

SECO TOOLS AB

Review of the 2010 Annual General Meeting

In his address to the Annual General Meeting of Seco Tools AB on 4 May 2010, Kai Wärn, President and CEO, commented on significant events of 2009 and the company's performance in the first quarter of 2010. He began by stating that the previous year's drop in demand was significantly more drastic than seen in earlier market recessions. The assessment is that the total market shrank by around 38 per cent during 2009. In the past year Seco Tools' revenue fell by 31 per cent at fixed exchange rates and 25 per cent in Swedish kronor.

Kai Wärn then described the cost-cutting activities launched by the Group to offset the downturn. Around 850 jobs were cut, of which some 200 consisted of working hours and salary reductions. These activities reduced the Group's total costs for the year by SEK 560 M, which exceeded the initial plan of SEK 400 M. One-time costs for the adaptations amounted to a total of SEK 115 M, of which SEK 55 M was recognised in 2009.

Thanks to this rapid response, the Group was able to report positive earnings in all four quarters of 2009. Operating margin for the full year was 6.3 per cent and earnings per share for the year amounted to SEK 1.11. The implemented measures also enabled the Group to reduce its working capital and thereby maintain cash flow at the same level as in the previous year in spite of the decrease in operating profit.

The CEO then commented on the proposed dividend and stated that the average ordinary dividend over the past five years was equal to 57 per cent of earnings per share. Including extraordinary dividends, 82 per cent of earnings per share have been distributed. Overall, these dividends have been well in line with the communicated target of at least 50 per cent of earnings per share over a business cycle.

After this, Kai Wärn looked at development of market shares and cited the assessment that Seco Tools had gained 0.7 percentage points in the past year. Since 2005, the Group's market share has increased by an estimated total of around 1.6 percentage points, mainly owing to favourable exposure both geographically and across customer segments, a strong product portfolio and effective sales and marketing efforts. However, there is a risk that a possible rapid recovery in the automotive industry and in Japan will inhibit continued growth in market shares during 2010.

In spite of the dramatic market downturn in 2009, the Group maintained its strategic long-term investments in areas like R&D. Many promising new products were launched during the year and the high rate of launches will continue in 2010. The important long-term expansion of production capacity in Fagersta was completed and has also been followed by a decision to invest in a new plant for powder production.

He then gave a brief account of the Group's efforts for sustainable growth and touched on areas such as efficiency improvements with positive environmental impact. In addition, he described the group-wide activities relating to the shared values, the code of ethics and the relatively extensive audit process.

The CEO ended by reporting on the Group's sales and profit performance for the first quarter of 2010. Net sales rose by 10 per cent at fixed exchange rates compared to the same quarter of last year. The stronger Swedish krona had negative foreign exchange effects of 9 per cent on sales, which meant that the increase in SEK was 1 per cent. Seen by region and country, very strong development was noted in many emerging markets, such as the so-called BRIC countries. In connection with this, Kai Wörn noted that additional recruitments and ventures had been decided in these countries during the quarter. Activities in these countries are regarded as fundamental for the Group's future growth. Operating margin for the first quarter improved substantially over the year-earlier period and amounted to 16.1 per cent. The improvement was attributable to higher volumes, better capacity utilisation and a sustained low cost level. However, foreign exchange losses had a dampening effect on earnings growth.

Since the second quarter of last year, the sales rate has steadily risen with each quarter. Given continued sales on par with the rate in March, net sales for the full year would increase by approximately 18 per cent at fixed exchange rates. However, Kai Wörn emphasised that this estimate is not a forecast but only a calculated full-year value based on the current sales rate. Foreign exchange effects for the full year are estimated at -5 per cent assuming that exchange rates remain on a level with the end of March.

Paul Löfgren, Senior Vice President Group Marketing, then reported on the Group's customer segmentation work. He stated that Seco Tools' core business is and will continue to be a strong range of standard tools for metal cutting machining but that this core business will now be increasingly supplemented with specialised solutions for a number of selected customer segments. The focus on industries and components with particularly high growth potential creates greater scope for the Group's future growth, and in this context Paul Löfgren pointed out the growth opportunities in the energy sector as an example.

The AGM resolved in favour of the Board's proposal that no dividend be paid for 2009.

In connection with presentation of its proposals, the Nominating Committee reported on its work.

The AGM re-elected sitting Board members Annika Bärems, Stefan Ernehölm, Jan-Erik Forsgren, Anders Ilstam, Staffan Jufors, Peter Larson, Carl-Erik Ridderstråle and Kai Wörn.

Anders Ilstam was re-elected as the Chairman of the Board.

The AGM approved total Board fees of SEK 1,800,000, of which SEK 450,000 will be paid to the Chairman and SEK 225,000 to each of the Board members not employed by the company. Total fees to the members of the Audit Committee were approved in an amount of SEK 220,000, of which SEK 100,000 will be paid to the chairman of the Audit Committee and SEK 60,000 to each of the other members. Fees to the auditors will continue to be paid according to current account.

The Board's proposed principles for remuneration and other terms of employment for the executive management were approved.

The AGM approved the submitted proposal that the Nominating Committee to serve until

the end of the next AGM consist of the Board Chairman and one representative for each of the four largest shareholders in terms of voting power, of whom none may be Board members of the company. The composition of the Nominating Committee ahead of the 2011 AGM shall be published as soon as it has been established, but no later than six months prior to the AGM. No fees shall be paid to the members of the Nominating Committee. The Nominating Committee shall make recommendations regarding election of a chairman of the AGM, the number of Board members, compensation to Board members and auditors and election of Board members and the Board Chairman.

At the statutory meeting following the AGM, Annika Bärems, Stefan Erneholm and Carl-Erik Ridderstråle were appointed to the Audit Committee. Peter Larson, Carl-Erik Ridderstråle and Anders Ilstam were appointed to the Remuneration Committee. Patrik Johnson, who is Senior Vice President and Chief Financial Officer of Seco Tools and not a member of the Board, was appointed as Board Secretary.

Fagersta, 4 May 2010

SECO TOOLS AB (publ)

THE BOARD OF DIRECTORS

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