

SECO TOOLS AB

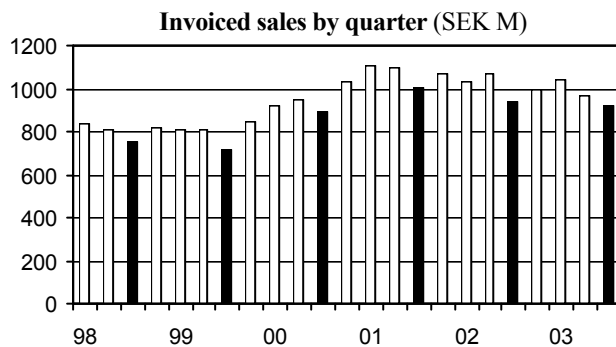
Interim report for nine months ended September 30, 2003

- * Sales for the quarter increased by 3 percent at fixed exchange rates, compared with the preceding year.
- * Sales for the nine-month period were SEK 2,935 M (3,042).
- * Profit after tax was SEK 327 M (313) for the period.
- * Earnings per share before dilution amounted to SEK 11.40 (10.80) for the period.

Market

Industrial production in the US and Europe remained subdued during the period.

Sales during the past quarter



New products contributed to increasing sales somewhat during the quarter, compared with the preceding year. The positive trend continued in all markets in Asia and Oceania. Sales also increased in South America, compared with the preceding year, as a result of favorable development in Brazil. Sales in the US stabilized during the period, but market conditions remained weak. In Europe, signs continued to be positive in Germany and the UK among major markets, but for the region as a whole, sales levels were unchanged.

Group invoicing for the quarter totaled SEK 923 M (943), which is 2 percent lower than in the year-earlier period. Sales for comparable units at fixed exchange rates increased by 3 percentage points, while continued negative currency effects amounted to 5 percentage points. A strong product portfolio combined with extensive product launches during the year contributed to continued sales increases in local currency, although market conditions remain relatively weak.

Sales performance for the year

Demand in Europe was mainly on a level with the corresponding period in the preceding year. Sales in local currency developed very strongly in all markets in Asia and Oceania during the year. The NAFTA region, however, showed somewhat weaker sales during the year, particularly in the second quarter, compared with 2002. Group invoicing totaled SEK 2,935 M (3,042), which was 3 percent lower than in 2002. Sales rose by 2 percentage points for comparable units at fixed exchange rates. Acquisition effects increased sales by 1 percentage point, while currency effects reduced sales by 6 percentage points.

Invoicing by market area

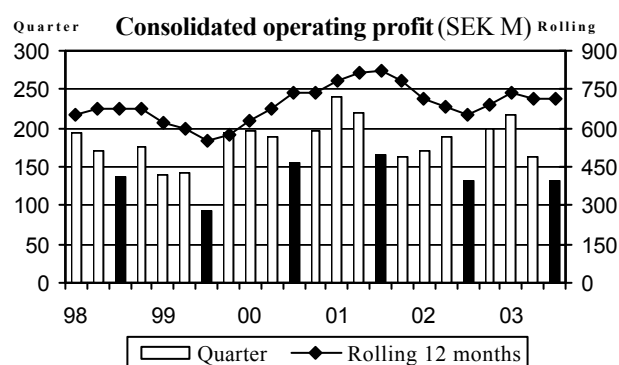
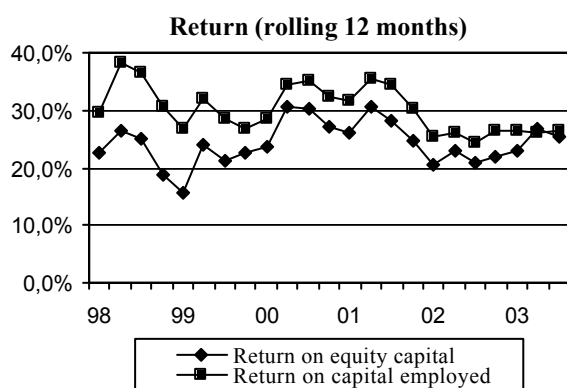
	2003 July-Sep SEK M	2002 July-Sep SEK M	2003 Jan-Sep SEK M	2002 Jan-Sep SEK M	2003/2002 July-Sep % ¹⁾	2003/2002 Jan-Sep % ¹⁾
EU	497	502	1 632	1 632	0	0
Other Europe	81	83	262	269	4	1
Total for Europe	578	585	1 894	1 901	1	0
NAFTA	188	216	585	710	0	-1
South America	30	27	88	92	29	15
Africa, Middle East	24	20	71	57	9	16
Asia, Australia	103	95	297	282	19	19
Group total	923	943	2 935	3 042	3	2

¹⁾ Change from preceding year is shown in fixed currencies for comparable units.

Earnings

The consolidated operating profit for the third quarter was SEK 133 M (132), an increase of 1 percent compared with the corresponding period in 2002. The operating margin totaled 14.5 percent (14.0). An increase in sales in fixed currency compared with the year-earlier period improved earnings for the quarter, but the positive effect was to a great extent offset by continued negative currency effects.

The operating margin for the first nine months of 2003 was 17.5 percent (16.1). The margin improved primarily as a result of increased sales at fixed exchange rates and for comparable units, as well as implemented cost-saving measures. The negative exchange-rate effects on the Group's operating profit totaled SEK 48 M. Earnings per share before dilution during the most recent twelve months was SEK 15.90 (14.00). The return on capital employed was 26.3 percent (24.3). The return on shareholders' equity amounted to 25.4 percent (20.8).



Consolidated income statement (SEK M)

	2003	2002	2003	2002
	July-Sep	July-Sep	Jan-Sep	Jan-Sep
Invoiced sales	923	943	2 935	3 042
Cost of goods sold	-442	-484	-1 388	-1 470
Gross profit	481	459	1 547	1 572
Administration and selling costs	-338	-331	-1 014	-1 047
Other revenues and costs	-10	4	-21	-35
Operating profit	133	132	512	490
Financial items	-13	-8	-33	-35
Profit after financial items	120	124	479	455
Taxes	-38	-36	-152	-142
Net profit	82	88	327	313

The Group's accumulated depreciation according to plan amounted to SEK 225 M (227).

Parent Company

Sales invoiced by the Parent Company amounted to SEK 1,620 M (1,627) and operating profit was SEK 312 M (344). Liquid funds declined by SEK 8 M during the quarter, amounting to SEK 25 M at the end of the period. The Parent Company's interest-bearing loans, including the convertible debenture loan, amounted to SEK 598 M (473).

Key figures

	2003	2002	2003	2002
	July-Sep	July-Sep	Jan-Sep	Jan-Sep
Operating margin, %	14.5	14.0	17.5	16.1
Profit margin, %	13.1	13.2	16.3	15.0
Earnings per share before dilution, SEK	2.80	3.10	11.40	10.80
Earnings per share after dilution, SEK	2.80	3.00	11.30	10.80
Return on capital employed before tax, % ¹⁾	26.3	24.3	26.3	24.3
Return on equity capital after tax, % ¹⁾	25.4	20.8	25.4	20.8
Equity capital per share before dilution, SEK ¹⁾	59.50	65.90	59.50	65.90

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

At the end of the quarter, the number of shares before dilution for both 2003 and 2002 amounted to 28,832,898, which was also the average number of shares in both periods. After adjustments for full conversion of the convertible debentures, corresponding to 274,160 shares, the number of shares at the close of the quarter in both periods amounted to 29,107,058. The average number of shares after dilution was 29,107,058.

No portion of the convertible debenture loan was converted to shares during the year.

Balance sheet (SEK M)

	Sep 30, 2003	Dec 31, 2002
Intangible fixed assets	267	224
Other fixed assets	1 401	1 503
Inventories	920	883
Current receivables	927	918
Liquid funds	304	261
Total assets	3 819	3 789
Shareholders' equity	1 715	2 007
Interest-bearing provisions and liabilities	1 019	609
Non-interest-bearing provisions and liabilities	1 085	1 173
Total equity and liabilities	3 819	3 789

Change in shareholders' equity (SEK M)

	Sep 30, 2003	Sep 30, 2002
Shareholders' equity, December 31, 2002 and 2001	2 007	2 072
Effect of change in accounting principles	-142	-
Adjusted shareholders' equity, January 1, 2003 and 2002	1 865	2 072
Currency exchange differences	-73	-81
Profit for the year	327	313
Dividend	-404	-404
Shareholders' equity, September 30, 2003 and 2002	1 715	1 900

Cash flow statement (SEK M)

	Sep 30, 2003	Sep 30, 2002
Profit after financial items	479	455
Reversal of depreciation	225	227
Other	14	23
Taxes paid	-247	-156
Change in working capital	-43	9
Investment activities	-205	-305
Financing activities, incl dividends	-160	-227
Cash flow	63	26

Rolling 12-month review

	Invoicing SEK M	Change %	Operating profit SEK M	Operating margin %
Q4, 2002	998	-7	199	20.0
Q1, 2003	1 040	1	217	20.9
Q2, 2003	972	-9	162	16.6
Q3, 2003	923	-2	133	14.5
Rolling 12 months	3 933	-4	711	18.1

Accounting principles

The interim report complies with recommendations of the Swedish Financial Accounting Standards Council. The Swedish Financial Accounting Standards Council's recommendation RR29 – Remuneration paid to employees – which complies with the rules of the International Accounting Standard, IAS 19, applies with effect from January 1, 2003. Effective January 1, 2003, the deficit in the pension funds of foreign subsidiaries was charged directly against the Group's shareholders' equity, in accordance with the prevailing transitional provisions.

As of 2003, the Swedish Financial Accounting Standards Council's recommendation RR25 regarding segment accounting is applied. Seco Tools' operations encompass only one operating area, namely chipforming machining, and thus the reader is referred to the consolidated income statement and balance sheet regarding information concerning primary segment accounting.

Liquidity, equity ratio and cash flow

The Group's liquid funds in the form of short-term investments and bank balances increased during the quarter by SEK 12 M, amounting to SEK 304 M (368) at the end of the period. Cash flow from current operations remained strong during the quarter and contributed in large part to a reduction of borrowing. The Group's interest-bearing loans, including the convertible debenture loan, decreased by SEK 122 M during the third quarter, amounting to SEK 755 M (711) at the end of the period.

The Group's equity/assets ratio was 45 percent (49).

Capital expenditures

Group investments in tangible and intangible fixed assets during the quarter, excluding company acquisitions, totaled SEK 55 M (46). Corresponding investments for the nine-month period amounted to SEK 190 M (176), of which capitalization of IT/R&D expenses accounted for SEK 54 M (38). Most of the investments involved machinery and equipment at the production units in Sweden, the Netherlands and the US.

Personnel

The number of employees in the Group at the close of the period was 3,864 (3,916 at year-end), of whom 1,294 were employed in Sweden.

Effective October 1, 2003, the former Senior Vice President Group Technology, Kurt Nordlund, was appointed Senior Vice President Group Marketing in the Seco Tools Group. He has years of experience in executive positions within Seco Tools and has been a member of the Group Executive Management since 1997. Jonas Jordberg, currently responsible for Seco's product development, was appointed Senior Vice President Group Technology and a member of the Group Executive Management. As part of Seco's continued expansion within selected growth areas, the former Senior Vice President Group Marketing, Leif Larsson, was appointed Regional Manager Asia and Oceania, effective October 1, 2003.

Nominating committee for the 2004 Annual General Meeting

At Seco Tools' 2003 Annual General Meeting, a decision was taken that the nominating committee to serve until the end of the next Annual General Meeting was to consist of the Chairman of the Board of Directors plus representatives for the four largest shareholders. For the 2004 Annual General Meeting, this means that the nominating committee consists of Lars Pettersson, Sandvik AB, Marianne Nilsson, Robur, Sten Kottmeier, AMF Pension and Lars Örstedt, AFA Insurance.

Company acquisition

Seco Tools has signed an agreement to acquire the Brazilian tool manufacturer Genos which is one of the leading Brazilian producers of special tools for the automotive industry. As a result of the acquisition, Seco Tools' growth possibilities on the Brazilian market are further enhanced through being able to offer complete tool solutions tailored to the customer's specific needs and through the addition of complementary sales channels.

Genos has annual sales of about SEK 20 M. The acquisition is expected to be completed during 2003 and is conditional on the approval of the respective authorities.

Short-term market outlook

Unchanged demand is expected for the remainder of the year.

Market outlook published on August 5, 2003

Unchanged demand is expected for the remainder of the year.

This report has not been subject to special examination by the Company's auditors. The next report will be published on February 11, 2004 and will cover the fourth quarter and the full year 2003.

Fagersta, Sweden, October 30, 2003

SECO TOOLS AB; (publ)

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Previously published financial information is available under "Investor Relations" at the Seco Tools' website (www.secotools.com). Seco Tools AB's corporate registration number is 556071-1060 and the address is Seco Tools AB, SE-737 82 Fagersta, Sweden. The telephone number for the Group's head office is +46 223-400 00.