Seco Tools
Interim Report
January – June
2008

SECO TOOLS AB

Interim report for the six months ended 30 June 2008

- Second quarter revenue rose 15 per cent at fixed exchange rates compared to the previous year.
- Operating profit reached SEK 378 M (381) and operating margin for the quarter was 22.3 per cent (25,3). The decrease in operating margin was mainly due to currency losses and increased costs for production and market efforts.
- The acquisition of Russian carbide tool maker ALG was completed during the quarter.
- Revenue for the six-month period rose by 11 per cent at fixed exchange rates and amounted to SEK 3,329 M (3 017).
- Profit after tax for the six-month period was SEK 531 M (530).
- Earnings per share for the six-month period were SEK 3.65 (3.64).

Comments from the CEO

"Seco Tools achieved continued strong revenue growth in the second quarter of 2008, also taking into account the increased number of working days and positive impact from acquisitions corresponding totally 3-4 per cent.

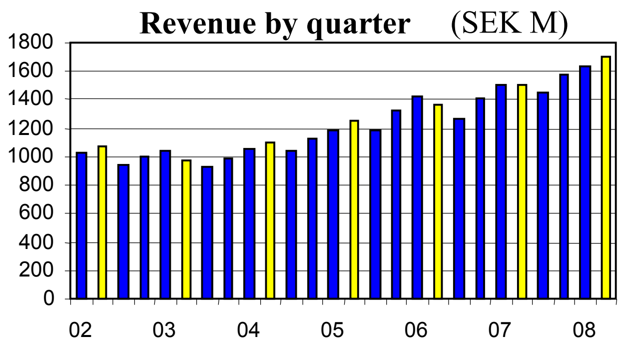
The European region enjoyed stable growth and our operations in the NAFTA region continued to perform well despite macro-economic unrest. Development remains brisk in the emerging economies of Asia and Central and Eastern Europe, where growth in China stands out as particularly strong.

We are also very pleased to have completed the acquisition of ALG during the quarter, thereby significantly strengthening our position in the important Russian market.

The operating margin in the quarter decreased despite positive impacts from price and mix changes. Main reasons are foreign exchange losses, rising costs for production and market efforts. The increased production costs relates to the build up of capacity and a partly new global production structure. The rearrangement costs in production are expected to remain throughout the year. Our extensive market efforts, including increase of the sales force, are progressing according to plan and will support positioning us for continued growth. Operating margin for the first half of 2008 was 23.5 per cent and return on both total assets and equity held steady at high levels."

Second quarter revenue

Revenue rose by 13 per cent compared to the year-earlier quarter and reached SEK 1,697 M (1,509). Like-for-like revenue at fixed exchange rates was up by 14 per cent. Foreign exchange losses had an effect of 2 percentage points for the quarter.



In a comparison between years it should be noted that the 2008 Easter holiday did not fall during the quarter, which resulted in a higher of number of working days. Overall, this boosted sales volumes for the quarter by an estimated 2-3 per cent.

All significant market regions delivered solid revenue growth during the second quarter. The Group's largest market, Western Europe, showed continued stable and strong development with growth of 12 per cent at fixed exchange rates. Growth in Asia, South America and Central and Eastern Europe was maintained at a high level. In the NAFTA region, revenue growth in local currency improved somewhat compared to the first quarter of 2008 and the previous year.

Revenue – market regions

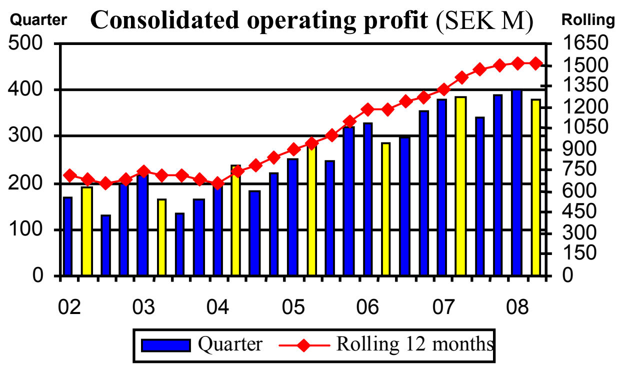
	2008 Apr-June SEK M	2007 Apr-June SEK M	2008 Jan-June SEK M	2007 Jan-June SEK M	Change 08/07 Apr-June %[1)]	Change 08/07 Jan-June %[1)]
EU	1 029	924	2 059	1 857	11	10
Rest of Europe	122	70	213	148	31	22
Total Europe	1 151	994	2 272	2 005	13	11
NAFTA	228	237	458	479	10	8
South America	74	60	140	115	22	17
Africa, Middle East	23	26	44	48	-1	0
Asia, Australia	221	192	415	370	24	19
Total Group	1 697	1 509	3 329	3 017	14	10

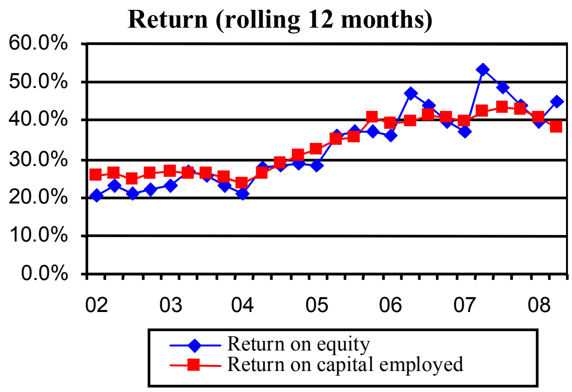
[1)] The change from the preceding year is shown on a like-for-like basis and at fixed exchange rates.

Earnings and return

Consolidated operating profit for the second quarter was SEK 378 M (381), a year-on-year decrease of 1 per cent caused by foreign exchange losses of SEK 17 M and higher costs during the quarter. The cost increases are mainly explained by the period's market activities and build-up of sales resources, as well as the Group's high capacity utilisation and ongoing expansion of production capacity which has led to a certain drop in productivity. Operating margin for the quarter was 22.3 per cent (25.3).

Profit margin for the quarter was 21.0 per cent (24.4). Earnings per share for the past 12-month period were SEK 7.00 (6.72). Return on capital employed amounted to 38.2 per cent (42.3) and return on equity was 44.9 per cent (53.0).





In the above diagrams, the figures for return and operating profit through the end of 2003 have been calculated according to the recommendations of the Swedish Financial Accounting Standards Council and from 2004 onwards in compliance with IFRS.

Liquidity, cash flow and debt/equity ratio

The Group's cash and cash equivalents in the form of short-term investments and bank balances rose by SEK 34 M from the beginning of the year to SEK 328 M at 30 June 2008 (SEK 294 M at year-end 2007). Cash flow from operating activities remained strong, but was inhibited by the growth-related increase in working capital and high level of investment during the period. The Group's interest-bearing liabilities at 30 June 2008 amounted to SEK 2,374 M (1,629) and the consolidated debt/equity ratio on the same date was 0.99 (0.69).

GROUP

Consolidated income statement (SEK M)

	2008 Apr-June	2007 Apr-June	2008 Jan-June	2007 Jan-June
Revenue	1,697	1,509	3,329	3,017
Cost of goods sold	-702	-606	-1,349	-1,208
Gross profit	995	903	1,980	1,809
Selling, administrative and R&D expenses	-625	-521	-1,185	-1040
Other income and expenses	8	-1	-14	-6
Operating profit	378	381	781	763
Financial items	-21	-13	-36	-22
Profit after financial items	357	368	745	741
Taxes	-100	-104	-214	-211
Profit for the period	257	264	531	530

The Group's planned depreciation and amortisation for the period totalled SEK 169 M (152).

Consolidated key figures

	2008 Apr-June	2007 Apr-June	2008 Jan-June	2007 Jan-June
Operating margin, %	22.3	25.3	23.5	25.3
Profit margin, %	21.0	24.4	22.4	24.6
Earnings per share before/after dilution, SEK	1.76	1.81	3.65	3.64
Return on capital employed before tax, % [1)]	38.2	42.3	38.2	42.3
Return on equity after tax, % [1)]	44.9	53.0	44.9	53.0
Equity per share before/after dilution, SEK [1)]	13.87	13.05	13.87	13.05

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

Consolidated balance sheet (SEK M)

	30 June 2008	31 Dec. 2007
Intangible assets	311	254
Tangible assets	2 054	1 847
Financial assets	162	155
Inventories	1 456	1 299
Current receivables	1 588	1 422
Cash and cash equivalents	328	294
Total assets	5 899	5 271
Equity	2 017	2 406
Long-term liabilities	515	511
Current liabilities	3 367	2 354
Total equity and liabilities	5 899	5 271

Interest-bearing liabilities and provisions at the end of the quarter amounted to SEK 2,374 M (1,629), while the interest-free portion was SEK 1,508 M (1,369).

Consolidated statement of changes in equity (SEK M)

	30 June 2008	30 June 2007
Equity at beginning of period	2 406	2 221
Foreign exchange gains/losses	-18	21
Total income/expenses recognised directly in equity	-18	21
Profit for the period	531	530
Total income/expenses recognised directly in equity	513	551
Dividends	-902	-873
Equity at end of period	2 017	1 899

Consolidated cash flow statement (SEK M)

	2008 Jan-June	2007 Jan-June
Profit for the period	531	530
Add-back tax expense	215	211
Add-back amortisation/depreciation	169	152
Other	-22	1
Taxes paid	-238	-200
Cash flow from operating activities before changes in working capital	655	694
Changes in working capital	-296	-216
Cash flow from operating activities	359	478
Cash flow from investing activities	-378	-168
Cash flow from financing activities, incl. dividends	59	-273
Cash flow for the period	40	37

PARENT COMPANY

Parent Company income statement (SEK M)

	2008 Apr-June	2007 Apr-June	2008 Jan-June	2007 Jan-June
Revenue	1 052	936	2 090	1 867
Cost of goods sold	-643	-566	-1 263	-1 105
Gross profit	409	370	827	762
Selling, administrative and R&D expenses	-206	-169	-418	-342
Other income and expenses	11	-4	-6	-12
Operating profit	214	197	403	408
Financial items	322	312	318	310
Profit after financial items	536	509	721	718
Appropriations	-7	-9	-14	-18
Taxes	-55	-51	-104	-107
Profit for the period	474	449	603	593

The Parent Company's planned depreciation/amortisation for the period was SEK 69 M (66).

Parent Company balance sheet (SEK M)

	30 June 2008	31 Dec. 2007
Intangible assets	1	2
Tangible assets	952	854
Financial assets	625	557
Inventories	955	875
Current receivables	1 446	922
Cash and cash equivalents	3	4
Total assets	3 982	3 214
Equity	815	1 114
Untaxed reserves	521	507
Provisions	1	1
Long-term liabilities	22	31
Current liabilities	2 623	1 561
Total equity and liabilities	3 982	3 214

Intra-group receivables increased during the period, partly in order to finance subsidiaries. The level of cash and cash equivalents remains low. The Parent Company's interest-bearing liabilities at 30 June 2008 amounted to SEK 2,188 M (1,288).

Number of shares

The total number of shares at the end of the second quarters of both 2008 and 2007 was 145,467,690.

Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. With effect from 1 January 2005, the company prepares its consolidated financial statements in compliance with IFRS, whereby the IFRS transition date is 1 January 2004. For a description of the applied accounting standards, see the most recently published annual report. As of 1 January 2008, a number of new standards, amendments to existing standards (IFRS) and interpretations (IFRIC) have gone into effect. No significant effects on the Group's profit or financial position have arisen due to the application of these new or revised standards and interpretations.

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.1, Accounting for Legal Entities.

Segment reporting

Seco Tools operates in only one business segment, metal cutting machining, for which reason the consolidated income statement and balance sheet refer entirely to this primary segment.

Acquisitions

On 5 May 2008, Seco Tools acquired 100 per cent of the shares in the Russian tool manufacturer ALG, with 174 employees, based in Moscow. The acquisition is part of the Group's goal to maintain an active presence in all major industrial markets worldwide. ALG, which caters mainly to customers active in cutting machining and wear parts, is regarded as a strong brand in the Russian market and is one of the country's three leading manufacturers of carbide metalworking tools.

The acquired operations posted revenue of SEK 17 M for the period May-June 2008 and reported a net profit of SEK 1 M for the same period. If the acquisition had taken place on 1 January 2008, revenue and profit in these operations for the interim period would have been SEK 52 M and SEK 3 M, respectively. Total purchase price amounts to SEK 100 M, whereof SEK 5 M relates to direct acquisition expenses and SEK 15 M is being withheld.

An additional purchase price is payable subject to the attainment of specific growth and profitability targets for the period 2008-2009. Recorded goodwill amount to SEK 59 M and is attributable to the strengthened market position in a significant growth region for the Group. The combination of ALG's customer base, distribution network and strong brand with Seco Tools' product offering and technical expertise is expected to provide an excellent platform for increased sales over the next few years.

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 reducing 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 regularly made for accounting purposes. The estimates and assumptions that can lead to significant adjustments in the carrying values of assets and liabilities in the financial statements of later years consist mainly of tax matters and ongoing or possible disputes.

The above risks and uncertainties are described in more detail in the Annual Report for the fiscal year 2007. The assessments of significant risks described in the above-mentioned annual report were unchanged at the end of the interim 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 detailed description of related-party transactions is provided on page 70 of the Annual Report for the fiscal year 2007. The scope of the above-mentioned transactions has not changed significantly during the interim period.

Personnel

The number of employees in the Group has risen by a total of 397 during the year and amounted to 5,059 at 30 June 2008 (4,662 at year-end 2007). Of the increase, 174 referred to employees taken over from the acquired company ALG. Otherwise, the increase was mainly attributable to the sales force and production staff.

Capital expenditure

The Group's capital expenditure on tangible and intangible fixed assets during the quarter (excluding the acquisition of ALG) amounted to SEK 147 M (104), of which SEK 7 (14) M referred to capitalisation of IT/R&D expenses. The level of investment will remain high throughout the remainder of the year.

Senior executives

Nils Edlund, 42 years old, has been appointed Senior Vice President Logistics of the Seco Tools Group as of 1 October 2008 and will also be a member of the Group Executive Management. Nils Edlund is currently Vice President Manufacturing for FLIR Systems' Thermography Division in Stockholm.

Financial information

This report has not been subject to special examination by the company's auditors. The interim report for the third quarter and nine-month period ended 30 September 2008 will be published on 30 October 2008.

The Board of Directors and the CEO give their assurance that this interim report provides a true and fair picture of the business activities, financial position and results of operations of the Parent Company and the Group, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Fagersta, Sweden, 18 July 2008

SECO TOOLS AB; (publ)

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Peter Larson
Board member

Staffan Jufors
Board member

Christer Jönsson
Board member

Eva Olsson
Board member

Kai Wärn
CEO and Board member

Seco Tools AB discloses the information provided herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 18 July 2008, 7:45 a.m. CET.

For additional information contact Kai Wärn, President and CEO, (Tel: +46 223-401 10) or Patrik Johnson, CFO, (+46 223-401 20. E-mail can be sent to investor.relations@secotools.com

Previously published financial information can be found under "Investor Relations & Corporate Governance" 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 head office is +46 223-400 00.