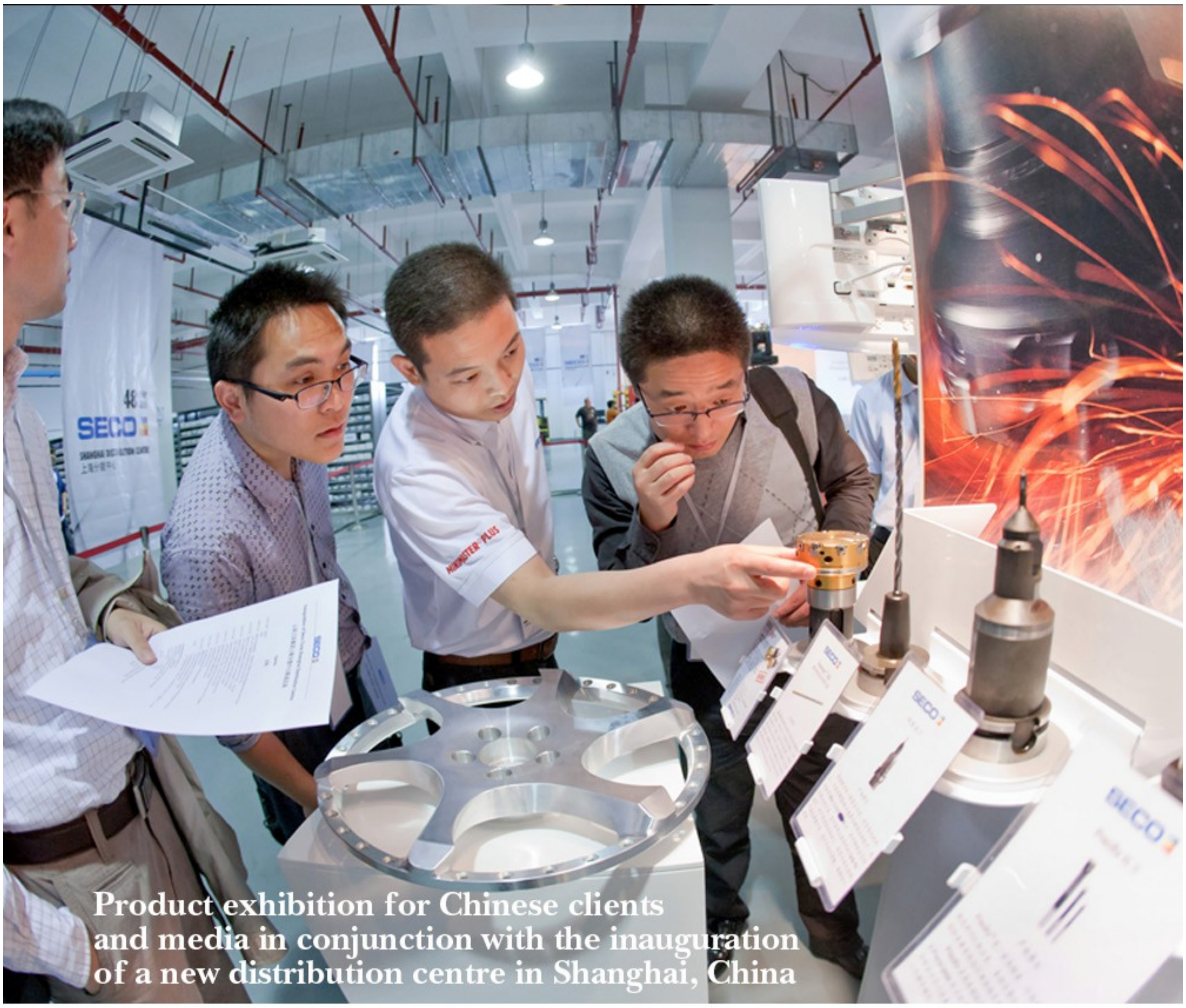


Product exhibition for Chinese clients and media in conjunction with the inauguration of a new distribution centre in Shanghai, China

SECO TOOLS INTERIM REPORT JANUARY - JUNE 2011

SECO

SECO TOOLS AB

Interim report January – June 2011

Record earnings and substantially improved sales

- Revenue for the quarter increased 31 per cent at fixed exchange rates and 19 per cent in SEK to the record level of SEK 1,775 M (1,485).
- Operating profit for the second quarter rose 25 per cent to SEK 389 M (311), correspon-ding to an operating margin of 21.9 per cent (20.9).
- The interim period's profit after tax was SEK 520 M (358).
- Earnings per share for the quarter were the highest ever posted and amounted to SEK 1.89 (1.46). Earnings per share were 3.57 (2.46) for the six-month period.
- Investments in emerging markets continued during the quarter, including the inauguration of a distribution centre in China

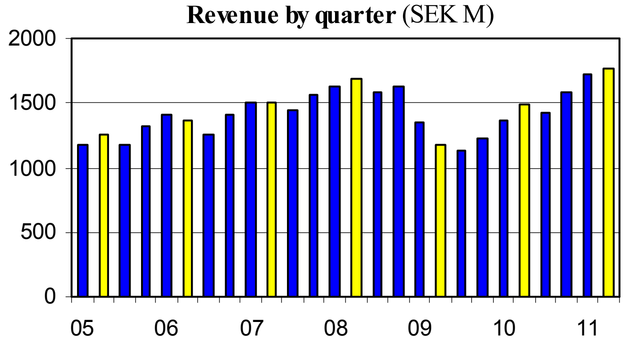
Comments from the CEO

"Demand remained strong during the second quarter and revenue improved compared with the first quarter, reaching new record levels. All market regions reported strong growth during the quarter compared with the corresponding period year-on-year. The most positive trend was noted in NAFTA and Central and Eastern Europe. Emerging markets in Asia and South America also continued strong, but at a slightly lower growth rate compared with the corresponding period in the preceding year. Overall, we have not seen any signs of a slowdown in demand and assess the outlook for the coming quarter as continued positive.

Operating profit improved compared with the year-earlier period and was SEK 389 M (311) for the quarter, corresponding to a margin of 21.9 per cent (20.9). This improvement was largely attributable to higher volumes. However, the strong SEK had a negative effect of SEK 79 M on the earnings trend for the quarter compared with the year-earlier period. Earnings per share amounted to SEK 1.89 (1.46), the highest ever reported for a single quarter.

Cash flow from operating activities before changes in working capital remained strong and amounted to SEK 397 M (379) for the quarter. However, the build up of inventory, increased receivables and a raised level of investment had a dampening effect on the cash flow trend during the quarter. In combination with the dividend paid, this meant that the net debt/equity ratio rose to 0.66 (0.52).

Growth initiatives continued during the quarter and these currently focus primarily on market penetration in emerging regions and increased capacity for solution orientation combined with a continuous upgrading of the product portfolio. One example is the new investments in China in the form of a new sales office and distribution centre," says Lars Bergström, President and CEO.



Second quarter revenue

Revenue for the second quarter rose 19 per cent compared with the year-earlier period and amounted to SEK 1,775 M (1,485). At fixed exchange rates, revenue increased 31 per cent, of which 5 per cent arose from acquisition effects. Compared with the first quarter, revenue increased 3 per cent during the quarter at fixed exchange rates.

All major market regions reported increased sales during the quarter, compared with the same period in the preceding year. The strongest performance in the period was noted in NAFTA and Central and Eastern Europe with growth of 32 per cent and 29 per cent, respectively. Growth in the largest region, Western Europe, amounted to 24 per cent. Sales in emerging markets in Asia and South America remained very high but due to increasingly strong benchmark months and a somewhat stabilising sales rate, the increase compared with the year-earlier period was some-what weaker and amounted to 24 per cent and 21 per cent, respectively.

Revenue – market regions

	2011 Apr-Jun SEK M	2010 Apr-Jun SEK M	2011 Jan-Jun SEK M	2010 Jan-Jun SEK M	Change 2011/2010 Apr-Jun %[1]	Change 2011/2010 Jan-Jun %[1]
EU	890	766	1,764	1,489	23	27
Rest of Europe	138	106	266	201	39	41
Total Europe	1,028	872	2,030	1,690	25	29
NAFTA	333	236	652	447	32	31
South America	95	85	181	160	21	20
Africa, Middle East	29	28	51	53	8	1
Asia, Australia	290	264	582	505	24	26
Total Group	1,775	1,485	3,496	2,855	26	28

[1] The change compared to the year-earlier period is shown at fixed exchange rates for comparable units.

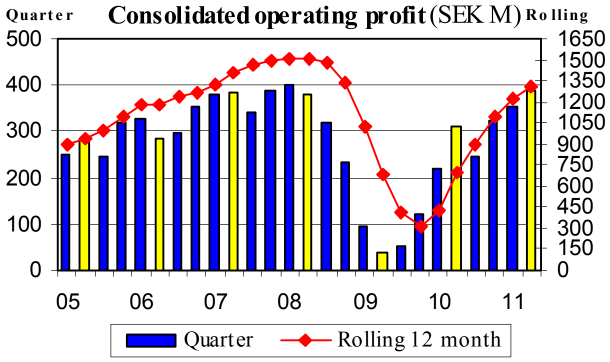
Earnings and return

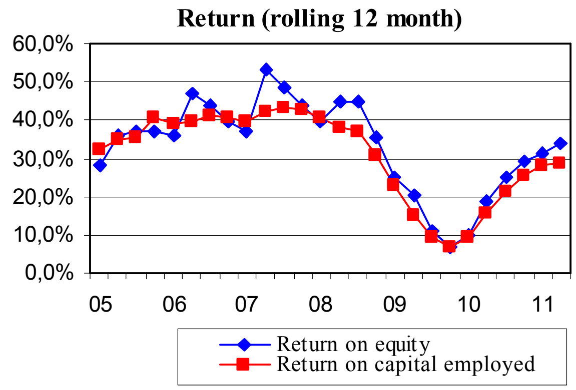
Consolidated operating profit improved during the quarter and amounted to SEK 389 M (311), corresponding to an operating margin of 21.9 per cent (20.9). The increase was mainly attributable to higher revenue at fixed exchange rates, improved capacity utilisation and favourable price trends.

During the quarter, negative currency effects of SEK 79 M compared with the year-earlier period had a dampening effect on the earnings trend. Accumulated over the six-month period, exchange rate effects had a negative impact of SEK 142 M on operating profit.

The cost level increased for the quarter and interim period compared to the preceeding year. The increase was due to a return to a more normal actvtity level after the crisis, the strong volume increase and the future oriented growth initiatives, including recruitment to the sales force, marketing and R&D. The growth initiatives amounted to around SEK 50 M for the interim period.

Due to the buffer stock and inventory of finished products, higher raw material prices did not impact the Group’s profit during the quarter or the six-month period.





The profit margin for the second quarter was 21.2 per cent (19.8). Earnings per share for the second quarter were the highest ever reported and amounted to SEK 1.89 (1.46). For the past 12 months, earnings per share were SEK 6.21 (3.10). For the same period, return on capital employed was 28.9 per cent (15.7) and return on equity was 33.9 per cent (18.9).

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 SEK 41 M since the start of the year and totalled SEK 207 M (260) at the end of the period.

Cash flow from operating activities before changes in working capital remained strong during the quarter and amounted to SEK 397 M (379). However, the build up of inventory, a growth-related increase in trade receivables and a raised level of investment continued to dampen the cash flow trend. Accumulated over the six-month period, cash flow from operating activities was SEK 740 M (638) before changes in working capital.

Interest-bearing liabilities and provisions increased from SEK 1,403 M at 31 December 2010 to SEK 2,071 M (1,643) at 30 June 2011, primarily due to the financing of the dividend. Non-interest-bearing liabilities and provisions totalled SEK 1,593 M (1,379) at the end of the quarter.

The Group's net debt/equity ratio rose from 0.42 at 31 December 2010 to 0.66 (0.52) at 30 June 2011.

FINANCIAL REPORTS IN SUMMARY

THE GROUP

Income statement (SEK M)

	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Revenue	1,775	1,485	3,496	2,855	5,858
Cost of goods sold	-751	-620	1,480	-1,229	-2,459
Gross profit	1,024	865	2,016	1,626	3,399
Selling, administrative and R&D expenses	-650	-584	-1,261	-1,114	-2,261
Other income and expenses	15	30	-14	19	-40
Operating profit	**389**	**311**	**741**	**531**	**1,098**
Financial items	-13	-17	-31	-40	-74
Profit after financial items	376	294	710	491	1,024
Taxes	-101	-81	-190	-133	-282
Profit for the period	**275**	**213**	**520**	**358**	**742**

Earnings per share for the quarter amounted to SEK 1.89 (1.46). For the six-month period earnings per share were 3.57 (2.46).

Statement of comprehensive income (SEK M)

	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Profit for the period	275	213	520	358	742
Other comprehensive income					
Translation differences	31	11	-12	-11	-109
Comprehensive income for the period	**306**	**224**	**508**	**347**	**633**

The gross margin strengthened slightly during the quarter, mainly attributable to higher volumes and better capacity utilisation. Negative exchange-rate effects undermined the improved gross margin.

Selling, administrative and R&D expenses were higher year-on-year, primarily due to heightened marketing activities and expansion of the sales force. The increases were dampened by positive currency translation effects.

Other income and expenses during the quarter mainly comprised negative exchange-rate differences.

The Group's planned depreciation and amortisation for the quarter totalled SEK 200 M (190).

Key figures

	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Operating margin, %	21.9	20.9	21.2	18.6	18.7
Profit margin, %	21.2	19.8	20.3	17.2	17.5
Earnings per share, SEK	1.89	1.46	3.57	2.46	5.10
Return on capital employed before tax, % [1)]	28.9	15.7	28.9	15.7	25.5
Return on equity after tax, % [1)]	33.9	18.9	33.9	18.9	29.1
Equity per share, SEK	18.97	17.71	18.97	17.71	19.68
Net debt/equity ratio at the end of the period	0.66	0.52	0.66	0.52	0.42

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

Balance sheet (SEK M)

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Intangible assets	415	312	388
Tangible assets	2,405	2,187	2,354
Financial assets	151	222	214
Inventories	1,668	1,334	1,394
Current receivables	1,577	1,284	1,286
Cash and cash equivalents	207	260	166
Total assets	6,423	5,599	5,802
Equity	2,760	2,577	2,863
Long-term liabilities	516	581	568
Current liabilities	3,147	2,441	2,371
Total equity and liabilities	6,423	5,599	5,802

Statement of changes in equity (SEK M)

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Equity at the beginning of the period	2,863	2,230	2,230
Profit for the period	520	358	742
Other comprehensive income	-12	-11	-109
Comprehensive income for the period	508	347	633
Dividend to shareholders	-611	–	–
Equity at end of the period	2,760	2,577	2,863

Cash-flow statement (SEK M)

	2011 Jan-Jun	2010 Jan-Jun
Profit for the period	520	358
Add-back tax expense	190	133
Add-back amortisation/depreciation	200	190
Other non-cash items	1	13
Taxes paid	-171	-56
Cash flow from operating activities before changes in working capital	740	638
Changes in working capital	-372	-80
Cash flow from operating activities	368	558
Cash flow from investing activities [1)]	-311	-105
Cash flow from financing activities incl. Dividend	-14	-385
Cash flow for the period	43	68

1) Investing activities include investments in and sales of non-current assets, as well as acquisitions and divestitures of subsidiaries.

PARENT COMPANY

Income statement (SEK M)

	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Net sales	1,063	938	2,119	1,812	3,681
Cost of goods sold	-645	-572	-1,245	-1,116	-2,240
Gross profit	418	366	874	696	1,441
Selling, administrative and R&D expenses	-254	-199	-496	-380	-744
Other income and expenses	11	23	-20	8	-64
Operating profit	175	190	358	324	633
Financial items	110	97	109	96	81
Profit after financial items	285	287	467	420	714
Appropriations	-8	0	-16	-27	-38
Taxes	-42	-47	-85	-75	-151
Profit for the period[1)]	235	240	366	318	525

[1)] Profit for the period corresponds with comprehensive income for the period.

The Parent Company’s planned depreciation and amortisation for the quarter totalled SEK 80 M (80).

Balance sheet (SEK M)

	30 Jun 2011	30 Jun 2010	31 Dec 2010
Tangible assets	1,161	1,056	1,117
Financial assets	733	767	766
Inventories	1,051	819	854
Current receivables	1,576	1,290	1,166
Cash and cash equivalents	5	5	1
Total assets	4,526	3,937	3,904
Equity	1,344	1,390	1,589
Untaxed reserves	628	600	611
Provisions	11	1	1
Long-term liabilities	-	81	81
Current liabilities	2,543	1,865	1,622
Total equity and liabilities	4,526	3,937	3,904

The level of cash and cash equivalents remains on a low level. The Parent Company’s interest-bearing liabilities at 30 June 2011 totalled SEK 1,768 M (1,270).

Number of shares

The total number of shares at the end of the second quarters of both 2011 and 2010 was 145,467,690. The average weighted number of shares for the corresponding periods was 145,467,690.

Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. Seco Tools presents its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), which are described in the 2010 Annual Report. For a description of the applied accounting policies, see the most recently published annual report.

As of 1 January 2011, a number of new standards, amendments to existing standards (IFRS) and interpretations (IFRIC) have become effective. Overall, the management's assessment is that these new or revised standards and interpretations have not had any significant impact on the Group's profit or financial position. For a description of these standards, see the most recently published annual report.

The interim report of the Parent Company is presented in accordance with the Swedish Annual Accounts Act and the Securities Markets Act which is in accordance with the regulations of RFR 2.

Segment reporting

The various units and companies in the Seco Tools Group conduct integrated business activities that constitute only one business segment, metal cutting machining. As a result, Seco Tools' management and ongoing monitoring of operating results are based on the Group as a whole.

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.

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 made regularly for accounting purposes. The estimates and assumptions that could lead to significant adjustments in the carrying amounts of assets and liabilities in the financial statements of later years consist mainly of tax matters and other ongoing or possible disputes.

The above risks and uncertainties are described in more detail in the Annual Report for the fiscal year 2010. The assessments of significant risks described in the above-mentioned annual report were unchanged at the end of the 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 description of related party transactions is provided on page 86 of the annual report for the fiscal year 2010. The scope of the above-mentioned transactions has not changed significantly during the quarter.

Personnel

To meet the need for higher production rates, the number of employees in production was increased during the six-month period. The increase was carried out primarily through the recruitment of temporary staff. In line with the Group's growth strategy, selective recruitment of salaried employees was performed during the quarter, primarily for the sales force and the global R&D organisation.

The number of employees in the Group at 30 June 2011 was 5,528 (5,306 at 31 December 2010).

Capital expenditure

The Group's capital expenditure on tangible and intangible assets during the quarter amounted to SEK 175 M (73), of which SEK 12 M (16) referred to capitalisation of IT/R&D costs. Accumulated for the six-month period, capital expenditure amounted to SEK 280 M (107).

The increased investment in tangible assets was mainly attributable to the modernisation and expansion of the facility for cemented carbide powder at Fagersta. The new plant in Fagersta is scheduled to be completed and in production by the end of the year.

The rate of investment will increase during 2011 and for the full year is expected to exceed depreciation/amortisation.

Acquisitions

The companies acquired in the US and France in the preceding year reported revenue of SEK 77 M during the quarter (totalling SEK 157 M for the six-month period), representing a structural effect on consolidated revenue of 5 per cent for the second quarter. The total operating profit for these companies amounted to SEK 4.6 M for the second quarter, corresponding to an operating margin of 5.9 per cent.

Investment in China

During the quarter, Seco Tools continued its long-term investment in the Chinese market at the inauguration of a new distribution centre in Shanghai. The objective is primarily to shorten lead times and improve service to Chinese customers, but also to reduce logistics costs and the environmental impact.

The Group also opened a new sales office in Shanghai in May.

Financial information

This report has not been audited. The next report will be published on 1 November 2011 and refers to the third quarter of 2011.

The Board of Directors and CEO certify that this interim report gives a true and fair view of the company and Group's operations, financial position and earnings and describes the significant risks and uncertainties that the company and the companies included in the Group face.

Fagersta, 18 July 2011

SECO TOOLS AB (publ)

Anders Ilstam Chairman	Carl-Erik Ridderstråle Deputy Chairman
Annika Bäremo Board member	Stefan Erneholm Board member
Alrik Danielson Board member	Peter Larson Board member
Staffan Jufors Board member	Birgitta Legin-Eyzop Board member
Eva Olsson Board member	Lars Bergström President & CEO and Board member

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 19 May 2011, 7:45 a.m. CET.

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Previously published financial information can be found under "About Seco/Investor Relations" 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's head office is +46 223-400 00.