SECO TOOLS AB

Year-end report for 2005 and interim report for the fourth quarter

* Invoicing and operating profit for the full year 2005 reached an all-time high, rising 10 percent at fixed exchange rates to SEK 4,936 M (4,333). Operating profit was SEK 1,100 M (840), equal an operating margin of 22.3 percent (19.4).
* Fourth quarter invoicing also grew to a record level of SEK 1,321 M (1,131). Operating profit was SEK 319 M (221), equal to an operating margin of 24.1 percent (19.5).
* Profit after tax for the full year was SEK 784 M (572).
* Earnings per share for the full year rose 36 percent to SEK 26.95 (19.75).
* The Board proposes a regular dividend of SEK 17.00 (15.00) per share, an extraordinary dividend of SEK 10.00 (10.00) per share and a 5-for-1 split.

Comments from the CEO

Strong market position, profitability and return in 2005

"In 2005 the Group further advanced its position with growth in all market regions and product areas. The most powerful growth was seen in Asia and the Central and Eastern Europe (CEE) area, but was also very strong in Western Europe and North America. Seco Tools set new records for invoicing, operating profit and earnings per share and at the same time achieved very satisfactory profitability and return. This strong performance was driven by a combination of successful product launches, excellent sales efforts and optimal capacity utilization in the Group's manufacturing units", says Kai Wärn, President and CEO of Seco Tools.

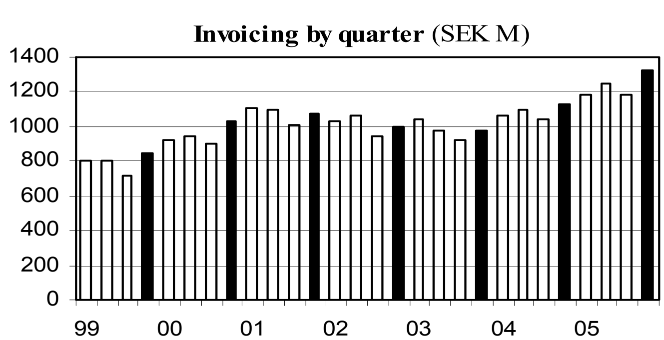
Short-term market outlook

On the whole, continued robust demand is anticipated in the first quarter.

Market outlook published on November 3, 2005

Demand is expected to remain high during the fourth quarter.

Fourth quarter invoicing



All market regions except South America showed continued positive development in the fourth quarter. Relative growth figures in the EU were down slightly, but with strong invoicing. Growth in the CEE area and Asia remained high and gained new momentum in North America after a somewhat weaker third quarter. Consolidated invoicing for the fourth quarter reached SEK 1,321 M (1,131), up 17 percent year-over-year. Invoicing for comparable units at fixed exchange rates rose 6 percent and currency effects made a positive contribution of 11 percent.

Invoicing trend during the year

Invoicing rose sharply in Asia and the CEE area, with double-digit growth in many markets. The majority of markets in the USA, South America and Western Europe also enjoyed vigorous growth in 2005. The year's strong performance was significantly bolstered by a host of new product launches and higher sales penetration.

Consolidated invoicing for the full year 2005 was SEK 4,936 M (4,333), up 14 percent over the previous year. The increase for comparable units at fixed exchange rates was 10 percent. Positive exchange effects amounted to 4 percent.

Invoicing – market areas

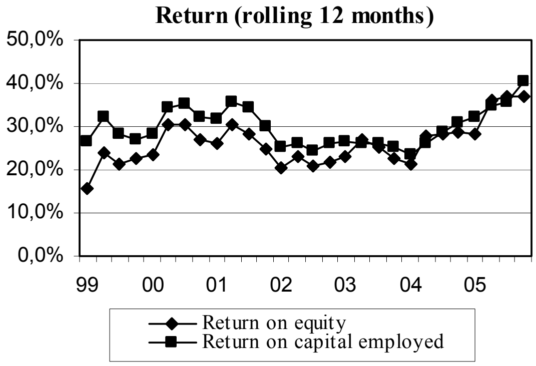
	2005 Oct-Dec SEK M	2004 Oct-Dec SEK M	2005 Jan-Dec SEK M	2004 Jan-Dec SEK M	2005/2004 Oct-Dec %[1)]	2005/2004 Jan-Dec %[1)]
EU	763	693	2 900	2 595	3	9
Rest of Europe	60	55	217	197	18	11
Total Europe	823	748	3 117	2 792	4	9
NAFTA	248	195	914	818	10	10
South America	50	42	196	152	-15	7
Africa, Middle East	19	18	82	75	3	6
Asia	181	128	627	496	23	22
Total Group	1 321	1 131	4 936	4 333	6	10

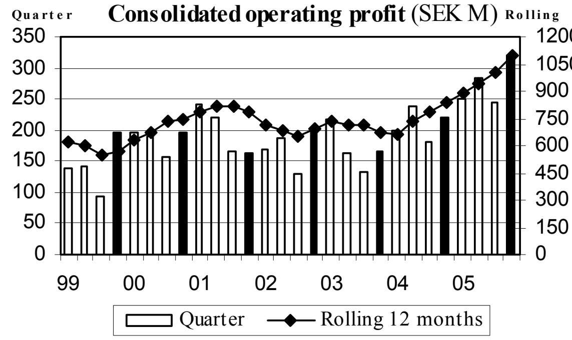
[1)] The change from the preceding year is shown for comparable units at fixed exchange rates.

Earnings

Consolidated operating profit for the fourth quarter was SEK 319 M (221), an increase of 44 percent over the same period of 2004. Operating margin was 24.1 percent (19.5). To a large extent, fourth quarter earnings growth was fueled by a combination of higher invoicing and optimal capacity utilization in the Group's manufacturing units.

Operating profit for the full year 2005 totaled 22.3 percent (19.4). Currency effects had a positive impact of SEK 28 M (-45) on the Group's operating profit. Earnings per share before dilution were SEK 26.95 (19.75). Return on capital employed amounted to 40.5 percent (31.9) and return on equity to 37.0 percent (29.7).





In the above diagrams, the figures for return and operating profit through the end of 2003 have been calculated according to the recommendations of the Swedish Financial Accounting Standards Council and from 2004 onwards in compliance with IFRS.

Consolidated income statement (SEK M)

	2005 Oct-Dec	2004 Oct-Dec	2005 Jan-Dec	2004 Jan-Dec
Invoicing	1 321	1 131	4 936	4 333
Cost of goods sold 1)	-492	-494	-2 026	-1 891
Gross profit	829	637	2 910	2 442
Selling, administrative and R&D expenses 1)	-510	-406	-1 820	-1 594
Other income and expenses	0	-10	10	-8
Operating profit	319	221	1 100	840
Financial items	13	-7	-6	-28
Profit after financial items	332	214	1 094	812
Taxes	-89	-64	-310	-240
Profit for the period	243	150	784	572

1) Reclassification of costs has been carried out between cost of goods sold and selling, administrative and R&D expenses. Each quarter in 2004 and 2005 has been restated.

The Group's depreciation according to plan for the full year totaled SEK 266 M (270).

Parent Company

Parent Company invoicing is reported at SEK 2,843 M (2,483) and operating profit at SEK 691 M (512). Liquid funds at year-end amounted to SEK 4 M (7). The Parent Company's interest-bearing loans totaled SEK 366 M (246).

Key figures

	2005 Oct-Dec	2004 Oct-Dec	2005 Jan-Dec	2004 Jan-Dec
Operating margin, %	24.1	19.5	22.3	19.4
Profit margin, %	25.1	18.9	22.2	18.7
Earnings per share before dilution, SEK	8.35	5.15	26.95	19.75
Earnings per share after dilution, SEK	8.35	5.15	26.95	19.65
Return on capital employed before tax, % 1)	40.5	31.9	40.5	31.9
Return on equity after tax, % 1)	37.0	29.7	37.0	29.7
Equity per share before dilution, SEK 1)	75.90	69.90	75.90	69.90

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

The number of shares at the end of both 2005 and 2004 was 29,093,538. The average weighted number of shares for the same periods was 29,093,538 in 2005 and 29,006,658 in 2004. The lower average in 2004 is explained by the fact that the convertible program directed to the company's staff was completed during that year. No further dilution effects aside from those arising in the first half of 2004 are currently possible.

Consolidated balance sheet (SEK M)

	Dec 31, 2005	Dec 31, 2004
Intangible fixed assets	259	271
Tangible fixed assets	1 460	1 274
Financial fixed assets	121	88
Inventories	1 010	855
Current receivables	1 122	943
Liquid funds	226	268
Total assets	4 198	3 699
Shareholders' equity	2 207	2 028
Long-term provisions and liabilities	613	702
Short-term provisions and liabilities	1 378	969
Total equity and liabilities	4 198	3 699

Interest-bearing liabilities and provisions at the end of the year amounted to SEK 808 M (516), while the interest-free portion was SEK 1,182 M (1,155).

Statement of changes in shareholders' equity (SEK M)

	Dec 31, 2005	Dec 31, 2004
Shareholders' equity, opening balance	2 028	1 828
Effect of accounting change	0	-
Adjusted equity, January 1, 2005 and 2004	2 028	1 828
Foreign currency translation adjustments	122	-32
New share issue (conversion of convertibles)	-	66
Profit for the year	784	572
Dividend	-727	-406
Shareholders' equity, closing balance	2 207	2 028

Consolidated cash flow statement (SEK M)

	Dec 31, 2005	Dec 31, 2004
Profit for the year	784	572
Add-back tax expense	310	240
Add-back amortization/depreciation	266	270
Other	-19	-33
Taxes paid	-432	-163
Cash flow from operating activities before changes in working capital	909	886
Change in working capital	-107	-9
Cash flow from operating activities	802	877
Investing activities	-401	-244
Financing activities, including dividend	-475	-692
Cash flow	-74	-59

Segment reporting

Seco Tools operates in only one business segment, chip-forming machining, for which reason the consolidated income statement and balance sheet refer entirely to this primary segment.

Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. With effect from January 1, 2005, the company prepares its consolidated financial statements in compliance with IFRS. The transition to IFRS is reported according to IFRS 1, First-Time Adoption of International Financial Reporting Standards, whereby the IFRS transition date is January 1, 2004. IFRS 1 also requires restatement of the comparison year 2004 in compliance with IFRS. The changes in accounting policies resulting from the adoption of IFRS and the transition effects on the consolidated income statements and balance sheets are presented in an appendix to this report. Aside from the above-mentioned IFRS effects, operating expenses have been reclassified between functions in the income statement. The comparative information has been restated accordingly.

Liquidity, cash flow and equity ratio

Consolidated liquid funds in the form of short-term investments and bank balances declined by SEK 66 M in the fourth quarter to SEK 226 M (268) at December 31, 2005. A strong fourth quarter cash flow from operating activities provided scope for further reduction in borrowing. The Group’s interest-bearing loans decreased by SEK 82 M in the fourth quarter and totaled SEK 625 M (337) at year-end.

The Group’s equity ratio was 53 percent (55).

Personnel

The number of employees in the Group at December 31, 2005 was 4,036 (3,910), of whom 1,355 (1,357) in Sweden. The total of 126 employees hired during the year were mainly attributable to the sales force, with the CEE area and Asia accounting for the largest share.

Capital expenditure

The Group’s capital expenditure on tangible and intangible fixed assets, excluding acquisitions, in the fourth quarter amounted to SEK 162 M (79), of which SEK 7 M (3) referred to capitalization of IT/R&D expenses. The corresponding figure for the full year was SEK 377 M (248), of which SEK 13 M (27) referred to capitalization of IT/R&D expenses. There were no investments in new subsidiaries during the period (9).

Structural changes

The Group’s captive insurance company in Luxembourg, Seco Safe, was sold during the fourth quarter. The sale generated a net gain of SEK 22 M that is recognized in net financial items. In addition, an agreement was signed for the sale of operations in Fagersta Seco in Österbybruk (owned jointly with Erasteel) to Westlings in Vansbro. Fagersta Seco has 14 employees and an annual turnover of SEK 15 M.

Dividend

The Board proposes to the Annual General Meeting a regular dividend of SEK 17.00 (15.00) per share and an extraordinary dividend of SEK 10.00 (10.00) per share, as well as a 5-for-1 split. Last day for trading before the split is estimated to June 7.

Including the proposed dividend, the average annual dividend increase (regular dividend) has been 5.5 percent over the past five years and 7.8 percent over the past ten years. The proposed regular dividend corresponds to 63 percent of earnings per share for 2005. The average dividend payout ratio over the past five years is 78 percent, excluding extra dividends.

The size of the proposed total dividend is based on a consideration of the Group's capital structure and future expansion possibilities. The view of the Board is that the proposed dividend is not an obstacle for Seco Tools AB or its subsidiaries to fulfil their short and long term obligations and is therefore in accordance with the dividend rules in the Swedish Companies Act.

AGM and annual report

The Annual General Meeting will be held at Folkets Hus in Fagersta at 2:00 p.m. on Tuesday, May 2, 2006. The proposed record date for entitlement to dividends is Friday, May 5, 2006. Seco's annual report will be available to the public at the head office in Fagersta as of April 4 and will be distributed on the same date.

Shareholders have the right to demand that a matter be addressed at the Annual General Meeting, provided that the request is received by the Board no later than March 10, 2006. Such requests are submitted to the Board but are addressed to Seco Tools AB, Att: Barbro Forsell, SE-737 82 Fagersta, Sweden. However, in order for the matter to be included in the notice of Annual General Meeting properly and with adequate certainty, it is recommended that shareholder requests be sent so that they reach the company by March 1, 2006 at the latest.

Ahead of the Annual General Meeting in May 2006 the Nomination Committee consists of Lars Pettersson (Sandvik AB), Marianne Nilsson (Robur), Mats Guldbrand (AMF Pension), Ramsay J. Brufer (Alecta pensionsförsäkring) and Gunnar Björklund (Board Chairman). Individual shareholders not represented on the Nomination Committee may submit recommendations to the Nomination Committee via the company by telephone +46 223-401 21, by letter sent to Seco Tools AB, Att: Barbro Forsell, SE-737 82 Fagersta, Sweden, or by e-mail to barbro.forsell@secotools.com.

Financial information

Seco Tools AB will publish the following financial reports on operations in 2006:

Interim report, January-March	May 2
Interim report, January-June	July 20
Interim report, January-September	October 27
Year-end report for 2006	February 2007

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

Fagersta, Sweden, February 8, 2006

SECO TOOLS AB; (publ)

BOARD OF DIRECTORS

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

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

Appendix – Effects of transition to IFRS in 2004

According to a decision by the European Commission (EC) regarding the application of international accounting standards, all listed companies in the European Union are required to prepare their consolidated financial statements in compliance with International Financial Reporting Standards (IFRS/IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (SIC/IFRIC) with effect from 2005.

Consequently, as of 2005 Seco Tools prepares its consolidated accounts and all financial reports in accordance with IAS/IFRS. To achieve prior year comparability in financial reports published during 2005, the comparative information for 2004 must be restated to IAS/IFRS. The transition to IFRS is reported in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards, whereby the IFRS transition date is January 1, 2004. According to the main rule, an entity must be retrospectively restate the opening IFRS balance sheet and subsequent income statements and balance sheets according to the IFRSs and IASs effective and endorsed by the EC at December 31, 2005. However, certain exceptions from retrospective restatement are permissible, of which Seco Tools has elected to apply the following:

1. IFRS 3, Business Combinations, is applied from 2004 onwards. One effect of the transition to IFRS 3 is a change in the disclosure requirements for acquired intangible assets. According to IFRS 3, purchase price allocation (PPA) must be used to recognize acquired intangibles separately from goodwill to a greater degree than prescribed by Swedish GAAP.
2. IAS 19, Employee Benefits, is applied with effect from the IFRS transition date at January 1, 2004. Since January 1, 2003, Seco Tools has recognized employee benefits in accordance with the rules in RR 29, Employee Benefits. Consequently, actuarial gains and losses arising in 2003 were not recognized in the balance sheet and income statement at December 31, 2003. The transitional rules in IFRS 1 state that the opening liability must be determined at January 1, 2004, whereby all cumulative actuarial gains and losses at the transition date are reset to zero and recognized in shareholders' equity.
3. All cumulative exchange differences in shareholders' equity have been reset to zero at the opening IFRS transition date.
4. IAS 39, Financial Instruments: Recognition and Measurement, is applied as of January 1, 2005. With the support of IFRS 1, the company has elected not to restate the 2004 comparative information for financial instruments according to the rules in IAS 39. Consequently, the 2004 comparative information for financial instruments is presented in accordance with Swedish GAAP. In compliance with the transitional rules in IFRS 1, the difference between the values according to IAS 39 and the previously applied principles is recognized directly in equity in the balance sheet at January 1, 2005.

The transition effects on the consolidated income statements and balance sheets are presented below. The following reconciliations have been prepared according to the IFRS standards and IFRIC interpretations in force at December 31, 2005. The following financial reports and reconciliations to IFRS are presented:

Balance sheet

- Opening balance, January 1, 2004
- Closing balance, December 31, 2004

Income statement

- Fourth quarter 2004
- Full year 2004

Balance sheet (SEK M)
January 1, 2004

	Note	Swedish GAAP Jan 1, 2004	Transition effects	IFRS Jan 1, 2004
Intangible fixed assets		268	-	268
Tangible fixed assets		1 317	-	1 317
Financial fixed assets		77	-	77
Inventories		911	-	911
Current receivables		874	-	874
Liquid funds		339	-	339
Total assets		3 786	-	3 786
Shareholders’ equity	2	1 809	19	1 828
Long-term provisions and liabilities	1	918	-19	899
Short-term provisions and liabilities		1 059	-	1 059
Total equity and liabilities		3 786	-	3 786

Notes to the balance sheet:

1. Since January 1, 2003, Seco Tools has recognized post-employment benefits in accordance with the rules in RR 29, Employee Benefits. Consequently, actuarial gains and losses arising in 2003 are not recognized in the balance sheet and income statement at December 31, 2003. The transitional rules in IFRS 1 state that the opening liability must be determined at January 1, 2004, whereby all cumulative actuarial gains and losses at the transition date are reset to zero and recognized in shareholders’ equity. This has had a positive effect of SEK 28 M on the opening balance sheet before tax. The tax effect is SEK 9 M.

2. Shareholders’ equity has increased by SEK 19 M after tax effects are taken into account.

Balance sheet (SEK M)
December 31, 2004

	Note	Swedish GAAP Dec 31, 2004	Transition effects	IFRS Dec 31, 2004
Intangible fixed assets	1	241	30	271
Tangible fixed assets		1 274	-	1 274
Financial fixed assets		88	-	88
Inventories		855	-	855
Current receivables		943	-	943
Liquid funds		268	-	268
Total assets		3 669	30	3 699
Shareholders' equity	4	1 982	46	2 028
Long-term provisions and liabilities	2, 3	718	-16	702
Short-term provisions and liabilities		969	-	969
Total equity and liabilities		3 669	30	3 699

Notes to the balance sheet:

1. Add-back of goodwill amortization to the balance sheet in 2004.

2. Reduction in pension provisions with consideration to previously unreported actuarial gains/losses at the end of 2003 from defined benefit pension plans in Sweden, Germany, the US, the UK and Italy. The total reduction after foreign exchange effects was SEK 28 M.

3. A deferred tax liability of SEK 9 M arose in conjunction with recognition of actuarial gains. The add-back of goodwill amortization also increased the deferred tax liability by SEK 3 M, for a total of SEK 12 M.

4. Shareholders' equity increased as a result of the reduction in pension provisions (net SEK 19 M) and add-back of goodwill amortization (net SEK 27 M). The tax effects have been taken into account where appropriate.

   The difference between profit for the year in the income statement (SEK 28 M) and in the balance sheet (SEK 27 M) consists of foreign exchange difference in shareholders' equity.

Income statement (SEK M)
Fourth quarter 2004

Quarter	**Note**	**Swedish GAAP Oct-Dec 2004**	**Transition effects**	**IFRS Oct-Dec 2004**
Invoicing		1 131	-	1 131
Cost of goods sold	1	-542	48	-494
Gross profit		589	48	637
Selling, administrative and R&D expenses	1, 2	-365	-41	-406
Other income and expenses	3	-10	0	-10
Operating profit		214	7	221
Financial items		-7	-	-7
Profit after financial items		207	7	214
Taxes	3	-63	-1	-64
Profit for the period		144	6	150

Cumulative	**Note**	**Swedish GAAP Jan-Dec 2004**	**Transition effects**	**IFRS Jan-Dec 2004**
Invoicing		4 333	-	4 333
Cost of goods sold	1	-2 069	178	-1 891
Gross profit		2 264	178	2 442
Selling, administrative and R&D expenses	1, 2	-1 447	-147	-1 594
Other income and expenses	3	-8	0	-8
Operating profit		809	31	840
Financial items		-28	-	-28
Profit after financial items		781	31	812
Taxes	3, 4	-237	-3	-240
Profit for the year		544	28	572

Notes to the income statement:

1. Reclassification of selling, administrative and R&D expenses.
2. Add-back of goodwill amortization in 2004 in an amount of SEK 7 M for the fourth quarter and SEK 31 M for the full year.
3. Reclassification of tax expense for associated companies, totaling SEK 0 M.
4. Tax effects of add-back goodwill amounting to SEK 1 M for the fourth quarter and SEK 3 M for the full year.

Key figures 2004

	Swedish GAAP Oct-Dec 2004	**IFRS Oct-Dec 2004**	**Swedish GAAP Jan-Dec 2004**	**IFRS Jan-Dec 2004**
Operating margin, %	19.0	19.5	18.7	19.4
Profit margin, %	18.3	18.9	18.0	18.7
Earnings per share before dilution , SEK	4.90	5.15	18.80	19.75
Earnings per share after dilution, SEK	4.90	5.15	18.70	19.65
Return on capital employed before tax, % [1)]	30.8	31.9	30.8	31.9
Return on equity after tax, % [1)]	28.7	29.7	28.7	29.7
Equity per share before dilution, SEK [1)]	68.30	69.90	68.30	69.90

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