

Q4

Nocom AB (publ)

Year-end Report January – December 2005
based on audited accounts

Nocom realizes promise from 2004 to create a strong new IT group

- Sales tripled – through acquisitions and success in the market.
- Operating profit up by 250 percent – stable earnings growth and profitability in all business areas.
- Solid financial position – strong finances and positive cash flows in all business areas.

Fourth quarter of 2005

- Sales reached SEK 234.0 (72.1) million.
 - Operating profit was SEK 18.7 (4.2) million.
 - Profit after financial items was SEK 18.8 (3.9) million.
 - Profit after tax totaled SEK 45.9 (19.0) million.
 - Earnings per share were SEK 0.43 (0.59).
 - Cash flow from operating activities was SEK 15.5 (5.7) million. Available liquid assets at December 31 amounted to SEK 119.1 (22.9) million.
 - Equity at December 31 amounted to SEK 448.9 (65.7) million.
 - Equity per share at December 31 was SEK 4.50 (2.05).
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- SweDeltaco won its largest order of all time, worth a total of SEK 5.4 million, from a major player in the Swedish grocery retail market.
 - In December IAR Systems signed a strategic development and license agreement with a world-leading chip maker. The order is worth an estimated minimum of SEK 8 million.
 - Nocom Distribution ended the year on a high note and signed several major contracts for IT security solutions from Symantec.

January – December 2005

- Sales totaled SEK 635.6 (214.2) million.
- Operating profit was SEK 34.8 (13.9) million. Profit after financial items was SEK 34.0 (13.5) million.
- Profit after tax totaled SEK 57.0 (25.9) million. Earnings per share were SEK 0.63 (0.84).
- Cash flow from operating activities was SEK 7.4 (-7.5) million.
- Capital of SEK 107.0 million was raised during the year through stock issues and divestitures.
- O-listed TurnIT and IAR Systems were acquired and are consolidated as of March 22, 2005.

Subsequent events

- As of January 2006 the Nocom share is quoted on Attract 40 – the Stockholm Stock Exchange's segment for the most traded shares on the O list.
- In February Nocom Distribution announced plans to divide its operations into three separate companies for greater specialization in the areas of information security, IT infrastructure and web analysis.

A few words from the CEO

2005 was the year when we delivered on our promise from 2004, to create a strong new Nordic IT group. The year's powerful expansion was driven by acquisitions and success in the market, at the same time that never strayed from our focus on long-term profitability. We have grown larger – with a dramatic surge in sales from SEK 214 million to SEK 635 million. We have grown stronger – through a near tripling in profit, profitability and positive cash flows in all business areas and a solid financial position. Our performance in the fourth quarter, when operating profit quadrupled and sales hit SEK 234 million, is a confirmation of recent years' stable profitability trend.

The starting point for 2005 was both promising and full of challenges. After achieving the best year in the company's history – doubling our profit despite major changes and expansion – we ended 2004 with a public offer to acquire the O-listed TurnIT and IAR Systems. We thus entered 2005 with high ambitions and expectations.

In the first half of the year we devoted our full attention to evaluating and integrating the acquired companies. We analyzed the business risks and sold operations that were found lacking in potential or inconsistent with our core offering. Listing expenses were significantly reduced, companies were moved into joint premises and new stock issues were carried out. The fast-paced and decisive integration process was largely completed by summer and the results were not long in coming – all of the business areas had reached profitability by the traditionally weak third quarter.

The fourth quarter saw impressive performance in both sales and earnings. For the subsidiaries, the rapid integration brought well needed quiet and a host of new opportunities. Massive cuts in central expenses and more efficient utilization of premises and other resources have also lightened the cost burden for the individual companies.

The largest business area, **Distribution**, rounded of the year with strong sales and profitability. One particular bright spot was a tangible improvement in sales and profitability for Network Innovation. Late in the quarter, Nocom Distribution won a number of major Nordic and Baltic contracts in the information security area, mainly consisting of solutions from Symantec. The focus on IT security will be further intensified in 2006 when these activities are conducted in a separate company, Nocom Security. In February 2006 Nocom Distribution announced plans to divide its operations into three separate companies focusing on different technical areas – information security, web analysis and IT infrastructure.

The **Software** business area, consisting of IAR Systems, continued its positive development in the fourth quarter. The past year's strategic realignment – with a stronger emphasis on software sales and a lower share of consulting services – has quickly borne fruit. Both sales and profitability are up and IAR Systems has advanced its position in the global market. The quarter closed with the signing of yet another strategic development and license agreement with a world-leading chip maker – the third in only one year. The latest contract, worth an estimated minimum of SEK 8 million, will give IAR Systems an excellent start in 2006. Still more valuable, however, is the potential for increased software sales in coming years when this technology reaches the chip maker's customers. More and more chip manufacturers are choosing IAR Systems due to its technological lead and successful longstanding partnerships with prominent chip makers around the world.

The **Services** business area was also profitable in the fourth quarter. Although demand is rising, the industry is still being held back by aggressive price pressure and competition for both operating and Internet-based services. The business area's two companies, Nocom Drift and Nocom Networks, moved into shared premises in the summer and were organized under a joint President in early October. The goal is to capitalize on each other's expertise and existing business relationships. Through joint management, the companies can create scope for additional synergies, a broader market offering and stronger profitability. In response to customer demand for more comprehensive solutions and multidisciplinary expertise, steps are being taken to bring these businesses closer together.

These acquisitions have also given us occasion to welcome many new stockholders – who have grown in number from 5,600 to 18,600 during the year. As of January 2006 the Nocom share has been moved to Attract 40 – the Stockholm Stock Exchange's segment for the most actively traded shares on the O list. We see this as proof of restored confidence from the financial market and a growing interest in Nocom – as a company and an equity investment. We also strengthened our financial position in 2005 by raising around SEK 107 million in equity capital through new share issues, warrant programs and divestitures.

We are pleased and proud to have met our goals for the past year and to enter 2006 as the strong and stable IT group we promised to become. As earlier, our success will depend on decisiveness, flexibility, the capacity to seize business opportunities and the power to change. Our foremost goal is long-term profitability, but we will also invest in growth and highlighting what we have to offer and where we are headed. The Group still has considerable potential – for increased efficiency and profitability in Distribution, growth in Software and additional synergies in Services. That is what we aim to prove in 2006.



Stefan Skarin
Chief Executive Officer
Nocom AB (publ)

Sales

Net sales in 2005 are reported at SEK 635.6 (214.2) million, of which SEK 23.0 (72.1) million referred to the fourth quarter. The increase is primarily due to the March 2005 acquisitions of TurnIT and IAR Systems, which are consolidated as of March 22. Organic growth was also substantial, particularly in distribution operations.

If TurnIT, IAR Systems, UNC Systems and Mtrust Solutions had been acquired on January 1, 2005, the Group's net sales would have amounted to SEK 723.5 million (see pro forma column below). Net sales do not include Arete AB and Arete Datastöd AB or the operations in Arete Affärssystem AB that were sold in the second quarter of 2005.

Reported sales by business area

Sales	Full year		3 months Oct-Dec		Pro forma
	2005	2004	2005	2004	2005
SEK million					
Distribution	509.7	196.9	195.2	68.2	572.2
Software	93.9	-	29.8	-	113.9
Services	32.0	17.3	9.0	3.9	37.4
Group	635.6	214.2	234.0	72.1	723.5

The figures for 2004 do not include SweDeltaco, Network Innovation, IAR Systems, Nocom Networks, UNC Systems or Mtrust Solutions.

Distribution

The Distribution business area is made up of Nocom Distribution, SweDeltaco and Network Innovation, and is focused on distribution of IT products via resellers and partners in the Nordic and Baltic countries.

Sales rose sharply in 2005 and reached SEK 509.7 (196.9) million for the full year, of which SEK 195.2 (68.2) million arose in the fourth quarter. The increase is mainly due to the acquisitions of SweDeltaco and Network Innovation, which are consolidated as of March 22. If the acquisitions had taken place on January 1, 2005, the business area's net sales would have been SEK 572.2 million.

The Distribution business area had a successful year with powerful growth and a stable earnings trend. In the fourth quarter SweDeltaco won its largest order of all time, worth a total of SEK 5.4 million, when a leading player in the Swedish grocery retail market purchased a large number of DVD players in preparation for the year's Christmas sales. Network Innovation enjoyed a robust quarter with solid sales of Epson and Quark and sizeable orders in Sweden and Norway. Nocom Distribution also ended the year strong with a number of major orders in the IT security area. Through its resellers in Sweden, Finland and the Baltic countries, Nocom has sold security solutions that include virus, firewall and antispam protection from the IT integrity solutions supplier Symantec. One of the orders consists of advanced intrusion detection from Symantec and is the single largest installation of its type in the region.

Software

The Software business area comprises IAR Systems, which is specialized in software for programming of microprocessors in embedded systems.

Sales for the full year 2005 totaled SEK 93.9 (-) million, of which SEK 29.8 (-) million referred to the fourth quarter. Sales are attributable in full to the acquired IAR Systems, which was consolidated on March 22. If the acquisition had taken place on January 1, 2005, the business area's net sales would have been SEK 113.9 million.

IAR Systems enjoyed excellent development in 2005, mainly due to the streamlining process that started in 2004 and has resulted in increased software revenue, both in absolute terms and as a percentage of sales. In 2005 IAR Systems was successful in many markets and achieved particularly strong sales growth in Germany, the USA and Asia. The increase in sales was primarily linked to chips embedded in the increasingly widespread ARM technology.

At the end of the fourth quarter IAR Systems signed another strategic development, maintenance and license agreement with a leading chip maker. Although the bulk of development work will take place in 2006, the maintenance and software license agreements extend until the end of 2009. The total order is worth an estimated SEK 8.3 million, of which around half will be recorded in 2006. The chip maker was

already an important business partner for IAR Systems and the new agreement will further cement this relationship with the choice of IAR Systems as strategic tool partner for yet another of its product divisions. IAR Systems will develop and deliver integrated development tools to the chip maker's customers. This was the year's third major development contract signed with a leading global manufacture. All of the contracts involve intensive development work and offer valuable potential for new orders and license revenue in coming years.

Services

The Services business area consists of Nocom Drift and Nocom Networks and, as of July 2005, also UNC Systems. The market offering includes advanced IT hosting services and a wide range of communication solutions, such as IP telephone web portal solutions.

Sales for the full year 2005 reached SEK 32.0 (17.3) million, of which SEK 9.0 (3.9) million was generated in the fourth quarter. The increase is due to the acquisition of Nocom Networks (formerly Arete Internet), consolidated as of March 22, and Nocom Networks' acquisition of UNC Systems AB, which is consolidated as of July 1. If the acquisitions had taken place on January 1, 2005, the business area's net sales would have been SEK 37.4 million.

The companies moved into shared premises during the summer and were organized under a joint President in early October. Additional synergies are anticipated and the companies are moving towards greater integration of their market offering. In December Nocom Networks signed an agreement with the Swedish Association of Refrigeration Contractors (KYL) for UNC Systems' web portal solution. UNC Systems has an established customer base among industry associations, small municipalities and non-profit organizations, and during the autumn launched a comprehensive web publication and content management solution (CMS) for the Comfort chain. The website covers some 120 member companies since the merger between Comfort, Sweden's largest retail plumbing supply chain, and REKO, the country's leading plumbing installation chain. This site is enabled for e-business.

Operating profit

Operating profit for 2005 was SEK 34.8 (13.9) million, of which SEK 18.7 (4.2) million was attributable to the fourth quarter. The acquired companies are consolidated as of March 22 (TurnIT and IAR Systems) and July 1 (UNC Systems).

Operating margin for the full year 2005 was 5.5 (6.5) percent. For the fourth quarter, operating margin was 8.0 (5.8) percent.

Reported operating profit by business area

Operating profit	Full year		3 months Oct-Dec		Pro forma
	2005	2004	2005	2004	2005
SEK million					
Distribution	26.1	21.9	13.8	6.8	33.4
Software	13.0	-	4.2	-	10.9
Services	-1.9	-1.1	0.1	-0.8	-2.1
Central	-2.4	-6.9	0.6	-1.8	-8.4
Group	34.8	13.9	18.7	4.2	33.8
Operating margin	5.5	6.5	8.0	5.8	4.7

The figures for 2004 do not include SweDeltaco, Network Innovation, IAR Systems, Nocom Networks, UNC Systems or Mtrust Solutions.

As part of the streamlining process initiated by IAR Systems in autumn 2004, the market offering has been concentrated in two product groups - IAR Embedded Workbench and Visual State. Development of Visual State was previously based in Denmark but has been gradually moved to the head office in Uppsala. Since the fourth quarter of 2005, no operations are conducted in the Danish company. Due to the limited scope to utilize tax losses between countries in the EU, the company was sold in December, generating a positive profit and liquidity effect of SEK 3.4 million that is included in the business area "Central" for the fourth quarter.

Arete AB and Arete Datastöd AB and the operations in Arete Affärssystem AB were sold in June. Because the sold assets were classified as "assets held for sale" and were therefore stated at net realizable value in the acquisition analysis, the sale had no effect on consolidated profit.

Following a review of disputes in TurnIT, the executive management set up a working group to pursue an earlier TurnIT dispute. As part of the

agreement, Nocom has received a sum of SEK 5.0 million and Nocom and its partner have gained greater freedom of action in ongoing handling of the dispute, which concerns a mutual third party. This item had a positive effect on profit and is reported above in the business area "Central" in the second quarter.

Distribution

Operating profit for the full year 2005 is reported at SEK 26.1 (21.9) million, of which 13.8 (6.8) in the fourth quarter. SweDeltaco and Network Innovation are consolidated as of March 22. If the acquisitions had taken place on January 1, 2005, the business area's operating profit would have been SEK 33.4 million.

The business area's operating margin was 5.1 percent for the full year and 7.1 percent for the fourth quarter. Higher sales in the traditionally strong final quarter contributed to improved profitability and all of the companies reported positive fourth quarter earnings.

SEK million	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Sales	509.7	196.9	195.2	68.2
Operating expenses	-478.8	-172.6	-180.1	-60.9
Depreciation of tangible assets	-3.6	-2.2	-1.0	-0.4
Amortization of tangible assets	-1.2	-0.2	-0.3	-0.1
Operating profit	26.1	21.9	13.8	6.8
Operating margin, %	5.1	11.1	7.1	10.0

The figures for 2004 do not include SweDeltaco, Network Innovation or Mtrust Solutions.

Software

Operating profit for the full year 2005 is reported at SEK 13.0 (-) million, of which SEK 4.2 (-) million arose in the fourth quarter. Operating profit is attributable in full to the acquired IAR Systems, which is consolidated as of March 22. If the acquisition had been made on January 1, 2005, the business area's operating profit would have totaled SEK 8.7 million, partly as a result of non-recurring costs that were charged to operating profit prior to March 22. Operating margin was 13.8 percent for the full year and 14.1 percent for the fourth quarter.

Focusing of operations and a stronger emphasis software led to growth in sales, particularly in the second half of the year, and a significant improvement in operating profit compared with 2004. Costs were also down from the 2004 level thanks to the sale of operations and synergies realized in connection with Nocom's acquisition of the company.

SEK million	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Sales	93.9	-	29.8	-
Operating expenses	-78.7	-	-24.8	-
Depreciation of tangible assets	-0.9	-	-0.3	-
Amortization of intangible assets	-1.3	-	-0.5	-
Operating profit	13.0	-	4.2	-
Operating margin, %	13.8	-	14.1	-

Services

Operating profit for the full year 2005 amounted to SEK -1.9 (-1.1) million, of which SEK 0.1 (-0.8) million referred to the fourth quarter. The acquired companies are consolidated as of March 22 (Nocom Networks, formerly Arete Internet) and 1 July (UNC Systems). If the acquisitions had been made on January 1, 2005, the business area's operating profit would have totaled SEK -2.1 million.

Profitability improved sharply in the second half of the year and the business area reported positive earnings. UNC Systems, a provider of web portal solutions, was acquired in July. The year's acquisitions and co-location of the business area's companies strengthened the Group's service offering and yielded tangible cost efficiencies. Since October 1, Fredrik Thelander is President of all companies in the business area.

SEK million	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Sales	32.0	17.3	9.0	3.9
Operating expenses	-30.5	-16.6	-8.0	-4.3
Depreciation of tangible assets				
Amortization of intangible assets	-0.3	-	-0.2	-
Operating profit	-1.9	-1.1	0.1	-0.8
Operating margin, %	-5.9	-6.4	1.1	-20.5

The figures for 2004 do not include Nocom Networks or UNC Systems.

In compliance with IFRS 5, Arete AB, Arete Datastöd AB and the operations in Arete Affärssystem AB have been classified as "assets held for sale" since these were sold in May, and are therefore not included in the figures above.

Goodwill

The acquisition analyses prepared in conjunction with Nocom's acquisitions of TurnIT, IAR Systems, UNC Systems and Mtrust Solutions were based on assessments at the respective acquisition dates. According to IFRS, a preliminary acquisition analysis may be adjusted during the twelve months following acquisition if the assessments made at the time of acquisition prove to be incorrect. Such adjustments to the preliminary acquisition analysis may affect goodwill identified in conjunction with the acquisition. If the current minority stockholders in TurnIT and IAR Systems accept Nocom's extended offers, the goodwill value may be subject to correction.

The acquisition analysis prepared in connection with the acquisition of TurnIT has been corrected with respect to the assessed value of tax loss carryforwards, which has been estimated based on TurnIT's future earning ability at the acquisition date. The correction was made in the acquisition analysis through a downward adjustment of SEK 14.1 million in the deferred tax asset and a corresponding upward adjustment in the value of goodwill. According to IAS 8, such correction affects the prior period balance sheet items "deferred tax assets" and "goodwill" but is not recognized in profit or loss.

Goodwill is attributable to profitability in the acquired operations and the expected synergy effects of the Group's acquisitions of TurnIT, IAR Systems, UNC Systems and Mtrust Solutions.

The fair value of issued shares and warrants is based on their quoted market prices. In cases where no quoted warrant price was available at the time of issue, the change in fair value of Nocom stock was used as a basis for calculating historical cost until the date on which a quoted price became available.

Goodwill rose by SEK 4.1 million in the fourth quarter and amounted to SEK 227.6 million at December 31, 2005. The increase in goodwill is due to adjustments in the preliminary acquisition balances and the issue of new shares during the quarter following acceptance of Nocom's offer by additional stockholders in TurnIT and IAR Systems.

Deferred tax asset

Deferred tax assets attributable to loss carryforwards are recognized only to the extent that it is probable that these can be offset against future taxable profits. At December 31, 2005, the Group had cumulative loss carryforwards of approximately SEK 442 million. In the balance sheet, the current estimated value of these losses is SEK 61.6 (19.6) million. This item consists of capitalized temporary differences and acquired loss carryforwards.

Deferred tax income is recognized in the fourth quarter following reassessment of the Group's future earning ability. The estimated value of loss carryforwards increased by SEK 27.6 million in the fourth quarter. Profit for previous quarters was charged with a deferred tax expense of SEK 4.5 million, corresponding to 28 percent of profit after financial items. In the income statement, deferred tax income of SEK 23.1 million is recognized for the full year. The remaining increase in this balance sheet item refers to acquired deferred tax assets.

Minority interest

The extended acceptance period for Nocom's tender offer to the stockholders in TurnIT and IAR Systems expired on November 1, 2005. At the end of the acceptance period, Nocom's offer had been accepted by stockholders in TurnIT representing around 86.4 percent of the capital stock and 87.5 percent of the votes. The Board of Nocom decided to further extend the acceptance period for stockholders in TurnIT until February 6, 2006. More information about this is provided under "Key events after the end of the reporting period".

In the case of IAR Systems, stockholders representing around 22.3 percent of the capital stock and votes had accepted Nocom's offer on November 1, 2005. Together with TurnIT's holding of approximately 74.9 percent, Nocom controls 97.2 percent of the capital stock and votes in IAR Systems. The Board of Nocom has decided not to extend the acceptance period for the offer to the stockholders IAR Systems. Nocom initiated compulsory redemption of IAR Systems on March 29, 2005.

Minority interest in TurnIT at December 31 was 13.6 percent of the capital stock and 12.5 percent of the votes. Minority interest in IAR Systems was 2.8 percent.

At December 31, 2005, minority interest amounted to SEK 14.0 million and is recognized in equity.

Comparative information

The acquisitions of TurnIT and IAR Systems have entailed a departure from the former division of primary segments into software and services. The bulk of Nocom's older operations are reported under the Distribution business area and the comparative figures for 2004 have been adjusted accordingly. Costs for the Parent Company, Group Management and IR/PR are reported centrally.

With effect from January 1, 2005, Nocom applies International Financial Reporting Standards (IFRS), formerly known as IAS, in compliance with the EU directive. The effects of the transition have been recognized through restatement of the opening equity balance for 2004. The comparative information for 2004 has been restated.

The results for 2004 have been positively affected by the transition to IFRS. The comparative information has been retrospectively restated for goodwill amortization in 2004. See also Note A for a more detailed description of the accounting policies.

Investments and financing

Corporate acquisitions had a powerful impact on the year's investments in tangible assets. Net investments amounted to SEK 44.1 (1.5) million, most of which is attributable to the property where the TurnIT company SweDeltaco conducts its operations and which is owned by a wholly-owned subsidiary of SweDeltaco.

Investments in tangible assets, SEK million	2005	2004
Distribution	32.9	1.3
Software	2.7	-
Services	7.2	0.0
Central	1.3	0.2
Total	44.1	1.5

The figures for 2004 do not include SweDeltaco, Network Innovation, IAR Systems, Nocom Networks, UNC Systems or Mtrust Solutions.

Interest-bearing liabilities increased by SEK 93.0 million through the acquisition of TurnIT. In the first half of the year, interest-bearing liabilities were amortized in the amount of SEK 48.5 million and totaled SEK 49.6 (3.6) million at December 31, 2005.

The equity/assets ratio at December 31 was 63 (48) percent.

The acquisitions of TurnIT and IAR Systems had a significant effect on the Group's pledged assets, which had risen to SEK 69.7 million at December 31, 2005. No changes in reported contingent liabilities have taken place.

Cash flows and liquid assets

SEK million	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Cash flow from operating activities	7.4	-7.5	15.5	5.7
Cash flow from investing activities				
Cash flow from financing activities				
Total cash flow	75.8	-4.2	14.8	5.1
Total available liquid assets	119.1	22.9	119.1	22.9

The figures for 2004 do not include SweDeltaco, Network Innovation, IAR Systems, Nocom Networks, UNC Systems or Mtrust Solutions.

The year's acquisitions have significantly improved the Group's financial position. A combination of stable positive cash flows in each of the business areas and a positive net cash flow for the Group is opening up new business opportunities. A large share of sales in the Distribution business area are booked late in the quarter, increasing tied-up capital in that quarter but pushing the positive effects on cash flow into the following quarter. Nocom's strong finances are making it possible to gain competitive advantages by aggregating purchasing volumes and raising the share of advance payment to suppliers. This is increasing the amount of capital tied up in inventory, but is also providing opportunities to strengthen profitability and relationships with customers that demand high volumes and fast delivery. For the Software business area, solid finances are providing scope for penetration of new markets and greater agility in strategic investments. The Services business area operates in a fiercely competitive market where most contracts run for many years. For the customers, Nocom's financial strength brings greater security to the business relationship.

Cash flow from operating activities was SEK 7.4 (-7.5) million for the full year and SEK 15.5 (5.7) million for the fourth quarter. As earlier in the year, a large share of sales took place late in the fourth quarter and considerable capital was tied up in accounts receivable at the end of the period. Although accounts receivable rose by nearly SEK 30 million and an additional SEK 18 million was tied up in inventories in the Distribution business area during the fourth quarter, cash flow for the period improved significantly.

Cash flow from investing activities totaled SEK 32.9 (-13.5) million for the full year and SEK -2.7 (-0.6) million for the fourth quarter. Cash flow consisted primarily of acquired liquid assets in TurnIT and IAR Systems and cash proceeds from the sale of Arete AB and Arete Datastöd AB, as well as the acquisitions of UNC Systems and the net assets of Mtrust Solutions.

Cash flow from financing activities was SEK 35.5 (16.8) million for the full year and SEK 2.0 (-) million for the fourth quarter. This cash flow was partly attributable to payments received for stock issued during the period and partly to amortization of interest-bearing liabilities.

At year-end, available liquid assets in continuing operations amounted to SEK 89.5 (13.7) million. In connection with the refinancing in May, Nocom chose to reduce its overdraft facility by SEK 50 million, which meant that the unutilized overdraft facility at the end of the period was SEK 29.6 (9.2) million. The Group's available liquid assets thus totaled SEK 119.1 million.

Personnel

The number of employees at year-end was 250 (92). The increase is mainly explained by the acquisitions of TurnIT and IAR Systems in March 2005.

No. of employees	December 31, 2005	December 31, 2004
Distribution	131	76
Software	95	-
Services	19	12
Central	5	4
Total	250	92

The figures for 2004 do not include SweDeltaco, Network Innovation, IAR Systems, Nocom Networks, UNC Systems or Mtrust Solutions.

The Nocom share

Nocom's Class B share is quoted on the O list of the Stockholm Stock Exchange. In 2005 the stock unit price varied from a low of SEK 3.73 (3.30) to a high of SEK 7.55 (6.25). The stock price on December 31 was SEK 7.25 (3.84). Nocom's market capitalization at December 31, 2005, was SEK 723 (123) million, including 679,814 subscribed and paid-up equity shares (BTA) that were converted in January.

The number of stockholders in Nocom at December 31, 2005, was 18,613 (5,647), of whom 1,151 (318) held more than 10,000 shares each. Foreign stockholders held around 13 (10) percent of the capital stock and 11 (8) percent of the votes.

New stock in Nocom was issued during the year in connection with ongoing acquisitions:

- 39,190,602 Class B shares were issued in conjunction with the acquisition of TurnIT.
- 5,094,940 Class B shares were issued in conjunction with the acquisition of IAR Systems.
- 10,985,567 Class B shares were issued in conjunction with the exercise of warrants in TurnIT for subscription to new shares in Nocom. The issue provided Nocom with around SEK 28.4 million in new capital after issue costs.
- 12,463,060 Class B shares were issued in conjunction with the exercise of warrants for subscription to new shares in Nocom. Through this issue, the Group raised around SEK 37.3 million in new capital after issue costs.

After the completed issues, Nocom's capital stock consists of 1,000,000 Class A shares and 98,779,673 Class B shares. All shares grant equal rights to the company's assets and profits. Class A shares carry ten votes each and Class B shares one vote each at general stockholder meetings, where each holder of voting stock is entitled to exercise the full number of votes held directly or by proxy without restriction.

Upon full exercise of the 10,763,626 outstanding warrants, Nocom will raise additional capital of approximately SEK 32.3 million by December 20, 2006, at the latest.

Nocom had no outstanding share-based incentive schemes as of December 31, 2005, which was also the case at the start of the year.

Dividend

The Board proposes that no dividend be paid for the financial year 2005.

2006 Annual General Meeting

The Annual General Meeting will be held at 6:00 p.m. on Wednesday, May 3, 2006, at Ingenjörshuset - Citykonferensen, Malmskillnadsgatan 46, in Stockholm. Starting in early April, Nocom's complete annual report will be available at the company's head office at Anderstorpsvägen 22 in Solna.

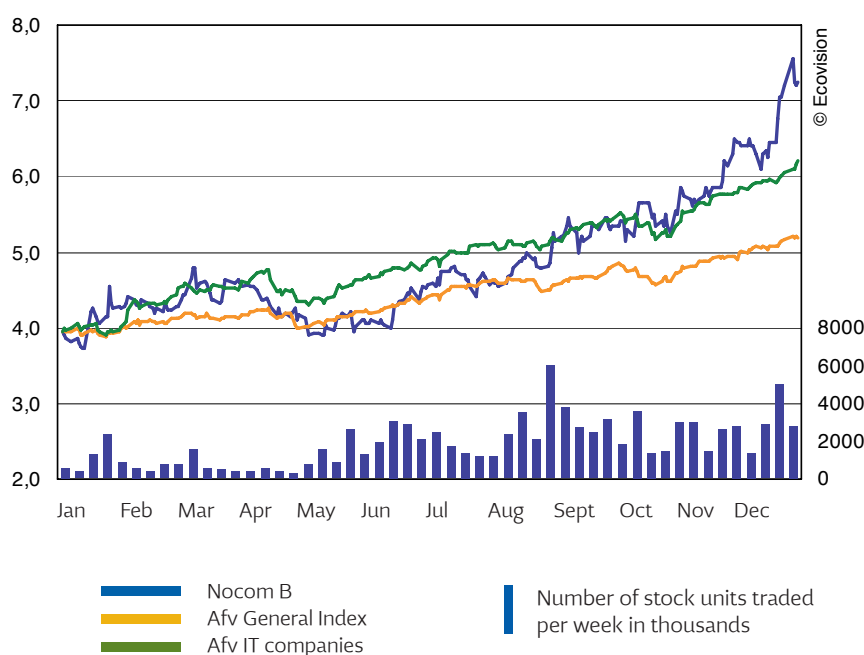
Parent Company

Operations in the Parent Company consist of group management and PR/IR functions. The Parent Company's net sales for 2005 are reported at SEK 7.5 (19.3) million. Profit after financial items was SEK -2.6 (-11.8) million.

Equity at December 31 was SEK 364.6 (51.4) million. Investments in tangible assets totaled SEK 1.3 (0.2) million. Available liquid assets at December 31 amounted to SEK 37.3 (0.1) million, including unutilized overdraft facilities of SEK 15.0 million.

The number of employees in the Parent Company at the end of the year was 4 (19). The change is due to reorganization.

Share price trend January – December 2005



Key events after the end of the reporting period

Starting in January 2006 Nocom AB is quoted on Attract 40 – the Stockholm Stock Exchange's segment for the most actively traded shares on the O list.

On February 1, Nocom Distribution announced plans to divide its operations into three separate companies as a means for increasing specialization and boosting profitability. Information security is the main area where focusing of resources and expertise is needed to establish a leading position in the Nordic market. The other two units will offer IT infrastructure and web analysis products with related services.

On November 1, 2005, Nocom's public offer to the stockholders in TurnIT was extended until February 6, 2006. At the end of the extended acceptance period, Nocom's offer had been accepted by stockholders representing approximately 86.5 percent of the capital stock and 87.6 percent of the votes. The Board of Nocom has therefore decided to further extend the offer until April 28, 2006.

In connection with compulsory redemption of the remaining shares in IAR Systems, the arbitration board ruled in January 2006 that Nocom has the right to redeem the shares in IAR Systems not currently held by Nocom. Furthermore, the arbitration board approved the collateral furnished for future redemption amounts through pledged deposits of SEK 4,650,000 on account in Swedish commercial banks. Subsequent to approval of this collateral, Nocom may be registered as the holder of the outstanding shares.

Outlook for 2006

In 2005 the Nocom the Group found its new form. The integration of TurnIT and IAR Systems has been successful and the cost-savings achieved through the acquisitions had a visible impact on profit. The focus now is on developing the Group's subsidiaries and we will be investing in all of the business areas to maximize the individual subsidiaries' capacity for expansion and earnings growth.

In the **Distribution** business area, the shrinking margins of recent years have leveled out and stabilized. For Nocom Distribution, growth has been driven mainly by the expansive IT security market. To further capitalize on this growth potential Nocom Distribution, the Nocom Group's original software distribution business, was divided into three separate companies in February 2006. Through more efficient resource utilization and greater specialization in their respective areas, we can capture new business opportunities and enhance profitability.

SweDeltaco has a strong position in the computer accessories market and is showing stable profitability. Network Innovation is well positioned in Sweden and will seek increased growth and profitability through expansion to new Nordic markets. We expect the entire business area to continue growing in 2006 and see potential for profitability gains relative to 2005.

IAR Systems, which makes up the **Software** business area, operates in an expansive international market. After recent years' successful shedding of non-core activities, leading to a lower proportion of consulting services, we believe the company is excellently poised to increase software sales in markets such as the USA and Asia. IAR Systems has a leading position in its market and in-depth knowledge in its field. We see major sales potential in the increasingly widespread ARM technology, which is already used by many world-leading chip makers.

The **Services** business area has undergone the most far-reaching changes and offers the greatest potential for business synergies. Ambitious measures in 2005 returned the business area to profitability in the second half of the year, despite the persistent challenges of aggressive competition and tight margins. In 2006 we see potential for additional synergies in Services, where a broader and more integrated offering is improving the scope for earnings growth.

We have entered 2006 as a strong and stable IT group. Our priority in the coming year is to leverage the potential still available – to boost profitability in Distribution, achieve growth in Software and realize additional synergies in Services – but we will do so without straying from our focus on long-term performance and profitability. The stability of our business, financial position and earnings gives us a solid platform on which to continue building the new Nocom Group.

Stockholm, Thursday, February 9, 2006



Stefan Skarin
Chief Executive Officer

The year-end report is based on Nocom's audited financial statements.

INCOME STATEMENTS, GROUP		Full year		3 months Oct-Dec	
SEK million	Note	2005	2004	2005	2004
Continuing operations	A				
Net sales		635.6	214.2	234.0	72.1
Operating expenses		-598.8	-195.9	-215.7	-66.9
Depreciation of tangible assets		-7.6	-4.2	-2.0	-0.9
Amortization of intangible assets		-2.8	-0.2	-1.0	-0.1
Other income		8.4	-	3.4	-
Operating profit		34.8	13.9	18.7	4.2
Result from financial investments		-0.8	-0.4	0.1	-0.3
Profit after financial items		34.0	13.5	18.8	3.9
Taxes		22.3	12.4	27.1	15.1
Profit for the period from continuing operations		56.3	25.9	45.9	19.0
Profit for the period from discontinued operations		0.7	-	-	-
Profit for the period		57.0	25.9	45.9	19.0
Profit for the period attributable to:					
Equity holders in the Parent Company		51.4	25.9	42.8	19.0
Minority interest		5.6	-	3.1	-
Earnings per share based on profit from continuing operations attributable to equity holders in the Parent Company during the period, SEK					
- before dilution		0.63	0.84	0.43	0.59
- after dilution		0.54	0.84	0.37	0.59
Earnings per share based on profit from discontinued operations attributable to equity holders in the Parent Company during the period, SEK					
- before dilution		0.01	-	-	-
- after dilution		0.01	-	-	-

SALES BY SEGMENT, GROUP		Full year		3 months Oct-Dec	
SEK million		2005	2004	2005	2004
Distribution		509.7	196.9	195.2	68.2
Software		93.9	-	29.8	-
Services		32.0	17.3	9.0	3.9
Total		635.6	214.2	234.0	72.1

BALANCE SHEETS, GROUP		Dec 31, 2005	Dec 31, 2004
SEK million			
ASSETS			
Fixed assets			
Goodwill		227.6	22.6
Other intangible assets		38.3	2.8
Tangible assets		46.3	9.8
Financial assets		63.3	19.3
Total fixed assets		375.5	54.5
Current assets			
Inventories		66.7	4.8
Other current assets		27.3	6.1
Accounts receivable		150.4	57.2
Cash and bank balances		89.5	13.7
Total current assets		333.9	81.8
TOTAL ASSETS		709.4	136.3
EQUITY AND LIABILITIES			
Total equity		448.9	65.7
Long-term liabilities			
Long-term interest-bearing liabilities		46.8	2.8
Provisions		16.6	-
Total long-term liabilities		63.4	2.8
Current liabilities			
Accounts payable		81.1	27.6
Interest-bearing liabilities		2.8	0.8
Provisions		2.4	-
Other current liabilities		110.8	39.4
Total current liabilities		197.1	67.8
TOTAL EQUITY AND LIABILITIES		709.4	136.3
Pledged assets		69.7	16.1
Contingent liabilities		-	-
Equity per share, SEK		4.50	2.05
Equity per share adjusted for full exercise of outstanding offers and warrants, SEK		4.41	2.05

CHANGES IN EQUITY, GROUP		Full year		3 months Oct-Dec	
SEK million		2005	2004	2005	2004
Equity at beginning of period		65.7	23.0	399.8	46.6
New stock issues		326.0	16.8	3.1	-
Exchange rate differences		0.2	-0.0	0.1	0.1
Profit for the period		57.0	25.9	45.9	19.0
Equity at end of period		448.9	65.7	448.9	65.7
- of which, minority interest in equity		14.0	-	14.0	-

CASH FLOWS, GROUP SEK million	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Payments from customers	639.2	198.5	205.8	47.1
Payments to suppliers and employees	-631.0	-205.4	-193.8	-41.1
Interest received	0.9	0.5	0.2	0.2
Interest paid	-1.8	-0.8	-0.2	-0.4
Income tax paid	0.1	-0.3	3.5	-0.1
Cash flow from operating activities	7.4	-7.5	15.5	5.7
Cash flow from investing activities	32.9	-13.5	-2.7	-0.6
Cash flow from financing activities	35.5	16.8	2.0	-
Cash flow for the period	75.8	-4.2	14.8	5.1
Liquid assets at beginning of period	13.7	17.9	74.7	8.6
Liquid assets at end of period	89.5	13.7	89.5	13.7
Unutilized overdraft facilities	29.6	9.2	29.6	9.2
Total available liquid assets	119.1	22.9	119.1	22.9

KEY RATIOS, GROUP	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Gross margin, %	5.8	8.5	7.9	7.2
Operating margin, %	5.5	6.5	8.0	5.8
Profit margin, %	5.3	6.3	8.0	5.4
Cash flow, %	1.2	-3.5	6.6	7.9
Equity/assets ratio, %	63.3	48.2		
Return on equity, %	22.2	58.4	10.8	33.8
Return on capital employed, %	12.6	29.9	4.0	7.1
Interest coverage ratio	20.0	18.5	123.8	11.0
Capital employed, SEK million	498.5	69.3		
Net interest-bearing liabilities, SEK million	-39.9	-10.1		
Net debt/equity ratio	-0.09	-0.15		
Number of employees at year-end	250	91		
Average number of employees	212	86	249	92
Sales per employee, SEK million	3.0	2.5	0.9	0.8

SHARE DATA	Full year		3 months Oct-Dec	
	2005	2004	2005	2004
Equity per share, SEK	4.50	2.05		
Equity per share adjusted for outstanding warrants, SEK	4.35	2.05		
Equity per share adjusted for full exercise of outstanding offers and warrants, SEK	4.41	2.05		
Number of shares at end of period, millions	99.8	32.0		
Number of shares at end of period, adjusted for outstanding warrants, millions	110.5	32.0		
Number of shares at end of period adjusted for full exercise of outstanding offers and warrants, millions	117.4	32.0		
Average number of shares, millions	80.6	30.8	99.6	32.0
Average number of shares adjusted for outstanding warrants, millions	89.0	20.8	110.3	32.0
Average number of shares adjusted for full exercise of outstanding offers and warrants, millions	94.3	30.8	117.2	32.0
Cash flow from operating activities per share, SEK	0.09	-0.24	0.16	0.18
Cash flow from operating activities per share adjusted for full exercise of outstanding offers and warrants, SEK	0.08	-0.24	0.13	0.18
Earnings per share, SEK	0.63	0.84	0.43	0.59
Earnings per share adjusted for outstanding warrants, SEK	0.57	0.84	0.39	0.59
Earnings per share adjusted for full exercise of outstanding offers and warrants, SEK	0.60	0.84	0.39	0.59

GROUP SEK million	Sales by quarter					Operating profit by quarter				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
2004	51.5	49.8	40.8	72.1	214.2	4.7	3.1	1.9	4.2	13.9
2005	60.5	176.7	164.4	234.0	635.6	-3.0	8.8	10.3	18.7	34.8

Note A – Accounting Principles

This consolidated interim report has been prepared according to IAS 34, Interim Financial Reporting, which is consistent with the requirements in the Swedish Financial Accounting Standards Council's (FASC) recommendation RR 31, Interim Reporting for Groups.

In the case of the Parent Company, FASC recommendation RR 32 has been applied in the preparation of this interim report.

The accounting standards applied in this interim report, with the exception of changed accounting standards arising from the transition to IFRS,

are described in the Group's 2004 annual report. The effects of transition to IFRS 2005 are presented below, where it is stated that International Financial Reporting Standards (IFRS) are applied as of 2005 and that the comparative information for 2004 has been restated in compliance with the new standards.

The comparative information for periods prior to 2004 is not restated to IFRS but is instead based on FASC recommendations and statements.

Transition to IFRS in 2005

As of January 1, 2005, Nocom prepares its consolidated accounts in compliance with IFRS. The interim report for the first quarter of 2005 was the company's first report issued according to IFRS. Until the end of 2004, Nocom applied the recommendations and statements of the Swedish Financial Accounting Standards Council (FASC). The transition to IFRS is reported in accordance with med IFRS 1, First-time Adoption of International Financial Reporting Standards, with the opening IFRS balance sheet date on January 1, 2004. IFRS 1 also requires that the comparative information for 2004 be restated according to IFRS. Financial information for reporting periods prior to 2004 is not restated. The general rule is that all applicable IFRS and IAS standards in force and endorsed by the EU on

December 31, 2005, must be applied retrospectively. However, IFRS 1 does allow some exceptions to the general rule which Nocom may elect to follow.

The changes caused by IFRS transition on the Group's accounting principles and the transition effects on the consolidated income statement and balance sheet are presented below. Each section that follows also presents the exceptions from full retroactive application that Nocom has elected to follow.

Effects on the income statement

Effects of transition to IFRS on the consolidated income statement SEK million	Full year 2004			3 months Oct-Dec 2004		
	Swedish GAAP	Effect of transition to IFRS	IFRS	Swedish GAAP	Effect of transition to IFRS	IFRS
Net sales	214.2		214.2	72.1		72.1
Operating expenses	-195.9		-195.9	-66.9		-66.9
Depreciation of tangible assets	-4.2		-4.2	-0.9		-0.9
Amortization of intangible assets	-3.9	3.7	-0.2	-1.1	1.0	-1.1
Operating profit	10.2		13.9	3.2		4.2
Result from financial investments	-0.4		-0.4	-0.3		-0.3
Profit after financial items	9.8		13.5	2.9		3.9
Taxes	12.4	0.0	12.4	15.1		15.1
Profit for the year	22.2		25.9	18.0		19.0
Attributable to equity holders in the Parent Company	22.2		25.9	18.0		19.0
Earnings per share, SEK	0.72		0.84	0.56		0.59

Profit according to Swedish GAAP SEK million	Full year 2004			3 months Oct-Dec 2004		
	Operating profit	Profit before tax	Profit for the period	Operating profit	Profit before tax	Profit for the period
Profit according to Swedish GAAP	10.2	9.8	22.2	3.2	2.9	18.0
Goodwill amortization	3.9	3.9	3.9	1.1	1.1	1.1
Amortization of brand	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Total adjustment in profit	3.7	3.7	3.7	1.0	1.0	1.0
Profit according to IFRS	13.9	13.5	25.9	4.2	3.9	19.0

Effects on the balance sheet

Effects of transition to IFRS on the consolidated balance sheet Balance sheet SEK million	Jan 1, 2004 (transition date)	
	Swedish GAAP	Effect of transition to IFRS
ASSETS		
Fixed assets		
Goodwill	10.1	10.1
Intangible assets	-	-
Tangible assets	11.0	11.0
Financial assets	11.0	11.0
Total fixed assets	32.1	32.1
Current assets		
Inventories	1.0	1.0
Other current assets	5.4	5.4
Accounts receivable	40.3	40.3
Cash and bank balances	17.9	17.9
Total current assets	64.6	64.6
TOTAL ASSETS	96.7	96.7
EQUITY AND LIABILITIES		
Total equity	23.0	23.0
Long-term interest-bearing liabilities	1.7	1.7
Current liabilities		
Accounts payable	23.1	23.1
Interest-bearing liabilities	1.4	1.4
Other current liabilities	47.5	47.5
Total current liabilities	72.0	72.0
TOTAL EQUITY AND LIABILITIES	96.7	96.7
Equity per share, SEK	0.81	0.81

Effects of transition to IFRS on the consolidated balance sheet		Sept 30, 2004			Dec 31, 2004	
SEK million	Swedish GAAP	Effect of transition to IFRS	IFRS	Swedish GAAP	Effect of transition to IFRS	IFRS
ASSETS						
Fixed assets						
Goodwill	23.1	0.6	23.7	20.9	1.7	22.6
Intangible assets	-	2.9	2.9	-	2.8	2.8
Tangible assets	10.3		10.3	9.8		9.8
Financial assets	4.2	-0.8	3.4	20.1	-0.8	19.3
Total fixed assets	37.6		40.3	50.8		54.5
Current assets						
Inventories	3.8		3.8	4.8		4.8
Other current assets	5.1		5.1	6.1		6.1
Accounts receivable	32.7		32.7	57.2		57.2
Cash and bank balances	8.6		8.6	13.7		13.7
Total current assets	50.2		50.2	81.8		81.8
TOTAL ASSETS	87.8		90.5	132.6		136.3
EQUITY AND LIABILITIES						
Total equity	43.9	2.7	46.6	62.0	3.7	65.7
Long-term interest-bearing liabilities	1.7		1.7	2.8		2.8
Current liabilities						
Accounts payable	13.9		13.9	27.6		27.6
Interest-bearing liabilities	2.0		2.0	0.8		0.8
Other current liabilities	26.3		26.3	39.4		39.4
Summa current liabilities	42.2		42.2	67.8		67.8
TOTAL EQUITY AND LIABILITIES	87.8		90.5	132.6		136.3
Equity per share, SEK				1.93		2.05

Effects on equity

Effects of transition to IFRS on equity, SEK million	Jan 1, 2004	Sept 30, 2004	Dec 31, 2004
Equity according to Swedish GAAP	23.0	43.9	62.0
Goodwill not amortized after the transition period	-	2.8	3.9
Amortization of brand	-	-0.1	-0.2
Tax effect of amortization of brand	-	-	0.0
Total equity adjustment	-	2.7	3.7
Equity according to IFRS	23.0	46.6	65.7

Elective exceptions to IFRS 1

IFRS 1 allows companies to make limited exceptions from fully retrospective application in eleven specific cases where the IASB has judged that the cost of complying would be likely to outweigh the benefits to users of financial statements. Nocom intends to apply two such exemptions, which are described below, while the other exceptions are judged to not be applicable to Nocom.

1. **Business Combinations:** Nocom has decided to apply the elective exemption concerning IFRS 3, Business Combinations, so that it need not be applied to acquisitions on or prior to January 1, 2004.
2. Nocom has decided to apply IAS 39 from January 1, 2005. The transition to IAS 39 as of January 1, 2005 has no effect on the Group's profit or financial position.

IFRS 3 Business Combinations

According to IFRS 3, intangible assets arising from business combinations are valued individually to a greater extent than prescribed by Swedish GAAP. Identifiable intangible assets acquired in business combinations are amortized over their estimated useful lives. Goodwill may no longer be amortized straight-line, but must instead tested for impairment at least annually.

In the acquisition carried out by Nocom in the spring of 2004, an intangible asset was identified in the form of a brand valued at SEK 3.0 million (carrying amount of SEK 2.8 million on December 31, 2004). The estimated useful life is five (5) years and amortization of SEK 0.2 million has been recognized in the IFRS income statement for 2004. The deferred tax liability attributable to the brand has been measured in accordance with IFRS 3 and amounted to SEK 0.8 million at December 31, 2004. The deferred tax liability will be released as the goodwill is amortized.

In accordance with IFRS 3, goodwill may no longer be amortized and must instead be tested for impairment on a regular basis (at least annually). Nocom has decided to conduct such measurement on the last day of December each year (or more frequently if circumstances indicate a possible impairment). Goodwill was assessed on January 1, 2004, and on December 31, 2004, without any indication of impairment. For Nocom this meant that the IFRS income statement for 2004 was positively affected in the amount of SEK 3.9 million pertaining to goodwill amortization.

Financial calendar:

Interim report	January - March 2006	May 3, 2006
Interim report	January - June 2006	August 23, 2006
Interim report	January - September 2006	November 8, 2006

The Annual General Meeting will be held at 6:00 p.m. on May 3, 2006, at Ingenjörshuset - Citykonferensen, Malmskillnadsgatan 46, in Stockholm.

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This report is available in Swedish and English. The English version is virtually identical to the Swedish report. In the event of discrepancies between the Swedish and English versions, the Swedish version takes precedence.

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