

SECO TOOLS AB

Year-end Report for 2003 and fourth quarter interim report

- * Sales in 2003 increased with 3 percent in fixed currency and for comparable units.
- * Operating margin improved to 17.3 percent (17.1).
- * Sales in 2003 amounted to SEK 3,917 M (4,040).
- * Profit after tax for 2003 totaled SEK 434 M (444).
- * Earnings per share before dilution for 2003 amounted to SEK 15.05 (15.40).

Comments by the President

“Seco Tools showed strength through increased sales at fixed exchange rates despite weak economic conditions during the year. A stronger product portfolio than we’ve had in many years and continued expansion of the marketing organization provide a good foundation for operations in 2004. Seco has captured market shares in Europe and maintained its positions in the North American market. It is particularly pleasing to note that all markets in Asia and Oceania grew during the year, particularly China and India,” says Lars Renström, President and CEO of Seco Tools.

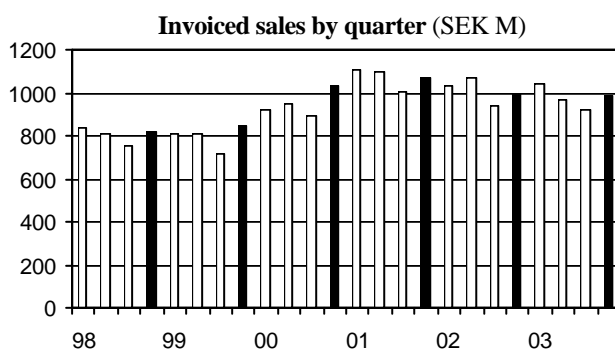
Short-term market outlook

Unchanged demand is expected in Europe during the first quarter. A gradual recovery from low levels is projected in the US, as well as a continued positive development in Asia.

Market outlook published on October 30, 2003

Unchanged demand is expected for the remainder of the year.

Sales during the fourth quarter



Two global launches in the milling and turning product area contributed to increased sales during the quarter, compared with the corresponding period in the preceding year. Sales in the US strengthened from a low level under somewhat improved market conditions, compared with earlier in the year. Continued strong growth was noted in most markets in Asia and South America. In Europe, sales in Germany continued to develop favorably, while a subdued demand was noted in other major European markets, including France and Italy. Sales were stable for Europe as a whole.

Group invoicing for the quarter amounted to SEK 982 M (998), a decline of 2 percent compared with the year-earlier period. Sales by comparable units at fixed exchange rates increased by 4 percentage points, while the continued negative currency effects amounted to 6 percentage points.

Sales performance for the year

Sales in local currencies in the Group's largest market regions comprising Europe and NAFTA were largely unchanged compared with the preceding year, but currency effects caused a significant decline in sales denominated in SEK for the NAFTA region. Invoicing rose sharply in other market areas. The increase in sales was particularly strong in Asia and Oceania during the year, but demand in Brazil also showed positive development. Total invoicing by the Group amounted to SEK 3,917 M (4,040), down 3 percent compared with the preceding year. Sales by comparable units increased by 3 percentage points at fixed exchange rates. Currency effects caused a decline in sales of 6 percentage points.

Invoicing by market area

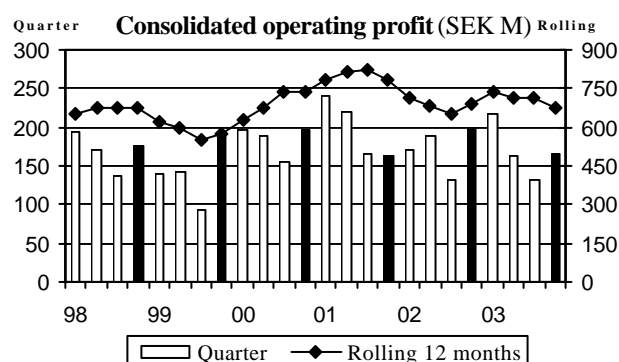
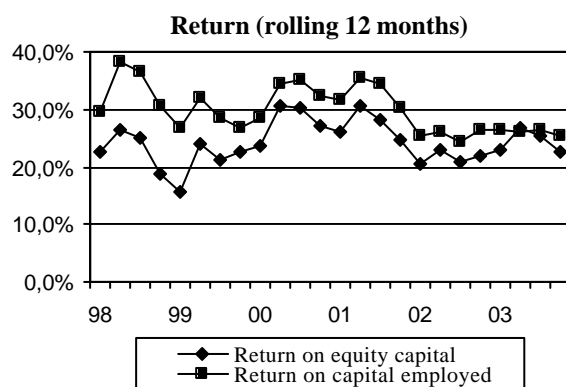
	2003 Oct-Dec SEK M	2002 Oct-Dec SEK M	2003 Jan-Dec SEK M	2002 Jan-Dec SEK M	2003/2002 Oct-Dec % ¹⁾	2003/2002 Jan-Dec % ¹⁾
EU	546	563	2 178	2 195	-2	-1
Other Europe	90	88	352	357	9	3
Total for Europe	636	651	2 530	2 552	-1	0
NAFTA	177	205	762	915	3	-1
South America	32	22	120	114	49	21
Africa, Middle East	27	20	98	77	25	18
Asia, Australia	110	100	407	382	22	20
Group total	982	998	3 917	4 040	4	3

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

Earnings

The Group's operating profit in the fourth quarter amounted to SEK 165 M (199), down 17 percent compared with the corresponding period in 2002. The operating margin was 16.8 percent (20.0). The decline in operating profit was due largely to continued strong negative currency effects during the fourth quarter.

The operating margin for full-year 2003 was 17.3 percent (17.1). The margin remained at a continued high level primarily on the strength of increased sales (at fixed exchange rates and for comparable units) and continued cost-saving measures. Negative currency effects on the Group's operating profit totaled SEK 67 M. Earnings per share before dilution for the period amounted to SEK 15.05 (15.40). The return on capital employed was 25.3 percent (26.3). The return on shareholders' equity was 22.7 percent (21.8).



Consolidated income statement (SEK M)

	2003 Oct-Dec	2002 Oct-Dec	2003 Jan-Dec	2002 Jan-Dec
Invoiced sales	982	998	3 917	4 040
Cost of goods sold	-476	-456	-1 864	-1 926
Gross profit	506	542	2 053	2 114
Administration and selling costs	-339	-335	-1 353	-1 382
Other revenues and costs	-2	-8	-23	-43
Operating profit	165	199	677	689
Financial items	-14	-13	-47	-48
Profit after financial items	151	186	630	641
Taxes	-45	-55	-196	-197
Net profit	106	131	434	444

Earnings per share before dilution amounted to SEK 15.05 (15.40). The Group's depreciation according to plan amounted to SEK 298 M (301).

Parent Company

Sales invoiced by the Parent Company amounted to SEK 2,172 M (2,166) and operating profit was SEK 405 M (445). Liquid funds at the close of the period amounted to SEK 18 M. The Parent Company's interest-bearing loans, including the convertible debenture loan, totaled SEK 552 M (318).

Key figures

	2003 Oct-Dec	2002 Oct-Dec	2003 Jan-Dec	2002 Jan-Dec
Operating margin, %	16.8	20.0	17.3	17.1
Profit margin, %	15.4	18.6	16.1	15.9
Earnings per share before dilution, SEK	3.70	4.60	15.05	15.40
Earnings per share after dilution, SEK	3.70	4.50	14.95	15.30
Return on capital employed before tax, % ¹⁾	25.3	26.3	25.3	26.3
Return on equity capital after tax, % ¹⁾	22.7	21.8	22.7	21.8
Equity capital per share before dilution, SEK ¹⁾	62.75	69.60	62.75	69.60

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.

Balance sheet (SEK M)

	Dec 31, 2003	Dec 31, 2002
Intangible fixed assets	268	224
Other fixed assets	1 394	1 503
Inventories	911	883
Current receivables	874	918
Liquid funds	339	261
Total assets	3 786	3 789
Shareholders' equity	1 809	2 007
Interest-bearing provisions and liabilities	946	609
Non-interest-bearing provisions and liabilities	1 031	1 173
Total equity and liabilities	3 786	3 789

Change in shareholders' equity (SEK M)

	Dec 31, 2003	Dec 31, 2002
Opening balance, shareholders' equity	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	-86	-105
Profit for the year	434	444
Dividend	-404	-404
Ending balance, shareholders' equity	1 809	2 007

Cash flow statement (SEK M)

	Dec 31, 2003	Dec 31, 2002
Profit after financial items	630	641
Reversal of depreciation	298	301
Other	4	44
Taxes paid	-266	-202
Change in working capital	-55	-44
Investment activities	-269	-409
Financing activities, incl dividends	-239	-411
Cash flow	103	-80

Rolling 12-month review

	Invoicing SEK M	Change %	Operating profit SEK M	Operating margin %
Q1, 2003	1 040	1	217	20.9
Q2, 2003	972	-9	162	16.6
Q3, 2003	923	-2	133	14.5
Q4, 2003	982	-2	165	16.8
Rolling 12 months	3 917	-3	677	17.3

Significant events after fiscal year-end

Seco Tools signed an agreement in January to acquire 100 percent of the shares in Tesco Technologies Inc, an American company based in Hayes, Virginia. With operations focused on the growth sector comprising the die and mold industry, Tesco has shown strong sales growth for the past several years. In view of the special character of its customer segment, Tesco has a well-developed method for direct sales and technical support by telephone. Current sales amount to about SEK 20 M annually. The acquisition strengthens Seco Tools' position in the die and mold industry and creates another sales channel to selected customers in the North American market. The acquisition, which is not subject to approval by authorities, is expected to generate a positive contribution to earnings per share in the current year.

No part of the convertible debenture loan had been converted to shares at fiscal-year end. During January 2004, a number of conversion applications were filed, corresponding to 157,960 shares, from a total of 274,160, creating a dilution effect of 0.5 percent on the total number of shares. The conversion value amounts to slightly more than SEK 40 M. These shares are entitled to dividend payments on operations in 2003. The last application day for conversions of outstanding convertible debentures is April 30, 2004.

Accounting principles

The year-end financial report complies with recommendations issued by the Swedish Financial Accounting Standards Council. Effective January 1, 2003, the Group adopts the Council's recommendation RR29 – Employee Benefits. The deficit in the pension commitments of foreign subsidiaries, a net total of SEK 142 M, was charged directly against the consolidated shareholders' equity at the beginning of the year, in accordance with the applicable transitional provisions. The clarified recommendation by the Swedish Financial Accounting Standards Council concerning inventory valuations (RR2:02) created a nonrecurring improvement effect on earnings amounting to SEK 28 M during the first quarter of 2003. Applications of other new recommendations did not have any significant effects on Group earnings.

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 – chipforming machining. For information concerning primary segment accounting, therefore, readers are referred to the consolidated income statement and balance sheet.

Liquidity, cash flow and equity ratio

The Group's liquid funds in the form of short-term investments and bank balances increased during the quarter by SEK 35 M, amounting to SEK 339 M (261) at the close of the period. Cash flow from current operations was strong during the quarter, creating scope for reduced borrowing. The Group's interest-bearing loans, including the convertible debenture loan, decreased by SEK 54 M during the fourth quarter, amounting to SEK 701 M (551) at the close of the period. The higher loan level, compared with the preceding year, was mostly attributable to a tax payment of SEK 119 M made earlier in 2003 following a ruling by the County Administrative Court regarding the 1990 tax assessment year.

The Group's equity/assets ratio was 48 percent (53).

Capital expenditures

Group investments in tangible and intangible fixed assets during the quarter, excluding company acquisitions, totaled SEK 64 M (106). Corresponding investments for the full year amounted to SEK 254 M (282), of which capitalization of IT/R&D expenses accounted for SEK 69 M (64).

Personnel

The number of employees in the Group at the close of the period was 3,882 (3,916), of whom 1,313 were employed in Sweden. The acquisition of Genos in Brazil added 50 new employees during the quarter. For comparable units, the number of employees declined by 32 persons during the quarter and 106 persons during the year.

Dividend

The Board proposes a dividend of SEK 14.00 (14.00) per share. Including the proposed dividend, the average dividend increase since 1999 amounts to 6 percent annually. The dividend corresponds to 93 percent of earnings per share before dilution in fiscal year 2003. Average dividend payments during the past five years amount to 82 percent, excluding extra dividends totaling SEK 13.00 per share during the years 1999-2000.

Annual General Meeting and Annual Report

The Annual General Meeting will be held in Fagersta on Wednesday, May 5, 2004 at 2:00 p.m. The proposed record date for entitlement to dividend payments is Monday, May 10, 2004. Seco's Annual Report will be available to the general public at the head office in Fagersta as of March 26 and will be distributed on the same date.

The nomination committee for the Annual General Meeting in May 2004 consists of Gunnar Björklund, Chairman of the Board; Lars Pettersson, Sandvik AB; Marianne Nilsson, Robur; Sten Kottmeier, AMF Pension and Lars Örstedt, AFA Försäkringar.

Financial information

Seco Tools AB will publish the following financial reports on operations in 2004:

Interim report, Jan-Mar (Q1)	May 5
Interim report, Jan-Jun (H1)	August 5
Interim report, Jan-Sep (Q3)	November 5
Year-end financial report for 2004	February 2005

Fagersta, Sweden, February 11, 2004

SECO TOOLS AB; (publ)

BOARD OF DIRECTORS

For additional information, contact Lars Renström, President and CEO (Tel: +46 223-401 10), Tomas Eliasson, CFO (Tel: +46 223-401 20) or Stefan Sjö Dahl, Investor Relations (Tel: +46 223-401 32). E-mail may be sent to: investor.relations@secotools.com

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 to the Group's head office is +46 223-400 00.