SECO TOOLS AB

Year-end report for 2007 and interim report for the fourth quarter

* Fourth quarter revenue rose 12 per cent at fixed exchange rates to SEK 1,572 M (1,412). Operating profit was SEK 386 M (353), equal to an increase of 9 per cent.
* The acquisition in Russia has strengthened Seco Tools' position in this emerging market.
* For the full year 2007, the Group posted high levels in both revenue and operating profit. Revenue for the full year improved by 13 per cent at fixed exchange rates to SEK 6,034 M (5,451). Operating profit was up by 18 per cent to SEK 1,491 M (1,266), equal to an operating margin of 24.7 per cent (23.2).
* Profit after tax for the full year is reported at SEK 1,017 M (873). Earnings per share for the full year were SEK 6.99 (6.00), an increase of 16 per cent.
* The Board proposes a regular dividend of SEK 4.20 (3.80) per share and an extraordinary dividend of SEK 2.00 (2.20) per share.

Comments from the CEO

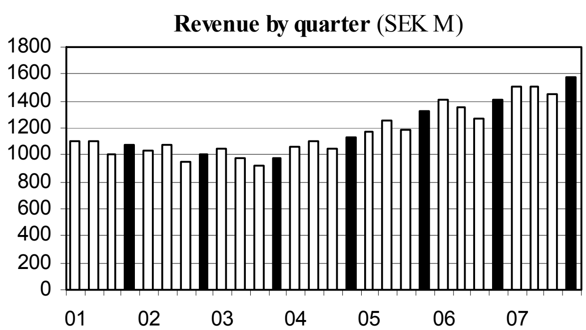
Improved market position, profitability and return in 2007
"2007 was a very successful year for Seco Tools when an intensified focus on maintaining closeness to the customers and our strong product offering contributed to powerful revenue growth and expanding market shares. In the past year we made important decisions regarding capacity investments and carried out an acquisition in the important Russian market.

Seco Tools' development in Western Europe showed a stable upturn from the preceding year, while growth in North America remained steady and positive. All of the BRIC countries, as well as Asia and Central and Eastern Europe, are delivering healthy growth. On the whole, we see no indication of slowing in demand.

The high revenue level together with high capacity utilisation and ongoing efficiency rationalisations in production, underpinned our excellent performance in 2007. Operating margin for the year was 24.7 per cent. Return on equity and capital employed were also very satisfactory, with both at around 40 per cent," says Kai Wärn, President and CEO of Seco Tools."

Fourth quarter revenue

The fourth quarter saw solid revenue growth across the majority of market regions. Western Europe rose by 14 per cent at fixed exchange rates with strong growth in most markets. Asia continued to show accelerating demand, driven mainly by rapid development in China. In the NAFTA region, local currency revenue growth remained good and was on par with earlier quarters in the year.



Consolidated revenue for the fourth quarter was SEK 1,572 M (1,412), an increase of 11 over the same period of last year. Like-for-like revenue at fixed exchange rates increased by 12 per cent while foreign exchange losses made a negative contribution of 1 percentage points.

Revenue during the year

The majority of markets and regions showed powerful revenue growth during the year. Asia delivered a high rate of growth, as did Central and Eastern Europe (CEE). Local currency revenue growth in the USA was even and stable throughout the year. In Western Europe, the past year saw robust development in most markets.

Consolidated revenue for 2007 amounted to SEK 6,034 M (5,451), up by 11 per cent over the previous year. On a like-for-like basis and at fixed exchange rates, the increase was 13 percentage points. Foreign exchange losses made a negative contribution of 2 percentage points.

Revenue – market regions

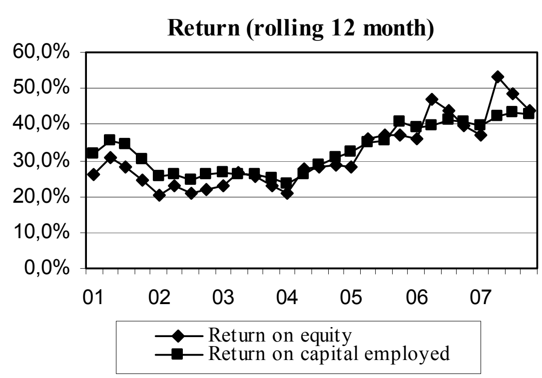
	2007 Oct-Dec SEK M	2006 Oct-Dec SEK M	2007 Jan-Dec SEK M	2006 Jan-Dec SEK M	2007/2006 Oct-Dec %[1)]	2007/2006 Jan-Dec %[1)]
EU	957	830	3,652	3,213	13	13
Rest of Europe	84	73	307	267	20	24
Total Europe	1,041	903	3,959	3,480	13	13
NAFTA	224	235	940	973	5	6
South America	63	48	244	201	23	20
Africa, Middle East	22	30	92	93	-25	8
Asia, Australia	222	196	799	704	15	17
Total Group	1,572	1,412	6,034	5,451	12	13

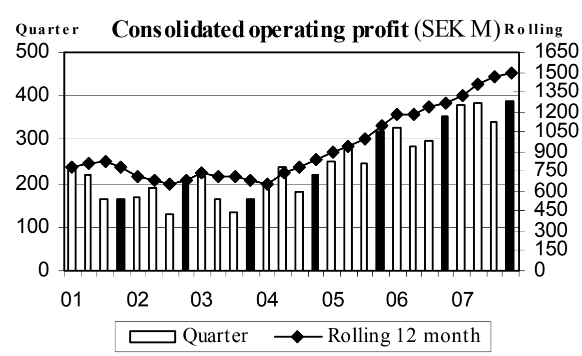
[1)] The change from the preceding year is shown on a like-for-like basis and at fixed exchange rates.

Earnings and return

Consolidated operating profit for the fourth quarter was SEK 386 M (353), an increase of 9 per cent over the corresponding period of 2006. Operating margin was 24.5 per cent (25.0). The improved operating profit for the quarter is largely attributable to higher revenue. In the quarter, earnings growth was held back by the market efforts and certain period costs.

Consolidated operating profit for the year rose by 18 per cent over the prior year and operating margin was 24.7 per cent (23.2). Foreign exchange losses had a negative impact of SEK 54 M (+15) on the Group's operating profit. Earnings per share were SEK 6.99 (6.00). Return on capital employed amounted to 42.6 per cent (40.9) and return on equity to 43.9 per cent (39.4).





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.

Consolidated income statement (SEK M)

	2007 Oct-Dec	2006 Oct-Dec	2007 Jan-Dec	2006 Jan-Dec
Revenue	1,572	1,412	6,034	5,451
Cost of goods sold	-619	-534	-2,408	-2,232
Gross profit	953	878	3,626	3,219
Selling, administrative and R&D expenses	-560	-516	-2,122	-1,940
Other income and expenses	-7	-9	-13	-13
Operating profit	386	353	1,491	1,266
Financial items	-15	-4	-54	-31
Profit after financial items	371	349	1,437	1,235
Taxes	-111	-105	-420	-362
Profit for the period	260	244	1,017	873

The Group's planned depreciation and amortisation for the year totalled SEK 309 M (279).

Consolidated key figures

	2007 Oct-Dec	2006 Oct-Dec	2007 Jan-Dec	2006 Jan-Dec
Operating margin, %	24.5	25.0	24.7	23.2
Profit margin, %	23.6	24.7	23.8	22.7
Earnings per share, SEK	1.79	1.68	6.99	6.00
Return on capital employed before tax, % 1)	42.6	40.9	42.6	40.9
Return on equity after tax, % 1)	43.9	39.4	43.9	39.4
Equity per share, SEK 1)	16.54	15.27	16.54	15.27

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

Consolidated balance sheet (SEK M**)**

	31 Dec 2007	31 Dec 2006
Intangible assets	254	250
Tangible assets	1,847	1,548
Financial assets	155	175
Inventories	1,299	1,117
Current receivables	1,422	1,213
Cash and cash equivalents	294	243
Total assets	5,271	4,546
Equity	2,406	2,221
Long-term liabilities	511	531
Current liabilities	2,354	1,794
Total equity and liabilities	5,271	4,546

Interest-bearing liabilities at the end of the year totalled SEK 1,381 M (1,020), while the interest-free portion was SEK 1,484 M (1,305).

Consolidated statement of changes in equity (SEK M)

	31 Dec 2007	31 Dec 2006
Equity at beginning of year	2,221	2,207
Foreign exchange differences	41	-74
Total income/expenses recognised directly in equity	41	-74
Profit for the year	1,017	873
Total income/expenses in equity	1,058	799
Dividends	-873	-785
Equity at end of year	2,406	2,221

Consolidated cash flow statement (SEK M)

	31 Dec 2007	31 Dec 2006
Profit for the period	1,017	873
Add-back tax expense	420	362
Add-back amortisation/depreciation	309	279
Other	0	67
Taxes paid	-414	-426
Cash flow from operating activities before changes in working capital	1,332	1,155
Changes in working capital	-206	-151
Cash flow from operating activities	1,126	1,004
Cash flow from investing activities	-538	-388
Cash flow from financing activities incl. dividends	-541	-580
Cash flow for the year	47	36

PARENT COMPANY

Parent Company income statement (SEK M)

	2007 Oct-Dec	2006 Oct-Dec	2007 Jan-Dec	2006 Jan-Dec
Revenue	969	871	3 693	3 276
Cost of goods sold	-578	-491	-2,204	-1,809
Gross profit	391	380	1 489	1 467
Selling, administrative and R&D expenses	-194	-169	-700	-619
Other income and expenses	-6	-11	-26	-22
Operating profit	191	200	763	826
Financial items	-8	33	293	205
Profit after financial items	183	233	1,056	1,031
Appropriations	62	59	88	63
Taxes	-68	-72	-232	-248
Profit for the period	177	220	912	846

The positive net financial items consist mainly of dividends received from subsidiaries. The Parent Company's planned depreciation and amortisation for the period totalled SEK 133 M (120).

Parent Company balance sheet (SEK M)

	31 Dec 2007	31 Dec 2006
Intangible assets	2	5
Tangible assets	854	737
Financial assets	557	574
Inventories	875	770
Current receivables	922	717
Cash and cash equivalents	4	3
Total assets	3,214	2,806
Pledged assets	2	1
Equity	1,114	1,085
Untaxed reserves	507	595
Provisions	1	1
Long-term liabilities	31	36
Current liabilities	1,561	1,089
Total equity and liabilities	3,214	2,806
Contingent liabilities	83	127

Intra-group receivables increased during the year, partly in order to finance subsidiaries. The level of cash and cash equivalents remains low. The Parent Company's interest-bearing loans increased during the year amounted to SEK 1,127 M (671) at 31 December 2007, mainly due to increased concentration of the Group's loan portfolio in the Parent Company. Contingent liabilities mainly comprise undertakings on behalf of other group companies and consist primarily of bank guarantees. Contingent liabilities decreased during the year through amortization of loans in subsidiaries.

Number of shares

The total number of shares at the end of the fourth quarters of both 2007 and 2006 was 145 467 690.

Acquisitions

Seco Tools is one of the world's leading manufacturers of carbide metal cutting products. The Group's strategy includes an offensive focus on geographical markets offering particularly good potential for growth.

In line with this ambition, Seco Tools signed an agreement in December 2007 to acquire 100 per cent of the shares in the tool manufacturer ALG based in Moscow, Russia. The acquisition is part of the Group's goal to maintain an active presence in all major industrial markets worldwide. ALG, whose customers are found in metal cutting machining and wear parts, has shown robust growth in recent years and is regarded as a strong brand in the Russian market and is one of the top three toolmakers in Russia.

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. ALG currently has an annual turnover of over SEK 100 million and around 170 employees.

The transaction is planned for completion in the first quarter of 2008 and is conditional on approval from the relevant authorities. The acquisition is expected to make a positive contribution to earnings per share starting in 2008.

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 financial year 2006. The significant risk assessments described in the above-mentioned annual report were unchanged at the end of the year.

Currency hedges

The Board of Seco Tools has decided to revise the applicable policy for hedging of foreign currency risk, and cease forward hedging of ongoing exposure to foreign currency. The decision has been motivated by the increasingly complex reporting requirements for financial derivatives and the related increase in administration, combined with assessed limitations in the business benefits of currency hedges. The decision has not had any impact on the financial results for 2007.

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 in the Annual Report for the financial year 2006. The scope of the above-mentioned transactions has not changed significantly during the year.

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 51 M during the year and and amounted to SEK 294 M (243) at 31 December 2007. Fourth quarter cash flow from operating activities was strong and provided scope for further reduction of interest-bearing liabilities. The Group's interest-bearing liabilities thus decreased by SEK 54 M during the fourth quarter and totalled SEK 1,381 M (1,020) at year-end. The Group's net debt/equity ratio at 31 December 2007 was 0.43 (0.35).

Personnel

The number of employees in the Group at 31 December 2007 was 4,662 (4,224), of whom 1,582 (1,442) worked in Sweden. The year's recruitment was mainly focused on sales and production, with the CEE area and Asia accounting for most of the increase in sales staff.

Capital expenditure

The Group's capital expenditure on tangible and intangible fixed assets during the quarter amounted to SEK 257 M (162), of which SEK 15 M (10) referred to capitalisation of IT/R&D expenses. The corresponding capital expenditure for the full year totalled SEK 563 M (426), which SEK 41 M (32) referred to capitalisation of IT/R&D expenses.

No new investments were made in subsidiaries during the year (-).

Dividend

The Board of Directors proposes to the Annual General Meeting a regular dividend of SEK 4.20 (3.80) per share and an extraordinary dividend of SEK 2.00 SEK (2.20) per share.

Including the proposed dividend, the average annual dividend growth rate (regular dividend) has been 8.4 per cent over the past five years and 7.7 per cent over the past ten years. The proposed regular dividend for 2007 corresponds to a dividend payout ratio of 60 per cent. The average dividend payout ratio over the past five years has been 68 per cent, excluding extraordinary dividends.

The size of the proposed total dividend has been determined with consideration to the Group's capital structure and future prospects for expansion. According to the Board's assessment, the proposed dividend does not present an obstacle to Seco Tools AB or its subsidiaries in fulfilling their short- and long-term obligations and is therefore justifiable with respect to the cautionary rule in the Swedish Companies Act.

Annual General Meeting and annual report

The Annual General Meeting will be held at Folkets Hus in Fagersta at 11:30 a.m. on Tuesday, 29 April 2008. The proposed record date for entitlement to dividends is Monday, 5 May 2008. Seco Tools' annual report will be available to the public at the company's head office in Fagersta as of 28 March and will be distributed on the same date.

Shareholders have the right to demand that a matter be addressed at the Annual General Meeting, provided that the request is received by the Board no later than 7 March 2008. Such requests are submitted to the Board but are addressed to Seco Tools AB, Att: Britt-Marie Conradsson, SE-737 82 Fagersta, Sweden. However, in order for the matter to be included in the notice of Annual General Meeting properly and with adequate certainty, it is recommended that shareholder requests be sent so that they reach the company by 29 February 2008.

The Nominating Committee ahead of the 2008 AGM consists of Lars Pettersson (Sandvik AB), Marianne Nilsson (Swedbank Robur Fonder), Jan-Erik Erenius (AMF Pension), Ramsay J. Brufer (Alecta Pensionsförsäkring) and Anders Ilstam, Chairman of the Board. Individual shareholders who are not represented in the Nominating Committee may submit proposals and suggestions to the Nominating Committee via the company by telephone +46 (0)223-401 21, by mail addressed to Seco Tools AB, Att: Britt-Marie Conradsson, SE-737 82 Fagersta, Sweden, or by e-mail addressed to britt-marie.conradsson@secotools.com.

Financial calendar

Seco Tools AB will publish the following financial reports for 2008:

First quarter 2008	29 April 2008
Second quarter 2008	18 July 2008
Third quarter 2008	30 October 2008
Fourth quarter and full year 2008	January 2009

Accounting policies

The year-end report has been prepared in accordance with IAS 34, Interim Financial Reporting. The company prepares its consolidated financial statements in compliance with IFRS. For a description of the applied accounting standards, see the most recently published annual report. As of 1 January 2007, 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.

Review

This report has not been subject to special examination by the company's auditors.

Fagersta, Sweden, 31 January 2008

SECO TOOLS AB; (publ)

BOARD OF DIRECTORS

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 7:45 a.m. on 31 January 2008.

For additional information, contact Kai Wärn, President and CEO, telephone +46 (0) 223-401 10 or Patrik Johnson, CFO, telephone +46 (0) 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 address to the Group's head office is Seco Tools AB, SE-737 82 Fagersta, Sweden. The telephone number to the head office is +46 223-400 00.