SECO TOOLS INTERIM REPORT
JANUARY - MARCH 2011

SECO

SECO TOOLS AB

Interim report, January – March, 2011

Record sales and substantially improved result

* Revenue for the quarter was the highest ever posted by Seco Tools and amounted to SEK 1,721 M (1,370).
* At fixed exchange rates, revenues increased 36 per cent and in SEK by 26 per cent.
* Operating profit was SEK 352 M (220), corresponding to an operating margin of 20.5 per cent (16.1).
* Launches of new products continued at a high rate.
* Profit after tax was SEK 245 M (145).
* Earnings per share for the three-month period were SEK 1.68 (1.00).

Comments from the CEO

"Demand continued to improve in virtually all of Seco Tools' markets during the quarter. Sales remained very strong in the emerging markets and particularly strong growth was recorded in Central and Eastern Europe. In addition, it was gratifying to note healthy growth in many major mature markets including Germany and the US. All in all, we have seen no indications of any levelling off in demand and assess the prospects for the next few quarters as being healthy.

We were pleased to note that our employees and facilities escaped unscathed from the disasters in Japan and that no negative impact was observed in level of demand or delivery reliability. We expect no major impact during the next few quarters, but the situation is difficult to assess and uncertain at present.

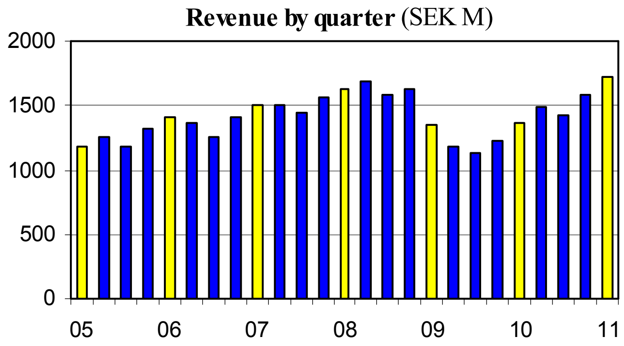
Operating profit improved significantly compared to the same period in the previous year and amounted to SEK 352 M (220) for the quarter, corresponding to an operating margin of 20.5 per cent (16.1). The improvement was essentially attributable to increased volumes. However, the strength of the SEK had a dampening effect on the earnings trend in an amount of SEK 71 M for the quarter compared to the same period in the previous year.

Cash flow from operating activities before changes in working capital continued to be strong during the quarter and amounted to SEK 343 M (260). However, the stockpiling of inventory, increased trade receivables and a raised level of investment dampened the cash flow trend during the quarter. The net debt/equity ratio declined and was at the end of the period 0.40 (0.72).

The growth initiatives contained in the programme "Positioning for Growth" continue. These are currently focused on market penetration in emerging regions and increased capacity for solution orientation combined with a continuous upgrading of the product portfolio. An example of the latter would be the new milling tool, the Minimaster® plus." says Lars Bergström, President and CEO.

First quarter revenue

Revenue for the first quarter rose by 26 per cent compared with the year-earlier period and amounted to SEK 1,721 M (1,370). At fixed exchange rates, revenue increased 36 per cent, of which 6 per cent arose from acquisition effects.



All major market regions reported an increase in sales during the first quarter compared with the preceding quarter and with the year-earlier period. Sales improved gradually in the majority of markets during the quarter.

During the quarter, the strongest growth was noted in Central and Eastern Europe and, in addition, revenues reached high levels in other emerging markets. Viewed by country in the emerging regions, particularly strong growth was noted in India, Russia and the Czech Republic. Among the major mature markets, the strongest year-on-year growth was recorded by Germany.

Revenue – market regions

	2011 Jan-Mar SEK M	2010 Jan-Mar SEK M	Change 2011/2010 Jan-Mar %	Jan-Mar %[1)]
EU	874	723	21	31
Rest of Europe	128	95	35	44
Total Europe	1,002	818	22	33
NAFTA	319	211	51	30
South America	86	75	15	19
Africa, Middle East	22	25	-12	-7
Asia, Australia	292	241	21	28
Total Group	1,721	1,370	26	30

[1)] The change compared to the year-earlier period is shown at fixed exchange rates for comparable units.

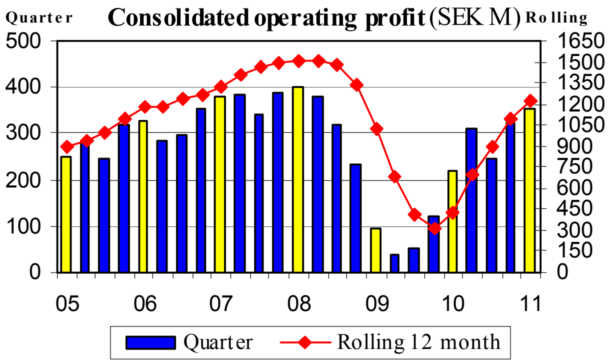
Marketing and new products

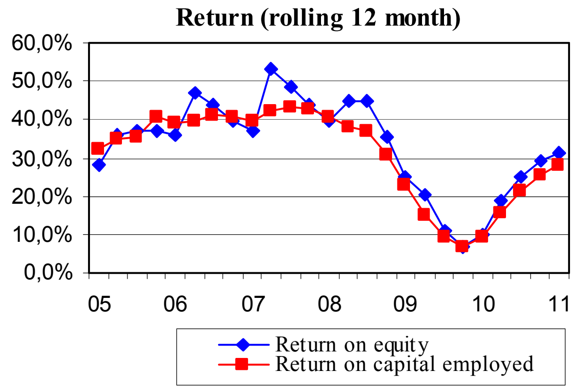
In March, a series of new products was launched under Seco Tools' new launch concept Seco News. Seco News now introduces all new products in an integrated launch package, providing customers with easy access to the latest news regarding tools and machining technology. Seco News includes Seco Tools' updated product catalogue the Machining Navigator, the magazine Edge, as well as various multimedia and training programmes.

Earnings and return

Consolidated operating profit rose significantly during the quarter and amounted to SEK 352 M (220), corresponding to an operating margin of 20.5 per cent (16.1). The improvement was mainly attributable to increased revenue at fixed exchange rates, improved capacity utilisation and favourable price trends.

Negative currency effects of SEK 71 M compared with the year-earlier period had a dampening effect on the earnings trend. Due to the buffer stock and inventory of finished products, increases in raw material prices had no impact on the Group's profit during the quarter.





The profit margin for the first quarter was 19.4 per cent (14.4). Earnings per share for the past 12-month period was SEK 5.79 (1.73). For the same period, return on capital employed was 28.0 per cent (9.4) and return on equity was 31.1 per cent (10.0).

Liquidity, cash flow and net debt/equity ratio

The Group's cash and cash equivalents in the form of short-term investments and bank balances increased by SEK 36 M since the start of the year and totalled SEK 202 M at the end of the period (166 at 31 December 2010).

Cash flow from operating activities before changes in working capital remained strong during the quarter and amounted to SEK 343 M (260). The stockpiling of inventory, a growth-related increase in trade receivables and a raised level of investment dampened the cash flow trend. Interest-bearing liabilities and provisions increased somewhat from SEK 1,402 M at 31 December 2010 to SEK 1,461 M (1,918) at 31 March 2011. Non-interest-bearing liabilities and provisions totalled SEK 1,642 M (1,140) at the end of the period.

The Group's net debt/equity ratio fell from 0.42 at 31 December 2010 to 0.40 (0.72) at 31 March 2011.

GROUP

Consolidated income statement (SEK M)

	2011 Jan-Mar	2010 Jan-Mar
Revenue	1,721	1,370
Cost of goods sold	-729	-609
Gross profit	992	761
Selling, administrative and R&D expenses	-611	-530
Other income and expenses	-29	-11
Operating profit	**352**	**220**
Financial items	-18	-23
Profit after financial items	334	197
Taxes	-89	-52
Profit for the period	**245**	**145**

Consolidated statement of comprehensive income (SEK M)
(Specifying items recognised directly in equity resulting from transactions with non-owners)

	2011 Jan-Mar	2010 Jan-Mar
Profit for the period	245	145
Other comprehensive income		
Translation differences	-43	-22
Comprehensive income for the period	202	123

Gross margin strengthened during the quarter, principally due to higher volumes and better capacity utilisation, although the improvement in gross margin was somewhat undermined by negative exchange-rate effects.

Selling, administrative and R&D expenses were higher year-on-year, primarily due to increased marketing activities and expansion of the sales team. The increases were dampened by positive currency translation effects.

Other income and expenses during the quarter mainly comprised negative exchange-rate differences.

The Group's planned depreciation and amortisation for the quarter totalled SEK 96 M (96).

Consolidated key figures

	2011 Jan-Mar	2010 Jan-Mar
Operating margin, %	20.5	16.1
Profit margin, %	19.4	14.4
Earnings per share, SEK	1.68	1.00
Return on capital employed before tax, % [1)]	28.0	9.4
Return on equity after tax, % [1)]	31.1	10.0
Equity per share, SEK [1)]	21.07	16.17

[1)] The key figures are calculated on a rolling 12-month basis.

Consolidated balance sheet (SEK M)

	31 Mar 2011	31 Dec 2010
Intangible assets	407	388
Tangible assets	2,309	2,354
Financial assets	224	214
Inventories	1,575	1,394
Current receivables	1,433	1,286
Cash and cash equivalents	202	166
Total assets	6,150	5,802
Equity	3,065	2,863
Long-term liabilities	594	568
Current liabilities	2,491	2,371
Total equity and liabilities	6,150	5,802

Consolidated statement of changes in equity (SEK M)

	31 Mar 2011	31 Mar 2010
Equity at the beginning of the period	2,863	2,230
Profit for the period	245	145
Other comprehensive income	-43	-22
Comprehensive income for the period	202	123
Equity at the end of the period	3,065	2,353

Consolidated statement of cash flows (SEK M)

	2011 Jan-Mar	2010 Jan-Mar
Profit for the period	245	145
Add-back tax expense	89	52
Add-back amortisation/depreciation	96	96
Other non-cash items	5	-11
Taxes paid	-92	-22
Cash flow from operating activities before changes in working capital	343	260
Changes in working capital	-244	-60
Cash flow from operating activities	99	200
Cash flow from investing activities [1]	-138	-34
Cash flow from financing activities	82	-169
Cash flow for the period	43	-3

[1] Investing activities include investments in and sales of non-current assets, as well as acquisitions and divestitures of subsidiaries.

PARENT COMPANY

Parent Company income statement (SEK M)

	2011 Jan-Mar	2010 Jan-Mar
Net sales	1,056	874
Cost of goods sold	-600	-544
Gross profit	456	330
Selling, administrative and R&D expenses	-242	-181
Other income and expenses	-31	-15
Operating profit	183	134
Financial items	-1	-1
Profit after financial items	182	133
Appropriations	-8	-27
Taxes	-43	-28
Profit for the period	131	78

[1)] Profit for the period corresponds with comprehensive income for the period.

The Parent Company's planned depreciation and amortisation for the quarter totalled SEK 40 M (40).

Parent Company balance sheet (SEK M)

	31 Mar 2011	31 Dec 2010
Tangible assets	1,119	1,117
Financial assets	769	766
Inventories	1,038	854
Current receivables	1,520	1,166
Cash and cash equivalents	2	1
Total assets	4,448	3,904
Equity	1,719	1,589
Untaxed reserves	619	611
Provisions	1	1
Long-term liabilities	84	81
Current liabilities	2,025	1,622
Total equity and liabilities	4,448	3,904

The level of cash and cash equivalents remains on a low level. The Parent Company's interest-bearing liabilities at 31 March 2011 totalled SEK 1,245 M (1,495).

Number of shares
The total number of shares at the end of the first quarters of both 2011 and 2010 was 145,467,690. The average weighted number of shares for the corresponding periods was 145,467,690.

Accounting policies
This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. Seco Tools presents its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), which are described in the 2010 annual report. For a description of the applied accounting policies, see the most recently published annual report.

As of 1 January 2011, a number of new standards, amendments to existing standards (IFRS) and interpretations (IFRIC) have become effective. Overall, the management's assessment on the basis of current information is that these new or revised standards and interpretations will not have any significant impact on the Group's profit or financial position. For a description of these standards, see the most recently published annual report.

Segment reporting
The various units and companies in the Seco Tools Group conduct integrated business activities that constitute only one business segment, metal cutting machining. As a result, Seco Tools' management and ongoing monitoring of operating results are based on the Group as a whole.

Significant risks and uncertainties
It is vital that all financial and business risks are effectively and systematically assessed. Seco Tools' risk management model for business risks does not entail avoidance of risks, but is instead aimed at identifying, managing and limiting the effects of these risks.

Significant risks and uncertainties in the Parent Company and the Group include financial risks, primarily foreign exchange risk, interest risk, credit risk and liquidity risk. The finance policy established by the Board of Directors defines the guidelines, objectives and limits for financial management and the management of financial risks. The finance policy governs the division of responsibility between Seco Tools' Board of Directors, Group Executive Management and Finance Department.

Other factors of significance for the operations and financial position of the Group and the Parent Company from a general risk perspective consist mainly of raw material supply, continuous renewal of the product portfolio, good delivery service and a high level of security in the Group's facilities and IT operations with regard to fire, flooding, etc.

Estimates and assumptions about the future are made regularly for accounting purposes. The estimates and assumptions that could lead to significant adjustments in the carrying amounts of assets and liabilities in the financial statements of later years consist mainly of tax matters and other ongoing or possible disputes.

The above risks and uncertainties are described in more detail in the annual report for the fiscal year 2010. The assessments of significant risks described in the above-mentioned annual report were unchanged at the end of the period.

Related party transactions

Seco Tools' transactions with related parties refer primarily to the Sandvik Group, Seco Tools' associated companies, a pension foundation in Sweden and Seco Tools' senior executives. Significant transactions with related parties refer only with the Sandvik Group.

A description of related party transactions is provided on page 86 of the annual report for the fiscal year 2010. The scope of the above-mentioned transactions has not changed significantly during the period.

Personnel

To meet the need for higher production rates, the number of employees in production was increased during the quarter. The increase was carried out primarily through the recruitment of temporary staff. In line with the Group's growth strategy, selective recruitment of salaried employees was performed primarily for the sales team and the global R&D organisation.

The number of employees in the Group at 31 March 2011 was 5,400 (5,306 at 31 December 2010).

Capital expenditure

The Group's capital expenditure on tangible and intangible assets during the quarter amounted to SEK 105 M (34), of which SEK 25 M (9) referred to capitalisation of IT/R&D costs.

The increased investment in tangible assets was mainly attributable to the modernisation and expansion of the facility for cemented carbide powder at Fagersta. The new plant in Fagersta is expected to be completed and in production by the end of the year. The increase in capitalisation of IT/R&D expenses was principally attributable to a global project for improved product data information.

The rate of investment will increase during 2011 and for the full year is expected to exceed depreciation/amortisation.

Acquisitions

The companies acquired in the US and France in the preceding year reported revenue of SEK 81 M in the first quarter, representing a structural effect on consolidated revenue of 6 per cent. The total operating profit for these companies amounted to SEK 6 M, corresponding to an operating margin of 7.1 per cent.

The final acquisition analysis of NC Industries and Diamond Tool Coating resulted in a decrease of SEK 3 M in the net assets acquired (inventory negative SEK 1 M, trade receivables negative SEK 3 M and trade payables positive SEK 1 M) and a corresponding increase in goodwill of SEK 3 M.

Financial information

This report has not been subject to review by the company's auditors. The next report will be published on 19 July 2011 and refers to the first half of 2011.

Fagersta, 3 May 2011

SECO TOOLS AB (publ)

Lars Bergström
President and CEO

The information contained herein is subject to the disclosure requirements of Seco Tools AB under the Swedish Securities Exchange and Clearing Operations Act and/or the Financial Instruments Trading Act. This information was submitted for publication on 3 May 2011, 10:00 a.m. CET.

For additional information contact Per-Lennart Berg, Director group Communication, (Tel +46 223-403 20), Lars Bergström, President and CEO (Tel: +46 223-401 10) or Patrik Johnson, CFO (Tel +46 223-401 20). E-mail can be sent to investor.relations@secotools.com

Previously published financial information can be found under "About Seco/Investor Relations" on the Seco Tools website (www.secotools.com). Seco Tools AB's corporate registration number is 556071-1060 and the company's address is Seco Tools AB, SE-737 82 Fagersta, Sweden. The telephone number to the Group's head office is +46 223-400 00.