

SECO TOOLS AB

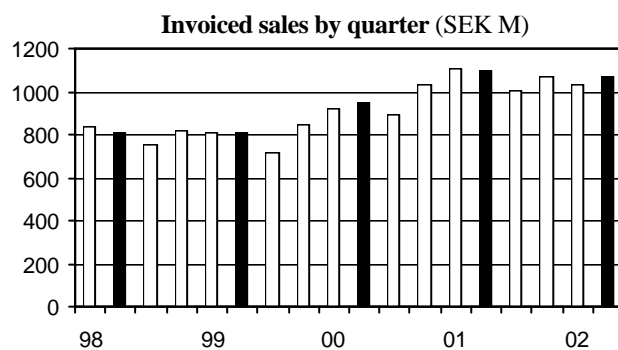
Interim report for six months ended June 30, 2002

- * Operating margin for the second quarter (17.5%) was the highest during the past four quarters.
- * Operating cash flow was substantially better compared with the year-earlier period.
- * Seco establishes a subsidiary in Finland.

Market

A gradual stabilization of the economy occurred in the US. Continued decline in industrial production in Europe.

Sales in Q2 2002



Demand in Europe during the quarter was weaker compared with the year-earlier period, but was on the same level as during the first quarter of the current year. Sales in most West European markets were sluggish due to a generally lower rate of production in manufacturing industry. However, among the larger markets, Italy and Spain demonstrated a continued favorable trend. Investment-related products experienced a continued steeper decline in demand compared with industrial consumption goods. Acquisition effects increased sales in Europe by approximately 5 percent.

In the US, the sales trend in local currency was stable and was largely comparable with the preceding quarter. A declining dollar rate had a negative impact on sales in SEK. Sales in Brazil were strengthened somewhat compared with the year-earlier period, despite ongoing regional crises. Sales in most markets in Asia were on the same level as 2001, with the particular exception of Japan, where demand is weak but the trend is relatively even.

The Group's invoicing for the quarter totaled SEK 1,068 M (1,101), which is 3 percent lower than in the year-earlier period. Structural and exchange-rate effects amounted to plus 4 and minus 1 percentage points. The reduction for comparable units in fixed currency was 6 percent.

Sales performance for the year

Market development for the full year is relatively similar to that described for the latest quarter. Weaker demand in Europe and Japan compared with the preceding year existed, at the same time as the sales level within the NAFTA region gradually stabilized at a lower level. The Group's invoicing totaled SEK 2,099 M (2,209), which is 5 percent lower than the preceding year. Structural and exchange-rate effects increased sales by 3 percent, of which currency effects accounted for 1 percentage point. Sales decreased by 8 percent for comparable units in fixed currency.

Invoicing by market area

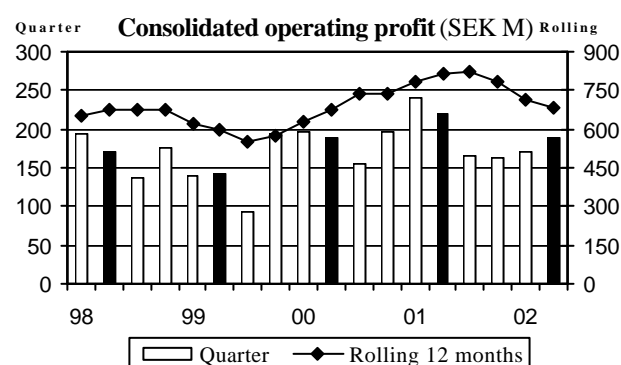
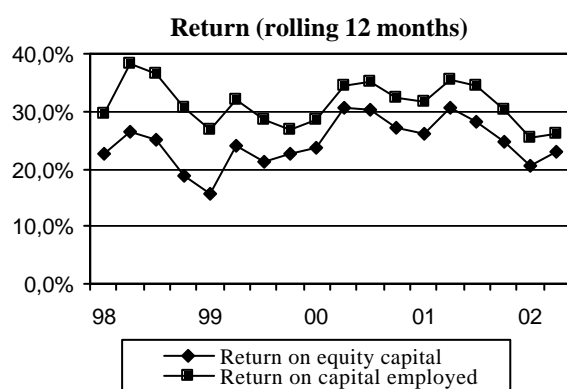
| | 2002 April-June SEK M | 2001 April-June SEK M | 2002 Jan-June SEK M | 2001 Jan-June SEK M | 2002/2001 April-June % ¹⁾ | 2002/2001 Jan-June % ¹⁾ |
|---------------------|-----------------------------|-----------------------------|---------------------------|---------------------------|--|--|
| Sweden | 71 | 60 | 131 | 125 | 0 | -4 |
| EU, excl Sweden | 506 | 514 | 999 | 1 053 | -6 | -8 |
| Other Europe | 90 | 95 | 186 | 188 | -13 | -9 |
| Total for Europe | 667 | 669 | 1 316 | 1 366 | -7 | -8 |
| NAFTA | 249 | 274 | 494 | 540 | -7 | -10 |
| South America | 33 | 35 | 65 | 69 | 20 | 6 |
| Africa, Middle East | 21 | 22 | 37 | 41 | 15 | 9 |
| Asia, Australia | 98 | 101 | 187 | 193 | -2 | -4 |
| Group total | 1 068 | 1 101 | 2 099 | 2 209 | -6 | -8 |

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

Earnings

Consolidated operating profit for the second quarter amounted to SEK 188 M (220), down 15 percent compared with the second quarter of 2001. The operating margin was the highest during the past 12 months and totaled 17.5 percent (20.0). Earnings were affected negatively primarily by lower sales volumes, which resulted in a lower capacity utilization at the Group's manufacturing units.

The operating margin for the first six months of 2002 was 17.0 percent (20.8). Favorable currency effects on operating profit amounted to SEK 10 M. Earnings per share before dilution in the most recent 12-month period amounted to SEK 14.70 (19.10). Return on capital employed was 26.2 percent (35.5). Return on equity amounted to 23.1 percent (30.6).



Consolidated income statement (SEK M)

| | 2002 | 2001 | 2002 | 2001 |
|----------------------------------|-------------------|-------------------|-----------------|-----------------|
| | April-June | April-June | Jan-June | Jan-June |
| Invoiced sales | 1 068 | 1 101 | 2 099 | 2 209 |
| Cost of goods sold | -494 | -538 | -985 | -1 061 |
| Gross profit | 574 | 563 | 1 114 | 1 148 |
| Administration and selling costs | -367 | -351 | -716 | -708 |
| Other revenues and costs | -19 | 8 | -40 | 20 |
| Operating profit | 188 | 220 | 358 | 460 |
| Financial items | -17 | -8 | -27 | -8 |
| Profit after financial items | 171 | 212 | 331 | 452 |
| Taxes | -55 | -70 | -106 | -144 |
| Net profit | 116 | 142 | 225 | 308 |

The Group's depreciation according to plan amounted to SEK 152 M (144).

Sales invoiced by the Parent Company amounted to SEK 1,127 M (1,221), with operating profit of SEK 302 M (341). Liquid funds were unchanged compared with the close of the preceding quarter and amounted to SEK 33 M at the close of the reporting period. The Parent Company's interest-bearing loans, including the convertible debenture loan, amounted to SEK 343 M (154).

Key figures

| | 2002 | 2001 | 2002 | 2001 |
|---|-------------------|-------------------|-----------------|-----------------|
| | April-June | April-June | Jan-June | Jan-June |
| Operating margin, % | 17.5 | 20.0 | 17.0 | 20.8 |
| Profit margin, % | 15.9 | 19.3 | 15.8 | 20.5 |
| Earnings per share before dilution, SEK | 4.00 | 4.95 | 7.80 | 10.70 |
| Earnings per share after dilution, SEK | 4.00 | 4.90 | 7.75 | 10.60 |
| Return on capital employed before tax, % ¹⁾ | 26.2 | 35.5 | 26.2 | 35.5 |
| Return on equity capital after tax, % ¹⁾ | 23.1 | 30.6 | 23.1 | 30.6 |
| Equity capital per share before dilution, SEK ¹⁾ | 62.60 | 64.80 | 62.60 | 64.80 |

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

The number of shares before dilution at the close of the second quarter in both 2002 and 2001 was 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 second quarter of both 2002 and 2001 amounted to 29,107,058, and the average number of shares after dilution was 29,107,058.

No convertible debentures were converted to shares during the year.

Balance sheet (SEK M)

| | June 30, 2002 | Dec 31, 2001 |
|---|---------------|--------------|
| Intangible fixed assets | 204 | 111 |
| Other fixed assets | 1 533 | 1 535 |
| Inventories | 913 | 935 |
| Current receivables | 973 | 973 |
| Liquid funds | 240 | 365 |
| Total assets | 3 863 | 3 919 |
| Shareholders' equity | 1 805 | 2 072 |
| Interest-bearing provisions and liabilities | 843 | 588 |
| Non-interest-bearing provisions and liabilities | 1 215 | 1 259 |
| Total equity and liabilities | 3 863 | 3 919 |

Change in shareholders' equity (SEK M)

| | June 30, 2002 | June 30, 2001 |
|---|---------------|---------------|
| Shareholders' equity, December 31, 2001 and 2000 | 2 072 | 2 006 |
| Effect of change in accounting principles | - | 36 |
| Adjusted shareholders' equity, January 1, 2002 and 2001 | 2 072 | 2 042 |
| Currency exchange differences | -88 | 94 |
| Profit for the year | 225 | 308 |
| Dividend | -404 | -577 |
| Shareholders' equity, June 30, 2002 and 2001 | 1 805 | 1 867 |

Cash flow statement (SEK M)

| | June 30, 2002 | June 30, 2001 |
|--------------------------------------|---------------|---------------|
| Profit after financial items | 331 | 452 |
| Reversal of depreciation | 152 | 144 |
| Other | 25 | -28 |
| Taxes paid | -101 | -98 |
| Change in working capital | -50 | -270 |
| Investment activities | -265 | -112 |
| Financing activities, incl dividends | -198 | -469 |
| Cash flow | -106 | -381 |

Rolling 12-month review

| | Invoicing SEK M | Change % | Operating profit SEK M | Operating margin % |
|-------------------|--------------------|-------------|---------------------------|-----------------------|
| Q3, 2001 | 1 005 | 12 | 165 | 16.4 |
| Q4, 2001 | 1 071 | 4 | 162 | 15.1 |
| Q1, 2002 | 1 031 | -7 | 170 | 16.5 |
| Q2, 2002 | 1 068 | -3 | 188 | 17.5 |
| Rolling 12 months | 4 175 | 1 | 685 | 16.4 |

Any items affecting comparability are excluded from the operating profit and operating margin.

Accounting principles

The interim report complies with recommendations of the Swedish Financial Accounting Standards Council. At year-end 2001, the Swedish Financial Accounting Standards Council issued several new recommendations, including RR 15 regarding intangible assets. This recommendation means that Seco, after fulfillment of certain criteria, will capitalize a small percentage of expenses for IT and new product development. Effects on the operating result for the first six months of the year were positive in an amount of SEK 28 M.

Liquidity, equity ratio and cash flow

The Group's liquid funds in the form of short-term investments and bank balances declined by SEK 125 M since year-end 2001 to SEK 240 M at the end of the period. The main reasons for the decline were the dividend paid to shareholders and payments made for acquired companies. Interest-bearing loans in the Group, including the convertible debenture loan, amounted to SEK 733 M (543). The cash flow from current operations improved substantially compared with the year-earlier period.

The Group's equity ratio was 47 percent (49).

Personnel

The number of employees in the Group at the close of the period was 3,904 (3,904 at year-end 2001), of which the acquisition of Jabro Tools added 123. Excluding acquisitions, the number of employees declined by 21 during the quarter. Most of the personnel cutbacks were made at the manufacturing units in the Czech Republic and the US.

Capital expenditures

Group investments in fixed assets during the year amounted to SEK 130 M (122), of which intangible assets totaled SEK 28 M. The investments in machinery and equipment were related primarily to the production units in Sweden, the US and the Czech Republic. Investments in 2002 are estimated at approximately SEK 300 M.

Market investments

In collaboration with its current distributor in Finland, Seco intends to establish a subsidiary in the area from the end of 2002. This is part of the Group's strategy to work directly with end-customers in all major industrial markets. Seco will thereby strengthen its market position through such steps as the ability to offer Finnish customers extended service and a more complete product program.

On March 1, 2002, Seco completed its acquisition of Jabro Tools. Sales and earnings for the period March-June, 2002, are included in earnings for the second quarter. Jabro's production capacity will be increased during the year to enable continued growth.

Short-term market outlook

We anticipate stabilized demand in most principal markets compared with the first six months of the year.

Market outlook published on May 6, 2002

Stabilized demand is expected in the US. A continued slowdown is projected in Europe.

This report has not been reviewed by the Company's auditors. The next report, covering the third quarter of 2002, will be published on November 6, 2002.

Fagersta, August 7, 2002

SECO TOOLS AB; (publ)

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