

SECO TOOLS AB

Year-end report for 2004 and fourth quarter interim report

- * Invoicing in the fourth quarter rose 18 percent, at fixed exchange rates, with operating profit rising 30 percent from the preceding year.
- * Invoicing for the full year totaled SEK 4,333 M (3,917).
- * Profit after tax for the full year amounted to SEK 544 M (434).
- * Earnings per share before dilution for the full year were SEK 18.80 (15.05).
- * The Board proposes an ordinary dividend of SEK 15.00 (14.00) per share and an extraordinary dividend of SEK 10.00 (0.00) per share.

Comments by the President

Strong market position and record earnings for 2004

"The Group's market position strengthened during the year, as reflected in larger market shares. Order intake, operating profit and earnings per share for Seco Tools reached record levels, while profitability and return were highly favorable. The combination of a competitive product program, the strongest in many years, plus good sales efforts contributed to the success," notes Kai Wärn, President and CEO of Seco Tools.

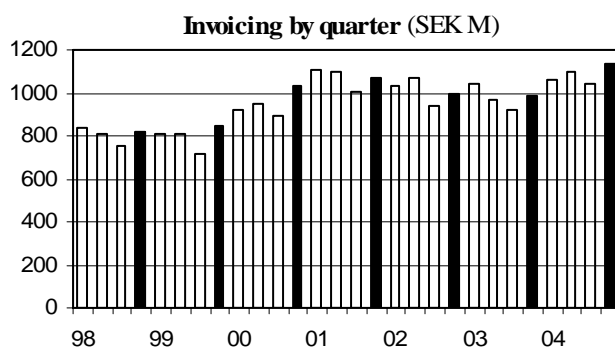
Short-term market outlook

Demand is expected to remain high during the first quarter.

Market outlook published on November 5, 2004

Continued strong demand is expected for the fourth quarter.

Invoicing during the fourth quarter



Invoicing remained high in the US and Asian markets, with double-digit growth in most instances. In Brazil, invoicing progressed very favorably due to strong demand from the automotive industry. In Western Europe, the comparative growth rate year-on-year was higher than in previous quarters during the year in, for example, Germany, France and Italy. Invoicing growth in Central Europe, for example in the Czech Republic, remained strong.

Invoicing for the quarter totaled SEK 1,131 M (982), or 15 percent higher than in the preceding year. At fixed exchange rates it rose 18 percentage points, while negative currency effects totaled 3 percentage points.

Invoicing for the year

Invoicing growth was strong in a number of markets during the year, notably in the US, Asia and South America. Demand strengthened steadily in Western Europe and remained continually high in Central and Eastern Europe. New product launches were a primary factor underlying the favorable trend.

Invoicing for the full year totaled SEK 4,333 M (3,917), 11 percent higher than a year earlier. The increase was 14 percentage points for comparable units at fixed exchange rates. Currency effects had a negative impact with 3 percentage points.

Invoicing – market areas

	2004 Oct-Dec SEK M	2003 Oct-Dec SEK M	2004 Jan-Dec SEK M	2003 Jan-Dec SEK M	2004/2003 Oct-Dec % ¹⁾	2004/2003 Jan-Dec % ¹⁾
EU ²⁾	693	603	2 595	2 387	14	8
Other Europe	55	44	197	171	31	19
Europe, total	748	647	2 792	2 558	15	9
NAFTA	195	177	818	762	19	17
South America	42	32	152	120	36	25
Africa, Middle East	18	16	75	70	7	2
Asia, Australia	128	110	496	407	24	28
Group, total	1 131	982	4 333	3 917	18	14

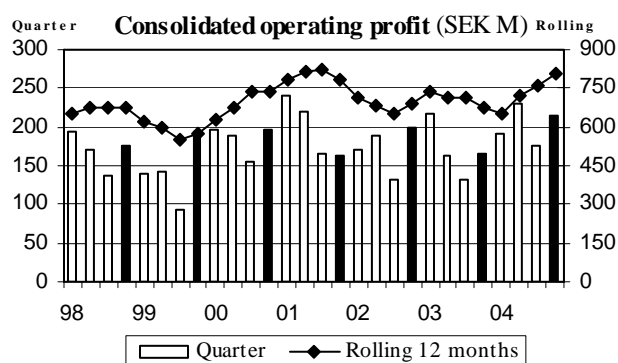
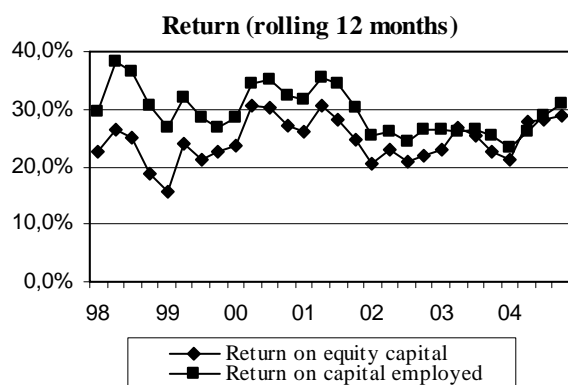
¹⁾ Change from the preceding year at fixed exchange rates for comparable units.

²⁾ Invoicing within the EU for the interim period also includes the 10 countries that gained membership as of May 1, 2004. Comparative figures have been recalculated.

Earnings

The Group's operating profit for the fourth quarter was SEK 214 M (165), up 30 percent from the corresponding period in 2003. Operating margin was 19.0 percent (16.8). Increases in invoicing, combined with high capacity utilization in the Group's manufacturing units, accounted for the major share of the higher operating profit for the quarter.

Operating margin for 2004 as a whole totaled 18.7 percent (17.3). The adverse impact of exchange rates on the Group's operating profit was SEK 45 M. Earnings per share for the period before dilution amounted to 18.80 SEK (15.05). The return on capital employed was 30.8 percent (25.3). The return on shareholders' equity totaled 28.7 percent (22.7).



Consolidated income statement (SEK M)

	2004 Oct-Dec	2003 Oct-Dec	2004 Jan-Dec	2003 Jan-Dec
Invoicing	1 131	982	4 333	3 917
Cost of goods sold	-542	-476	-2 069	-1 864
Gross profit	589	506	2 264	2 053
Administration and selling costs	-365	-339	-1 447	-1 353
Other revenues and costs	-10	-2	-8	-23
Operating profit	214	165	809	677
Financial items	-7	-14	-28	-47
Profit after financial items	207	151	781	630
Taxes	-63	-45	-237	-196
Net profit	144	106	544	434

The Group's depreciation according to plan amounted to SEK 300 M (298).

Parent Company

Invoicing by the Parent Company amounted to SEK 2,483 M (2,172) and operating profit to SEK 512 M (405). Liquid funds at year-end amounted to SEK 7 M (18). The Parent Company's interest-bearing loans totaled SEK 264 M (552).

Key figures

	2004 Oct-Dec	2003 Oct-Dec	2004 Jan-Dec	2003 Jan-Dec
Operating margin, %	19.0	16.8	18.7	17.3
Profit margin, %	18.3	15.4	18.0	16.1
Earnings per share before dilution, SEK	4.90	3.70	18.80	15.05
Earnings per share after dilution, SEK	4.90	3.70	18.70	14.95
Return on capital employed before tax, % ¹⁾	30.8	25.3	30.8	25.3
Return on equity after tax, % ¹⁾	28.7	22.7	28.7	22.7
Equity per share before dilution, SEK ¹⁾	68.30	62.75	68.30	62.75

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

After adjustments for full conversion of the convertible debenture loan amounting to 260,640 shares, the number of shares at year-end 2004 and 2003 amounted to 29,093,538 and 28,832,898, respectively. The weighted average number of shares each year was 29,006,658 and 28,832,898, respectively. Since the debenture loan has now been fully converted into shares or redeemed, no further dilution effects are possible.

Balance sheet (SEK M)

	Dec. 31, 2004	Dec. 31, 2003
Intangible fixed assets	241	268
Other fixed assets	1 362	1 394
Inventories	855	911
Current receivables	943	874
Liquid funds	268	339
Total assets	3 669	3 786
Shareholders' equity	1 982	1 809
Long-term provisions and liabilities	718	918
Short-term provisions and liabilities	969	1 059
Total equity and liabilities	3 669	3 786

Interest-bearing liabilities and provisions totaled SEK 544 M (946) at year-end, while the non-interest-bearing portion was SEK 1,143 M (1,031).

Changes in shareholders' equity (SEK M)

	Dec. 31, 2004	Dec. 31, 2003
Opening balance shareholders' equity	1 809	2 007
Effect of change in accounting principles	-	-142
Adjusted shareholders' equity, January 1, 2004 and 2003	1 809	1 865
Exchange rate differences	-31	-86
New share issue	66	-
Profit for the year	544	434
Dividend	-406	-404
Shareholders' equity at year-end	1 982	1 809

Cash-flow statement (SEK M)

	Dec. 31, 2004	Dec. 31, 2003
Profit after financial items	781	630
Reversal of depreciation	300	298
Other	-33	4
Taxes paid	-162	-266
Change in working capital	-9	-55
Investing activities	-244	-269
Financing activities, incl. dividend	-692	-239
Cash flow	-59	103

Segment reporting

Seco Tools' activities comprise only one area of operations, chip-forming metalworking, and thus the Group's income statement and balance sheet relate entirely to this primary segment.

Accounting principles

The year-end report complies with the recommendations of the Swedish Financial Accounting Standards Council. The recommendation that came into effect during the year, RR29 Employee Benefits, was applied by Seco Tools as of January 1, 2003, which means that, due to changes in accounting principles, there were no effects on the consolidated income statement and financial position during the year.

Efforts to identify the effects of the transition to International Financial Accounting Standards (IFRS) continued as planned. The most common differences between the company's accounting principles during 2004 and the future principles in line with IFRS are primarily as follows:

- Accounting for financial instruments entails, among other effects, that a number of instruments are reported at fair value, along with more stringent requirements for hedge accounting.
- Annual impairment tests of write-down requirements for goodwill instead of straight-line amortization.

Earnings and financial position for 2004 would have been affected in certain areas if IFRS had been applied instead of the accounting principles used during the year. The particular areas are primarily accounting for goodwill and employee benefits. Excluding goodwill amortization, net profit for the year would have been SEK 25-30 M higher in view of the tax effects. Pension provisions would have been slightly more than SEK 35 M lower, taking into account previously non-reported actuarial gains in the calculation of defined-benefit pension commitments. Shareholders' equity would have increased in total by a slightly more than SEK 50 M, taking into account deferred tax effects.

As of January 1, 2005, financial instruments are reported at fair value and any effects influence the opening balance values. The transition effects of the valuation at fair value are deemed to be marginal for Seco Tools.

Liquidity, cash flow and equity/assets ratio

The Group's liquid funds in the form of short-term investments and bank balances decreased during the quarter by SEK 8 M, amounting at the end of the period to SEK 268 M (339). Cash flow from current operations remained strong during the quarter and provided scope to continue the reduction in borrowings. The Group's interest-bearing loans declined by SEK 122 M during the fourth quarter and totaled SEK 337 M (701) at year-end.

The Group's equity/assets ratio was 54 percent (48).

Personnel

The number of employees in the Group at the year-end was 3,910 (3,882), of whom 1,357 (1,313) were employed in Sweden.

Capital expenditures

Group investments in tangible and intangible fixed assets during the quarter, excluding company acquisitions, amounted to SEK 79 M (64). The corresponding investments for the full year totaled SEK 248 M (254), of which capitalization of IT/R&D expenses accounted for SEK 27 M (69).

Dividend

The Board proposes to the Annual General Meeting an ordinary dividend of SEK 15.00 (14.00) per share and an extraordinary dividend of SEK 10.00 (0.00) per share.

The size of the proposed total dividend is based on a consideration of the Group's capital structure and future expansion possibilities. As a result of the positive earnings trend and the strong cash flow, the net debt/equity ratio at year-end 2004 is 0.14. Accordingly, the Board's assessment is that an adjustment provides a more efficient capital structure while at the same time does not represent any obstacle to the Group's ability to expand in the future.

Given the proposed dividend, the dividend increase (ordinary dividend) has averaged 3 percent annually during the past five years and 7 percent annually during the past ten years. The proposed ordinary dividend corresponds to 80 percent of earnings per share before dilution for 2004. The average share of dividend payments during the past five years amounts to 83 percent, excluding extraordinary dividends.

Annual General Meeting and Annual Report

The Annual General Meeting will be held in Fagersta on Monday, May 2, 2005 at 2:00 p.m. The proposed record date for entitlement to dividends is Friday, May 6, 2005. Seco's annual report will be available to the public at the head office in Fagersta as of March 31 and will be distributed on the same date.

The nomination committee for the Annual General Meeting in May 2005 consists of Lars Pettersson, Sandvik AB; Marianne Nilsson, Robur; Sten Kottmeier, AMF Pension; Lars Öhrstedt, AFA Försäkringar; and Gunnar Björklund, Chairman of the Board.

Financial information

Seco Tools AB will publish the following financial reports on operations in 2005.

Interim report, Jan-Mar (Q1)	May 2
Interim report, Jan-June (H1)	August 4
Interim report, Jan-Sept (Q3)	November 3
Year-end report for 2005	February 2006

This report has not been subject to special examination by the company's auditors.

Fagersta, Sweden, February 9, 2005

SECO TOOLS AB; (publ)

BOARD OF DIRECTORS

For additional information, contact Kai Wörn, President and CEO, Tel +46 223-401 10 or Tomas Eliasson, CFO, Tel: +46 223-401 20. E-mail may be sent to investor.relations@secotools.com

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