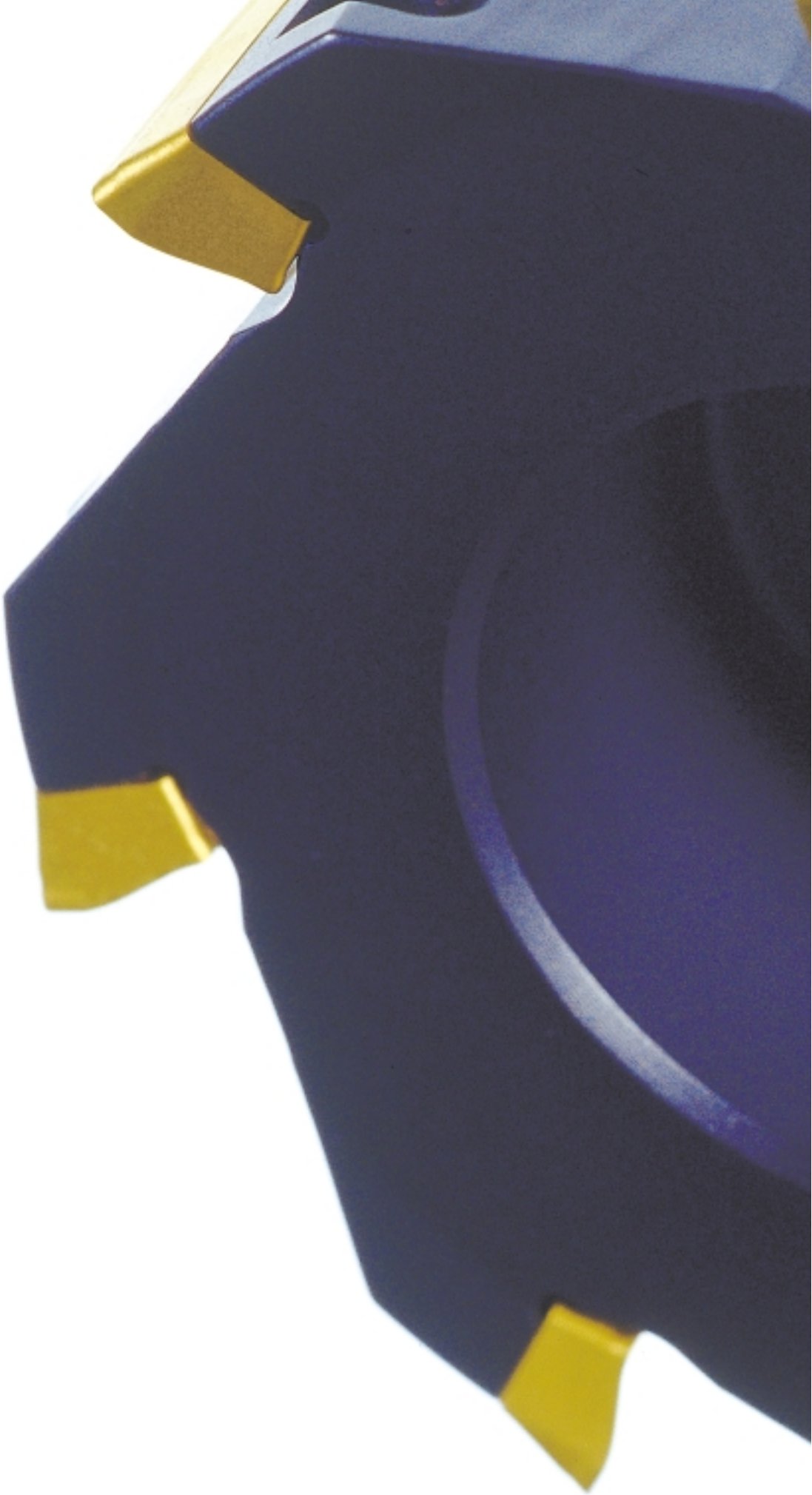
SECO TOOLS
ANNUAL REPORT 2000

SECO

Seco Tools AB; (publ)
Corporate Identity
Number 556071-1060



The Super Turbo milling cutters and inserts were introduced on the world market in 2000. Super Turbo is the fastest-growing product in the entire Seco Tools range.

Contents

2 Annual General Meeting and Financial Information
3 Financial Review
4 President's Comments
6 The Seco Tools Share
10 Group Overview
20 Seco Tools and the Environment
24 Board of Directors' Report
30 Income Statements
32 Balance Sheets
36 Cash Flow Statements
38 Currency Exposure
40 Accounting Principles and Notes
50 Proposed Appropriation of Profits
51 Auditors' Report
52 Directors and Auditors
54 Senior Officers
56 The Seco Tools World
58 Business Units
Glossary

Annual General Meeting

The Annual General Meeting will be held at Folkets Hus in Fagersta at 2:00 p.m. on Friday, May 4, 2001.

Right of participation
To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by VPC AB (Swedish Securities Register Center) not later than Tuesday, April 24, 2001.

Shareholders whose shares are registered in the name of a trustee must have them temporarily re-registered with VPC in their own names not later than April 24, 2001 in order to be eligible to participate in the Meeting.

Notice of participation
Shareholders who wish to participate in the Meeting must give notice to the Company's head office not later than 3:00 p.m. Friday, April 27, 2001 by mail:

Seco Tools AB
Finance
SE-737 82 FAGERSTA, Sweden

or by telephone (direct connection)
+46 223 401 21.

Dividend distribution
The Board of Directors and the President recommend to the Annual General Meeting that a regular dividend of SEK 13.00 per share be distributed for 2000. An extra dividend of SEK 7.00 per share has also been proposed.

The proposed record date for dividend entitlement is Wednesday, May 9, 2001. If the Annual General Meeting adopts this proposal, it is expected that dividend payments will be made by VPC on Monday, May 14, 2001.

Shareholders are requested to notify the institution administering their accounts as to any changes of name and/or address.

Financial Information

Seco Tools will publish the following financial reports for the year 2001:

– First quarter report ..... May 4
– Second quarter report ..... August 6
– Third quarter report..... November 7
– Preliminary report on operation in year 2001 ..... February 2002
– Annual Report for 2001..... April 2002

Financial information is also available on the Internet under "Investor Relations" (www.secotools.se) and can be ordered from:

Seco Tools AB
Finance
SE-737 82 FAGERSTA, Sweden

Telephone: ... +46 223 401 21
Telefax:..... +46 223 718 60

The Seco Tools Group 1994 – 2000

	2000	1999	1998	1997	1996	1995	1994
Invoiced sales, SEK M	**3 792**	3 181	3 204	2 949	2 520	2 600	2 194
Profit after financial items, SEK M	**771**	571	691	673	466	629	458
Operating margin, %	**19.5**[1]	18.0	21.1	19.5[1]	15.9	20.8	18.3
Profit margin, %	**19.3**[1]	18.0	21.6	20.7[1]	18.5	24.2	20.9
Earnings per share before dilution, SEK	**18.70**	14.20	13.30	16.50	11.30	16.30	10.00
Earnings per share after dilution, SEK	**18.60**	14.20	13.30	16.50	11.30	16.30	10.00
Regular dividends, SEK	**13.00**[2]	11.00	10.50	10.00	9.00	8.00	5.00
Extra dividends, SEK	**7.00**[2]	6.00	–	24.00	–	–	–
Return on capital employed, %	**32.7**	26.9	30.7	28.6	21.9	32.5	27.0
Return on shareholders' equity, %	**27.8**	22.6	18.8	21.8	16.4	26.3	18.8
Shareholders' equity, SEK M	**2 006**	1 875	1 756	2 309	2 042	1 936	1 621
Liquid assets, SEK M	**634**	554	393	1 124	950	1 065	1 083
Cash flow, SEK M	**62**	152	–739	174	–139	–9	117
Cash flow from current operations, SEK M[3]	**755**	665	619	436	157	346	304
Equity/assets ratio, %	**52**	56	57	66	66	63	59
Investments in fixed assets, SEK M	**261**	169	402	252	305	371	206
Number of employees at year-end	**4 059**	3 885	3 050	2 935	2 873	2 857	2 617

1) Items affecting comparability are excluded from the operating and profit margins.

2) As proposed.

3) As of 1998, calculation of cash flow has been carried out in accordance with the Swedish Financial Accounting Standards Council's recommendations.

Definitions of key ratios

Capital employed
Total assets less non-interest-bearing debts and deferred tax.

Operating margin
Profit after depreciation as a percentage of invoiced sales.

Profit margin
Profit after financial items as a percentage of invoiced sales.

Return on capital employed
Profit after financial items including interest expense and foreign-exchange expenses on loans, as a percentage of average capital employed.

Return on shareholders' equity
Profit after reported tax, as a percentage of average shareholders' equity.

Equity/assets ratio
Shareholders' equity as a percentage of total assets.

Cash flow from current operations
Total funds generated directly from the year's cash flow including changes in working capital excluding liquid assets.

Earnings per share before dilution
Profit after reported taxes divided by the average number of shares outstanding.

Earnings per share after dilution
Profit after reported taxes plus interest expenses on convertible debentures divided by the average number of shares outstanding plus the average number of shares arising at full conversion.

The year 2000 was a strong year for Seco Tools. One of the key events was the acquisition of the EPB company. This increases our possibilities to act as a complete supplier of tool systems. Demand for our products during the year was strong and the Group reported its highest earnings ever.

Strong growth with record earnings

Invoiced sales increased 19% to SEK 3,792 M, with operating profit up 36% to SEK 778 M, an all-time-high in earnings.

In the U.S., the economy peaked during the first quarter, and then began successively leveling off in several of Seco's customer segments. In Europe, demand strengthened during the last two quarters, particularly in Germany and Italy. Demand in Latin America and Asia continued at a high level.

The significant improvement in profitability is due mainly to a strong sales trend for modern, high-value products, combined with high capacity utilization within the Group's production units.

Growth

Growth with sustained profitability is the single most important issue for Seco Tools. Our goal is to achieve at least 6% growth annually during the course of a business cycle while, at the same time, the underlying market growth amounts to about 3% annually.

Growth is for the most part organic through new products, continued market establishment and supplementary sales channels. Complementary company acquisitions within adjacent areas contribute to growth.

Research and development is of central importance for improving customers' productivity and the achievement of our growth objectives. We invest 4% of sales in research, development and quality assurance. While having strengthened our resources, an overview was made of the product-development process aimed at shortening the time from preliminary study to market introduction.

It is with considerable satisfaction that we can state that the global introduction of the Super Turbo milling family, combined with the new T250M, has been a complete success, with very substantial growth in sales. The introduction of the Crown Loc drilling program among a select number of customers has resulted in remarkable productivity improvements for the customer, with unveiling being prepared during 2001.

On April 1, the French company EPB was acquired, which elevates France to our second largest market after the U.S. The company is a market leader in France within its niche.

EPB complements us from a product standpoint, and is strategically important, since Seco Tools is provided with holding systems, making us a full-line supplier, from spindle nose to cutting edges.

There are also obvious synergies since Seco's global sales organization will increase the pace of EPB's growth, at the same time that EPB strengthens Seco's prospects of equipping machines with complete tool systems in connection with new investments. EPB enjoyed a highly favorable trend during the year.

Our strategy of retaining the local market organization during the Asian crisis has resulted in continued high growth. In line with our expansion objective, it was decided during the year to establish our own sales companies in Thailand and Taiwan. For administrative purposes, they are linked to our company in Singapore to ensure quality of administrative services and cost-effectiveness. During the first quarter of 2001, our Asian distribution center (ADC) will begin operation, enabling delivery within 24 hours for customers in the Asia-Pacific area.

Our strategy is to provide direct contact with customers to the greatest possible extent. This meant that from year 2000, we cultivated the Canadian market via our own sales company. We will also apply the same method in Portugal during 2001. The activities in connection with the 1999 acquisitions of Pramet in the Czech Republic and Drillco in India have focused on integration into Seco Tools and the upgrading of products and production facilities.

In established markets, a range of activities was carried out to achieve improved performance in sales companies and sales channels. We began questioning how we define our business from the standpoint of growth possibilities, profitability and our ability to provide value for the customer. We also endeavor to improve "territory management," that is, systematic follow-up, cooperation with distributors and incentive programs.

A potent sales-support system, InfoLink, is being gradually introduced in the more important markets. Raising the expertise of the sales corps is one of the cornerstones for providing value for the customer.

In the markets in which our Internet service, Seco Online Store, has been introduced, 25% of the number of order lines are via Internet from mainly small and medium-size customers. E-commerce is a complement to Electronic Data Interchange (EDI), which many larger customers have used for a number of years. Our ambition is to also be active in the e-commerce sites that have been established by major customers or customer groups.

Growth continues to be largely fuelled by rationalizing transactions when ordered. A number of activities are under way for broadening the content of services we offer via the Internet, which will enhance our growth possibilities.

Commendations and environmental certification

During the year, Dana Corporation Inc., one of the world's largest subcontractors to the automotive industry, presented Seco Tools with the "Diamond Award Winner 2000" commendation. We were also the recipients of the Swedish Publishing Prize, in the pedagogic class, for our new catalogue concept, Machining Navigator, which was very favorably received by the market.

The Parent Company obtained certification in accordance with the international environmental management system ISO 14001. The impelling force has been to conduct ourselves as good citizens of society, and to meet increasing customer needs in the environmental area.

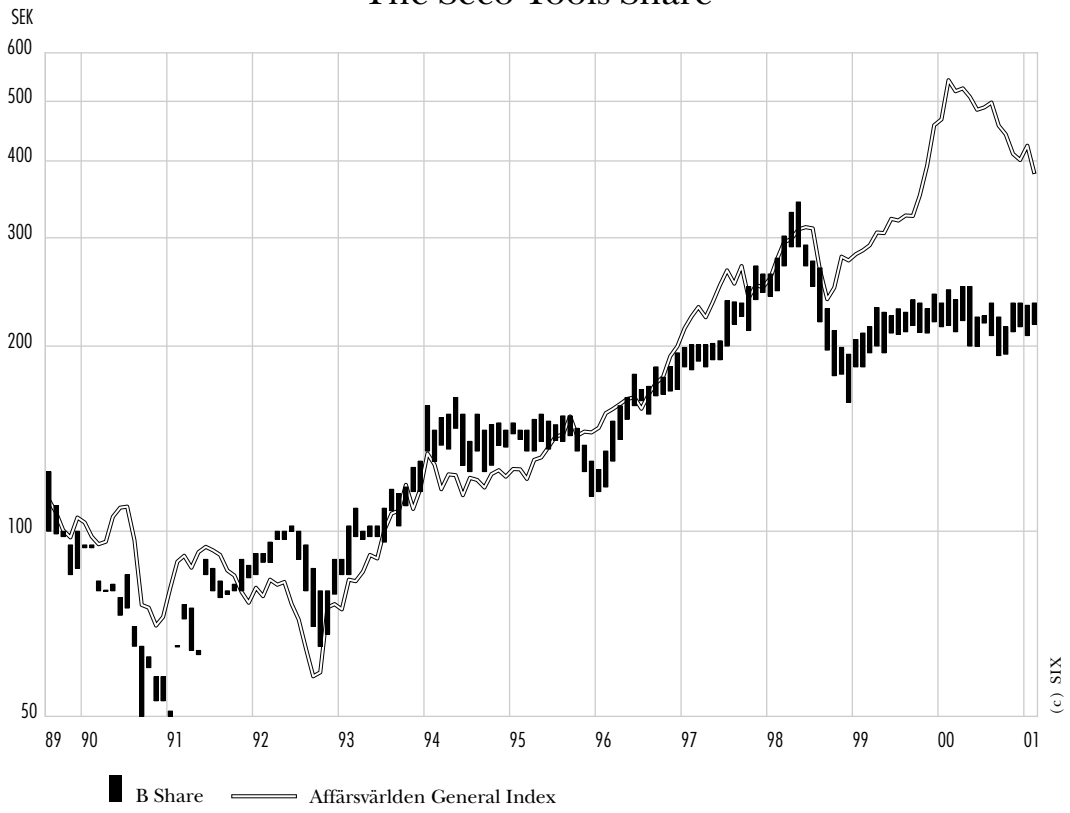
The future

With new products, continued market establishment and complementary sales channels being priority areas of our strategy, Seco Tools is well-positioned today for continued strong growth in the years ahead.

With respect to new sales channels, replacement of existing business systems will be initiated within many Group companies with, among other aims, the creation of integrated e-commerce solutions. This investment is in line with our growth strategy and demonstrates our ambition to further improve service to our customers.

Lars Renström
President

The Seco Tools Share



Seco Tools B shares were introduced on the Stockholm Stock Exchange in 1989. They are currently listed on the A-list. The multiple-vote A shares are not listed.

Capital structure

The share capital of Seco Tools AB amounts to SEK 72 M represented by 28,832,898 shares with a nominal value of SEK 2.50 each and an aggregate voting strength of 107,132,898 votes.

	Number of shares	% of share capital	Votes per share
A Shares	8 700 000	30.2	10
B Shares	20 132 898	69.8	1
Total	28 832 898	100.0	

Price trend and volume traded

Seco's market capitalization amounted to SEK 6.3 billion at year-end 2000. The market price of Seco shares declined during the year from SEK 232 per share to SEK 220 per share, a decrease of 5% in comparison with the the Affärsvärlden General Index, which declined 12% in 2000.

A total of 424,240 shares were traded in 2000, a decrease of 74% from 1999. The turnover rate – degree of liquidity – was 2% (8) in 2000.

Convertible debenture loan

In 1999 Seco Tools issued a convertible debenture loan of SEK 69.6 M. The issue was subscribed solely by permanent employees within the Swedish part of the Seco Tools Group.

The debenture carries an interest rate corresponding to STIBOR, with a deduction of 0.75 percentage points and matures at May 30, 2004 to the extent that conversion to shares has not taken place prior to that date.

Conversion may occur during the period February 1, 2001 through April 30, 2004. Conversion will be to B shares at a price of SEK 254 per share. In the event of full conversion, shareholders' equity will increase by SEK 69.6 M. Share capital would increase by SEK 0.68 M.

The number of B shares can increase to a maximum of 274,160 shares, equivalent to a dilution of 0.95% of the share capital and 0.26% of the votes.

Key ratios per share, SEK

	2000	1999	1998	1997	1996
Earnings before dilution	**18.70**	14.20	13.30	16.50	11.30
Earnings after dilution	**18.60**	14.20	13.30	16.50	11.30
Shareholders' equity before dilution	**69.60**	65.00	60.90	80.10	70.80
Regular dividend	**13.00**[1)]	11.00	10.50	10.00	9.00
Extra dividend	**7.00**[1)]	6.00	–	24.00	–
Market value at year-end	**220**	232	190	262	189
Direct return[2)], %	**5.9**	4.7	5.5	3.8	4.8
P/E-ratio[3)]	**11.8**	16.3	14.3	15.9	16.7
Market value as % of shareholders' equity	**316**	357	312	327	267

1) As proposed.

2) Regular dividend divided by market price at year-end.

3) Market price at year-end as a percentage of earnings per share before dilution.
For other definitions, see page 3.

Dividend policy

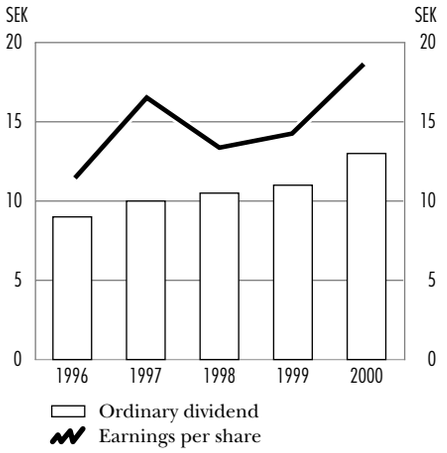
The dominant financial objective of the Seco Group is to provide a strong yield and growth in value for those who invest in Seco shares. The Seco share dividend shall, over an extended period, clearly exceed the interest on risk-free, long-term financial investments. Shareholders should receive a dividend amounting to at least 50% of earnings per share.

During the year, the Group had continued favorable earnings and a good cash flow. After examining the financial position of the company, the Board of Directors proposes to the Annual General Meeting that, in addition to the regular dividend, an extra dividend of SEK 7.00 per share be distributed. Combined with the regular dividend of SEK 13.00 per share, the total dividend payment will be SEK 20.00 per share.

Including the proposed regular dividend, the increase in dividend has averaged 10% annually since 1996. The regular dividend amounts to 70% of earnings per share before dilution in 2000.

The average dividend as a percentage of earnings during the past five years amounts to 72%, excluding the extra dividends totaling SEK 37.00 per share during the period 1997 – 2000.

Earnings per share before dilution and ordinary dividend



Largest shareholders (December 2000)

	% of shares	% of voting rights
Sandvik Invest AB	60.9	89.5
Robur's equity funds	23.3	6.3
Alecta Insurance Company (formerly SPP Insurance Company)	2.8	0.8
Skandia	1.9	0.5
Union Fund	0.9	0.2
Swedish Crown Lands Judiciary Board	0.8	0.2
National Swedish Pension Insurance Fund, First Fund Board	0.8	0.2
National Swedish Pension Insurance Fund, Second Fund Board	0.8	0.2
National Swedish Pension Insurance Fund, Third Fund Board	0.8	0.2
National Swedish Pension Insurance Fund, Fourth Fund Board	0.8	0.2
SEB Funds	0.5	0.1
Handelsbanken's funds	0.4	0.1
Other (app. 10,450)	5.3	1.5
	100.0	100.0

Shareholders

Seco has 10,489 shareholders (11,010). Of the total number of shares outstanding, 36% (35) are held by financial institutions and equity funds.

Distribution of shareholdings (December 2000)

No. of shares	No. of shareholders	As % of all shareholders	Aggregate holding	% of share capital	Average individual holding
1 – 500	10 079	96.1	586 467	2.0	58
501 – 1 000	228	2.2	175 940	0.6	772
1 001 – 10 000	141	1,3	407 857	1.4	2 893
10 001 – 100 000	20	0.2	677 576	2.4	33 879
100 001 –	21	0.2	26 985 058	93.6	1 285 003
	10 489	100.0	28 832 898	100.0	2 749

Business concept

Seco's business concept is to develop, manufacture and globally market products for chipforming machining to customers with exacting quality, service, and cost-efficiency demands. The product program comprises milling, turning, drilling and holding systems.

Financial objectives

The principal objective for the Seco Group is, over time, to provide shareholders with attractive returns and value growth. The Seco share shall give dividends that, over a longer time period, shall clearly lie above the interest-rate for risk-free and long-term financial investments. The dividend's proportion of net earnings per share shall, on average, total at least 50%.

One of the Group's most important goals is to achieve growth. The Group's strong financial position provides the prerequisites for R&D initiatives and investments in production, technology and marketing as the means for attaining an increased growth rate. The objective is to attain average sales growth of 6% over a business cycle.

Sustainable profitability is our central financial objective. The comprehensive profitability objective is an average return on capital employed of at least 20% over a business cycle.

Strategies

Through innovative solutions, Seco shall contribute actively to improving customers' productivity. A continuous renewal of our product portfolio, combined with service of high quality shall enhance the customer's total economy. We value long-term relationships and accordingly work determinedly to ensure that our customer circle shall consist of companies that can exploit the quality advantages our products offer.

To ensure the optimum supply of products and support for Seco's customers, marketing operations are handled mainly through the company's personnel, but also in cooperation with a number of carefully selected industrial distributors. Direct contact with the market is also fundamental for adapting our R&D programs to customer needs.

Intensified campaigns are to be carried out in selected customer segments and in geographical markets where growth prospects appear to be particularly favorable.

Growth will primarily be achieved through organic development. If suitable opportunities arise, acquisition of, or joint venture with, a company having operations outside our current areas will be planned, but still within the framework of our business focus.

A successful operation requires a results-oriented organization and competent employees. Seco shall strive to be an attractive employer through such means as assistance in management and expertise development.

Manufacturing of Seco's products is to take place mainly in its own facilities. This guarantees highest quality, availability and cost-efficiency, and contributes to our efforts to create a sound environment.

Market overview

The world market for cutting tools amounts to about SEK 80 billion, of which high-speed steel represents 40% and cemented-carbide represents about 60%. The market has continued to undergo major changes, primarily in the materials area, which affects the development of new machines, cutting tools and cutting data.

High-speed steel continues to lose ground to cemented-carbide. The proportion that affects Seco's market segment, cemented-carbide, constitutes approximately SEK 48 billion.

It is worth noting that with respect to cutting methods, milling is increasing at the expense of turning. The number of mixed operations and turning-milling methods are on the rise due to increased demands for minimized machine time.

Drilling is the least developed cemented-carbide area and has the greatest potential to take shares from the high-speed steel area. Accordingly, percentage growth is expected to be largest within this area.

Development within product design in plastic/composites is driving demand within the tooling industry. Increased environmental requirements will mean that dry-machining, as well as tools for machining extremely hard materials, will be in demand. There will be a striving to attain shorter machining times, which will impose demands for increased cutting speeds. This also places more exacting demands for tool precision in order to cope with narrower tolerances.

In pace with this more rapid development, it is becoming increasingly difficult for our customers to choose the optimal solution for every machining operation. Different materials place individual demands on the cutting tool's wear resistance, toughness, edge durability and chipforming properties. This emphasizes the importance of programming the increasingly advanced machines so that they, together with the correct tool, provide maximal productivity.

Seco' customers, the engineering industries the world over, are found in varying segments, which set different requirements in regard to customer-adapted R&D investments, rapid service and delivery. Examples of segments, where Seco customers are to be found, include the automotive industry, die-tool manufacturers, and the aerospace and energy industries.

The general market growth within cemented-carbide tooling is about 3% annually. The segments projected to have the strongest growth in the years to come are transport, energy and die-tool manufacturing. These groups provide the impetus for the development of new processing technology and thereby set more rigorous demands on Seco as a tool supplier with respect, for

example, to delivery service and quality.

A general trend that is observable among our customers is the desire to secure full-line suppliers as cooperation partners and thereby increase cost-effectiveness and productivity.

Shorter product-life cycles have made the development of new products and manufacturing methods more important than ever. Seco's long-term success is largely attributable to the fact that we continuously develop and market new and improved products. Through the introduction of the catalogue concept, Machining Navigator, Seco has also fulfilled customers' demands for simpler, more effective product selections.

Seco invests in improved technology in order to form cemented-carbide and new materials with improved durability, which are important factors for the continued replacement of high-speed steel. Maintaining our technical leadership requires large, ongoing investments in the manufacturing process.

CAD/CAM-technology offers considerable flexibility and short development times in regard to product design and tool development. All work involving development, design, production and service is governed by our quality assurance system, which is certified in accordance with the ISO 9001 standard.

IT

During the year, major efforts were made to further increase standardization and improve the quality of base systems within Seco. The infrastructure was strengthened with the aid of modern technology and increased capacity, which have improved reliability and performance.

A major standardization effort was initiated to achieve a more stable infrastructure with reduced need for support, and with fewer operating disruptions. This means that users to a lesser extent need to be involved in maintenance.

To some extent, secure communication over the Internet (VPN) began being used during the year for business-critical systems. It is of strategic importance for the future that Seco establish expertise and experience within this area.

Several of Seco's subsidiaries upgraded their business systems during the year to a common system level, which includes support for euro transactions. Several new installations were carried out during the year, including those for our subsidiaries in Malaysia, Portugal and Austria. New systems for production control have also been implemented in France, Italy and the U.K.

A concept for support and development of the subsidiaries' business systems was introduced during the year. This is aimed at increasing flexibility and development potential for both personnel and system solutions, with synergy effects resulting.

Continued efforts toward quality assurance in our production processes are of crucial importance in endowing our products with the quality required.

Thus, in line with these efforts, possibilities for production-related process follow-up and data collection have been improved during the year. Introduction of the sales-support system, InfoLink, continued and today encompasses several countries.

In addition, there is now an improved system support for follow-up of sales and analysis, as well as the handling of price structures and levels.

Considerable effort was devoted to the Parent Company's business systems to provide support for more flexible handling of products within and between Seco's distribution centers.

A new distribution center is to be established in Singapore, with system link ups to the Parent Company, aimed at further improving service to our customers.

Within the company, product development is of central importance which, among other effects, means that it must be possible to handle product-related information in a safe, reliable way.

Implementation of a product system that handles all product-defined information has raised the quality level. Work in this area in the formulating of new methods within design and preparation has resulted in significant efficiency gains.

The next step in this process involves coordinating the handling of the Group's combined product offerings.

In the years to come, the implementation of a new business system will mean that more rapid system adjustments can be made in connection with changes in operations. Automation of business processes is increasing simultaneous with a diminishing in system maintenance. The possibility is also opened for using "shared services" to an increased extent, that is, services common to several companies.

At the beginning of the project, there will be a heavier emphasis on training for individuals who will become directly involved in the project work. The implementation will occur in a succession of minor steps over a number of years to reduce risks. The solution devised will be tested in successive stages in the different sub-steps to increase the quality assurance of the project as a whole.

E-commerce

Many of our customers have recently expressed the desire to switch over to e-commerce, and Seco is preparing for this in a number of ways. During the year, the launch of the e-commerce solution, Seco Online Store, continued.

In the Nordic countries, sales via the Internet now comprise a considerable share, with several other countries being prepared to begin sales via the Internet. The proportion of the order flow via electronic commerce (including EDI) in the Nordic region is presently 35%.

Work proceeds with the launching of e-commerce, particularly via Internet, in other market areas as well.

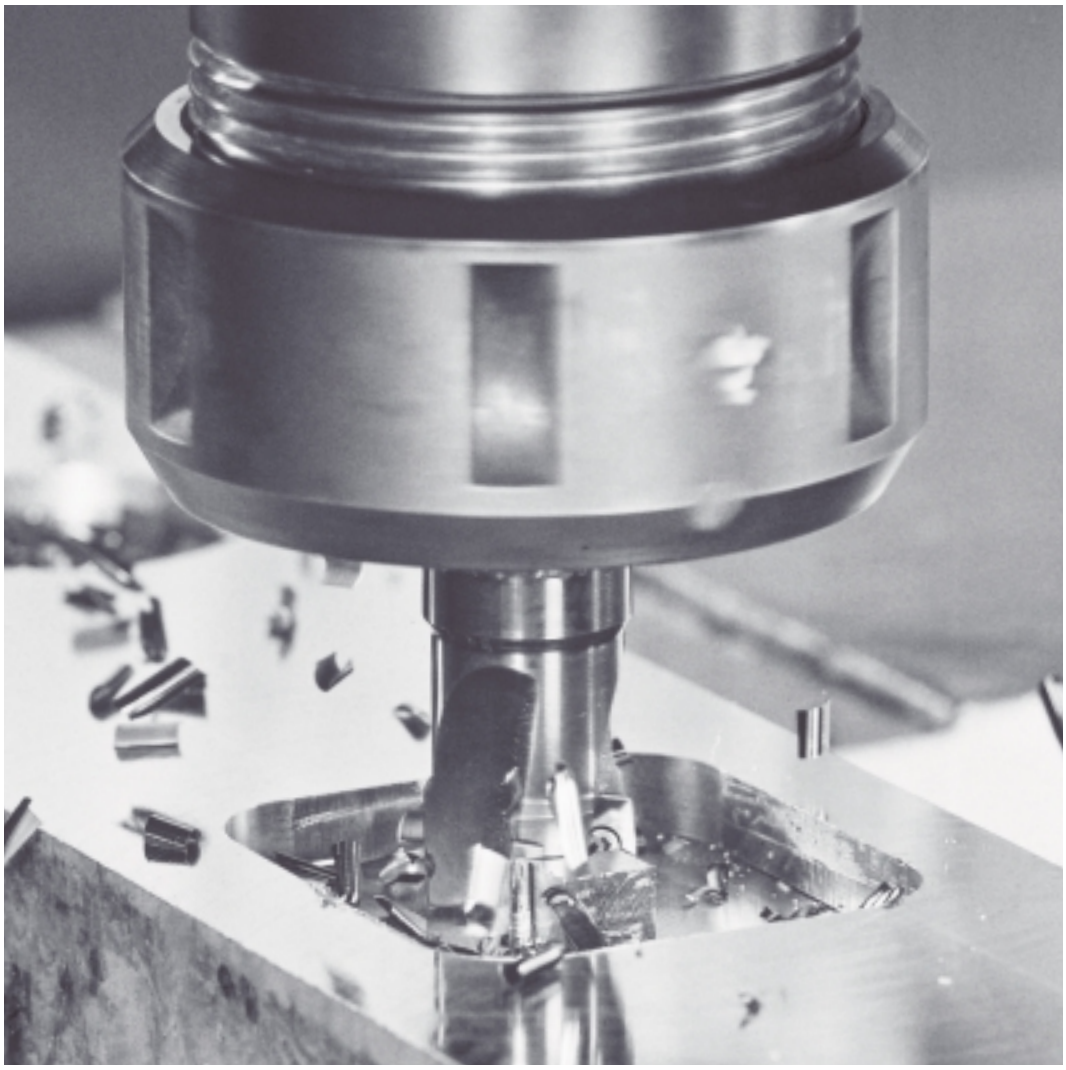
Seco Online Store is now available in several languages while, simultaneously, customer requests for automatic order confirmations and delivery information are being met. A continued introduction of Seco Online Store is planned.

During the year, many e-commerce companies have merged, been bought up or entered into a cooperative arrangement. Seco analyzes and evaluates e-commerce sites for the purpose of initiating a cooperation when the time is right.

Our earlier investment in applications that supports customer selection of tools and user instructions has proven to be the right direction to proceed.

Work with customer-support-oriented applications will continue during 2001. The aim is to simplify for the customer the identification of the right product and information on how it is to be used.

During the year, Seco Tools received the Swedish Publishing Prize, in the pedagogic class, for our new catalogue concept, Machining Navigator. An equivalent solution will be formulated for our home page.



The world market for cutting tools amounts to about SEK 80 billion, of which high-speed steel represents 40% and cemented-carbide represents about 60%.

Personnel and organization

Seco has undergone strong growth both from a sales and personnel standpoint, in part through international company acquisitions. With two thirds of the employees outside Sweden's borders, the company is now a multi-cultural organization, which places high demands on personnel work within the Group.

Increasingly, the tasks employees perform constitute service production in some form. Accordingly, internal mobility between companies is natural, and is developing into an important method for disseminating expertise within key areas, while at the same time progressing strongly as a career possibility for our employees.

This development entails the need for coordination in different ways and in various areas, from both a business and production standpoint, but also within other areas such as personnel matters.

A newly established service at corporate level will focus on production coordination within the Group. In addition, the personnel manager in the Parent Company was assigned responsibility for international personnel matters.

Expertise development

During the year, the need to secure Seco's long-term recruiting requirements became an increasingly important area to cultivate. We have strengthened our outward-oriented activities aimed at primary schools and high schools in the immediate area. Priority areas also include college and university contacts for the purpose of more effectively reaching our target groups.

People are the company's human capital. The knowledge and professional skill of the employees is developed mainly in the ongoing operations, but there is also planned expertise development aimed at disseminating experience and the honing to a fine edge of professional expertise in different areas.

During 2000, the first phase of a multi-year, manager development program was begun, directed toward the Parent Company's managers. The overall aim of the program is to develop and motivate the company's executives toward an active, relationship-oriented mode of leadership.

This requires sound knowledge in such areas as inter-personal behavior, group processes and situation-adapted leadership. This initiative is continuing in 2001 with further development phases for improved leadership.

Organizational development

Our selection of organization is constantly subject to re-examination. At every opportunity, we seek to fine-tune the organization to best facilitate a stronger support for our business concept.

An example of this is the new project-management model introduced during the year. Continuous product development and market introduction are important parts of our business concept.

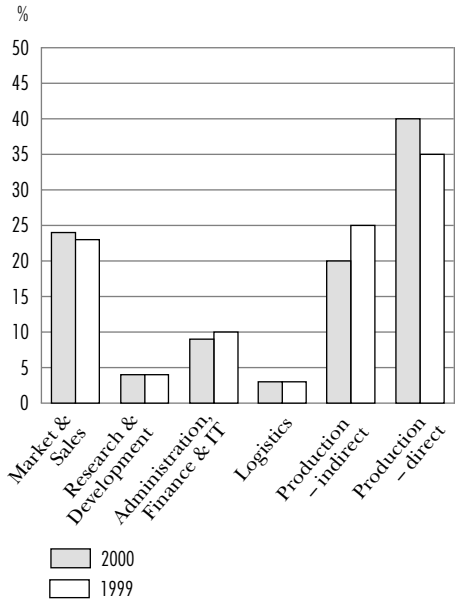
A high-priority goal is shorter lead times from when market need is established until product introduction. Our development operations have thus been reorganized, with clear standards set as to how our future development work is to be conducted.

The organizational work during the year has also been characterized by individually formed work relationships. In part, this is a means meeting increased demands from our employees for harmony between work and leisure time, as well as a way to increase our ability to accommodate customer requirements.

At present, we have more than 100 different work times at our production units in Sweden, which indicates a far-reaching adaptation to the market.

The development of our organization means, moreover, that we regard as natural the continuous re-examining of which activities shall be conducted in-house, or purchased from an external supplier.

Employees per category



Salaried employees/Wage-earners, %

Education level, salaried employees, %

Pertains to companies with more than 20 employees.

DET NORSKE VERITAS

ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 2000-SKM-AE-383
This is to certify that

THE ENVIRONMENTAL MANAGEMENT SYSTEM
of

Seco Tools AB

at

FAGERSTA, ARBOGA, LUDVIKA, NORRKÖPING, NORBERG
SWEDEN

has been found to conform with the Environmental Management System Standard
SS-EN ISO 14001:1996
This Certificate is valid for management of environmental issues associated with

DEVELOPMENT AND MANUFACTURING OF CUTTING TOOLS

Place and date
Stockholm, 2000-11-06

This Certificate is valid until
2004-01-31

for the Accredited Unit
DNV Certification AB, Sweden

Tuomo Räsänen
Management Representative

SWEDAC ACKREDITERING
ISO
EMS

Lack of fulfilment of condition as set out in the Appendix may render this certificate invalid

Environmental policy

Seco Tool's environmental policy means, in brief, that the company shall "participate in efforts toward a sustainable development, conduct work with a minimal impact to the environment, observe the applicable laws and other requirements and, from an environmental perspective, work for continuous improvements and preventive measures."

To facilitate observance of the policy, Seco Tools AB strives to comply with the international environmental management standard, ISO 14001. This standard is intended to support environmental protection efforts and to prevent contamination while simultaneously giving due consideration to economic opportunities.

ISO 14001

During 2000, Seco Tools AB in Sweden was the recipient of ISO 14001 certification, which means that we have succeeded in introducing a systematic environmental-consciousness within the Swedish operations.

Seco thereby takes a step toward the fulfillment of environmental requirements emanating from our customers while, at the same time, demonstrating that we assume responsibility on behalf of our environment. Environmental certification of other production units within the Group is planned to take place in the immediate years ahead.

Environmental management

Environmental studies have been performed and, based on these, we have chosen the most meaningful environmental aspects to cultivate, including waste, energy, chemical products and transports. Overall goals have been established, and for the Swedish operations, an environmental program with a clear division of responsibility, schedules and resources has been formulated.

Environmental repercussion studies have been performed in connection with product and process development and in relation to investments and other major changes. Environmental matters are communicated, both internally and externally, and are an essential part of environmental work. In addition, environmental training is conducted with emphasis on such aspects as responsibility, legal mandates and environmental effects.

Environmental follow-up

Follow up of environmental work shall be through monitoring of environmental goals and the manner in which the environmental programs are progressing. In addition, continuous internal and external audits are performed.

Laws and permits

Monitoring of laws and new requirements from the world at large takes place continuously, which is why information regarding pertinent regulations is disseminated within the organization.

Legal requirements, including permits and other environmental requirements are deemed to have been fulfilled as far as the Swedish production units are concerned. The Board of Directors' Report provides a more detailed account of the environmental permits.

Even local environmental regulations and provisions, with which all the Group's production facilities are circumscribed, are deemed to be fulfilled.

Water consumption and emissions

Metering of water consumption and emissions is ongoing. Water and energy are conserved through improved re-circulation of cooling and process water. Contaminants, in the form of metals and oxygen-depleting substances in the emissions, have been reduced compared with the preceding year.

Improved routines for receiving hazardous substances are being implemented, following exhaustive training of the personnel involved in regard to the regulations.

Waste management and handling of chemicals

Waste management has been improved which, among other actions, was achieved as a result of increased sorting-at-source. Recycling of waste increased during the year compared with 1999. The environmental goal of reducing waste volumes moved to the landfill has been met.

Recycling of cemented-carbide dust, sludge and scrap, paper and plastic have been improved. The volume of hazardous waste has increased due to clean-up operations on old chemicals.

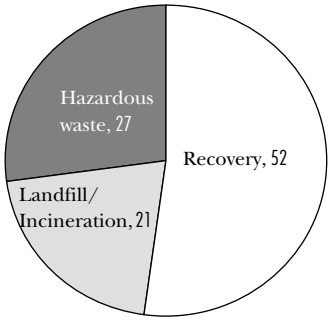
All chemical products in Sweden are registered in a chemicals database, which includes such facts as risks and protective equipment. When new chemical products are purchased, it is required that approval be obtained from a particular group with competence in the area of chemical examination.

Demands are continually being placed on chemical suppliers, for example, with respect to increased economic life of grinding and washing fluids. Phasing out and replacement in favor of less hazardous chemical products is in progress.

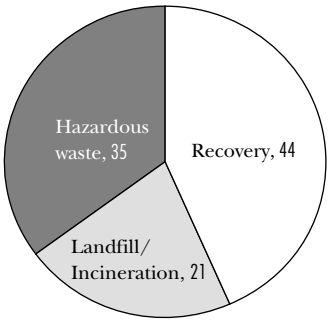
During 2000, the goal in Sweden was to reduce the number of chemical products by 5%. The achieved goal of phased-out products was in fact 7%.

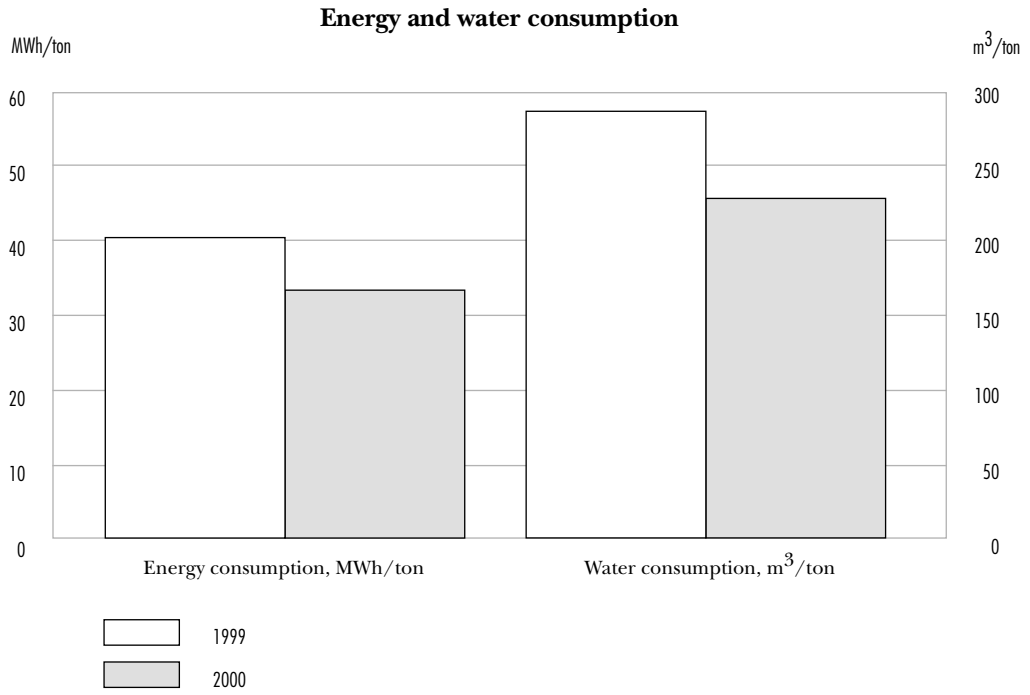
Investments in areas including waste management and water treatment were made during the year, which is attributable in part to coming requirements on the part of environmental authorities, as well as for coping with conditions in permit decisions.

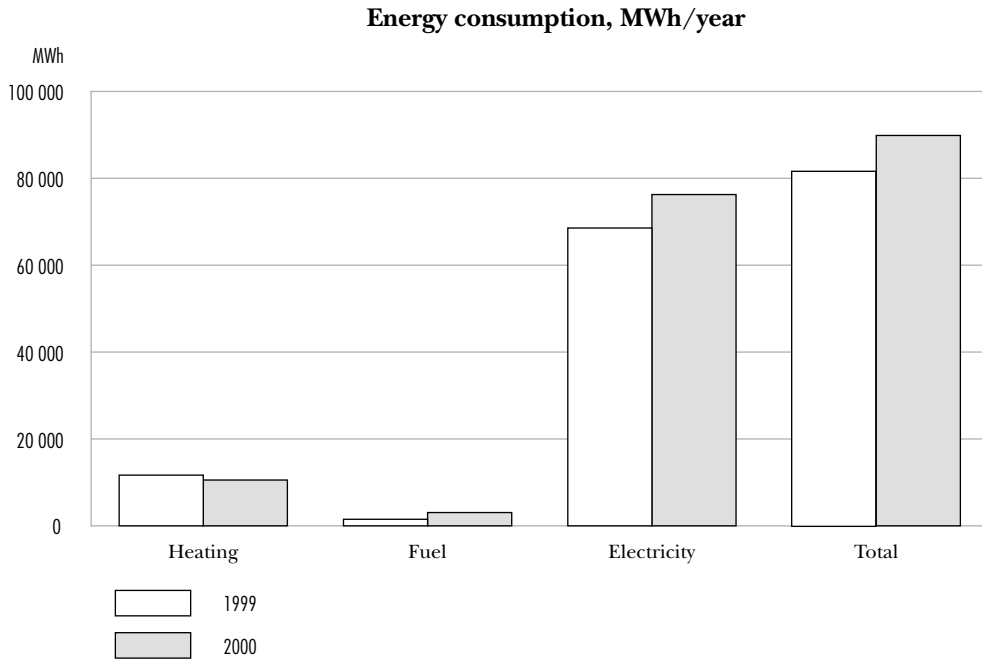
Waste volume per treatment method 2000, %



Waste volume per treatment method 1999, %




Energy and water consumption
MWh/ton
m3/ton
60
50
40
30
20
10
0
300
250
200
150
100
50
0
Energy consumption, MWh/ton
Water consumption, m3/ton
1999
2000


Energy consumption, MWh/year
MWh
100 000
80 000
60 000
40 000
20 000
0
Heating
Fuel
Electricity
Total
1999
2000

Contents

24 Board of Directors' Report
30 Income Statements
32 Balance Sheets
36 Cash Flow Statements
38 Currency Exposure
40 Accounting Principles and Notes
50 Proposed Appropriation of Profits
51 Auditors' Report

Market position and sales

Favorable economic development was noted in most markets during the year. In Europe, the trend has been positive, particularly during the second half of the year. The NAFTA region had another strong year, despite slower growth toward year-end.

The economic recovery among the Asiatic countries, which began in 1999, continued during the past year. In South America, Brazil rebounded from the financial crisis that had previously afflicted the country.

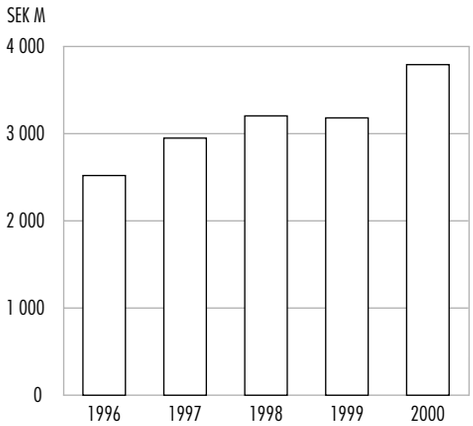
Invoiced sales for the Group amounted to SEK 3,792 M, a 19% increase compared with 1999. Growth for comparable units amounted to 9%. The weakening in the Swedish krona has a favorable impact on invoiced sales of 3 percentage units.

Within the NAFTA area, the sales increase leveled off successively during the year, but the appreciation in the dollar to a considerable degree contributed to an increase in sales, measured in SEK.

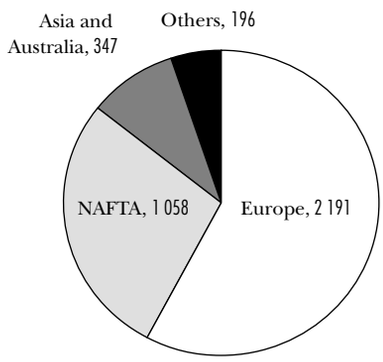
The sales trend in Europe has been positive in most major markets, particularly during the latter part of the year. Sales have also been strong in Eastern Europe, due largely to last year's acquisition in the Czech Republic.

The upturn in sales in South America is largely attributable to the strong recovery in Brazil. In Asia, sales increased in most markets, due both to heavy volume growth and positive currency-exchange effects.

Invoiced sales



Invoiced sales per market area, SEK M



Invoicing by market area

	2000		1999		Change	
	SEK M	%	SEK M	%	%	%[1]
Sweden	**232**	**6**	214	7	8	8
EU, excl Sweden	**1 680**	**44**	1 513	48	11	7
Other Europe	**279**	**7**	173	5	61	16
Total for Europe	**2 191**	**58**	1 900	60	15	8
NAFTA	**1 058**	**28**	893	28	18	7
South America	**126**	**3**	86	3	47	31
Africa, Middle East	**70**	**2**	61	2	15	16
Asia, Australia	**347**	**9**	241	7	44	20
Total, Group	**3 792**	**100**	3 181	100	19	9

1) Change compared with preceding year, in fixed currencies for comparable units.

Acquisitions and new establishment

Following approval from the pertinent authorities, the French company, EPB S.A., which is headquartered outside Strasbourg, is consolidated within the Group as of April 1, 2000. With sales of its products in most markets, the company complements Seco's assortment of tool solutions.

Seco thereby strengthens its position in the market through its ability to offer its customers complete solutions from spindle nose to cutting edge. Our capability is also improved in delivering modern tools for high-speed machining.

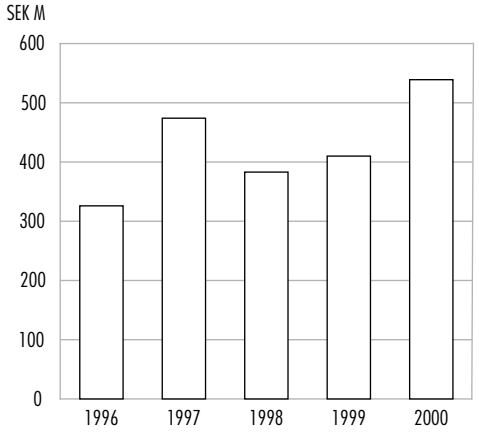
A new sales company has been established in Portugal effective year-end 2000, aimed at improving our service and market presence in this market.

At the beginning of 2001, new companies were also established in Taiwan and Thailand.

The work of integrating the acquisitions made during 1999 in India and the Czech Republic continued throughout the year. A part of investments were directed toward modernization of the machine park and to increase production capacity.

In other respects, an overview was carried out mainly in the areas of marketing, sales and product programs aimed at strengthening positions in the respective markets.

Net profit after tax



Research and development

Through a highly refined product range, concentration on core areas and extensive application expertise, Seco shall actively contribute to increased productivity within the engineering industry. R&D work will prioritize continuous renewal of tools and processes so that the product's competitiveness will constantly be improved. During the year, 4% of sales was invested in research, development and quality assurance.

R&D work focuses particularly on the following main areas:

– Developing geometries, cutting materials and processes for products which, for the industry, represent unique chip-forming capability corresponding to the market's requirements for reproducibility and quality.
– Developing technologies, methods and aids which simplify and rationalize development and production processes so that flows, flexibility and short lead times in product development and manufacturing are made possible.
– Improving existing products while simultaneously developing new generations of inserts and holding tools that better utilize available and future technologies while simultaneously minimizing environmental impact during the product's life cycle.

Product development

Requirements for rapid, efficient product development, and production-effective order- and inventoryhandling have increased significantly. Even for medium-size engineering companies, which for Seco are a traditionally strong segment, requirements are being redefined in pace with these companies becoming more sophisticated, and frequently integrating within larger groups with requirements for global deliveries and service.

The new situation thus places more exacting requirements for coordination of product and service development and increased efficiency in production and logistics. With product life cycles becoming ever shorter, more rigorous requirements are also being placed for shorter development times and rapid product introductions.

Accordingly, change work was undertaken during the year aimed at improving the product-development process. This process of change means that development projects are better controlled and coordinated for both the production and market functions. The goal is that the time from preliminary study to market introduction shall be a maximum of two years for half of our products.

A prime example of a successful product development is the cutter-milling family, Super Turbo. It was introduced simultaneously on all markets with resounding success.

The fast pace in the introduction of new products continued during the year. Among other products introduced during the year, mention should be made of the universal milling type, T250M, the further expansion of the MDT program for flexible turning and CBN100/150 for turning of hard materials.

The new universal type T250M is an example of innovative thinking which combines substrate development with a patented coating process, which results in a tool with increased endurance, with strength retained.

There is constant work to develop new application technologies for increasing our customers' productivity. The aim is to increase chip-cutting speed and to reduce negative processing effects such as surface effects.

Production and investments

Production volume for 2000 was substantially higher in comparison with the level for the preceding year, primarily due to higher demand for Seco's products and the need for some build-up in inventories.

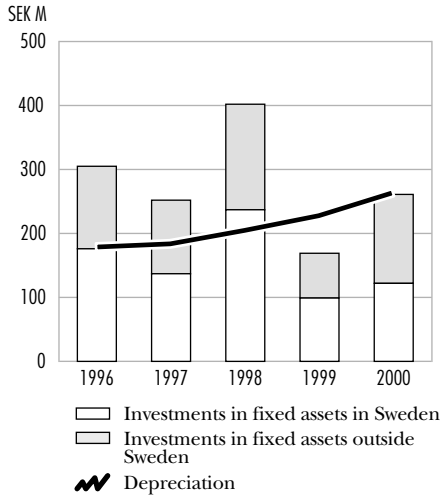
Consequently, in terms of capacity, our plants have been utilized at full capacity during the year. The production pace in the Swedish plants increased substantially during the latter part of the year.

Total investments amounted to SEK 261 M (169), of which SEK 122 M (99) was in Sweden. Seco invested in new technology for direct pressing and edge treatment of inserts. Capacity was also increased for coating of inserts using modern processes and for cutting-edge-grinding of modern products such as Minimaster and Crown Loc.

Investments were made in Pramet, in the Czech Republic, to attain a more modern and more rational production of inserts. At EPB, investments were made in a special line that enables improved production of tool systems.

In summary, most of the year's investments focused on increasing production capacity and rationalizations aimed at the producing units in Sweden and the U.S. and the companies acquired in recent years.

Investments and depreciation



Inventories, distribution and purchasing

The strong increase in demand during the year from our customers placed a heavy burden on inventory availability and delivery ability. An adjustment of inventory volumes for meeting the higher demand thus occurred. Seco's goal is to offer our customers at least 95% availability of products carried in inventory.

A revised inventory structure with increased efficiency was successively introduced. We expanded the capacity of our European distribution center in Belgium.

Preparations are also under way for the start-up in Singapore of a distribution center for Southeast Asia. The improved inventory structure will reduce costs and improve the delivery service.

Elsewhere, work continues with reducing through-put times and increasing delivery precision together with production.

The work involving strategic suppliers intensified during the year within product supply while, at the same time, increased resources were required to ensure raw materials availability.

EMU

For companies in countries belonging to the EMU, work is in progress for coping successfully with the demands a complete transition to the euro will entail. At year-end 2000, the second of the Seco companies made the switch to the euro as its base currency. Other Group companies within the monetary union will make a successive transition to the euro during 2001.

For Seco companies in other EU countries that are not members in EMU, a gradual adaptation will occur to enable them to cope with the requirements the common currency will exact.

Business systems

The decision was made during the year to replace existing business systems in several of the Group's companies. All main processes will be replaced, that is, order, distribution, supply, production and finances.

The operational goals defined for the project include:
– Integrated e-commerce solution
– Central control of all inventories
– Global purchase structure
– Global product register

The extent of this undertaking during the years 2001 – 2004 is estimated at about SEK 60 M.

Environment

Seco is conducting one notification-obligatory and three permit-obligatory operations, as defined by the environmental code, within the Swedish Parent Company. During spring 2000, the plant in Fagersta received a new permit from the environmental court for increased production. Conditions were made more severe with respect to dust emissions, which resulted in new dust filters being installed. During a test period, through March 2001, the Parent Company will also investigate further the effects of water contamination and ethanol emissions.

A new permit has been solicited for the operations in Norrköping due to both altered and expanded production. The facility in Ludvika submitted an application for its operations to the environmental authorities in accordance with the new legal requirements. The Arboga facility has had a permit for some time, with all pertinent conditions having been fulfilled. The production facility in Norberg has neither a permit obligation nor a notification-obligation, nor have the authorities set any environmental requirements.

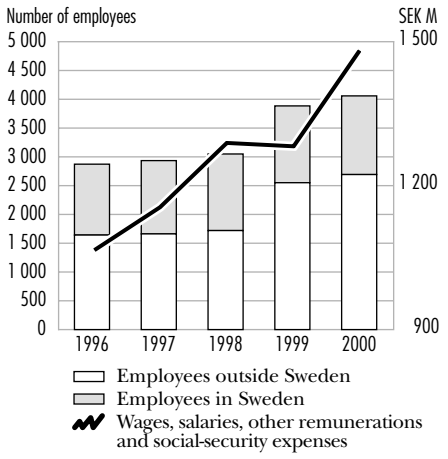
Personnel

Number of employees	**2000-12-31**	1999-12-31
Sweden	**1 366**	1 334
Abroad	**2 693**	2 551
	4 059	3 885

At year-end, the number of employees totaled 4,059, which means that the number of employees increased by 174 persons, 4%. The acquisition of EPB constituted an increase of 177 persons.

Personnel turnover in the Swedish units continued to be low. Absences due to sickness totaled 8% (7) for blue-collar workers and 2% (2) for white-collar workers. Information concerning employees is provided in Note 2.

Personnel



Surplus from Alecta

The Seco Group received before year-end the entire amount of about SEK 38 M that the Alecta pension insurance company (formerly the SPP mutual insurance company) had calculated earlier in the year was due to Seco. The payment originates from Alecta's surplus of pension funds for ITP insurance.

As a result of the redemption of the Parent Company's PRI liability and contractual pensions in 1999, Seco was entitled to receive the entire amount during 2000.

Organization

On March 1, 2000, Lars Renström, previously manager for the Uniroc-Division within the Atlas Copco Group, was appointed President and CEO of Seco Tools AB.

At the end of the year, Vice-president Håkan Bergström resigned his position as Chief Financial Officer (CFO) of the Group. During the interim until a new CFO is appointed, Lars Renström assumes the position. During the year, new personnel and production managers were recruited within the Parent Company.

Board of Directors' activities

The Board of Directors consists of eight members elected by the Annual General Meeting, and two deputy members appointed by the employees. A presentation of these members is on pages 52 – 53. During the year, representatives from Group Executive Management participated in Board meetings to report on matters in their respective areas.

There were six meetings of the Board of Directors during 2000. Board activities encompassed prescribed agenda items at each meeting such as the business situation, investments, budget, the year-end closing and interim financial reports. Other matters taken up during the year included acquisitions and their integration, as well as new business systems.

Dividend

Considering the company's strong position, the Board proposes, in addition to the ordinary dividend of SEK 13.00 per share, an extra dividend of SEK 7.00 per share. Refer to page 2 for additional information concerning record and payment date.

Parent Company

The Parent Company's invoiced sales increased by 13% and amounted to SEK 2,005 M (1,772). Operating profit amounted to SEK 593 M (449). The number of employees in the Parent Company totaled 1,396 (1 358) as of December 31, 2000.

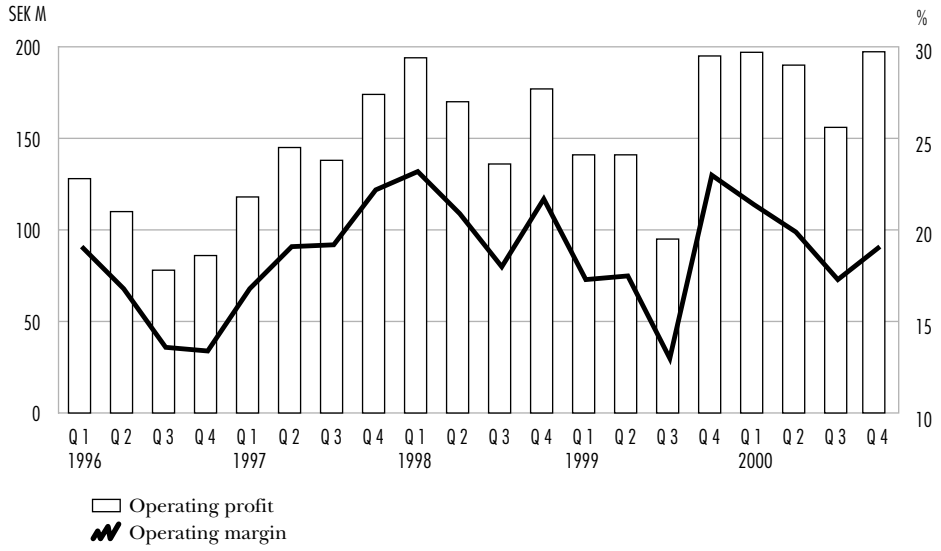
The Parent Company conducts certain operations in branch form in Belgium and China.

Seco Tools AB is a partly owned subsidiary of Sandvik Invest AB, whose Parent Company is Sandvik AB, corporate registration number 556000-3468, and its head office is in Sandviken.

Income Statements

SEK millions	Note	Group		Parent Company	
		2000	1999	**2000**	1999
Invoiced sales	1	**3 792**	3 181	**2 005**	1 772
Cost of goods sold	3	**–1 749**	–1 489	**–1 146**	–1 034
Gross profit		**2 043**	1 692	**859**	738
Selling expenses		**–1 043**	–868	**–224**	–200
Administrative costs		**–271**	–238	**–88**	–82
Repayment of funds from Alecta		**38**	–	**38**	–
Other operating revenues		**19**	–	**8**	0
Other operating costs		**–8**	–14	**–**	–7
Operating profit	2,4,5,6	**778**	572	**593**	449
Earnings from shares in subsidiaries	7			**151**	76
Dividends from shares in associated companies		**–**	–	**74**	83
Other interest income and similar profit/loss items	8	**27**	16	**12**	8
Interest expense and similar profit/loss items		**–34**	–17	**–16**	–11
Total earnings from financial items	6	**–7**	–1	**221**	156
Profit after financial items		**771**	571	**814**	605
Appropriations	9			**13**	–74
Tax on profits for the year	10	**–232**	–161	**–173**	–104
Profit after tax		**539**	410	**654**	427
Minority shares		**–**	0	**–**	–
Net profit for the year		**539**	410	**654**	427

Operating profit and margin per quarter



Notes to the Income Statements

The Group's invoiced sales increased by 19% or SEK 611 M and amounted to SEK 3,792 M (3,181), with markets outside Sweden accounting for 94% (93) of operating revenues. Increased sales for comparable units amounted to 12%, of which the currency-exchange effect was plus 3 percentage points. The quarterly trend for invoicing and operating profit is shown below, excluding items affecting comparability. Operating margin is the operating profit as a percentage of invoiced sales.

	Invoicing SEK M	Change 00/99 %	Operating profit SEK M	Operating margin %
Q 1	918	14	197	21.5
Q 2	948	17	190	20.0
Q 3	896	24	156	17.4
Q 4	1 030	22	197	19.2
Full-year 2000	3 792	19	740	19.5

The Group's operating profit increased to SEK 778 M (572) or 20.5% (18.0) of invoiced sales. Earnings included a refund from Alecta of SEK 38 M.

The gross margin was 54% compared with 53% in the preceding year, due mainly to increasing volumes and higher capacity utilization within the Group's manufacturing units.

Sales and administrative costs increased during the year by 19% compared with 1999. The increase is attributable in part to structural and currency-exchange effects, but is also the result of introductions and other market activities.

Of the Group's total costs, personnel costs constitute the single largest item with approximately 49% of the total.

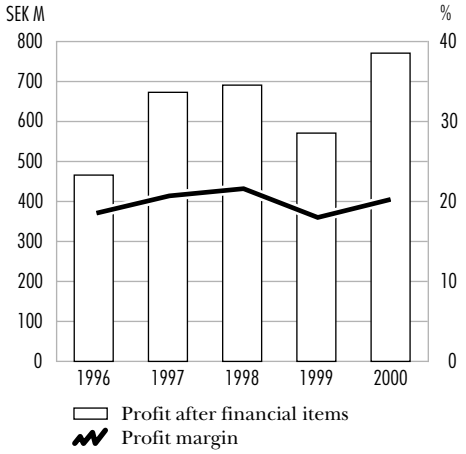
Investments in fixed assets corresponding to 7% of sales were mainly aimed at meeting the increased need for production capacity. The major investment programs of recent years have subsequently resulted in increasing depreciation. During the year, depreciation rose by SEK 36 M to SEK 265 M, of which SEK 28 M is attributable to goodwill.

The U.S. dollar strengthened considerably during the year against the Swedish krona while the euro has been comparatively weak. Accordingly, as a whole, currency-exchange operations affected the year's earnings favorably in the amount of SEK 12 M.

The Group's net financial items were negative and amounted to an expense of SEK 7 M (expense: 1). The increase in expense, compared with 1999, was primarily due to an increase in interest-bearing liabilities. The return on funds invested amounted to 4.3% (3.5). Profit after financial items amounted to SEK 771 M (571), an increase of 35%.

The total tax expense amounted to SEK 232 M (161), which corresponds to a tax charge of 30% (28). Deferred tax accounts for SEK 3 M (35) of the tax expense. Net profit after tax for the year amounted to SEK 539 M (410).

Profit and profit margin



Balance Sheets

SEK millions	Note	Group December 31		Parent Company December 31	
ASSETS		**2000**	1999	**2000**	1999
Fixed assets					
Intangible fixed assets	11	**140**	92	**22**	28
Tangible fixed assets	12				
Land and buildings		**313**	299	**112**	115
Plant and machinery		**848**	793	**536**	526
Equipment, tools, fixtures and fittings		**206**	205	**55**	67
Construction in progress and advance payments for tangible assets		**33**	13	**12**	3
		1 400	1 310	**715**	711
Financial fixed assets					
Participations in subsidiaries	13			**497**	496
Receivables from subsidiaries				**63**	66
Participations in associated companies	14	**6**	5	**1**	1
Other securities held as fixed assets		**0**	0	**–**	–
Other long-term receivables		**39**	30	**0**	1
		45	35	**561**	564
Total fixed assets		**1 585**	1 437	**1 298**	1 303
Current assets					
Inventories, etc.					
Raw materials and consumables		**109**	68	**88**	51
Work in progress		**177**	160	**111**	102
Finished products and goods for resale		**475**	414	**236**	218
		761	642	**435**	371
Current receivables					
Accounts receivable – trade		**751**	594	**43**	37
Receivables from subsidiaries				**325**	292
Receivables from the Sandvik Group	15	**371**	283	**369**	276
Prepaid tax		**38**	27	**–**	5
Other receivables		**55**	44	**25**	17
Prepaid expenses and accrued income		**27**	19	**5**	1
		1 242	967	**767**	628
Investments	15	**104**	193	**–**	–
Cash and bank balances	15	**160**	89	**34**	22
Total current assets		**2 267**	1 891	**1 236**	1 021
TOTAL ASSETS		**3 852**	3 328	**2 534**	2 324

SEK millions	Note	Group December 31		Parent Company December 31	
EQUITY AND LIABILITIES		**2000**	1999	**2000**	1999
Equity	6,16				
Restricted equity					
Share capital		**72**	72	**72**	72
Revaluation reserve		**12**	12	**–**	–
Statutory reserve		**44**	44	**44**	44
Other reserves		**1 112**	1 102	**–**	–
		1 240	1 230	**116**	116
Non-restricted equity					
Non-restricted reserves		**227**	235	**83**	218
Profit for the year		**539**	410	**654**	427
		766	645	**737**	645
Equity		**2 006**	1 875	**853**	761
Minority shares in equity		**–**	3	**–**	–
Untaxed reserves	17			**865**	878
Provisions					
Provisions for pensions and similar commitments	18	**199**	186	**105**	91
Deferred tax liabilities	19	**502**	487	**–**	–
Other		**9**	36	**–**	–
		710	709	**105**	91
Long-term liabilities					
Liabilities to subsidiaries				**43**	43
Other liabilities	20	**265**	83	**23**	23
		265	83	**66**	66
Convertible loans	21	**69**	69	**69**	69

SEK millions	Note	Group December 31		Parent Company December 31	
EQUITY AND LIABILITIES		**2000**	1999	**2000**	1999
Current liabilities					
Liabilities to credit institutions	20	**107**	79	**–**	–
Accounts payable – trade		**229**	150	**128**	74
Liabilities to subsidiaries	20			**167**	152
Liabilities to the Sandvik Group		**6**	9	**2**	0
Liabilities to associated companies		**22**	23	**102**	98
Income tax liabilities		**54**	28	**20**	–
Other liabilities		**158**	124	**44**	37
Accrued expenses and prepaid income	22	**226**	176	**113**	98
		802	589	**576**	459
TOTAL EQUITY AND LIABILITIES		**3 852**	3 328	**2 534**	2 324
Assets pledged		**–**	–	**–**	–
Contingent liabilities	23	**19**	16	**268**	108

Notes to the Balance Sheets

Assets

The Group's total assets increased by SEK 524 M to SEK 3,852 M (3,328).

Investments for the year totaled SEK 262 M (169). The Group's fixed assets amounted to SEK 1,585 M (1,437). The increase is due mainly to acquisition effects.

The Group's capital employed amounted to SEK 2,633 M (2,291), an increase of 15%. The rate of capital turnover on capital employed for the year was 1.5 (1.5).

Current assets, excluding liquid funds, amounted to SEK 1,633 M. Accounts receivable and inventories showed a combined increase of 22%, which largely reflects the increased demand for Seco's products. The average customer-credit period increased to 72 days (69) while the inventory value as a percentage of invoiced sales remained unchanged at 20% (20).

Liquid assets (including short-term investments in receivables due from the Sandvik Group) increased to SEK 634 M (554) and amounted to 16% (17) of total assets at year-end.

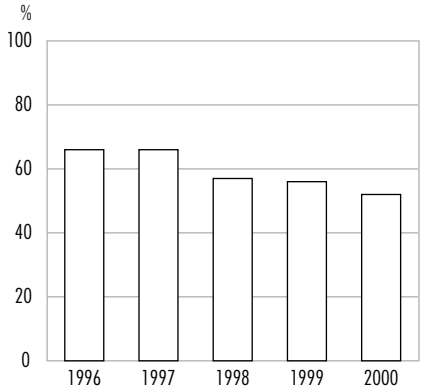
Equity and liabilities

Interest-bearing liabilities increased to SEK 627 M (416), due largely to the financing of acquisitions, and the interest-bearing liabilities related to the acquisitions of recent years. This increase pertains mainly to long-term liabilities. Current liabilities increased during the year partly due to increased purchases of goods and services.

Equity capital increased during the year by SEK 131 M or 7% and amounted to SEK 2,006 M at year-end. This change is primarily due to the difference between net profit for the year and dividends paid to shareholders.

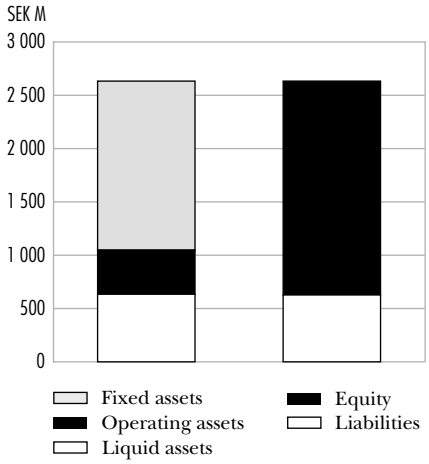
At year-end the Group's equity/assets ratio was 52% (56). The debt/equity ratio was 0.3 (0.2).

Equity ratio



Return on equity and capital employed

Capital employed and its financing



Cash Flow Statements

SEK millions	Note	Group		Parent Company	
		2000	1999	**2000**	1999
Current operations					
Profit after financial items		**771**	571	**814**	605
Reversal of depreciation charges		**265**	229	**122**	115
Adjustments for items not included in cash flow, etc.		**–45**	–18	**29**	8
		991	782	**965**	728
Paid tax		**–215**	–154	**–120**	–94
Cash flow from current operations before changes in operating capital		**776**	628	**845**	634
Change in inventories		**–52**	56	**–64**	44
Change in receivables		**–76**	1	**–47**	–21
Change in liabilities		**107**	–20	**75**	0
Cash flow from current operations		**755**	665	**809**	657
Investment operations					
Acquisition of intangible fixed assets		**0**	–29	**–**	–29
Acquisition of subsidiaries		**–117**	–128	**–14**	–19
Acquisition of tangible fixed assets		**–261**	–140	**–122**	–70
Sales of inventories and shares		**32**	9	**3**	2
Change in financial fixed assets		**1**	–7	**1**	–58
Change in current financial receivables		**4**	–	**4**	11
Cash flow from investment operations		**–341**	–295	**–128**	–163
Financing operations including dividends					
Change in loans		**138**	120	**14**	84
Paid dividends		**–490**	–303	**–490**	–303
Group contributions received		**–**	–	**–95**	–107
Redemption of PRI-liabilities		**–**	–35	**–**	–35
Cash flow from financing operations		**–352**	–218	**–571**	–361
Cash flow for the year		**62**	152	**110**	133
Liquid assets as of January 1, 2000		**554**	393	**294**	161
Exchange rate difference in liquid assets		**18**	9	**–**	–
Liquid assets as of December 31, 2000	15	**634**	554	**404**	294

Notes to the Cash Flow Statements

The purpose of a Cash Flow Statement is to describe the Company's ability to generate money. Seco's cash flow is used mainly to finance dividends, investments and market growth. The analysis shows the net effect of the Group's flows of funds during the year, based on net financial statement items.

Seco was able to show strong cash flow from current operations in 2000. Profit for the year, adjusted for items that do not affect cash flow, provided a cash flow of SEK 776 M, which is an increase of SEK 148 M compared with 1999. The working capital requirement increased by SEK 21 M compared with the preceding year, due primarily to inventory levels and accounts receivable having increased in pace with sales growth.

During the year, Seco acquired a company in France. Seco's investments in fixed assets were higher compared with the preceding year, which was the primary reason for increased net investments. In total, net investments rose SEK 46 M compared with a year earlier.

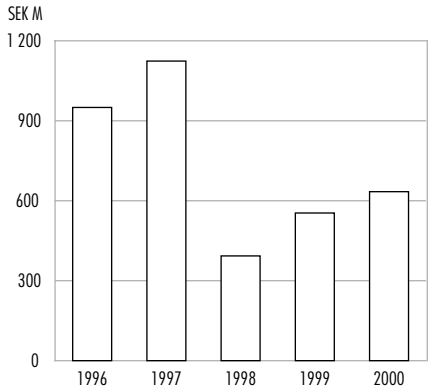
Cash flow from financing operations was down by SEK 134 M compared with 1999. Dividend payments were higher in 2000 due to the extra dividend payment equivalent to SEK 6 per share.

In total, cash flow for the year amounted to SEK 62 M, a decrease of SEK 90 M compared with 1999. Taking into account positive exchange rate fluctuations, the Group's liquid assets increased to SEK 634 M (554).

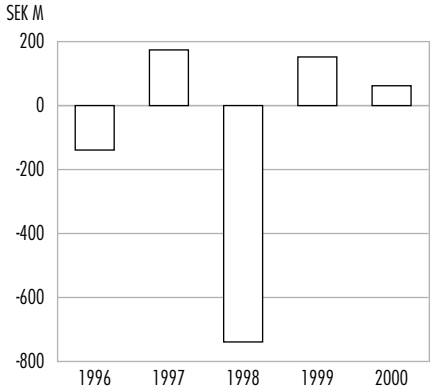
The total value of assets and liabilities in companies acquired during the year (SEK M):

	2000	1999
Intangible fixed assets	**77**	45
Tangible fixed assets	**47**	73
Current assets	**108**	58
Long-term liabilities	**50**	27
Current liabilities	**39**	17
Liquid funds	**15**	4

Liquid assets



Cash flow



Currency exposure

The Seco Group is heavily exposed to shifts in the value of the Swedish krona since our percentage of exports is high and most of our sales are in local currencies, whereas a large percentage of costs are incurred in Swedish kronor. The effect on Seco's earnings and financial position are of two kinds:

– The value of currency flows when invoicing and the cost of producing products are in different currencies (flow risk)

– Translation of foreign subsidiaries' results and net assets to Swedish kronor (translation risk).

A large part of Seco's operations entails both production and sales within the same currency areas. The Group's invoicing and costs, classified by different currencies, are shown in the table below, which illustrates the Group's long-term vulnerability to foreign exchange movements.

The Group's 2000 invoicing and costs resulted in the following breakdown of the most important currencies for Seco:

	Exchange exposure 2000 in %	
	Invoicing	Costs
SEK	6	36
EUR	36	20
USD	28	27
JPY	3	2
Other currencies	27	15
	100	100

The currency exposure in for example USD and EUR is larger than what the above table reflects, since costs are expressed in percentage of total costs. The percentage share of costs in USD of total sales was 22% to be compared with revenues of 28% of sales.

Seco's policy is to hedge risks up to 80% of anticipated currency flows (net) with the actual amount to be determined by our evaluation of the currency risks. Hedging is utilized to reduce the effects of short-term fluctuations in the currency and interest-rate markets. The average hedging term during the year was 1 month. An overall change of one percentage point in the rate for the krona relative to other currencies affects Group earnings by between SEK 12 – 15 M.

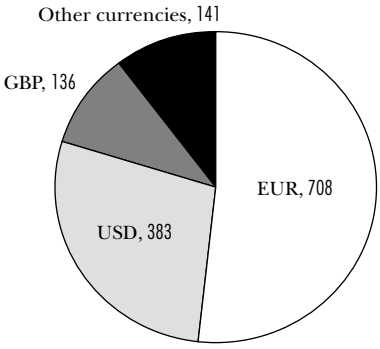
The net exposure to the krona arising from the commercial currency flows in 2000 amounted to SEK 1,368 M (1,133).

Interest-rate exposure and liquidity management

In recent years Seco's operations have generated a large positive cash flow. At year-end, the proportion of liquid assets to total assets was 16% (17).

Liquid assets have been invested to obtain a yield equal to the rate of interest on government securities in the Swedish money market. Borrowing has overwhelmingly been characterized by short maturities. These operations are conducted within the framework of the risk policy established by the Board of Directors.

Currency flow, SEK M



Accounting Principles and Notes

All figures in SEK M unless otherwise stated.

Accounting principles

The annual report was prepared in accordance with the Annual Accounts Act and the recommendations and statements issued by the Swedish Financial Accounting Standards Council.

Consolidated accounting

The consolidated accounts include the Parent Company, all subsidiaries and associated companies. Subsidiaries are companies in which the Parent Company holds more than 50% of the voting rights.

The term "associated companies" refers to shareholdings in companies with connections with the Group's operations in which the Parent Company directly or indirectly has a long-term holding of not less than 20% and not more than 50% of the voting rights.

All acquisitions are reported in accordance with the purchase method. Goodwill is determined in local currency in acquisitions effected after 1997. Consolidated goodwill is normally amortized straight-line over 5 – 10 years. The amortization is reported as sales expense.

Companies that have been divested are included in the Group's accounting up to the date of the sale. Companies acquired during the fiscal year are recognized in the Consolidated Income Statement from the date of acquisition.

For most of the foreign subsidiaries, translations are in accordance with the current-rate method. Changes in the Group's shareholders' equity that arise due to changes in the year-end rate compared with the rates at year-end in the preceding year have direct effects on shareholders' equity. The financial statements of subsidiaries operating in high-inflation countries are translated in accordance with the temporal method. Translation differences that then arise have an effect on earnings for the year.

At the Group level, the untaxed reserves reported in the subsidiaries are apportioned between equity capital and deferred tax liability. The tax proportion has been calculated using an individual tax rate for each country in which the Group has one or more companies. In the case of Sweden, the tax rate is 28%.

In the Consolidated Income Statement, the change in untaxed reserves is apportioned in a corresponding manner between estimated future taxes and the Group's net profit. Should the tax rate be revised, the change in tax liability is reported as part of tax expense for the year.

In classifying the Group's capital as restricted or unrestricted, the net effects of any applicable withholding taxes are taken into account.

Receivables

Receivables are booked in amounts likely to be received, as calculated following individual review.

Receivables and liabilities in foreign currencies

Receivables and liabilities denominated in foreign currencies are reported at the rates in effect at fiscal closing. In cases where liabilities and receivables have been hedged, the forward rate is used.

Any exchange losses and gains are reported under operating profit. Exchange losses and gains of a financial character are reported in the income statement among the other financial items.

Among subsidiaries, current and long-term receivables and liabilities, which are external to the Group, occur only to a limited extent.

Short-term investments

Bonds and other short-term investments are valued at the lower of their historical cost or their market value at fiscal closing date. This principle is applied to the portfolio as a whole, which means that unrealized losses are deducted from unrealized gains. A loss reduces interest income whereas a gain is disregarded for reporting purposes.

Inventories

Inventories are reported at the lower of historical cost according to the FIFO-principle

or actual value. Actual value for unfinished goods and raw material is based on the replacement cost.

Fixed assets
Tangible and intangible assets are depreciated according to a schedule of estimated working lives. The following depreciation times shall apply:

Intangible assets	5 years
Office buildings	50 years
Industrial buildings	25 years
Site improvements	20 years
Machinery and other technical plants	3 – 10 years
Equipment, tools, fixtures and fittings	3 – 10 years

The tax regulations frequently permit depreciation at a faster rate than scheduled. The difference between the total book depreciation charges is entered under "Untaxed reserves" in the balance sheets of the individual companies.

Leasing
In the consolidated accounts, leases are classified as either financial leases or operating leases. In accounting for financial leases, a fixed asset is posted in the balance sheet with an offsetting liability.

Fixed assets are depreciated according to plan over the economic lifetime, while leasing payments are reported as interest expense and amortization of debt. For operating leases, no asset and liability items are reported in the balance sheet. The leasing fee is reported in the income statement as a current expense on a straight-line basis over the leasing period. The Group is also engaged in rental of premises under operating lease agreements.

Revenue reporting
Sales revenues are reported upon delivery and correspond to the amount billed less deductions for VAT, discounts and returns.

Cost of research and development
Research and development costs are expensed as they arise.

Taxes
Tax expense for the year includes accrued (paid) taxes, future (deferred) taxes and a proportion of associated companies' taxes.

The Income Statement item Accrued taxes pertains to income accrued during the year by Group companies, calculated in accordance with the tax regulations in force in the country where the profit originated.

Included in accrued taxes are foreign taxes on dividends to the Parent Company.

The item Estimated future taxes pertains to taxes deferred to the future due to transfers to untaxed reserves, participations in deficits of partly owned limited partnerships, valuation differences at Group and company level, including intra-Group profits, and taxation effects as recognized in acquisition analyses.

Untaxed reserves are reported only by the Parent Company. Within the Group, they are apportioned between deferred tax liability and equity capital. The deferred tax liability is calculated by applying an individual tax rate for each company having untaxed reserves. A deferred tax claim/liability included in the consolidated period-end adjustments is entered under the heading Deferred tax liabilities.

Cash Flow Statement
The Cash Flow Statement shows the company's inflow and outflow of cash during the year. Payments are attributable to current operations, investment operations and financing operations.

The indirect method is used to report flows from operating activities. Changes during the year in operating assets and operating liabilities are adjusted for exchange differences. Acquisitions and divestments are reported among investment operations. The assets and liabilities held by the divested and acquired companies at the transfer date are not included in the analysis of changes in working capital or net investments.

Note 1 Invoiced sales

Invoiced sales by geographic market:

	Group		Parent Company	
	2000	1999	**2000**	1999
Sweden	**232**	214	**232**	214
EU, excl Sweden	**1 680**	1 513	**1 015**	983
Rest of Europe	**279**	173	**124**	93
NAFTA	**1 058**	893	**380**	292
South America	**126**	86	**58**	38
Africa, Middle East	**70**	61	**39**	36
Asia, Australia	**347**	241	**157**	116
	3 792	3 181	**2 005**	1 772

Companies in the Seco Tools Group account for 86% (83) of the Parent Company's invoicing and the Sandvik Group for 0% (2).

Note 2 Wages, salaries, other remuneration, social security expenses and accounting costs

	2000		1999	
	Wages, salaries and other remuneration	Social security expenses (of which pension costs)	Wages, salaries and other remuneration	Social security expenses (of which pension costs)
Parent Company	**416.7**	**183.0**	377.7	172.5
		(39.1)		(40.6)
Subsidiaries	**690.5**	**194.2**	576.7	154.7
		(37.9)		(35.7)
Group	**1 107.2**	**377.2**	954.4	327.2
		(77.0)		(76.3)

Of the Parent Company's pension costs, SEK 0.9 M (7.0) pertains to Board members and President. The corresponding amount for the Group is SEK 2.5 M (8.8). The company's outstanding pension commitments to these persons amounted to SEK 11.5 M (9.4) in the Group and SEK 3.0 M (2.6) in the Parent Company.

Wages, salaries and other remuneration paid, by market and distributed by Board members, etc., and other employees:

	2000		1999	
	Board members and Presidents (of which bonus)	Other employees	Board members and Presidents (of which bonus)	Other employees
Parent Company	**3.5**	**413.2**	2.9	374.8
	(0.1)		(0.5)	
EU	**9.8**	**280.3**	8.5	238.6
	(0.6)		(0.5)	
Rest of Europe	**4.7**	**34.5**	2.5	21.0
	(0.7)		(0.1)	
NAFTA	**2.4**	**280.0**	2.1	236.9
	(0.3)		(0.2)	
South America	**3.5**	**12.7**	3.2	12.7
Africa, Middle East	**2.1**	**8.4**	2.0	7.7
	(0.3)		(0.2)	
Asia, Australia	**7.7**	**44.4**	5.2	36.3
	(0.5)		(0.1)	
Group total	**33.7**	**1 073.5**	26.4	928.0

Salaries and benefits to leading decision makers

Chairman of the Board

The Chairman of the Board, Ebbe Bengtsson, received a Board fee amounting to SEK 200 000.

President

The President, Lars Renström, who assumed his position on March 1, 2000, received SEK 1,560,367 in remunerations and other benefits.

The President is covered by a premium-based scheme, with retirement at age 60. The annual premium amounted to 27% of fixed cash salary. If employment is terminated by the company, compensation of 18 months' salary is paid.

Other senior executives

Normal terms and conditions of employment apply to the other senior officers.

Average number of employees

	2000		1999	
	Number of employees	of which men	Number of employees	of which men
Sweden	**1 338**	**889**	1 321	886
Subsidiaries outside Sweden				
Norway	**10**	**9**	11	9
Denmark	**16**	**12**	17	12
Germany	**151**	**126**	151	126
Belgium	**43**	**25**	39	23
Netherlands	**8**	**7**	8	7
U.K.	**99**	**81**	97	79
France	**422**	**380**	239	213
Spain	**34**	**30**	34	30
Italy	**187**	**143**	199	153
Switzerland	**12**	**8**	12	8
Austria	**11**	**6**	10	6
Hungary	**9**	**5**	9	5
Czech Republic	**615**	**386**	681	426
Slovakia	**10**	**7**	10	6
Slovenia	**4**	**2**	3	1
Poland	**15**	**10**	10	7
Turkey	**13**	**11**	13	11
Canada	**16**	**15**	2	2
U.S.	**592**	**498**	591	506
Mexico	**5**	**5**	5	5
Argentina	**17**	**13**	17	13
Brazil	**38**	**34**	45	40
India	**201**	**196**	207	203
China	**20**	**12**	19	11
South Korea	**24**	**18**	23	17
Japan	**38**	**32**	41	34
Singapore	**18**	**15**	15	12
Malaysia	**4**	**2**	2	1
Australia	**38**	**34**	41	37
South Africa	**32**	**20**	32	21
Total	**2 702**	**2 142**	2 583	2 024
Group total	**4 040**	**3 031**	3 904	2 910
of which Parent Company	**1 364**	**903**	1 341	897

Accounting costs

	2000			1999		
	Accounting	Other	Total	Accounting	Other	Total
Parent Company						
Öhrlings Pricewaterhouse-Coopers AB	**0.5**	**0.4**	**0.9**	0.5	0.1	0.6
KPMG	**0.2**	**0**	**0.2**	0.2	0	0.2
Total Parent Company	**0.7**	**0.4**	**1.1**	0.7	0.1	0.8
Subsidiaries						
Öhrlings Pricewaterhouse-Coopers AB	**2.0**	**0.4**	**2.4**	1.6	0.8	2.4
KPMG	**0.9**	**0**	**0.9**	0.6	0	0.6
Others	**0.9**	**0.1**	**1.0**	1.2	0.2	1.4
Total, subsidiaries	**3.8**	**0.5**	**4.3**	3.4	1.0	4.4
Group total	**4.5**	**0.9**	**5.4**	4.1	1.1	5.2

Note 3 Cost of goods sold

Of Parent Company purchases, 23% (27) were obtained from other Seco companies and 3% (4) from the Sandvik Group.

Research, development and quality assurance

	Group		Parent Company	
	2000	1999	**2000**	1999
Costs of research and product development	**116**	107	**100**	98
Quality assurance	**39**	42	**21**	27
Total	**155**	149	**121**	125

Note 4 Amortization/ Depreciation

Amortization/depreciation of tangible and intangible fixed assets amounted to SEK 265 M (229) for the Group and SEK 122 M (115) for the Parent Company.

Note 5 Leasing

Operational leasing agreements

	Group		Parent Company	
	2000	1999	**2000**	1999
Paid leasing fees	**17**	19	**3**	3
Contracted future leasing fees	**35**	33	**9**	10
Leasing revenues received	**3**	3	**1**	1
Contracted future leasing fees	**26**	1	**4**	1

Financial leasing agreements

The Group's tangible fixed assets include leasing objects held in accordance with financial leasing ageements as follows:

	Acquisition value		Accumulated depreciation	
	2000	1999	**2000**	1999
Group				
Machinery and equipment	**4**	2	**1**	0

Future minimal leasing fees fall due for payment as follows:

	Nominal value		Current value	
	2000	1999	**2000**	1999
Group				
Within one year	**1**	1	**1**	1
Later than one but within five years	**–**	0	**–**	0
	1	1	**1**	1

Note 6 Translation differences and flow hedging

Translation differences in earnings

	Group
Translation differences in operating earnings	11
Translation differences in financial items	0
Total	11

Translation differences charged directly to shareholders' equity

Accumulated translation differences for each foreign operation were not registered previously, nor was it considered practically possible to produce them retroactively. Accordingly, accumulated translation differences pertain to currency movements from and including the 1999 fiscal year.

Translation differences amounted in 1999 to SEK 12 M and in 2000 to SEK 82 M.

Flow hedging

Through buying and selling currencies forward, the Group to an extent hedges the value of future payments in foreign currencies. Depending on the currency, hedging corresponds to about one month of net flow. Gains and losses on forward contracts are reported in the same period as the corresponding flow arises. At year-end 1999, there were no such forward contracts and, accordingly, no deferred gains or losses.

Note 7 Earnings from shares in subsidiaries

	Parent Company 2000	1999
Dividends	**164**	76
Write-downs of shares	**–13**	–
Total	**151**	76

Note 8 Other interest income and similar profit/loss items

	Group 2000	1999	Parent Company 2000	1999
Interest	**26**	15	**11**	7
Exchange rate differences	**1**	1	**1**	1
Capital gains on sales	**–**	–	**–**	–
Total	**27**	16	**12**	8
Of which pertains to the Sandvik Group				
Interest	**9**	5	**9**	5
Total	**9**	5	**9**	5

Note 9 Appropriations

	Parent Company 2000	1999
Change in accelerated depreciation	**–22**	–34
Change in profit equalization reserve	**5**	–70
Change in tax equalization reserve	**30**	30
Change in exchange-rate reserve	**0**	0
Total	**13**	–74

Note 10 Tax on profits for the year

	Group 2000	1999	Parent Company 2000	1999
Accrued taxes	**–229**	–126	**–173**	–104
Estimated future taxes				
Estimated future tax attributable to changes in Group companies' untaxed reserves	**0**	–24		
Tax attributable to changes in intra-Group profit reserves and other adjustments	**9**	0		
Tax attributable to associated companies	**–12**	–21		
Provisions for tax case	**–**	10		
Total estimated future taxes	**–3**	–35		
Total	**–232**	–161	**–173**	–104

Tax cases in progress

Acting through jointly owned limited partnerships, Seco Tools invested in leasing operations involving commercial aircraft. In 1991, the tax authorities challenged the 1989 depreciation charges on one of these investments. The case is currently being tried in the Gävleborg County Administrative Court. In similar cases, adverse ruling have been handed down. Accordingly, a tax provision of SEK 90 M (90), which is estimated corresponds to any additional tax charges, was allocated.

Note 11 Intangible fixed assets

	Group 2000	1999	Parent Company 2000	1999
Patents och licenses				
Accumulated acquisition value				
January 1	**33**	4	**33**	4
Acquisitions	**–**	29	**–**	29
Acquisition of subsidiaries	**8**	–		
Reclassifications	**1**	–	**–**	–
Translation differences for the year	**1**	–		
	43	33	**33**	33
Accumulated amortization according to plan				
January 1	**–5**	–3	**–5**	–3
Acquisition of subsidiaries	**–8**	–		
Depreciation according to plan for the year	**–7**	–2	**–6**	–2
	–20	–5	**–11**	–5
Planned residual value, December 31	**23**	28	**22**	28
Goodwill, etc.				
Accumulated acquisition value				
January 1	**78**	26	**–**	–
Acquisition of subsidiaries	**77**	49		
Translation differences for the year	**12**	3		
	167	78	**–**	–
Accumulated amortization according to plan				
January 1	**–14**	–6	**–**	–
Amortization according to plan for the year	**–35**	–7	**–**	–
Translation differences for the year	**–1**	–1		
	–50	–14	**–**	–
Planned residual value, December 31	**117**	64	**–**	–

Note 12 Tangible fixed assets

	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
Buildings				
Accumulated acquisition value				
January 1	**420**	382	**196**	180
Purchases	**14**	10	**3**	3
Acquisition of subsidiaries	**21**	23		
Reclassifications	**7**	11	**0**	13
Sales and disposals	**–26**	–1	**0**	–
Translation differences for the year	**14**	–5		
	450	420	**199**	196
Accumulated depreciation according to plan				
January 1	**–170**	–146	**–86**	–68
Acquisition of subsidiaries	**–9**	0		
Reclassifications	**–2**	–11	**–**	–11
Sales and disposals	**16**	–	**0**	–
Depreciation according to plan on acquisition value	**–16**	–15	**–7**	–7
Translation differences for the year	**–5**	2		
	–186	–170	**–93**	–86
Accumulated write-ups				
January 1	**5**	4	**–**	–
Depreciation for the year on the written-up amount	**0**	0	**–**	–
Translation differences for the year	**–1**	1		
	4	5	**–**	–
Planned residual value, December 31	**268**	255	**106**	110
Land				
Accumulated acquisition value				
January 1	**41**	38	**2**	2
Purchases	**1**	–	**–**	–
Acquisition of subsidiaries	**2**	1		
Sales and disposals	**–6**	–	**–**	–
Translation differences for the year	**2**	2		
	40	41	**2**	2
Land improvements				
Accumulated acquisition value				
January 1	**7**	10	**6**	8
Purchases	**1**	–	**1**	–
Reclassifications	**–**	–2	**–**	–2
Acquisition of subsidiaries	**2**	–		
Translation differences for the year	**1**	–1		
	11	7	**7**	6
Accumulated depreciation according to plan				
January 1	**–4**	–4	**–3**	–3
Acquisition of subsidiaries	**–1**	–		
Depreciation according to plan for the year	**–1**	0	**0**	0
	–6	–4	**–3**	–3
Planned residual value, December 31	**5**	3	**4**	3
Book value of real estate in Sweden	**71**	72	**71**	72
Tax assessment value of real estate in Sweden	**80**	97	**80**	97

	Group 2000	Group 1999	Parent Company 2000	Parent Company 1999
Machinery and other technical plants				
Accumulated acquisition value				
January 1	**1 967**	1 895	**1 267**	1 230
Purchases	**144**	65	**96**	44
Acquisition of subsidiaries	**80**	50		
Sales and disposals	**–58**	–55	**–17**	–7
Reclassifications	**22**	7	**13**	0
Translation differences for the year	**82**	5		
	2 237	1 967	**1 359**	1 267
Accumulated depreciation according to plan				
January 1	**–1 174**	–1 090	**–741**	–672
Acquisition of subsidiaries	**–54**	–7		
Sales and disposals	**52**	54	**16**	6
Reclassifications	**–7**	14	**–9**	14
Depreciation during the year on historical value	**–146**	–144	**–89**	–89
Translation differences for the year	**–60**	–1		
	–1 389	–1 174	**–823**	–741
Planned residual value, December 31	**848**	793	**536**	526
Equipment, tools, fixtures and fittings				
Accumulated historical value				
January 1	**573**	545	**199**	185
Purchases	**39**	58	**10**	20
Acquisition of subsidiaries	**18**	4		
Sales and disposals	**–69**	–41	**–5**	–9
Reclassifications	**12**	6	**–10**	3
Translation differences for the year	**27**	1		
	600	573	**194**	199
Accumulated depreciation according to plan				
January 1	**–368**	–337	**–132**	–120
Acquisition of subsidiaries	**–12**	–1		
Sales and disposals	**54**	33	**3**	8
Reclassifications	**9**	–3	**9**	–3
Depreciation during the year on historical value	**–60**	–60	**–19**	–17
Translation differences for the year	**–17**	–		
	–394	–368	**–139**	–132
Planned residual value, December 31	**206**	205	**55**	67
Construction in progress and advance payments for tangible assets				
Accumulated historical value				
January 1	**13**	22	**3**	14
Purchases	**61**	6	**12**	3
Acquisition of subsidiaries	**–**	6		
Sales and disposals	**–1**	–	**–**	–
Reclassifications	**–42**	–22	**–3**	–14
Translation differences for the year	**2**	1		
	33	13	**12**	3

Note 13 Shares in subsidiaries

	Parent Company 2000	1999
Accumulated historical value		
January 1	**653**	634
New share issue	**13**	19
Shareholder contribution	**1**	–
	667	653
Accumulated write-downs		
January 1	**–157**	–157
Write-downs during the year	**–13**	–
	–170	–157
Closing value	**497**	496

Specification of shares in subsidiaries

During the year, two new subsidiaries were formed, one in France, which was provided a share capital of SEK 324,000, and one in Portugal, which was provided share capital of SEK 418,000. Share capital was increased in the subsidiaries Seco Tools India Private Ltd., India, by SEK 9,243,000, in Seco Tools SI d.o.o., Slovenia, by SEK 735,000, and in Seco Tools South Africa (Pty.) Ltd., South Africa, by SEK 1,671,000. A shareholder contribution was also made to Stair AB of SEK 1,397,000. Through the newly formed subsidiary Seco Ressources et Finances S.A., the French company EPB S.A. was acquired. In the Parent Company, the shares in the subsidiary Seco Tools India Private Ltd., India, and Stair AB, were written down by SEK 12,000,000 and SEK 1,397,000, respectively.

Subsidiary and domicile	No. of shares	Share capital and voting rights, %	Book value SEK 000
Pramet Scandinavia AB, Fagersta, Sweden	7 500	100	1 000
Seco AB, Fagersta, Sweden	500	100	100
Stair AB, Sandviken, Sweden	500	100	120
Seco Tools A/S, Oslo, Norway		100	3 835
Seco Tools A/S, Brøndby, Denmark	3 000	100	2 150
Seco Tools GmbH, Erkrath, Germany		100	26 375
S.A. Seco Tools Benelux N.V., Braine-l'Alleud, Belgium	15 000	100	8 855
Seco Safe S.A., Luxembourg	100	100	42 540
Seco Tools (U.K.) Ltd., Alcester, U.K.	750 000	100	17 880
Seco Tools France S.A., Bourges, France	178 500	100	73 280
Seco Ressources et Finances S.A., Neuilly sur Seine, France	2 500	100	324
Seco Tools España S.A., Cornella de Llobregat, Spain	7 500	100	12 020
Seco Tools Portugal Lda, Santa Maria da Feira, Portugal		100	418
Seco Tools Italia S.p.A., Guanzate, Italy	250 000	100	53 060
Seco Tools AG, Nidau, Switzerland	500	100	4 760
Seco Tools Ges.m.b.H., Baden bei Wien, Austria		100	2 410
Seco Tools KFT., Budapest, Hungary		100	975
Seco Tools SI d.o.o., Maribor, Slovenia		100	849
Seco Tools CZ s.r.o., Brno, Czech Republic		100	970
Seco Tools SK s.r.o., Trnava, Slovakia		100	579
Seco Tools (Poland) Sp. z o.o., Warsaw, Poland		100	630
Seco Kestak A.S., Istanbul, Turkey		100	1 000
Seco Tools Canada Inc., Toronto, Ontario, Canada	920 000	100	1 245
Seco Holding Co., Inc., Detroit, MI, U.S.	2 100	100	157 580
Seco Tools de Mexico, S.A. de C.V., Monterrey, Mexico		90	1 027
Seco Tools Argentina S.A., Buenos Aires, Argentina		100	663
Seco Tools Indústria e Comércio Ltda., São Bernardo do Campo - S.P., Brazil		100	3 357
Seco Tools India Private Ltd., Madras, India		100	20 054
Seco Tools Korea Ltd., Chunan, Korea		100	36 067
Seco Tools Shanghai Co. Ltd., Shanghai, China		100	0
Seco Tools Japan K.K., Tokyo, Japan	200 000	100	7 455
Seco Tools (S.E.A.) Pte. Ltd., Singapore	250 000	100	2 955
Seco Tools Australia Pty. Ltd., Smithfield, Australia	1 500 000	100	7 730
Seco Tools South Africa (Pty.) Ltd., Springs, South Africa		100	4 768
			497 031

Indirect shareholdings in significant operating Group companies

Ets. Planche S.A., Lyon, France, is a wholly owned subsidiary of Seco Tools France S.A., Bourges, France.

Carboloy Inc., Warren, MI, U.S., is a wholly owned subsidiary of Seco Holding Co., Inc., Detroit, MI, U.S. Seco Tools de Mexico, S.A. de C.V., Monterrey, Mexico, is 10%-owned by Carboloy Inc., Warren, MI, U.S.

Seco Tools SDN. BHD., Kuala Lumpur, Malaysia, is a wholly owned subsidiary of Seco Tools (S.E.A.) Pte. Ltd., Singapore. Drillco Seco Limited, Poona, India, is 75%-owned by Seco Tools India Private Ltd., Chennai, India.

Pramet Tools s.r.o., Šumperk, Czech Republic, is a wholly owned subsidiary of Pramet Scandinavia AB, Fagersta, Sweden.

EPB S.A., Bouxwiller, France, is a wholly owned subsidiary of Seco Ressources et Finances S.A., Neuilly sur Seine, France.

Corporate identity number and registered office of the Swedish subsidiaries:

	C.I. No.	Reg. office
Pramet Scandinavia AB	556032-2991	Fagersta
Seco AB	556330-7833	Fagersta
Stair AB	556330-7742	Sandviken

Not 14 Shares in associated companies

	Group		Parent Company	
	2000	1999	**2000**	1999
Accumulated historical value				
January 1	**5**	5	**1**	1
Changes	**1**	0	**–**	–
	6	5	**1**	1

Specification of participations in associated companies:

	No. of shares	Percentage of equity	Percentage of voting rights	Book value SEK 000	Group Book value SEK 000
Associated companies					
Seco Tools AB's holdings					
Fagersta Seco AB	5 000	50	50	500	3 789
Commuterrail Sweden Uthyrnings AB	940	90.4	48.5	94	115
Group holding					
Sansec RIP AB		50.0	50.0		1 389
S.C.I. Le Palatinat		49.0	49.0		706
Total Group holdings					5 999

Corporate identity number, registered office and equity capital of associated companies:

	C.I. No.	Reg.office	Equity capital, SEK 000
Fagersta Seco AB	556103-6301	Österbybruk	7 577
Commuterrail Sweden Uthyrnings AB	556533-9586	Stockholm	125
Sansec RIP AB	556289-4329	Sandviken	2 777
S.C.I. Le Palatinat		France	1 438

Note 15 Investments, cash and bank balances

	Group		Parent Company	
	2000	1999	**2000**	1999
Short-term investments	**104**	193	**–**	–
Cash and bank balances	**160**	89	**34**	22
	264	282	**34**	22
Short-term investments included as part of receivables from the Sandvik Group	**370**	272	**370**	272
Total liquid assets	**634**	554	**404**	294

Note 16 Change in equity capital

	Share capital	Restricted reserves	Non-restricted reserves	Total equity capital
Group				
Balance, January 1	72	1 158	645	1 875
Translation difference		69	13	82
Shifts between restricted and non-restricted equity capital		–59	59	–
Dividend			–490	–490
Net profit for the year			539	539
Balance, December 31	72	1 168	766	2 006

Restricted reserves include an equity fund of SEK 5 M (4).

	Share capital	Statutory reserve	Non-restricted equity capital	Total equity capital
Parent Company				
Balance, January 1	72	44	645	761
Dividend	–	–	–490	–490
Group contribution paid			–100	–100
Tax reduction pertaining to Group contribution			28	28
Net profit for the year	–	–	654	654
Balance, December 31	72	44	737	853

Share capital is apportioned to the following share types:

A Shares	B Shares	Total
8 700 000	20 132 898	28 832 898

The Company is authorized to issue two series of shares, series A carrying ten votes per share and series B carrying one vote per share. All shares have a nominal value of SEK 2.50

Note 17 Untaxed reserves

	Parent Company	
	2000	1999
Accumulated difference between book depreciation and accelerated depreciation	**389**	367
Profit equalization reserve	**475**	480
Tax equalization reserve	**–**	30
Currency reserve	**1**	1
Total	**865**	878

Note 18 Provision for pensions

	Group		Parent Company	
	2000	1999	**2000**	1999
Swedish PRI pension plan	**104**	90	**104**	90
Other pensions	**95**	96	**1**	1
Total	**199**	186	**105**	91

Note 19 Deferred tax liabilities

	Group	
	2000	1999
Deferred tax liability on untaxed reserves in Group companies	**381**	374
Reserve for future tax by reason of net losses incurred by partly owned partnership companies	**43**	43
Deferred tax claim on intra-Group profit reserves and other adjustments	**–12**	–20
Provision for tax case	**90**	90
Total	**502**	487

Note 20 Interest-bearing debt

Due date after year-end

	Group				Parent Company			
	Within one year	2 – 5 years	Later than five years	Total	Within one year	2 – 5 years	Later than five years	Total
Owed to credit institutions	107	80	158	345	–	7	16	23
Owed to Group companies	–	–	–	–	163	–	–	163
Other debt	–	13	–	13	–	–	–	–
	107	93	158	358	163	7	16	186

Note 21 Convertible debenture loan

The Annual General Meeting in 1999 approved a proposal for Seco Tools AB to issue a convertible debenture loan in a maximum amount of SEK 70 M to employees within the Swedish part of the Seco Tools Group. Every employee would be entitled to subscribe for convertible debentures in a maximum amount of SEK 200,000. The loan was oversubscribed, and the maximum subscription entitlement was fixed at SEK 132,080, a total of SEK 69.6 M.

The conversion rate is SEK 254, and the debentures are eligible for conversion to B-series shares during the period from February 1, 2001 through April 30, 2004. At full conversion of the debenture loan, the number of B-series shares will be increased by 274,160 shares. The share capital, in turn, will be increased by SEK 685,400, corresponding to a dilution effect of 0.95% of total share capital and 0.26% of total voting rights. Interest on the loan is equal to STIBOR less 0.75 percentage points. The loan falls due on May 30, 2004, to the extent that the debentures have not been converted to shares prior to that date.

Presidents and vice presidents in the Company subscribed for SEK 264,000 of the convertible debenture loan.

Note 22 Accrued expenses and prepaid income

	Group		Parent Company	
	2000	1999	**2000**	1999
Personnel-related costs	**155**	130	**104**	90
Other items	**71**	46	**9**	8
Total	**226**	176	**113**	98

Note 23 Contingent liabilities

	Group		Parent Company	
	2000	1999	**2000**	1999
Contingent liabilities on behalf of other Group companies			**264**	104
Other contingent liabilities	**19**	16	**4**	4
Total contingent liabilities	**19**	16	**268**	108

Proposed Appropriation of Profits

As shown in the Consolidated Balance Sheet, the Group's unrestricted equity capital amounts to SEK 766 M. The consolidated net profit for 2000 amounted to SEK 539 M. It is anticipated that SEK 0.5 M of unrestricted equity capital will be transferred to restricted reserves.

The surplus at the disposal of the shareholders at the Annual General Meeting of the Parent Company, Seco Tools AB, is as follows:

Retained earnings brought forward from 1999	83 189 686 SEK
Net profit for 2000	654 480 062 SEK
	737 669 748 SEK

The Board of Directors and the President recommend that the Parent Company's surplus be appropriated as follows:

To shareholders:	
– a regular dividend of SEK 13 per share	374 827 674 SEK
– an extra dividend of SEK 7 per share	201 830 286 SEK
To be carried forward	161 011 788 SEK
	737 669 748 SEK

Fagersta, February 14, 2001

Ebbe Bengtsson
Chairman of the Board

Gunnar Björklund ***Stefan Erneholm*** ***Malcolm Falkman*** ***Hans Harvig***

Olle Johansson ***Peter Lilja*** ***Peter Lundh*** ***Marita Nilsson***

Lars Renström
President

Our Auditors' Report was issued on March 9, 2001

Jan-Olof Lindberg
Authorized Public Accountant

Bernhard Öhrn
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of the shareholders of Seco Tools Aktiebolag; (publ), Corporate Identity Number 556071-1060.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Seco Tools AB for the year 2000. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts.

An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President.

We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit for the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Fagersta, March 9, 2001

Jan-Olof Lindberg
Authorized Public Accountant

Bernhard Öhrn
Authorized Public Accountant

Directors and Auditors

Ebbe Bengtsson, Chairman
Tällberg, b. 1933.
Member of the Board of Haldex AB.
Member of the Board of Seco Tools AB since 1984, Chairman since 1987.
Shareholding in Seco Tools AB: 4,021.

Gunnar Björklund
Danderyd, b. 1935.
Member of the Boards of the Swedish Employers' Confederation, Försäkringsbolaget SPP and Biogaia Biologics AB.
Member of the Board of Seco Tools AB since 1997.
Shareholding in Seco Tools AB: 2,020.

Stefan Erneholm
Stockholm, b. 1950.
Member of the Board of Seco Tools AB since 1999.
Shareholding in Seco Tools AB: 2,500.

Malcolm Falkman
Stockholm, b. 1938.
Member of the Board of Seco Tools AB since 1984.
Shareholding in Seco Tools AB: 0.

Hans Harvig
Värmdö, b. 1944.
Member of the Boards of Awetek Holding AB, Bimex Verktyg AB, Cellavision AB, Centrecourt AB, Opcon Autorotor AB and Österby Gjuteri AB.
Member of the Board of Seco Tools AB since 1998.
Shareholding in Seco Tools AB: 100.

Olle Johansson
Nora, b. 1934.
Member of the Boards of Arbustum Invest AB, Thermia AB, ÅF Industriteknik AB and Flow Pressure Systems AB.
Member of the Royal Swedish Academy of Engineering Sciences, Dept. No. 1.
Member of the Board of Seco Tools AB since 1991.
Shareholding in Seco Tools AB: 800 (through own company).

Peter Lundh
Sandviken, b. 1945.
President of AB Sandvik Information Systems.
Member of the Board of Seco Tools AB since 1994.
Shareholding in Seco Tools AB: 561.

Lars Renström
Täby, b. 1951.
Group President and Chief Executive Officer of Seco Tools AB.
Member of the Board of Oy Hackman Ab.
Member of the Board of Seco Tools AB since 2000.
Shareholding in Seco Tools AB: 1,000.

Peter Lilja
Fagersta, b. 1958.
Member of the Board of Seco Tools AB since 1997.
(Employee representative)
Shareholding in Seco Tools AB: Convertibles equivalent to 520 shares.

Marita Nilsson
Fagersta, b. 1961.
Member of the Board of Seco Tools AB since 1997.
(Employee representative)
Shareholding in Seco Tools AB: Convertibles equivalent to 520 shares.

Deputy Members
Håkan Bögner
Fagersta, b. 1957.
Member of the Board of Seco Tools AB since 2000.
(Employee representative)
Shareholding in Seco Tools AB: Convertibles equivalent to 520 shares.

Jan Qvick
Virsbo, b. 1954.
Member of the Board of Seco Tools AB since 2000.
(Employee representative)
Shareholding in Seco Tools AB: Convertibles equivalent to 520 shares.

Auditors
Authorized Public Accountant ***Jan-Olof Lindberg,*** Gävle
Authorized Public Accountant ***Bernhard Öhrn,*** Stockholm

Deputy Auditors
Authorized Public Accountant ***Robert Barnden,*** Stockholm
Authorized Public Accountant ***Owe Wallinder,*** Stockholm

Group Executive Management

Jan Lejon
Senior Vice President
Group Production,
Quality and Environment
b. 1942.
Shareholding in
Seco Tools AB: Convertibles equivalent
to 520 shares.
Employee since 1970.

Lars Renström
Group President and
Chief Executive Officer
b. 1951.
Shareholding in
Seco Tools AB: 1,000.
Employee since 2000.

Leif Larsson
Senior Vice President
Group Marketing
b. 1945.
Shareholding in
Seco Tools AB: Convertibles equivalent
to 520 shares.
Employee since 1968.

Kurt Nordlund
Senior Vice President
Group Technology
b. 1952.
Shareholding in
Seco Tools AB: Convertibles equivalent
to 520 shares.
Employee, 1976 –1985,
1988 –

Parent Company Staffs

Administrative Development
Robert Stedt

Business Development
Per-Olof Snell

Materials Administration
Björn Enarsson

Personnel
Åke Nordström

Product Centre Drilling
Mille Claréus

Production
Björn Lifvergren

Product Development
Jonas Jordberg

- *Production and sales*
- *Sales*
- * *Number of employees at Dec. 31, 2000*

Production and sales

Seco Tools AB, Parent Company Fagersta/Sweden	1 396*
Seco Tools GmbH Erkrath/Germany	147*
Seco Tools (U.K.) Ltd. Alcester/U.K.	98*
Seco Tools France S.A. Bourges/France	259*
EPB S.A. Bouxwiller/France	177*
Seco Tools Italia S.p.A. Guanzate/Italy	185*
Pramet Tools s.r.o. Šumperk/Czech Republic	580*
Carboloy Inc. Warren, MI/U.S.	605*
Drillco Seco Ltd. Poona/India	199*
Seco Tools Australia Pty. Ltd. Smithfield/Australia	38*

Sales

Seco Tools A/S 10*
Skårer/Norway

Seco Tools A/S 14*
Brøndby/Denmark

S.A. Seco Tools Benelux N.V. 27*
Braine-l'Alleud/Belgium

Seco Tools España S.A. 35*
Cornella de Llobregat/Spain

Seco Tools Portugal, Lda
Feira/Portugal

Seco Tools AG 12*
Nidau/Switzerland

Seco Tools Ges.m.b.H. 11*
Baden bei Wien/Austria

Seco Tools KFT. 9*
Budapest/Hungary

Seco Tools SI d.o.o. 5*
Maribor/Slovenia

Seco Tools CZ s.r.o. 10*
Brno/Czech Republic

Seco Tools SK s.r.o. 4*
Trnava/Slovakia

Seco Tools (Poland) Sp. z o.o. 11*
Warsaw/Poland

Seco Kestak A.S. 13*
Istanbul/Turkey

Seco Tools Canada Inc. 18*
Milton, Ontario/Canada

Seco Tools de Mexico, S.A. de C.V. 5*
Garza Garcia/Mexico

Seco Tools Argentina S.A. 17*
Buenos Aires/Argentina

Seco Tools Indústria e Comércio Ltda. 34*
Sorocaba-SP/Brazil

Seco Tools Korea Ltd. 27*
Chunan/South Korea

Seco Tools (Shanghai) Co., Ltd. 22*
Shanghai/China

Seco Tools Japan K.K. 36*
Tokyo/Japan

Seco Tools (S.E.A.) Pte. Ltd. 19*
Singapore

Seco Tools SDN. BHD. 4*
Kuala Lumpur/Malaysia

Seco Tools South Africa (Pty.) Ltd. 32*
Springs/South Africa

Parent Company

Head Office
Seco Tools AB
SE-737 82 FAGERSTA
Tel: +46 223 400 00
Fax: +46 223 718 60

Sales, Sweden
Seco Tools AB
SE-737 82 FAGERSTA
Tel: +46 223 404 00
Fax: +46 223 156 80

Cemented Carbide Production
Seco Tools AB
SE-737 82 FAGERSTA
Tel: +46 223 400 00
Fax: +46 223 718 60

Tools Production
Seco Tools AB
Jädersvägen
SE-732 26 ARBOGA
Tel: +46 589 856 00
Fax: +46 589 135 80

Snap-Tap Production
Seco Tools AB
Östra Storgatan 29
Box 234
SE-771 25 LUDVIKA
Tel: +46 240 59 13 00
Fax: +46 240 105 80

Product Centre Drilling EGL-Verktyg
Seco Tools AB
Hammargatan 41
Box 12009
SE-600 12 NORRKÖPING
Tel: +46 11 24 33 00
Fax: +46 11 16 76 20

Press Tools Production Stjärnverktyg
Seco Tools AB
Svarvargatan 1
SE-738 33 NORBERG
Tel: +46 223 285 50
Fax: +46 223 285 60

Head Office in Fagersta, Sweden

Subsidiaries

Norway
Seco Tools A/S
Manager: Terje Sivesind
Solheimsveien 62 A
Postboks 454
NO-1471 SKÅRER
Tel: +47 67 92 73 00
Fax: +47 67 92 73 02

Denmark
Seco Tools A/S
Manager: Thomas Troels-Nielsen
Park Allé 350 A
DK-2605 BRØNDBY
Tel: +45 43 44 76 00
Fax: +45 43 44 50 30

Germany
Seco Tools GmbH
Manager: Reinhold Kluge
Freiheitstrasse 7
Postfach 1155
DE-40671 ERKRATH
Tel: +49 211 240 10
Fax: +49 211 240 12 75

Belgium
S.A. Seco Tools Benelux N.V.
Manager: Michel Voesterzoons
Ch. de Nivelles, 28-30
BE-1420 BRAINE-L'ALLEUD
Tel: +32 2 389 09 60
Fax: +32 2 389 09 89

U.K.
Seco Tools (U.K.) Ltd.
Manager: Hans Åhman
GB-ALCESTER
Warwickshire, B49 6EL
Tel: +44 1789 76 43 41
Fax: +44 1789 76 31 28

France
Seco Tools France S.A.
Manager: Jean-Paul Ferry
22, Avenue de la Prospective
FR-18020 BOURGES CEDEX
Tel: +33 2 48 67 27 27
Fax: +33 2 48 67 27 05

France
Ets. Planche S.A.
Manager: Alain Pigeat
30, rue Marius Billard
B.P. 53
FR-38352 LA TOUR-DU-PIN CEDEX
Tel: +33 4 74 83 26 33
Fax: +33 4 74 83 26 59

France
EPB S.A.
Manager: Jean-Emile Pfalzgraf
8b, rue de Neuwiller
B.P. 6
FR-67330 BOUXWILLER
Tel: +33 3 88 71 38 89
Fax: +33 3 88 70 98 98

Spain
Seco Tools España S.A.
Manager: Antonio Diaz
Poligono Industrial Famades
C/Energia, 44
ES-08940 CORNELLA DE LLOBREGAT
(Barcelona)
Tel: +34 93 474 55 33
Fax: +34 93 474 55 50

Portugal
Seco Tools Portugal, Lda
Manager: Jean-François Martins
Av. D. Sá Carneiro, 17A
PT-4520–164 FEIRA
Tel: +351 256 371 650
Fax: +351 256 371 659

Italy
Seco Tools Italia S.p.A.
Manager: Franco Testolin
Via Roma 2
IT-22070 GUANZATE (Como)
Tel: +39 031 97 81 11
Fax: +39 031 97 75 24

Switzerland
Seco Tools AG
Manager: Carl-Henrik Sjölund
Hauptstrasse 104
CH-2560 NIDAU
Tel: +41 32 332 78 78
Fax: +41 32 332 78 79

Austria
Seco Tools Ges.m.b.H.
Manager: Norbert König
Grundauerweg 6
AT-2500 BADEN b. WIEN
Tel: +43 2252 886 20
Fax: +43 2252 886 20 11

Hungary
Seco Tools KFT.
Manager: Zsuzsa Kiss
Thököly út 81
HU-1146 BUDAPEST XIV
Tel: +36 1 267 67 20
Fax: +36 1 267 67 21

Slovenia
Seco Tools SI d.o.o.
Manager: Erich Figl
Ptujska c. 184
SI-2000 MARIBOR
Tel: +386 2 450 23 40
Fax: +386 2 450 23 41

Czech Republic
Pramet Tools s.r.o.
Manager: Petr Beneš
Uničovska 2
CZ-78753 ŠUMPERK
Tel: +420 649 38 11 11
Fax: +420 649 21 49 68

Czech Republic
Seco Tools CZ s.r.o.
Manager: Erich Wallitzky
Jiráskova 21
CZ-60200 BRNO
Tel: +420 5 41 21 95 63
Fax: +420 5 74 57 40

Slovakia
Seco Tools SK s.r.o.
Manager: Erich Wallitzky
Jeruzalemska 15
SK-917 01 TRNAVA
Tel: +421 8 05551 35 37
Fax: +421 8 05551 35 38

Poland
Seco Tools (Poland) Sp. z o.o.
Manager: Jan Maczynski
ul. Słomińskiego 17 lok. 6
PL-00-195 WARSAW
Tel: +48 22 637 53 83
Fax: +48 22 637 53 84

Turkey
Seco Kestak A.S.
Manager: Haldun Karaca
Rami Kisla Caddesi
Gündogar is Merkezi 1
No: 84/124
TR-34140 Topçular
ISTANBUL
Tel: +90 212 613 40 43
Fax: +90 212 613 40 42

Canada
Seco Tools Canada Inc.
Manager: Bruce Belden
3006 Derry Road West Suite 104/105 MILTON, Ontario L9T 2X5
Tel: +1 905 693 17 80
Fax: +1 905 693 17 88

U.S.
Carboloy Inc.
Manager: Bruce Belden
11177 East Eight Mile Road
Warren, MI 48089
P.O. Box 330237
DETROIT, MI 48232-6237
Tel: +1 810 497 50 00
Fax: +1 810 497 56 02

Mexico
Seco Tools de Mexico, S.A. de C.V.
Manager: Bruce Belden
Privada Cocoyoc #1102
esquina Matancillas
Prados De La Sierra
MX-GARZA GARCIA,
N.L. 66230-CR 66201
Tel: +52 8 338 53 99
Fax: +52 8 338 54 09

Argentina
Seco Tools Argentina S.A.
Manager: Nils E. Grönberger
Int. Tomkinson 1947
(1642) SAN ISIDRO
Provincia de Buenos Aires
Tel: +54 11 47 23 86 00
Fax: +54 11 48 92 00 60

Brazil
Seco Tools Indústria e Comércio Ltda.
Manager: Júlio da Cruz Roque
Rua Eng. Karlo Okretic, 225
Distrito Industrial Iporanga
BR-18087-020 SOROCABA-SP
Tel: +55 15 238 86 00
Fax: +55 15 238 86 06

India
Drillco Seco Ltd.
Manager: Atul Khanna
1187/59 Jangli Maharaj Road
Motwani Chambers
Shivajinagar
POONA- 411 005
Tel: +91 20 553 52 92
Fax: +91 20 553 32 25

South Korea
Seco Tools Korea Ltd.
Manager: J-H Koo
341-3, Chunheung-Ri
Sunggeo-Eup
CHUNAN-CITY
Choong Nam
Tel: +82 41 622 97 85
Fax: +82 41 622 97 84

China
Seco Tools (Shanghai) Co., Ltd.
Manager: Roy Falconer
Rm C203, Shang Mira Garden
No. 2633 Yanan Xi Road
CN-SHANGHAI 200336
Tel: +86 21 62 70 03 57
Fax: +86 21 62 70 11 80

Japan
Seco Tools Japan K.K.
Manager: Clas Halling
No. 25 Kowa Bldg., 2 fl.
8-7 Sanbancho
Chiyoda-ku
JP-TOKYO 102-0075
Tel: +81 3 32 39 30 75
Fax: +81 3 32 30 49 55

Malaysia
Seco Tools SDN. BHD.
Manager: Roy Falconer
Unit 15-2-1, Megan
Corporate Park
Block B, Jalan 1/125E
Taman Desa Petaling
57100 KUALA LUMPUR
Tel: +60 3 9059 18 33
Fax: +60 3 9059 48 33

Singapore
Seco Tools (S.E.A.) Pte. Ltd.
Manager: Roy Falconer
101 Lorong 23,Geylang
#07-04 Prosper House
SINGAPORE 388399
Tel: +65 841 28 02
Fax: +65 841 28 01

Australia
Seco Tools Australia Pty. Ltd.
Manager: Michael F. Zikan
69 Percival Road
P.O. Box 2174
SMITHFIELD, N.S.W. 2164
Tel: +61 2 96 04 48 88
Fax: +61 2 96 09 16 23

South Africa
Seco Tools South Africa (Pty.) Ltd.
Manager: J.A. Swart
No. 70 6th Street
CNR 7th Avenue
P.O. Box 1834
ZA-SPRINGS 1560
Tel: +27 11 362 26 60
Fax: +27 11 362 18 93

Jointly owned, unconsolidated company

Sweden
Fagersta Seco AB
SE-748 22 ÖSTERBYBRUK
Tel: +46 295 212 05
Fax: +46 295 214 55

Design and production: Seco Tools in collaboration with LINK Investor Relations. © Seco Tools AB.
Printed by: db-grafiska, Örebro 2001.

Glossary

Machining methods
In Seco's world, turning, milling and drilling are the most common methods of machining. Other techniques, such as reaming and grinding are also examples of chipforming metalworking. In certain cases, different ways of, for example, milling, can be referred to as a machining method, such as face milling, square sholder milling, disc milling and turn milling. Modern machines often are capable of finishing an item using several machining methods.

Coating
Used as a common term for the process of giving a cutting tool a thin wear-resistant surface. The surface coating varies in thickness from one to twenty thousandths of a millimeter. The surface comprises various materials with good chemical and mechanical ability to withstand the wear process to which a cutting tool is exposed. Today, a majority of the cemented carbide used in chipforming metalworking is coated.

CBN
Cubic Boron Nitride. A compound of boron and nitrogen that does not occur in nature but must be created synthetically under high pressure and temperature. This creates a material with properties approaching those of diamond in terms of hardness and heat conductivity, etc.

Direct pressing
Direct pressing is used as a term for a technique that reduces or eliminates the need for grinding of an indexable insert. Simpler geometric shapes were traditionally formed without grinding, but today increasingly complex geometries can be produced without any subsequent grinding.

Edge treatment/rounding
Indexable inserts are produced from brittle materials. As a result, the sharp edges are very fragile and are reinforced by rounding the sharp cutting edge thus protecting the edge from catastrophic fracture during the cutting process.

Holding tools
Common terms for tools whose purpose is to ensure that the insert edge comes in contact with the item being machined. Holding tools link the machine and the active cutting tools and is divided into various subgroups (modular, rotary, stationary, etc.) depending on function.

Cemented carbide
Term that is often equated with powder metallurgical compounds produced from a hard material and a "cementing binder", such as tungsten carbide and cobalt. These compounds form the base for modern cutting tools. Desired properties such as degrees of hardness, deformation resistance, heat transfer, etc. can be achieved through varying the powder composition and grain size.

Machine spindle
Designation for the rotating portion of a machine to which the cutting tool or workpiece is connected to the machine.

MDT
Multi Directional Turning. MDT tools can carry out turning operations with greater flexibility than conventional tools. An MDT tool often replaces a number of conventional tools. The time to change the tools can be replaced with productive machining, resulting in shorter production time.

High-speed steel
Steel with higher hardness than conventional carbon steel, invented in 1910. This higher hardness means that the cutting tool can be used at higher cutting speeds than the carbon steel used earlier.

Chip breaking
The machined material breaks into chips as a result of the shape given to the surface of the indexable insert. In modern manufacturing, the proportion of unplanned stoppages due to chip removal problems can be as high as 10%. Good chip breaking is the key to increased productivity and better machine utilization.

Indexable insert
When mechanical methods were discovered to clamp the insert to the toolholder, the possibility arose, compared with brazed inserts, to rotate or turn the insert in a holding tool. The insert was made with several cutting edges, and became indexable and could be disposed after utilizing the cutting edges, this was the start of the term "throw-away inserts".

The Seco Group, with headquarters in Fagersta, Sweden, has approximately 4,000 employees and annual sales of almost SEK 3,800 M.

More than 90% of sales are to markets outside Sweden.

We are represented by sales organizations in at least 50 countries and have more than 30 wholly owned foreign subsidiaries as well as close cooperation with a large number of agents and distributors throughout the world.

Production plants are primarily based in Sweden and the US.

Seco Tools AB, SE-737 82 Fagersta, Sweden. Tel +46 223 400 00
www.secotools.se

ST015012GB