



ANNUAL REPORT 2022



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Cover photo: Sandvik offers additive manufacturing and metal powder solutions.

The formal Annual Report comprises pages 42–133. The Statutory Sustainability Report and Sustainable Business Report include pages 2–3, 7, 13–14, 63–67 and 139–153.

IMPORTANT EVENTS

- Strong demand despite a challenging macroeconomic situation. Order intake grew by 27 percent to SEK 119,196 million (93,665) and revenues by 31 percent to SEK 112,332 million (85,700)
- Organic sales growth amounted to 8 percent, fueled by successful innovations in areas such as digitalization, electrification and automation
- We acquired eight companies in strategic areas, including solid round tools, mine planning and battery diagnostics
- New financial targets were introduced. Adjusted EBITA increased by 26 percent to SEK 22,486 million (17,816) and the adjusted EBITA margin was 20.0 percent (20.8), which is within our new margin target range
- We continued to strengthen our resilience with new cost efficiency measures
- Sandvik Materials Technology was successfully distributed and listed as an independent company, Alleima, on Nasdaq Stockholm
- As a consequence of Russia's war in Ukraine, we decided to wind down our operations in Russia
- We submitted targets for validation to the Science Based Targets initiative

INDICES

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



2022 IN BRIEF

Overview, continuing operations	2021 ¹⁾	2022
Order intake, MSEK	93,665	119,196
Revenues, MSEK	85,700	112,332
EBITA, MSEK	18,088	20,145
EBITA margin, %	21.1	17.9
Adjusted EBITA ²⁾ , MSEK	17,816	22,486
Adjusted EBITA ²⁾ margin, %	20.8	20.0
Free operating cash flow, MSEK	14,007	12,103
Return on capital employed, %	19.5	15.8
Earnings per share, diluted SEK	10.40	10.24
Adjusted earnings per share, diluted, SEK ²⁾	10.26	11.98
Lost Time Injury Frequency Rate, LTIFR ³⁾	1.2	1.3
Total Recordable Injury Frequency Rate, TRIFR ⁴⁾	3.0	3.1
Number of employees ⁵⁾	38,669	40,489
Share of women, %	20.2	20.2

1) Comparative figures for the income statement and cash flow statement have been updated as Sandvik Materials Technology/Alleima was distributed on August 31, 2022. Key figures based on income statement and balance sheet numbers have not been updated in the comparative period.

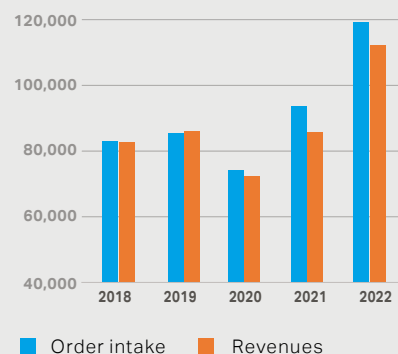
2) Adjusted for items affecting comparability, see page 47. For definitions of alternative performance measures, see page 155.

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

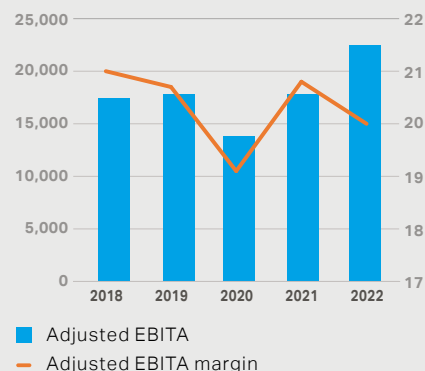
4) Total number of recordable injuries per million hours worked.

5) Full-time equivalent.

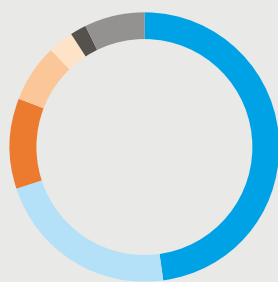
Order intake and revenues, MSEK



EBITA, MSEK and EBITA margin, %

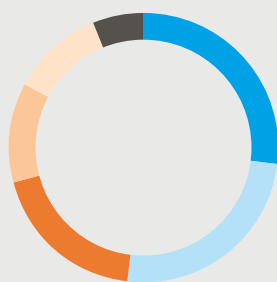


Revenues by customer segment



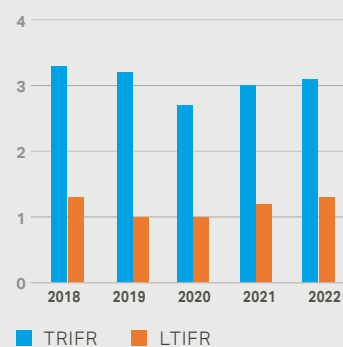
Mining, 48%
Engineering, 22%
Infrastructure, 11%
Automotive, 7%
Aerospace, 3%
Energy, 2%
Other, 7%

Revenues by market area



Europe, 27%
North America, 25%
Asia, 19%
Australia, 12%
Africa/Middle East, 11%
South America, 6%

LTIFR and TRIFR



VALUE-CREATING OFFERINGS

BUSINESS AREAS

DIVISIONS



SANDVIK MINING AND ROCK SOLUTIONS

A global leading supplier of equipment and tools, parts, service, digital solutions and sustainability-driving technologies for the mining and infrastructure industries.

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

SHARE OF REVENUES	SHARE OF ADJUSTED EBITA
51%	50%



SANDVIK ROCK PROCESSING SOLUTIONS

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

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

SHARE OF REVENUES	SHARE OF ADJUSTED EBITA
8%	7%



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 technologies such as additive manufacturing and in-line metrology.

Sandvik Machining Solutions¹⁾

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

Sandvik Manufacturing Solutions¹⁾

- Design and Planning Automation
- Additive Manufacturing

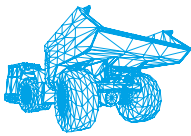
SHARE OF REVENUES	SHARE OF ADJUSTED EBITA
41%	43%

¹⁾Business area segments

Adjusted EBITA is excluding Group activities and items affecting comparability.

Sandvik is a global, high-tech engineering group with approximately 40,000 employees and sales in about 150 countries. We have a strong focus on enhancing customer productivity, profitability and sustainability.

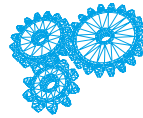
KEY CUSTOMER SEGMENTS/SHARE OF REVENUES



Mining



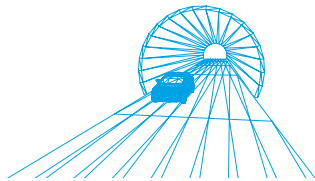
We deliver drill rigs, rock-drilling tools and systems, load and haul machines, tunneling equipment, continuous mining and mechanical cutting equipment, crushing and screening, service and sustainability-driving technologies to increase digitalization, automation, safety and customer productivity.



Engineering



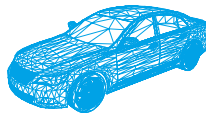
Our tools and tooling systems for metal cutting and manufacturing software are used in engineering industries worldwide, improving productivity, profitability, quality and safety as well as reducing environmental impact. We are also a global leader in high-alloy metal powder.



Infrastructure



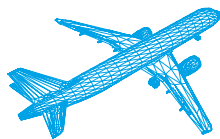
We offer solutions that increase safety and customer productivity in breaking, drilling, cutting, crushing and screening. Application areas include tunneling, quarrying, demolition and recycling.



Automotive



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. Metal powders are used in Metal Injection Moulding.



Aerospace



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 and end-to-end optimization are critical.



Energy



We supply tools and tooling systems for the energy industry, including clean and renewable energy.

Other



'Other' includes mainly die and mould, electronics, medical, pump and valve, rail and defense.

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

STRONG EARNINGS IN A CHALLENGING WORLD

Despite a very challenging operating environment, Sandvik delivered a strong result in 2022 and we took important steps in the execution of our strategy. We also underwent a historical change with the listing of Sandvik Materials Technology as Alleima.

We have a clear strategy and growth focus where the solutions we offer contribute to making our customers more productive and more sustainable. During the year, we presented new long-term financial targets where we raised our growth ambition to 7 percent on average over a business cycle. The profitability target was set as a target range of 20–22 percent for the adjusted EBITA margin. We also introduced a new target of a financial net debt/EBITDA below 1.5. The dividend target of 50 percent of earnings per share remained unchanged. Our adjusted operating profit (EBITA) rose to SEK 22.5 billion (17.8) in 2022, an increase of 26 percent.

Russia's war in Ukraine continues to lead to unimaginable humanitarian consequences and has prompted difficult but necessary decisions for us at Sandvik. When the war broke out in February, we paused our operations in Russia, making the safety of our employees our top priority. In June, we communicated our wind down and departure from the Russian market.

In August, Sandvik Materials Technology was listed on Nasdaq Stockholm as Alleima, ending a complex but successful project. I am convinced that this is a positive step for both Alleima and Sandvik, and something that will create long-term value for both companies.

We have identified a number of focus areas for Sandvik where we can help create additional value for our customers, and where we can take a leading position and provide more comprehensive solutions for the needs of our customer value chain.

Strong organic growth

We continue to see strong momentum for battery-electric equipment and automation solutions on the mining side. We received several significant orders in these areas during the year, including our largest order for battery-electric vehicles to date. These are areas with great future potential, where we will continue to invest and lead the development.

Our investments in research and development (R&D) are a basic prerequisite for a strong Sandvik. Our R&D investments amounted to SEK 4.5 billion in 2022, corresponding to 4 percent of the Group's revenue. Our strong organic growth is proof of the strength of our innovative product portfolio. Total growth in order intake was 27 percent and, at fixed exchange rates, 17 percent, of which organic growth was 6 percent. In recent years, we have also focused on expanding sales of parts, services and consumables as it strengthens our position with customers and at the same time increases our resilience.

Value-creating acquisitions

We made several acquisitions that support our strategy. We completed the acquisition of Deswik – the world-leading company in mine planning software – and we strengthened our position in the mining industry with acquisitions in advanced optimization software and battery diagnostics. We acquired the mining business from Schenck Process Group (SP Mining), a transformative deal for the Sandvik Rock Processing Solutions business area that creates, among other things, significant growth

potential for the parts, services and consumables business. We also made a number of acquisitions in strategic areas within machining, such as round tools, and to strengthen our capacity in light-weight materials, an area driven by the electrification in the automotive industry. With the acquisitions we made in 2021 in software connected to component manufacturing, we now have important building blocks in place to gradually realize our goal of helping our customers automate the entire production cycle – from design and planning to manufacturing and verification.

Agile through cycle

In an unpredictable external environment, we need to have updated contingency plans in place to be ready to respond quickly to any scenario. In 2022, we once again demonstrated the resilience, flexibility and speed of our decentralized structure as we navigated high cost inflation, continued component shortages and disruptions in supply chains, shipping and logistics. Overall, we handled these challenges very well, and we compensated for a large part of the cost inflation, implementing necessary price increases. It shows we are valued by our customers. The adjusted EBITA margin was 20.0 (20.8) percent in 2022.

We have a continuous focus on costs and are constantly striving to make Sandvik more competitive, more efficient and less complex. As the savings from our last structural program in 2020 have been realized in full, we announced in May new structural measures to support our strategic direction. This program is expected to



"We received our largest order for battery-electric vehicles to date."

generate annual savings of approximately SEK 600 million, with the full effect in 2025. The restructuring costs will amount to SEK 1.7 billion (SEK 670 million in 2022 and the remainder in 2023).

Sustainability

Sustainability is a major business opportunity for Sandvik. We can make a big difference by developing more efficient and safer solutions that help reduce our customers' use of resources and increase their productivity. Our electrification and automation solutions for the mining industry are concrete examples of how we are driving the sustainability shift. Our solutions for smart and automated component manufacturing processes also have great potential.

In November, we submitted targets for validation to the Science Based Targets initiative. The new targets include committing to net zero greenhouse gas emissions by 2050. For Scope 1 and Scope 2, our goal is to halve emissions by 2030 and reach net zero by 2040.

Unfortunately, the total recordable injury frequency rate increased during the year. We have a zero vision for accidents in the workplace and we have intensified our focus on this area to continue our long-term positive trend. Sandvik continues to support the principles of the United Nations Global Compact and contributes to the UN Sustainable Development Goals.

In 2022, we continued to build a stronger Sandvik and it is gratifying to see the progress we made. We look forward with confidence to the opportunities ahead of us.

I would like to thank our employees, whose outstanding efforts during the year have been essential for our continued strong development. I would also like to extend a big thank you to our shareholders and customers for your continued trust.

Stefan Widing
President and CEO

FINANCIAL TARGETS

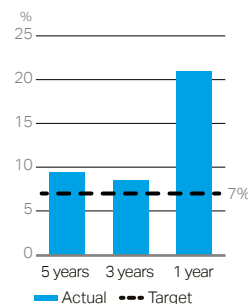
Sandvik has long-term financial targets focusing on growth, profitability, dividend and financial position. In 2022, new financial targets were introduced.

GROWTH

Target: 7%
Outcome: 21%

Target: A growth of 7 percent through a business cycle, organically and through acquisitions.

Outcome: In 2022, total growth at fixed exchange rates was 21 percent, of which organic growth was 8 percent. Revenue growth during a three-year period was 8 percent and during a five-year period 9 percent.

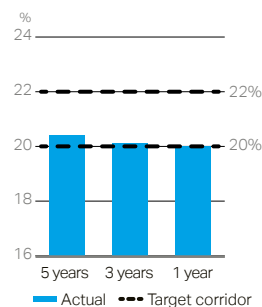


EBITA MARGIN RANGE

Target: 20–22%
Outcome: 20.0%

Target: An adjusted EBITA margin range of 20–22 percent.

Outcome: The adjusted EBITA margin amounted to 20.0 percent (20.8), in line with the target.

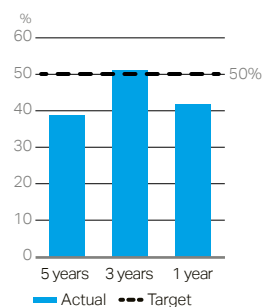


DIVIDEND PAYOUT RATIO¹⁾

Target: 50%
Outcome: 42%

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

Outcome: A solid performance in 2022 resulted in a proposed dividend of SEK 6.3 billion (6.0) corresponding to a payout ratio of 42 percent. The average payout ratio for a three-year period amounted to 51 percent and for a five-year period to 39 percent.

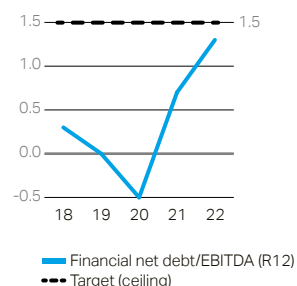


FINANCIAL NET DEBT/EBITDA

Target: <1.5
Outcome: 1.3

Target: A financial net debt/EBITDA ratio below 1.5.

Outcome: The target was achieved as the financial net debt/EBITDA ratio was 1.3.



¹⁾ 'Target outcome' are 2022 results. All figures except financial net debt/EBITDA are excluding Sandvik Materials Technology/Alleima and other operations.

¹⁾ The dividend payout ratio is only related to cash dividends and does not consider the distributed value from Alleima to shareholders. The ratio is calculated on adjusted earnings per share, diluted, for the total group all years except 2022 when it excludes earnings related to Alleima.

SUSTAINABILITY TARGETS

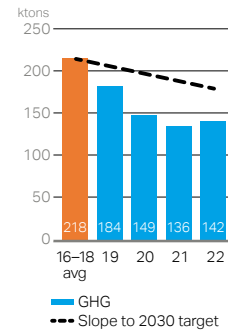
We have 2030 Sustainability Goals in four areas and we report on KPIs for our own operations to track progress towards targets. In addition to our own operations, we also work with customers and suppliers to achieve the goals.

WE SHIFT CLIMATE

Target: 181 ktons
Outcome: 142 ktons

Target: Our target is to reduce our greenhouse gas (GHG) emissions by 50 percent by 2030. To be in line with this target we should reduce GHG emissions to 181 ktons by 2022.

Outcome: In 2022, we increased our GHG emissions by 4 percent to 142 ktons due to increased production. However we exceeded the 2030 slope target by 22 percent and reduced GHG emissions by 35 percent compared to our baseline value. The main contributors to that decrease are fossil-free energy sourcing and exchanging natural gas for biogas.

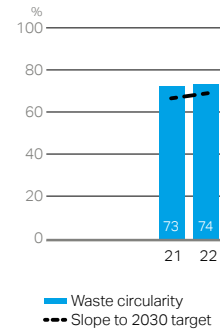


WE BUILD CIRCULARITY

Target: 70%
Outcome: 74%

Target: Our target is to increase our waste circularity to 90 percent by 2030. The target for 2022 was 70 percent.

Outcome: This target was revised in 2021 to better reflect our efforts towards circularity and we will report on waste circularity rather than total waste from this point. We achieved 74 percent waste circularity.

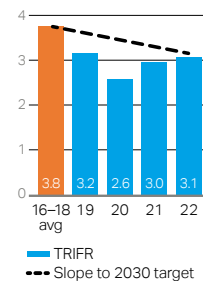


WE CHAMPION PEOPLE

Target: 3.2
Outcome: 3.1

Target: Our target is to reduce our Total Recordable Injury Frequency Rate (TRIFR) to 1.9 by 2030, a 50 percent reduction. To be in line with this target we should reduce the TRIFR to 3.2 by 2022.

Outcome: The TRIFR was 3.1 (3.0), equating to a 3 percent increase. However, we are still in line with where we need to be to achieve the 2030 target. Acquisitions continue to negatively impact both TRIFR and LTIFR trends.



WE PLAY FAIR

We will constantly aim higher in ethics and transparency, being a leader in playing fair and being open. Our goal is to always do the right thing. More about Sandvik and fair play on page 14.

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. Greenhouse gas emissions and waste circularity are ahead of the required results in relation to the 2030 slope while the TRIFR is in line with the slope value.

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.



DIGITALIZATION AND AUTOMATION

The manufacturing and mining industries are experiencing 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 or equipment 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 puts emphasis on the importance of our coworkers' expertise. Sandvik offers digitalized solutions and services to optimize its customers' operations per-

taining to costs, productivity and environmental impact.

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

In the mining industry, digitalization and automation are used across the value chain, from mine planning through the mining and crushing operations to the extraction of minerals. Data collection, for example in mining equipment, enables advanced analysis to optimize processes and predict maintenance needs. We also provide automated solutions for mining vehicles.



ECONOMIC AND POLITICAL DEVELOPMENTS

Macro factors such as globalization, urbanization, political governance and cyclical impact Sandvik. The war in the Ukraine has had a major impact on the world economy by raising energy prices and inflation. Increased regionalization and protectionism affects trade regulations, such as

customs duties or new legal requirements. Our global and local presence and our decentralized way of working allow us to be flexible and adapt to changing conditions. All of our business areas have action plans in place to manage changes in market conditions.



NEW TECHNOLOGIES

A number of emerging technologies will affect our industries. The rapidly expanding demand for battery-electric vehicles offers fantastic business opportunities for Sandvik but also headwind in some parts of its business, for example in the automotive sector.

Sandvik has a deep knowledge of additive manufacturing, or 3D printing, a technology that requires fewer manufacturing steps and by producing lighter products

with fewer raw materials reduces the environmental impact. Multi-axis technology, enabling the machining of a material from several different angles, improves efficiency and enables completely new types of products.

Artificial intelligence and machine learning will be used for increasingly complex tasks and the implementation of 5G will contribute to more intelligent equipment.



SUSTAINABILITY

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 is a world leader in electric mining equipment and supplies tools and tooling systems for the energy industry, including clean and renewable energy.

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 and we continuously strive to increase productivity and minimize the environmental impact. We develop eco-efficient crushing and screening solutions that reduce energy usage and we recycle crushing chambers.

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.

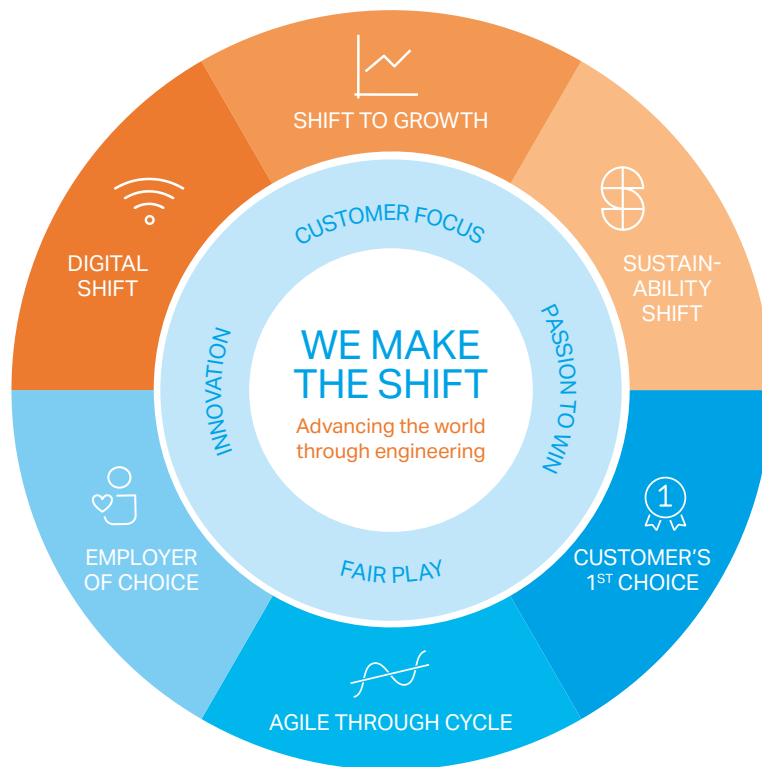
A VALUE CREATING STRATEGY

Our strategy aims to create benefits for all our stakeholders – customers, employees and communities, ultimately leading to shareholder value. 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 purpose “We make the shift – advancing the world through engineering” and our Code of Conduct, they guide us in our daily business decisions and form a solid platform for our strategy. We manage risks and seize opportunities in the surrounding world

and we have defined six strategic objectives for growth and operational excellence.

Our strategy relies on a number of common strengths across the Group: being close to the customer with a decentralized way of working and leading brands, digitalization and automation, a strong performance culture and first-class leadership that focuses on ensuring high employee engagement.



PURPOSE AND CORE VALUES

We have a 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.

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 business 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.

SHIFT TO GROWTH

In 2022, we increased our growth ambitions and raised the long-term growth target from at least 5 percent over a business cycle to 7 percent, organically and through acquisitions. We have the ambition to grow faster than the market and we aim to grow 10 percent (CAGR 2019–2025) for Sandvik Mining and Rock Solutions and Sandvik Rock Processing Solutions, respectively, 5 percent for Sandvik Machining Solutions and more than 10 percent for Sandvik Manufacturing Solutions. Our investments in research and development (R&D) amount to about 4 percent of net sales annually.

This year we achieved a total sales growth of 21 percent, in fixed currency. We added approximately SEK 4 billion in annualized inorganic growth through eight strategic acquisitions. The acquisitions strengthened our core business and helped us expand into adjacent areas in our customers' value chains. The organic growth amounted to 8 percent and was supported by the launch of innovative new products, many of which were connected to digitalization and automation.

We have a New Sales Ratio (NSR), the share of sales from products launched in the last five years, target of 30–35 percent in 2025. In 2022, the NSR was 26 percent.

Growth areas

We have set up a number of prioritized growth areas for our businesses. Digitalization is one that is relevant for all businesses.

Sandvik Mining and Rock Solutions is world-leading within underground electrification and automation and the business area has increased its focus on surface drilling. We also see continued potential in parts, services and consumables where a high share of total sales improves our resilience over time. Parts, services and consumables sales amounted to 69 percent.

In 2022, we saw a large interest in autonomous and battery-electric vehicles (BEVs) and received record orders. In 2030, we will have a full underground electric offering. With the acquisition of Australia-based Deswik, a market leading provider of mine planning software, we expanded

in the underground mining value chain. The acquisition of Polymathian Industrial Mathematics further improved our offering, with solutions for automated decision-making and optimization of our customers' operations. We expanded our battery analytics competence with the acquisition of Akkurate, a frontrunner in holistic battery management. Sandvik Mining and Rock Solutions is the only OEM in the industry with a unique end-to-end digital offer.

Sandvik Rock Processing Solutions has the ambition to reduce energy consumption with its crushing and screening solutions. The business area aims to optimize its sales channels by developing its distributor business and increasing OEM sales. The acquisition of the mining part of Schenck Process Group (SP Mining) in 2022, a SEK 2 billion business, will increase the business area's mining exposure substantially. It will also increase our aftermarket exposure since SP Mining has 70 percent of sales in parts, services and consumables. For 2019–2025, the business area target is more than 30 percent increased penetration within parts, services and consumables. In 2022, its share of sales was 55 percent.

Sandvik Machining Solutions aims to grow by becoming a market leader in round tools, an increased exposure to lightweight materials and the mid-market segment as well as geographical expansion. In 2022, we made five round tools acquisitions. Two of the acquisitions, Preziss and Frezite, will help us support automotive customers' shift to electric vehicle production. Sphinx Tools is a manufacturer of micro precision tools used for electronics and surgical instruments in the medical industry. The acquisitions of Balax and Peterson Tool Company support our exposure to the US market.

Sandvik Manufacturing and Machining Solutions has a vision to create a closed loop component manufacturing process. In 2021, we made several digital manufacturing software acquisitions. In 2022, we focused on their integration and the business area's combined hardware and software solutions are unique. Additive manufacturing and metal powder are other growth areas.



An Accelerated Rate Calorimeter from Akkurate for testing batteries. It can be used for measuring heat capacity, thermal stability of the cell or heat generation during usage.



A vibrating screen from SP Mining. The screens are used to separate feeds containing solid and crushed ores.

DIGITAL SHIFT

We aim for digital leadership in our industries. We combine hardware and software to create optimized solutions for the manufacturing, mining and infrastructure industries. Our equipment and tools are increasingly becoming intelligent and automated, gathering data and enabling predictive maintenance, leading to improved productivity and sustainability for our customers.

We have set a target to generate digital and software sales of SEK 6.5 billion by 2025. The expansion of our digital offering in 2022 contributed to our overall growth targets significantly and sales from software and digital solutions were close to SEK 4 billion.

The acquisition of mine planning software provider Deswik in 2022 contributed SEK 620 M in revenue to Sandvik Mining and Rock Solutions and we had strong sales of autonomous mining equipment, AutoMine®. We also increased the number of mines using our Remote Monitoring Services.

Sandvik Rock Processing Solutions aims to have 60 percent of customers utilizing its automated and digital solutions by 2025, thereby gaining operational insights for improving productivity and performance. Automation is a prioritized growth area and the business area

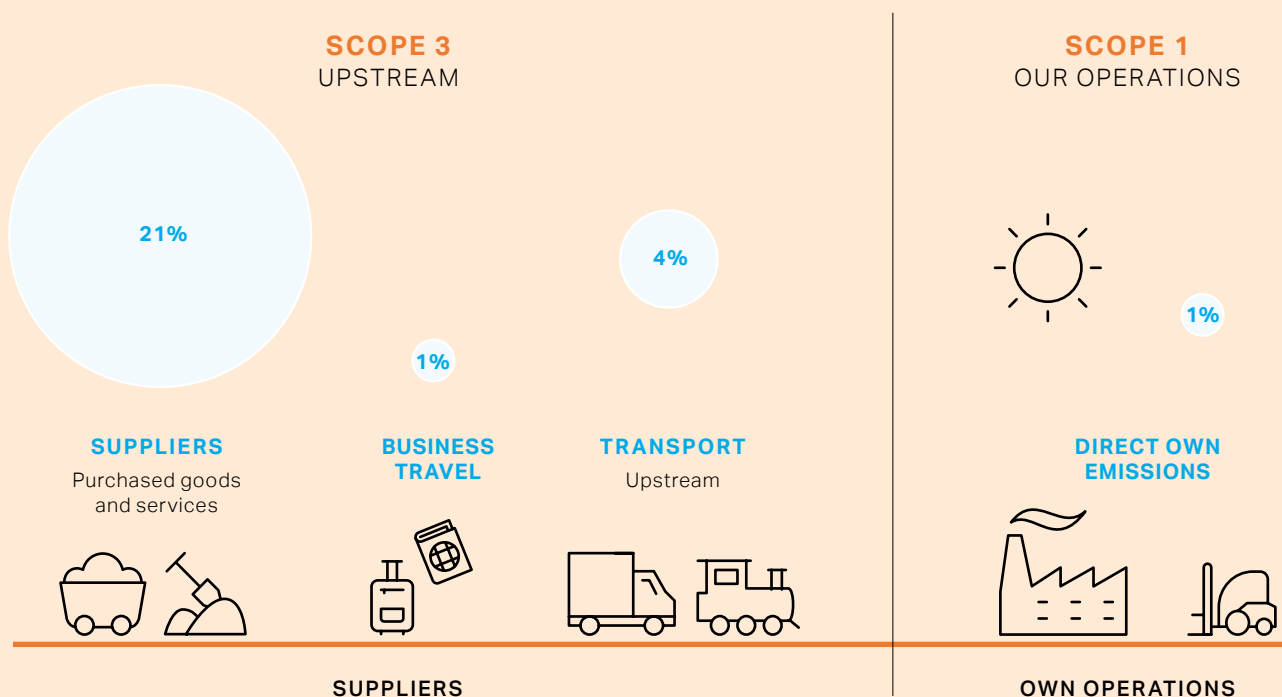
sees opportunities to provide leading optimization and automation solutions through continuous developments and new functionality additions for its digital assistant platform SAM™.

In line with the vision to become the leader in closed loop component manufacturing, Sandvik Manufacturing and Machining Solutions developed a new platform technology in tool identification, helping to make production processes more efficient.

Sandvik Manufacturing Solutions reached double digit annual market growth throughout the year with strong contributions from companies acquired in 2021, for example CNC Software (Mastercam). Prioritized growth areas for the business area segment include design and planning automation, additive manufacturing and industrial metrology. Recent acquisitions enable unique combined solutions, such as our ZeroTouch® metrology technology with Metrolog® X4 software for non-contact, 3D measurement of parts integrated near or in-line, and the optimization of Silent Tools® tool holders from Sandvik Coromant with our newly acquired Mastercam Dynamic Motion® toolpath.

SUSTAINABILITY SHIFT

OUR CLIMATE IMPACT ACROSS THE VALUE CHAIN



Not included in the illustration: capital goods of 1 percent and fuel/energy related actions of 1 percent.

SUSTAINABILITY SHIFT

Sandvik has an ambitious sustainability agenda with our four 2030 Sustainability Goals as a base. The goals relate to climate, circularity, people and fair play. They take a holistic approach that includes customers, suppliers and our own operations.

Our largest climate impact is generated at the customer usage phase and we use engineering and innovation to help our customers reach their sustainability targets.

We shift climate

Our goal is to halve greenhouse gas (GHG) emissions by 2030. All our business areas worked hard in 2022 to define our Science Based Targets initiative (SBTi) targets, which we sent in for validation. The targets include net-zero emissions for our own operations, heating and power (Scope 1 and 2) by 2040 and for customers, suppliers and transports (Scope 3) by 2050. We are well in line with our 2030 climate targets. GHG emissions increased by 4 percent in 2022 but compared with the base value (2016–2018) they have been reduced by 35 percent. The reduction is mainly due to energy certificates and exchanging natural gas for biogas.

In 2022 we signed a SEK 11 billion revolving credit facility linked to our waste circularity and climate targets.

Annual KPIs are aligned with the sustainability targets, and the interest margin is affected positively or negatively depending on whether the KPI levels are met or not.

Throughout 2022 we launched several new products that help our customers reduce their climate impact.

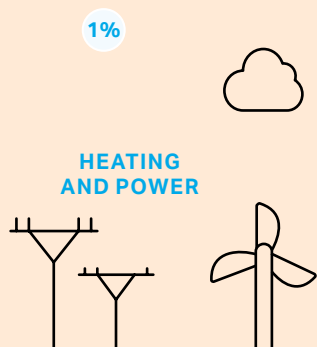
We build circularity

This year we changed our waste measurement definition from total waste to waste circularity. The new target is to be more than 90 percent circular by 2030.

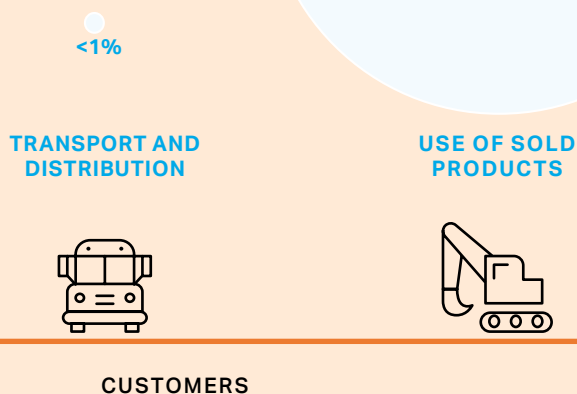
We continued to run projects to reduce, reuse and recycle waste at our sites. Sandvik Mining and Rock Solutions developed an app for all of its sites to gather information about waste. Sandvik Rock Processing Solutions developed its solution to reuse excessive heat from production processes.

A circularity solution won the 2022 Sandvik Sustainability Award in Memory of Sigrid Göransson. The new technology to recycle the tungsten inserts on drill bits at customer sites was developed by a joint team from Sandvik Mining and Rock Solutions and the Wolfram division of Sandvik Machining Solutions. Customer waste is turned into new products, local jobs are created and supply chain risks are reduced.

SCOPE 2 HEATING AND POWER



SCOPE 3 DOWNSTREAM



Focusing on 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 Total Recordable Injury Frequency Rate amounted to 3.1 (3.0), and we undertook several initiatives, such as safety campaigns, to make improvements in this area. Diversity and inclusion (D&I) was also high on the agenda. It included initiatives such as a group-wide D&I nano learning and training and skills development programs. Sandvik was included on the Allbright, a non-profit foundation that aims to create a more diverse business sector, green list assessment of Swedish companies. We also entered into a strategic partnership with the International Women in Mining organization to improve gender equality in the industry.

Fair play

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

Sandvik was awarded a gold medal by sustainability rater EcoVadis in its annual CSR assessment, which puts Sandvik among the top 5 percent of evaluated companies. The EcoVadis rating covers a wide range of Corporate Social Responsibility topics, including environment, labor and human rights, ethics and sustainable procurement.

During the year, 21 on-site supplier audits were performed, all conducted by independent third-party auditors. No supplier contracts were terminated due to breaches of the Supplier Code. More than 16,282 compliance training records were created and 77 percent (72) of new employees completed our code of conduct training within the first three months of being hired.

AGILE THROUGH CYCLE

Being agile through a business cycle for us means being flexible in order to effectively manage both the upturns and downturns in line with macroeconomic changes. The key measurement for success is our new margin goal of an adjusted EBITA margin ranging between 20–22 percent through a business cycle. The EBITA corridor is to be seen as a guide for when additional corrective measures may be necessary or what may not be seen as long-term sustainable margins.

Being agile starts with reducing sales volatility and having a resilient top line growth. It is also necessary to establish an efficient cost base and continuously improve the fixed cost structure. We have a flexible cost base and well-prepared contingency plans to enable quick actions. We also work to optimize the operational efficiency.

Being a decentralized organization helps us to act quickly on market intelligence. We have increased the share of variable costs through actions like increasing third-party personnel and satellite, or outsourced, production. We successfully implemented improved, proactive price management.

We built operational flexibility in 2022 by developing alternative supply chains, regional hubs, spreading production to more than one location and developing new logistical solutions. We also created satellites with spare parts close to the customer. We announced a new restructuring program in 2022, including consolidation of production units, site closures and optimizing the structure of the sales organization. The program will generate annual savings of about SEK 600 million, with a full run-rate in 2025. The restructuring costs will amount to SEK 1.7 billion (SEK 670 million in 2022 and the remainder in 2023).

Being a market leader is a competitive advantage, leading to a resilient top line achieved through, for example, recurring revenue streams like parts, services and consumables, and subscription contracts for software and digital services. Our combined hardware and software solutions strengthens our position as a supplier of choice both in upturns and downturns.

CUSTOMER'S FIRST CHOICE

Customer value ensures long-term business success. We aim to be number one in a majority of the markets where we operate. This is achieved through strong brands and innovative offerings.

Our strategic priorities to be the customer's first choice include price leadership and providing a leading performance-based offering and superior basic and advanced services. We develop close relationships for customer insights, R&D benefits and for quick feedback when market conditions change. We have built trust over decades and with vast knowledge about customer needs we are a trusted advisor.

Across the organization we aim to advance the way we measure and improve customer value and customer satisfaction. In 2022 all of our divisions measured their

customer satisfaction through structured methods. By 2025 they will be able to show verified improvements.

An example of customer insights is that small and medium enterprises need support in connecting equipment and creating a more efficient component manufacturing process. We are helping this customer group by being a partner in their digital journey, offering solutions and expertise to support them.

In our indirect channels we are training our partners to become more knowledgeable about our offerings so they can better solve customer problems with our solutions. We have also created a unique holistic customer offering in mining, closing the loop between mine planning and mining operations.

EMPLOYER OF CHOICE

We aim to be the employer of choice within our industries and attract, retain and develop top talents. We focus on having a diverse corporate culture where people feel included regardless of nationality, religion, age or gender. We empower everyone to develop to be able to perform at their best and feel excited, proud, curious and confident, while maintaining a good work-life balance, thereby building a strong and passionate culture.

We strive for an industry-leading engagement level among our employees and have set an engagement target of >80 percent for 2025. In 2022 we reached 78 percent. In 2022, we introduced an employee Net Pro-

motor Score (eNPS) for new hires and achieved a score of 68 which will form the basis for future target-setting. We have a decentralized way of working and encourage business area initiatives in areas such as engagement, diversity, inclusion, learning and individual career development.

We believe that diversity and inclusion is key and starts at the top and 44 percent of our Executive Management team are women. We aim for 25 percent of our managers to be female by 2025 and in 2022 the share amounted to 19.6 percent.



2025 TARGETS	2022 KEY RESULTS
 <p>Shift to growth</p> <ul style="list-style-type: none"> • A total growth of 7 percent (CAGR) at fixed exchange rates over a business cycle • 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"> • Total growth was 21 percent, of which organic growth was 8 percent • We achieved a New Sales Ratio of 26 percent
 <p>Digital shift</p> <ul style="list-style-type: none"> • Software and digital sales of SEK 6.5 billion • 70 percent of our sites to have modern Enterprise Resource Planning (ERP) platforms implemented to enable a seamless flow 	<ul style="list-style-type: none"> • Sales from our software and digital offering (rolling 12M) amounted to close to SEK 4 billion (1.9) • 45 percent (41) of our sites had implemented modern seamless flow platforms
 <p>Sustainability shift</p> <ul style="list-style-type: none"> • Reduce greenhouse gas emissions by 25 percent • Achieve 80 percent waste circularity • Achieve a Total Recordable Injury Frequency Rate (TRIFR) at 2.5 	<ul style="list-style-type: none"> • Greenhouse gas emissions increased by 4 percent in 2022. Compared to the baseline (2016–2018) they have decreased by 35 percent • Waste circularity amounted to 74 percent • The Total Recordable Injury Frequency Rate increased to 3.1 (3.0). Compared to the baseline it has decreased by 18 percent
 <p>Agile through cycle</p> <ul style="list-style-type: none"> • Achieve an adjusted EBITA margin with the range of 20–22 percent over a business cycle 	<ul style="list-style-type: none"> • The adjusted EBITA margin amounted to 20.0 percent (20.8)
 <p>Customer's first choice</p> <ul style="list-style-type: none"> • 100 percent of our divisions to measure customer satisfaction and show verified improvements 	<ul style="list-style-type: none"> • All divisions established methods to measure customer satisfaction
 <p>Employer of choice</p> <ul style="list-style-type: none"> • 25 percent female managers • An employee engagement rate above 80 percent 	<ul style="list-style-type: none"> • At year-end, 19.6 percent (19.6) of our managers were women • The employee engagement rate was 78 percent (79)

STRATEGIC RISK LANDSCAPE

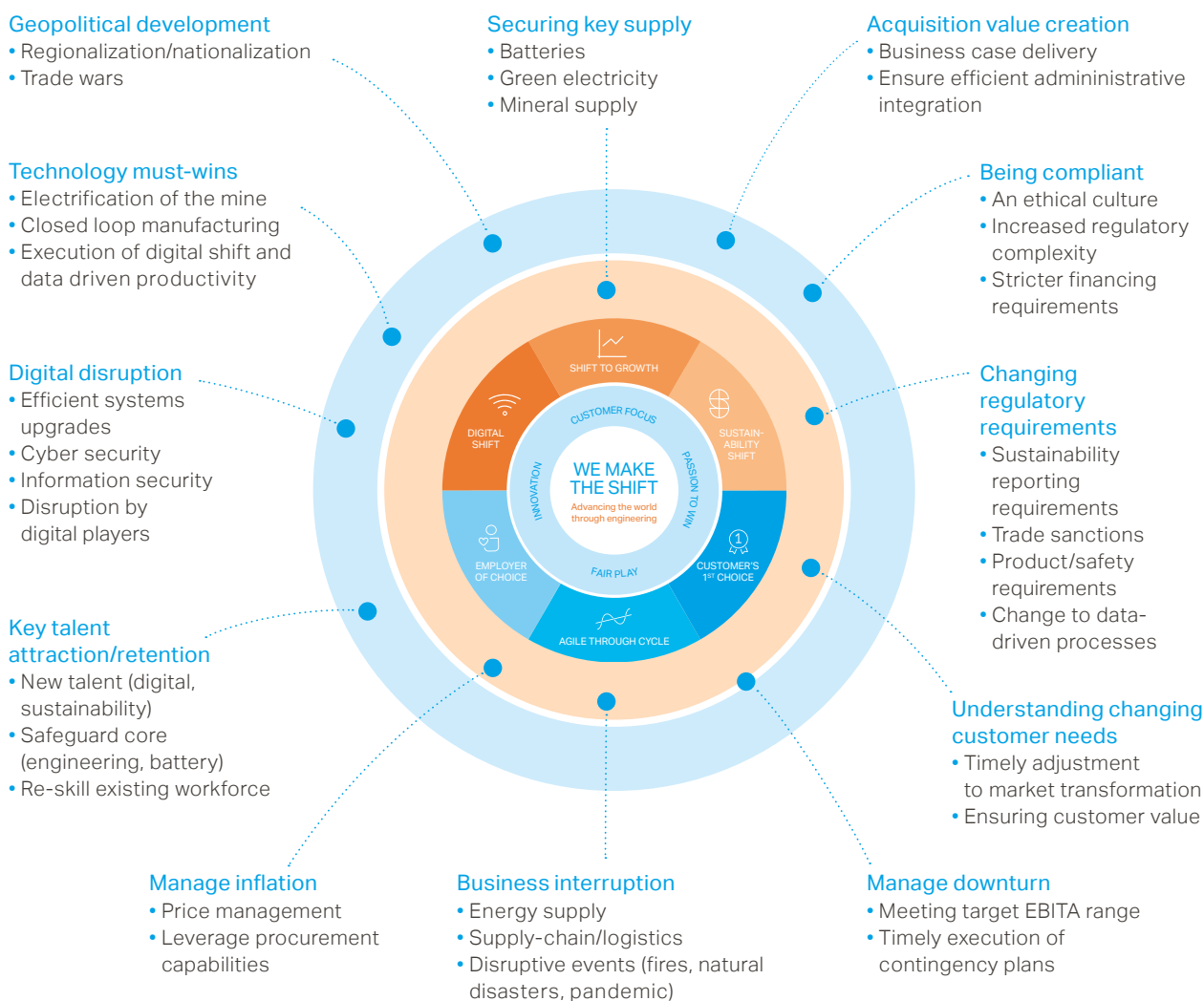
Achieving the Sandvik strategy is dependent on continuously managing risks associated with it. These risks can be driven by external factors where our ability to influence them is limited and risk mitigation is hence focused on agility and adaptability. They can also be more directly within our own control.

Sandvik continues to run its well-established Enterprise Risk Management (ERM) process which is used in all parts of the Group for analyzing risks in the local entity, business unit, division or business area. These local risk analyses are heavily influenced by the strategy and key objectives for each part of the business, in accordance with our decentralized way of working, but the total outcome is aggregated into a bottom-up summary of the most significant risks at Group level. You can read more about this process on pages 60 and 62.

In 2022, we decided to complement the bottom-up process with a strategic analysis at the Group Executive

Management level and more specifically, identify key risk areas that are tied to our ability to execute on our strategy. The purpose was to get a more focused and concrete risk landscape for the Group to enable good follow-up of the different risk mitigating activities in relation to the strategic goals. This exercise resulted in a Sandvik Key Risks map, detailing the individual risks we are actively addressing to achieve long-term success and strategy fulfillment. If we deliver on our strategic targets, many of the risks will also be fully mitigated.

The Sandvik Key Risks map is also coupled with a follow-up model for tracking the initiatives that will lead to improved risk mitigation. The tracking model will be reviewed and discussed in the Group Executive Management team every quarter, thus creating a more dynamic and strategically relevant risk management discussion at the highest level of the company.



The illustration shows to which strategic area each key risk relates, although several risks are relevant for more than one strategic area. The proximity to the center (orange circle) shows how actively we operationally work with the risk. The further out from the center (blue circle), the more long term/strategic the risk is. Many risks are both short and long-term and require both short term and long-term mitigation.

THE BIRTH OF A NEW COMPANY

The process to distribute the Sandvik Materials Technology business area as an independent listed company, called Alleima, was completed in 2022. The formation of the new, world-leading company will benefit both Alleima and Sandvik.

Alleima was listed on the Nasdaq Stockholm Stock Exchange on August 31, 2022. The name is a combination of the words alloy and material, two core strengths of Alleima.

The formation of Alleima will enable both Alleima and Sandvik to create even more value long-term. For the remaining Sandvik Group, the change will sharpen our focus on long-term profitable growth in our remaining areas: solutions for mining and rock excavation, rock processing, metal cutting and digital manufacturing.

The separation from Sandvik will provide Alleima with a clearer mandate to execute its strategy to focus on profitable growth and further strengthen its position as a world-leading manufacturer of advanced stainless steels, special alloys and heating systems for the most demanding industries. It gives Alleima an opportunity

to be evaluated based on its own merits and business opportunities and not be compared with other business areas within Sandvik.

The expertise within Alleima will enable more efficient, more profitable and more sustainable processes, products and applications for its customers, advancing industries through materials technology.

Several trends combine to fuel growth for Alleima. The transition to a zero-carbon world, for example, requires renewable energy production and non-fossil fuels for transportation, as well as a shift from hydrocarbons to electricity in the manufacturing sector.

Registered shareholders of Sandvik were entitled to receive one share in Alleima for every five shares held in Sandvik.



Göran Björkman, CEO of Alleima and former President of Sandvik Materials Technology, rang the bell at the listing ceremony of Alleima on Nasdaq Stockholm.



At the Sandvik Coromant Center in Sandviken in Sweden customers are offered training and demonstrations of machining innovations.



SANDVIK MINING AND ROCK SOLUTIONS

Sandvik Mining and Rock Solutions had a strong 2022 with solid demand and record levels of order intake. Innovative new product offerings and strong sales from parts, services and consumables drove organic growth. The acquisitions of Deswik and Akkurate strengthened our market position in mine planning software and electrification.

Sandvik Mining and Rock Solutions is a global leading supplier of equipment and tools, parts, service and digital solutions for the mining and infrastructure industries. We bring value to customers through high-performing products and services that increase productivity and safety and improve sustainability while extending uptime and cutting costs. Our product offering includes equipment for rock drilling, rock cutting, loading and hauling, tunneling and quarrying.

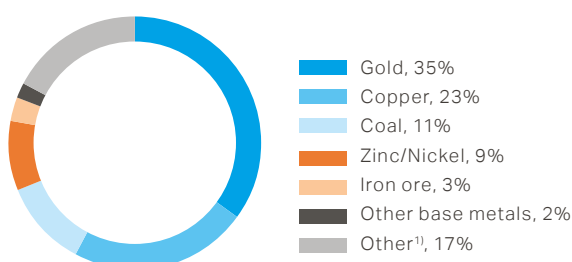
We are shaping the sustainable mine of the future, particularly through fully electric solutions, and increasingly offering solutions for mine automation and end-to-end optimization through connected digital services.

Market overview

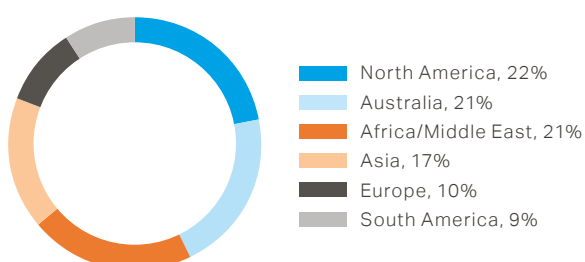
Demand within the mining industry remained high throughout 2022. The growth was fueled by the consumption of more minerals and metals and high commodity prices, despite certain metal price decreases and rising costs due to inflation and high energy prices. The market was characterized by an increasing interest from the mining and infrastructure industries in sustainable solutions and digital technologies. Demand was also driven by a growing demand for copper and other electrification metals.

2022 IN FIGURES

Commodity exposure



Revenues by market area



Overview, MSEK

	2021	2022
Order intake	47,460	62,895
Revenues	41,409	56,843
Adjusted EBITA ²⁾	8,753	11,643
Adjusted EBITA margin ²⁾ , %	21.1	20.5
Return on capital employed, %	31.2	22.6
Number of employees ³⁾	15,574	16,206
Gender balance (men/women), %	82/18	82/18
Women in managerial positions, %	19.4	18.7
Lost Time Injury Frequency Rate (LTIFR)	1.2	0.8
Total Recordable Injury Frequency Rate (TRIFR)	3.8	3.4

1) Platinum, diamonds and other.

2) Adjusted for items affecting comparability of SEK -1,264 million (-101).

3) Full-time equivalent.

Shift to growth

Our organic growth in 2022 was strong, with record levels of parts, services and consumables sales and continuing all-time high demand for our equipment. Parts, services and consumables accounted for 69 percent (63) of revenues.

Aligned with our strategic priority to drive automation and electrification, we expanded our battery-electric vehicle (BEV) offering. We invested EUR 10 million in our Turku plant in Finland to provide additional capacity to produce BEV loaders and trucks. New BEV solutions were introduced, such as a Sandvik® TH665B truck with a 65-ton capacity. It is the largest battery-powered dump truck for underground mining conditions to date, engineered to improve productivity, sustainability, and cost efficiency. Strategically significant orders for our BEV and automation solutions were received and we also saw an increase in sales of our combined surface drilling equipment and automation systems. An example is the order received from Foran Mining, worth SEK 330 million, for 20 new Sandvik BEVs, including trucks, loaders and drills, for use at its McIlvenna Bay project in Canada.

The acquisition of Australia-based Deswik, a top-tier supplier of integrated software platforms that support mine digitalization, presented an exciting new area for growth. Our digital offering was further strengthened with the agreement to acquire Polymathian Industrial Mathematics, an Australia-based provider of advanced mine optimization software and services. The acquisition was completed in February 2023. We also strengthened our leading electrification and battery analytics competence and know-how with the acquisition of Finland-based Akkurate, a frontrunner in holistic battery management.

Digital shift

We saw strong sales of our AutoMine® autonomous and remotely operated mobile equipment. We introduced an AutoMine Concept Underground Drill Rig, featuring next generation intelligent automation and a range of emission reduction technologies. The drill rig uses an AI-guided automatic drill bit changer as well as AI for continuous rock mass feedback to optimize drilling performance. We also launched a mapping solution which maximizes productivity and improves the safety of autonomous vehicle navigation in underground mining operations by utilizing mapped data and AutoMine surface drilling systems. Embracing new digital technologies, we began an additive manufacturing trial to digitally print machine parts for underground drill rigs.

Our world-leading mine planning software platform from Deswik continues to be further built on to help our customers optimize their mining operations.

Sustainability shift

Our portfolio helps customers to increase their productivity and safety and reduce their environmental impact.

By electrifying the fleet, a mining operation can significantly reduce its energy consumption. No underground

exhaust emissions are produced and much less heat is generated compared to traditional engines. Electrification supports mine operators reach their sustainability targets, such as reduced CO₂ emissions, and reduces ventilation requirements, therefore reducing costs. Battery-powered equipment is also more productive due to higher speeds and requires less maintenance compared to traditional engines.

Our new warehouse at Roe Highway Logistics Park in Western Australia has been recognized for 'World Leadership' thanks to its environmentally sustainable building practices. The facility's innovations include the use of low-carbon concrete, solar generation with battery storage, a dual electric vehicle charging station, energy-efficient lighting and a dedicated rainwater harvesting system.

A new technology to recycle the tungsten inserts on drill bits at customer sites, designed by colleagues from Sandvik Mining and Rock Solutions and Sandvik Manufacturing and Machining Solutions' Wolfram division, in collaboration with customers, received the 2022 Sandvik Sustainability Award in Memory of Sigrid Göransson. The new technology will lead to CO₂ reductions of approximately 64 percent compared to mining virgin raw material and increases employment in the communities close to the mines.

Customer's first choice

Through the acquisition of Deswik and the integration of DSI Underground, we have expanded our value chain to include mine planning and ground support, creating a unique holistic customer offering. Our electrification, digitalization and automation journey is also highly valued by our customers, who are increasingly wanting to partner with us in these areas. For example, a partnership dating back several years with mining company BHP to develop the underground mining equipment and automation solution for its Jansen Potash project (Canada) resulted this year in a SEK 2 billion order. We also received a large mining equipment order from the Chinese global mining services provider JCHX Mining Management Co Ltd, to be used in the Kamoia-Kakula copper mine and the Kamoya copper and cobalt mine in the Democratic Republic of the Congo. The order was for a fleet of intelligent load and haul equipment and it is valued at SEK 210 million.

We also stay close to the customer through events like Innovation in Mining. With its focus on the mine of the future, the event, hosted at our sites in Sweden and Finland, welcomed over 700 visitors.

Agile through cycle

We are well prepared for unstable market conditions. Flexible production systems are one of the many levers we have built into our contingency planning, providing us with a production structure that can mitigate upturns and downturns.

We are continuously evaluating our supply base, to be more resilient and less dependent on global supply chain constraints. We are taking mitigating actions, such as set-

ting up additional units which provide spare parts closer to the customers.

When the war broke out, our main focus in Russia and Ukraine was on the safety and well-being of the 700 Sandvik employees working at mine sites and offices. We moved swiftly to conduct a controlled wind down in Russia, minimizing the impact on our people.

During the year, we inaugurated a new facility in Johannesburg, South Africa, consolidating five separate sites.

Employer of choice

We have approximately 280 diversity and inclusion activities underway across the business area. This year we entered a strategic partnership with the International Women in Mining organization to help drive progress in gender equality in the industry.

The partnership with the Federation of European Mineral Programs provides us with opportunities to attract new talent at the universities with which they work. To recruit new digital competences, we have established

an incubator office at Tampere University in Finland, to help make us more attractive within the digital space. With many of our employees being millennials, we have initiated a reverse mentorship program, to help senior leaders understand what makes a workplace attractive to younger generations.

We have over 300 health and well-being programs underway, 50 percent of which are related to the physical environment.



MEET OUR EMPLOYEES

Melita Hegarty is Community Engagement and First Nations Participation Advisor. Being a First Nations woman from Australia herself she has the perfect background in her work for diversity and inclusion.



home.sandvik/stories/podcasts

OVERVIEW

Product portfolio

Equipment for drilling, bolting, cutting, loading and hauling. Drilling consumables (rock tools), service, spare and wear parts. Comprehensive digital solutions to drive efficiency and process optimization.

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 the need for semi-automated to fully automated solutions. Significant after-market 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
- Electrification
- 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 the parts, services and consumables 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

With our electrification, digitalization and automation solutions, we are working with our customers to provide them with the latest technologies to transition to a safer, more efficient and more sustainable mine of the future.

We expanded our battery-electric vehicle (BEV) offering, including the introduction of a new truck, Sandvik® TH665B. This is our largest capacity BEV truck for underground applications, and the only battery-electric powered underground truck with a 65-ton capacity in the industry. The truck is engineered to improve productivity, sustainability and cost efficiency in mining operations. It is equipped with the battery-swapping systems AutoSwap™ and AutoConnect™, enabling quick and easy battery swap in a matter of minutes, together with a new battery lifting system for improved reliability.

We launched several new solutions in the product group for autonomous and remotely operated mobile equipment,

including the AutoMine® Concept Underground Drill. This fully autonomous, twin-boom development drill rig, capable of drilling without human interaction, can plan and execute the entire drilling cycle from tramming to the face, setting up for drilling, drilling the pattern and returning home to charge for the next cycle.

Our new AutoMine Surface Drilling solution is an autonomous solution for a wide range of Sandvik iSeries surface drill rigs, designed to improve safety, reduce costs and increase productivity. It enables an operator to control multiple rigs remotely from a comfortable location in line-of-sight or a distant control room – improving working conditions and safety.



Sandvik® TH665B is our largest capacity BEV truck for underground applications. It is the size of a 40-ton diesel truck but can carry 65 tons.

FUTURE OPPORTUNITIES WITH OUR OFFERING

We are shaping the sustainable mine of the future. With our solutions, our customers become more productive and can run safer, more sustainable operations. We aim to have a fully electric underground hard rock offering by 2030, and by then we believe that more than 50 percent of our equipment sales in underground hard rock mining will be electrified.

We are driving the development and adoption of mining solutions for electrification, automation, and process optimization. The mining industry is essential for electrifying our society and enabling the energy transition.

With our solutions we have extensive exposure to electrification metals, such as copper, creating solid fundamentals. Additionally, the long-term trend of declining ore grades is forcing mines to move deeper and deeper. Due to the higher temperatures at depth, this intensifies the momentum for our high-performing electric equipment. It emits much less heat and no exhaust emissions,

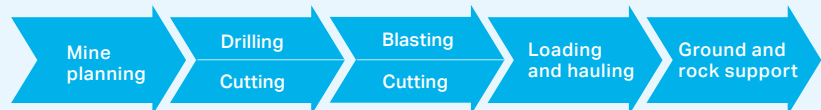
improving safety, the working environment and cost efficiency.

Our already leading position in underground mining is being leveraged to surface drilling. In addition to a strong position in battery-electric vehicles and fleet automation systems, we are a leading provider of mine planning software. This enables a full range of digital offerings throughout the value chain, with mine planning directly linked to safer operations planning, monitoring and execution. These new capabilities will help us build and develop even better products and solutions and help our customers design mines that are optimized for automation and electrification.

OUR OFFERING

- Continuous mining and tunnelling
- Digital mining technologies
- Genuine parts and services
- Ground support
- Loading and hauling
- Rock tools and systems
- Rotary drilling
- Surface drilling
- Underground drilling

ROCK EXCAVATION



Ranger® DXi Series surface drill rigs feature a revolving superstructure and a 290-degree reach – enabling an ultimate drilling coverage of 55 square meters.





SANDVIK ROCK PROCESSING SOLUTIONS

Sandvik Rock Processing Solutions had another strong year in 2022. Underlying demand continued to be favorable and the business area remained agile. Strong sales of parts, services and consumables drove organic growth and the acquisition of SP Mining significantly strengthened our offering towards the mining industry.

Sandvik Rock Processing Solutions is focused on accelerating profitable growth within rock processing. We do this by bringing value to customers through high-performing products that increase productivity and safety as well as services and flexible maintenance programs that increase uptime and reduce costs. The rock processing applications include crushing, screening, feeding, breaking, demolition and recycling. They are primarily used by the mining and infrastructure industries.

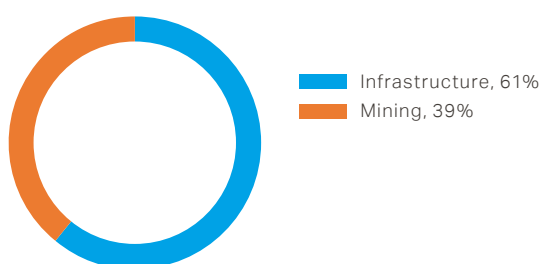
As part of the overall Sandvik sustainability and digital shift strategies, we are continuously making our rock processing offering more energy-efficient and developing the digital assistant platform SAM™.

Market overview

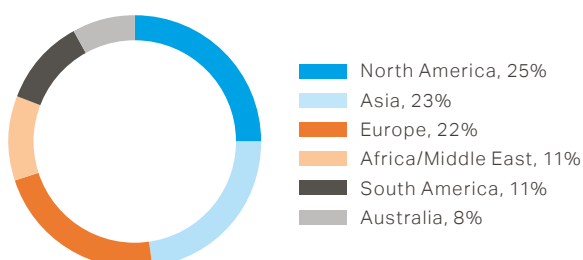
Underlying demand in the key mining and infrastructure industries remained strong despite the backdrop of challenging world events. Higher interest rates and inflationary pressures affected infrastructure demand negatively in Europe while infrastructure and mining demand in other key regions and end markets remained robust. The long-term trend of declining ore grades in the mines is favorable for our business since more material needs to be processed. This led to investments which benefited Sandvik, particularly in the parts, services and consumables category. The worldwide demand to make infrastructure projects more sustainable is also continuing to make our solutions attractive to customers.

2022 IN FIGURES

Revenues by customer segment



Revenues by market area



Overview, MSEK

	2021	2022
Order intake	8,524	9,874
Revenues	7,610	9,587
Adjusted EBITA ¹⁾	1,265	1,530
Adjusted EBITA margin ¹⁾ , %	16.6	16.0
Return on capital employed, %	28.7	16.7
Number of employees ²⁾	2,091	2,919
Gender balance (men/women), %	85/15	85/15
Women in managerial positions, %	15.9	19.2
Lost Time Injury Frequency Rate (LTIFR)	2.1	5.1
Total Recordable Injury Frequency Rate (TRIFR)	3.9	7.9

1) Adjusted for items affecting comparability of SEK -201 million (-10).

2) Full-time equivalent.

Shift to growth

Increasing sales in parts, services and consumables is a key part of our growth strategy. While equipment sales were somewhat affected by supply chain constraints, parts, services and consumables sales grew significantly in both mining and infrastructure in all regions, except Europe. In 2022 it accounted for 55 (52) percent of sales.

The acquisition of the mining part of Schenck Process Group (SP Mining) will increase our sales significantly. SP Mining has a strong global footprint and is the market leader in Australia. It will be fully branded as Sandvik, further strengthening our offering for high-capacity screens and feeders for heavy duty mining applications. This enables us to go to our customers with a full solution that includes parts, services and consumables, significantly strengthening our customer value in the mining sector.

We are expanding into new markets, particularly in the US. We do this by focusing on our indirect channels towards the infrastructure industry, where we have some 20,000 customers worldwide. As a result of this increased focus we have exceeded our target of growing sales 20 percent faster than in our direct marketing channels. We also aim to increase our OEM market share (when companies buy our products and brand them as their own).

Digital shift

We aim to have 60 percent of our customers utilizing our automated and digital solutions by 2025. Throughout 2022 we continuously worked on automation and developed new functionality for our digital assistant platform SAM™. Through the platform our customers can optimize their operations and gain operational insights for improved productivity and performance. Launched in 2021, the platform provides different levels of functionality, including connected functionalities, that provide real time production data and location, communication and e-commerce services. The platform was well received by customers and customers working with us on pilot applications for the future are also very positive.

Sustainability shift

Mining and infrastructure are heavy energy consumers, providing Sandvik with a big opportunity to help its customers' operations be more sustainable. We are doing this through continuously making improvements to our offering to reduce the energy used per ton of material crushed at the customer site.

We already provide fully electrified stationary crushing equipment and our focus now is on the electrification of our mobile crushing equipment. In 2022 we enabled our mobile crushers and screens to be operated with HVO (renewable diesel). We are progressing to plan towards our target to have an electric option for 90 percent of the mobile offering by 2025.

We launched a new, all electric wheeled range of crushing and screening solutions for the North American market. The offering will expand into a complete range, including jaw crushers, impactors and cone crushers. Sandvik electric-powered wheeled crushers offer a low

operational cost per ton, reduce CO₂ emissions and make our customers more sustainable.

We also have the ambition to expand in the value chain and reduce downstream high energy consuming processes through fine crushing solutions.

We continuously work with our own processes in our manufacturing sites to reduce our emissions and improve recycling and reuse in the factories. After earlier having connected the heat recovery system in our main manufacturing facility in Svedala to the site's ventilation system, we also installed a process heating system to reuse excessive heat from production processes. In 2022 we developed the solution further to recover even more excessive heat.

Customer's first choice

Our solutions bring value to our customers by increasing their productivity, safety and sustainability while also reducing costs.

Sandvik® QA452, a tracked mobile, 3-deck sizing screen, is the latest evolution of doublescreen technology, which typically outperforms traditional screens by up to 30 percent.

We are improving communication with our customers within our direct channels so that sales teams can ensure that customers feel prioritized and that we find solutions to their issues. In our indirect channels we are training our partners to become more knowledgeable about our equipment and service offerings so they can better support customers and solve customer problems with our solutions.

We have started a more methodical way of measuring customer satisfaction and Net Promoter Score. As we gain more insights we continuously increase our understanding and interaction with our customers, which enables us to create more value for our customers based on their needs.

Agile through cycle

An increased focus on strategic risk management helped us prepare for the challenging world events, such as inflationary pressures and supply chain disruptions, that affected our business throughout 2022. We worked on a resilient top line, for example by growing sales in parts, services and consumables, including the acquisition of SP Mining.

We have also developed more flexible supply chains. Multiple supply chains, regional supply hubs and flexible insourcing and outsourcing are some of the tools we work with.

Employer of choice

With new digital technologies driving progress in our industry we need additional types of talent and competences. Sustainability is a key focus area for current and future employees.

We invest in continuous training and development for our employees to enable their ambitions for the future, whether those are to become certified service technicians, certified sales engineers or to undertake leader-

ship training. This year, we have focused on improving development plans.

Diversity and inclusion (D&I) plays an important role in the success of our organization and all employees have a part in strengthening an inclusive culture. Examples of activities undertaken in 2022 are teams setting D&I targets together, starting with the Business Area Management Team and the establishment of an annual D&I award for initiatives that drive improvement.

We also concluded the first round of our two-way mentorship program in which about 30 mentor/mentee pairs have challenged each other, networked and gained new perspectives over a nine month period. We have now launched the second round of the program. Psychological safety is another area that we believe is

key for being an employer of choice and which creates benefits all the way to the customer. This year we have started a pilot training for managers in psychological safety.



MEET OUR EMPLOYEES

Elvin Berndtsson started his own carting company at the age of 16, got an internship at Sandvik after secondary school and now combines engineering studies with a part-time job.



home.sandvik/stories/podcasts

OVERVIEW

Product portfolio

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

Market characteristics

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

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. Regional offerings and regional 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 and Terex.

Infrastructure: Some global competitors present in several niches: Metso Outotec, Terex, Keestrack, Furukawa and Epiroc. Many regional 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 sales of parts, services and consumables 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.



The mobile screen Sandvik® QA452 was upgraded with uptime, productivity, sustainability and a lower cost of ownership in mind.

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.

New products and parts, services and consumables offerings are continually being developed. The new Optitooth™ jaw plates, for example, are an aftermarket solution for our mobile crushers that provide a longer lifecycle, higher productivity and reduced fuel consumption.

In 2022 we introduced Sandvik® QA452, a tracked mobile, 3-deck sizing screen. It is a tailored rock processing solution for quarry, recycling and mining industries and the screen was upgraded with uptime, productivity, sustainability and lower cost of ownership in mind.

The screen is a hybrid solution, including an electric plug-in option, allowing customers to choose the most economic and efficient energy source. It comes with a Sandvik My Fleet telemetry system and 7-year data subscription as standard. This offers 24/7 fleet management, geo-fencing and remote support.

During the year, we introduced a new wheeled mobile crushing and screening range in North America. All powered by electricity, our wheeled crushers offer a low operational cost per ton and reduce CO₂ emissions.

FUTURE OPPORTUNITIES WITH OUR OFFERING

Our vision is to be the recognized leader in sustainable rock processing solutions. The mining sector is an energy-intensive industry and a significant part of the energy is consumed in the comminution process. This means there is great potential to impact our customers' sustainability footprint and productivity by providing smart, eco-efficient solutions.

Our offering covers the mining and infrastructure industries. These industries have solid long-term fundamentals, with mining being essential for decarbonizing and electrifying our society, while declining ore grades require higher volumes of rock to be crushed. Sustainability is also a major driver for the infrastructure industry, where urbanization increases the need for new and upgraded infrastructure. These factors are demanding continuous optimization of production processes, improved productivity and energy efficiency.

In the mining business our largest exposure is towards electrification metals and minerals. On the infrastructure side our largest exposure is towards aggregate materials, a key

ingredient for a wide range of infrastructure projects, from buildings to highways. Here, optimized processes for recycling and reducing waste are crucial. Our approach addresses the lifecycle of the equipment we provide.

We are electrifying our offering. 100 percent of our stationary offering is already electrified and more than 90 percent of our mobile offering will be available as an electric option by 2025. We help automate our customers' production processes to maximize their uptime and productivity, with our digital solutions enabling condition monitoring and data-driven insights for continuous improvements. We expand our offering of parts, services and consumables, and we place a high priority on developing circular offerings, ensuring optimized resource efficiency throughout the product lifecycle. Sandvik Reborn

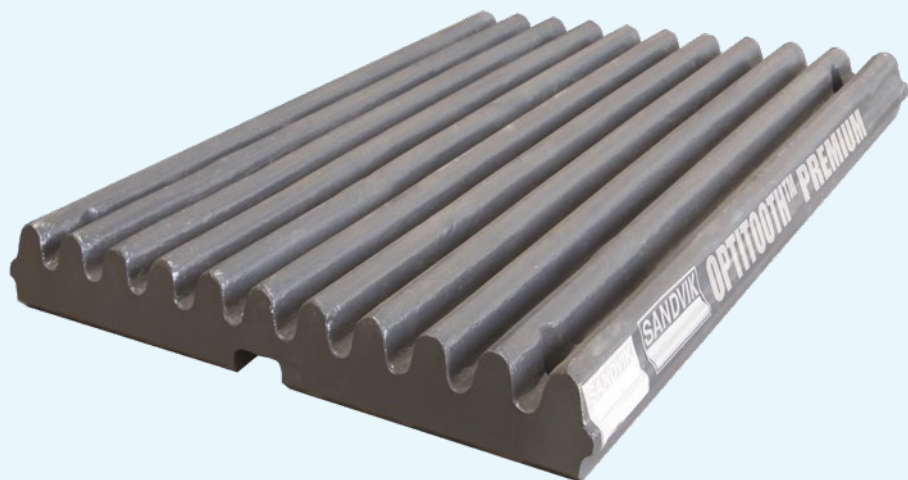
is one example where we restore customers' crushers to their original condition or even apply the latest upgrades to the units.

We are becoming a full solutions provider within our core areas of crushing and screening and we see a high potential to reduce energy and water consumption further downstream the mining value chain with fine crushing solutions.

OUR OFFERING

- Stationary crushing and screening
- Mobile crushing and screening
- Breakers, booms and demolition tools
- Parts, services and consumables
- Digital services and solutions

ROCK PROCESSING



The new jaw plates last longer, offer higher productivity and have a lower carbon footprint. ▶



SANDVIK MANUFACTURING AND MACHINING SOLUTIONS

Sandvik Manufacturing and Machining Solutions remained on a positive trend and grew organically despite geopolitical uncertainties. We expanded our round tools offering through acquisitions and saw a continued growing demand for our digital manufacturing solutions.

Sandvik Manufacturing and Machining Solutions brings together world-leading tools and machining and industrial know-how with the latest in digital manufacturing and software solutions, as well as technologies like additive manufacturing and in-line metrology. The business area consists of the two business area segments: Sandvik Machining Solutions and Sandvik Manufacturing Solutions.

Sandvik Machining Solutions provides tools, tooling systems, software and services that optimize machining operations such as turning, milling and drilling. We address the metal-cutting tools and solutions market through our market-leading brands Sandvik Coromant, Walter, Seco and Dormer Pramet, which operate independently to optimally capture market opportunities. They are supported by Wolfram, a world-leading provider

of high-quality tungsten carbide used to manufacture tools.

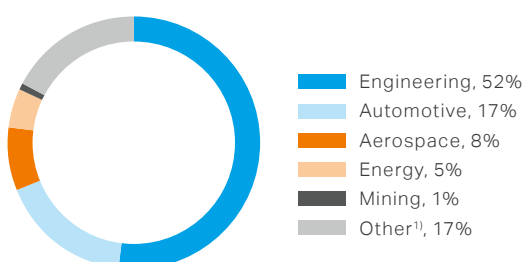
Sandvik Manufacturing Solutions provides digital manufacturing and software solutions for design and planning and industrial metrology. Through its end-to-end agnostic digital offering, the business area segment automates and connects the component manufacturing value chain – from design and planning to preparation, production and verification. It also offers expertise and services across the entire additive manufacturing value chain with all relevant metal 3D-printing technologies in-house.

Market overview

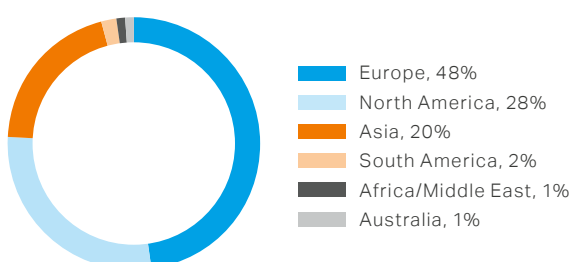
The large-scale global events throughout the year, including COVID-19 lockdowns in China, the war in Ukraine and global energy, supply chain and inflation set-

2022 IN FIGURES

Revenues by customer segment



Revenues by market area



Overview, MSEK

	2021	2022
Order intake	37,680	46,428
Revenues	36,681	45,901
Adjusted EBITA ²⁾	8,473	10,023
Adjusted EBITA margin ²⁾ , %	23.1	21.8
Return on capital employed, %	21.6	13.8
Number of employees ³⁾	20,435	20,802
Gender balance (men/women), %	78/22	79/21
Women in managerial positions, %	18.9	19.2
Lost Time Injury Frequency Rate (LTIFR)	1.2	1.5
Total Recordable Injury Frequency Rate (TRIFR)	2.3	2.3

1) Mainly die and mould, electronics, medical, pump and valve, rail and defense.

2) Adjusted for items affecting comparability of SEK -935 million (-36).

3) Full-time equivalent.

backs, meant the market was characterized by significant regional and industry segment specific variations. After a tough first part of the year, the second half of 2022 saw continued demand, despite the ongoing global challenges. The direct and indirect exposure to Russia was limited.

Overall demand was positive, with variations, and the highest growth was noted in energy and aerospace. General engineering and automotive also showed good growth, even though the automotive industry continued to be affected by supply chain issues.

Shift to growth

Sandvik Machining Solutions saw strong growth in key areas such as round tools, a strategic growth priority in which we made a number of acquisitions in 2022. We strengthened our position in the growing markets of aluminium machining and electric vehicles with our acquisitions of Portugal-based Frezite and Spain-based Preziss. We also acquired Sphinx Tools, a Swiss manufacturer of surgical cutting tools and micro precision tools, which are used in the growing electronics, medical and micro-machining industries. The acquisitions of Peterson Tool Company and Balax will further solidify our position in the strategically important US market.

A main focus during the year was the integration of the acquisitions made in 2021 and 2022, working on developing combined offerings for increased customer value. A combination of customer-centric sales programs and new solutions contributed to organic growth.

In the Computer Aided Manufacturing (CAM) space, we are securing interoperability across Sandvik software assets and the cutting tools business. As we are successively connecting more manufacturing systems and process steps, we create new value streams for our customers and ourselves.

Digital shift

We have a brand-agnostic approach, which means that our solutions can operate with our own and 3rd party solutions on the market. This is how we ensure that data can be shared between tooling systems and software solutions across the entire manufacturing process, enabling improved productivity, predictability, quality and tool life, and minimizing waste and energy consumption.

Sandvik is uniquely placed to take a leading position by leveraging our strong market presence in tools hardware combined with software and digital solutions, providing increased productivity for our customers.

Our Vericut® software is the industry standard for CNC machine simulation and optimization for which we see increased demand from our traditional Sandvik tool customers. We also saw increased demand for tool data management solutions such as Cribwise® and TDM®.

We continued to develop our Lighthouse program, where we collaborate with customers to support them

on their digitalization journey through Sandvik solutions and together drive the development towards productive closed loop component manufacturing.

Sustainability shift

Our main value proposition as a leading tool supplier is productivity and quality, which also contribute to energy and raw material savings at the customer. We continuously invest in R&D to make our tools more efficient and to reduce the environmental impact of producing and distributing them.

As an example, our new solution for machining ball valves combines Silent Tools® tool holders from Sandvik Coromant and our newly acquired Mastercam Dynamic Motion® toolpath optimization to reduce cutting hours in half, increase productivity by a factor of 3 and improve tool life over 20 percent.

We buy back used tools from our customers and recycle them to make new tools. We also help our customers by taking care of tool materials that have specific disposal routines. In 2022 we introduced the new Bergla® grade of metallic powder for our tools, made entirely of recycled material.

Customer's first choice

Our decentralized business model helps us stay close to the customer. All of our divisions measure customer satisfaction and we take pride in understanding our customers better than our competition does. Part of this work involves shortening the feedback loops, so that we can quickly provide solutions to changes in customer demands and operating models, or take onboard feedback for new digital product features.

We also recognize that small and medium-sized enterprises, who make up the largest share of metal component manufacturers, need support in connecting equipment and step by step create a more efficient process. We are helping this customer group by being a partner in their digital journey, offering the solutions and expertise to support them.

This year saw the return of our Tech Days, for the first time since the COVID-19 pandemic, at the Sandvik Coromant Center in Sandviken, Sweden, where we met more than 600 customers and discussed requirements in digitalization, sustainability and future manufacturing.

Agile through cycle

We are continuously reviewing our operations and our cost structure in order to be more flexible in both market downturns and upturns. One result of this is a workforce structure change with an increased share of flexible time workers.

We constantly plan ahead, so that all units have a plan that can be triggered swiftly and to an appropriate degree in case demand or cost deviates from expectations, be it up or down. These actions meant we were able to

continue to perform in the changing external conditions throughout the year.

We are also taking measures to build more resilient supply chains and to ensure that we have secondary sources of supplies, transportation and logistics routes. We have contingency plans in case we have a shortfall of personnel due to illness, lockdowns or other reasons.

Sandvik announced long-term structural measures that will include consolidation of production units, site closures and an optimized sales organization structure. The initiatives will generate annual business area savings of about SEK 520 million with a full run-rate in 2025.

Employer of choice

The employee engagement rate remained high during the year. We invited acquired companies to participate in our employee survey, with very high engagement as a result.

We place a lot of focus on onboarding employees. In 2022, we emphasized communication and support to make our new colleagues feel part of Sandvik.

We invest in mentoring programs and offer training and awareness building on all levels. We track related metrics to ensure we deliver tangible measurable change.

We aim for a diverse workforce and culture to bring in new perspectives. This is reflected in our recruiting and people development and we are working on several initiatives to increase the share of female employees and managers in the organization. This year we launched a female talent program that was very well received.



MEET OUR EMPLOYEES

Meghan West is the CEO of CNC Software, the company behind the most widely used CAM brand in the world, Mastercam®, a part of Sandvik since 2021.



home.sandvik/stories/podcasts

OVERVIEW

Product portfolio

Providing customers with a leading and sustainable offer delivered via multiple 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 and quality. Service levels and product solutions are the main differentiators for the premium market. The mid-market is more price sensitive but requires a lower degree of service.

Demand drivers

- Manufacturing volumes
- Material evolution
- New manufacturing technologies
- Complex component designs and functionalities
- Sustainability
- Automation
- Flexibility in manufacturing

Competitive landscape/Major competitors

- Competitors in the premium market: IMC Group (ISCAR brand), Kennametal (Kennametal brand)
- Fragmented in the mid-market including global premium players present with their mid-market brands: Mitsubishi, IMC Group (TaeguTec brand), Kennametal (Widia brand), Zhuzhou
- Hexagon, Autodesk, Open Mind, Tebis and Dassault System within CAM. A mix of larger competitors and smaller niche players within additive manufacturing and industrial metrology.

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 market.

Growth strategy

Expansion through organic growth, innovation and niche acquisitions, strengthen our position in the fast-growing sub segments of our core business. Expansion into digital and software solutions, additive manufacturing and industrial metrology, supporting customer value chains.

Strategic risk management

Systematic management and mitigation of business environment risks with an impact on the metal cutting market in general, including changes in customer behavior, acquisition-related risks, trade/geopolitical risks, structural changes in our industry, information security risks and compliance-related risks.

INNOVATIONS CREATING CUSTOMER VALUE

We increase customer productivity and make customers' operations more efficient and sustainable with our technologically advanced products and solutions. These include innovations to automate and optimize manufacturing processes across the value chain.

In 2022 Sandvik launched the high-feed milling solution CoroMill® MH20, which delivers best-in-class edge security for a variety of industries. Particularly suited for machining aerospace components, it assures a longer tool life and a quicker machining process with less scrap, downtime and inventory.

CoroMill Dura (based on technology from previously acquired DuraMill) from Sandvik Coromant is a complete range of solid carbide end mills which significantly breaks up harmonics and reduces chatter and vibration. The end mills work in a wide range of applications and materials and provide greater machine flexibility, leading to reduced set-up time and reduced stock holding.

The next-generation Helical Turbo 16™ milling cutters from Seco combine top performance with ease of use. The larger cuts and higher feeds reduce cycle times, speed up production resulting in fewer inserts being needed. The replacement of nickel cutter coatings with a thin-film coating, also known as physical vapor deposition (PVD), a process in which a solid material is vaporized in a vacuum and deposited onto the surface of a part, increases sustainability.

A new metal powder from Wolfram, Bergla®, is produced from 100 percent recycled tungsten raw materials, which results in 90 percent less CO₂ emissions compared to the use of primary sources. The powder composition, consisting of more than 95 percent tungsten carbide, can be customized to advance specific end-product attributes.

Sandvik launched 3D-printed cemented carbide, which provides superior wear resistant properties. Due to its extreme hardness, cemented carbide has been very challenging to machine, not least in complex geometries. 3D printing offers design freedom, decreased material waste, reduced lead times, optimized performance – and components lasting up to 20 times longer.

In 2022 we developed a new solution combining the ZeroTouch® Flexible Metrology Platform from DWFritz with Metrologic Group's software Metrolog® X4. Non-contact, 3D measurement of parts is integrated near or in-line, resulting in inspection times one tenth of the time it takes with traditional methods. The solution measures complex features, creates a digital twin of a part and uses a 3D point cloud solution to ensure quality during the manufacturing process. Multiple machine orders have been received from key customers.

FUTURE OPPORTUNITIES WITH OUR OFFERING

Our vision is to become the global leader in closed loop component manufacturing solutions. As the worldwide number one in metal-cutting tools with more than 100,000 direct customers and 400,000 software licensees in our selected key manufacturing software offerings, we have a unique foundation to build on.

The manufacturing industry is going through a transformational shift with production processes increasingly automated, digital, and dependent on actionable insights from operational data. While making this shift will be essential to remain competitive, many of the industries that Sandvik services are still generally in the beginning of their digitalization journey, meaning there is a big potential to help customers of all sizes. With our world-leading cutting

tools offering, unparalleled machining expertise and a growing portfolio of digital solutions and services, we improve the productivity and sustainability of our customers.

We envision the future of component manufacturing as closed loops, where a digital thread runs through the different process steps in the customers' manufacturing value chain, seamlessly connected and automated, enabling a feedback loop, putting data to use for continuous improvement. We are building the strongest possible solutions portfolio we can in key parts of this value chain – from design and planning to preparation, production and verification.

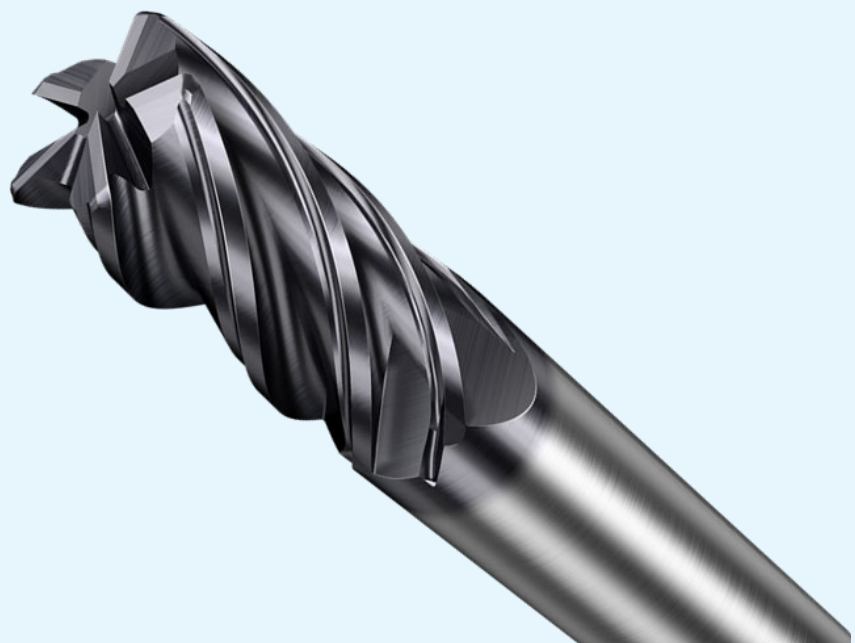
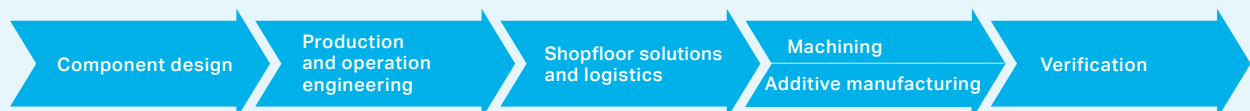
With this approach we aim to develop solutions to help our customers as they move towards more autonomous processes over time,

enabling improved efficiency, performance and reduced waste. We will do this with a flexible approach, catering to customer needs irrespective of where they are in development, leveraging a comprehensive portfolio of brand-agnostic solutions and a robust ecosystem of partners.

OUR OFFERING

- Metal cutting
- Milling
- Turning
- Drilling
- Digital and software solutions
- Additive manufacturing
- Metal powder
- Industrial metrology

MANUFACTURING AND MACHINING



The Coromill® Dura end mills work in a wide range of applications and materials.

OUR SHARE

During 2022, the share price decreased by 23.5 percent, while the OMXS30 index on Nasdaq Stockholm decreased by 16.4 percent.

Sandvik shares are listed on Nasdaq Stockholm, Sweden. At year-end 2022, the share price was quoted at SEK 188.4 (246.3), corresponding to a market capitalization of SEK 236 billion, placing Sandvik as the 12th (10) largest company on Nasdaq Stockholm.

Share trading

In 2022, a total of 2.5 billion shares (2.1) were traded for a total value of SEK 470 billion (460). Trading in Sandvik shares on Nasdaq Stockholm accounted for 24 percent (29) of the total volume of shares traded. Other markets, for example, BATS Chi-X and Turquoise, accounted for 76 percent (71). 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 2022, the average daily ADR trading volume was 145,756 (81,059). At the end of 2022 there were 21,518,410 ADRs outstanding (24,887,171).

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 5.00 per share (4.75) to the 2023 Annual General Meeting, corresponding to approximately SEK 6.3 billion (6.0) and a dividend yield of 2.7 percent based on the share price at year-end. The dividend proposal corresponds to 42 percent of adjusted earnings per share after dilution for continuing operations.

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 2022 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. Inclusion in these indices confirms the Group's achievements in relation to sustainable business practices.

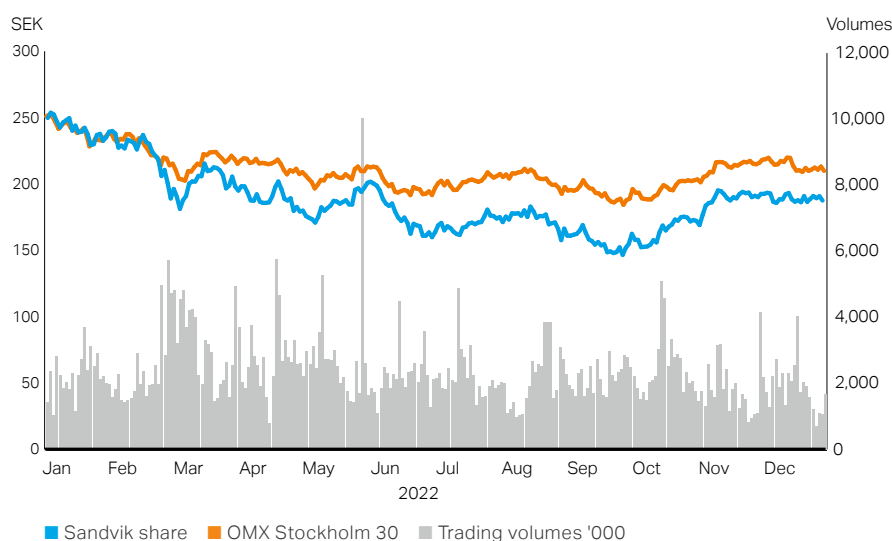
Owners

In 2022 the number of shareholders increased to 143,065 (129,888). There are shareholders in 76 countries, and the total ownership outside of Sweden amounted to 41 percent (44) at year-end. The ten largest individual shareholders accounted for 37 percent of the share capital on the same date. As of December 31, 2022, members of the Group Executive Management owned a total of 127,293 shares in Sandvik. Members of the Board of Directors owned a total of 1,042,870 shares in Sandvik (including deputy board members, excluding the CEO). Total ownership of Group Executive Management and the Board corresponds to about 0.09 percent of the capital and voting rights.

Proposed dividend per share, SEK

5.00

The Sandvik share, 2022



Key figures	2021	2022
Number of shares at year-end (million)	1,254	1,254
Market capitalization at year-end (billion)	317	236
Number of shareholders	129,888	143,065
Share price at year-end, SEK	246.3 ¹⁾	188.4
Earnings per share after dilution, SEK	11.52	10.24 ²⁾
Adjusted earnings per share, after dilution, SEK	11.49	11.98 ²⁾
P/E ratio at year-end	21.9	18.4 ²⁾
Change in share price during the year, %	+25.5	-23.5
Dividend, SEK/share	4.75	5.00 ³⁾
Dividend/adjusted earnings per share, after dilution, %	41	42 ^{2,3,4)}
Total yield (price increase + dividend), %	28	-22
Proportion of shares in Sweden, %	56	59
Proportion of shares owned by the ten largest shareholder groups, %	36	41

1) Excluding Alleima. 2) Continuing operations. 3) Proposed dividend.

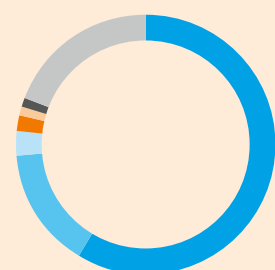
4) The dividend payout ratio is only related to cash dividends and does not consider the distributed value from Alleima to shareholders. Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

The ten largest shareholder groups, as of December 31, %

	2021	2022
AB Industrivärden	13.4	13.7
Alecta Pension Insurance	4.5	4.8
Swedbank Robur Funds	3.2	3.9
Vanguard	2.8	3.0
BlackRock	3.4	2.8
Lundbergföretagen AB	2.7	2.8
SEB Funds	1.9	1.7
Handelsbanken Funds	1.4	1.5
Norges Bank	1.5	1.4
Invesco	-	1.4

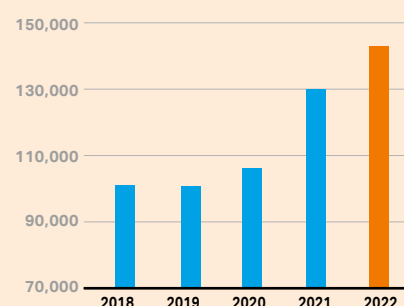
Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

Distribution of shareholding by country, December 31, 2022



Sweden, 59%
US, 15%
UK, 3%
Norway, 2%
Germany, 1%
Finland, 1%
Other countries, 19%

Number of shareholders, December 31, 2018–2022



SANDVIK AS AN INVESTMENT

Sandvik has leading market positions in all its businesses. Our products and solutions stem from deep knowledge and expertise, high innovation pace and long-standing close customer relationships. As well as always striving to be the customer's first choice, we have a passion to win, we play fair and we aim to be the most attractive employer. From this solid platform, our ambition is to deliver profitable growth by staying agile through the cycle and executing on our shift to growth priorities. Our strategic growth priorities are about leveraging on our core offering, expanding in our customers' value chain and strengthening our position in fast-growing segments and regions. It is about expanding our digital offering and to be in the forefront of sustainable solutions.

Our growth target of 7 percent will come from organic and acquisitions. Providing increased productivity and sustainability gains into our customers' operations is integral to our growth ambitions and our value proposition. To reach our target, the digital and sustainability shift is crucial. We have set out to expand our digital offering to SEK 6.5 billion by 2025 and during 2022 we committed to align our net zero targets to the Science Based Targets initiative.

During the last two years, we have made important progress in our shift to growth priorities. We have

acquired more than 20 companies, eight of them in 2022, all with a strong strategic rationale. We have introduced ground-breaking innovations and made solid progress in important growth areas, such as expansion in CAM and in the ongoing electric shift in mining. Revenues grew by 31 percent in the year, of which 8 percent was organic. To achieve profitable growth we need to stay agile. Our decentralized organization enables us to respond faster to market trends, economic fluctuations and customer needs. We work continuously with improving our own operational efficiency and have increased the share of variable costs to reduce earnings volatility. Cash-flow generation is strong in the Group, and for the year 2022 free operating cash-flow amounted to SEK 12.1 billion. Our purpose is to advance the world through our engineering capabilities, creating benefits for all our stakeholders – our customers, our employees, our communities – ultimately leading to shareholder value. During 2022, we distributed the shares of Alleima. Furthermore, the Board of Directors suggested a dividend of SEK 5.00 per share, corresponding to a payout ratio of 42 percent, well aligned with our ambition to distribute 50 percent of adjusted EPS through a business cycle.

MARKET-LEADING POSITIONS – THE CUSTOMER'S FIRST CHOICE

- By focusing on improving customers' productivity and sustainability we secure 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, materials know-how and customer relationships

AGILE THROUGH CYCLE – STRONG FINANCIAL PERFORMANCE

- Solid adjusted EBITA margin in 2022 of 20.0 percent, within our target range of 20–22 percent
- Strengthened margin resilience and reduced sales cyclicalities by growing our parts, services and consumable businesses including software offerings
- Flexible cost structures to ensure resilience in downturns
- Continuous work to improve cost structures and operational efficiency

STRONG PLATFORM SUPPORTS SHIFT TO GROWTH

- A solid balance sheet, good cash-flow generation
- Growth target of at least 7 percent through a business cycle to come from organic and acquired growth
- Capex at <SEK 4.2 billion in 2022, for 2023 approximately SEK 4.5 billion
- Investments in product development
- 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
- Dividend payout policy of 50 percent of adjusted earnings per share (EPS) through a business cycle
- Average payout ratio at 42 percent over the year, 51 percent over three years and 39 percent over five years
- Adjusted earnings per share growth of 4 percent over one year, 3 percent over three years and 8 percent over five years
- Successful distribution of Alleima

DIALOGUE WITH ANALYSTS

25 analysts cover Sandvik on a continuous basis. Below are some of the most frequent questions discussed in 2022, and our answers.

Q: Could you elaborate on what you foresee in terms of demand for your battery-electric vehicle offering?

A: We see a strong interest in our battery-electric vehicles (BEVs) and it has accelerated further during 2022, with a strong pipeline into 2023. The share of BEVs of total Load and Haul division orders has increased more than 10 percentage points from the year-earlier period. Bigger-sized orders are becoming more prevalent. We also see a higher degree of repeat orders from customers who have finalized their trial period and realized the equipment's strong performance in combination with the safety and sustainability gains. These machines help our customers reduce emissions and heat, and more so, operators have highlighted the lower noise levels as a big positive contribution to the work environment. Furthermore, the equipment is built to optimize performance in the mine with, for example, higher power for increased speed and increased volume load capacity. Our ambition is that BEVs make up 50 percent of underground hardrock equipment sales in 2030. Sandvik's quest is to shape the sustainable underground mine of the future, which will also contribute to our customers' ambitious net zero targets.

Q: As BEVs become a larger share of your fleet, what will happen to the parts, service and consumables business? BEVs have less parts and service, will battery and service compensate for that?

A: It is true that there are less actual parts to replace and maintain in a BEV. The traditional aftermarket business connected to these machines are complemented by batteries and chargers, for which Sandvik will provide on-site expertise, including maintenance and service. With our expertise, customers mitigate risk, and can focus on their operations in the most efficient way, while Sandvik ensures that the BEVs are performing at the highest standards. On our Capital Markets Day we illustrated that the potential increase of the addressable aftermarket can actually be up to 60 percent. With BEVs, a larger share of parts, service and consumables is Sandvik own intellectual property (IP) so we get a higher share of the aftermarket.

Q: The business area segment Sandvik Machining Solutions has an ambition to grow faster than the underlying market, with a growth target of 5 percent from 2019 to 2025. Could you walk us through some of the strategic priorities that will help in achieving that?

A: There are a number of strategic priorities that will strengthen our growth profile in Sandvik Machining Solutions. One of them is to become the leader in round tools. Round tools are expected to grow faster than inserts due to, for example, multi-axis machining and more near net shape and complex components. We also want to increase our exposure to faster growing segments such as consumer electronics and medical, and we have recently made a few acquisitions within this space. Expanding in faster-growing geographies outside Europe and in the mid-market are other examples.

Q: You have made a lot of acquisitions in the last couple of years, will you continue to do M&As at the same pace?

A: In the last 1.5 years we have made more than 20 acquisitions, eight of them during 2022. These acquisitions have been underbuilt with a strong strategic rationale. They are intended to fill value chain gaps in our offering, enhance our core portfolio and regional exposure, as well as accelerate our digital shift. The acquisition pace has been high and we have made a lot of progress and established important positions in vital areas. For example CAM within Sandvik Manufacturing Solutions and ground support and software mine planning within Sandvik Mining and Rock Solutions. Another example is the acquisition we did at the end of the year, SP Mining, which is a great complement to our Sandvik Rock Processing Solutions offering, and with which we have expanded our aftermarket offering significantly. Acquisitions are an important part of our shift to growth strategy, although a lot have been achieved so we will not see the same magnitude going forward. And while we had quite a headroom in the balance sheet for the past acquisitions, onwards, M&As will mainly be funded by our cash-flow generation.

BOARD OF DIRECTORS' REPORT

GROUP TOTAL

Order intake and revenue

The underlying demand for Sandvik's products and solutions has been solid throughout 2022. Continued high investments by mining customers has resulted in record order levels and consequently strong order backlogs. Softening demand within infrastructure in particular in Europe was noted post the Russian war against Ukraine, as a consequence of increasing interest rates and energy prices. The geopolitical and macro-economic situation has led to turbulences with logistics and component shortages, as well as rising cost inflation. The supply chain situation eased somewhat in the second half of the year. Sandvik has during the year taken various measures to manage these challenges.

On August 31, Sandvik distributed Alleima (former business area Sandvik Materials Technology) to the shareholders of Sandvik. The result is included up to August 30, 2022. Sandvik's order intake amounted to SEK 134,019 million (108,900), and revenues were SEK 123,453 million (99,110), implying a book-to-bill ratio of 109 percent (110).

Earnings and return

Sandvik's EBITA increased to SEK 22,471 million (19,463), corresponding to 18.2 percent (19.6) of revenues. The adjusted EBITA increased to SEK 24,470 (19,364) and the adjusted EBITA margin increased to 19.8 percent (19.5) compared to the previous year. Changes in foreign exchange rates affected adjusted EBITA positively by SEK 3,711 million (-898) compared with the preceding year. Net financial items amounted to SEK 531 million (-194). The result before taxes for the Group was SEK

16,983 million (18,451), and SEK 17,738 million (16,818) for continuing operations. Income tax had a total impact of SEK -5,758 million (-3,967) on earnings, corresponding to 26.9 percent (21.5) of profit before taxes. Profit for the year attributable to owners of the Parent Company was SEK 11,212 million (14,461). Basic earnings per share for the Group amounted to SEK 8.95 (11.53) and SEK 10.25 (10.41) for continuing operations. Return on capital employed was 17 percent (19) and return on equity was 14 percent (20).

Working capital

Relative net working capital for the year was 26 percent (24) of revenues.

In absolute terms net working capital amounted to SEK 33,361 million (26,841) at the end of the year. In terms of volume, net working capital increased by SEK 6,520 million compared with the preceding year. Changed currency rates increased net working capital by SEK 3,830 million compared with the preceding year. The structural effect from acquisitions and divestments decreased working capital by SEK -6,879 million.

Cash flow and financing

Cash flow from operating activities decreased to SEK 10,465 million (13,177). Net cash flow after investing activities was SEK -9,839 million (-13,014). At the end of the year, cash

Earnings and return	2021	2022
EBITA, MSEK	19,463	22,471
EBITA margin, %	19.6	18.2
Adjusted EBITA ¹⁾ , MSEK	19,364	24,470
Adjusted EBITA margin ¹⁾ , %	19.5	19.8
Profit before tax, MSEK	18,451	16,983
Profit for the period	14,484	11,225
Return on capital employed, %	19.5	16.5
Return on total equity, %	20.5	14.2
Earnings per share, basic, SEK	11.53	8.95
Earnings per share, diluted, SEK	11.52	8.94
Items affecting comparability ²⁾	98	-1,999
Whereof continuing operations		
EBITA, MSEK	18,088	20,145
EBITA margin, %	21.1	17.9
Adjusted EBITA ¹⁾ , MSEK	17,816	22,486
Adjusted EBITA margin ¹⁾ , %	20.8	20.0
Profit before tax, MSEK	16,818	17,738
Profit for the period	13,087	12,854
Earnings per share, diluted, SEK	10.40	10.24
Adjusted earnings per share, diluted, SEK	10.26	11.98
Items affecting comparability ²⁾	272	2,341

1) Adjusted for items affecting comparability.

2) 2021 it is mainly related to a capital gain from divestment of property, partial provision releases, closure of pension plans and M&A costs. For 2022 it is mainly related to the wind-down of operations in Russia, structural measures to support resilience ambitions and M&A costs.

Quarterly trend of revenue and profit before tax

MSEK		Revenue	Profit before tax	Net margin,%
2021	First quarter	21,693	3,983	18
	Second quarter	23,461	4,654	20
	Third quarter	24,828	4,543	18
	Fourth quarter	29,128	5,271	18
2022	First quarter	29,006	5,465	19
	Second quarter	31,658	5,266	17
	Third quarter	31,694	1,467	5
	Fourth quarter	31,095	4,785	15

and cash equivalents amounted to SEK 10,489 million (13,585) and free operating cash flow was SEK 11,985 million (14,538).

Financial net debt was SEK 36,466 million (16,848) and the financial net debt/EBITDA ratio was 1.32 (0.68).

At the end of 2022, Sandvik had unutilized credit facilities totalling SEK 16,676 million equivalent, which includes a revolving credit-facility of SEK 11,000 million, and other guaranteed bank-facilities totalling SEK 5,676 million equivalent. The remaining duration for the Group's outstanding bonds is currently 4.6 years. At year-end 2022, Sandvik Group holds a long-term credit-rating of A- according to the international credit-rating agency Standard & Poor's and likewise A-2 for short-term loans.

Equity

Equity at year-end amounted to SEK 81,270 million (77,332), or SEK 64.8 per share (61.6). The equity ratio was 46 percent (50).

Investments

Investments in non-current assets for the full year 2022 amounted to SEK 4,530 million (3,578) corresponding to 132 percent of scheduled depreciation. Proceeds from the sale of companies and shares, net of cash, amounted to SEK -34 million (423). Investments in internally generated intangible assets were SEK 680 million (431).

Acquisitions during the year

Acquisition of companies and shares, net of cash, amounted to SEK -15,184 million (-23,578). Completed acquisitions during the year are as follows;

On April 1, Sandvik Mining and Rock Solutions completed the acquisition of Deswik, an Australia-based company.

On June 17, Sandvik Mining and Rock Solutions completed the acquisition of Finland-based company Akkurat.

On July 1, Sandvik Manufacturing and Machining Solutions completed the acquisition of the Spain-based company Preziss.

On July 14, Sandvik Manufacturing and Machining Solutions completed the acquisition of the assets in the US based company Peterson Tool Company.

On August 1, Sandvik Manufacturing and Machining Solutions completed the acquisition of the assets in the US based company Balax.

On August 8, Sandvik Manufacturing and Machining Solutions completed the acquisition of Sphinx Tools, a Swiss-based company.

On September 1, Sandvik Manufacturing and Machining Solutions completed the acquisition of Frezite, a Portugal-based company.

On October 31, Sandvik Rock Processing Solutions completed the acquisition of SP Mining, the mining related business of the Australian-based company Schenck Process Group.

Distribution to owners

At the Annual General Meeting on April 27, 2022, the formal decision to distribute all shares in the Parent Company of the business area Sandvik Materials Technology (SMT) to the shareholders of Sandvik AB was taken. The distribution was completed August 31, 2022, when SMT was listed on Nasdaq Stockholm under the name Alleima AB.

Impact on the financial reporting due to the war in Ukraine

Sandvik paused its business activities in Russia on February 28, due to Russia's war in Ukraine. An extensive process to analyze the situation and eventually wind-down the business in Russia was started. At the end of December 2022, a total of SEK 1.5 billion in non-recurring charges had been recorded related to the wind-down, of which SEK 1 billion was related to a write-down and SEK 0.5 billion related to provision. The wind-down process is ongoing and no more charges are expected. Total remaining assets related to Russia, excluding cash, amounts to approximately SEK 22 million on December 31, 2022. In 2021, about 3.6 percent of Sandvik Group revenues was from Russian customers.

Capital expenditure, Group total	2021	2022
Investments in non-current assets, MSEK	3,578	4,530
% of revenue	3.6	3.7
% of scheduled depreciation	101	132
Financial position	2021	2022
Cash flow from operating activities, MSEK	13,177	10,465
Cash flow after investing activities, MSEK	-13,014	-9,839
Cash and cash equivalents as of December 31, MSEK	13,585	10,489
Net debt as of December 31, MSEK	26,902	43,952
Net financial items, MSEK	-194	531
Equity ratio, %	50	46
Financial net debt/ EBITDA	0.68	1.32
Equity as of December 31, MSEK	77,332	81,270
Equity per share as of December 31, SEK	61.6	64.8

Parent Company¹⁾

The Parent Company's revenues for 2022 amounted to SEK 13,139 million (12,244) and the operating result was SEK 4,906 million (4,328). The result from shares in Group companies of SEK 11,166 million (2,205) for the year consists mainly of contributions and dividends offset by costs related to the distribution of Alleima. Interest-bearing liabilities, less cash and cash equivalents and interest-bearing assets, amounted to SEK 16,147 million (21,688). The Parent Company's total assets increased by SEK 6,438 million, from SEK 76,430 million to SEK 82,868 million. Investments in non-current assets amounted to SEK 320 million (1,070).

The number of employees in the Parent Company and the subsidiaries operating on commission for Sandvik AB as of December 31, 2022 was 3,720 (3,703).

Dividend

The Board of Directors proposes a dividend of SEK 5.00 per share (4.75). The dividend proposal represents 42 percent (42) of adjusted earning per share, dilutive for the Sandvik Group in total.

Dividend 5.00 per share	
× number of shares	1,254,385,923
	=6,271,929,615
<u>Profit carried forward</u>	<u>20,825,421,158</u>
Total, SEK	27,097,350,773

Employees

The average number of employees amounted to 42,318 (40,636), of which 20 percent (20) were women. The employee turnover rate was 12 percent (11). Wages, salaries and other remunerations for the year totaled SEK 25,467 million (21,194).

Guidelines for the remuneration of senior executives

The below remuneration guidelines were approved by the Annual General Meeting 2020 and apply until the Annual General Meeting 2024, unless any changes are proposed. 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 the

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

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, powder metallurgy, electrification and digital solutions.

Sandvik has a portfolio of approximately 7,079 (6,227) active patents. In 2022, 725 (763) new patents were granted. Investments in R&D were SEK 4,471 million (3,651), corresponding to 4.0 percent (4.3) of revenues. The number of employees in R&D, including Quality Assurance, was 3,011 (2,651).

Tax

Sandvik is a multinational group with many intercompany 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 2022, the Group paid SEK 5,262 million (4,154) 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 sites according to the Swedish Environmental Code. All of them hold a requisite environmental permit and none was exceeded during the year. Notifications of changes in operations were submitted for Seco Tools in Fagersta and Sandvik Machining Solutions in Sandviken. The sites in Sandviken operate under a permit belonging to Alleima, former Sandvik Materials Technology and Sandvik will apply for new permits in 2023.

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, 13–14, 63–67 and 139–153.

Events after the end of the period

On January 18, 2023, Sandvik signed a EUR 500 million loan agreement with the European Investment Bank (EIB). The loan has a seven-year tenor and will support Sandvik's R&D investment plans until 2025.

On February 1, Sandvik announced the completion of the acquisition of Polymathian Industrial Mathematics ("Polymathian"), an Australia-based provider of advanced mine optimization software and services.

On February 1, Sandvik announced the acquisition of 95 percent of the shares in the Irish-based company PMT Premier Machine Tools Limited ("PMT").

On February 11, Sandvik announced that Christophe Sut, President of business area segment Sandvik Manufacturing Solutions, has decided to leave Sandvik. He will leave Sandvik as of August 11, 2023.

On February 21, Sandvik announced the appointment of Sofia Sirvell as Chief Digital Officer (CDO) for the Sandvik Group and new member of the Group Executive Management as of March 1, 2023. Additionally, Jessica Alm, Executive Vice President and Head of Group Communications and Sustainability, has decided to leave Sandvik. She has been in her current position and a member of the Group Executive Management since 2013. She will leave Sandvik and the Group Executive Management no later than August, 2023.

DEVELOPMENT IN BUSINESS AREAS

On January 1, 2022, the business area Sandvik Materials Technology (SMT) was classified as assets held for distribution and presented under Discontinued operations. On August 31, 2022, Sandvik distributed SMT to the owners under the name Alleima AB. During 2022, Sandvik's continued operations consisted of three business areas: Sandvik Mining and Rock Solutions, Sandvik Rock Processing Solutions and Sandvik Manufacturing and Machining Solutions.

Order intake by business area

MSEK	2021	2022	Change, %	Change, % ¹⁾
Sandvik Mining and Rock Solutions	47,460	62,895	33	9
Sandvik Rock Processing Solutions	8,524	9,874	16	-3
Sandvik Manufacturing and Machining Solutions	37,680	46,428	23	4
Continuing operations	93,665	119,196	27	6
Discontinued operations	15,236	14,822	-3	0
Group total	108,900	134,019	23	2

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

Revenue by business area

MSEK	2021	2022	Change, %	Change, % ¹⁾
Sandvik Mining and Rock Solutions	41,409	56,843	37	11
Sandvik Rock Processing Solutions	7,610	9,587	26	5
Sandvik Manufacturing and Machining Solutions	36,681	45,901	25	5
Continuing operations	85,700	112,332	31	8
Discontinued operations	13,410	11,122	-17	0
Group total	99,110	123,453	25	3

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

Adjusted EBITA and adjusted EBITA margin by business area

MSEK	2021	% of revenue	2022	% of revenue	Change, %	Change, % ¹⁾
Sandvik Mining and Rock Solutions	8,753	21.1	11,643	20.5	33	0
Sandvik Rock Processing Solutions	1,265	16.6	1,530	16.0	21	-18
Sandvik Manufacturing and Machining Solutions	8,473	23.1	10,023	21.8	18	1
Group activities	-676	n/m	-711	n/m	n/m	n/m
Continuing operations	17,816	20.8	22,486	20.0	26	-2
Discontinued operations	1,548	11.5	1,985	17.8	28	11
Group total	19,364	19.5	24,470	19.8	26	-1

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

n/m=non meaningful.

Sandvik Mining and Rock Solutions

Sandvik Mining and Rock Solutions is a global leading supplier of equipment and tools, parts, service, digital solutions and sustainability-driving technologies for the mining and infrastructure industries. Order intake for the business area amounted to SEK 62,895 million (47,460), an increase of 9 percent at fixed exchange rates for comparable units. Revenue totaled SEK 56,843 million (41,409), an increase of 11 percent at fixed exchange rates for comparable units. The EBITA margin was 18.3 percent (20.9) of revenues and the adjusted EBITA margin was 20.5 percent (21.1) of revenues. The items affecting comparability of SEK -1,264 million (-101) were primarily charges related to the wind-down of operations in Russia during 2022.

Financial overview, MSEK	2021	2022
Order intake	47,460	62,895
Revenue	41,409	56,843
EBITA	8,652	10,379
EBITA margin, %	20.9	18.3
Adjusted EBITA ¹⁾	8,753	11,643
Adjusted EBITA margin ¹⁾ , %	21.1	20.5
Return on capital employed, %	31.2	22.6
Number of employees ²⁾	15,574	16,206
Items affecting comparability ³⁾	-101	-1,264

1) Adjusted for items affecting comparability.

2) Full-time equivalent.

3) Primarily related to savings measures during 2021 and the wind-down of operations in Russia and M&A costs 2022.

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 9,874 million (8,524), a decrease of -3 percent at fixed exchange rates for comparable units. Revenue totaled SEK 9,587 million (7,610), an increase of 5 percent at fixed exchange rates for comparable units. The EBITA margin was 13.9 percent (16.5) of revenues and the adjusted EBITA margin was 16.0 percent (16.6) of revenues. The items affecting comparability were SEK -201 million (-10) mainly related to M&A costs and the wind-down of operations in Russia.

Financial overview, MSEK	2021	2022
Order intake	8,524	9,874
Revenue	7,610	9,587
EBITA	1,255	1,330
EBITA margin, %	16.5	13.9
Adjusted EBITA ¹⁾	1,265	1,530
Adjusted EBITA margin ¹⁾ , %	16.6	16.0
Return on capital employed, %	28.7	16.7
Number of employees ²⁾	2,091	2,919
Items affecting comparability ³⁾	-10	-201

1) Adjusted for items affecting comparability.

2) Full-time equivalent.

3) Primarily related to M&A costs and the wind-down of operations in Russia.

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 46,428 million (37,680), an increase of 4 percent at fixed exchange rates for comparable units. Revenue totaled SEK 45,901 million (36,681), an increase of 5 percent at fixed exchange rates for comparable units. The EBITA margin was 19.8 percent (23.0) of revenues and the adjusted EBITA margin was 21.8 percent (23.1) of revenues. The items affecting comparability of SEK -935 million (-36) were mainly related to the wind-down of operations in Russia, M&A costs, and implementation of structural measures to support resilience ambitions.

Financial overview, MSEK	2021	2022
Order intake	37,680	46,428
Revenue	36,681	45,901
EBITA	8,438	9,088
EBITA margin, %	23.0	19.8
Adjusted EBITA ¹⁾	8,473	10,023
Adjusted EBITA margin ¹⁾ , %	23.1	21.8
Return on capital employed, %	21.6	13.8
Number of employees ²⁾	20,435	20,802
Items affecting comparability ³⁾	-36	-935

1) Adjusted for items affecting comparability.

2) Full-time equivalent.

3) For 2021 mainly capital gain from a property divestment and for 2022 primarily related to the wind-down of operations in Russia, M&A costs and implementation of structural measures to support resilience ambitions.

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 40,000 employees and revenues in more than 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 2022, 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 structure

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.

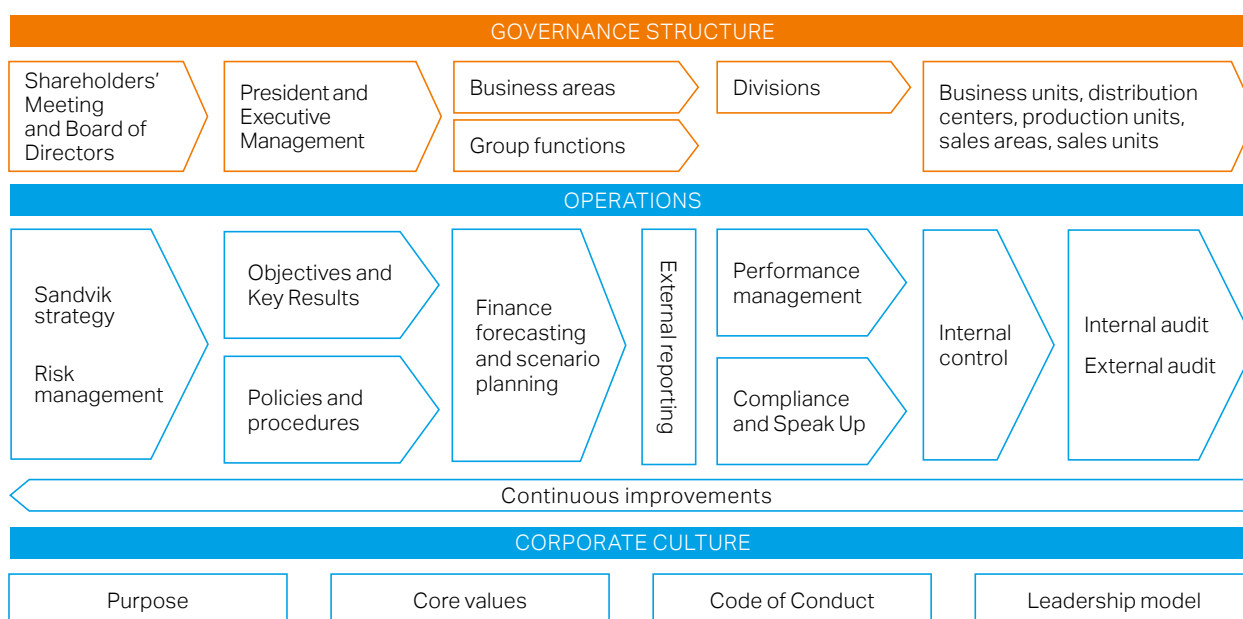
Operations

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 audits. Performance management, controls and continuous improvements provide a solid basis for our ways of working.

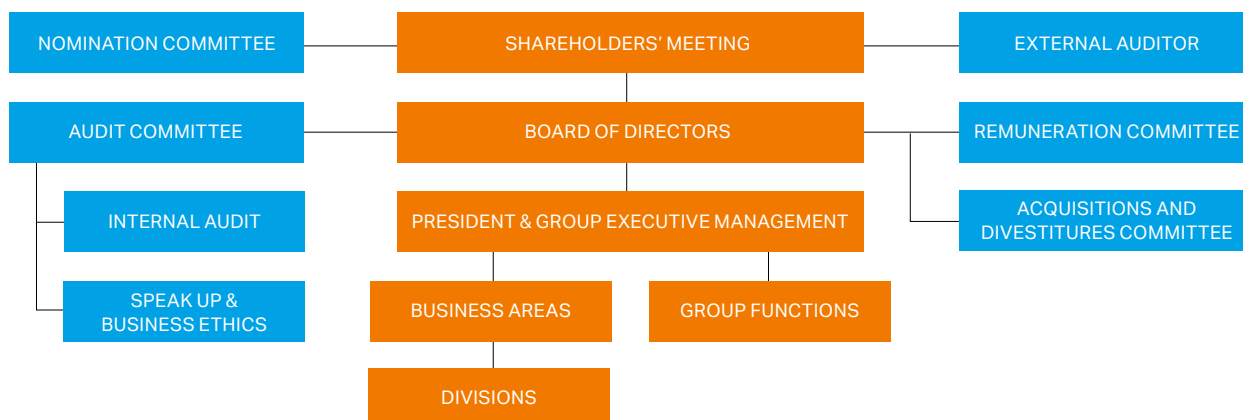
Corporate culture

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, 2022, 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 143,000 shareholders and AB Industrivärden was the largest owner with about 13.7 percent of the share capital. Of the total share capital at year-end, about 41 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 the General Meeting and vote according to the number of shares held. Shareholders are also entitled

to be represented by a proxy at a 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 the General Meeting.

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

2022 Annual General Meeting

Shareholders representing 57.5 percent of the share capital and votes participated at the Annual General Meeting held on April 27, 2022. Resolutions included the following:

- Dividend of SEK 4.75 per share
- Distribution to the shareholders of all shares in wholly-owned subsidiary Alleima AB (business area Sandvik Materials Technology)
- Re-election of Board members Jennifer Allerton, Claes Boustedt, Marika Fredriksson, Johan Molin, Andreas Nordbrandt, 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

Ten largest shareholders, December 31, 2022, %

AB Industrivärden	13.7
Alecta Pension Insurance	4.8
Swedbank Robur Funds	3.9
Vanguard	3.0
BlackRock	2.8
Lundbergföretagen AB	2.8
SEB Funds	1.7
Handelsbanken Funds	1.5
Norges Bank	1.4
Invesco	1.4

Source: Monitor by Modular Finance AB

company's own shares up to a maximum of 10 percent of all the shares in the company

- Amendments to the Articles of Association regarding the number of Board members that may be elected by the General Meeting

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

2023 Annual General Meeting

The next Annual General Meeting will be held in Sandviken, Sweden, on April 27, 2023. 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



SANDVIK



The 2022 Annual General Meeting was held at the Göransson Arena in Sandviken, Sweden.

Meeting has adopted an instruction for the Nomination Committee, which 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 2023 AGM

For the 2023 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 who 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, 2022, Sandvik's Board consisted of eight members elected by the Annual General Meeting. The Nomination Committee communicated before the 2022 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.

Nomination Committee's tasks ahead of the 2023 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

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 56–57.

Independence

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. 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 2022

During the year, the Board held 17 meetings. 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. The Board addressed matters related to the overall Group strategy, IT strategy, new financial targets, issue of Euro Medium Term Note (EMTN) program, revolving credit facility, enterprise risk management, succession planning and talent management, compliance related matters, investments and operational restructuring and review of previously made investments. This year there was a special focus on handling the effects of the war in Ukraine on Sandvik's business and the sanctions against

Russia, as well as the continued recovery and reconstruction due to the COVID-19 pandemic. Further, the Board handled matters relating to the distribution and listing of the Sandvik Materials Technology business area and a number of acquisition projects, including the acquisitions of the mining related business of Schenck Process Group as well as Deswik, Frezite and Sphinx.

The Remuneration Committee, Audit Committee and the Acquisitions and Divestitures Committee reported from their respective meet-

Attendance at Board and Committee meetings in 2022

Member	Board	Audit Committee	Remuneration Committee	Acquisitions and Divestitures Committee
<i>Total number of meetings</i>	17	6	3	4
Jennifer Allerton	17			
Thomas Andersson	16			
Claes Boustedt	17	6		4
Marika Fredriksson	17			
Fredrik Håf ¹⁾	10			
Erik Knebel	17			
Tomas Kärnström ²⁾	5			
Thomas Lilja	17			
Johan Molin	17	6	3	4
Andreas Nordbrandt	16			
Helena Stjernholm	17	6	3	4
Stefan Widing	17			
Kai Wärn	17		3	

1) Appointed deputy employee representative in April 2022.
2) Resigned as employee representative in April 2022.

Composition of the Board as of December 31, 2022

Name	Function	Independent in acc. with the Code	Shareholding, number ¹⁾ Dec 31, 2022	Elected	Audit Committee	Remuneration Committee	Acquisitions and Divestitures Committee
Jennifer Allerton	Member	Yes	10,000	2015			
Thomas Andersson	Member ²⁾		0	2012			
Claes Boustedt	Member	Yes	50,000	2015	Chairman		Member
Marika Fredriksson	Member	No ³⁾	2,500	2017			
Fredrik Håf	Deputy ²⁾		2	2022			
Erik Knebel	Deputy ²⁾		1	2021			
Thomas Lilja	Member ²⁾		4,840	2016			
Johan Molin	Chairman	Yes	950,000 ⁴⁾	2015	Member	Chairman	Chairman
Andreas Nordbrandt	Member	Yes	8,527	2021			
Helena Stjernholm	Member	No ³⁾	5,000	2016	Member	Member	Member
Stefan Widing	Member	No ³⁾	57,554	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. Thomas Andersson (member) and Fredrik Håf (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.

ings. With 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.

In the autumn of 2022, the Board visited Sandvik's operations in Svedala, Sweden, and Lahti, Finland.

Remuneration of the Board

As resolved at the 2022 Annual General Meeting, the fee to the Chairman of the Board was SEK 2,750,000 and the fee to each of the non-executive Board members elected by the General Meeting was SEK 740,000.

In addition, SEK 325,000 was paid to the Chairman of the Audit Committee and SEK 185,000 to each of the other Committee members, in total SEK 695,000. The Chairman of the Remuneration Committee was paid SEK 155,000 and each of the other Committee members SEK 122,000, in total SEK 399,000. The Chairman of the Acquisitions and Divestitures Committee was paid SEK 210,000 and each of the other Committee members SEK 155,000, in total SEK 520,000.

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 2022, 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

During 2022 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 44–46 and note G4.

During 2022 the Remuneration Committee held three meetings.

Audit Committee

During 2022 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, 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 ensuring operational stability of the compliance program, the Compliance House
- Sandvik's Code of Conduct, Sandvik's global whistleblowing system, some specific cases managed through Speak Up as well as the overall effectiveness of the system
- Sandvik's sustainable business strategy and materiality analysis

During 2022 the Audit Committee held six meetings at which Sandvik's external auditor and representatives of the company's management were present.

Acquisitions and Divestitures Committee

During 2022 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 2022 the Acquisitions and Divestitures Committee held four meetings. The Committee reviewed matters mostly related to the distribution and listing of the Sandvik Materials Technology business area and the acquisition of the mining related business of Schenck Process Group.

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 2022, the Group Executive Management consisted of:

- Stefan Widing, President and CEO, and President of Sandvik Manufacturing and Machining Solutions, as well as acting President of Sandvik Mining and Rock Solutions (June 17– September 31, 2022)
- Cecilia Felton, Executive Vice President and Chief Financial Officer (as from February 1, 2022), acting Chief Financial Officer (November 1, 2021– January 31, 2022) and Vice President Group Control (up until March 31, 2022)
- Nadine Crauwels, President of the Sandvik Machining Solutions business area segment
- Christophe Sut, President of the Sandvik Manufacturing Solutions business area segment
- Henrik Ager, President of Sandvik Mining and Rock Solutions (up until June 17, 2022)
- Mats Eriksson, President of Sandvik Mining and Rock Solutions (as from October 1, 2022)
- Anders Svensson, President of Sandvik Rock Processing Solutions (up until September 31, 2022)
- Richard Harris, President of Sandvik Rock Processing Solutions (as from October 1, 2022)
- Göran Björkman, President of Sandvik Materials Technology (up until August 31, 2022)
- 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 58–59.

Business areas

The Sandvik organizational model is based on a decentralized business model. Since the spin-off of the Sandvik Materials Technology business area in August 2022, there are three separate business areas – Sandvik Mining and Rock Solutions, Sandvik Rock Processing Solutions and Sandvik Manufacturing and Machining Solutions – 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 three 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 2022 Annual General Meeting, the audit firm PricewaterhouseCoopers AB was re-elected auditor of Sandvik AB for the period until the 2023 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, 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 managed by Group Internal Controls were completed during the year. Future implementations (including new acquisitions) will be managed and implemented by the respective business area.

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 60.

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): 950,000 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. 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 Alleima 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 2013–2022. 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: Chairman of the board of Emagine A/S and board member of AB Industrivärden, A.P. Møller-Mærsk A/S., Saxobank A/S and Ecolean AB.
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 Alleima AB and board member of Trenig AB.
Shareholding in Sandvik (own and closely related persons): 8,527.



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: Deputy chair of the board of Telefonaktiebolaget LM Ericsson and board member of AB Industrivärden and AB Volvo.
Shareholding in Sandvik (own and closely related persons): 5,000.

Changes in the Board of Directors

In April 2022, Tomas Kärnström, employee representative, left the Board, and was succeeded by Thomas Andersson, previous deputy employee representative. Fredrik Häf was appointed new deputy employee representative.

Information regarding Board assignments and holdings of shares as of December 31, 2022. 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): 57,554.



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 SunStreet Energy AB (as from January 2023) and board member of Målarhamnar AB.
Shareholding in Sandvik (own and closely related persons): 12,000.

EMPLOYEE REPRESENTATIVES



THOMAS ANDERSSON

Born 1962. Board member since 2022, deputy Board member 2012–2022 (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.



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.



FREDRIK HÅF

Born 1983. Deputy Board member since 2022 (employee representative, IF Metall).

Education and business experience: Chairman of the Union Committee, Metal Workers' Union, division Rock Tools, Sandviken, Sweden. Various operator positions at division Rock Tools, since 2002.

Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 2.



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, Getinge AB and AB Electrolux.

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): 57,554.



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): 9,489.



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 Sarris) 1995–2000.
Current board assignments: Board member of Rosti Group.
Shareholding in Sandvik (own and closely related persons): 6,321.



MATS ERIKSSON

Born 1962. President of the Sandvik Mining and Rock Solutions business area since October 1, 2022.
Education and business experience: B.Sc. in Computer Science. President of the Load and Haul division 2016–2022. President and CEO of Cencorp Oyj 2010–2012 and Salcomp Oyj 1998–2006 as well as leading positions for several other companies.
Current board assignments: Board member of Sandvik Pension Fund in Finland.
Shareholding in Sandvik (own and closely related persons): 206.



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): 2,802.



RICHARD HARRIS

Born 1970. President of the Sandvik Rock Processing Solutions business area since October 1, 2022.
Education and business experience: Bachelor of Engineering and Chartered Engineer. Various positions within Sandvik since 2002, including President of the Walter division 2019–2022, President of the Wolfram division 2016–2019 and different Supply and Production Director roles. Previously various positions within manufacturing companies, including Production Manager at Land Rover and Plant Manager at Keiper UK Ltd.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 8,027.



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 within Sandvik since 2004 and consultant at Cap Gemini 1999–2003.
Current board assignments: –
Shareholding in Sandvik (own and closely related persons): 30,027.



CHRISTOPHE SUT

Born 1973. President of the Sandvik Manufacturing Solutions business area segment since 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): 9,355.



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): 3,512.

Changes in the Group Executive Management

Henrik Ager, President Sandvik Mining and Rock Solutions, left Sandvik on June 17, 2022, and was succeeded by Mats Eriksson. Anders Svensson, President Sandvik Rock Processing Solutions, left the Group Executive Management Team on September 31, 2022, and was succeeded by Richard Harris. Göran Björkman, President Sandvik Materials Technology left the company on August 31, 2022, in connection with the listing of the business area as Alleima on Nasdaq Stockholm. In February 2023 Sofia Sirvell was appointed Chief Digital Officer and she will be a member of the Group Executive Management as of March 1, 2023. In February it was also communicated that Christophe Sut will leave Sandvik on August 11, 2023 and Jessica Alm will leave Sandvik no later than August 2023.

Information regarding board assignments and holdings of shares as of December 31, 2022. Current board assignments refer to assignments in companies or organizations outside the Sandvik Group.

RISK MANAGEMENT

The Sandvik risk management process aims to support our business in managing and mitigating critical risks which may impact our ability to achieve our financial targets and strategic objectives.

ERM – a part of our strategic work

To effectively identify and manage risk is an important element of business success for all parts of the Sandvik business. Sandvik has implemented an Enterprise Risk Management (ERM) program that covers all business areas, divisions and functions within the Group. The Sandvik Board of Directors is ultimately responsible for the governance of risk management and 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, which requires reviewing the strategic and operational risks at least annually. The ERM methodology is also used as a tool for decision-making, operationally and within projects, as well as in the strategy process in various levels of the Group.

New strategic analysis

In 2022, we decided to complement the bottom-up process with a strategic analysis at the Group Executive Management level to more specifically identify key risk areas that are tied to our ability to execute on our Make the Shift Strategy on Group level. The purpose was to get a more focused and concrete risk landscape for the Group to enable good follow-up of the different risk mitigating activities in relation to the strategic goals. This exercise resulted in the Sandvik Key Risks map, presented on page 17.

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 2022. The Board of Directors' and the Audit Committee's involvement in the ERM process is further described on pages 51–53.

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 procedure and 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 when faced with challenges. 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

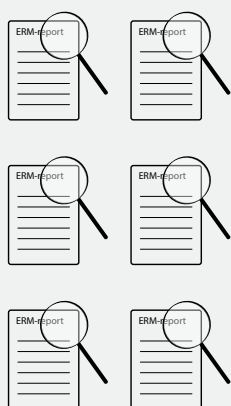
The internal audit function regularly follows up the implementation of different risk management programs such as ERM, business continuity, crisis management and the insurance programs. Sandvik applies group-wide internal controls to monitor risk mitigations. Read more about the internal controls program at Sandvik on pages 54–55.

Sandvik Group risk profile

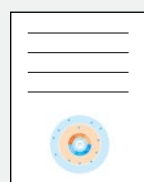
The Sandvik Group risk profile is based on the bottom-up ERM process where the divisions, business areas and functions first make their assessment and the Group Risk Management Council makes recommendations for a new Group risk profile based on the outcome of these assessments. As earlier mentioned the bottom-up ERM process was this year complemented with a strategic analysis at the Group Executive Management level. This exercise resulted in the Sandvik Key Risks map, read more on page 17. The Sandvik Key Risks map is also coupled with a follow-up model for tracking the different initiatives that lead to better risk mitigation, which the Group Executive Management team will review and discuss every quarter, thus creating a more dynamic and strategically relevant risk management discussion at the highest levels of the company. The outcome of

ERM PROCESS

Business Area and Group function ERM reports



Business Area Management Risk evaluation



ERM Council Aggregated report



Group Executive Management Risk evaluation



Business area and Group function ERM reports are aggregated by the ERM Council and serve as input for the business areas' and the Group Executive Management team's risk reviews. The result from this review, the Sandvik Key Risks map, is presented on page 17. An ERM report, summarizing key risks and mitigating activities across our business, was provided to the Sandvik Audit Committee and Board of Directors in December 2022.

these two processes is presented in the table on page 62 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.

Sustainability and climate change

Assessment and management of sustainability risks, including climate change, are integrated parts of the ERM program and are set out in the Sandvik Key Risks map and Risk Profiles in different parts of the organization. During 2022 we conducted an assessment of current and future natural and climate change related hazards for Sandvik locations covering 285 individual sites and 94 percent of the overall Total Insured Value (TIV). The assessment reflects the current situation and models the evolution of Natural Hazards under different climate change scenarios and at different future time horizons. The goals with the assessment were to provide an overview of the physical climate risks facing the

portfolio of sites at different time horizons and under different climate change scenarios and to establish a ranking of locations from high to low climate risk based on climate data and insured values. This will support the identification and prioritization of management actions, which may include in-depth assessments of sites and investment in resilience measures, as next steps of Sandvik's climate resilience journey.







Current natural hazard exposure

The Sandvik portfolio is currently mainly exposed to Hail (with Very High or High hazard levels for 26 percent of the total portfolio, followed by wind (19 percent), flood (13 percent), lightning (13 percent) and storm surge (8 percent).

Future climate change risks

The study was performed using the SSP2-4.5 (middle-road) and SSP5-8.5 (fossil fuel development) scenarios for the 2030 (near term) and 2050 (long term) horizons. Material exposure with increasing

trend in both scenarios is identified for precipitation, drought and heat. Thunderstorm is also relevant and an increasing trend.

Strategic objective	Key risk	What does this mean?	Examples of what do we do (mitigation)
Shift to growth 	Geopolitical development	Trends towards regionalization or nationalization and trade wars	Reviewing regional strategies and footprint distribution and supply chain
	Securing Key supply	Potential resource constraints around supply of batteries, green electricity and mineral supply	Different initiatives around sourcing and business continuity planning
	Acquisition value creation	Business case delivery Ensure efficient administrative integration	M&A Tracker/review process and score cards Integration follow-up processes with business reviews
	Technology must-wins	Electrification of the mine Closed loop manufacturing Execution of the digital shift and data driven productivity	Careful performance management and execution of the strategy for M&A, product development and the 6 moves for enabling the digital shift
Digital shift 	Digital disruption	Efficient systems upgrades Cyber security Information security Disruption by digital players	Careful project management and lessons learned for implementation of new systems support, cyber security improvement program and the six steps Sandvik has identified to enable the digital shift
Sustainable shift 	Being compliant	Ensuring an ethical culture Increased regulatory complexity (e.g. Russia) Stricter financing requirements	Learning and workshop initiatives across the organization, digital journey and with a new Third Party Management policy and process
	Changing regulatory requirements	Sustainability reporting requirements Trade sanctions Product/safety requirements Change to data driven processes	CSRD preparation project, compliance digital journey to increase agility
Agile through cycle 	Managing inflation	Price management Leverage procurement capabilities	Strong focus on price management and tracking price/volume growth Different sourcing initiatives to increase flexibility/agility
	Managing downturn	Meeting target EBITA range Timely execution of contingency plans	Contingency plans, strong performance management and agile decision process with decentralized approach for each part of the business
	Business interruption	Energy supply Supply chain/logistics Disruptive events (fires, natural disasters, pandemic)	Energy supply mapping and mitigating activities, carefully managed and active management of logistics/supply and business interruption planning
Customer's 1st choice 	Understand changing customer needs	Timely adjustment to market transformation Ensuring customer value	Customer satisfaction measurement with divisions, business units and sales areas taking necessary actions
Employer of Choice 	Key talent attraction and retention	New talent (digital, sustainability) Safeguard core talent supply (engineering, battery) Re-skill existing workforce	Talent attraction and development projects in all parts of the business.

SUSTAINABILITY GOVERNANCE

The Sandvik Group's sustainability governance is based on its business strategy, business model and international frameworks. Relevant goals are set to address material areas and to efficiently manage related impacts, 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 implementation is delegated to the President and CEO of Sandvik.

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.

In 2022, the Board of Directors approved a new Sustainability policy and the targets for Science Based Targets initiative validation. During the year the Communication and Sustainability function reported progress and informed the Audit Committee on relevant sustainability topics. The Audit Committee and the Board of Directors have informed themselves and further discussed related topics, such as SBTi and CSRD.

Materiality assessment

The 2022 Corporate Sustainability Reporting Directive (CSRD) requires companies to report their impact on various aspects of sustainability as well as the financial consequence of their impact. Sandvik initiated a double materiality assessment to determine material topics. The impact materiality assessment was done to be compliant with the GRI (Global Reporting Initiative) materiality assessment. We will continue to develop the process and aim to include a complete double materiality assessment in the 2024 Annual Report.

Sandvik based its materiality assessment on the topics included in the CSRD. The topics were evaluated from a severity and likelihood perspective, based on a stakeholder engagement process and external input. The stakeholders identified were ESG (Environment, Social, Governance) experts in our organization, suppliers, shareholders/investors, customers and NGOs. The stakeholder process included workshops and interviews.

The assessment was also based on external reports, legislation and frameworks. These included the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the OECD Due Diligence Guidance for Responsible Mineral Supply Chains and supplier risk screening through EcoVadis. Based on the gathered input, a threshold value for the topics was defined, above which the topics were deemed material and as such a basis for our GRI reporting.

Sandvik has a diversity of interactions across the value chain: suppliers, customers, our own operations

MATERIAL TOPICS

- Anti-bribery and anti-corruption
- Business ethics governance
- Climate related opportunities (downstream)
- Diversity, equity and inclusion
- Employment and labor relations
- Employee health and safety
- Energy consumption
- Equal opportunities
- Human rights
- Materials sourcing
- Opportunities within resource use and circular economy
- Reduction of GHG emissions
- Scope 3 emissions
- Waste management

A topic is material if the company has an actual or potential significant impact on people or the environment connected to the topic. A topic is also material if it triggers financial effects on the company that are likely to influence its future cash flow. Changes in material topics from last year includes addition of Materials sourcing.

and interactions related to the end-of-life process. Our supply chain and geographical footprint are examples of factors that affect the value chain and our impacts, risks and opportunities. Sandvik can have a positive or negative impact on the value chain. Our electric and autonomous mining equipment as well as our digital solutions that improve productivity and reduce energy usage and waste, are examples of a positive impact. Diesel-driven mining equipment generating greenhouse gas emissions (GHG) is an example of a negative impact. Raw materials for the manufacturing of products represent the main negative impacts, both potential and actual, in our supply chain.

STRENGTHENING POSITIVE IMPACTS

Gender equality. We have set a goal that one third of our managers should be female by 2030. We partner with Female Leader Engineers and in 2022 we entered a strategic partnership with the International Women in Mining organization. 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. We offer daycare for employees' children in India and Brazil. **Decent work.** The Sandvik Apprenticeship program has invested in the development of technical skills for trackless mining in the Southern Africa region for the past 22 years. Through the Sandvik Southern Africa Academy in South Africa, more than 1,000 apprentices are being trained towards a mining equipment trade in Zambia, Botswana, Zimbabwe, Tanzania and South Africa. In 2022, 29 percent of the participants in the apprenticeship program and 50 percent of the internship program were women, respectively.



MINIMIZING NEGATIVE IMPACTS

Industry innovation. We aim to have a fully electric underground offering by 2030 and a 90 percent electric mobile crushing offering by 2025. Already today we provide fully electrified stationary crushing equipment and trucks. Powder-based net-shape technologies like additive manufacturing make it possible to merge several components into one – reducing assembly steps and thereby energy consumption. Additive manufacturing also reduces waste and often minimizes the use of cutting lubricants and cleaning fluids. **Clean energy.** We have signed agreements to purchase fossil-free energy in a number of markets and we purchase clean energy for all our European sites. Renewable energy production on our own sites keeps on increasing and we run a large number of Environmental Improvement Projects. **Industry innovation, Responsible consumption and production.** Sandvik has developed a process to separate tungsten inserts from the steel body of drill bits and we buy back the used drills for separation and recycling. The need for virgin material, transports and GHG emissions are reduced, as well as the supply chain risk. The separation process can be made locally, creating job opportunities. **Responsible consumption and production.** Waste circularity is a focus area within our 2030 targets. We continuously work to improve recycling and reuse at our sites. We have connected the heat recovery system in our manufacturing facility in Svedala to the site's ventilation system and installed a process heating system to reuse excessive heat from production processes. In 2022, Walter started converting its product packaging to recycled plastic, so called PCR (Post Consumer Recycled), resulting in 95 percent secondary material in its packaging and reduced GHG emissions. **Climate action.** Sandvik submitted targets for validation to the Science Based Targets initiative in 2022, committing to net zero emissions by 2050 at the latest. We encourage our suppliers to set targets in line with the Paris Agreement through our Supplier Code of Conduct. **Decent work.** One of our long-term sustainability goals is zero harm to people. Our mining automation solutions increase the possibility to work remotely, leading to a safer and healthier workplace. **Good health and well-being.** Our battery-electric underground offering reduces heat and emissions underground, improving the working conditions while helping mining customers reach their sustainability targets and reduce ventilation costs. Health and well-being programs are in place at Sandvik locations.

The process of extracting and refining raw materials is linked to a number of potential impacts and risks: child labor, pollution of land, soil, water and air, perilous working conditions, hazardous workplaces, exposure to hazardous chemicals, conflict and disputes in local communities and GHG emissions. Some of these are related to specific raw materials, such as conflict minerals and cobalt.

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. 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 whistleblowing 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.

Sandvik's reporting tool, Speak Up, is publicly and directly accessible by all stakeholders. They can raise concerns about the organization's negative impacts on them, including human rights concerns, and the process allows for grievances to be identified and addressed. In addition, certain countries have local grievance mechanisms and other mechanisms to support employees beyond legal requirements, such as foundations that provide rehabilitation and financial support in relation to health and well-being. The European Works Councils and relevant local unions have been involved in the setup of local whistleblowing channels and appointment of investigators. In 2022, Sandvik interviewed Speak Up users as part of its work to review and improve the mechanism with a particular focus on non-retaliation.

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 are implemented by each business area. The Group Compliance function reports to the Sandvik Group General Counsel and the Audit Committee. To coordinate work, identify synergies and drive continuous improvements, a Compliance Functional Council, consisting of representatives from Group and business areas,

has been established. The Council has been in operation for several years and normally meets quarterly.

Sandvik is active in countries and industries with a high risk from a corruption perspective and as such could potentially have a significant impact on both people and environment. Sandvik has an anti-corruption compliance program based on zero-tolerance for corruption. Steering documents include the Code of Conduct, an anti-corruption policy, procedures for commercial intermediaries, administrative intermediaries and gifts, hospitality, travel and entertainment. Requirements designed to identify and prevent corruption are also embedded in other steering documents such as the Sponsorship and Community Involvement procedure and M&A procedure. The Speak Up policy and the underlying investigation procedure are other important parts of the program.

All operational entities are required to assess and, together with the compliance organization, work with its own compliance risks and thus identify and prevent potential negative impacts. Actions taken are reviewed by both internal and external audit. Negative impacts and weaknesses are also identified and remediated through the Speak Up process. Targets and indicators to evaluate progress are set annually through the Compliance Functional Council and have included, for example, yearly self-assessments, including anti-corruption, to create action plans to close identified gaps and to complete those within deadlines.

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)

Our EHS policy applies the principles of the Code of Conduct and core values to achieve our Environmental, Health and Safety vision of Zero Harm. We have Group EHS procedures targeting, for instance, hazard identification and operational risk management, incident reporting and injury management, EHS performance measurement and monitoring and EHS training and competency. Each procedure outlines roles and responsibilities, as well as performance management indicators. Compliance to legislation, policies and procedures is reviewed via internal and external audits.

Our EHS policy, Group EHS objectives and the 2030 Sustainability 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, the scope of our EHS policy includes the services that Sandvik provides at customer locations.

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, ISO 50001, 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. 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 represents 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 vaccina-

tions, 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. 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 relation projects around the world. 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) Social impact – projects supporting equality and inclusion, improving health and well-being 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	2021	2022
Continuing operations			
Revenue	G2, G3	85,700	112,332
Cost of goods and services sold		-48,995	-66,962
Gross profit		36,705	45,370
Selling expenses		-10,690	-14,635
Administrative expenses		-5,022	-7,918
Research and development expenses	G6	-3,468	-4,185
Share of results of associates and joint ventures		-4	6
Other operating income	G7	931	1,894
Other operating expenses	G8	-1,177	-1,940
Operating profit	G2	17,275	18,592
Financial income		585	936
Financial expenses		-1,043	-1,790
Net financial items	G10	-457	-854
Profit before tax		16,818	17,738
Income tax	G11	-3,731	-4,884
Profit for the year, continuing operations	G2	13,087	12,854
Profit (loss) for the year, discontinued operations	G32	1,397	-1,628
Profit for the year, Group total	G2	14,484	11,225
Profit for the year attributable to:			
Owners of the Parent Company		14,461	11,212
Non-controlling interests		23	13
Basic earnings per share, SEK	G12		
Continuing operations		10.41	10.25
Discontinued operations		1.12	-1.30
Group total		11.53	8.95
Diluted earnings per share, SEK	G12		
Continuing operations		10.40	10.24
Discontinued operations		1.12	-1.30
Group total		11.52	8.94
Consolidated statement of comprehensive income			
Profit for the year		14,484	11,225
Other comprehensive income			
Items that cannot be reclassified to profit/loss for the year			
Actuarial gains (losses) on defined-benefit pension plans	G22	2,492	3,405
Tax relating to items that cannot be reclassified	G11	-501	-786
Total items that will not be reclassified to profit or loss		1,991	2,620
Items that can be reclassified to profit (loss) for the year			
Translation differences during the year		3,846	7,616
Fair-value changes in cash-flow hedges		48	-98
Tax related to fair-value changes in cash-flow hedges	G11	-11	34
Total items that may be reclassified subsequently to profit or loss		3,882	7,552
Total other comprehensive income for the year		5,873	10,172
Total comprehensive income		20,357	21,398
Total comprehensive income for the year attributable to:			
Owners of the Parent Company		20,323	21,385
Non-controlling interests		34	13

CONSOLIDATED BALANCE SHEET

MSEK	Note	Dec 31, 2021	Dec 31, 2022
Assets			
Non-current assets			
Intangible assets	G13	47,809	66,134
Property, plant and equipment	G14	26,076	21,683
Right-of-use assets	G15	3,840	4,941
Shares in associates and joint ventures	G16	595	415
Financial assets	G16	94	886
Deferred tax assets	G11	3,458	3,373
Non-current receivables	G17	3,270	4,258
Total non-current assets		85,143	101,689
Current assets			
Inventories	G18	29,910	35,019
Trade receivables	G19	17,341	18,685
Income tax receivables	G11	1,158	972
Other receivables	G20	6,748	8,018
Prepaid expenses and accrued income		1,308	1,688
Cash and cash equivalents		13,585	10,489
Assets held for sale	G32	323	121
Total current assets		70,374	74,993
Total assets		155,517	176,682
Equity and liabilities			
Equity			
Share capital		1,505	1,505
Other paid-in capital		7,678	7,678
Reserves		6,145	13,698
Retained earnings incl. profit (loss) for the period		61,872	58,346
Equity attributable to owners of the Parent Company		77,200	81,227
Non-controlling interest		132	43
Total equity	G21	77,332	81,270
Non-current liabilities			
Provision for pensions	G22	6,904	3,458
Interest-bearing liabilities	G23, G28	23,646	42,364
Deferred tax liabilities	G11	2,988	4,005
Other provisions	G24	1,390	826
Other liabilities	G25	971	1,534
Total non-current liabilities		35,900	52,186
Current liabilities			
Interest-bearing liabilities	G23	10,704	9,693
Accounts payable		11,907	11,625
Income tax liabilities	G11	2,820	2,904
Other liabilities	G25	6,306	8,060
Other provisions	G24	2,516	2,947
Accrued expenses	G26	7,924	7,900
Liabilities directly attributed to assets held for sale	G32	107	97
Total current liabilities		42,285	43,226
Total liabilities		78,185	95,412
Total equity and liabilities		155,517	176,682

CONSOLIDATED CHANGES IN EQUITY

MSEK	Equity attributable to equity holders of the Parent Company					Non-controlling interest	Total
	Share Capital	Other paid-in capital	Reserves	Retained earnings	Total		
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
Equity at January 1, 2022	1,505	7,678	6,145	61,872	77,200	132	77,332
Adjustment on correction of error	-	-	-	-172	-172	-	-172
Equity at January 1, 2022	1,505	7,678	6,145	61,699	77,028	132	77,160
Profit for the year	-	-	-	11,212	11,212	13	11,225
Other comprehensive income	-	-	7,553	2,619	10,172	0	10,172
Total comprehensive income (loss) for the year	-	-	7,553	13,832	21,385	13	21,398
<i>Transactions with owners</i>							
Change in fair value of put option to acquire non-controlling interest	-	-	-	-12	-12	-	-12
Changes in non-controlling interest	-	-	-	-44	-44	-103	-147
Share based program	-	-	-	-135	-135	-	-135
Dividend	-	-	-	-5,955	-5,955	0	-5,955
Distribution of Alleima	-	-	-	-11,039	-11,039	-	-11,039
Equity at December 31, 2022	1,505	7,678	13,698	58,346	81,227	43	81,270

CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	2021	2022
Group total			
Cash flow from operating activities			
Income after net financial items ¹⁾		18,451	21,443
Adjustment for depreciation, amortization and impairment losses		5,995	6,648
Other adjustment for non-cash items	G30	-2,356	-1,758
Payment to pension fund		-457	-431
Income tax paid		-4,154	-5,262
Cash flow from operating activities before changes in working capital		17,480	20,639
Changes in working capital			
Change in inventories		-5,245	-9,070
Change in operating receivables		-3,477	-2,107
Change in operating liabilities		4,995	1,601
Cash flow from changes in working capital		-3,726	-9,576
Investments in rental equipment		-941	-923
Proceeds from sale of rental equipment		364	324
Cash flow from operating activities, net		13,177	10,465
Cash flow from investing activities			
Acquisition of companies and shares, net of cash acquired	G31	-23,578	-15,184
Proceeds from sale of companies and shares, net of cash disposed	G32	423	-34
Acquisition of tangible assets		-2,936	-3,564
Proceeds from sale of tangible assets		578	739
Acquisition of intangible assets		-642	-966
Proceeds from sale of intangible assets		13	6
Acquisition of financial assets		-	-499
Proceeds from sale of financial assets		141	-
Other investments, net		-190	-801
Cash flow from investing activities, net		-26,191	-20,304
Cash flow from financing activities			
Repayment of borrowing		-9,660	-17,658
Proceeds from borrowings		21,312	32,507
Change in hedge option programs, net		-	-270
Distribution of Alleima		-	-1,186
Dividends paid		-8,140	-5,955
Amortization, lease liabilities		-1,025	-1,214
Cash flow from financing activities, net	G30	2,486	6,222
Cash flow for the year		-10,527	-3,617
Cash and cash equivalents at beginning of year		23,752	13,585
Foreign exchange differences on cash and cash equivalents		360	521
Cash and cash equivalents at the end of year	G30	13,585	10,489
Continuing operations			
Cash flow from operating activities, net		12,001	11,092
Cash flow from investing activities, net		-25,686	-19,882
Cash flow from financing activities, net		2,794	6,906
Cash flow from continuing operations		-10,891	-1,884

1) Excluding the net capital loss from the distribution of Alleima. For more information see page 107.

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 for the 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 Group. Accordingly, the financial statements are presented in SEK. All amounts are in million SEK unless otherwise stated. Amounts in tables and calculations in the financial statements and notes do not always agree exactly with the totals due to rounding.

All notes are presented for continuing operations unless otherwise stated.

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 114 in the section "Accounting principles, Parent Company."

The financial statements are presented on pages 42–133 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 8, 2023. 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, 2023.

Basis of measurement

Financial statements are not entirely comparable due to the distribution for Alleima on August 31, 2022. The income statement includes Alleima up to distribution, the comparative periods in the income statement have been updated. Alleima's result for the period is presented separately within discontinued operations. The comparative period for the balance sheet includes Alleima. The cash flow is presented separately and includes Alleima up to distribution.

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 estimates 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 retranslated to the functional currency at the exchange rate prevailing at the date that the fair value was determined.

G1, continued

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 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 2022

IASB has published amendments of standards that are effective as of January 1, 2022. The standards have not had any material impact on the financial reports.

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. The amendment is effective from January 1, 2023.

Changes in accounting policies 2023 or later

A number of new or amended accounting standards and interpretations have been published and is effective from 2023 or later. None of these are considered to have a material impact on Sandviks' financial statements.

IAS 1 Disclosure of material accounting policy information

A company shall disclosure of material accounting policy information instead of significant accounting policies. Guidance has been provided by the IASB on how to apply the concept of materiality to accounting policy disclosures. The amendment is effective from January 1, 2023.

IAS 12 Deferred tax

Deferred tax shall be accounted for on all temporary differences. One exception is made for temporary differences which arise on initial recognition of an asset or liability, if certain conditions are met. The amendment clarifies that this exemption is not applicable when accounting for transactions that simultaneously gives rise to both an asset and liability, such as right-of-use asset and lease liabilities and acquisition value of tangible fixed assets attributable to provision for future expenses for dismantling, removal and restoration. The amendment is effective from January 1, 2023.

IFRS 16 Sale and leaseback transaction

The amendment aims to confirm that no profit or loss is recognized for right-of-use assets which are still used by the seller/lessee. The amendment is effective from January 1, 2024.

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. The notes and critical estimates and judgments refers to:

Note	Critical estimates and judgments
G13	Impairment tests of goodwill and impairment tests of other non-current assets
G14	Impairment tests of other non-current assets
G22	Post employment benefits
G24	Disputes
G31	Allocation of goodwill and other surplus values

G2 SEGMENT INFORMATION

Information on business areas

2021	SMR	SRP	SMM	SMT ¹⁾	Group activities	Eliminations	Total
External revenue	41,409	7,610	36,681	–	–	–	85,700
Internal revenue	17	1	413	–	–	-431	–
Total revenue	41,427	7,610	37,094	–	–	-431	85,700
Share of results of associates and joint ventures	8	0	9	–	-21	–	-4
Operating profit	8,220	1,255	8,058	–	-257	–	17,275
Net financial items	–	–	–	–	–	–	-457
Income tax expense for the year	–	–	–	–	–	–	-3,731
Profit for the year, continuing operations	8,220	1,255	8,058	–	-257	–	13,087
<i>Other disclosures</i>							
Assets	47,741	7,308	61,407	17,260	1,173	–	134,889
Investments in associates and joint ventures	154	–	192	–	249	–	595
Total assets	47,895	7,308	61,599	17,260	1,422	–	135,484
Unallocated assets	–	–	–	–	–	–	20,033
Group total assets							155,517
Liabilities	13,841	2,902	10,771	4,475	1,373	–	33,363
Unallocated liabilities	–	–	–	–	–	–	44,822
Group total liabilities							78,185
Capital expenditure	-912	-112	-2,035	–	-26	–	-3,084
Depreciation and amortization	-1,998	-191	-2,818	–	-202	–	-5,209
Impairment losses	-4	–	-39	–	–	–	-43
Other non-cash expenses	-2,015	-634	-1,022	–	1,517	–	-2,154

2022	SMR	SRP	SMM	Group activities	Eliminations	Total
External revenue	56,843	9,587	45,901	–	–	112,332
Internal revenue	15	34	499	–	-548	–
Total revenue	56,858	9,621	46,400	–	-548	112,332
Share of results of associates and joint ventures	9	–	-4	–	–	6
Operating profit	9,909	1,186	8,148	-651	–	18,592
Net financial items	–	–	–	–	–	-854
Income tax expense for the year	–	–	–	–	–	-4,884
Profit for the year, continuing operations	9,909	1,186	8,148	-651	–	12,854
<i>Other disclosures</i>						
Assets	67,270	17,661	72,444	1,283	–	158,658
Investments in associates and joint ventures	183	–	231	–	–	415
Total assets	67,454	17,661	72,675	1,283	–	159,073
Unallocated assets	–	–	–	–	–	17,609
Group total assets						176,682
Liabilities	18,240	4,113	12,002	1,276	–	35,631
Unallocated liabilities	–	–	–	–	–	59,781
Group total liabilities						95,412
Capital expenditure	-1,566	-253	-2,377	-37	–	-4,234
Depreciation and amortization	-2,241	-274	-3,772	-157	–	-6,443
Impairment losses	-120	-92	23	-11	–	-199
Other non-cash expenses	194	-66	-29	216	–	315

¹⁾ Last year's figures for the income statement have been reclassified since former business area SMT was classified as discontinued operations in 2022 and distributed to the owners on August 31, 2022, under the name Alleima.

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	2021	2022
USA	10,628	16,408
Australia	8,790	12,679
China	6,949	8,361
Canada	4,711	6,837
Germany	5,572	6,616
South Africa	3,674	5,102
Mexico	2,906	4,581
Italy	3,017	3,514
India	2,684	3,355
Indonesia	1,838	3,042
France	2,296	2,594
Brazil	1,789	2,577
Sweden	1,887	2,181
Chile	1,326	2,044
Poland	1,034	1,629
Ghana	990	1,614
UK	1,370	1,589
Japan	1,349	1,476
Peru	804	1,272
Austria	1,074	1,262
Russia	3,536	1,230
Spain	909	1,215
Türkiye	733	1,092
Finland	937	930
Switzerland	656	906
Other countries	14,240	18,226
Total	85,700	112,332

Revenue is specified by country based on where customers are.

Non-current asset by country	2021	2022
USA	26,798	29,907
Australia	1,533	14,510
Luxembourg	8,149	8,647
Sweden	12,802	7,146
France	4,303	4,521
Germany	3,851	3,672
Austria	2,634	2,906
China	2,479	2,716
Finland	2,203	2,546
Canada	1,763	2,103
UK	2,089	2,076
India	1,793	1,864
Switzerland	737	1,557
Portugal	3	861
Poland	747	801
Other	5,842	6,924
Total	77,725	92,758

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

§ ACCOUNTING PRINCIPLES

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

Primary geographical markets	2021				2022			
	SMR	SRP	SMM	Total	SMR	SRP	SMM	Total
Europe	4,662	2,285	19,532	26,478	5,867	2,130	21,901	29,899
North America	8,558	1,685	8,003	18,245	12,473	2,353	13,000	27,825
South America	3,453	651	775	4,878	5,316	1,032	1,069	7,417
Africa and Middle East	8,488	741	301	9,530	11,553	1,063	411	13,027
Asia	7,760	1,799	7,811	17,369	9,556	2,224	9,163	20,944
Australia and New Zealand	8,489	449	260	9,199	12,078	785	357	13,220
Total	41,409	7,610	36,681	85,700	56,843	9,587	45,901	112,332
Major goods/service lines								
Sale of goods	38,228	7,349	35,255	80,832	52,656	9,309	42,162	104,126
Rendering of services	2,314	253	1,415	3,982	3,314	275	3,717	7,306
Rental income	854	8	5	866	849	3	9	861
Other non product related revenue	13	0	6	20	24	1	14	39
Total	41,409	7,610	36,681	85,700	56,843	9,587	45,901	112,332
Order backlog to be recognized as revenue after 2023 until 2024.	986	8	10	1,004	2,277	10	38	2,324

§ 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 is 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 the contract period. ■

G4 PERSONNEL INFORMATION AND REMUNERATION OF MANAGEMENT

Personnel information is based on Group total.

Average number of employees

	2021		2022	
	Number	Women, %	Number	Women, %
Sweden	8,187	25	7,069	26
Rest of Europe	13,061	21	13,384	21
Total Europe	21,248	22	20,452	23
North America	5,419	19	6,391	22
South America	1,936	17	2,335	17
Africa, Middle East	2,448	17	2,895	17
Asia	8,360	14	8,432	15
Australia	1,226	18	1,813	19
Total	40,636	20	42,318	20

Wages, salaries other remuneration and social costs

	2021	2022
Wages, salaries and other remuneration	-21,194	-25,467
Social costs	-3,643	-3,782
Pension costs	-1,767	-1,996
Total	-26,604	-31,245

A total of SEK 50 million (46) of the Group's pension costs relates to Boards and presidents. The Group's pension liability to these persons amounted to SEK 254 million (186).

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 2022 Annual General Meeting, the total fee to the external Board members elected at the Meeting amounts to in total SEK 7,190,000 on an annual basis.

SEK	2021					2022				
	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)	-2,625,000	-175,000	-150,000	-200,000	-3,150,000	-2,750,000	-185,000	-155,000	-210,000	-3,300,000
Jennifer Allerton	-710,000	-	-	-	-710,000	-740,000	-	-	-	-740,000
Claes Boustedt	-710,000	-310,000	-	-150,000	-1,170,000	-740,000	-325,000	-	-155,000	-1,220,000
Marika Fredriksson	-710,000	-	-	-	-710,000	-740,000	-	-	-	-740,000
Helena Stjernholm	-710,000	-175,000	-118,000	-150,000	-1,153,000	-740,000	-185,000	-122,000	-155,000	-1,202,000
Kai Wärm	-710,000	-	-118,000	-	-828,000	-740,000	-	-122,000	-	-862,000
Andreas Nordbrandt	-710,000	-	-	-	-710,000	-740,000	-	-	-	-740,000
Total	-6,885,000	-660,000	-386,000	-500,000	-8,431,000	-7,190,000	-695,000	-399,000	-520,000	-8,804,000

President and other senior executives

Guidelines for remuneration

For information on the current guidelines for remuneration of senior executives, adopted by the 2022 Annual General Meeting, please refer to pages 44–46.

Wages, salaries and other remuneration by market area

	2021	2022
Sweden	-5,718	-4,892
Rest of Europe	-7,578	-8,569
Total Europe	-13,296	-13,461
North America	-3,215	-5,684
South America	-525	-780
Africa, Middle East	-883	-1,250
Asia	-2,178	-2,636
Australia	-1,098	-1,656
Total	-21,194	-25,467
of which to Boards of Directors and presidents		
Salaries and other remuneration	-745	-1,306
of which variable salary	-112	-222

Gender distribution in senior management

Proportion of women, %	2021	2022
Gender distribution in senior management	18	15
Other senior executives	28	23

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 14,753,160 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 2022 amounted to SEK 2,212,974, being 20 percent of the maximum amount.

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

The majority of the Group Executive Management members are covered by a Swedish pension plan (ITP1 or ITP2), one member has a Swiss pension plan and one member a salary supplement scheme in the UK. 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 Group Executive Management) of fixed salary portions in excess of 20 price base amounts. Under the Swiss pension plan a pension premium of 21 percent of fixed salary is paid, whereof 75 percent is paid by the company and 25 percent by the employee. One member is covered by a UK salary plan amounting to 12 percent of the fixed salary.

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 2021 expensed during 2021, 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.

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 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 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).

Remuneration and other benefits pertaining to 2022 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	-15,048,223 ¹⁾	-2,212,974	-104,595	-7,089,976	-5,344,644
Other senior executives ⁷⁾	-50,793,602 ²⁾	-2,158,167	-1,164,623	-11,263,444	-13,085,810
Total	-65,841,825	-4,371,141	-1,269,218	-18,353,420	-18,430,454

1) The fixed salary during 2022 for Stefan Widing amounts to SEK 14,753,160. The remaining amount relates to vacation pay, etc.

2) Fixed salaries pertaining to 2022 and severance expensed in 2022, expected to be paid in 2023.

3) Amount pertaining to 2022 and expected to be paid in 2023. Amount pertaining to Göran Björkman is expensed and paid by Alleima.

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

5) The amounts pertain to changes in provisions made for the 2021 and 2022 LTI programs at year-end.

6) Amounts pertaining to company paid contributions for the President and other senior executives. Amount pertaining to Göran Björkman is expensed and paid by Alleima.

7) Pertains to the following persons in 2022: Johan Kerstell, Jessica Alm, Åsa Thunman, Nadine Crauwels, Christophe Sut, Cecilia Felton (Feb–Dec), Richard Harris (Oct–Dec), Mats Eriksson (Oct–Dec), Göran Björkman (Jan–Sept), Henrik Ager (Jan–Jun), Anders Svensson (Jan–Sept), Tomas Eliasson (Jan).

Long-term incentive programs (LTI)**Share-based incentive program 2019–2022**

The 2019–2022 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 4,184,725 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 2019–2022, 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 LTI 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, the Board of Directors established the levels regarding adjusted EPS for the performance year in question that have to be attained for allotment of a certain number of performance shares.

Performance outcome 2019–2022

LTI 2019: Performance shares were partly allotted since the performance targets set by the Board of Directors were partly met. The LTI 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. LTI 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 LTI adjusted EPS for the financial year 2021 amounted to SEK 11.07.

LTI 2022: Performance shares will be allotted since the performance targets set by the Board of Directors were met. The LTI adjusted EPS for the financial year 2022 amounted to SEK 12.89.

The number of allotted performance shares under the 2019–2022 LTI programs for the President and other members of the Group Executive Management on December 31, 2022, corresponds to the number of outstanding performance 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 2020 no IFRS 2 provisions were made during 2022 since the performance targets set by the Board of Directors were not met.

For LTI 2021, SEK 52.4 million (excluding social costs), of which SEK 7.8 million for the President and CEO and other senior executives.

For LTI 2022, SEK 72.7 million (excluding social costs), of which SEK 10.5 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 2022. 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, 2019–2022 LTI Programs

Assumptions	Program 2019 (on date of issue)	Program 2020 (on date of issue)	Program 2021 (on date of issue)	Program 2022 (on date of issue)
Share price, SEK	153.00	142.25	219.40	201.60
Present value of forecasted future dividends, SEK ¹⁾	14.81	15.75	16.70	17.32
Risk-free interest rate, %	-0.49	-0.31	-0.22	0.40

1) Based on analysts' 3 year combined expectations.

Number of Performance Shares, Group (including Parent Company), 2019–2022 LTI programs

	2019	2020	2021	2022
Outstanding at beginning of year	339,380	–	1,058,307	–
Allotted during the period	–	–	–	1,233,246
Vested during the year	-329,160	–	-57,122	–
Forfeited during the year	-12,178	–	-173,319	-49,126
Transferred during the year	1,958	–	3,376	–
Outstanding at year-end	0	–	831,242	1,184,120
Theoretical value when allotted, SEK	138.19	126.40	202.70	184.28

Number of Performance Shares, Parent Company, 2019 – 2022 LTI programs

	2019	2020	2021	2022
Outstanding at beginning of year	37,350	–	172,890	–
Allotted during the period	–	–	–	214,014
Vested during the year	-39,352	–	–	–
Forfeited during the year	-1,961	–	-26,181	–
Transferred during the year	3,964	–	–	–
Outstanding at year-end	–	–	146,709	214,014
Theoretical value when allotted, SEK	138.19	126.40	202.70	184.28

§ 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 auditors for the Group were as follows:

	2021	2022
PwC		
Audit fees	-78	-80
Audit activities other than the audit assignment	-2	-1
Tax consultancy services	-10	-3
Other services	-31	-50
Total	-121	-135
Other audit firms		
Audit fees	-11	-19
Audit activities other than the audit assignment	-3	-21
Tax consultancy services	-17	-26
Other services	-39	-37
Total	-70	-103

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

	2021	2022
<i>Expenditure for</i>		
Research and development	-3,651	-4,471
Quality assurance	-169	-192
Total	-3,819	-4,663
of which expensed, total	-3,631	-4,455
of which expensed relating to research and development	-3,468	-4,185

§ ACCOUNTING PRINCIPLES

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 1,894 million (931). The amount is related to to insurance compensation SEK 361 million, gain on disposal of building and equipment SEK 291 million, adjustment of purchase price allocations SEK 268 million and other items with currency components SEK 574 million.

For 2021, the amount is mainly related to gain on disposal of land, buildings and rental fleet SEK 224 million, gain of divestment of business SEK 232 million and other items with currency components SEK 293 million.

G8 OTHER OPERATING EXPENSES

Other operating expenses amounted to SEK -1,940 million (-1,177). The amount is mainly related to loss on foreign exchange SEK -1,025 and external M&A transaction costs SEK -338 million.

For 2021, the amount is mainly related to external M&A transactions costs SEK -457 million and loss on foreign exchange SEK -373 million.

G9 OPERATING EXPENSES

Other expenses mainly relate to purchases of services and consumables.

	2021	2022
Cost of goods and material	-26,898	-38,900
Employee benefit expense	-22,267	-27,494
Depreciation and amortization	-5,209	-6,443
Impairment losses, inventories	-244	-660
Impairment losses and reversal impairment losses, non-current assets	-24	-225
Impairment losses, doubtful receivables	-89	-238
Other expenses	-15,300	-21,680
Total	-70,033	-95,641

G10 NET FINANCIAL ITEMS

	2021	2022
Interest income	345	443
Dividend	2	2
<i>Other investments including derivatives</i>		
Net gain on remeasurements of financial assets/liabilities	28	449
Gain on disposal of financial assets	174	3
Other financial income	37	41
Financial income	585	936
Interest expense	-839	-1,640
<i>Other investments including derivatives</i>		
Net loss on remeasurements of financial assets/liabilities	-113	-84
Foreign exchange losses	-1	-1
Other financial expenses	-90	-66
Financial expenses	-1,043	-1,790
Net financial items	-457	-854

Net interest income/expense from financial assets and liabilities not measured at fair value through profit or loss amounted to SEK -1,195 million (-494). 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 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	2021	2022
Current tax	-4,068	-5,394
Adjustment of taxes attributable to prior years	482	135
Total current tax expense	-3,586	-5,259
Deferred taxes relating to temporary differences and tax losses carried forward	-145	375
Total tax expense	-3,731	-4,884

The Group's recognized tax expense for the continuing operations for the year amounted to SEK 4,884 million (3,731) or 27.5 percent (22.2) 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 22.8 percent (23.7). The tax rate in Sweden is 20.6 percent (20.6).

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

	2021		2022	
	MSEK	%	MSEK	%
Continuing operations				
Profit before tax	16,818		17,738	
Weighted average tax based on each country's tax rate	-3,989	-23.7	-4,052	-22.8
<i>Tax effect of</i>				
Non-deductible expenses	-93	-0.6	-335	-1.9
Tax-exempt income	117	0.7	173	1.0
Adjustments relating to prior years	482	2.9	135	0.8
Effects of tax losses carried forward, net	-157	-1.0	-372	-2.1
Other	-91	-0.5	-433	-2.5
Total recognized tax expense	-3,731	-22.2	-4,884	-27.5

Tax items attributable to other comprehensive income

	2021			2022		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Actuarial gains/losses attributable to defined-benefit pension plans	2,492	-501	1,991	3,405	-786	2,620
Translation differences for the year	3,846	-	3,846	7,616	-	7,616
Fair-value changes in Cash-flow hedges for the year	48	-11	37	-98	34	-64
Other comprehensive income	6,385	-512	5,873	10,923	-752	10,172

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.

	2021			2022		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	49	-2,263	-2,214	151	-3,693	-3,542
Property, plant and equipment	251	-1,534	-1,283	283	-1,115	-832
Financial non-current assets	104	-309	-205	83	-502	-419
Inventories	1,163	-94	1,069	1,525	-151	1,374
Receivables	177	-197	-20	79	-116	-37
Interest-bearing liabilities ¹⁾	1,717	-101	1,616	859	-64	795
Non Interest-bearing liabilities ²⁾	1,312	-31	1,281	1,678	-27	1,651
Other	4	-	4	5	-	5
Tax losses carried forward	222	-	222	373	-	373
Total	4,999	-4,529	470	5,036	-5,668	-632
Offsetting within companies	-1,541	1,541	-	-1,663	1,663	-
Total deferred tax assets and liabilities	3,458	-2,988	470	3,373	-4,005	-632

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 4,890 million (3,526). The main part of the change for 2022 relates to tax losses in Russia. No deferred tax asset was recognized for these losses.

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

Year	MSEK
2023	63
2024	31
2025	30
2026	506
2027	30
No expiry date	4,230
Total	4,890

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 1,191 million (968).

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

	2021	2022
Balance at the beginning of the year, net	2,039	470
Recognized in profit and loss	-145	375
Acquisitions/disposals of subsidiaries	-863	-668
Recognized in other comprehensive income	-512	-752
Translation differences	-9	-57
Discontinued operations	-40	-
Balance at end of year, net	470	-632

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

	2021	2022
Income tax liabilities	-2,820	-2,904
Income tax receivables	1,158	972
Tax liabilities/receivables, net	-1,662	-1,932

§ ACCOUNTING PRINCIPLES

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

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 811 million (893) and is based on management's best estimate of the outcome. ■

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

	Basic		Diluted	
	2021	2022	2021	2022
Earnings per share, Group total	11.53	8.95	11.52	8.94
Earnings per share, continuing operations	10.41	10.25	10.40	10.24

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

	2021	2022
Profit for the year, Group total	14,461	11,225
Profit for the year, continuing operations	13,064	12,853

Weighted average number of shares, in thousands of shares

	2021	2022
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	1,425	939
Weighted average number of shares outstanding, diluted	1,255,811	1,255,325

Diluted earnings per share is related to outstanding share-based LTI programs for 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

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
	Capitalized R&D expenditure	IT soft-ware	Patents and licenses	Other	Subtotal	Capitalized R&D expenditure	IT soft-ware	Patents and licenses	Trade-marks	Goodwill	Other	Subtotal	
Cost													
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
Accumulated amortizations and impairment losses													
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
Amortizations for the year	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
Net carrying amount													
December 31, 2021	894	952	116	40	2,002	378	372	946	1,849	34,278	7,981	45,806	47,809
Cost													
January 1, 2022	4,155	3,156	273	159	7,744	621	1,099	1,434	2,264	34,278	10,117	49,817	57,560
Discontinued operations	-143	-195	0	-64	-402	-19	-72	-1	-18	-1,352	-34	-1,496	-1,898
Additions	209	442	9	-	661	187	82	9	-	-	7	285	946
Business combinations	-	-	-	-	-	43	135	230	478	10,552	3,755	15,193	15,193
Divestments and disposals	-4	-4	-5	-	-13	-	-45	-2	-	-	-10	-59	-72
Impairment losses	-	-	-	-	-	-	-	-	-	-88	-	-88	-88
Reclassifications	-	7	-6	6	7	-	37	-	-30	-	-22	-15	-8
Translation differences	162	93	24	13	291	66	65	192	307	4,182	1,371	6,182	6,474
December 31, 2022	4,380	3,499	294	114	8,287	899	1,301	1,863	3,001	47,572	15,184	69,820	78,107
Accumulated amortizations and impairment losses													
January 1, 2022	3,261	2,205	157	119	5,742	244	728	488	415	-	2,135	4,011	9,752
Discontinued operations	-140	-161	-	-43	-345	-13	-58	-1	-3	-	-3	-78	-423
Divestments and disposals	-4	-4	-	-	-8	-	-44	-2	0	-	-11	-59	-67
Impairment losses	-	16	-	-	16	-	-	-	-	-	19	19	35
Reversal of impairment losses	-	-	-	-	-	-	-	-	-	-	-4	-4	-4
Reclassifications	-	2	-3	0	-1	0	8	-1	-31	-	-19	-43	-44
Amortizations for the year	220	335	11	1	567	59	103	134	114	-	1,155	1,565	2,132
Translation differences	114	63	15	11	203	24	45	54	31	-	236	391	594
December 31, 2022	3,450	2,455	180	87	6,173	313	782	674	526	-	3,506	5,801	11,974
Net carrying amount													
December 31, 2022	930	1,044	114	27	2,114	585	519	1,189	2,475	47,572	11,677	64,019	66,134

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

	2021 ¹⁾	2022
Cost of goods and services sold	-310	-569
Selling expenses	-404	-1,034
Administrative expenses	-285	-251
Research & development	-264	-278
Total	-1,263	-2,132

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

	2021 ¹⁾	2022
Cost of goods and services sold	0	4
Selling expenses	0	-18
Administrative expenses	-1	-4
Research & development	-55	-12
Other operating expenses	0	-88
Total	-56	-118

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 are tested for impairment annually and whenever events or changes in circumstances indicates that the carrying amount has been impaired. The tests resulted in impairment losses of SEK 118 million (56).

1) The income statement for 2021 has been reclassified since SMT was classified as discontinued operations in 2022. Consequently the figures for the Balance sheet and Income statement will not reconcile for 2021.

G13, continued

Goodwill

	Carrying amount	
	2021	2022
Goodwill by cash generating unit		
Sandvik Manufacturing and Machining Solutions		
Walter Group	3,473	4,571
Seco Tools	667	576
Sandvik Coromant	3,102	4,370
Dormer Pramet	348	370
Business area level	13,631	15,489
Total	21,222	25,377
Sandvik Mining and Rock Solutions		
Business area level	9,954	15,785
Total	9,954	15,785
Sandvik Rock Processing Solutions		
Business area level	1,712	6,369
Total	1,712	6,369
Discontinued operations	1,352	–
Other operations	39	41
Group total	34,278	47,572

Impairment tests of goodwill

As stated above, the carrying amount of goodwill in the consolidated balance sheet is SEK 47,572 million (34,278), essentially related to a number of major business combinations.

In 2022, there has been no changes to the business areas that has caused the cash generating units (CGUs) to change. Former business area Sandvik Materials Technology, was divested during the year, and has not been subject to any impairment test in Sandvik in 2022. That means that goodwill is tested for impairment 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 and the 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 at normalized levels for most CGUs. The future revenues in 2023 are higher due to the acquisitions in 2022, but in 2024 and onwards the revenues and margins are assumed 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 (2), 2 percent for Sandvik Rock Processing Solutions business area level (3), 3 percent for Sandvik Coromant (2) and Dormer Pramet (2) and 2 percent for Walter Group (2), Seco Tools (2) and Sandvik Manufacturing and Machining Solutions 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 9.4 percent and 11.7 percent; Sandvik Mining and Rock Solutions 11.4 percent (11.7), Sandvik Rock Processing Solutions 11.7 percent (10.1), Walter Group 10.4 percent (9.7), Seco Tools 9.6 percent (9.6), Sandvik Coromant 9.4 percent (9.7), Dormer Pramet 9.9 percent (9.7) and Sandvik Manufacturing and Machining Solutions 9.8 percent (9.7). The specific risks of the CGUs have been adjusted for future cash flow forecasts.

Goodwill attributable to Sandvik Rock Processing Solutions amounting to SEK 88 million was written down in the fourth quarter due to a closure of a smaller business. The cost is booked in other operating income and expenses.

The impairment testing of goodwill performed during the fourth quarter 2022 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 of 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

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

Sandvik applies the IFRS IC's agenda decision for cloud computing arrangements from 2021. Configuration or customization costs in cloud computing arrangements that Sandvik can control will be capitalized. ■

! 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 these valuation techniques, 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, 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 for the year	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	0	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 for the year	300	971	78	148	–	1,499
At December 31, 2021	8,796	30,623	1,155	5,150	0	45,724
<i>Net carrying amount</i>						
At December 31, 2021	8,932	11,345	1,133	1,879	2,787	26,076

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, 2022	17,728	41,968	2,288	7,029	2,787	71,801
Discontinued operations	-5,437	-13,846	0	-1,386	-642	-21,311
Additions	164	585	947	373	2,166	4,235
Business combinations	219	571	0	152	51	993
Divestments and disposals	-200	-1,108	-619	-593	-96	-2,617
Reclassifications	347	715	-229	268	-1,410	-309
Translation differences for the year	907	1,829	234	401	162	3,533
At December 31, 2022	13,727	30,715	2,621	6,243	3,017	56,325
<i>Accumulated depreciations and impairment losses</i>						
At January 1, 2022	8,796	30,623	1,155	5,150	0	45,724
Discontinued operations	-2,928	-10,170	0	-963	-	-14,061
Divestments and disposals	-155	-1,044	-449	-565	-	-2,214
Impairment losses	4	21	1	20	39	86
Reversal of impairment losses	0	-1	-	0	-	-1
Reclassifications	12	-91	-51	44	-	-86
Depreciation for the year	435	1,672	510	452	-	3,069
Translation differences for the year	439	1,267	128	290	-	2,124
At December 31, 2022	6,604	22,277	1,294	4,428	39	34,642
<i>Net carrying amount</i>						
At December 31, 2022	7,123	8,438	1,327	1,816	2,978	21,683

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

	2021 ¹⁾	2022
Cost of sales expenses	29	-21
Research & development expenses	1	0
Other operating expenses	0	-65
Total	30	-85

1) The Income statement for 2021 has been reclassified since SMT was classified as discontinued operations in 2022. Consequently the figures for the Balance sheet and Income statement will not reconcile for 2021.

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 loss amounting to SEK -85 million (gain 30).

Additional information

Items of property, plant and equipment totaling SEK 240 million (230) have been pledged as security for liabilities. In 2022, contractual commitments for the acquisition of property, plant and equipment amounted to SEK 378 million (409).

§ 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 are 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 cancelled. The carrying amount of the rental fleets at the end of 2022 was SEK 1,327 million (1,133).

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 RIGHT-OF-USE ASSETS

Leases with Sandvik as lessee

Right-of-use assets	Land and buildings	Plant and machinery	Fixtures and fittings	Total
<i>Accumulated acquisition cost</i>				
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	2
Translation differences for the year	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 for the year	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
<i>Accumulated acquisition cost</i>				
At January 1, 2022	4,542	407	1,172	6,121
Discontinued operations	-213	-43	-114	-369
Additions	903	108	324	1,335
Remeasurements	311	16	-2	325
Business combinations	476	-2	49	523
Divestments and disposals	-383	-59	-246	-689
Reclassifications	0	0	-17	-14
Translation differences for the year	391	27	89	508
At December 31, 2022	6,028	454	1,254	7,740
<i>Depreciation and impairment losses</i>				
At January 1, 2022	1,463	187	631	2,281
Discontinued operations	-76	-28	-60	-165
Depreciation for the year	801	104	310	1,215
Impairment losses	21	2	1	23
Reversal of impairment losses	-1	0	0	-1
Divestments and disposals	-361	-54	-239	-654
Reclassifications	-31	0	-37	-67
Translation differences for the year	107	11	47	165
At December 31, 2022	1,922	223	653	2,798
<i>Net carrying amount</i>				
At December 31, 2022	4,106	231	602	4,941

Depreciation per line in the income statement

	2021 ¹⁾	2022
Cost of goods and services sold	-294	-375
Selling expenses	-269	-381
Administrative expenses	-346	-370
Research and development expenses	-87	-88
Total	-996	-1,215

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

	2021 ¹⁾	2022
Cost of goods and services sold	3	-1
Selling expenses	-1	1
Other operating expenses	0	-22
Total	2	-22

Amounts recognized in the income statement

	2021 ¹⁾	2022
Depreciations for the year	-996	-1,215
Impairment losses/reversal of impairment losses	2	-22
Interest expenses related to lease liabilities	-108	-165
Expenses for low value assets	-50	-52
Expenses for short-term leases	-25	-49
Expenses related to variable lease expenses not included in the lease liability	-5	-21
Gains/losses related to sale and leaseback transactions	-1	0
Total amounts recognized in the income statement	-1,183	-1,524
The total cash outflow for leases during the year	-1,137	-1,500

1) The Income statement for 2021 has been reclassified since SMT was classified as discontinued operations in 2022. Consequently the figures for the Balance sheet and Income statement will not reconcile for 2021.

G15, continued

Contracts not yet commenced

Contracts not yet commenced amounted to SEK 989 million (186). For maturity analysis of the lease liability, see note G28.

Sandvik as lessor

The Group's investments in financial leases amounted to SEK 5,573 million (4,237). Finance income was SEK 233 million (190). Average margin was 27 (28) percent. Unguaranteed residual values accruing to the benefit of the lessor were minor. The planned residual value of the Group's rental fleet is SEK 1,327 million (1,133). Depreciation for the year amounted to SEK 510 million (562). Loss on disposed assets was SEK -6 million (9). Variable fees amounted to SEK -71 million (-6).

As of December 31, 2022, the future minimum lease payments under non-cancellable operating leases amounted to SEK 783 million (648).

Maturity analysis of lease payments receivable	Finance leases	Operating leases
2023	2,741	482
2024	1,530	201
2025	828	98
2026	331	2
2027	115	0
2028 or later	28	0
Total undiscounted lease payments	5,573	783

§ ACCOUNTING PRINCIPLES**Sandvik as a lessee**

Lease contracts are recognized as Right-of-Use (RoU) assets and interest bearing liabilities in the balance sheet.

The lease liability is presented within other interest-bearing liabilities and 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. The lease payments are discounted using the interest rate Sandvik would have been given if the investment had been financed through a loan from a financial institute. Payments are distributed between amortization of the lease liability and interest paid.

The RoU asset is presented within non-current assets and valued at cost less amortization and impairment, if applicable. The measurement of the RoU asset includes amount of initial measurement of lease liability, lease payments at or before the commencement date, any initial direct cost and restoration costs. The asset is depreciated on a straight-line basis.

For each lease contract Sandvik assess if it is reasonably certain to extend the lease, to purchase the underlying asset or terminate the lease. In cases of open-ended contracts local law can provide protection to the lessee from being given notice. This requires Sandvik to determine the contract period instead of considering the termination clause. The lessee determines the length of the contract period based on factors such as the importance of building to the business and any planned or made leasehold investments.

Sandvik separate non-lease components from the lease components in contracts referring to buildings. The non-lease component costs are recognized as an expense and are not included in the calculation of a RoU asset and lease liability for asset class buildings. For all other asset classes, non-lease components are included in the calculation of a RoU asset and lease liability.

Sandvik applies the two expedients concerning leases, leases shorter than one year and low value assets that are not considered in the RoU assets and lease liabilities.

Sandvik as a lessor

Lease contracts are classified as operating 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 transfers substantially all the risks and rewards resulting from ownership of an underlying asset to the lessee. An operating lease does not transfer substantially all the risks and rewards as a result from ownership of an underlying asset.

In a financial lease contract Sandvik recognizes a non-current and current customer-financing receivable at an amount equal to the net investment in the lease. Expected credit losses is reflected in the valuation of the customer-financing receivable at initial recognition and the provision is reassessed during the contract period. Revenue is recognized in accordance with revenue recognition principles.

In an operating lease contract the asset is classified as rental fleet and is subject to the Group's depreciation policies. The cost of an asset comprises the acquisition value and any initial direct costs related to the contract. The lease revenue is recognized on a straight-line basis over the lease contract period.

Sandvik Financial Services offers financing of equipment, mainly to customers in the mining and construction sectors.

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. For more information see G28. ■

G16 SHARES IN ASSOCIATES, JOINT VENTURES AND FINANCIAL ASSETS**Shares in associates and joint ventures**

	2021	2022
Accumulated share of equity		
At the beginning of the year	508	595
Reclassification	-	-286
Acquisition of associates and joint ventures	41	23
Capital injection	-	14
Share of profits for the year	-4	6
Less dividend received	-1	0
Translation differences during the year	52	63
Carrying amount at the end of year	595	415

Additional information

Associates and joint ventures are recognized one month in arrears with 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 at March 31, as no financial statements as of a later date have been obtained. The dividends paid are included in the calculation of the proportion of equity. The associate MCB Serviços e Mineração Ltda. and the joint venture Talleres Sema-Dur, SL, were acquired in 2022.

Summarized financial information of associates and joint ventures and the Group's share

	2021							2022						
	Country	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %	Revenue	Profit	Assets	Liabilities	Equity	Group's share, %	
Associates														
3C Metrologic	Mexico	10	3	9	3	6	40.0	9	0	8	2	6	40.0	
Beam IT Spa	Italy	130	10	568	295	273	31.3	103	6	728	403	325	31.3	
Eimco Elecon	India	165	13	449	51	397	25.1	105	11	461	41	420	25.1	
Fagersta Seco AB	Sweden	–	–	3	2	1	50.0	–	–	3	2	1	50.0	
Fagerstahälsan AB	Sweden	8	0	8	6	2	33.3	8	0	8	5	3	33.3	
MCB Serviços e Mineração Ltda.	Brazil	–	–	–	–	–	–	45	21	44	7	37	30.0	
Varel Oil and Gas Holding Inc ¹⁾	USA	1,384	-71	2,325	1,697	629	30.0	–	–	–	–	–	–	
Joint ventures														
Rocbolt Resins Pty Ltd.	Australia	85	8	75	39	36	50.0	197	14	102	49	53	50.0	
Shanghai Innovatools Co. Ltd.	China	6	0	11	3	8	47.1	6	0	11	2	9	47.1	
Talleres Sema-Dur. SL	Spain	–	–	–	–	–	–	39	4	39	9	31	50.0	
VWR Cutting Tools	Romania	–	0	10	0	10	50.0	–	-10	22	22	0	50.0	

Financial assets	2021	2022
Long-term receivables associated companies	6	82
Other financial assets ¹⁾	88	804
Total	94	886

1) During 2022, Sandvik has reassessed its influence over Varel Oil and Gas Holding Inc. with the conclusion that the criteria of significant influence has not been fulfilled. Therefore, the investment has been reclassified from shares in associates to a financial asset. A revaluation amounting to SEK -17 million has been recorded in the income statement during 2022.

§ ACCOUNTING PRINCIPLES

Associates and joint ventures are partly owned companies 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 and 50 percent of the voting rights.

Interests in associates and joint ventures are recognized in accordance with the equity method in the consolidated financial statements. With the equity method, the carrying amounts of interests in associated companies and joint ventures correspond to the recognized equity of those companies, 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.

Other financial assets are holdings in investees over which the Group does not hold a significant influence. Not holding significant influence generally means that the shareholding corresponds to less than 20 percent of the voting rights. Other financial assets are recognized as financial assets and are measured at fair value either through other comprehensive income or profit or loss, depending on the business model applicable for the type of holding. Dividends received are recognized in the income statement. ■

G17 NON-CURRENT RECEIVABLES

	2021	2022
Derivatives designated as hedging instruments	211	122
Funded pension plans	768	1,074
Other non-interest-bearing receivables	433	366
Other interest-bearing receivables	1,858	2,696
Total	3,270	4,258

G18 INVENTORIES

	2021	2022
Raw materials and consumables	7,395	7,952
Work in progress	5,763	5,906
Finished goods	16,753	21,161
Total	29,910	35,019

Cost of goods and services sold includes impairment of inventories of SEK 660 million (300). This year's impairment of inventories are mainly related to the wind-down of operations in Russia. There were no significant reversals of impairment losses during 2022 and 2021.

§ 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

	2021		2022	
	Gross	Impaired	Gross	Impaired
Trade receivables				
Current	14,996	-115	15,198	-106
1–30 days past due	1,433	-32	2,051	-47
31–60 days past due	438	-25	658	-37
61–90 days past due	217	-19	333	-33
91–180 days past due	286	-38	470	-75
181–360 days past due	286	-100	379	-187
More than 360 days past due	416	-403	514	-433
Total	18,073	-732	19,604	-919

Trade receivables, net, amounted to SEK 18,685 million (17,341) and are reported net of expected credit losses and other impairments, which amounted to SEK -919 million (-732). 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. ■

G20 OTHER CURRENT RECEIVABLES

	2021	2022
Contract assets	282	503
Derivatives designated as hedging instruments	618	516
Other non-interest-bearing receivables	3,248	4,019
Other interest-bearing receivables	2,226	2,592
Advances to suppliers	374	388
Total	6,748	8,018

§ 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. ■

G21 CAPITAL AND RESERVES

Details of reserves	2021	2022
Translation reserve		
At the beginning of the year	2,356	6,190
Translation differences during the year	3,834	7,616
At the end of the year	6,190	13,806
Hedging reserve		
At the beginning of the year	-82	-45
Cash-flow hedges recognized in OCI	37	-64
At the end of the year	-45	-108
Total reserves		
Reserves at the beginning of the year	2,274	6,145
Translation reserve	3,834	7,616
Hedging reserve	37	-64
Reserves at the end of the year	6,145	13,698

The Board of Directors proposes an ordinary dividend of SEK 5.00 per share (4.75). The proposal corresponds to 42 percent (42) of Sandvik Group total's adjusted earnings per share. The proposed record date to receive dividends is May 2, 2023. Assuming the General Meeting accepts the dividend proposal, the date to receive dividends will be May 5, 2023, and the dividend will be paid in one installment. The Annual General Meeting will be held on April 27, 2023.

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 share premium recognized as paid-in capital.

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 2,530 million (3,623), which was SEK 638 million (136) 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 2022, Alecta reported a preliminary plan surplus of 172 percent (172).

The Group's share of Alecta's saving premiums is 0.2 percent, the total share of active members in Alecta is 1.0 percent. For 2023, the expected contribution to Alecta is SEK 29 million (36).

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 63 million (71). 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 third year. If the valuation indicates a requirement to increase the funding, Sandvik contributes with funding to the plan over a certain period of time. The plan is governed by trustees and investment decisions are made after consulting with Sandvik. Pension payments to retirees are made from the plan.

The benefit accruals for the majority of the defined-benefit plans were frozen in 2021. Defined-contribution plans replaced the defined-benefit plans.

Reconciliation of change in present value of defined benefit obligation for funded and unfunded plans

	2021	2022
Opening Balance, January 1	33,038	32,799
Service cost	611	361
Past service cost	-357	7
Gain/loss on settlements	-2	-10
Settlement	-	-501
Interest cost	539	655
Contributions by plan participants	29	31
Benefits paid	-1,137	-1,265
<i>Remeasurements loss (gain) arising from:</i>		
- Financial assumptions	-1,785	-9,470
- Demographic assumptions	-27	-2
- Experience adjustments	16	504
Distribution of Alleima	-	-2,134
Acquisitions	85	154
Other	98	-2
Exchange differences	1,689	2,040
Closing balance, December 31	32,799	23,167

US

US pension plans includes commitments for medical benefits. 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.

For the Sandvik pension plan a settlement with a one-time lump sum offering took place in December 2022. From the offering, 239 participants whose defined benefit obligations totalled SEK 497 million received a total of SEK 488 million in lump sum distributions, resulting in a settlement gain of SEK 9 million.

The benefit accruals for the majority of the defined-benefit plans were frozen in 2021. Defined-contribution plans replaced the defined-benefit plans.

Finland

In Finland, Sandvik sponsors a defined-benefit pension plan funded through 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. Sandvik has 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.

Reconciliation of change in the fair value of plan assets

	2021	2022
Opening Balance, January 1	24,803	26,891
Interest income	418	578
Settlement payments from plan assets	-148	-501
Contributions by the employer	214	193
Benefits paid directly by employer	244	248
Contributions by plan participants	29	31
Benefits paid	-1,137	-1,265
Return on plan assets, excl interest income	1,555	-5,353
Effect of asset ceiling	-915	-698
Distribution of Alleima	-	-1,675
Acquisitions	40	148
Other	61	-30
Exchange differences	1,728	1,736
Closing balance, December 31	26,891	21,001
	2021	2022
Actual return on plan assets	1,058	-4,484
Consolidation ration, funded plans, %	90	100
Consolidation ration, all plans, %	85	94
Estimated contributions, next year	396	396

G22, continued

Information by country December 31, 2021	SE	GB	US	FI	DE	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 deferred	2,459	4,252	938	911	374	84	9,018
of which for retirees	1,599	4,076	4,003	1,932	1,270	479	13,359
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
Over funded 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
Amount included in the income statement/other comprehensive income							
Total service cost	-225	-1	273	-120	-29	-76	-179
Net interest	-66	-9	-5	-1	-10	-12	-103
Remeasurements	1,447	548	-265	622	40	100	2,492
Total expense for defined benefits (pretax)	1,157	539	3	500	1	12	2,211
Cash flows							
Contributions by the employer	–	-117	–	-29	7	-121	-214
Benefits paid	-85	–	-23	–	-57	-37	-202
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
Information by country December 31, 2022	SE	GB	US	FI	DE	Other	Total
Amounts included in the balance sheet							
Present value of funded and unfunded obligations	4,393	5,207	5,862	3,956	2,076	1,673	23,167
of which for actives	1,935	–	1,363	1,145	764	1,160	6,367
of which for vested deferred	1,361	2,102	652	777	308	67	5,267
of which for retirees	1,096	3,105	3,847	2,035	1,004	445	11,532
Plan assets	2,531	5,320	6,395	4,624	1,562	1,267	21,699
Asset ceiling	–	–	-688	–	–	-10	-698
Total surplus (deficit)	-1,862	113	-155	668	-514	-416	-2,165
Pension plans recognized according to local rules	–	–	–	–	–	–	-218
Total net liability	–	–	–	–	–	–	2,383
Provision for pensions	–	–	–	–	–	–	3,458
Over funded pension plans recognized as asset, non-current receivable	–	–	–	–	–	–	1,074
Funding level, %	58	102	109	117	75	76	94
Net liability for medical plans	–	–	216	–	–	41	257
Average duration of the obligation, years	21	17	11	15	7	N/A	14
Amount included in the income statement/other comprehensive income							
Total service cost	-103	–	5	-132	-30	-66	-326
Net interest	-70	–	-23	5	-11	36	-63
Remeasurements	1,835	30	27	345	353	816	3,405
Total expense for defined benefits (pretax)	1,661	30	9	218	313	785	3,016
Cash flows							
Contributions by the employer	3	-96	–	-23	-49	-21	-186
Benefits paid	-89	–	-29	–	-64	-36	-218
Settlements paid	–	–	-501	–	–	1	-500
Major assumptions for the valuation of the liability							
Longevity, years % ¹⁾	23	23	22	23	22	N/A	N/A
Inflation, %	2.00	3.10	2.50	2.00	2.25	N/A	2.40
Discount rate, % (weighted average)	3.95	4.95	5.20	4.24	4.10	N/A	4.58
Future salary increase, % (weighted average)	3.25	N/A	N/A	3.00	3.25	N/A	2.21

¹⁾ Expressed as the expected remaining life expectancy of a 65-year-old in number of years.

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 provision

	SE	UK	US	FI	DE	TOTAL
Life expectancy, +1 year	171	163	155	142	51	682
Discount rate -50 bps	498	372	322	317	74	1,583
Inflation rate + 50 bps	489	126	-	7	42	664
Equities -20%	128	73	129	289	74	693

Plan assets

The fair value of plan assets December 31, 2022, included loans of SEK 0 million (0) to Sandvik companies and the value of properties leased to Sandvik of SEK 204 million (204).

Class of assets, %

	2021	2022
Interest bearing securities	69.1	69.3
Shares	21.1	19.7
Properties	1.9	2.3
Other	5.4	6.5
Cash and cash equivalents	2.5	2.2

Governance

The defined-benefit and defined contribution-plans are governed through Sandvik's Pension Supervisory Board (PSB). The 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 the 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. ■

G23 OTHER INTEREST-BEARING LIABILITIES

	2021	2022
<i>Non-current liabilities</i>		
Bond issues	15,129	30,231
Lease liabilities	2,975	4,043
Long-term loans from financial institutions	5,498	8,054
Other	44	36
Total	23,646	42,364
<i>Current liabilities</i>		
Bond issues	1,534	1,280
Lease liabilities	942	1,059
Short-term from financial institutions	8,151	7,301
Other	77	53
Total	10,704	9,693

§ 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, 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
Balance at January 1, 2022	444	1,389	676	425	230	742	3,907
Discontinued operations	-45	-166	-91	-186	-8	-18	-514
Provisions made during the year	277	1,170	466	7	124	306	2,351
Provisions used during the year	-172	-749	-401	-14	-10	-450	-1,796
Unutilized provisions reversed during the year	-45	-141	-56	-7	-45	-241	-536
Reclassifications	2	-11	1	-	1	-29	-36
Business combinations	28	-	144	-	16	11	200
Translation differences	35	38	36	25	16	48	198
Balance at December 31, 2022	524	1,532	774	250	323	369	3,772
of which current	425	1,444	416	38	304	319	2,947
of which non-current	99	88	359	212	19	49	826

§ 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

G24, continued

restore established contaminated land and when the cost can be 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

	2021	2022
<i>Other non-current liabilities</i>		
Derivatives designated as hedging instruments	329	1,024
Other	642	510
Total	971	1,534
<i>Other current liabilities</i>		
Derivatives designated as hedging instruments	280	222
Bills payable	104	121
Contract liabilities	3,425	4,615
Other	2,497	3,102
Total	6,306	8,060

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

	2021	2022
Personnel related	5,153	4,640
Other accrued expenses	2,771	3,260
Total	7,924	7,900

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 Sandvik.

	2021	2022
Contingent liabilities		
Guarantees issued for customers and others	1,410	1,797
Other contingencies	409	555
Total	1,819	2,352

Contingent liabilities amounted to SEK 2,352 million (1,819) 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.

	2021	2022
Pledged assets		
Property mortgages	230	240
Total	230	240

§ 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 supports subsidiaries with loans, deposits, foreign exchange deals, banking solutions, and acts 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

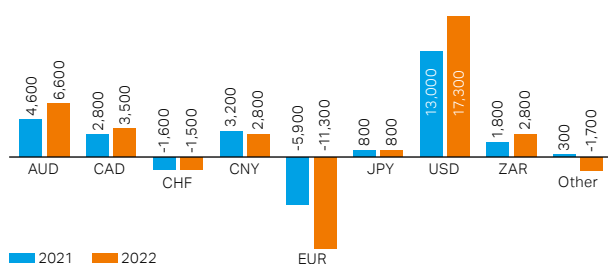
Risk

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 19,376 million (18,364) in 2022. 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 528 million (1,482). The average duration for the hedged volume of foreign currency was 3 months (4). Unrealized results from outstanding currency contracts for hedging of future net flows amounted to SEK -232 million (-67) at year-end. This amount consists of SEK -225 million in losses related to contracts maturing in 2023 and SEK -7 million in losses related to contracts maturing in 2024 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 -2,119 million (-1,435), 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
-275	-140	-76	-136	-354	-807	-118	-213	-2,119

Currency risk – Translation exposure

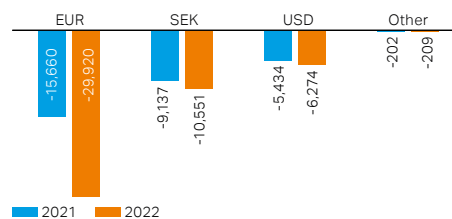
Risk

Translation exposure occurs when assets and liabilities are denominated in different currencies.

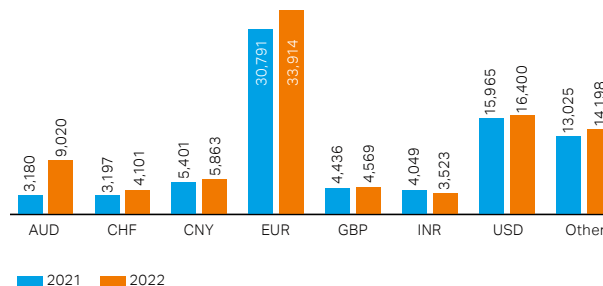
Since the Swedish krona (SEK) is Sandvik's functional currency, a translation risk related to the valuation of the net assets in foreign subsidiaries and the profit/loss in foreign currency achieved during the period occurs. The net assets, which usually consist of the foreign subsidiaries' shareholders 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 91,589 million (80,044).

Exposure

Group's external debt 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 bank as a result of this is managed using various derivatives.

G28, continued

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 -4,596 million (-3,954). This net effect primarily comprises translation exposure in equity.

Sensitivity analysis by currency

AUD	CHF	CNY	EUR	GBP	INR	USD	Other	Total
-451	-205	-293	-1,696	-228	-176	-820	-727	-4,596

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 -165 million (-119).

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 8 million (19) and interest cost in the income statement would change by SEK -65 million (0) as a result of a 1 percentage point rise 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, MTN	2.8	35	31,512
Commercial papers	2.1	1	7,287
Other loans from banks	3.7	2	8,156
Total loans	3.0	24	46,954
Interest effect of currency derivatives	0.3	-	-
Total incl. currency derivatives	3.2	-	-

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 within an interval of 6–36 months. The average fixed-interest term on Sandvik's borrowing was 24 months (34) 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 0.3 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 3.2 percent (4.1).

Hedge accounting is applied when an effective link exists between hedged loans and interest-rate swaps. To the extent that fair value hedges are effective the value of the hedged items are adjusted and the effects on the profit for the year are reduced. When cashflow hedges are effective, the effects are transferred from profit for the year to other comprehensive income.

The Group has interest-rate swap agreements with a notional amount of EUR 1,000 million to which it applies fair value hedging and interest-rate swap agreements with a notional amount of SEK 1,000 million to which it applies cash flow hedging. The hedge relationships for these are 100 percent effective. Further information of all interest-rate derivatives 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

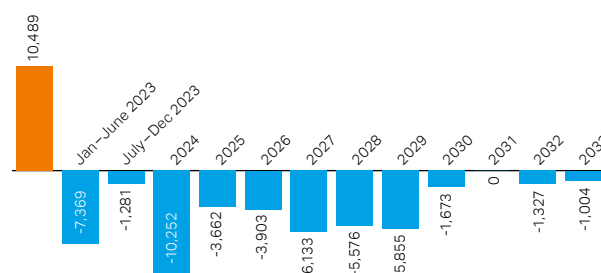
Liquidity and refinancing risk is defined as the risk that financing possibilities will be limited when loans are to be refinanced, and that payment commitments cannot be met as a result of insufficient liquidity.

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, MTN	EUR, SEK	31,512	4.6
Commercial papers	EUR, SEK	7,287	0.1
Other loans from banks	Other	8,156	3.1
Total borrowings		46,954	3.6

Comments

According to the finance policy, the Group's liquidity reserve, comprising of unutilized committed credit facilities and accessible cash and cash equivalents, should at all times exceed 10 percent of the Group's projected annual revenues. The liquidity reserve should also exceed the amount of loans maturing within 12 months. At year-end, the Group's committed long-term credit facilities and accessible cash amounted to SEK 22,834 million. Loans maturing in 2023 are SEK 9,092 million (9,769).

Sandvik has a revolving credit facility totaling SEK 11,000 million maturing in 2027. In addition, Sandvik has a committed credit facility totaling EUR 500 million that can be substituted for a long-term loan before 2024. The facilities were 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 finance policy further stipulates that the debt portfolio's weighted average duration should exceed 3 years. At year-end

G28, continued

2022, the weighted average duration amounted to 3.6 years. 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	2021	2022
Trade receivables ¹⁾	17,341	18,685
Cash and cash equivalents	13,585	10,489
Unrealized net gains on derivatives	830	638
Other receivables	746	1,398
Outstanding credits	3,987	5,127
Total	36,489	36,337

¹⁾ Excludes assets held for sales.

Expected credit loss

	2021	2022
Opening balance, January 1	-761	-871
Provisions made during the year	-147	-157
Provisions used during the year	47	-65
Unutilized provisions reversed during the year	88	82
Business combination	-46	-21
Translation difference	-52	-75
Closing balance, December 31	-871	-1,107

Comments

Sandvik has entered into agreements with the company's most significant banks, 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 11,127 million (14,414).

Sandvik companies are generally exposed to credit risk associated with outstanding trade receivables from ongoing sales. The credit risk is normally spread over a large number of customers within different segments in the business areas, however this year was largely impacted by the exit from Russia which alone caused credit losses amounting to SEK -140 million. Sandvik's total credit losses, defined as the total of receivables written off and change in bad debt reserve, amounted to SEK -194 million (-15), equivalent to 0.2 percent of sales. This means that excluding Russia, credit losses were comparable to a more normal year. The gross value of trade receivables was SEK 19,606 million (18,077) at December 31. Total impairment of these was SEK -921 million (-734). 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 5,277 million (4,125), of which SEK -150 million (-138) was reserved for doubtful receivables.

In addition to the traditional financing of equipment, Sandvik also offers operational leases for machinery as well as short-term rentals. At year-end, the net carrying amount of the operational lease portfolio was SEK 791 million (812) and the short-term rentals was SEK 537 million (321).

Raw materials price risk

Risk

Sandvik's financial risks related to raw materials are primarily concentrated to electricity. The price risk is 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 EBITA by plus or minus SEK 85 million (80) on an annual basis, based on the prevailing conditions at year-end 2022.

Exposure

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 510 GWh. The hedging horizon at year-end was about 36 months (26) expected consumption.

Comments

The volume of electricity hedged with derivatives was 264.2 GWh (1,499) at year-end. The market value of these derivative contracts amounted to SEK 175 million (367).

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

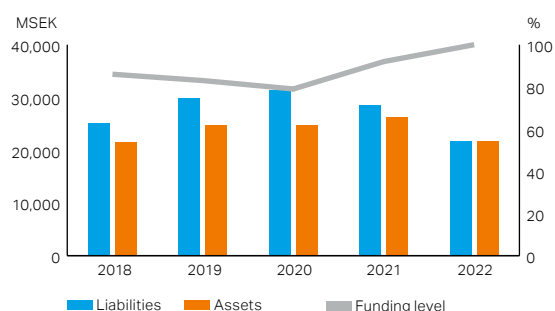
The Group-funded pension liability has an average duration of 14.2 years. The average duration of the Group's interest-bearing assets in the pension portfolio is 12.4 years. The allocation to interest-bearing assets is 55 percent of the pension portfolio. Due to the asset allocation and differences in 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 1,662 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 703 million. If the life expectancy assumptions increase by one year, the pension liability would rise by 3.0 percent which corresponds to SEK 700 million. The calculated total

G28, continued

loss potential for one year (pension risk), based on stress tests, is on aggregate SEK 6,484 million.

Development of pension liability and assets



Comments

In 2022, the pension assets totaled SEK 21,699 million (27,806) and the corresponding pension liability amounted to SEK 21,766 million (30,978), which is equal to a funding level of 100 percent (90). The return on Sandvik's pension assets was -17.1 percent during the year (8.0). In addition, Sandvik has unfunded pension commitments of SEK 1,396 million (1,822).

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.

The Group's financial instruments measured at fair value in the balance sheet

	2021	2022
Financial assets		
<i>Derivatives</i>		
Foreign exchange contracts	345	462
Electricity and other derivatives	485	356
Total ¹⁾	830	817
Financial liabilities		
<i>Derivatives</i>		
Foreign exchange contracts	413	363
Interest-rate swaps	87	881
Electricity and other derivatives	108	1
Total ²⁾	607	1,246

¹⁾ Included in other receivables and financial assets.

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 638 million. The carrying amount of corresponding liabilities was SEK -1,246 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 190 million would be offset in accordance with the framework agreement governing offsetting.

Calculation at fair value of the Group's non-current borrowings would decrease the total carrying amount by SEK 1,427 million (-1,510). 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.

Financial assets and liabilities by valuation category

Balance sheet items	Fair value through profit or loss		Amortized costs		Hedge accounting		Total carrying amount	
	2021	2022	2021	2022	2021	2022	2021	2022
Financial assets								
Financial investments	88	625	–	–	–	–	88	625
Trade receivables ¹⁾	–	–	17,341	18,685	–	–	17,341	18,685
Other receivables ²⁾	–	–	4,372	5,791	–	–	4,372	5,791
Derivatives ³⁾	830	817	–	–	0	0	830	817
Cash and cash equivalents	–	–	13,585	10,489	–	–	13,585	10,489
Total financial assets	918	1,442	35,298	34,965	0	0	36,215	36,406
Financial liabilities								
Borrowings ⁴⁾	–	–	30,433	46,954 ⁵⁾	–	–	30,433	46,954
Derivatives ⁶⁾	553	365	–	–	55	881	608	1,246
Accounts payable ¹⁾	–	–	11,907	11,625	–	–	11,907	11,625
Due to associates	–	–	0	6	–	–	0	6
Other liabilities ⁷⁾	–	–	4,294	5,765	–	–	4,294	5,765
Total financial liabilities	553	365	46,635	64,351	55	881	47,243	65,597

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 and financial assets, recognized in the balance sheet.

⁴⁾ Recognized in the balance sheet as non-current and current liabilities to financial institutions and other liabilities.

⁵⁾ Whereof notional EUR 1,000 million is part of a fair value hedge.

⁶⁾ Derivatives form part of the other liabilities recognized in the balance sheet.

⁷⁾ Form part of the Group's other liabilities and accrued expenses from leasing recognized in the balance sheet.

G28, continued

Net result per valuation category

The Company's financial liabilities amounted to SEK 65,597 million (47,243) at year-end.

	2021	2022
Fair value through profit or loss	-152	1,426
Amortized costs	-298	-1,408
Hedge accounting	37	-64

Maturity structure relating to undiscounted cash flows for financial liabilities and derivatives, nominal amounts

		2021				2022			
		<6 months	6-12 months	1-5 years	>5 years	<6 months	6-12 months	1-5 years	>5 years
Bank loans	EUR, Other	-100	-31	-5,624	-	-291	-42	-6,627	-1,800
Commercial papers	SEK	-8,140	-	-	-	-7,303	-	-	-
Medium Term Notes	EUR, SEK	-1,797	-167	-8,366	-8,669	-409	-1,693	-20,005	-14,718
<i>Derivatives</i>									
- Currency derivatives		39	-15	-31	-12	124	35	7	-
whereof outflow		-232	-31	-31	-12	-214	-5	-	-
whereof inflow		271	16	-	-	338	39	7	-
- Interest rate derivatives		-23	-8	-65	-	-24	-95	-344	-54
- Electricity and other derivatives		78	241	75	-	5	111	238	-
Leases		-545	-522	-2,216	-1,115	-627	-616	-2,861	-1,744
Accounts payable ¹⁾		-11,908	-	-	-	-11,625	-	-	-
Total		-22,396	-502	-16,227	-9,796	-20,150	-2,300	-29,592	-18,316

1) Excludes assets held for sales.

Periods when hedged cash flows in the hedge reserve are expected to occur and affect earnings

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2025 and later
Interest rate derivatives	-	-	-	6	-1	-	-	-	-
Total	-	-	-	6	-1	-	-	-	-

Derivative financial instruments – interest-rate swaps

	Cash flow hedges		Fair value hedges		Total	
	2021	2022	2021	2022	2021	2022
Carrying amount (included in other liabilities)	-55	5	-	-886	-55	-881
Notional amount	1,000	1,000	-	11,152	1,000	12,152
Change in fair value since January 1	48	60	-	-886	48	-826

§ 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 counterparty 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 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 to decrease volatility in the income statement. 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 and fair value 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 in the hedge transaction, 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.

Fair-value hedges

A fair value hedge is a hedge of the risk for changes to the fair value of a financial asset or liability. When a hedging instrument is used to hedge the exposure to changes in fair value, changes to the fair value of the instrument are recognized in the income statement for the year. The gain or loss on the hedged item attributable to the hedged risk, adjusts the carrying amount of the hedged liability and the change for the period is recognized in profit or loss. Realized and unrealized interest is reported in the income statement for the year for both the hedge and the hedged item.

Sandvik applies fair-value hedges to hedge the fair value of fixed rate funding recognized in the balance sheet, provided that the hedged item is otherwise recognized at amortized cost. The derivative instrument used is interest rate swaps. If the hedge relationship is discontinued, the carrying amount of the hedged item is adjusted with the accumulated amount referring to the hedge relationship.

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 associates and joint ventures amounted to SEK 13 million (13). The Group's purchases from associated companies amounted to SEK 122 million (59). Interest income from associates and joint ventures amounted to SEK 1 million (0) and loan receivables from associates and joint ventures amounted to SEK 82 million (6). Loan payables to associates and joint ventures amounted to SEK 6 million (0). No guarantees have been made for the obligations of associates and joint ventures. 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, GROUP TOTAL

Cash and cash equivalents	2021	2022	Other adjustments for non-cash items, etc.	2021	2022
<i>Cash and cash equivalents comprise:</i>					
Cash and bank	10,566	8,067	Unappropriated results of associates and joint ventures	4	-6
Short-term investments comparable to cash and cash equivalents	3,018	2,421	Other provisions	-1,191	-87
Total in the balance sheet	13,585	10,489	Changes in value of financial instruments	-1,042	-1,782
Total in the cash flow statement	13,585	10,489	Gains and losses on disposal of companies and shares	-397	-14
			Gains and losses on disposal of non-current assets	-189	-268
Interest and dividend paid and received	2021	2022	Provisions for pensions	375	466
Dividend received	2	2	Changes in deferred purchase price	-	-268
Interest received	305	390	Other	84	200
Interest paid	-964	-1,378	Group total	-2,356	-1,758
Group total	-657	-986			

	Cash flow				Non-cash flow changes					December 31, 2021
	January 1, 2021	New loans	Amortization	Distribution of Alleima	Reclassifi-cation	New leases	Acquisitions	Currency/ FX	Other	
Interest-bearing liabilities	11,366	10,587	-3,048	-	-1,533	-	3,079	220	0	20,672
Current interest-bearing liabilities	3,556	10,725	-6,612	-	1,534	-	1,180	-622	0	9,761
Lease liabilities	2,965	-	-1,025	-	0	1,366	525	124	-36	3,917
Dividends paid	-	-	-8,140	-	-	-	-	-	-	-
Group total	17,888	21,312	-18,826	-	0	1,366	4,784	-277	-36	34,350

	Cash flow				Non-cash flow changes					December 31, 2022
	January 1, 2022	New loans	Amortization	Distribution of Alleima	Reclassifi-cation	New leases	Acquisitions	Currency/ FX	Other	
Interest-bearing liabilities	20,672	17,229	-229	0	-299	-	-691	1,637	2	38,321
Current interest-bearing liabilities	9,761	15,277	-17,429	-	299	-	822	478	-576	8,633
Lease liabilities	3,917	-	-1,209	-	-	1,765	555	327	-253	5,102
Dividends paid	-	-	-5,955	-1,186	-	-	-	-	-	-
Group total	34,350	32,507	-24,823	-1,186	0	1,765	687	2,442	-827	52,057

§ 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 2021 and 2022 are set out below. Annual revenue and number of employees reflect the latest available information at the time of the transaction.

Business area	Cash generating unit	Company/unit	Country	Acquisition date	Annual revenue	No. of employees
2021						
Sandvik Mining and Rock Solutions	Sandvik Mining and Rock Solutions	DSI Underground ¹⁾	Germany	July 7, 2021	596 MEUR 2020	2,000
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 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 2020	560
Sandvik Manufacturing and Machining Solutions	Sandvik Manufacturing and Machining Solutions	Cambrio	USA	October 15, 2021	628 MSEK 2020	375
Sandvik Manufacturing and Machining Solutions	Seco Tools	Fabryka Narzędzi FANAR S.A.	Poland	November 2, 2021	175 MSEK 2020	230
Sandvik Rock Processing Solutions	Sandvik Rock Processing Solutions	Kwatani	South Africa	December 9, 2021	175 MSEK 2020	150
Sandvik Manufacturing and Machining Solutions	Sandvik Coromant	ICAM Technologies Corporation	Canada	December 23, 2021	30 MSEK 2020	27
Sandvik Manufacturing and Machining Solutions	Walter	GWS Tool Group	USA	December 23, 2021	41 MUSD 2020	490
Sandvik Manufacturing and Machining Solutions	Sandvik Manufacturing and Machining Solutions	Dimensional Control Systems	USA	December 27, 2021	92 MSEK 2020	70
2022						
Sandvik Mining and Rock Solutions	Sandvik Mining and Rock Solutions	Deswik	Australia	April 1, 2022	79 MAUD 12M Q420-Q321	300
Sandvik Mining and Rock Solutions	Sandvik Mining and Rock Solutions	Akkurate	Finland	June 17, 2022	0.3 MEUR in 2021	12
Sandvik Manufacturing and Machining Solutions	Sandvik Coromant	Preziss	Spain	July 1, 2022	10 MEUR in 2021	75
Sandvik Manufacturing and Machining Solutions	Walter	Peterson Tool Company	USA	July 14, 2022	9 MUSD in 2021	73
Sandvik Manufacturing and Machining Solutions	Walter	Balax	USA	August 1, 2022	10 MUSD in 2021	66
Sandvik Manufacturing and Machining Solutions	Sandvik Coromant	Sphinx Tools	Switzerland	August 8, 2022	292 MSEK in 2021	115
Sandvik Manufacturing and Machining Solutions	Walter	Frezite	Portugal	September 1, 2022	450 MSEK in 2021	450
Sandvik Rock Processing Solutions	Sandvik Rock Processing Solutions	SP Mining	Australia	October 31, 2022	200 MEUR in 2022	630

¹⁾ On August 3, 2021, Sandvik acquired Jennmar's share of the Rocbolt Technologies joint ventures in China, South Africa and Mongolia. ²⁾ Acquired 67 percent of Chuzhou Yongpu Carbide Tools Co. Ltd, with a call option/put option to buy the remaining part after three years. During 2022, Sandvik has acquired an additional 5 percent of the shares.

Acquisitions

All above acquisitions during 2022 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. 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 the Deswik, SP Mining, Frezite and Sphinx Tools 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 2022

The fair value of acquired assets and assessed liabilities has been preliminarily established for all acquisitions made during 2022. Only minor IFRS adjustments were made to the acquisition values.

G31, continued

Fair value recognized in the Group 2022

	SMR	SRP	SMM	Total
Intangible assets	53	–	4	57
Property, plant and equipment	15	129	368	512
Other non-current assets	84	160	99	343
Inventories	4	273	219	496
Receivables	126	884	315	1,325
Other current assets	–	270	32	301
Cash and cash equivalents	192	184	147	523
Interest bearing loans and borrowings	-77	-191	-218	-487
Other liabilities and provisions	-450	-1,196	-265	-1,911
Deferred tax assets/liabilities, net	-218	-645	-108	-971
Net identifiable assets and liabilities	-270	-133	592	189
Goodwill and surplus values	6,482	6,965	1,842	15,289
Purchase consideration	-6,212	-6,832	-2,433	-15,477
Deferred consideration	5	–	71	76
Cash and cash equivalents in the acquired business	192	184	147	523
Net cash outflow	-6,015	-6,648	-2,215	-14,878

Acquisitions made by Sandvik Mining and Rock Solutions

In April, Sandvik Mining and Rock Solutions acquired the Australian-based Deswik, the leading and fastest growing major provider of mine planning software. Deswik will be part of a newly formed division Digital Mining Technologies. By acquiring Deswik, Sandvik gains a top-tier supplier of integrated software platforms that support digitalization throughout mine planning stages, with more than 10,000 current licenses. Deswik will fill a value chain gap in Sandvik Mining and Rock Solutions' offering, increasing upstream mining coverage and enabling opportunities for end-to-end optimization solutions, including, for example, incorporating electrification at the mine planning stage. Its core software suite includes computer-aided 3D mine design, scheduling, operations planning, mining data management and geological mapping. Deswik also offers a range of consultancy services, including mine planning, scoping, software implementation and training support.

Deswik, established in 2008, with headquarter in Brisbane, has approximately 300 employees and operates 14 offices in 10 countries. The company has demonstrated strong and profitable growth over the past decade in the large and growing mining software market. Goodwill of SEK 4,702 million and other surplus values of SEK 1,745 million was recorded on the purchase. Impact on earnings per share (excluding non-cash amortization effects from business combinations) will be positive.

Fair value recognized in 2022, Sandvik Mining and Rock Solutions

	Total SMR	Whereof Deswik
Intangible assets	53	42
Property, plant and equipment	15	14
Other non-current assets	84	84
Inventories	4	4
Receivables	126	126
Other current assets	–	–
Cash and cash equivalents	192	191
Interest bearing loans and borrowings	-77	-59
Other liabilities and provisions	-450	-445
Deferred tax assets/liabilities, net	-218	-216
Net identifiable assets and liabilities	-270	-260
Goodwill and surplus values	6,482	6,447
Purchase consideration	-6,212	-6,187
Deferred consideration	5	–
Cash and cash equivalents in the acquired business	192	191
Net cash outflow	-6,015	-5,996

Acquisitions made by Sandvik Rock Processing Solutions

On October 31, Sandvik acquired the mining related business of Schenck Process Group (SP Mining). SP Mining is one of the market leaders in screening, feeding, screening media and train loading solutions in the industry. The company will be reported in Stationary Crushing and Screening, a division in Sandvik Rock Processing Solutions (SRP). SP Mining is a global provider of high-capacity screening solutions, highly complementary to Sandvik's offering, and has a strong aftermarket business which includes application support, screen refurbishment, product engineering design and manufacturing and digital support services. It has approximately 630 employees and its main R&D and production sites are located in Australia, with additional production units in South Africa, Brazil and China.

During 2022, SP Mining contributed with revenues amounting to SEK 373 million and with an EBITA margin accretive to Sandvik Rock Processing Solutions' margin. Strong synergies are expected to drive revenue growth of mid to high single digits above market growth. EV/EBITDA multiple including expected five year run-rate synergies is approximately 10x. Goodwill of SEK 4,475 million and other surplus values of SEK 2,490 million were recorded on the purchase. Impact on Sandvik's earnings per share will initially be neutral.

Fair value recognized in 2022, Sandvik Rock Processing Solutions

	Total SRP	Whereof SP Mining
Intangible assets	–	–
Property, plant and equipment	129	129
Other non-current assets	160	160
Inventories	273	273
Receivables	884	884
Other current assets	270	270
Cash and cash equivalents	184	184
Interest bearing loans and borrowings	-191	-191
Other liabilities and provisions	-1,196	-1,196
Deferred tax assets/liabilities, net	-645	-645
Net identifiable assets and liabilities	-133	-133
Goodwill and surplus values	6,965	6,965
Purchase consideration	-6,832	-6,832
Cash and cash equivalents in the acquired business	184	184
Net cash outflow	-6,648	-6,648

Acquisitions made by Sandvik Manufacturing and Machining Solutions

On September 1, Sandvik acquired the Portugal-based company Frezite. Frezite's offering primarily consists of made-to-order polycrystalline diamond (PCD) tools for metal and wood applications, with exposure to the automotive, general engineering and aerospace segments. The company is reported within Walter, a division within Sandvik Manufacturing and Machining Solutions (SMM).

In 2021, the company had revenues of approximately SEK 450 million and an EBITA margin that is slightly dilutive to SMM. Impact on Sandvik's earnings per share will be limited, yet positive. Goodwill of SEK 427 million and other surplus values of SEK 307 million was recorded on the purchase.

On August 8, Sandvik acquired 100 percent of the equity interests in the Switzerland-based Sphinx Tools Ltd and its wholly owned subsidiary P. Rieger Werkzeugfabrik AG ("Sphinx Tools").

Sphinx Tools' offering primarily consists of precision solid round tools (micro tools) and surgical cutting tools. The customers are mainly within the automotive, aerospace and medical segments. The company is reported within Sandvik Coromant, a division within SMM. Sphinx Tools enhances Sandvik Coromant's product offering within solid round tools and is an established player in the adjacent surgical cutting tools market. The company is present in Europe with three production sites in Switzerland and has global distribution.

Sphinx Tools was founded in 1994, has around 115 employees and is based in Switzerland. In 2021, the company generated revenues of approximately SEK 292 million. The EBITA margin is neutral to SMM. Impact on Sandvik's earnings per share will be limited, yet slightly positive. Goodwill of SEK 625 million and other surplus values of SEK 157 million was recorded on the purchase.

Fair value recognized in 2022, Sandvik Manufacturing and Machining Solutions

	SMM total	Whereof Frezite	Whereof Sphinx Tools
Intangible assets	4	2	-
Property, plant and equipment	368	164	113
Other non-current assets	99	57	11
Inventories	219	116	53
Receivables	315	208	59
Other current assets	32	32	-
Cash and cash equivalents	147	101	31
Interest bearing loans and borrowings	-218	-82	-87
Other liabilities and provisions	-265	-191	-44
Deferred tax assets/liabilities, net	-108	-68	-39
Net identifiable assets and liabilities	592	338	98
Goodwill and surplus values	1,842	733	782
Purchase consideration	-2,433	-1,071	-880
Deferred consideration	71	-	-
Cash and cash equivalents in the acquired business	147	101	31
Net cash outflow	-2,215	-970	-848

Contributions from companies acquired in 2022 by business area

	Total SMR	Whereof Deswik	Total SRP	Whereof SP Mining	Total SMM	Whereof Frezite	Whereof Sphinx Tools	Total
Contributions as of acquisition date								
Revenues	620	620	373	373	454	196	145	1,448
Profit (loss) for the year	74	77	18	18	32	10	16	124
Contributions if the acquisition date would have been January 1								
Revenues	773	772	1,967	1,967	1,143	533	360	3,882
Profit (loss) for the year	87	60	548	548	152	71	62	788

Change of total fair value recognized in the Group in 2022 from businesses acquired during 2021

	SMR			SRP			SMM			Total		
	2021	2022	Change	2021	2022	Change	2021	2022	Change	2021	2022	Change
Intangible assets	57	57	-	-	0	0	32	29	-3	89	86	-4
Property, plant and equipment	740	736	-4	3	3	0	809	1,063	254	1,552	1,802	250
Other non-current assets	452	5,028	4,576	13	12	-1	101	324	223	566	5,364	4,798
Inventories	1,042	1,041	-1	32	31	-1	672	608	-64	1,746	1,679	-67
Receivables	1,445	1,475	30	45	46	1	955	897	-58	2,445	2,419	-26
Other current assets	52	-	-52	1	-	-1	78	73	-5	131	73	-58
Cash and cash equivalents	386	387	1	67	67	0	690	694	4	1,143	1,147	4
Interest bearing loans and borrowings	-2,542	-7,105	-4,563	-73	-73	0	-2,053	-2,514	-461	-4,668	-9,691	-5,023
Other liabilities and provisions	-1,424	-1,425	-1	-52	-50	2	-1,598	-1,414	184	-3,074	-2,889	185
Deferred tax assets/liabilities, net	-525	-522	3	-5	-5	0	-522	-570	-48	-1,052	-1,096	-45
Net identifiable assets and liabilities	-316	-328	-11	32	32	1	-836	-811	25	-1,121	-1,107	14
Goodwill and surplus values	8,521	8,535	14	105	105	-1	17,509	17,623	114	26,135	26,263	127
Non-controlling interests	-7	-7	-	-	-	-	-	-	-	-7	-7	-
External liability to minority shareholders	-	-	-	-	-	-	-323	-323	-	-323	-323	-
Purchase consideration	-8,198	-8,200	-2	-138	-137	1	-16,625	-16,489	136	-24,961	-24,826	135
Deferred consideration	49	5	-44	26	18	-8	218	9	-209	293	32	-261
Cash and cash equivalents in the acquired business	386	387	1	67	67	0	690	694	4	1,143	1,147	4
Net cash outflow	-7,763	-7,808	-45	-44	-51	-6	-15,718	-15,787	-70	-23,525	-23,646	-121

The fair value of the acquisitions made during 2021 have changed due to the establishment of a final purchase price allocation during 2022.

G31, continued

§ 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, 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 reported 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 2021 and 2022 are set out below.

Business area	Company/unit	Divestment date	Annual revenue	No. of employees
2021				
Sandvik Manufacturing and Machining Solutions	OJSC SANDVIK-MKTC	March 30, 2021	N/A	14
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	Ongoing	450 MSEK in 2019	39
2022				
Sandvik Mining and Rock Solutions	DSI Techno LCC	July 7, 2022	120 MSEK 12M Q3 21-Q2 22	38
Sandvik Materials Technology	Distribution of Alleima	August 30, 2022	13,405 MSEK in 2021	5,726

Divestments and assets held for sale

Sandvik had no divestments with major impact during 2022. As of December 31, 2022, the Group recognizes SEK 121 million of assets held for sale and SEK 97 million of liabilities directly attributed to assets held for sale, of which the main part is attributable to the Mining Systems business divested in 2017. See further details under the Discontinued operations section below.

Distribution to owners

At the Annual General Meeting on April 27, 2022, the formal decision to distribute all shares in the Parent Company of the business area Sandvik Materials Technology (SMT) to the shareholders of Sandvik was taken. The distribution was completed August 31, 2022, when SMT was listed on Nasdaq Stockholm under the name Alleima. The opening price paid was SEK 44 per share.

At distribution of the Alleima shares, Sandvik recognized a net capital loss of SEK 4,460 million within discontinued operations. The loss represents the difference between the fair value of Alleima and the carrying value of the net assets of Alleima, at the time of the distribution. As part of the distribution, all historical translation differences allocated to Alleima, amounting to SEK 1,067 million, have been recycled to the income statement within discontinued operations.

Discontinued operations

The Mining Systems (Misys) 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 classified as discontinued operations.

Income statement for discontinued operations

	2021	2022
Revenue	13,410	11,121
Cost of sales and services	-9,917	-7,209
Gross profit	3,492	3,912
Expenses and other operating income, net	-2,123	-1,592
Operating profit	1,369	2,321
Net financial items	263	1,384
Profit before tax	1,633	3,705
Income tax	-236	-874
Profit from operations	1,397	2,831
<i>Loss on remeasurements to fair value</i>		
Profit (loss) from divestment	-	-5,526
Translation differences recycled	-	1,067
Loss for the period, Discontinued operations	1,397	-1,628
Whereof Misys	-10	12
Whereof Alleima	1,407	-1,640

G32, continued

Cash flow statement for discontinued operations

	2021	2022
Cash flow from operating activities	1,176	-627
Cash flow from investing activities	-505	-422
Cash flow from financing activities	-308	-684
Cash flow from discontinued activities	363	-1,733

§ 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

The distribution of Alleima has been recognized and presented in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued operations and IFRIC 17 Distribution of Non-cash Assets to Owners.

The income statement includes Alleima up to distribution, the comparative periods in the income statement have been updated. Alleima's result for the period is presented separately within discontinued operations. The comparative period for the balance sheet includes Alleima. The cash flow is presented separately and includes Alleima up to distribution. ■

G33 GOVERNMENT GRANTS

Sandvik has received various forms of government grants in countries where the Group operates of SEK 46 million (155) during 2022. The main part of the received amount of the grants in 2022 has been recognized as a reduced cost to which the grant is attributable to, whereof in 2021 it was about half of the amount.

In 2022, 76 percent of the government grants are related to R&D projects and development costs. The remaining 24 percent are mainly related to personnel costs. In 2021, the main part was related to personnel costs, and the other part mainly 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

On January 18, 2023, Sandvik signed a EUR 500 million loan agreement with the European Investment Bank (EIB). The loan will support Sandvik's investments in research and development (R&D), which include advanced solutions in component manufacturing as well as solutions for electrification and automation in mining and infrastructure. The loan has a seven-year tenor and will support Sandvik's R&D investment plans until 2025.

On February 1, Sandvik announced the completion of the acquisition of Polymathian Industrial Mathematics ("Polymathian"), an Australia-based provider of advanced mine optimization software and services.

On February 1, Sandvik announced the acquisition of 95 percent of the shares in the Irish based company PMT Premier Machine Tools Limited ("PMT").

On February 11, Sandvik announced that Christophe Sut, President of Business Area segment Sandvik Manufacturing Solutions, has decided to leave Sandvik. He will leave Sandvik as of August 11, 2023.

On February 21, Sandvik announced the appointment of Sofia Sirvell as Chief Digital Officer (CDO) for the Sandvik Group and new member of the Group Executive Management as of March 1, 2023. Additionally, Jessica Alm, Executive Vice President and Head of Group Communications and Sustainability, has decided to leave Sandvik. She has been in her current position and a member of the Group Executive Management since 2013. She will leave Sandvik and the Group Executive Management no later than August, 2023.

FINANCIAL STATEMENTS, PARENT COMPANY

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PARENT COMPANY INCOME STATEMENT

MSEK	Note	2021	2022
Revenue	P2	12,244	13,139
Cost of sales and services		-2,593	-2,094
Gross profit		9,651	11,045
Selling expenses		-904	-1,098
Administrative expenses		-1,701	-2,338
Research and development costs	P5	-1,496	-1,591
Other operating income	P6	172	89
Other operating expenses	P6	-1,394	-1,201
Operating profit	P3, P4, P11	4,328	4,906
Result from shares in Group companies	P7	2,205	11,166
Interest income and similar items	P7	301	793
Interest expenses and similar items	P7	-543	-552
Profit after financial items		6,291	16,313
Appropriations		-134	1
Income tax	P8	-1,223	-1,792
Profit for the year		4,934	14,522

Profit for the year corresponds to total comprehensive income for the year.

PARENT COMPANY BALANCE SHEET

MSEK	Note	31 Dec, 2021	31 Dec, 2022
ASSETS			
Non-current assets			
Intangible assets	P9	585	447
Property, plant and equipment	P10	3,082	3,022
Financial assets			
Shares in Group companies	P12	51,458	41,577
Due from Group companies		14,244	29,394
Other investments		2	2
Non-current receivables	P13	26	70
Deferred tax assets	P8	45	1
Total non-current assets		69,442	74,513
Current assets			
Inventories	P14	824	1,105
Current receivables			
Trade receivables		232	283
Due from Group companies		4,609	5,415
Income tax receivables	P8	246	0
Other receivables	P13	420	520
Prepaid expenses and accrued income		658	1,032
Cash and cash equivalents		0	0
Total current assets		6,989	8,355
TOTAL ASSETS		76,430	82,868
EQUITY AND LIABILITIES			
Equity			
Non-distributable equity			
Share capital		1,505	1,505
Statutory reserve		1,611	1,611
Distributable equity			
Profit brought forward		26,553	12,575
Profit for the year		4,934	14,522
Total equity	P15	34,603	30,213
Other untaxed reserves		1,071	1,070
Provisions for pensions	P16	241	550
Other provisions	P17	283	315
Non-current interest-bearing liabilities			
Loans from Group companies	P18	1	1
Other liabilities	P18	15,127	30,231
Non-current non-interest-bearing liabilities			
Other liabilities		87	881
Current interest-bearing liabilities			
Loans from Group companies		20,699	15,210
Other liabilities		1,534	1,280
Total current interest-bearing liabilities		22,233	16,490
Current non-interest-bearing liabilities			
Advance payments from customers		35	32
Accounts payable		869	1,025
Due to Group companies		2	0
Income tax liabilities	P8	0	214
Other liabilities		160	217
Accrued expenses and deferred income	P19	1,719	1,629
Total current non-interest-bearing liabilities		2,785	3,117
EQUITY AND LIABILITIES		76,430	82,868

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, 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
Equity at January 1, 2022	1,505	1,611	31,487	34,603
Comprehensive income for the year	-	-	14,522	14,522
Dividend	-	-	-5,953	-5,953
Distribution of Alleima ¹⁾	-	-	-12,825	-12,825
Share-based payment settled by equity instruments	-	-	-134	-134
Equity at December 31, 2022	1,505	1,611	27,097	30,213

The Parent Company do not apply IFRS 5 nor IFRIC 17.

1) The parent company has derecognized the book value of the shares to be distributed with a corresponding amount reducing equity. At distribution, the shares in Alleima are derecognized without any income or cash flow effect.

PARENT COMPANY CASH FLOW STATEMENT

MSEK	Note	2021	2022
Cash flow from operating activities			
Profit before tax		6,157	16,314
Adjustment for depreciation, amortization and impairment losses		569	481
Adjustment for non-cash items, etc.	P22	2,041	1,864
Income tax paid		-1,444	-1,287
Cash flow from operating activities before changes in working capital		7,323	17,372
Changes in working capital			
Changes in inventories		-148	-281
Changes in operating receivables		-6,145	-16,446
Changes in operating liabilities		-116	-69
Cash flow from operating activities		914	576
Cash flow from investing activities			
Acquisition of companies and shares, net of cash acquired		-22,282	-3,194
Acquisition of property, plant and equipment		-1,070	-320
Proceeds from sale of companies and shares, net of cash disposed of		11,608	16
Proceeds from sale of property, plant and equipment		161	43
Net cash used in investing activities		-11,583	-3,455
Net cash flow after investing activities		-10,669	-2,879
Cash flow from financing activities			
Changes in advances/loans to Group companies		2,831	268
Changes in advances/loans from Group companies		13,583	-5,490
Proceeds from external borrowings		5,098	15,625
Repayment of external borrowings		-2,703	-1,571
Dividend paid		-8,140	-5,953
Net cash used in financing activities		10,669	2,879
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

	2021	2022
Geographical markets		
Europe	11,541	12,261
North America	155	287
South America	55	55
Africa and Middle East	74	111
Asia	333	350
Australia and New Zealand	86	75
Total	12,244	13,139
Goods/service lines		
Sale of goods	12,162	13,046
Rendering of services	57	67
Rental income	25	26
Total	12,244	13,139

Contract asset and contract liability balances are not disclosed for the Parent Company, due to the small balances and corresponding small movements.

P3 PERSONNEL INFORMATION AND REMUNERATION TO MANAGEMENT

The average number of employees was 3,711 (3,529) of which 28 percent were women (27). All personnel in the Parent Company are based in Sweden.

Wages, salaries, other remuneration and social costs

	2021	2022
Wages, salaries and other remuneration	2,812	2,520
Social costs	1,126	910
Pension costs	301	656
Total	4,239	4,086
<i>of which to Boards of Directors and president¹⁾</i>		
Salaries and other remunerations	39	39
Variable salary	19	4
Pension costs	19	22

¹⁾ The Parent Company's pension liability relating to these persons amounted to SEK 3 million (3).

Gender distribution in senior management

Proportion of women, %	2021	2022
Women in senior management	30	30
Other senior executives	44	50

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

	2021	2022
PwC		
Audit fees	-19	-21
Audit activities other than the audit assignment	0	-
Tax consultancy services	0	0
Other services	-13	-11
Total	-32	-32
Other audit firms		
Audit fees	-	-
Audit activities other than the audit assignment	-	-
Tax consultancy services	-2	-4
Other services	-18	-40
Total	-20	-44

P5 RESEARCH AND DEVELOPMENT

	2021	2022
Expenditure for		
Research and development	-1,496	-1,591
Quality assurance	-36	-36
Total	-1,532	-1,628
of which expensed, total	-1,532	-1,628
of which expensed relating to research and development	-1,496	-1,591

P6 OTHER OPERATING INCOME AND EXPENSES

The Parent Company's other operating income amounted to SEK 89 million (172). The amount is mainly related to Transfer Price adjustment of SEK 42 million (-123) between Group companies, currency exchange gain of SEK 15 million (21) and gain on disposals of SEK 13 million (1).

The Parent Company's other operating expenses amounted to SEK -1,201 million (-1,394). The amount is mainly related to royalties between Group companies of SEK -1,124 million (-936), costs for acquisitions of SEK -36 million (-262), and other operating non-financial cost of SEK -22 million (0).

P7 FINANCIAL INCOME AND EXPENSES

Result from shares in Group companies

	2021	2022
Dividend, net of withholding tax	2,818	8,125
Group contributions paid/received	2,146	3,276
Gain or loss on sale of shares and participations	-2,759	-
Impairment	-	-235
Total	2,205	11,166

Interest income and similar items

	2021	2022
Interest income, Group companies	289	459
Other interest income	-	-
Derivatives, Group companies	12	281
Other	-	53
Total	301	793

Interest expense and similar items

	2021	2022
Interest expense, Group companies	-30	-15
Other interest expense	-432	-519
Derivatives, Group companies	-6	-
Other	-75	-18
Total	-543	-552

§ 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

	2021	2022
Income tax expense for the year		
Current tax	-1,254	-1,694
Adjustment of taxes attributable to prior years	67	-54
Total current tax expense	-1,187	-1,748
Deferred taxes relating to temporary differences and tax losses carried forward	-36	-44
Total tax expense	-1,223	-1,792

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:

	2021		2022	
	MSEK	%	MSEK	%
Profit after financial items	6,157		16,314	
Weighted average tax based on each country's tax rate	-1,268	-20.6	-3,361	-20.6
Tax effect of				
Non-deductible expenses	-617	-10.0	-72	-0.4
Tax-exempt income	583	9.5	1,696	10.4
Adjustments relating to prior years	67	1.1	4	0.0
Other	12	0.1	-59	-0.4
Total recognized tax expense	-1,223	-19.9	-1,792	-11.0

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.

	2021			2022		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	-	-24	-24	-	-24	-24
Inventories	11	-	11	12	-	12
Provisions	-	-1	-1	-	-18	-18
Non-interest-bearing assets and liabilities	76	-17	59	77	-46	31
Total	87	-42	45	89	-88	1
Offsetting	-87	87	-	-89	89	-
Total deferred tax assets and liabilities	-	45	45	-	1	1

Change of deferred tax in temporary differences and unused tax losses

	2021	2022
Balance at the beginning of the year, net	81	45
Recognized in profit and loss	-36	-44
Balance at end of year, net	45	1

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

	2021	2022
Income tax liabilities	-	-214
Income tax receivables	246	-
Net tax liabilities/receivables	246	-214

§ 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, 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
	Patents and other intangible assets	Goodwill	Total
<i>Cost</i>			
At January 1, 2022	754	139	893
At December 31, 2022	754	139	893
<i>Accumulated amortization</i>			
At January 1, 2022	169	139	308
Amortization for the year	138	–	138
At December 31, 2022	307	139	446
<i>Net carrying amount</i>			
At December 31, 2022	447	0	447

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

	2021	2022
Cost of goods and services sold	–	-2
Administrative expenses	-32	–
Research and development costs	-89	-136
Total	-121	-138

§ 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, 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
	Land and buildings	Plant and machinery	Equipment, fixtures and fittings	Construction in progress	Total
<i>Cost</i>					
At January 1, 2022	1,459	5,560	1,038	622	8,679
Additions	3	53	15	262	333
Divestments and disposals	-5	-175	-25	-26	-231
Reclassifications	89	122	38	-246	3
At December 31, 2022	1,546	5,560	1,066	612	8,784
<i>Revaluations</i>					
At January 1, 2022	32	-	-	-	32
Divestments and disposals	0	-	-	-	0
At December 31, 2022	32	-	-	-	32
<i>Accumulated depreciation and impairment losses</i>					
At January 1, 2022	696	4,211	722	-	5,629
Divestments and disposals	-4	-169	-24	-	-197
Reclassifications	4	-	-	-	4
Depreciation for the year	44	239	75	-	358
Impairment losses	-	-	0	-	0
At December 31, 2022	740	4,281	773	-	5,794
<i>Net carrying amount</i>					
At December 31, 2022	838	1,279	293	612	3,022

§ 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	2021	2022
Within one year	126	142
Between one and five years	307	307
Later than five years	182	235
Net carrying amount	615	684

Leasing fees for assets under operating leases, such as leased premises, machinery and office equipment are recognized within operating expenses. In 2022, the Parent Company expensed SEK 173 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

	2021	2022
Cost		
At the beginning of the year	44,069	51,931
Additions	8,775	1,071
Capital contributions	18,979	2,122
Capital reductions	-4	-14
Divestments	-19,888	-12,826
Total	51,931	42,284
Accumulated impairment losses		
At the beginning of the year	-525	-473
Impairment losses for the year	-	-235
Impairment reversed for the year	52	1
Total	-473	-707
Accumulated revaluations		
At the beginning of the year	0	0
Total	0	0
Carrying amount at year-end	51,458	41,577

Sandvik AB's holdings of shares and participations in subsidiaries, direct holdings, according to balance sheet at December 31

Company, domicile	Corp. Reg. number	2021			2022		
		No. of shares	Holding, % ²⁾	Carrying amount KSEK	No. of shares	Holding, % ²⁾	Carrying amount KSEK
SWEDEN							
Gimo Utbildningsaktiebolag, Gimo	556061-4041	910	91	11,301	910	91	14,302
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 Besökservice 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 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	556251-5386	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	48,070	910	91	57,743
Sandvikens Brukspersonals Byggnadsförening upa, Sandviken	785500-1686	-	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
Wire Sandviken AB, Sandviken	556779-3897	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 Invest Aktiebolag, Stockholm	556020-6517	1	0	0	1	0	0
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, 2022

Country/location	Company	2021			2022		
		No. of shares	Holding, % ²⁾	Carrying amount KSEK	No. of shares	Holding, % ²⁾	Carrying amount KSEK
Brazil	Sandvik Holding Do Brasil Ltda.	339,135,756	100	786,657	339,135,756	100	1,080,289
Bulgaria	Sandvik Bulgaria Ltd.	–	100	0	–	100	0
Chile	Sandvik Financial Services S.A.	9,900	99	165,331	9,900	99	165,331
	Schenck Process Austral SA	–	–	–	1	0 ³⁾	0
China	Sandvik China Holding Co Ltd.	–	100	1,579,079	–	100	1,579,079
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	43,235	9,990	100	43,235
Hungary	Sandvik Magyarorszag Kft.	–	100	3,258	–	100	3,258
India	Sandvik Asia Ltd.	1,801,241	75 ³⁾	252,481	1,801,241	75 ³⁾	252,481
	Sandvik Mining and Rock Technology India Private Ltd.	1,801,241	75 ³⁾	2,084	1,801,241	75 ³⁾	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
Republic of Korea	Sandvik Korea Ltd.	752,730	100	20,185	752,730	100	5,992
Luxembourg	DSI Underground Holdings S.à.r.l.	1,539,861	100	7,435,652	1,539,861	100	7,435,652
	Rocbolt Technologies Holdings Mongolia S.à.r.l.	6,000	50	1	6,000	50	1
Mali	Sandvik Mining and Construction Mali Ltd	25,000	100	3,462	25,000	100	3,462
Mauritius	Rocbolt of Mauritius Ltd	956,768	50	430,027	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	–	–	–
Peru	Sandvik del Perú S.A.	6,562,795	90 ³⁾	26,025	6,562,795	90 ³⁾	26,025
Portugal	Frezigest SGPS S.A.	–	–	–	1,001,069	100	1,071,545
Russia	Sandvik LLC	–	100	67,238	–	100	0
	Sandvik Mining and Construction CIS LLC	–	100	45,015	–	100	0
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	1,377,126
	Rocbolt Technologies Holdings Pty Ltd	500,000	50	172,322	500,000	50	172,322
Türkiye	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				51,458,044			41,576,980

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	2021	2022	
Sweden	Sandvik Financial Services SPV AB	100	100	
	DSI Underground Nordics AB	100	100	
	Edvirt AB	100	100	
	Sandvik Materials Technology StripTech AB	100	0	
	Sandvik Materials Technology Rock Drill Steel AB	100	0	
	Sandvik PT AB	100	0	
	Sandvik Materials Technology EMEA AB	100	0	
	Sandvik Treasury AB	100	100	
	Sandvik Materials Technology Treasury AB	100	0	
	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	0	
	Kanthal AB	100	0	
	Sandvik Mining and Construction Haparanda AB	100	100	
	Sandvik SRP AB	100	100	
	Argentina	DSI Underground Argentina S.A.	100	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	100	
	DSI Australia Holdings Pty Ltd	100	100	
	DSI Holdings 1 Australia Pty Ltd	100	100	
	DSI Holdings 2 Australia Pty Ltd	100	100	
	Stratabolt Resins Australia Pty Ltd	100	100	
	Heintzmann Australia Pty Ltd	100	100	
	Fero Group Pty Ltd	100	100	
	Sandvik Mining and Construction Australia (Production/Supply) Pty Ltd	100	100	
	NTX Australia Pty Ltd.	100	100	
	Fero Group (Queensland) Pty Ltd	100	100	
	Fero Reinforcing Pty Ltd	100	100	
	Fero Strata Systems Pty Ltd	100	100	
	Edvirt Australia Pty Ltd	100	100	
	Tricon Drilling Solutions Pty Ltd	100	100	
	SigmaTEK Australia Pty. Ltd.	100	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	
	Deswik Group Pty Ltd	0	100	
	Deswik Brazil Holdings Pty Ltd	0	100	
	Deswik Mining Consultants (Australia) Pty Ltd	0	100	
	Deswik Software Solutions Pty Ltd	0	100	
	S-Process Equipment Australia Pty Limited	0	100	
	Schenck Process Australia Pty Limited	0	100	
	Austria	Sandvik in Austria Gesellschaft GmbH	100	100
		DSI Underground Austria GmbH	100	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 N.V./S.A.	100	100
S.A. Seco Tools Benelux N.V.		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	2021	2022	
Botswana	Sandvik Botswana (Pty) Ltd.	100	100	
Brazil	Sandvik Coromant do Brasil Industria e Comercio de Ferramentas Ltda	100	100	
	DSI Underground System Brasil Indústria e Comercio Ltda	100	100	
	Walter do Brazil Ltda	100	100	
	Dormer Pramet Solucoes Para Usinagem Ltda	100	100	
	Sandvik Materials Technology do Brasil Industria e Comercio Ltda	100	0	
	Sandvik Holding do Brazil Ltda	100	0	
	Seco Tools Indústria e Comércio Ltda.	100	100	
	SigmaTEK Systems Brasil Ltda.	99	99	
	Sandvik MGS S.A.	100	100	
	Sandvik Mining and Rock Technology do Brasil Ltda	100	100	
	CGTech Brasil Consultoria de Software Eireli	100	100	
	Schenck Process Equipamentos Industriais Ltda.	0	100	
	Frezite Ferramentas de Corte Ltda	0	100	
	Burkina Faso	Sandvik Mining and Rock Technology Burkina Faso SARL	100	100
Canada	Deswik Canada Inc.	0	100	
	Sandvik Canada Inc.	100	100	
	Sandvik Materials Technology Canada Inc.	100	0	
	Newtrax Holdings Inc.	100	100	
	Cimatron Technologies Inc. (Canada)	100	100	
	SigmaTEK Canada, LLC (Delaware)	100	100	
	ICAM Technologies Corp. Canada	100	100	
	Indexable Cutting Tools of Canada Limited	100	100	
	DSI Underground Canada Ltd.	100	100	
	11740750 Canada Limited	100	100	
	Inrock Ltd.	100	100	
	Newtrax Technologies Inc.	100	100	
	Artisan Vehicles, Inc.	100	100	
	MISY Canada Inc.	100	0	
	Chile	Sandvik Chile S.A.	100	100
		DSI Underground Chile SpA	100	100
DSI Underground Ventilation Systems SpA		51	51	
NTX Chile SpA		100	100	
Sandvik Financial Services S.A.		100	100	
Sandvik Mining and Construction Chile S.A.		100	100	
Sandvik Rentals Chile SPA		100	100	
Deswik Chile SpA		0	100	
Schenck Process Austral S.A.		0	100	
China		Sandvik Tooling Production (Langfang) Co., Ltd.	100	100
	DSI Underground Consulting (Shanghai) Co., Ltd.	100	100	
	Rocbolt Technologies China Ltd.	100	100	
	Sandvik Industrial Equipment (Shanghai) Co., Ltd.	100	100	
	Sandvik Materials Technology (China) Co., Ltd.	100	0	
	Sandvik International Trading (Shanghai) Co Ltd.	100	0	
	Walter Wuxi Co. Ltd.	100	100	
	DWFritz Precision Automation	100	100	
	DWFritz Wuxi Limited	100	100	
	DWFritz Technology Limited	100	100	
	Suzhou Xinlan Nano Technology Co., Ltd.	67	72	
	Wuhan Yongpu Carbide Tools Co., Ltd.	67	72	
	Suzhou OMK Carbide Tools Co., Ltd.	67	72	
	Chuzhou Yongpu Carbide Tools Co., Ltd.	67	72	
	Yongpu Global Trading Shanghai Co., Ltd.	67	72	
	Suzhou Yongpu Technology Management Co., Ltd.	67	72	
	Suzhou SPD Precision Technology Co., Ltd.	67	72	
	Suzhou Yongpu Precision Technology Co., Ltd.	67	72	
	Cimatron (Beijing) Technologies Co. Ltd.	100	100	
	SigmaTEK Systems China, LLC	100	100	
	Sandvik Coromant Cutting Tools (Shanghai) Co., 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	

P12, continued

Country/location	Company	2021	2022
	Kunshan OSK Precision Tools Co., Ltd	100	100
	Seco Tools Manufacturing (Shanghai) Co., Ltd.	100	100
	Schenck (Tianjin) Mining Technology Co., Ltd.	0	100
	Sandvik Mining and Construction Trading (Shanghai) Co.	100	100
	Shanghai Jianshe Luqiao Machinery Co., Ltd.	100	100
	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	100
	Beijing CGTech Software Co., Ltd.	100	100
Colombia	Sandvik Colombia S.A.S.	100	100
	DSI Underground Colombia S.A.S.	100	100
	Deswik Colombia S.A.S.	0	100
Czech Republic	DSI Underground Multitex s.r.o.	100	100
	Sandvik Chomutov Precision Tubes Spol. s.r.o.	100	0
	WALTER CZ s.r.o.	100	100
	Seco Tools CZ s.r.o.	100	100
	Dormer Pramet s.r.o.	100	100
	FREZITE s.r.o.	0	100
Denmark	Sandvik A/S	100	100
	Materials Technology Denmark ApS	100	0
	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	0
	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
	Akkurate Oy	0	100
	Velroq Oy	0	100
France	Sandvik Holding France S.A.S.	100	100
	Sandvik Tooling France S.A.S.	100	100
	SigmaNEST France	100	100
	Sandvik Materials Technology France SAS	100	0
	Walter France S.A.S.	100	100
	Gunther Tools	100	100
	DWFritz Metrology SAS	100	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 SAS	100	100
	Metrologic Group SAS	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 SAS	100	100
	Seco Ressources et Finances SA	100	100
	Seco Tools Reaming SAS	100	100
	CGTech S.A.R.L.	100	100
Germany	Sandvik Materials Technology Deutschland GmbH	100	0
	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	100
	DSI Underground GmbH	100	100
	Prototyp-Werke GmbH	100	100
	Cimatron Technologies GmbH	100	100

PARENT COMPANY NOTES

P12, continued

Country/location	Company	2021	2022
	SigmaNEST GmbH	100	100
	Metrologic Group GmbH	100	100
	Protomedical GmbH	100	100
	Kanthal GmbH	100	0
	Sandvik Mining and Construction Deutschland GmbH	100	100
	Sandvik Mining and Construction Central Europe GmbH	100	100
	FMT Frezite Metal Tooling GmbH	0	100
	Gold Werkzeugfabrik GmbH	0	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	100
Hungary	Walter Hungaria Kft	100	100
	Seco Tools Kereskedelmi Kft	100	100
	Pramet Kft	100	100
India	Sandvik Coromant India Private Limited	100	100
	Walter Tools India Private Limited	100	100
	DSI Underground India Pvt. Ltd.	100	100
	Cimatron Technologies Pvt. Ltd.	100	100
	SigmaTEK Systems India Private Limited	100	100
	Vaal Triangle Systems Private Limited	100	100
	Seco Tools India Private Limited	100	100
	Dormer Tools India Private Limited	100	100
	Sandvik Materials Technology India Private Limited	100	0
	Sandvik Mining and Rock Technology India Private Limited	100	100
	CGTech India Software Solutions Private Limited	100	100
Indonesia	PT DSI Indonesia	100	100
	PT DSI Underground	100	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	100
Italy	Sandvik Italia S.p.A.	100	100
	Cimatron Technologies S.R.L. (Italy)	100	100
	SigmaTEK Srl (Italy)	100	100
	SSC Holding Italia SRL	100	100
	Walter Italia SRL	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	0
	Polyflex S.R.L.	100	0
	CGTech s.r.l.	100	100
	Preziss, SRL	0	100
Japan	Sandvik Materials Technology K.K.	100	0
	SigmaTEK Japan LTD.	100	100
	Sandvik K.K.	100	0
	Walter Japan K.K.	100	200
	Seco Tools Japan K.K.	100	100
	Sandvik Tooling Supply Japan K.K.	100	200
	Kabushiki Kaisha CGTech	100	100
Kazakhstan	Sandvik Mining and Construction Kazakhstan Ltd	100	100
	Deswik Kazakhstan LLP	0	100
Korea	Walter Korea Ltd.	100	100
	Sandvik Materials Technology Korea Co., Ltd.	100	0
	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	100
	DSI Underground IP Holding Luxembourg S.à r.l.	100	100

P12, continued

Country/location	Company	2021	2022
	DSI Underground SMART S.à r.l	100	100
	Rocbolt Technologies Holdings Mongolia S.à r.l.	50	50
Malaysia	Sandvik Malaysia Sdn Bhd	100	0
	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	50
Mexico	NTX Mining Services S de RL de CV	100	100
	Sandvik S.A. 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	0
	Walter Tools S.A. de C.V.	100	100
	SigmaTEK Systems Mexico S. de R.L. de C.V.	100	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	100
	Mansour Mining Technolog De Mexico S.A. de C.V.	100	100
	Mansour Mining Technolog De Mexico Servicios S.A. de C.V.	100	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
	Deswik Mexico S.A. de C.V.	0	100
	Preziss Tools de Mexico, S de R.L. de C.V.	0	100
	FMT Tooling Systems S. de R.L. de C.V.	0	100
Mongolia	Rocbolt Technologies Mongolia LLC	100	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 BV	100	0
	Seco Tools BV	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	0
	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	100
	Deswik Peru S.A.C	0	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	100
	DSI Underground Merol Sp. z o.o.	100	100
	DSI Underground Poland Sp. z o.o.	100	100
	DSI Underground Chemicals Sp. z o.o.	100	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 Narzędzi FANAR S.A.	100	100
Portugal	Seco Tools Portugal Lda	100	100
	FHP - Frezite High Performance, Unipessoal, Lda	0	100
	Frezigest, SGPS S.A.	0	100
	Frezite - Ferramentas de Corte S.A.	0	100
	Seri - Sociedade de Estudos E Realizações Industriais, Unipessoal, Lda.	0	100
Romania	Sandvik SRL	100	100
	Walter Tools SRL	100	100
	Seco Tools Romania SRL	100	100
Russia	DSI Techno LLC	100	100

PARENT COMPANY NOTES

P12, continued

Country/location	Company	2021	2022
	Newtrax Rus LLC	100	100
	DSI Techno	100	100
	LLC Walter	100	100
	Deswik RUS	0	100
	LLC Sandvik	100	0
	LLC Pramet	100	100
	LLC Seco Tools	100	100
	Sandvik Mining and Construction CIS LLC	100	0
Serbia	Seco Tools SRB d.o.o.	100	100
	Sandvik Mining & Rock Technology LLC Belgrade	100	0
Singapore	Walter AG Singapore Pte Ltd.	100	100
	Sandvik South East Asia Pte Ltd.	100	100
	Seco Tools (SEA) Pte Ltd	100	100
	Sandvik Materials Technology Singapore Pte. Ltd.	100	0
	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 trgovina 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
	Sandvik Rock Processing Solutions International (Pty) Ltd.	100	100
	Kwatani Global (Pty) Ltd.	100	100
	Kwatani Holding Pty Ltd.	100	100
	Kwatani (Pty) Ltd.	100	100
	Mine & Quarry Supplies (Pty) Ltd.	100	100
	Sandvik Mining RSA (Pty) Ltd.	75	75
	Sandvik Mining & Construction Delmas (Pty) Ltd.	100	100
	Sandvik SRP RSA (Pty) Ltd.	75	75
	Rocbolt Technologies Holdings Pty. Ltd.	50	50
	Rocbolt Technologies Africa Pty Ltd.	100	100
	RB Technology Holdings (Pty) Ltd.	65	65
	Rocbolt Technologies Pty. Ltd.	75	75
	Zebenza Kanzima (Pty) Ltd.	0	100
	Deswik Mining Consultants (Pty) Ltd.	0	100
	Schenck Process Africa (Pty) Limited	0	100
	Schenck Process South Africa (Pty) Limited	0	100
Spain	Sandvik Espanola	100	100
	DSI Underground Spain S.A.U.	100	100
	Sandvik Materials Technology Spain S.L.	100	0
	Walter Tools Iberica S.A.U.	100	100
	Metrologic Group Spain S.L.	100	100
	Seco Tools Espana S.A.	100	100
	Frezite Herramientas de Corte SL	0	100
	Herramientas Preziss, S.L.	0	100
	Preziss Diamant S.L.	0	100
Switzerland	Sandvik Holding AG	100	100
	Sandvik AG	100	100
	Sandvik Materials Technology Santrade AG	100	0
	Filinvest AG	100	0
	Accuratech AG	100	0
	Galvarex AG	100	0
	Polyfil AG	100	0
	Walter (Schweiz) AG	100	100
	Santrade Ltd.	100	100
	Seco Tools AG	100	100
	HC Holding Alpha AG	0	100
	Rieger Werkzeugfabrik AG	0	100
	Sphinx Werkzeuge AG	0	100
Taiwan	Sandvik Taiwan Ltd.	100	100

P12, continued

Country/location	Company	2021	2022
	Seco Tools (S.E.A.) Taiwan Branch	100	100
	Sandvik Materials Technology Taiwan Limited	100	0
Tanzania	Sandvik Mining & Construction Tanzania Limited	100	100
Thailand	Sandvik Thailand Limited	91	91
	SigmaTEK (Thailand) Ltd.	100	0
	Walter (Thailand) Co., Ltd.	100	100
	Seco Tools (Thailand) Co., Ltd.	100	100
Türkiye	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	100
	DSI Underground UK Holdings Ltd.	100	100
	Edvirt UK Limited	100	100
	Sandvik Ltd	100	100
	SigmaTEK Europe Limited	100	100
	SigmaTEK Business Systems Limited	100	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
	Exttec 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 Limited	100	100
	Sandvik Services Limited	100	100
	Sandvik Materials Technology UK Ltd	100	0
	FMT Tooling Systems Limited	0	100
	Deswik Europe Limited	0	100
	Mastercam UK Limited	0	100
USA	Sandvik Special Metals LLC	100	0
	PennPower Inc.	100	0
	Sandvik, Inc.	100	100
	ST Acquisition Co.	100	100
	Cambrio Acquisition, LLC	100	100
	Cimatron Technologies, Inc. (Michigan)	100	100
	Cimatron Gibbs LLC (California)	100	100
	SigmaTEK Systems, LLC (Delaware)	100	100
	ICAM Technologies Corporation U.S.A.	100	100
	Sandvik Financial Services LLC	100	100
	DWFritz Automation, LLC	100	100
	DWFritz International, Inc.	100	100
	DWFritz Metrology, Inc.	100	100
	Walter USA LLC	100	100
	TDM Systems Inc.	100	100
	Dimensional Control Systems, Inc.	100	100
	Sandvik Machining Solutions USA LLC	100	100
	Dura-Mill, Inc.	100	0
	Sandvik Rock Processing Solutions North America	100	100
	Advanced Theodolite Technology, Inc.	100	100
	Metrologic Group Services, Inc.	100	100
	MG USA Properties, Inc.	100	100
	Precorp Inc.	100	0
	uFab LLC	100	100
	Dormer Pramet LLC	100	100
	Valenite LLC	100	100
	Sandvik Materials Technology LLC	100	0
	Wetmore Tool and Engineering Company	100	100
	Artisan Vehicle Systems, Inc.	100	100

Country/location	Company	2021	2022
	CTMI Tool LLC	100	100
	Tamcorp Inc. USA	100	0
	GWS Tool Intermediate Holdings LLC	100	100
	Indexable Holding LLC	100	100
	GWS Tool LLC	100	100
	CGI Tool LLC	100	100
	Alliance CNC LLC	100	100
	Benchmark Carbide LLC	100	100
	NATC LLC	100	100
	Intrepid LLC	100	100
	STF Precision LLC	100	100
	Taurus Tool LLC	100	100
	CJT Tool LLC	100	100
	Monster Tool LLC	100	100
	DSI Tunneling LLC	100	100
	Thermaltek LLC	100	0
	Summerill High Precision LLC	100	0
	Inrock Drilling Systems, Inc.	100	100
	Inrock Acquisitions, Inc.	100	100
	Pennsylvania Extruded Tube Co. (PEXCO)	70	0
	Diamond Tool Coating, LLC	100	100
	Niagara Cutter LLC	100	100
	Seco Tools, LLC	100	100
	Sandvik Wire and Heating Technology Corporation	100	0
	Sandvik Thermal Process Inc.	100	0
	Sandvik Mining and Construction USA LLC	100	100
	Deswik USA Inc.	0	100
	Melin Tool Company, Inc.	100	100
	CGTech	100	100
	Terelion LLC	100	100
Vietnam	Sandvik Vietnam Company Ltd.	100	100
	Seco Tools Vietnam Co Ltd.	100	100
Zambia	Sandvik Mining & Construction Zambia Limited	100	100

§ 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 recognized 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

	2021	2022
Non-current receivables		
Derivatives	16	59
Other interest-bearing receivables	10	11
Total	26	70
Other current receivables		
Derivatives	65	117
Other non-interest-bearing receivables	355	403
Other interest-bearing receivables	0	0
Total	420	520

P14 INVENTORIES

	2021	2022
Raw materials and consumables	547	746
Work in progress	214	265
Finished goods and goods for resale	63	94
Total	824	1,105

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, 2020	1,254,385,923	1.20	1,505,263,108
December 31, 2021	1,254,385,923	1.20	1,505,263,108
December 31, 2022	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 2022 is estimated to amount to SEK 6,272 million, corresponding to SEK 5.00 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 2022, 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.

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 551 million (242). 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

	2021	2022
Present value of funded and unfunded pension obligations	2,620	2,319
Plan assets	1,864	1,761
Deficit in the assets of the pension foundation	513	8
Net amount recognized for pension obligations	-242	-551

P17 OTHER PROVISIONS

	Warranties	Restructuring	Employee benefits	Environmental obligations	Legal disputes	Other obligations	Total
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
Balance at January 1, 2022	2	141	129	11	0	0	283
Provisions made during the year	1	112	85	–	–	0	198
Provisions used during the year	0	-79	-78	-9	–	–	-166
Unutilized provisions reversed during the year	–	–	0	–	–	–	0
Reclassifications	–	1	-1	–	–	–	0
Balance at December 31, 2022	3	175	135	2	0	0	315

P18 NON-CURRENT INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities fall due as follows:

	2021			2022		
	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⁾	7,127	7,999	15,126	17,104	13,127	30,231
Total	7,127	8,000	15,127	17,104	13,128	30,232

1) Other liabilities mainly comprise bond loans.

P19 ACCRUED EXPENSES AND DEFERRED INCOME

	2021	2022
Personnel related	1,361	1,175
Expense related to finance	226	413
Other	132	41
Total	1,719	1,629

P21 TRANSACTIONS WITH RELATED PARTIES

Sales to Group companies from the Parent Company amounted to SEK 11,722 million (11,009), or 89 percent (90) of total sales. The share of exports was 60 percent (60). The Parent Company's purchases from Group companies amounted to SEK 2,234 million (2,149), or 20 percent (21) 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.

For information regarding employment agreements see note G4.

P20 CONTINGENT LIABILITIES AND PLEDGED ASSETS

Contingent liabilities	2021	2022
Guarantees issued for customers and others	5	–
Other contingencies	18,044	21,565
Total	18,049	21,565

The Parent Company's surety undertakings and contingent liabilities amounted to SEK 21,565 million (18,049), of which SEK 14,770 million (13,575) 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 2022.

P22 SUPPLEMENTARY INFORMATION TO THE CASH FLOW STATEMENT

Cash and cash equivalents	2021	2022
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

Interest and dividend paid and received	2021	2022
Dividend received	2,818	8,125
Interest received	260	909
Interest paid	-503	-739
Total	2,575	8,295

Other adjustments for non-cash items, etc.	2021	2022
Changes in value if financial instruments	-143	698
Unappropriated results of associated companies	-	-
Gains and losses on disposal of non-current assets	-58	-12
Gains on disposal of companies and shares	2,759	-3
Provision for pensions	-62	309
Other provisions	-165	32
Other	-290	840
Total	2,041	1,864

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, 2022, 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 11,000 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 8, 2023

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	12,575,486,423
and result for the year	14,521,864,350
SEK	27,097,350,773
be appropriated as follows:	
a dividend of 5.00 SEK per share	
to the shareholders	6,271,929,615
profits carried forward	20,825,421,158
SEK	27,097,350,773

The proposed record date for dividends is Tuesday, May 2, 2023.

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 Thursday, April 27, 2023.

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 8, 2023

Johan Molin
Chairman

Jennifer Allerton
Board member

Thomas Andersson
Board member

Claes Boustedt
Board member

Marika Fredriksson
Board member

Thomas Lilja
Board member

Andreas Nordbrandt
Board member

Helena Stjernholm
Board member

Kai Wörn
Board member

Stefan Widing
Board member
President and CEO

Our auditors' report was submitted on March 9, 2023
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 2022. The annual accounts and consolidated accounts of the company are included on pages 42–133 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 2022 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 2022 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 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 tailored the Group audit scope consisting of the most important reporting units. 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.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance 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 judgement, 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**How our audit addressed the 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.

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.

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 has acquired several businesses containing intangible assets during 2022.

There are a number of instances where management's judgment is decisive for the accounting treatment, both in connection with acquiring businesses and in connection with 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.

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 and 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.

Measurement of inventory

Sandvik keep significant stock of raw materials, spare parts and work-in-progress at its production units and stores of finished goods mostly at its sales units and distribution centres. 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 with effect on the reported values. This includes assessing normal production levels, foreign currency, prices of raw materials and allocation of other direct and indirect costs. For finished goods, assessment is needed of 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 the Group's accounting principles for measuring inventory and additional information on the line item.

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 takes 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.

Accounting for the separation and distribution of shares in Alleima Holding AB

The Annual General Meeting decided on April 27, 2022 to distribute all shares in Alleima Holding AB (former Business Area Sandvik Materials Technology) to the shareholders of Sandvik, whereby five shares in Sandvik AB would entitle to one share in Alleima Holding AB.

The first day of trading of the Alleima shares was August 31, 2022, on Nasdaq Stockholm. On distribution of the Alleima shares, Sandvik recognized a net capital loss in discontinued operations, representing the difference between the fair value of Alleima and the carrying value of Alleima's net assets at the time of distribution.

Alleima has been presented since the first quarter 2022 as discontinued operations in the consolidated income statement separately from continuing operations with comparative numbers presented accordingly. Accounting for discontinued operations requires identifying and separating the financial effects from continuing and discontinued operations as well as ensuring that the criteria in IFRS are fulfilled to account for discontinued operations.

In Note G32 there is additional information about the Group's accounting principles with regards to divestments, assets held for sale and discontinued operations.

Our audit procedures included, but were not limited to:

- Assessed Sandvik's policies and procedures for accounting for discontinued operations in compliance with IFRS.
- Assessed the financial effects from the discontinued operations and that they had been appropriately separated from continuing operations.
- Evaluated the presentation of the net loss from the distribution of Alleima and its compliance with IFRS.
- 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 1–41 and 154–156, and the Statutory Sustainability Report and Sustainable Business Report on pages 7–9, 13–16, 63–67 and 138–152. 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 Managing Director 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 Managing Director 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 Managing Director 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 Managing Director are responsible for the assessment of the company's and the group's ability 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 Managing Director intend to liquidate the company, to cease operations, or has 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/revisorsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss 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 Managing Director of Sandvik AB (publ) for the year 2022 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 Managing Director 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 Managing Director

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 Managing Director 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 Managing Director 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 Managing Director 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 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 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 Auditors' 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 Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the 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 Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain 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 examination 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 and consolidated 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 Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

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 2022 and has been the company's auditor since the general meeting of the shareholders on 27 April 2018.

Stockholm March 9, 2023
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 seventeenth consecutive year of sustainable business reporting for Sandvik, published on March 10, 2023, and we will continue our annual sustainability reporting. The data in this report refers to the 2022 fiscal year. The Our most recent Sustainable Business Report was published in March 2022. In the non-financial notes, information on strategy, management approach, stakeholder dialogues and sustainability data are presented.

Information meeting the Swedish legal requirements on sustainability reporting, the Statutory Sustainability Report, and Sandvik Sustainable Business Report, are found on pages 2–3, 7, 13–14, 63–67 and 139–153. 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 2021. The figures presented are the accumulated figures for 2022 for all active reporting units, unless otherwise stated. An operational control approach was used for consolidations. It covers our material aspects defined in the materiality assessment described in on page 63 and it has been reviewed by an external party. No restatements of information from previous reporting periods have been made. In the sustainability report all data related to Sandvik Materials Technology/Alleima have been excluded, except for employee engagement related to collective bargaining agreements (page 141) for 2021 as data was collected by country level historically.

As of 2022, we report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). Sandvik also reports in accordance with the Sustainability Accounting Standards Board (SASB) reporting standard. We disclose our climate and water impact through the non-profit organization CDP.

Sandvik is a signatory to the UN Global Compact (UNGC) since 2013 and reports on the ten principles in accordance with the UN Global Compact Advanced level criteria.

The assurance provider was engaged by the Board of Directors and the CEO of Sandvik to undertake a combined assurance of the Sandvik Annual Report 2022. The assurance provider is independent to Sandvik.

Sandvik Code of Conduct, Sandvik Supplier Code of Conduct and Sandvik Business Partner Code of Conduct are publicly available on home.sandvik/sustainablebusiness. Sandvik Group policies are classified as an internal documents and are available on the company intranet. All policies have been approved by the Group Executive Management team, and 14 policies, including the Anti-Bribery and Corruption Policy, have been approved by the Board of Directors. Our Group policy commitments apply to the whole organization, including business relationships, and are communicated via the line organization.

Detailed information regarding our reporting can be found at home.sandvik/sustainablebusiness.

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. Throughout the year we have engaged with stakeholders, both to understand their relation to Sandvik and to identify impacts, risks and opportunities as part of the materiality assessment.

Some examples 2022: Group or individual meetings with analysts, investors and shareholders discussing strategy implementation, the impact from the 2030 Sustainability Goals on Sandvik's business, targets and target outcome, and our contribution to the UN Sustainable Development Goals. In 2022, Sandvik met with all major shareholders. Customer dialogues are held continuously, including issues such as product development for improved safety, energy efficiency and electrification. 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, for example the Swedish International Development Cooperation Agency (SIDA), Engineers Without Borders, the Copenhagen Business School, the Stockholm School of

Economics and the University College of Gävle. We have a strategic partnership with the KTH Royal Institute of Technology in Stockholm, Sweden.

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 Cobolt Institute and the International Tungsten Industry Association.

NF3 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 2022, 95 percent (97) of employees and long-term contractors had completed the Code of Conduct training. All members of the Group Executive Management and the Board of Directors 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 2022 was 77 percent (72). To reinforce the Code of Conduct principles, a new training program was deployed in 2022, aimed towards employees who conducted Code of Conduct training more than two years ago. By the end of 2022, 89 percent had completed the training.

NF4 WHISTLEBLOWING (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 preferred, 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. In 2022, we trained 4,534 new employees. In our employment engagement survey 93 percent of the employees responded positively to the question "I am aware that Sandvik has a whistleblowing process (Speak Up) for reporting violations of our Code of Conduct or company policies".

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 2022, 290 Speak Up incidents (199), excluding inquiries, were reported (see distribution in chart). 91 percent (87) of the cases were closed within 90 days and the substantiation rate of closed cases amounted to 35 percent (31). 1 percent (1) of all Speak Up reports related to human rights matters and six cases related to bribery and kick-backs. All Speak Up cases are investigated and concluded as either substantiated or unsubstantiated based on the allegations. A substantiated case would in the first instance be a breach of the Code of Conduct, other policies and procedures or a contractual obligation. Depending on findings and the nature of supporting evidence it may also imply a breach of law. The consequences of a substantiated case range from warnings and improvements of controls and trainings up to dismissal of an employee, termination or non-renewal of contract with a business partner or referral of a case to relevant authorities for further investigation. The execution of the consequences are carefully managed within the remit of the law and our policies including the obligation to protect the identity of the whistleblower and relevant data privacy regulations.

Speak Up Reports	Number	
	2021	2022
Human relations	83	152
Compliance	32	42
Theft and misappropriation	8	25
Business records and information	10	11
Environment, health and safety	18	22
Inquiries	21	30
Other	48	38
Total	220	320

NF5 COMPLIANCE

The compliance work during 2022 was heavily impacted by the sanctions against Russia and the decision to pause and later wind-down all Sandvik business operations in and with the country. In response to the developments, several approval processes were developed, updated and implemented.

The ever-increasing complexity of the regulatory, global landscape also resulted in a key focus on our digital journey and to further develop our data-driven, risk-based approach to enable better decision making. In 2022, we introduced an app-based solution for Conflict of Interest Management. It is the first step in delivering a more streamlined, transparent and secure process for managing some of the key compliance risk areas.

The Compliance House – a tool enabling, among other things, each entity to understand and work with its own compliance risks and increasing transparency around the implementation of controls – continued to be highly prioritized as a cornerstone of our Group Compliance programs. In 2022, the tool was further operationalized and embedded in the line organization. At year-end 2022, all business entities were included in the tool, except a few recently acquired entities which were assessed for compliance risks in the due diligence process, and certain entities which mainly perform administrative tasks and internal services and hence are considered low risk. 357 (92 percent) of the operational units in the tool revised their self-assessment during the year. The Compliance House also requires each entity to communicate to its employees annually on anti-corruption, competition law and data privacy. As of December 31, 2022, 94 percent of the entities responded that they had fulfilled their anti-corruption communication. The corresponding figure for competition law and data privacy communication were 93 percent and 92 percent, respectively.

Compliance training was offered to employees in different formats, including e-learning, webinars and classroom training. More than 16,282 training records were created, whereof 4,169 were in anti-corruption, 3,894 in competition law, 5,638 in data privacy and 2,581 in sanctions and export control. During 2022 all members of the Group Executive Management participated in an anti-corruption dilemma training.

Sandvik has zero tolerance for bribery and corruption and in 2022, Sandvik reviewed and updated its Anti-Bribery and Corruption policy. It requires all employees and directors to identify and disclose any conflicts of interest. The risk assessment through the Compliance House did not, considering action plans and controls in place, result in any significant residual corruption risks. While Sandvik does not require its business partners to comply with Sandvik compliance policies and procedures, it deploys a supplier/business partner Code of Conduct which requires the supplier/business partner to comply with relevant rules and principles related to anti-corruption, competition law, data privacy and international sanctions. New and updated Supplier and Business Partner Codes of Conduct were launched in 2021 and continued to be rolled out in 2022. Sandvik also requires that relevant commercial intermediaries sign an anti-corruption and export control/trade clause in the contract. The use of the anti-corruption clause and the Business Partner Code of Conduct is followed up through the Compliance House. 63 percent of the entities using commercial intermediaries responded that all their commercial intermediaries had signed the Sandvik Business Partner Code of Conduct and that 60 percent that all commercial intermediaries had signed a contract including an anti-corruption

clause. The entities' responses are audited and confirmed by the Internal and External Audit functions as part of the regular audit programs.

During 2022, Sandvik received and responded to questions from Inspektionen för Strategiska Produkter following media reports focusing on past sales to companies in Russia's military industry. This matter was dismissed without further actions. Otherwise there were no major public legal cases regarding potential non-compliance with laws and regulations brought against Sandvik and neither did Sandvik receive any significant fines or non-monetary sanctions for non-compliance with laws or regulations.

NF6 EMPLOYEES

At year-end 2022, the number of employees amounted to 40,489 (38,669).

Competence development

Sandvik provides many opportunities for development through stretch assignments, projects, mentoring, digital learning platforms and face-to-face programs. We provide a global common offer of leadership and expert programs, we have various learning academies, we offer digital workshops and e-learning, for example, to upskill and reskill for today and the future. Our global leadership and expert programs all support our 2025 strategy. In 2022, we re-started the Next Generation Global Leaders Program that will continue to support the future leadership pipeline at Sandvik.

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. The purpose of this program is to attract and recruit top students in selected markets, accelerate their introduction to the Sandvik world and support our employer branding strategy. In January 2023, ten graduates from China, India, Finland, Sweden and the US, with a split of men/women of 40/60 percent, graduated from our 5th global graduate program.

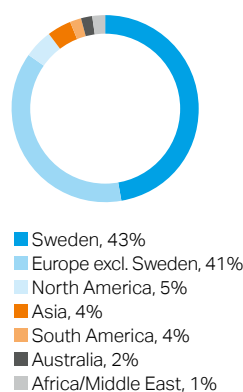
Internal job market

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 2022, 3,607 employees (3,039) were hired and a vast majority of the positions were posted on the open internal job market.

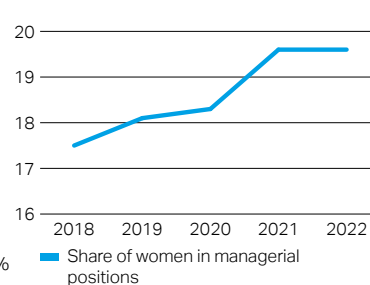
Diversity and inclusion

We strive for a diverse workforce and an inclusive culture to bring in broad perspectives, which creates benefits all the way to our communities and the customer. This is reflected in our recruiting, people development and retention and we are working on several initiatives in our business (see pages 23, 28 and 35). Our sustainability

Top 300 managers, nationalities



Share of women in managerial positions, %



NF6, continued

goal is to have one third of managers be female by 2030. In 2022, the share of women in external executive recruitments was 30 percent (30), and the share of women in managerial positions globally 19.6 percent (19.6). In our Executive Leadership Team we have five nationalities and the share of women is 44 percent. The latter was recognized by the Allbright Report with a number 66 position (105) on their green list. Our share of women in division management teams amounted to 22 percent (19) and the share of women in our talent pool was 28 percent (29). 21 percent (19) of the members in division management teams were non-Europeans.

Psychological safety is a prerequisite for an inclusive culture. Hence we train managers on intentionally creating a psychological safe space and we open every meeting with practicing this during our check-in. We follow up on our inclusion levels as part of our quarterly D&I Pulse surveys. We offer D&I training in a leadership workshop and a toolbox that includes e-learning workshops and exercises. Our D&I nanolearning is offered to all new hired and acquired employees. Our Bridge program focuses on leading across boundaries and all our internal global leadership programs include training on how to create an inclusive work environment and promote diversity.

Employee engagement

Sandvik conducts 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 78 percent (79), Inclusion Index 79.5 percent (78.5) with a 65 percent (57) response rate. Measures based on the results are implemented in each business area and in Group functions. In the fourth quarter of 2022, we introduced a more in-depth QPulse survey.

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 2022, 93 percent (90) of employees participated in performance dialogues.

In 2022, 46 percent (54*) of employees were covered by collective bargaining agreements.

Other

We use external remuneration consultants for bench-marking, as guidance. We did not apply any sign-on bonus or other extra incentive payments for new Executive Management team members in 2022.

*Including Alleima

Employees by employment contract and gender

FTE	Women		Men		Total	
	2021	2022	2021	2022	2021	2022
Permanent	6,354	6,662	25,598	26,467	31,952	33,129
Temporary	496	318	1,429	1,067	1,925	1,385
Total	6,850	6,980	27,027	27,534	33,877	34,514

Employees by employment type and gender

FTE	Women		Men		Total	
	2021	2022	2021	2022	2021	2022
Full time	6,252	6,402	26,606	27,033	32,858	33,435
Part time	598	578	421	501	1,019	1,079
Total	6,850	6,980	27,027	27,534	33,877	34,514

Employees by employment contract and region

FTE	Permanent		Temporary		Total	
	2021	2022	2021	2022	2021	2022
Europe	17,781	17,160	708	681	18,489	17,841
North America	4,128	4,361	27	23	4,155	4,384
South America	1,842	2,006	28	35	1,870	2,041
Africa & Middle East	1,942	2,032	250	250	2,192	2,282
Asia	5,313	6,517	896	374	6,209	6,891
Australia	959	1,062	17	23	976	1,085
Total	31,965	33,138	1,926	1,386	33,891	34,524

Employee hires by age

	2021		2022	
	Hired	%	Hired	%
Under 30	952	31	1,153	32
30–50	1,814	60	2,148	60
Over 50	268	9	298	8
Total	3,034	100	3,599	100

Employee hires by gender

	2021		2022	
	Hired	%	Hired	%
Women	718	24	872	24
Men	2,320	76	2,734	76
Total	3,039	100	3,607	100

Employee hires by region

	2021		2022	
	Hired	%	Hired	%
Europe	1,125	37	1,328	37
North America	878	29	835	23
South America	344	11	387	11
Africa & Middle East	143	5	268	7
Asia	380	12	594	17
Australia	169	6	195	5
Total	3,039	100	3,607	100

Employee turnover by age

	2021		2022	
	Left	%	Left	%
Under 30	484	15	556	16
30–50	1,963	10	2,448	12
Over 50	1,027	12	911	10
Total	3,474	11	3,915	12

Employee turnover by gender

	2021		2022	
	Left	%	Left	%
Women	738	12	818	13
Men	2,738	11	3,098	12
Total	3,476	11	3,916	12

Employee turnover by region

	2021		2022	
	Left	%	Left	%
Europe	1,497	8	2,192	13
North America	668	17	638	15
South America	218	12	225	12
Africa & Middle East	160	8	212	11
Asia	781	14	496	8
Australia	162	17	154	15
Total	3,486	11	3,917	12

NF6, continued

Employees by gender and employee category, %

	Women		Men		Total	
	2021	2022	2021	2022	2021	2022
Staff	26	27	74	73	57	57
Workers	12	12	88	88	43	43
Total	20	20	80	80	100	100

Employees by age group and employee category, %

	Under 30		30–50		Over 50		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
Staff	9	8	67	64	25	27	57	57
Workers	17	18	58	57	25	25	43	43
Total	12	13	63	61	25	26	100	100

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	44	0	44	56
Management	20	1	69	30
Other employees	20	14	60	26

REPORTING PRINCIPLES

Employee statistics regarding the number of FTEs (Full Time Equivalents) is derived from the financial reporting system. We report on continuing operations to be 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 83 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. ■

NF7 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 2022, 91 percent of sites in scope were certified.

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 2022, the LTIFR (LTIs per million hours worked) increased to 1.3 (1.2), and the TRIFR (total number of recordable injuries per million hours worked) increased to 3.1 (3.0). Acquisitions continue to negatively impact both TRIFR and LTIFR trends. We conducted a wide range of health and safety initiatives including, for example, targeted injury prevention campaigns and safety meetings and will continue our safety focus.

In November, Sandvik was issued a corporate fine of SEK 200,000 related to a fork-lift accident at Sandvik Rock Tools in Sandviken, Sweden, and in December, a corporate fine of SEK 300,000 related to a heavy-lift accident at Stationary Crushing and Screening in Svedala, Sweden. In both cases the operator's leg was badly hurt. Both investigations concluded that Sandvik had not taken sufficient action to prevent the accidents. We take this

seriously and have implemented measures to prevent similar accidents in the future.

Training

We continually work to ensure that each employee has the relevant skills, knowledge and competencies to undertake their tasks safely and without occupational injury, illness and/or harm to the environment. For example, each Sandvik location identifies and documents the necessary qualifications and competencies required for each occupation and develops training needs analyses. Attendance at critical training sessions is mandatory and training records of attendance are documented.

Occupational health and well-being

Sandvik has health and well-being programs available to its employees at all locations. These programs can cover a wide range of topics such as work/life balance, healthy eating and managing stress.

Occupational risk management

All Sandvik locations are required to include occupational health risks (e.g. exposure to noise, dust, fumes and other hazardous materials) in their location risk assessments and manage these risks as part of their EHS Management Systems. We continually work to replace hazardous materials with less hazardous alternatives in our

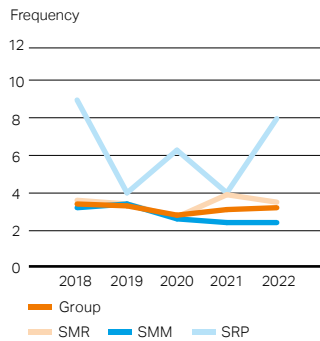
Work-related incidents

Health and safety	2021			2022		
	Employees	Non-employees ¹⁾	Total workforce	Employees	Non-employees ¹⁾	Total workforce
Injury						
Number of fatalities	0	0	0	0	0	0
Number of LTI	87	4	91	90	15	105
LTIFR ²⁾	1.3	0.4	1.2	1.3	1.4	1.3
Number of TRI	206	15	221	218	30	248
TRIFR ²⁾	3.2	1.6	3.0	3.2	2.9	3.1
Exposure hours, hazards and near misses						
Million exposure hours	64.7	9.5	74.2	69.2	10.4	79.6
Hazards reported	–	–	54,177	–	–	64,266
Hazards closed out	–	–	52,881	–	–	60,650
Hazard close out ratio (%)	–	–	97.6	–	–	94.4
Near misses reported	–	–	3,035	–	–	3,845
NMFR	–	–	41	–	–	48

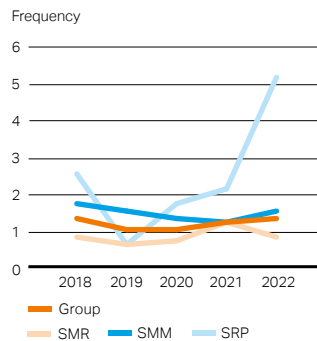
¹⁾ All who are not employees but whose work and/or workplace is controlled by Sandvik.
²⁾ Normalization factor = 1,000,000 hours worked.

NF7, continued

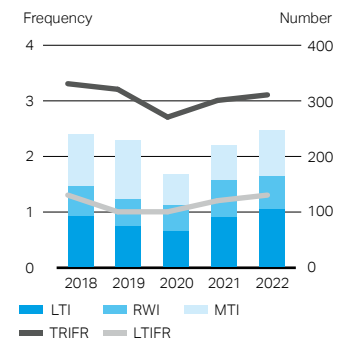
TRIFR by business area



LTIFR by business area



TRIFR and LTIFR, Group



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.

§ REPORTING PRINCIPLES

Health and safety data is derived from our EHS reporting system from which a wide range of EHS performance 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 require that historical figures are adjusted. All EHS data refers to continuing operations and it has been adjusted to reflect the divestment of Sandvik Materials Technology/Alleima. Acquisitions are included in the data once they are merged with Sandvik and start reporting EHS data.

An LTI is an accident resulting in time a full shift away from work, an RWI (Restricted Work Injury) is an injury where you can be at work, but you can't perform all of your ordinary work, and an MTI (Medical Treatment Injury) is when you need some kind of medical treatment

but can still perform all of 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 incidents classified as "high-consequence injury/illness" in GRI reports are incorporated in Sandvik's data for Lost Time Injuries. In 2022, we had two incidents on record meeting the six months' absence criteria. Our approach to mitigate these low frequency/high severity injuries/illnesses is a key part of our management system and is handled within the processes for fatality and serious potential incident management including, for example, in our work with critical controls.

Data regarding occupational illnesses and frequency rates is part of our EHS reporting processes. The illness data can be difficult to capture and can in some cases be surrounded by regulatory obligations including, 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 and/or the illness has some co-contributing non-work factors, which may contribute to the illness not being recognized as work-related. Consequently, the level of uncertainty is deemed higher for the illness data. Occupational 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. ■

NF8 ENVIRONMENTAL FOOTPRINT

Greenhouse gas 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 greenhouse gas (GHG) emissions. Sandvik had more than 200 Environmental Improvement Projects (EIPs) underway in 2022, many related to reducing green house gas emissions and increasing circularity. The EIPs cover the topics considered most material for each business area/division/site. For instance, the Svedala site in Sweden increased its heating recovery to reuse excess heat from production processes. 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 Scope 1 and Scope 2 GHG emissions compared to our baseline. In 2022, GHG emissions increased by 4 percent to 142 ktons CO₂e, mainly due to increased activity levels. We are still well in line with what is required to fulfill the 2030 goal.

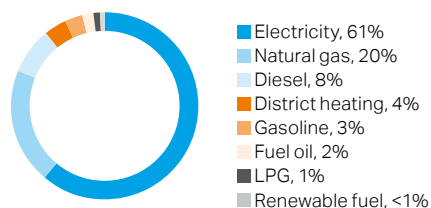
In 2022, we did a Scope 3 greenhouse gas inventory, related to our application to the Science Based Targets initiative, in line with the GHG protocol. 2019 was selected the base year since it was considered to be the most recent representative year prior to the COVID-19 pandemic. Our main categories for emission are 'Purchased goods and services' and 'Use of sold products'. Purchased goods and services is mainly driven by procurement of steel and cemented carbide. Use of sold products, such as mining and rock processing equipment, was calculated based on the life expectancy of the products. The emissions are related to fuel consumption,

such as diesel, and electricity usage was included for battery-electric vehicles. Electricity usage was calculated based on emission factors per country.

Scope 3 inventory, 2019 (baseline year)	kton CO ₂ e
Category 1: Purchased goods and services	1,770
Category 2: Capital goods	62
Category 3: Fuel and energy related actions	52
Category 4: Upstream transportation and distribution	321
Category 5: Waste generated in operation	26
Category 6: Business travel	79
Category 7: Employee commuting	57
Category 8: Upstream leased assets	9
Category 9: Downstream transportation and distribution	11
Category 10: Processing of sold goods	6
Category 11: Use of sold products	5,710
Category 12: End-of-life treatment of sold products	7
Category 13: Downstream leased assets	0
Category 14: Franchises	0
Category 15: Investments	0.1
Total Scope 3 emissions	8,110

NF8, continued

Energy by energy source



Energy consumption

Energy consumption (TJ)	2021	2022
Non-renewable fuels	1,381	1,302
Gasoline	131	128
Diesel	291	311
Liquefied petroleum gas	39	37
Natural gas	876	767
Fuel oil	44	57
Renewable fuels	6	17
Ethanol	2	2
HVO	1	5
Bio gas	3	11
Total energy from fuels	1,387	1,319
Grid electricity	2,204	2,311
Own renewable electricity	13	18
Purchased heat and steam	176	174
Sold heat	-34	-35
Total electricity heat and steam	2,358	2,468
Total energy consumption	3,745	3,787

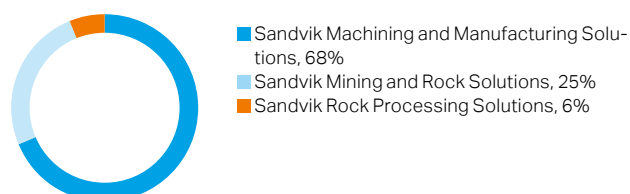
Energy intensity

Total energy use in relation to revenues	2021	2022
GJ/MSEK	44	34

GHG emissions 2018–2022, tons



Energy consumption by business area



GHG emissions

GHG emissions (kton CO ₂ e)	2021	2022
Scope 1	80	80
Scope 1 (biogenic)	2	3
Scope 2 (location based)	166	185
Initiatives to source low-emission electricity	-109	-124
Scope 2 (market based)	57	61
Gross total (location based)	246	266
Net total (market based)	137	142

The difference between local-based and market-based Scope 2 GHG emissions is mainly due to purchase of low GHG emission or renewable energy via Renewable Energy Certificates and/or Guarantees of Origin.

GHG emissions by business area (Scope 1 and 2)



Emission intensity (Scope 1 and Scope 2)

Total CO ₂ e in relation to revenues	2021	2022
ton/MSEK	1.6	1.3

Water

Water use is closely monitored and measures are taken to minimize consumption, including circulation of process and 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 limits.

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. All water withdrawn is released back to recipients after relevant treatment, (either in our own treatment facilities, or in third-party treatment operations) or is recirculated and reused. Water withdrawal and discharges are conducted in a carefully controlled manner and subject to relevant permits.

Water and effluents

Water withdrawal (1,000 m ³)	All areas	
	2021	2022
Fresh water by source of withdrawal		
Surface	2,434	2,784
Ground	570	462
Third-party	1,025	1,144
Rain	11	27
Total withdrawal	4,040	4,417

Water intensity

Water withdrawal in relation to revenues	2021	2022
m ³ /MSEK	47	39

NF8, continued

Waste

Use, reuse, recondition and recycle

Circularity is a material topic 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 as 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.

We collect and sort waste metal from our production in order to reuse/recycle the material. We run buyback programs with our customers to collect and reuse the material in our production. We cooperate with external partners and waste service companies to find new ways to recycle our waste. Each location has the responsibility to ensure that third-party waste companies manage the waste in line with contractual and legislative obligations. All employees and contractors are responsible for correctly sorting and disposing waste.

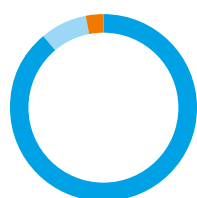
Total waste increased by 60 percent to 422 ktons. The increase is mainly attributable to increased activity levels, improved waste reporting and decreased backfilling of tailings. With small exceptions, waste is treated off site.

In 2022, Sandvik implemented a new target for waste circularity, new definitions of waste and waste treatment and more detailed measurement and improvement plans. Reuse and recycling are defined as circular waste. When reporting our circularity rate, we exclude mainly tailings, digestion sludge and slag to disposal since it is believed that it's not viable in the near term to take further measures to avoid sending these fractions to landfill. The waste circularity rate was 74 percent, compared to the 70 percent target for 2022. Our long-term target is to increase our waste circularity to 90 percent by 2030.

Waste by type and disposal method

Waste by type and disposal method (ton)	2021	2022
Hazardous waste	18,168	19,146
to reuse	127	141
to recycling	7,073	6,874
circular waste	7,199	7,015
to energy recovery	1,077	581
to incineration	905	749
to landfill	8,637	9,372
whereof digestion sludge	6,836	6,005
disposal method unknown	350	1,428
non-circular waste	10,969	12,130
Non-hazardous waste	246,282	402,609
to reuse	7,623	8,490
to recycling	19,537	29,832
circular waste	27,159	38,322
to energy recovery	2,676	2,904
to incineration	359	254
to landfill	214,491	360,321
whereof slag	2,325	3,589
whereof mining tailings	208,044	351,072
disposal method unknown	1,596	809
non-circular waste	219,122	364,288
Total waste	264,450	421,755
Waste excluding landfilled slag, mining tailings and digestion sludge	47,246	61,089

Total waste by business area



■ Sandvik Machining and Manufacturing Solutions, 89%
 ■ Sandvik Mining and Rock Solutions, 8%
 ■ Sandvik Rock Processing Solutions, 3%

Waste intensity

Total waste in relation to revenues	2021	2022
ton/MSEK	3,086	3,755

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 require that historical figures need to be adjusted. All EHS data refers to continuing operations and it has been adjusted to reflect the distribution of Sandvik Materials Technology/Alleima. Acquisitions are included in the data once they are merged with Sandvik and start reporting EHS data.

When calculating our Scope 1–3 GHG emissions, the GHG Protocol, using an operational control consolidation approach, was followed. The following GHGs were included in Scope 1 and 3 calculations: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃. Scope 2 calculations were limited to CO₂ emissions as this is all that energy utilities are required to report on, and thus the emission factors used are also limited to CO₂. This exclusion is estimated to account for approximately less than 1 percent. GHG emissions from bio-energy use is limited to fuel, such as ethanol and bio-based fractions of gasoline and diesel. Energy and GHG emission, Scope 1–2, are calculated based on reported consumption data.

For the Scope 3 calculations for 2019, a hybrid approach was applied using both a screening and inventory-based methodology. Emission factors from DEFRA, Ecoinvent, IEA, US EPA's Power Profiler, Canada National Inventory Report and Exiobase have been used, as well as supplier-specific data. For the market-based emissions, the consumption data uses specific emission factors, if available, and otherwise the same factors as for location-based emissions.

For waste, the reportable waste disposal methods are defined based on the disposal codes from the EU Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste. These definitions are 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 companies. ■

NF9 SUSTAINABLE SUPPLIER MANAGEMENT

Our sourcing activities play an important role in reaching our sustainability goals and we focus on identifying, preventing, mitigating and accounting for adverse risks in our supply chain. Sandvik has 47,000 suppliers located in 83 countries, from which we source raw materials, components, products and services.

The Sandvik Supplier Code of Conduct (home.sandvik/supplier-management) puts sustainability requirements on our suppliers. We strive towards continual improvement together with our suppliers in building a sustainable future.

In 2022, we continued our internal training of purchasers (48 percent trained) to support them in following up on suppliers' sustainability requirements. We also organized trainings targeting procurement staff in sustainable value chains, conducted by external experts.

During the year we implemented a more efficient way of working for evaluating and approving suppliers to be compliant with the Supplier Code. We also strengthened our work with responsible sourcing of minerals and metals due diligence in accordance with the OECD Due Diligence Guidance and the EU legislation 2017/821, including training of employees working with supplier management.

Climate

As we drive value chain climate mitigation, one important aspect is reducing supply chain greenhouse gas emissions. In our Supplier Code, we encourage suppliers to adopt climate targets in line with the Paris Climate Agreement, requiring them to control, measure, document and plan their work to minimize their business climate impact. Our commitment to the Science Based Targets initiative shows our determination to reduce climate impact.

During the year, we did a Scope 3 inventory to set a baseline and a process to ensure yearly supplier GHG measurement and track reduction as part of our supplier performance follow-up. In collaboration with our suppliers, we will continuously work to improve data quality and take proactive actions for GHG emission reductions.

Circularity

Circular use of raw materials and reducing the climate impact from our supply chain is continuous work, strengthening our ambitions for a circular supply chain. The Supplier Code covers requirements on suppliers to minimize the environmental impact of their business from a circularity perspective. It guides them to transition from a linear to a circular system, conserving finite resources and selecting materials and resources that can be reused and recycled.

Our buyback programs for cemented carbide have been part of our business model for many years. In our metal-cutting operations we have, together with our suppliers, developed a packaging solution enabling us to convert from virgin plastic raw material to recycled plastic.

People

Health and safety plans are part of the requirements on our suppliers in the Supplier Code, evaluated through self-assessment questionnaires and supplier audits. Suppliers are requested to provide a safe and healthy working environment and take all feasible steps to prevent incidents and injuries.

Fair play

The Supplier Code places requirements on our suppliers in the areas of health and safety, compliance with relevant laws, labor and human rights, environment and anti-corruption. Suppliers are requested to cascade Sandvik requirements to their own supply chain.

Suppliers are assessed for risk of violating the requirements in the Supplier Code based on country and category risks (high, medium or low risk). In 2022, approximately 4 percent of our supplier spend (1,207 suppliers) was rated as high risk, with the distribution China (2.4 percent), India (0.8 percent), Brazil (0.3 percent) and Mexico (0.2 percent). 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. In 2022, 21 on-site audits were performed, all conducted by independent third-party auditors. No supplier contracts were terminated due to breaches of the Supplier Code.

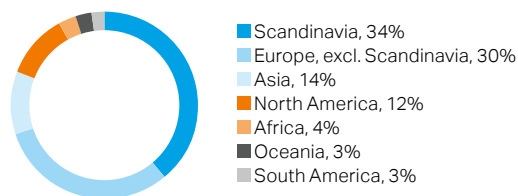
As part of our sustainability strategy we have a commitment to ensure that all suppliers comply with our Supplier Code by 2030. Besides conducting audits, Sandvik focused on implementing new ways of working. These include the use of EcoVadis, a sustainability rater that conducts impartial remote assessments of sustainability management practices and produces a supplier risk screening and rating.

Responsible sourcing of minerals and metals

Sandvik condemns all activities in the raw material sector that are connected to illegal or unlawful exploitation of ores, that directly or indirectly finance or benefit armed groups in conflict areas, or that contribute to serious human rights violations, including child labor. The Supplier Code and Sandvik Statement on Responsible sourcing of minerals and metals (home.sandvik/responsiblesourcing) reflect our commitment to responsible sourcing of minerals and metals in accordance with the OECD Due Diligence Guidance. The two documents also cover the sourcing of cobalt. Annually, we perform a reasonable country of origin inquiry to identify smelters and refiners associated with our supply chain, based on the OECD Due Diligence Guidance. In 2022, we focused on strengthening our due diligence processes and risk mitigation measures with support from an external service provider.

Wolfram Bergbau und Hütten AG (WBH), a Sandvik subsidiary based in Austria, operates one of the world's largest tungsten refineries and is listed as a Responsible Mineral Initiative (RMI) Responsible Minerals Assurance Process compliant tungsten facility (RMAP Conformant Tungsten Smelters at responsiblemineralsinitiative.org). WBH has its own Responsible Sourcing Statement, reports annually according to the OECD Step 5 guideline and undergoes annual third-party assurance assessments.

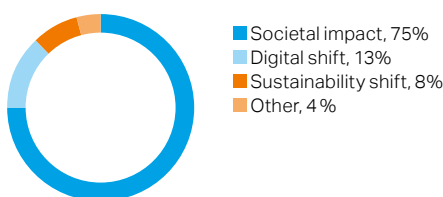
Supplier spend by region



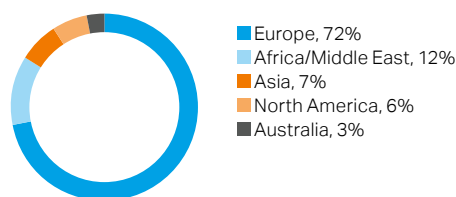
NF10 COMMUNITY INVOLVEMENT

Our platform for community involvement includes three focus areas: Sustainability shift, Digital shift and Societal impact. In 2022 we were involved in about 200 projects.

Community projects by focus area



Community projects by geography



NF11 EU TAXONOMY

The EU 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 reviewed 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. The mining sector is excluded from the EU taxonomy meaning that Sandvik's business related to mining equipment is not included in the reporting. Nor is the manufacturing of our business area Sandvik Machining Solutions eligible under the EU taxonomy. As a consequence, few activities are eligible for Sandvik. Parts of the business area Sandvik Rock Processing are included as *Manufacture of steel*, an eligible activity that has decreased compared to last year due to the separation of Sandvik Materials Technology from Sandvik in August 2022. The majority of the Group's eligible activities are related to owned and leased facilities (real estate). Energy efficiency and solar panels are separate activities related to real estate.

Activities deemed eligible are related to climate mitigation. Limitations in the preparation refer to owned facilities and energy efficiency activities which could not be fully reviewed due to the European reporting standards not being applied worldwide. In these cases the activities are deemed eligible but not aligned.

The assessment of aligned activities and its related turnover, capex and opex has been determined by reviewing the EU criteria for substantial contribution and validated through relevant documentation such as certificates, product specifications and other relevant supporting documentation. Applicable Do No Significant Harm (DNSH) criteria has been reviewed per eligible activity that meets the substantial contribution criteria. And according to EUs

requirements and has been validated through relevant documentation such as Climate scenario analysis, Life Cycle Analysis and environmental documentation.

Sandvik has used the Platform on sustainable Finance's Final report on Minimum Safeguards to assess compliance with the minimum safeguards laid down in Article 18 in Regulation (EU) 2020/852. There are processes in place to secure minimum safeguards relating to anti-corruption, fair competition and taxation as well as following the OECD's 6 steps for due diligence of human rights. For more information see pages 63–67, 139–140, and 146. There have been no court convictions in any of these areas.

§ REPORTING PRINCIPLES

Total turnover included in the denominator includes external reported revenue in the income statement (line revenues). The allocation of the eligible activities has been prepared using product accounts. The aligned activities refer to production within manufacture of steel.

Total capex included in the denominator includes investments and additions through acquisitions in property, plant and equipment (G14), intangible assets, excluding goodwill (G13) and Right-of-use assets (G15). The allocation of the eligible activities has been prepared by using cost types. The aligned activities refer to buildings.

Total opex included in the denominator are R&D, short-term leases, maintenance and repairs and other direct expenditure. The allocation of the eligible activities has been prepared using cost types. The aligned activities refer to maintenance of buildings and equipment.■

Proportion of Taxonomy-aligned economic activities

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Economic activities	Codes(s)	Absolute turnover MSEK	Proportion of turnover %	Substantial contribution criteria							DNSH criteria (Do No Significant Harm)							Taxonomy-aligned proportion of turnover, year N-1 %	Taxonomy-aligned proportion of turnover, year N %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Manufacture of iron and steel	3.9	380	0.3	100	0	-	-	-	-	Y	Y	Y	-	Y	Y	Y	0.3	-	-	T	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		380	0.3	100	0	-	-	-	-	-	-	-	-	-	-	-	0.3				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Acquisition and ownership of buildings	7.7	1	0.0																		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1	0.0																		
Total (A.1 + A.2)		381	0.3														0.3				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
Turnover of Taxonomy-non-eligible activities (B)		111,951	99.7																		
Total (A + B)		112,332	100																		

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute CapEx SEK	Proportion of CapEx %	Substantial contribution criteria							DNSH criteria (Do No Significant Harm)							Taxonomy-aligned proportion of turnover, Year N %	Taxonomy-aligned proportion of turnover, Year N-1 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Manufacture of iron and steel	3.9	5	0.0	100	0	-	-	-	-	Y	Y	Y	-	Y	Y	Y	0.0	-	-	T	
Installation, maintenance and repair of energy efficiency equipment	7.3	16	0.1	100	0	-	-	-	-	Y	-	-	-	Y	-	Y	0.1	-	E	-	
Installation, maintenance and repair of charging stations for electric vehicles in buildings	7.4	1	0.0	100	0	-	-	-	-	Y	-	-	-	-	-	Y	0.0	-	E	-	
Installation, maintenance and repair of renewable energy technologies	7.6	10	0.1	100	0	-	-	-	-	Y	-	-	-	-	-	Y	0.1	-	E	-	
CapEx of eligible Taxonomy-aligned activities (A.1)		32	0.3	100	0	-	-	-	-	-	-	-	-	-	-	Y	0.3				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Installation, maintenance and repair of energy efficiency equipment	7.3	1	0.0																		
Installation, maintenance and repair of renewable energy technologies	7.6	5	0.0																		
Acquisition and ownership of buildings	7.7	1,643	13																		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,649	13																		
Total (A.1 + A.2)		1,681	13.3														0.3				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of non-eligible activities (B)		10,992	86.7																		
Total (A + B)		12,673	100																		

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute OpEx SEK	Proportion of OpEx %	Substantial contribution criteria							DNSH criteria (Do No Significant Harm)							Taxonomy-aligned proportion of turnover, Year N %	Taxonomy-aligned proportion of turnover, Year N-1 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Manufacture of iron and steel	3.9	188	2.1	100	0	-	-	-	-	-	Y	Y	Y	-	Y	Y	Y	2.1	-	-	T
Acquisition and ownership of buildings	7.7	129	1.5	100	0	-	-	-	-	-	-	Y	-	-	-	-	Y	1.5	-	-	-
OpEx of eligible Taxonomy-aligned activities (A.1)		317	3.6	100	0	-	-	-	-	-	-	-	-	-	-	-	-	3.6			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Acquisition and ownership of buildings	7.7	341	3.8																		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		341	3.8																		
Total (A.1 + A.2)		658	7.4															3.6			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx of non-eligible activities (B)		8,219	92.6																		
Total (A + B)		8,877	100																		

NF12 GRI INDEX

GRI Content Index

Statement of use

Sandvik has reported in accordance with the GRI standards for the period 2022.01.01–2022.12.31

GRI 1 used

GRI 1: foundation 2021

Applicable GRI Sector Standards

N/A

Standard and disclosure	Page	Comments
GRI 2: General disclosures 2021		
The organization and its reporting practices		
Disclosure 2-1 Organizational details	21, 49, 76	
Disclosure 2-2 Entities included in the organizations sustainability reporting	43, 46, 49, 104, 119–128, 139–143, 145	
Disclosure 2-3 Reporting period, frequency and contact point	49, 139, 156	
Disclosure 2-4 Restatements of information	139	
Disclosure 2-5 External assurance	54, 134, 139, 153–154	
Activities and workers		
Disclosure 2-6 Activities, value chain and other business relationships	2–3, 21–37, 43, 63–67, 104, 139, 145–146	
Disclosure 2-7 Employees	140–142	iii and e) Information unavailable/incomplete. We lack a Group-wide system for collection of number of non-guaranteed workers.
Disclosure 2-8 Workers who are not employees	142	Entire disclosure 2-8 not applicable, Sandvik does not have a significant portion of workers who are not employees
Governance		
Disclosure 2-9 Governance structure and composition	49–55, 56–57, 142	vi, vii) Data unavailable/incomplete. Data does not include minority groups. The competence of the board is described on pages 56–57. It is not specified related to the impacts.
Disclosure 2-10 Nomination and selection of the highest governance body	50–51	iv) Data unavailable/incomplete. Data unavailable/incomplete. The competence is described on pages 56–59. It is not specified related to the impacts.
Disclosure 2-11 Chair of the highest governance body	51–52, 56–59	
Disclosure 2-12 Role of the highest governance body in overseeing the management of impact	51, 63	b, i, ii, c) Information incomplete/unavailable. Due diligence is not one single defined process but part of many different policies and procedures across Sandvik and an integrated part of the Sandvik way.
Disclosure 2-13 Delegation of responsibility for managing impacts	49–50, 52–53, 60–63	
Disclosure 2-14 Role of the highest governance body in sustainability reporting	49–50, 53–54, 63, 153	
Disclosure 2-15 Conflicts of interest	51–52, 56–57, 103	b) ii) Data unavailable/incomplete. Not currently available.
Disclosure 2-16 Communication of critical concerns	52–53	
Disclosure 2-17 Collective knowledge of the highest governance body	56–57, 63	
Disclosure 2-18 Evaluation of the performance of the highest governance body	51–53	
Disclosure 2-19 Remuneration policies	44–45, 48–52, 78–80, 141	
Disclosure 2-20 Process to determine remuneration	44–45, 50, 52, 141	
Disclosure 2-21 Annual total compensation ratio	78–80	a, b) Data unavailable/incomplete. The data is incomplete and missing the ratio. The remuneration (SEK) is available in the Remuneration Report 2022 on website home.sandvik. c) Data unavailable/incomplete. Due to the decentralized organization Sandvik cannot comply the data.
Strategy, policies and practices		
Disclosure 2-22 Statement on sustainable development strategy	4–5	
Disclosure 2-23 Policy commitments	63–65, 139, 146	ii) Information incomplete/unavailable. Due diligence is not one single defined process but part of many different policies and procedures across Sandvik and an integrated part of the Sandvik way.
Disclosure 2-24 Embedding policy commitments	49, 53–54, 63, 65, 67, 139–140, 146	
Disclosure 2-25 Processes to remediate negative impacts	63–65, 139	
Disclosure 2-26 Mechanisms for seeking advice and raising concerns	64–65, 139–140	
Disclosure 2-27 Compliance with laws and regulations	96, 139–140	a, b) Data unavailable/incomplete. We report on significant fines
Disclosure 2-28 Membership associations	139	

NF12, continued

	Standard and disclosure	Page	Comments
MATERIAL TOPICS	Stakeholder engagement		
	Disclosure 2-29 Approach to stakeholder engagement	139	
	Disclosure 2-30 Collective bargaining agreements		b) Data unavailable/incomplete. The working conditions and terms of employment of employees not covered by collective bargaining agreements are based on Sandvik Code of Conduct and local country legislation
		140–141	
	GRI 3: Material topics 2021		
	Disclosures on material topics		
	Disclosure 3-1 Process to determine material topics	63–64	
	Disclosure 3-2 List of material topics	63–64	
	Disclosure 3-3 Management of material topics	63–67	
	GRI 205: Anti-corruption 2016		
	Disclosure 3-3 Management of material topics	65	
	Disclosure 205-1 Operations assessed for risks related to corruption	140	
	Disclosure 205-2 Communication and training about anti-corruption policies and procedures	140	
	Disclosure 205-3 Confirmed incidents of corruption and actions taken	139–140	
	GRI 301: Materials 2016		
	Disclosure 3-3 Management of material topics	63–67	
	Disclosure 301-1 Materials used by weight or volume		Information unavailable/incomplete for the entire disclosure. Data is available in some divisions but not compiled for the whole of Sandvik.
	Disclosure 301-2 Recycled input materials used		
	Disclosure 301-3 Reclaimed products and their packaging materials		
	GRI 302: Energy 2016		
	Disclosure 3-3 Management of material topics	13, 63–64, 66, 143	
	Disclosure 302-1 Energy consumption within the organization	143–144	c, iii and d, iii) Information unavailable/incomplete No separate data on cooling consumption
	Disclosure 302-2 Energy consumption outside of the organization	143–144	Information unavailable/incomplete Incomplete data of energy consumption outside of the organisation.
	Disclosure 302-3 Energy intensity	143–144	
	Disclosure 302-4 Reduction of energy consumption		Entire disclosure Information unavailable/incomplete
	Disclosure 302-5 Reductions in energy requirements of products and services		Entire disclosure Information unavailable/incomplete
GRI 305: Emissions 2016			
Disclosure 3-3 Management of material topics	13, 63–64, 66, 143		
Disclosure 305-1 Direct (Scope 1) GHG emissions	7, 143–145		
Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	7, 143–145		
Disclosure 305-3 Other indirect (Scope 3) GHG emissions	7, 143–145	a, b, c, d) Information unavailable/incomplete.	
Disclosure 305-4 GHG emissions intensity	7, 143–145		
Disclosure 305-5 Reduction of GHG emissions	7, 143–145		
Disclosure 305-6 Emissions of ozone-depleting substances (ODS)		Entire disclosure Not applicable. Not a material topic	
Disclosure 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Entire disclosure Not applicable. Not a material topic	
GRI 306: Waste 2020			
Disclosure 3-3 Management of material topics	13, 63–64, 66, 145		
Disclosure 306-1 Waste generation and significant waste-related impacts	145		
Disclosure 306-2 Management of significant wasterelated impact	13, 66, 145		
Disclosure 306-3 Waste generated	145		
Disclosure 306-4 Waste diverted from disposal	145		
Disclosure 306-5 Waste directed to disposal	145		
GRI 308: Supplier Environmental Assessment 2016			
Disclosure 3-3 Management of material topics	145–146		
Disclosure 308-1 New suppliers that were screened using environmental criteria	145–146		
Disclosure 308-2 Negative environmental impacts in the supply chain and actions taken	145–146		

NF12, continued

	Standard and disclosure	Page	Comments
MATERIAL TOPICS	GRI 401: Employment 2016		
	Disclosure 3-3 Management of material topics		
	Disclosure 401-1 New employee hires and employee turnover	141–142	
	Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employee		Entire disclosure information unavailable/incomplete No global information collected
	Disclosure 401-3 Parental leave		Entire disclosure information unavailable/incomplete. No global information collected
	GRI 403: Occupational Health and Safety 2018		
	Disclosure 3-3 Management of material topics	14, 63–64, 66, 142	
	Disclosure 403-1 Occupational health and safety management system	66, 142–143	
	Disclosure 403-2 Hazard identification, risk assessment, and incident investigation	66, 142–143	
	Disclosure 403-3 Occupational health services	66, 142–143	
	Disclosure 403-4 Worker participation, consultation, and communication on occupational health and safety	66, 142–143	
	Disclosure 403-5 Worker training on occupational health and safety	66, 142–143	
	Disclosure 403-6 Promotion of worker health	66, 142–143	
	Disclosure 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	63–66	
	Disclosure 403-8 Workers covered by an occupational health and safety management system	66, 142–143	
	Disclosure 403-9 Work-related injuries	66, 142–143	
	Disclosure 403-10 Work-related ill health	66, 142–143	
	GRI 405: Diversity and Equal Opportunity 2016		
	Disclosure 3-3 Management of material topics	140–142	
Disclosure 405-1 Diversity of governance bodies and employees	140–142	ii) Not applicable. Sandvik do not track information on e.g. minority or vulnerable groups	
Disclosure 405-2 Ratio of basic salary and remuneration of women to men		Entire disclosure information unavailable/incomplete not possible to collect information required on significant locations of operations	
GRI 408: Child Labor 2016			
Disclosure 3-3 Management of material topics	63–67, 145–146		
Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor	145–146		
GRI 409: Forced or Compulsory Labor 2016			
Disclosure 3-3 Management of material topics	63–67, 145–146		
Disclosure 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	145–146		
GRI 414: Supplier social assessment 2016			
Disclosure 3-3 Management of material topics	63–67, 145–146		
Disclosure 414-1 New suppliers that were screened using social criteria	145–146		
Disclosure 414-2 Negative social impacts in the supply chain and actions taken	145–146		

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 2022. The company has defined the scope of the Sustainable Business Report and the Statutory Sustainability Report on page 139. The engagement includes a limited assurance engagement on the complete Sustainable Business Report and audit of certain information as specified below.

Responsibilities of the Board 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 139 of the Sustainable Business Report, and consists of the Global Reporting Initiative (GRI) Sustainability Reporting Standards which are applicable to the Sustainable Business, the Greenhouse Gas Protocol for CO₂ emissions 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 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. 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.

The audit firm applies ISQM 1 (International Standard on Quality Management) 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 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. 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 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 2022 data related to the Sustainability Goals We build circularity, We shift climate and We play fair, and specifically the following KPIs:

- Total waste (page 145)
- CO₂ emissions in Scope 1 and Scope 2 (page 144)
- Share of women in managerial positions (page 140)

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 9, 2023

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 Thursday, April 27, 2023, in Sandviken, Sweden.

Shareholders who wish to participate in the Meeting must:

- be recorded as a shareholder in the share register maintained by Euroclear Sweden AB on Wednesday, April 19, 2023, and

- give notice of their intention to participate in the Meeting, not later than Friday, April 21, 2023.

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 Wednesday, April 19, 2023.

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 2023 Annual General Meeting declare a dividend of SEK 5.00 per share.

The proposed record date is Tuesday, May 2, 2023. If the proposal is adopted by the Annual General Meeting, it is expected that dividends will be paid on Friday, May 5, 2023. 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

Sandvik has long-term financial targets focusing on growth, profitability, dividend and financial position. Financial targets are excluding discontinued operations, unless otherwise stated.

Growth 7 percent

A growth of 7 percent through a business cycle, organically and through acquisitions, in fixed currency

Adjusted EBITA margin range: 20–22 percent

An EBITA margin range of 20–22 percent through a business cycle, adjusted for items affecting comparability

Dividend payout ratio: 50 percent

A dividend payout ratio of 50 percent of EPS through a business cycle, adjusted for items affecting comparability, (Group total)

Financial net debt / EBITDA: <1.5

A financial net debt / EBITDA <1.5, excluding transformational acquisitions (Group total)

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.

Financial net debt/EBITDA

Interest-bearing current and non-current liabilities, excluding net pension liabilities and leases, less cash and cash equivalents divided by rolling 12 month EBITDA.

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.

** 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.*

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.

KEY FIGURES, GROUP TOTAL

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue, MSEK	87,328	88,821	90,822	84,430	93,906	100,924	103,533	86,409	99,110	123,453
Change, %	-11	2	2	-7	11	8	3	-17	15	25
of which organic, %	-7	-2	-6	-6	10	11	-1	-11	12	3
of which structural, %	0	2	0	0	0	-6	-1	-1	6	10
of which currency, %	-5	2	8	-1	1	2	4	-4	-3	10
EBIT, MSEK	8,638	10,120	6,062	9,657	18,011	18,103	13,182	11,184	18,644	20,912
as % of revenue	10	11	7	11	19	18	13	13	19	17
Adjusted EBITA, MSEK ¹⁾	-	-	-	-	-	-	-	14,846	19,364	24,470
as % of revenue ¹⁾	-	-	-	-	-	-	-	17	20	20
Profit before tax, MSEK	6,753	8,264	4,059	7,996	16,940	17,315	11,945	11,238	18,451	16,983
as % of revenue	8	9	4	9	18	17	12	13	19	17
Consolidated net profit for the year, MSEK	5,008	5,992	2,194	5,468	13,160	12,669	8,523	8,721	14,484	11,225
Equity, MSEK	33,610	36,672	34,060	39,290	48,722	58,163	61,858	65,082	77,332	81,270
Net debt/equity ratio, multiple	0.9	1.0	1.0	0.7	0.3	0.2	0.2	0.0	0.3	0.5
Financial net debt/EBITDA ¹⁾								-0.5	0.7	1.3
Capital turnover, %	89	89	86	83	90	89	85	72	76	72
Cash and cash equivalents, MSEK	5,076	6,327	6,376	8,818	12,724	18,089	16,987	23,752	13,585	10,489
Return on total equity, %	15.3	17.4	6.2	15.2	31.3	23.3	13.9	13.6	20.5	14.2
Return on capital employed, %	12.6	13.4	7.9	12.9	23.8	22.0	15.0	13.3	19.5	16.5
Investments in non-current assets, MSEK	4,185	4,703	4,161	3,691	3,578	3,984	4,147	3,278	3,598	4,530
Total investments, MSEK	4,674	7,537	4,168	3,722	3,578	8,615	6,018	6,552	27,195	20,213
Cash flow from operations, MSEK	5,133	9,515	11,952	12,032	14,286	14,914	16,894	15,347	13,177	10,465
Cash flow, MSEK	-8,656	1,039	79	2,288	3,963	5,382	-1,188	7,261	-10,527	-3,617
Number of employees, December 31 ²⁾	47,338	47,318	45,808	43,732	43,024	41,705	40,246	37,125	44,136	40,489

1) New financial target from 2022, historic values presented for two years.

2) Full-time equivalent.

Data per share

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Basic earnings, SEK ¹⁾	4.00	4.79	1.79	4.39	10.50	10.11	6.81	6.96	11.53	8.95
Diluted earnings, SEK ²⁾	4.00	4.79	1.79	4.39	10.49	10.09	6.79	6.95	11.52	8.94
Equity, SEK	26.7	29.1	27.1	31.2	38.8	46.4	49.3	51.9	61.6	64.8
Dividend, SEK (2022 as proposed)	3.50	3.50	2.50	2.75	3.50	4.25	-	6.50	4.75	5.00
Direct return, % ³⁾	3.9	4.6	3.4	2.4	2.4	3.4	-	3.2	1.9	2.7
Payout percentage, %	88	73	140	63	33	42	-	93	41	42 ⁴⁾
Quoted prices, Sandvik Share, highest, SEK	108	97	107	116	153.9	165.3	190.4	205.6	255.4	256.6
lowest, SEK	79	74	68	65	113.5	123.1	122.7	115.5	194.9	145.3
year-end, SEK	90.70	76.40	74.05	112.70	143.7	126.4	182.7	201.3	252.6	188.4
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	1,254.4	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
P/E ratio ⁵⁾	22.7	15.9	41.4	25.7	13.7	12.5	26.9	28.9	22.0	21.1
Quoted price, % of equity ⁶⁾	340	261	273	361	370	273	370	388	410	291

1) Profit for the year per share.

2) Profit for the year after dilution of outstanding share-based program.

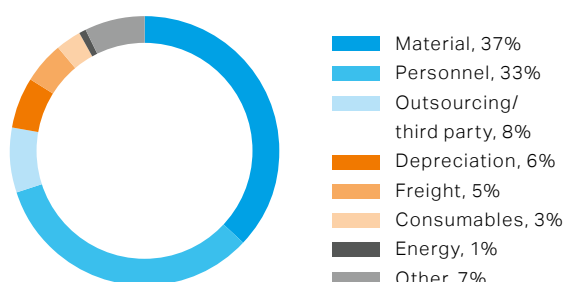
3) Dividend by quoted price at year-end.

4) The dividend payout ratio is calculated on Adj. EPS, diluted and only related to cash dividends and does not consider the distributed value from Alleima to shareholders.

5) Market price of share at year-end in relation to earnings per share after dilution.

6) Market price of share at year-end, as a percentage of equity per share.

Group costs by type



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.

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