



## Offer to redeem shares in Sandvik AB in 2005

This document is a translation of the Swedish document. In the event of discrepancy between this translation and the Swedish original, the Swedish original shall govern.

This document is important. If you have any doubt as to what action you should take you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other independent financial adviser. If you have sold or transferred your shares in Sandvik, you should pass this document to the person through whom the sale or transfer was effected.

## The Offer in brief

The Annual General Meeting of Sandvik AB, held on 3 May 2005, resolved to offer the company's shareholders the right to redeem shares in an amount of approximately SEK 4 billion. Those who on the record date of 9 May 2005 are registered as shareholders in Sandvik are being offered the right to participate in this share redemption offer.

In brief, the offer implies that each share in Sandvik entitles the holder to one redemption right. The total of 25 redemption rights entitles the holder to redeem one share for the price of SEK 405.

You can also choose to sell your redemption rights and keep your Sandvik shares. The price of the redemption rights will be set by the trading in redemption rights that will take place on the Stockholm Stock Exchange. If you choose to keep your Sandvik shares, you will increase your interest in the company since the total number of shares in Sandvik is reduced (given that the redemption offer is utilised).

A detailed timetable is presented on page 5. For frequently asked questions and answers, see pages 16 – 17.

This information brochure contains information about the redemption offer and how you should proceed in order to participate in the offer. If you have any further questions, please call + 46 480 404 110.

## Contents

The Offer in brief . . . . .	2	Tax considerations in Sweden. . . . .	10
Background and reasons . . . . .	3	Description of the redemption procedure . . .	13
Illustrative example . . . . .	4	Financial effects of the Offer . . . . .	14
Timetable. . . . .	5	Share capital and ownership structure . . . . .	15
Terms, conditions and instructions . . . . .	6	Questions and answers . . . . .	16
How to use the application form . . . . .	8	Auditors' statement . . . . .	18

The term "Offer" refers to the redemption offer to the shareholders in Sandvik Aktiebolag as described in this document. The terms "Sandvik" or "the Company" refer to Sandvik Aktiebolag or the group of which Sandvik Aktiebolag is the parent company, depending on the context.

This Offer is not directed at or possible to accept for persons in Australia, Canada, Japan, New Zealand or the United States, for holders of Sandvik's American Depositary Receipts ("ADRs") or in such country or by such person whose participation requires additional prospectus or registration measures or other measures in addition to those required by Swedish law. Neither this document nor the application form may be distributed to or in Australia, Canada, Japan, New Zealand or the United States, nor to other countries where the distribution or the offer require additional measures in accordance with the aforementioned sentence, or to countries in which it breaches applicable laws or regulations. If such distribution nevertheless

takes place, an application form submitted may be disregarded.

Sandvik has instructed Handelsbanken Capital Markets to manage the sale of redemption rights that otherwise would have been distributed to directly registered persons in Australia, Canada, Japan, New Zealand or the United States that are not included in the Offer and to ensure that the cash proceeds of such sales, less applicable expenses, will be distributed to such holders. Amounts under SEK 100 with respect to any particular holding will not be distributed.

Disputes arising from the Offer pursuant to this document shall be settled exclusively in accordance with Swedish legislation and by Swedish court.

The contents of this document, which has been prepared by and is the sole responsibility of Sandvik AB, has been approved by Svenska Handelsbanken AB (which is an authorised person under the Financial Services and Markets Act 2000) solely for the purpose of section 21 Financial Services and Markets Act 2000.

## Background and reasons

On the basis of Sandvik's strong earnings trend, cash flow and balance sheet, the Board of Directors of the Company decided on 8 February 2005 to propose to the Annual General Meeting an extra distribution of capital to Sandvik's shareholders. The Annual General Meeting on 3 May 2005 decided in accordance with the Board's proposal.

This extra distribution is made in addition to the ordinary dividend and has been designed as an offer to redeem shares in an amount of approximately SEK 4 billion. The distribution should be viewed as part of Sandvik's goal to improve the efficiency of the Company's capital structure, which in its turn, maximises the value for you as a shareholder in Sandvik.

The reason for redeeming shares as a method to distribute capital is that it provides you as a shareholder with flexibility. You can choose either to have your shares redeemed or to sell your redemption rights on the Stockholm Stock Exchange, and thereby keep all your shares. Compared with an extra cash dividend, the redemption of shares also yields a positive effect on earnings per share.

Including the dividend of SEK 11 per share, a total of approximately SEK 6.7 billion will be distributed to the shareholders in Sandvik in 2005 (assuming that the redemption offer is fully utilised).

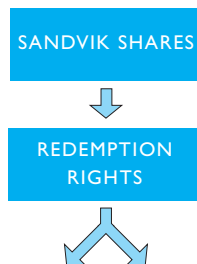
The redemption offer replaces previous share buy-back programs.

Sandviken, 4 May 2005

Sandvik Aktiebolag (publ)

# Illustrative example

Shareholders, who on the record date 9 May 2005 are registered as shareholders in Sandvik, receive one redemption right for each share in Sandvik



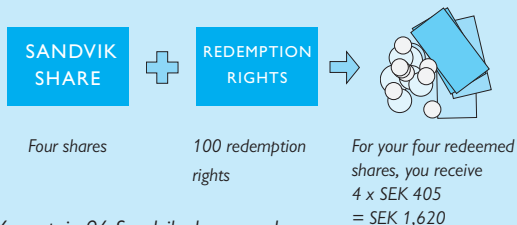
Assume you hold 100 Sandvik shares

You receive 100 redemption rights

There are two ways of profiting from the Offer:

## ALTERNATIVE 1 - SHARE REDEMPTION

25 redemption rights entitle the holder to redemption of one share, which implies that you as a holder of 100 redemption rights, may redeem four shares in exchange for SEK 405 for each redeemed share



You retain 96 Sandvik shares and hereby keep your participation interest\*\*

## ALTERNATIVE 2 - SALE OF REDEMPTION RIGHTS

100 redemption rights are tendered for sale, either via Handelsbanken (commission-free sale) or via your bank or stockbroker (market sale)



100 redemption rights

For the 100 redemption rights sold, you receive cash equivalent to the value of the redemption rights\*

You retain 100 Sandvik shares and hereby increase your participation interest\*\*\*

\* The value of the redemption right will be set by the trading in redemption rights on the Stockholm Stock Exchange that take place during the period 17 May – 7 June 2005.  
\*\* Assuming that the redemption offer is fully utilised.  
\*\*\* Assuming that the redemption offer is utilised.

On or about 21 June 2005, those who have tendered Sandvik shares for redemption will receive Sandvik shares referred to as redemption shares pending the implementation and registration at the Swedish Companies Registration Office of the requisite resolutions of the Extraordinary General Meeting in Sandvik,

which is scheduled for 28 June 2005, see also “Description of the redemption procedure” on page 13. Trading in redemption shares is scheduled to take place during the period 21 – 30 June 2005. The redemption amount of SEK 405 per redemption share is expected to be paid on or about 8 July 2005.

**Participation in the redemption offer is voluntary. Since the redemption offers a premium on the market price, financial value may be lost if shareholders disregard the Offer.**

After 7 June 2005, it will not be possible to trade redemption rights on the Stockholm Stock Exchange. After 10 June 2005, unexercised redemption rights will be worthless and - without notification from VPC AB (the Swedish central securities depository and clearinghouse, “VPC”) – will be removed from the VP-account (securities account). Neither Sandvik nor Handelsbanken will compensate for the value forfeited by the shareholder if the application form is submitted after the expiry of the application period.

Note that application for commission-free sale of redemption rights must be made not later than 30 May 2005. If the application only concerns share redemption, the application form must be received by Handelsbanken not later than 10 June 2005, at the address: Handelsbanken Capital Markets, Issue Department, SE-106 70 Stockholm, Sweden.

Participation in the redemption offer requires (i) redemption rights (25 per share tendered for redemption) and (ii) Sandvik shares. It is not possible to buy redemption rights and participate in redemption without holding shares in Sandvik (one share per 25 redemption rights) and tendering them for redemption within the period indicated.

# Timetable

ACTIVITY	DATE 2005	PLEASE OBSERVE
Annual General Meeting in Sandvik resolved on the redemption offer.	3 May	
Last day of trading in the Sandvik share <b>including</b> right to redemption right.	3 May	
First day of trading in the Sandvik share <b>excluding</b> right to redemption right.	4 May	
Record date for receiving redemption rights.	9 May	
Commencement of application period for exercising of redemption rights and commission-free sale. Trading in redemption rights commences.	17 May	
Last day for application for commission-free sale.	30 May	After this date, it is not possible to tender redemption rights for commission-free sale.
Last day of trading in redemption rights.	7 June	After this date, it is not possible to buy or sell redemption rights on the Stockholm Stock Exchange.
Application period for exercising redemption rights expire.	10 June	It is not possible to tender Sandvik shares for redemption after this date. Following this date, holdings of redemption rights are worthless and will be removed from the shareholder's VP-account (securities account) without notification.
Payment of proceeds for redemption rights sold commission-free.	On or about 14 June	
Redemption shares are registered in the VP-account and trading in redemption shares commences.	21 June	
Extraordinary General Meeting resolves on redemption of shares and other matters (scheduled for 28 June 2005).	28 June	
Trading in redemption shares ceases.	30 June	
Payment of redemption amount.	On or about 8 July	

# Terms, conditions and instructions

## REDEMPTION RIGHTS

Each Sandvik share provides one redemption right. Tendering one share for redemption requires 25 redemption rights.

## REDEMPTION AMOUNT

The redemption amount is SEK 405 for each Sandvik share redeemed.

## APPLICATION PERIOD

Application for redemption of shares must be made during the period 17 May – 10 June 2005. Application for commission-free sale of redemption rights must be made during the period 17 – 30 May 2005. If the application concerns both commission-free sale of redemption rights and redemption of shares, the application form must be received by Handelsbanken not later than 30 May 2005, see also “Application”.

## APPLICATION

Application for redemption of shares and/or commission-free sale of redemption rights, see “Commission-free sale of redemption rights”, must be made using the enclosed application form. Blank application forms are available at Handelsbanken offices and at Handelsbanken’s and Sandvik’s websites ([www.handelsbanken.se/aktuellaerbjudanden](http://www.handelsbanken.se/aktuellaerbjudanden) and [www.sandvik.com](http://www.sandvik.com) respectively) if, for example, your application form is lost. The number of shares tendered for redemption may at the most correspond to one-twenty-fifth of the total number of redemption rights held on the date of submission of the application form. Shares tendered for redemption and the requisite redemption rights will be restricted and thus cannot be transferred.

The duly completed application form should be mailed to Handelsbanken Capital Markets, Issue Department, SE-106 70 Stockholm, Sweden. The application form may also be sent by fax to Handelsbanken Capital Markets, fax +46 8 701 52 60. The application form must be received by Handelsbanken Capital Markets not later than 30 May 2005, if the application concerns commission-free sale of redemption rights only or a combination of commission-free sale of redemption rights and redemption of shares, and not later than 10 June 2005 if the application involves share redemption only.

Incomplete or incorrectly completed application form may be disregarded. *The application may not be submitted by e-mail. The application is binding.*

Only one application may be made by each share-

holder. In addition, an application for redemption may only comprise the redemption of whole shares and a number of redemption rights equally divisible by 25. Surplus redemption rights may be sold commission-free via Handelsbanken, see “Commission-free sale of redemption rights” below.

## PLEGGED SHARES

If the shares are pledged, the pledgee must also sign the application form. Those registered in the list of pledgees accompanying the share register will not receive an application form but will instead be informed separately by Handelsbanken, Issue Department.

## SHARES REGISTERED WITH NOMINEES

The information brochure and pre-printed application form will not be distributed to shareholders whose shares are registered with a nominee. Instead, the application has to be made in accordance with the instructions given by the nominee.

## LAST DAY OF TRADING IN SHARES CARRYING RIGHT TO REDEMPTION RIGHTS

The last day of trading in shares carrying rights to redemption rights was 3 May 2005. The Sandvik share is traded excluding right to redemption rights as from 4 May 2005.

## RECORD DATE

The record date at VPC for entitlement to redemption rights is 9 May 2005.

## TRADING IN REDEMPTION RIGHTS

Trading in redemption rights will take place on the Stockholm Stock Exchange during the period 17 May – 7 June 2005.

## COMMISSION-FREE SALE OF REDEMPTION RIGHTS

To ensure that shareholders with small shareholdings do not encounter any selling expenses when selling redemption rights over the market, each holder of redemption rights is offered the opportunity to sell in total a maximum of 500 redemption rights commission-free. The application should be made using the same form as the redemption application. The application period for commission-free sale of redemption rights is 17 – 30 May 2005. Once Handelsbanken has received the application, Handelsbanken is entitled to dispose of the number of redemption rights comprised in the application.

Handelsbanken intends to sell the redemption rights tendered for commission-free sale during the period

19 May – 7 June 2005, on behalf of the holder. The price of the redemption rights sold through the commission-free sales procedure will correspond to the average price for all redemption rights sold via this Offer. The proceeds will be paid on or about 14 June 2005 through a deposit in the applicant's cash account linked to the VP-account. If there is no cash account, or if such account is incorrect or is a postal giro account, payment will be made in accordance with instructions on the settlement note. Shareholders with holdings of redemption rights exceeding 500 redemption rights, that is the amount that can be sold commission-free, and who wish to sell the remainder or all of their redemption rights on the Stockholm Stock Exchange, should contact their bank or stockbroker.

#### ADMINISTRATION BY VPC

Enclosed with this document is a pre-printed application form showing the number of redemption rights received. No VP-notice (securities note) is distributed from VPC in conjunction with the registration of redemption rights in the VP-account. The number of shares tendered for redemption and the requisite number of redemption rights will be transferred to a newly opened, restricted VP-account in the shareholder's name. This implies that the tendered shares and redemption rights are restricted and can not be transferred. In connection herewith, a VP-notice is distributed indicating the deposit of shares and redemption rights in the newly opened restricted account. The redemption of one share requires 25 redemption rights. After the expiry of the application period, the tendered shares and redemption rights will be removed from the restricted account and what are referred to as redemption shares<sup>1</sup> will be registered in the original VP-account. The restricted account will subsequently be closed. A VP-notice relating to such registration and removal will not be distributed. Redemption shares may be traded, see below under "Trading in redemption shares". In connection with payment for redeemed shares, the redemption shares will be removed from the VP-account. No VP-notice will be distributed in connection herewith.

*Unexercised redemption rights have no value after the expiry of the application period and will be removed from the VP-account. No VP-notice will be distributed in this respect.*

#### TRADING IN REDEMPTION SHARES

Trading in redemption shares is scheduled to commence on 21 June 2005 and cease on 30 June 2005 and will be conducted on the Stockholm Stock Exchange.

#### PAYMENT OF REDEMPTION AMOUNT

Payment of SEK 405 for each redemption share is expected to take place on or about 8 July 2005. Payment will be made via VPC to the cash account linked to the VP-account. A VP-notice will be distributed as confirmation of payment.

#### NON-SWEDISH SHAREHOLDERS

Shareholders tax resident outside Sweden who choose to exercise the rights under the Offer are liable to Swedish withholding tax when shares are redeemed, see pages 10 – 12 "Tax considerations in Sweden". Withholding tax will thus be withheld for shareholders tax resident outside Sweden in connection with the payment of the redemption amount. On the other hand, if the redemption rights or redemption shares are disposed of in the market, they are not subject to Swedish withholding tax.

#### TERMS AND CONDITIONS UNDERLYING THE OFFER

The redemption offer is conditional on an Extraordinary General Meeting in Sandvik, intended to take place on 28 June 2005, resolving on (i) reduction of the share capital as a consequence of the redemption offer, with a statement of definite reduction amount, definite number of shares that the redemption comprises and redemption amount, (ii) an issue of C-shares to such an extent that an amount equal to the reduction amount is contributed to Sandvik, and (iii) reduction of the share capital with an amount corresponding to the reduction amount by redemption of C-shares and transfer to the statutory reserve, as well as on the Swedish Companies Registration Office passing the requisite resolutions on registration.

#### IMPORTANT INFORMATION ON TRADING IN REDEMPTION RIGHTS AND REDEMPTION SHARES ON THE STOCKHOLM STOCK EXCHANGE

As presented in the section entitled "Terms and conditions underlying the Offer" above, the Offer is conditional on, among other factors, resolutions being passed at an Extraordinary General Meeting of Sandvik. If the terms and conditions are not fulfilled, the transactions conducted in redemption rights, Sandvik shares or redemption shares can not be reversed. The redemption rights will be worthless, the Sandvik shares can be expected to be traded at share prices that are not affected by the detaching of redemption rights, and the redemption shares will revert to shares.

#### QUESTIONS

For frequently asked questions and answers, see pages 16 – 17. If you have any further questions regarding the Offer, please call +46 480 404 110.

<sup>1</sup> One redemption share is a share in Sandvik which will be redeemed for a price of SEK 405 after the terms and conditions of the Offer are fulfilled.

## How to use the application form

**1** In these boxes the maximum number of shares that may be redeemed in your case is shown and the number of odd-lot redemption rights that in this event will be sold commission-free. On 9 May 2005, VPC will conduct a search to identify shareholders in Sandvik, who are thus entitled to redemption rights in Sandvik. The redemption rights are designated “SR 1 050509” in your VP-account. On the record date 9 May 2005, each share in Sandvik entitles the holder to one redemption right. The person in our example is assumed to have 103 shares and receives therefore 103 redemption rights. The maximum number of shares that can be redeemed by means of 103 redemption rights is 4 shares ( $100 / 25 = 4$ ). The number of redemption rights in this case that can not be used for redemption and which therefore may be sold commission-free is 3 redemption rights ( $103 - 100 = 3$ ). Note that the pre-printed numbers in this alternative can not be changed.

**2** Here, you accept to redeem the maximum number of shares and to sell the remaining redemption rights. If you wish to redeem as many shares as possible and sell the remaining redemption rights commission-free, that is the number of shares and redemption rights indicated in boxes 1, you mark an X in this box. Subsequently, you should sign the application and add your daytime telephone number in box 9 and mail the application form to Handelsbanken Capital Markets, Issue Department, SE-106 70 Stockholm. If, instead, you wish to redeem a different number of shares and/or sell a number of redemption rights other than the number indicated in boxes 1, you must fill in the information in boxes 4–7 on the application form yourself. The person in our example is assumed to be unwilling to redeem the 4 shares indicated in box 1, since this would mean that the total shareholding after redemption would be 99 shares, that is it would be less than a full trading lot of 100 Sandvik shares. Thus, the person in our example chooses not to mark an X in box 2.

**3** This box shows your number of redemption rights. The number of redemption rights shown is based on the search by VPC on 9 May 2005. Thus, if redemption rights have been subsequently bought or sold, the number indicated will not be correct. In this case, cross out the pre-printed number and insert the correct number of redemption rights alongside it. The person in our example is assumed to hold 103 redemption rights.

**4** In this box you insert the number of redemption rights that you wish to exercise for the redemption of Sandvik shares. The person in our example wishes to exercise 75 redemption rights to redeem 3 shares ( $75 / 25 = 3$ ) and thus receive SEK 1,215 ( $3 \times 405 = 1,215$ ) as the redemp-

tion amount. Thus, the person inserts 75 in box 4. The total number in box 4 should be equally divisible by 25.

**5** Fill in the number of shares you wish to redeem. Since the person in our example wishes to redeem 3 shares, as above, 3 should be inserted in this box.

**6** Fill in the number of redemption rights tendered for commission-free sale. In this box you indicate how many redemption rights you wish to sell commission-free (maximum of 500 redemption rights). In this example, the person chooses to sell, commission-free, redemption rights not used to redeem Sandvik shares, that is 28 redemption rights ( $103 - 75 = 28$ ). Thus the person inserts 28 in box 6.

**7** The total in this box should equal the total in box 3. Boxes 4 and 6 are summed in this box. If you wish to exercise all your redemption rights, the total set out in this box should correspond with your total holding of redemption rights. If redemption rights have been bought or sold, the total should correspond with the new holding of redemption rights. Thus, the person in our example should insert 103 in this box ( $75 + 28 = 103$ ). If your holding of redemption rights exceeds 500 redemption rights – that is the amount you may sell commission-free – and you wish to sell the remainder or all redemption rights on the Stockholm Stock Exchange, the total will not tally. Using this application, you can not commission Handelsbanken to sell more than 500 redemption rights. A sale in excess of the commission-free sale must be made via your bank office or your stockbroker.

**8** Your VP-account number is indicated in this box. This is the VP-account, which VPC will search on 9 May 2005.

**9** Signature. To be valid, the application must be signed. Also add your daytime telephone number.

**10** Pledging. If the holding is pledged, for example because the shares have been used as collateral for a loan, the pledgee must also sign the application.

### MISCELLANEOUS

Blank application forms are available at Handelsbanken offices and at Handelsbanken's and Sandvik's websites, if for example your application form is lost. Note that it is very important that you write clearly since the application form will be read mechanically. The application may not be submitted by e-mail. If you have any questions, please contact your bank office or your stockbroker, or call +46 480 404 110.





**Application form for the redemption of shares and/or commission-free sale of redemption rights in Sandvik AB**

Application for redemption of shares:  
17 May – 10 June 2005  
Application for commission-free sale:  
17 May – 30 May 2005

**To be mailed to:**

Handelsbanken Capital Markets  
Issue Department  
SE-106 70 Stockholm, Sweden

**or send by fax to:**

Handelsbanken Capital Markets  
Fax no +46 8 701 52 60

**The Offer in brief:**

- One redemption right (SR 1 050509) is provided for each Sandvik share.
- 25 redemption rights are required to redeem one share.
- SEK 405 will be paid in cash for each Sandvik share redeemed.
- A maximum of 500 redemption rights may be sold commission-free.
- The Offer is conditional on the requisite resolutions for the implementation of the redemption offer being passed at the Extraordinary General Meeting in Sandvik, scheduled to take place on 28 June 2005 and the subsequent registration of these resolutions by the Swedish Companies Registration Office.

**Alternative 1 – Redemption of the maximum number of shares**

Using this alternative, you choose by **marking an X** in the appropriate box below to redeem the maximum number of shares using redemption rights, and to sell any remaining redemption rights commission-free. Please note that the pre-printed figures in this alternative can not be changed.

In your case, the following number of shares will be redeemed (number of redemption rights received divided by 25):

Shares
4

1

and the following number of redemption rights will be sold commission-free:

Redemption rights
3

2

**Yes, I/we wish to redeem the maximum number of shares and sell the remaining redemption rights commission-free as above.**

NOTE: Marking an X in the box means that any entries in the boxes below will be disregarded.  
**Don't forget to sign the application form!**

**Alternative 2 – Redemption and/or commission-free sale of a number other than the pre-printed numbers under alternative 1 above.**

**You have received the following number of redemption rights:**

*Please, write clearly!*

**A.** Number of redemption rights used for share redemption (must be equally divisible by 25):

Redemption rights
103

3

**B.** Number of shares to be redeemed (must be one-twenty-fifth of the number of redemption rights noted in item A):

Redemption rights
75

4

**C.** Number of redemption rights tendered for commission-free sale:  
NOTE! Maximum 500 redemption rights.

Shares for redemption
3

5

Redemption rights
28

6

**D.** Total number of redemption rights exercised (corresponds to the total number of redemption rights indicated in item A and/or item C):

Redemption rights
103

7

8
0000-9999-9999

**Redemption rights/shares are registered in the VP-account:**

Handelsbanken is authorized to take registration measures and remove the redemption rights and shares from the indicated VP-account to the extent required by this application.

9

**Information regarding shareholder**

10

**Information regarding pledge (if applicable)**

Personal identity no./Corp. reg. no. 111111-1111	Daytime tel. no. 0480-404110	Pledgee's identity no./Corp. reg. no.	Daytime tel. no.
Name/Company Lars Larsson		Pledgee	
Place Kalmar	Date 20/5 - 2005	Place	Date
Signature (compulsory) Lars Larsson		Pledgee's signature	

**Please call +46 480 404 110 should you have any questions regarding the Offer.**

# Tax considerations in Sweden

*The presentation below is a summary of certain Swedish tax regulations that apply to shareholders in Sandvik as a result of the Offer. Unless otherwise stated, the summary is based on regulations and practice currently in force for shareholders with an unlimited tax liability in Sweden. The presentation does not cover situations in which securities are held as current assets in business operations or are held by partnerships. Neither does it deal with the special tax regulations applying to certain corporate categories nor the rules on tax-exempt capital gains (including non-deductible capital losses) and dividends on shares considered to be held for business purposes<sup>1</sup>. Nor does the summary cover the special rules that may apply to holdings in companies that have been acquired by means of “qualified shares” in closely held companies. For shareholders that are not tax resident in Sweden, the tax consequences may be affected by provisions of the shareholders’ home state and by tax treaties between Sweden and other states. The tax implications for each shareholder depend in part on the shareholder’s specific circumstances. All shareholders should consult a tax advisor for information on the specific tax consequences arising from the Offer for their part.*

## IN BRIEF

Receipt of redemption rights does not give rise to any taxation. Taxation will arise first when redemption rights or redemption shares are disposed of or when the shares are redeemed. Taxation is conducted in accordance with the rules governing capital gains or capital losses for shareholders that are tax residents of Sweden. In the case of shareholders that are tax residents outside of Sweden, a Swedish withholding tax is payable on the cash proceeds received when shares are redeemed. However, no withholding tax is payable if redemption rights or redemption shares are sold in the market.

## RECEIPT OF REDEMPTION RIGHTS

The receipt of redemption rights pursuant to this redemption offer does not give rise to any taxation. Instead, the acquisition cost of shares in Sandvik entitling to the redemption rights will be allocated between these shares and the redemption rights received. The exercise of the redemption rights to participate in the redemption offer does not give rise to any taxation.

## SALE OF REDEMPTION RIGHTS

Sale of redemption rights gives rise to capital gains taxation. The capital gain or the capital loss respectively is computed as the difference between the sales proceeds, after deduction for sales costs, and the acquisition cost for the redemption rights. As mentioned above, the acquisition cost of redemption rights is determined based on the average acquisition cost of the shares entitling to the redemption rights, by an allocation of the shares’ acquisition cost between the shares and the redemption rights.<sup>2</sup> The allocation will be based on the market values at the time of the detachment of the redemption rights. Sandvik intends to seek a general advice from the Swedish Tax Agency on how large portion of the acquisition cost of the shares in Sandvik immediately before the detachment of the redemption rights that shall be allocated to the shares and the redemption rights respectively.<sup>3</sup> The acquisition cost of a redemption right acquired in the market is the purchase price. The acquisition cost of all redemption rights is computed collectively in accordance with the average method. The standard method does not apply to redemption rights. After expiry of the period during which the redemption rights may be utilised, any redemption rights that have not been used should be considered to be disposed of for SEK 0.

See below under “Redemption and sale of shares” – “Individuals” or “Limited liability companies” for a further description on the taxation of capital gains.

## Example

A shareholder has 100 shares in Sandvik with an average acquisition cost of SEK 250 before the detachment of redemption rights. Assume in this example, that the Swedish Tax Agency in its forthcoming general advice determines that 1.5 per cent (note that this is solely an assumption) of the acquisition cost for one share in Sandvik prior to the detachment of redemption rights is attributable to the redemption right, with the remaining 98.5 per cent attributable to the share. The acquisition cost for these redemption rights will then be SEK 3.75 each (1.5 per cent of SEK 250). The remaining shares subsequently have an average acquisition cost of SEK 246.25 (98.5 per cent of SEK 250).

Thus, if the redemption rights are sold for SEK 4 each, this gives rise to a capital gain of  $(4 \times 100) - (3.75 \times 100) = \text{SEK } 25$ .

<sup>1</sup> Quoted shares are deemed to be held for business purposes if the total number of voting rights for the owning company’s overall participation corresponds to 10 per cent or more of the voting rights of all shares in the company or if the holding is related to the operations carried out by the owning company or another, specifically defined related company. For a capital gain to be tax-exempt and a capital loss not to be deductible with regard to quoted shares, it is also required that shares have been held for business purposes by the holder for a consecutive period of at least one year before the sale. Redemption rights are held for business purposes if the underlying shares that entitled to the redemption rights are held for business purposes. For a capital gain or a capital loss on redemption rights regarding quoted shares to be tax-exempt or non-deductible, the shares that entitled to the redemption rights must have been acquired at least one year before the sale.

<sup>2</sup> In a similar case, the Swedish Supreme Administrative Court has ruled that such an allocation may not be made when the acquisition cost of the shares has been computed by using the standard method. Consequently, in such case the redemption rights will not have any acquisition cost.

<sup>3</sup> Information on the Swedish Tax Agency’s general advice will be published on its website [www.skatteverket.se](http://www.skatteverket.se) and Sandvik’s website [www.sandvik.com](http://www.sandvik.com).

## REDEMPTION AND SALE OF SHARES

Redemption of shares is treated as a disposal of shares and will consequently be subject to a capital gains taxation. The capital gain or capital loss respectively is calculated as the difference between the redemption amount (the sales proceeds) after deductions for sales costs and the acquisition cost of the redeemed or disposed shares. As stated above under “Sale of redemption rights” the average acquisition cost for those shares in Sandvik entitling to the redemption rights is reduced with the acquisition cost allocated to the redemption rights.<sup>4</sup> In calculating capital gains, the acquisition cost of the 25 redemption rights required for the redemption of one share should be added to the remaining acquisition cost for a redeemed share in Sandvik.

In calculating the acquisition cost for redeemed shares, the average acquisition cost of all shares of the same class and type is used. However, in applying the average method, redemption shares are not deemed to represent shares of the same type and class as ordinary shares in Sandvik. As an alternative for shares that are quoted on a market (Sw: marknadsnoterade), at the time of the sale the acquisition cost may be determined using the standard method according to which the acquisition cost is set at 20 per cent of the sales proceeds after deduction for sales costs.

### Example

A shareholder has 100 shares in Sandvik, with an average acquisition cost of SEK 250 before the detachment of redemption rights. Assume in this example that the Swedish Tax Agency in its forthcoming general advice determines that 1.5 per cent (note that this is solely an assumption) of the acquisition cost for a share in Sandvik prior to the detachment of redemption rights is attributable to the redemption right and the remaining 98,5 per cent is attributable to the share. If the shareholder tenders 4 shares for redemption for a cash amount of SEK 405 per share, capital gains or loss will be as follows:

Sales proceeds:	
4 x SEK 405 =	SEK 1,620
Less:	
4 x 246.25 (98.5% of SEK 250)	SEK -985
100 x 3.75 (1.5% of SEK 250)	SEK -375
Capital gain	SEK 260

## Individuals

Capital gains for individuals are taxed as income from capital at a tax rate of 30 per cent. If a capital loss arises on shares and other quoted securities such as quoted redemption rights, the loss is fully deductible against capital gains realised in the same year on shares and other quoted securities that are taxed as shares except for units in mutual funds which assets consists solely of Swedish receivables (Sw: svenska räntefonder). 70 per cent of an excess loss, which cannot be offset in this way, is deductible from other income from capital. If an overall capital deficit arises, a reduction from the tax on income from employment and business operations as well as property tax is granted. A tax reduction of 30 per cent is provided for deficits that do not exceed SEK 100,000 and 21 per cent of any remaining deficit. Deficits can not be carried forward to later fiscal years.

## Limited liability companies

In the case of limited liability companies, capital gains are normally taxed as income from business operations at a tax rate of 28 per cent. Deductible capital losses on shares and other share related securities may only be offset against taxable capital gains on shares and other such share related securities. In certain cases, capital losses may be offset against capital gains within a certain corporate group if group contributions are permitted among the companies. Capital losses that can not be utilised during a certain year may be carried forward and be utilised against eligible capital gains in subsequent fiscal years.

## SPECIAL TAX CONSIDERATIONS FOR SHAREHOLDERS WITH LIMITED TAX LIABILITY IN SWEDEN

In the case of shareholders that are tax residents outside of Sweden, the redemption is deemed to be a dividend, which means that Swedish withholding tax is levied on the redemption amount paid. Under present tax law, no deduction for the acquisition cost on the redeemed shares is admitted<sup>5</sup>.

The Swedish Government has proposed changes to these provisions in government bill prop. 2004/05:146 on certain withholding tax issues etc. Pursuant to the proposal, a right to claim a refund for the part of the withholding tax that is attributable to the shares' acquisition cost or – as an alternative for quoted shares – to 20 per cent of the redemption amount received, may be admitted if a claim for a refund is filed with the Swedish Tax Agency at the latest at the end of the fifth calendar

<sup>4</sup> As noted above, Sandvik intends to request a general advice from the Swedish Tax Agency regarding how large a part of the acquisition cost of a share in Sandvik immediately prior to the detachment of a redemption right should be allocated to the redemption right and the share, respectively.

<sup>5</sup> In certain cases, the Swedish Tax Agency has granted a deduction for the nominal value of the redeemed shares. The issue regarding whether deduction of a higher amount than the nominal amount of the redeemed shares may be deducted when calculating the withholding tax is at present subject to trial by Swedish tax courts and by the EC court.

year after the payment. The new provisions are scheduled to enter into force on 1 July 2005 and they are proposed to apply on payments as from 1 January 2005. To claim such a refund, the shareholder must file form 3740 “Claim for repayment of Swedish tax on dividends”, and provide the Swedish Tax Agency with appropriate certificates of deduction of the Swedish withholding tax on dividends as well as evidence of the redeemed shares’ acquisition cost.

The claim is to be filed with the Swedish Tax Agency, the Ludvika Office. Present address: Box 23, SE-771 21 Ludvika, Sweden, tel. no. +46 240 87 000.

The application form is available at the Swedish Tax Agency’s web site, [www.skatteverket.se/blanketter/3740](http://www.skatteverket.se/blanketter/3740). It should be noted that withholding tax will be deducted from the redemption payment irrespective of whether the redemption shares or redemption rights are received through the redemption offer or are purchased in the market. The withholding tax rate is 30 per cent but is generally reduced pursuant to tax treaties with other countries. In Sweden, normally VPC or – if the shares are registered with a nominee – the nominee effects the

withholding tax deductions. However, no Swedish withholding tax is payable when redemption rights or redemption shares are disposed of in the market.

Shareholders that are tax residents outside of Sweden are normally not taxed in Sweden for the sale of shares or similar securities. However, according to a special provision, individuals who are tax residents outside of Sweden can be subject to Swedish taxation on the sale of Swedish securities if the seller has been resident in Sweden or has had his/her habitual abode there at any time during the calendar year when the sale occurred or during the previous ten calendar years. However, in many cases the application of this provision is limited by means of tax treaties.

**It should be noted that Swedish withholding tax is payable on the redemption amount received when shares are redeemed for shareholders tax resident outside of Sweden. However, no Swedish withholding tax is payable when redemption rights or redemption shares are sold in the market.**

## Description of the redemption procedure

The Annual General Meeting on 3 May 2005 resolved on a redemption offer to the shareholders in Sandvik with a total value of approximately SEK 4 billion. The resolution implies that shareholders are offered to redeem every twenty-fifth share in the Company for a cash payment of SEK 405 for each share.

When the application period expires the exact number of shares to be redeemed can be determined on the basis of the number of shares tendered for redemption. The share redemption offer implies that Sandvik's share capital is expected to be reduced by at the most SEK 59.3 million through the redemption of a maximum of 9.9 million shares. In the absence of other measures, this requires court permission, which implies that payment of the redemption amount can not be made until the court's permission has been received and become legally binding. To avoid the requirement for court permission and thus achieve faster payment of the redemption amount to the shareholders, the Board of Directors intends to propose the issue of redeemable C-shares. This procedure is made possible through a change in Sandvik's Articles of Association that was resolved on by the Annual General Meeting on 3 May 2005.

### REDEMPTION IS EXPECTED TO PROCEED AS FOLLOWS:

1. An Extraordinary General Meeting, scheduled for 28 June 2005 resolves to reduce the share capital of Sandvik through the redemption of shares as a result of the redemption offer. An amount corresponding to the redemption amount of approximately SEK 4 billion can be paid out to the shareholders after the requisite resolutions have been registered with the Swedish Companies Registration Office. The restricted equity (the share capital) is reduced by the nominal amount of the redeemed shares (the reduction amount) and unrestricted equity is reduced by the remaining portion (the difference between the redemption amount and the reduction amount).
2. The Extraordinary General Meeting also resolves that Sandvik's share capital shall be increased by the reduction amount by means of a directed new share issue of redeemable C shares. As a result of Sandvik receiving an amount equal to the reduction under Section 1 above, the share capital is restored. Consequently, the reduction arising from the redemption of shares can be made without the permission of a court. Handelsbanken has undertaken to subscribe for all C-shares.
3. Finally, the Extraordinary General Meeting resolves that Sandvik's share capital shall be reduced through the redemption of the newly issued C-shares. Restricted equity is restored at the same time through a transfer from unrestricted equity to the statutory reserve (restricted equity) of an amount equal to the reduction amount.
4. The result will be that unrestricted equity is reduced by the redemption amount of approximately SEK 4 billion.

## Financial effects of the Offer

To illustrate how the redemption offer would have affected Sandvik's consolidated financial statements for 2004, a pro forma income statement and balance sheet and certain financial key ratios are presented below. Sandvik applies as from 1 January 2005 International Financial Reporting Standards (IFRS) and the financial statements for 2004 below are based on these accounting policies. The pro forma accounts have been prepared using the following principles and assumptions:

- The income statement for 2004 has been prepared as if the Offer had been completed on 1 January 2004. The balance sheet has been prepared as if the Offer had been completed on 31 December 2004.
- All redemption rights are exercised, which implies

that the closing and average numbers of shares decrease by approximately 9.9 million shares. Sandvik holds approximately 16.5 million own shares, which are not encompassed by the Offer.

- The redemption amount, totalling about SEK 4,002 million increases in whole Sandvik's interest-bearing liabilities. In calculating the effect on earnings that arises as a result of the increase of the interest-bearing liabilities, an assumed interest rate of 5% before tax and a standard tax rate of 28% have been applied.
- The costs of the Offer are relatively limited and of a non-recurring nature, and thus these have not been taken into consideration.

<b>Consolidated income statement, (IFRS)</b>			Pro forma
SEK million	2004	Adjustments	2004
Invoiced sales	54,610		54,610
Operating profit	7,578		7,578
Financial income and expenses, net	-701	-200	-901
Profit after financial items	6,877	-200	6,677
% of invoicing	12.6		12.2
Taxes	-1,766	56	-1,710
Net profit	5,111	-144	4,967
of which, Minority interests	265		265
of which, Shareholders' interests	4,846		4,702

<b>Consolidated balance sheet, (IFRS)</b>			Pro forma
SEK million	2004	Adjustments	2004
<b>Assets</b>			
Fixed assets	22,663		22,663
Inventories	13,459		13,459
Current receivables	13,532		13,532
Liquid assets	1,720		1,720
Total assets	51,374	-	51,374
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity (including minority interests)	23,551	-4,002	19,549
Interest-bearing provisions and liabilities	14,207	4,002	18,209
Non-interest-bearing provisions and liabilities	13,616		13,616
Total shareholders' equity and liabilities	51,374	-	51,374

<b>Key figures</b>			Pro forma
	2004	Adjustments	2004
Average number of shares ('000) <sup>1)</sup>	251,334	-9,882	241,452
Average number of shares after full dilution ('000) <sup>1)</sup>	252,692	-9,882	242,810
Earnings per share, SEK <sup>2)</sup>	19.3		19.5
Earnings per share after full dilution, SEK <sup>2)</sup>	19.2		19.4
Return on equity, % <sup>3)</sup>	21.7		25.4
Return on capital employed, % <sup>4)</sup>	20.5		20.5
Net debt/equity ratio <sup>5)</sup>	0.5		0.8
Equity ratio, % <sup>6)</sup>	45.8		38.1

1) Excluding shares held by the Company.

2) Based on the shareholders' interest in profit.

3) Net profit as a percentage of average shareholders' equity during the year. Equity is adjusted as from 1 January 2004 in the pro forma calculations.

4) Profit after financial items, plus interest expenses, as a percentage of average total capital less non-interest-bearing liabilities.

5) Interest-bearing current and long-term liabilities (inclusive of provisions for pensions) less liquid assets in relation to shareholders' equity.

6) Shareholders' equity as a percentage of total assets.

# Share capital and ownership structure

## SHARE CAPITAL

The share capital before redemption amounts to SEK 1,581.4 million distributed among 263.6 million shares, each with a nominal value of SEK 6. Of the total number of shares, approximately 16.5 million shares are held by the Company and are not encompassed by the Offer. The Board of Directors will propose an Extraordinary General Meeting, intended to be held on 28 June 2005, to resolve on withdrawal of the shares held by the Company.

Each share carries one (1) voting right and provides equal entitlement to the Company's assets and profits.

After redemption and withdrawal of repurchased shares, the share capital amounts to at least SEK 1,423 million distributed among at least 237.2 million shares.

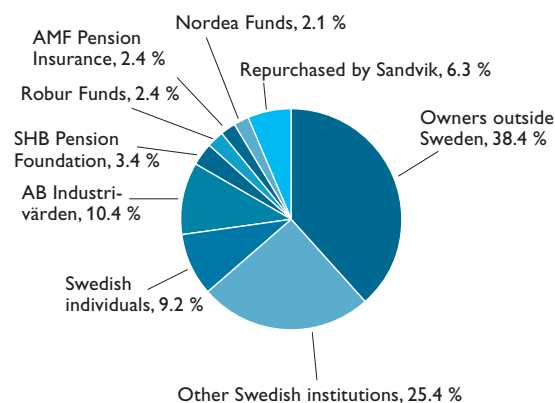
## OWNERSHIP STRUCTURE PRIOR TO REDEMPTION

At 31 December 2004 Sandvik had approximately 59,000 shareholders. The figure and table below show the shareholder structure and the ten major shareholders in Sandvik as of 31 December 2004.

## SHARE PRICE

The Sandvik share is listed on the Stockholm Stock Exchange since 1901 (A-list). A trading lot amounts to 100 shares. The share can also be traded in the United States in the form of ADRs (American Depositary Receipts). The number of ADRs amounted at the end of 2004 to 1,884,530, which corresponds to the equivalent number of shares.

OWNERSHIP STRUCTURE IN SANDVIK  
31/12 2004

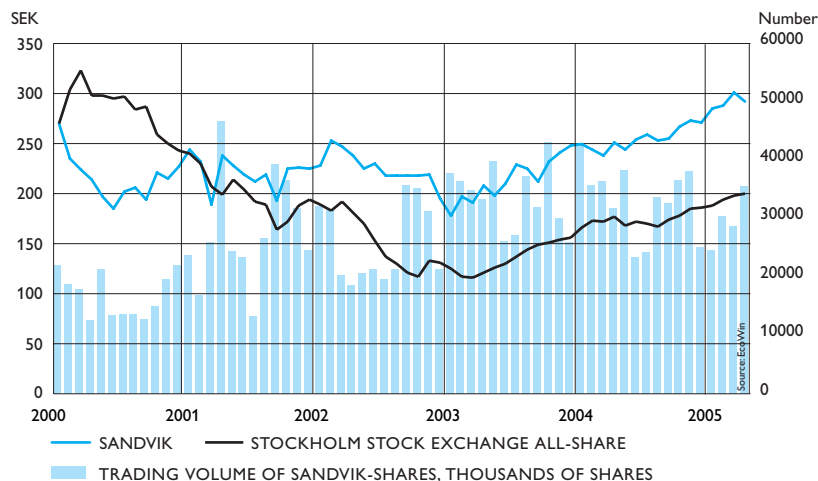


LARGEST SHAREHOLDERS IN SANDVIK 31/12 2004

Ownership group	Holding (%)
AB Industrivärden	10.4
JP Morgan Chase Bank*	9.8
State Street Bank and Trust Co*	6.3
SHB Pension Foundation	3.4
Robur Funds	2.4
AMF Pension Insurance	2.4
Nordea Funds	2.1
SHB Funds	1.9
SEB Funds	1.4
Northern Trust Company*	1.2

\* nominee-registered shares

SANDVIK AND THE STOCKHOLM STOCK EXCHANGE



# Questions and answers

## WHAT DOES A REDEMPTION OFFER OF SHARES IMPLY?

A redemption offer of shares implies that each shareholder is entitled to redeem shares for payment in cash, in Sandvik's case SEK 405 per share. In practice, this implies that Sandvik distributes capital to its shareholders in exchange for shares.

## WHY IS SANDVIK REDEEMING SHARES?

Sandvik's earnings trend, cash flow and strong balance sheet gave the Board of Directors the possibility to propose an extra distribution of capital in addition to the ordinary dividend. The Annual General Meeting on 3 May 2005 resolved to begin an offer on redemption of shares in accordance with the proposal.

The distribution shall be viewed as part of Sandvik's long-term goal to improve the efficiency of the Company's capital structure and thereby maximize the value for the Company's shareholders. The decision on the extra distribution through redemption of shares replaces former share buy-back programs.

## WHY DOES SANDVIK NOT CHOOSE A ONE-TIME DIVIDEND OR REPURCHASE OF SHARES ON THE MARKET?

Distribution of earnings to shareholders takes place annually in accordance with Sandvik's dividend policy. Sandvik's goal is that dividend and value growth shall exceed the engineering industry's average and that dividend shall amount to at least 50% of earnings per share.

Redemption is an extra measure to adjust the capital structure. To use redemption as a method for distribution gives the shareholders the freedom to choose between redeeming shares or selling redemption rights and thereby keep all their Sandvik shares. The method is effective for Sandvik's shareholders and gives in comparison to a one-time dividend a positive effect on the earnings per share.

## WHAT DOES THE REDEMPTION OFFER IMPLY FOR ME AS SHAREHOLDER?

Shareholders, who on the record date, 9 May 2005, are registered as shareholders in Sandvik, receive one redemption right for each share held in Sandvik.

To assimilate the value of the redemption rights you may during the application period choose to:

### A. *use the redemption rights for redemption of shares.*

You retain your participation interest in Sandvik (given that the redemption offer is fully utilised) and receive the total value of the Offer in cash.

### B. *sell the redemption rights.*

You keep all your Sandvik shares and thereby increase your participation interest in the Company since the total number of shares in Sandvik is reduced in connection with the redemption (given that the redemption offer is utilised). This alternative implies that part of the value of the Offer is reinvested in Sandvik shares.

### C. *a combination of the above.*

See also the illustrative example, page 4.

When the application period expires the exact number of shares to be redeemed based on the number of shares tendered in the Offer will be established. Then an Extraordinary General Meeting, expected to be held on or about 28 June 2005, will resolve on reduction of the share capital through redemption of shares. The redemption resolution will later be registered with the Swedish Companies Registration Office together with other requisite resolutions.

The shareholders who choose to redeem shares will receive payment on or about 8 July 2005.

## WHAT ARE THE TAX CONSEQUENCES FOR ME AS A SHAREHOLDER FOR THE REDEMPTION OF SHARES COMPARED WITH DIVIDENDS?

For a large group of shareholders, for example for individuals in Sweden, redemption is a more effective method than dividend to distribute capital since shareholders may after redemption, somewhat simplified, make allowance for the acquisition cost of the redeemed share and for the value of the redemption rights. The tax questions are described in more detail on pages 10 – 12.



#### WHAT HAPPENS IF I DO NOT UTILISE THE OFFER?

After the expiration of the application period, the redemption rights will be worthless and thus be removed from your VP-account. You will thereby lose the value that the redemptions rights had. Your holdings of shares in Sandvik will not be affected if you do not choose to redeem shares.

#### HOW WILL THE REDEMPTION RIGHTS THAT DO NOT AMOUNT TO 25 BE HANDLED?

You need 25 redemption rights to redeem one share. If you have a number of redemption rights below 25, or have surplus redemption rights (in addition to what is divisible by 25), you may tender these for commission-free sale. Handelsbanken will then, on your behalf, sell your redemption rights commission-free on the market.

#### WHAT IS THE MAXIMUM NUMBER OF REDEMPTION RIGHTS THAT I MAY SUBMIT FOR COMMISSION-FREE SALE?

A maximum of 500 redemption rights may be submitted for commission-free sale. Shareholders with holdings of more than 500 redemption rights and who wish to sell the remainder or all of their rights on the Stockholm Stock Exchange, should contact their bank or stockbroker.

#### WHAT COMPENSATION WILL I RECEIVE FOR THE REDEMPTION RIGHTS I SELL COMMISSION-FREE?

The compensation for the sold redemption rights in the commission-free sales procedure will be based on the average price for all redemption rights sold. The price will thus not be set until trading with redemption rights is completed.

#### HOW WILL THE PROCEEDS FROM THE COMMISSION-FREE SALE AND THE SHARES TENDERED FOR REDEMPTION BE PAID?

The proceeds will be paid through a deposit to the cash account linked to your VP-account. If there is no cash account, or if such account is incorrect or is a postal giro account, payment will be made in accordance with instructions on the settlement note that is distributed.

#### WHEN WILL PAYMENT OCCUR?

Payment of proceeds for redemption rights sold commission-free will take place on or about 14 June 2005 and payment for shares tendered for redemption will take place on or about 8 July 2005.

#### HOW DO I PROCEED IF MY SHARES ARE REGISTERED WITH A NOMINEE?

The information brochure and pre-printed application form will not be distributed to shareholders whose shares are registered with a nominee. Instead, the application has to be made in accordance with the instructions provided by the nominee.

#### ARE THERE ANY OBSTACLES TO THE IMPLEMENTATION OF THE OFFER?

Among other factors, the Offer is conditional on an Extraordinary General Meeting of Sandvik, intended to be held on 28 June 2005, resolving on the requisite resolutions in consequence of the Offer and on registration of these resolutions by the Swedish Companies Registration Office, see also page 7.

## Auditors' statement

In our capacity as auditors of Sandvik Aktiebolag we have examined the information provided in the section "Financial effects of the Offer" on page 14 of this document. The pro forma accounts have been prepared in accordance with the conditions outlined on page 14. Information extracted from the 2004 Annual Report and from "Effects of transition to International Financial Reporting Standards (IFRS)", published by Sandvik Aktiebolag, have been correctly reproduced. The 2004 Annual Report and full-year figures for 2004 presented in "Effects of transition to International Financial Reporting Standards (IFRS)" have been audited.

Sandviken, 4 May 2005  
KPMG Bohlins AB  
Caj Nackstad  
Authorized Public Accountant





[www.sandvik.com](http://www.sandvik.com)