Seco Tools
Interim Report
January – March
2008

SECO TOOLS AB

Interim report for the three months ended 31 March 2008

- * First quarter revenue rose 8 per cent at fixed exchange rates and 8 per cent in SEK to SEK 1,632 M (1,508).
- * Operating profit improved by 5 per cent to SEK 403 M (382).
- * Operating margin was 24.7 per cent (25.3).
- * Profit after tax amounted to SEK 274 M (266).
- * Earnings per share were SEK 1.89 (1.83).

Comments from the CEO

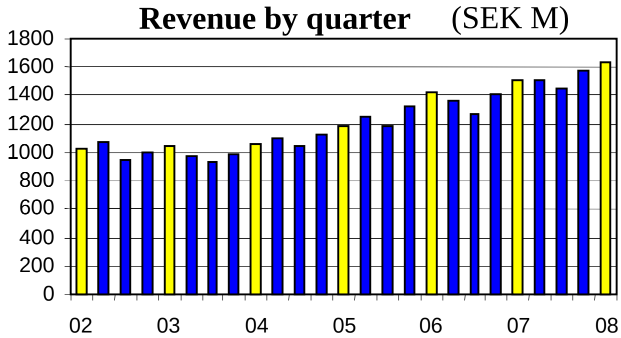
"Seco Tools posted continued strong revenue growth for the first quarter of 2008, despite an early Easter holiday which pushed down revenue for the period by around 2-3 per cent.

Growth in all regions was generally good, at roughly the same rates as in the corresponding period of last year. In North America, Seco Tools maintained stable growth despite macroeconomic unrest in the region. Development in the emerging economies of Asia and Central and Eastern Europe remained favourable. On the whole, we see no indication of slowing in demand.

Healthy revenue growth and a stable price scenario resulted in robust earnings for the quarter, although margins were impacted by ambitious long-term market efforts and capacity expansion. Operating margin for the period came in at 24.7 per cent and return on both total assets and equity reached 40 per cent. Examples of market investments other than resource expansion during the quarter included the opening of new Technology Centers in Poland and Hungary."

First quarter revenue

Revenue improved, in fixed as well as in nominal currencies, by 8 per cent compared to the same quarter of last year and reached SEK 1,632 M (1,508). In a comparison between years, it should be noted that the 2008 Easter holiday fell during the quarter and had an estimated negative impact on revenue of around 2-3 per cent.



All market regions delivered solid revenue growth in the first quarter. The Group's largest market, Western Europe, showed continued stable and strong development with growth of 8 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 remained good and was on par with the growth last year.

Revenue – market regions

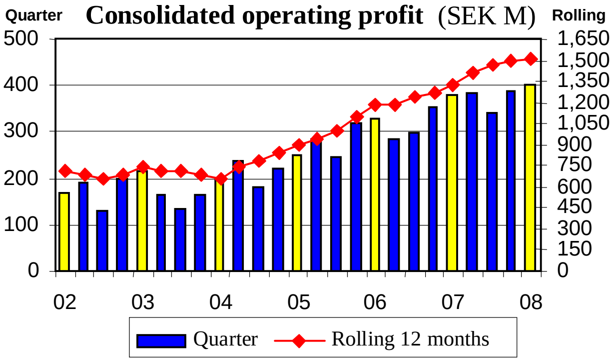
	Jan-Mar SEK M	Jan-Mar SEK M	Jan-Mar %	Jan-Mar %[1)]
EU	1,030	933	10	8
Rest of Europe	91	78	17	12
Total Europe	1,121	1,011	11	8
NAFTA	230	242	-5	6
South America	66	55	20	11
Africa, Middle East	21	22	-5	2
Asia, Australia	194	178	9	13
Total Group	1,632	1,508	8	8

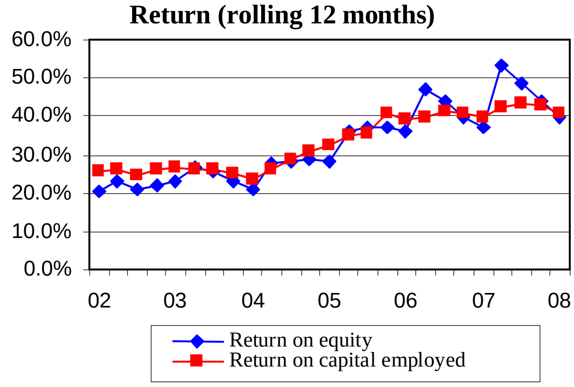
[1)] The change from the preceding year is shown on a like-for-like basis and at fixed exchange rates.

Earnings and return

Consolidated operating profit was SEK 403 M (382), a year-on-year increase of 5 per cent that was driven mainly by the period's strong revenue growth. Profit for the quarter was adversely affected by costs for market activities and the build-up of sales resources. Foreign exchange losses had a negative impact of SEK 4 M on the Group's operating profit. Operating margin was 24.7 per cent (25.3).

Profit margin for the quarter was 23.8 per cent (24.7). Earnings per share for the past 12-month period were SEK 7.04 (6.26). Return on capital employed amounted to 40.6 per cent (39.7) and return on equity was 39.7 per cent (36.8).





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 36 M from the beginning of the year to SEK 330 M at 31 March 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 31 March 2008 amounted to SEK 1,367 M (954) and the consolidated debt/equity ratio on the same date was 0.38 (0.23).

GROUP

Consolidated income statement (SEK M)

	2008 Jan-Mar	2007 Jan-Mar
Revenue	1,632	1,508
Cost of goods sold	-647	-602
Gross profit	985	906
Selling, administrative and R&D expenses	-560	-519
Other income and expenses	-22	-5
Operating profit	403	382
Financial items	-15	-9
Profit after financial items	388	373
Taxes	-114	-107
Profit for the period	274	266

The Group's planned depreciation and amortisation for the period totalled SEK 85 M (74).

Consolidated key figures

	2008 Jan-Mar	2007 Jan-Mar
Operating margin, %	24.7	25.3
Profit margin, %	23.8	24.7
Earnings per share before/after dilution, SEK	1.89	1.83
Return on capital employed before tax, % [1)]	40.6	39.7
Return on equity after tax, % [1)]	39.7	36.8
Equity per share before/after dilution, SEK [1)]	18.18	17.33

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

Consolidated balance sheet (SEK M)

	2008-03-31	2007-12-31
Intangible assets	250	254
Tangible assets	1,903	1,847
Financial assets	152	155
Inventories	1,340	1,299
Current receivables	1,495	1,422
Cash and cash equivalents	330	294
Total assets	5,470	5,271
Equity	2,645	2,406
Long-term liabilities	495	511
Current liabilities	2,330	2,354
Total equity and liabilities	5,470	5,271

Interest-bearing liabilities and provisions at the end of the quarter amounted to SEK 1,367 M (954), while the interest-free portion was SEK 1,458 M (1,338).

Consolidated statement of changes in equity (SEK M)

	2008-03-31	2007-03-31
Equity at beginning of period	2,406	2,221
Foreign exchange gains/losses	-35	33
Total income/expenses recognised directly in equity	-35	33
Profit for the period	274	266
Total income/expenses in equity	239	299
Equity at end of period	2,645	2,520

Consolidated cash flow statement (SEK M)

	2008 Jan-Mar	2007 Jan-Mar
Profit for the period	274	266
Add-back tax expense	114	107
Add-back amortisation/depreciation	85	74
Other	-11	-9
Taxes paid	-103	-91
Cash flow from operating activities before changes in working capital	359	347
Changes in working capital	-172	-119
Cash flow from operating activities	187	228
Cash flow from investing activities	-139	-63
Cash flow from financing activities, incl. dividends	0	-79
Cash flow for the period	48	86

PARENT COMPANY

Parent Company income statement (SEK M)

	2008 Jan-Mar	**2007 Jan-Mar**
Revenue	1,038	931
Cost of goods sold	-620	-539
Gross profit	418	392
Selling, administrative and R&D expenses	-212	-173
Other income and expenses	-17	-8
Operating profit	189	211
Financial items	-4	-2
Profit after financial items	185	209
Appropriations	-7	-9
Taxes	-49	-56
Profit for the period	129	144

The Parent Company's planned depreciation and amortisation for the period was SEK 35 M (33).

Parent Company balance sheet (SEK M)

	2008-03-31	**2007-12-31**
Intangible assets	1	2
Tangible assets	895	854
Financial assets	560	557
Inventories	905	875
Current receivables	1,246	922
Cash and cash equivalents	3	4
Total assets	3,610	3,214
Equity	1,243	1,114
Untaxed reserves	514	507
Provisions	1	1
Long-term liabilities	32	31
Current liabilities	1,820	1,561
Total equity and liabilities	3,610	3,214

Intra-group receivables increased during the first three months of the year, partly in order to finance subsidiaries. The level of cash and cash equivalents remains low. The Parent Company's interest-bearing liabilities at 31 March 2007 amounted to SEK 1,149 M (683).

Number of shares

The total number of shares at the end of the first quarters of both 2008 and 2007 was 145,467,690. The average weighted number of shares outstanding for the same periods 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 Accounting Standards Council's recommendation RR32:06, 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.

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 year.

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 rose by 122 during the quarter and amounted to 4,784 at 31 March 2008 (4,662 at year-end 2007). 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 amounted to SEK 143 M (68), of which SEK 6 M (7) referred to capitalisation of IT/R&D expenses. The level of investment will remain high throughout the remainder of the year.

Senior executives

Peter Damberg, 45, has been appointed as Human Resources Director and member of the Executive Management Team of Seco Tools with effect from 1 January 2008.

Ventures in growth regions

The Group's future development opportunities are generally strengthened through an offensive focus on the geographic markets deemed to offer especially good potential for growth. In line with this, wholly owned subsidiaries were established in Russia and Ukraine during the quarter. In addition, new Technology centres and offices were opened by the subsidiaries in Poland, Turkey and Hungary.

Photos from the opening of the new facilities in Poland

The acquisition process for the Russian carbide tool manufacturer ALG is underway and the transfer of ownership is expected to take place in the second quarter, following approval by the relevant competition authorities.

Financial information

This report has not been subject to special examination by the company's auditors. The interim report for the second quarter and first half of 2008 will be published on 18 July 2008.

Fagersta, Sweden, 29 April 2008

SECO TOOLS AB; (publ)

Kai Wärn
President & CEO

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 at 10:00 a.m. on 29 April 2008.

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.

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