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INDUTRADE

INTERIM REPORT JANUARY 1 – JUNE 30, 2005

Earnings and return trends remain favorable

- **Net sales rose 5% to SEK 1,823 M (1,744). Adjusted for currency effects and acquisitions, net sales increased by 3% compared with the year-earlier period.**

- **Operating income before amortization of intangible fixed assets (EBITA) rose by 14% to SEK 148 M (130). Income after financial items increased by 16% to SEK 141 M (122).**

- **Income after tax amounted to SEK 102 M (86), up 19%.**

- **The return on operating capital for the most recent 12-month period increased to 25% (24).**

- **On June 27, Indutrade acquired the Dutch technology group Hanwel, which reported sales of SEK 171 M and healthy profitability in its most recent fiscal year.**

- **The preparations required ahead of Indutrade's initial listing on the Stockholm Stock Exchange's O List during the second half of the year continue as planned.**

Indutrade in brief
Indutrade markets and sells components, systems and services with a high-tech content within selected niches. The Group creates value for its customers by structuring the value chain and increasing the efficiency of its customers' use of technological components and systems. For the Group's suppliers, value is created through the offering of an efficient sales organization with solidly developed customer relations.

The Group is divided into four business areas, Engineering & Equipment, Flow Technology, Industrial Components and Special Products.

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 half of 2004.
Indutrade AB (publ) is a subsidiary of AB Industrivärden (publ), whose shares are listed on the Stockholm Stock Exchange's A List.

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Sales and earnings

Net sales during the first half of 2005 amounted to SEK 1,823 M (1,744), including acquisitions of SEK 17 M and positive currency effects of SEK 6 M. The gross margin rose by 0.5 percentage points to 32.9% because project orders generating lower margins declined in relation to other sales. Valves, pumps and instruments were the product areas that performed best during the first half of the year, as did those companies that deliver components to the construction machinery 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 half of the year totaled SEK 1,905 M (1,856).

Operating income before amortization of intangible fixed assets (EBITA) amounted to SEK 148 M (130), corresponding to an operating margin before amortization of intangible fixed assets (EBITA margin) of 8.1% (7.5). The acquisition of Granaths Hårdmetall AB in December 2004 had only a marginal impact on consolidated earnings. The financial net amounted to an expense of SEK 5 M (expense: 6), while tax on net income for the period totaled SEK 39 M (36).
The return on operating capital for the most recent 12-month period increased to 25% (24).

Performance per quarter SEK M	**2005 April-June**	2004 April-June	**2005 Jan-June**	2004 Jan-June	2004 Full year	Change, % Jan-June 05/04
Net sales	**995**	903	**1 823**	1744	3 486	5%
EBITA	**95**	77	**148**	130	264	14%
Income after financial items	**91**	72	**141**	122	243	16%
Income after tax	**67**	54	**102**	86	168	19%
						Percentage points
EBITA margin, %	**9.5**	8.5	**8.1**	7.5	7.6	0.6%
Return on operating capital, %	**25.3**	24.4	**25.3**	24.4	26.0	0.9%

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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 11% to SEK 678 M (611), primarily as a result of organic growth within the business area's Finnish operations. EBITA amounted to SEK 62 M (48), an improvement of SEK 14 M or 29%.

Flow Technology

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

Sales rose by 6% to SEK 466 M (441), entirely as a result of organic growth. EBITA increased by SEK 1 M to SEK 31 M (30).

Industrial Components

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

Sales totaled SEK 339 M (336), an increase of SEK 3 M that was attributable to acquisitions. EBITA amounted to SEK 24 M, in line with 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.

Sales totaled SEK 350 M (367), down 5% 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. EBITA amounted to SEK 43 M, an increase of SEK 2 M, which derived from an improvement in gross margins.

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Financial position

Shareholders' equity amounted to SEK 594 M (710) and the equity/assets ratio was 31% (42). Cash and cash equivalents amounted to SEK 64 M (87), compared with SEK 97 M at the beginning of the year. In addition, there were unutilized credit facilities amounting to SEK 103 M (100). Interest-bearing net indebtedness, following a deduction for cash and cash equivalents, amounted to SEK 614 M (316). The net debt/equity ratio was 103% (45).
The decrease in shareholders' equity and the equity/assets ratio, as well as the increase in net indebtedness, was due in part to the payment of dividends and Group contributions and the repayment of shareholder contributions, in a combined amount of SEK 301 M, and to the acquisition of Hanwel B.V. During the spring, the Parent Company established an overdraft facility of SEK 200 M (with SEB) and raised a loan of SEK 132 M (with SHB).

Cash flow

Cash flow from operating activities amounted to SEK 86 M (88). Cash flow after net investments in tangible fixed assets, excluding company acquisitions, amounted to SEK 70 M (72).

Investments and depreciation

The Group's net investments, excluding company acquisitions, totaled SEK 16 M (16). Depreciation of tangible fixed assets amounted to SEK 23 M (21).

Personnel

At the end of the period, the number of employees was 1,510 (1,409), compared with 1,422 in December 2004. Between June 30, 2004 and June 30, 2005, a total of 76 employees were added in connection with acquisitions. Compared with the end of 2004, the increase due to acquisitions was 69.

Acquisitions

On June 27, 2005 the Dutch subsidiary Hitma B.V. acquired all of the shares in Hanwel B.V., a Dutch technology group. The purchase price for the shares was EUR 14.2 M.

Parent Company

Indutrade AB's main duties are responsibility for business development, major acquisitions, financing, analysis and business control. During the first half of the year, the Parent Company's sales, which consisted entirely of the internal invoicing of services, amounted to SEK 4 M (4) and its income after financial items totaled SEK 82 M (110). The earnings included dividends from subsidiaries amounting to SEK 96 M (113).

The Parent Company's cash and cash equivalents, excluding unutilized credit facilities, amounted to SEK 0 M (25). Unutilized credit facilities amounted to SEK 40 M (49). Lending to subsidiaries has risen as a result of a long-term loan provided to Hitma B.V., pertaining to the financing of the acquisition of Hanwel B.V. The Parent Company's investments in fixed assets amounted to SEK 1 M (0). The number of employees on June 30 was 7 (9).

Accounting principles

As of January 1, 2005, Indutrade compiles its financial reports in accordance with the International Financial Reporting Standards (IFRS/IAS, in the format adopted by the European Union, with the exception of the IAS 19 amendment). The ordinance states that all exchange-listed companies within the EU must apply IFRS in their consolidated accounts. The interim report for the first half of 2005 is the first report that the company has issued in accordance with IAS 34, Interim Reporting. The interim report has also been compiled in accordance with RR 31, Interim Reporting for Groups, and with the Annual Accounts Act. 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. 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.

When applying IFRS 1, certain exceptions from the rule of retroactive application are permissible and Indutrade has decided on the following:

- To apply IFRS 3, Business Combinations, in a forward-looking manner as of the transitional date of January 1, 2004.
- On the transitional date, to reset to zero all translation differences, in accordance with IAS 21, Effects of Changed Exchange Rates.
- To apply IAS 39, Financial instruments: Recognition and Measurement, as of January 1, 2005.

The accounting standards that will have the greatest impact on Indutrade's accounts are IFRS 3, Business Combinations, 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, but at least once annually, 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 and taking into account the possible impairment requirement.

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). A prerequisite for recognizing the actuarial gains and losses is that the EU approves the IAS 19 amendment. If this is not amended, the amount concerned will be reversed.

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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 IAS 39, the market value of financial derivatives must be assessed continuously. The Group hedges its purchases of foreign currency, primarily through sales in the same currency as the purchasing currency and through currency clauses. Currency forward contracts are also used to a certain extent. Indutrade does not intend to apply hedge accounting, which could give rise to a certain amount of volatility in both the income statement and the balance sheet. This volatility will not affect the Group's cash flow. At the end of June 2005, the Group had outstanding currency forward contracts in an amount corresponding to SEK 3 M in order to reduce the future currency risk in GBP and of SEK 1 M to cover the risk in USD. A market valuation of these contracts gave rise to a positive impact on the income statement of SEK 0.1 M.

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

Indutrade is exposed to a translation risk when the net assets of foreign subsidiaries are converted into the currency used by the Group. The Group stopped hedging this risk during the third quarter of 2004.

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 7-12 of this interim report.

Other – Initial Listing of Indutrade
Indutrade AB is currently a wholly owned subsidiary of AB Industrivärden. 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, August 15, 2005
Indutrade AB

Johnny Alvarsson
President and Chief Executive Officer

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Auditors' examination report
We have reviewed this interim report and in this connection have followed the recommendation issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is substantially more limited than an audit. Nothing has come to light that indicates that the interim report does not fulfill the requirements of the Annual Accounts Act and IAS 34.

Malmö, August 15, 2005

Öhrlings PricewaterhouseCoopers AB

Ulf Pernvi
Authorized Public Accountant

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

Forthcoming reporting occasions
The interim report on January-September 2005 will be published on October 31, 2005.

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INDUTRADE GROUP'S INCOME STATEMENT

SEK M	**2005 April-June**	2004 April-June	**2005 Jan-June**	2004 Jan-June	2004 Jan-Dec
Net sales	**995**	903	**1 823**	1 744	3 486
Cost of goods sold	**-668**	-607	**-1 224**	-1 179	-2 367
Gross income	**327**	296	**599**	565	1 119
Development costs	**-3**	-3	**-6**	-6	-11
Selling costs	**-184**	-175	**-359**	-344	-677
Administrative costs	**-45**	-42	**-86**	-87	-175
Other revenues and costs	**-1**	0	**-2**	0	0
Operating income	**94**	76	**146**	128	256
Net financial items	**-3**	-4	**-5**	-6	-13
Income after financial items	**91**	72	**141**	122	243
Tax	**-24**	-18	**-39**	-36	-75
Net income for the period*	**67**	54	**102**	86	168
Amortization of intangible fixed assets	**-1**	-1	**-2**	-2	-6
Impairment of intangible fixed assets					-2
Depreciation of tangible fixed assets	**-13**	-10	**-23**	-21	-40
Operating income before amortization of intangible fixed assets (EBITA)	**95**	77	**148**	130	264
*Effect on net income of the introduction of IFRS					
Reported income in accordance with former accounting principles		46		71	141
Effect of fact that goodwill is no longer amortized:					
Cost of goods sold		6		11	20
Selling costs		2		4	9
Effect of goodwill impairment					-2
Income for the period in accordance with IFRS		54		86	168

BUSINESS AREAS

	Net sales				EBITA			
	2005 April-June	2004 April-June	**2005 Jan-June**	2004 Jan-June	**2005 April-June**	2004 April-June	**2005 Jan-June**	2004 Jan-June
Engineering & Equipment	**371**	327	**678**	611	**40**	28	**62**	48
Flow Technology	**265**	224	**466**	441	**21**	19	**31**	30
Industrial Components	**175**	173	**339**	336	**14**	16	**24**	24
Special Products	**189**	185	**350**	367	**26**	20	**43**	41
Parent Company and Group items	**-5**	-6	**-10**	-11	**-6**	-6	**-12**	-13
Indutrade Group	**995**	903	**1823**	1744	**95**	77	**148**	130

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KEY DATA

		2005 Jan-June	2004 Jan-June	2004 Full year
EBITA margin, %		**8.1**	7.5	7.6
Return on operating capital, %	(12 months)	**25.3**	24.4	26.0
Interest-bearing net indebtedness, SEK M		**614**	316	282
Net debt/equity ratio, %		**103.4**	44.5	39.8
Equity/assets ratio, %		**31.0**	42.4	43.3

INDUTRADE GROUP'S BALANCE SHEET

SEK M	**2005 June 30**	2004 June 30	2004 Dec 31
Goodwill	**240**	170	156
Other intangible fixed assets	**47**	4	15
Tangible fixed assets	**283**	257	277
Financial fixed assets	**30**	20	18
Inventories	**619**	573	556
Accounts receivable	**566**	496	461
Other current assets	**68**	68	56
Cash and cash equivalents	**64**	87	97
Total assets	**1 917**	1 675	1 636
Shareholders' equity	**594**	710	708
Long-term interest-bearing liabilities	**309**	233	175
Long-term interest-free liabilities	**30**	28	24
Current interest-bearing liabilities	**369**	170	112
Interest-free liabilities to Group companies	**-**	-	92
Accounts payable	**305**	273	263
Other current interest-free liabilities	**310**	261	262
Total shareholders' equity and liabilities	**1 917**	1 675	1 636

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CHANGE IN GROUP EQUITY

SEK M	**2005 Jan-June**	2004 Jan-June	2004 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	**-159**	-50	-50
Dividend	**-50**		
Submitted Group contributions			-92
Tax effect on submitted Group contributions			26
Actuarial pension effects	**-22**		-13
Translation differences	**15**	1	-4
Net income for the period	**102**	86	168
Closing shareholders' equity	**594**	710	708

***Effect of new accounting principles at January 1, 2004**			
Effect of introduction of pension reporting (RR 29)		-15	-15

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

	2004 Jan 1	2004 June 30	2004 Dec 31
Shareholders' equity according to former accounting principles	688	695	694
Effect of goodwill no longer being amortized (IFRS 3)	-	15	29
Effect of goodwill impairment (IAS 36)	-	-	-2
Effect of introduction of pension reporting (RR 29)	-15	-	-
Actuarial pension effects (IAS 19)	-	-	-13
Adjusted shareholders' equity according to IFRS	673	710	708

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INDUTRADE GROUP'S CASH FLOW STATEMENT

	2005 Jan-June	2004 Jan-June	2004 Jan-Dec
Cash flow from current operations before change in working capital	**139**	121	251
Change in working capital	**-53**	-33	16
Cash flow from current operations	**86**	88	267
Net investment in fixed assets	**-16**	-16	-24
Company acquisitions and divestments	**-142**	-7	-14
Change in other financial fixed assets	**-7**	-3	2
Cash flow from investing	**-165**	-26	-36
Net borrowing	**343**	-	-157
Paid-out dividend, Group contribution and shareholder contribution	**-301**	-144	-144
Cash flow from financing	**42**	-144	-301
Cash flow during the period	**-37**	-82	-70
Cash and cash equivalents at beginning of period	**97**	168	168
Exchange-rate differences	**4**	1	-1
Cash and cash equivalents at end of period	**64**	87	97

ACQUISITION OF HANWEL

On June 27, 2005 the Dutch subsidiary Hitma B.V. acquired all of the shares in Hanwel B.V., a Dutch technology group. Hanwel's four companies are mainly active in the areas of flow technology, customer-specific ceramics and pipe systems. The companies' main markets are the process, chemical and energy industries. The acquisition is a natural progression in the further development of Indutrade's technology and market areas.

For the fiscal year ended June 30, 2005, the company's preliminary sales amounted to SEK 171 M, and EBITA of SEK 27 M was reported. The goodwill item was attributable to the healthy profitability of the company's acquired operations.

Hanwel has been included in the balance sheet reported at June 30, while the income statement will be consolidated as of July 1, 2005 (within the Special Products business area). Other intangible assets will be amortized over 10 years.

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Acquired assets in Hanwel B.V.,
preliminary acquisition calculation

SEK M

Purchase price and cash flow effects	
Purchase price	-134
Transaction costs	-2
Total acquisition cost	**-136**

Acquired assets	Book value	Adjustment to market value	Market value
Goodwill	38	42	80
Other intangible fixed assets		34	34
Tangible fixed assets	5	3	8
Inventories	26		26
Other current assets	31		31
Deferred tax liability	-	-10	-10
Other current liabilities	-29	-4	-33
Total net assets	**71**	**65**	**136**

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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	-100	**-**
Long-term interest-bearing liabilities	2,3,5	50	125	**175**
Long-term interest-free liabilities	5	-	24	**24**
Current interest-bearing liabilities		112	-	**112**
Interest-bearing liabilities to Group companies		92	-	**92**
Current interest-free liabilities		525	-	**525**
Total shareholders' equity and liabilities		1573	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 financial leasing no longer being booked as fixed assets and interest-bearing liabilities (RR 6:99)	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

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Note 5

Pension liability reclassified as long-term interest-bearing liabilities	76
Provisions for taxes and other provisions reclassified as long-term interest-bearing liabilities	24
	100

OPENING BALANCE, JAN 1, 2004 RECALCULATED ACCORDING TO IFRS

Consolidated balance sheet	Note	According to 2004 annual report	Adjustment according to IFRS	According to IFRS 2004
Intangible fixed assets		171	-	**171**
Tangible fixed assets	1	266	27	**293**
Other financial fixed assets	2	13	7	**20**
Inventories		567	-	**567**
Accounts receivable		422	-	**422**
Other current assets		58	-	**58**
Cash and cash equivalents		168	-	**168**
Total assets		1665	34	**1 699**
Shareholders' equity	3	688	-15	**673**
Provisions	4	97	-97	**-**
Long-term interest-bearing liabilities	1,2,4	225	107	**332**
Long-term interest-free liabilities	4	-	39	**39**
Current interest-bearing liabilities		94	-	**94**
Interest-bearing liabilities to Group companies		94	-	**94**
Current interest-free liabilities		467	-	**467**
Total shareholders' equity and liabilities		1665	34	**1 699**

Note 1

Effect of financial leasing no longer being booked as fixed assets and interest-bearing liabilities (RR 6:99)	27

Note 2

Effect of introduction of pension reporting (RR 29)	22
Deferred income tax asset attributable to introduction of pension reporting	7

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Note 3

Effect of introduction of pension reporting (RR 29)	-22
Deferred income tax asset attributable to introduction of pension reporting	7
	-15

Note 4

Pension liability reclassified as long-term interest-bearing liabilities	58
Provisions for taxes and other provisions reclassified as long-term interest-free liabilities	39
	97

DEFINITIONS

Return on operating capital	EBITA as a percentage of average operating capital
Gross margin	Income after variable and fixed product costs as a percentage of net sales for the period
EBITA	Operating income before amortization of intangible fixed assets
EBITA margin	EBITA as a percentage of net sales for the period
Intangible fixed assets	Such assets as goodwill, licenses, patents and trademarks.
Tangible fixed assets	Buildings, land, machinery and equipment
Net investments	Purchases minus sales of intangible and tangible fixed assets excluding items included in the acquisition and divestment of subsidiaries and operations.

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Net debt/equity ratio	Interest-bearing net indebtedness divided by shareholders' equity
Operating capital	Interest-bearing net indebtedness and shareholders' equity
Interest-bearing net indebtedness	Interest-bearing liabilities including pension liability minus cash and cash equivalents.
Equity/assets ratio	Shareholders' equity as a percentage of total assets