

INDUTRADE

INTERIM REPORT JANUARY 1 – MARCH 31, 2005

Continued strong earnings and favorable returns

- Net sales totaled SEK 828 M (841). Adjusted for currency effects and acquisitions, net sales decreased by 2% compared with the year-earlier period.
- Operating income amounted to SEK 52 M (52), which was equal to the year earlier period. Income after financial items was SEK 50 M (50).
- Income after tax totaled SEK 35 M (32), up 8%.
- The return on operating capital for the most recent 12-month period increased to 24% (20).
- Subsequent to the reporting period, the company has begun preparations for a listing on the Stockholm Stock Exchange's O List during the second half of 2005.

Indutrade in brief

Indutrade is a wholly-owned subsidiary of Industrivärden. The company is active within the industrial technology sector offering components and systems and also within development, production and marketing of proprietary products. The products typically have a high technological content and have the industries of northern Europe as their market.

The Group is divided into four business areas, Engineering & Equipment, Flow Technology, Industrial Components and Special Products. The operating companies act independently, with responsibility for both the business operations and the development of customer and supplier relations.

Group sales totaled SEK 3,486 M in 2004, generating operating income of SEK 256 M, corresponding to an operating margin of 7.3% and a return on capital employed of 23.5%.

In this report, all amounts related to 2004 have been adjusted in accordance with IFRS and are comparable with the outcome for 2005. Figures within parentheses pertain to the first quarter of 2004.

Sales and earnings

Net sales during the first quarter of 2005 amounted to SEK 828 M (841). Adjusted for acquisitions (SEK 9 M) and negative currency effects (SEK 5 M), net sales totaled SEK 824 M. The gross margin rose by 0.9 percentage points to 32.8% due to a decline in project orders generating lower margins. Valves, pumps and instruments were the product areas that performed best during the first quarter of the year, as did those companies that deliver components to the heavy vehicle industry. A slightly weaker trend in relation to the year-earlier period was noted for those companies that deliver components to pharmaceutical and packaging machinery industries and to the German and Dutch markets.

Order bookings during the first quarter of the year totaled SEK 888 M (898).

Income after financial items amounted to SEK 50 M (50), corresponding to a profit margin of 6% (5.9%). The acquisition of Granaths Hårdmetall AB in December 2004 had only a marginal impact on consolidated earnings.

The return on operating capital for the most recent 12-month period increased to 23.7% (19.8%).

Performance per quarter SEK M	2005	2004					Change, % Q1 05/ Q1 2004
	Q1	Q1	Q2	Q3	Q4	Full year	
Net sales	828	841	903	835	907	3 486	-2%
Operating income	52	52	75	73	56	256	0%
Income after financial items	50	50	71	70	52	243	0%
Income after tax	35	32	54	48	34	168	8%
							Percentage points
Operating margin, %	6.3	6.1	8.3	8.7	6.1	7.3	0.2%
Profit margin before tax, %	6.0	5.9	8.0	8.4	5.7	7.0	0.1%
Return on capital employed, %*	23.7	19.8	21.6	22.6	23.5	23.5	3.9%

* Return on capital employed pertains to rolling 12 month periods

Development in brief by business area

Engineering & Equipment

Engineering & Equipment offers customized niche products, design solutions, after-market service and special processing. The business area's products are primarily flow products, hydraulics, industrial equipment and transmissions.

Sales rose by 8% to SEK 307 M (284), primarily as a result of the acquisition in the spring of 2004 of a product line within process automation. Operating income increased to SEK 21 M (20), an improvement of SEK 1 M.

Flow Technology

Flow Technology offers components and systems for the automatic management, control and monitoring of flows. The main products are valves, pumps and measurement and analytical instruments.

The decrease in sales to SEK 201 M (217) was partially offset by a higher operating margin, due to the lower number of project orders. Operating income, which totaled SEK 10 M (11), was SEK 1 M lower than in the year-earlier period.

Industrial Components

Industrial Components offers a wide range of technically advanced components and systems used for production and maintenance. The products comprise fasteners, filters, adhesives and cutting tools.

Sales amounted to SEK 164 M (163), in line with the year-earlier period, while the operating margin improved. Operating income totaled SEK 10 M, an improvement of SEK 2 M from the year-earlier period.

Special Products

Special Products offers specially manufactured niche products, design solutions, after-market service, assembly and special processing. The products include temperature sensors, special plastics, tool holders and electrical components.

The business area experienced a weaker sales trend totaling SEK 161 M (182), down 12% compared with the year-earlier period. The deviation was due to a one-off transaction of SEK 15 M booked in the first quarter of 2004 and to the fact that a customer temporarily suspended production during the first two months of the year, which reduced sales by approximately SEK 10 M. Operating income amounted to SEK 17 M, a decrease of SEK 4 M, which is a direct result of the reduction in sales.

Financial position, cash flow and investments

At the end of the period, the equity/assets ratio amounted to 44% (40), equivalent to the level at the start of the period. Interest-bearing net indebtedness, less cash and cash equivalents, amounted to SEK 119 M (187) compared with SEK 97 M at the beginning of the year. In addition, there were unutilized credit facilities amounting to SEK 110 M (112)

Cash flow from operating activities amounted to SEK 21 M (19), including investments of SEK 8 M (7) and divestments of SEK 1 M (2).

Personnel

At the end of the period, the number of employees was 1,441 (1,401), compared with 1,422 in December 2004. Between March 31, 2004 and March 31, 2005, a total of 15 employees were added in connection with acquisitions. Compared with the end of 2004, the increase due to acquisitions was 8.

Parent Company

The Parent Company's sales for the first quarter amounted to SEK 2 M (2) and its income after financial items totaled SEK 89 M (101). Earnings included dividends from subsidiaries amounting to SEK 96 M (113). The Parent Company's cash and cash equivalents amounted to SEK 35 M (120) at the end of March 2005. The Parent Company's investments in fixed assets amounted to SEK 1 M (0). The number of employees on March 31 was 7 (9).

Accounting principles

As of January 1, 2005, Indutrade compiles its financial reports in accordance with the International Financial Reporting Standards. The ordinance states that all exchange-listed companies within the EU must apply IFRS in their consolidated accounts. The interim report for the first quarter of 2005 is the first report that the company has issued in accordance with IAS 34, Interim Reporting. Up to the end of 2004, Indutrade applied the Financial Accounting Standards Council's recommendations and statements. Since the transition to IFRS is reported in accordance with IFRS 1, the transitional date is January 1, 2004, because the comparative year 2004 is also reported in accordance with IFRS (with the exception of IAS 39, Financial Instruments: Recognition and Measurement, which is applied as of January 1, 2005). The effects of the transition to IFRS, as presented in this interim report, are preliminary and could be amended, since a review of certain IFRS/IAS recommendations is still under way.

The accounting standards that will have the greatest impact on Indutrade's accounts are IFRS 3, Business Combinations including goodwill, IAS 32 Financial Instruments: Disclosure and Presentation, and IAS 19, Employee Benefits. In addition, IAS 17, pertaining to the accounting of financial leasing agreements, will have a certain effect on the accounts. IFRS 3 states, among other rules, that goodwill may no longer be amortized according to plan.

Instead, an impairment must be posted if the carrying value of an asset exceeds the higher of the net realizable value and a present value calculation of future cash flow and the calculated residual value. Impairment tests are to be conducted continuously and any impairment requirement is to be charged against the income statement (IAS 36). Otherwise, the goodwill value remains unchanged. This would have had a positive impact of SEK 27 M, net, on earnings for the 2004 fiscal year, as a result of the reversal of goodwill amortization in connection with the introduction of IFRS 3.

IAS 32 pertains to how financial instruments should be classified in the balance sheet and what information is to be issued to facilitate the understanding of how financial instruments influence a company's earnings, financial position and cash flow.

IAS 19 mainly affects Indutrade's reporting of pensions. Initially, in connection with its introduction on January 1, 2004, it had a negative effect on shareholders' equity (after taking deferred tax into account) of SEK 15 M, net. In addition, by the end of 2004 Indutrade had exercised the possibility of reporting the total effect of actuarial gains and losses pertaining to pensions directly against shareholders' equity, after taking into account deferred income tax and payroll tax (net negative effect of 13)

Financial leasing agreements pertaining mainly to vehicles, which had previously been reported as operational leasing, are reported as financial leasing in accordance with IAS 17. The change affects both assets and interest-bearing liabilities by approximately SEK 30 M, and also requires a reclassification of leasing charges as depreciation and financial expense.

In accordance with IFRS 1, translations differences attributable to shareholders' equity in foreign subsidiaries have been reset to zero on January 1, 2004.

The other new standards have either no impact or only a marginal impact on the Indutrade Group's earnings and financial position.

The effect of the above new standards on the consolidated financial statements and on Indutrade's earnings and financial position, both initially in 2004 and continuously for the 2004 and 2005 fiscal years, and of the other changes in the accounting principles resulting from the introduction of IFRS, are presented on pages 6-9 of this interim report.

Indutrade AB Box 6044, SE-164 06 Kista, Sweden
Office address: Raseborgsgatan 9
Telephone: +46 8 703 03 00
Telefax: +46 8 752 79 39
E-mail: info@indutrade.se
www.indutrade.se



Events after the end of the interim report period

Listing of Indutrade

The Board of Directors of Industrivärden decided at the end of April to implement a diversification of ownership of Indutrade shares and an initial public listing of the Indutrade shares during the second half of 2005. Industrivärden intends to remain a long-term owner, retaining approximately 35% of the shares.

Stockholm, May 20, 2005
Indutrade AB

Johnny Alvarsson
President and Chief Executive Officer

For further information, please contact:
Johnny Alvarsson, President and Chief Executive Officer (Tel: +46 8 703 03 00)

For further information about Indutrade, please visit the www.indutrade.se website.

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

Forthcoming reporting occasions

The interim report on January-June 2005 will be published on August 9, 2005.

INDUTRADE GROUP'S INCOME STATEMENT

SEK M	2005	2004	2004
	Jan-March	Jan-March	Full year
Net sales	828	841	3 486
Cost of goods sold	-556	-572	-2 358
Gross income	272	269	1 128
Development costs	-3	-3	-11
Selling costs	-175	-169	-687
Administrative costs	-41	-45	-169
Other revenues and costs	-1	0	-5
Operating income*	52	52	256
Net financial items	-2	-2	-13
Income after financial items	50	50	243
Tax	-15	-18	-75
Net income for the period**	35	32	168
*Amortization	11	12	48
**Effect on net income of the introduction of IFRS:			
Reported income in accordance with former accounting principles		25	141
Effect of fact that goodwill is no longer amortized		7	29
Effect of goodwill impairment		-	-2
Income for the period in accordance with IFRS		32	168

BUSINESS AREAS

SEK M	Net sales		Operating income	
	2005	2004	2005	2004
	Jan-March	Jan-March	Jan-March	Jan-March
Engineering & Equipment	307	284	21	20
Flow Technology	201	217	10	11
Industrial Components	164	163	10	8
Special Products	161	182	17	21
Parent Company and Group items	-5	-5	-6	-8
Indutrade Group	828	841	52	52

KEY DATA

	2005 Jan-March	2004 Jan-March	2004 Full year
Operating margin, %	6.3	6.2	7.3
Return on capital employed, % (12 months)	23.7	19.8	23.5
Interest-bearing net indebtedness, SEK M	259	311	281
Net debt/equity ratio, %	34.7	43.9	39.7
Equity/assets ratio, %	43.9	40.3	43.3

INDUTRADE GROUP'S BALANCE SHEET

SEK M	2005 March 31	2004 March 31	2004 Dec 31
Goodwill	157	168	156
Intangible fixed assets	14	3	15
Tangible fixed assets	276	263	277
Financial fixed assets	19	21	18
Inventories	580	581	556
Accounts receivable	470	482	461
Other current assets	66	56	56
Cash and cash equivalents	119	187	97
Total assets	1 701	1 761	1 636
Shareholders' equity	747	709	708
Long-term interest-bearing liabilities	174	309	175
Long-term interest-free liabilities	25	35	24
Current interest-bearing liabilities	204	189	204
Accounts payable	279	273	263
Other current interest-free liabilities	272	246	262
Total shareholders' equity and liabilities	1 701	1 761	1 636

CHANGE IN GROUP EQUITY

SEK M	2005	2004	2004
	Jan-March	Jan-March	Jan-Dec
Opening shareholders' equity according to former accounting principles	708	688	688
Effect of new accounting principles *	-	-15	-15
Opening shareholders' equity	708	673	673
Repayment of shareholder contribution	-	-	-50
Submitted Group contributions	-	-	-91
Tax effect on submitted Group contributions	-	-	25
Actuarial pension effects	-	-	-13
Translation differences	4	4	-4
Net income for the period	35	32	168
Closing shareholders' equity	747	709	708

***Effect of new accounting principles at January 1, 2004**

Effect of introduction of pension reporting (IAS 19)	-15	-15
	-15	-15

RECONCILIATION OF SHAREHOLDERS' EQUITY BASED ON FORMER ACCOUNTING PRINCIPLES COMPARED WITH SHAREHOLDERS' EQUITY ACCORDING TO IFRS

SEK M	2004	2004	2004
	Jan 1	March 31	Dec 31
Shareholders' equity according to former accounting principles	688	702	694
Effect of goodwill no longer being amortized (IFRS 3)	-	7	29
Effect of goodwill impairment (IAS 36)	-	-	-2
Effect of introduction of pension reporting (IAS 19)	-15	-	-
Actuarial pension effects (IAS 19)	-	-	-13
Adjusted shareholders' equity according to IFRS	673	709	708

INDUTRADE GROUP'S CASH-FLOW STATEMENT

	2004 Jan- March	2004 Jan- March	2004 Full year
Operating income after financial items	50	50	243
Adjustment of items not included in cash flow	9	12	45
Tax paid	-4	-14	-37
Change in working capital	-27	-24	18
Cash flow from current operations	28	24	269
Net investment in fixed assets	-7	-5	-24
Company acquisitions and divestments	-	-	-14
Cash flow from investing	-7	-5	-38
Net borrowing	1	-1	-157
Paid-out Group contribution and shareholder contribution	-	-	-144
Cash flow from financing	1	-1	-301
Cash flow during the period	22	-18	-70
Cash and cash equivalents at beginning of period	97	168	168
Translation difference	0	1	-1
Cash and cash equivalents at end of period	119	187	97

ANNUAL ACCOUNTS FOR 2004 RECALCULATED IN ACCORDANCE WITH IFRS

Consolidated balance sheet	Note	According to 2004 annual report	Adjustment according to IFRS	According to IFRS 2004
Intangible fixed assets	1	144	27	171
Tangible fixed assets	2	247	30	277
Other financial fixed assets	3	12	6	18
Inventories		556	-	556
Accounts receivable		461	-	461
Other current assets		56	-	56
Cash and cash equivalents		97	-	97
Total assets		1573	63	1 636
Shareholders' equity	4	694	14	708
Provisions	3,5	100	19	119
Long-term interest-bearing liabilities	2	50	30	80
Current interest-bearing liabilities		204	-	204
Current interest-free liabilities		525	-	525
Total shareholders' equity and liabilities		1 573	63	1 636

Note 1

Effect of goodwill no longer being amortized (IFRS 3)	29
Effect of goodwill impairment (IAS 36)	-2
	27

Note 2

Effect of previously reported operational leasing now being reported as financial leasing (IAS 17)	30
--	----

Note 3

Effect of actuarial losses on pension liability (IAS 19)	19
Deferred income tax asset attributable to actuarial losses	6

Note 4

Effect of goodwill no longer being amortized continuously	29
Effect of goodwill impairment	-2
Effect of actuarial losses on pension liability	-19
Deferred income tax asset attributable to actuarial losses	6
	14

Note 5

In accordance with IFRS, provisions will be reclassified and distributed between long and short-term interest-bearing liabilities