

SECO TOOLS AB

Interim report for the six months ended 30 June 2007

- * Second quarter revenue rose by 13 per cent year-over-year at fixed exchange rates and the operating profit was SEK 381 M (286).
- * Operating margin for the second quarter was 25.3 per cent (21.0).
- * Revenue for the six-month period rose by 12 per cent at fixed exchange rates to SEK 3,017 M (2,776).
- * Profit after tax for the six-month period was SEK 530 M (425).
- * Earnings per share for the first half of the year were SEK 3.64 (2.92).

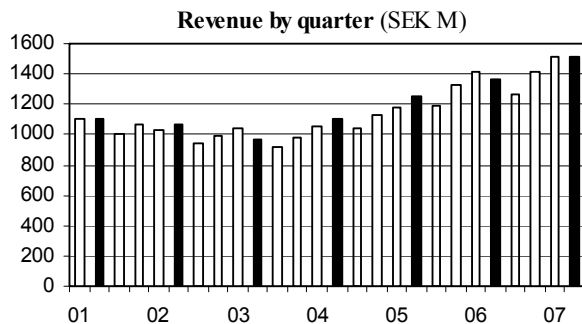
Comments from the CEO

Continued strong growth and improved profit

“In the second quarter of 2007, Seco Tools delivered continued strong growth and an improved profit. A wider market penetration continued during the six-month period. The growth trend across all market regions was sustained. The largest region, Western Europe, showed robust development with a double-digit rise in revenue. Central and Eastern Europe, Asia and South America also continued to perform well in the second quarter. As at the beginning of the year, growth in North America was stably positive but somewhat lower than in the previous year. On the whole, we see no indication of slowing in demand.

The period’s brisk revenue growth, combined with high capacity utilisation, a stable price scenario and continuous rationalisation measures, generated excellent earnings for the second quarter and the entire first half of the year. The profit margin thus reached 25.3 per cent for both the quarter and the period as a whole. The operating profit for the interim period strengthened by 24 per cent over the year-earlier period and with 13 per cent excluding restructuring charges for the plant closure in Warren, USA. Return on both capital employed and equity held steady at very solid levels”.

Second quarter revenue



Revenue rose by 11 per cent year-over-year and amounted to SEK 1,509 M (1,360). Like-for-like revenue at fixed exchange rates improved by 13 per cent. Foreign exchange losses made a negative contribution of 2 percentage points.

All market regions reported sustained revenue growth in the second quarter of the year, at a pace largely similar to the first quarter. Western Europe maintained its double-digit growth rate during the period, while growth in the NAFTA region was more modest but stable. Development in China and India remained very positive.

Revenue during the year

Consolidated revenue amounted to SEK 3,017 M (2,776), up by 9 per cent over the previous year. The like-for-like increase at fixed exchange rates was 12 percentage points. Foreign exchange losses made a negative contribution of 3 percentage points.

Revenue – market regions

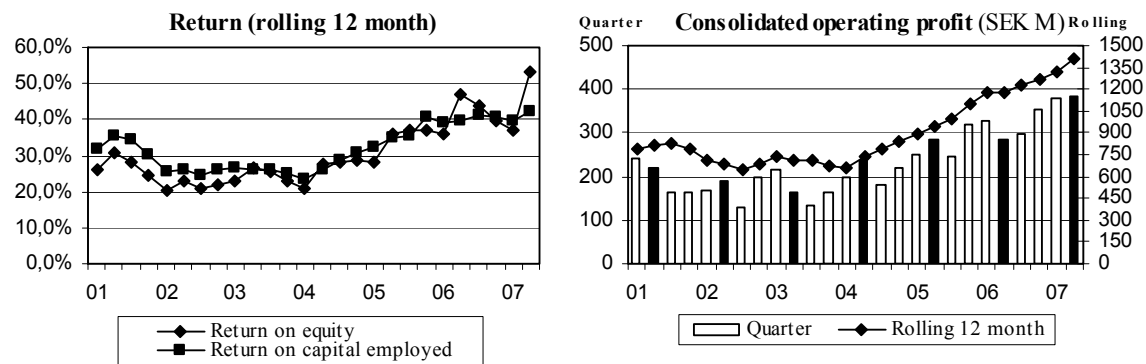
	2007 April-June SEK M	2006 April-June SEK M	2007 Jan-June SEK M	2006 Jan-June SEK M	2007/2006 April-June % ¹⁾	2007/2006 Jan-June % ¹⁾
EU	924	808	1,857	1,648	13	13
Rest of Europe	70	67	148	134	24	24
Total Europe	994	875	2,005	1,782	14	13
NAFTA	237	244	479	503	5	4
South America	60	49	115	101	21	17
Africa, Middle East	26	21	48	46	45	24
Asia, Australia	192	171	370	344	16	13
Total Group	1,509	1,360	3,017	2,776	13	12

¹⁾ The change relative to the preceding year is shown on a like-for-like basis at fixed exchange rates.

Earnings and return

Consolidated operating profit for the second quarter was SEK 381 M (286), an increase of 33 per cent compared to the same quarter of 2006. Operating margin for the quarter was 25.3 per cent (21.0). Second quarter earnings were positively affected by growth in revenue, high capacity utilisation in the Group's production units, continuous rationalisation measures and stable prices.

Consolidated operating profit for the first half of 2007 rose by 24 per cent over the year-earlier period and operating margin reached 25.3 per cent (22.1). Foreign exchange losses had a negative effect of SEK 25 M on profit for the period. Earnings per share before dilution for the past 12-month period were SEK 6.72 (5.75). Return on capital employed amounted to 42.3 per cent (39.8) and return on equity to 53.0 per cent (46.7).



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.

GROUP**Consolidated income statement (SEK M)**

	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June
Revenue	1,509	1,360	3,017	2,776
Cost of goods sold	-606	-516	-1,208	-1,128
Gross profit	903	844	1,809	1,648
Selling, administrative and R&D expenses	-521	-497	-1,040	-982
Other income and expenses	-1	-61	-6	-51
Operating profit	381	286	763	615
Financial items	-13	-10	-22	-16
Profit after financial items	368	276	741	599
Taxes	-104	-80	-211	-174
Profit for the period	264	196	530	425

The Group's planned depreciation and amortisation for the period totalled SEK 152 M (146).

Consolidated key figures

	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June
Operating margin, %	25.3	21.0	25.3	22.1
Profit margin, %	24.4	20.3	24.6	21.6
Earnings per share before/after dilution, SEK	1.81	1.35	3.64	2.92
Return on capital employed before tax, % ¹⁾	42.3	39.8	42.3	39.8
Return on equity after tax, % ¹⁾	53.0	46.7	53.0	46.7
Equity per share before/after dilution, SEK ¹⁾	13.05	12.33	13.05	12.33

¹⁾ Key figures calculated on a rolling 12-month basis.

Consolidated balance sheet (SEK M)

	30 June 2007	31 Dec 2006
Intangible assets	254	250
Tangible assets	1,588	1,548
Financial assets	180	175
Inventories	1,221	1,117
Current receivables	1,369	1,213
Cash and cash equivalents	285	243
Total assets	4,897	4,546
Equity	1,899	2,221
Long-term liabilities	536	531
Current liabilities	2,462	1,794
Total equity and liabilities	4,897	4,546

Interest-bearing liabilities and provisions at the end of the quarter totalled SEK 1,629 M (1,423), while the interest-free portion was SEK 1,369 M (1,229).

Consolidated statement of changes in equity (SEK M)

	30 June 2007	30 June 2006
Equity at beginning of period	2,221	2,207
Foreign exchange differences	21	-53
Total income/expenses recognised directly in equity	21	-53
Profit for the period	530	425
Total income/expenses in equity	551	372
Dividends	-873	-785
Equity at end of period	1,899	1,794

Consolidated cash flow statement (SEK M)

	30 June 2007	30 June 2006
Profit for the period	530	425
Add-back tax expense	211	174
Add-back amortisation/depreciation	152	146
Other	1	-6
Taxes paid	-200	-234
Cash flow from operating activities before changes in working capital	694	505
Changes in working capital	-216	-114
Cash flow from operating activities	478	391
Cash flow from investing activities	-168	-147
Cash flow from financing activities, including dividends	-273	-164
Cash flow for the period	37	80

PARENT COMPANY**Parent Company income statement (SEK M)**

	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June
Revenue	936	817	1,867	1,674
Cost of goods sold	-566	-456	-1,105	-943
Gross profit	370	361	762	731
Selling, administrative and R&D expenses	-169	-161	-342	-307
Other income and expenses	-4	-8	-12	-4
Operating profit	197	192	408	420
Financial items	312	172	310	171
Profit after financial items	509	364	718	591
Appropriations	-9	-1	-18	-2
Taxes	-51	-53	-107	-117
Profit for the period	449	310	593	472

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 66 M (66).

Parent Company balance sheet (SEK M)

	30 June 2007	31 Dec 2006
Intangible assets	3	5
Tangible assets	752	737
Financial assets	557	574
Inventories	844	770
Current receivables	1,187	717
Cash and cash equivalents	11	3
Total assets	3,354	2,806
Equity	805	1,085
Untaxed reserves	613	595
Provisions	1	1
Long-term liabilities	57	36
Current liabilities	1,878	1,089
Total equity and liabilities	3,354	2,806

Intra-group receivables increased during the first six months of the year, partly in order to finance subsidiaries. The level of cash and cash equivalents remains low. Equity decreased through the payment of SEK 873 M in dividends to the shareholders in May 2007. Mainly as an effect of this, the Parent Company's interest-bearing loans have risen during the year and amounted to SEK 1,288 M (996) at 30 June.

Number of shares

The total number of shares at the end of the second quarters of both 2007 and 2006 was 145,467,690. The average weighted number of shares for the same periods was 145,467,690. The above figures have been restated as if the share split had been carried out at an earlier date. No dilutive effects exist.

Accounting principles

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 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.

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

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 42 M during the period and amounted to SEK 285 M (293) at 30 June 2007. Cash flow from operating activities remained strong. The Group's interest-bearing liabilities at the end of the period totalled SEK 1,629 M (1,423). The Group's net debt/equity ratio at 30 June 2007 was 0.69 (0.61).

Personnel

The number of employees in the Group rose by a total of 83 in the second quarter and amounted to 4,440 at 30 June 2007 (4,224 at year-end 2006). The year's increase of 216 positions is mainly attributable to the sales force and production.

Capital expenditure

The Group's capital expenditure on tangible and intangible fixed assets during the second quarter amounted to SEK 104 M (89), of which SEK 14 M (14) referred to capitalisation of R&D costs. The corresponding expenditure for the first six months of the year amounted to SEK 172 M (172), of which SEK 21 M (17) referred to capitalisation of R&D costs. However, the level of investment will show a substantial increase in the second half of the year.

This report has not been subject to special examination by the company's auditors. The next financial report, for the first nine months of 2007, will be published on 26 October 2007.

The Board of Directors and the CEO give their assurance that the interim report provides a true and fair picture of the operations, financial position and results 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, 19 July 2007

SECO TOOLS AB; (publ)

Anders Ilstam
Anders Ilstam
Chairman

Carl-Erik Ridderstråle
Carl-Erik Ridderstråle
Deputy Chairman

Annika Bäreemo
Annika Bäreemo
Board member

Stefan Erneholm
Stefan Erneholm
Board member

Jan-Erik Forsgren
Jan-Erik Forsgren
Board member

Carina Malmgren Heander
Carina Malmgren Heander
Board member

Staffan Jufors
Staffan Jufors
Board member

Christer Jönsson
Christer Jönsson
Board member

Eva Olsson
Eva Olsson
Board member

Kai Wörn
Kai Wörn
CEO & Board member

For additional information contact Kai Wörn, 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 company’s address is Seco Tools AB, SE-737 82 Fagersta, Sweden. The telephone number to the Group head office is +46 (0) 223-400 00.