



Downhole Products
A Varel International Energy Services Company

Varel International Energy Services, Inc. Announces Deal to be Acquired by Sandvik AB.

(CARROLLTON, TEXAS- 07 January, 2014) Varel International Energy Services, Inc. (VIES), the parent company of Varel International and Downhole Products, announces the signing of an agreement to sell the company, in its entirety, to Sandvik AB. The acquisition price amounts to approximately \$740 million. The closing of the acquisition is subject to standard regulatory approvals and certain environmental due diligence, and is expected to occur within the first six months of 2014.

Privately held VIES conducts business in over 60 countries through three operating divisions, Varel Oil & Gas Drill Bits, Varel Mining & Industrial, and Downhole Products. The company employs over 1300 personnel and has primary manufacturing and management facilities in: Carrollton and Houston, Texas; Matamoros, Mexico; Pau and Tarbes, France; Aberdeen, Scotland; and Kurgan, Russia. In addition the company has significant regional sales and service or research facilities in: Calgary and Edmonton, Canada; Denver, Colorado; Lima, Peru; Paris, France; the UAE; Baku, Kazakhstan; Kuala Lumpur, Malaysia; and Perth, Australia. VIES supplies products, solutions, and services to a broad cross-section of clients including; major oil & gas drillers and operators, surface mining operations, and industrial drilling businesses.

Sandvik is a high-technology engineering group with advanced products and world-leading positions in selected areas – tools for metalworking, machinery and tools for rock excavation, stainless steel, special alloys and resistance heating materials and process systems. Sandvik, headquartered in Sweden, is a global organization with operations in over 130 countries. The purchase of VIES represents one of the larger acquisitions in Sandvik's corporate history and, once completed, will be the company's first major entry into the upstream oil and gas industry. Sandvik selected Varel based on VIES's long history of delivering technology, quality, customer service and superior growth and the close ties to Sandvik core capabilities and competences.

Jim Nixon, President and CEO of VIES noted, "VIES will operate as a stand-alone entity within the business area Sandvik Venture and, as a result, we anticipate only positive impact to product delivery and customer support. Sandvik's extremely strong materials science research, manufacturing knowledge, global presence and financial capabilities will enable VIES to continue to enhance our capabilities to serve our global customer base."

Tomas Nordahl, President of Sandvik Venture said, "This acquisition will provide a great platform to enable Sandvik to enter into drilling solutions in the oil and gas sector. The combination of Varel's solid market position and strong customer offering, along with Sandvik's broader drilling solutions capabilities and extensive knowledge in highly relevant materials will support Varel's continued growth. I am very impressed by the Varel team and I am excited about our joint opportunities going forward."

About Varel International Energy Services

Varel International Energy Services (VIES) is comprised of three operating units; Oil and Gas, Mining and Industrial, and Downhole Products.

Founded in 1947, Varel International is headquartered in Carrollton, Texas. Varel services oil & gas, mining, and industrial markets with its comprehensive suite of roller cone and fixed cutter drill bits. The company employs more than 1,300 people and has manufacturing facilities in Houston, Texas; Matamoros, Mexico; Kurgan, Russia and Tarbes, France, as well as sales offices throughout the world. For more information, visit www.vareintl.com.

Downhole Products specializes in the design and manufacture of engineered tubular enhancement products for the global upstream oil and gas industries. Since 1994, Downhole Products has been developing and providing downhole solutions aimed at reducing torque and drag and improving casing running and cementing integrity. Downhole Products operates from offices located in Aberdeen, Houston, Dubai, Kuala Lumpur & Baku. For further information visit: www.downhole.org