

SECO TOOLS AB

Interim report for the nine months ended 30 September 2007

- * Year-over-year revenue for the third quarter rose by 15 per cent at fixed exchange rates and operating profit was SEK 342 M (298).
- * Operating margin for the third quarter was 23.7 per cent (23.6).
- * Revenue for the first nine months of 2007 improved by 13 per cent at fixed exchange rates to SEK 4,462 M (4,039).
- * Profit after tax for the nine-month period was SEK 757 M (629).
- * Earnings per share for the nine-month period strengthened by 20 per cent to SEK 5.20 (4.32).

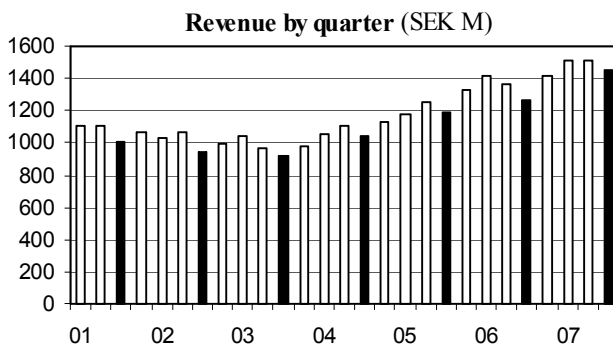
Comments from the CEO

“The third quarter saw sustained robust development for Seco Tools across all market regions, driven largely by a combination of ambitious market efforts, a comprehensive range of high performance products and strong industrial growth. In addition, the new products launched during the quarter were well received by the market.

The growth in Western Europe remained stable with further double-digit revenue increase in the third quarter. The positive trend in the expansive regions of Central and Eastern Europe, Asia and South America continued with rising growth rates. Growth in North America, which declined year-on-year for the nine-month period, has nonetheless improved during the year. On the whole, we see no indication of slowing in demand.

Favourable revenue growth, stable prices, high capacity utilisation and ongoing efficiency improvements give positive development in earnings for the period despite continued ambitious market efforts. Operating margin showed a slight seasonal decrease to 23.7 per cent for the third quarter and 24.8 per cent for the nine-month period. Return on both capital employed and equity were maintained at very solid levels.”

Third quarter revenue



Revenue rose by 14 per cent year-over-year and amounted to SEK 1,445 M (1,263). Like-for-like revenue at fixed exchange rates increased by 15 per cent. Foreign exchange losses made a negative contribution of 1 percentage points.

Most market regions reported double-digit revenue growth in the third quarter compared to the same period of last year. Western Europe maintained its double-digit growth rate during the period and showed no signs of slowing. Somewhat stronger growth was noted in the NAFTA region compared to the first two quarters of the year. As earlier, development in China and India remained very positive.

The new turning grades in the Duratomic line have been well received by the market and contributed to the period's continued strong revenue growth.

Revenue during the year

Consolidated revenue amounted to SEK 4,462 M (4,039), up by 10 per cent over the year-earlier period. The like-for-like increase at fixed exchange rates was 13 percentage points. Foreign exchange losses made a negative contribution of 3 percentage points.

Revenue – market regions

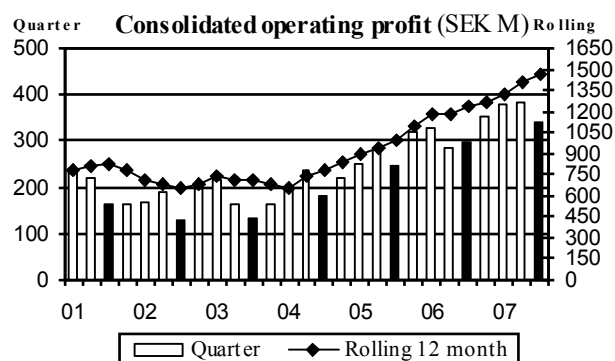
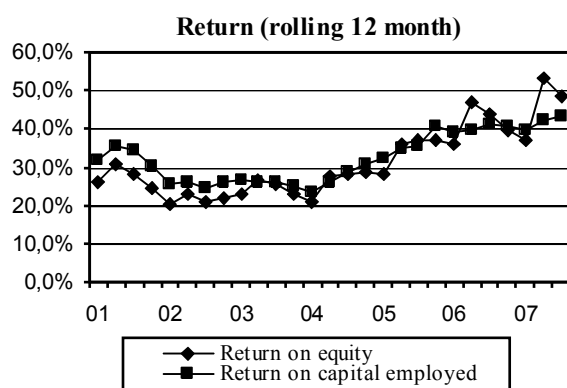
	2007 July-Sept SEK M	2006 July-Sept SEK M	2007 Jan-Sept SEK M	2006 Jan-Sept SEK M	2007/2006 July-Sept % ¹⁾	2007/2006 Jan-Sept % ¹⁾
EU	838	735	2,695	2,383	12	13
Rest of Europe	75	60	223	194	32	26
Total Europe	913	795	2,918	2,577	14	14
NAFTA	237	235	716	738	9	6
South America	66	52	181	153	23	19
Africa, Middle East	22	17	70	63	27	25
Asia, Australia	207	164	577	508	27	18
Total Group	1,445	1,263	4,462	4,039	15	13

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 third quarter was SEK 342 M (298), an increase of 15 per cent compared to the same quarter of 2006. Operating margin for the quarter was 23.7 per cent (23.6). Third quarter earnings were positively affected by growth in revenue, high capacity utilisation in the Group's production units, continuous efficiency improvements and stable prices.

Consolidated operating profit for the first nine months of 2007 rose by 21 per cent over the year-earlier period and operating margin reached 24.8 per cent (22.6). Foreign exchange losses had a negative impact of SEK 43 M on profit for the period. Earnings per share for the past 12-month period were SEK 6.88 (5.99). Return on capital employed amounted to 43.3 per cent (41.3) and return on equity to 48.6 per cent (44.0).



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.

GROUP

Consolidated income statement (SEK M)

	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept
Revenue	1,445	1,263	4,462	4,039
Cost of goods sold	-581	-570	-1,789	-1,698
Gross profit	864	693	2,673	2,341
Selling, administrative and R&D expenses	-522	-442	-1,562	-1,424
Other income and expenses ¹⁾	0	47	-6	-4
Operating profit	342	298	1,105	913
Financial items	-17	-11	-39	-27
Profit after financial items	325	287	1,066	886
Taxes	-98	-83	-309	-257
Profit for the period	227	204	757	629

¹⁾ In the third quarter of last year, the previous year's restructuring costs for NAFTA region were reclassified from other income and expenses to cost of goods sold.

The Group's planned depreciation and amortisation for the period totalled SEK 232 M (211).

Consolidated key figures

	2007 July-Sept	2006 July-Sept	2007 Jan-Sept	2006 Jan-Sept
Operating margin, %	23.7	23.6	24.8	22.6
Profit margin, %	22.5	22.7	23.9	21.9
Earnings per share before/after dilution, SEK	1.56	1.40	5.20	4.32
Return on capital employed before tax, % ¹⁾	43.3	41.3	43.3	41.3
Return on equity after tax, % ¹⁾	48.6	44.0	48.6	44.0
Equity per share before/after dilution, SEK ¹⁾	14.51	13.79	14.51	13.79

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

Consolidated balance sheet (SEK M)

	30 Sept 2007	31 Dec 2006
Intangible assets	247	250
Tangible assets	1,641	1,548
Financial assets	167	175
Inventories	1,241	1,117
Current receivables	1,310	1,213
Cash and cash equivalents	264	243
Total assets	4,870	4,546
Equity	2,110	2,221
Long-term liabilities	529	531
Current liabilities	2,231	1,794
Total equity and liabilities	4,870	4,546

Interest-bearing liabilities and provisions at the end of the quarter totalled SEK 1,435 M (1,236), while the interest-free portion was SEK 1,325 M (1,216).

Consolidated statement of changes in equity (SEK M)

	30 Sept 2007	30 Sept 2006
Equity at beginning of period	2,221	2,207
Foreign exchange differences	5	-45
Total income/expenses recognised directly in equity	5	-45
Profit for the period	757	629
Total income/expenses in equity	762	584
Dividends	-873	-785
Equity at end of period	2,110	2,006

Consolidated cash flow statement (SEK M)

	30 Sept 2007	30 Sept 2006
Profit for the period	757	629
Add-back tax expense	309	257
Add-back depreciation/amortisation	232	211
Other	6	1
Taxes paid	-300	-311
Cash flow from operating activities before changes in working capital	1,004	787
Changes in working capital	-211	-74
Cash flow from operating activities	793	713
Cash flow from investing activities	-296	-240
Cash flow from financing activities, including dividends	-476	-393
Cash flow for the period	21	80

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

	2007	2006	2007	2006
	July-Sept	July-Sept	Jan-Sept	Jan-Sept
Revenue	857	731	2,724	2,405
Cost of goods sold	-521	-375	-1,626	-1,318
Gross profit	336	356	1,098	1,087
Selling, administrative and R&D expenses	-164	-143	-506	-450
Other income and expenses	-8	-7	-20	-11
Operating profit	164	206	572	626
Financial items	-9	1	301	172
Profit after financial items	155	207	873	798
Appropriations	44	6	26	4
Taxes	-57	-59	-164	-176
Profit for the period	142	154	735	626

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 103 M (94).

Parent Company balance sheet (SEK M)

	30 Sept 2007	31 Dec 2006
Intangible assets	2	5
Tangible assets	779	737
Financial assets	557	574
Inventories	854	770
Current receivables	1,075	717
Cash and cash equivalents	1	3
Total assets	3,268	2,806
Pledged assets	1	1
Equity	947	1,085
Untaxed reserves	569	595
Provisions	1	1
Long-term liabilities	57	36
Current liabilities	1,694	1,089
Total equity and liabilities	3,268	2,806
Contingent liabilities	59	127

Intra-group receivables increased during the first nine 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 1,146 M (789) at 30 September 2007. Contingent liabilities consist primarily of obligations on behalf of other group companies and mainly comprise bank guarantees. Contingent liabilities have decreased during the year through amortisation of loans in subsidiaries.

Number of shares

The total number of shares at the end of the third quarters of both 2007 and 2006 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 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 have increased by SEK 21 M since the beginning of the year and amounted to SEK 264 M (296) at 30 September 2007. Cash flow from operating activities remained strong. The Group's interest-bearing liabilities at the end of the period totalled SEK 1,435 M (1,236). The Group's net debt/equity ratio at 30 September 2007 was 0.54 (0.45).

Personnel

The number of employees in the Group rose by a total of 123 in the third quarter and amounted to 4,563 at 30 September 2007 (4,224 at year-end 2006). The year's increase of 339 positions is mainly attributable to the sales force and production staff.

Capital expenditure

The Group's capital expenditure on tangible and intangible fixed assets during the third quarter amounted to SEK 133 M (92), of which SEK 5 M (5) referred to capitalisation of R&D costs. The corresponding expenditure for the first nine months of the year amounted to SEK 305 M (264), of which SEK 26 M (22) referred to capitalisation of R&D costs.

The Board of Directors of Seco Tools AB has decided to implement a major investment programme aimed at expanding the Group's production capacity. Among other things, the programme will include expansion of the production plant in Fagersta.

Nominating Committee ahead of the 2008 Annual General Meeting

The 2007 Annual General Meeting of Seco Tools AB passed a resolution to appoint a Nominating Committee consisting of the Board Chairman and one representative for each of the four largest shareholders. Based on the ownership structure in Seco Tools on 31 August 2007, the Nominating Committee ahead of the 2008 Annual General Meeting consists of Lars Pettersson (Sandvik AB), Marianne Nilsson (Swedbank Robur Fonder), Jan-Erik Erenius (AMF Pension), Ramsay J. Brufer (Alecta Pensionsförsäkring) and Anders Ilstam, Board Chairman. Lars Pettersson has been appointed chairman of the Nominating Committee.

The procedure for appointment of the Nominating Committee and other related matters, including submission of recommendations to the Committee, was published in a press release dated 19 October 2007. The press release can be viewed on the company's website.

2007 Annual General Meeting

The Annual General Meeting for fiscal 2007 will be held on 29 April 2008, at 11:30 a.m. in Fagersta, Sweden.

Financial calendar

The next report will be published on 31 January 2008 and refers to the fourth quarter and full year 2007.

Review report

We have reviewed this report for the period 1 January 2007 to 30 September 2007 for Seco Tools AB (publ). The board of directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden, RS, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Fagersta, Sweden, 26 October 2007

Öhrlings PricewaterhouseCoopers AB

KPMG Bohlins AB

Robert Barnden
Authorised Public Accountant

George Pettersson
Authorised Public Accountant

Fagersta, Sweden, 26 October 2007

SECO TOOLS AB; (publ)

Kai Wörn
President & CEO

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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.