

## Sandvik comments the Administrative Court of Appeal's ruling

In 2005, Sandvik AB implemented a reorganization of ownership and management of intellectual property rights. All Swedish-owned patents and trademarks were transferred to Sandvik Intellectual Property AB (IP Company). The reasons for this reorganization were the need to gather the activities relating to intellectual property rights into one company to highlight the considerable worth of the intellectual property rights and to gain operational advantages. This reorganization subsequently gave rise to two legal cases relating to taxation – one concerning Sandvik AB and one concerning the IP company. These have been considered in a coordinated action by the Administrative Court and the Administrative Court of Appeal.

In December 2007, the Swedish Tax Agency did not approve the tax returns for the 2005 and 2006 fiscal years filed by the IP Company and denied deductions for amortization of the intellectual property rights. The following year, the Tax Agency also denied the IP Company's deduction for such amortizations. The IP Company appealed the Tax Agency's decision. The Tax Agency approved Sandvik AB's tax return for 2005. Subsequently, the Tax Agency, through the Public Commissioner, filed an appeal against its own decision relating to the reorganization. The Public Commissioner requested that Sandvik AB be taxed in 2005 for a capital gain or, alternatively, an underpriced transfer of intellectual property rights, totaling approximately 18 billion SEK and, in both cases, that the deductions for amortization of the intellectual property rights in the IP Company should then be approved. In June 2010, the Administrative Court approved the Public Commissioner's request for the taxation of a capital gain. Sandvik appealed the decision to the Administrative Court of Appeal.

Information relating to the case has been provided on a continuous basis in Sandvik's annual reports since 2007.

Sandvik's appeal has now been addressed by the Sundsvall Administrative Court of Appeal. The Court of Appeal's decision is, if the ruling gains legal force, that Sandvik will be taxed for a capital gain in 2005 totaling 18,063 million SEK at the same time as it approves the amortization of the intellectual property rights in the IP Company. However, this will not affect the Group's earnings, since the additional tax cost of approximately 5 billion SEK would largely correspond to the tax value of the increased amortization for tax purposes in the IP Company which according to IFRS policies, would be recognized as income. However, Sandvik AB will be required to pay approximately 5,800 million SEK in tax and interest relating to 2005. In this case a significant part of the amount would be recovered through reduced tax payments related to increased amortizations in the IP Company. It primarily implies a reallocation of tax payments over time.

Sandvik is currently analyzing the Administrative Court of Appeal's decision and can therefore not give further comments at this point in time. The ruling will most likely be appealed to the Supreme Administrative Court.

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Sandvik AB

The information was submitted for publication on 27 June 2013.

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### **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 2012, the Group had about 49,000 employees and representation in 130 countries, with annual sales of approximately 99 billion SEK.*

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