



# Press Release

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*This press release has been published in Swedish and English. In the event of any discrepancy in content between the language versions, the Swedish version shall prevail.*

## **Sandvik announces a recommended public offer to the minority shareholders of Seco Tools**

**Sandvik AB ("Sandvik") today announces a recommended public offer to acquire all remaining shares in its subsidiary Seco Tools AB ("Seco Tools"), one of the world's largest manufacturers of innovative metal-cutting tools (the "Offer"). For each class B share in Seco Tools, Sandvik offers 1.2 shares in Sandvik. The Offer is part of Sandvik's strategy to continue to strengthen its world-leading position within the new business area Sandvik Machining Solutions. The Offer is recommended by the Board of Directors of Seco Tools. Further, Alecta Pension Insurance and Swedbank Robur Funds, major shareholders of both Seco Tools and Sandvik, are positive towards the Offer.**

### **Summary**

- Sandvik's group strategy confirms cutting tools as a core area, emphasized by the forming of the new business area Sandvik Machining Solutions, with significant growth and profitability potential. Seco Tools' strong brand and customer offering within cutting tools complements Sandvik's multi-brand portfolio, and bringing Seco Tools closer would enable Seco Tools to get full access to Sandvik's resources and competence, mainly within product development, production technology and supply chain capabilities.
- The Offer is unanimously<sup>1</sup> recommended by the Board of Seco Tools. Further, Alecta Pension Insurance and Swedbank Robur Funds, representing 18.3% of the shares and 4.9% of the votes in Seco Tools, are positive towards the Offer, and also intend to vote in favor of an authorization to issue consideration shares at Sandvik's EGM.
- It is Sandvik's intention that the management team of Seco Tools will continue as today. Seco Tools will be an independently managed product area under the umbrella of Sandvik Machining Solutions, just as Walter and Sandvik Coromant. There is currently no intention to carry out any material changes regarding Seco Tool's employees, terms of employment or the places of business.
- The Offer to the shareholders of Seco Tools consists of new shares in Sandvik. This will make it possible for the current shareholders of Seco Tools to benefit from the combined strength of Seco Tools and Sandvik in the area of metal cutting solutions. For each class B share in Seco Tools, Sandvik offers 1.2 shares in Sandvik. If the Offer is accepted in its entirety, 69,195,888 new shares in Sandvik will be issued to the shareholders of Seco Tools, corresponding to a dilution of Sandvik's existing shareholders of about 5.5%.
- The Offer will not give rise to any immediate Swedish tax consequences for individual shareholders of Seco Tools.<sup>2</sup>

<sup>1</sup> Annika Bäreemo and Peter Larson have not participated in the Seco Tools Board's deliberations and decision-making regarding the Offer.

<sup>2</sup> Provided that the roll-over relief provisions are fulfilled. Other rules apply to other categories of shareholders including limited liability company shareholders.

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- The Offer is anticipated to, apart from strengthening the customer offering and increasing the competitive strength, generate annual cost synergies of approximately 300 MSEK, with full effect from 2014.
- The acquisition does not require the approval of competition authorities.
- The acceptance period of the Offer is expected to run from 1 December 2011 up to and including 10 January 2012. An EGM in Sandvik will be held the week of 12 December 2011 to authorize the Board of Directors to decide to issue the consideration shares.

#### **CEO's comment:**

"This is a natural step, with a clear industrial rationale, in line with our strategy to continue to strengthen our leading position in the global market for cutting tools. Our subsidiary Seco Tools has a strong brand that complements our total customer offering very well, and Seco Tools will remain independent as a separate brand within our new business area Sandvik Machining Solutions. Bringing Walter from being a separately listed company into the Sandvik's multi brand model was a success and generated higher growth and profitability. Treating Seco Tools in a similar way will enable us to leverage on the total resources and investments in for example research and development, which will further strengthen our position in the increasing global competition", says Olof Faxander, Sandvik's President and CEO.

#### **Shareholders Alecta Pension Insurance and Swedbank Robur Funds**

Alecta Pension Insurance and Swedbank Robur Funds, representing 18.3% of the shares and 4.9% of the votes in Seco Tools, are positive towards the Offer, and also intend to vote in favor of an authorization to issue consideration shares at Sandvik's EGM.

#### **Background and reasons for the Offer**

Sandvik's group strategy confirms cutting tools and the new business area Sandvik Machining Solutions as a core area with significant future growth and profitability potential. The rapid change and increasing competition in the global markets for Sandvik's products emphasizes the advantage of economies of scale and importance of fast development of products and production technology. Seco Tools' strong brand and customer offering within the cutting tools industry complements Sandvik's current business well. Seco Tools is however considered too small to safeguard the long term value creation on its own. As a separately listed company, held at arm's length, Seco Tools has not been able to fully leverage the strengths of Sandvik. A completion of the Offer would therefore strengthen the global competitiveness of both businesses.

Seco Tools would be able to benefit from Sandvik's resources within product development, production technology and supply chain capabilities. It is also anticipated that the transaction would generate annual cost synergies of approximately 300 MSEK, with full effect from 2014.

#### **The Offer**

For each class B Seco Tools share tendered, each shareholder will receive 1.2 new shares in Sandvik.

The Offer represents a premium of approximately 22.9%<sup>3</sup>, based on the volume-weighted average share price on NASDAQ OMX for both shares during the last month up to and including 4 November 2011. Compared to the last closing price for Seco Tools' class B shares on NASDAQ OMX on 4 November 2011, being the last day of trading prior to the announcement of the Offer, of 81.30 SEK per share, the Offer represents a premium of approximately 32.0%.<sup>4</sup>

<sup>3</sup> Based on the volume-weighted average share price on NASDAQ OMX during the last month up to and including 4 November 2011 of 81.40 SEK per Seco Tools share of series B and 83.40 SEK per Sandvik share.

<sup>4</sup> Based on the latest closing price for Sandvik's share on NASDAQ OMX on 4 November 2011 of 89.45 SEK per share.

The Offer is equivalent to a value of approximately 107.34 SEK per Seco Tools share.<sup>5</sup> Thus, the total offer value for all shares in Seco Tools, not held by Sandvik, is approximately 6,190 MSEK.<sup>6</sup> The Offer values Seco Tools in its entirety at approximately 15,615 MSEK.

If the Offer is accepted in its entirety, 69,195,888 new shares in Sandvik will be issued under the Offer, corresponding to 5.5% dilution for Sandvik's existing shareholders. Only whole shares in Sandvik will be issued to Seco Tools shareholders accepting the Offer. Fractions of shares will be combined and sold in the market on behalf of shareholders concerned, and the consideration will thereafter be distributed between these shareholders in relation to the size of every shareholder's fraction of a Sandvik share.

Shares in Sandvik issued as consideration under the Offer entitle to dividend for the first time on the first record day for dividend occurring after the day when the new shares were entered in Sandvik's share register.

The Offer will not give rise to any immediate Swedish tax consequences for individual shareholders of Seco Tools who exchange their shares in Seco Tools for shares in Sandvik provided that the roll-over relief provisions are fulfilled. The shares in Sandvik are considered to have been acquired for a consideration equal to the tax basis of the divested shares in Seco Tools.<sup>7</sup>

No commission will be charged in connection with the completion of the Offer.

As per the day of the announcement of the Offer, Sandvik owns, through subsidiaries, all 43,500,000 class A shares and 44,304,450 class B shares in Seco Tools, corresponding to 60.4% of the shares and 89.3% of the votes in Seco Tools.

### Financial effects on Sandvik

Sandvik is Seco Tools' parent company and therefore already includes Seco Tools in its consolidated financial statements. This means that the effect of the Offer on Sandvik's result and financial position is limited mainly to that the part of the period's result and equity related to non-controlling interests is eliminated and replaced by equity related to equity-holders of the parent. Further, Sandvik will access 100% of the cash flow generated in Seco Tools.

Set out below is a summary of financial information based on Sandvik's financial accounts for 2010 as well as for the period January - September 2011 assuming that all of the shares are tendered in the Offer. The information is derived from Sandvik's public financial reports and has not been adjusted with regards to estimated synergies or transaction costs.

#### Full year 2010

MSEK	Sandvik Jan-Dec 2010	Adjustments Jan-Dec 2010	Pro forma Jan-Dec 2010
Revenue	82,654		82,654
Operating profit/loss (EBIT)	11,029		11,029
Operating margin	13%		13%
Profit for the period	6,943		6,943
Equity holders of the Parent	6,634	294	6,928
Non-controlling interest	309	-294	15
Equity <sup>8</sup>	33,813	0	33,813
Equity holders of the Parent	32,580	1,128	33,708
Non-controlling interest	1,233	-1,128	105

<sup>5</sup> Based on the latest closing price for Sandvik's share on NASDAQ OMX on 4 November 2011 of 89.45 SEK per share.

<sup>6</sup> Based on the latest closing price for Sandvik's share on NASDAQ OMX on 4 November 2011 of 89.45 SEK per share and 57 663 240 class B shares in Seco Tools not held by Sandvik.

<sup>7</sup> Other rules apply to other categories of shareholders including limited liability company shareholders.

<sup>8</sup> Adjustments consist of issue in kind of 6,190 MSEK, elimination of non-controlling interest in Sandvik related to the minority ownership in Seco Tools amounting to 1,128 MSEK, and a negative effect on equity related to equity-holders of the parent of 5,062 MSEK.

January – September 2011

<b>MSEK</b>	<b>Sandvik (unaudited) Jan-Sep 2011</b>	<b>Adjustments Jan-Sep 2011</b>	<b>Pro forma Jan-Sep 2011</b>
Revenue	68,980		68,980
Operating profit/loss (EBIT)	8,498		8,498
Operating margin	12%		12%
Profit for the period	5,058		5,058
Equity holders of the Parent	4,767	285	5,052
Non-controlling interest	291	-285	6
Equity <sup>9</sup>	33,830	0	33,830
Equity holders of the Parent	32,541	1,186	33,727
Non-controlling interest	1 289	-1 186	103

According to IFRS (International Financial Reporting Standards), additional acquisitions occurring post a controlling interest has been obtained are viewed as ownership transactions and are accounted for directly in equity. Thus, no goodwill arise and the effect will be limited to non-controlling interest in Sandvik related to the minority ownership in Seco Tools being replaced by equity related to equity-holders of the parent. Sandvik's transaction costs are estimated to a total of 60 MSEK.

Additional pro forma financial information for the new group under IFRS will be included in the offer document relating to the Offer.

### Ownership structure

If the Offer is accepted in its entirety, 69,195,888 new shares in Sandvik will be issued to the shareholders in Seco Tools. After the completion of the issue of new shares, the total number of shares in Sandvik will be 1,255,483,063 shares. Current shareholders in Sandvik will hold shares corresponding to approximately 94.5% of the shares and votes in Sandvik, while Seco Tools' current shareholders (excluding Sandvik) will hold shares corresponding to approximately 5.5% of the shares and votes in Sandvik. The dilution for Sandvik's existing shareholders will consequently be approximately 5.5%.

The tables below set out the ownership structure in Sandvik before and after the completion of the Offer, assuming full acceptance of the Offer. The information is based on the ownership structure in Sandvik and Seco Tools as per 30 September 2011 and known changes thereafter.

<b>Name</b>	<b>Sandvik's largest shareholders before the completion of the Offer</b>	
	<b>Number of shares</b>	<b>Percentage of shares and votes</b>
AB Industrivärden	144,594,300	12.2%
Swedbank Robur Funds	58,275,167	4.9%
Handelsbanken Pension Foundation	47,000,000	4.0%
Alecta Pension Insurance	43,045,000	3.6%
Harbor Funds Inc.	31,997,853	2.7%
State of Norway	31,272,287	2.6%
Göransson Foundations	27,118,377	2.3%
LE Lundbergföretagen AB	25,900,000	2.2%
AMF Pension Insurance	19,375,000	1.6%
Handelsbanken Funds	16,675,127	1.4%
Others	741,034,064	62.5%
<b>Total</b>	<b>1,186,287,175</b>	<b>100.0%</b>

Source: SIS Ågarservice as per 30 September 2011 and known changes thereafter.

<sup>9</sup> Adjustments consist of issue in kind of 6,190 MSEK, elimination of non-controlling interest in Sandvik related to the minority ownership in Seco Tools amounting to 1,186 MSEK, and a negative effect on equity related to equity-holders of the parent of 5,004 MSEK.

<b>Sandvik's largest shareholders after the completion of the Offer<sup>10</sup></b>		
<b>Name</b>	<b>Number of shares</b>	<b>Percentage of shares and votes</b>
AB Industrivärden	144,594,300	11.5%
Swedbank Robur Funds	72,822,659	5.8%
Alecta Pension Insurance	60,380,200	4.8%
Handelsbanken Pension Foundation	47,000,000	3.7%
Harbor Funds Inc.	31,997,853	2.5%
State of Norway	31,272,287	2.5%
Göransson Foundations	27,183,639	2.2%
LE Lundbergföretagen AB	25,900,000	2.1%
AMF Pension Insurance	19,939,692	1.6%
Nordea Funds	17,998,553	1.4%
Others	776,393,880	61.8%
<b>Total</b>	<b>1,255,483,063</b>	<b>100.0%</b>

Source: SIS Ägarservice as per 30 September 2011 and known changes thereafter.

### **Condition for the completion of the Offer**

Completion of the Offer is conditional upon Sandvik's shareholders adopting the resolutions necessary to issue new Sandvik shares in connection with the Offer. Sandvik reserves the right to withdraw the Offer in the event that it is clear that the above condition is not satisfied or cannot be satisfied.

### **Board recommendation**

The Board of Directors of Seco Tools unanimously<sup>11</sup> recommends that the shareholders of Seco Tools accept the Offer. The Seco Tools Board has received a fairness opinion from SEB Enskilda according to which, based on the assumptions made in the opinion, the Offer consideration is fair, see separate press release published by Seco Tools today.

### **Extraordinary General Meeting (EGM) in Sandvik**

The Board of Directors of Sandvik will convene an EGM, proposing that the EGM shall authorize the Board of Directors to decide to issue new shares in Sandvik as consideration for the acquisition of shares in Seco Tools under the Offer. The EGM will be held in the week of 12 December 2011. The notice will be made public in a separate press release.

AB Industrivärden, Swedbank Robur Funds, Handelsbanken Pension Foundation and Pension Fund, Alecta Pension Insurance and LE Lundbergföretagen AB together representing 27.6% of the shares and votes in Sandvik, have declared that they intend to vote in favor of an authorization to issue the consideration shares at the EGM.

### **Certain related party information**

As per the day of the announcement of the Offer, Sandvik owns, through subsidiaries, all 43,500,000 class A shares and 44,304,450 class B shares in Seco Tools, corresponding to 60.4% of the shares and 89.3% of the votes in Seco Tools. As the parent company of Seco Tools, Sandvik receives certain financial information from Seco Tools on a regular basis. Two members of the Board of Directors of Seco Tools, Annika Bärems and Peter Larson, are employees of Sandvik.

<sup>10</sup> Assuming full acceptance of the Offer.

<sup>11</sup> Annika Bärems and Peter Larson have not participated in the Seco Tools Board's deliberations and decision-making regarding the Offer.

## Indicative time table

The Offer document regarding the Offer is expected to be published on or around 25 November 2011. The acceptance period of the Offer is expected to run from 1 December 2011 up to and including 10 January 2012. Settlement is expected to commence on or around 20 January 2012. Sandvik reserves the right to extend the acceptance period as well as to defer the date for settlement.

## Compulsory acquisition

In the event that Sandvik obtains more than 90% of the shares in Seco Tools, Sandvik intends to initiate a compulsory acquisition procedure under the Swedish Companies Act (SFS 2005:551) to acquire all outstanding Seco Tools shares.

## Applicable law and disputes

The Offer is made under Swedish law. NASDAQ OMX's rules regarding public offers on the stock market (the "Takeover Rules") and the Swedish Securities Council's rulings regarding interpretation and application of the Takeover Rules apply to the Offer. In accordance with the Swedish Public Takeovers on the Stock Market Act (SFS 2006:451), Sandvik has undertaken towards NASDAQ OMX to comply with the rules established by NASDAQ OMX for such offers and submit to the sanctions that NASDAQ OMX may decide upon in event of violations of these rules. Any dispute relating to, or arising in connection with, the Offer shall be settled exclusively by Swedish courts, with the Stockholm District Court as the court of first instance.

## Advisers

Access Partners and Handelsbanken Capital Markets act as financial advisers and Mannheimer Swartling as legal advisers to Sandvik.

Sandviken, 7 November 2011

Sandvik Aktiebolag (publ)  
The Board of Directors

Sandvik will arrange a telephone conference today, 7 November 2011 at 12.00 (CET), where President and CEO Olof Faxander will give a brief presentation of the Offer. Presentation slides will be available on [info.sandvik.com](http://info.sandvik.com)

To participate in the telephone conference, please call:

Sweden: +46 8 506 269 00  
Pin code: 387 055 #

A recorded version of the telephone conference will be made available on Sandvik's website.

Sandvik AB discloses the information provided herein pursuant to the Securities Markets Act (SFS 2007:528) and the Takeover rules. The information was submitted for publication at 8:00 CET on 7 November 2011.

For further information, contact Jan Lissåker, Vice President Investor Relations, +46 26 26 10 23 or Anders Thelin, President Business Area Sandvik Tooling, +46 26 26 63 82.

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## The Sandvik Group

*Sandvik is a global industrial group with advanced products and world-leading positions in selected areas – tools for metal cutting, equipment and tools for the mining and construction industries, stainless materials, special alloys, metallic and ceramic resistance materials as well as process systems. In 2010, the Group had about 47,000 employees and representation in 130 countries, with annual sales of nearly 83,000 MSEK.*

*For more information visit [www.sandvik.com](http://www.sandvik.com)*

## Seco Tools

*Seco Tools is one of the world's largest manufacturers of cutting tools. In 2010 the group had about 5,300 employees with annual sales of approximately 5,900 MSEK. Seco Tools has representation in about 60 countries, in all continents, and has more than 50 wholly-owned non-Swedish subsidiaries. The company is listed on NASDAQ OMX since 1989. For more information visit [www.secotools.com](http://www.secotools.com)*