks and rewards as a result from ownership of an underlying asset. A sublease should also be classified as finance or operational lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset, for example, an item of property, plant or equipment.

When the agreement is recognized as an operating lease the asset is classified as tangible assets and valued at cost less accumulated depreciation. The cost of an asset comprises the acquisition value and any initial direct costs related to the contract. The lease payments and the depreciations are included in profit or loss on a straight-line basis over the term of the lease.

Financial lease contracts are recognized as a receivable at an amount equal to the net investment in the lease and revenues are recognized in accordance with the revenue recognition principles.

Sandvik provides financing of equipment sold by the different divisions or business areas. Sandvik Financial Services mainly finances customers in the mining and construction sectors who invest in Sandvik capital equipment. To arrange financing solutions, the Sandvik customers can choose between different product offerings.

The financing offering is provided through five separate legal entities. To manage the correlating credit and financial risks, a proper credit assessment and collection procedures are implemented. Furthermore all tactical and operational decisions related to our financing exposure are following the financial framework as well as Sandvik policies and procedures.

Sandvik Financial Services is responsible for identifying and assessing its key risks related to end customer financing, as well as managing and monitoring them. Risk management is carried out in accordance with the Sandvik policies, in particular the Customer Finance procedures. All transactions are assessed based on the commercial risk of the buyer, country (political) and the product risk. All customers receive a rating using an in-house credit rating model. Different types of securities are used to support the financing, in most cases the asset is held as a security using pledges or retention of title, improving the Loss Given Default. Export Credit Agency support is used when the risk level needs to be balanced. ■

G16 SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Shares in associated companies and joint ventures

	2020	2021
Accumulated share of equity		
At the beginning of the year	292	508
Acquisition	282	41
Share of profits for the year	6	-4
Less dividend received	-1	-1
Translation differences during the year	-71	51
Carrying amount at the end of year	508	595

Additional information

Associates and joint ventures are recognized one month in arrears with an exception for Beam IT Spa that is recognized with a quarter in arrears and Eimco Elecon, which is reported once a year. The close of the reporting period for Eimco Elecon is March 31, 2021. No financial statements as of a later date have been obtained.

The dividends paid in 2021 are included in the calculation of the proportion of equity.

The joint ventures VWR Cutting Tools and Rocbolt Resins Pty Ltd. were acquired in 2021.

Summarized financial information, and the Group's share

2020	Country	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %
3C Metrologic	Mexico	9	2	9	4	4	40.0
Beam IT Spa	Italy	65	10	325	88	237	30.4
Eimco Elecon	India	135	11	394	39	356	25.1
Fagersta Seco AB	Sweden	-	-	3	2	1	50.0
Fagerstahälsan AB	Sweden	8	0	8	6	2	50.0
Shanghai Innovatools Co. Ltd.	China	4	0	10	3	8	40.0
STC Rental Co. Ltd.	Japan	13	0	1	0	1	14.5
Varel Oil and Gas Holding Inc. ¹⁾	USA	77	-1	137	38	100	30.0
2021	Country	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %
3C Metrologic	Mexico	10	3	9	3	6	40.0
Beam IT Spa	Italy	130	10	568	295	273	30.4
Eimco Elecon	India	165	13	449	51	397	25.1
Fagersta Seco AB	Sweden	-	-	3	2	1	50.0
Fagerstahälsan AB	Sweden	8	0	8	6	2	50.0
Rocbolt Resins Pty Ltd. ²⁾	Australia	85	8	75	39	36	50.0
Shanghai Innovatools Co. Ltd.	China	6	0	11	3	8	47.1
STC Rental Co. Ltd.	Japan	18	0	1	0	1	14.5
Varel Oil and Gas Holding Inc	USA	1,384	-71	2,325	1,697	629	30.0
VWR Cutting Tools ³⁾	Romania	-	0	10	0	10	50.0

¹⁾ Acquired in 2020.

²⁾ Joint venture, acquired in July 2021.

³⁾ Joint Venture, acquired in May 2021.

§ ACCOUNTING PRINCIPLES

Associated companies and joint ventures

Associated companies are partly owned entities over which the Group commands a significant influence, but not control, over the financial and operating policies. Normally this means a shareholding of between 20 percent and 50 percent of the voting rights. A joint venture is an entity over which the Group has joint control, through contractual agreements with one or more parties. Interests in associated companies and joint ventures are recognized in accordance with the equity method in the consolidated financial statements. Under the equity method, the carrying amounts of interests in associated companies and joint ventures correspond to the recognized equity of associated companies and joint ventures, any goodwill and any other remaining fair value adjustments recognized at acquisition date. Sandvik's share of the associated company and joint venture's income, adjusted for dissolution of acquired surplus or deficit values, is recognized as a separate item in the consolidated income statement. ■

G17 NON-CURRENT RECEIVABLES

Non-current receivables	2020	2021
Derivatives designated as hedging instruments	85	211
Funded pension plans	312	768
Other non-interest-bearing receivables	345	433
Other interest-bearing receivables	1,855	1,858
Total	2,598	3,270

G18 INVENTORIES

	2020	2021
Raw materials and consumables	4,573	7,395
Work in progress	4,302	5,763
Finished goods	12,598	16,753
Total	21,473	29,910

Cost of goods and services sold of the Group includes impairment of inventories of SEK 300 million (270). There were no significant reversals of impairment losses during 2021 and 2020.

§ ACCOUNTING PRINCIPLES

Inventories are stated at the lowest end of cost and net realizable value, with due consideration of obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is either based on the first-in/first-out (FIFO) principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition or the weighted average cost formula. All inventories having a similar nature are valued with the same formula. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. ■

G19 TRADE RECEIVABLES

	2020		2021	
	Gross	Impaired	Gross	Impaired
Trade receivables				
Current	10,668	-74	14,996	-115
1–30 days past due	1,132	-29	1,433	-32
31–60 days past due	313	-23	438	-25
61–90 days past due	133	-14	217	-19
91–180 days past due	187	-37	286	-38
181–360 days past due	165	-79	286	-100
>360 days past due	416	-389	416	-403
Total	13,014	-645	18,073	-732

Trade receivables amounted to 17,341 (12,369) and are reported net of expected credit losses and other impairments, which amounted to -732 (-645). Credit risk and expected credit loss related to financial leases are presented in note G28, in the Credit risk section.

§ ACCOUNTING PRINCIPLES

Trade receivables are recognized at amortized cost when the consideration is unconditional, less loss allowance. ■

G21 CAPITAL AND RESERVES

	2020	2021
Details of reserves		
<i>Translation reserve</i>		
At the beginning of the year	7,113	2,356
Translation differences during the year	-4,757	3,834
At the end of the year	2,356	6,190
<i>Hedging reserve</i>		
At the beginning of the year	-103	-82
Cash-flow hedges recognized in OCI	21	37
At the end of the year	-82	-45
<i>Total reserves</i>		
Reserves at the beginning of the year	7,010	2,274
<i>Changes in reserves:</i>		
Translation reserve	-4,757	3,834
Hedging reserve	21	37
Reserves at the end of the year	2,274	6,145

The Board of Directors proposes an ordinary dividend of SEK 4.75 per share (4.50 + 2.00). The proposal corresponds to 42 percent (75) of Sandvik Group total's adjusted earnings per share. The proposed record date to receive dividends is April 29, 2022. Assuming the general meeting accepts the dividend proposal, the date to receive dividends will be May 4, 2022 and the dividend will be paid in one installment. The Annual General Meeting will be held on April 27, 2022.

No changes were made to the processes for managing capital during the year. Neither the Parent Company nor any of its subsidiaries have to comply with externally imposed capital requirements.

§ ACCOUNTING PRINCIPLES**Equity**

Equity is defined as total shareholders' equity including non-controlling interests.

Other paid-in capital

Relates to payments made by owners and includes share premium reserve transferred to the statutory reserve at December 31, 2005. Any share premium as of January 1, 2006 and onwards is also recognized as paid-in capital.

G20 OTHER CURRENT RECEIVABLES

	2020	2021
Contract assets	90	282
Derivatives designated as hedging instruments	332	618
Other non-interest-bearing receivables	2,061	3,248
Other interest-bearing receivables	1,851	2,226
Advances to suppliers	184	374
Total	4,519	6,748

§ ACCOUNTING PRINCIPLES

A contract asset is recognized when the right to consideration for a performance obligation is conditional on completion of promises other than the passage of time. ■

Reserves**Translation reserve**

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations stated in a currency different from the Group's presentation currency.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The change in cash flow hedges that was transferred to profit (loss) for the year amounted to SEK 0 million (0).

Dividend

Dividends are recognized as a liability in the period in which they are resolved at a shareholders' meeting

Retained earnings including profit or loss for the year

Retained earnings including profit or loss for the year comprises the earned profit of the Parent Company and its subsidiaries and associated companies.

Non-controlling interests

Non-controlling interests are recognized as a separate item in the Group's equity. Acquisitions of non-controlling interests are recognized as a transaction within shareholders' equity, meaning between the Parent Company's owners and non-controlling interests. Accordingly, goodwill does not arise in conjunction with such transactions. Gains or losses on disposals to non-controlling interests are also recognized in equity.

Put options issued to owners with non-controlling interests

Put options issued to owners with non-controlling interests refer to agreements that give the owner the right to sell interests in the company, either at a fixed price or a fair value at a future period in time. The amount to be paid if the option is exercised is initially recognized, at present value, as a financial liability. The liability is remeasured and any change in present value is recognized in equity. If the option is not exercised by maturity the liability is derecognized with a corresponding adjustment in equity. ■

G22 PROVISIONS FOR PENSION AND OTHER NON-CURRENT POST-EMPLOYMENT BENEFITS

Sandvik provides direct pension solutions or participates in defined benefit, defined contribution and other plans for post-employment benefits to all employees. These plans are structured in accordance with local regulations and practices. The Group's most significant defined-benefit pension plans are described below per country.

Sweden

The Swedish pension plan is funded through a foundation and is based on salary at the time of retirement. It is partly closed for new participants, meaning that only new employees born prior to 1979 have the option of joining the plan. Employees born after 1979 are encompassed by a defined contribution plan. There are no funding requirements for the defined benefit plan. Pension payments to retirees are made directly from Sandvik. The total value of the assets held by the Swedish foundation was SEK 3,624 million (3,101), which was SEK 136 million (271) higher than the capital value of the corresponding pension obligations for the entire foundation.

The commitment for family pension, also a defined-benefit plan, is insured with Alecta. Sufficient information to use defined-benefit accounting for this plan is not available, and therefore recognized as a defined-contribution plan. At the end of 2021, Alecta reported a preliminary plan surplus of 172 percent (148).

The Group's share of Alecta's saving premiums is 0.1 percent, the total share of active members in Alecta is 0.6 percent. For 2022, the expected contribution to Alecta is SEK 36 million (52).

The Group's mutual responsibility as a credit insured company of PRI Pensionsgaranti in Sweden is classified as a contingent liability and amounts to SEK 71 million (64). This mutual responsibility can only be imposed in the instance that PRI Pensionsgaranti has consumed all of its assets, and it amounts to a maximum of 2 percent of the Group's pension liability in Sweden.

UK

The main pension plan in the UK is funded through a foundation, which is closed for new participants, and the pension is based on salary at the time of retirement. The funding level is revalued every three years, and if this valuation indicates a requirement to increase the funding, the company pays money into the plan over a certain period of time. The plan is governed by Trustees who make investment decisions after having consulted with the company. As a part of the actuarial valuation, Sandvik and the Trustees have agreed to a plan to clear shortfall and meet the costs of the further build-up of benefits. Pension payments to retirees are made from the plan. The benefit accruals for the majority of the defined benefit plans were frozen effective August 31, 2021. Defined contribution plans replaced the defined benefit plans.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded plans

	2020	2021
Opening balance, January 1	31,845	33,038
Service cost	728	611
Past service cost	-	-357
Settlements	0	-2
Interest cost	632	539
Contributions by plan participants	30	29
Benefits paid	-1,210	-1,137
Remeasurements gain (loss) arising from:		
- Financial assumptions	2,495	-1,785
- Demographic assumptions	206	-27
- Experience adjustments	482	16
Business combinations	-	85
Other	-2	98
Exchange differences	-2,167	1,689
Closing balance, December 31	33,038	32,799

US

There are a number of pension plans in the US, including commitments for medical benefits. The largest pension plan covers 92 percent of the total commitment in the US. The pension is based on salary at the time of retirement and is closed for new participants. The funding level is revalued every year with a target of restoring the funding level over a seven-year period. Pension payments to retirees are primarily made from the plan. Those eligible for the pension plan are also eligible for the medical plan at retirement. The retiree medical plan offers a dollar amount for each service year based on the age at which someone retires. The benefit accruals for the majority of the defined benefit plans were frozen effective June 30, 2021. Defined contribution plans replaced the defined benefit plans.

Finland

In Finland, Sandvik sponsors a defined benefit pension plan funded in a foundation. The benefits offered include an old-age pension and disability pension. In addition to the benefits guaranteed by the Finnish subsidiary, there is also a defined contribution pension component. Pension payments to retirees are made from the plan.

Germany

In Germany, Sandvik has defined benefit pension plans. A few years ago, Sandvik formed a foundation, a Contractual Trust Agreement, which covers the current employees in most of Sandvik's German companies. The pension commitments for retirees and paid-up policyholders remain unfunded. The pension is based on salary at the time of retirement and other parameters. There are no funding requirements and employees in the plan are required to contribute a certain percentage of their salary to the plan. Pension payments to retirees are mainly made from the Company.

Other

Other countries with material defined benefit pension plans are Canada, Japan and Austria.

Reconciliation of change in the fair value of plan assets

	2020	2021
Opening balance, January 1	24,757	24,803
Interest income	505	418
Settlement payments from plan assets	0	-148
Contribution by the employer	429	214
Benefits paid directly by employer	245	244
Settlements paid by employer	-	3
Contributions by plan participants	30	29
Benefits paid	-1,210	-1,137
Return on plan assets, excl amount included in interest	2,055	1,555
Effect of asset ceiling	-10	-915
Acquisition through business combinations	-	40
Other	-9	58
Exchange differences	-1,990	1,728
Closing balance, December 31	24,803	26,891

	2020	2021
Actual return on plan assets	2,550	1,058
Consolidation ratio for funded plans %	79	90
Consolidation ratio for all plans including unfunded	75	85
Estimated contributions for the next year	616	396

G22, continued

Information by country December 31, 2020	Sweden	UK	US	Finland	Germany	Other	Total
Amounts included in the balance sheet							
Present value of funded and unfunded obligations	8,854	8,172	7,750	3,989	2,692	1,581	33,038
- of which for actives	4,715	1,703	3,256	1,236	1,115	1,051	13,077
- of which for deferred vested	2,492	2,531	909	881	309	82	7,203
- of which for retirees	1,647	3,938	3,585	1,872	1,268	443	12,753
Plan assets	3,101	7,554	7,540	3,816	1,596	1,206	24,813
Asset ceiling	-	-	-	-	-	-10	-10
Total surplus (deficit)	-5,753	-618	-209	-174	-1,096	-385	-8,236
Pension plans recognized according to local rules	-	-	-	-	-	-	-273
Total Net liability	-	-	-	-	-	-	8,509
Provision for pensions	-	-	-	-	-	-	8,822
Overfunded pension plans recognized as asset, non-current receivable	-	-	-	-	-	-	313
Funding level, %	35	92	97	96	59	76	75
Net liability for medical plans	-	-	268	-	-	59	327
Average duration of the obligation, years	23	17	14	18	14	N/A	15
Amounts included in the income statement/Other comprehensive income							
Total service cost	-333	-62	-146	-118	-42	-29	-729
Net interest	-80	-5	-12	1	-17	-14	-126
Remeasurements	-829	-419	145	-170	83	45	-1,146
Total expense for defined benefits (before tax)	416	356	-300	45	-154	-95	-2,001
Amounts included in the cash flow statement							
Contributions by the employer	0	-146	-177	-36	-50	-19	-429
Benefits paid	-120	0	-23	0	-63	-39	-245
Settlements paid	-	-	-	-	-	-	-
Major assumptions for the valuation of the liability							
Longevity, years ¹⁾	23	23	21	23	22	N/A	N/A
Inflation, %	1.75	2.85	2.25	1.2	2	N/A	2.11
Discount rate, % (weighted average)	1.5	1.45	2.18	0.8	1	N/A	1.58
Future salary increase (weighted average)	3	2.69	3	2.5	3	N/A	2.87
Information by country December 31, 2021	Sweden	UK	US	Finland	Germany	Other	Total
Amounts included in the balance sheet							
Present value of funded and unfunded obligations	8,181	8,327	7,653	4,154	2,727	1,757	32,799
- of which for actives	4,123	-	2,711	1,310	1,083	1,195	10,423
- of which for vested deferreds	2,459	4,252	938	911	374	84	9,018
- of which for retirees	1,599	4,076	4,003	1,932	1,270	478	13,358
Plan assets	3,624	8,311	8,371	4,514	1,666	1,321	27,806
Asset ceiling	-	-	-905	-	-	-9	-915
Total surplus (deficit)	-4,558	-17	-188	360	-1,061	-445	-5,908
Pension plans recognized according to local rules	-	-	-	-	-	-	-229
Total Net liability	-	-	-	-	-	-	6,137
Provision for pensions	-	-	-	-	-	-	6,904
Overfunded pension plans recognized as asset, non-current receivable	-	-	-	-	-	-	768
Funding level, %	44	100	109	109	61	75	85
Net liability for medical plans	-	-	282	-	-	46	328
Average duration of the obligation, years	25	18	14	18	12	N/A	15
Amounts included in the income statement/Other comprehensive income							
Total service cost	-288	-1	274	-120	-32	-85	-252
Net interest	-86	-9	-5	-1	-11	-12	-123
Remeasurements	1,447	548	-265	622	40	100	2,492
Total expense for defined benefits (before tax)	1,073	539	4	500	-2	4	2,117
Amounts included in the cash flow statement							
Contributions by the employer	-	-117	-0	-29	8	-76	-214
Benefits paid	-122	-	-23	-	-62	-37	-244
Settlements paid	-	-138	-	-	1	-8	-145
Major assumptions for the valuation of the liability							
Longevity, years ¹⁾	23	23	22	23	22	N/A	N/A
Inflation, %	1.75	3.25	2.25	1.95	2.00	N/A	2.11
Discount rate, % (weighted average)	2.00	1.80	2.69	1.40	1.10	N/A	1.59
Future salary increase (weighted average)	3.00	N/A	3.00	2.95	3.00	N/A	2.88

¹⁾ Expressed as the expected remaining life expectancy of a 65-year-old in number of years

G22, continued

Risks and cash flows

Three main categories of risks are associated with the Company's defined-benefit pension plans. The first category is linked to future pension payments. Greater life expectancy, increased inflation assumptions and higher salaries can increase future pension payments and thus also the liability for the pension obligation. The second category refers to the assets in the foundations that are funded. Low returns may, in the future, lead to the assets being insufficient for covering future pension payments. The third and final category pertains to the measurement methods and accounting of defined-benefit pension plans, primarily regarding the discount rate utilized in the measurement of the present value of the pension obligations. This rate can fluctuate, leading to major changes in the recognized pension liability. The discount rate also affects the interest rate component of the pension liability and that is recognized in net financial items.

To determine the discount rate, AA credit rated corporate bonds are used that correspond to the duration of the pension obligation. If there is no deep market for corporate bonds, government bonds are used as the basis for determining the discount rate. Mortgage bonds are used in Sweden to determine the discount rate.

A sensitivity analysis of the most important assumptions affecting the recognized pension liability is provided below. Note that this sensitivity analysis is not intended to be the expression of an opinion by the Company regarding the probability of such events occurring.

Sensitivity analysis, change in pension provision

	SE	UK	US	FI	DE	TOTAL
Life expectancy, +1 year	376	331	237	162	82	1,188
Discount rate -50 bps	1,029	779	540	397	115	2,860
Inflation rate + 50 bps	1,020	269	-285	14	63	1,082
Equities -20%	190	168	161	297	80	896

Plan assets

The fair value of plan assets on December 31, 2021 included loans of SEK 0 million (0) to Sandvik companies and the value of properties leased to Sandvik of SEK 204 million (200).

Class of assets, %

	2020	2021
Interest bearing securities	53	69.1
Shares	26	21.1
Properties	8	1.9
Other	10	5.4
Cash and cash equivalents	3	2.5
of which assets without quoted prices	0	0

Governance

The defined benefit and defined contribution plans are governed through Sandvik's Pension Supervisory Board (PSB). PSB meets twice a year and has the following areas of responsibility:

- Implement policies and directives
- Ensure efficient administration of the major pension plans and efficient management of reserved plan assets
- Approve establishment of new plans, material changes or closure of existing plan
- Approve guidelines for management of assets

The Group Pension Committee (GPC) is another operating body, which is also preparatory to the PSB, that has representatives from countries with large defined-benefit plans and the relevant Group functions. The GPC's task is to monitor developments in countries, submit proposals on changes to pension plans to the PSB and approve the principle of how actuarial assumptions are established. The GPC meets twice a year.

Investment strategy

The aims of the investment decisions made in the foundations managing plan assets are as follows:

- Ensure that the plan assets are sufficient to cover the foundation's future pension commitments

- Achieve optimal returns while taking into account a reasonable level of risk

Each foundation is to have a written investment policy approved by GPC. Reviews are performed annually. The foundation makes its own decisions on its investment strategy and takes into consideration the composition of the pension commitments, requirements of cash and cash equivalents and available investment opportunities. The investment strategy is to be long term and in line with the guidelines established by PSB. An investment committee is to be in place.

ACCOUNTING PRINCIPLES**Defined-contribution plans**

A defined-contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The size of the pension that the employee will ultimately receive in such cases depends on the size of the contributions that the entity pays to the plan or an insurance company and the return that the contributions yield. Obligations for contributions to defined-contribution pension plans are recognized as an employee benefit expense in profit or loss for the year as the employee renders services to the entity.

Defined-benefit plans

The Group's net obligation in respect to defined-benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have vested in return for their service in the current and prior periods. This benefit is discounted to its present value. The discount rate is the yield on high-quality corporate bonds, mortgage bonds – or if there is no deep market for such bonds, government bonds – that have maturity dates approximating the terms of the Group's obligations. The calculation is performed annually by a qualified actuary. In addition, the fair value of any plan assets is assessed. This method of accounting is applied to the most significant defined-benefit plans in the Group. A number of plans, which neither individually nor in the aggregate are significant in relation to the Group's total pension obligations, are still recognized in accordance with local regulations.

In measuring the present value of pension obligations and the fair value of plan assets, actuarial gains and losses may accrue either because the actual outcome differs from earlier assumptions (so-called experience adjustments) or the assumptions are changed. These actuarial gains and losses are recognized in the balance sheet and in profit or loss under other comprehensive income.

When the benefits under a plan are improved, the portion of the increased benefits that relate to past service by employees is recognized in profit or loss for the year. The amount of obligations recognized in the balance sheet for pensions and similar obligations reflects the present value of the obligations at the balance sheet date, less the fair value of any plan assets. ■

CRITICAL ESTIMATES AND KEY JUDGMENTS**Post-employment benefits**

Actuarial assumptions are used to measure pension obligations and they significantly affect the recognized net liability and the annual pension cost. One critical assumption – the discount rate – is essential for the measurement of both the expense of the year and the present value of the defined-benefit obligations' current year. The discount rate is used both for calculating the present value of the obligation and as an estimate for the return on plan assets. The discount rate is reviewed quarterly, which affects the net liability, and annually, which also affects the expense for the coming year. All other assumptions, both financial and demographic are reviewed at least annually.

The financial risk management associated with the defined-benefit plans are presented in the Directors' Report in the section Financial Risk Management. ■

G23 OTHER INTEREST-BEARING LIABILITIES

	2020	2021
Non-current liabilities		
Bond issues	11,344	15,129
Lease liabilities	2,170	2,975
Long-term loans from financial institutions	0	5,498
Other	22	44
Total	13,536	23,646
Current liabilities		
Bond issues	3,350	1,534
Lease liabilities	795	942
Short-term loans from financial institutions	67	8,151
Other	139	77
Total	4,352	10,704

§ ACCOUNTING PRINCIPLES

Financial liabilities excluding derivatives are classified and subsequently measured at amortized cost. Any difference between the loan amount, net of transaction costs, and the repayable amount is allocated to profit or loss for the year over the term of the loan using the effective interest method.

For information on contractual terms, scheduled repayments and the exposure to interest risk and foreign-currency risk, refer to note G28. ■

G24 OTHER PROVISIONS

	Warranties	Restructuring	Employee benefits	Environmental obligations	Legal disputes	Other obligations	Total
Balance at January 1, 2020	445	1,595	622	398	208	618	3,885
Provisions made during the year	225	2,088	285	67	62	367	3,094
Provisions used during the year	-157	-846	-296	-11	-32	-204	-1,545
Unutilized provisions reversed during the year	-70	-232	-54	-2	-16	-73	-447
Reclassifications	2	15	-16	1	7	-16	-7
Business combinations	1	0	4	0	0	4	9
Translation differences	-23	-44	-17	-23	-32	-61	-200
Balance at December 31, 2020	423	2,576	529	431	196	635	4,790
of which current	313	2,188	182	61	162	474	3,381
of which non-current	110	388	346	369	34	161	1,409
Balance at January 1, 2021	423	2,576	529	431	196	635	4,790
Provisions made during the year	262	75	460	48	82	333	1,261
Provisions used during the year	-185	-1,048	-333	-39	-39	-275	-1,919
Unutilized provisions reversed during the year	-86	-278	-42	-26	-25	-76	-533
Reclassifications	6	14	28	0	0	-28	20
Business combinations	1	16	20	0	7	105	149
Translation differences	21	34	15	11	8	49	139
Balance at December 31, 2021	444	1,389	676	425	230	742	3,907
of which current	335	1,175	269	52	205	480	2,516
of which non-current	109	214	407	373	25	262	1,390

§ ACCOUNTING PRINCIPLES

Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The provisions are mainly related to warranty commitments, restructuring, environmental obligations, long-term incentives and legal disputes and claims, such as value-added tax issues, and customer and supplier claims relating to ongoing or finished projects.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Employee benefits

A provision for personnel-related benefits is recognized in accordance with agreements entered for long-term incentive programs, local bonus programs, part-time pensions and other personnel obligations.

Environmental obligations

An environmental provision is recognized when there is a legal obligation for a clean up.

Site restoration

Provision for costs for restoring contaminated land is made in accordance with the Group's published environmental principles when there is a legal requirement or other binding commitment to restore established contaminated land and when the cost can be

G24, continued

measured with reasonable precision. Site restoration is included in environmental obligations.

Legal disputes

Legal disputes include provisions for claims which, at the balance sheet date, had not been closed.

Other obligations

Other obligations include provisions for onerous contracts and obligations within the scope of Sandvik Försäkring AB's operations. Provisions classified as current are expected to result in an outflow of resources within twelve months from the balance sheet date.

Termination benefits

When employment is terminated, a provision is recognized only when the entity is demonstrably committed either to terminate the employment of an employee or a group of employees before the normal retirement age or provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the latter case, a liability and an expense are recognized if it is probable that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated. ■

! CRITICAL ESTIMATES AND KEY JUDGMENTS

Disputes

Sandvik is party to a number of disputes and legal proceedings in the ordinary course of business. Management consults with legal experts on issues related to legal disputes and with other experts internal or external to the Company on issues related to the ordinary course of business. It is management's best estimate that neither the Parent Company, nor any subsidiary, is involved in legal proceedings or arbitration that may be deemed to have a materially negative effect on the business, the financial position or results of operations. ■

G25 OTHER LIABILITIES

	2020	2021
<i>Other non-current liabilities</i>		
Derivatives designated as hedging instruments	239	329
Other	35	642
Total	274	971
<i>Other current liabilities</i>		
Derivatives designated as hedging instruments	233	280
Bills payable	50	104
Contract liabilities	2,145	3,425
Other	1,649	2,497
Total	4,077	6,306

Other non-current liabilities include deferred consideration regarding business combinations and liability to non-controlling interest, see note G31.

§ ACCOUNTING PRINCIPLES

Other liabilities

Other liabilities excluding derivatives are classified and subsequently measured at amortized cost.

Derivatives

Derivatives are classified at fair value through profit and loss, with the exception, of those that are designated as hedging instruments in a cash flow hedge.

Contract liabilities

A contract liability is recognized when a payment is received before the performance obligation has been satisfied. ■

G26 ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income	2020	2021
Personnel related	3,742	5,153
Other accrued expenses	2,556	2,771
Total	6,297	7,924

G27 CONTINGENT LIABILITIES AND PLEDGED ASSETS

On occasion, Sandvik is party to litigation and administrative proceedings related to its operations, including responsibility for products, the environment, health and safety. However, Sandvik does not deem that any of these ongoing proceedings and processes will significantly affect the Group.

Contingent liabilities	2020	2021
Guarantees issued for customers and others	1,281	1,410
Other contingencies	462	409
Total	1,743	1,819

The Group's contingent liabilities amounted to SEK 1,819 million (1,743) and were mainly comprised of guarantees for customers and others as well as ongoing procedures. Banks and financial institutions have guaranteed obligations arising in the normal course of business on behalf of Group companies.

The table provides data for the maximum potential payments of third party guarantees and does not reflect management's expected outcomes.

Pledged assets

Pledged assets for own liabilities and provisions.

Pledged assets	2020	2021
Property mortgages	225	230
Total	225	230

§ ACCOUNTING PRINCIPLES

Contingent liabilities

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

A contingent liability is also recognized when there is a present obligation that cannot be recognized as a liability or provision because it is not probable that an outflow of resources will be required, alternatively because the amount of the obligation cannot be measured with sufficient reliability. ■

G28 SUPPLEMENTARY INFORMATION – FINANCIAL RISK MANAGEMENT

Financial risk management

Through its comprehensive international operations, Sandvik is exposed to financial risks.

Group Treasury is the function responsible for managing most of the Group's financial risks. The primary objectives of the function are to contribute to the creation of value by managing the financial risks to which the Group is exposed to during the ordinary course of business, and to optimize the Group's financial net.

The Board of Directors is responsible for establishing the Group's finance policy, which comprises guidelines, objectives, and limits for financial management within Group Treasury as well as the management of financial risks within the Group.

Group Treasury support subsidiaries with loans, deposits, foreign exchange deals, banking solutions, and act as an advisor in financial matters. The function conducts internal banking operations and is based at the head office in Stockholm. It is also responsible for the Group's bank account set-up.

In addition, Group Treasury conducts operations for payment advisory and trade finance, and is responsible for the Group's global policy for granting credit to customers in conjunction with sales. The customer finance activity is carried out through the business area Sandvik Mining and Rock Solutions through selected locations worldwide.

Finally, Group Treasury also manages the financial risks associated with the Group's defined-benefit pension plans.

Only institutions with a solid financial position and solid credit ratings are accepted as Sandvik's counterparties in financial transactions.

Currency risk – Transaction exposure

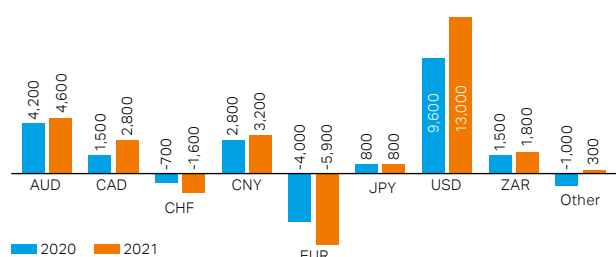
Risk

Transaction exposure is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Sandvik's annual transaction exposure, meaning the Group's net flow of currencies, after full offsetting of the counter-value in the exporting companies' local currencies, and measured at the average exchange rate, amounted to SEK 18,364 million (16,189) in 2021. The most important currencies for one year of exposure are shown in the following graph.

Exposure

Net flow in foreign currencies



Comments

Sandvik generally offers customers the possibility to pay in their own currencies through the global sales organization. As a result, the Group is continuously exposed to currency risks associated with account receivables denominated in foreign currency and with future sales to foreign customers. Since a large percentage of production is concentrated to a few countries, while sales occur in many countries, Sandvik is exposed to a large net inflow of foreign currencies.

In order to mitigate the currency risk, pricing is adjusted against both customers and suppliers in circumstances where Sandvik is affected negatively by currency movements. To further reduce exposure to foreign currencies, currencies received are used to pay for purchases in the same currency via a netting structure.

Net flow of sales and purchases is hedged through financial instruments and bank account balances in accordance with guidelines set in the Group's finance policy. In addition, major project orders are currency hedged to protect the gross margin. Under the finance policy, the Chief Financial Officer has a mandate to hedge the annual transaction exposure. At year-end, the total hedged amount was SEK 1,482 million (1,754). The average duration for the hedged volume of foreign currency was 4 months (3). Unrealized gains from outstanding currency contracts for hedging of future net flows amounted to SEK -67 million (184) at year-end. This amount consists of SEK -52 million in losses related to contracts maturing in 2022 and SEK -15 million in losses related to contracts maturing in 2023 or later.

If all exchange rates for the exposure currencies were to change by 5 percent in an unfavorable direction, total EBIT over a 12-month period would change by approximately SEK -1,435 million (-1,239), assuming that the composition is the same as it was at year-end.

Sensitivity analysis by currency

AUD	CAD	CHF	CNY	EUR	USD	ZAR	Other	Total
-152	-108	-81	-144	-150	-573	-65	-162	-1,435

Currency risk – Translation exposure

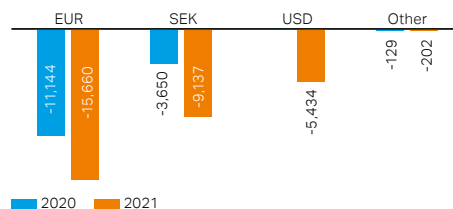
Risk

Translation exposure occurs when assets and liabilities are denominated in different currencies.

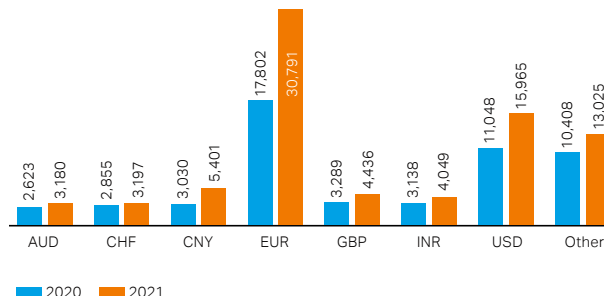
Since the Swedish krona (SEK) is Sandvik's base currency, a translation risk related to the valuation of the net assets in foreign subsidiaries and the profit/loss in foreign currency achieved during the period occurs. The net assets, which usually consist of the foreign subsidiaries' shareholders equity, are translated to SEK at the rates applied at the balance sheet date. At December 31, the Group's net assets in subsidiaries in local currencies amounted to SEK 80,044 million (54,187).

Exposure

Group's external borrowing by currency



Net assets by foreign currency



Comments

To avoid translation risk in the balance sheets of subsidiaries, they are financed in their functional currency through the internal bank. External borrowing often takes place in a specific currency, as shown in the first graph. The currency risk that arises in the internal

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bank as a result of this is managed using various derivatives to minimize the translation risk.

Sandvik has chosen not to hedge future profits in foreign subsidiaries. Net assets are also not hedged, but the differences that arise due to changes in exchange rates since the preceding quarter are recognized directly in other comprehensive income. The second graph shows the distribution of net assets among various currencies.

If exchange rates were to change by 5 percent in an unfavorable direction the net effect on other comprehensive income would be approximately SEK -3,954 million (-2,712). This net effect primarily comprises translation exposure in equity.

Sensitivity analysis by currency

AUD	CHF	CNY	EUR	GBP	INR	USD	Other	Total
-159	-160	-270	-1,540	-222	-202	-798	-603	-3,954

Interest rate risk

Risk

Interest-rate risk is defined as the risk that changes in market interest rates will have on the Group's net interest items. The impact on net interest items of a change in interest rates depends on the interest terms of assets and liabilities. Sandvik measures interest-rate risk as the change over the forthcoming 12 months given a 1 percentage point change in interest rates.

Interest-rate risk arises in two ways:

- The Company may have invested in interest-bearing assets, the value of which changes when the interest rate changes.
- The cost of the Company's borrowing fluctuates when the general interest-rate situation changes.

Exposure

If market rates were to rise by 1 percentage point across all terms, in relation to loans for which the interest rate will be reset during the coming year, interest costs would be impacted by SEK -119 million (-29).

An interest-rate sensitivity analysis of interest-rate swap agreements valid at year-end, and to which hedge accounting was applied, shows that other comprehensive income would change by SEK 19 million (34) as a result of a 1 percentage point shift in the interest-rate curve.

Interest rates and fixed-interest terms on outstanding loans

Including effect of interest-rate derivatives	Effective rate of interest, %	Fixed-interest term, months	Recognized liability, MSEK
Bond loans, Swedish MTN	6.1	23	1,000
Bond loans, European MTN	2.5	62	15,660
Commercial papers	0.1	3	8,137
Other loans from banks	0.9	3	5,636
Total loans	1.7	34	30,433
Interest effect of currency derivatives	2.4	-	-
Total incl. currency derivatives	4.1	-	-

Comments

The Group's interest-rate risk arises mainly in connection with borrowing. Interest-rate swap agreements are sometimes used to achieve the desired fixed-interest term. The Group Chief Financial Officer has a mandate to vary the average fixed-interest term of the Group's debt portfolio, provided that it does not exceed 60 months. The average fixed-interest term on Sandvik's borrowing was 34 months (46) at year-end, with consideration given to interest-rate swap agreements entered into.

In line with the Group's finance policy, internal lending to foreign subsidiaries is hedged with currency derivatives. Consequently, there is an interest-rate effect in currency derivatives of 2.4 percentage points between the currencies the Group borrows and the currencies the Group lends. The Group's average interest expense,

including other loans and effects of various derivatives, was 4.1 percent (4.7).

Hedge accounting is applied when an effective link exists between hedged loans and interest-rate swaps. Accordingly, changed market interest rates could also impact other comprehensive income, since the Group has interest-rate swap agreements that are 100 percent effective and with a notional amount of SEK 1,000 million, to which it applies cash-flow hedging. This means that changes in the market values of these swaps are recognized directly in other comprehensive income instead of in profit for the year. A presentation of all interest-rate swap agreements entered into, and information regarding their duration, can be found at the end of this note.

Sandvik's loan conditions do not currently entail financial covenants linked to key figures. Only under exceptional circumstances are assets pledged in connection with the raising of loans. Such pledging is disclosed in note G27.

In the event that Sandvik has surplus liquidity, it is placed in bank deposits or in short-term money market instruments (durations of up to 90 days), which means that the interest-rate risk (the risk of a change in value) is low.

Liquidity and refinancing risk

Risk

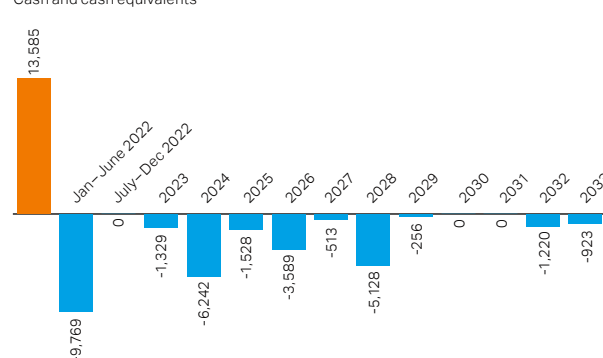
Liquidity and refinancing risk is defined as the risk that financing possibilities will be limited when loans are to be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity.

Exposure

Maturity profile for borrowing and liquid assets

Nominal amount

Cash and cash equivalents



Borrowing and remaining credit periods

	Currency	Recognized liability, MSEK	Average remaining credit periods, years
Bond loans, Swedish MTN	SEK	1,000	2.0
Bond loans, European MTN	EUR	15,660	5.5
Commercial papers	SEK	8,137	0.3
Other loans from banks	USD, Other	5,636	2.9
Total borrowings		30,433	3.5

Comments

According to the finance policy, the Group's capital employed excluding cash and cash equivalents should be financed on a long-term basis. At year-end, the Group's capital employed, excluding cash and cash equivalents, was SEK 105,001 million and long-term financing, including share capital, pension liabilities, long-term tax liabilities, long-term provisions and the guaranteed long-term credit facility, amounted to SEK 116,983 million. The short-term liquidity reserve, comprising committed credit facilities and accessible cash and cash equivalents was SEK 15,416 million. This reserve should at a minimum correspond to loans that mature

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for payment over the next six months and two weeks operating expenses, calculated to SEK 12,719 million.

Sandvik has a revolving credit facility totaling SEK 9,000 million maturing in 2023. The facility was unutilized at year-end.

The aim of Sandvik's financing strategy is to achieve a well-balanced maturity profile for liabilities to thereby reduce the refinancing risk. The share of long-term loans in relation to total borrowing was 68 percent at year-end 2021 compared with 76 percent one year earlier. The maturity structure for the Group's financial liabilities and derivatives is presented further down in this note.

At year-end, Standard & Poor's, the international credit rating agency, had assigned an A- credit rating to Sandvik's long-term borrowing and A-2 for its short-term borrowing. For a continuous update on Sandvik's credit rating, please visit home.sandvik.com.

Credit risk

Risk

The Group's commercial and financial transactions give rise to credit risk in relation to Sandvik's counterparties. Credit risk or counterparty risk is defined as the risk for losses if the counterparty does not fulfill its commitments.

The credit risk to which Sandvik is exposed to can be divided into three categories:

- Financial credit risk
- Credit risk in trade receivables
- Credit risk in customer financing

Exposure

Total credit risk	2020	2021
Trade receivables ¹⁾	12,369	17,341
Cash and cash equivalents	23,752	13,585
Unrealized net gains on derivatives	417	830
Other receivables	622	746
Outstanding credits	3,611	3,987
Total	40,771	36,489

¹⁾ Excludes assets held for sales.

Expected credit loss

	2020	2021
Opening balance, January 1	-745	-761
Provisions made during the year	-123	-147
Provisions used during the year	16	47
Unutilized provisions reversed during the year	32	88
Business combination	-1	-46
Translation difference	60	-52
Closing balance, December 31	-761	-871

Comments

Sandvik has entered into agreements with the banks that are most important to the Company, covering such matters as the right to offset assets and liabilities that arise from financial derivative transactions, so-called ISDA agreements. This means that the Company's counterparty exposure to the financial sector is limited to the unrealized net gains that arise in derivative agreements, and investments and bank balances. At December 31, the value of these amounted to SEK 14,414 million (24,169).

Sandvik companies are generally exposed to credit risk associated with outstanding trade receivables from ongoing sales. The credit risk is spread over a large number of customers within different segments in the business areas, reflecting upon this year's credit losses which were limited and widespread. Focus has been retained on this area throughout the pandemic and systems for credit control have gradually expanded. Sandvik's credit losses, defined as the total of receivables written off and change in bad debt reserve, amounted to SEK -21 million (-150), equivalent to 0.02 percent of sales. The gross value of trade receivables was SEK 18,075 million (13,016) at December 31. Total impairment of these

was SEK -734 million (-645). An age analysis of trade receivables at December 31, is presented in note G19.

Sandvik offers short- and long-term customer financing through its own Financial Services companies and in partnership with financial institutions and banks. At year-end, the value of outstanding credits referring to finance leases amounted to SEK 4,125 million (3,725), of which SEK -138 million (-114) was reserved for doubtful receivables.

In addition to the traditional financing of equipment, Sandvik also offers short-lease machinery. At year-end, the net carrying amount of this short-lease machinery was SEK 321 million (202).

Raw materials price risk

Risk

Sandvik's financial risks related to raw materials are primarily concentrated to nickel and electricity. The price risks associated with these are partially hedged through the signing of financial contracts. A change in the electricity price of SEK 0.1 per kWh is estimated to affect Sandvik's EBIT by plus or minus SEK 80 million (80) on an annual basis, based on the prevailing conditions at year-end 2021.

Exposure

When Sandvik Materials Technology obtains a customer order containing a fixed price for nickel, molybdenum or copper, the prices of these materials are hedged by signing financial contracts. This means that Sandvik's EBIT is not impacted by movements in the price of these raw materials, relating to the aforementioned orders at a fixed price.

The Group applies a hedging strategy in order to minimize the metal price risk in connection with transactions conducted at a variable metal price. The measurement of inventory is not affected by hedging.

Changes in metal prices affect the profit and loss statement as a consequence of the lead time between the purchase of raw material and delivery of the finished product. The effect can be estimated through the rules regarding valuation of inventory. The net effect is presented in the "Development in business areas" section.

For Sandvik's large production units in Sweden and Finland, the electricity price is continuously hedged through derivatives. Electricity consumption at these units normally totals around 800 GWh. The hedging horizon at year-end was about 26 months' (22) expected consumption.

Comments

Net total consumption of nickel amounted to about 13,600 metric tons during the year.

At year-end, the volume of hedged nickel inventory was 1,067 metric tons (643). The market value of commodity derivatives entered into was SEK 10 million (10).

The volume of electricity hedged with derivatives was 1,449 GWh (1,405) at year-end. The market value of these derivative contracts amounted to SEK 367 million (-11).

For a more detailed breakdown of the quarterly effects on cash flow of the transactions that have been recognized in the hedge reserve, see the table at the end of this note.

Pension commitments

Risk

Sandvik has comprehensive pension obligations in the countries in which it operates. The pension solutions and funding requirements vary depending on legislation and local agreements. The largest funded pension plans are found in the US, UK, Finland, Sweden, Germany, and Canada. Three main risks are associated with Sandvik's pension obligations; interest rate fluctuations, capital market volatility, and changes in life expectancy.

Exposure

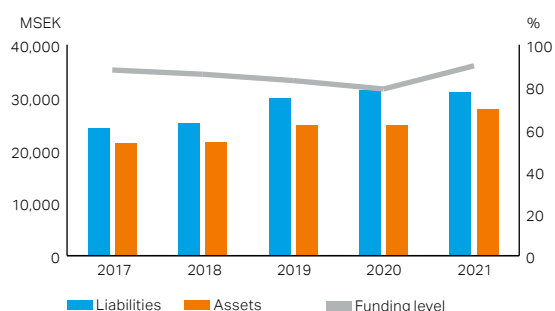
The Group-funded pension liability has an average duration of 18.2 years. The average duration of the Group's interest-bearing assets in the pension portfolio is 15.3 years. The allocation to interest-bearing assets is 61 percent of the pension portfolio. Due to

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the asset allocation and differences in duration between the interest-bearing assets and the liability, Sandvik is exposed to interest rate fluctuations, both when discounting the liability but also as market values change in the bond portfolio. If the average discount rate falls by -50 basis points the pension liability would increase by SEK 2,961 million.

17 percent of the pension portfolio is invested in equities. A 20 percent movement in the equity portfolio would result in a change in market value of SEK 910 million. If the life expectancy assumptions increase by one year, the pension liability would rise by 3.7 percent which corresponds to SEK 1,214 million. The calculated total loss potential for one year (pension risk), based on stress tests, is on aggregate SEK 5,407 million.

Development of pension liability and assets



Comments

In 2021, the pension assets totaled SEK 27,806 million (24,827) and the corresponding pension liability amounted to SEK 30,978 million (31,320), which is equal to a funding level of 90 percent (79). The return on Sandvik's pension assets was 8.0 percent during the year (10.8). In addition, Sandvik has unfunded pension commitments of SEK 1,822 million (1,733).

The pension plans are governed through Sandvik's Pension Supervisory Board (PSB). PSB is responsible for implementing policies and directives, approving new plans or material changes and closure of existing plans. The pension plans and governance are further described in note G22.

Financial assets and liabilities by valuation category

Balance sheet items	Fair value through profit or loss		Amortized costs		Hedge Accounting		Total carrying amount	
	2020	2021	2020	2021	2020	2021	2020	2021
Financial assets								
Financial investments	81	88	-	-	-	-	81	88
Trade receivables ¹⁾	-	-	12,369	17,341	-	-	12,369	17,341
Other receivables ²⁾	-	-	3,802	4,372	-	-	3,802	4,372
Derivatives ³⁾	417	830	-	-	0	0	418	830
Cash and cash equivalents	-	-	23,752	13,585	-	-	23,752	13,585
Total financial assets	498	918	39,923	35,298	0	0	40,421	36,215
Financial liabilities								
Borrowings ⁴⁾	-	-	14,923	30,433	-	-	14,923	30,433
Derivatives ⁵⁾	369	553	-	-	103	55	472	607
Accounts payable ¹⁾	-	-	6,974	11,907	-	-	6,974	11,907
Due to associates	-	-	1	0	-	-	1	0
Other liabilities ⁶⁾	-	-	3,308	4,294	-	-	3,308	4,294
Total financial liabilities	369	553	25,205	46,635	103	55	25,677	47,243

1) Excludes assets held for sales.

2) Comprises parts of the Group's other receivables and accrued income from contract assets, financial leasing, and customer financing recognized in the balance sheet.

3) Derivatives form part of the other receivables recognized in the balance sheet.

4) Recognized in the balance sheet as non-current and current liabilities to financial institutions and other liabilities.

5) Derivatives form part of the other liabilities recognized in the balance sheet.

6) Form part of the Group's other liabilities and accrued expenses from leasing recognized in the balance sheet.

The Group's financial instruments measured at fair value in the balance sheet

	2020	2021
Financial assets		
<i>Derivatives</i>		
Foreign exchange contracts	380	345
Commodity and electricity derivatives	38	485
Total ¹⁾	418	830
Financial liabilities		
<i>Derivatives</i>		
Foreign exchange contracts	279	413
Interest-rate swaps	153	87
Commodity and electricity derivatives	40	108
Total ²⁾	472	607

1) Included in other receivables.

2) Included in other liabilities.

Financial assets and liabilities are not offset in the balance sheet. Derivative contracts are subject to framework agreements governing offsetting, and the carrying amounts of assets not offset in the balance sheet amounted to SEK 830 million. The carrying amount of corresponding liabilities was SEK -607 million. No collateral has been received or pledged. In the event of a default by a derivative counterparty, assets and liabilities for a total value of SEK 348 million would be offset in accordance with the framework agreement governing offsetting.

Calculation at fair value of the Group's non-current borrowings would increase the total carrying amount by SEK 1,510 million (2,075). When measuring interest-bearing liabilities, the company's Swedish and European bond loans have been remeasured using observable market prices for identical securities to value the Group's marketable debt instruments. Other non-current debt has been remeasured in accordance with the principles described below. For short-term loans and deposits, no remeasurement was carried out, given that the carrying amount is considered to represent a good approximation of the fair value due to the short duration.

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Net result per valuation category

The Company's financial liabilities amounted to SEK 47,243 million (25,677) at year-end.

	2020	2021
Fair value through profit or loss	432	-152
Amortized costs	-1,321	-298
Hedge accounting	21	37

Maturity structure relating to undiscounted cash flows for financial liabilities and derivatives, nominal amounts

		2020				2021			
		<6 months	6–12 months	1–5 years	>5 years	<6 months	6–12 months	1–5 years	>5 years
Bank loans	USD, Other	-109	-100	-22	–	-100	-31	-5,624	0
Commercial papers	SEK	–	–	–	–	-8,140	0	0	0
Medium Term Notes	SEK	-2,038	-675	-1,065	–	-15	-15	-1,035	0
European Medium Term Notes	EUR	-971	-130	-5,247	-7,164	-1,782	-152	-7,331	-8,669
Private Placements	USD	–	–	–	–	0	0	0	0
Derivatives									
- Currency derivatives		116	6	8	-8	39	-15	-31	-12
whereof outflow		-157	-27	-18	-8	-232	-31	-31	-12
whereof inflow		273	33	26	–	271	16	0	0
- Interest rate derivatives		-42	-20	-95	–	-23	-8	-65	0
- Commodity and electricity derivatives		13	-2	-12	–	78	241	75	0
Leases ¹⁾		-373	-423	-1,473	-696	-545	-522	-2,216	-1,115
Accounts payable ²⁾		-6,974	–	–	–	-11,908	–	–	–
Total		-10,378	-1,344	-7,906	-7,868	-22,396	-502	-16,227	-9,796

1) Nominal values in 2021 and discounted values in 2020.

2) Excludes assets held for sales.

Periods when hedged cash flows in the hedge reserve are expected to occur and affect earnings

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2024 and later
Interest rate derivatives	–	–	–	-20	–	–	–	–	-35
Total	–	–	–	-20	–	–	–	–	-35

Derivative financial instruments**– interest-rate swaps (cash-flow hedges)**

	2020	2021
Carrying amount (included in other liabilities)	-103	-55
Notional amount	1,500	1,000
Change in fair value of outstanding hedging instruments since January 1	28	67

§ ACCOUNTING PRINCIPLES**Financial instruments**

Financial instruments recognized in the balance sheet include assets, such as account receivables, financial investments and derivatives, and liabilities such as loan liabilities, account payables, and derivatives.

Recognition and derecognition

A financial asset or a financial liability is recognized on the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Account receivables are recognized upon issuance of the invoice. A liability is recognized when the counter-party has performed under the agreement and the company is contractually obliged to settle the obligation, even if no invoice has been received.

At initial recognition, the Group measures financial assets and liabilities at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit or loss (FVPL), transaction costs including all fees, premiums and discounts that

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are directly attributable to the acquisition or issue of the financial asset and liability. Transaction costs of financial assets and liabilities carried at FVPL are expensed in the income statement.

A financial asset is derecognized when the rights to receive cash flows under the agreement have expired, or have been transferred and the Group has substantially transferred all of the risks and rewards. A financial liability is derecognized when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability are offset and presented in a net amount in the balance sheet only if there is a legally enforceable right to offset the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Classification and measurement

Financial assets excluding derivatives

Financial assets excluding derivatives, include equity and debt instruments. The Group classifies its financial assets as those to be measured at fair value, and those to be measured at amortized cost.

Equity instruments are measured at fair value, and gains and losses are recorded in the income statement. For those that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

For debt instruments, which includes accounts receivables, the classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. Amortized Cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in financial income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the income statement. Fair Value through profit and loss: Assets that do not meet the criteria for amortized cost are measured as fair value through profit and loss.

Financial instruments measured at fair value in the balance sheet

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under the IFRS 13 disclosure requirements, the method applied to the valuation of assets and liabilities measured at fair value in the balance sheet is presented below. The valuation is divided into three levels:

Level 1: Fair value is determined according to prices listed on an active market for the same instrument.

Level 2: Fair value is determined based on either directly (as a price) or indirectly (derived from prices) observable market data that is not included in level 1.

Level 3: Fair value is determined based on input data that is not observable in the market.

All of Sandvik's financial instruments measured at fair value are measured according to Level 2.

Measurements of fair value

The fair value of foreign exchange contracts is determined based on observable market prices. The fair value of interest-rate swaps is based on discounting estimated future cash flows under the contractual terms and conditions and maturity dates and based on the market interest rate for similar instruments on the balance sheet date. Where discounted cash flows are used, the future cash flows are calculated on the best assessments of company management. The discount rate applied is the market-based interest rate of similar instruments at the balance sheet date.

All valuation techniques applied are accepted in the market and take into account all parameters that the market would consider in its pricing. These techniques are reviewed regularly so

as to ensure their reliability. Applied assumptions are compared against actual outcomes to identify any needs for adjusting the measurement or forecasting tools.

For means of payment, receivables and payables with variable interest and current receivables and payables (for example, trade receivables and accounts payable), the fair value has been considered to correspond to the carrying amount.

Hedge accounting

Hedge accounting is applied in accordance with IAS 39 and to meet the criteria there must be a clear relationship between the hedging instrument and the hedged item. The relationship is expected to be highly effective and it must be possible to reliably measure such effectiveness. Moreover, the hedge must be formally designated and documented. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as described below under cash flow hedges.

Cash flow hedges

Hedge accounting is applied when hedging a particular risk associated with highly probable future cash flows and forecast transactions. The effective portion of the change in fair value for the year, of derivatives that are qualified as cash flow hedges, is recognized in other comprehensive income and the accumulated changes in a separate component of shareholders' equity. The ineffective portion of a gain or loss is immediately recognized in the income statement. When the hedged item impacts income statement, the accumulated changes in value of the hedging instrument are reclassified to the income statement. The gain or loss relating to the effective portion of hedging instruments is recognized in the income statement within the same line as the hedged item.

Expected credit losses

Sandvik evaluates its trade receivables, contract assets and financial leases on a collective basis for each category, respectively. Each reporting entity classifies their receivables in suitable risk categories according to the Group policy.

Expected credit loss provisions are based on the full lifetime expected credit loss model with a provision matrix where fixed provision rates are applied depending on the number of days outstanding. The entities consider reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring the expected credit losses.

Credit risks are classified based on credit information provided by credit agencies, identified payment behavior of the customer and other relevant information available, such as lost contracts, changes in company management and other customer-specific information. Additionally, a macroeconomic evaluation is conducted on the outlook of industries and countries relevant for our customers. Changes to the allowance for expected credit losses for accounts receivables are recognized in selling expenses.

Writing off

Sandvik's principles for the writing off of receivables are based on several prerequisites, such as proof of write-off, insolvency or failed legal and other collection processes. An assessment is made whether one or several of these prerequisites are fulfilled before the write-off takes place.

Credit securities

The Group selectively utilizes different forms of credit securities, such as letters of credit, retention of title or credit insurance. ■

G29 TRANSACTIONS WITH RELATED PARTIES

Related-party transactions

The Group's sales to associated companies amounted to SEK 6 million (4). The Group's purchases from associated companies amounted to SEK 23 million (18). All transactions are carried out on market terms.

Transactions with key management personnel

Except as indicated in note G4, Remuneration of the Board of Directors and senior executives, and in the description of the Board of Directors, no transactions took place with persons closely associated with the company.

G30 SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

Cash and cash equivalents	2020	2021	Other adjustments for non-cash items, etc	2020	2021
Cash and cash equivalents comprise:			Unappropriated results of associated companies	-6	4
Cash and bank	20,735	10,566	Other provisions	942	-1,191
Short-term investments comparable to cash and cash equivalents	3,017	3,018	Changes in value of financial instruments	-1,011	-1,042
Total in the balance sheet	23,752	13,585	Gains and losses on disposal of companies and shares	1	-397
Total in the cash flow statement	23,752	13,585	Gains and losses on disposal of non-current assets	146	-189
Interest and dividend paid and received	2020	2021	Provisions for pensions	882	375
Dividend received	5	2	Other	-28	84
Interest received	356	305	Total	926	-2,356
Interest paid	-1,035	-964			
Total	-674	-657			

Changes in liabilities arising from financing activities

	Cash Flow			Non-cash flow changes				December 31, 2020
	January 1, 2020	New loans	Amortization	Reclassification	New leases	Currency/FX	Other	
Interest-bearing liabilities	15,170	14	-74	-3,536	-	-245	37	11,366
Current interest-bearing liabilities	2,234	43	-2,280	3,536	-	21	2	3,556
Lease liabilities	3,240	-	-1,012	0	907	-173	3	2,965
Total	20,645	56	-3,366	0	907	-397	43	17,888
	Cash Flow			Non-cash flow changes				December 31, 2021
	January 1, 2021	New loans	Amortization	Reclassification	New leases	Currency/FX	Other	
Interest-bearing liabilities	11,366	10,587	-3,048	-1,533	-	220	3,079	20,672
Current interest-bearing liabilities	3,556	10,725	-6,612	1,534	-	-622	1,180	9,761
Lease liabilities	2,965	-	-1,025	0	1,366	124	488	3,917
Dividends paid	-	-	-8,140	-	-	-	-	-
Total	17,888	21,312	-18,826	0	1,366	-277	4,748	34,350

§ ACCOUNTING PRINCIPLES

The consolidated cash flow statement is prepared in accordance with the indirect method. A short-term investment is classified as a cash and cash equivalent if:

- The risk of changes in value is insignificant
- It is readily convertible into cash
- It has a maturity of no more than three months from the date of acquisition. ■

G31 BUSINESS COMBINATIONS

The acquisitions of business combinations executed in 2020 and 2021 are set out below. Annual revenue and number of employees reflect the latest known information at the date of the respective transaction.

Business area	Cash Generating Unit	Company/Unit	Country	Acquisition date	Annual revenue	No. of employees
2020						
Sandvik Materials Technology	Sandvik Materials Technology	Summerill Tube Corporation	USA	January 14, 2020	100 MSEK in 2018	45
Sandvik Manufacturing and Machining Solutions	Seco Tools	Quimmico Centro Tecnológico (QCT)	Mexico	June 1, 2020	90 MSEK in 2019	130
Sandvik Mining and Rock Technology	Sandvik Rock Processing Solutions	Allied Construction Partners LLC	USA	October 2, 2020	29 MUSD in 2019	38
Sandvik Manufacturing and Machining Solutions	Dormer Pramet	Miranda Tools	India	December 23, 2020	200 MSEK in 2019	580
Sandvik Manufacturing and Machining Solutions	Sandvik Coromant	CGTech	USA	December 31, 2020	470 MSEK in 2019	180
2021						
Sandvik Mining and Rock Solutions	Sandvik Mining and Rock Solutions	DSI Underground ¹⁾	Germany	July 7, 2021	596 MEUR in 2020	2000
Sandvik Manufacturing and Machining Solutions	Sandvik Coromant	Chuzhou Yongpu Carbide Tools Co., Ltd ²⁾	China	July 31, 2021	400 MSEK 12M Q220–Q121	500
Sandvik Manufacturing and Machining Solutions	Sandvik Manufacturing and Machining Solutions	CNC Software Inc.	USA	September 29, 2021	60 MUSD in 2020	220
Sandvik Mining and Rock Solutions	Sandvik Mining and Rock Solutions	Tricon	Australia	October 1, 2021	18 MAUD 12M Q319–Q220	24
Sandvik Manufacturing and Machining Solutions	Sandvik Manufacturing and Machining Solutions	DWFritz Automation Inc.	USA	October 1, 2021	720 MSEK in 2020	560
Sandvik Materials Technology	Sandvik Materials Technology	Accuratech Group	Switzerland	October 4, 2021	75 MSEK in 2020	50
Sandvik Manufacturing and Machining Solutions	Sandvik Manufacturing and Machining Solutions	Cambrio	USA	October 15, 2021	628 MSEK in 2020	375
Sandvik Manufacturing and Machining Solutions	Seco Tools	Fabryka Narzędzi FANAR S.A.	Poland	November 2, 2021	175 MSEK in 2020	230
Sandvik Rock Processing Solutions	Sandvik Rock Processing Solutions	Kwatani	South Africa	December 9, 2021	175 MSEK in 2020	150
Sandvik Manufacturing and Machining Solutions	Sandvik Coromant	ICAM Technologies Corporation	Canada	December 23, 2021	30 MSEK in 2020	27
Sandvik Manufacturing and Machining Solutions	Walter	GWS Tool Group	USA	December 23, 2021	41 MUSD in 2020	490
Sandvik Manufacturing and Machining Solutions	Sandvik Manufacturing and Machining Solutions	Dimensional Control Systems	USA	December 27, 2021	92 MSEK in 2020	70

1) On August 3, 2021, Sandvik acquired Jennmar's share of the Rocbolt Technologies JVs in China, South Africa and Mongolia. 2) Acquired 67 percent of Chuzhou Yongpu Carbide Tools Co., with a call option/put option to buy the remaining part after three years.

Acquisitions

All acquisitions above were made through the purchase of 100 percent of shares and voting rights or through the purchase of the net assets of the acquired operations, except for the acquisition of Chuzhou Yongpu Carbide Tools Co., Ltd that was made through the purchase of 67 percent of shares and voting rights with a call/put option to buy/sell the remaining part in three years' time. For information about the accounting treatment of the call/put option see note G21. Sandvik received control over the operations upon the date of closing the acquisition. No equity instruments have been issued in connection with the acquisitions. All acquisitions have been accounted for using the acquisition method.

The amounts presented in the following tables detail the recognized amounts aggregated by business area. The relative amounts of the individual acquisitions are not considered significant except for DSI Underground, CNC Software Inc., DWFritz Automation Inc. and Cambrio businesses which are disclosed separately. Sandvik is in the process of reviewing the final values for certain of the recently acquired businesses. No adjustments are expected to be material.

Total fair value of assets and liabilities of acquired businesses in 2021

The fair value of acquired assets and assessed liabilities has been preliminarily established for all acquisitions made during 2021. Only minor IFRS adjustments were made to the acquisition values.

G31, continued

Fair value recognized in 2021

	SMR	SRP	SMM	SMT	Total
Intangible assets	57	0	32	1	91
Property, plant and equipment	740	3	809	25	1,577
Other non-current assets	452	13	101	26	592
Inventories	1,042	32	672	25	1,771
Receivables	1,445	45	955	24	2,468
Other current assets	52	1	78	-	131
Cash and cash equivalents	386	67	690	5	1,148
Interest-bearing loans and borrowings	-2,542	-73	-2,053	-122	-4,790
Other liabilities and provisions	-1,424	-52	-1,598	-21	-3,095
Deferred tax assets/liabilities, net	-525	-5	-522	-4	-1,056
Net identifiable assets and liabilities	-316	32	-836	-43	-1,163
Goodwill and surplus values, net	8,521	105	17,509	108	26,244
Non-controlling interests	-7	-	-	-	-7
External liability to minority shareholders	-	-	-323	-	-323
Purchase consideration	-8,198	-138	-16,625	-65	-25,026
Deferred consideration	49	26	218	-	293
Cash and cash equivalents in the acquired business	386	67	690	5	1,148
Net cash outflow	-7,763	-44	-15,718	-60	-23,585

Acquisitions made by Sandvik Mining and Rock Solutions

In July, Sandvik Mining and Rock Solutions (SMR) acquired DSI Underground, the global leader in ground support and reinforcement products, systems and solutions for the underground mining and tunneling industries. The acquisition is an important step in Sandvik's growth ambition. DSI Underground's track record of driving progress and safety in underground operations and its global reach will further strengthen Sandvik's world-leading market position within mining and rock solutions. DSI Underground is present in 70 countries, with 22 production units situated close to end customers. The acquisition included DSI's ownership stake in four joint ventures (Rocbolt Technologies) based in China, South Africa, Mongolia and Australia. In August, Sandvik Mining and Rock Solutions acquired the share of Rocbolt Technologies' joint ventures in China, South Africa and Mongolia from the joint venture partner (Jennmar). Jennmar will continue to be a joint venture partner in Australia. Transaction expenses for the whole acquisition amounted to SEK 33 million. Goodwill of SEK 6,344 million and other surplus values of SEK 2,038 million were recorded on the purchase. The deal had a slightly positive impact on earnings per share. Goodwill is not deductible for tax purposes.

Fair value recognized in 2021, Sandvik Mining and Rock Solutions

	Total SMR	Whereof DSI
Intangible assets	57	57
Property, plant and equipment	740	737
Other non-current assets	452	447
Inventories	1,042	1,007
Receivables	1,445	1,424
Other current assets	52	52
Cash and cash equivalents	386	371
Interest-bearing loans and borrowings	-2,542	-2,534
Other liabilities and provisions	-1,424	-1,403
Deferred tax assets/liabilities, net	-525	-511
Net identifiable assets and liabilities	-316	-352
Goodwill and surplus values, net	8,521	8,382
Non-controlling interests	-7	-7
Purchase consideration	-8,198	-8,022
Deferred consideration	49	-
Cash and cash equivalents in the acquired business	386	371
Net cash outflow	-7,763	-7,651

Acquisitions made by Sandvik Rock Processing Solutions

Sandvik Rock Processing Solutions (SRP) had no major acquisitions during 2021.

Acquisitions made by Sandvik Manufacturing and Machining Solutions

In September, the Design & Planning Automation division within Sandvik Manufacturing and Machining Solutions (SMM) acquired US-based CNC Software Inc., a leading provider of CAD/CAM software solutions for manufacturing industries and the company behind Mastercam, the most widely used Computer Aided Manufacturing (CAM) brand in the industry. By acquiring CNC Software, Sandvik gains a world-class CAM brand in the Mastercam software suite with an installed base of around 270,000 licenses/users, the largest in the industry, as well as a strong market reseller network and well-established partnerships with leading machine makers and tooling companies. This is in line with Sandvik's strategic focus to grow in the digital manufacturing space, with special attention on industrial software close to component manufacturing. The acquisition of CNC Software and the Mastercam portfolio, in combination with Sandvik's existing offerings and extensive manufacturing capabilities, will make Sandvik a

leader in the overall CAM market measured in installed base. The deal is slightly negative to Sandvik's earnings per share from the start. Transaction expenses amounted to SEK 26 million. Goodwill of SEK 3,175 million and other surplus values of SEK 1,813 million were recorded on the purchase. Goodwill is deductible for tax purposes.

In October, the Metrology division within Sandvik Manufacturing and Machining Solutions (SMM) acquired US-based DWFritz Automation Inc., a leading global provider of precision metrology, inspection and assembly solutions for advanced manufacturing. DWFritz Automation designs, builds and supports engineer-to-order high-speed, non-contact metrology solutions and automation systems. With DWFritz Automation, Sandvik expands its current metrology offering and takes a leading position in in-line metrology, including a broader position in high-speed, high-volume, non-contact inspection and assembly automation. The Impact on Sand-

G31, continued

vik's earnings per share is initially neutral. Transaction expenses amounted to SEK 38 million. Goodwill of SEK 755 million and other surplus values of SEK 296 million was recorded on the purchase. Goodwill is deductible for tax purposes. The DWFritz Automation Inc. acquisition includes a contingent consideration clause and the fair value of the contingent consideration has been calculated based on a discount rate of 16.7 percent.

In October, the Design & Planning Automation division within Sandvik Manufacturing and Machining Solutions (SMM) acquired US-based Cambrio, a leading company with an end-to-end portfolio in CAD/CAM software for manufacturing industries like automotive, transportation, energy, medical and aerospace. By acquir-

ing Cambrio, Sandvik will establish an important position in the CAM market that includes both toolmaking and general-purpose machining. This will complement the existing customer offering in Sandvik Manufacturing Solutions. Cambrio's product portfolio includes GibbsCAM for production milling, turning, and mill turn operations, Cimatron for mold and die, as well as SigmaNEST for sheet metal fabrication. The Impact on Sandvik's earnings per share is initially neutral. Transaction expenses amounted to SEK 83 million. Goodwill of SEK 5,120 million and other surplus values of SEK 1,840 million was recorded on the purchase. Goodwill is not deductible for tax purposes.

Fair value recognized in 2021, Sandvik Manufacturing and Machining Solutions

	SMM total	Whereof CNC Software Inc.	Whereof DWFritz Automation Inc.	Whereof Cambrio
Intangible assets	32	0	13	0
Property, plant and equipment	809	2	119	7
Other non-current assets	101	-	71	28
Inventories	672	-	116	2
Receivables	955	69	188	179
Other current assets	78	12	16	26
Cash and cash equivalents	690	89	167	267
Interest bearing loans and borrowings	-2,053	-1	-243	-797
Other liabilities and provisions	-1,598	-242	-331	-330
Deferred tax assets/liabilities, net	-522	-	-	-478
Net identifiable assets and liabilities	-836	-70	116	-1,095
Goodwill and surplus values	17,509	4,988	1,051	6,960
External liability to minority shareholders	-323	-	-	-
Purchase consideration	-16,625	-4,918	-1,167	-5,865
Deferred consideration	218	-	209	-
Cash and cash equivalents in the acquired business	690	89	167	267
Net cash outflow	-15,718	-4,828	-791	-5,598

Acquisitions made by Sandvik Materials Technology

Sandvik Materials Technology (SMT) had no major acquisitions during 2021.

Contributions from companies acquired in 2020 by business area

	SRP	SMM	SMT	Total
Contributions as of acquisition date				
Revenues	50	25	79	154
Profit (loss) for the year	-2	-9	3	-8
Contributions if the acquisition date would have been January 1				
Revenues	227	523	79	829
Profit (loss) for the year	-1	4	3	6

Contributions from companies acquired in 2021 by business area

	Total SMR	Whereof DSI	SRP	Total SMM	Whereof CNC Software	Whereof DWFritz Automation Inc.	Whereof Cambrio	SMT	Total
Contributions as of acquisition date									
Revenues	3,678	3,650	6	776	161	202	151	25	4,485
Profit (loss) for the year	103	98	-1	27	22	-38	22	-3	127
Contributions if the acquisition date would have been January 1									
Revenues	7,194	7,148	191	3,709	571	888	666	107	11,201
Profit (loss) for the year	100	79	22	270	78	-91	57	7	399

Change of total fair value recognized in the Group in 2021 from businesses acquired during 2020

	SRP			SMM			SMT			Total		
	2020	2021	Change	2020	2021	Change	2020	2021	Change	2020	2021	Change
Intangible assets	-	-	-	390	391	1	36	36	-	426	427	1
Property, plant and equipment	9	9	-	96	96	-	24	24	-	129	129	-
Other non-current assets	2	2	-	25	26	-	-	-	-	27	28	1
Inventories	52	52	-	39	40	1	39	39	-	130	131	1
Receivables	26	27	1	146	141	-5	17	17	-	189	185	-4
Other current assets	1	1	-	22	17	-5	-	-	-	23	18	-5
Cash and cash equivalents	5	5	-	70	72	2	-	-	-	75	77	2
Interest-bearing loans and borrowings	-2	-2	-	-16	-21	-5	-	-	-	-18	-23	-5
Other liabilities and provisions	-11	-11	-	-150	-138	12	-26	-26	-	-187	-175	12
Deferred tax assets/liabilities, net	2	2	-	-192	1	193	-	-	-	-190	3	193
Net identifiable assets and liabilities	84	85	1	430	625	194	90	90	-	604	800	196
Goodwill and surplus values	20	20	0	2,793	2,592	-201	-	-	-	2,813	2,612	-201
Purchase consideration	-104	-105	-1	-3,223	-3,217	7	-90	-90	0	-3,417	-3,412	5
Cash and cash equivalents in the acquired business	5	5	-	70	72	2	-	-	-	75	77	2
Net cash outflow	-99	-100	-1	-3,153	-3,145	9	-90	-90	0	-3,342	-3,335	7

The fair value of the acquisitions made during 2020 have changed due to the establishment of a final purchase price agreement during 2021.

§ ACCOUNTING PRINCIPLES

Subsidiaries are entities over which the Parent Company has a controlling influence. Controlling influence exists if the Parent Company has the power over the investee, meaning the investor has existing rights that give it the ability to direct the relevant activities, is exposed to or has the rights to variable return from its involvement in the investee and can, through its influence, affect the return from the involvement in the investee. In assessing a controlling interest, defacto control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the controlling influence commences until the date that control ceases. For cases in which the subsidiary's accounting policies do not coincide with the Group's accounting policies, adjustments were made to comply with the Group's accounting policies.

The consolidated financial statements are prepared in accordance with the purchase method. In business combinations, acquired assets and assumed liabilities are identified and classified, and measured at fair value on the date of acquisition (also known as a purchase price allocation).

Transaction costs in conjunction with acquisitions are directly in profit or loss for the year as other operating expenses.

Contingent considerations are recognized as financial liabilities and at fair value on the acquisition date. Contingent considerations are remeasured at each reporting period with any change recognized in profit or loss for the year.

In step acquisitions, when a controlling interest is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. If the controlling interest is lost upon divestment, net profit is recognized in profit or loss. Any residual holding in the divested business is then measured at fair value on the date of divestment and its effect is recognized in profit or loss for the year. ■

! CRITICAL ESTIMATES AND JUDGMENTS

The business areas use estimates and judgments regarding allocation of goodwill and other surplus values in a business combination. ■

G32 DIVESTMENTS, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The divestments of business combinations executed in 2020 and 2021 are set out below.

Business area	Company/Unit	Divestment date	Annual revenue	No. of employees
2020				
Other operations	Sandvik Drilling & Completions (Varel)	March 12, 2020	2,100 MSEK in 2019	1,100
Sandvik Materials Technology	Sandvik Powder Solutions Business	April 6, 2020	68 MSEK in 2019	30
2021				
Sandvik Manufacturing and Machining Solutions	OJSC SANDVIK-MKTC	March 30, 2021	N/A	14
Sandvik Materials Technology	Tube Business	May 31, 2021	51 MSEK in 2020	51
Sandvik Mining and Rock Solutions	Shandong ZhongRui Mining Equipment Manufacturing Co., Ltd	September 30, 2021	N/A	N/A
Sandvik Mining and Rock Solutions	Exploration	On-going	450 MSEK 2019	39

Divestments

Sandvik had no divestments with major impact during 2021. One of the divestments, Exploration was presented as assets held for sale in 2020 and had still some items left as assets held for sale in 2021, See below under assets held for sale.

Assets and liabilities included in divestments 2021

	Total
Intangible assets	4
Property, plant and equipment	29
Other non-current assets	-
Inventories	171
Receivables	18
Other current assets	13
Cash and cash equivalents	48
Interest-bearing loans and borrowings	-
Other liabilities and provisions	-25
Deferred tax assets/liabilities, net	8
Net identifiable assets	265
Gain (loss) on divestments of business combinations	202
Consideration received after divestment costs	471
Consideration not received	-33
Less: Cash and cash equivalents in the divested entities	-48
Impact on the Group's cash and cash equivalents, divested operations	391

Asset held for sale

During July 2021, management at Sandvik decided to sell the Jiading Real estate in China which is currently reported in Sandvik Mining and Rock Solutions and Sandvik Rock Processing Solutions. The process to find a buyer was started in 2021, the assets and liabilities were consequently classified as a disposal group held for sale. The disposal group was measured at fair value less costs to sell. The transaction is expected to close during the first quarter of 2022.

During October 2020, Sandvik signed an agreement to divest its Exploration business to Drillman, a subsidiary of the M Group of companies, which is 100 percent owned and operated in Australia. The deal includes exploration rigs, consumables and production stock, along with selected trademarks and patents. The business is currently reported in Sandvik Mining and Rock Solutions. The attributable assets and liabilities were classified as a disposal group held for sale. The disposal group was measured at fair value less costs to sell. The divestment process is ongoing and there are only minor items left. Final closing of the transaction is expected during the first quarter of 2022.

Assets and liabilities held for sale

	2020	2021
Intangible assets	2	42
Property, plant and equipment	0	190
Other non-current assets	53	48
Inventories	245	2
Receivables	61	41
Total assets	361	323
Other liabilities and provisions	171	107
Total liabilities	171	107
Total equity and liabilities	171	107

Discontinued operations

The Mining Systems business was divested to FLSmidth and Nepean already in 2017, however a number of ongoing projects were kept to be delivered by Sandvik in 2017–2019, through an operational agreement with FLSmidth. The majority of the projects were completed by the end of 2019, however Mining Systems still has some personnel and guarantee commitments.

Income statement for discontinued operations

	2020	2021
Revenue	6	5
Cost of sales and services	-13	19
Gross profit	-8	24
Selling expenses	6	-10
Administrative expenses	-27	-14
Other operating income	2	6
Other operating expenses	-5	-16
Operating loss	-32	-10
Loss for the year	-32	-10

Cash flow statement for discontinued operations

	2020	2021
Cash flow from operating activities	-67	-40
Cash flow from investing activities	2	1
Cash flow from discontinued activities	-66	-39

§ ACCOUNTING PRINCIPLES

Assets held for sale and discontinued operations

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. To be highly probable, actions to complete the transaction are initiated and the transaction is expected to be completed within one year. The disposal group is measured at the lower of the carrying amount and fair value less costs to sell.

An impairment loss is recognized for any initial or subsequent write-down of the disposal group to fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Discontinued operations

To qualify as discontinued operations, a component of the Group must, in addition to having been classified as a disposal group held for sale, also represent a separate major line of business or be a part of a single coordinated plan to dispose of a separate major line of business.

Loss of control of a wholly-owned subsidiary with an interest retained

When the Group disposes of a significant part of its interest, and therefore loses control of a subsidiary, it deconsolidates the subsidiary. If the retained interest in the entity fulfills the criteria of being an associate, it is accounted for at fair value at the disposal date, and subsequently accounted for using the equity method. The gain or loss of the transaction is the difference between the fair value of the consideration received as well as the fair value of the retained interest, and the carrying value of the former subsidiary's net assets (including any related goodwill), and is recorded in the income statement. Any portion of the gain or loss related to the remeasurement of the retained interest to fair value is disclosed separately.

Distribution to owners

When Sandvik is committed to distribute a disposal group to its owner, assets and liabilities will be reclassified to "held for distribution to owners". Sandvik is committed to the distribution when the disposal group is available for immediate distribution and the distribution is highly probable. To be highly probable, actions to complete the distribution are initiated and the distribution is expected to be completed within one year. The decision of distribution shall be taken at the appropriate level within the organization. ■

G33 GOVERNMENT GRANTS

Sandvik has received various forms of government grants in countries where the Group operates of SEK 161 million (521) during 2021. About half of the amount of the received grants in 2021, have been recognized as a reduced cost to which the grant is attributable to (in 2020 it was the main part of the received amount). The main part of the amount is related to personnel costs. The other part of the received grants in 2021 was mainly related to R&D projects.

The majority of the grants have no unfulfilled conditions or contingencies attached to the grants.

§ ACCOUNTING PRINCIPLES

Government grants are recognized as deferred income in the balance sheet when there is reasonable assurance that the grant will be received, and that the entity will comply with the conditions attached to them. Grants are recognized in profit or loss for the year in the same way and over the same periods as the related costs that they are intended to compensate, on a systematic basis.

Grants related to assets are presented by deducting the grant from the carrying amount of the asset. ■

G34 EVENTS AFTER THE END OF THE PERIOD

From January 1, 2022 Sandvik Materials Technology has been classified as asset held for distribution.

Sandvik appointed Cecilia Felton as Executive Vice President and Chief Financial Officer, CFO, effective February 1, 2022. Cecilia Felton, who served as interim CFO since November 1, 2021, will also be a member of the Group Executive Management.

Sandvik has completed the acquisition of the tube engineering solutions company Gerling GmbH. The company will be reported within Sandvik Materials Technology.

As a result of the ongoing war in Ukraine, Sandvik is continuously following up on risks and mitigating activities to reduce the impacts on the Group. In 2021, revenues from Russian customers amounted to SEK 3.6 billion (3.6 percent of total Group revenue) and from Ukrainian customers to SEK 0.2 billion (0.2 percent of total Group revenue).

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PARENT COMPANY INCOME STATEMENT

MSEK	Note	2020	2021
Revenue	P2	9,599	12,244
Cost of goods and services sold		-1,877	-2,593
Gross profit		7,722	9,651
Selling expenses		-956	-904
Administrative expenses		-1,382	-1,701
Research and development costs	P5	-1,386	-1,496
Other operating income	P6	7	172
Other operating expenses	P6	-1,055	-1,394
Operating profit	P3, P4, P11	2,950	4,328
Result from shares in Group companies	P7	-1,558	2,205
Interest income and similar items	P7	448	301
Interest expenses and similar items	P7	-578	-543
Profit after financial items		1,262	6,291
Appropriations		2,285	-134
Income tax	P8	-680	-1,223
Profit for the year		2,867	4,934

Profit for the year corresponds to total comprehensive income for the year.

PARENT COMPANY BALANCE SHEET

MSEK	Note	Dec 31, 2020	Dec 31, 2021
ASSETS			
Non-current assets			
Intangible assets	P9	39	585
Property, plant and equipment	P10	3,219	3,082
Financial assets			
Shares in Group companies	P12	43,544	51,458
Due from Group companies		10,469	14,244
Other investments		2	2
Non-current receivables	P13	12	26
Deferred tax assets	P8	81	45
Total non-current assets		57,366	69,442
Current assets			
Inventories	P14	676	824
Trade receivables		167	232
Due from Group companies		5,092	4,609
Other receivables	P13	415	420
Prepaid expenses and accrued income		619	658
Cash and cash equivalents		0	0
Total current assets		6,969	6,989
TOTAL ASSETS		64,335	76,430
EQUITY AND LIABILITIES			
Equity			
Non-distributable equity			
Share capital		1,505	1,505
Statutory reserve		1,611	1,611
Distributable equity			
Profit brought forward		31,748	26,553
Profit for the year		2,867	4,934
Total equity	P15	37,731	34,603
Untaxed reserves			
Other untaxed reserves		937	1,071
Provisions			
Provisions for pensions	P16	303	241
Other provisions	P17	447	283
Total		750	523
Non-current interest-bearing liabilities			
Other liabilities	P18	11,346	15,127
Non-current non-interest-bearing liabilities			
Other liabilities		123	87
Current interest-bearing liabilities			
Loans from financial institutions		–	–
Loans from Group companies		7,116	20,699
Other liabilities		3,350	1,534
Total current interest-bearing liabilities		10,466	22,233
Current non-interest-bearing liabilities			
Advance payments from customers		26	35
Accounts payable		749	869
Due to Group companies		609	2
Income tax liabilities	P8	11	0
Other liabilities		205	160
Accrued expenses and deferred income	P19	1,383	1,719
Total current non-interest-bearing liabilities		2,982	2,785
EQUITY AND LIABILITIES		64,335	76,430

For information on contingent liabilities and pledged assets, refer to note P20.

PARENT COMPANY CHANGES IN EQUITY

MSEK	Share capital	Statutory reserve	Distributable equity	Total equity
Equity at January 1, 2020	1,505	1,611	31,449	34,565
Comprehensive income for the year	-	-	2,867	2,867
Dividend	-	-	-	-
Share-based payment settled by equity instruments	-	-	34	34
Increase of hedge options programs	-	-	176	176
Transfer of equity Sandvik Australian Limited Partner	-	-	89	89
Equity at December 31, 2020	1,505	1,611	34,615	37,731
Equity at January 1, 2021	1,505	1,611	34,615	37,731
Comprehensive income for the year	-	-	4,934	4,934
Dividend	-	-	-8,140	-8,140
Share-based payment settled by equity instruments	-	-	78	78
Equity at December 31, 2021	1,505	1,611	31,487	34,603

PARENT COMPANY CASH FLOW STATEMENT

MSEK	Note	2020	2021
Cash flow from operating activities			
Profit before tax		3,547	6,157
Adjustment for depreciation, amortization and impairment losses		684	569
Adjustment for non-cash items, etc.	P22	-413	2,041
Income tax paid		-1,275	-1,444
Cash flow from operating activities before changes in working capital		2,543	7,323
Changes in working capital			
Changes in inventories		2,553	-148
Changes in operating receivables		7,972	-6,145
Changes in operating liabilities		-3,956	-116
Cash flow from operating activities		9,112	914
Cash flow from investing activities			
Acquisition of companies and shares, net of cash acquired		-1,144	-22,282
Acquisition of property, plant and equipment		-430	-1,070
Proceeds from sale of companies and shares, net of cash disposed of		-2,011	11,608
Proceeds from sale of property, plant and equipment		3,923	161
Net cash used in investing activities		338	-11,583
Net cash flow after investing activities		9,450	-10,669
Cash flow from financing activities			
Changes in advances/loans to Group companies		-1,118	2,831
Changes in advances/loans from Group companies		-6,029	13,583
Proceeds from external borrowings		-	5,098
Repayment of external borrowings		-2,303	-2,703
Dividend paid		-	-8,140
Net cash used in financing activities		-9,450	10,669
Cash flow for the year		0	0
Cash and cash equivalents at beginning of year		0	0
Cash and cash equivalents at end of year		0	0

P1 ACCOUNTING PRINCIPLES, PARENT COMPANY

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the standard, RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board. The interpretations issued by the Financial Reporting Board valid for listed companies have also been applied. Under RFR 2, the Parent Company in its Annual Report is to apply all the IFRS and IFRIC interpretations approved by the EU to the extent possible within the framework of the Annual Accounts Act, the Act on Income Security, and taking into account the close tie between financial reporting and taxation. The standard specifies what exceptions from or additions to the IFRS shall be made.

The Parent Company generally applies accounting principles as the consolidated financial statements. When an exception is made the accounting principle applied for the Parent Company is presented in the respective note.

§ ACCOUNTING PRINCIPLES

The symbol and heading show where the accounting principles are described in the note.

Changed accounting principles

The Parent Company's accounting principles has changed in accordance with the amendments described in the Group in G1.

Classification and presentation

The Parent Company's income statement and balance sheet adhere to the presentation included in the Annual Accounts Act. The differences compared with IAS 1 Presentation of Financial Statements applied when presenting the consolidated financial statements mainly pertain to the presentation of finance income and expenses, non-current assets, equity and the presentation of provisions as a separate heading in the balance sheet. ■

P2 CATEGORIES OF REVENUE

	2020	2021
Geographical markets		
Europe	8,995	11,541
North America	113	155
South America	72	55
Africa and Middle East	80	74
Asia	287	333
Australia and New Zealand	52	86
Total	9,599	12,244
Goods/service lines		
Sale of goods	9,557	12,162
Rendering of services	39	57
Rental income	3	25
Total	9,599	12,244

Contract asset and contract liability balances are not disclosed for Parent Company, due to the small balances and corresponding small movements.

P3 PERSONNEL INFORMATION AND REMUNERATION TO MANAGEMENT

The average number of employees was 3,529 (4,990) of which 27 percent were women (25). All personnel in the Parent Company is based in Sweden.

Wages, salaries, other remuneration and social costs

	2020	2021
Wages, salaries and other remuneration	2,160	2,812
Social costs	770	1,126
Pension costs	426	301
Total	3,356	4,239
of which to Boards of Directors and presidents ¹⁾		
Salaries and other remunerations	38	39
Variable salary	–	19
Pension costs	21	19

¹⁾ The Parent Company's pension liability relating to these persons amounted to SEK 3 million (4).

Gender distribution in senior management

Proportion of women, %	2020	2021
Gender distribution in senior management	27	30
Other senior executives	29	44

For information regarding incentive programs see note G4.

§ ACCOUNTING PRINCIPLES

Employee benefits

The Parent Company calculates expenses for defined-benefit pension plans differently from the manner prescribed in IAS 19. The Parent Company applies the Act on Income Security and regulations issued by the Swedish Financial Supervisory Authority, which is a prerequisite for income tax purposes. Compared to IAS 19, the most significant differences relate to the determination of the discount rate and the fact that the obligation is calculated based on the current salary level disregarding assumptions about future levels. ■

P4 REMUNERATION TO AUDITORS

	2020	2021
PwC		
Audit fees	-16	-19
Audit activities other than the audit assignment	-	0
Tax consultancy services	0	0
Other services	-16	-13
Total	-32	-32
Other audit firms		
Audit fees	-	-
Audit activities other than the audit assignment	-	-
Tax consultancy services	-1	-2
Other services	-23	-18
Total	-24	-20

P5 RESEARCH AND DEVELOPMENT

	2020	2021
Expenditure for		
Research and development	-1,386	-1,496
Quality Assurance	-35	-36
Total	-1,421	-1,532
of which expensed, total	-1,421	-1,532
of which expensed relating to Research and development	-1,386	-1,496

P6 OTHER OPERATING INCOME AND EXPENSES

The Parent Company's other operating income amounted to SEK 172 million (7). The amount is mainly related to invoiced costs from Mergers and Acquisitions of SEK 142 million (0) to other Sandvik entities, and currency exchange gain of SEK 21 million (0).

The Parent Company other operating expenses amounted to SEK -1,394 million (-1,055). The amount is mainly related to royalties between group companies of SEK -936 million (-830), costs for Mergers and Acquisitions of SEK -262 million (0), and Transfer Price Adjustments of SEK -123 million (-108).

P7 FINANCIAL INCOME AND EXPENSES**Result from shares in group companies**

	2020	2021
Dividend, net of withholding tax	738	2,818
Group contributions paid/received	-	2,146
Gain or loss on sale of shares and participations	-2,243	-2,759
Impairment	-53	-
Total	-1,558	2,205

Interest income and similar items

	2020	2021
Interest income, group companies	432	289
Other interest income	0	-
Derivatives, group companies	5	12
Other	11	-
Total	448	301

Interest expense and similar items

	2020	2021
Interest expense, group companies	-41	-30
Other interest expense	-521	-432
Derivatives, group companies	-4	-6
Other	-12	-75
Total	-578	-543

§ ACCOUNTING PRINCIPLES**Group contributions and shareholders' contributions in legal entity accounts**

Group contributions that a Parent Company receives from a subsidiary are recognized in the Parent Company in accordance with the same policies as normal dividends from subsidiaries. Shareholder contributions paid by the Parent Company to subsidiaries are recognized as investments in shares in the subsidiaries.

Anticipated dividends

Anticipated dividends from subsidiaries are recognized in cases where the Parent Company unilaterally may determine the size of the dividend and provided that the Parent Company has made such a decision before it published its financial statements.

Financial guarantees

The Parent Company applies a relaxation rule permitted by the Swedish Financial Reporting Board to the reporting of financial guarantees as opposed to the rules stipulated by IFRS 9. This relaxation rule pertains to financial guarantee agreements issued for the benefit of subsidiaries, associated companies and joint ventures. The Parent Company recognizes financial guarantees as a provision in the balance sheet when the company has an obligation for which payment is probably necessary to settle the commitment. ■

P8 INCOME TAX

Recognized in profit and loss

	2020	2021
Income tax expense for the year		
Current tax	-624	-1,254
Adjustment of taxes attributable to prior years	-57	67
Total current tax expense	-681	-1,187
Deferred taxes relating to temporary differences and tax losses carried forward	1	-36
Total tax expense	-680	-1,223

Reconciliation of the Parent Company's tax expense

The Parent Company's effective tax rate is lower than the nominal tax rate in Sweden, mainly due to received dividends from shares in group companies which are non-taxable incomes.

Reconciliation of the Parent Company's nominal tax rate and actual tax expense:

	2020		2021	
	MSEK	%	MSEK	%
Profit after financial items	3,547		6,157	
Weighted average tax based on each country's tax rate	-759	-21.4	-1,268	-20.6
Tax effect of				
Non-deductible expenses	-51	-1.4	-617	-10.0
Tax-exempt income	178	5.0	583	9.5
Adjustments relating to prior years	-57	-1.6	67	1.1
Other	9	0.2	12	0.1
Total recognized tax expense	-680	-19.2	-1,223	-19.9

Recognized in the balance sheet

Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized in the balance sheet are attributable to the following assets and liabilities.

	2020			2021		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	-	-24	-24	-	-24	-24
Inventories	6	-	6	11	-	11
Provisions	86	-11	75	-	-1	-1
Non-interest-bearing assets and liabilities	25	-1	24	76	-17	59
Total	117	-36	81	87	-42	45
Offsetting	-117	117	-	-87	87	-
Total deferred tax assets and liabilities	-	81	81	-	45	45

Change of deferred tax in temporary differences and unused tax losses

	2020	2021
Balance at the beginning of the year, net	80	81
Recognized in profit and loss	1	-36
Balance at end of year, net	81	45

In addition to the deferred tax assets and liabilities, Sandvik reports the following tax liabilities and receivables:

	2020	2021
Income tax liabilities	-11	-
Income tax receivables	-	246
Net tax liabilities/receivables	-11	246

§ ACCOUNTING PRINCIPLES

Income tax

The Parent Company recognizes untaxed reserves including the deferred tax component.

In the consolidated financial statements, untaxed reserves are recognized in their equity and deferred tax components. Correspondingly, portions of appropriations are not allocated to deferred tax expenses in the Parent Company's income statement. ■

P9 INTANGIBLE ASSETS

	Patents and other intangible assets	Goodwill	Total
<i>Cost</i>			
At January 1, 2020	120	139	259
Additions	4	–	4
Divestments and disposals	-40	–	-40
Reclassifications	3	–	3
At December 31, 2020	87	139	226
<i>Accumulated amortization</i>			
At January 1, 2020	88	86	174
Divestments and disposals	-22	–	-22
Amortization for the year	8	27	35
At December 31, 2020	74	113	187
<i>Net carrying amount</i>			
At December 31, 2020	13	26	39
<hr/>			
	Patents and other intangible assets	Goodwill	Total
<i>Cost</i>			
At January 1, 2021	87	139	226
Additions	667	–	667
At December 31, 2021	754	139	893
<i>Accumulated amortization</i>			
At January 1, 2021	74	113	187
Amortization for the year	95	26	121
At December 31, 2021	169	139	308
<i>Net carrying amount</i>			
At December 31, 2021	585	0	585

Amortization for the year is included in the following lines in the income statement

	2020	2021
Administrative expenses	-35	-32
Research and development costs	–	-89
Total	-35	-121

§ ACCOUNTING PRINCIPLES

Intangible assets

The Parent Company recognizes all expenditure for research and development conducted on a proprietary basis as an expense in profit or loss.

Amortization of intangible assets

Intangible assets are amortized on a straight-line basis over the estimated useful lives. Intangible assets are amortized from the date they are available to use. The estimated useful lives are as follows:

- Patents 10–20 years
- Goodwill 10 years

Borrowing costs

In the Parent Company, borrowing costs are expensed in the periods to which they relate. Borrowing costs for assets are not capitalized. ■

P10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and machinery	Equipment, fixtures and fittings	Construction in progress	Total
<i>Cost</i>					
At January 1, 2020	1,756	14,860	1,565	1,232	19,413
Additions	28	52	32	318	430
Divestments and disposals	-201	-9,702	-702	-514	-11,119
Reclassifications	59	221	73	-383	-30
At December 31, 2020	1,642	5,431	968	653	8,694
<i>Revaluations</i>					
At January 1, 2020	36	-	-	-	36
Divestments and disposals	0	-	-	-	0
At December 31, 2020	36	-	-	-	36
<i>Accumulated depreciation and impairment losses</i>					
At January 1, 2020	820	10,416	1,124	-	12,360
Divestments and disposals	-95	-6,593	-530	-	-7,218
Reclassifications	-	-30	-	-	-30
Depreciation for the year	46	252	78	-	376
Impairment losses	-	23	-	-	23
At December 31, 2020	771	4,068	672	-	5,511
<i>Net carrying amount</i>					
At December 31, 2020	907	1,363	296	653	3,219

	Land and buildings	Plant and machinery	Equipment, fixtures and fittings	Construction in progress	Total
<i>Cost</i>					
At January 1, 2021	1,642	5,431	968	653	8,694
Additions	14	92	26	290	422
Divestments and disposals	-239	-157	-34	-5	-435
Reclassifications	42	194	78	-316	-2
At December 31, 2021	1,459	5,560	1,038	622	8,679
<i>Revaluations</i>					
At January 1, 2021	36	-	-	-	36
Divestments and disposals	-4	-	-	-	-4
At December 31, 2021	32	-	-	-	32
<i>Accumulated depreciation and impairment losses</i>					
At January 1, 2021	771	4,068	672	-	5,511
Divestments and disposals	-121	-115	-27	-	-263
Depreciation for the year	46	258	77	-	381
At December 31, 2021	696	4,211	722	-	5,629
<i>Net carrying amount</i>					
At December 31, 2021	795	1,349	316	622	3,082

§ ACCOUNTING PRINCIPLES

Borrowing costs

In the Parent Company, borrowing costs are expensed in the periods to which they relate. Borrowing costs for assets are not capitalized. ■

P11 LEASES

Operating leases with Sandvik as lessee according to RFR 2

Operating leases with Sandvik as lessee	2020	2021
Within one year	117	126
Between one and five years	279	307
Later than five years	191	182
Net carrying amount	587	615

Leasing fees for assets under operating leases, such as leased premises, machinery and office equipment are recognized within operating expenses. In 2021, the Parent Company expensed SEK 168 million.

Operating leases with Sandvik as lessor

No future minimum lease payments under non-cancellable operating lease contracts (0).

§ ACCOUNTING PRINCIPLES

Leased assets

The Parent Company recognizes all lease contracts according to the rules for operating leases. ■

P12 SHARES IN GROUP COMPANIES

	2020	2021
Cost		
At the beginning of the year	43,044	44,069
Additions	349	8,775
Capital contributions	1,136	18,979
Capital reductions	–	–4
Divestment	–460	–19,888
At the end of the year	44,069	51,931
Accumulated impairment losses		
At the beginning of the year	–471	–525
Impairment losses for the year	–54	–
Impairment reversed for the year	–	52
At the end of the year	–525	–473
Accumulated revaluations		
At the beginning of the year	0	0
At the end of the year	0	0
Carrying amount at year-end	43,544	51,458

Sandvik AB's holdings of shares and participations in subsidiaries, direct holdings, according to balance sheet at December 31

Company, domicile	Corp. Reg. number	2020			2021		
		No. of shares	Holding, % ²⁾	Carrying amount 000s SEK	No. of shares	Holding, % ²⁾	Carrying amount 000s SEK
SWEDEN							
Gimo Utbildningsaktiebolag, Gimo	556061–4041	1,000	91	7,527	1,000	91	11,301
Industri AB Skomab, Sandviken	556008–8345	2,000	100	21,946	2,000	100	21,946
Sandvik Global Purchasing AB, Stockholm	556052–4315	1,000	100	50	1,000	100	50
AB Sandvik Coromant, Sandviken ¹⁾	556234–6865	1,000	100	50	1,000	100	50
Sandvik Coromant Sverige AB, Stockholm ¹⁾	556350–7846	1,000	100	100	1,000	100	100
Sandvik Far East Ltd. AB, Sandviken	556043–7781	10,000	100	10,000	10,000	100	10,000
Sandvik Försäkrings AB, Sandviken	516401–6742	1,500	100	81,000	1,500	100	81,000
Sandvik Besöksservice AB, Sandviken ¹⁾	556235–3838	1,000	100	50	1,000	100	50
Sandvik Intellectual Property AB, Sandviken	556288–9401	1,000,000	100	3,499,950	1,000,000	100	3,499,950
AB Sandvik International, Sandviken ¹⁾	556147–2977	1,000	100	50	1,000	100	50
Sandvik Materials Technology EMEA AB, Stockholm	556734–2026	501,000	100	6,623,705	–	–	–
Sandvik Construction AB, Sandviken ¹⁾	556664–9983	1,000	100	100	–	–	–
Sandvik Mining and Construction Sverige AB, Sandviken ¹⁾	556288–9443	1,000	100	50	1,000	100	50
Sandvik Mining and Construction Tools AB, Sandviken ¹⁾	556234–7343	1,000	100	50	1,000	100	50
Sandvik Rotary Tools AB, Köping	556191–8920	101,000	100	103,231	101,000	100	103,231
AB Sandvik Skogsfastigheter, Sandviken	556579–5464	1,000	100	51	1,000	100	51
AB Sandvik Steel Investment, Sandviken	556350–7853	1,000	100	100	1,000	100	100
Sandvik Stål Försäljnings AB, Stockholm ¹⁾	556251–5386	1,000	100	50	1,000	100	50
Sanrip AB, Sandviken ¹⁾	556692–0038	1,000	100	100	1,000	100	100
Sandvik Machining Solutions AB, Sandviken ¹⁾	556692–0053	1,000	100	100	1,000	100	100
Sandvik Utbildnings AB, Sandviken	556304–8791	910	91	37,947	910	91	48,070
Sandvikens Brukspersonals Byggnadsförening upa, Sandviken	785500–1686	–	100	0	–	100	0
Dormer Pramet AB, Halmstad	556240–8210	80,000	100	46,145	80,000	100	46,145
Walter Norden AB, Halmstad	556752–4698	15,000	100	5,139	15,000	100	5,139
Sandvik Mining and Construction Köping AB, Köping ¹⁾	556776–9525	1,000	100	100	–	–	–
Wire Sandviken AB, Sandviken ¹⁾	556779–3897	1,000	100	100	1,000	100	100
Sandvik IT Services AB, Sandviken ¹⁾	556788–9059	1,000	100	100	1,000	100	100
Sandvik Venture AB, Stockholm ¹⁾	556868–7155	1,000	100	281,048	1,000	100	281,048
Sandvik Financial Services AB, Stockholm	556843–7296	10,000	100	75,000	10,000	100	75,000
Seco Tools AB, Fagersta	556071–1060	145,467,690	100	15,658,859	145,467,690	100	15,658,859
Sandvik PT AB, Sandviken	556207–5191	2,500	100	4,740,600	–	–	–
Sandvik Materials Technology Holding AB, Sandviken	559224–1433	–	–	–	1,000	100	11,424,878
Sandnest 3 AB, Stockholm	559291–1035	25,000	100	25	25,000	100	25
Sandnest 2 AB, Stockholm	559291–1027	25,000	100	25	25,000	100	25
Sandnest 1 AB, Stockholm	559291–1019	25,000	100	25	25,000	100	25

¹⁾ Subsidiaries conducting business on behalf of the Parent Company.

²⁾ Refers to voting rights, which also equals share of capital unless otherwise indicated.

P12, continued

Sandvik AB's holdings of shares and participations in foreign subsidiaries, direct holdings, according to balance sheet at December 31, 2021

Country/Location	Company	2020			2021		
		No. of shares	Holding, % ²⁾	Carrying amount 000s SEK	No. of shares	Holding, % ²⁾	Carrying amount 000s SEK
Brazil	Sandvik Holding Do Brasil Ltda.	339,135,756	100	790,695	339,135,756	100	786,657
Bulgaria	Sandvik Bulgaria Ltd.	–	100	0	–	100	0
Chile	Sandvik Financial Services S.A.	9,900	99	165,331	9,900	99	165,331
China	Sandvik China Holding Co Ltd.	–	100	1,579,078	–	100	1,579,079
	Sandvik Materials Technology (China) Ltd.	–	23 ³⁾	230,343	–	–	–
Czech Republic	Sandvik CZ s.r.o.	–	100	0	–	100	0
Democratic Republic of Congo	Sandvik Mining and Construction DRC S.P.R.L.	9,990	100	4,898	9,990	100	43,235
Hungary	Sandvik Magyarország Kft.	–	100	3,258	–	100	3,258
India	Sandvik Asia Ltd.	1,801,241	75 ⁴⁾	252,481	1,801,241	75 ⁴⁾	252,481
	Sandvik Materials Technology India Private Ltd.	1,801,241	75 ⁴⁾	2,084	–	–	–
	Sandvik Mining and Rock Technology India Private Ltd.	1,801,241	75 ⁴⁾	2,084	1,801,241	75 ⁴⁾	2,084
Ireland	Sandvik Mining and Construction Logistics Ltd.	100	100	5,508	100	100	5,508
Japan	Sandvik K.K.	8,000	100	224,207	8,000	100	224,207
Korea	Sandvik Korea Ltd.	752,730	100	20,185	752,730	100	20,185
Luxembourg	DSI Underground Holdings S.à.r.l.	–	–	–	1,539,861	100	7,435,652
	Rocbolt Technologies Holdings Mongolia S.à.r.l.	–	–	–	6,000	50	1
Mali	Sandvik Mining and Construction Mali	25,000	100	3,462	25,000	100	3,462
Mauritius	Rocbolt of Mauritius Ltd.	–	–	–	956,768	50	430,027
Mexico	Sandvik Mexicana S.A. de C.V.	406,642,873	90 ³⁾	712,312	406,642,873	90 ³⁾	712,312
Mongolia	Sandvik Mongolia LLC.	400,000	100	2,682	400,000	100	2,682
Netherlands	Sandvik Finance B.V.	18,788	100	7,093,582	18,788	100	7,093,582
	Frost Holding B.V.	1	100	0	1	100	0
Peru	Sandvik del Perú S.A.	6,562,795	90 ³⁾	26,025	6,562,795	90 ³⁾	26,025
Russia	Sandvik LLC.	–	100	67,238	–	100	67,238
	Sandvik Mining and Construction CIS LLC.	–	100	45,015	–	100	45,015
Serbia	Sandvik Mining and Rock Technology LLC. Belgrade	–	100	7,898	–	100	7,898
Slovakia	Sandvik Slovakia s.r.o.	–	100	1,238	–	100	1,238
South Africa	Sandvik Holding Southern Africa (Pty) Ltd.	1,107,501	100	1,084,567	1,107,501	100	1,084,567
	Rocbolt Technologies Holdings Pty Ltd.	–	–	–	500,000	50	172,322
Turkey	Sandvik Endüstriyel Mamüller Sanayi ve Ticaret A.S.	125,154,588	100	3,200	125,154,588	100	3,200
UAE	Sandvik Middle East FZE.	1	100	19,886	1	100	19,886
Zimbabwe	Sandvik Mining and Construction Zimbabwe (Pty) Ltd.	233,677	100	3,269	233,677	100	3,269
Total				43,543,899			51,458,044

1) Subsidiaries conducting business on behalf of the Parent Company.

2) Refers to voting rights, which also equals share of capital unless otherwise indicated.

3) Remaining shares are held by other group companies.

4) Shares up to an ownership interest of 100 percent are held by other group companies.

P12, continued

Sandvik AB's holdings of shares and participations in subsidiaries, indirect holdings, %¹⁾

Country/Location	Company	2020	2021
Sweden	Sandvik Financial Service SPV AB	–	100
	DSI Underground Nordics AB	–	100
	Edvirt AB	–	100
	Sandvik Materials Technology StripTech AB	100	100
	Sandvik Materials Technology Rock Drill Steel AB	100	100
	Sandvik PT AB	–	100
	Sandvik Materials Technology EMEA AB	–	100
	Sandvik Treasury AB	100	100
	Sandvik Materials Technology Treasury AB	100	100
	Metrolog Services Nordic AB	100	100
	SETP Invest AB	100	100
	Sandvik Invest Aktiebolag	100	100
	Seco AB	100	100
	Pramet Scandinavia AB	100	100
	AB Sandvik Materials Technology	100	100
	Kanthal AB	100	100
	Sandvik Mining and Construction Haparanda AB	100	100
Sandvik SRP AB	100	100	
Argentina	DSI Underground Argentina S.A.	–	100
	Seco Tools Argentina S.A.	100	100
	Sandvik Argentina S.A.	100	100
	Sandvik Mining and Construction Argentina S.A.	100	100
Armenia	Sandvik Mining and Rock Technology AM LLC	100	100
Australia	Sandvik Australia Pty Ltd.	100	100
	Sandvik Financial Services Pty Ltd.	100	100
	DSI Underground Australia Pty Limited	–	100
	DSI Australia Holdings Pty Ltd.	–	100
	DSI Holdings 1 Australia Pty Ltd.	–	100
	DSI Holdings 2 Australia Pty Ltd.	–	100
	Stratabolt Resins Australia Pty Ltd.	–	100
	Heintzmann Australia Pty Ltd.	–	100
	Fero Group Pty Ltd.	–	100
	Sandvik Mining and Construction Australia (Production/Supply) Pty Ltd.	100	100
	NTX Australia Pty Ltd.	100	100
	Fero Group (Queensland) Pty Ltd.	–	100
	Fero Reinforcing Pty Ltd.	–	100
	Fero Strata Systems Pty Ltd.	–	100
	Edvirt Australia Pty Ltd.	–	100
	Tricon Drilling Solutions Pty Ltd.	–	100
	SigmaTEK Pty Ltd (Australia)	–	100
	Terelion (Australia) Pty Ltd.	100	100
	Seco Tools Australia Pty Ltd.	100	100
	Sandvik Australia Holdings Pty Ltd.	100	100
Sandvik Mining and Construction Australia Pty Ltd.	100	100	
Austria	Sandvik in Austria Gesellschaft GmbH	100	100
	DSI Underground Austria GmbH	–	100
	Walter Austria GmbH	100	100
	Wolfram Bergbau und Hütten AG	100	100
	Seco Tools Gesellschaft GmbH	100	100
	Sandvik Mining and Construction G.m.b.H.	100	100
	Sandvik Mining and Construction Materials Handling GmbH & Co KG	100	100
	Sandvik Mining and Construction Materials Handling GmbH	100	100
Belarus	OOO Walter Tools	100	100
Belgium	Walter Benelux NV/S.A.	100	100
	S.A. Seco Tools Benelux N.V.	100	100
Botswana	Sandvik Botswana (Pty) Ltd	100	100
Brazil	Sandvik Coromant Do Brasil Indústria e Comércio de Ferramentas Ltda	100	100
	DSI Underground System Brasil Indústria e Comércio Ltda	–	100
	Walter do Brazil Ltda	100	100
	Dormer Pramet Solucoes Para Usinagem Ltda	100	100
	Sandvik Materials Technology do Brasil Indústria e Comércio Ltda	100	100

1) Refers to share of capital, which also corresponds to voting rights for the total number of shares unless otherwise stated.

P12, continued

Country/Location	Company	2020	2021
Brazil	Sandvik Holding do Brazil Ltda.	100	100
	Seco Tools Indústria e Comércio Ltda.	100	100
	SigmaTEK Systems Brasil Ltda.	–	100
	Sandvik MGS S.A.	100	100
	Sandvik Mining and Rock Technology do Brasil Ltda.	100	100
	CGTech Brasil Consultoria de Software Eireli	100	100
Burkina Faso	Sandvik Mining and Rock Technology Burkina Faso SARL	100	100
Canada	Système Guardian Inc.	100	–
	Sandvik Canada Inc.	100	100
	Sandvik Materials Technology Canada Inc.	100	100
	Newtrax Holdings Inc.	100	100
	Cimatron Technologies Inc. (Canada)	–	100
	SigmaTEK Canada, LLC (Delaware)	–	100
	ICAM Technologies Corp Canada	–	100
	Indexable Cutting Tools of Canada	–	100
	DSI Underground Canada Ltd.	–	100
	11740750 Canada Limited	–	100
	Inrock Ltd.	100	100
	Newtrax Technologies Inc.	100	100
	Artisan Vehicles, Inc.	100	100
MISY Canada Inc.	100	100	
Chile	Sandvik Chile S.A.	100	100
	DSI Underground Chile S.p.A.	–	100
	DSI Underground Ventilation Systems S.p.A.	–	51
	NTX Chile SpA	100	100
	Sandvik Financial Services S.A.	100	100
	Sandvik Mining and Construction Chile S.A.	100	100
China	Sandvik Tooling Production (Langfang) Co., Ltd.	100	100
	DSI Underground Consulting Co., Ltd.	–	100
	Rocbolt Technologies China Ltd.	–	100
	Sandvik Industry Equipment (Shanghai) Co., Ltd.	–	100
	Sandvik Materials Technology (China) Co., Ltd.	77	100
	Sandvik International Trading (Shanghai) Co., Ltd.	100	100
	Walter Wuxi Co., Ltd.	100	100
	DWFritz Precision Automation	–	100
	DWFritz Wuxi Limited	–	100
	DWFritz Technology Limited	–	100
	Suzhou Xinlan Nano Technology	–	67
	Wuhan Yongpu Carbide Tools	–	67
	Suzhou OMK Carbide Tools	–	67
	Chuzhou Yongpu Carbide Tools Co., Ltd.	–	67
	Yongpu Global Trading Shanghai	–	67
	Yongpu Supply Chain	–	67
	Suzhou SPD Precision	–	67
	Suzhou Yongpu Precision Technology	–	67
	Cimatron (Beijing) Technologies Co., Ltd.	–	100
	SigmaTEK Systems China, LLC	–	100
	Sandvik Coromant Cutting Tools (Shanghai) Ltd.	100	100
	Sandvik Rock Tools Technology (Wuxi) Co., Ltd.	100	100
	Dormer Tools (Shanghai) Co., Ltd.	100	100
	Sandvik Logistics (Shanghai) Co., Ltd.	100	100
	Seco Tools (Shanghai) Co., Ltd.	100	100
	Kunshan OSK Precision Tools Co., Ltd.	100	100
	Seco Tools Manufacturing (Shanghai) Co., Ltd.	100	100
	Pramet Tools (Shanghai) Co., Ltd.	100	–
	Sandvik Mining and Construction Trading (Shanghai) Co., Ltd.	100	100
	Shanghai Jianshe Luqiao Machinery Co., Ltd.	80	100
	Shandong Energy Machinery Group ZhongRui Minig Equipment	50	–
	Sandvik Mining and Construction (China) Co., Ltd.	100	100
	Sandvik Mining and Construction (Luoyang) Co., Ltd.	100	100
	Jinan Lingong Mining and Rock Technology Co., Ltd.	65	65
	Sandvik Industry Equipment (ChangZhou) Co., Ltd.	–	100
	Beijing CGTech Software Co., Ltd.	100	100

P12, continued

Country/Location	Company	2020	2021
Colombia	Sandvik Colombia S.A.S.	100	100
	DSI Underground Colombia S.A.S.	-	100
Czech Republic	DSI Underground Multitex s.r.o.	-	100
	Sandvik Chomutov Precision Tubes Spol. s.r.o.	100	100
	WALTER CZ s.r.o.	100	100
	Seco Tools CZ s.r.o.	100	100
	Dormer Pramet s.r.o.	100	100
Denmark	Sandvik A/S	100	100
	Materials Technology Denmark ApS	-	100
	Seco Tools A/S	100	100
DR Congo	Sandvik Mining & Construction DRC SARL	100	100
Finland	Seco Tools Oy	100	100
	Materials Technology Finland Oy	-	100
	Sandvik Mining and Construction Oy	100	100
	Sandvik Mining and Construction Finland Oy	100	100
	Tamrock Oy	100	100
	Oy Tampella Ab	100	100
	Sandvik Coromant Finland Oy	100	100
	Tammerfors Linne och Jern Ab	100	100
France	Sandvik Holding France S.A.S	100	100
	Sandvik Tooling France S.A.S	100	100
	SigmaNEST France	-	100
	Sandvik Materials Technology France S.A.S	100	100
	Walter France S.A.S.	100	100
	Gunther Tools	100	100
	DWFritz Metrology S.A.S	-	100
	Sandvik Coromant Inserts France S.A.S	100	100
	Sandvik Mining and Construction Lyon S.A.S	100	100
	Sandvik Mining and Construction France S.A.S	100	100
	Financiere Metrolog S.A.S	100	100
	Metrologic Group S.A.S	100	100
	Metrologic Services SAS	100	100
	A.O.B. S.A.S	100	100
	Seco Tools France S.A.S.	100	100
	SECO Tools tooling systems S.A.S	100	100
	Seco Ressources et Finances SA	100	100
Seco Tools Reaming S.A.S	100	100	
CGTech S.A.R.L.	100	100	
Germany	Sandvik Materials Technology Deutschland GmbH	100	100
	Walter Deutschland GmbH	100	100
	Sandvik Tooling Deutschland GmbH	100	100
	Walter AG	100	100
	TDM Systems GmbH	100	100
	Comara GmbH	100	100
	Werner Schmitt PKD-Werkzeug GmbH	100	100
	Schaum-Chemie Beteiligungen 1 GmbH	-	100
	DSI Underground GmbH	-	100
	Prototyp-Werke GmbH	100	100
	Cimatron Technologies GmbH	-	100
	SigmaNEST GmbH	-	100
	Metrologic Group GmbH	100	100
	Protomedical GmbH	100	100
	Kanthal GmbH	100	100
	Sandvik Mining and Construction Deutschland GmbH	100	100
	Sandvik Mining and Construction Central Europe GmbH	100	100
	Sandvik Mining and Construction Crushing Technology GmbH	100	-
	Seco Tools GmbH	100	100
Sandvik Holding GmbH	100	100	
CGTech Deutschland GmbH	100	100	
Ghana	Sandvik Mining & Construction Ghana Limited	100	100
Hong Kong	Sandvik Hongkong Ltd BA SMC	100	100
	DWFritz Hong Kong Limited	-	100

PARENT COMPANY NOTES

P12, continued

Country/Location	Company	2020	2021
Hungary	Walter Hungaria Kft	100	100
	Seco Tools Kft	100	100
	Pramet Kft	100	100
India	Sandvik Asia Private Limited	100	100
	Walter Tools India Private Limited	100	100
	DSI Underground India Pvt. Ltd.	–	100
	Cimatron Technologies Pvt. Ltd.	–	100
	SigmaTEK Systems India Private Limited	–	100
	Vaal Triangle Systems Private Limited	–	100
	Seco Tools India Private Limited	100	100
	Dormer Tools India Private Limited	100	100
	Sandvik Materials Technology India Private Limited	25	100
	Sandvik Mining and Rock Technology India Private Limited	100	100
CGTech India Software Solutions Private Limited	100	100	
Indonesia	Pt. DSI Indonesia	–	100
	Pt. DSI Underground	–	100
	PT Sandvik Indonesia	100	100
	PT Sandvik Mining and Construction Indonesia	100	100
	PT Seco Tools Indonesia	100	100
	PT Sandvik SMC	100	100
Ireland	Diamond Innovations International Sales	100	100
Israel	Cimatron Limited	–	100
Italy	Sandvik Italia S.p.A.	100	100
	Cimatron Technologies srl (Italy)	–	100
	SigmaTEK Srl (Italy)	–	100
	SSC Holding Italia S.R.L.	100	100
	Walter Italia S.R.L.	100	100
	Metrologic Group Italia S.R.L.	100	100
	Seco Tools Italia S.p.A SU	100	100
	Sandvik Materials Technology Italia S.R.L.	100	100
	Polyflex S.R.L.	–	100
CGTech s.r.l.	100	100	
Japan	Sandvik Materials Technology K.K.	100	100
	SigmaTEK Japan LTD.	–	100
	Sandvik K.K.	100	100
	Walter Japan K.K.	100	100
	Seco Tools Japan K.K.	100	100
	Sandvik Tooling Supply Japan K.K.	100	100
	Kabushiki Kaisha CGTech	100	100
Kazakhstan	Sandvik Mining and Construction Kazakhstan Ltd.	100	100
Korea	Walter Korea Ltd.	100	100
	Sandvik Materials Technology Korea Co., Ltd.	100	100
	Seco Tools Korea Ltd.	100	100
	Sandvik SuhJun Ltd.	100	100
	CGTech Co., Ltd.	100	100
Luxembourg	Jupiter LuxCo 2 S.à r.l.	–	100
	DSI Underground IP Holding Luxembourg S.à r.l.	–	100
	DSI Underground SMART S.à r.l.	–	100
	Rocbolt Technologies Holdings Mongolia S.à r.l.	–	50
Malaysia	Sandvik Malaysia Sdn Bhd	100	100
	Seco Tools Sdn Bhd	100	100
	Walter Malaysia Sdn Bhd	100	100
	Sandvik Mining And Construction (M) Sdn Bhd	100	100
Mauritius	Rocbolt of Mauritius Ltd	–	50
Mexico	NTX Mining Services S de RL de C.V.	100	100
	Sandvik SA de C.V.	100	100
	Sandvik Hard Materials de Mexico S.A. de C.V.	100	100
	Sandvik Materials Technology Mexico S.A. de C.V.	100	100
	Walter Tools S.A. de C.V.	100	100
	SigmaTEK Systems Mexico S. de R.L.	–	100
	Sandvik de Mexicana S.A.	100	100
	Terelion de Mexico S.A. de C.V.	100	100
	DSI Underground Mexico S.A. de C.V.	–	100

P12, continued

Country/Location	Company	2020	2021
Mexico	Mansour Mining Technolog De Mexico S.A DE C.V.	–	100
	Mansour Mining Technolog De Mexico Servicios S.A. de C.V.	–	100
	Valenite de Mexico	100	100
	Seco Tools de Mexico S.A. de C.V.	100	100
	Sandvik Mining and Construction de Mexico S.A. de C.V.	100	100
Mongolia	Rocbolt Technologies Mongolia LLC	–	100
Morocco	Seco Tools S.A.	100	100
Mozambique	Sandvik Mining & Construction Mozambique Lda	100	100
Namibia	Sandvik Namibia (Pty) Ltd.	100	100
Netherlands	Sandvik Benelux B.V.	100	100
	Sandvik DC Venlo B.V.	100	100
	Jabro Tools B.V.	100	100
	Sandvik Mining and Construction B.V.	100	100
Nigeria	Sandvik Mining & Construction Nigeria Limited	100	100
Norway	Sandvik Teeness AS	100	100
	Seco Tools AS	100	100
	Sandvik Materials Technology Norway AS	–	100
	Sandvik Norge AS	100	100
Papua New Guinea	Sandvik Mining and Construction PNG Limited	100	100
Peru	Sandvik del Peru S.A.	100	100
	Newtrax Peru Sociedad Anonima Cerrada	100	100
	Sandvik Forestal S.A.	100	100
	DSI Underground Peru S.A.C.	–	100
Philippines	Sandvik Philippines Inc.	100	100
	Sandvik Tamrock Philippines Inc.	100	100
Poland	Sandvik Polska Sp. z.o.o.	100	100
	DSI Schaum-Chemie Sp. z.o.o.	–	100
	DSI Underground Merol Sp. z.o.o.	–	100
	DSI Underground Poland Sp. z.o.o.	–	100
	DSI Underground Chemicals sp. z o.o.	–	100
	Walter Polska SP. z.o.o.	100	100
	Seco Tools Sp z.o.o.	100	100
	Pramet Sp. z.o.o.	100	100
Fabryka Narzedzi FANAR S.A	–	100	
Portugal	Seco Tools Portugal Lda.	100	100
Romania	Sandvik SRL	100	100
	Walter Tools SRL	100	100
	Seco Tools Romania SRL	100	100
Russia	DSI Techno LLC	–	100
	Newtrax Rus LLC	100	100
	DSI Techno LLC	–	100
	LLC Walter	100	100
	Sandvik MKTC OAO	100	–
	LLC Sandvik	100	100
	LLC Pramet	100	100
	LLC Seco Tools	100	100
	Sandvik Mining and Construction CIS LLC	100	100
Serbia	Seco Tools SRB d.o.o.	100	100
	Sandvik Mining & Rock Technology LLC Belgrade	100	100
Singapore	Walter AG Singapore Pte Ltd.	100	100
	Sandvik South East Asia Ptd Ltd.	100	100
	Seco Tools (SEA) Pte Ltd.	100	100
	Sandvik Materials Technology Singapore Pte. Ltd.	100	100
	Sandvik Mining and Construction S.E. Asia Pte Ltd.	100	100
Slovakia	PRAMET Slovakia spol s.r.o.	100	100
	Walter Slovakia s.r.o.	100	100
	Seco Tools SK, s.r.o.	100	100
Slovenia	Walter Tools, d.o.o.	100	100
	Seco Tools SI d.o.o.	100	100
South Africa	Sandvik (Pty) Ltd.	100	100
	Newtrax Pty. Ltd.	100	100
	Sandvik Financial Services (Pty) Ltd.	100	100
	Seco Tools South Africa (Pty) Ltd.	100	100

PARENT COMPANY NOTES

P12, continued

Country/Location	Company	2020	2021
South Africa	Sandvik Rock Processing Solutions International (PTY) LTD.	–	100
	Kwatani Global (Pty) Ltd.	–	100
	Kwatani Holding Pty Ltd.	–	100
	Kwatani (Pty) Ltd.	–	100
	Mine & Quarry Supplies (Pty) Ltd.	–	100
	Sandvik Mining RSA (Pty) Ltd.	75	75
	Sandvik Mining & Construction Delmas (Pty) Ltd.	100	100
	Sandvik SRP RSA (PTY) LTD.	–	75
	Rocbolt Technologies Holdings Pty. Ltd.	–	50
	Rocbolt Technologies Africa Pty Ltd.	–	100
	RB Technology Holdings (Pty) Ltd.	–	65
	Rocbolt Technologies Pty. Ltd.	–	75
Spain	Sandvik Espanola	100	100
	DSI Underground Spain SAU	–	100
	Sandvik Materials Technology Spain S.L.	100	100
	Walter Tools Iberica S.A.U.	100	100
	Metrologic Group Spain S.L.	100	100
	Seco Tools Espana S.A.	100	100
Switzerland	Sandvik Holding AG	100	100
	Sandvik AG	100	100
	Sandvik Materials Technology Santrade AG	100	100
	Filinvest AG	–	100
	Accuratech AG	–	100
	Galvarex AG	–	100
	Polyfil AG	–	100
	Walter (Schweiz) AG	100	100
	Santrade Ltd	100	100
Seco Tools AG	100	100	
Taiwan	Sandvik Taiwan Ltd.	100	100
	Seco Tools (S.E.A.) Taiwan Branch	100	100
	Sandvik Materials Technology Taiwan Limited	–	100
Tanzania	Sandvik Mining & Construction Tanzania Limited	98	98
Thailand	Sandvik Thailand Limited	91	91
	SigmaTEK (Thailand) Ltd.	–	100
	Walter (Thailand) Co Ltd.	100	100
	Seco Tools (Thailand) Co Ltd.	100	100
Turkey	Walter Cutting Tools Industry and Trade LLC	100	100
	Seco Tools Kesici Takimlar Makina San.Tic.A.S.	100	100
Ukraine	LLC Seco Tools Ukraine	100	100
	Sandvik Ukraine	100	100
United Kingdom	Sandvik Holdings Ltd.	100	100
	Sandvik Materials Limited	100	100
	DSI Underground UK Ltd.	–	100
	DSI Underground UK Holdings Ltd.	–	100
	Edvirt UK Limited	–	100
	Sandvik Ltd.	100	100
	SigmaTEK Europe Limited	–	100
	SigmaTEK Business Systems Limited	–	100
	Walter GB Ltd.	100	100
	Dormer Pramet Ltd.	100	100
	BTA Heller Drilling Systems Ltd.	100	100
	Inrock Ltd. (UK)	100	100
	Seco Tools (UK) Limited	100	100
	Extec Mobile Crushers and Screens Limited	100	100
	Tamrock Great Britain Holdings Ltd.	100	100
	Fintec Crushing and Screening Limited	100	100
	Sandvik Osprey Ltd.	100	100
	CGTech Ltd.	100	100
	Sandvik Services Limited	100	100
	Sandvik Materials Technology UK Ltd.	–	100

P12, continued

Country/Location	Company	2020	2021
USA	Sandvik Special Metals LLC	100	100
	PennPower Inc	100	100
	Sandvik, Inc.	100	100
	ST Acquisition Co.	-	100
	Cambrio Acquisition, LLC	-	100
	Cimatron Technologies, Inc. (Michigan)	-	100
	Cimatron Gibbs LLC (California)	-	100
	SigmaTEK Systems, LLC (Delaware)	-	100
	ICAM Technologies Corp U.S.A.	-	100
	Sandvik Financial Services LLC	100	100
	DWFritz Automation, Inc.	-	100
	DWFritz International, Inc.	-	100
	DWFritz Metrology, Inc.	-	100
	Walter USA LLC	100	100
	TDM Systems Inc	100	100
	Dimensional Control Systems, Inc.	-	100
	Sandvik Machining Solutions USA LLC	100	100
	Dura-Mill, Inc.	100	100
	Allied Construction LLC	100	100
	Advanced Theodolite Technology, Inc.	100	100
	Metrologic Group Services, Inc.	100	100
	MG USA Properties, Inc.	100	100
	Precorp Inc	100	100
	uFab LLC	100	100
	Dormer Pramet LLC	100	100
	Valenite LLC	100	100
	Sandvik Materials Technology LLC	100	100
	Wetmore Tool and Engineering Company	100	100
	Artisan Vehicle Systems, Inc.	100	100
	Carbide Tool Manufacturing LLC	-	100
	Tamcorp Inc USA	100	100
	GWS Tool Intermediate Holdings LLC	-	100
	Indexable Holdings LLC	-	100
	GWS Tool LLC	-	100
	CGI Tool LLC	-	100
	Alliance CNC LLC	-	100
	Benchmark Carbide LLC	-	100
	NATC LLC	-	100
	Intrepid Tool LLC	-	100
	STF Precision LLC	-	100
	Taurus Tool LLC	-	100
	CJT Tool LLC	-	100
	Monster Tool LLC	-	100
	DSI Tunneling LLC	-	100
	Thermaltek LLC	100	100
	Summerill High Precision LLC	100	100
	Inrock Drilling Systems, inc.	100	100
	Inrock Acquisitions, Inc.	100	100
	Pennsylvania Extruded Tube Co. (PEXCO)	70	70
	Diamond Tool Coating, LLC	100	100
	Niagara Cutter LLC	100	100
	Seco Tools, LLC	100	100
	Sandvik Wire and Heating Technology Corporation	100	100
Sandvik Thermal Process Inc.	100	100	
Sandvik Mining and Construction USA LLC	100	100	
Custom Electric Manufacturing LLC	100	-	
Melin Tool Company, Inc.	100	100	
CGTech	100	100	
Vietnam	Sandvik Vietnam Company Ltd	100	100
	Seco Tools Vietnam Co Ltd	100	100
Zambia	Sandvik Mining & Construction Zambia Limited	100	100

P12, continued

§ ACCOUNTING PRINCIPLES

Subsidiaries

Subsidiaries are entities over which the Parent Company has a controlling influence. Controlling influence exists if the Parent Company has the power over the investee, meaning the investor has existing rights that give it the ability to direct the relevant activities, is exposed to or has the rights to variable return from its involvement in the investee and can, through its influence, affect the return from the involvement in the investee. In assessing a controlling interest, de facto control, potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the controlling influence commences until the date that control ceases.

For cases in which the subsidiary's accounting policies do not coincide with the Group's accounting policies, adjustments were made to comply with the Group's accounting policies.

The consolidated financial statements are prepared in accordance with the purchase method. In business combinations, acquired assets and assumed liabilities are identified and classified, and measured at fair value on the date of acquisition (also known as a purchase price allocation).

Transaction costs in conjunction with acquisitions are directly in profit or loss for the year as other operating expenses.

Contingent considerations are recognized as financial liabilities and at fair value on the acquisition date. Contingent considerations are remeasured at each reporting period with any change recognized in profit or loss for the year.

In step acquisitions, when a controlling interest is achieved, any net assets acquired earlier in the acquired units are remeasured at fair value and the result of the remeasurement is recognized in profit or loss. If the controlling interest is lost upon divestment, net profit is recognized in profit or loss. Any residual holding in the divested business is then measured at fair value on the date of divestment and its effect is recognized in profit or loss for the year.

Shares in group companies and associated companies

The Parent Company recognizes shares in group companies and associated companies in accordance with the cost model, meaning that transaction costs are included in the carrying amount of holdings in subsidiaries and associated companies. Transaction costs related to shares in group companies are recognized directly in profit or loss in the consolidated financial statements when they arise. Contingent consideration is valued based on the probability that the consideration will be paid. Any changes in the provision/receivable are added to/deducted from the cost. Contingent consideration is measured at fair value in the consolidated financial statements with changes in value recognized in profit or loss. Dividends from subsidiaries are recognized in full as income in profit or loss for the year. ■

P13 NON-CURRENT RECEIVABLES AND OTHER CURRENT RECEIVABLES

	2020	2021
Non-current receivables		
Derivatives	–	16
Other interest-bearing receivables	12	10
Total	12	26
Other current receivables		
Derivatives	–	65
Other non-interest-bearing receivables	415	355
Other interest-bearing receivables	0	0
Total	415	420

P14 INVENTORIES

	2020	2021
Raw materials and consumables	459	547
Work in progress	170	214
Finished goods and goods for resale	47	63
Total	676	824

P15 CAPITAL AND RESERVES

Share capital

According to the Articles of Association of Sandvik AB, the share capital shall amount to a minimum of SEK 700,000,000 and a maximum of SEK 2,800,000,000. All issued shares are fully paid, have the

same voting rights and are equally entitled to the Company's assets. Share capital has changed as follows over the past two years:

Share capital at:	No. of shares	Quotient value SEK/share	Share capital SEK
December 31, 2019	1,254,385,923	1.20	1,505,263,108
December 31, 2020	1,254,385,923	1.20	1,505,263,108
December 31, 2021	1,254,385,923	1.20	1,505,263,108

A dividend is proposed by the Board of Directors in accordance with the stipulations in the Swedish Companies' Act, and is approved at the Annual General Meeting. The proposed dividend for 2021 is estimated to amount to SEK 5,958 million, corresponding to SEK 4.75 per share, the amount has not been recognized as a liability.

No shares have been reserved for transfer under options or other agreements.

The Sandvik share is officially listed only on the Nasdaq Stockholm. Shares can also be traded in the US in the form of ADRs (American Depositary Receipts).

The following information is presented in accordance with the provisions of Chapter 6, Section 2.a. of the Swedish Annual Accounts Act.

The Parent Company has issued one series of shares and each share carries one vote. The total number of shares shall be no less than 1,000,000,000 and no more than 4,000,000,000.

At the end of 2021, 1,254,385,923 shares (1,254,385,923) with a quotient value of SEK 1.20 per share had been issued. Shareholders have a preferential right to subscribe to newly issued shares issued for cash or with terms and conditions concerning rights of set off. All shares are fully negotiable.

§ ACCOUNTING PRINCIPLES

Undistributable equity

Undistributable equity may not be paid to the shareholders in the form of dividends.

Statutory reserve

The purpose of the statutory reserve has been to tie up part of the net profit that is not needed to cover an accumulated deficit. The statutory reserve includes amounts that before January 1, 2006 were included in the share premium reserve.

P15, continued

Distributable equity**Share premium reserve**

Comprises the value of shares that have been issued at a premium, meaning the price paid was in excess of the share's quotient value. The amount received in excess of the quotient value was transferred to the share premium reserve.

Retained earnings

Retained earnings comprise the distributable reserves recognized in the preceding year less any dividend declared. The total of such profits brought forward and the profit for the year constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders. ■

P16 PROVISIONS FOR PENSION AND OTHER NON-CURRENT POST-EMPLOYMENT BENEFITS

The Parent Company's recognized pension provision was SEK 242 million (303). The Parent Company's PRI pensions are secured through Sandvik's own pension foundation, the Sandvik Pension Foundation in Sweden. Sandvik AB and most of its Swedish subsidiaries are members of the foundation. The deficit was recognized as a liability in the companies. The Parent Company's funded obligations mainly comprise ITP Plans.

Present value of funded and unfunded pension obligations

	2020	2021
Present value of funded and unfunded pension obligations	2,595	2,620
Plan assets	1,594	1,864
Deficit in the assets of the pension foundation	699	513
Net amount recognized for pension obligations	-303	-242

P17 OTHER PROVISIONS

	Warranties	Restructuring	Employee benefits	Environmental obligations	Legal disputes	Other obligations	Total
Balance at January 1, 2020	12	222	147	52	0	0	433
Provisions made during the year	-7	241	87	-34	-	3	290
Provisions used during the year	-2	-168	-102	-1	-	-	-273
Unutilized provisions reversed during the year	-	-3	-	-	-	0	-3
Reclassifications	0	3	-3	-	-	0	0
Balance at December 31, 2020	3	295	129	17	0	3	447
Balance at January 1, 2021	3	295	129	17	0	3	447
Provisions made during the year	-	-10	116	-	-	-	106
Provisions used during the year	-1	-138	-116	-6	-	-	-261
Unutilized provisions reversed during the year	-	-6	-	-	-	-3	-9
Reclassifications	0	-	-	-	-	0	0
Balance at December 31, 2021	2	141	129	11	0	0	283

P18 NON-CURRENT INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities fall due as follows:

	2020			2021		
	Within one to five years	Later than five years	Total	Within one to five years	Later than five years	Total
Loans from group companies	1	-	1	-	1	1
Other liabilities ¹⁾	4,976	6,369	11,345	7,127	7,999	15,126
Total	4,977	6,369	11,346	7,127	8,000	15,127

1) Other liabilities mainly comprise bond loans.

P19 ACCRUED EXPENSES AND DEFERRED INCOME

	2020	2021
Personnel related	995	1,361
Expense related to finance	122	132
Other	266	226
Total	1,383	1,719

P20 CONTINGENT LIABILITIES AND PLEDGED ASSETS

	2020	2021
Contingent liabilities		
Guarantees issued for customers and others	6	5
Other contingencies	3,883	18,044
Total	3,889	18,049

The Parent Company's surety undertakings and contingent liabilities amounted to SEK 18,049 million (3,889), of which SEK 13,575 million (1) related to the Parent Company's guarantees for Sandvik Treasury AB's financial borrowings. The remainder comprised mainly indemnity bonds for commitments of group companies to their customers and vendors on advances received and various types of performance bonds and guarantees to financial institutions relating to local borrowings, and guarantee facilities as well as to pension commitments.

No assets of the Parent Company had been pledged in 2021 and 2020.

P21 TRANSACTIONS WITH RELATED PARTIES

Sales to group companies from the Parent Company amounted to SEK 11,009 million (8,513), or 90 percent (89) of total sales. The share of exports was 60 percent (67). The Parent Company's purchases from group companies amounted to SEK 2,149 million (1,886), or 21 percent (23) of total purchases. The Parent Company granted no loans to associated companies. Guarantees have been made for obligations of associated companies in the amount of SEK 0 million (0). All transactions are effected at "arm's length" basis.

There are no employment agreements between the companies in the Group and the Parent Company's directors or employees that provide compensation if those persons give notice of termination, their services are terminated on a reasonable basis, or the employment is terminated as a consequence of a public take-over bid.

P22 SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

	2020	2021
Cash and cash equivalents		
Cash and cash equivalents comprise:		
Cash and bank	0	0
Total in the balance sheet	0	0
Total in the cash flow statement	0	0

	2020	2021
Interest and dividend paid and received		
Dividend received	738	2,818
Interest received	396	260
Interest paid	-481	-503
Total	654	2,575

	2020	2021
Other adjustments for non-cash items, etc.		
Changes in value if financial instruments	-102	-143
Unappropriated results of associated companies	-	-
Gains and losses on disposal of non-current assets	-330	-58
Gains on disposal of companies and shares	2,243	2,759
Provision for pensions	-34	-62
Other provisions	15	-165
Other	-2,205	-290
Total	-413	2,041

P23 EVENTS AFTER THE END OF THE PERIOD

No major events to report after the end of the reporting period.

BOARD STATEMENT ON DIVIDEND PROPOSAL

Board statement in accordance with Chapter 18, Section 4 of the Swedish Companies Act.

The nature and extent of the company's operations are stated in the Articles of Association and issued annual reports.

Such nature and extent do not entail risks over and above those inherent, or reasonably to be expected, in the industry or otherwise inherent in business operations. For information on significant events, reference is made to the Directors' Report.

The Company's financial position as of December 31, 2021 is apparent from this Annual Report. The proposed dividend does not infringe on investments deemed to be required.

In addition, the Company's liquidity reserve is in the form of an unutilized revolving credit facility amounting

to SEK 9,000 million, which means that the Company should reasonably be able to meet unexpected events and temporary fluctuations in cash flows of reasonable proportions. The Company's financial position supports the assessment that the Company will be able to continue its business and meet its obligations in both the short and long term.

In view of the above and based on what the Board is otherwise aware of, the proposed dividend in the Board's opinion is justified considering the requirements which the nature, extent and risks associated with the operations place on the size of the equity of the Company, and also taking into consideration the Company's need to strengthen its balance sheet, liquidity and financial position in general.

Stockholm, March 10, 2022

Sandvik Aktiebolag (publ)
BOARD OF DIRECTORS

PROPOSED APPROPRIATION OF PROFITS

The Board of Directors proposes that the profits at the disposal of the Annual General Meeting:

profits carried forward	26,553,577,478
and result for the year	4,933,829,124
SEK	31,487,406,602

be appropriated as follows:

a dividend of 4.75 SEK per share to the shareholders	5,958,333,134
profits carried forward	25,529,073,468
SEK	31,487,406,602

The proposed record date for dividends is Friday, April 29, 2022.

The income statements and the balance sheets of the Group and of the Parent Company are subject to the adoption by the Annual General Meeting on Wednesday, April 27, 2022.

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden, and that the consolidated financial statements have been prepared in accordance with the international financial reporting standards referred to in the regulation (EU) no. 1606/2002 of the European Parliament and Council dated July 19, 2002, pertaining to the application of international financial reporting standards. The Annual Report and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results. The Report of the Directors pertaining to the Parent Company and the Group gives a fair overview of the development of the Parent Company's and the Group's operations, financial position and results, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, March 10, 2022

Johan Molin
Chairman

Jennifer Allerton
Board member

Claes Boustedt
Board member

Marika Fredriksson
Board member

Tomas Kärnström
Board member

Thomas Lilja
Board member

Andreas Nordbrandt
Board member

Helena Stjernholm
Board member

Kai Wärn
Board member

Stefan Widing
Board member
President and CEO

Our auditor's report was submitted on March 11, 2022
PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Partner in charge

Anna Rosendal
Authorized Public Accountant

AUDITORS' REPORT

Unofficial translation

To the general meeting of the shareholders of Sandvik AB (publ), corporate identity number 556000-3468

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sandvik AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 46–140 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Parent Company and the Group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared and is in agreement with the Annual Accounts Act. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Sandvik conducts business via subsidiaries in many territories. Operationally, the business is organized in divisions that are aligned with the Group's four Business Areas. There are joint functions at various levels of the Group to support the operational activities of the divisions.

In order to tailor our overall audit approach, we have updated our understanding of how the Group's business is organized, about important systems and processes as well as the internal controls put in place to provide comfort to management and the directors with respect to precision of the financial reporting. For this purpose, we have held interviews with management at various levels of the Group and heads of Group functions to discuss the business and the Group's strategy. We have also obtained and read management reports, policies, instructions and planning and steering documents. In addition, we have had a close dialogue with both Group Internal Audit and Group Internal Controls in order to share knowledge and coordinate activities when relevant.

With all of this as a starting point and for the purpose of expressing an opinion on the consolidated accounts, we decided that approximately 80 reporting units were the most important and should be in scope for the Group audit. Most subsidiaries of the Group are also subject to statutory audit requirements. The central team was responsible for the audit of significant IT systems, processes, transaction flows and functions including the consolidation and the Parent Company accounts. The local teams were responsible for auditing items related to the operations in each reporting unit that emanates from local production and sales activities.

We have considered the impact Covid-19 has had on our audit and tailored our procedures to properly cover any new and/or increased risks. On an overall level we have been able to conduct our audit although the pandemic has led to other ways of working and use of digital tools for communication and collection of audit evidence.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter***Revenue recognition in the appropriate period***

The Group manufactures and sells products and services to its customers globally, mainly through its own distribution network. Sales contracts contain various performance obligations and other terms and the determination of when significant performance obligations have been met varies albeit a specific point in time can often be established. The Group has analyzed its various sales contracts and concluded on the principles for deciding in which period or periods the Group's sales transactions should be recognized as revenue.

Disclosures in notes G2, G3 and P2 provide additional information on how the Group accounts for its revenue.

Measurement of goodwill and intangible assets with an indefinite life including acquired intangible assets

The majority of Sandvik's intangible assets have been acquired externally, mostly through acquiring businesses and represent significant amounts. Assets with indefinite useful life such as goodwill are not subject to yearly depreciation. Instead, an annual test will show whether the carrying amount for the cash generating unit can still be supported. Sandvik acquired several businesses containing intangible assets during 2021.

There are a number of instances where management's judgment is decisive for the accounting treatment in connection with acquiring businesses. Management's estimates of the intangible assets' potential to generate future cash flows and other assumptions are also decisive when preparing the annual impairment tests.

Note G13 contains additional information on the Group's intangible assets and the significant assumptions applied in the annual impairment tests. In note G31 there is additional information about business combinations, accounting principles and acquired intangible assets.

Measurement of inventory

Sandvik keeps significant stocks of raw materials, spare parts and work-in-progress at its production units and stores finished goods mostly at its sales units and distribution centers. The inventory balance is material and measurement of inventory is important for a fair presentation of gross margin. A due process is required to prepare accurate reporting of the acquisition cost when procurement, production and logistical processes are complex. Establishing product costing requires many instances of management judgment which has an impact on the reported values. This includes assessing normal production volumes, foreign currency, prices of raw materials and allocation of other direct and indirect costs. For finished goods, assessment is needed regarding obsolescence and how sellable the products are. Finally, there is a complexity in monitoring and measuring volumes particularly for some raw materials and work in progress as well as eliminating effects from intra Group transactions.

Notes G18 and P14 provide information about the Group's accounting principles for measuring inventory and additional information on the line item.

How our audit addressed the Key audit matter

Our audit included but was not limited to the following activities:

- Mapped and evaluated selected systems and processes for revenue recognition and tested a sample of key controls.
- Evaluated whether the Group accounting principles for revenue recognition comply with IFRS.
- Tested a sample of sales transactions for compliance with the Group accounting principles.
- Performed data analytical procedures to identify and evaluate a sample of manual and automatic journal entries.
- Traced disclosure information to accounting records and other supporting documentation.

Our audit included but was not limited to the following activities:

- Assessed the model used by the Group for impairment testing and evaluated the significant assumptions for establishing forecasted cash flows and discount interest rates used for calculating the value-in-use of the cash generating units. In our evaluation, we have compared with the historic business performance the Group's forecasts and strategic planning as well as with external data sources when possible and relevant.
- Evaluated whether the purchase price allocations of the significant acquisitions made during the year meet the requirements of IFRS and have been prepared according to generally accepted practices. Assessed that significant assumptions used to measure values of acquired assets are reasonable. We have involved valuation specialists when conducting our work.
- Traced disclosure information to accounting records and other supporting documentation.

Our audit included but was not limited to the following activities:

- Mapped and evaluated selected systems and processes for inventory and tested a sample of key controls for establishing cost.
- Tested, on a sample basis, stocks of raw materials to actual prices. Assessed the reasonableness of the product costing for work in progress and finished goods.
- Participated in stock taking at many locations and tested the cut-off of deliveries in or out of inventory.
- Obtained the Group's monitoring controls of slow movers and assessments of obsolescence as well as net selling prices.
- Traced disclosure information to accounting records and other supporting documentation.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and 154–156, and the Statutory Sustainability Report and Sustainable Business Report on pages 7–9, 14–17, 68–70 and 142–152. This other information also contains the Remuneration report that we expect to receive after the release of the Auditors' report. The Board of Directors and the President and CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts.

In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the President and CEO are responsible for assessing the ability of the company and the Group to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the President and CEO intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden 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 annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the President and CEO of Sandvik AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the President and CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our 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 opinions.

Responsibilities of the Board of Director's and the President and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable, considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President and CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President and CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the President and CEO have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Sandvik AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditor's Responsibility section. We are independent of Sandvik AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the President and CEO

The Board of Directors and the President and CEO are responsible for ensuring that the Esef report has been prepared in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the President and CEO determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the President and CEO, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the President and CEO.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Sandvik AB (publ) by the general meeting of the shareholders on the 27 April 2021 and has been the company's auditor since the general meeting of the shareholders on 27 April 2018.

Stockholm 11 March 2022

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant
Partner in charge

Anna Rosendal
Authorized Public Accountant

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NF1 ABOUT THIS REPORT

This is the sixteenth consecutive year of sustainable business reporting for Sandvik. We aim to continue reporting the same way on an annual basis. The data in this report refers to the 2021 fiscal year. Sandvik's most recent Sustainable Business Report was published in March 2021. In the non-financial notes, information on strategy, management approach, stakeholder dialogues, materiality analysis and sustainability data are presented.

Information meeting the Swedish legal requirements on sustainability reporting, the Statutory Sustainability report, and Sandvik's Sustainable Business Report, are found on pages 2–3, 7, 14–17, 64–70 and 142–152. See note P12 for a list of entities included in the figures, unless otherwise stated.

This report has been prepared in accordance with the Global Reporting Initiative, GRI Standards, Core option. The figures presented are the accumulated figures for 2021 for all active reporting units, unless otherwise stated. An operational control approach was used for consolidations. It covers our material aspects decided in the materiality analysis described in NF3 and it has been reviewed by an external party. As of 2021, Sandvik reports according to the SASB Sustainability Accounting Standard for Industrial Machinery & Goods and the EU taxonomy for sustainable investments.

The assurance provider was engaged by the Board of Directors and the CEO of Sandvik to undertake a combined assurance of Sandvik Annual Report 2021. The assurance provider is independent to Sandvik.

Sandvik is a signatory to the UN Global Compact (UNGC) and reports on the ten principles in accordance with the UNGlobal Compact Advanced level criteria.

NF2 STAKEHOLDER DIALOGUES

We have defined a number of stakeholders who can be expected to be affected by Sandvik or have an effect on Sandvik, of which the most significant are customers, employees and investors.

We engage in an open dialogue with our stakeholders. Some of the dialogues held in 2021 included: Group or individual meetings with analysts, investors and shareholders discussing issues like strategy implementation, the relevance of the 2030 Goals to Sandvik's business, targets and target outcome, and contribution to the UN Sustainable Development Goals. In 2021, Sandvik met with all major shareholders. Customer dialogues are held continuously, including on issues such as product development for improved safety, energy efficiency and electrification. The updated Sandvik Supplier Code of Conduct led to discussions and renewed contracts with suppliers. There are continuous dialogues with employees through meetings, employee surveys and performance dialogues and sustainability-related questions are included in the Sandvik employee survey. Sandvik regularly meets with unions and discusses the sustainability agenda. We participated in conferences and roundtable discussions arranged by organizations and academia such as Innov8rs, the Swedish International Development Cooperation Agency (SIDA), the International Council of Swedish Industry (NIR), Engineers Without Borders, the Copenhagen Business School, the Stockholm School of Economics and the University College of Gävle.

Membership in organizations

Sandvik is a member of the UN Global Compact. Sandvik is also part of the industry association Jernkontoret (steel producers), Svemin (mines, minerals and metal producers), the Cobalt Institute and the International Tungsten Industry Association.

NF3 MATERIALITY ANALYSIS

Sandvik has a materiality analysis based on the process and method for its long-term sustainability target setting. The starting point is the sustainability agenda for the Group, derived from inter-

national frameworks and institutions such as the UN Sustainable Development Goals, the UN Global Compact, media reports, global trends, stakeholder dialogues and our own assessments.

In 2018, an initiative started to develop a set of long-term sustainability goals. The objective was to develop goals covering the most material areas for the Group and for its stakeholders. The target-setting had a holistic approach, including customers, own operations and suppliers in the scope.

The target process involved the Group Executive Management, business areas, divisions, functional groups and selected experts, and was based on input from stakeholders such as employees, customers, shareholders and investors. The conclusion was to focus our sustainability agenda around the four areas of circularity, climate, people and fair play.

The Sustainability Goals 2030 were approved by the Group Executive Management and the Board of Directors in 2019. In the 2021 review the target for waste circularity was updated. See page 148.

NF4 CODE OF CONDUCT

The Sandvik Code of Conduct is based on our core values and confirms our strong commitment to ethical and responsible business practices and compliance with relevant laws and regulations in all markets where we operate. Our Code of Conduct sets the principles for how we must act and which business decisions we must make as individuals and as a company and it provides guidance in our actions and everyday business decisions.

Sandvik has set a target to train 100 percent of employees and long-term contractors hired for more than 90 days in the Code of Conduct. The training contains sections dedicated to anti-bribery, corruption, diversity and inclusion, and more. Every quarter, a training report is generated to monitor this target. By the end of 2021, 97 percent (98) of employees and long-term contractors had completed the Code of Conduct training. All members of the Group Executive Management have undergone training in the Code. A target has also been set for onboarding of new employees, whereby 90 percent of new employees should be trained within three months from being hired. The outcome by the end of 2021 was 72 (76) percent. The Code of Conduct was updated in 2021 to align with the revised Sandvik strategy. A new training program has been developed to reinforce the Code of Conduct principles for our employees. The training will be deployed in 2022.

NF5 SPEAK UP

Employees and external parties who witness a violation of the Code of Conduct, laws or our policies can report the violation, anonymously if requested, through the global reporting tool Speak Up. The possibility to speak up is an important part of the Sandvik culture, helping to build trust, improve the work environment and to reduce risk for the company.

Our Speak Up training increases awareness and trust in the Sandvik whistleblowing process. At the end of 2021, 18,000 employees had undergone Speak Up training.

Speak Up is available through the Sandvik internet and intranet portals, as well as through telephone hotlines 24 hours a day, 7 days a week, in all major countries where Sandvik operates. Speak Up reports are screened and each case is then assigned an investigator that conducts the investigation, supported by a specialist investigation function.

In 2021, 220 (203) Speak Up incidents were reported (see distribution in chart). 87 percent (63) of the cases were closed within 90 days and the substantiation rate of closed cases amounted to 31 percent (45). 1 percent (2) of all Speak Up reports related to human rights matters.

NF5, continued

	Number		%	
	2020	2021	2020	2021
Speak Up Reports				
Human Relations	69	83	34	38
Compliance	43	32	21	15
Theft and misappropriation	10	8	5	4
Business records and information	12	10	6	5
Environment, health and safety	20	18	10	8
Inquiries	17	21	8	9
Other	32	48	16	21
Total	203	220	100	100

NF6 COMPLIANCE

Sandvik manages compliance risks through a Sandvik Compliance program and in 2021 we performed a 90-day review of the program. Subject to the review was the Group Compliance structure and organization, a new Group Compliance functional structure and a new Group Compliance strategy. A new functional structure that will strengthen the governance between Group requirements, Business Area execution and the Group Compliance monitoring and reporting was introduced. The compliance areas of Anti-Bribery and Corruption, Competition Law, Trade Compliance and Data Privacy will remain, but they will be integrated into and managed through four new functions – a Compliance Program Office, Third-Party Management, Global Compliance Technology and Projects, and Culture and Business Ethics. The purpose is to support further program integration and efficiency with the business areas, establish a group compliance program reporting structure and, together with Internal Control, Internal Audit and External Audit, clarify, test and review requirements and increase transparency. The Trade Compliance function was renamed Third-Party Management and its scope was expanded to also include due diligence and Know-Your-Customer. Within Data Privacy we focused on data privacy networks, formal processes and publication of formal governance documents, expanded awareness training, and scaling and leveraging the European GDPR program for a more global reach. The new Schrems II requirements (personal data transfers from EEA to non-EEA countries and new standard contractual clauses, SCC) and the implementation of cookie-compliant websites were other focus areas.

The Compliance House continued to be highly prioritized as a cornerstone of our Group Compliance program. Our 2021 target to implement the Compliance House within 100 percent of Sandvik entities was achieved. We prepared for operationalization of the Compliance House in 2022, including the introduction of new guiding principles on how to use, maintain and continuously update the Compliance House as the business operations, risks and requirements changes.

Compliance training was offered to employees in different formats, including e-learning, webinars and classroom training. A total of 11,593 (8,538) participants received training.

Sandvik has zero tolerance for bribery and corruption. In 2021 there was a continued focus on the roll out of processes and systems for affiliated and commercial intermediaries across the business areas.

The compliance program relies on frequent training online and in-person for employees exposed to the respective risks. In 2021 we targeted training within the Anti-Corruption and Bribery and Data Privacy areas with 3,490 (1,480) employees receiving training and 4,261 (1,389) having received training in Data Privacy. We have a competition law compliance program in place to mitigate risks associated with competition or antitrust laws in all countries where Sandvik operates. Comprehensive competition law guidelines are available for all employees who are also encouraged to seek advice from Group Compliance in case of doubts about the legality of a business activity. The program relies on frequent e-learning and in-person training for employees who may be exposed to competition law risks in their work. For competition law 273 (3,583) employees received training. The latter is repeated every second year and therefore subject to a refresher in 2022.

Sandvik received no significant fines or non-monetary sanctions for non-compliance with laws or regulations related to our four areas.

NF7 EMPLOYEES

At year-end 2021 the number of employees amounted to 44,136 (37,125).

Competence development

Sandvik provides employee development opportunities through on-the-job-training, virtual learning channels and classroom training. We offer our employees leadership programs, learning academies, digital workshops, mentoring, and other opportunities to acquire new skills and knowledge. Additionally, LinkedIn Learning offers a wide range of digital skills training in various topics and languages, available on any device. All global leadership and expert programs are being transformed, mirroring our 2025 strategy, to be fully or partly delivered digitally.

Global Graduate Program

The Global Graduate Program is a Sandvik global trainee program that offers young professionals the opportunity to explore various parts of our operations during 15 months. In 2021, the fifth program started. To secure a truly global team that mirrors our business presence, our ten graduates came from different countries: China, India, Finland, Sweden and the US. Forty percent of the graduates were men and 60 percent were women.

Internal job market

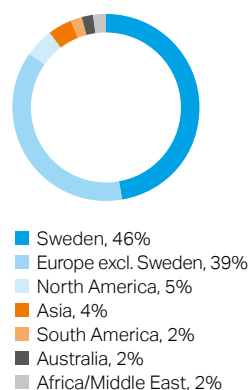
As a Sandvik employee you are responsible for your own career development. Sandvik offers a wide range of career opportunities. Our internal job market enables our employees to move to other parts of Sandvik or other countries and to grow and develop as individuals and professionals. In 2021, 3,479 (1,790) employees were hired and a vast majority of the positions were posted on the open internal job market.

Diversity and inclusion

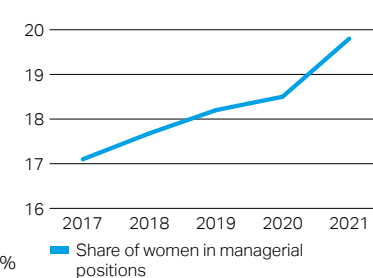
Our sustainability goals include a one-third share of female managers by 2030. The share of women in managerial positions increased to 19.8 percent (18.5), the share of women in division management teams amounted to 20 percent (20) and the share of women in our talent pool was 31 percent (33). 19 percent (19) of the members in division management teams were non-Europeans.

Diversity and inclusion (D&I) is high on the agenda. Sandvik Mining and Rock Solutions initiated 280 D&I activities during the year and Sandvik Machining Solutions launched a D&I portal to share information, inspiration and learnings from activities across the business area segment. We offer D&I training in a leadership workshop and a toolbox that includes e-learning workshops and exer-

Top 300 managers, nationalities



Share of women in managerial positions, %



NF7, continued

cises. Our D&I nanolearning is offered to all new employees. Our Bridge program focuses on leading across boundaries and all our internal global leadership programs include training on how managers can work with diversity and inclusion.

Employee engagement

In 2021 Sandvik introduced Quarterly Engagement Surveys (QPulse). The purpose of these surveys is to measure employee satisfaction and engagement levels more regularly to give us real-time insights for our future improvements in identified and prioritized areas. The annual average was: Engagement index 79 percent, Inclusion Index 78.5 percent with a 57 percent response rate. Measures based on the results are implemented in each business area and in group functions. We will continue to run QPulse during 2022, with a more in-depth survey in the fourth quarter.

Every employee at Sandvik is offered at least one individual performance dialogue annually with their manager, that focuses on previous performance, new goals, as well as development plans for the coming years. In 2021, 90 percent (95) of employees participated in performance dialogues.

In 2021, 54 percent (58) of employees were covered by collective bargaining agreements.

Employees by employment contract and gender

FTE	Women		Men		Total	
	2020	2021	2020	2021	2020	2021
Permanent	7,308	7,418	30,434	30,010	37,742	37,428
Temporary	439	545	1,291	1,511	1,730	2,056
Total	7,747	7,963	31,725	31,521	39,472	39,484

Employees by employment type and gender

FTE	Women		Men		Total	
	2020	2021	2020	2021	2020	2021
Full time	7,071	7,310	31,195	31,015	38,266	38,325
Part time	671	653	535	506	1,206	1,159
Total	7,742	7,963	31,730	31,521	39,472	39,484

Employees by employment contract and region

FTE	Permanent		Temporary		Total	
	2020	2021	2020	2021	2020	2021
Europe	22,530	22,047	634	769	23,164	22,816
North America	4,449	4,757	13	27	4,462	4,784
South America	1,747	1,878	19	29	1,766	1,907
Africa & Middle East	1,883	1,943	245	250	2,128	2,193
Asia	6,216	5,860	804	965	7,020	6,825
Australia	942	959	19	17	961	976
Total	37,767	37,444	1,734	2,057	39,501	39,501

Employee hires by age

	2020		2021	
	Hired	%	Hired	%
Under 30	475	31	1,081	31
30–50	972	62	2,028	59
Over 50	114	7	340	10
Total	1,561	100	3,449	100

Employee hires by gender

	2020		2021	
	Hired	%	Hired	%
Women	406	23	850	24
Men	1,384	77	2,629	76
Total	1,790	100	3,479	100

Employee hires by region

	2020		2021	
	Hired	%	Hired	%
Europe	742	41	1,372	39
North America	302	17	1,047	30
South America	173	10	348	10
Africa & Middle East	81	4	143	4
Asia	387	22	400	12
Australia	105	6	169	5
Total	1,790	100	3,479	100

Employee turnover by age

	2020		2021	
	Left	%	Left	%
Under 30	502	11	548	15
30–50	1,458	6	2,114	9
Over 50	1,100	10	1,219	11
Total	3,060	8	3,881	10

Employee turnover by gender

	2020		2021	
	Left	%	Left	%
Women	646	8	841	11
Men	2,361	7	3,064	10
Total	3,007	8	3,905	10

Employee turnover by region

	2020		2021	
	Left	%	Left	%
Europe	1,587	7	1,757	8
North America	683	15	803	17
South America	179	10	231	13
Africa & Middle East	120	6	160	8
Asia	385	6	802	13
Australia	106	11	162	17
Total	3,060	8	3,917	10

Employees by gender and employee category, %

	Women		Men		Total	
	2020	2021	2020	2021	2020	2021
Staff	26	27	74	73	53	54
Workers	12	12	88	88	47	46
Total	20	20	80	80	100	100

Employees by age group and employee category, %

	Under 30		30–50		Over 50		Total	
	2020	2021	2020	2021	2020	2021	2020	2021
Staff	8	8	64	64	28	28	53	54
Workers	15	15	57	57	28	28	47	46
Total	11	11	61	61	28	28	100	100

NF7, continued

Share of women and age structure

	Share of women, %	Age structure, %		
		Under 30	30–50	Above 50
Board of Directors	25	0	25	75
Group Executive Management	40	0	60	40
Management	20	1	68	31
Other employees	20	13	60	27

REPORTING PRINCIPLES

Employee statistics regarding the number of FTEs (Full Time Equivalents) is derived from the financial reporting system. We have revised our figures for the total number of employees (FTE) for the years 2014–2017 as we now report on continuing operations to be more aligned with financial reporting. All other employee statistics (age, turnover, new employees, part time/full time, gender, performance dialogues) are derived from the Group's common HR system, which covers 87 percent of Sandvik employees. These figures are compiled annually and form the basis for calculations of performance reviews, for example. Differences in the total number of employees in some of the tables are due to insufficient data. We define manager as an employee managing an organization. Sandvik does not have a significant portion of workers who are not employees. ■

NF8 HEALTH AND SAFETY**Management systems**

Every non-administrative Sandvik location with more than 25 people is required to have external certification within two years of commencement or acquisition. At the end of 2021, 92 (98) percent of sites in scope were certified. The decline is due to a number of acquired sites that have not achieved certification within two years. No previous certifications were abandoned compared to last year.

Health and Safety metrics

We utilize a wide range of leading and lagging indicators to measure health and safety performance in every Sandvik location, including Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). Both of these indicators show long-term positive trends. In 2021, the LTIFR (LTIs per million hours worked) increased to 1.5 (1.4), and the TRIFR (total number of recordable injuries per million hours worked) increased to 3.5 (3.2). Less severe injuries increased in the beginning of the year but the situation improved as the year progressed. Hands and finger cuts and pinches were the most common injury types. We conducted cam-

paigns and safety meetings and will continue our safety focus. The near miss frequency rate was 52 at the end of the year (56).

Occupational well-being

Sandvik has processes in place to record and investigate occupational illnesses to determine the root causes and develop prevention strategies. Repetitive strain injuries and stress-related symptoms were the most commonly reported illnesses.

Hazardous materials

We continually work to replace hazardous materials with less hazardous alternatives in our production or, where replacement is not an option, minimize the use of hazardous materials. We invest in new equipment and improve our processes to reduce employee exposure to hazards such as noise, dust and exposure to gases or other substances. Our products and solutions are designed with improved customer health and safety in focus, for example by reducing their exposure to chemical hazards. Our battery-driven underground mining equipment helps to alleviate the potential health impacts of diesel particulate matter and other engine emissions.

Work-related incidents**Health and safety**

Injury	2020			2021		
	Employees	Non-employees ¹⁾	Total Workforce	Employees	Non-employees ¹⁾	Total Workforce
Number of fatalities	2	–	2	0	0	0
Number of LTI	95	6	101	117	6	123
LTIFR ²⁾	1.5	0.7	1.4	1.6	0.6	1.5
Number of TRI	217	17	234	275	20	295
TRIFR ²⁾	3.3	2.1	3.2	3.7	2.0	3.5

Exposure hours, hazards and near misses

Million exposure hours	65.7	8.0	73.7	73.6	10.1	83.6
Hazards reported	–	–	56,770	–	–	63,957
Hazards closed out	–	–	54,654	–	–	60,796
Hazard close out ratio (%)	–	–	98	–	–	95
Near misses reported	–	–	4,154	–	–	4,341
Near miss frequency rate	–	–	56	–	–	52

Work-related illness³⁾

Number of fatalities	0	0	0	0	0	0
Number of LTIL	5	1	6	11	2	13
LTILFR ²⁾	0.08	0.12	0.08	0.15	0.20	0.16
Number of TRIL	18	2	20	22	3	25
TRILFR ²⁾	0.27	0.25	0.27	0.30	0.30	0.30

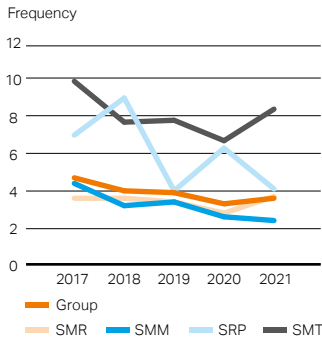
1) All who are not employees but whose work and/or workplace is controlled by Sandvik.

2) Normalization factor = 1,000,000 hours worked.

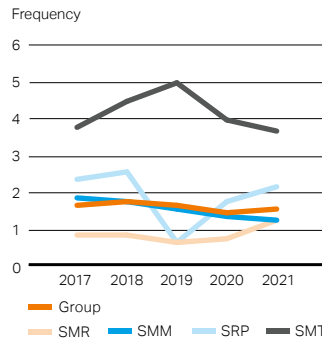
3) Based on data from only a few entities.

NF8, continued

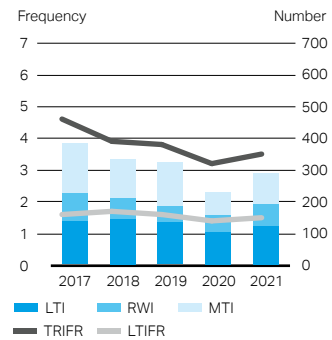
TRIFR by business area



LTIFR by business area



TRIFR and LTIFR, Group



REPORTING PRINCIPLES

Health and Safety data is derived from our EHS reporting system in which safety-related indicators are reported on a monthly basis. The key figures compiled are based on information available at the date of the most recent year-end accounts, which may entail that historical figures have been adjusted.

An LTI is an accident resulting in time away from work, an RWI (Restricted Work Injury) is an injury where you can be at work but you can't perform your ordinary work, and a MTI (Medical Treatment Injury) is when you need some kind of medical treatment but can still perform your normal work. Worked hours is defined as exposure hours, i.e. all hours exposed to risk by employees, contractors and sub-contractors. The exposure hours are collected and entered into the EHS database on a monthly basis. The term used in GRI named as "high-consequence injury/illness" is incorporated in the key figures for Lost Time cases. In 2021 we had three incidents on record meeting the six months absence criteria. Our approach to mitigate these high severity incidents and illnesses is a key part of our man-

agement system and is handled within the processes for serious potential incidents, for example in our work with critical control management.

The reported data for occupational illnesses and frequency rates are part of our monthly reporting process. The illness data can be difficult to capture and can in some cases be surrounded by regulatory obligations, for example related to privacy of workers. Part of the difficulty lies in the fact that occupational illness might not be detected until some time after an exposure occurs, which may contribute to a risk that the illness is not recognized as work-related. As a consequence, the level of uncertainty is deemed higher for the illness data. Illness is defined as an occurrence of physical or mental harm or disease that develops over time in the course of work and not as the result of a single instantaneous event. Establishing an illness as work-related can be a complicated process and could span over a long period of time. ■

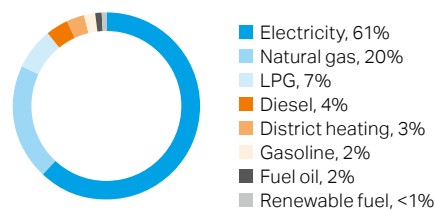
NF9 ENVIRONMENTAL FOOTPRINT

Carbon emissions and energy

Sandvik is working to ensure that every individual site in the company has an action plan to increase energy efficiency and reduce carbon dioxide emissions (CO₂). Sandvik had 225 environmental improvement plans (EIPs) underway in 2021, many related to CO₂ and waste. The EIPs cover the topics considered most material for each business area/division. The Katowice site in Poland recovers energy from some processes for usage in others and has reduced the energy consumption by 25 percent. In Västberga, Sweden heat pumps have been installed which send waste heat produced in the processes back to the district heating system for use by the city of Stockholm. Improved insulation in buildings, LED lighting, and solar rooftop panels are other examples of initiatives.

One of our 2030 sustainability goals is to halve our CO₂ emissions. In 2021 we reduced CO₂ emissions by 16.4 percent to 234 ktons, which is well in line with what is required to fulfil the 2030 goal. The reduction was mainly attributable to the sourcing of fossil-free energy outside of Europe, which had the largest effect within Sandvik Manufacturing and Machining Solutions. At our European sites we have been buying fossil-free electricity since 2013, resulting in a reduction of annual emissions by approximately 183 ktons based on the 2021 outcome.

Energy by energy source



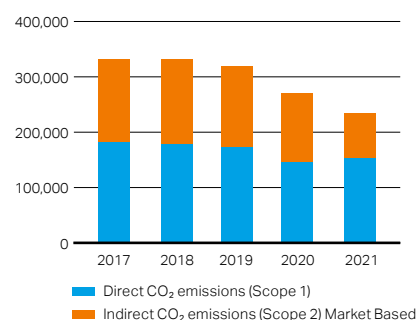
NF9, continued

Energy consumption

Energy consumption (TJ)	2020	2021
Non-renewable fuels	2,385	2,563
Gasoline	135	132
Diesel	293	303
Liquefied petroleum gas	495	497
Natural gas	1,416	1,514
Fuel oil	45	117
Renewable fuels	27	36
Ethanol	2	2
HVO	24	23
Biogas	0	10
Total energy from fuels	2,411	2,599
GRID electricity	4,307	4,475
Own renewable electricity	10	15
Purchased heat and steam	267	283
Sold heat	-38	-34
Total electricity heat and steam	4,547	4,738
Total energy consumption	6,958	7,337

Energy intensity

Total energy use in relation to revenues	2020	2021
GJ/MSEK	81	74

CO₂ emissions 2017–2021, tons**Energy consumption by business area****CO₂ emissions**

GHG emissions (kton CO ₂)	2020	2021
Scope 1	147	152
Scope 2 (location based)	239	265
Initiatives to source low-emission electricity	-107	-183
Scope 2 (market based)	132	82
Gross total (location based)	387	418
Net total (market based)	280	234

The main difference between our reported market-based and location-based emissions derives from the purchase of fossil-free electricity. In 2021, Sandvik used 1,101 (974) GWh fossil-free electricity. Fossil-free electricity was sourced by the purchase of Guarantees of Origin for our operations in Europe and through Renewable Energy Certificates (I-Rec) outside of Europe.

CO₂ emissions by business area**Emission intensity**

Net total CO ₂ emissions in relation to revenues	2020	2021
ton/MSEK	3.2	2.4

Other air emissions

Other air emissions (ton)	2020	2021
NO _x	166	193
SO _x	2	8
Volatile organic compounds (NMVOC)	29	13

Other air emissions were calculated based on reported use of fossil fuel. In addition to the values reported in the table above, the steel mill operations generate an estimated 145 tons of NO_x and 31 tons of SO_x per year.

Water

About 90 percent of our manufacturing activities take place in areas where there is an abundance of water. Nonetheless, water use is closely monitored and many measures are taken to minimize consumption, including circulation of cooling water as a means to reduce the need for fresh water.

Sandvik's emissions to water consist mainly of nitrogen compounds, oxygen-consuming substances and metals. All wastewater from production processes is treated before being released, to ensure that all discharges are below the acceptable limit.

Water and effluents**Water withdrawal (1,000 m³)**

Fresh water by source of withdrawal	2020		2021	
	All areas	Water-stressed areas	All areas	Water-stressed areas
Surface	4,036	0	4,612	6
Ground	1,090	103	1,046	69
Third-party	2,095	20	2,064	50
Rain	18	9	11	3
Total withdrawal	7,239	131	7,733	127

NF9, continued

Water discharge (1,000 m³)

Water discharge by destination	2020		2021	
	All areas	Water Stressed areas	All areas	Water stressed areas
Surface	1,377	0	1,423	0
Fresh water	809	0	863	0
Other water	569	0	560	0
Ground	452	0	480	0
Fresh water	3	0	3	0
Other water	448	0	477	0
Third-party	5,410	131	5,830	127
Fresh water	5,231	131	5,652	127
Other water	179	0	178	0
Total	7,239	131	7,733	127

Water intensity

Water withdrawal in relation to revenues	2020	2021
m ³ /MSEK	84	78

Sandvik does not use water in its products. In manufacturing operations, especially in hot environments, some water will inevitably transpire and evaporate. The evaporated volumes are insignificant in relation to production and water volumes. There are no steps in our manufacturing processes that would cause irreversible pollution to the water being used. All water withdrawn is released back to recipients after relevant treatment, either in our own treatment facilities or in third-party treatment operations. For the main manufacturing operations, water withdrawal and discharges are conducted in a carefully controlled manner and subject to relevant permits. No significant water incidents were reported.

Waste**Use, reuse, recondition and recycle**

Circularity is a key aspect for Sandvik and we reuse and recycle to offset the use of raw materials and reduce waste. Our most significant waste input is various forms of metal raw materials. Our products are refined products based on metal handling. A metal raw material can be melted down and used many times, without compromising quality, which creates favorable conditions for circular material handling. We strive to increase recycled material in our products and purchase as much recycled material. We collect and sort waste metal from our production in order to reuse the material. We run buyback programs with our customers to collect and reuse the material in our production. Waste generated outside of our production, such as packaging, is handled by third parties who are responsible for properly sorting of materials. All employees and contractors are responsible for correctly sorting and disposing of waste on site.

Total waste increased by 8 percent to 352 tons. The increase is mainly attributable to major, irregular waste haulages within the steel operations, but also to overall increased activity levels.

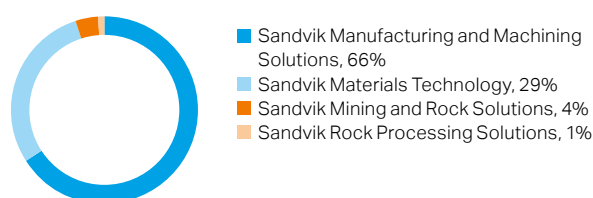
Our 2030 waste goal was revised in 2021 and is now formulated as "At least 90 percent circularity for packaging, products and waste." Waste circularity was defined as reused and recycled waste in relation to total waste. Sandvik has set targets, globally and regionally, to reduce landfill waste and increase recycled waste. We will start reporting on the redefined goal as of 2022. Waste-related data is a part of our environmental reporting and is done on a quarterly basis.

In 2021, 11 (18) of our production-related sites reported a 100 percent waste recovery rate. The reduced number of sites was caused by the implementation of a more detailed waste reporting this year. Energy recovery was defined as waste to recovery in 2020, but as non-circular in the new reporting method. Sandvik recycles both steel and cemented carbide.

Waste by type and disposal method

Waste by type and disposal method (kton)	2020	2021
Hazardous waste	33	36
Circular waste	14	14
Non-circular waste	17	22
Non-hazardous waste	294	315
Circular waste	36	46
Non-circular waste	258	270
Total waste	327	352
<i>Waste excluding landfilled slag, tailings and digestion</i>	70	87

The reportable waste disposal methods are defined based on the disposal codes from the EU regulation Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste. These definitions will be applied by our reporting entities. The determination of waste disposal method varies in the company but is mainly based on information from the waste disposal company.

Total waste by business area**Waste intensity**

Total waste in relation to revenues	2020	2021
ton/MSEK	3.8	3.5

§ REPORTING PRINCIPLES

Environmental data is derived from our EHS reporting system in which reporting is conducted on a quarterly basis for environmental indicators. The key figures compiled are based on information available at the date of the most recent year-end accounts, which may entail that historical figures have been adjusted. Energy and GHG emission data is calculated based on reported consumption data. The conversion factors are established in our EHS definitions that are held within the management system documentation. These factors originate from the Swedish EPA for scope 1. For scope 2, location-based emissions from the use of electricity is derived from reported consumption and converted using emission factors as listed in the GHG-protocol calculation tool version 4.8, except for US-based companies, where the US EPA's Power Profiler tool was used to better accommodate for the difference in carbon footprint within the country's various electricity grids. For the market-based emissions, the consumption data uses specific emission factors, if available, and otherwise the same factors as for location-based emissions.

In the data presented for water discharged, the split of data per GRI Standard 303-4 has been performed by applying allocation keys, where such could be obtained from the locations. The allocation specifies how the water withdrawal was discharged after use. An allocation key was requested from major production sites at the end of 2019 and was applied on data for both 2020 and 2021. These sites have returned an estimated split of their water discharge. Where no such split could be specified, the reported water withdrawal was included as fresh water to a third party. For inclusion in the water-stress category, the major production sites were asked to verify in accordance with the definition as outlined in the GRI Standard 303 if they fulfill the criteria of a water-stressed location. All water is deemed as freshwater when drawn in to our production processes. ■

NF10 SUSTAINABLE SUPPLIER MANAGEMENT

Sandvik has about 53,000 suppliers located in 91 countries, from which we source raw materials, components, products and services. In 2021 we launched a third version of the Sandvik Supplier Code of Conduct ([home.sandvik.com/suppliermanagement](https://www.sandvik.com/suppliermanagement)). Updates include aligning the Supplier Code with our Sustainability Goals. The responsible sourcing of minerals and metals section was updated to include cobalt and to align it with the EU legislation 2017/821. We also strengthened the Supplier Code with a section on human rights due diligence.

In 2021 we focused on internal training of purchasers to support them in placing and following up on supplier sustainability requirements and about 57 percent of all purchasers were trained. The trainings were conducted by internal and external experts and will be part of a training package for new purchasers.

Our sourcing activities play an important role in reaching our sustainability goals, whether it's continuous work together with suppliers towards more sustainable options, supporting projects such as switching to green energy or LED, or logistics projects aiming at lowering greenhouse gas emissions from transports.

Circularity – transition to a circular system

Circular use of raw materials, for example in our buy-back programs for cemented carbide, has been part of our business model for many years. With our sustainability goal for circularity, we strengthen our ambitions for a circular supply chain. The new Supplier Code requires suppliers to control, measure, document and plan their work to minimize the environmental impact of their business from a circularity perspective. It also guides them to transition from a linear to a circular system and work towards conserving finite resources and selecting materials and resources that can be reused and recycled.

In 2021, we continued to build baselines for selected purchasing categories, such as steel, CO₂ emissions and circularity. In our metalcutting operations, we initiated a program to identify packaging solutions based on non-fossil materials.

Climate – minimized climate impact

In our new Supplier Code we encourage all our suppliers to adopt climate targets in line with the Paris Climate Agreement. We also require suppliers to control, measure, document and plan their work to minimize their business impact on the climate.

People – health and safety improvement plans

Health and safety plans are part of the requirements on our suppliers in the Supplier Code of Conduct. Suppliers are requested to provide a safe and healthy working environment and take all practicable steps to prevent incidents and injuries. Follow-up on the People target for suppliers is part of our supplier self-assessment questionnaires and Supplier Code of Conduct audits.

Fair play – compliance with the Supplier Code

The Sandvik Supplier Code of Conduct places requirements on our suppliers in the areas of health and safety, compliance with relevant laws, labor and human rights, environment and anti-corruption. As part of the Supplier Code, suppliers are requested to cascade Sandvik requirements to their own supply chain.

Sandvik suppliers are assessed for risk of violating the requirements in the Code based on country and category risks and segmented as high, medium or low risk. In 2021, approximately 3 per-

cent of our supplier spend (1,213) was rated as high risk, with the distribution China (1.8 percent), India (0.9 percent), Mexico (0.2 percent), Brazil and Russia (0.15 percent each). High risk suppliers are prioritized for on-site audits.

By signing the Supplier Code, the supplier gives Sandvik the right to perform social compliance audits. Due to the global pandemic, it was not possible to perform on-site audits to the same extent as in previous years and a total of 15 supplier audits were performed. 13 were Supplier Code audits of which 9 were carried out on site and 4 were carried out remotely. Two audits related to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. All were conducted by independent third-party auditors. No supplier contracts were terminated due to breaches of the Supplier Code.

We updated our procedure to assess compliance with the Supplier Code and as a consequence we decided to partner with EcoVadis, an organization that conducts impartial assessments of sustainability management practices and provides supplier risk screening and rating.

Responsible sourcing of minerals and metals

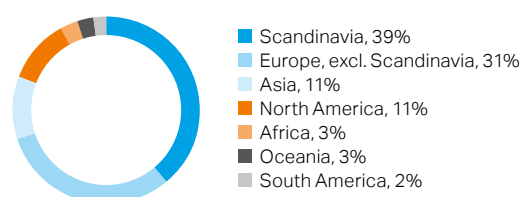
Sandvik condemns all activities in the raw material sector connected to illegal or unlawful exploitation of ores, that directly or indirectly finances or benefits armed groups in conflict areas, or that contribute to serious human rights violations, including child labor, and has adopted measures to manage and mitigate these risks. Read more in our updated Responsible Sourcing of Minerals and Metals Statement at [home.sandvik.com/responsiblesourcing](https://www.sandvik.com/responsiblesourcing) which since 2021 also covers the sourcing of cobalt.

Wolfram Bergbau und Hütten AG (WBH), a Sandvik subsidiary based in Austria, is a Conformant Tungsten Smelter since 2015. It continued to supply the majority of our total tungsten intake in 2021.

Sandvik believes that responsible engagement with small-scale miners in conflict areas and other difficult locations can create a sustainable livelihood and foster local development. WBH provides technical help and training in these mining areas, and co-funded in 2021 an independent study of a small-scale mine in Rwanda. The study showed a positive impact for miners, environment and local communities alike through engagement and collaboration.

Sandvik annually performs a reasonable country of origin enquiry to identify smelters and refiners associated with our supply chain, based on the OECD Due Diligence Guidance. Sandvik has been a member of the Responsible Minerals Initiative since 2020.

Supplier spend by region

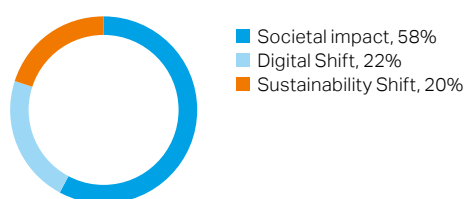


NF11 COMMUNITY INVOLVEMENT

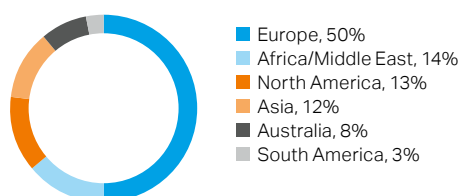
In 2021 we updated our community involvement platform to be in line with our company purpose and strategy. It includes three focus areas: Sustainability Shift, Digital Shift and Societal Impact. Our updated platform was approved by the Group Executive Management Team in January 2022.

In 2021, Sandvik engaged in about 140 community projects. Many activities were related to the Covid-19 pandemic and ranged from donating personal protective equipment to hospitals and elderly care homes to supporting vulnerable people affected by the pandemic with food and hygiene kits.

Community projects by focus area



Community projects by geography



NF12 EU TAXONOMY

The EU taxonomy is a classification system to provide companies, investors and policymakers with definitions of economic activities to be considered environmentally sustainable. As of 2021, all European public interest entities with more than 500 employees are required to report on the EU taxonomy.

The taxonomy recognizes activities, in selected sectors, that make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time doing no significant harm to any of the other objectives and meeting minimum social safeguards (taxonomy aligned).

Sandvik has identified eligible activities (economic activities from which Sandvik gets net revenues, included in the taxonomy delegated act for climate change mitigation and adaptation), mainly within the manufacturing sector and will report on share of turnover, capex and opex connected to these activities.

Sandvik has done a thorough review of its own operations to determine applicable eligible activities, based on the descriptions in the EU delegated acts and supporting NACE code information. The precautionary principle has been applied and activities that are not clearly defined in the EU taxonomy have been left out, for example the mining sector. The following activities were deemed eligible: 3.6 *Manufacture of other low carbon technologies* (climate change mitigation): The powder/additive manufacturing business within Sandvik Manufacturing and Machining Solutions and battery- and cable-electric mining vehicles within Sandvik Mining and Rock

Solutions. Powder/additive manufacturing has several environmental advantages compared to subtractive manufacturing. It requires fewer manufacturing steps, resulting in reduced energy consumption and greenhouse gas (GHG) emissions. Less raw material is needed as the powder production results in almost no waste and all the surplus powder can be reused. You can produce lighter components, reducing the fuel consumption and GHG emissions in for example aerospace and automotive. Battery and cable-electric driven loaders and trucks demonstrate substantial life cycle GHG emission savings compared to the best-performing alternative technology available on the market, diesel-driven vehicles.

3.9 *Manufacture of iron and steel* (climate change mitigation): Advanced stainless steels and special alloys from Sandvik Materials Technology. The offering covers a large variety of products, such as tubes, pipes, bars and strip steel, which are included as eligible activities under the taxonomy. Sandvik Materials Technology is included as eligible, excluding minor parts of the Tube and Kanthal divisions with products in titanium, zirconium, gold or platinum.

We expect to report on additional activities as the taxonomy develops in the years to come.

EU taxonomy

Group	SEK M	Eligible economic activities, %	Non-eligible economic activities, %
Turnover	99,105	15	85
Capex	-4,907	14	86
Opex	-4,484	20	80

REPORTING PRINCIPLES

The turnover was determined the same way as externally reported net revenues in the income statement (line *revenues*), further explained in the notes G2 and G3. The allocation of the eligible part has been done using product accounts.

This year's capex was defined as investments in property, plant and equipment, note G14, and intangible assets, note G13, together with the IFRS 16 right of use assets, note G15. The total capex amount can be found in the movement schedule in each note's addition row. For note G14 property, plant and equipment, the rental fleet column is not part of capex. The allocation of the eligible part has been done using profit centers or a specific selection of entities. Opex includes R&D costs and maintenance, and repairs costs. The allocation of the eligible part has been done using the combination profit centers or a specific selection of entities and accounts and cost types. Our analysis is based on information available on January 31, 2022.

NF13 SASB REPORTING

Sandvik reports in accordance with the Global Reporting Initiative, GRI. As of 2021 we also report according to the Sustainability Accounting Standards Board (SASB) reporting standard for Industrial Goods and Machinery. Detailed SASB reporting can be found at home.sandvik/sustainablebusiness.



NF14 GRI INDEX

	Standard and disclosure	Page	Comments
	GRI 102: General Disclosures 2016		
	Organizational profile		
	102-1 Name of the organization	53	
	102-2 Activities, brands, products, and services	2-3	
	102-3 Location of headquarters	53	
	102-4 Location of operations	3, 79, 93	
	102-5 Ownership and legal form	53	
	102-6 Markets served	1-3	
	102-7 Scale of the organization	1, 3, 72-73, 123-131	
	102-8 Information on employees and other workers	143-145	
	102-9 Supply chain	149	
	102-10 Significant changes to the organization and its supply chain	47, 107, 111	
	102-11 Precautionary Principle or approach	68-70	
	102-12 External initiatives	1, 4-5, 17, 68-70, 142	
	102-13 Membership of associations	142	
GENERAL DISCLOSURES	Strategy		
	102-14 Statement from senior decision-maker	4-5	
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior	11, 68-70, 142	
	Governance		
	102-18 Governance structure	53-70	
	Stakeholder engagement		
	102-40 List of stakeholder groups	142	
	102-41 Collective bargaining agreements	144	
	102-42 Identifying and selecting stakeholders	142	
	102-43 Approach to stakeholder engagement	142	
	102-44 Key topics and concerns raised	45, 142	
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	93	
	102-46 Defining report content and topic Boundaries	68-70, 142	
	102-47 List of material topics	21, 27, 33, 39, 68-70	
	102-48 Restatements of information	142	
	102-49 Changes in reporting	142	
	102-50 Reporting period	142	
	102-51 Date of most recent report	142	
102-52 Reporting cycle	142		
102-53 Contact point for questions regarding the report	155		
102-54 Claims of reporting in accordance with the GRI Standards	142		
102-55 GRI content index	151-152		
102-56 External assurance	142, 153		
	GRI 103: Management approach 2016		
MANAGEMENT APPROACH	103-1 Explanation of the material topic and its Boundaries		
	Anti-corruption	68-70, 142-143	
	Materials, Waste, Water and effluents, Energy, Emissions	7, 69, 146-148	
	Supplier Environmental Assessment, Child Labor, Forced and Compulsory Labor, Supplier Social Assessment	16, 66-67, 142, 149	
	Diversity and equal opportunity, Employment	7, 16, 69, 145	
	103-2 The management approach and its components		
	Anti-corruption	16, 68, 70, 142-143, 149	
	Materials, Waste, Water and effluents, Energy, Emissions	7, 146-148	
	Supplier Environmental Assessment, Child Labor, Forced and Compulsory Labor, Supplier Social Assessment	16, 66, 68-70, 149	
	Diversity and equal opportunity, Employment	68-69	
	103-3 Evaluation of the management approach		
	Anti-corruption	68-69, 149	
	Materials, Waste, Water and effluents, Energy, Emissions	69-70, 149	
	Supplier Environmental Assessment, Child Labor, Forced and Compulsory Labor, Supplier Social Assessment	69-70, 142	9
	Diversity and equal opportunity, Employment	68-69, 143	

	Standard and disclosure	Page	Comments
TOPIC SPECIFIC	GRI 205: Anti-corruption 2016		
	205-2 Communication and training about anti-corruption policies and procedures	142–143	Data per region and employee category not available as we follow up training per business area rather than region. Data on business partners not available.
	GRI 302: Energy 2016		
	302-1 Energy consumption within the organization	147–148	No separate data on cooling. No data on energy sold.
	302-3 Energy intensity	147	
	GRI 303: Water and effluents 2018		
	303-1 Interaction with water areas share resource	69-70	Water is handled locally within the limits of certified management systems.
	303-2 Management of water discharge-related impacts	69-70	
	303-3 Water withdrawal	147–148	No water withdrawn or discharged to sea.
	303-4 Water discharge	70, 147–148	
	Own indicator Water intensity	147	
	GRI 305: Emissions 2016		
	305-1 Direct (Scope 1) GHG emissions	147–148	
	305-2 Energy indirect (Scope 2) GHG emissions	147–148	CO ₂ emissions only.
	305-4 GHG emissions intensity	147	CO ₂ emissions only.
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	147	POP, HAP and PM not available
	GRI 306: Waste 2020		
	306-1 Waste generation and significant waste-related impacts	148	
	306-2 Management of significant waste-related impacts	148	
	306-3 Waste generated	148	
	306-4 Waste diverted from disposal	148	
	306-5 Waste directed to disposal	148	
	Own indicator Waste intensity	148	
	GRI 308: Supplier Environmental Assessment 2016		
	308-2 Negative environmental impacts in the supply chain and actions taken	149	
	GRI 401: Employment 2016		
	401-1 New employee hires and employee turnover	144	
GRI 403: Occupational health and safety 2018			
403-1 Occupational health and safety management system	69-70, 145–146		
403-2 Hazard identification, risk assessment, and incident investigation	69-70, 145–146		
403-3 Occupational health services	69–70, 145		
403-4 Worker participation, consultation, and communication on occupational health and safety	69-70, 145–146		
403-5 Worker training on occupational health and safety	69–70, 146		
403-6 Promotion of worker health	69–70, 145		
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	69–70, 146		
403-9 Work-related injuries	145–146		
403-10 Work-related ill health	145–146		
GRI 405: Diversity and equal opportunity 2016			
405-1 Diversity of governance bodies and employees	143–145		
GRI 408: Child labor 2016			
408-1 Operations and suppliers at significant risk for incidents of child labor	149		
GRI 409: Forced or compulsory labor 2016			
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	149		
GRI 414: Supplier Social Assessment			
414-2 Negative social impacts in the supply chain and actions taken	149		

ASSURANCE REPORT

Auditor's Combined Assurance Report on the Sustainable Business Report and Statement on the Statutory Sustainability Report

To the Annual General Meeting of Sandvik AB (publ), corporate identity number 556000-3468

Introduction

We have been engaged by the Board and the President and CEO to undertake an examination of Sandvik's Sustainable Business Report for 2021. The company has defined the scope of the Sustainable Business Report and the Statutory Sustainability Report on page 142.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainable Business Report, including the statutory sustainability report, in accordance with the applicable criteria and the Annual Accounts Act. The criteria are described on page 142 of the Sustainable Business Report, and consists of the GRI Sustainability Reporting Standards which are applicable to the Sustainable Business, as well as the accounting and calculation principles that Sandvik has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainable Business Report based on the procedures we have performed, and to provide a statement on the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our engagement in accordance with ISAE3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The engagement includes a limited assurance engagement on the complete Sustainable Business Report and audit of certain information as specified below. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a test basis, evidence supporting the quantitative and qualitative information in the Sustainable Business Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainable Business Report, and applying analytical and other limited assurance procedures. We have conducted our examination regarding the Statutory Sustainability Report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 have a different focus and a

considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Sandvik according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and an examination according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed.

The stated conclusion based on a limited assurance and an examination in accordance with RevR 12, therefore, does not have the security that the conclusion of our reasonable assurance procedures.

Since this assurance engagement is combined, our conclusions regarding the reasonable assurance, the limited assurance and the review according to RevR12 will be presented in separate sections.

Our reasonable assurance engagement includes 2021 data related to the Sustainability Goals We build circularity, We shift climate and We play fair, and specifically the following KPIs:

- Total waste (page 148)
- CO₂ emissions in scope 1 and scope 2 (page 147)
- Share of women in managerial positions (page 143)

Our procedures are based on the criteria defined by the Board of Directors and the Managing Director as described above. We consider these criteria suitable for the preparation of the Sustainable Business Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainable Business Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Managing Director.

In our opinion the information in the Sustainable Business Report which has been subject to our reasonable assurance procedures have, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and the Managing Director.

A Statutory Sustainability Report has been prepared.

Stockholm, March 11 2022

PricewaterhouseCoopers AB

Peter Nyllinge
Authorized Public Accountant

Isabelle Hammarström
Sustainability Expert, member of FAR

ANNUAL GENERAL MEETING

Annual General Meeting

The Annual General Meeting will be held on Wednesday, April 27, 2022.

Shareholders who wish to participate in the Meeting must:

- be recorded as a shareholder in the share register maintained by Euroclear Sweden AB on Tuesday, April 19, 2022, and
- give notice of their intention to participate in the Meeting, not later than Thursday, April 21, 2022.

Shareholders whose shares are registered in the name of a nominee must, to be entitled to participate in the Meeting, temporarily have re-registered the shares in their own name so that the shareholder is registered in the share register as of Tuesday, April 19, 2022.

Further information on the right to participate and notice of participation will be available in the formal notice convening the Meeting. The information will also be available on the company's website, home.sandvik.

Dividend

The Board of Directors proposes that the 2022 Annual General Meeting declare a dividend of SEK 4.75 per share.

The proposed record date is Friday, April 29, 2022. If the proposal is adopted by the Annual General Meeting, it is expected that dividends will be paid on Wednesday, May 4, 2022. Dividends will be sent to those who on the record date are entered in the share register or on the separate list of assignees, etc. To facilitate the distribution of dividends, shareholders who have changed address should report this change to their bank in sufficient time prior to the record date.

Annual Report

The Annual Report is available at home.sandvik, where a printed copy can also be ordered.

FINANCIAL TARGETS

Financial targets for the Sandvik Group are excluding discontinued operations and including Sandvik Materials Technology unless otherwise stated.

Growth \geq 5 percent

Target to be achieved through both organic and acquired growth.

- Target through the economic cycle
- Organic revenue growth
- M&A (disposals and acquisitions)

EBIT margin – trough \geq 16 percent

Trough = lowest level through an economic cycle.

- 12 month rolling
- Excluding items impacting comparability
- Excluding metal prices effects in Sandvik Materials Technology

Dividend pay-out ratio 50 percent

- Target through the economic cycle
- Excluding items impacting comparability

Net gearing, net debt/equity $<$ 0.5

Net debt to equity ratio, including discontinued operations

- Annual target, excluding transformational M&A
- Including pension liabilities and impact from adaptation of IFRS16 leases

DEFINITIONS

Adjusted earnings per share*

Profit/loss for the year adjusted for items affecting comparability attributable to equity holders of the Parent Company divided by the average number of shares outstanding during the year.

Adjusted EBIT*

Earnings before interest and tax adjusted for items affecting comparability.

Adjusted EBITA*

Earnings before interest and tax adjusted for items affecting comparability, excluding amortizations and other accounting effects arising from business combinations.

Adjusted EBITA margin*

Earnings before interest and tax adjusted for items affecting comparability, excluding amortizations and other accounting effects arising from business combinations in relation to sales.

Earnings per share

Profit/loss for the year attributable to equity holders of the Parent Company divided by the average number of shares outstanding during the year.

EBIT

Earnings before interest and tax.

EBIT margin*

Earnings before interest and tax in relation to sales.

Equity ratio

Total equity in relation to total capital.

Items affecting comparability

Items with a significant impact on the Group or business area results from gains and losses on business disposals, restructuring and impairments costs.

Lost time injury frequency rate (LTIFR)

Number of lost time injuries per million worked hours.

Net debt/equity ratio

Interest-bearing current and non-current debts, including net pension liabilities, less cash and cash equivalents divided by total equity.

Order intake

Order intake for a period refers to the value of all orders received for immediate delivery and those orders for future delivery for which delivery dates and quantities have been confirmed. General sales agreements are included only when they have been finally agreed upon and confirmed. Service contracts are included in the order intake with the full binding contract amount upon signing.

Rate of capital turnover

Revenues for the last quarter annualized divided by average total capital.

Relative working capital

Average working capital for the last four quarters, divided by revenues in the last twelve months.

Return on capital employed

Earnings before interest and tax plus financial income, as a percentage of a four quarter average capital employed. Capital employed is defined as total capital less current non-interest-bearing debt.

Return on total capital

Earnings before interest and tax plus financial income, as a percentage of a four quarter average total capital.

Return on total equity

Consolidated net profit/loss for the year as a percentage of average total equity during the year.

Total recordable injury frequency rate (TRIFR)

Total number of injuries per million worked hours.

Working capital

Total of inventories, trade receivables, account payables and other current non-interest-bearing receivables and liabilities, excluding tax assets and liabilities and provisions.

* Alternative Performance Measures; Sandvik presents certain financial measures that are not defined in accordance with IFRS. Sandvik believes that these measures have an important purpose of providing 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.

If you have any comments on our Annual Report, please contact Group Communications, +46 (0)8 456 11 00 or info@sandvik.com.

For comments or questions on sustainability-related information, please contact Sustainable Business, +46 (0)8 456 11 00 or info@sandvik.com.

KEY FIGURES, GROUP TOTAL

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue, MSEK	98,529	87,328	88,821	90,822	84,430	93,906	100,924	103,533	86,409	99,110
Change, %	5	-11	2	2	-7	11	8	3	-17	15
of which organic, %	5	-7	-2	-6	-6	10	11	-1	-11	12
of which structural, %	0	0	2	0	0	0	-6	-1	-1	6
of which currency, %	0	-5	2	8	-1	1	2	4	-4	-3
Earnings before interest and tax, MSEK	13,490	8,638	10,120	6,062	9,657	18,011	18,103	13,182	11,184	18,644
as % of revenue	14	10	11	7	11	19	18	13	13	19
Profit before tax, MSEK	11,516	6,753	8,264	4,059	7,996	16,940	17,315	11,945	11,238	18,451
as % of revenue	12	8	9	4	9	18	17	12	13	19
Consolidated net profit for the year, MSEK	8,107	5,008	5,992	2,194	5,468	13,160	12,669	8,523	8,721	14,484
Equity, MSEK	32,536	33,610	36,672	34,060	39,290	48,722	58,163	61,858	65,082	77,332
Equity ratio, %	31	36	34	34	38	46	49	51	55	50
Net debt/equity ratio, multiple ¹⁾	0.8	0.9	1.0	1.0	0.7	0.3	0.2	0.2	0.0	0.3
Rate of capital turnover, %	97	89	89	86	83	90	89	85	72	76
Cash and cash equivalents, MSEK	13,829	5,076	6,327	6,376	8,818	12,724	18,089	16,987	23,752	13,585
Return on total equity, %	25.3	15.3	17.4	6.2	15.2	31.3	23.3	13.9	13.6	20.5
Return on capital employed, %	19.8	12.6	13.4	7.9	12.9	23.8	22.0	15.0	13.3	19.5
Investments in non-current assets, MSEK	4,820	4,185	4,703	4,161	3,691	3,578	3,984	4,147	3,278	3,598
Total investments, MSEK	4,859	4,674	7,537	4,168	3,722	3,578	8,615	6,018	6,552	27,195
Cash flow from operations, MSEK	11,892	5,133	9,515	11,952	12,032	14,286	14,914	16,894	15,347	13,177
Cash flow, MSEK	8,450	-8,656	1,039	79	2,288	3,963	5,382	-1,188	7,261	-10,527
Number of employees, December 31	48,742	47,338	47,318	45,808	43,732	43,024	41,705	40,246	37,125	44,136

1) As of 2012, net debt includes net pension liabilities.

Data per share

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Basic earnings, SEK ¹⁾	6.51	4.00	4.79	1.79	4.39	10.50	10.11	6.81	6.96	11.53
Diluted earnings, SEK ²⁾	6.51	4.00	4.79	1.79	4.39	10.49	10.09	6.79	6.95	11.52
Equity, SEK	25.9	26.7	29.1	27.1	31.2	38.8	46.4	49.3	51.9	61.6
Dividend, SEK (2021 as proposed)	3.50	3.50	3.50	2.50	2.75	3.50	4.25	-	6.50	4.75
Direct return, % ³⁾	3.4	3.9	4.6	3.4	2.4	2.4	3.4	-	3.2	1.9
Payout percentage, % ⁴⁾	54	88	73	140	63	33	42	-	93	41
Quoted prices, Sandvik Share, highest, SEK	107	108	97	107	116	153.9	165.3	190.4	205.6	255.4
lowest, SEK	82	79	74	68	65	113.5	123.1	122.7	115.5	194.9
year-end, SEK	103.50	90.70	76.40	74.05	112.70	143.7	126.4	182.7	201.3	252.6
No. of shares at year-end, million	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4
Average no. of shares, million	1,245.9	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4	1,254.4
P/E ratio ⁵⁾	15.9	22.7	15.9	41.4	25.7	13.7	12.5	26.9	28.9	22.0
Quoted price, % of equity ^{2, 6)}	400	340	261	273	361	370	273	370	388	410

1) Profit for the year per share.

2) Profit for the year after dilution of outstanding share-based program.

3) Dividend by quoted price at year-end.

4) Dividend by basic earnings per share.

5) Market price of share at year-end in relation to earnings per share.

6) Market price of share at year-end, as a percentage of equity per share.

Development by business area, Group total

	Revenue			EBIT and EBIT margin					
	2019	2020	2021	2019		2020		2021	
	MSEK	MSEK	MSEK	MSEK	%	MSEK	%	MSEK	%
Sandvik Mining and Rock Solutions	37,366	33,572	41,409	7,493	20	6,400	19	8,220	20
Sandvik Rock Processing Solutions	7,411	6,459	7,610	1,109	15	990	15	1,255	16
Sandvik Manufacturing and Machining Solutions	41,123	32,477	36,681	8,380	20	4,606	14	8,058	22
Sandvik Materials Technology	15,279	13,598	13,405	1,444	9	492	4	1,379	10
Other operations	2,059	297	0	-4,263	n/m	-578	n/m	0	n/m
Discontinued operations	295	6	5	-204	-69	-32	n/m	-10	n/m

For more key figures, see home.sandvik.com/investors

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