Seco Tools
Year-end Report
2008

SECO TOOLS AB

Year-end report for 2008 and interim report for the fourth quarter

* Revenue for the fourth quarter improved by 3 per cent to SEK 1,625 M (1,572). At fixed exchange rates revenues fell by 7 per cent. Operating profit was SEK 233 M (386).
* Profit for the fourth quarter was charged with one-time costs of SEK 60 M related to workforce reductions and production standstills.
* Revenue for the full year improved by 6 per cent at fixed exchange rates to SEK 6,536 M (6,034). Operating profit was SEK 1,332 M (1,491), equal to an operating margin of 20.4 per cent (24.7).
* Profit after tax for the full year was SEK 890 M (1,017). Earnings per share for the full year were SEK 6.12 (6.99), a decrease of 12 per cent.
* The Board proposes a regular dividend of SEK 3.20 per share (4.20).

Comments from the CEO

Strengthened position in an uncertain market

"The vigorous revenue growth seen in the first three quarters of the year took a negative turn in the final quarter. The general demand situation has worsened rapidly in virtually all of Seco Tools' markets.

Our decided strategic direction based on customer closeness, a solution-oriented approach and strong product innovation has been successful. Seco Tools is continuing to win market shares and stands relatively strong despite a slowing economy. Although our strategy is unchanged, a harsher market climate is forcing the Group to make significant cost adaptations in our operations.

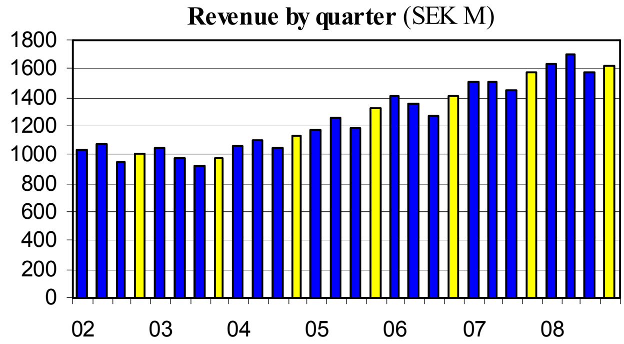
The already initiated workforce reductions and other activities will reduce the total cost level by an estimated SEK 200 M on a yearly basis. One-time costs of SEK 60 M for these measures were recognised in the fourth quarter. The full effects of the action program are expected to visible starting at mid-year 2009.

Operating margin for the fourth quarter was 14.3 per cent including the above-mentioned one-time costs, and 18.0 per cent (24.5) excluding these. Otherwise, the decrease relative to the year-earlier period is mainly attributable to a steep drop in revenue, lower production volumes and increased costs connected to strategic marketing activities and a high level of investments.

The year's strong revenue and high average capacity utilisation resulted in a healthy profit for 2008 as a whole. Operating margin for the full year was 20.4 per cent (24.7). Return on equity and capital employed was also good, with both at over 30 per cent.

Given the current market scenario, it is possible that additional resource and cost adaptations will be necessary in the future," says Kai Wärn, President and CEO of Seco Tools

Fourth quarter revenue



The robust growth trend in the first three quarters of the year reversed and the majority of market regions reported negative growth at fixed exchange rates for the fourth quarter. Of the largest regions, revenue was down by 9 in Western Europe and 7 per cent in NAFTA. Excluding acquisition effects and at fixed exchange rates, the emerging markets in Asia and Central and Eastern Europe also showed lower revenue in the quarter.

Consolidated revenue for the fourth quarter was SEK 1,625 M (1,572), an increase of 3 per cent compared to the year-earlier period. On a like-for-like basis, revenue at fixed exchange rates fell by 9 per cent. Fourth quarter revenue was affected by a foreign exchange effect of +10 per cent and an acquisition effect of +2 per cent.

Revenue during the year

In spite of a weak fourth quarter, the majority of Seco Tools' markets and regions reported growth in revenue for the full year. Most of the major markets in Europe and the USA delivered stable and healthy growth in 2008, with the exception of the fourth quarter. Among the emerging markets, revenue showed especially strong growth in China and Russia.

Consolidated revenue for the full year reached SEK 6,536 M (6,034), an increase of 8 per cent compared to 2007. On a like-for-like basis, revenue at fixed exchange rates rose by 5 per cent. The foreign exchange effect for the quarter was +2 per and the structural effect was +1 per cent.

Revenue – market regions

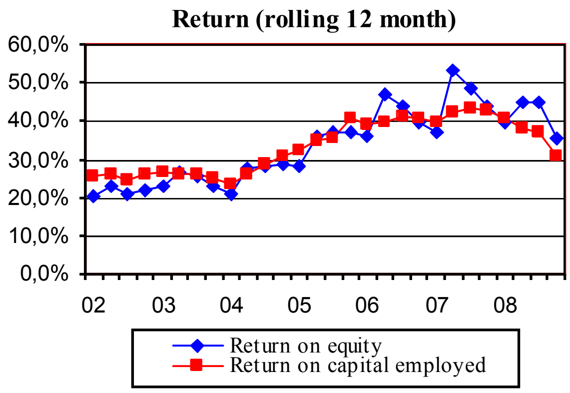
	2008 Oct-Dec SEK M	2007 Oct-Dec SEK M	2008 Jan-Dec SEK M	2007 Jan-Dec SEK M	Change, 08/07 Oct-Dec %[1]	Jan-Dec %[1]
EU	935	957	3,941	3,652	-10	5
Rest of Europe	116	84	427	307	-5	8
Total Europe	1,051	1,041	4,368	3,959	-9	5
NAFTA	258	224	942	940	-7	3
South America	63	63	285	244	1	13
Africa, Middle East	35	22	101	92	-15	23
Asia, Australia	218	222	840	799	-15	5
Total Group	1,625	1,572	6,536	6,034	-9	5

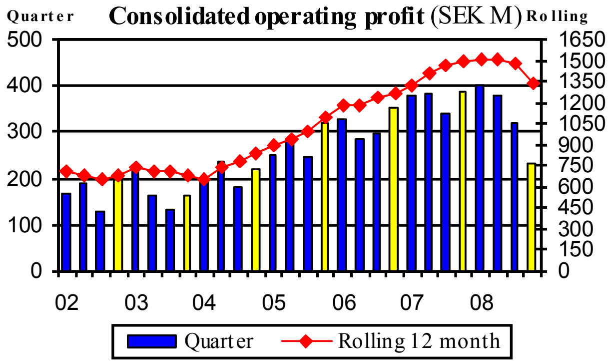
[1] The change from the preceding year is shown on a like-for-like basis and at fixed exchange rates.

Earnings and return

Consolidated operating profit for the fourth quarter was SEK 233 M (386), equal to an operating margin of 14.3 per cent. Operating profit for the fourth quarter was charged with one-time costs of SEK 60 M for workforce reductions and an extended production standstill during the Christmas and New Year holidays. Excluding one-time costs, operating margin was 18.0 per cent (24.5). The weaker operating profit is otherwise explained by lower revenue at fixed exchange rates, lower production volumes and higher costs for marketing activities and production. The downward earnings trend in the fourth quarter was offset by foreign exchange gains of SEK 54 M.

Consolidated operating profit for the full year declined by 11 per cent and operating margin was 20.4 per cent (24.7). Foreign exchange gains had a positive impact of SEK 35 M (-54) on operating profit. Earnings per share amounted to SEK 6.12 (6.99). Return on capital employed was 30.8 per cent (42.6) and return on equity was 35.6 per cent (43.9).





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)

	2008 Oct-Dec	2007 Oct-Dec	2008 Jan-Dec	2007 Jan-Dec
Revenue	1,625	1,572	6,536	6,034
Cost of goods sold	-801	-619	-2,850	-2,408
Gross profit	824	953	3,686	3,626
Selling, administrative and R&D expenses	-645	-560	-2,428	-2,122
Other income and expenses	54	-7	74	-13
Operating profit	233	386	1,332	1,491
Financial items	-27	-15	-86	-54
Profit after financial items	206	371	1,246	1,437
Taxes	-49	-111	-356	-420
Profit for the year	157	260	890	1,017

The Group’s planned depreciation and amortisation for the year totalled SEK 346 M (309).

Consolidated key figures

	2008 Oct-Dec	2007 Oct-Dec	2008 Jan-Dec	2007 Jan-Dec
Operating margin, %	14.3	24.5	20.4	24.7
Profit margin, %	12.7	23.6	19.1	23.8
Earnings per share, basic and diluted, SEK	1.08	1.79	6.12	6.99
Return on capital employed before tax, % [1)]	30.8	42.6	30.8	42.6
Return on equity after tax, % [1)]	35.6	43.9	35.6	43.9
Equity per share, SEK [1)]	17.89	16.54	17.89	16.54

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

Consolidated balance sheet (SEK M)

	31 Dec 2008	31 Dec 2007
Intangible assets	331	254
Tangible assets	2,422	1,847
Financial assets	234	155
Inventories	1,568	1,299
Current receivables	1,573	1,422
Cash and cash equivalents	284	294
Total assets	6,412	5,271
Equity	2,603	2,406
Non-current liabilities	616	511
Current liabilities	3,193	2,354
Total equity and liabilities	6,412	5,271

Interest-bearing liabilities at the end of the year totalled SEK 2,291 M (1,381) while the interest-free portion was SEK 1,518 M (1,484).

Consolidated statement of changes in equity (SEK M)

	31 Dec 2008	31 Dec 2007
Equity at beginning of year	2,406	2,221
Foreign exchange differences	209	41
Total income/expenses recognised directly in equity	209	41
Profit for the period	890	1,017
Total income/expenses in equity	1,099	1,058
Dividends	-902	-873
Equity at end of year	2,603	2,406

Consolidated cash flow statement (SEK M)

	2008 Jan-Dec	**2007 Jan-Dec**
Profit for the period	890	1,017
Add-back tax expense	356	420
Add-back amortisation/depreciation	346	309
Other	-64	0
Taxes paid	-429	-414
Cash flow from operating activities before changes in working capital	1,099	1,332
Changes in working capital	-248	-206
Cash flow from operating activities	851	1,126
Cash flow from investing activities	-781	-538
Cash flow for the year	-107	-541
Cash flow from financing activities incl. dividends	-37	47

PARENT COMPANY

Parent Company income statement (SEK M)

	2008 Oct-Dec	2007 Oct-Dec	2008 Jan-Dec	2007 Jan-Dec
Revenue	952	969	3 978	3,693
Cost of goods sold	-641	-578	-2 496	-2,204
Gross profit	311	391	1 482	1,489
Selling, administrative and R&D expenses	-197	-194	-800	-700
Other income and expenses	58	-6	90	-26
Operating profit	172	191	772	763
Financial items	-4	-8	328	293
Profit after financial items	168	183	1 100	1,056
Appropriations	-59	62	-80	88
Taxes	-28	-68	-182	-232
Profit for the period	81	177	838	912

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 140 M (133).

Parent Company balance sheet (SEK M)

	31 Dec 2008	31 Dec 2007
Intangible assets		2
Tangible assets	1,080	854
Financial assets	675	557
Inventories	1,001	875
Current receivables	1,171	922
Cash and cash equivalents	9	4
Total assets	3,936	3,214
Pledged assets	4	2
Equity	1,037	1,114
Untaxed reserves	587	507
Provisions	1	1
Non-current liabilities	83	31
Current liabilities	2,228	1,561
Total equity and liabilities	3,936	3,214
Contingent liabilities	140	83

Intra-group receivables increased during the period, partly in order to finance subsidiaries. The level of cash and cash equivalents remains low. The Parent Company's interest-bearing liabilities increased during the year and amounted to SEK 1,796 M (1,127) at 31 December 2008, mainly due to increased concentration of the Group's loan portfolio in the Parent Company.

Contingent liabilities are primarily on behalf of other group companies and consist predominantly of bank guarantees. Contingent liabilities rose during the year as a result of increased credits for investments in subsidiaries.

Number of shares

The total number of shares at the end of the fourth quarters of both 2008 and 2007 was 145,467,690.

Acquisitions

On 5 May 2008, Seco Tools acquired 100 per cent of the shares in the Russian tool maker ALG with 175 employees based in Moscow. The acquisition is part of the Group's goal to maintain an active presence in all major industrial markets worldwide. ALG, which caters mainly to customers active in cutting machining and wear parts, is regarded as a strong brand in the Russian market and is one of the country's three leading manufacturers of carbide metalworking tools. The acquired operations posted revenue of SEK 65 M for the period May-December 2008, resulting in a cumulative structural effect on consolidated revenue of 1 per cent.

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 limiting the effects of 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. The global financial crisis is not assessed to affect the company´s financing possibilities.

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 risk assessments described in the above-mentioned annual report have been reviewed and remain 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 in the Annual Report for the fiscal year 2007. 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 decreased by SEK 10 M during the year and amounted to SEK 284 M (294) at 31 December 2008. Cash flow from operating activities weakened during the year, mainly due to a lower operating profit. The Group's interest-bearing liabilities increased by SEK 39 M in the fourth quarter and totalled SEK 2,291 M (1,381) at year-end. The Group's net debt/equity ratio at 31 December 2008 was 0.76 (0.43).

Cost adaptations

In response to rapidly declining demand in the fourth quarter, in November the Group announced measures to adapt its costs. These measures include a workforce reduction of around 250 permanent and temporary jobs worldwide, the majority in production.

These adaptations are expected to reduce the Group's cost level by a total of approximately SEK 200 M on a yearly basis and to be completed in the second quarter of 2009. One-time costs for the adaptations, including production shutdowns during Christmas and New Year's, amounted to SEK 60 M in the fourth quarter.

Personnel

The number of employees in the Group at 31 December 2008 was 5,038 (4,662), of whom 1,585 (1,582) worked in Sweden. Of the year's increase, 175 employees are attributable to the acquisition of ALG in Russia. The year's hiring of 221 employees was focused mainly on sales and production. Central and Eastern Europe and Asia accounted for the largest increase in the sales force.

Capital expenditure

The Group's capital expenditure on tangible and intangible assets during the quarter amounted to SEK 222 M (257), of which SEK 4 M (15) referred to capitalisation of IT/R&D expenses. The corresponding capital expenditure for the full year totalled SEK 796 M (563), which SEK 20 M (41) referred to capitalisation of IT/R&D expenses and SEK 85 M (0) to acquisitions.

Dividend

The Board of Directors proposes to the Annual General Meeting a regular dividend of SEK 3.20 per share (4.20) and no extraordinary dividend (2.00). The proposed regular dividend for 2008 corresponds to a dividend payout ratio of 52 per cent.

The size of the proposed dividend is consistent with the Group´s communicated dividend policy and provides scope to maintain a strong balance sheet and handle an uncertain business climate 2009. The average dividend payout ratio over the past five years has been 62 per cent, excluding extraordinary dividends.

Including the proposed dividend, the average annual dividend growth rate (regular dividend) has been 2.7 per cent over the past five years and 4.3 per cent over the past ten years.

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. The proposed record date for entitlement to dividends is Monday, 4 May 2009.

AGM and annual report

The Annual General Meeting will be held at 11:30 a.m. on Tuesday, 28 April, 2009, at Folkets Hus in Fagersta. Seco Tools' annual report will be available to the public at the company's head office in Fagersta as of 2 April 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 10 March 2009. 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 27 February 2009. Such requests are submitted to the Board but are addressed to Seco Tools AB, Att: Britt-Marie Conradsson, SE-737 82 Fagersta, Sweden.

The Nominating Committee ahead of the AGM in April 2009 consists of Lars Pettersson (Sandvik AB), Jan Andersson (Swedbank Robur Fonder), Ramsay J. Brufer (Alecta Pensionsförsäkring), Anders Algotsson (AFA Försäkring) and Anders Ilstam, Chairman of the Board. Individual shareholders who are not represented on the Nominating Committee may submit proposals and suggestions to the Nominating Committee via the company by telephone +46 223-401 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 2009:

First quarter 2009	28 April
Second quarter 2009	17 July
Third quarter 2009	30 October
Fourth quarter and full year 2009	January 2010

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 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 RFR 2.1, 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, 3 February 2009

SECO TOOLS AB (publ)

THE BOARD OF DIRECTORS

The information contained herein is subject to the disclosure requirements of Seco Tools AB under the Swedish Securities Exchange and Clearing Operations Act and/or the Financial Instruments Trading Act. This information was submitted for publication on 4 February 2009, 7:45 CET.

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.